

QUARTERLY REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2014



HIGHLIGHTS

- *Completed acquisition of Strandline Resources Pty Ltd and its mineral sands exploration assets in Tanzania for 166.67 million shares at 1.5 cents per share (\$2.5M).*
- *Completed private placement of 146.67 million shares at 1.5 cents per share to raise \$2.2 million (before costs).*
- *Announced a Share Purchase Program (SPP) of up to 66,666,668 shares at 1.5 cents per share to raise \$1 million (before costs) from existing shareholders.*
- *Farmed-out Fowlers Bay Nickel Project to Western Areas Ltd on favourable terms.*
- *Torrens Mining has commenced Advanced Scoping Study on Mount Gunson MG14/Windabout Copper Project.*

CORPORATE/FINANCIAL

On 11 September 2014, Gunson Resources Limited (“**Gunson**” or “**Company**”) announced that it had agreed to acquire 100% of the shares in mineral sands-focused Strandline Resources Pty Ltd (“**Strandline**”) in an all-scrip transaction. Shareholder approval for the transaction was received at a General Meeting of Gunson shareholders held in Perth on 20 October 2014 and the transaction was formally completed on 23 October 2014.

Strandline’s assets consist of 100% working interests in 16 granted mineral sands exploration tenements, covering more than 2000 square kilometres along the under-explored coast of Tanzania, and 1 exploration application covering another 19 square kilometres of land along the same coastline.

As a consequence of the acquisition, Gunson now has a substantial mineral sands portfolio, including its “construction ready” project at Coburn in Western Australia and a highly prospective exploration position along the east coast of Africa, complemented by its Mount Gunson Copper and Fowlers Bay Nickel Projects in South Australia – both of which are also poised to add significant value to the Company.

Following is a summary of the outcomes arising from the acquisition of Strandline:

- Gunson has issued 166.67 million ordinary shares in the capital of the Company to Strandline shareholders. With a deemed issue price of 1.5 cents for each share issued to Strandline shareholders, the consideration payable by Gunson was \$2.5 million.
- The Company will enter into appropriate employment arrangements with the management of Strandline to ensure ongoing access to critical technical, management, and governance skills.
- Mr. Mike Folwell, former Managing Director of Iluka Resources, and Mr. Didier Murcia AM, a commercial lawyer with many years of experience in the mining sector and also the Honorary Consul of the Republic of Tanzania, have joined the Board of the Company as Non-Executive Directors, replacing Mr. David Craig and Mr. Garret Dixon who have retired from the Board. Mr. Folwell has been appointed as Chairman.
- Mr. Bill Bloking will remain on the Board of the Company as a Non-Executive Director but has stepped down from the role of Managing Director and has been replaced in that role by Mr. Richard Hill. Mr. Hill is qualified as a geologist and solicitor with more than 19 years of practical experience as a mine-based and exploration geologist in a range of commodities for several major and mid-cap Australian mining companies.
- Other members of the management team of Strandline who will be employed by Gunson include: Dr. Mark Alvin, a Consultant Geologist with 20 years of experience in mine and exploration geology and a proven track record for discovery of Tier 1 Mineral Sands projects in Africa; Mr. Brendan Cummins, a Consultant Geologist with over 20 years of experience in mine and exploration geology within Australia, Africa, South America and China; and Mr. Asimwe Kabunga, a specialist in logistics, land access and acquisitions in Tanzania.
- Gunson has issued 146.67 million ordinary shares to sophisticated investors at an issue price of 1.5 cents per share ("**Placement**"), a discount of 17% to the 30 day VWAP at the time the Strandline transaction was announced, in order to raise up to \$2.2 million (before costs).

The Company has also announced its intention to offer existing shareholders in Australia and New Zealand the right to participate in a Share Purchase Plan ("**SPP**"), which is targeting to raise approximately \$1 million (before costs) via the issue of up to 66,666,668 ordinary shares. Under the SPP, eligible shareholders will be able to purchase up to \$15,000 worth of new shares in the Company at an issue price of 1.5 cents (the same issue price as the Placement).

Funds raised pursuant to the Placement and the SPP are to be used for:

- drilling and other exploration activities on the Tanzanian tenements;
- resource estimation and metallurgical work on the Tanzanian tenements;
- progressing activities related to securing a strategic partner for the development of the Coburn Minerals Sands Project;
- further exploration activities on the Company's copper, nickel, and gold projects in South Australia and the Northern Territory; and
- working capital purposes.

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

Project Funding/Strategic Partnering

The Company has maintained its focus on securing a strategic partner to take a majority interest in the Project, with improving conditions in the mineral sands sector seemingly stimulating interest.

The Company has two active advisory mandates in place – one targeting potential investors in North Asia and the other targeting investors in the Middle East – and is following up on the leads that have been developed as appropriate.

Tenements

The Company received one-year extensions to June 2015 of Exploration Licenses EL09/939 and EL09/940 from the WA Department of Mines and Petroleum. The renewals carry exploration expenditure commitments and the licenses are subject to forfeiture if the exploration spending commitment is not satisfied by June 2015.

