

Gondwana RESOURCES LIMITED

ABN 72 008 915 311

ENTITLEMENT ISSUE PROSPECTUS

for a pro rata non-renounceable offer
of approximately 200,402,658 Shares on the basis of
one (1) Share for every three (3) Shares held by Shareholders
registered at the Record Date
at an issue price of 0.7 cents per Share (with one (1) free
attaching New Option for every Share subscribed for and issued)
to raise up to approximately \$1,402,818

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

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1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

TIMETABLE AND IMPORTANT DATES*

Lodgement of Prospectus with ASIC	3 May 2011
Lodgement of Prospectus and Appendix 3B with ASX	3 May 2011
Notice sent to Optionholders	3 May 2011
Notice sent to Shareholders	on or before 5 May 2011
Ex Date	6 May 2011
Record Date for determining Entitlements	5.00pm (WST) on 12 May 2011
Prospectus despatched to Shareholders	on or before 18 May 2011
Closing Date	5.00pm (WST) on 7 June 2011
Securities quoted on a deferred settlement basis	8 June 2011
ASX notified of under subscriptions	on or before 10 June 2011
Despatch of holding statements	on or before 12.00pm (WST) on 16 June 2011
Quotation of Securities issued under the Offer	17 June 2011

* The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such the date the Securities are expected to commence trading on ASX may vary.

IMPORTANT NOTES

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 3 May 2011 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of this Prospectus is 13 months after the date the Prospectus was lodged with the ASIC (**Expiry Date**). No Shares will be allotted or issued on the basis of this Prospectus after the Expiry Date.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

Applications for Securities offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form or Shortfall Application Form which accompanies this Prospectus.

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and



value of Securities these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended to Shareholders with a registered address which is outside Australia or New Zealand.

Shareholders resident in New Zealand should consider the additional statements set out in Section 4.11 of this Prospectus and should consult their professional advisors as to whether any government or other consents are required, or other formalities need to be observed, to enable them to exercise their Entitlements under the Offer.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus.

In making representations in this Prospectus regard has been given to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

RISK FACTORS

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus. For further information in relation to the risk factors of the Company please refer to Section 7 of this Prospectus.

ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from the website of the Company at <http://www.gondwanaresources.com>. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

2. CORPORATE DIRECTORY

Directors

Warren Beckwith (Executive Chairman)
Paul Goodsall (Non-executive Director)
Steven Pynt (Non-executive Director)

Share Registry*

Computershare Investor Services Pty
Limited
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth, WA 6000
Telephone: 1300 850 505

Company Secretary

Paul Goodsall

Auditors*

KPMG
235 St Georges Terrace
Perth, Western Australia 6000

Technical Management

Grant Donnes, BSc (Hons), MAIG
Exploration Manager

Ian Ladyman, BAppSc(MechEng), BEng,
MAusIMM, MAIE
Gold Project Manager

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth, Western Australia 6000

Registered Office

230 Rokeby Road
Subiaco, Western Australia 6008

Website

www.gondwanaresources.com

Principal Office

Suite 4, 16 Nicholson Road
Subiaco, Western Australia 6008

General Enquiries:

Telephone: (08) 9388 9961
Facsimile: (08) 9381 1705
Email: info@gondwanaresources.com

* These parties have been included for information purposes only. They have not been involved in the preparation of this Prospectus.

3. CHAIRMAN'S LETTER

Dear Shareholder

The Board is pleased to offer Shareholders the opportunity to participate in a non-renounceable entitlement issue of Shares on a 1 for 3 basis at a price of 0.7 cents per Share, together with one free attaching New Option exercisable at 1 cent on or before 30 June 2013, for every Share subscribed for and issued. If fully subscribed, the issue will raise approximately \$1,402,818 before expenses. Shareholders registered at the Record Date will be entitled to participate in the Offer.

Shortfall Offer and Priority to Shareholders

Shareholders who wish to increase their holdings (after taking up their Entitlement in full) are offered the opportunity to apply for Shares in addition to their Entitlement, allocated out of the Shortfall, if any. Shareholders who would hold fewer than 300,000 Shares after taking up their Entitlement in full may apply to round up to 300,000 Shares out of the Shortfall (if any) which will be allocated in priority to all other Shareholders and investors (including the general public).

