Gondwana

RESOURCES LIMITED

ACN 008 915 311

Annual Report

Year ended 31 December 2009

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Options - GDAOC (2010 series), GDAO (2011 series)

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CHAIRMAN'S REPORT

Dear Shareholder

The last two financial years have no doubt been the busiest in the history of the Company, with almost $3.9 million expended over the two year period building new gold resources at Parker Range and generating new gold, nickel, uranium targets across Western Australia.

Some of the most significant exploration achievements during the 2009 year were -

- Feasibility studies progressed for the *Buffalo Gold Project*, where the Company has recently announced gold resources for Buffalo and Spring Hill totalling 51,150 ounces
- Major aeromagnetic survey and rock-chip sampling programmes were successfully completed over the *Corunna Downs Iron Prospect*, where a large magnetite occurrence has been outlined with encouraging surface grades
- An aeromagnetic survey was flown over the *Gobbo's Molybdenum Prospect*, Nullagine; this survey measured a remnant magnetic response over Gobbo's, but was extended to the east and discovered an oval shaped magnetic anomaly called the *Cyclops Nickel Prospect*, to be followed up by airborne electro-magnetic survey in April
- An airborne electro-magnetic survey was successfully completed over mining leases at Parker Range. Raw data shows many targets including a deep basement conductor called the *Lindsay's Nickel Prospect,* south east of Marvel Loch
- A new uranium outcrop has been discovered by rock-chip sampling at *Red Rock Bore Uranium Prospect*, Gascoyne. This target was selected from regional airborne radiometric data and a detailed airborne radiometric survey has now been flown outlining a second target
- The Company's 20% interest in the Mt Caudan Iron Joint Venture was sold to Cazaly Resources Limited during the year
- Exploration drilling at Parker Range has increased the prospectivity of the Centenary, Zeus, Rokeby and White Horseshoe gold prospects, which it is hoped may add feed to the Buffalo Gold Project in the future

The Company expects to shortly complete its prefeasibility study at Buffalo with a view to toll treatment or heap leaching. If a profitable operation can be established at Buffalo while gold prices are at such attractive levels, this could fund the Company's considerable exploration programmes elsewhere.

The Company will shortly issue a Prospectus for an Entitlement Offer (as foreshadowed in our last Annual Report and announced in a recent ASX release), which is intended to fund the ongoing feasibility studies at Buffalo and exploration of the Company's new and highly promising suite of Nickel, Iron, Gold and Uranium exploration prospects.

The quality of the Company's exploration assets, in the opinion of the Directors, has continued to develop strongly through the work of the Company's excellent team of geologists and specialists led by Exploration Manager, Grant Donnes, and supported by Dave Hollingsworth, Syd Morete, Ian Ladyman and Jasmin Rothery, who have achieved a great deal of exploration success in the last twelve months.

Yours sincerely

Warren Beckwith
Chairman
31 March 2010

REVIEW OF OPERATIONS

PROJECT LOCATIONS

Gondwana's extensive tenement holdings cover 3,160 km² across 3 regions within Western Australia (*see figure 1*).

- The Parker Range Gold Project is south of Marvel Loch and is the principal focus of the Company, containing numerous historic gold mines and exploration tenure over 510 km².
- The East Pilbara Project is south of Marble Bar and contains tenements prospective for Iron, Base Metals, Nickel and Gold covering 1,350 km².
- The Gascoyne Project is south of Onslow and contains tenements prospective for Uranium, Nickel and Base Metals covering 1,300 km².

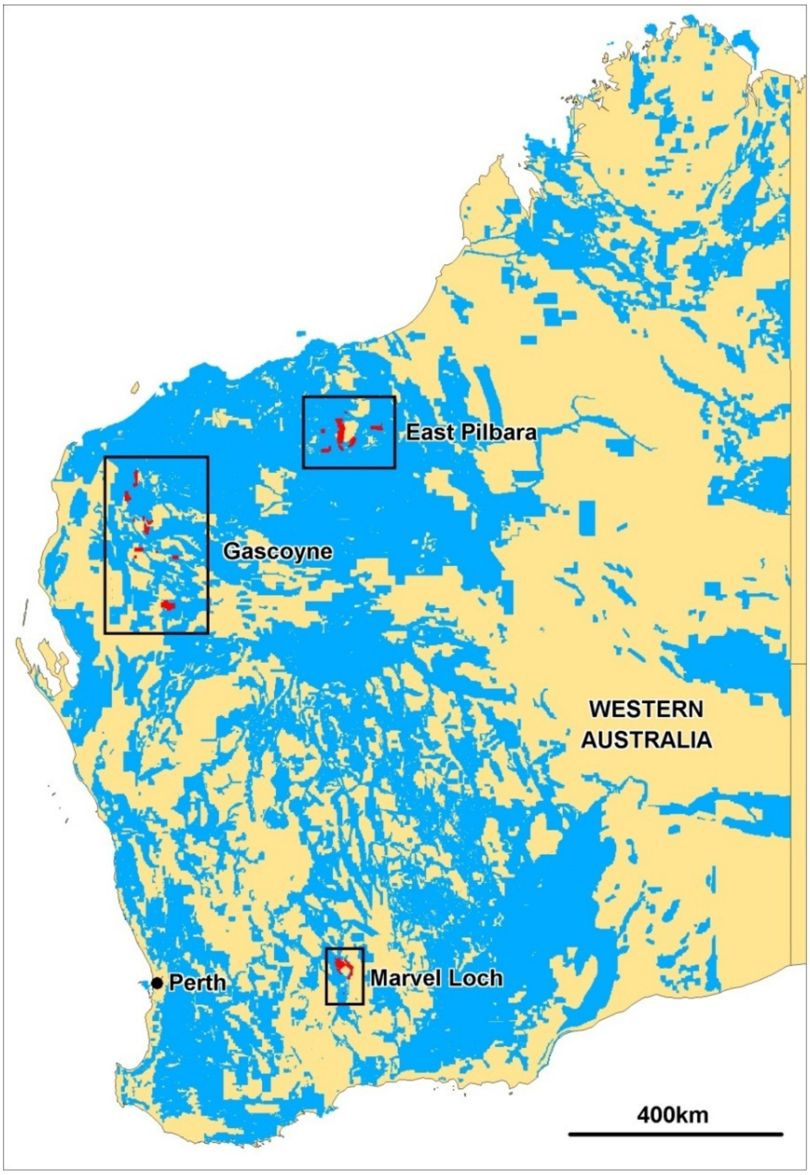


Figure 1: Gondwana's project areas in Western Australia covering over 3000 km² of tenure

MARVEL LOCH

Gondwana holds interests in a large portfolio of prospective tenements located in the Southern Cross Greenstone Belt immediately south of St Barbara's Marvel Loch Gold Operations and 80km north of Western Areas Forrestania Nickel Operations.

The Southern Cross area is a well recognised regional mining centre offering excellent established infrastructure and a long gold mining tradition. Past production and current resources in the region exceed 12Mozs of gold and 1,100,000t of nickel.

REVIEW OF OPERATIONS (continued)

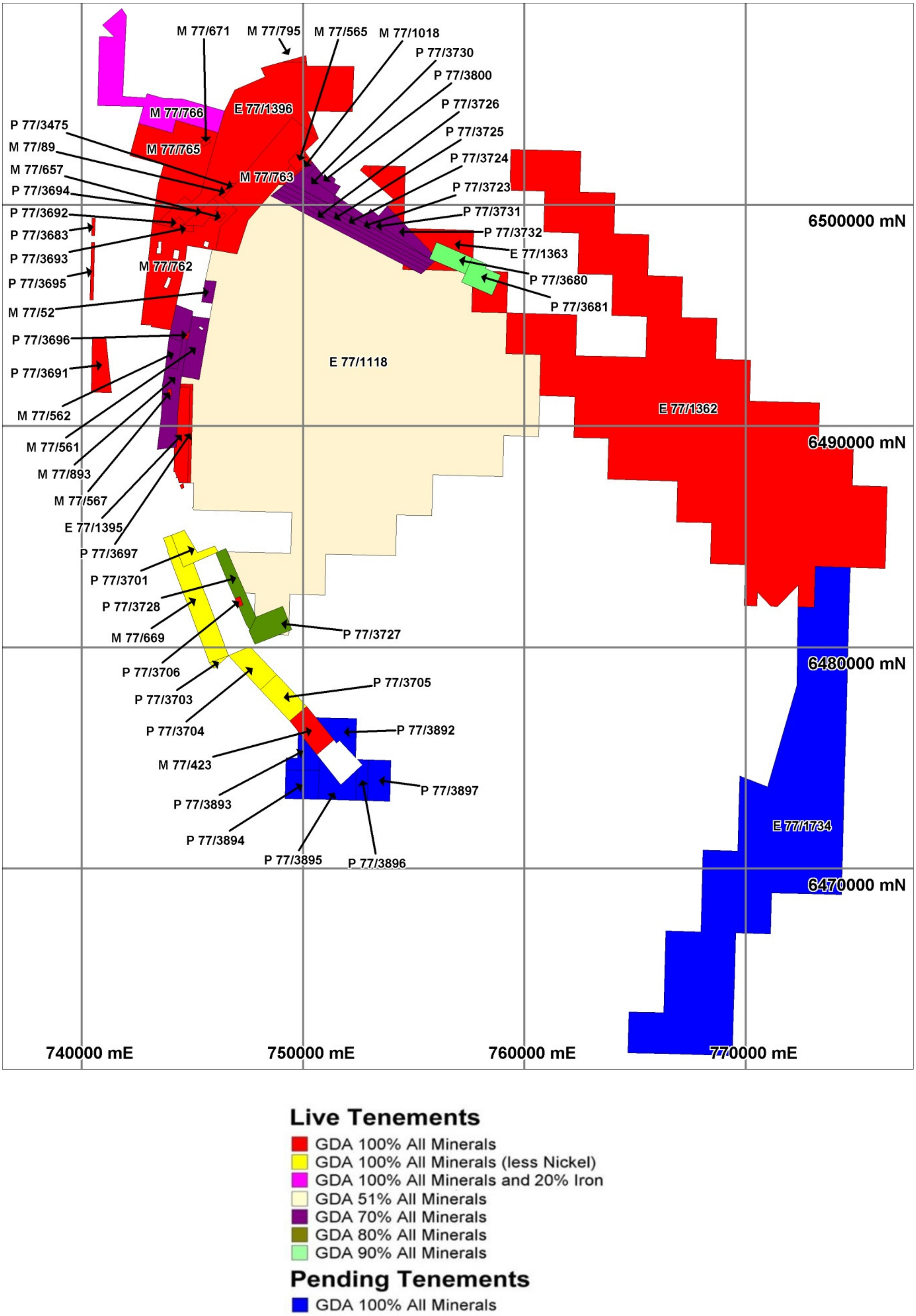


Figure 2: Location Map showing Parker Range, Marvel Loch tenements and ownership

REVIEW OF OPERATIONS (continued)

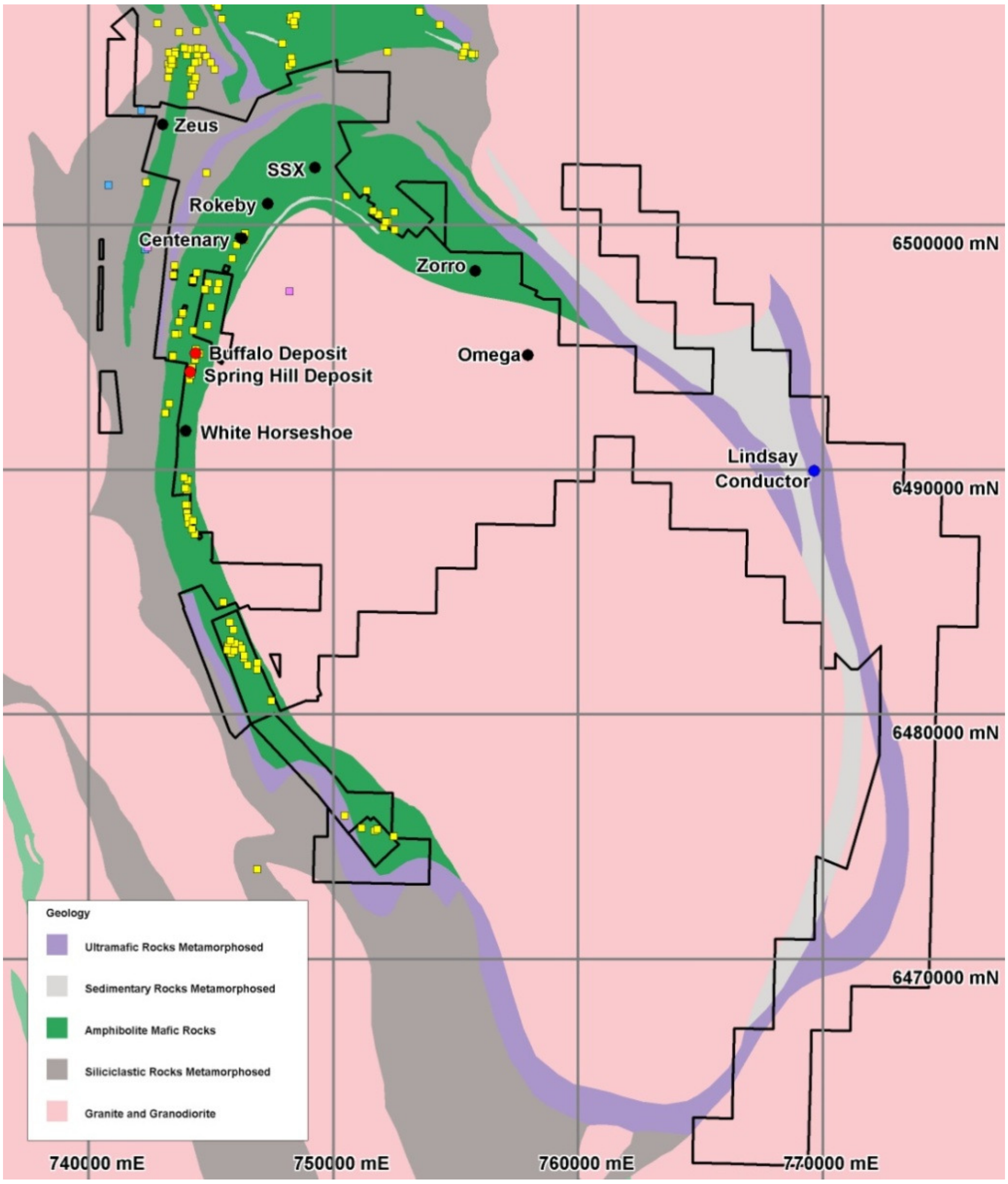


Figure 3: Tenements over 500K scale geology identifying prospects described in this report

Gold Exploration and Resource Development at Parker Range

During the year, substantial RC drilling occurred at Parker Range for both gold exploration and resource development. A revised mineral resource estimate for Buffalo has been released following recent diamond drilling. A new mineral resource for Spring Hill has been released based on new RC drilling. Substantial programs of exploration drilling were completed at the Centenary, White Horseshoe, Zeus and Rokeby Prospects, principally aimed at generating additional resources for the Buffalo Gold Project in due course.

Table 1: Summary of 2009 Gold Exploration and Resource Development at Parker Range

Prospect	JORC Resource *(see Table 3)*	Work Stage	Best Drill Intersects 2009
Buffalo	25,400 Oz @ 2.23 g/t	Feasibility Study	4.4m @ 24.87 g/t
Spring Hill	25,750 Oz @ 1.97 g/t	Pre-Feasibility Study	9m @ 3.48 g/t
Centenary	N/A	Exploration	7m @ 13.91 g/t
White Horseshoe	N/A	Exploration	1m @ 26.55 g/t
Zeus	N/A	Exploration	8m @ 14.82 g/t
Rokeby	N/A	Exploration	6m @ 1.92 g/t

REVIEW OF OPERATIONS (continued)

Buffalo Gold Deposit

(Gondwana 70%)

A JORC-compliant mineral resource estimate of 292,000t @ 2.12 g/t for 20,000oz contained Au (using a 1.0g/t lower cut off) was reported for the Buffalo deposit in early 2009. During preparation of the 2009 resource estimate, a lack of density data for the rocks in the Parker Range area resulted in conservative assumptions being made as to the density values assigned in the resource model. More recently, a diamond drilling program at Buffalo allowed density measurements on the diamond core to be taken throughout the mineralised and waste zones. The new density data was used in conjunction with the diamond drilling assay results (*Table 2*) to produce the updated resource model (*Table 3*).

