

QUARTERLY REPORT

FOR THE PERIOD ENDED 31 MARCH 2014



HIGHLIGHTS

- *Commenced capital raising to fund operations through FY2015.*
 - *Placed 17,647,061 shares at 1.7 cents per share to raise A\$300,000 before costs.*
 - *Announced non-renounceable rights offer of 1 new share for every 5 existing shares at an issue price of 1.7 cents per share to raise A\$928,455 before costs.*
 - *Rights offer partially underwritten (A\$100,000) by Managing Director.*
- *Received final EPA approval of increase to rates of mining/processing and estimated volume of tailings for first 2 years of Coburn Mineral Sands Project.*
- *Expect final mining permits for Coburn from DMP and DER soon; discussions on strategic partnering continuing.*

CORPORATE/FINANCIAL

The Company completed a private placement of 17,647,061 shares to sophisticated investors at A\$0.017 per share to raise A\$300,000 before costs. Contemporaneously, the Company announced that it is offering eligible shareholders the opportunity to acquire additional fully paid ordinary shares in the capital of the Company via a non-renounceable Entitlement Offer on the basis of one (1) New Share for every five (5) ordinary shares held on the record date of 24 April 2014. The Entitlement Offer is also priced at A\$0.017 per share and is intended to raise A\$928,455 before costs. It is partially underwritten to A\$100,000 by Mr. William Bloking, the Managing Director of the Company.

The combined proceeds of the placement and Entitlement Offer are to be used for working capital to sustain operations and maintain permits and tenements through to June 2015 whilst the Company searches for, and negotiates entry of, a strategic partner to assist with or take over development of the Coburn Mineral Sands Project in Western Australia and to support the activities of Torrens Mining Limited (parent company of Terrace Mining Pty Ltd) in its effort to establish the feasibility of producing copper, cobalt and silver metal from the MG14 and Windabout deposits at Mount Gunson.

COBURN MINERAL SANDS DEVELOPMENT PROJECT (100%), Western Australia

Permitting

The Company received final approval from the EPA for its application to increase the production rate for mining and processing, with a corresponding change to the estimated volume of tailings, for the first two years of the Project. These amendments to the proposal approved by the Environment Minister in May 2006 were accepted on the basis that they will not have a significant or detrimental impact on the originally approved Project Proposal.

The Company met with representatives of the Department of Mines and Petroleum and held discussions with the Department of Environment and Conservation to respond to final queries on its applications for mining permits. Based on these discussions as well as the receipt of final Project approval by the EPA, the Company believes that all approvals to commence mining operations will be in hand shortly.

Prior to commencement of mining operations, the Company must update its Radiation Management Plan – originally approved by the Department of Environment and Conservation in 2007 – in order to comply with the latest standards. The updated Plan will be filed with the Department of Mines and Petroleum shortly.

Project Funding/Strategic Partnering

During a visit to Tokyo in March, the Company presented the Project to the Japanese organization responsible for implementing Government policy on the importation of strategic commodities, as well as a number of potential Japanese investors and product off-takers. Whilst enthusiasm for upstream investment remains muted at present, there was very strong interest in the Company's suite of mineral sands products, particularly the titanium dioxide products. Samples of zircon, ilmenite, and HiTi have been forwarded to Japan for testing and discussions with interested parties are continuing.

The Company also notes a recent pick-up in interest from potential investors in China and Southeast Asia, and is following-up as and where appropriate.

MOUNT GUNSON COPPER EXPLORATION PROJECT – MG14 & WINDABOUT EXCISED AREA (100%), South Australia

During the quarter, Glencore subsidiary, Noranda Pacific Pty Ltd, formally waived its pre-emptive rights over the Excised Area and Terrace Mining Pty Ltd advised Gunson that it had completed its project due diligence. Gunson subsequently granted Terrace a 12-month option period to complete a Metallurgical Test Study and any other studies deemed necessary by Terrace to establish the feasibility of a process to economically extract copper, cobalt and silver metal from the host mineralization. Upon successful completion of the activities to be carried out during the option period, Terrace will have the right to earn a 51% participating interest in MG14 and Windabout by delivering a Bankable Feasibility Study within 18 months of the end of the option period and/or incurring project expenditure of \$2.5 million.

Gunson will receive a free carry from Terrace through the Bankable Feasibility Study and up to the point of a “Decision to Mine”, subject to a maximum expenditure limit of \$2.5 million.

On 13 March 2014, Terrace advised that it became a wholly owned subsidiary of newly formed, unlisted Torrens Mining Limited (Torrens). The purpose of the corporate restructuring was to provide a platform for the capitalisation and ultimate ASX listing of the minerals business interests held by Terrace, as an alternative to the conversion of Terrace to a public company.

Following very encouraging initial tests in which it achieved copper recoveries of 89+% from MG14 and Windabout ore samples using sodium cyanide leaching, Torrens has completed an initial site visit, developed a detailed plan for the upcoming Metallurgical Test Study, ordered equipment for the commencement of bench-top laboratory tests, and planned associated mineralogical and metallurgical studies with the Ian Wark Research Institute at the University of South Australia. If this confirmatory metallurgical test work is successful, it will be followed by a Prefeasibility Study which will include further process testing, review of all relevant technical and commercial data, and costed metallurgical and infrastructure engineering proposals.

