

Gondwana **RESOURCES LIMITED**

HALF-YEAR REPORT TO 30 JUNE 2009

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DIRECTORS' REPORT

The directors present their report together with the financial report of Gondwana Resources Limited (Gondwana or the Company) for the half-year ended 30 June 2009 and the auditor's review report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the half year are:

Warren Talbot Beckwith **Executive Chairman**

Warren Beckwith is a Chartered Accountant with many years' experience as a partner in international firms within Australia and overseas. He has held directorships in Australian mining and other public listed companies in Australia, the United Kingdom and Hong Kong for more than 20 years. He is currently an independent non-executive director of China Properties Group Limited, which is listed in Hong Kong.

Steven Leigh Pynt **Director**

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 **Director & Company Secretary**

Paul Goodsall is a Chartered Accountant with over 20 years experience 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 position of Commercial Manager, director or company secretary of several public companies.

PRINCIPAL ACTIVITIES

The Company's principal activity during the half-year was mineral exploration.

REVIEW OF OPERATIONS

Parker Range Gold Project

Background

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. Southern Cross is a well recognized 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.

Gondwana holds interests in ~290 km² of tenure straddling the Parker Dome, including highly prospective greenstone where the Company's exploration programs have already identified the gold mineralisation, iron ore resources and nickel anomalies described below or in the Company's previous reports.

A comprehensive update of the Company's activities at the Parker Range Gold Project was released on 29 June 2009.

Buffalo Pre-Feasibility Study *(Gondwana 70%)*

The following work on the Buffalo Gold Project has been completed or planned during the period:

- Petrographic analysis and bottle roll tests have been completed on the samples with encouraging results. The bottle roll tests were carried out on material crushed to -10mm, a reasonably coarse size, and the cyanide solution was changed and analysed at 24, 48 and 72 hours to determine the maximum extractable gold and approximate leach times for each of the samples.
- Results of the bottle roll tests indicate that an average of 80% of the gold was recovered over a 72 hour period. The test work also indicated that although there was a significant increase in sulphide in the composite from the fresh rock, there was no decrease in gold recovery. The inference that can be made from these results is that there is no evidence of gold being metallurgically "locked-up" within the sulphides.

DIRECTORS' REPORT (continued)

- Preliminary capital cost studies are underway and will be completed in the current quarter.
- Preliminary pit design and further mining studies are now scheduled for Q3 2009.
- Spring Hill mineralisation is now to be drill-tested for additional resources as a priority as part of the pre-feasibility study. A POW approval from the Department of Mines and Petroleum is awaited.

The Buffalo Processing Facility will require additional gold resources to increase the profitability of the operation and reduce the operational risk. Work through the balance of 2009 will dictate whether Gondwana's other historic mines along the same banded iron formation (BIF) geological host unit, have economic deposits that can be brought into production at the same time as the Buffalo Project. An opportunity is presented by the proximity to Buffalo of the Centenary, Spring Hill and White Horseshoe historic workings as well as the Rokeby exploration target.

Resources upgrade drilling

At *Centenary*, where a small, high grade zone has been identified in drilling previously reported, a 3D wire frame and block model of the gold mineralization has been completed and utilized to plan a drill program for late September 2009. At *Spring Hill* a program of work (POW) has been submitted to the DMP for a drill program to test the resource potential at and round the old workings at Spring Hill as described in the Company's June 2009 update. At *White Horseshoe*, an RC drilling program is planned for late September 2009.

Following the further modelling and validation of historic data at Spring Hill and other projects, it has been decided that drilling at Spring Hill is now the Company's first priority once the POW has been approved.