Use of Funds

If fully subscribed, the Offer will provide capital to assist in funding, principally -

- i. the completion of the **Buffalo Gold Project** pre-feasibility study (recently expanded to incorporate resource modelling and resource drilling at the nearby **Centenary Gold Project**) at Parker Range,
- ii. exploration drilling at historic workings and prospects at Parker Range,
- iii. further exploration work at the *Corunna Downs Iron Project* in the Pilbara, and
- iv. exploration at highly promising nickel, uranium, copper, gold and rare earths prospects in Western Australia, including –
 - *Red Rock Bore and Weaner Bore Uranium Prospects* in the Ashburton, WA;
 - *Bob's Bore Nickel Prospect in the Ashburton, WA;*
 - *Cyclops Nickel Prospect* in the East Pilbara, WA;
 - *Lindsay's Nickel Prospect* at Parker Range, WA; and
 - *Trigg Hill Rare Earths Prospect* in the East Pilbara, WA.

Later in the year, if the Buffalo/Centenary pre-feasibility study concludes the project is economically viable the Board may be in a position to plan the commencement of production before the end of 2011, which would represent a historic milestone for the Company.

Prospectus

Refer to the further details contained in the Prospectus in relation to this Offer, the Shortfall Offer and the Use of Funds.

Directors' Intentions

The Directors intend to take up their respective Entitlements in full and look forward to your support of the current Offer.

Yours sincerely

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

Warren Beckwith
Chairman

4. DETAILS OF THE OFFER

4.1 Offer

By this Prospectus, the Company offers for subscription approximately 200,402,658 Shares pursuant to a pro-rata non-renounceable entitlement issue to Shareholders registered at the Record Date on the basis of one (1) Share for every three (3) Shares held on the Record Date at an issue price of 0.7 cents per Share, together with one (1) free attaching New Option exercisable at 1 cent each on or before 30 June 2013 for every Share subscribed for and issued.

Fractional Entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus (and assuming no existing Options are exercised prior to the Record Date), the maximum number of Securities to be issued pursuant to the Offer is approximately 200,402,658 Shares and 200,402,658 New Options (subject to rounding).

As at the date of this Prospectus the Company also has 221,709,463 Options on issue, of which 221,109,463 are listed and 600,000 are unlisted. All Options may be exercised by the Optionholders prior to the Record Date in order to participate in the Offer but otherwise the holders of existing Options will not be entitled to participate in the Offer. Please refer to Section 5.4 of this Prospectus for information on the exercise prices and expiry dates of the Options on issue.

The Shares issued under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 6.1 for further information regarding the rights and liabilities attaching to the Shares.

The New Options offered under this Prospectus will be issued on the terms and conditions set out in Section 6.2 of this Prospectus.

The Offer will raise up to approximately \$1,402,818 before costs. The purpose of the Offer and the use of funds raised are set out in Section 5.1 of this Prospectus.

4.2 Rounding Up Offer

If, after taking up your Entitlement in full, you hold fewer than 300,000 Shares, you may apply to round up to 300,000 Shares out of the Shortfall (if any).

If you wish to apply for additional Securities (in excess of your Entitlement) under the Rounding Up Offer, you may do so, in accordance with Section 4.4(c) of this Prospectus.

Subject to the conditions and limitations set out in this Section, Securities offered under the Rounding Up Offer will be allocated to qualifying Shareholders in priority to other investors and the general public.

The number of Securities which may be issued under the Rounding Up Offer is limited to the number of Shortfall Securities available under the Shortfall (if any). The Directors therefore cannot guarantee that the number of Securities applied for under the Rounding Up Offer will be available for allocation.

4.3 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer. The Shortfall Offer is a separate offer made to Shareholders and investors (including the general public) pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each Shortfall Share to be issued under the Shortfall Offer shall be 0.7 cents, being the

price at which Shares have been offered under the Offer. The New Options to be issued as free attaching to those Shortfall Shares shall be issued in the same proportion as under the Offer.

