Gondwana
RESOURCES LIMITED

ACN 008 915 311

Annual Report
Year ended 31 December 2011

Annual Report
Year Ended 31 December 2011

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CORPORATE DIRECTORY

DIRECTORS

Warren Talbot Beckwith (Chairman)
Paul Millington Goodsall
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ASX Code:
Shares - GDA
Options - GDAO (2011 series), GDAOB (2013 series)

ABN

72 008 915 311

WEBSITE

www.gondwanaresources.com

CHAIRMAN'S REPORT

Dear Shareholder

I am pleased to present the Company's 2011 Annual Report following a year in which the maiden gold resource was announced at the Centenary Gold Project, Parker Range, WA. When combined with previously announced resources at Buffalo and Spring Hill nearby, the Centenary result takes the Company a step closer towards realising its ambition to see the commencement gold production at Parker Range.

Details are set out in the JORC-compliant Mineral Resource Estimate and description of the Parker Range Gold Project contained in the attached Review of Operations.

The Company expects to be able to announce the results of mining studies shortly, including a pit design, mining schedule and a JORC-compliant Reserve Estimate, which are almost finalised at the date of this Annual Report.

The Board is currently addressing ways and means of achieving a commencement of mining operations at Parker Range, including the investigation of toll treatment options at nearby mills, given that it confidently expects the mining studies to show that the Parker Range Gold Project is potentially a small but financially robust project. The Board is conscious of the fact that the Company does not presently have the capacity to fund the start-up mining costs alone and is likely to require a joint venture partner and this option is also being investigated.

During the year, the Board decided to dispose of its Corunna Downs Iron prospect, together with adjoining Pilbara tenements, after recognizing the hurdles faced by the Company in developing what appeared to be a stranded magnetite deposit. The Company has granted an option to Atlas Iron Limited to purchase the tenements and details of the agreement were announced in November 2011. The Company has retained a royalty on any future production of iron ore as well as other minerals that may be mined on the tenements.

The Company will shortly issue a Prospectus for a pro rata Entitlement Offer to raise up to approximately $800,000, which is intended to assist in funding, principally, the ongoing feasibility studies at Parker Range and exploration at Parker Range, Gascoyne and Pilbara projects described in the Review of Operations. At the same time, to conserve funds and recognizing the Company's limited exploration success from programs extending over a period of some years, the Company has commenced a review which may result in the disposal or joint venture of a number of tenements, principally at Parker Range.

On behalf of the board of directors, I extend our thanks to the Company's staff, consultants and the Company's shareholders who have supported us during the last year.

Yours sincerely

Warren Beckwith
Chairman
30 March 2012

REVIEW OF OPERATIONS

PROJECT LOCATIONS

Gondwana's extensive tenement holdings cover three regions within Western Australia, as shown in the map below.

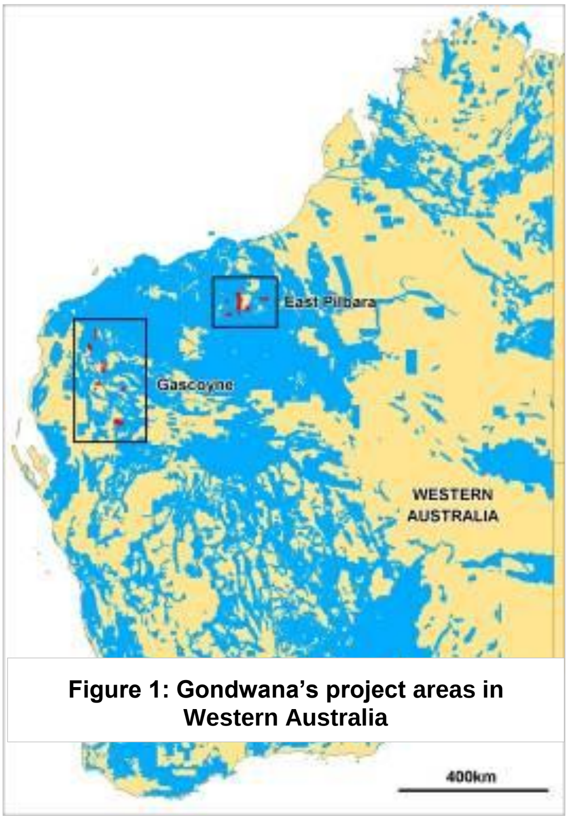

Figure 1: Gondwana's project areas in Western Australia

The **Parker Range Project** is located south of Marvel Loch, and the project area contains numerous historic gold mines.

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

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

The Company's principal focus at Parker Range is the Buffalo Gold Project, where a small gold resource has been identified at Centenary, Buffalo and Spring Hill by recent exploration (refer to the resource statement below).

The **East Pilbara Project** covers a wide area south of Marble Bar and contains tenements prospective for iron, base metals, nickel, gold and rare earths. The Company has an extensive database of historic exploration and mineral occurrences.

The **Gascoyne/Ashburton Project** is south of Onslow and contains tenements prospective for uranium, nickel and base metals. The Company has identified a number of targets, particularly uranium, ready for drilling.

GOLD

Buffalo Gold Project, Parker Range, WA

(M77/893 - Gondwana 70%, M77/657 – Gondwana 100%)

Following successful drilling and resource estimates within the year, the *Buffalo Gold Project* now comprises Buffalo, Spring Hill and Centenary Projects, located in proximity to each other at Parker Range. The Company's objective is to establish a gold production operation incorporating all three deposits, with the potential to add further resources from other prospects within the Company's tenements.

During the year, the Company completed a 29 hole, 1500m RC drilling program north and south of Centenary to test for potential extensions prior to finalising the resource models.

A total JORC-compliant resource of **91,450 oz** Au has now been delineated for the Buffalo Gold Project. Refer to the JORC Resource Estimate Table below.

Metallurgical and geotechnical test work

The company diamond drilled the Buffalo deposit in late 2010 and IMO and Ammtec performed metallurgical test work on the core last year. The metallurgical test work confirmed that the ore is amenable to heap leach recovery.

A geotechnical assessment for Buffalo was also completed by Peter O'Bryan and Associates based on the diamond drill core. Results from the report were based on data and core samples collected from holes 09BFDD001 to 09BFDD006.

Table: Buffalo, Spring Hill and Centenary JORC Resource Estimates (>= 1.0 g/t)

Resource Category	Tonnes	Grade (g/t)	Cut ounces* (Au)
Buffalo			
Indicated	292,200	2.4	22,200
Inferred	62,800	1.6	3,200
Buffalo total	355,000	2.2	25,400
Spring Hill			
Indicated	226,400	2.0	14,250
Inferred	180,300	2.0	11,500
Spring Hill total	406,700	2.0	25,750
Centenary			
Indicated	391,000	2.4	30,400
Inferred	166,000	1.8	9,900
Centenary total	557,000	2.2	40,300
Total Project			
Indicated	909,600	2.3	66,850
Inferred	409,100	1.8	24,600
Project grand total	**1,318,700**	**2.1**	**91,450**

*Resource reported at a 1.00 g/t Au lower cut and variable top cuts
1kg screen fire assay results were used for estimation of high grade zones where possible
Assay results are primarily from RC drilling with diamond holes as required
Specific Gravity density values were derived from the Centenary and Buffalo diamond drill core measurements

Figure 2 below outlines the resource zone, which centres on the Centenary valley.

Mining studies

During the year, a pit shell optimization study was carried out for each of the Centenary, Buffalo and Spring Hill gold deposits by Minecomp. The results were positive for all three pits and Minecomp have since been commissioned to –

(a) generate a preliminary pit design for each of the three deposits to provide a more accurate gauge on the pit ore and waste volumes, enable more accurate mining contractor cost estimates to be procured, enable proposed mine site layouts to be developed for permitting purposes, and allow a more accurate estimate to be made of development costs for the project;

(b) from these pit designs generate a life of mine schedule to enable cash flows to be more accurately estimated; and

(c) provide a JORC-compliant ore reserve estimate for each of the three pits in the project.

Prior to commencement of mining, further diamond drill holes will be drilled at Centenary for geotechnical assessment and compliance, the final pit design will be completed and the local road diversion will need to be completed. In anticipation of positive results from Minecomp's current studies, preliminary discussions have been held with local parties interested in potential joint venture and/or toll treatment of ore.

