



HALF-YEAR REPORT TO 30 JUNE 2010

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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 2010 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 is a Chartered Accountant with many years experience as a partner in international firms within Australia and overseas and is currently the chairman of Westralian Group Pty Ltd, which is engaged in corporate financial advisory services and investment, mainly within the mining and property sectors in Australia and Hong Kong. He is a Fellow of the Institute of Chartered Accountants in Australia, Fellow of the Hong Kong Institute of Certified Public Accountants and Fellow of the Australian Institute of Company Directors. Warren 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 **Director**

Steven is the Chief Executive Officer of a major retail franchising company and a Consultant to Perth legal firm McDonald Pynt, with his main area of practice over many years having been in commercial law including Corporations Law, Revenue and Contracts. In addition to completing his law degree in 1980, Steven has completed a Bachelor of Business majoring in Accounting, an MBA and a Master of Taxation Studies. Steven has had long experience as company director is Chairman of Global Health Limited, Victory West Moly Limited and Richfield International Limited (all ASX-listed companies).

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

Review and results of operations

The Review of Operations is set out on Pages 3 to 13 of this report.

The loss of the Company for the half year ended 30 June 2010 after income tax was \$1,120,622 (2009: \$1,041,504).

Corporate

During the half year ended 30 June 2010, the Company raised \$584,057 (before the costs of issue) from the placement of 76,133,333 new shares and the exercise of 1,145,645 options.

After Balance Date Events

Since 30 June 2010 the following new shares and options have been issued:

- In June 2010, the Company made a placement 100,000,000 new shares and 100,000,000 new options to raise \$750,000 (before the costs of the issue) at a price of 0.75 cents per share. The options will expire on 30 June 2013 and are exercisable at 1 cent each. Part of the proceeds were received prior to 30 June 2010 and are reflected in the financial statements for the half year ended 30 June 2010 and the balance of \$179,000 has since been received and a total of 23,866,667 shares and 23,866,667 options were issued subsequent to the end of the half year..
- Since the end of the half year, the Company has made a further placement of 33,333,334 new shares and 33,333,334 new options to raise \$250,000 (before the costs of the issue) at a price of 0.75 cents per share. The options will expire on 30 June 2013 and are exercisable at 1 cent each.

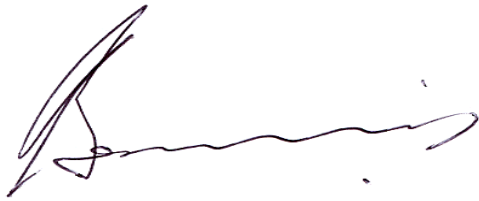
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Other than as disclosed in this report, no events, matter or circumstances have arisen since the end of the half-year which in the opinion of the directors are likely to significantly affect the operations of the Company, the results of those operations 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 14 and forms part of the directors' report for the six months ended 30 June 2009.

Dated at Perth this 13th day of September 2010 and signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Warren Beckwith', written in a cursive style.

Warren Beckwith
Director

REVIEW OF OPERATIONS

PROJECT LOCATIONS

Gondwana's extensive tenement holdings cover 3,160 km² across 3 regions within Western Australia.

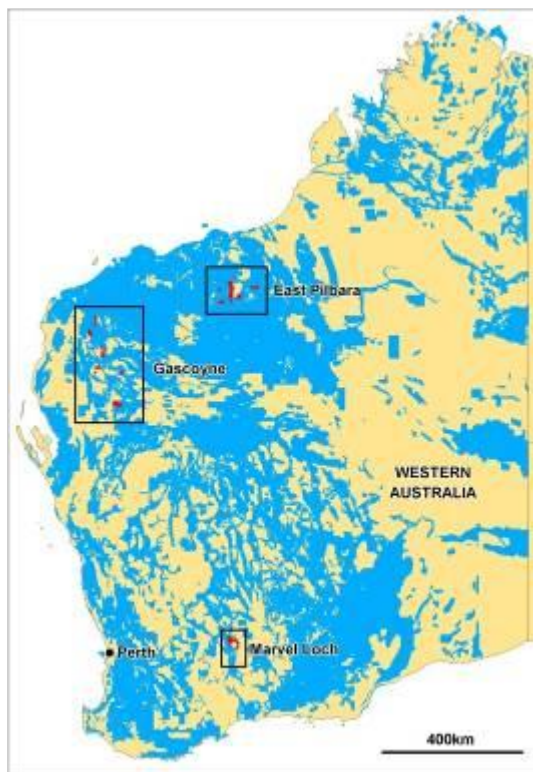


Figure 1: Gondwana's project areas in Western Australia

The **Parker Range 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.

Gondwana holds interests in a large portfolio of 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 tenements are prospective for Gold and Nickel and host the Company's Parker Range Gold Project and Lindsay's Nickel Project.

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.

The **East Pilbara Project** covers a wide area south of Marble Bar and contains tenements prospective for Iron, Base Metals, Nickel and Gold.

The East Pilbara tenements cover 1,350 km². Currently only 3 tenements are granted, with most recent exploration activity occurring on the Corunna Downs 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.

The **Gascoyne Project** is south of Onslow and contains tenements prospective for Uranium, Nickel and Base Metals covering 1,300 km².

GOLD

Buffalo Gold Project, Parker Range, WA

(M77/893 - Gondwana 70%)

Metallurgical Test Work

Ammtec laboratory has completed metallurgical test work on the Buffalo diamond core. Leading metallurgical consultants, IMO, have been engaged to independently monitor and interpret the test work program and IMO's final report is expected to be available shortly. The draft report indicates that the ore is amenable to treatment by either heap leach or conventional CIL treatment.

The metallurgical test results, combined with the geotechnical assessment just concluded, will permit final Mineral Reserve estimation for the pre-feasibility study. The company will then be in a position to assess the viability of both heap and CIL toll treating options.

Discussions are currently in progress with various mills in the district to structure a joint venture or toll treatment option.