Exploration drilling

The *Rokeby* prospect is located 1.7km north east of the Centenary deposit, within tenement M77/763. The RC drill program completed during the period tested 200m of strike along the BIF and the central drill line has tested both the eastern and western BIF units. 19 holes were drilled 54m-102m depth, totaling 1,320m on 50m line spacing, with 25m between the central holes. The best two intersects in the BIF are from the southern drill line, being 6m @ 1.92g/t from 50m in hole 09RKB014 and 3m @ 2.72g/t from 34m in hole 09RKB015. Drill hole 09RKB017 intersected 2m @ 4.68g/t from 59m within sheared mafics, not repeated along strike.

This exploration drilling program has identified a **new gold zone**; with aeromagnetic data indicating approximately 250m of BIF strike potential existing to the south west of 09RKB014. Follow-up drilling next year will test the south western target zone, with infill drilling to be designed on 25m spacing.

It is planned that RC drilling programs at both the *Zorro* and *Southern Star Extension* gold prospects will be commenced in late September 2009.

Mt Caudan Iron Ore Project

Since 30 June 2009, the Company has sold its 15% carried interest in the Mt Caudan Iron Ore Project in order to concentrate on its potentially more significant iron ore prospect in the Pilbara, Corunna Downs. The purchaser was Cazaly Iron Pty Ltd and the consideration received was \$207,500 in cash and \$655,000 in listed shares in Cazaly Resources Limited.

East Pilbara Projects

In the East Pilbara, approximately 1,500 sq km of prospective exploration licences and applications are held. The tenements provide an extensive coverage of greenstone belts containing indications of iron ore, gold and copper-zinc, molybdenum, nickel, tin-tantalum mineralisation. This includes 100km of the Coongan Greenstone Belt, extending south from Marble Bar.

Corunna Downs Iron Ore Project
(Gondwana 90–100%)

The detailed aeromagnetic survey by Fugro Airborne Surveys, designed to delineate the strike extent of iron ore mineralisation at Corunna Downs, commenced in early September 2009. Results from this 7,500 line km survey are therefore expected to be available in October 2009 and will be used to accurately position next year's drilling program.

An 8km continuous aeromagnetic anomaly can be seen in the regional aeromagnetic survey data and this corresponds well with the centre of the ground gravity anomaly measured in 2008.

DIRECTORS' REPORT (continued)

Geology of the Corunna Downs iron capped ridge is tightly folded and steeply dipping. Ferruginous chert and banded iron formation comprises of banded siliceous and haematitic material which in places has been altered to limonitic iron ore.



BIF outcrop on top of Corunna Downs ridge

The project was previously examined in 1972 with 8 vertical percussion drill holes being drilled along strike. The best intersection is 45ft or 13.7m @ 47.7 % Fe (Wamex Report A3147) however the sub-vertical dip of the stratigraphy demonstrates that vertical drilling is not the optimal drilling direction, and drilling across the strike was never performed. Recent field inspections have noted large areas of outcrop within the Corunna Downs tenements and if the Company's upcoming exploration program confirms that large tonnages of 30-50% Fe exist, this material should be readily upgradable using modern beneficiating techniques.

In April 2008, a helicopter-supported program of surface sampling was completed at Corunna Downs. Surface rock chip sampling produced results from 31% Fe up to 62.5% Fe, with an average of 60.6% Fe across four samples collected along the eastern edge of the jaspilite sequence, clearly indicating DSO grade potential.

In August and September 2008, Gondwana completed separate baseline environmental and heritage surveys focused on establishing drill access to Corunna Downs.

In October 2008, the Company completed a helicopter-supported gravity survey at Corunna Downs. Terrain corrections are being applied to the dataset based upon a detailed Digital Elevation Model and the corrected data will be utilized for detailed drill planning.

Fugro Airborne Surveys have recently commenced flying the iron capped ridge using their low level Cresco aircraft at 40m flying height. Preliminary results from this 50m line spaced survey are expected to be released in October 2009.

An extensive rock chip sampling program has now been planned for the central Corunna Downs tenement and this will be carried out in October 2009. The results of this program will be utilized in conjunction with the aeromagnetic survey results to plan the drilling program for 2010.