Applicants may apply for any number of Shortfall Shares on the Shortfall Application Form.

If you wish to apply for additional Shares (in excess of your Entitlement and in addition to the Rounding Up Offer) under the Shortfall Offer, you may do so, in accordance with Section 4.4(d) of this Prospectus.

There is no guarantee that your application will be successful as the number of Shortfall Securities which may be issued is limited in aggregate to the number of Shortfall Securities available under the Shortfall (if any) after issuing Shortfall Securities under the Rounding Up Offer.

If the number of Shortfall Securities applied for exceeds the actual number of Shortfall Securities, applications will be scaled back at the absolute discretion of the Directors.

An Applicant will not be entitled to any Shortfall Shares if the allotment and issue of those Shortfall Shares will result in their voting power in the Company exceeding 20%.

The Directors reserve the right to allot to an Applicant a lesser number of Shortfall Securities than the number for which the Applicant applies for on their Shortfall Application Form, or to reject an application, or to not proceed with placing the Shortfall.

4.4 How to Accept the Offer & Apply under the Shortfall Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement only. Applications for the Shortfall should be made on the separate Shortfall Application Form other than in respect of the Rounding Up Offer which can be made on the Entitlement and Acceptance Form.

You may participate in the Offer and Shortfall Offer as follows:

(a) if you wish to accept your Entitlement in full:

- (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
- (ii) attach your cheque for the amount indicated on the Entitlement and Acceptance Form by following the instructions set out on the Entitlement and Acceptance Form; or

(b) if you only wish to accept part of your Entitlement:

- (i) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
- (ii) attach your cheque for the appropriate application monies (at 0.7 cents per Share) by following the instructions set out on the Entitlement and Acceptance Form; or

(c) if you wish to apply for additional Securities in the Rounding Up Offer:

- (i) accept your Entitlement in full;

- (ii) fill in the number of Shares you wish to apply for under the Rounding Up Offer in the space provided on the Entitlement and Acceptance Form; and
 - (iii) attach your cheque for the appropriate application monies (at 0.7 cents per Share) by following the instructions set out on the Entitlement and Acceptance Form; or
- (d) if you wish to apply for Securities out of the Shortfall (i.e. for any non-Shareholders applying and also for Shareholders applying in excess of their Entitlement and, if applicable, the Rounding Up Offer):**
- (i) fill in the number of Shares you wish to apply for out of the Shortfall in the space provided on the Shortfall Application Form; and
 - (ii) attach your cheque for the appropriate application monies (at 0.7 cents per Share) by following the instructions set out on the Shortfall Application Form; or
- (e) if you do not wish to accept any part of your Entitlement, you are not obliged to do anything.**

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to **“Gondwana Resources Limited – Application Account” and crossed “Not Negotiable”**.

Your completed Entitlement and Acceptance Form and accompanying cheque must be mailed or delivered to the address set out on the Entitlement and Acceptance Form by no later than the Closing Date.

Applicants for the Shortfall Offer must complete a Shortfall Application Form mail or deliver it with an accompanying cheque to the address set out on the Shortfall Application Form, and are encouraged to submit their applications and monies as soon as practicable as the Shortfall (if any) may be allocated soon after the Closing Date.

The Offer is non-renounceable. Accordingly, Shareholders may not sell or transfer all or part of their Entitlement.

4.5 Minimum Subscription

The minimum subscription in respect of the Offer and Shortfall Offer is \$750,000.

If the minimum subscription is not reached within four (4) months of the date of this Prospectus, no Securities will be issued and all subscription monies will be returned within the time period prescribed under the Corporations Act.

4.6 Brokers' commissions

The Company reserves the right to pay a commission of up to 5% (inclusive of goods and services tax) of amounts subscribed to any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company for the Shortfall and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

4.7 Underwriting

The Offer is not underwritten.

4.8 ASX Listing

Application for Official Quotation by ASX of the Securities offered pursuant to this Prospectus will be made in accordance with the timetable set out in Section 1 of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of this Prospectus, (or such period as modified by the ASIC), the Company will not issue any Securities and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

4.9 Allotment

Securities issued pursuant to the Offer will be allotted in accordance with the ASX Listing Rules and timetable set out in Section 1 of this Prospectus and Securities issued pursuant to the Shortfall Offer will be allotted within three months of the Closing Date.