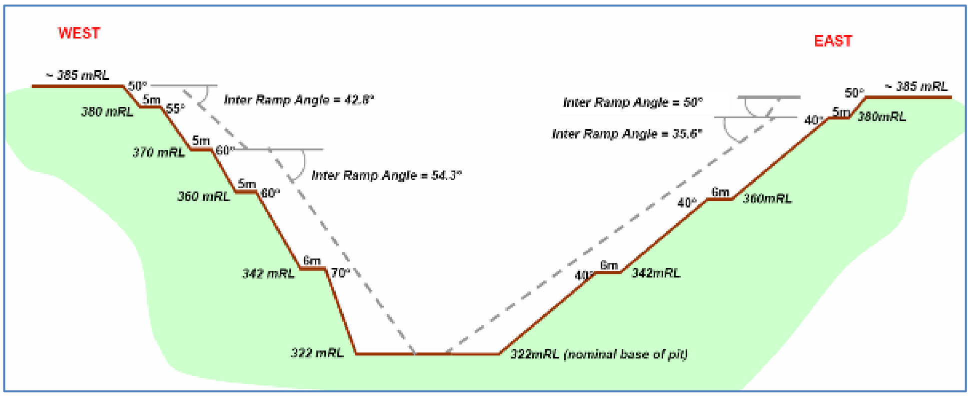

Figure 2: Recommended Buffalo wall slope angles for open pit design

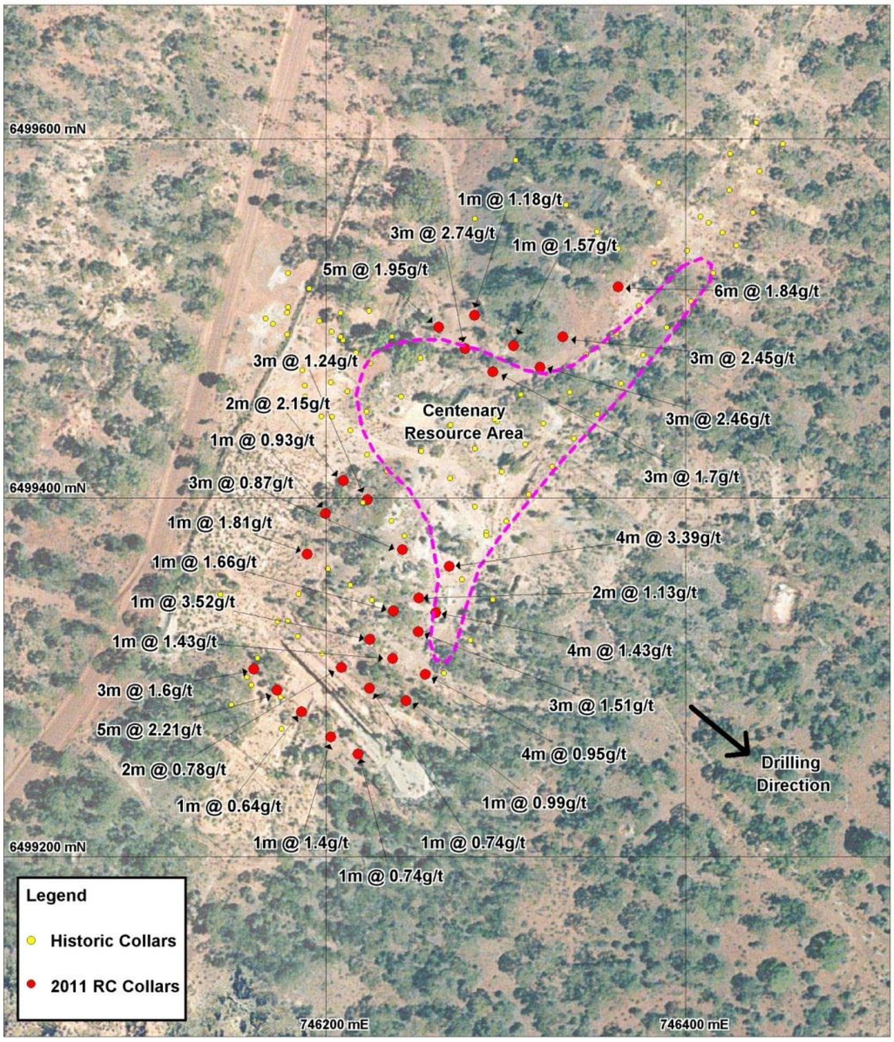

Figure 3: May 2011 RC collars (red) with estimated resource area at Centenary

Exploration Drilling Program - Parker Range

In December 2011 and January 2012, an RC drilling program was completed at gold and nickel exploration projects at Parker Range.

Lindsays' Prospect

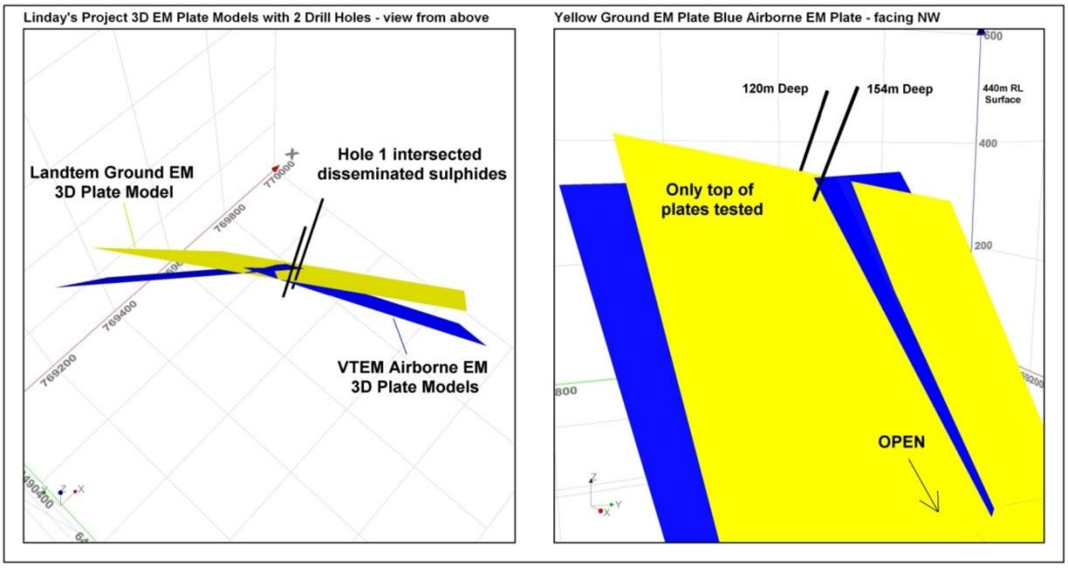

Figure 4: Lindsay's Nickel Prospect drilling

The greenfields Lindsay's prospect (see above) was drill tested with 2 reverse circulation holes. These were targeted to intersect the top of the electromagnetic plate model in order to determine the cause of the medium strength conductor previously discovered by the Company. RC hole 12LDRC001 intersected the target at 126m downhole, returning 8m of sulphides. However, assays showed that the sulphides contain insignificant nickel mineralisation.

The Company's new Milky Way prospect, E77/1734 (100%-owned) was granted during the year. The tenement adjoins the southern end of Lindsay's on the south-east margin of the Parker Dome in the C class Jilbadji Nature Reserve. It is proposed to cover the area with V-TEM airborne survey during the new year.

Gold Exploration Drilling

RC drilling was completed at the Zeus, White Horseshoe, Burbidge, Toomey Hills and Rokeby gold prospects at Parker Range.

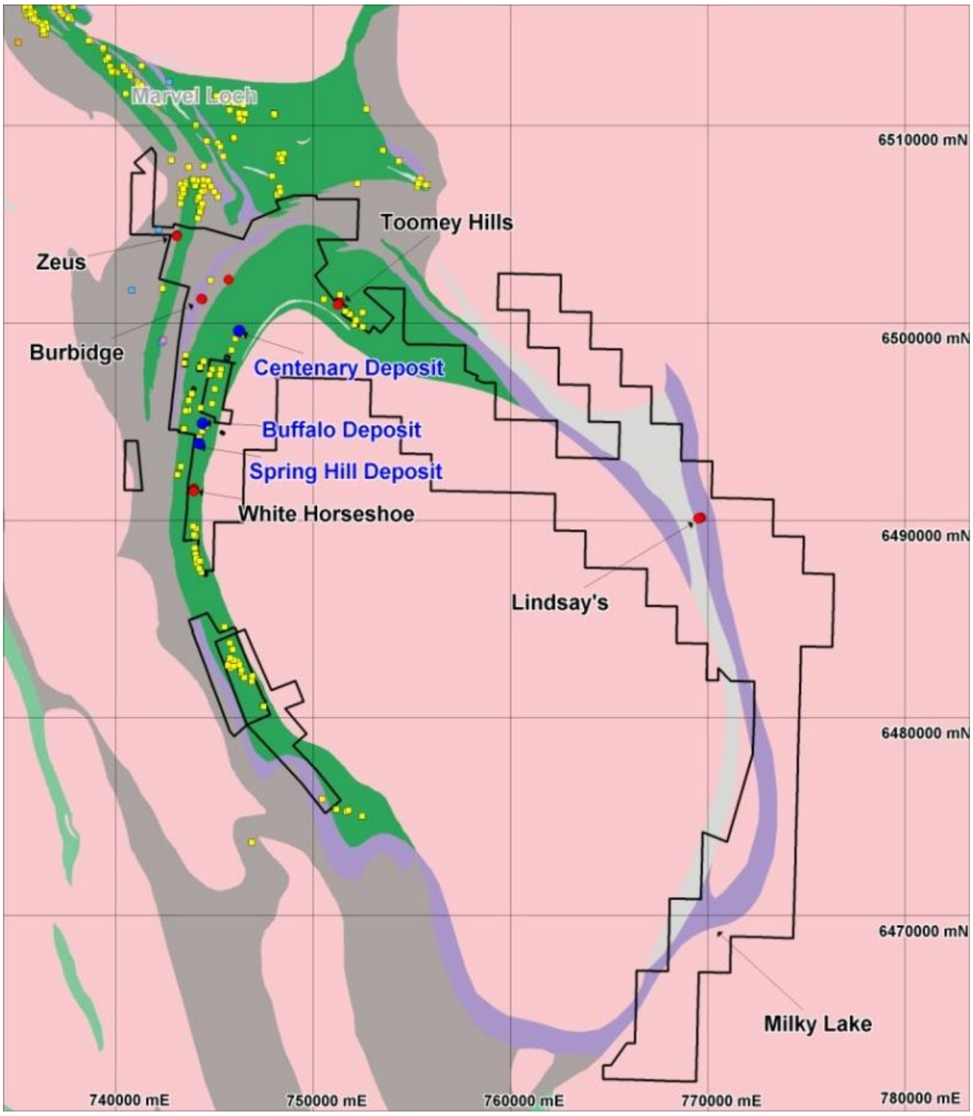

Figure 5: RC Drilling at Parker Range gold prospects

The Zeus program consisted of shallow infill drilling totalling 135m around mineralisation located in 2009.