MG14 has a JORC 2012-classified indicated resource of 1.62 million tonnes averaging 1.4% copper, 397 ppm cobalt and 14 g/t silver at 0.5% copper cut off. The larger Windabout deposit has a pre-2000 JORC indicated resource of 18.7 million tonnes averaging 1% copper, 500 ppm cobalt and 10 g/t silver at 0.5% copper cut off (see page 16 of the Company’s 2013 Annual Report).

MOUNT GUNSON COPPER EXPLORATION PROJECT (49%), South Australia

The Operator of the Mount Gunson Joint Venture, Glencore subsidiary Noranda Pacific Pty Ltd (**Noranda**), is continuing to hold farm-out discussions with interested parties. The Company is also assessing its options in the event that Noranda exercises its option to return its Project interest to Gunson.

FOWLERS BAY NICKEL EXPLORATION PROJECT (100%), South Australia

Preliminary farm-in discussions have commenced with two interested companies.

TENNANT CREEK GOLD-COPPER EXPLORATION PROJECT (100%), Northern Territory

As foreshadowed in the last Quarterly Report, Round 7 of the Geophysics and Drilling Collaboration program managed by the NT Geological Survey has recently opened and the Government is now seeking applications for co-funding of diamond drilling programs and regional geophysical surveys in areas where there is a paucity of geological information. The program provides funding of up to \$100,000 for accepted drilling operations.

The Company has submitted a drilling proposal comprised of two, 250 metre vertical diamond drill holes to test an East-North-East trending gravity-magnetic geophysical anomaly some 1.2 km long with an interpreted depth to top of 100m.

TENEMENT SCHEDULE

Coburn Mineral Sands Development Project (100%), Shark Bay District, Western Australia

- ELs 09/939, 09/940, 09/941, 09/1685.
- MLs 09/102, 09/103, 09/104, 09/105, 09/106, 09/111, 09/112.
- Ls 09/21, 09/43.

Mount Gunson Copper Exploration Project (49%), Woomera District, South Australia

- ELs 4460, 4725, 5108, 5333.

Mount Gunson Excised Area Copper Development Project (100%), Woomera District, South Australia

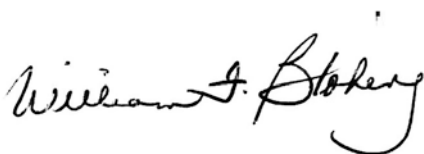
- Excised Area is a 38.5 square kilometre portion of EL 4460 that surrounds the old Mt Gunson mining centre and includes the unmined MG14 and Windabout deposits.

Fowlers Bay Nickel Exploration Project (100%), Ceduna District, South Australia

- EL 4440.

Tennant Creek Gold Exploration Project (100%), Tennant Creek District, Northern Territory.

- ELs 23946, 23949, 29553.



**WILLIAM F BLOKING FAICD
MANAGING DIRECTOR**

29 April 2014

Attachment

Appendix 5B

Further enquiries, please contact:

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ATTRIBUTION

COMPETENT PERSON STATEMENT

The technical information in this release that relates to exploration results and mineral resources is based on data compiled by Mr DN Harley, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Harley has sufficient experience relevant to the style of mineralisation and type of deposits 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 this release of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Gunson Resources Limited

ABN

32 090 603 642

Quarter ended ("current quarter")

31 March 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(222) - - (197)	(776) - - (821)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	30
1.5 Interest and other costs of finance paid	-	(46)
1.6 Income taxes paid	-	-
1.7 Other (R&D Tax Incentive for 2013)	-	771
Net Operating Cash Flows	(416)	(842)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - (1)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (Refund Coburn Performance Bonds)	-	1,214
Net investing cash flows	-	1,213
1.13 Total operating and investing cash flows (carried forward)	(416)	371

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(416)	371
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	(475)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	(475)
	Net increase (decrease) in cash held	(416)	(104)
1.20	Cash at beginning of quarter/year to date	591	279
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	175	175

Since 31 March 2014, the Company has completed a placement of 17,647,061 shares to sophisticated investors at \$0.017 per share to raise \$300,000 before costs. In addition to this, the Company on 16 April 2014 announced a pro-rata non-renounceable entitlement offer, on the basis of 1 New Share for every 5 existing shares held at an issue price of \$0.017 per share, for a maximum of 54,615,001 shares to raise \$928,455 before costs.

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	62
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payment of directors' fees and superannuation during the quarter of \$61,808.

As part of the ongoing process to minimise overheads and to prudently manage general and administrative costs, the Directors agreed to defer payment of their fees, effective from 1 February 2014, until such time as the Company has secured further funding.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	-
4.3 Production	-
4.4 Administration	110
Total	160

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	75	191
5.2 Deposits at call	100	400
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	175	591

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	N/A	N/A	N/A
6.2	Interests in mining tenements and petroleum tenements acquired or increased	N/A	N/A	N/A

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities			
	<i>(description)</i>			
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	255,427,944	255,427,944	
7.4	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs			
7.5	+Convertible debt securities			
	<i>(description)</i>			

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
		4,000,000		27 cents	30/11/2014
		1,600,000		29 cents	22/06/2015
		1,500,000		5 cents	8/11/2015
		1,000,000		6 cents	8/11/2015
		1,500,000		8 cents	8/11/2015
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
(Managing Director)

Date: 29 April 2014

Print name: Bill Bloking

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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