The Company relinquished Exploration License EL 09/941 given that exploration and mining activities are prohibited on more than 95% of the license area due to overlap with the Shark Bay World Heritage Property and conservation offset areas, and the remaining 5% was not considered prospective for valuable minerals. Relinquishment has resulted in ongoing savings of approximately \$38,000 per year in annual license rental payments to the State and rates to the Shark Bay Shire Council.

Further, the Company actively sought a reduction in the annual rates it pays to the Shark Bay Shire Council in respect of its mining and exploration licenses, given that it has not yet commenced mining operations. A rate reduction of \$52,000 per annum was granted.

MOUNT GUNSON COPPER EXPLORATION PROJECT (100%), South Australia

The Mount Gunson Copper Project is located about 100 kilometres south of the world class Olympic Dam copper-uranium-gold mine in South Australia, and is in the centre of the best endowed copper belt in Australia. It encompasses four contiguous Exploration Licenses (ELs) and covers an area of almost 1,000 square kilometres.

As indicated in the previous Quarterly Report, the Operator of the Mount Gunson Joint Venture, Glencore subsidiary Noranda Pacific Pty Ltd, withdrew from the Project in August 2014 and has transferred its interest back to the Company. Formal Ministerial Consent to the withdrawal was received on 2 October 2014 and the Company now holds a 100% interest in the Project.

The Company is currently negotiating an extension of its Amalgamated Expenditure Arrangement with the South Australian Department of State Development (SADSD). This arrangement will define the Company's expenditure obligations for exploration and development activities over the next two years.

The Company is assessing its options for the acreage, including the possibility of negotiating an expansion of the commercial arrangement with Torrens Mining Ltd (“**Torrens**”) (discussed below) to include access to the Emmie Bluff Inferred Resource as well as other exploration rights within the Stuart Shelf cover sequence, thus providing growth prospects for the MG14/Windabout Copper-Cobalt-Silver Development Project. Farm-out of the underlying Gawler Craton Basement to a third party is also being considered given that Basement exploration is generally targeted at Olympic Dam-style iron oxide associated copper-gold mineralization and is unlikely to fit within the scope of the arrangement with Torrens.

MOUNT GUNSON MG14/WINDABOUT Cu-Co-Ag DEVELOPMENT PROJECT (100%), South Australia

The MG14/Windabout Copper-Cobalt-Silver Development Project is a part of the Mount Gunson Copper Exploration Project and sits entirely within Exploration License EL4460.

The MG14 deposit 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.

Torrens has the right to earn a 51% interest in the Mount Gunson MG14/Windabout Project by completing, at its sole cost, all tests and studies deemed necessary to determine the viability of a process to economically extract copper, cobalt, and silver from the MG14 and Windabout deposits, and delivering a Bankable Feasibility Study. All activities, costs, and risks – through and including the Bankable Feasibility Study and up to the point of a decision to mine – will be for the sole account of Torrens, subject to a maximum cumulative expenditure of \$2.5 million.

Torrens will earn its 51% participating interest upon delivery of the Bankable Feasibility Study or the cumulative expenditure of \$2.5 million, whichever occurs first. In the event that Torrens’s total expenditure is less than \$2.5 million at the time of earning its 51% participating interest, Torrens will continue to carry all project development expenditure until it has expended a total of \$2.5 million. From that point onward, Torrens and Gunson will fund project costs in accordance with their respective participating interests.

As reported to the ASX on 12 August 2014, Torrens has now completed its initial Scoping Study into the commercial production of copper, cobalt, and silver from the MG14 and Windabout deposits. As part of this Study, Torrens conducted a series of metallurgical tests designed to confirm the viability of using a sodium cyanide leaching process, developed by American Cyanamid in the 1960s, to economically extract copper from these shale-hosted deposits and to demonstrate that the majority of the sodium cyanide could be recycled. These bench top laboratory tests successfully demonstrated:

- copper recoveries of 80 to 85%, with upside potential of 90+% based on the cyanide-soluble copper remaining in the leach residue; and
- sodium cyanide regeneration in excess of 80%.

These results are significantly better than those achieved during a test program conducted in 2010 using conventional sulphide flotation, in which copper recoveries ranged between 54% and 68%.

Although still subject to completion of further studies, these "proof of concept" results are critically important because they suggest that copper can be economically leached from both the MG14 and Windabout deposits.

In 2010, test work carried out by Gunson confirmed that the cobalt bearing mineral, carrollite, floats efficiently, with cobalt recoveries of more than 90% into concentrate being recorded. It is expected that hydro-classification will assist in the beneficiation of the cobalt.

Metallurgical evidence to date suggests that the silver in the deposits occurs locked in sulphide mineral lattices and may be recoverable in commercial quantities along with the cobalt in sulphide concentrate.

Following on from this very encouraging work, Torrens has raised additional private equity and has committed to further metallurgical test work that, together with other studies, will result in an Advanced Scoping Study.

