

28 November 2012

**COBURN ZIRCON PROJECT UPDATE:
OPERATING COST REVIEW AND POSCO JOINT VENTURE**

1. Review Results

Review of the Company's Coburn Zircon Project (Project) operating costs has been completed, resulting in a 6.3% reduction in the life of mine estimated annual average operating cost, from \$85.1 million to \$79.8 million. Over the 23 year mine life, this translates to an operating cost reduction of \$122 million.

In addition, rescheduling of the open pit mining sequence so that Pit B is started before Pit A (figure 1) results in a decrease of \$1.2 million in annual average mining costs in the first five years of the Project, related to the lower overburden to ore ratio in Pit B. This adjustment has a positive impact on the NPV and IRR of the Project and an important reason for the cost reduction is that the review has shown the cost of mining overburden is approximately 50% higher than that of ore, due to the longer push distance required with the dozer trap mining method.

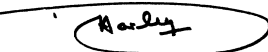
The Company is pleased with the results of the review but additional work is in progress to further increase the financial returns of the Project. The focus is now on pit optimisation, designed to reduce the volume of overburden and thus the overall mining cost. The pit optimisation study is scheduled for completion in February, 2013.

2. POSCO and the Korean Resource Investment Fund

Negotiations on the final terms of the Joint Venture Agreement (JVA) have continued, with Gunson and the two Korean parties reaching substantial agreement on the JVA wording. Final resolution of the JVA is expected during December 2012.

Importantly, the financing condition precedent in the draft JVA has been extended for completion at the end of March 2013, replacing the previous end 2012 deadline.

Due diligence for a debt facility covering part of Gunson's funding requirement is in progress.



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Attachment : Figure 1 Coburn Zircon Project – Infrastructure

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Gunson Resources Limited

Figure 1 COBURN ZIRCON PROJECT - INFRASTRUCTURE