In respect of the Shortfall Offer (including the Rounding Up Offer), where the number of Securities issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the allotment and issue of the Securities or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Securities issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out in Section 1 of this Prospectus and for Shortfall Securities issued under the Shortfall Offer as soon as practicable after their issue.

4.10 Overseas Shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Securities these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended to Shareholders with a registered address which is outside Australia or New Zealand.

Shareholders resident in New Zealand should consider the additional statements set out in Section 4.11 of this Prospectus and should consult their professional advisors as to whether any government or other consents are required, or other

formalities need to be observed, to enable them to exercise their Entitlements under the Offer.

4.11 Offer in New Zealand

The Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the Corporations Regulations 2001. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

The Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act sets out how the Offer must be made. There are differences in how securities are regulated under Australian law.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

As stated in Section 4.8 of this Prospectus, the Company will apply to ASX for quotation of the Securities offered under this Prospectus. If quotation is granted the Securities offered under this Prospectus will be able to be traded on ASX. If you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

4.12 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share or option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with separate statements (similar to a bank account statement) that set out the number of Shares and Options allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

4.13 Privacy Act

If you complete an application for Securities, you will be providing personal information to the Company (directly or by the Share Registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or the Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

4.14 Enquiries

Shareholders with queries in relation to the Offer may contact the Company on +61 8 9388 9961 or by email at info@gondwanaresources.com.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer & Use of Funds

The purpose of the Offer is to raise approximately \$1,402,818 (before expenses). The proceeds of the Offer are planned to be used in accordance with the table set out below:

Proceeds of the Offer ¹	\$
Exploration & evaluation of mineral projects	700,000
Corporate and administration	320,000
Repayment of short-term debt	220,000
Working Capital	47,818
Expenses of the Offer ²	115,000
Total	1,402,818

Notes:

1. In the event less than the full subscription is raised the proceeds of the Offer will be reduced firstly from working capital and then on a pro-rata basis from all other categories.
2. Refer to Section 8.6 of this Prospectus for further details relating to the estimated expenses of the Offer.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

5.2 Effect of the Offer

The principal effect of the Offer, assuming all Securities offered under the Prospectus are issued and no Options are exercised prior to the Record Date, will be to:

- (a) increase the cash reserves by approximately \$1,287,818 immediately after completion of the Offer after deducting the estimated expenses of the Offer;
- (b) increase the number of Shares on issue from 601,207,975 to approximately 801,610,633 Shares following completion of the Offer; and
- (c) increase the number of Options on issue from 221,709,463 to approximately 422,112,121 Options following completion of the Offer.

5.3 Pro-forma Balance Sheet

The audited Balance Sheet as at 31 December 2010 and the unaudited Pro-Forma Balance Sheet as at 31 December 2010 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. They have been prepared on the assumption that all Securities pursuant to the Offer in this Prospectus are issued, no Options are exercised prior to the Record Date and after deducting the expenses of the Offer.

The Pro-Forma Balance Sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	Audited 31 December 2010 \$	Pro Forma 31 December 2010 \$
Assets		
Property, plant and equipment	17,667	17,667
Exploration and evaluation expenditure	322,706	322,706
Total non-current assets	340,373	340,373
Cash and cash equivalents	7,255	1,295,073
Other receivables	142,930	142,930
Total current assets	150,185	1,438,003
Total assets	490,558	1,778,376
Equity		
Share Capital	29,689,307	30,977,125
Reserves	140,781	140,781
Accumulated losses	(30,229,059)	(30,229,059)
Total equity	(398,971)	888,847
Liabilities		
Trade and other payables	516,324	516,324
Interest bearing liabilities	373,205	373,205
Total current liabilities	889,529	889,529
Total liabilities	889,529	889,529
Total equity and liabilities	490,558	1,778,376

Since 31 December 2010, the Company has raised \$510,000 (before costs) in additional capital in a placement of new Securities and \$267,160 upon the exercise of 26,715,995 Options. The funds have been applied principally to fund the Company's ongoing exploration, operations and working capital and repayment of short term debt.