The Advanced Scoping Study will include process design work and the estimation of capital and operating costs. It will also include examination of potential refinements to the leaching process in order to maximize copper recovery, including a closer examination of the effects of temperature and grind size on recoveries, as well as optimization of the cyanide recovery system and further examination of cobalt and silver flotation. This phase of the work is likely to be completed during the first quarter of 2015.

Parallel activities aimed at early production are planned by Torrens, including commencement of the permitting process, resource re-evaluation and modelling to upgrade the current JORC-compliant classifications of the Mount Gunson Indicated Resources, mine planning studies, ongoing economic modelling, plant and tailings storage facility design, infrastructure planning, and other related works.

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

As announced on 9 October 2014, the Company entered into a farm-in agreement with Western Areas Ltd ("**Western Areas**") under which Western Areas will become Operator of the Project and earn a participating interest of up to 90% by sole funding a \$1.2 million exploration program in two stages over a period of 4 years.

The key terms of the Farm-in Agreement are:

- Western Areas will become Project Operator.
- Western Areas will spend \$800k on agreed exploration activities over 2.5 years (Term 1) to earn a 75% participating interest in the Project.

- Following Term 1, Western Areas can declare a 75%/25% Joint Venture (“JV”) or elect to earn a further 15% interest by spending \$400k over the next 18 months (Term 2).
- Following Term 2, a 90% Western Areas/10% Gunson JV will be formed.
- Gunson will be “free-carried” until a JV is declared, following which it can pay its share of JV costs, dilute its interest, or convert its interest into a 1% gross royalty.

The Farm-In Agreement is subject to government approvals.

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

As noted in the previous Quarterly Report, the Northern Territory Government, through the Geological Survey, awarded co-funding of \$49,390 to the Company for a modest drilling program on its Gosse 5 Exploration License. The co-funding was awarded under the Geophysics and Drilling Collaborations Program, part of the NT Government's CORE (Creating Opportunities for Resource Exploration) initiative which provides co-funding assistance to successful applicants for selected exploration drilling and geophysical acquisition projects in greenfield areas having only limited geological information.

As a consequence of budgetary constraints, the Company decided not to proceed with the drilling program at this time, and consequently released the Northern Territory Government co-funding award so that the funds could be deployed elsewhere.

TENEMENT SCHEDULE

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

- ELs 09/939, 09/940, 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 (100%), Woomera District, South Australia

- ELs 4460, 4725, 5108, 5333

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

Tanzania Mineral Sands Exploration Projects (100%), Republic of Tanzania

- PLs 7588/2012, 9332/2013, 9427/2013, 9976/2014, 8134/2012, 8196/2012, 8185/2012, 9971/2014, 8197/2012, 9972/2014, 9977/2014, 7940/2012, 9980/2014, 9969/2014, 9970/2014, 9978/2014



**WILLIAM F BLOKING FAICD
MANAGING DIRECTOR**

24 October 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 2012 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")

30 September 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 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	(182) - - (131)	(182) - - (131)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	5
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(308)	(308)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
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	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(308)	(308)

+ 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)	(308)	(308)
	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	-	-
1.18	Dividends paid	-	-
1.19	Other (Share issue costs)	(2)	(2)
	Net financing cash flows	(2)	(2)
	Net increase (decrease) in cash held	(310)	(310)
1.20	Cash at beginning of quarter/year to date	557	557
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	247	247

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	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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 sufficient 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.

- 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

On 17 February 2014 the Company announced that it had granted Terrace Mining Pty Ltd a 12 month option period to complete studies deemed necessary to establish the feasibility of a process to economically extract copper, cobalt and silver metal from the host mineralization in the MG14 and Windabout deposits at Mount Gunson. Upon successful completion of these activities, 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.

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	430
4.2 Development	-
4.3 Production	-
4.4 Administration	550
Total	980

Note: EGM held on 20 October 2014, which approved the issue of shares to raise up to \$2.2m.

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	247	107
5.2 Deposits at call	-	450
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	247	557

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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	EL 09/941	The Company allowed the tenement to lapse given that exploration and mining activities were prohibited on more than 95% of the area due to overlap with the Shark Bay World Heritage Property and conservation offsets, and the remaining 5% had low prospectivity.	100%	0%
6.2	Interests in mining tenements and petroleum tenements acquired or increased	EL 4460 EL 4725 EL 5108 EL 5333	Noranda Pacific withdrew from the Mount Gunson Copper Project Joint Venture with effect from 14 August 2014. Ministerial Consent was subsequently received 2 October 2014.	49%	100%

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	293,551,793	293,551,793	
7.4	Changes during quarter			
	(a) Increases through issues	2,000,000	2,000,000	1.7 cents
	(b) Decreases through returns of capital, buy-backs			1.7 cents

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	4,000,000		<i>Exercise price</i> 27 cents	<i>Expiry date</i> 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 <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

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: 24 October 2014

Print name: William F. Bloking

+ See chapter 19 for defined terms.

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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