Planning of access routes on to the iron capped ridge for the drilling program has commenced. The historic access track used in 1972 still exists and a number of routes are to be surveyed for heritage sites and slope stability prior to clearing in early 2010.

Once the access tracks have been created, in order to test the extent of near-surface haematite DSO potential and subsurface magnetite potential at the Corunna Downs prospect, Gondwana proposes to undertake a program of angled RC drilling in selected areas in the second quarter 2010. This work will be closely modelled on the success of Atlas Iron's re-evaluation of iron resources at Pardoo and Abydos and BHP's review of its Goldsworthy-Yarrie operations given the geological similarities of the host material.

Corunna Downs Iron Ore Project is considered one of the Company's key projects.

Baroona Hill Prospect
(Gondwana 90%)

During the June quarter, the Company focused on historic data research of pending tenement E45/3326, Baroona Hill, 70km to the east of Corunna Downs iron ore prospect. Historic exploration reports on this tenement have outlined occurrences of Copper, Molybdenum, Silver, Gold and Nickel.

DIRECTORS' REPORT (continued)

A significant amount of historic work has been performed on this tenement, with copper–molybdenum mineralisation being discovered at the Gobbo's prospect in the 1960's. Significant historic geochemical assay results have been extracted from open file reports on the tenement. During 1973, Australian Anglo American Limited (AAAL) undertook an extensive rock chip sampling program over the outcropping copper gossans along the northern edge of the Gobbo's granodiorite intrusive (open file report A5199). This survey delineated 41 rock chip samples over 0.1% copper.

Subsequent explorers reviewed the 1960's and 1970's exploration results and in 1980 a drill program by AMAX tested the best outcropping Cu-Mo mineralisation exposure. Only two holes were drilled - one shallow percussion drill hole and one deep diamond drill hole - both hitting Molybdenum mineralisation.

The shallow 30m-deep vertical percussion hole GDH1 was drilled to obtain a water supply for the deeper diamond hole collared 60m to the south east. The percussion hole ended in 470ppm Molybdenum mineralisation and averaged **13m @ 204ppm Mo** from 17m depth. The 315m deep diamond hole GDDH2 was drilled towards the south at -50° dip. This hole was located 200m due north of a quartz-porphry / metabasalt contact. The diamond hole intersected quartz veins with visible Molybdenum mineralisation in the top half of the hole.

Open file report A9462 suggests the porphyry may be a thin shell only and the main granodiorite body may be less than 50m away. Hole GDDH002 was assayed in 3m sections and when averaged, measured **66m @ 219ppm Mo** from 75m downhole depth. This hole intersected **7 zones of +300ppm Mo** mineralisation from 18m to 135m downhole depth, with the drill hole trace and Mo assays of economic interest.

The copper anomalism demonstrates that the target is significant in size and only partially drill tested on the eastern margin.

This project has the potential to be similar in mineralisation style to Porphyry / Granodiorite Cu-Mo deposits such as Spinifex Ridge, 80km to the north.

Field work on this tenement will continue in the 2010 field season, and the primary focus will be to assess potential for a Mo-Cu resource. As the existing mineralisation is located from surface to 100m vertical depth, it may be amenable to open cut methods should additional mineralisation be discovered with further drilling.

The steel additive Molybdenum is sought after by the steel mills, and this commodity fits well with the company's multi-element exploration strategy to identify economic resources of commodities in demand. Gondwana is currently focused on delineating Gold, Iron Ore, Uranium, Copper and Molybdenum resources around Western Australia.

Competent Person Statement

The technical information in this report that relates to Exploration Results at Parker Range and East Pilbara 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.

Gascoyne Uranium Project

(Gondwana 100%)

Uranium background

Gondwana Resources Limited has applied for 985 km² of tenure across 12 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.

In 2008, the WA state government announced its policy permitting uranium mining in Western Australia. The change in state policy, in line with South Australia and the Northern Territory, has provided a positive outlook for uranium metal exploration at a time of uncertainty in other metal markets.