Six (6) holes for a total of 360m of Infill RC were drilled at White Horseshoe historic gold mine targeting a 1m wide high grade gold shoot down-dip. The previous drilling assays released in October 2009 showed 1m @ 26.55 g/t from 45m in drill hole 09WHRC008 and was the focus of this drill program. Assays returned were encouraging including 3m at 2.2g/t, and 3m at 2.8g/t in hole 11WHRC003-4 respectively.

At the Burbidge prospect, three RC holes totalling 188m were completed testing structural targets.

At the Toomey Hills prospect, four RC holes totalling 280m of RC drill were completed targeting a shear zone south of St Barbara's Southern Star gold mine. Low grade mineralisation intersected in these holes will be tracked down-dip when planning future drilling programs.

At the Rokeby prospect, following two drill programs in 2009 and 2010, one hole twinning a previously incomplete RC drill hole was completed. The mineralised shear zone was intersected resulting in an interesting intersection of 8m at 1.1g/t at 40m down hole depth. This mineralisation is planned to be followed up with another RC drill program when the next phase of the Centenary North exploration program.

Table 2: Significant RC intercepts from exploration drilling

Hole ID	MGA_E	MGA_N	Dip	From	To	Au ppm	Intersect (m)
11RKRC001			**-60**	**40**	**48**	**1.1**	**8**
11WHRC001	743954.14	6491620	-60	5	8	0.43	3
				13	15	1.05	2
				46	48	1.7	2
11WHRC002	743934.74	6491537.3	-60	15	18	0.6	3
				22	24	0.3	2
				49	50	1.56	1
				51	52	0.52	1
11WHRC003	743935.95	6491494.1	-60	18	19	0.534	1
				23	26	0.41	3
				56	**28**	**2.2**	**2**
11WHRC004	743913.48	6491474.2	-60	31	33	0.7	2
				36	38	0.4	2
				68	**71**	**2.8**	**3**
11WHRC005	743935.69	6491452	-60	17	19	0.4	2
				24	25	0.7	2
				44	46	0.8	2
11WHRC006	743952.41	6491453.6	-60	13	16	0.4	3
11ZERC001	743083.09	6504424.52	-60	1	4	0.6	3
11ZERC003	743070.44	6504428.42	-60	8	11	0.6	3
11ZERC005	743070.47	6504408.21	-60	9	10	0.8	5
11ZERC007	743071.98	6504396.97	**-60**	**8**	**11**	**1.2**	**3**
11ZERC009	743070.07	6504387.16	-60	6	7	1.1	2

All samples analysed by Fire Assay at Genalysis Laboratory Services using no lower cut

URANIUM

The Company holds several exploration licences that have high priority Uranium exploration targets in the Gascoyne region of Western Australia.

Red Rock Bore Uranium Prospect
(100% Gondwana)

The Red Rock Bore exploration licence E08/1968 is located on Maroonah station, 320 km 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.

Field investigations including footborne scintillometry and rock chip sampling have been carried out by the Company and the strongest ground radiometric anomaly was located on top of the rock. Results previously reported include rock chip sample 09RRRK003 which returned **946ppm uranium and 15ppm thorium (U:Th=63)**, located at 361153mE-7408776mN (MGA Zone 50). This result suggests the presence of uraninite.

Figure 4: Red Rock, a granite inselberg, with rock chip assays up to 946ppm Uranium

A low level airborne radiometric survey conducted by UTS Aeroquest at 20m height and 20m line spacing using their Fletcher Aircraft to map the area of surface radiometric response has located an extensive uranium channel anomaly around the 946ppm U geochemical anomaly (RB1). In addition, a new and stronger uranium channel anomaly has been identified 550m to the north east (RB4).

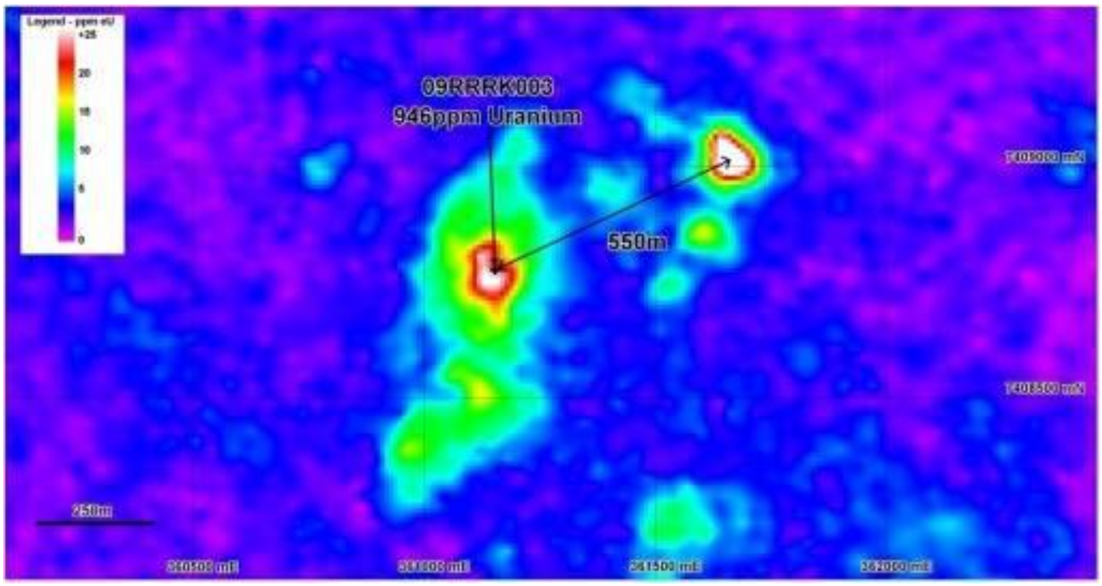

Figure 5: Detailed radiometric survey uranium channel image

The Company has now acquired high quality radiometric geochemistry over the principal anomalies on RB1 and RB4 and drill sites have been designed to test the bed rock for primary uranium mineralisation. The program is planned to include approximately 2,000m of RC drilling and will be preceded by a heritage survey, and environmental and/or anthropological surveys which may be required.

EAST PILBARA PROJECT SUMMARY

Trigg Hill Project
(E45/3437 – 90%)

Background

Rare Earths are in demand with world prices trending upwards. The Trigg Hill pegmatite project is an historic Tantalum – Yttrotantalite alluvial mining district dating back to 1979. This tenement was granted during the year.

Rock Chip Sampling Program

A detailed rock chip sampling program at 25m and 50m sample spacing has been completed across the first target area, a zoned, tantalum and rare earth pegmatite, over an area approximately 200m x 10m in size (reference page 6 from WAMEX open file report a14989) which remains undrilled but surface strip mined. The central area is thought to contain the primary mineralisation source from historic mapping, and has been confirmed with this detailed soil survey.

6mm mesh soil samples were extracted from 341 sample locations across the central target zone and surrounding areas which showed anomalous responses in an earler reconnaissance survey.

The geochemical assay results show the central REE target area is approximately 220m in strike, which is co-incident in size to the covered pegmatite zone previously mapped in the 1980s. A new northern zone without mapped pegmatites has also been uncovered, with the length of the new anomalous response approximately 160m in strike (see figure), with work ongoing to outline and develop the further widespread exploration targets within the tenement.

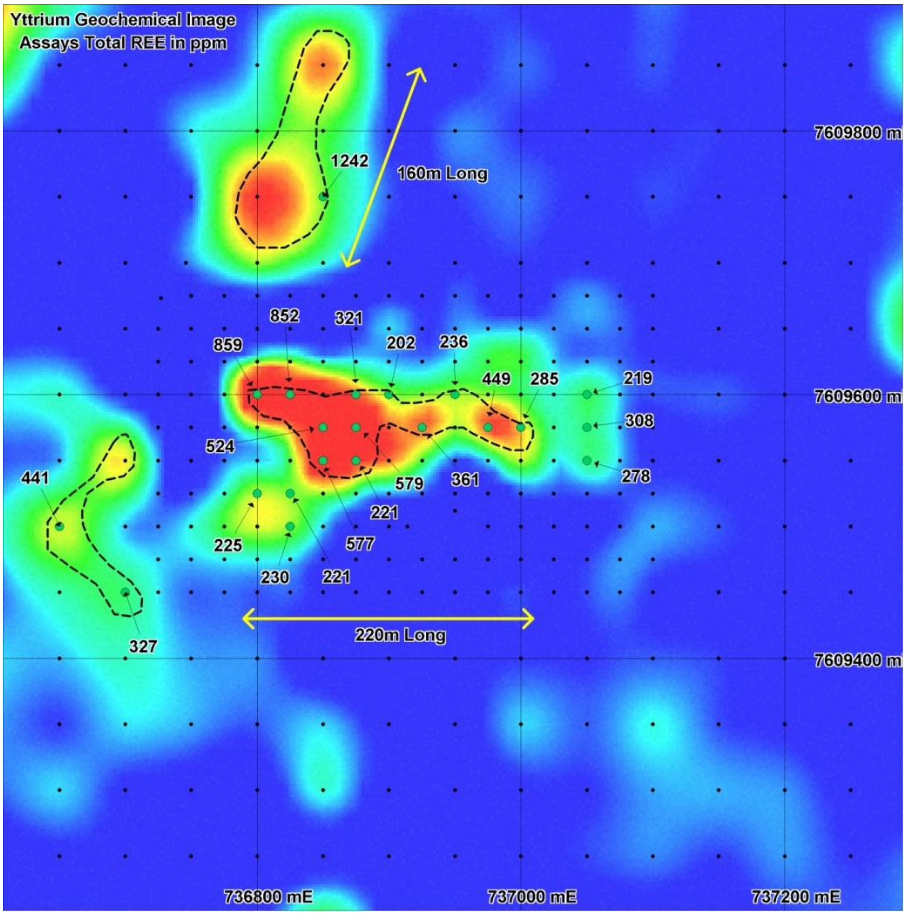

Figure 6: Soil sample locations, with Yttrium grid image and +0.02% TREE grades

The background image in the above figure is a gridded product from the Yttrium values, and the maximum total Rare Earth grade values are shown over 200ppm. There is clearly an eastern extension zone to the main target which indicates there could be an eastern plunge to the pegmatite. The northern target is at a similar height level and may or may not be associated with the same pegmatite linked beneath the hill.

