GUNSON RESOURCES LIMITED

ABN 32 090 603 642

ASX RELEASE

8th August 2011

COBURN ZIRCON PROJECT UPDATE -
FORECAST PRICE RISES FURTHER ENHANCE PROJECT ECONOMICS

HIGHLIGHTS

- ***Updated product prices outweighing the effect of increased cost estimates lead to a further rise in the projected financial returns from the Project***
- ***Estimated capital and operating costs have been increased to conservatively reflect a recent engineering cost review, the proposed Federal Government carbon tax and reduction in the diesel fuel rebate, and other changes suggested during due diligence by potential strategic investors and banks.***
- ***Estimated project NPV (8%) is now $300m and the IRR is 35% on a pre-tax and pre-funding basis.***
- ***There remains significant value upside from the Project's substantial resource base.***
- ***Proposals from some potential strategic investors have been received, with further proposals from companies currently finalising their due diligence expected by the end of August, 2011.***

1. UPDATED PROJECT CASH FLOW MODELLING

Further improvement in the market for mineral sand commodities reflected in the price rises for the second half of 2011 negotiated by industry leader Iluka Resources Limited has increased the predicted financial returns of the Coburn Zircon Project, despite the rising energy and other costs now incorporated in the Project financial model. In the current environment, this is a very gratifying outcome.

Updated price forecasts by respected global mineral sands marketing consultancy TZMI received at the end of July 2011, were used to revise the previously announced estimates of Project financial returns on 28th April 2011. The new estimates incorporate the following revisions to assumptions since the April 2011 update:

a) ***Increased Capital Cost*:** Estimated capital costs have been increased by 6% from the January 2010 Definitive Feasibility Study (DFS) estimate, reflecting a recent capital cost review by the Company's engineers, Sedgmans, as outlined in the release of 20th May 2011.

b) ***Increased Fuel Cost:*** Estimated diesel fuel costs have been further increased to conservatively reflect the proposed 6.2 cents per litre reduction in the Federal Government's diesel fuel rebate announced on 10th July 2011.

c) ***Increased Power Costs:*** Estimated power costs have been conservatively increased to reflect the effect of the proposed new Carbon Tax on the price of natural gas to be used for power generation.

d) ***Product price increases:*** Estimated zircon and titanium mineral product prices have been increased in line with recently updated forecasts by TZMI, which reflect continued tightening in the mineral sand commodities markets. It is noted that the forecast price changes only relate to the period up to 2015, with long term forecasts remaining unchanged at US$1715 *f.o.b* for zircon and $US 1000 *f.o.b* for rutile from 2016 in real 2010 dollars.

2. COMPARATIVE TABLE

A comparative table between the April and August 2011 financial analyses is shown below:

	August 2011*	**April 2011***
Total Revenue	2,625	2,401
Total Operating Costs	1,588	1,318
Net Operating Margin	1,038	1,083
Capital Cost	180	169
IRR before tax/financing	35%	32%
NPV (8%)	300	301
Exchange Rate ($US to $A)	1.00	1.00

* *Figures in millions of Australian dollars, except the IRR and exchange rate*

In both cases, the above returns were calculated at a 2.5% State royalty and 8% discount rate. At the prevailing State royalty of 5%, which is the same rate as that levied on heavy mineral ***concentrates***, the August 2011 NPV and IRR are $A272 million and 33% respectively. As stated in the Company's release on 11th January 2011, there is a strong case for a royalty reduction on ***finished mineral sand products*** in Western Australia, to reflect the Government's policy of encouraging downstream processing in the state.

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