Ammtec's test work program included:

- Full comprehensive head grade assays
- Variability of ore and bond ball mill work index determination
- Gravity separation test work via Knelson concentrator
- 10 day coarse bottle roll test work
- Oxygen uptake test work
- MLA mineralogy examination

Table 1: Comprehensive head grade assay analysis of the two major ore zones using composite from 6 diamond holes drilled through the deposit

Element	Unit	Oxide Ore Composite	Transitional Ore Composite	Primary Ore Composite	Primary Ore Composite	Master Composite
Au	g/t	9.46	1.65	7.85	2.46	5.51
Au Rpt	g/t	9.24	2.38	3.67	3.63	4.42

Geotechnical Assessment

A geotechnical assessment for the Buffalo open cut was completed during the period by Peter O'Bryan and Associates. Results from the report were based on data and core samples collected from holes 09BFDD001 to 09BFDD006. Nine representative samples were selected for laboratory uniaxial compressive strength (UCS) testing, with results shown below in Table 2.

Table 2: Uniaxial Compressive Strength (UCS) Test Results

Borehole	Sample	Weathering	Interval (m)	Lithology	UCS ¹ (MPa)	Density (tonne/m ³)
09BFDD002	UCS-01	Fresh	49.01– 49.29	Felsic	278	2.66
09BFDD001	UCS-02	Fresh	64.68 – 64.86	Amphibolite	> 311	3.00
09BFDD001	UCS-03	Fresh	88.97 – 89.20	Amphibolite	241	2.92
09BFDD004	UCS-04	Fresh	60.12 – 60.31	Amphibolite	142	2.99
09BFDD006	UCS-05	Fresh	43.15 – 43.38	Felsic	187	2.62
09BFDD006	UCS-06	Fresh	43.91 – 44.16	Felsic	174	2.61
09BFDD003	UCS-07	Slightly weathered	54.98 – 55.19	Amphibolite	84.3*	2.87
09BFDD003	UCS-08	Fresh	67.05 – 67.24	Amphibolite	237	2.90
09BFDD005	UCS-09	Slightly weathered	52.65 – 52.87	Amphibolite	Broke during preparation	2.84

* Fabric controlled failure

¹ Normalised to 50mm diameter core

Analysis of the orientation and nature of rock defects evident in the Buffalo diamond core was undertaken to determine wall design parameters and assess the likely orientation and type of failure that may occur. The Buffalo ore body is oriented parallel to the dominant rock fabric, and as such the long walls of the pit will be oriented parallel to the dominant structural fabric. On the assessed rock mass conditions, it is considered that pit wall stability will be governed dominantly by the presence, orientation and shear strength of defects exposed in or located close behind the proposed wall.

Estimates of the East and West pit walls design including Face Height, Face Angle, Berm Width and Overall Slope angle have been provided (Figure 2). The east wall of the pit is oriented sub-parallel with the dominant fabric and is limited to an inter ramp angle of 35.6°, approximately parallel to the footwall of the ore body. The angle of the west wall of the pit is governed by the weathering state, and therefore the rock strength. A maximum inter ramp angle of 54.3° may be achieved with batter angles of up to 70° near the base of the pit. The geotechnical parameters will now be used to generate a pit design for Buffalo that, in conjunction with the metallurgical test work results will assist in calculation of a reserve for the Buffalo ore body.

RC Drilling Program

As part of the Buffalo pre-feasibility study, an 882m RC sterilisation drill program was completed both north and south of Buffalo in June 2010. The area to the south was tested for sterilisation purposes to locate the waste stockpile for the proposed development. The area to the north of Buffalo was tested for sterilisation purposes to locate the road diversion around the proposed Buffalo development. Assays from the sterilisation drill program contain sporadic low grade mineralisation; however the results indicate that both areas are suitable for the location of mining infrastructure. A full revision of the mineralised areas outside of the resource models will be made prior to the proposed location of the waste dump and road diversion around the open cut being finalised.

The company is currently conducting an RC drilling program to test extensions of the Spring Hill mineralisation to the south. The results will be reported as the assay results become available.

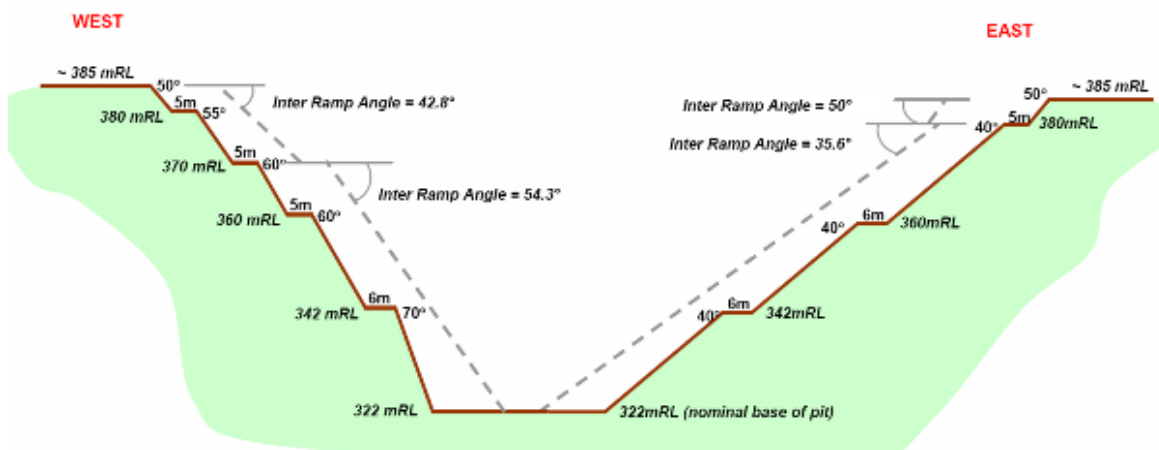
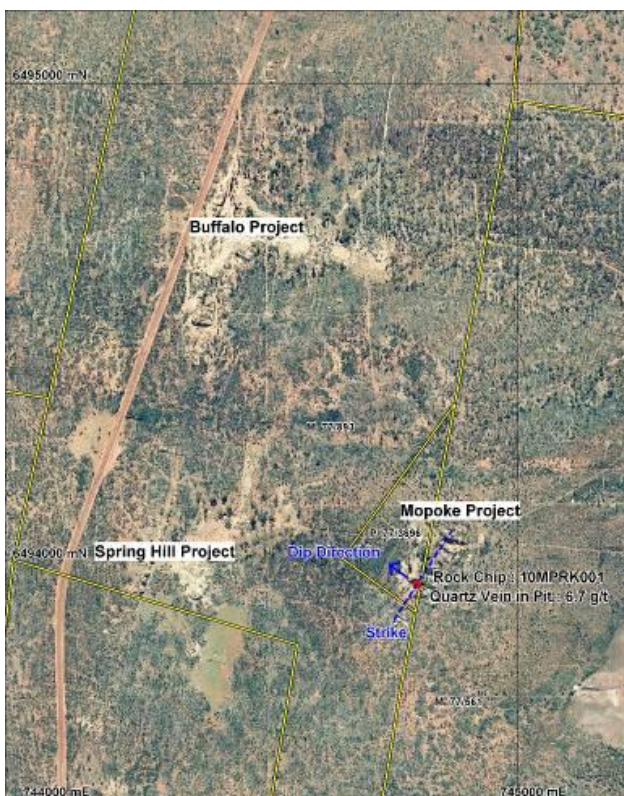


Figure 2: Recommended Buffalo wall slope angles for open pit design.