The surface exploration has shown other anomalous zones to the west.

The main target zone is 220m long and is to be drill tested with an RC drill program. The RC drill program currently being designed will test the width and grade of the pegmatite at depth. The drill program is required to test the potential for a plunging pegmatite under the ultramafic host rocks to the east and to the north.

Significant assay results have been listed in a recent announcement, confirming that the Trigg Hill Rare Earths Prospect is highly promising in both size and grade.

Iron ore

E45/2585 (existing Corunna Downs Iron Project area – 100%),
E45/3320 & E45/3579 (new northern tenements – 90 & 100%),
E45/3321 (new southern tenement – 90%)

The Company has granted Atlas Iron Limited an option to purchase the Corunna Downs Iron Prospect, East Pilbara, and adjacent tenements. Pending the possible exercise of this option, the planned drilling program has been deferred.

Copper/Molybdenum/Nickel

(E45/3326 – 90%)

The easternmost exploration tenement E45/3326 contains the Gobbo's project with Copper and Molybdenum mineralisation being discovered in diamond drilling (from 1980) and has previously been detailed in the September 2009 quarterly report. Copper - Molybdenum mineralisation found in the creek bed will be mapped and sampled in detail, with an RC drill program to be formulated to drill test the demagnetised zone outlined from the detailed aeromagnetic survey completed in 2009. A V-TEM airborne electromagnetic survey (AEM) has been flown over the Cyclops ultramafic outcrop area during the period, to explore for conductors under the circular aeromagnetic anomaly. Previous drilling for nickel did not intersect historical geophysical targets, as the drill holes were all pulled up short of the targets. The AEM survey during the period was not able to confirm the anomaly previously identified. A field reconnaissance program is planned for the tenement during the next dry season.

The figure below shows Gondwana's large land holding in one of the world's most prospective geological regions, including tenements subject to the option referred to above.

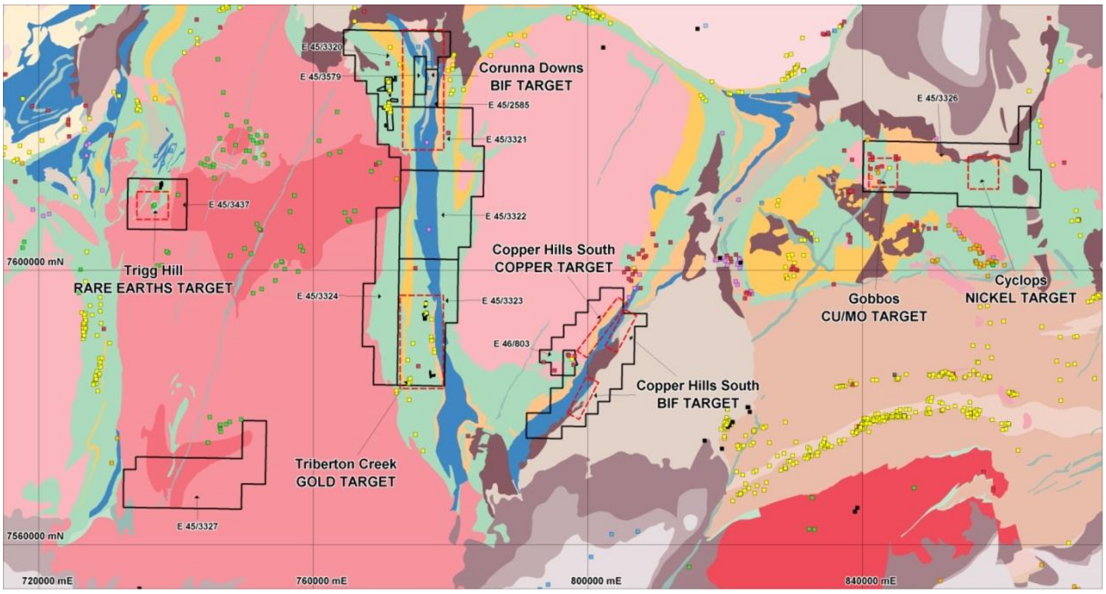

Figure 7: GSWA 1:500K scale geology with live tenements showing priority targets

COMPETENT PERSON STATEMENTS

Competent Person Statement – Exploration Results

The technical information in this report that relates to Exploration Results is based on information compiled by Mr Grant Donnes who is a Member of the Australian Institute of Geoscientists. Mr. Donnes has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Donnes consents to the inclusion in this Report of the matters based on his information in the form and context in which it appears. Mr Donnes is a self-employed consultant to the Company.

Competent Person Statement – Mineral Resources or Ore Reserves

The information in this Report that relates to Mineral Resources or Ore Reserves is based on information compiled by Mr Malcolm Castle who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Castle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Castle consents to the inclusion in this Report of the matters based on his information in the form and context in which it appears. Mr Castle is a self-employed consultant to the Company.

LIST OF TENEMENTS

Tenement	Application	Granted	Status	Third Party Interest
E08/1966	19/02/2009	20/01/2011	GRANTED	
E08/1967	19/02/2009	20/01/2011	GRANTED	
E08/1968	19/02/2009	20/01/2011	GRANTED	
E08/2001	15/05/2009	4/10/2011	GRANTED	
E08/2044	17/08/2009	4/10/2011	GRANTED	
E08/2049	20/08/2009	20/01/2011	GRANTED	
E09/1613	19/02/2009	11/11/2011	GRANTED	
E09/1614	19/02/2009	11/11/2011	GRANTED	
E09/1615	19/02/2009	11/11/2011	GRANTED	
E09/1969	19/02/2009	3/05/2011	GRANTED	
E45/2585	22/01/2004	1/05/2006	GRANTED	
E45/3320-I	10/10/2008	21/01/2011	GRANTED	Adelaide Prospecting Pty Ltd 10%*
E45/3321-I	10/10/2008	21/01/2011	GRANTED	Adelaide Prospecting Pty Ltd 10%*
E45/3322-I	10/10/2008	21/01/2011	GRANTED	Adelaide Prospecting Pty Ltd 10%*
E45/3323	10/10/2008	21/01/2011	GRANTED	Adelaide Prospecting Pty Ltd 10%*
E45/3324	10/10/2008	21/01/2011	GRANTED	Adelaide Prospecting Pty Ltd 10%*
E45/3326	10/10/2008	21/01/2011	GRANTED	Adelaide Prospecting Pty Ltd 10%*
E45/3327	10/10/2008	21/01/2011	GRANTED	Adelaide Prospecting Pty Ltd 10%*
E45/3437	29/05/2009	21/01/2011	GRANTED	Adelaide Prospecting Pty Ltd 10%*
E45/3579	9/12/2009	21/01/2011	GRANTED	Adelaide Prospecting Pty Ltd 10%*
E46/759	15/11/2007	25/11/2011	GRANTED	
E46/803	10/10/2008	20/01/2011	GRANTED	
E45/3956	18/08/2011	-	APPLICATION	
E77/1118	4/06/2002	14/05/2007	GRANTED	Rivergold Exploration Pty Ltd 49%*
E77/1362	6/07/2006	5/10/2009	GRANTED	
E77/1396	19/01/2007	11/02/2009	GRANTED	
E77/1663	7/04/2009	9/02/2010	GRANTED	
E77/1734	2/12/2009	30/09/2011	GRANTED	
M77/1018	13/12/2000	6/07/2007	GRANTED	
M77/423	20/10/1989	23/12/1992	GRANTED	
M77/52	26/06/1984	27/06/1984	GRANTED	Kings Minerals 30%*
M77/561	9/07/1992	23/10/1992	GRANTED	Barclay Holdings 30%*
M77/562	9/07/1992	23/10/1992	GRANTED	Barclay Holdings 30%*
M77/565-I	28/07/1992	5/01/1993	GRANTED	
M77/567-I	13/08/1992	5/01/1993	GRANTED	
M77/657-I	25/05/1994	3/02/1995	GRANTED	
M77/669	29/08/1994	24/01/1995	GRANTED	
M77/671	19/09/1994	24/01/1995	GRANTED	
M77/762-I	23/04/1996	25/01/2007	GRANTED	
M77/763-I	23/04/1996	25/01/2007	GRANTED	
M77/765	24/04/1996	25/01/2007	GRANTED	
M77/766	24/04/1996	25/01/2007	GRANTED	
M77/89	18/11/1985	26/03/1986	GRANTED	