The Company released a Uranium Exploration Update on 6 July 2009 which summarised the prospects the Company now holds under application, including *Red Rock Bore* and *Weaner Bore*. Following a field reconnaissance and sampling program, the Company released a further update on its exciting discovery at Red Rock Bore on 20 August 2009.

DIRECTORS' REPORT (continued)

Red Rock Bore

The Red Rock Bore exploration licence application 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.

Three uranium-biased airborne radiometric anomalies were identified within the GSWA 400m line spaced radiometric data. A strong airborne radiometric anomaly is coincident with Red Rock which extends approximately 900 metres by 500 metres in area.

Field investigations were carried out by the Company's uranium-specialist geologist, Syd Morete, and included footborne scintillometry and rock chip sampling. 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.



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

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.

Geological exposures on Red Rock show shadowy ghost-like features indicating granitisation of a previous sedimentary regime. Mapping by GSWA indicates Red Rock (sample 169092 at 361240mE-7409000mN) as being a medium and even-grained biotite-muscovite monzogranite (Nelson, 2004).

Follow up program

The Company plans a follow-up program at Red Rock Bore including detailed footborne radiometric surveying, channel sampling and deep RC drilling once the tenement has been granted.

Competent Person Statement

The technical information in this report that relates to Exploration Results is based on information compiled by Consultant Geologist Mr. Syd Morete who is a Member of the Australian Institute of Mining and Metallurgy. Mr. Morete 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. Morete consents to the inclusion in this Report of the matters based on his information in the form and context in which it appears. Mr Morete is a self-employed consultant to the Company.

Review and results of operations

The loss of the Company for the half year ended 30 June 2009 after income tax was \$1,041,504 (2008: \$1,595,201).

Corporate

During the half year ended 30 June 2009, the Company raised \$1,717,141 from the placement of 72,819,404 new shares and the exercise of 98,894,698 options.

In addition, 2,775,000 unlisted Gondwana Employee Share Plan Shares have been cancelled pursuant to the provisions of the Corporations Act relating to an Employee Share Scheme Buy-Back.

DIRECTORS' REPORT (continued)

After Balance Date Events

Since 30 June 2009, the following new shares and options have been issued:

- 98,894,698 new options, issued free pursuant to the terms of the December 2008 rights issue, and exercisable on or before 30 June 2011 at an exercise price of 1 cent each.
- 319,292 fully paid ordinary shares upon the exercise of options raising \$4,273.
- 2,500,000 unlisted shares under the terms of the Gondwana Employee Share Plan; the issue of Plan shares does not generate funds as, pursuant to the Plan, the subscription price of the shares is advanced to participants.
- 22,500,000 fully paid ordinary shares in a Placement at a price of 1.5 cents per share to raise \$337,500.

Since 30 June 2009, the Company has sold its 15% carried interest in the Mt Caudan Iron Ore Project in order to concentrate on its potentially more significant iron ore prospect in the Pilbara, Corunna Downs. The purchaser was Cazaly Iron Pty Ltd and the consideration received was \$207,500 in cash and \$655,000 in listed shares in Cazaly Resources Limited.

Other than as disclosed in this report, no events, matter or circumstances have arisen since the end of the half-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 of the Company in subsequent years.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 7 and forms part of the directors' report for the six months ended 30 June 2009.

Dated at Perth this 11th day of September 2009 and signed in accordance with a resolution of the directors.



Warren Beckwith
Director



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 review for the half-year ended 30 June 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'Graham Hogg'.