Mopoke Exploration

(P77/3696 – Gondwana 100% and M77/561 – Gondwana 70%)



During the period, a field reconnaissance and rock chip sampling program was undertaken at the Mopoke historic gold workings, 850m south east of the Buffalo gold deposit. Historic reports detail small scale mining of translucent quartz veins, suspected to be quartz lodes infilling along a shear zone. A large quartz blow, up to 3m wide, in the base of the southernmost pit was sampled and assayed at **6.7 g/t from sample 10MPRK001, location 744788mE – 6493952mN.**

The quartz vein in the base of the pit is dipping moderately to the northwest and appears to have been drilled down dip in the 1980's, however no drilling data has been located.

The Company has since carried out a grid sampling program over the extent of the exposed quartz vein within the base of the pit to test the distribution of gold within the vein. Assay results are not yet available. Depending on these results, an RC drill program will be carried out to test the width and grade of the quartz lode at depth below the open pit.

Figure 2: Location of the Mopoke historic workings 850m SE of Buffalo

Other Parker Range gold prospects

Refer to the Company's 2009 Annual Report published in March 2010, the March and June Quarterly Reports and various interim releases for full descriptions of and work done by the Company on a number of other important gold prospects at Parker Range, some of which have the potential to provide additional resources for the Company's proposed operation at Buffalo. These prospects include *Centenary*, *White Horseshoe*, *Rokeby* and *Zeus*. The Rokeby and Zeus prospects were drilled early in the half year period.

The company is currently conducting an approximately 1,000m RC drilling program to:

- Close off Centenary eastern BIF mineralisation down dip
- Test the area north of Centenary into the up-dip area containing a deep AEM target
- Test for mineralisation continuation directly south of McIntosh shafts

The results will be reported as the assay results become available.

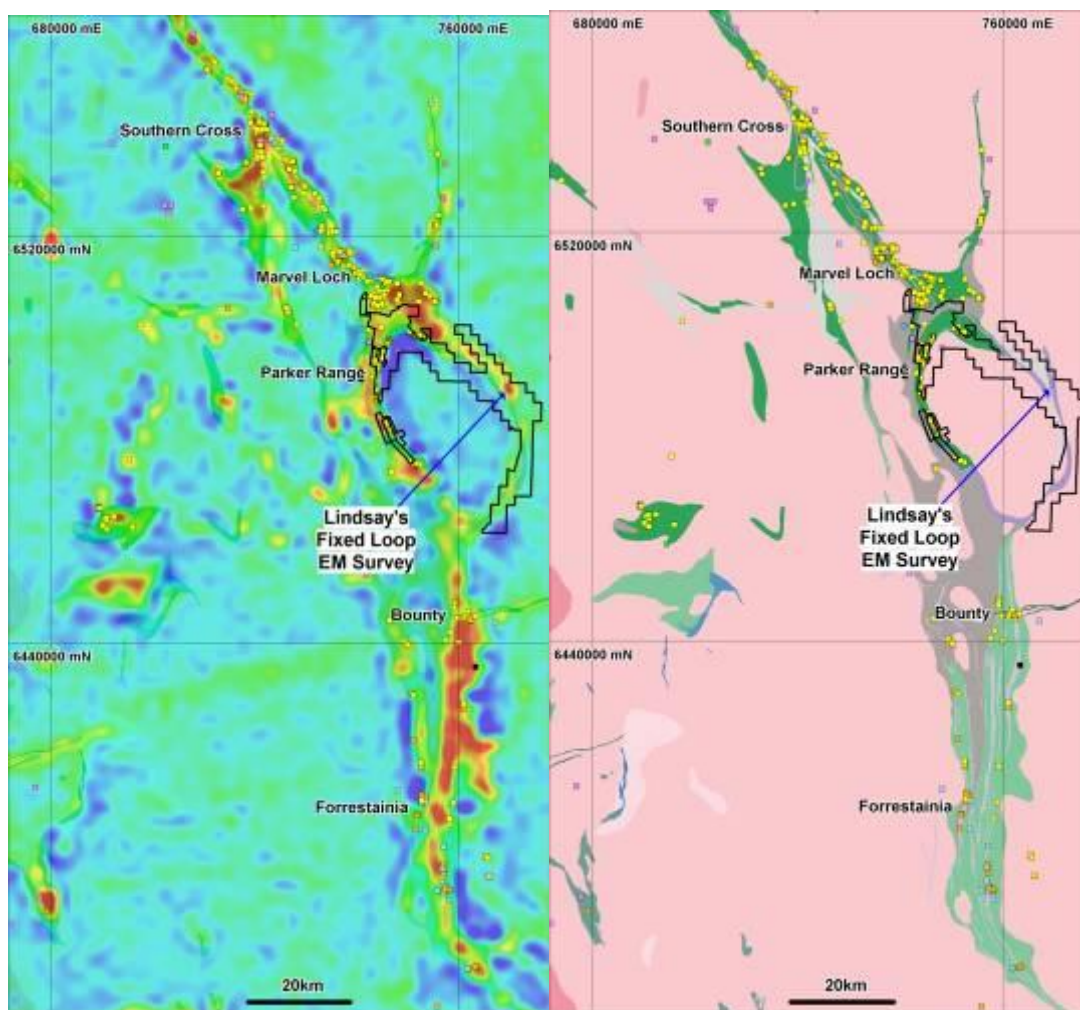
NICKEL

Lindsay's Nickel Prospect, Parker Range

(E 77/1362 - Gondwana 100%)

Airborne Electromagnetic (EM) Survey

The discovery of the Lindsay's Nickel Prospect airborne EM conductor was announced on 9 February 2010. The AEM conductor is increasing in strength with depth, as shown in Figure 4 of the Company's March quarterly report. This electromagnetic conductor is situated within a package of SE linear striking magnetic ultramafics around the eastern side of a granite dome, 75km north of Forrestainia in Western Australia.



