

COBURN ZIRCON PROJECT UPDATE

Gunson Resources Limited (Gunson) is pleased to advise the following progress on financing of the Coburn Zircon Project (Project), government approvals and engineering studies, along with comments on the market outlook for mineral sands products.

1. POSCO Investment Decision Process and Gunson Debt Financing – Continuing

The proposed investment by POSCO outlined in Gunson's releases of 23 November 2011 and 18 April 2012 respectively, continues to progress through POSCO's internal investment approvals process, with its final Board consideration on schedule for mid-August 2012. Gunson continues to work with POSCO to refine and finalise documentation and other arrangements for the proposed Project joint venture.

In parallel, Gunson continues to advance the process for securing a component of debt finance for its joint venture share of Project development costs.

2. Government Approvals – Received

On 11 July 2012, the Office of the Environmental Protection Authority (OEPA) advised its approval of the Groundwater Monitoring Management Plan, required prior to the commencement of mining (as opposed to construction).

Earlier in the same week, OEPA confirmed its agreement that construction on the Project had substantially commenced, in accordance with the development approval granted by the Western Australian Environment Minister in May 2006.

3. Engineering and Gas Transmission FEED Studies – Progressing

Gunson's engineering contractor, Sedgman Metals Engineering, is continuing its Front End Engineering Design (FEED)/Value Engineering study on the Project, aimed at providing a more definitive capital cost figure and construction schedule.

This study is on track for completion in mid-September 2012 and will encompass results from the evaluation and analysis of identified areas for potential cost savings. A reduction in the previously advised 85 week construction period is also likely.

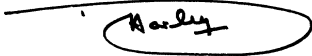
The gas transmission FEED study by DBP Services Co Pty Limited, aimed at providing a draft Gas Transmission Agreement to install, on a build, own, operate (transfer) basis the proposed 110km long lateral pipeline to the Project from the main Dampier to Bunbury natural gas pipeline, is on schedule for completion by the end of August 2012.

4. Mineral Sands Market – Zircon Prices Holding

In its 20 July 2012 Mineral Sands Report, leading industry market consultant TZMI observed that recent announcements by major producers indicate weaker sales volumes for pigment, titanium dioxide mineral feedstocks and zircon than what was forecast earlier in 2012.

However, zircon prices have remained above US\$2,000 per tonne *f.o.b.*, indicating considerable supply discipline by the three major producers, who have a combined market share of over 70%. The main cause of the lower sales volumes is weak demand from the world's largest consumer sector – the Chinese ceramic industry. Demand for tiles and sanitary ware has decreased as the government's credit tightening policy has particularly affected new residential building activity. As occurred in the early stages of the Global Financial Crisis in 2008, demand for zircon fell rapidly but recovered dramatically after the introduction of government stimulus measures.

Once the current restrictive Chinese government credit settings are eased, long-term zircon demand growth is expected to resume, with the ongoing urbanisation and growth of the middle class driving demand for higher quality ceramics, paints and other products requiring additional zircon and titanium dioxide mineral feedstocks. Coupled with supply side limitations, industry commentators such as Iluka, TZMI and Goldman Sachs note that tight mineral sands feedstock markets could return in 2013.



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ATTRIBUTION

The information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr D N Harley, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Harley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Harley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.