Graham Hogg
Partner

Perth

11 September 2009

GONDWANA RESOURCES LIMITED
HALF YEAR REPORT

INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2009

	Notes	Half-Year 30 June 2009 \$	Half-Year 30 June 2008 \$
Continuing operations			
Other income		374	-
Employee expenses		(40,561)	(81,853)
Administration/office expenses		(200,948)	(193,561)
Depreciation expenses		(11,184)	(7,520)
Impairment loss on receivables		-	(32,000)
Consulting fees		(30,000)	(49,500)
Exploration		(575,630)	(893,117)
Share based payment		(103,873)	(120,123)
Other expenses from ordinary activities		(65,890)	(164,281)
Results from operating activities		(1,027,712)	(1,541,955)
Finance income		3,944	44,175
Finance costs		(17,736)	(97,421)
Net finance costs		(13,792)	(53,246)
Loss before income tax		(1,041,504)	(1,595,201)
Income tax expense		-	-
Loss from continuing operations		(1,041,504)	(1,595,201)
Loss for the period		(1,041,504)	(1,595,201)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,041,504)	(1,595,201)
Loss attributable to Owners of the Company		(1,041,504)	(1,595,201)
Total Comprehensive loss for the period attributable to the Owners of the Company		(1,041,504)	(1,595,201)
Earnings per share:			
Basic loss per share		(\$0.006)	(\$0.028)
Diluted loss per share		(\$0.006)	(\$0.028)

The income statement is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 14.

GONDWANA RESOURCES LIMITED
HALF YEAR REPORT

INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

	Notes	30 June 2009	31 December 2008
		\$	\$
Assets			
Property, plant and equipment		44,904	56,089
Exploration and evaluation expenditure		317,500	220,000
Total non-current assets		362,404	276,089
Cash and cash equivalents		502,275	361,741
Other receivables		221,549	150,089
Total current assets		723,824	511,830
Total assets		1,086,228	787,919
Equity			
Share Capital	9	27,836,496	26,119,355
Reserves		120,123	247,021
Accumulated losses		(27,067,123)	(26,256,390)
Total equity		889,496	109,986
Liabilities			
Trade and other payables		181,665	217,304
Interest bearing liabilities		15,067	395,637
Non-interest bearing liabilities		-	64,992
Total current liabilities		196,732	677,933
Total liabilities		196,732	677,933
Total equity and liabilities		1,086,228	787,919

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 12 to 14.

GONDWANA RESOURCES LIMITED
HALF YEAR REPORT

INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2009

	Ordinary Shares	Accumulated Losses	Share based payment reserve	Total
Balance at 1 January 2008	22,979,677	(22,842,528)	-	137,149
Issue of shares	1,930,641	-	-	1,930,641
Share options exercised	483,567	-	-	483,567
Share based payments	-	-	120,123	120,123
Recognised income and expense	-	(1,595,201)	-	(1,595,201)
Balance at 30 June 2008	25,393,885	(24,437,729)	120,123	1,076,279
Balance at 1 January 2009	26,119,355	(26,256,390)	247,021	109,986
Issue of shares	728,194	-	-	728,194
Share options exercised	988,947	-	-	988,947
Share based payments	-	-	103,873	103,873
Cancellation of share based payments	-	230,771	(230,771)	-
Recognised income and expense	-	(1,041,504)	-	(1,041,504)
Balance at 30 June 2009	27,836,496	(27,067,123)	120,123	889,496

The statement of changes in equity is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 14.

GONDWANA RESOURCES LIMITED
HALF YEAR REPORT

INTERIM STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2009

	Half-Year 30 June 2009	Half-Year 30 June 2008
	\$	\$
Cash flows from operating activities		
Cash payments in the course of operations	(290,277)	(497,601)
Interest received	3,944	44,175
Interest paid	(1,530)	-
Exploration and evaluation expenditure	(581,804)	(1,067,408)
Other	374	-
Net cash used in operating activities	(869,293)	(1,520,834)
Cash flows from investing activities		
Acquisition of property, plant & equipment	-	(42,323)
Payments to related entities	-	(32,000)
Payment for acquisition of tenements	(97,500)	-
Payment for tenement deposit	-	(70,000)
Net cash used in investing activities	(97,500)	(144,323)
Cash flows from financing activities		
Proceeds from share issue	1,021,873	701,626
Proceeds from borrowings	137,858	928,875
Repayment of borrowings	(52,404)	(281,004)
Net cash provided by financing activities	1,107,327	1,349,497
Net (decrease)/increase in cash held and cash equivalents	140,534	(315,660)
Cash and cash equivalents at 1 January	361,741	1,271,314
Cash and cash equivalents at 30 June	502,275	955,654