Figures 3 & 4: Location of fixed loop EM survey on GSWA regional gravity 1VD data & geology

Regional Gravity Survey

During the quarter, GSWA released data from a regional gravity survey across the Southern Cross 250K sheet. The only gravity anomaly measured around the eastern side of the granite dome is situated at the same location as Lindsay's AEM conductor, shown on the first vertical derivative of the gravity (*Figure 3*) and on the 1:500K scale regional geology - mapped as ultramafic (*Figure 4*).

Ground Electromagnetic (EM) Survey

A large ground-based fixed loop EM survey has just been completed for Gondwana by Outer-Rim Exploration, utilising the CSIRO Landtem receiver to detail the target for drill planning. Gondwana is pleased to announce that the conductor measured by the Airborne EM survey (*Figure 6*), has also been measured by the ground EM survey confirming the strike is over 300m.

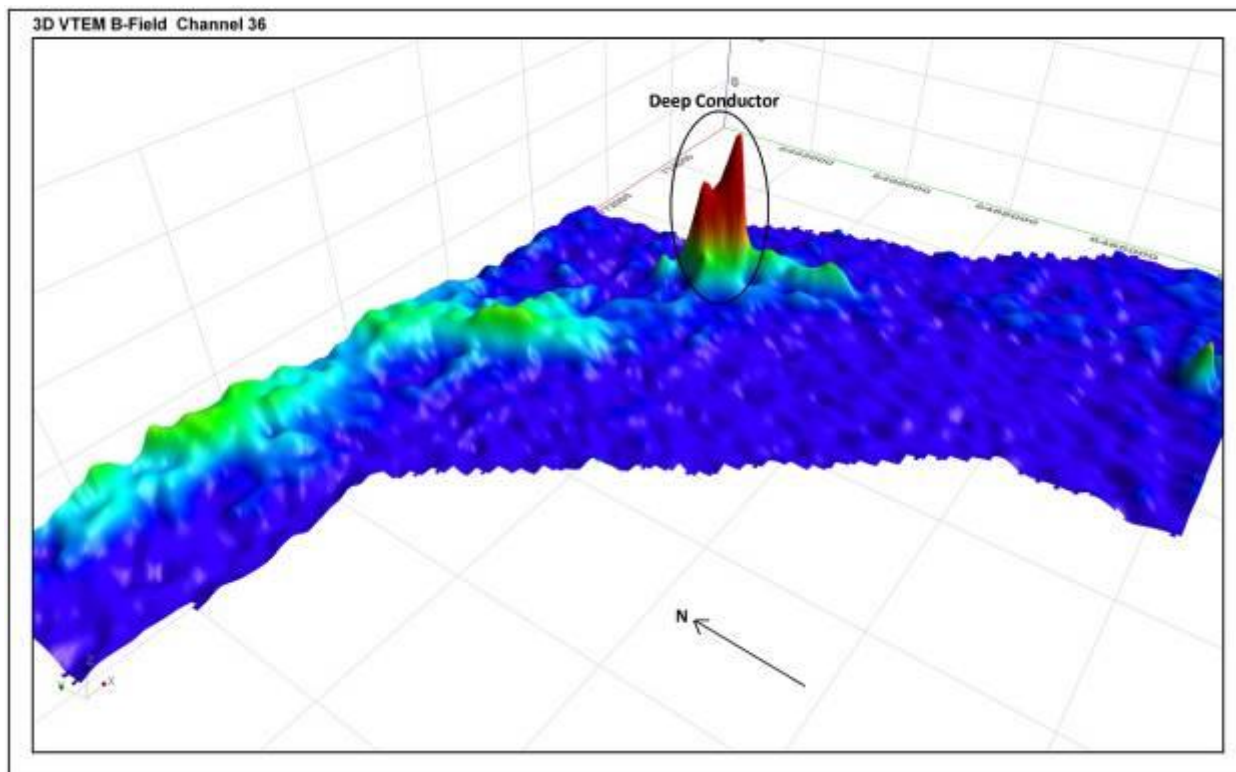


Figure 5: Lindsay's conductor AEM channel 36 shown in 3D with the target circled

Figure 6 displays the GEM data gridded across the time channels, showing the conductor developing in time (in plan), reflecting the depth of penetration. When the deeper responses are assessed, electromagnetic signal is still being channelled through the conductor approximately 300m in strike length. This strike length is similar to nickel sulphide deposits in the greenstone belt such as the **Spotted Quoll** nickel deposit at Forrestania.

The explanation of the approximated depth for the channel grids in Figure 6 is complicated, as it involves skin depth calculations and boundary transmission conditions, however a simplistic method to interpret this large fixed loop data produces an estimated depth of approximately 400m.

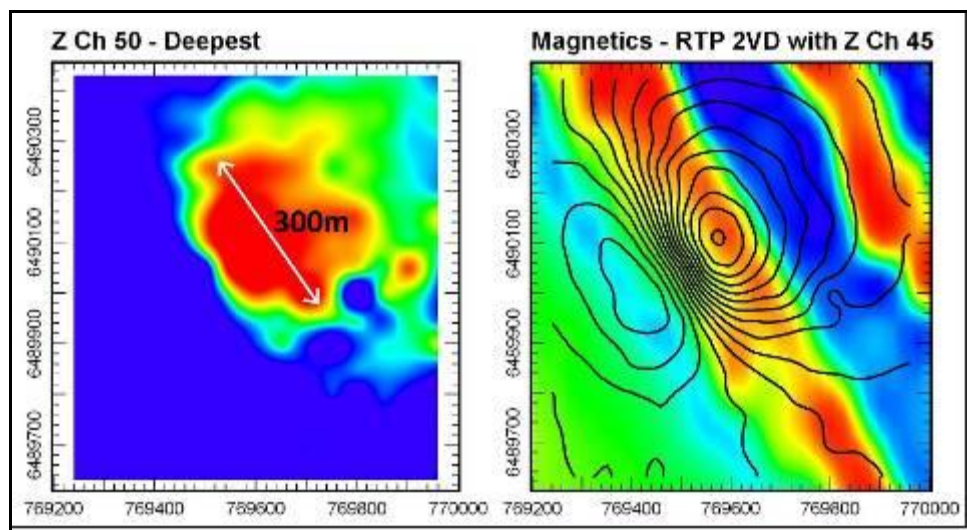


Figure 6: Lindsay's fixed loop EM data from surface to depth, shown on magnetic 2VD image

