

Gondwana

RESOURCES LIMITED

ABN 72 008 915 311

Dear Shareholder

PRO RATA NON-RENOUNCEABLE ENTITLEMENT OFFER

On 3 May 2011, Gondwana Resources Limited (**Company**) lodged a prospectus (**Prospectus**) with the Australian Securities & Investments Commission (**ASIC**) in relation to a pro rata non-renounceable entitlement issue of approximately 200,402,658 Shares on the basis of:

- one (1) fully paid ordinary share in the capital of the Company (**Share**) for every three (3) Shares held by Shareholders at the Record Date (as set out in the timetable below) (**Eligible Shareholders**);
- at an issue price of 0.7 cents per Share;
- together with one (1) free attaching option to acquire a Share (**New Option**) for each Share subscribed;

to raise up to approximately \$1,402,818 (with a minimum subscription of \$750,000) (**Offer**).

New Shares and New Options

All of the Shares offered under the Prospectus will rank equally with the Shares on issue at the date of the Prospectus. All of the New Options offered under the Prospectus are exercisable at 1 cent each on or before 30 June 2013. The Prospectus contains further information regarding the rights and liabilities attaching to the Shares and the full terms and conditions attaching to the New Options.

Overseas Shareholders

The 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 the 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 Shares and New Options these Shareholders would be offered and the cost of complying with regulatory requirements in relevant jurisdictions. 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 disclosures specific to them set out in the Prospectus and should consult their professional advisors as to whether any other formalities need to be observed to enable them to exercise their entitlements under the Offer.

Timetable

The timetable in respect of the Offer is set out below:

Lodgement of Prospectus with ASIC	3 May 2011
Lodgement of Prospectus 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 of the Company 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 Shares and New Options are expected to commence trading on ASX may vary.*

Capital Structure

Upon completion of the Offer (assuming the Offer is fully subscribed and no Options are exercised prior to the Record Date), the capital structure of the Company will be as 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

Availability of Prospectus

The Prospectus together with a personalised entitlement and acceptance form will be sent to Eligible Shareholders on the date set out in the timetable below. Instructions on how to apply under the Offer are set out in the Prospectus. The Prospectus is an important document and should be read in its entirety before deciding whether to accept an entitlement. If after reading the Prospectus you have any questions you should consult your stockbroker, accountant or other professional adviser. The Prospectus has also been lodged with ASX and is available on the ASX website at www.asx.com.au and on the Company's website at www.gondwanaresources.com.

Use of Funds

The funds raised by the Offer will be used to fund exploration programmes at the Company's mineral exploration projects, evaluation and acquisition of new projects and investments, retirement of short-term debt, general working capital and to meet the anticipated expenses of the Offer.

Application for quotation

The Company has applied to ASX for quotation of the Shares and New Options to be issued pursuant to the Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by ASIC), the Company will not issue any Shares and New Options and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

Enquiries

If you have any questions about applying for securities under the Prospectus, please contact Alana Da Silva at the Company on (08) 9388 9961 or email info@gondwanaresources.com.

Yours sincerely



Warren Beckwith
Director
Gondwana Resources Limited

5 May 2011