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 12 to 14.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2009

1 Reporting entity

Gondwana Resources Limited (the "Company") is a company domiciled in Australia. The interim financial report for the Company relates to the six months ended 30 June 2009. The annual financial report of the company as at and for the year ended 31 December 2008 is available upon request from the Company's registered office at 230 Rokeby Road, Subiaco, Western Australia 6008.

The interim financial report was authorised for issuance on 11 September 2009.

2 Statement of compliance

This general purpose financial report for the half year reporting period ended 30 June 2009 has been prepared in accordance with AASB 134 "Interim Financial Reporting" and the *Corporations Act 2001*.

This interim financial report does not include all the information normally included in a full annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2008 and any public announcements made by the Company during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

3 Significant accounting policies

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its annual financial report as at and for the year ended 31 December 2008.

4 Estimates

The preparation of an interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 31 December 2008.

5 Going concern

The Company has incurred a loss during half year of \$1,041,504 and current assets exceeded current liabilities by \$527,092 at 30 June 2009. 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 augmented by further capital raising. The Company has been successful in capital raisings during the period and has demonstrated an ongoing ability to raise additional funds through share placements and capital raisings.

Since 30 June 2009, the company has raised \$341,774 through a placement of new shares and the exercise of options and has sold certain mineral exploration tenement interests for the consideration of \$207,500 in cash and \$655,000 in listed shares (refer to note 12).

Should the Company not be successful in its future capital raisings, it may be necessary to sell some of its assets, farm-out exploration projects, reduce exploration expenditure 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 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.

6 Financial risk management

The Company's financial risk management objectives and policies are consistent with that disclosed in the annual financial report as at and for the year ended 31 December 2008.

7 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 IFRS 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2009 (continued)

8 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 interim financial statements as at and for the six months period ended on 30 June 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.

9 Share capital

		30 June 2009		31 December 2008
		\$		\$
(a) Shares				
Issued and Paid-up Share Capital				
295,724,103 (December 2008 124,010,000)				
ordinary fully paid shares				
		27,836,496		26,119,355
Movements in Ordinary Share Capital				
Date	Details	Number of Shares	Issue Price	\$
1 January 08	Opening Balance	375,369,729		22,979,677
11 January 08	Rights issue	193,059,864	\$0.010	1,930,641
11 January 08	Exercise of options	4,200	\$0.010	42
4 February 08	Exercise of options	3,535,000	\$0.010	35,350
4 February 08	Exercise of options	5,058,351	\$0.012	60,700
12 March 08	Exercise of options	100,000	\$0.010	1,000
12 March 08	Exercise of options	1,017	\$0.012	12
17 April 08	Exercise of options	1,751,841	\$0.010	17,518
		<u>578,880,002</u>		<u>25,024,940</u>
10 June 08	Consolidation of capital (1 for 10)	57,868,182		25,024,940
13 June 08	Exercise of options	17,500	\$0.10	1,750
13 June 08	Exercise of options	350,236	\$0.12	42,028
30 June 08	Exercise of options	96,321	\$0.10	9,632
30 June 08	Exercise of options	2,672,819	\$0.12	315,535
30 June 08	Closing balance	<u>61,005,058</u>		<u>25,393,885</u>
1 January 09	Opening Balance	124,010,001		26,119,355
23 January 09	Placement of shortfall	30,289,404	\$0.010	302,894
23 January 09	Placement	6,030,000	\$0.010	60,300
3 February 09	Exercise of options	626,113	\$0.010	6,261
27 March 09	Exercise of options	52,427	\$0.010	524
27 March 09	Placement	36,500,000	\$0.010	365,000
7 May 09	Exercise of options	4,279,142	\$0.010	42,791
22 May 09	Exercise of options	20,730,350	\$0.010	207,304
11 June 09	Exercise of options	72,467,853	\$0.010	724,679
16 June 09	Exercise of options	738,813	\$0.010	7,388
30 June 09	Closing balance	<u>295,724,103</u>		<u>27,836,496</u>