Drill program at Lindsay's

The WA State Government's EIS (Exploration incentive scheme) 50% drilling co-funding will be used to drill test this target. The Company is planning 3 RC drill holes to test the conductor at 200m depth, 100m apart, to examine approximately 200m of strike centering on the strongest conductivity response.

If the first drill hole intersects nickel sulphide mineralisation located along the base of an ultramafic unit, a single deeper diamond hole using an RC pre-collar will target down dip to approximately 400m depth into the centre of the conductor. To assist with additional drilling, the deep hole will be cased and a down hole EM survey will be performed to track the down dip extensions of the conductor.

The Lindsay conductor is located within the C-class Jilbadji nature reserve, requiring permits for clearing and exploration programs. Once the 3D EM modelling has been completed and the drill holes have been designed, a vegetation survey will be required in order to obtain a clearing permit and, once this is approved, the drill program POW should be permitted in the March quarter 2011.

Cyclops Nickel Prospect, East Pilbara (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 7*).

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 serpentinised 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.

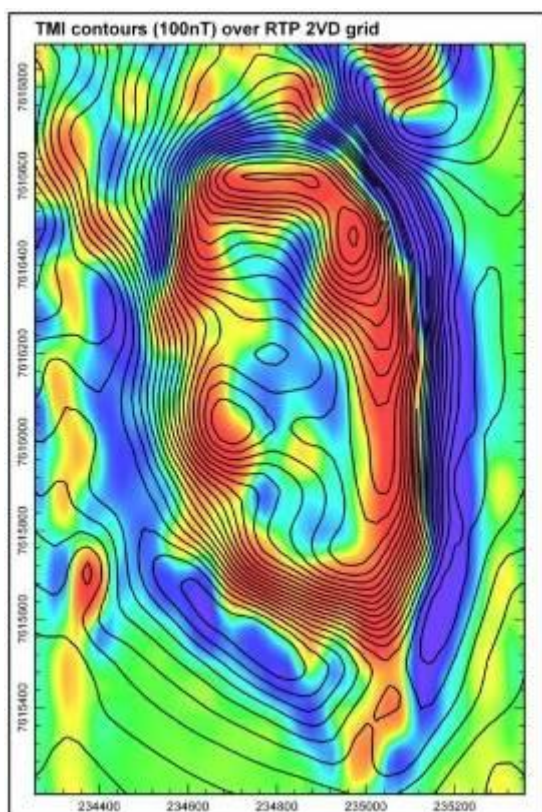


Figure 7: Cyclops Nickel Prospect 100nT TMI contours over RTP 2VD image showing elongated anomaly

A V-TEM airborne electromagnetic survey has been contracted to commence once the tenement is granted. 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.

IRON

Corunna Downs Iron Project, Marble Bar, East Pilbara, WA
 (E45/2585 - 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 8*). 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.



Figure 8: Corunna Downs iron outcrop over 800m wide (photo towards north)

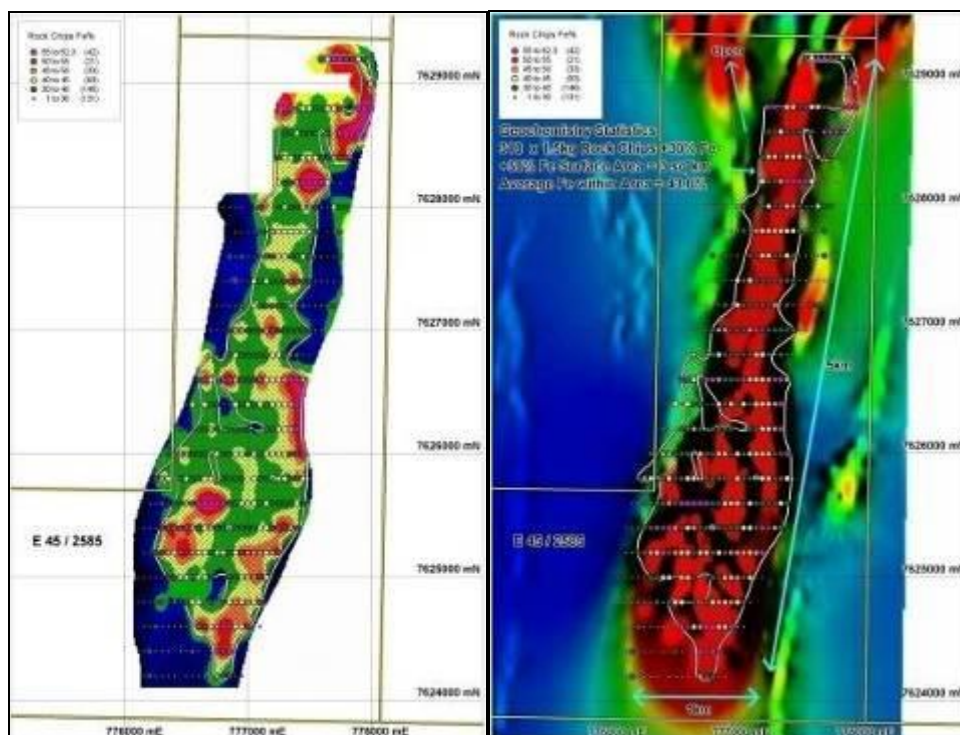
Historic drilling was undertaken on the Corunna Downs prospect in 1972 and intersected various thicknesses of iron. The best historic result was from drill hole PDH1 which intersected 47.7% Fe representing approximately 14m thickness. Current interpretation is that the vertical drill holes were drilled 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.

Gravity Survey

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.