M77/893	10/12/1997	3/01/2001	GRANTED	Kings Minerals 30%*
P77/3475	9/03/2004	16/10/2009	GRANTED	
P77/3680	19/01/2007	13/08/2008	GRANTED	Vernon Strange 10%*
P77/3681	19/01/2007	13/08/2008	GRANTED	Vernon Strange 10%*
P77/3682	19/01/2007	14/10/2009	GRANTED	
P77/3684	19/01/2007	14/10/2009	GRANTED	
P77/3685	19/01/2007	14/10/2009	GRANTED	
P77/3688	19/01/2007	14/10/2009	GRANTED	
P77/3691	19/01/2007	14/10/2009	GRANTED	
P77/3692	19/01/2007	13/08/2008	GRANTED	
P77/3693	19/01/2007	13/08/2008	GRANTED	
P77/3694	19/01/2007	13/08/2008	GRANTED	
P77/3696	19/01/2007	13/08/2008	GRANTED	
P77/3697	19/01/2007	13/08/2008	GRANTED	
P77/3701-I	19/01/2007	13/08/2008	GRANTED	Kagara Nickel Rights
P77/3703	19/01/2007	13/08/2008	GRANTED	Kagara Nickel Rights
P77/3704-I	19/01/2007	13/08/2008	GRANTED	Kagara Nickel Rights
P77/3705-I	19/01/2007	13/08/2008	GRANTED	Kagara Nickel Rights
P77/3706	19/01/2007	13/08/2008	GRANTED	
P77/3720	20/01/2007	30/06/2011	GRANTED	
P77/3727	18/01/2007	18/02/2009	GRANTED	Audax 20%
P77/3728	18/01/2007	18/02/2009	GRANTED	Audax 20%
P77/3729	18/01/2007	18/02/2009	GRANTED	Audax 20%
P77/3730	17/01/2007	15/10/2009	GRANTED	
P77/3731	17/01/2007	15/10/2009	GRANTED	
P77/3732	16/01/2007	15/10/2009	GRANTED	
P77/3800	5/02/2007	15/10/2009	GRANTED	
P77/3892	24/08/2007		PENDING	
P77/3893	24/08/2007		PENDING	
P77/3894	24/08/2007		PENDING	
P77/3895	24/08/2007		PENDING	
P77/3896	24/08/2007		PENDING	
P77/3897	24/08/2007		PENDING	

DIRECTORS' REPORT

The directors present their report together with the financial report of Gondwana Resources Limited ("Gondwana" or "the Company") for the year ended 31 December 2011 and the auditor's report thereon.

DIRECTORS

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

Warren Talbot Beckwith
Executive Chairman
Appointed 3 April 1998
Warren is a Chartered Accountant with many years' experience as a partner in international firms within Australia and overseas and is currently the chairman of Westralian Group Pty Ltd, which is engaged in corporate advisory services and investment in Australia and Hong Kong, particularly within the mining industry. 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), Wah Nam International Australia Pty Ltd (a subsidiary of Wah Nam International Holdings Limited – listed in Hong Kong and on ASX) and Brockman Resources Limited (ASX-listed).

Steven Leigh Pynt
Non-Executive Director
Appointed 17 March 2000
Steven is the Chief Executive Officer of a major retail franchising company. Previously he was a commercial lawyer in private practice for many years. 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 and is Chairman of Global Health Limited, Victory West Metals Limited and Richfield International Limited (all ASX-listed companies).

Paul Millington Goodsall
Non-Executive Director and Company Secretary
Appointed Director 8 October 1999, Secretary 29 October 1999
Paul is a Chartered Accountant with 26 years' experience, including as a director and CEO, in merchant banking specialising in commercial and resource project financing in Australia, the United States, Africa and Fiji. During this period he has been responsible for the appraisal and development of numerous mineral developments in both Australia and overseas. In recent years he has held the role of Commercial Manager for a number of public companies, concentrating on marketing, company development and financial activities. He has held the position of director or company secretary of several public companies.

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

COMPANY SECRETARY

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

DIRECTORS' MEETINGS

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

Director	Entitled to Attend	Attended
Warren Beckwith	14	14
Paul Goodsall	14	9
Steven Pynt	14	14

PRINCIPAL ACTIVITIES

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

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS

The review of operations is included at pages 4 to 13.

REVIEW AND RESULTS OF OPERATIONS

The loss of the Company for the financial year after income tax was $1,766,138 (2010: $2,380,855).

DIVIDENDS

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

STATE OF AFFAIRS

During the year, the Company issued 269,096,680 new shares and 269,096,680 options in placements or rights issues that raised an aggregate of $1,917,678 before issue costs. The principal purpose of these placements was for working capital purposes, to fund continuing exploration programmes, acquisitions, investments and repayment of short-term debt. During the year 29,564,962 options were exercised, raising a further $295,650. At 31 December 2011, 802,653,622 fully paid shares and 380,995,604 options were issued and outstanding.

LIKELY DEVELOPMENTS

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

AFTER BALANCE DATE EVENTS

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

ENVIRONMENTAL REGULATION

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

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

As part of this process the Board is responsible for:

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

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

REMUNERATION REPORT (AUDITED)

Principles of compensation

Remuneration is also referred to as compensation throughout this report.

DIRECTORS' REPORT (continued)

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company and other executives.

Key management personnel during the year comprised the directors of the Company who are also the most highly remunerated S300A executives. Compensation levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced directors. Given the size of the operation, there is no separate Remuneration Committee, though the Board evaluates the appropriateness of compensation packages given trends in comparative companies and the objectives of the Company's compensation strategy. Compensation packages include a mix of fixed compensation and performance-based incentives. In addition to their salaries, the Company provides non-cash benefits to its key management personnel, and contributes to a post-employment defined contribution superannuation plan on their behalf.

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

Fixed compensation

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

Performance linked compensation

Performance linked compensation includes long-term incentives. The long-term incentive (LTI) is provided as unlisted shares of the Company under the rules of the Gondwana Employee Share Plan and options (see note 18 to financial statements). There were no bonuses to key management personnel during the year.

Consequences of performance on shareholder wealth

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

	2011	2010	2009	2008	2007
Net profit/(loss) attributable to the equity holders of the company	(1,766,138)	(2,380,855)	(1,822,585)	(3,413,862)	(2,476,319)
Loss per share	($0.003)	($0.006)	($0.007)	($0.050)	($0.071)
Dividends paid	-	-	-	-	-
Share price at 31 December	$0.003	$0.01	$0.03	$0.01	$0.01

The Company operates principally as a mineral explorer and, to date, none of its projects have reached the stage of production. Accordingly, net profit/(loss) is not at present considered as one of the financial performance targets in setting the Directors' remuneration, which is instead set after consideration of market and competitive factors. Net profit/(loss) amounts for 2007 to 2011 have been calculated in accordance with Australian Accounting Standards (AASBs).

Service contracts

There is a consultancy agreement between Bellatrix Pty Ltd, Warren Beckwith and the Company to provide the services of Mr Beckwith to act in the role of Managing Director at a monthly fee of $15,000 together with the provision of an appropriate motor vehicle, with expenses to be paid or reimbursed. The terms of the agreement do not provide for any termination payment but, if the agreement is terminated before its expiry date, the remainder of the agreement must be paid out. The agreement expires in March, 2015.

Non-executive directors

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

DIRECTORS' REPORT (continued)

Directors' and executive officers' remuneration

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

		Short-term				*Post-employment*	*Share-based payments*					
		Salary & fees *$*	*Consulting fees* *$*	*Non-monetary benefit* *$*	*Total* *$*	*Super-annuation benefits* *$*	*Options (A)* *$*	*Unlisted shares (B)* *$*	*Total* *$*	*Total* *$*	*Value of share-based payments as proportion of remuneration %*	Portion of remuneration performance related
Directors												
Non-executive directors												
P M Goodsall	2011	25,000	10,472	-	35,472	2,250	-	-	-	37,722	-	-
	2010	25,000	-	-	25,000	2,250	-	-	-	27,250	-	-
S Pynt	2011	25,000	-	-	25,000	2,250	-	-	-	27,250	-	-
	2010	25,000	-	-	25,000	2,250	-	-	-	27,250	-	-
Executive directors												-
W T Beckwith (Chairman)	2011	30,000	180,000	23,265	233,265	2,700	-	-	-	235,965	-	-
	2010	30,000	180,000	25,725	235,725	2,700	-	-	-	238,425	-	-
Total	2011	80,000	190,472	23,265	293,737	7,200				300,937		
Total	2010	80,000	180,000	25,725	285,725	7,200	-	-	-	292,925	-	-

DIRECTORS' REPORT (continued)

Options and rights over equity instruments granted as compensation

Details on options over ordinary shares in the company that were granted as compensation to each director during the reporting period, and details on options that were vested during the reporting period are as follows:

There were no options granted as remuneration to the directors in the Company during or subsequent to the end of the reporting period.

Exercise of options granted as compensation

During the reporting period no shares were issued to directors on the exercise of options previously granted as compensation in the Company.

Analysis of options and rights over equity instruments granted as compensation

Details of vesting profiles of the options granted as remuneration to directors of the Company are detailed below:

	Options granted		Number vested	Expired in year	Options Exercised during the year	Financial years in which grant vests
Director	**Number**	**Date Granted**				
WT Beckwith	300,000	30 June 2008	300,000*	300,000	-	2008
	300,000	30 June 2008	300,000	300,000	-	2008
PM Goodsall	150,000	30 June 2008	150,000*	150,000	-	2008
	150,000	30 June 2008	150,000	150,000	-	2008
S Pynt	150,000	30 June 2008	150,000*	150,000	-	2008
	150,000	30 June 2008	150,000	150,000	-	2008

* These options expired on 30 June 2010 and were exercisable at $0.20 per option.

The remaining options expired on 31 December 2011 and were exercisable at $0.30 per option.