Table 2: Intersects through Buffalo lower (100 zone) and upper (200 zone) resource wireframes

Hole	East	Northing	Az/Dip	From	To	Interval	Grade	Lode
09BFDD001	744315	6494816	95/-50	79.92	84.9	4.98	4.89 g/t	100 - Fresh
09BFDD002	744324	6494795	95/-60	72.1	76.77	4.67	2.94 g/t	100 - Fresh
09BFDD003	744368	6494791	95/-60	41.66	49.02	7.36	2.06 g/t	100 - Oxide
09BFDD004	744327	6494835	95/-55	75.22	80.35	5.13	2.23 g/t	100 - Fresh
09BFDD005	744369	6494801	95/-63	39.7	47.55	7.85	2.54 g/t	100 - Oxide
Hole	**East**	**Northing**	**Az/Dip**	**From**	**To**	**Interval**	**Grade**	**Lode**
09BFDD001	744315	6494816	95/-50	68.06	71.93	3.87	2.43 g/t	200 - Fresh
09BFDD002	744324	6494795	95/-60	61.07	64.39	3.32	2.71 g/t	200 - Fresh
09BFDD003	**744368**	**6494791**	**95/-60**	**27.66**	**32.06**	**4.4**	**24.87 g/t**	**200 - Oxide**
09BFDD004	744327	6494835	95/-55	65.3	68.01	2.71	2.40 g/t	200 - Fresh
09BFDD005	744369	6494801	95/-63	26.22	30.97	4.75	7.86 g/t	200 - Oxide
09BFDD006	744319	6494745	95/-50	56.03	60.02	3.99	4.00 g/t	200 - Fresh

Genalysis Laboratory Services using Fire Assay techniques (FA50/AAS)
Core loss through ore zones has been included as internal dilution at 0 g/t
Intersections represent true width of the resource wire frame with no lower or upper cut

The revised JORC-compliant mineral resource estimate for the Buffalo resource is **355,000t @ 2.23 g/t for 25,400 oz contained Au** using a 1.0 g/t lower cut off (*Table 3*), which is a 25% increase in contained gold compared with the early 2009 resource estimate.

Table 3: Results of the Buffalo 2010 updated mineral resource estimate (>= 1.0 g/t)

Resource Category	Tonnes	Grade (g/t)	Cut ounces* (Au)
Indicated	292,200	2.36	22,200
Inferred	62,800	1.60	3,200
Total	**355,000**	**2.23**	**25,400**

** A top cut has been applied to the assay data and the estimated cut grade is reported*

In *Figure 4*, the 100 and 200 zones refer to two major gold mineralisation envelopes dipping to the west. The 100 zone is the lower zone and the 200 zone is the upper zone. Lower grade mineralisation is also contained within the 300 and 400 zones, however these zones are not significant.

Buffalo Gold Project - Metallurgical Testwork

Background

Six metallurgical diamond holes have been drilled to intercept the known mineralised zones within the Buffalo ore body. From this core, 5 composite samples will be selected to represent the ore body.

Using these samples, a metallurgical testwork program has been devised to assess the heap leach potential for the Buffalo project based on heap leach amenability testwork and a first pass estimate of capital and operating cost using information derived from similar, recent heap leach studies undertaken in the area.

The viability of the heap leach will be assessed against alternative agitated cyanide leach toll treatment options available in the local area.

REVIEW OF OPERATIONS (continued)

Scope of Work

The scope of work comprises a staged programme as detailed below.

- **Stage 1 - Preliminary Testwork**

  Stage 1 testwork involves the scoping, management and reporting of preliminary heap leach amenability and alternative gravity/CIL recovery.

- **Stage 2 – Conceptual Heap Leach Study**

  The development of conceptual process capital and operating costs based on contract crushing and stacking with 250Kt crushed over a period of 6 months. Given the need to establish heap leach amenability, it is intended that this stage of work would only proceed on establishing the amenability of the ore to heap leaching as described in Stage 1.

- **Stage 3 – Heap Leach Column Testwork**

Stage 3 Heap leach column testwork programme to generate design criteria for a heap leach development. The performance of Stage 3 is predicated on an economically acceptable outcome derived from Stage 2 heap leach conceptual study.

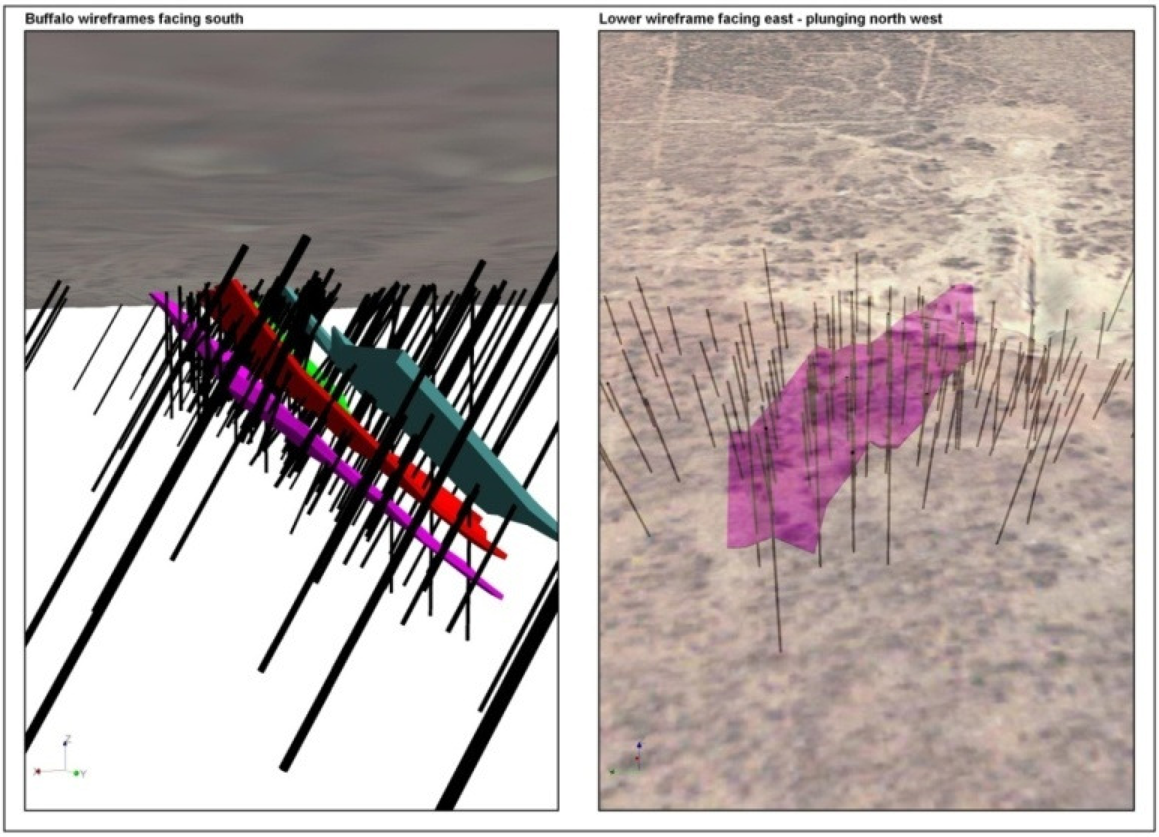


Figure 4: Wire frame showing mineralisation zones - lower "100" is pink & upper "200" is red

Spring Hill Gold Deposit
(Gondwana 70%)

A JORC-compliant mineral resource estimate for the Spring Hill gold deposit, located approximately 500m south of Buffalo , has now been completed. The style of gold mineralisation at Spring Hill is equivalent to Buffalo; however the deposit contains a single mineralised zone within and beneath historic workings. Recent RC drilling has identified that mineralisation is continuous over a 260m strike length, and remains under-drilled to the north, south and at depth.

The Spring Hill mineral resource estimate (*Table 4*) incorporates new geological data and assay results from the recent RC drilling program and utilises core density measurements from the Buffalo diamond drill holes. It is estimated that the Spring Hill deposit contains a total of **407,000t @ 1.97 g/t for 25,750 oz contained Au** when reported using a 1.0 g/t lower cut off (*Table 4*). The Inferred component of the Spring Hill resource is located down dip in areas of sparse drilling (>= 40 x 40m spaced sampling).

REVIEW OF OPERATIONS (continued)

Table 4: Results of the Spring Hill 2010 mineral resource estimate (>= 1.0 g/t)

Resource Category	Tonnes	Grade (g/t)	Cut ounces* (Au)
Indicated	226,400	1.96	14,250
Inferred	180,300	1.97	11,500
Total	**406,700**	**1.97**	**25,750**

* A top cut has been applied to the assay data and the estimated cut grade is reported

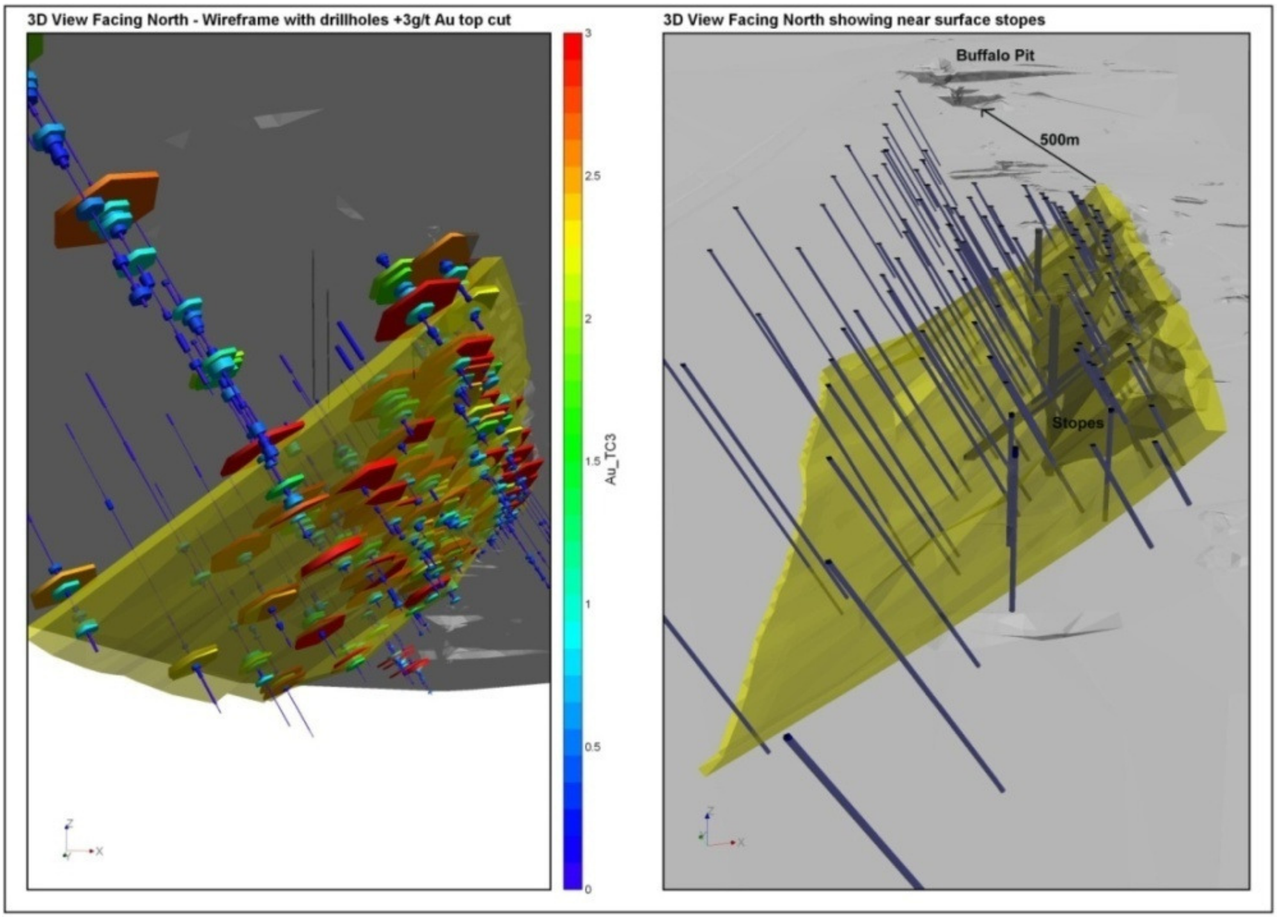


Figure 5: Spring Hill wireframe & drill holes showing location of Buffalo 500m to the north

Centenary Gold Prospect

(Gondwana 100%)

Gondwana's previous drilling at the Centenary prospect has identified high-grade gold mineralisation in narrow quartz veins at the base of a BIF unit, including 3m @ 167.26g/t Au from 40m and 4m @ 34.28g/t Au from 51m.

As previously reported, September drilling into the Centenary area has intersected numerous high grade intersects, including 1m @ 60.61 g/t Au (32.43 g/t by screen fire) from 50m, 1m @ 45.01 g/t Au (34.19 g/t by screen fire) from 54m and 1m @ 13.25 g/t Au from 57m.

Significant intersects 150m east of the Centenary high grade lode have delineated a new area of mineralisation on the Eastern BIF unit. The Phase 1 program intersects from shallow depth include 3m @ 7.57 g/t Au from 7m in hole 09CTRC009 and 7m @ 13.91 g/t from 29m including 2m @ 36.8 g/t Au in hole 09CTRC010.

Shallow drilling around this lode had been sparse to date and significant mineralization had been intersected either side of the tenement boundary along the line of lode, this new discovery warranted additional drilling. A two-stage Phase 2 RC drilling program was therefore designed to infill between the existing 2009 drill holes and to extend drilling north and south along strike of the eastern BIFs.

REVIEW OF OPERATIONS (continued)

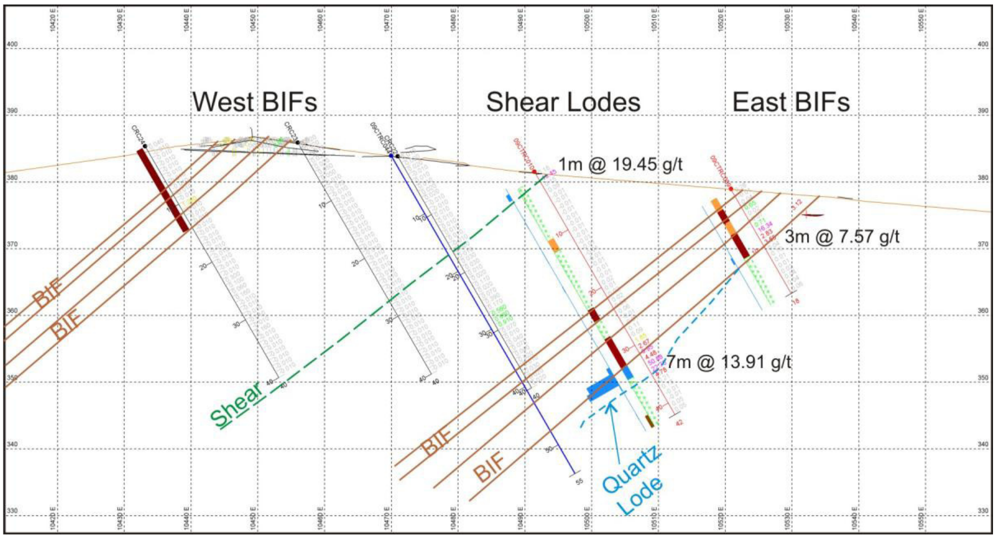


Figure 6: Section 9400N at Centenary showing major rock units & eastern BIF mineralisation

The second phase drilling program was successful, with gold mineralisation intersected in 19 of 24 drill holes. The quartz vein carrying the high grade gold in hole 09CTRC010 was not duplicated along strike but remains open at depth.

Using a 0.5 g/t lower cut off, drill hole 09CTRC036 intersected two gold bearing lodes being 2m @ 5.62 g/t Au from 18m and 3m @ 1.59 g/t Au from 24m. Hole 09CTRC038, 20m south, also intersected two gold bearing lodes being 3m @ 1.66 g/t Au from 24m and 3m @ 4.89 g/t Au from 28m.

These results may alternatively be expressed as 9m @ 1.89g/t in hole 09CTRC036 (including 3m of <0.5g/t waste) and 7m @ 2.82 g/t in hole 09CTRC038 (including 1m of <0.5g/t waste).

This program confirmed west-dipping gold mineralisation associated with oxidised BIF. Drilling south of 09CTRC010 increased in grade, mostly within the deeper holes, indicating possible near-surface depletion. With mineralisation open to the south and down plunge, the southern area will be the focus of the third phase RC program, tracking the near-surface gold past 30m depth later in 2010.

White Horseshoe Gold Prospect

(Gondwana 100%)

The White Horseshoe historic deposit consists of a modern head frame and two vertical dewatering bores which were utilised in the last underground operation in 1984. Underground mine plans show the underground was stoped to approximately 35m depth and is shallowly plunging to the south west.

The in-fill resource drilling program was aimed as locating remnant ore beyond 35m depth off the base of the underground stope and to test for a second plunging mineralised shoot off the base of the northern open cut pit. The northern pit area was drill tested with 4 holes, and showed only one significant intersections being 1m @ 9.27 g/t from drill hole 09WHRC002 which is still open at depth.

The area south of the plunging ore shoot was drilled with 4 holes which intersected 3m @ 2.89 g/t from 59m in hole 09WHRC005, 3m @ 4.61 g/t from 66m in hole 09WHRC006, 3m @ 3.73 g/t from 71m in hole 09WHRC007 plus 1m @ 26.55 g/t from 45m and 2m @ 4.04 g/t from 56m in hole 09WHRC008.

A preliminary 3D wireframe indicates both 1m high grade intersects in the north and the south are open down plunge to the north west, and will be followed-up later in 2010 with additional drilling.