Aeromagnetic and radiometric survey

In 2009, a fixed wing close-spaced aeromagnetic and radiometric survey was conducted for the Company by Fugro. This survey showed magnetic zones +800m in width, with a combined strike length of +13km.



Figures 9 & 10: Corunna Downs Iron Project
Rock Chip Fe Assay Results Gridded & Plotted on Aeromagnetic RTP 2VD

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 9 & 10). 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).

Geological mapping program

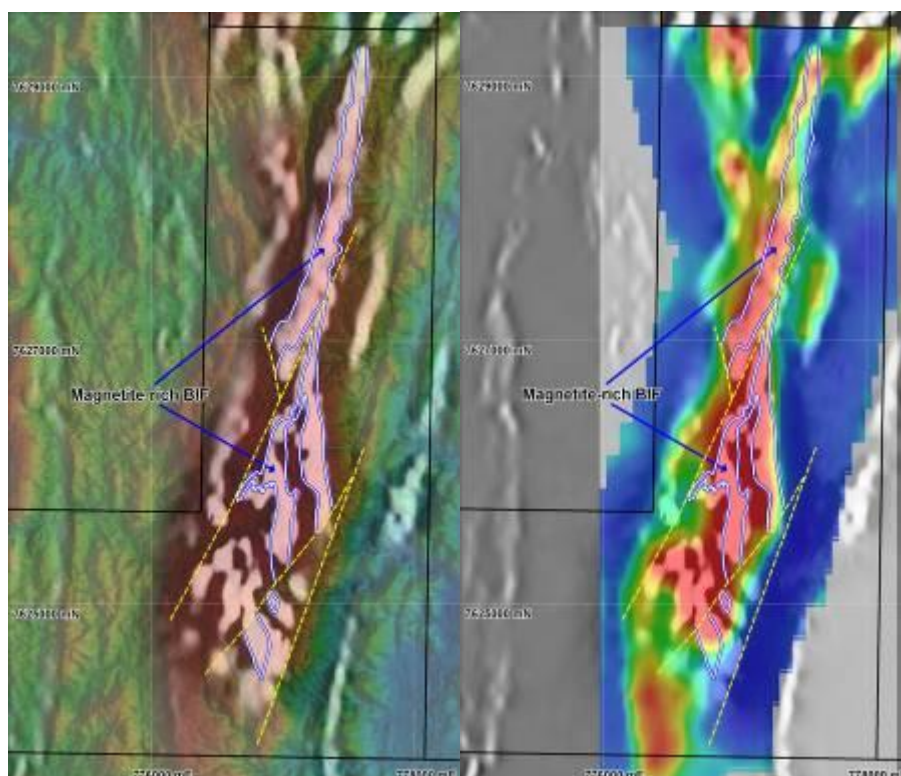
During the June 2010 half year, detailed geological mapping was completed over E45/2585, using helicopter support. The mapping was undertaken to better define the limits of the magnetite-rich banded iron-formation (BIF) unit present within the tenement area, and to correlate outcropping geology with geophysical and geochemical data.

The magnetite-rich BIF was evident over a strike length of 4.8km and ranged in width from 60m to over 180m. The strike of the magnetite-rich BIF is fault bound at the southern end of the area and extends onto an adjoining ELA to the north. The ELA boundary to the south has not been mapped. The magnetite-rich BIF is located within a sequence of volcanic sandstone, chert, iron-rich chert and magnetite-poor BIF along a north-south trending syncline axis. The rocks are strongly deformed, with extensive folding and shearing of the units (Figures 11, 12 & 13). Much of the bedding is striking north-south and dips are steep to the east or west (>70°).



Small-scale folds also plunge sub-vertically suggesting a deep keel to the regional syncline. Extensive areas of thin canga and laterite are present on the flanks of the ridge and along old drainage channels. The canga development is rarely more than 2m in thickness on the eastern side of the ridge, although the thickness in the central part of a large area of canga on the western side of the ridge is unknown.

Figure 11: A photograph of the strongly folded and sheared magnetite-rich BIF



Analysis of the rockchip geochemistry data collected in 2009, based on mapped geology shows that the magnetite-rich BIF unit has an average total Fe content of 40.4% (Table 3) and the areas of canga have an average total Fe content of 56.0% (Table 4).

The low average magnetite content (4%) estimated by Satmagan is thought to represent surface oxidation of the magnetite to martite.

Figures 12 and 13: Geology outline of magnetite-rich BIF on 2VD Magnetics fused with Elevation/ Gravity

Table 3: Summary of geochemical results of samples within mapped magnetite-rich BIF areas

	Fe Total(%)	SiO₂ (%)	P (XRF %)	Al₂O₃ (%)	Loss On Ignition (%)	Magnetite* (%)
Minimum	27.9	3.0	0.01	0.11	0.44	1
Maximum	61.1	53.8	0.14	6.59	11.56	17.6
Average	40.4	37.6	0.03	0.99	3.2	4

* Magnetite (%) estimated by Amdel using the Satmagan

Table 4: Summary of geochemical results of samples within the areas mapped as canga

	Fe Total(%)	SiO₂ (%)	P (XRF %)	Al₂O₃ (%)	Loss On Ignition (%)	Magnetite* (%)
Minimum	46.9	2.6	0.02	0.7	2.5	1
Maximum	62.3	23.6	0.14	9.5	11.7	7.3
Average	56.0	7.6	0.05	4.1	7.4	1.9

* Magnetite (%) estimated by Amdel using the Satmagan

Interpretation

The outcropping BIF containing +30% Fe geochemistry sampled in October 2009 (Figures 9 & 10) is coincident with the linear aeromagnetic anomalies measured in the September 2009 survey.

The linear aeromagnetic anomaly is coincident with the ground gravity anomaly measured in the October 2008 survey.

The detailed geological mapping (Figures 12 & 13) has confirmed the geophysical and geochemical interpretation of the target zone previously released. The geological mapping has also assisted in locating proposed drill holes.

Heritage Survey

The heritage survey, commissioned by the Yamatji Marlpa Aboriginal Corporation Native Title Representative Body (YMAC), was performed during the period in accordance with the standard heritage agreement between Gondwana and the YMAC, representing the Njamal NTCG.