DIRECTORS' INTERESTS AND BENEFITS

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

Director	Ordinary shares (excl Plan shares)	Options over ordinary shares
W T Beckwith	38,579,146	17,855,714
P M Goodsall	5,494,846	5,238,049
S Pynt	15,893,043	1,379,511

UNISSUED SHARES UNDER OPTION

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

Number of Shares	Exercise Price	Expiry Date
380,995,604	1 cent	30 June 2013

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

DIRECTORS' REPORT (continued)

SHARES ISSUED ON EXERCISE OF OPTIONS

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

Shares issued during the year	Shares issued since year end	Total number of shares issued	Amount paid on each share
269,096,680	-	269,096,680	$0.01

INDEMNIFICATION AND INSURANCE

Indemnification

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

Insurance Premiums

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

AUDIT SERVICES

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

	2011 $	2010 $
Audit services:		
Audit and review of financial reports	78,554	73,183
Other services:		
Accounting assistance	-	-
Taxation compliance services	16,000	-

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

The lead auditor's independence declaration is set out on page 22 and forms part of the directors' report for the year ended 31 December 2011.

Dated at Perth this 30th day of March 2012.

Signed in accordance with a resolution of directors

WT Beckwith
Director

CORPORATE GOVERNANCE STATEMENT

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

Composition of the Board

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

Responsibilities of the Board

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

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

Significant Business Risks

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

Remuneration

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

Independent Professional Advice

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

External Audit

The Company's external auditor is KPMG. KPMG were appointed through resolution of shareholders in the annual general meeting of 1998. The lead audit partner is required to rotate after the December 2014 audit.

Audit Committee

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

Ethical Standards

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

Nomination committee

The Company does not have a formally constituted Nomination Committee. The full Board oversees the appointment and induction process for directors, and the selection, appointment and succession planning.

CORPORATE GOVERNANCE STATEMENT (continued)

The Board reviews the appropriate skill mix, personal qualities, expertise and diversity of each position. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the skills deemed necessary. The Board identifies potential candidates with advice from an external consultant. The Board then appoints the most suitable candidate. New Board appointees must stand for election at the next general meeting of shareholders.

Communication with shareholders

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

In summary, the Continuous Disclosure Policy operates as follows:

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

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

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

KPMG

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

To: The Directors of Gondwana Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2011 there have been:

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

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

KPMG

Grant Robinson
Partner

Perth

30 March 2012

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011	2010
		$	$
Continuing operations			
Option fee	6	350,000	-
Profit on sale of investments	6	-	226,849
Employee expenses		(111,861)	(87,490)
Administration/office expenses		(537,491)	(560,080)
Share based payment		-	-
Depreciation expenses		(11,184)	(30,077)
Exploration expenditure		(1,373,313)	(1,806,964)
Results from operating activities		(1,683,849)	(2,257,762)
Finance income		5,612	4,951
Finance expenses	5	(87,901)	(128,044)
Net finance expenses		(82,289)	(123,093)
Loss before income tax		(1,766,138)	(2,380,855)
Income tax expense	8	-	-
Loss from continuing operations		(1,766,138)	(2,380,855)
Loss for the period		(1,766,138)	(2,380,855)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,766,138)	(2,380,855)
Loss attributable to owners of the company		(1,766,138)	(2,380,855)
Total comprehensive loss for the period attributable to the owners of the company		(1,766,138)	(2,380,855)
Earnings per share:			
Basic loss per share		($0.003)	($0.006)
Diluted loss per share		($0.003)	($0.006)

The income statement is to be read in conjunction with the notes to the financial statements set out pages 27 to 42.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Notes	2011	2010
		$	$
Assets			
Property, plant and equipment	13	10,417	17,667
Capitalised Exploration and evaluation expenditure	14	322,706	322,706
Total non-current assets		333,123	340,373
Cash and cash equivalents	10	36,313	7,255
Other receivables	11	96,556	142,930
Total current assets		132,869	150,185
Total assets		465,992	490,558
Equity			
Share Capital	17	31,819,814	29,689,307
Reserves		140,781	140,781
Accumulated losses		(31,995,197)	(30,229,059)
Total equity		(34,602)	(398,971)
Liabilities			
Trade and other payables	15	314,573	516,324
Interest bearing liabilities	16	186,021	373,205
Total current liabilities		500,594	889,529
Total liabilities		500,594	889,529
Total equity and liabilities		465,992	490,558

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 27 to 42.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Share Capital	Accumulated Losses	Share based payment Reserve	Total Equity
	$	$	$	$
Balance at 1 January 2010	28,452,637	(27,848,204)	140,781	745,214
Total comprehensive income for the period;				
Profit or (loss)	-	(2,380,855)	-	(2,380,855)
Total comprehensive income for the period;	-	(2,380,855)	-	(2,380,855)
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners				
Issue of shares	1,000,000	-		1,000,000
Issue of shares pursuant to agreements	236,670	-		236,670
Share issue costs	-	-	-	-
Total contributions by and distributions by owners	1,236,670	-	-	1,236,670
Balance at 31 December 2010	29,689,307	(30,229,059)	140,781	(398,971)
Balance at 1 January 2011	29,689,307	(30,229,059)	140,781	(398,971)
Total comprehensive income for the period				
Profit or (loss)	-	(1,766,138)	-	(1,766,138)
Total comprehensive income for the period;	-	(1,766,138)	-	(1,766,138)
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners				
Issue of shares	1,917,678	-	-	1,917,678
Share options exercised	295,650	-	-	295,650
Share issue costs	(82,821)	-	-	(82,821)
Total contributions by and distributions by owners	2,130,507	-	-	2,130,507
Balance at 31 December 2011	31,819,814	(31,995,197)	140,781	(34,602)

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 27 to 42.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011	2010
		$	$
Cash flows from operating activities			
Cash payments in the course of operations		(553,289)	(463,107)
Interest received		5,612	4,951
Interest paid		-	(2,503)
Exploration and evaluation expenditure		(1,538,598)	(1,802,709)
Net cash used in operating activities	19(ii)	(2,086,275)	(2,263,368)
Cash flows from investing activities			
Acquisition of property plant and equipment		(3,934)	(16,280)
Payments for tenement security deposits		-	(25,000)
Payments for the acquisition of tenements		-	(18,182)
Proceeds from option fee		350,000	-
Proceeds from sale of investments		-	752,693
Net cash from in investing activities		346,066	693,231
Cash flows from financing activities			
Proceeds from issue of shares and exercise of options (net of costs)		1,227,170	442,309
Proceeds from borrowings		580,000	1,036,055
Repayment of borrowings		(37,996)	(50,000)
Application monies received		93	-
Net cash provided by financing activities		1,769,267	1,428,363
Net decrease in cash held		29,058	(141,774)
Cash at the beginning of the financial period		7,255	149,030
Cash at the end of the financial period	19(i)	36,313	7,255

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 27 to 42.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. REPORTING ENTITY

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

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statement is a general purpose financial statement which has been prepared in accordance with Australian Accounting Standards ("AASBs")(including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), and the Corporations Act 2001. The financial statements of the Company, comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report was approved for issue by the Board of Directors on 31 March 2012.

(b) Basis of measurement

The financial report is presented in Australian dollars, which is the Company's functional currency.

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

(c) Use of estimates and judgements

The preparation of financial statements in conformity with AASB's requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

- Accounting for exploration and evaluation assets (Note 3(j))
- Impairment (Note 3(k))
- Share based transactions (Note 3(d))
- Going concern (Note 2(d))

(d) Going Concern

The Company has incurred a loss during the year of $1,766,138 (2010:$ 2,380,855) with cash outflows from operations of $2,086,275 (2010:$ 2,263,368), current liabilities exceeded current assets by $367,724 at 31 December 2011 (current liabilities exceeded current assets at 31 December 2010 by $739,344), and the Company has a net asset deficiency of $34,602 at 31 December 2011 (31 December 2010: net asset deficiency of $398,971). 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, borrowings from related or third parties and more specifically through future capital raisings. The Company is in the process of finalising the issue of a prospectus for a pro-rata entitlement offer to raise up to approximately $800,000. The Company in the past has demonstrated its ability to raise capital as and when required and has demonstrated an ongoing ability to raise additional funds through borrowings, share issues and the exercise of options, raising $2,213,322 during the year as disclosed in Note 17. The cash balance per the bank statement on the 26 March 2012 was $24,420.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Revenue

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

Other income
Sales of non-current assets are recognised at the date control of the assets passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(b) Goods and services tax

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

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

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

(c) Income tax

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

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

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

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

(d) Employee benefits

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

NOTES TO THE FINANCIAL STATEMENTS
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Share-based payment transactions

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

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

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

Superannuation plan

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

(e) Payables

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

(f) Provisions

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

(g) Other trade and other receivables

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

(h) Acquisition of assets

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

(i) Property Plant and Equipment

(i) Recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(ii) Depreciation

Assets are depreciated or amortised from the date of acquisition. Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed. The depreciation/amortisation rates used for each class of asset for 2011 and 2010 are as follows:

	2011	2010
Property, plant and equipment	25 - 40%	25 - 40%

(j) Exploration and evaluation expenditure

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

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

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

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

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

(k) Impairment

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

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

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

Calculation of recoverable amount

The recoverable amount of the Company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. The ultimate recoupment of the value of exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternately, sale, of the underlying mineral exploration properties.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

Reversal of impairment
An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Earnings per share

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

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

(m) Interest bearing borrowings

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

(n) Share Capital

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

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

(o) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available for sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Company’s right to receive payment is established, which in the case of quoted securities is the ex-dividend date. Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method. Foreign exchange gains and losses are reported on a net basis.