During the current period, interest bearing liabilities of \$525,362 and payables of \$101,645 were converted into issued capital.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2009 (continued)

(b) Options

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

Issue Date	Expiry Date	Exercise price	30 June 2009	31 December 2008
30/12/2008	31 May 2009	\$0.01	-	43,244,696
9/1/2007	30 June 2009	\$0.10	11,800	2,036,515
31/8/2007 & prior	30 June 2010	\$0.12	46,403,998	46,403,998
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
			47,615,798	92,885,209

10 Related parties

Other than noted below, existing arrangements with related parties continue in place. For details of these existing arrangements, refer to the 31 December 2008 annual financial report.

11 Share based payments

Gondwana Employee Share Plan

During the half year ended 30 June 2009, all of the 2,775,000 shares issued under the Gondwana Employee Share Plan have been cancelled pursuant to the terms of the Plan and the provisions of the Corporations Act relating to an Employee Share Scheme Buy-Back.

12 Events subsequent to reporting date

Since 30 June 2009, the following new shares and options have been issued:

- 98,894,698 new options, issued free pursuant to the terms of the December 2008 rights issue, and exercisable on or before 30 June 2011 at an exercise price of 1 cent each.
- 319,292 fully paid ordinary shares upon the exercise of options raising \$4,273.
- 2,500,000 unlisted shares under the terms of the Gondwana Employee Share Plan; the issue of Plan shares does not generate funds as, pursuant to the Plan, the subscription price of the shares is advanced to participants.
- 22,500,000 fully paid ordinary shares in a Placement at a price of 1.5 cents per share to raise \$337,500 before costs of the issue.

Since 30 June 2009, the Company has sold its 15% carried interest in the Mt Caudan Iron Ore Project in order to concentrate on its potentially more significant iron ore prospect in the Pilbara, Corunna Downs. The purchaser was Cazaly Iron Pty Ltd and the consideration received was \$207,500 in cash and \$655,000 listed shares in Cazaly Resources Limited.

Other than disclosed above, no events, matters or circumstances have arisen since the end of the half-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 of the Company in subsequent financial years.

13. 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 the Company's exploration program and priorities, and are also subject to variations by negotiation, joint venturing or relinquishing some of the tenements.


At balance date, total exploration expenditure commitments of the Company which have not been provided for in the financial statements are estimated at \$989,080 for the next 12 months.

DIRECTORS' DECLARATION

In the opinion of the directors of Gondwana Resources Limited:

1. The financial statements and notes set out on pages 8 to 14 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the Company as at 30 June 2009 and of its performance, for the half year ended on that date; and
 - (b) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. for the reasons set out in Note 5 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 11th day of September 2009 and signed in accordance with a resolution of the directors:



Warren Beckwith
Director



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

Report on the financial report

We have reviewed the accompanying half-year financial report of Gondwana Resources Limited (the company), which comprises the interim statement of financial position as at 30 June 2009, interim statement of comprehensive income, interim statement of changes in equity and interim statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration set out on page 15.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 30 June 2009 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Gondwana Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gondwana Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

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 5, the Company is reliant upon raising additional funds to enable it to continue with its operations, including its ongoing exploration programmes and commitments. Because of this and the matters referred to in note 5, 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

KPMG

KPMG

Graham Hogg
Partner

Perth

11 September 2009