The Company's proposed Work Program assessed by the Njamal NTCG included:

- a) Refurbishment of an existing access track where necessary to the tenement
- b) Four kilometres of new access route, to avoid an area with fresh water pools
- c) 3 km of drill lines on the ridge consisting of six lines separated by 600m spacing
- d) 55 RC drill holes at 50m spacing (east-west) across the ridge line on six drill lines.

Members of the heritage survey team examined the proposed drill hole work-areas and their proposed connecting vehicle access routes. A few isolated artefacts were noted but no archaeological sites were identified. The Njamal NTCG representatives concluded that the proposed exploration project would not impact on places of heritage significance.

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 14 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 14: Proposed transport options from Corunna Downs to Port Hedland

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. The drill permit application for Phase 1 is ready to lodge with the Department of Mines and Petroleum, pending successful capital raising to execute the drill program.

URANIUM

Several exploration licence applications that have high priority Uranium and Nickel exploration targets in the Gascgoyne region of Western Australia remain pending, with Native Title negotiations in progress. Of particular importance, *Red Rock Bore Project* is a drill-ready uranium target and the grant of this exploration licence will therefore be expedited. Exploration programs have already been developed and will be implemented as soon as grant of the tenements has occurred.

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 15*). 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.

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

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 (Figure 16).

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..

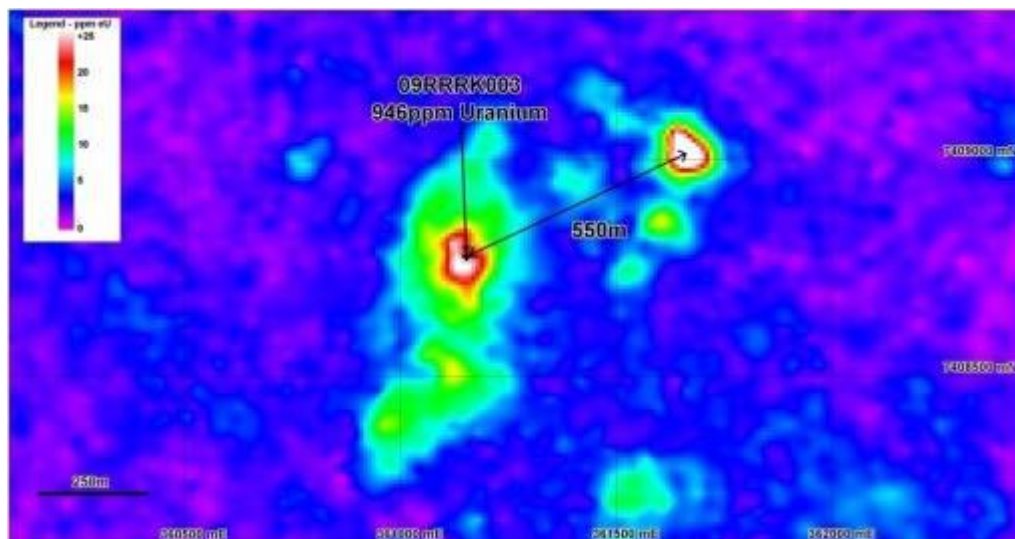


Figure 16: Detailed radiometric survey uranium channel image

COMPETENT PERSON STATEMENT

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. Mr Donnes is a self-employed consultant to the Company.



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 2010 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


Grant Robinson
Partner

Perth

13 September 2010

GONDWANA RESOURCES LIMITED
HALF YEAR REPORT

INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2010

	Notes	Half-Year 30 June 2010 \$	Half-Year 30 June 2009 \$
Continuing operations			
Other income		-	374
Profit on sale of investments		226,849	-
Employee expenses		(29,165)	(40,561)
Administration/office expenses		(231,408)	(266,838)
Depreciation expenses		(14,296)	(11,184)
Consulting fees		(30,000)	(30,000)
Exploration expenditure		(974,341)	(575,630)
Share based payment		-	(103,873)
Results from operating activities		(1,052,361)	(1,027,712)
Finance income		3,164	3,944
Finance costs		(71,425)	(17,736)
Net finance costs		(68,261)	(13,792)
Loss before income tax		(1,120,622)	(1,041,504)
Income tax expense			-
Loss from continuing operations		(1,120,622)	(1,041,504)
Loss for the period		(1,120,622)	(1,041,504)
Other comprehensive income			-
Total comprehensive loss for the period		(1,120,622)	(1,041,504)
Loss attributable to Owners of the Company		(1,120,622)	(1,041,504)
Total Comprehensive loss for the period attributable to the Owners of the Company		(1,120,622)	(1,041,504)
Earnings per share:			
Basic loss per share		(\$0.003)	(\$0.006)
Diluted loss per share		(\$0.003)	(\$0.006)

The statement of comprehensive income is to be read in conjunction with the notes to the interim financial statements set out on pages 19 to 21.

GONDWANA RESOURCES LIMITED
HALF YEAR REPORT

INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Notes	30 June 2010	31 December 2009
		\$	\$
Assets			
Property, plant and equipment		33,274	31,465
Exploration and evaluation expenditure		322,706	304,524
Total non-current assets		355,980	335,989
Cash and cash equivalents		133,450	149,030
Other receivables		136,394	221,068
Financial assets held for trading		-	485,535
Total current assets		269,844	855,631
Total assets		625,824	1,191,620
Equity			
Share Capital	8	29,036,694	28,452,637
Reserves		140,781	140,781
Accumulated losses		(28,968,826)	(27,848,204)
Total equity		208,649	745,214
Liabilities			
Trade and other payables		260,715	424,119
Interest bearing liabilities		156,460	-
Non- interest bearing liabilities		-	22,287
Total current liabilities		417,175	446,406
Total liabilities		417,175	446,406
Total equity and liabilities		625,824	1,191,620

The interim statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 19 to 21.