(p) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(q) Segment reporting

The Company determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Company's chief operating decision maker. Internally the Company's information is attributed wholly to the mining industry within Western Australia as this is the only segment in which the Company is engaged.

(r) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2010 but have not been applied in preparing this financial report.

AASB 124 *Related Party Disclosures* which will result in a change to the definition of a related party. The amendment which becomes mandatory for the Company’s 31 December 2011 financial statements is not expected to have a significant impact.

AASB 2009-12 *Amendments to Australian Accounting Standards* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendment which becomes mandatory for the Company’s 31 December 2011 financial statements is not expected to have a significant impact.

AASB 2010-4 *Further Amendments to Australian Accounting Standards* arising from the Annual Improvements Project affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendment which becomes mandatory for the Company’s 31 December 2011 financial statements is not expected to have a significant impact.

4. DETERMINATION OF FAIR VALUES

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

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

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

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

5. FINANCIAL EXPENSE

Interest and borrowing expense:		
Third parties	82,920	123,333
Related parties	4,981	4,711
	87,901	128,044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

6. OTHER INCOME

	2011 $	2010 $
Profit on sale of investments	-	226,849
Option fee	350,000	-
	350,000	226,849

On 14 November 2011, the Company entered into an agreement with Atlas Iron Limited to grant an option over its interest in the Corunna Downs Iron Prospect and other tenements in the Pilbara, on terms announced to ASX on 15 November 2011. Atlas paid in cash an initial option fee of $350,000. This amount is non-refundable and has been recognised as other income. The balance of the option and exercise receivable, should Atlas Iron Limited proceed is $1,750,000.

7. AUDITORS' REMUNERATION

	2011 $	2010 $
Audit Services		
- audit and review of the financial reports	78,554	73,183
- Other Services		
- accounting assistance	-	-
- tax compliance services	16,000	-
	94,554	73,183

8. TAXATION

	2011 $	2010 $
Recognised in the income statement:		
Current tax expense / (benefit)		
Current tax expense / (benefit)	(525,001)	(714,626)
Adjustments for prior years	-	-
	(525,001)	(714,626)
Deferred tax expense / (benefit)		
Tax losses not recognised	525,001	714,626
Total income tax expense in income statement	-	-
Numerical reconciliation between tax expense and pre-tax net profit		
Net loss	(1,766,138)	(2,380,855)
Prima facie income tax (benefit) / expenses using the domestic corporation tax rate of 30% (2010: 30%)	(529,841)	(714,257)
Decrease in income tax benefit due to:		
Share based payments	-	-
Entertainment expense	450	858
Loss on sale of shares	-	-
Other	4,390	(1,228)
	(525,001)	(714,626)
Tax losses not recognised	525,001	714,626
Income tax expense	-	-
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	26,269,921	24,519,203
Potential tax benefit at 30%	7,880,762	7,355,761

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**	**$**	**$**
Exploration, evaluation & development expenditure	-	-	(96,812)	(96,812)	(96,812)	(96,812)
A0ccruals	17,819	22,208	-	-	17,819	22,208
Tax losses recognised	78,993	74,604	-	-	78,993	74,604
Total assets /(liabilities)	96,812	96,812	(96,812)	(96,812)	-	-
Set off of tax	-	-	-	-	-	-
Unrecognised deferred tax assets	-	-	-	-	-	-
Net tax assets /(liabilities)	96,812	96,812	(96,812)	(96,812)	-	-

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

9. EARNINGS PER SHARE

The following reflects the income and share data used in the calculation of basic and diluted earnings per share

	2011	2010
	$	$
Loss attributable to ordinary shareholders at 31 December	(1,766,138)	(2,380,855)
Weighted average number of ordinary shares at 31 December	682,088,085	412,097,309

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

Expiry Date	Exercise Price	Number of Options
30/06/2013	$0.01	380,995,604

Potential ordinary shares are not considered dilutive as the conversion of these securities would result in a decrease in the net loss per share.

10. CASH AND CASH EQUIVALENT ASSETS

Cash at bank and on hand	36,067	7,255
Application monies received	246	-
	36,313	7,255

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed on note 23.

11. OTHER RECEIVABLES

GST receivable	1,556	47,930
Deposit for tenements	95,000	95,000
	96,556	142,930

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

12. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Computer equipment	Computer software	Field equipment	Total
Cost					
Balance at 1 January 2010	21,833	-	61,355	1,273	84,461
Additions	-	16,280	-	-	16,280
Disposals	-	-	-	-	-
Adjust fully written down assets	-	-	-	-	-
Balance at 31 December 2010	21,833	16,280	61,355	1,273	100,741
Balance at 1 January 2011	21,833	16,280	61,355	1,273	100,741
Additions		3,934			3,934
Disposals	-	-	-	-	-
Balance at 31 December 2011	21,833	20,214	61,355	1,273	104,675
Depreciation and impairment losses					
Balance at 1 January 2010	13,550	-	38,811	636	52,997
Depreciation for the year	6,420	3,574	19,659	424	30,077
Disposals	-	-	-	-	-
Balance at 31 December 2010	19,970	3,574	58,470	1,060	83,074
Balance at 1 January 2011	19,970	3,574	58,470	1,060	83,074
Depreciation for the year	1,863	6,223	2,885	213	11,184
Disposals					
Balance at 31 December 2011	21,833	9,797	61,355	1,273	94,258
Carrying amounts					
at 1 January 2010	8,283	-	22,544	637	31,465
at 31 December 2010	1,863	12,706	2,885	213	17,667
at 1 January 2011	1,863	12,706	2,885	213	17,667
at 31 December 2011	-	10,417	-	-	10,417

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

13. EXPLORATION AND EVALUATION EXPENDITURE

	2011 $	2010 $
Capitalised exploration and evaluation expenditure		
Cost		
Balance at 1 January 2011	482,706	464,524
Exploration tenement interests acquired	-	18,182
Disposal	-	-
Balance at 31 December 2011	482,706	482,706
Impairment		
Balance at 1 January 2011	160,000	160,000
Write off	-	-
Balance at 31 December 2011	160,000	160,000
Carrying Value		
at 1 January 2011	322,706	304,524
at 31 December 2011	322,706	322,706

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

14. TRADE AND OTHER PAYABLES

	2011 $	2010 $
Trade payables	203,726	389,620
Other payables and accruals	82,247	78,588
Trade payables due to related entities (note 21)	28,600	48,116
	314,573	516,324

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

15. INTEREST BEARING LIABILITIES

	2011 $	2010 $
Current liabilities		
Third party loans	126,351	315,997
Related party loans (note 21)	59,670	57,208
	186,021	373,205

The above interest bearing liabilities are repayable on demand. Interest is payable on related party loans at 10% per annum from the date of advance to the date of repayment. Interest is payable on third party loans at 12.5% per annum from the date of advance to the date of repayment and the arrangement fee for these facilities is 10% of the advanced amount. These borrowings are unsecured.

16. CONTRIBUTED EQUITY

(a) Share capital

	2011 $	2010 $
Issued and paid-up share capital (listed) 802,653,622 (2010: 503,991,980) ordinary fully paid shares	31,819,814	29,682,087
	31,819,814	26,682,087

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011		2010	
Movement in Shares on Issue	**$**	**#***	**$**	**#***
Balance at beginning of year	29,689,307	503,991,980	28,452,637	347,217,617
Options exercised	295,650	29,564,962	236,670	23,441,029
Share placements	1,917,678	269,096,680	1,000,000	133,333,334
Share issue costs	(82,201)	-	-	
Balance at end of year	31,819,814	802,653,622	29,689,307	503,991,980

* The number of shares excludes 2,500,000 (2010: 2,500,000) unlisted shares pursuant to the share plan.

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

(b) Options on issue

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

Issue Date	**Expiry Date**	**Exercise Price**	**Options on Issue at Year End**	
			2011	**2010**
22/07/2009	30 June 2011	$0.01	-	46,492,124
30/6/2008	31 December 2011	$0.30	-	600,000*
25/06/2010	30 June 2013	$0.01	78,565,590	100,000,000
30/08/2010	30 June 2013	$0.01	33,333,334	33,333,334
15/04/2011	30 June 2013	$0.01	68,000,000	-
17/06/2011	30 June 2013	$0.01	171,701,237	-
26/07/2011	30 June 2013	$0.01	29,395,443	-
			380,995,604	180,425,458

* The number of options includes no (2010: 600,000) unlisted options pursuant to an option plan.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

17. NOTES TO STATEMENT OF CASH FLOWS

(i) Reconciliation of Cash

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

	2011 $	2010 $
Cash at bank and on hand	36,067	7,255
Application monies	246	-
	36,313	7,255
(ii) Reconciliation of cash flows from operating activities		
Loss for the period after income tax	(1,766,138)	(2,380,855)
Adjustments for non-cash items:		
Depreciation	11,184	30,077
Option fee	(350,000)	-
Profit on sale of shares	-	(226,849)
Directors' fees	80,000	80,000
Financial costs	87,901	125,541
Net cash used in operating activities before change in assets and liabilities	(1,937,053)	(2,372,086)
Change in assets and liabilities during the financial year		
(Increase)/decrease in other receivables	46,373	44,090
Increase/(decrease) in other payables	(195,595)	64,628
Net cash from operating activities	(2,086,275)	(2,263,368)
(iii) Non-cash investing and financing activities		
Acquisition of tenements		
Conversion of debt to equity	903,337	737,141
	903,337	737,141

18. SEGMENT REPORTING

For management purposes, the company is organised into one operating segment, which involves the exploration of Nickel, Gold and Iron Ore in Australia. All of the company's activities are interrelated, and discrete financial information is reported to the Managing Director (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the entity as one segment. The financial results from this segment are equivalent to the statement of comprehensive income. The accounting policies applied for internal reporting purposes are consistent with those applied in preparation of these financial statements.

