



GUNSON RESOURCES LIMITED

'COMPANY INTERVIEW'-MARKET PROFESSIONALS

Gunson Resources Limited

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TITLE: "Company Interview. 2014 Operations & Market Outlook"

Highlights:

- **Summarises strategic direction including developing Coburn.**
- **Explains focus in 3 months as Managing Director.**
- **Achievements in 2012/2013.**
- **Provides update on markets for products.**
- **Explains funding strategy.**
- **Rationalising assets.**
- **Objectives for Gunson for 2014.**
- **Explains how will add value for shareholders.**

Record of interview:

Company Interview question:

Gunson Resources Limited (ASX code: GUN, market capitalization of ~\$6 million) has as its major project, the Coburn Mineral Sands Project (100%). You have now been Managing Director for 3 months. How would you summarise the strategic direction for the Company?

Managing Director, Bill Bloking

The Coburn Mineral Sands Project is construction ready and is clearly the Company's best near term opportunity to create shareholder wealth. Accordingly, the central platform of our strategy is to deliver the greatest possible financial benefit to shareholders from Coburn in the shortest possible time.

We have been reviewing the range of options available to us, however the capital requirement to bring Coburn into production – currently estimated at about US\$200 million – is too big for a company with a market capitalisation of \$6 million to fund on its own. As a consequence, we have commenced a search for a suitable strategic partner who wants to earn a significant interest in the project on appropriate financial terms.

We also have a number of other projects, including the Mount Gunson Copper Project, the Fowler's Bay Nickel Project, and the Tennant Creek Gold-Copper Project. Given our need to focus on the Coburn development, we intend to reduce our working interests in these Projects – preferably through farm-outs, but we will also consider complete divestments. Whilst we are going through this process, we will limit spending on these Projects to those activities which have the potential to add value to the assets in the very near term.

And, finally, we need to continue to minimize overheads and to prudently manage general and administrative costs. We have reduced staffing costs significantly whilst maintaining access to core technical and management skills, and have cut travel and other costs to a minimum. We continue to spend money on Coburn where it is necessary to do so in order to keep the Project moving ahead – mining approvals and our environmental management plan for the Hamelin Skink being two good examples – but we have deferred detailed work on value enhancement and production efficiency initiatives until significant commercial progress is made to advance the Project.

Company Interview question:

What has been your focus in the 3 months as Managing Director?

Managing Director, Bill Bloking

First, it was critical to gain an understanding of the asset base, our organizational strengths and weaknesses, and our future financial commitments. We subsequently spent time as a Board and management team assessing our strategic options and mapping out a way forward to achieve our corporate objectives.

I firmly believe the Company's assets are worth more than the value currently being ascribed to them by the market. I also believe that we have the core skills and competencies in place to deliver on our strategy to monetize these assets.

And now that we know where we want to go, we're moving into implementation mode.

Company Interview question:

What have been the achievements for the Company in 2012/13?

Managing Director, Bill Bloking

The past year has been a very challenging one for the Company – with some major disappointments but also with some significant achievements.

The Coburn Mineral Sands Project remains technically and economically robust, and has been advanced to the point of construction readiness. The FEED and Optimization Studies that were completed in 2012 and 2013 have resulted in significant improvements in production acceleration, plant utilization, and overall Project economics. And, the condition precedent period in the chloride ilmenite off-take agreement that we have with DuPont has been extended until June 2014.

The precipitous decline in zircon prices from about US\$2600 per tonne to about US\$1250 per tonne over a period of just a few months resulted in a major loss of commercial momentum, while the termination of joint venture discussions with POSCO was a bitter disappointment. These two events triggered a comprehensive review of the Company's strategy, which has resulted in the forward plan that I've just mentioned.

Company Interview question:

You have recently spoken about the improving markets for zircon, which will provide around an estimated 65% of revenue. Can you give an update? What about markets for Coburn's other intended products?

Managing Director, Bill Bloking

The markets for zircon and titanium dioxide products remain quite challenging. Whereas we saw some promising signs emerging from a general restocking process during the second quarter of 2013, these have given way to poorer demand conditions and weaker prices during the third quarter. And, whilst some were expecting a significant recovery in late 2013 or the first half of 2014, I think most industry players now believe that recovery is more likely during the second half of 2014.