GONDWANA RESOURCES LIMITED
HALF YEAR REPORT

INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2010

	Ordinary Shares	Accumulated Losses	Share based payment Reserve	Total
	\$	\$	\$	\$
Balance at 1 January 2009	26,119,355	(26,256,390)	247,021	109,986
Total comprehensive income for the period;				
Profit or loss	-	(1,041,504)	-	(1,041,504)
Total comprehensive income for the period;	-	(1,041,504)	-	(1,041,504)
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners				
Issue of shares	988,947	-	-	988,947
Share options exercised	728,194	-	-	728,194
Share based payments	-	-	103,873	103,873
Cancellation of share based payments	-	230,771	(230,771)	-
Total contributions by and distributions by owners	1,717,141	230,771	(126,898)	1,821,014
Balance at 30 June 2009	27,836,496	(27,067,123)	120,123	889,496
Balance at 1 January 2010	28,452,637	(27,848,204)	140,781	745,214
Total comprehensive income for the period				
Profit or loss	-	(1,120,622)	-	(1,120,622)
Total comprehensive income for the period;	-	(1,120,622)	-	(1,120,622)
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners				
Issue of shares	571,000	-	-	571,000
Share options exercised	13,057	-	-	13,057
Total contributions by and distributions by owners	584,057	-	-	584,057
Balance at 30 June 2010	29,036,694	(28,968,826)	140,781	208,649

The interim statement of changes in equity is to be read in conjunction with the notes to the interim financial statements set out on pages 19 to 21.

GONDWANA RESOURCES LIMITED
HALF YEAR REPORT

INTERIM STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2010

	Half-Year 30 June 2010	Half-Year 30 June 2009
	\$	\$
Cash flows from operating activities		
Cash payments in the course of operations	(245,287)	(290,277)
Interest received	3,164	3,944
Interest paid	(1,532)	(1,530)
Exploration and evaluation expenditure	(1,149,457)	(581,804)
Other	-	374
Net cash used in operating activities	(1,393,112)	(869,293)
Cash flows from investing activities		
Acquisition of property, plant & equipment	(16,105)	-
Payments to related entities	(2,679)	-
Payment acquisition of tenements	(18,182)	(97,500)
Proceeds from sale of investments	752,691	-
Net cash used in investing activities	715,725	(97,500)
Cash flows from financing activities		
Proceeds from share issue	584,057	1,021,873
Proceeds from borrowings	77,750	137,858
Repayment of borrowings	-	(52,404)
Net cash provided by financing activities	661,807	1,107,327
Net (decrease)/increase in cash held and cash equivalents	(15,580)	140,534
Cash and cash equivalents at 1 January	149,030	361,741
Cash and cash equivalents at 30 June	133,450	502,275

The interim statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 19 to 21.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2010

1 Reporting entity

Gondwana Resources Limited (the "Company") is a company domiciled in Australia. The condensed interim financial report for the Company relates to the six months ended 30 June 2010. The annual financial report of the company as at and for the year ended 31 December 2009 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 13 September 2010.

2 Statement of compliance

This general purpose financial report for the half year reporting period ended 30 June 2010 has been prepared in accordance with AASB 134 "Interim Financial Reporting" and the Corporations Act 2001.

This condensed 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 2009 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 2009.

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 2009.

5 Going concern

The Company has incurred a loss during half year of \$1,120,622 and current liabilities exceeded current assets by \$147,331 at 30 June 2010. 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 limited capital raising during the period. 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 2010, the company has raised \$429,000 through the placement of new shares and the exercise of options (refer to note 10).

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 2009.

7 Segment reporting

For management purposes, the company is organised into one operating segment, which involves the exploration for 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.

GONDWANA RESOURCES LIMITED
HALF YEAR REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2010
(continued)

	30 June 2010 \$	31 December 2009 \$
8 Share capital		
(a) Shares		
Issued and Paid-up Share Capital		
425,152,635 (December 2009 347,873,617) ordinary fully paid shares	29,036,694	28,452,637

Movements in Ordinary Share Capital

Date	Details	Number of Shares	Issue Price	\$
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	295,724,103		27,836,496
1 January 10	Opening Balance	347,873,617		28,452,637
26 February 10	Exercise of options	4,800	\$0.012	576
30 June 10	Exercise of options	9,200	\$0.012	1,104
30 June 10	Exercise of options	1,131,685	\$0.010	11,377
30 June 10	Placement	76,133,333	\$0.0075	571,000
30 June 10	Closing balance	425,152,635		29,036,694

During the current period, interest bearing liabilities of \$537,250 and payables of \$33,750 were converted into issued capital.

(b) Options

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

Issue Date	Expiry Date	Exercise price	Options on issue at 30 June	
			2010	2009
Pre-31/8/2007	30 June 2010	\$0.12	-	46,403,998
30/6/2008	1 January 2009 to 30 June 2010	\$0.20	-	600,000
30/6/2008	1 July 2010 to 31 December 2011	\$0.30	600,000	600,000
30/6/2010	30 June 2013	\$0.01	76,133,133	-

9 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 2009 annual financial report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2010 (continued)

10 Events subsequent to reporting date

Since 30 June 2010 the following new shares and options have been issued:

- 23,866,667 fully paid ordinary shares pursuant to the terms of the June 2010 placement at a price of 0.75 cents per share to raise \$179,000 before costs of the issue.
- 23,866,667 options issued pursuant to the terms of the June 2010 placement exercisable on or before 30 June 2013 at an exercise price of 1 cent each.
- 33,333,334 fully paid ordinary shares in an August 2010 placement at a price of 0.75 cents per share to raise \$250,000 before costs of the issue.
- 33,333,334 options issued pursuant to the terms of the August 2010 placement exercisable on or before 30 June 2013 at an exercise price of 1 cent each.

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.

12. 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.

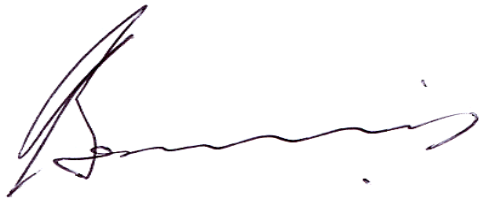
At balance date, total exploration expenditure commitments of the Company which have not been provided for in the financial statements are estimated at \$913,680 for the next 12 months.

DIRECTORS' DECLARATION

In the opinion of the directors of Gondwana Resources Limited:

1. The financial statements and notes set out on pages 15 to 21 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 2010 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 13th day of September 2010 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 consolidated statement of financial position as at 30 June 2010, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 12 and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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 and the *Corporations Act 2001* and as for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 Group's financial position as at 30 June 2010 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 Group's financial position as at 30 June 2010 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 qualifying our opinion, we draw attention to Note 5 in the the financial report setting out matters which indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report


KPMG


Grant Robinson
Partner

Perth

13 September 2010