19. RELATED PARTIES

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

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

The key management personnel compensation included in the Statement of Comprehensive Income is as follows:

Base emoluments	80,000	80,000
Consulting fees	190,472	180,000
Non-monetary benefits	23,265	25,725
Superannuation contribution	7,200	7,200
Share based payments	-	-
	300,937	292,925

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Individual directors and executives compensation disclosures

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

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

	Balance at 31 December 2011 $	Balance at 31 December 2010 $	Interest paid/payable 2011 year $	Highest balance in 2011 $
Paul Goodsall	13,625	13,062	-	20,528
Steven Pynt	13,625	19,312	-	19,312
Warren Beckwith	61,020	57,883	4,981	106,272
Total loans received from key management personnel	88,270	90,257	4,981	146,112
Comprising:				
Payables	28,600	32,374	-	-
Interest bearing liabilities	59,670	57,883	-	-
Balance of (assets) / liabilities held with respect to key management personnel and their related parties	88,270	90,257	-	-

The payables balances are unpaid director fees, superannuation and reimbursement of expenses. The above interest bearing liabilities incur interest at 10% per annum, are unsecured and are repayable at call. Related party of Warren Beckwith included above is Bellatrix Pty Ltd.

Other key management personnel transactions

During the year, the Company reimbursed Westralian Group Pty Ltd, a company of which W T Beckwith is a director, $245,000 (2010: $197,278) for the cost of office facilities, personnel and administrative services. The Company also paid P M Goodsall $10,472 (2010: Nil) for the provision of secretarial services.

Movements in shares and options

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

Specified key management	Year	Shares held at 1 January	Purchases	Disposals	Granted as compen sation	Received on exercise of options	Shares held at 31 December
WT Beckwith	2011	24,689,712	9,255,715	-	-	4,633,719	38,579,149
	2010	14,689,713	9,999,999	-	-	-	24,689,712
SL Pynt	2011	12,978,899	1,379,511	-	-	1,534,633	15,893,043
	2010	8,119,266	1,000,000	(1,000,000)	(200,000)	5,059,633	12,978,899
PM Goodsall	2011	1,923,417	3,571,429	-	-	-	5,494,846
	2010	256,750	1,666,667	-	-	-	1,923,417

Specified key management	Year	Options held at 1 January	Purchases	Disposals / Expired	Grante d as compe ns-ation	Exercise of options	Options held at 31 December
WT Beckwith	2011	14,241,543	9,255,715	(1,007,825)	-	(4,633,719)	17,855,714
	2010	4,406,582	13,941,544	(4,106,582)	-	-	14,241,543
SL Pynt	2011	5,209,633	1,379,511	(3,675,000)	-	(1,534,633)	1,379,511
	2010	5,831,437	-	(621,804)	-	-	5,209,633
PM Goodsall	2011	1,816,667	3,571,429	(150,000)	-	-	5,238,096
	2010	424,600	1,666,667	(274,600)	-	(1,325,000)	1,816,667

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

20. COMMITMENTS

Exploration Expenditure Commitments

The Company has certain obligations to perform minimum exploration work on tenements held. These obligations may vary over time, depending on decisions of the Department of Mining and Petroleum (DMP), the Company's exploration program and priorities, exemptions, reversions, tenement relinquishments and the performance of obligations on the Company's behalf by joint venture partners. At balance date, the total annual DMP exploration expenditure commitments for the next financial year in respect of the Company's current tenement holdings which have not been provided for in the financial statements are $1,679,800 (2010:$864,800). Expenditure commitments for subsequent years are contingent upon future exploration results. Obligations are subject to change upon expiry of the exploration leases or when application for a mining licence is made and have not been provided for in the financial statements.

21. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

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

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

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

(i) Credit Risk

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

Exposure to credit risk

Trade and other receivables:

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

	Note	**Carrying amount**	
		2011	**2010**
		$	**$**
Cash and cash equivalents	10	36,313	7,255
Other receivables	11	96,556	142,930
		132,869	150,185

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

Investments:

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

At balance date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

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FOR THE YEAR ENDED 31 DECEMBER 2011

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that cash flow is reported on a regular basis to monitor cash flow requirements and optimise its cash return on investments.

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

Non-derivative financial liabilities

2011	Carrying amount $	Contractual cash flows $	6 months or less $
Trade and other payables	314,573	314,573	314,573
Interest bearing liabilities	186,021	186,021	186,021
	500,594	500,594	500,594

2010	Carrying amount $	Contractual cash flows $	6 months or less $
Trade and other payables	516,324	516,324	516,324
Interest bearing liabilities	373,205	373,205	373,205
	889,529	889,529	889,529

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

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

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(ii) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company is not exposed to currency risk as at the reporting date as the Company holds no financial assets or liabilities denominated in foreign currency. The Company's exposure to currency risk at balance date was nil (2010: $ nil).

Interest rate risk

The Company is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Company does not use derivatives to mitigate these exposures.

Profile

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

	2011 $	2010 $
Variable rate instrument		
Cash and cash equivalents	36,313	7,255
Fixed rate instruments		
Financial liabilities	186,021	373,205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Fair value sensitivity analysis for fixed rate instruments:

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

A change in interest rates at reporting date of 100 basis points would have increased/decreased profit by $364 (2010:$ 438).

Capital Management:

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide a return to shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. As the Company incurs net cash out flows from operations and has large accumulated losses, the primary method used to adjust its capital structure is the issue of new shares. The Company has determined that where possible it will issue ordinary shares, rather than issue hybrid forms of securities, so as to avoid any restrictions on its use of capital or commit to interest payments.

There are no externally imposed capital requirements.

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

22. EMPLOYEE BENEFITS

Aggregate liability for employee entitlements, including on-costs	**2011**	**2010**
Current	-	-
Number of employees		
Number of employees at year end	2	2

Superannuation plans

The Company contributes to defined contribution employee superannuation plans. The Company has a legally enforceable obligation to contribute to the plans. The amount recognised as an expense for the year ended 31 December 2011 was $13,331 (2010: $10,640).

23. EVENTS SUBSEQUENT TO BALANCE DATE

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

DIRECTORS' DECLARATION

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

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

        (i) giving a true and fair view of the financial position of the Company as at 31 December 2011 and of its performance for the year ended on that date; and

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

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

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

    d) as set out in note 2(d) there are reasonable grounds to believe that the Company will be able to meet any obligations or liabilities as and when they become due and payable.

2. The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the executive chairman for the financial year ended 31 December 2011.

Dated at Perth this 30th day of March 2012

Signed in accordance with a resolution of the directors:

W T Beckwith
Director

KPMG

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

Report on the financial report

We have audited the accompanying financial report of Gondwana Resources Limited (the Company), which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 23 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independence

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

KPMG

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

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

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

Material uncertainty regarding continuation as a going concern

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

Report on the remuneration report

We have audited the Remuneration Report included in pages 15 to 18 of the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Gondwana Resources Limited for the year ended 31 December 2011 complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Grant Robinson

Grant Robinson
Partner

Perth

30 March 2012

SHAREHOLDER INFORMATION
as at 23 March 2012

a) Voting Rights and Classes of Equity Securities

The Company has issued listed equity securities comprising:

- 805,162,956 fully paid ordinary shares
- 380,986,270 options exercisable at $0.01 each on or before 30 June 2013

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

b) Distribution Schedule of Fully Paid Ordinary Shares and Options

Size of Holdings	Number of Shareholders	Number of 30 June 2013 Option Holders
1 – 1000	1,191	29
1,000 – 5,000	437	24
5,001 – 10,000	193	16
10,001 - 100,000	796	112
100,001 & over	713	160
	3,330	341

c) Substantial Shareholders

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

Name	% of Issued Capital
Daryl John Peasnell	5.85%

d) Twenty Largest Shareholders

The twenty largest shareholders hold 35.69% of the total ordinary shares issued. The names of the 20 largest holders of shares as at 23 March 2011 are listed below.

Rank	Name	Shares	%
1.	Mr Philip Michael Baldacchino	33,107,354	4.11
2.	Fern Valley Limited	25,643,832	3.18
3.	Mr Darryl John Peasnell	22,750,000	2.83
4.	Beckwith & Company Pty Ltd <The Beckwith Super Fund A/C>	21,489,854	2.67
5.	Mr Peter John Sowry	20,000,000	2.48
6.	Finscan Investments Limited	19,683,690	2.44
7.	Mr Darryl John Peasnell	16,350,000	2.03
8.	Bellatrix Pty Ltd	15,533,010	1.93
9.	Marseille International Limited	13,686,080	1.70
10.	Mrs Anne Nicholls	13,100,000	1.63
11.	Mr Yuzhou Lin	11,000,000	1.37
12.	Mr Steven Leigh Pynt	10,375,000	1.29
13.	Grace Fashion Pty Ltd	9,174,099	1.14
14.	Sam Dimas Limited	8,623,475	1.07
15.	Mr Darryl John Peasnell + Mrs Rizza Peasnell <Darryl Peasnell S/F A/C>	8,000,000	0.99
16.	International Business Services Limited	7,999,903	0.99
17.	Bow Lane Nominees Pty Ltd	7,846,347	0.97
18.	Mr Harry Papas	7,700,000	0.96
19.	Mr Bradley Paul Boyling	7,695,000	0.96
20.	Mrs Anita Marie Donnes	7,600,000	0.94
Total:		**287,357,644**	**35.69**