5.4 Effect on Capital Structure

The effect of the Offer on the capital structure of the Company, assuming all Securities offered under the Prospectus are issued and no Options are exercised prior to the Record Date, is set out below.

Shares

	Number
Shares on issue at date of Prospectus*	601,207,975
Shares offered pursuant to the Offer	200,402,658
Total Shares on issue after completion of the Offer	801,610,633

* including 2,500,000 unquoted Shares issued pursuant to the Gondwana Employee Share Plan

Options

	Number
Options on issue at date of Prospectus -	
Quoted exercisable at 1 cent on or before 30 June 2011 (ASX Code: GDAO)	41,176,129
Quoted exercisable at 1 cent on or before 30 June 2013 (ASX Code: GDAOB)	179,933,334
Unquoted exercisable at 30 cents on or before 31 December 2011	600,000
Subtotal	221,709,463
New Options offered pursuant to the Offer	200,402,658
Total Options on issue after completion of the Offer	422,112,121

6. RIGHTS AND LIABILITIES ATTACHING TO THE SECURITIES

6.1 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

Dividend Rights

The Directors may from time to time declare and pay or credit a dividend in accordance with the Corporations Act. A determination by the Directors as to the profits of the Company shall be conclusive.

The Directors may set aside out of the profits of the Company such amounts as they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

No dividends shall be payable except out of profits.

Subject to any special right as to dividends attaching to a share, all dividends will be declared and paid according to the proportion which the amount paid on the Share is to the total amount payable in respect of the Shares (but any amount paid during the period in respect of which a dividend is declared only entitles the Shareholder to an apportioned amount of that dividend as from the date of payment).

No dividend shall carry interest as against the Company.

The Directors may from time to time grant to Shareholders or any class of shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares in the Company on such terms and conditions as the Directors think fit. The Directors may, at their discretion, resolve in respect of any dividend which it is proposed to pay or to declare on any Shares of the Company, that holders of such Shares may elect to forgo their right to the whole or part of the proposed dividend and to receive instead an issue of Shares credited as fully paid to the extent and on the terms and conditions of the Constitution.

Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

Future Increase in Capital

The allotment and issue of any Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

Variation of Rights

Under Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of a majority of the issued shares of that class, or if authorised by an ordinary resolution passed at a separate meeting of the holders of the shares of that class.

6.2 New Options

The New Options to be issued pursuant to this Prospectus entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Subject to paragraph (k), each New Option gives the Optionholder the right to subscribe for one Share.

- (b) The New Options will expire at 5.00pm (WST) on 30 June 2013 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse.
- (c) The amount payable upon exercise of each New Option is 1 cent (**Exercise Price**).
- (d) The New Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their New Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of New Options specifying the number of New Options being exercised (**Exercise Notice**); and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of New Options being exercised.
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of New Options specified in the Exercise Notice.
- (h) All Shares allotted upon the exercise of New Options will upon allotment rank pari passu in all respects with other Shares.
- (i) Subject to the satisfaction of the requirements of the ASX Listing Rules, the Company will apply for quotation of the New Options on ASX.
- (j) The Company will apply for quotation of all Shares allotted pursuant to the exercise of New Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the New Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the New Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their New Options prior to the date for determining entitlements to participate in any such issue.
- (m) Other than as contemplated by paragraph (k), a New Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the New Option can be exercised.

7. RISK FACTORS

7.1 Introduction

The Securities offered under this Prospectus are considered speculative, and involve investors being exposed to risk. The Directors strongly recommend potential applicants examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors.

The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Risks Specific to the Company

(a) Exploration Success

The mineral tenements of the Company are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings. There can be no assurance that exploration of these tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that these cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

(b) Operating Risks

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of

its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

(c) Resource Estimates

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

(d) Commodity Price Volatility and Exchange Rate Risks

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(e) Environmental Risks

The operations and proposed activities of the Company are subject to State and Federal laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. Nevertheless, there are certain risks inherent in the Company's activities or other unforeseen circumstances which could subject the Company to extensive liability.