Zeus Gold Prospect

(Gondwana 100%)

Gold mineralisation at the Zeus prospect was identified in the late 1980's, south of the Bronco and Great Victoria open cut gold mines. Drilling along the geological contact south of Bronco intersected gold mineralisation in a vertical structure, above an oxidised massive sulphide unit on a contact between metasediments and mafic volcanics.

High grade gold intersects in the historic drilling database were identified by Gondwana geologists and the Company's first in-fill drill program testing for supergene enrichment above this structure intersected **8m @ 14.8 g/t** from 6m depth in hole 09ZERC003. This high grade shallow intersect provided encouragement to further infill drill along strike and at depth.

REVIEW OF OPERATIONS (continued)

Results from the second infill drill program at Zeus included **5m @ 4.2 g/t from 39m** in hole 10ZERC012 and **6m @ 4.8 g/t from 34m** in hole 10ZERC010 to the north of 09ZERC003. Near-surface intersects were sporadic along strike because of a gold depletion zone apparent to 30m depth.

Reviewing the deeper intersects in light of a near-surface depletion zone, a paleochannel has been interpreted to cross the centre of the mineralisation, effectively removing most of the supergene gold mineralisation deposited above the massive sulphide. High grade supergene mineralisation still exists on the margin on the channel such as was intersected with 09ZERC003.

Results from the third infill drill program (*Table 5*) include **6m @ 4.59 g/t from 12m** depth in hole 10ZERC023 and **10m @ 2.2 g/t from 33m depth** in hole 10ZERC025. Drill hole 09ZERC004 in the centre of the interpreted mineralisation, which failed to reach target depth in the first drilling program, was re-entered and extended to 130m depth to intersect the fresh massive sulphide zone.

The massive sulphide zone at Zeus was intersected at 122m and high grade gold was located on the margins of the massive sulphide being **1m @ 10.98g/t from 121m** and **1m @ 8.01g/t from 130m.** The drill hole ended in mineralisation of 0.78 g/t at 132m depth because of no additional drill rods.

The massive sulphide in 09ZERC004 contains abundan marcasite with minor pyrite and pyrrhotite. The presence of marcasites indicates alteration of primary pyrrhotite and possible re-mobilization of gold. Similar marcasites zones are present near the water table in the Great Victoria gold mine located 2.8km to the NNE, where mineralisation continues in the fresh massive sulphide to at least 500m below surface.

Drill hole 09ZERC004 is the deepest hole in the area and still has not intersected fresh massive sulphide. Additional deeper drilling is warranted to test for high grade mineralisation in the fresh massive sulphide within the Zeus project area. Deeper holes being planned (+170m) will test mineralisation at depth and provide samples for preliminary metallurgical testwork to assess gold liberation and recoveries in the fresh zone.

Wireframing is currently in progress for the Zeus mineralised zone to assist in current planning for infill drilling on the near surface supergene areas, along with the deeper drill holes into the un-weathered primary massive sulphide.

Table 5: Results of the 2010 Zeus RC drilling program

Hole	East	North	Orientation (Dip/Azi)	From	To	Width (m)	Grade (g/t)
09ZERC004	743023	6504484	-60/110	121	122	1	10.98
				129	132*	3	3.2
10ZERC014	743041	6504480	-60/105	66	74	8	1.79
10ZERC019	743060	6504524	-55/105	25	27	2	3.58
10ZERC020	743063	6504497	-55/105	12	16#	4	1.54
10ZERC022	743056	6504397	-55/105	27	33	6	2.56
10ZERC023	743059	6504370	-55/105	12	18	6	4.59
10ZERC024	743067	6504342	-55/105	0	3	3	1.2
10ZERC025	743048	6504347	-55/105	33	43	10	2.2
10ZERC026	743065	6504317	-60/105	9	12	3	2.31

Samples composited based on a 0.5g/t lower cut and maximum 2m internal dilution.
All samples analysed by Genalysis Laboratory Services Pty Ltd.
Widths relate to down hole thickness. Omitted holes had no significant intersections.
**Interval to EOH #4m Composite sample*

Rokeby Gold Prospect

(Gondwana 100%)

The 2009 RC drill program at Rokeby gold exploration prospect, Parker Range, drill tested an MMI in-soil gold geochemical anomaly, with the best intersection of **6m @ 1.92 g/t from 50m** depth in hole 09RKB014. The MMI gold anomaly was discovered to be a surface laterite scavenging gold 300m downstream from the location of buried gold mineralisation.

Drill hole 09RKB014 was the only hole which intersected the primary sulphide mineralised that hosts similar gold mineralisation at Buffalo and Spring Hill. Assessment of the detailed airborne magnetic data identified a marginally more magnetic eastern BIF unit, which trends south west from hole 09RKB014.

REVIEW OF OPERATIONS (continued)

A 9 hole in-fill drilling program focusing on the eastern BIF unit has just been completed and intersected gold in 7 holes. A lack of sulphide enrichment in the drill chips corresponded to lower gold values than was encountered in the first program, downgrading the prospectivity of this southern target area.

The drilling results (*see table 6*) include intersects **4m @ 1.43 g/t from 27m** in hole 10RKRC001 and **5m @ 1.07 g/t from 20m** in hole 10RKRC005. An infill program around the 6m @ 1.92 g/t intersect has been planned for later in the year.

Table 6: Results of the 2010 Rokeby RC drilling program

Hole	East	North	Orientation (Dip/Azi)	From	To	Width (m)	Grade (g/t)
10RKRC001	747237	6500765	-60/130	27	31	4	1.43
10RKRC002	747220	6500780	-60/130	35	37	2	1.51
				42	43	1	0.55
10RKRC003	747207	6500730	-60/130	31	34	3	0.7
10RKRC005	747155	6500638	-60/130	20	25	5	1.07
10RKRC006	747138	6500652	-60/130	35	37	2	1
				38	40	2	0.7
10RKRC008	747120	6500608	-60/130	27	28	1	0.75
10RKRC009	747160	6500703	-60/130	44	47	3	1.15

Samples composited based on a 0.5g/t lower cut and maximum 2m internal dilution.
All samples analysed by Genalysis Laboratory Services Pty Ltd.
Widths relate to down hole thickness. Omitted holes had no significant intersections.

Other Marvel Loch/Parker Range Gold Prospects

During the year, RC drilling programs were also completed at *Southern Star Extension Gold Prospect* and the nearby *Zorro and Omega Gold Prospects*.

Results were released during the year.

Lindsay Nickel Prospect, Jilbadji

(Gondwana 100%)

A V-TEM airborne electromagnetic survey was flown over 3 areas south of Marvel Loch, at Jilbadji. The data is still being assessed and additional targets will be released in due course.

Survey area 3 was flown over interpreted ultramafic rocks 75km north of Forrestania, and a number of conductive targets have been identified along linear aeromagnetic units.

Using electromagnetic profile data, the strongest AEM (*airborne electromagnetic*) anomaly in this tenement has been named the *Lindsay* conductor. The Lindsay conductor is measured across 3 flight lines, 200m apart with a strike length of approximately 300m.

Figure 7 below shows the B-Field late channel profiles (deepest penetrating) across these 3 flight lines with associated CDI sections (Conductivity Depth Images) showing the conductor is buried approximately 250m to 300m below the surface.

This target is located within the Jilbadji nature reserve. Once the target has been outlined and the drill holes have been designed, a vegetation survey will be required so the company can apply for a clearing permit, which is required for clearing of drill lines and pads in nature reserves. If the clearing permit application is approved, the drill program should be permitted by December 2010.

REVIEW OF OPERATIONS (continued)

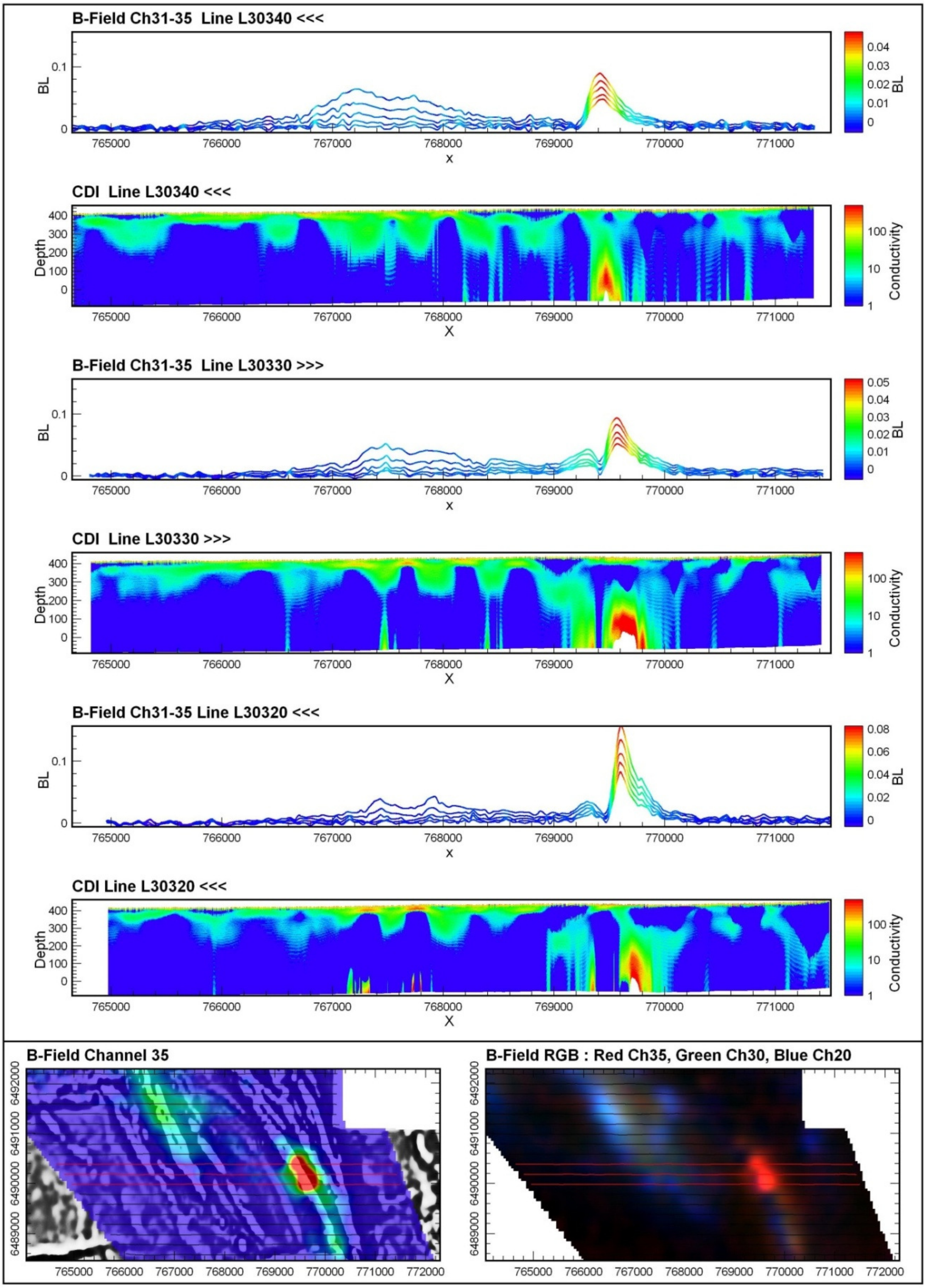


Figure 7: Lindsay Nickel Prospect
AEM Conductor is measured across 3 flight lines 200m apart along magnetic units

REVIEW OF OPERATIONS (continued)

EAST PILBARA

The East Pilbara tenements are south of Marble Bar and contain exploration ground prospective for Iron, Base Metals , Gold and Nickel covering 1,350 km². Currently only 3 tenements are granted, with most of the 2009 exploration activity occurring on the Corunna Down's Iron prospect. During the year, a large 7,500 line km aeromagnetic and radiometric survey was flown over the central tenements and the eastern most tenement north of Nullagine.

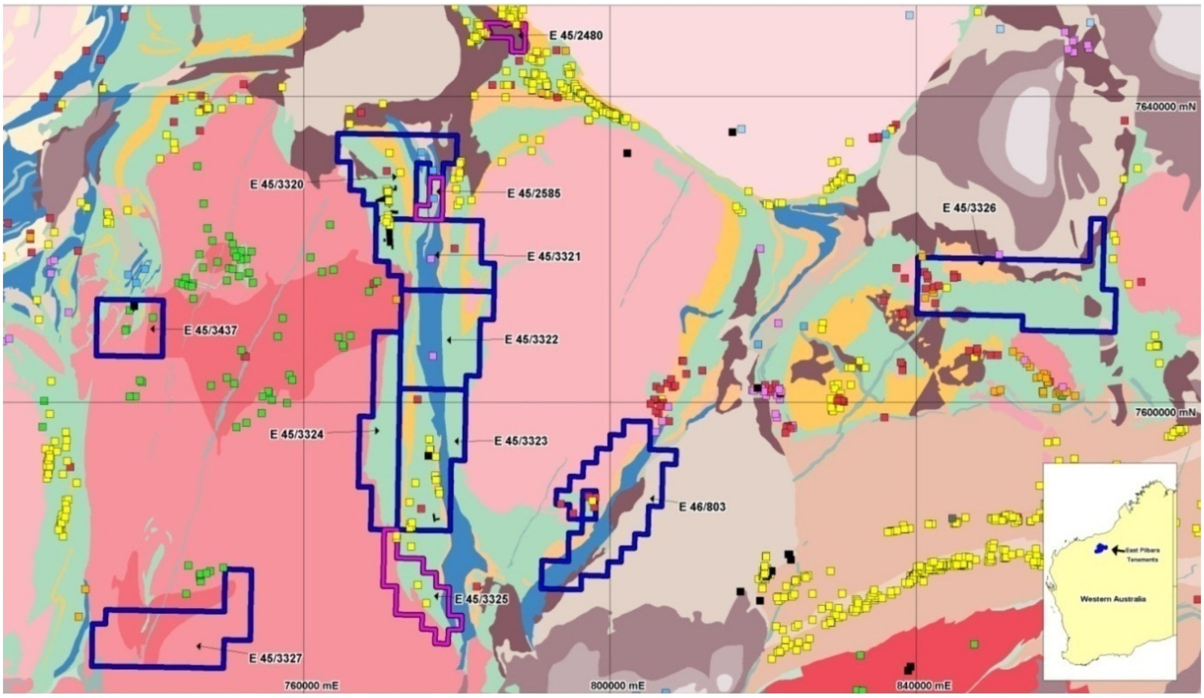


Figure 8: Tenements over 500K scale geology identifying live tenements as pink

Corunna Downs Iron Prospect
(Gondwana 100%)

The Corunna Downs project is located within the south western portion of the Marble Bar 1:250,000 map sheet, centred approximately 30km south of Marble Bar and 180km south of Port Hedland, WA. The project lies within E45/2585 and contains a Jaspilitic BIF ridge trending north to south approximately 5km (*Figure 9*). The Company also holds a 90% interest in two exploration licence applications (E45/3320 & E45/332) that contain ~8km untested extensions along the BIF ridge.

Historic drilling was undertaken on the Corunna Downs prospect in 1972 and intersected various thicknesses of iron. The best historic result was from drill hole PDH1 which intersected 47.7% Fe representing approximately 14m thickness. Current interpretation is that the vertical drill holes were drilled along the edge of the coincident magnetic/gravity anomaly, therefore failing to test the magnetite target zone and potentially missing any steeply dipping mineralised BIF stratigraphy.

A helicopter assisted gravity survey was conducted over the BIF and Jaspilite outcrop in 2008 to locate the densest section of the Jaspilite. Regional aeromagnetic data shows a aeromagnetic anomaly coincident with the gravity anomaly. In 2009, a fixed wing close-spaced aeromagnetic and radiometric survey was conducted for the Company by Fugro in the third quarter 2009. This survey showed magnetic zones +800m in width, with a combined strike length of +13km.