That said, we need to bear in mind that the Coburn Project will be producing zircon and titanium dioxide products for about 20 years, and life cycle project economics will depend much more on long term supply and demand fundamentals than short term events. And, with massive urbanization in China still on the horizon – and strong economic growth improving living standards throughout Southeast Asia and India – I remain quite optimistic about the long term prospects for the products that Coburn will produce.

Company Interview question:

Further on funding, can you report anything on that topic in addition to possibly bringing in a strategic partner? How would you describe the state of debt and equity markets for potential emerging producers such as Gunson?

Managing Director, Bill Bloking

As we all know, debt and equity markets remain very challenging, particularly for mineral exploration companies like Gunson. And, with the Company's share price and market capitalization where they are, we simply do not presently have the equity raising capacity necessary to make a difference in terms of a Coburn development. Therefore, we are focusing our efforts on trying to find a partner who is prepared to take a significant or even majority interest in the Project and make a commensurate contribution to back costs. Having a significantly lower working interest in the Project, as well as cash from a partial recovery of back Project costs and/or other asset sales, should open up a number of options for Gunson.

Company Interview question:

You have spoken about potentially rationalizing the asset base including bringing in strategic partners. Can you update that situation on rationalizing assets?

Managing Director, Bill Bloking

We have recently appointed Miro Advisors to assist us in finding a strategic partner for Coburn and to assist us with farm-outs and/or divestments of our other assets. We have had

some preliminary discussions on the Coburn and Mount Gunson Projects, but these discussions are at a very early stage so it simply is not possible to say where they will lead – if anywhere. We have not yet commenced discussions on the Fowler’s Bay or Tennant Creek Projects pending consideration of modest, near term work programs that have the potential to enhance the value of these assets. We will, of course, keep the market advised of any material developments in this area.

Company Interview question:

What are your specific main objectives for the Company going into 2014?

Managing Director, Bill Bloking

The key Company objective is to commercialize the Coburn Mineral Sands Project in a manner that generates a positive financial outcome for shareholders, and we are actively seeking a strategic partner to share the risks, the financial obligations – and, of course, the rewards – of a Coburn development. The Company’s other projects are being assessed for the potential to add shareholder value in the very near term, and we will seek to either undertake programs to enhance value or farm-out or divest those assets as appropriate. I will also continue to actively promote the value proposition inherent within the Company’s shares to potential investors, and to prudently manage controllable costs. And finally, we will evaluate potentially value-accretive M&A opportunities if and as they arise.

Company Interview question:

In summary, how do you believe that advancing the Coburn Mineral Sands Project can add value for shareholders?

Managing Director, Bill Bloking

The Coburn Mineral Sands Project is economically robust. Using the detailed engineering cost estimate that we developed in August 2012 – at the peak of the mining boom – as well as TZMI’s August 2013 price forecasts for zircon and titanium dioxide products, the Project has a pre-tax net present value of US\$208 million using an 8 percent discount rate – and a pre-tax internal rate of return of 19.5 percent.

Although we haven’t reworked the detailed cost estimate to reflect current market conditions, anecdotal information suggests that market rates and equipment costs have softened significantly over the past several months. Capturing meaningful capital cost savings would clearly add considerable upside to the business case for Coburn, so that’s an area that we’ll be putting further effort into.

Coburn also has all of the permits necessary to commence mine construction, and is therefore ready to proceed once financing is secured. This is a substantial advantage – we have mitigated the risk of significant delays in the permitting process.

Whilst the concentration of heavy minerals in the ore body is relatively low by industry standards, Coburn’s heavy mineral assemblage contains a large proportion of high value zircon and negligible slimes, adding significantly to the value of the Project. The final products are of high quality and low radioactivity, with low levels of impurities and standard grain sizes.

In summary, the Coburn Project has been substantially de-risked. There is very low geopolitical risk given our Australian location, and there is very low land access risk given

that most of the resource is situated on a Company-owned pastoral lease. Technical risks are low due to the broad, homogeneous ore body of free flowing sands, negligible slimes and oversize, and low levels of “trash” heavy minerals that have little or no commercial value. Moreover, the extensive engineering that has gone into the Project means that there is a high level of technical definition and a lower risk of cost and schedule overruns. And finally, the Project has transport accessibility to Geraldton, an established mineral sands port.

Company Interview:

Thank you Bill.

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