(f) Title Risks and Native Title

Interests in tenements in Australia are governed by the respective State legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

It is also possible that, in relation to tenements which the Company has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected.

Further to this, it is possible that an Indigenous Land Use Agreement (**ILUA**) may be registered against one or more of the tenements in which the Company has an interest. The terms and conditions of any such ILUA may be unfavourable for, or restrictive against, the Company.

The Directors will closely monitor the potential effect of native title claims involving tenements in which the Company has or may have an interest.

7.3 General Risks

(a) Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(b) Market Conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) Dividends

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(d) Taxation

The acquisition and disposal of Shares and Options will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares and Options from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.

(e) Additional Requirements for Capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

(f) Reliance on Key Personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(g) Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus. Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 Continuous Disclosure Obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms “transaction specific prospectuses” are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report of the Company for the financial year ended 31 December 2010 being the the annual financial report most recently lodged by the Company with the ASIC before the issue of this Prospectus;
 - (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and

- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in Section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since lodgement of the Company's latest annual financial report on 1 April 2011 and before the lodgement of this Prospectus with the ASIC:

Date	Description of Announcement
02/05/2011	Activities Report and Appendix 5B for March Quarter 2011
27/04/2011	Appendices 3Y – Change of Directors' Interest
21/04/2011	Appendix 3B
21/04/2011	Upcoming Drilling at Centenary – 21 April 2011
20/04/2011	Appendix 3B
14/04/2011	Results of Meeting
12/04/2011	Notice of Annual General Meeting/Proxy Form

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website <http://www.gondwanaresources.com>.

8.2 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with, its formation or promotion, or, the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or the Offer.

Security holdings

Directors' relevant interests in securities of the Company at the date of this Prospectus are:

Name	Shares	Options	Entitlement Shares	Entitlement New Options
Warren Beckwith ¹	29,323,431	9,607,824	9,774,477	9,774,477
Paul Goodsall ²	1,923,417	1,816,667	641,139	641,139
Steven Pynt ³	14,513,532	3,675,000	4,837,844	4,837,844

¹ 707,825 Options are exercisable at 1 cent each on or before 30 June 2011, 300,000 Options are exercisable at 30 cents each on or before 31 December 2011 and 8,599,999 Options are exercisable at 1 cent each on or before 30 June 2013.

² 150,000 Options are exercisable at 30 cents each on or before 31 December 2011 and 1,666,667 Options are exercisable at 1 cent each on or before 30 June 2013.

³ 3,525,000 Options are exercisable at 1 cent each on or before 30 June 2011 and 150,000 Options are exercisable at 30 cents each on or before 31 December 2011.

Note: Each of the Directors has indicated that it is their present intention to subscribe for their full Entitlement under the Offer.

Remuneration

The Constitution provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Directors and in default of agreement then in equal shares. Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

If any of the Directors are called upon to perform extra services or make any special exertions on behalf of the Company or its business, the Directors may remunerate this Director in accordance with such services or exertions, and this remuneration may be either in addition to or in substitution for the remuneration provided in the form of directors' fees.

The Company paid to the Directors a total of \$292,925 for the year ended 31 December 2010. For the period from 1 January 2011 to the date of this Prospectus \$73,230 has been paid or is payable by the Company by way of approved remuneration for services provided by all Directors or former directors of the Company (executive, non-executive and alternate), companies associated with those Directors or former directors of the Company or their associates in their capacity as Directors or former directors of the Company, employees, consultants or advisers (and including superannuation payments).

8.3 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or

- (b) property acquired or proposed to be acquired by the Company in connection with, its formation or promotion, or, the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer.

Steinepreis Paganin act as solicitors to the Company in respect of this Prospectus. Steinepreis Paganin will be paid approximately \$10,000 (excluding GST and disbursements) for services in relation to this Prospectus. In the past two years, Steinepreis Paganin has been paid fees totalling \$73,532.50 (excluding GST and disbursements) for legal services provided to the Company.