Figure 9: Corunna Downs iron outcrop over 800m wide (photo towards north)

REVIEW OF OPERATIONS (continued)

Rock chip Geochemical Survey

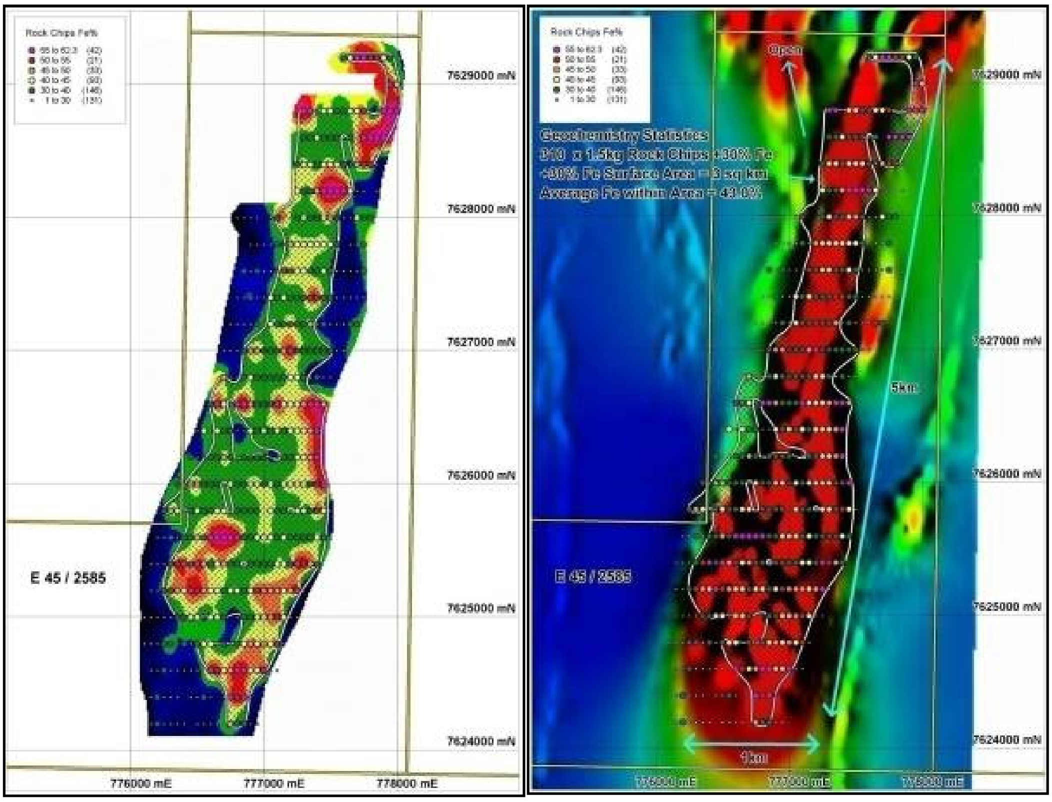
In October 2009 a detailed helicopter assisted rock chip program extracted 466 samples from the Corunna Downs ridge. The survey was conducted on 200m line spacing with sampling 50m along line (*refer to Figures 11,12).* Assessment of the assay distribution identified 310 samples over 30% Fe, in a continuous 3 km² area along 5km of magnetic strike. Iron assays within the 3 km² mineralised area averaged **43.00% Fe**.

The samples were split with half submitted for assay, averaging **35.26% Fe** overall with a maximum of **62.08% Fe.** The other half was submitted for preliminary metallurgical test work and Satmagan magnetite strength measurement, which indicated that the surface rock chip samples were heavily oxidised and consequently contained lower levels of magnetite than expected. Further metallurgical test work will be conducted on fresh RC chips from the phase 1 drill program (see below).

Figure 10: Rock chip sampling of BIF outcrop using a helicopter to transport samples

The interpretation is uncomplicated –

- the outcropping BIF containing +30% Fe geochemistry sampled in October 2009 (*Figure 10*) is coincident with the linear aeromagnetic anomalies measured in the September 2009 survey (*Figure 11*); and
- the linear aeromagnetic anomaly is coincident with the ground gravity anomaly measured in the October 2008 survey (*Figure 12*).



Figures 11 & 12: Corunna Downs Iron Project
Rock Chip Fe Assay Results Gridded & Plotted on Aeromagnetic RTP 2VD

REVIEW OF OPERATIONS (continued)

Proposed Drilling Program

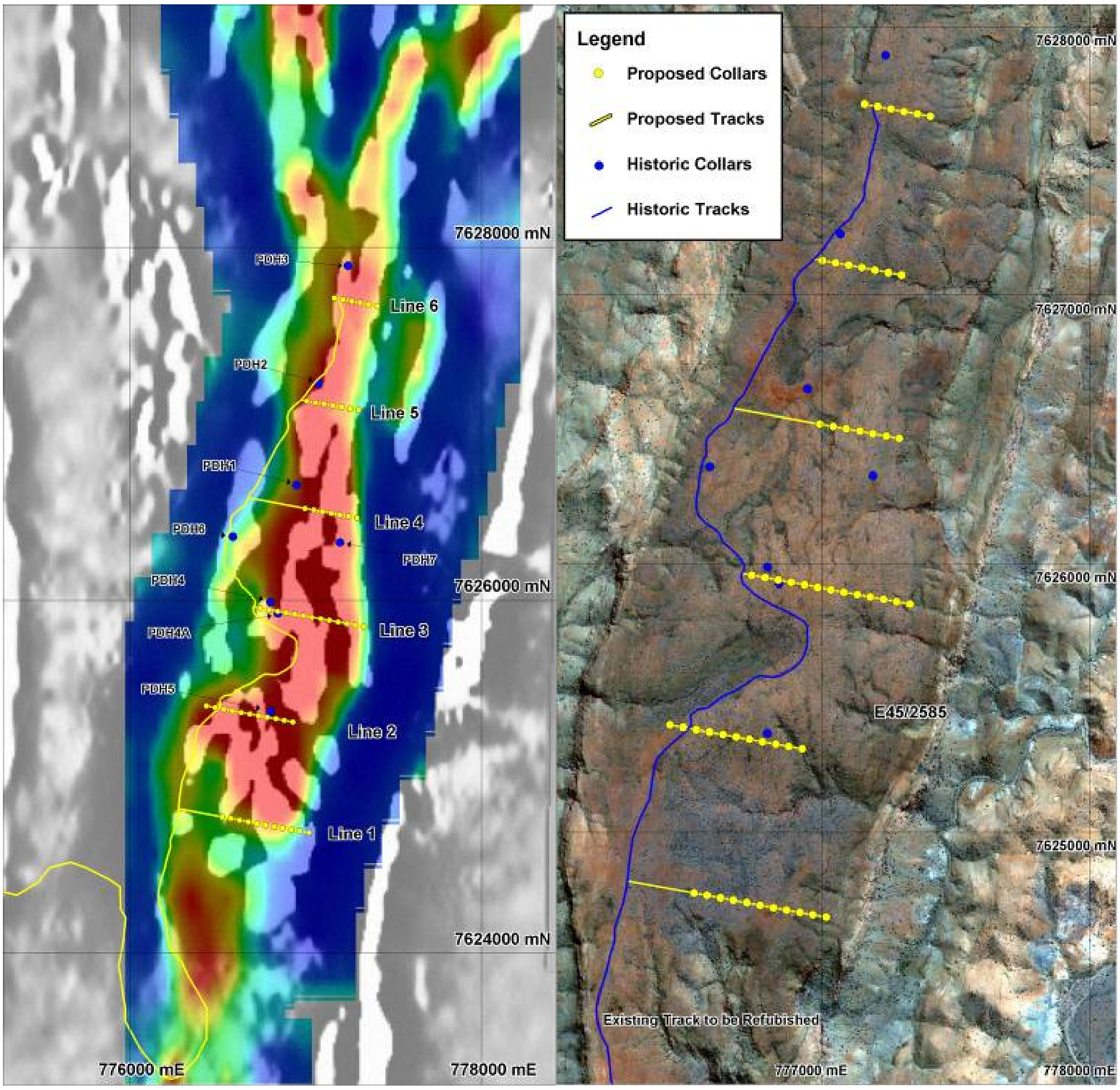
Based on potential for a large tonnage magnetite deposit, the phase 1 drill program has been designed to test grade and tonnage potential across the central target zone where the densest gravity and highest aeromagnetic responses are located. This will be preceded by a detailed geological mapping program.

A further three-phase exploration program has been designed to be undertaken if the phase 1 drilling program is successful. The phase 2 drill program is planned test the northern and southern target zones contained within the areas under application. The phase 3 drilling program is planned to infill the entire project area on 200m-spaced drill lines and the phase 4 program will focus on the north eastern target under basalt cover.

The phase 1 RC drilling program has been planned on 600m line spacing, and aims to test across 2.4km of strike, covering the strongest coincident magnetic and gravity anomalies. The drilling is designed at 50m along line with 100m deep angled holes to provide drill coverage across the ore zone to 86m vertical depth. By drilling sections across the sub-vertical stratigraphy using angled RC holes, an estimate of the mineralisation width and grade can be produced.

Fusion of the aeromagnetic and gravity data (*Figure 13*) shows coincident geophysical responses.

Figures 13 and 14 both show the proposed phase 1 drill program collars together with the location of the historic drill collars that generally missed the magnetite target zone. The image colour is from the terrain corrected Bouger gravity data (with a residual filter applied). The intensity or greyscale background is from the aeromagnetic data (reduced to the pole with second vertical derivative filter applied) showing correlation of the two geophysical datasets.



Figures 13 & 14: Proposed phase 1 collars on aeromagnetic / gravity fusion and satellite imagery

REVIEW OF OPERATIONS (continued)

Infrastructure

Access road

The access track to site and the 6 drill lines proposed in the phase 1 drilling program require a heritage clearance survey scheduled for the March 2010 quarter. The drill rig access track has been assessed on the ground for engineering feasibility and preliminary cost estimation. Environmental assessment for beds and banks clearances on the pending tenements approaching the drilling area has also been completed by Golder Associates to expedite the permitting process. The clearing and drilling permit applications will be submitted to the government after the Traditional Owners approve the new access track location, which avoids native title sites of significance outlined in the 2008 heritage survey.

Transport to Port Hedland

Should a large tonnage magnetite deposit with +30% Fe grade be outlined by the phase 1 drilling program, two transport options will be assessed from Marble Bar into Port Hedland. Figure 16 shows a map of both transport options and location of outcropping BIF extracted from 100K geology maps.

Firstly, the Marble Bar to Port Hedland railway line, which was used up to 1951 could be refurbished and would be approximately 190km of line. A 30km rail extension to the south of Marble Bar to the Corunna Downs area would be required. This option is currently preferred to a possible 80km connection with the FMG rail line to Port Hedland.

Secondly, road infrastructure is excellent from Marble Bar to Port Hedland with 90t road trains using the road from the Woodie Woodie manganese mine to Port Hedland daily.

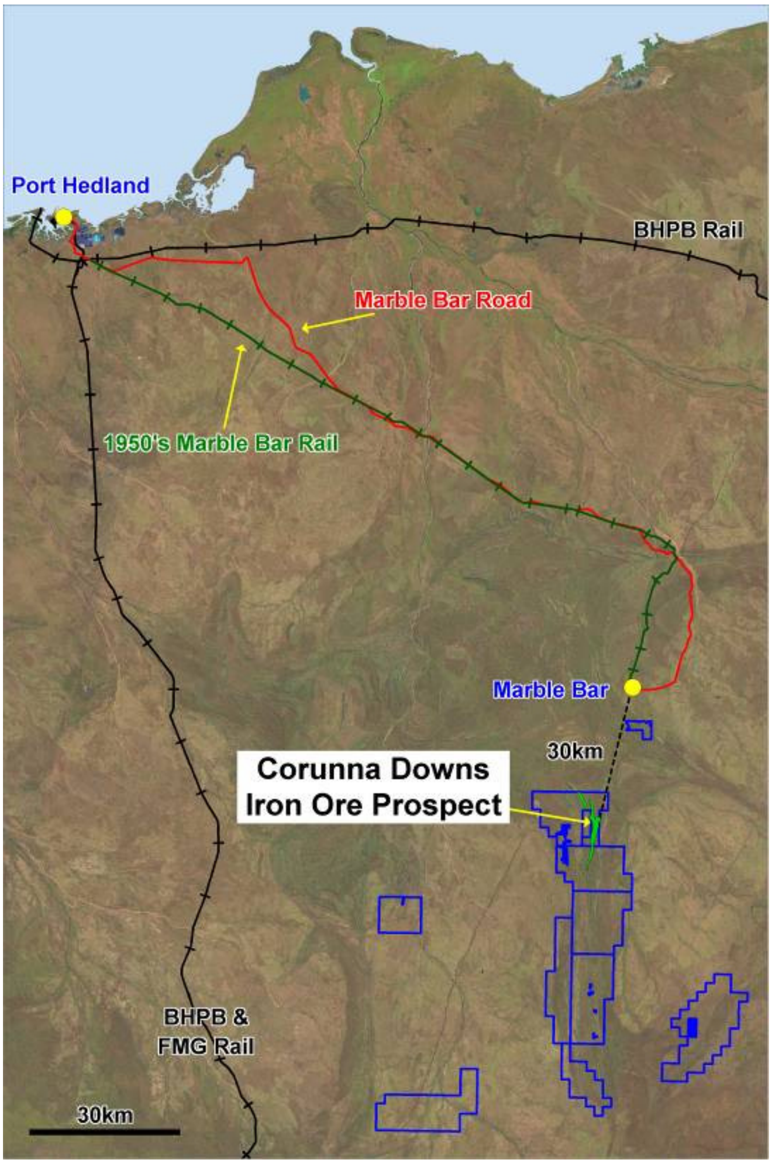


Figure 15: Proposed transport options from Corunna Downs to Port Hedland

REVIEW OF OPERATIONS (continued)

Cyclops Nickel Prospect

(Gondwana 90%)

A significant nickel prospect within ELA 45/3326 was identified in late 2009. This prospect is an outcropping serpentinised metaperidotite mapped on the 100K geology map and plunges to the north under Mt Roe Basalt. The ultramafic intrusive has now been named *Cyclops Nickel Prospect* after the mythical one eyed giant due to its magnetic signature (*figure 16*).

An aeromagnetic survey was originally flown to map the northern magnetic ultramafic zone under cover and was successful in delineating plunging magnetic targets. What has been discovered in the centre of the mapped serpentinized ultramafics is a 1.1km long x 500m wide oval shaped magnetic anomaly which was only partially drill-tested in 1972 (Wamex report 3989).

The elongate aeromagnetic anomaly shape could be produced from a doubly plunging syncline (basin) however other possible scenarios exist, such as a volcanic feeder zone. Ultramafic complexes rarely have perfectly shaped elongated aeromagnetic anomalies associated with them. Nickel mineralisation in this style of geological environment is usually at the base of the intrusive pile and may contain disseminated or massive sulphide lenses.

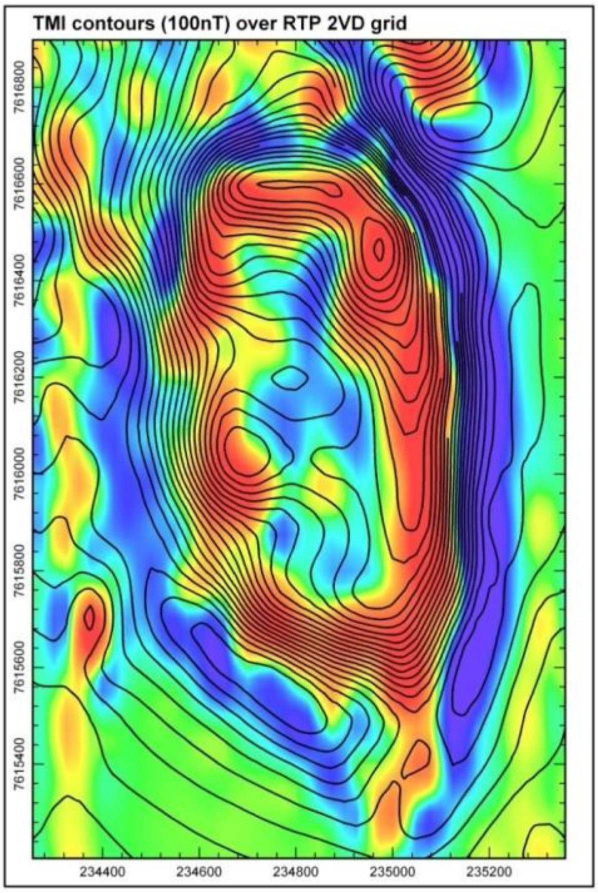


Figure 16: Cyclops Nickel Prospect
100nT TMI contours over RTP 2VD image showing elongated anomaly

A V-TEM airborne electromagnetic survey has been contracted to commence in April or early May. The 100m line spaced AEM survey will locate any highly conductive sulphides at the base of this intrusive system if they exist, and like the Marvel Loch survey, this area has never had an AEM survey performed.

GASCOYNE

Gondwana has applied for 1,300 km² of tenure across 14 exploration licences in the Gascoyne/ Ashburton region of Western Australia. The tenements have been selected for uranium exploration using regional airborne radiometric surveys and the Mindex database of uranium occurrences.

An intensive exploration program is planned for the 2010 field season to include drilling, geochemistry and geophysics after the tenements have been granted.

REVIEW OF OPERATIONS (continued)

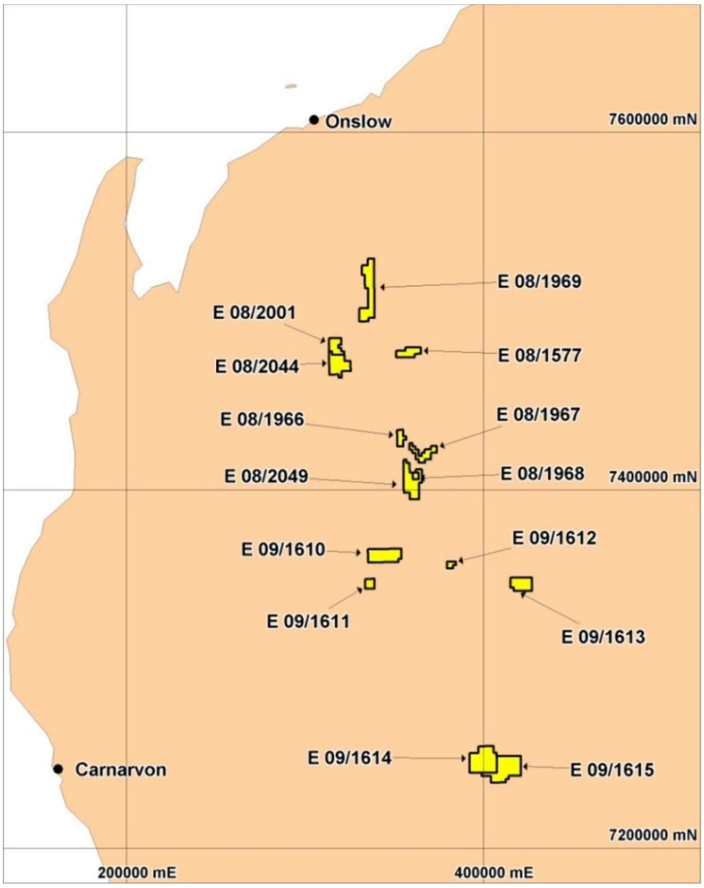


Figure 17: Uranium tenements in NW Western Australia - 1,300 km² in area - to be explored in 2010

Red Rock Bore Uranium Prospect

(100% Gondwana)

The Red Rock Bore exploration licence application E08/1968 is located on Maroonah station, 320 kilometres south of the port of Dampier. The principal feature of Red Rock is an inselberg or exfoliating granite dome that stands 35 metres above the surrounding sand plain (*figure 18*).