8.4 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

8.5 Legal Proceedings

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

8.6 Estimated Expenses of Offer

In the event that all Securities offered under the Prospectus are issued, the estimated expenses of the Offer (excluding GST) are expected to be applied towards the following items:

	\$
ASIC fees	2,068
ASX fees	10,160
Brokers' commission*	70,141
Legal expenses	10,000
Printing and mailing	20,000
Other expenses	2,631
Total	115,000

* Brokers' commissions will only be paid on certain applications under the Shortfall (refer to Section 4.6 of this Prospectus for further information). The amount calculated is based on a 100% Shortfall, therefore, for every Entitlement subscribed for, the expenses of the Offer will be reduced. In the event the expenses of the Offer are reduced, the additional funds will be put towards working capital.

8.7 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: 1.2 cents on various dates the most recent being 9 March 2011

Lowest: 0.9 cents on various dates the most recent being 5 April 2011

The latest available closing sale price of the Shares on ASX prior to the lodgement of this Prospectus with the ASIC was 1 cent on 2 May 2011.

8.8 Electronic Prospectus

Pursuant to Class Order 00/44, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at <http://www.gondwanaresources.com>.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

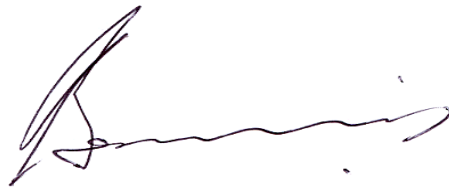
9. AUTHORITY OF DIRECTORS

9.1 Directors' Consent

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

Each of the Directors of Gondwana Resources Limited has consented to the lodgement of this Prospectus with the ASIC in accordance with Section 720 of the Corporations Act.

Dated: 3 May 2011



Warren Beckwith
Director
For and on behalf of
GONDWANA RESOURCES LIMITED

10. DEFINITIONS

\$ means Australian dollars.

Applicant means a Shareholder who applies for Securities pursuant to the Offer or a Shareholder or other party who applies for Shortfall Securities pursuant to the Shortfall Offer.

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

ASIC means the Australian Securities and Investments Commission.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESS.

ASX means the ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires.

ASX Listing Rules means the Listing Rules of the ASX.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out in Section 1 of this Prospectus (unless extended).

Company means Gondwana Resources Limited (ABN 72 008 915 311).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001*(Cth).

Directors means the directors of the Company at the date of this Prospectus.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

New Option means an Option attaching free to the Shares offered under this Prospectus and issued on the terms set out in Section 6.2 of this Prospectus.

Offer means the non-renounceable entitlement issue pursuant to this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Prospectus means this prospectus.

Record Date means date specified in the timetable set out in Section 1 of this Prospectus.

Rounding Up Offer means that part of the Shortfall Offer to be allocated in priority to Shareholders satisfying the criteria set out in Section 4.2 of this Prospectus.

Securities means Shares and New Options.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Share Registry means the party identified in the Corporate Directory set out in Section 1 of this Prospectus.

Shortfall means those Securities not applied for under the Offer (if any).

Shortfall Application Form means the shortfall application form either attached to or accompanying this Prospectus.

Shortfall Offer means the offer of the Shortfall as set out in Section 4.3 of this Prospectus.

Shortfall Securities means those Securities issued pursuant to the Shortfall.

Shortfall Share means those Shares issued pursuant to the Shortfall.

WST means Western Standard Time as observed in Perth, Western Australia.

SHORTFALL APPLICATION FORM

GONDWANA RESOURCES LIMITED

ABN 72 008 915 311

PRINCIPAL OFFICE:

Suite 4, 16 Nicholson Road
SUBIACO WA 6008

SHARE REGISTRY:

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building, 45 St George's Terrace, Perth WA 6000
Tel: 1300 850 505 Fax: (08) 9323 2033

APPLICANT'S DETAILS:

Full name (PLEASE PRINT)

Title, Given Name(s) & Surname or Company Name

--

Joint Applicant #2 or <designated account>

--

Joint Applicant #3 or <designated account>

--

Postal Address (PLEASE PRINT)

Street Number Street

--

--

Suburb/Town

State

Post Code

--	--	--

ABN, Tax File Number or Exemption

Applicant #2

Applicant #3

--	--	--

CHESS HIN or Existing SRN (where applicable)

--

Number of Shares applied for*	Application Money enclosed at 0.7 cents per Share
	\$.....