In August, field investigations including footborne scintillometry and rock chip sampling were carried out by the Company's uranium-specialist geologist, Syd Morete. The strongest ground radiometric anomaly was located on top of the rock.

Four samples were collected and submitted to Genalysis Laboratory Services for assay using a 4-acid digest and analysis via ICPMS for uranium and certain other elements.

Rock chip sample 09RRRK003 returned **946ppm uranium and 15ppm thorium (U:Th=63)**, located at 361153mE-7408776mN (MGA Zone 50). This result suggests the presence of uraninite. No secondary uranium minerals were observed. Three other rock chips within the radiometric anomaly returned less than 37ppm uranium.

Figure 18: Red Rock, a granite inselberg, contains surface rock chip assays up to 946ppm Uranium

REVIEW OF OPERATIONS (continued)

In November 2009, a low level, detailed airborne radiometric survey was conducted by UTS Aeroquest at 20m height and 20m line spacing using their Fletcher Aircraft. This survey will assist in planning for the work to be carried out immediately the tenement is granted - ground radiometric survey, channel geochemical sampling and a drilling program

The survey was designed to map the area of surface radiometric response and has located an extensive uranium channel anomaly where expected around the 946ppm U geochemical anomaly discovered in August 2009. In addition, a new and stronger uranium channel anomaly has been identified 550m to the north east (see figure 19).

The uranium channel has been processed and ground stripping calibrations have been applied. Planned follow-up ground work will ascertain whether the rock chip represents a small enriched zone near the surface, or is representative of fresh rock in the whole of the inselberg shown in the photograph in figure 18.

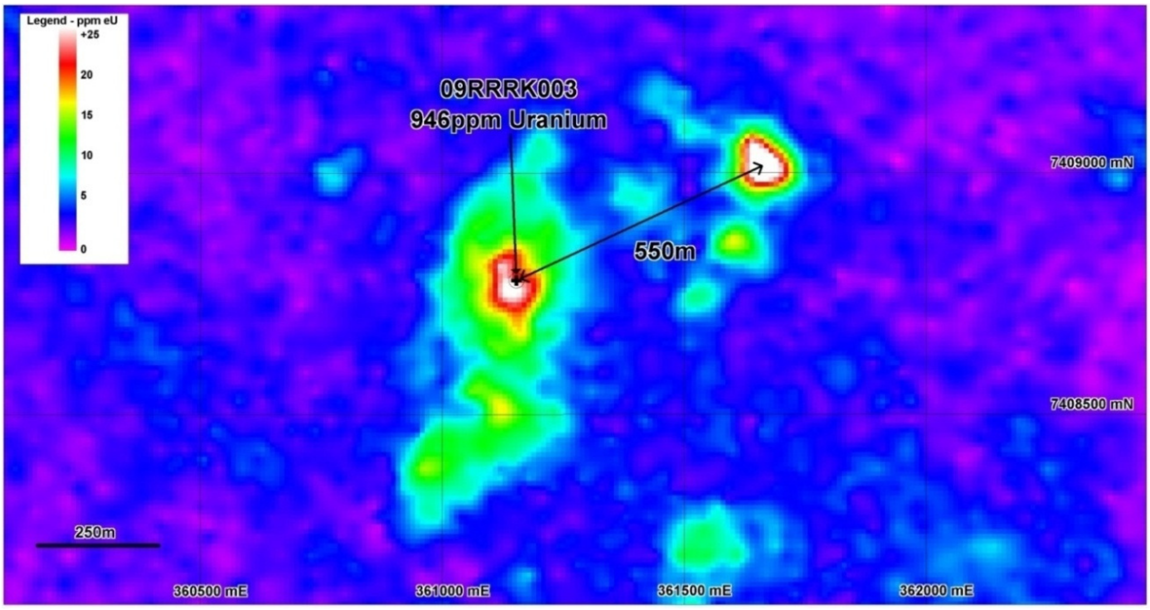


Figure 19: Detailed radiometric survey uranium channel image

PETROLEUM

In petroleum, the Company retains a 2% gross overriding royalty interest in EP 23 (WA), a 3.25% royalty interest in TP3 (3) and a 1.25% royalty interest in ATP471.

TENEMENTS

A schedule of the Company's granted tenements and applications at the date of this Review of Operations is set out below.

Competent Person Statement – Mineral Resources or Ore Reserves

The information in this Report that relates to Mineral Resources or Ore Reserves is based on information compiled by Mr Malcolm Castle who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Castle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity 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 Castle consents to the inclusion in this Report of the matters based on his information in the form and context in which it appears. Mr Castle is a self-employed consultant to the Company.

Competent Person Statement – Exploration Results

The technical information in this report that relates to Exploration Results is based on information compiled by Mr. Grant Donnes who is a Member of the Australian Institute of Geoscientists. Mr. Donnes has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity 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. Donnes consents to the inclusion in this Report of the matters based on his information in the form and context in which it appears.

REVIEW OF OPERATIONS (continued)

GRANTED TENEMENTS

Registered Holder/s	*Third Party Interest*	*Project*	*Tenement*	*Area*	*Grant Date*
Gondwana	Adelaide Prospecting 10%	Brockman Dyke	E45/2416	14SB	01-May-06
Gondwana	-	Coongan Belt	E45/2480	8SB	01-May-06
Gondwana	-	Coongan Belt	E45/2585	7SB	01-May-06
Rivergold	Gondwana earning 51%	Parker Range	E77/1118	70SB	14-May-07
Gondwana	-	Parker Range	E77/1363	4SB	20-June-08
Gondwana	-	Parker Range	E77/1395	3SB	02-July-08
Gondwana	-	Parker Range	E77/1396	19SB	11-Feb-09
Cazaly & Ramelius	Iron Ore – Gondwana 20%	PR Parker Range	E77/1403	3SB	07-Nov-08
Gondwana & Kings	Kings Minerals 30%	Spring Hill	M77/0052	51Ha	31-Oct-84
Gondwana	-	Centenary	M77/0089	10Ha	26-Mar-86
Gondwana	-	Cheritons	M77/0423	200Ha	23-Dec-92
Barclay	Barclay Holdings 30%	Spring Hill	M77/0561	224Ha	23-Oct-92
Barclay	Barclay Holdings 30%	Spring Hill	M77/0562	78Ha	23-Oct-92
Gondwana	-	Path Finder	M77/0565	50Ha	05-Jan-93
Gondwana	-	Spring Hill	M77/0567	5Ha	05-Jan-93
Gondwana	-	Centenary	M77/0657	10Ha	03-Feb-95
Gondwana	Kagara Nickel Rights	Cheritons	M77/0669	493Ha	24-Jan-95
Gondwana	-	Path Finder	M77/0671	10Ha	24-Jan-95
Gondwana	-	McIntosh	M77/0762	867Ha	25-Jan-07
Gondwana	-	Mcintosh	M77/0763	905Ha	25-Jan-07
Gondwana	-	Burbidge	M77/0765	988Ha	25-Jan-07
Gondwana	-	Burbidge	M77/0766	922Ha	25-Jan-07
Gasgoyne, Orion & Kings	Kings Minerals 30%	Parker Range	M77/0893	427Ha	03-Jan-01
Gondwana	-	Parker Range	M77/1018	16Ha	06-Jul-07
Gondwana	-	Centenary	P77/3692	19Ha	13-Aug-08
Gondwana	-	Centenary	P77/3693	10Ha	13-Aug-08
Strange	Vernon Strange 10%	McGowans Find	P77/3680	140Ha	13-Aug-08
Strange	Vernon Strange 10%	McGowans Find	P77/3681	165Ha	13-Aug-08
Gondwana	-	Centenary	P77/3694	89Ha	13-Aug-08
Gondwana	-	Spring Hill	P77/3696	4Ha	13-Aug-08
Gondwana	-	Westchester	P77/3697	69Ha	13-Aug-08
Gondwana	Kagara Nickel Rights	Cheritons	P77/3701	138Ha	13-Aug-08
Gondwana	Kagara Nickel Rights	Cheritons	P77/3703	14Ha	13-Aug-08
Gondwana	Kagara Nickel Rights	Cheritons	P77/3704	190Ha	13-Aug-08
Gondwana	Kagara Nickel Rights	Cheritons	P77/3705	200Ha	13-Aug-08
Gondwana	-	Cheritons	P77/3706	10Ha	13-Aug-08
Gondwana & Audax	Audax 20%	Dulcie JV	P77/3727	192Ha	18-Feb-09
Gondwana & Audax	Audax 20%	Dulcie JV	P77/3728	181Ha	18-Feb-09
Gondwana & Audax	Audax 20%	Dulcie JV	P77/3729	174Ha	18-Feb-09

TENEMENT APPLICATIONS

Applicant/s	*Third Party Interest*	*Project*	*Tenement*	*Comments*
Gondwana	-	Pongo Pool	E08/1577	
Gondwana	-	Horse Well	E08/1965	
Gondwana	-	Mt Padbury	E08/1966	
Gondwana	-	Red Rock Bore	E08/1967	
Gondwana	-	Weaner Bore	E08/1968	
Gondwana	-	Bordah Well	E08/1969	
Gondwana	-	Hang Corner Bore	E09/1610	
Gondwana	-	Alma Well	E09/1611	
Gondwana	-	Fraser Creek	E09/1612	
Gondwana	-	Mick Well	E09/1613	
Gondwana	-	Ted Well	E09/1614	
Gondwana	-	Parker Range	E77/1362	
Gondwana	-	Parker Range	M77/0680	Conv of P77/2615 & 2616
Gondwana	-	Parker Range	M77/0741	Conv of P77/2737-2739

REVIEW OF OPERATIONS (continued)

Applicant/s	*Third Party Interest*	*Project*	*Tenement*	*Comments*
Gasgoyne & Orion	-	Parker Range	M77/0742	Conv of P77/2741
Gasgoyne & Orion	-	Parker Range	M77/0777	
Gasgoyne & Orion	-	Parker Range	M77/0786	Conv of P77/2875-77 & 2909
Gasgoyne & Orion	-	Parker Range	M77/0787	Conv of P77/2908; Rev to P77/3682
Gondwana	-	Parker Range	M77/0795	Conv of E77/435
Gasgoyne & Orion	-	Parker Range	M77/0805	
Gasgoyne & Orion	-	Parker Range	M77/0835	
Gasgoyne & Orion	-	Parker Range	M77/0905	
Gondwana	-	Parker Range	M77/1027	Conv of P77/3253; Rev to P77/3695
Gondwana	-	Parker Range	M77/1028	Reversion of P77/3683
Gondwana	-	Parker Range	P77/3475	Conv of P77/3252
Gasgoyne & Orion	-	Parker Range	P77/3682	Reversion of M77/787 (part)
Gondwana	-	Parker Range	P77/3683	Reversion of M77/1028
Gasgoyne & Orion	-	Parker Range	P77/3684	Reversion of M77/786 (part)
Gasgoyne & Orion	-	Parker Range	P77/3691	Reversion of M77/786 (part)
Gondwana	-	Parker Range	P77/3695	Reversion of M77/1027
Gondwana	-	Parker Range	P77/3700	Reversion Licence
Gondwana	-	Parker Range	P77/3702	Reversion Licence
Gondwana	-	Parker Range	P77/3720	Reversion Licence
Gasgoyne & Orion	-	Parker Range	P77/3723	Reversion of M77/805
Gasgoyne & Orion	-	Parker Range	P77/3724	Reversion of M77/805
Gasgoyne & Orion	-	Parker Range	P77/3725	Reversion of M77/805
Gasgoyne & Orion	-	Parker Range	P77/3726	Reversion of M77/805
Gasgoyne & Orion	-	Parker Range	P77/3730	Reversion of M77/835
Gasgoyne & Orion	-	Parker Range	P77/3731	Reversion of M77/835
Gasgoyne & Orion	-	Parker Range	P77/3732	Reversion of M77/835
Gasgoyne & Orion	-	Toomey Hills	P77/3800	Reversion of M77/777 & -905
Gondwana	-	Cheritons	P77/3892	
Gondwana	-	Cheritons	P77/3893	
Gondwana	-	Cheritons	P77/3894	
Gondwana	-	Cheritons	P77/3895	
Gondwana	-	Cheritons	P77/3896	
Gondwana	-	Cheritons	P77/3897	

* Third party interests listed above, including the Kagara Nickel Rights, will apply to the applications for conversions and reversion licences when granted as if they were the original tenements.

DIRECTORS' REPORT

The directors present their report together with the financial report of Gondwana Resources Limited ("Gondwana" or "the Company") for the year ended 31 December 2009 and the auditor's report thereon.

DIRECTORS

The directors of the Company during the year and at the date of this report are:

Warren Talbot Beckwith
Executive Chairman
Appointed 3 April 1998
Warren is a Chartered Accountant with many years experience as a partner in international firms within Australia and overseas, and is currently a corporate financial advisor predominantly within the mining, technology, and property sectors. He has held directorships or executive positions in listed companies in Australia, Hong Kong and the United Kingdom for many years and is currently a director of China Properties Group Limited (Hong Kong-listed).

Steven Leigh Pynt
Non-Executive Director
Appointed 17 March 2000
Steven Pynt is a Director of Perth legal firm McDonald Pynt, with his main area of practice being in commercial law including Corporations Law, Revenue and Contracts. In addition to completing his law degree in 1980 he has completed a Bachelor of Business majoring in Accounting, an MBA and a Master of Taxation Studies. He is Chairman of Global Health Limited, Victory West Moly Limited and Richfield International Limited.

Paul Millington Goodsall
Non-Executive Director and Company Secretary
Appointed Director 8 October 1999, Secretary 29 October 1999
Paul is a Chartered Accountant with 21 years experience, including as a director and CEO, in merchant banking specialising in commercial and resource project financing in Australia, the United States, Africa and Fiji. During this period he has been responsible for the appraisal and development of numerous mineral developments in both Australia and overseas. In recent years he has held the role of Commercial Manager for a number of public companies, concentrating on marketing, company development and financial activities. He has held the position of director or company secretary of several public companies.

All related party transactions have been disclosed in Note 21 of the financial statements.

COMPANY SECRETARY

Mr Paul Millington Goodsall BA (Acc), ACA, was appointed to the position of company secretary on 29 October 1999.

DIRECTORS' MEETINGS

The number of directors' meetings and the number of meetings attended by each of the directors of the Company during the financial year are:

Director	Entitled to Attend	Attended
Warren Beckwith	20	20
Paul Goodsall	20	20
Steven Pynt	20	20

PRINCIPAL ACTIVITIES

The Company's principal activity during the year was mineral exploration. There has been no change in this activity since the previous year.

REVIEW OF OPERATIONS

The review of operations is included at pages 4 to 22.

REVIEW AND RESULTS OF OPERATIONS

The loss of the Company for the financial year after income tax was $1,822,585 (2008: $3,413,862).

DIVIDENDS

No dividends have been paid since the end of the previous year and no dividends are recommended for the current year.

DIRECTORS' REPORT (continued)

STATE OF AFFAIRS

During the year, the Company issued 95,319,405 new shares and 72,819,405 options in placements or rights issues that raised an aggregate of $2,345,657 before issue costs. The principal purpose of these placements was for working capital purposes, to fund continuing exploration programmes, acquisitions, investments and repayment of short-term debt. In addition, pursuant to resolutions of shareholders, 98,894,698 piggyback options were issued free with an exercise price of 1 cent with an expiry date of 30 June 2011. During the year 127,888,212 options were exercised, raising a further $1,279,963. At 31 December 2009, 349,717,617 fully paid shares and 117,516,982 options were issued and outstanding.

LIKELY DEVELOPMENTS

The Company intends to continue its exploration activities and pursue new investment opportunities during the forthcoming year as discussed in the Review of Operations on page 4. Disclosure of further information on likely developments in operations and expected results has not been included as, in the opinion of the directors, it would be likely to result in unreasonable prejudice to the entity.

AFTER BALANCE DATE EVENTS

No other events, matter or circumstances have arisen since the end of the financial year, which in the opinion of the directors, are likely to significantly affect the operations of the Company, the results of those operations or the state of affairs in subsequent years.

ENVIRONMENTAL REGULATION

The Company's operations are subject to environmental regulation under both Commonwealth and State legislation in relation to mining and exploration activities.

The Company is committed to achieving a high standard of environmental performance. The Board is responsible for the regular monitoring of environmental exposures and compliance with environmental regulations.

As part of this process the Board is responsible for:

- implementing environmental management plans in operating areas which may have a significant environmental impact or where required by legislation;
- identifying where remedial actions are required and implementing actions plans;
- regular monitoring of tenement licence requirements, with performance against licence conditions reported to the various State regulators on a regular basis; and
- providing bonds where required by the relevant State government department.

Based on the results of enquiries made, the Board is not aware of any significant breaches during the period covered by this report.

REMUNERATION REPORT (AUDITED)

Principles of compensation

Remuneration is also referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company and other executives. Key management personnel during the year comprised the directors of the Company who are also the most highly remunerated S300A executives.

Compensation levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced directors. Given the size of the operation, there is no separate Remuneration Committee, though the Board evaluates the appropriateness of compensation packages given trends in comparative companies and the objectives of the Company's compensation strategy.

Compensation packages include a mix of fixed compensation and performance-based incentives. In addition to their salaries, the Company provides non-cash benefits to its key management personnel, and contributes to a post-employment defined contribution superannuation plan on their behalf.

Due to the size and nature of the operation, the remuneration structure is not directly linked to shareholder wealth.

DIRECTORS' REPORT (continued)

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Performance linked compensation

Performance linked compensation includes long-term incentives. The long-term incentive (LTI) is provided as unlisted shares of the Company under the rules of the Gondwana Employee Share Plan and options (see note 18 to financial statements).

There were no bonuses to key management personnel during the year.

Consequences of performance on shareholder wealth

In considering the Company s performance and benefits for shareholder wealth, the Board has regard to the following indices in respect of the current financial year and previous financial years.

	2009	2008	2007	2006	2005
Net profit/(loss) .attributable to the equity holders of the company	(1,822,585)	(3,413,862)	(2,476,319)	(2,000,795)	(1,435,861)
Loss per share	($0.007)	($0.050)	($0.071)	($0.01)	($0.002)
Dividends paid	-	-	-	-	-
Share price at 31 December	$0.03	$0.01	$0.01	$0.01	$0.08

The Company operates principally as a mineral explorer and, to date, none of its projects have reached the stage of production. Accordingly, net profit/loss is not at present considered as one of the financial performance targets in setting the Directors' remuneration, which is instead set after consideration of market and competitive factors.

Net profit for 2005 was calculated in accordance with previous Australia GAAP. Net profit amounts for 2006 to 2009 have been calculated in accordance with Australian Accounting Standards (AASBs).

Service contracts

There is a consultancy agreement between Bellatrix Pty Ltd, Warren Beckwith and the Company to provide the services of Mr Beckwith to act in the role of Managing Director at a monthly fee of $15,000 together with the provision of an appropriate motor vehicle, expenses to be paid or reimbursed. The terms of the agreement do not provide for any termination payment but, if the agreement is terminated before its expiry date, the remainder of the agreement must be paid out. The agreement expires 31 December 2011 and is subject to renewal on agreement of all parties.

Non-executive directors

Total compensation for all non-executive directors, as per the Company's Constitution, is not to exceed $150,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Directors' base fees are presently $25,000 per annum. The Chairperson presently receives $30,000 per annum.

DIRECTORS' REPORT (continued)

Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company and key management personnel are:

		Short-term				*Post-employment*	*Share-based payments*				
		Salary & fees $	*Consulting fees* $	*Non-monetary benefit* $	*Total* $	*Super-annuation benefits* $	*Options (A)* $	*Unlisted shares (B)* $	*Total* $	*Total* $	*Value of share-based payments as proportion of remuneration* %
Directors											
Non-executive directors											
P M Goodsall	2009	25,000	-	-	25,000	2,250	-	7,486	7,486	34,736	21.55%
	2008	25,000	28,100	-	53,100	2,249	30,031	10,411	40,442	95,791	42.22%
S Pynt	2009	25,000	-	-	25,000	2,250	-	7,486	7,486	34,736	21.55%
	2008	25,000	-	-	25,000	2,249	30,031	10,411	40,442	67,691	59.75%
Executive directors											
W T Beckwith (Chairman)	2009	30,000	180,000	23,513	233,513	2,700	-	29,946	51,937	266,159	11.25%
	2008	30,000	180,000	23,490	233,490	2,700	60,061	41,646	101,707	337,897	30.10%
Total	2009	80,000	180,000	23,513	283,513	7,200	-	44,918	44,918	335,631	13.38%
Total	2008	80,000	208,100	23,490	311,590	7,198	120,123	62,468	182,591	501,379	36.42%

Notes in relation to the table of directors' and executive officers remuneration

A. The fair value of the options is calculated at the date of grant using the Black-Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.

B. The shares vest in tranches over a one and two year period and are accounted for as an share based payments in accordance with AASB 2 *Share Based Payments*. The fair value of the unlisted shares is calculated at the date of grant using the Black-Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.

DIRECTORS' REPORT (continued)

Options and rights over equity instruments granted as compensation

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that were vested during the reporting period are as follows:

Director	Number of options granted during 2009	Number of options granted during 2008	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2009	Number of options vested during 2008
Warren Beckwith	-	300,000	30/06/08	0.094	20c	30/06/10	-	300,000
	-	300,000	30/06/08	0.107	30c	31/12/11	-	300,000
Paul Goodsall	-	150,000	30/06/08	0.094	20c	30/06/10	-	150,000
	-	150,000	30/06/08	0.107	30c	31/12/11	-	150,000
Steven Pynt	-	150,000	30/06/08	0.094	20c	30/06/10	-	150,000
	-	150,000	30/06/08	0.107	30c	31/12/11	-	150,000

The options were provided at no cost to the recipients and all options expire on their expiry date. No options have been granted since the end of the financial year. In 2009, no options were granted to Directors as remuneration.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

Exercise of options granted as compensation

During the reporting period, no shares were issued on the exercise of options previously granted as compensation.

Share based payments

Gondwana Employee Share Plan

During the year ended 31 December 2009, all of the 2,775,000 shares issued under the Gondwana Employee Share Plan were cancelled pursuant to the terms of the Plan and the provisions of the Corporations Act relating to an Employee Share Scheme Buy-Back resulting in a charge of $103,873.

Analysis of options and rights over equity instruments granted as compensation

Details of vesting profile of the options granted as remuneration to each key management person of the Company is detailed below.

Director	Options granted 2009 Number	Options granted 2008 Number	Date	% vested in year	Financial years in which grant vests
Warren Beckwith	-	300,000	30 June 2008	100	2008
	-	300,000	30 June 2008	100	2008
Paul Goodsall	-	150,000	30 June 2008	100	2008
	-	150,000	30 June 2008	100	2008
Steven Pynt	-	150,000	30 June 2008	100	2008
	-	150,000	30 June 2008	100	2008

Analysis of movements in options

No options were granted or exercised during the period under review to key management personnel.

DIRECTORS' INTERESTS AND BENEFITS

The relevant direct and indirect interest of each director in the shares and options issued by the Company as notified by the Directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary shares (excl Plan shares)	Employee Plan shares	Options over ordinary shares
W T Beckwith	14,689,713	-	4,406,582
P M Goodsall	256,750	-	424,600
S Pynt	12,978,899	-	5,831,437

UNISSUED SHARES UNDER OPTION

At the date of this report unissued ordinary shares of the Company under option are:

Number of Shares	Exercise Price	Expiry Date
46,397,829	12 cents	30 June 2010
69,263,153	01 cent	30 June 2011
600,000	20 cents	1 January 2009 to 30 June 2010
600,000	30 cents	1 July 2010 to 31 December 2011

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

SHARES ISSUED ON EXERCISE OF OPTIONS

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows:

Shares issued during the year	Shares issued since year end	Total number of shares issued	Amount paid on each share
-	650,000	650,000	$0.01
-	6,000	6,000	$0.12
98,894,698	-	98,894,698	$0.01
11,800	-	11,800	$0.01
169	-	169	$0.12
28,981,545	-	28,981,545	$0.01
127,888,212	**656,000**	**128,544,212**	

INDEMNIFICATION AND INSURANCE

Indemnification

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Company.

Insurance Premiums

Since the end of the previous financial year the Company has not paid insurance premiums in respect of Directors' and Officers' liability insurance.

AUDIT SERVICES

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit services provided during the year are set out below.

	2009 $	2008 $
Audit services:		
Audit and review of financial reports	70,280	53,121
Other services:		
Accounting assistance	-	12,000
Taxation compliance services	-	7,500

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 32 and forms part of the directors' report for the year ended 31 December 2009.

Dated at Perth this 31st day of March 2010.

Signed in accordance with a resolution of directors

WT Beckwith
Director

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices that were in place throughout the financial year, which comply with the ASX corporate governance council recommendations, unless otherwise stated.

Composition of the Board

The Board of Directors presently consists of an executive chairman and two non-executive directors. The directors consider the size of the Board is consistent with the size of the Company and is adequate to ensure significant issues are dealt with at Board level. The composition of the Board is monitored to ensure it has the appropriate mix of expertise and experience.

Responsibilities of the Board

The Board of Directors is responsible for the direction and oversight of the Company's business on behalf of the shareholders. The Board's most important functions include:

- setting goals, strategies and plans for the Company's business;
- adopting an annual budget and monitoring the Company's financial performance;
- ensuring adequate internal controls exist;
- ensuring significant business risks are identified and appropriately managed; and
- appointing and reviewing the performance of senior management and/or parties contracted to provide management services.

Significant Business Risks

The Company is committed to the management of risks throughout its operations to protect its employees, the environment, assets and reputation. The Board maintains an ongoing review of areas of significant risk and implements appropriate policies to reduce and minimise risks. Such policies include insurance to reduce the financial impact of adverse events.

Remuneration

The role of the Board includes determining remuneration packages and policies applicable to senior executives and directors themselves. This role also includes responsibility for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

Independent Professional Advice

Each director has the right to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, which is not unreasonably withheld.

External Audit

The Company's external auditor is KPMG. KPMG were appointed through resolution of shareholders in the annual general meeting of 1998. The lead audit partner is required to rotate after the December 2013 audit.

Audit Committee

The Company does not have a formally constituted Audit Committee. All matters that are capable of delegation to such a committee are dealt with by the full Board. The Board is responsible for reviewing the adequacy of the scope and quality of the annual statutory audit and half-year review. The Board is responsible for the nomination of external auditors.

Ethical Standards

All directors and executives are expected to act with the utmost integrity and objectivity in the performance of their duties, striving at all times to enhance the reputation and performance of the Company.

Nomination committee

The Company does not have a formally constituted Nomination Committee. The full Board oversees the appointment and induction process for directors, and the selection, appointment and succession planning. The Board reviews the appropriate skill mix, personal qualities, expertise and diversity of each position. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the skills deemed necessary. The Board identifies potential candidates with advice from an external consultant. The Board then appoints the most suitable candidate. New Board appointees must stand for election at the next general meeting of shareholders.

CORPORATE GOVERNANCE STATEMENT (continued)

Communication with shareholders

The Board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases.

In summary, the Continuous Disclosure Policy operates as follows:

- The Board interprets the company's policy. The Executive Chairman is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered, The Board follows a regular Continuous Disclosure review process, which involves monitoring all areas of the Company's internal and external environment. Once the Board is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's securities, the Company immediately tells ASX that information.
- The full annual report is provided via the Company's website to all shareholders (unless a shareholder has specifically requested to receive a physical copy), including relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments.
- The half-yearly report contains summarised financial information and a review of the operations of the Company during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it.
- Proposed major changes in the Company which may impact on share ownership rights are submitted to a vote of shareholders as required by the Company's Constitution and the ASX Listing Rules.
- All announcements made to the market and related information (including information provided to analysts or the media during briefings) are placed on the Company's website after they are released to the ASX.
- The full texts of notices of meetings and associated explanatory material are announced to the ASX and placed on the Company's website.
- The external auditor attends the annual general meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

All of the above information, including that of the previous 3 years, is made available on the Company's website as soon as possible after public release.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as separate resolutions. The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors, the Remuneration report and changes to the Constitution. A copy of the Constitution is available to any shareholder who requests it.

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Gondwana Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Graham Hogg
Partner

Perth

31 March 2010

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009	2008
		$	$
Continuing operations			
Other income	6	-	1,936
Profit on sale of tenements	6	842,263	-
Employee expenses		(110,592)	(138,004)
Administration/office expenses		(518,622)	(809,973)
Share based payment		(124,531)	(247,021)
Depreciation expenses		(24,624)	(20,625)
Exploration expenditure		(1,859,634)	(2,026,119)
Impairment loss on receivables		-	(32,000)
Impairment loss of exploration costs carried forward		-	(56,250)
Results from operating activities		(1,795,740)	(3,328,056)
Finance income		12,649	71,180
Finance expenses	5	(39,494)	(157,616)
Net finance expenses		(26,845)	(85,806)
Loss before income tax		(1,822,585)	(3,413,862)
Income tax expense	8	-	-
Loss from continuing operations		(1,822,585)	(3,413,862)
Loss for the period		(1,822,585)	(3,413,862)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,822,585)	(3,413,862)
Loss attributable to owners of the company		(1,822,585)	(3,413,862)
Total comprehensive loss for the period attributable to the owners of the company		(1,822,585)	(3,413,862)
Earnings per share:			
Basic loss per share		($0.007)	($0.050)
Diluted loss per share		($0.007)	($0.050)

The income statement is to be read in conjunction with the notes to the financial statements set out pages 37 to 55.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Notes	2009	2008
		$	$
Assets			
Property, plant and equipment	13	31,465	56,089
Exploration and evaluation expenditure	14	304,524	220,000
Total non-current assets		335,989	276,089
Cash and cash equivalents	10	149,030	361,741
Other receivables	11	221,066	150,089
Financial assets held for trading	12	485,535	-
Total current assets		855,631	511,830
Total assets		1,191,620	787,919
Equity			
Share Capital	17	28,452,637	26,119,355
Reserves		140,781	247,021
Accumulated losses		(27,848,204)	(26,256,390)
Total equity		745,214	109,986
Liabilities			
Trade and other payables	15	424,119	217,304
Interest bearing liabilities	16	-	395,637
Non-interest bearing liabilities		22,287	64,992
Total current liabilities		446,406	677,933
Total liabilities		446,406	677,933
Total equity and liabilities		1,191,620	787,919

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 37 to 55.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Ordinary Shares	Accumulated Losses	Share based payment Reserve	Total
	$	$	$	$
Balance at 1 January 2008	22,979,677	(22,842,528)	-	137,149
Total comprehensive income for the period;				
Profit or loss	-	(3,413,862)	-	(3,413,862)
Total comprehensive income for the period;	-	(3,413,862)	-	(3,413,862)
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners				
Issue of shares	2,363,088	-	-	2,363,088
Issue of shares pursuant to agreements	100,000	-	-	100,000
Share options exercised	676,590	-	-	676,590
Share based payments	-	-	247,021	247,021
Share issue costs	-	-	-	-
Total contributions by and distributions by owners	3,139,678	-	247,021	3,386,699
Balance at 31 December 2008	26,119,355	(26,256,390)	247,021	109,986
Balance at 1 January 2009	26,119,355	(26,256,390)	247,021	109,986
Total comprehensive income for the period				
Profit or loss	-	(1,822,585)	-	(1,822,585)
Total comprehensive income for the period;	-	(1,822,585)	-	(1,822,585)
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners				
Issue of shares	1,065,694	-		1,065,694
Share options exercised	1,279,963	-		1,279,963
Share based payments	-	-	124,531	124,531
Cancellation of share based payments	-	230,771	(230,771)	-
Share issue costs	(12,375)	-	-	(12,375)
Total contributions by and distributions by owners	2,333,282	230,771	(106,240)	2,457,813
Balance at 31 December 2009	28,452,637	(27,848,204)	140,781	745,214

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 37 to 55.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009	2008
		$	$
Cash flows from operating activities			
Cash receipts in the course of operations		2,261	1,936
Cash payments in the course of operations		(623,830)	(852,266)
Interest received		12,649	71,810
Interest paid		(1,913)	(44)
Exploration and evaluation expenditure		(1,529,333)	(2,245,772)
Net cash used in operating activities	19(ii)	(2,140,166)	(3,024,336)
Cash flows from investing activities			
Payments for property plant and equipment		-	(57,534)
Advances to former associate		-	(32,000)
Tenement security deposits		-	(70,000)
Payments for the acquisition of tenements		(104,524)	(20,000)
Proceeds from sale of tenements		207,263	-
Proceeds from sale of investments		128,174	-
Net cash from/(used) in investing activities		230,913	(179,534)
Cash flows from financing activities			
Proceeds from issue of shares and exercise of options (net of costs)		1,395,117	1,053,431
Proceeds from borrowings		351,608	1,456,875
Repayment of borrowings		(52,403)	(281,001)
Application monies received		2,220	64,992
Net cash provided by financing activities		1,696,542	2,294,297
Net increase (decrease) in cash held		(212,711)	(909,573)
Cash at the beginning of the financial period		361,741	1,271,314
Cash at the end of the financial period	19(i)	149,030	361,741

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 37 to 55.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. REPORTING ENTITY

Gondwana Resources Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 230 Rokeby Road, Subiaco, Western Australia. In December 2009, the Company sold its investment in its associate.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs")(including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), and the Corporations Act 2001. In accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, the financial report of the Company, comprising the financial statements and notes, complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report was approved for issue by the board of directors on 31 March 2010.

(b) Basis of measurement

The financial report is presented in Australian dollars.

The financial statements have been prepared on the historical cost basis except for share based payments, and investments are recorded at fair value through profit and loss. Share based payments are valued using the Black-Scholes option pricing formula. Investments are valued based on the quoted closing price of that security at balance date.

(c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies have been included in the notes and accounting policies section for the following:

- Accounting for exploration and evaluation assets (Note 3(j))
- Impairment of exploration and evaluation assets (Note 3(k))
- Share based transactions (Note 3 (d))

(d) Going Concern

The Company has incurred a loss during the year of $1,822,585 (2008:$3,413,862) with cash outflows from operations of $2,140,166 (2008:$3,024,336) and current assets exceeded current liabilities by $409,225 at 31 December 2009 (current liabilities exceeded current assets at 31 December 2008 by $166,103. The Company's financial statements have been prepared on a going concern basis on the grounds that, in the opinion of the Directors, the Company will be in a position to continue to meet its budgeted operating costs and minimum exploration expenditures for the twelve month period from the date of this report from current cash resources, assets available for sale and future capital raisings. The Company has been successful in capital raisings and has demonstrated an ongoing ability to raise additional funds through borrowings, share issues and the exercise of options, raising $2,345,657 during the year as disclosed in note 17.

Should the Company not be successful in its planned capital raisings, it may be necessary to sell some of its exploration assets and investments, farm-out exploration projects, reduce exploration expenditure by various methods including surrendering less prospective tenements and reduce operating overheads. Although the directors are confident that they will be successful in these measures, if they are not, there is material uncertainty which may cast significant doubt as to whether the Company will be able to continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(e) Changes in accounting policies

Overview

Starting as of 1 July 2009, the Company has changed its accounting policies in the following areas:

- Determination and presentation of operating segments (see Note 3q)
- Presentation of financial statements. (See note 3r)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

(a) Revenue

Revenue is measured at the fair value of consideration received or receivable, net of the amount of goods and services tax (GST).

Other income

Sales of non-current assets are recognised at the date control of the assets passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(b) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payable are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities are recoverable from, or payable to, the ATO are classified as operating cash flows.

(c) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(d) Employee benefits

Wages, salaries, annual leave and sick leave
The provisions for employee benefits including wages, salaries, annual leave and sick leave represent present obligations resulting from employee's services provided up to the balance date, calculated at undiscounted amounts based on current wage and salary rates including related on-costs.

Share-based payment transactions
The share option programme allows the Company's employees and key consultants to acquire shares of the Company through exercising options granted. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees or consultants become unconditionally entitled to the options. The fair value of the options granted is measured based on the Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. In addition, a probability factor of vesting is taken into account when calculating their theoretical fair value using the Black-Scholes option pricing model.

The fair value of employee stock and options is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk free interest rate (based on Government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

Superannuation plan
The Company contributes to several defined contribution superannuation plans. Contributions are charged against income as they are made.

(e) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 60 days.

(f) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(g) Other trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy 3(l)).

(h) Acquisition of assets

All assets acquired including property, plant and equipment, tenements acquired and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity to the extent of proceeds received, otherwise expensed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(i) Property Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy 3(k)).

(ii) Depreciation

Assets are depreciated or amortised from the date of acquisition. Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed. The depreciation/amortisation rates used for each class of asset for 2009 and 2008 are as follows:

	2009	2008
Property, plant and equipment	25 - 40%	25 - 40%

(j) Exploration and evaluation expenditure

Other than tenement acquisition costs, which are capitalised, exploration and evaluation expenditure is expensed as incurred. Tenement acquisition costs are only carried forward as an asset where rights to tenure are current and the costs:

(i) relate to acquisitions and activities that have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to the area of interest are continuing; or

(ii) are expected to be recouped through successful development and exploitation of the area of interest or by its sale.

Expenditure on exploration and evaluation activities in relation to areas of interest which have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves are expensed as incurred. Identifiable exploration assets acquired are accounted for in accordance with the company's policy on acquisition of assets.

Where an area of interest has been relinquished, abandoned or sold or the Directors decide that it is not commercial, all carrying costs in respect of that project area are written off in the year the decision is made. Exploration and evaluation assets will be assessed annually for impairment in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources and the Company's policy in relation to impairment.

(k) Impairment

The carrying amounts of the Company's assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash flow from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of goodwill (if any) allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

Calculation of recoverable amount

The recoverable amount of the Company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

The ultimate recoupment of the value of exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternately, sale, of the underlying mineral exploration

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properties. The Group undertakes at least on an annual basis, a comprehensive review for indicators of impairment of these assets. Should an indicator of impairment exist, there is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of estimation and judgement that are considered in this review include: (i) recent drilling results and reserves and resource estimates (ii) environmental issues that may impact the underlying tenements (iii) the estimated market value of assets at the review date (iv) independent valuations of underlying assets that may be available (v) fundamental economic factors such as commodity prices, exchange rates and current and anticipated operating costs in the industry (vi) the Group's market capitalisation compared to its net assets

Reversal of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus shares issued during the year.

Diluted earnings per share
The calculation of diluted earnings per share at 31 December 2009 was based on the loss attributable to the ordinary shareholders and a weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

(m) Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(n) Share Capital

Ordinary shares:
Ordinary shares are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Share based payment reserve
The fair value of options and equity share based payments granted by the Board has been expensed with a corresponding increase in share based payment reserve.

(o) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available for sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Company’s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign exchange gains and losses are reported on a net basis.

NOTES TO THE FINANCIAL STATEMENTS
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(p) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(q) Segment reporting

As of 1 January 2009, the Company determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Company's chief operating decision maker. This change in accounting policy is due to the adoption of I FRS 8 *Operating Segments.* Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting.* Internally the Company's information is attributed wholly to the mining industry within Western Australia as this is the only segment in which the Company is engaged. As a result, the change in accounting policy does not impact on the presentation of these financial statements.

(r) Presentation of financial statements

The Company applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. This presentation has been applied in these financial statements as at and for the twelve month period ended on 31 December 2009. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables:

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities:

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Financial assets at fair value through profit or loss:

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

5. FINANCIAL EXPENSE

	2009	2008
	$	$
Interest and borrowing expense:		
Third parties	1,913	118,262
Related parties	37,581	39,354
	39,494	157,616

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

6. OTHER INCOME

	2009 $	2008 $
Insurance proceeds	-	1,936
Profit on sale of tenements	842,263	-
	842,263	1,936

7. AUDITORS' REMUNERATION

	2009 $	2008 $
Audit Services		
- audit and review of the financial reports	70,280	53,121
- Other Services		
- accounting assistance	-	12,000
- tax compliance services	-	7,500
	70,280	72,621

8. TAXATION

	2009 $	2008 $
Recognised in the income statement:		
Current tax expense / (benefit)		
Current tax expense / (benefit)	(480,686)	(930,022)
Adjustments for prior years	-	-
	(480,686)	(930,022)
Deferred tax expense / (benefit)		
Tax losses not recognised	480,686	930,022
Total income tax expense in income statement	-	-
Numerical reconciliation between tax expense and pre-tax net profit		-
Net loss	(1,822,585)	(3,413,862)
Prima facie income tax (benefit) / expenses using the domestic corporation tax rate of 30% (2008: 30%)	(546,776)	(1,024,159)
Decrease in income tax benefit due to:		
Share based payments	37,359	74,106
Write-off of receivable from associate	-	9,600
Write off of exploration costs carried forward	-	16,875
Entertainment expense	153	193
Loss on sale of shares	296	-
Other	28,282	(6,637)
	(480,686)	(930,022)
Tax losses not recognised	480,686	930,022
Income tax expense	-	-
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	22,137,115	20,534,829
Potential tax benefit at 30%	6,641,135	6,160,449

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
	$	$	$	$	$	$
Exploration, evaluation and development expenditure	-	-	(91,357)	(66,000)	(91,357)	(66,000)
Accruals	15,526	18,589	-	-	15,526	18,589
Tax losses recognised	75,831	47,411	-	-	75,831	47,411
Total assets /(liabilities)	91,357	66,000	(91,357)	(66,000)	-	-
Set off of tax	-	-	-	-	-	-
Unrecognised deferred tax assets	-	-	-	-	-	-
Net tax assets /(liabilities)	91,357	66,000	(91,357)	(66,000)	-	-

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits from.

9. EARNINGS PER SHARE

	2009	2008
Weighted average number of ordinary shares at 31 December	255,063,684	*68,468,943
Loss attributable to ordinary shareholders at 31 December	(1,822,585)	(3,413,862)

* Adjusted for bonus shares issued in the current period and share consolidation.

At balance date the following potential ordinary shares in the form of options were not yet exercised:

Expiry Date	Exercise Price	Number of Options
30/06/2010	$0.12	46,403,829
30/06/2011	$0.01	69,913,153
1 January 2009 to 30 June 2010	$0.20	600,000
1 July 2010 to 31 December 2011	$0.30	600,000

Potential ordinary shares are not considered dilutive as their conversion does not show an inferior view of the earnings performance of the Company. Accordingly, diluted earnings per share are the same as basic earnings per share.

10. CASH AND CASH EQUIVALENT ASSETS

	2009	2008
	$	$
Cash at bank and on hand	148,933	296,749
Application monies (i)	97	64,992
	149,030	361,741

(i)Represents monies received on application for shares not yet allotted. Until such time as the shares are allotted, the application monies are recognised as cash with a corresponding liability. The allotment occurred subsequent to balance date. Refer Note 25.

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed on note 22.

NOTES TO THE FINANCIAL STATEMENTS
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11. OTHER RECEIVABLES

	2009 $	2008 $
GST receivable	97,643	77,828
Deposit for tenements	70,000	70,000
Other	53,423	2,261
	221,066	150,089

12. FINANCIAL ASSETS HELD FOR TRADING

	2009 $	2008 $
Current investments		
Investments held for trading	485,535	-
	485,535	-

Sensitivity analysis – equity price risk

The Company's equity investments are listed on the Australian Stock Exchange. For such investments classified as available for sale a 1% increase at the reporting date in the share price would have increased equity by $4,934 (2008:nil); an equal change in the opposite direction would have decreased equity by the same amount.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Computer equipment	Computer software	Field equipment	Total
Cost					
Balance at 1 January 2008	18,737	55,671	22,945	-	97,353
Additions	19,134	-	37,128	1,273	57,535
Disposals	-	-	-	-	-
Adjust fully written down assets	(16,038)	(33,633)	1,282-	-	(48,387)
Balance at 31 December 2008	21,833	22,040	61,355	1,273	106,501
Balance at 1 January 2009	21,833	22,040	61,355	1,273	106,501
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Adjust fully written down assets	-	(22,040)	-	-	(22,040)
Balance at 31 December 2009	21,833	-	61,355	1,273	84,461
Depreciation and impairment losses					
Balance at 1 January 2008	18,184	55,671	4,319	-	78,174
Depreciation for the year	4,756	-	15,657	212	20,625
Disposals	-	-	-	-	-
Adjust fully written down assets	(16,038)	(33,630)	1,282	-	(48,386)
Balance at 31 December 2008	6,903	22,040	21,258	212	50,413
Balance at 1 January 2009	6,903	22,040	21,258	212	50,413
Depreciation for the year	6,647	-	17,555	424	24,624
Disposals	-	-	-	-	-
Adjust fully written down assets	-	(22,040)	-	-	(22,040)
Balance at 31 December 2009	13,550	-	38,811	636	52,997
Carrying amounts					
at 1 January 2008	553	-	18,626	-	19,179
at 31 December 2008	14,930	-	40,097	1,061	56,088
at 1 January 2009	14,930	-	40,097	1,061	56,088
At 31 December 2009	8,283	-	22,544	637	31,465

NOTES TO THE FINANCIAL STATEMENTS
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14. EXPLORATION AND EVALUATION EXPENDITURE

	2009 $	2008 $
Capitalised exploration and evaluation expenditure		
Cost		
Balance at 1 January	380,000	260,000
Exploration tenement interests acquired (i)	104,524	120,000
Disposal	(20,000)	-
Balance at 31 December	464,524	380,000
Impairment		
Balance at 1 January	160,000	103,750
Write off	-	56,250
Balance at 31 December	160,000	160,000
Carrying Value		
At 1 January	220,000	156,250
At 31 December	304,524	220,000

The ultimate recoupment of costs carried forward in exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas. This is assessed on an annual basis.

15. PAYABLES

	2009 $	2008 $
Trade payables	364,684	52,031
Other payables and accruals	59,435	73,646
Trade payables due to related entities	-	91,627
	424,119	217,304

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables are non-interest bearing normally settled on 30 day terms.

Amounts payable to related entities are amounts owing to the directors and director related entities disclosed in Note 21.

16. INTEREST BEARING LIABILITIES

	2009 $	2008 $
Current liabilities		
Third party loans	-	240,629
Related party loans (note 21)	-	155,008
	-	395,637

The above interest bearing liabilities are repayable on demand. Interest is payable at 10% per annum from the date of advance to the date of repayment, and the arrangement fee for these facilities is 10% of the advanced amount. These borrowings are unsecured.

NOTES TO THE FINANCIAL STATEMENTS
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17. CONTRIBUTED EQUITY

(a) Share capital

Issued and paid-up share capital 347,217,617 (2008: 124,010,000) ordinary fully paid shares	28,452,637	26,119,355
	28,452,637	26,119,355

	2009		2008	
Movement in shares on issue	**$**	**Number**	**$**	**Number**
Balance at beginning of year	26,119,355	*124,010,000	22,979,677	375,369,729
Rights Issue pre-consolidation	-	-	1,930,641	193,059,864
Options exercised pre-consolidation	-	-	114,622	10,450,409
			25,024,940	578,880,002
Consolidation of capital (1 for 10)	-	-	25,024,940	57,868,182
Rights Issue	-	-	432,447	43,244,696
Options exercised	1,279,963	127,888,212	561,968	4,726,827
Bonus issue of shares	-	-	-	8,170,295
Shares issued pursuant to agreement	-	-	100,000	10,000,000
Share placements	1,065,694	95,319,405	-	-
Share issue costs	(12,375)		-	-
Balance at end of year	28,452,637	*347,217,617	26,119,355	*124,010,000

* The number of shares excluded 2,500,000 (2008: 2,775,000) unlisted shares pursuant to the share plan, details of which have been disclosed in note 18(b).

(b) Options on issue

Unissued ordinary shares of the Company under option at year end are:

Issue Date	Expiry Date	Exercise Price	Options on Issue at Year End	
			2009	**2008**
30/12/08	31 May 2009	$0.01	-	43,244,696
9/1/2007	30 June 2009	$0.10	-	2,036,515
31/8/2007 & prior	30 June 2010	$0.12	46,403,829	46,403,998
22/07/2009	30 June 2011	$0.01	69,913,153	-
30/6/2008	1 January 2009 to 30 June 2010	$0.20	600,000	600,000
30/6/2008	1 July 2010 to 31 December 2011	$0.30	600,000	600,000
			117,516,982	92,885,209

Note: Options on issue at year end are after deducting options exercised during the year.

18. SHARE BASED PAYMENTS

(a) Options

On 30 June 2008, the Company issued unlisted share options that entitled the Directors to purchase shares in the entity. The terms and conditions of the share options are as follows:

1. Each Option entitles the holder to one fully paid ordinary Share in the Company.
2. The Options are exercisable at any time after the Earliest Exercise Date set out in the table below until 5pm (WST) on the Expiry Date set out in the table below.

Earliest Exercise Date	Expiry Date	Exercise Price	Tranche
1 January 2009	30 June 2010	20 cents each	50%
1 July 2010	31 December 2011	30 cents each	50%

3. The option exercise price is as set out in the table above.

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4. Subject to the Corporations Act, the ASX Listing Rules and the Company's Constitution, the Options are not transferable.
5. All the Company's Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares.
6. The Company will apply for official quotation by ASX of all shares issued upon exercise of the Options.
7. There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options.
8. If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the ASX Listing Rules.
9. The Company will not apply for official quotation by ASX of the Options.
10. The fair value of options granted is estimated with the Black-Scholes option pricing model, using the following assumptions:

Grant date	Number of options	Vesting Conditions	Contractual life of options
Option grant at 30 June 2008	600,000	Nil	2 years

Fair value of share options and assumptions for the year ended 31 December 2008:

Fair value at grant date	$0.094
Share price at grant date	$0.18
Exercise price	$0.20
Expected volatility	100%
Option life	2 years
Expected dividends	-
Risk-free interest rate (based on government bonds)	5.25%

Grant date	Number of options	Vesting Conditions	Contractual life of options
Option grant at 30 June 2008	600,000	Nil	3.5 years

Fair value of share options and assumptions for the year ended 31 December 2008:

Fair value at grant date	$0.107
Share price at grant date	$0.18
Exercise price	$0.30
Expected volatility	100%
Option life	3.5 years
Expected dividends	-
Risk-free interest rate (based on government bonds)	5.25%

(b) Employee share plan

On 13 July 2009, the Company issued 2,500,000 (2008:1,700,000) unlisted shares pursuant to the Gondwana Resources Employee Share Option Plan (Plan). The terms and conditions of the share options are as follows:

- Persons eligible under the Plan are directors, employees and consultants of the Company or any of its subsidiaries and any other person whom the ASIC allows to participate in an employee share scheme without requiring a prospectus to be issued (Eligible Employee).
- The Company may, in its absolute discretion at any time and from time to time, make an offer to any Eligible Employee to participate in the Plan and to borrow from the Company on the specified loan terms to fund participation in the Plan.
- No Shares may be issued by the Company under the Plan at a time when the aggregate of the number of Share issued under the Plan and the number of other Shares issued under any other employee incentive scheme of the Company in the last 5 years, exceeds 5% of the total number of Shares on issue in the capital of the Company.

NOTES TO THE FINANCIAL STATEMENTS
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- Each Share issued pursuant to the Plan will be issued at a price determined by the Board provided that it is not less than the market price of the Shares, being the weighted average sale price of Shares sold on ASX on the 5 trading days prior to the proposed date of offer.
- Upon receipt by the Company of an application, the Company must determine to make a loan to the Eligible Employee for the amount of the Shares and upon such determination being made, a loan agreement shall arise between the Company and the Eligible Participant without the need for any further action or notice by either party. Each Share issued pursuant to the Plan will rank par passu with all issued Shares for voting rights and dividends and will be entitled to participate in any bonus issues and rights issues made by the Company on the same basis as other Shares. The Company will apply for quotation of all Shares issued pursuant to the Plan as soon as practicable after the Shares are permitted to be disposed of under the terms of issue.
- An Eligible Employee may only dispose of or grant an encumbrance over a Share issued under the Plan as set out below or as otherwise determine by the Directors at the time of issue:

Time Frame	Percentage of Shares that may be disposed or encumbered
Within 1 year of issue	33.33%
Within 2 years of issue	66.67%
After 2 years of issue	100.00%

- An Eligible Employee may dispose of or grant an encumbrance over a Share if the Eligible Employee is made redundant or there is a change in control of the board of the Company. However, until the loan to the Eligible Employee is repaid, the Eligible Employee grants a right of first refusal over the Shares the subject of the loan which must be exercised by the Company within 24 hours of the occurrence of the event. The sale price of the Shares will be equal to the average trading value of the Shares on ASX on the day that is 14 days after the Company has lodged the documents required under section 257F(2)(b) of the Corporations Act and the Company must pay the proceeds in the following manner:

  the sum required to satisfy the outstanding balance of the loan to the Company; and

  the remaining sum to the Eligible Participant.
- The Shares are paid for by way of a limited recourse loan from the Company to the Eligible Employee, with no interest payable.
- If an Eligible Employee is required to sell their Shares and settle the loan, and the proceeds of sale do not cover the outstanding loan balance to the Company, the Company will meet the loss on the loan. This means that the loan will effectively be linked to the value of the Shares.
- The Board will administer the Plan. The Company may by special resolution (or by a resolution of the Board if permitted by the Listing Rules, or otherwise as permitted by the Listing Rules) amend the rules of the Plan.

Tranche 1:

Grant date	Number of shares	Vesting Conditions	Estimated exercise period
13 July 2009	833,333	Within 1 year of issue date	6 months

Fair value at grant date	$0.013
Share price	$0.020
Exercise price	$0.010
Expected volatility	182.84%
Expected dividends	-
Risk-free interest rate (based on government bonds)	4.17%

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Tranche 2

Grant date	Number of shares	Vesting Conditions	Estimated exercise period
13 July 2009	833,333	Within 2 year of issue date	18 months

Fair value at grant date	$0.016
Share price	$0.020
Exercise price	$0.010
Expected volatility	182.84%
Expected dividends	-
Risk-free interest rate (based on government bonds)	4.17%

Tranche 3

Grant date	Number of shares	Vesting Conditions	Estimated exercise period
13 July 2009	833,333	Within 3 year of issue date	18 months

Fair value at grant date	$0.016
Share price	$0.020
Exercise price	$0.010
Expected volatility	182.84%
Expected dividends	-
Risk-free interest rate (based on government bonds)	4.17%

The total share based payment for the year ended 31 December 2009 was $124,531.

19. NOTES TO STATEMENT OF CASH FLOWS

(i) **Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and deposits per note 3(r) maturing within the year. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	2009 $	2008 $
Cash at bank and on hand	148,933	296,749
Application monies	97	64,992
	149,030	361,741

(ii) **Reconciliation of cash flows from operating activities**

	2009	2008
Loss for the period after income tax	(1,822,585)	(3,413,862)
Add non-cash items:		
Depreciation	24,624	20,625
Management fees	3,280	-
Loss on sale of shares	984	-
Profit on sale of tenements	(842,263)	-
Write-off of receivable from associate	-	32,000
Write-off of exploration costs carried forward	-	56,250
Share based payment	124,531	247,021
Directors' fees	80,000	80,000
Financial costs	39,494	157,572
Net cash used in operating activities before change in assets and liabilities	(2,391,935)	(2,820,394)
Change in assets and liabilities during the financial year		
Increase/(decrease) in other payables	282,439	(232,785)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Increase)/decrease in other receivables	(30,670)	28,843
Net cash from operating activities	(2,140,166)	(3,024,336)
(iii) **Non-cash investing and financing activities**		
Acquisition of tenements	-	100,000
Conversion of debt to equity	887,266	1,201,559
Conversion of payable to equity	3,280	11,096
Sale of tenements – receipt of investments	(655,000)	-
	235,546	1,312,655

20. SEGMENT REPORTING

For management purposes, the company is organised into one operating segment, which involves the exploration, production and development of Nickel, Gold and Iron Ore in Australia. All of the company's activities are interrelated, and discrete financial information is reported to the Managing Director (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the entity as one segment. The financial results from this segment are equivalent to the financial statements of the company as a whole.

The accounting policies applied for internal reporting purposes are consistent with those applied in preparation of these financial statements.

21. RELATED PARTIES

The following were key management personnel of the Company during the reporting period.

- WT Beckwith – Managing director
- PM Goodsall – Non-executive director
- SL Pynt - Non-executive director

The key management personnel compensation included in the income statement as follows:

	2009 **$**	**2008** **$**
Base emoluments	80,000	80,000
Consulting fees	180,000	208,100
Non-monetary benefits	23,513	23,490
Super contribution	7,200	7,198
Share based payments	103,873	182,591
	394,586	501,379

Individual directors and executives compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instrument disclosures is permitted by Corporations Regulations 2M.3.03 and is provided in the Remuneration Report section of the Directors' Report.

Loans from and amounts payable to key management personnel and their related parties

	Balance at 31 December 2009 $	Balance at 31 December 2008 $	Interest paid /payable for the 2009 year $	Interest paid /payable for the 2008 year $	Highest balance in 2009 $
Paul Goodsall	-	48,812		-	60,750
Steven Pynt	-	16,716		-	16,154
Warren Beckwith	-	181,107	4,866	39,354	175,741
Total loans received from key management personnel	-	246,635	4,866	39,354	252,645
Comprising:					
Payables	-	91,627	-	43	-
Interest bearing liabilities	-	155,008	-	39,311	-
Balance of (assets) / liabilities held with respect to key management personnel and their related parties	-	246,635	-	39,354	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

The payables balances are unpaid director fees, superannuation and reimbursement of expenses. Interest bearing liabilities incur interest at 10% plus an establishment fee of 10%, are unsecured and are repayable at call. Related parties of Warren Beckwith included above are Bellatrix Pty Ltd, Beckwith & Company Pty Ltd atf the Beckwith Superannuation Fund and Westralian Group Pty Ltd.

Other key management personnel transactions
During the year, the Company reimbursed Westralian Group Pty Ltd, a company of which WT Beckwith is a director, $262,425 (2008:$246,104) for the cost of office facilities, personnel and administrative services.

Movements in shares and options
The movement during the reporting period in the number of ordinary shares and options of the Company held, directly, indirectly or beneficially, by each key management person, including their related parties is as follows (adjusted for share consolidation):

Specified key management	Year	Shares held at 1 January	Purchases	Disposals	Granted as compens-ation	Received on exercise of options	Shares held at 31 December
WT Beckwith	2009	7,489,713	8,000,000	-	(800,000)	-	14,689,713
	2008	4,404,842	4,503,223	(3,857,274)	800,000	1,638,922	7,489,713
SL Pynt	2009	8,119,266	1,000,000	(1,000,000)	(200,000)	5,059,633	12,978,899
	2008	95,220	7,851,676	(27,630)	200,000	-	8,119,266
PM Goodsall	2009	456,750	6,000,000	(7,325,000)	(200,000)	1,325,000	256,750
	2008	204,545	250,750	(198,545)	200,000	-	456,750

Specified key management	Year	Options held at 1 January	Purchases	Disposals	Granted as compens-ation	Exercise of options	Options held at 31 December
WT Beckwith	2009	8,123,876	8,000,000	(11,717,294)	-	-	4,406,582
	2008	740,328	8,422,470	-	600,000	(1,638,922)	8,123,876
SL Pynt	2009	4,831,437	6,059,633	-	-	(5,059,633)	5,831,437
	2008	15,870	4,531,437	(15,870)	300,000	-	4,831,437
PM Goodsall	2009	649,600	7,325,000	(6,225,000)	-	(1,325,000	424,600
	2008	34,091	348,600	(33,091)	300,000	-	649,600

Note: All shares and options have been stated on a post-consolidation basis.

22. COMMITMENTS

Exploration Expenditure Commitments
The Company has certain obligations to perform minimum exploration work on tenements held. These obligations may vary over time, depending on decisions of the Department of Mining and Petroleum (DMP), the Company's exploration program and priorities, exemptions, reversions, tenement relinquishments and the performance of obligations on the Company's behalf by joint venture partners. At balance date, the total annual DMP exploration expenditure commitments in respect of the Company's current tenement holdings which have not been provided for in the financial statements are $1,003,280 (2008: $1,154,600).

23. FINANCIAL INSTRUMENTS

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and is responsible for developing and monitoring risk management policies. Risk management policies are established to identify and analyse the risks faced by the Company and, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(i) **Credit Risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables and deposits with parties.

Exposure to credit risk

Trade and other receivables:
The carrying value of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at reporting date was:

	Note	Carrying amount 2009 $	Carrying amount 2008 $
Cash and cash equivalents	10	149,030	361,741
Other receivables	11	221,066	150,089
		370,096	511,830

As the Company operates in the mining explorer sector, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables

Investments:
The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.
At balance date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(ii) **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Company ensures that cash flow is reported on a regular basis to monitor cash flow requirements and optimise its cash return on investments.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Non-derivative financial liabilities

2009	**Carrying amount** $	**Contractual cash flows** $	**6 months or less** $
Trade and other payables	424,119	424,119	424,119
Interest bearing liabilities	-	-	-
Non–interest bearing liabilities	22,287	22,287	22,287
	446,406	446,406	446,406

2008	**Carrying amount** $	**Contractual cash flows** $	**6 months or less** $
Trade and other payables	217,304	217,304	217,304
Interest bearing liabilities	395,637	395,637	395,637
Non–interest bearing liabilities	64,992	64,992	64,992
	677,933	677,933	677,933

At balance date or during the financial year, the Company has had no derivative financial liabilities.

At balance date the Company manages liquidity risk by maintaining cash reserves by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and liabilities where possible and seeking new funding as required.

(iii) **Currency risk**

Exposure to currency risk

The Company's exposure to currency risk at balance date was nil. (2008:$ nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(iv) **Interest rate risk**

Profile:
At balance date the interest rate profile of the Company's interest-bearing financial instruments was:

	2009 $	2008 $
Variable rate instrument		
Cash and cash equivalents	149,030	361,741
Fixed rate instruments		
Financial liabilities	-	395,637

Fair value sensitivity analysis for fixed rate instruments:

The Company does not account for any fixed rate financial liabilities at fair value through profit or loss and the Company has no derivatives.

A change in interest rates at reporting date of 100 basis points would have increased/decreased profit by $901 (2008:$ 600).

Capital Management:

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide a return to shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

As the Company incurs net cash out flows from operations and has large accumulated losses, the primary method used to adjust its capital structure is the issue of new shares. The Company has determined that where possible it will issue ordinary shares, rather than issue hybrid forms of securities, so as to avoid any restrictions on its use of capital or commit to interest payments.

There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

24. EMPLOYEE BENEFITS

Aggregate liability for employee entitlements, including on-costs		
Current	-	-
Number of employees		
Number of employees at year end	1	1

Superannuation plans
The Company contributes to defined contribution employee superannuation plans. The Company has a legally enforceable obligation to contribute to the plans. The amount recognised as an expense for the year ended 31 December 2009 was $7,251 (2008: $14,609).

25. EVENTS SUBSEQUENT TO BALANCE DATE

No other events, matter or circumstances have arisen since the end of the financial year, which in the opinion of the directors, are likely to significantly affect the operations of the Company, the results of those operations or the state of affairs in subsequent years.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Gondwana Resources Limited ("the Company"):

   a) the financial statements and notes and remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the financial position of the Company as at 31 December 2009 and of its performance for the year ended on that date; and

      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

   b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a);

   c) remuneration disclosures contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001; and

   d) there are reasonable grounds to believe that the Company will be able to meet any obligations or liabilities as and when they become due and payable.

2. The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the executive chairman for the financial year ended 31 December 2009.

Dated at Perth this 31st day of March 2010

Signed in accordance with a resolution of the directors:

W T Beckwith
Director

KPMG

Independent auditor's report to the members of Gondwana Resources Limited

Report on the financial report

We have audited the accompanying financial report of Gondwana Resources Limited (the Company), which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Auditor's opinion
In our opinion:

(a) the financial report of Gondwana Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 31 December 2009 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Material uncertainty regarding continuation as a going concern

Without qualification to the opinion provided above, attention is drawn to the following matter. As a result of matters described in note 2(d), the Company is reliant upon raising additional funds to enable it to continue with its operations, including its ongoing exploration programs and commitments. Because of this and the matters referred to in note 2(d), there is material uncertainty which may cast significant doubt regarding the ability of the Company to continue as a going concern and therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2009. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Gondwana Resources Limited for the year ended 31 December 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Graham Hogg
Partner

Perth

31 March 2010

SHAREHOLDER INFORMATION
as at 22 March 2010

a) Voting Rights and Classes of Equity Securities

The Company has issued equity securities comprising:

- 349,717,617 fully paid ordinary shares;
- 46,403,998 options exercisable at $0.012 each on or before 30 June 2010.
- 69,913,153 options exercisable at $0.01 each on or before 30 June 2011.

Each fully paid share carries on a poll, one vote.

b) Distribution Schedule of Fully Paid Ordinary Shares

Size of Holdings	Number of Shareholders
1 – 1000	1,156
1,000 – 5,000	496
5,001 – 10,000	221
10,001 – 100,000	889
100,001 & over	450
	3,212

c) Substantial Shareholders

An extract of the Company's register of Substantial Shareholders (who hold 5% or more of the issued capital) is set out below:

Name	% of Issued Capital
Daryl John Peasnall	9.14

d) Twenty Largest Shareholders

The twenty largest shareholders hold 50.19% of the total ordinary shares issued. The names of the 20 largest holders of shares as at 25 March 2010 are listed belowAn extract of the Company's register of Substantial Shareholders (who hold 5% or more of the issued capital) is set out below:

Rank	Shareholder	Shares	%
1.	Mr Darryl John Peasnell	16,350,000	4.67
2.	Mr Darryl John Peasnell	15,650,000	4.47
3.	Finscan Investments Limited	13,083,690	3.73
4.	International Business Services Limited	11,494,596	3.28
5.	Mr Steven Leigh Pynt	10,375,000	2.96
6.	Sam Dimas Limited	8,623,475	2.46
7.	Fern Valley Limited	8,137,874	2.32
8.	Beckwith & Company Pty Ltd <The Beckwith Super Fund A/C>	8,050,725	2.30
9.	Bellatrix Pty Ltd	8,000,000	2.28
10.	ANZ Nominees Limited <Cash Income A/C>	6,164,756	1.76
11.	Mr David Berkeley Fitzhardinge <The Dingo Super Fund A/C>	4,996,254	1.43
12.	Mr Trevor Alan Opray	4,746,450	1.35
13.	Mr Dimce Spaseski	4,413,996	1.26
14.	Mr Jan Marach and Mrs Renata Marach	3,954,300	1.13
15.	Mainstream Limited	3,733,596	1.07
16.	Mr Ronald Jeffery Thompson	3,500,000	1.00
17.	Mr Yuzhou Lin	3,100,000	0.88
18.	Ierace Pty Ltd <The Ierace Family A/C>	2,800,000	0.80
19.	Tromso Pty Limited	2,726,165	0.78
20.	Asket Pty Ltd <S L Pynt Super Fund A/C>	2,603,899	0.74
	Total	**142,504,776**	**40.67**