** Free attaching options will be issued on the basis of 1 Option for every 1 Share subscribed for and issued.*

I/We whose full name(s) and address appear above hereby apply for the number of Shares shown above (and associated free attaching Options) under the Prospectus on the terms set out in the Prospectus (to be allocated to me/us by the Company in respect of this Application).

Cheque Details:

PLEASE ENTER CHEQUE DETAILS THANKYOU	Drawer	Bank	BSB or Branch	Amount

My/Our contact numbers in the case of inquiry are:

Telephone () Fax ()

NOTE: Cheques should be made payable to "Gondwana Resources Limited – Application Account", crossed "NOT NEGOTIABLE" and forwarded to the address shown overleaf, as soon as practicable as the Shortfall (if any) may be allocated soon after the Closing Date (and in any event no later than 5.00 pm (WST) on that date which is 3 months after the Closing Date, or such earlier date as directed by the Company).

Declaration

This Shortfall Application Form does not need to be signed. By lodging this Shortfall Application Form and a cheque for the application money this Applicant hereby:

- (1) applies for the number of Shares specified in the Shortfall Application Form or such lesser number as may be allocated by the Directors;
- (2) agrees to be bound by the constitution of the Company; and
- (3) authorises the Directors to complete or amend this Shortfall Application Form where necessary to correct any errors or omissions.

INSTRUCTIONS TO APPLICANTS

Please post or deliver the completed Shortfall Application Form together with a cheque to the principal office or the share registry of the Company. If an Applicant has any questions on how to complete this Shortfall Application Form, please telephone the Share Registry on **1300 557 010**. The Form is recommended to be returned **as soon as practicable as the Shortfall (if any) may be allocated soon after the Closing Date (and in any event no later than 5.00 pm (WST) on that date which is 3 months after the Closing Date, or such earlier date as directed by the Company).**

- A. Application for Shares**
The Shortfall Application Form must only be completed in accordance with instructions included in the Prospectus.
- B. Name of Applicant**
Write the Applicant's FULL NAME. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registrable title. Applications using the incorrect form of registrable title may be rejected.
- C. Name of Joint Applicants or Account Designation**
If JOINT APPLICANTS are applying, up to three joint Applicants may register. If applicable, please provide details of the Account Designation in brackets. Please refer to the bottom of this page for instructions on the correct form of registrable title.
- D. Address**
Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after City/Town.
- E. Contact Details**
Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Shortfall Application Form.
- F. CHESS HIN or existing SRN Details**
The Company participates in CHESS. If the Applicant is already a participant in this system, the Applicant may complete this section with their existing CHESS HIN. If the Applicant is an existing shareholder with an Issuer Sponsored account, the SRN for this existing account may be used. Otherwise leave the section blank and the Applicant will receive a new Issuer Sponsored account and statement.
- G. Cheque Details**
Make cheques payable to "Gondwana Resources Limited – Application Account" in Australian currency and cross them "**Not Negotiable**". Cheques must be drawn on an Australian Bank. The amount of the cheque should agree with the amount shown on the Shortfall Application Form.
- H. Declaration**
By completing the Shortfall Application Form, the Applicant will be taken to have made to the Company the declarations and statements therein. The Shortfall Application Form does not need to be signed.
If a Shortfall Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept a Shortfall Application Form, and how to construe, amend or complete it, shall be final. A Shortfall Application Form will not however, be treated as having offered to subscribe for more Shares and Options than is indicated by the amount of the accompanying cheque.

Forward your completed Shortfall Application Form together with the application money to:

<p>Gondwana Resources Limited c/- Computershare Investor Services Pty Ltd Locked Bag 2508, PERTH WA 6001</p> <p>or</p> <p>c/- Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St. George's Terrace, PERTH WA 6000</p>	OR	<p>Gondwana Resources Limited PO Box 2000, Subiaco WA 6904</p> <p>or</p> <p>Gondwana Resources Limited Suite 4, 16 Nicholson Road Subiaco WA 6008</p>
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CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Shortfall Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Shortfall Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund