Gondwana

RESOURCES LIMITED

ACN 008 915 311

Annual Report

Year ended 31 December 2016

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Year Ended 31 December 2016

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Steven Leigh Pynt
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Steven Leigh Pynt

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REVIEW OF OPERATIONS

PARKER RANGE PROJECT

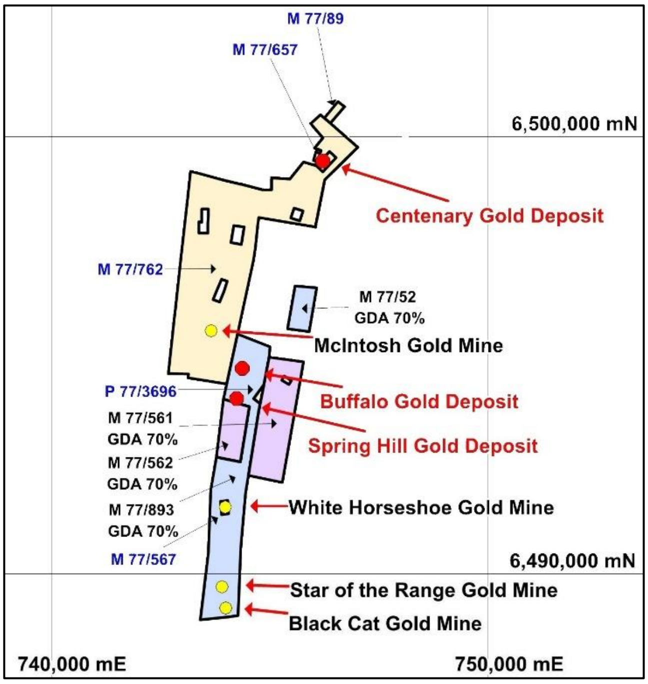

Figure 1: Location of the Parker Range Project

The Parker Range Project is located in the Southern Cross Greenstone Belt, immediately south of Marvel Loch and 80km north of Western Area's Forrestania Nickel Operations. The project area comprises exploration tenure of approximately 500 km² prospective for gold and nickel and contains numerous historic gold mines.

The Southern Cross area is a well-recognized regional mining centre offering excellent established infrastructure and a long gold mining tradition. Historic production since 1906 when gold was first discovered in the region exceeds 12Mozs of gold and 1,100,000t of nickel.

Gondwana's recent focus at Parker Range has been to transform historic gold deposits – Buffalo and Spring Hill (70% Gondwana) and Centenary (100% Gondwana) - into JORC compliant gold resources and explore nearby historic gold prospects with the aim of increasing total resources.

In mid-2010, Gondwana was successful in discovering additional gold resources at the Centenary gold project, 5km north of Buffalo. The Parker Range Gold Project, comprising the Buffalo, Spring Hill and Centenary deposits is now estimated to contain a total 101,350oz Au Mineral Resource (refer Appendix 1).

Gold Mining Project

The Company has been conducting mining studies for the Parker Range Gold Project with a view to establishing production on a toll treatment basis. The Parker Range Gold Project is a relatively small gold deposit but has the potential to be exploited for a low capital cost through the use of mining contractors and toll treatment at one of several nearby gold treatment plants. Metallurgical tests conducted by the Company have established that the ore is also amenable to heap leach treatment.

Following the completion of Whittle pit shell optimization studies for the Centenary, Buffalo and Spring Hill gold deposits, with positive results for all three pits, Minecomp Pty Ltd were engaged to generate pit designs, life-of-mine schedules, cash flow projections and preliminary ore reserve estimates.

The project management plans for both the Buffalo and Centenary mines and flora and fauna surveys were completed with the assistance of Keith Lindbeck & Associates and submitted to the DMP during 2013 and the mining proposals received approval.

In October 2013, Capital Mine Consulting (CMC) completed an independent review of the project's economic feasibility based on production parameters, the Company's budgeted costs including quotes obtained from independent mining and cartage contractors and other proposed suppliers. CMC's report was received during the quarter and this broadly supported and confirmed the Company's projections, noting that "*although relatively small, the Parker Range Project appears to have positive economics and the completion of the recommended work could further enhance project robustness*".

CMC reported that further work could enhance and extend the gold inventory at Parker Range and the project's robustness and noted that historical mining at Centenary recovered average grades of 16g/t, suggesting potential for a high grade core

In January 2014, notwithstanding the above and the advanced stage of DMP approvals process, the Company announced that, after careful consideration of the recent decline in the gold price and other factors, mining studies had been temporarily suspended "*until the gold price recovers at least to levels prevailing in 2012*".

At the time of suspension, the mine project management plans had received DMP approval but the Company's consultants had, at that point, failed to satisfy the DMP Environment Group with the design of the abandonment bunds.

In late 2016, in the light of the significant increase in the AUD gold price, an upward revision in the Buffalo Mineral Resource estimate carried out by the Company's resource geologist and reductions in budgeted operating costs, MineComp were requested to update the Parker Range studies. With renewed optimism, discussions have recommenced with toll treatment plant operators and experienced miners who specialize in developing and mining small deposits and these discussions have reached an advanced stage.

The Company is considering options for a mining joint venture or similar commercial arrangement or, alternatively, the Company could consider raising the capital to develop and mine the deposits itself.

Gold exploration prospects

Exploration tenements, including the Toomey Hills Group and part of the Northern, Dulcie and Eastern Groups, have been disposed of to reduce exploration commitments. Exploration has continued on remaining exploration interests at Parker Range.

Parker Range Gold Exploration

A recent historic soil data compilation identified multiple gold in soil anomalies within open file reports A39388 (Spring Hill), A50319 (Star of the Range to White Horseshoe) and A50319 (Buffalo). During the second half of 2016, anomalous gold areas were infill soil sampled at Buffalo East, Mopoke North/South, Gordon Highlander, White Horseshoe, Star of the Range and Black Cat prospects.

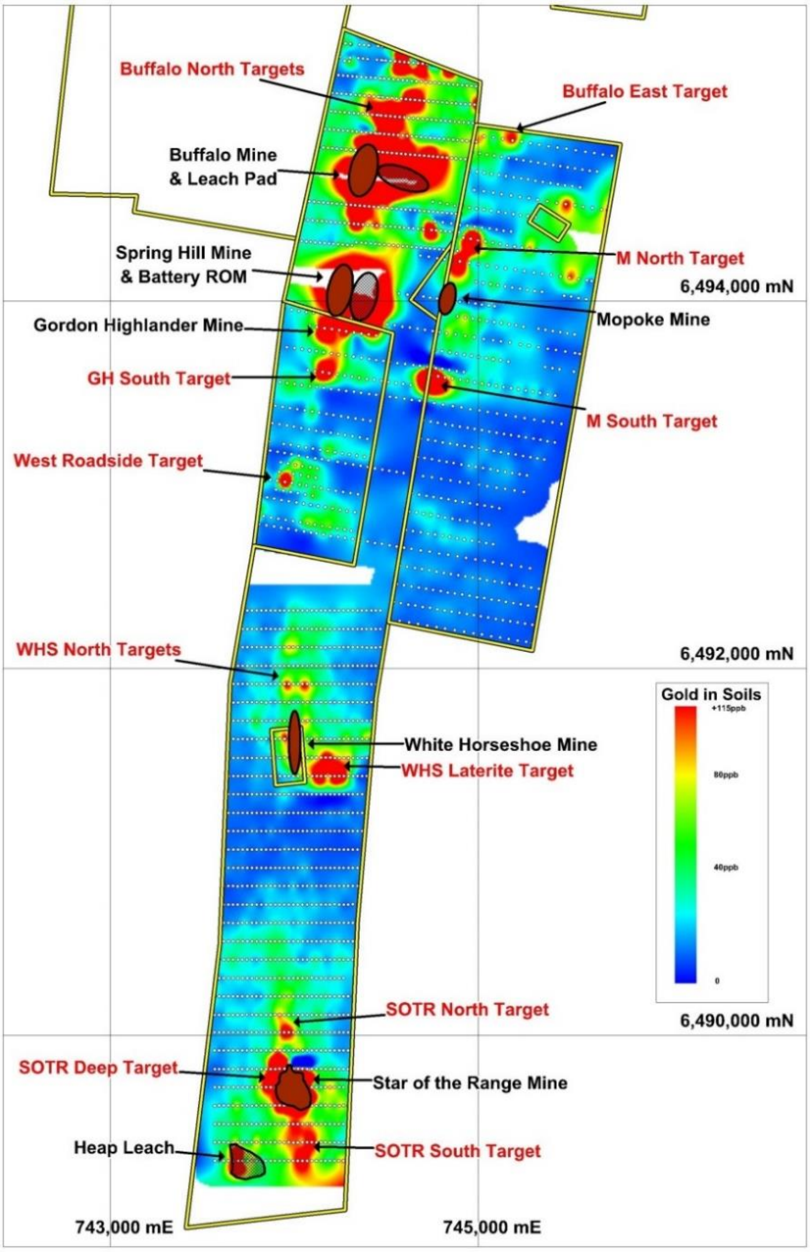

Figure 2: Gold in soils grid from shallow auger digitized from A39388 and A50319

During 2016, extensive infill soil surveying programs have been completed in the Company's Parker Range tenements, with gold-in-soil samples taken from a depth between 0.2m and 0.3m (see figure 3). The soil samples were not sieved but comprise of whole rock, soil and laterite pisoliths approximately 1kg in weight. Some graphitic sulphidic sediment outcrops were sampled for carbon content and multiple pegmatite outcrops were rock chipped for lithium content.

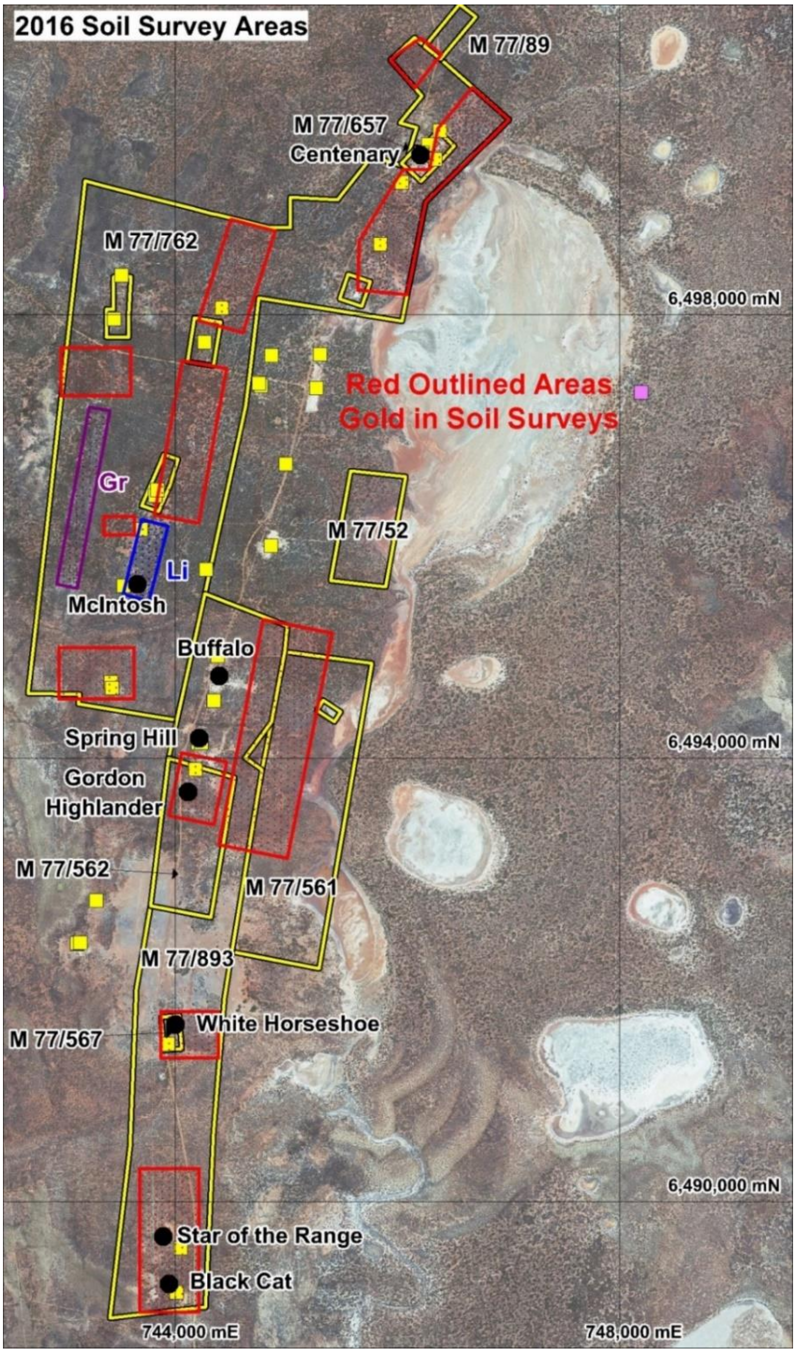

Figure 3: Soil Geochemical survey areas 2016

Gold-in-soil samples assays will be used for drill planning, focusing down dip (to the west) of the Black Cat underground, the Black Cat laterite and the Star of the Range laterite mine.

A recent review of the Star of the Range area shows that the historic 1990 mining and exploration did not cover the area immediately south of the Star of the Range mine and north of the Black Cat underground mine. This is because, at that time, the Star of the Range miners did not own the old Black Cat tenement which is now part of Gondwana's tenement holdings.

Black Cat is located at an inflection in the magnetics and mapped in earlier Mines Department bulletins as 3 x BIF units bending at that location. A steeply plunging quartz vein similar to Centenary may exist in-between the iron rich amphibolites, A depleted sulphide zone will be leached near the surface along the eastern BIF as it has enriched the remnant relict laterite.

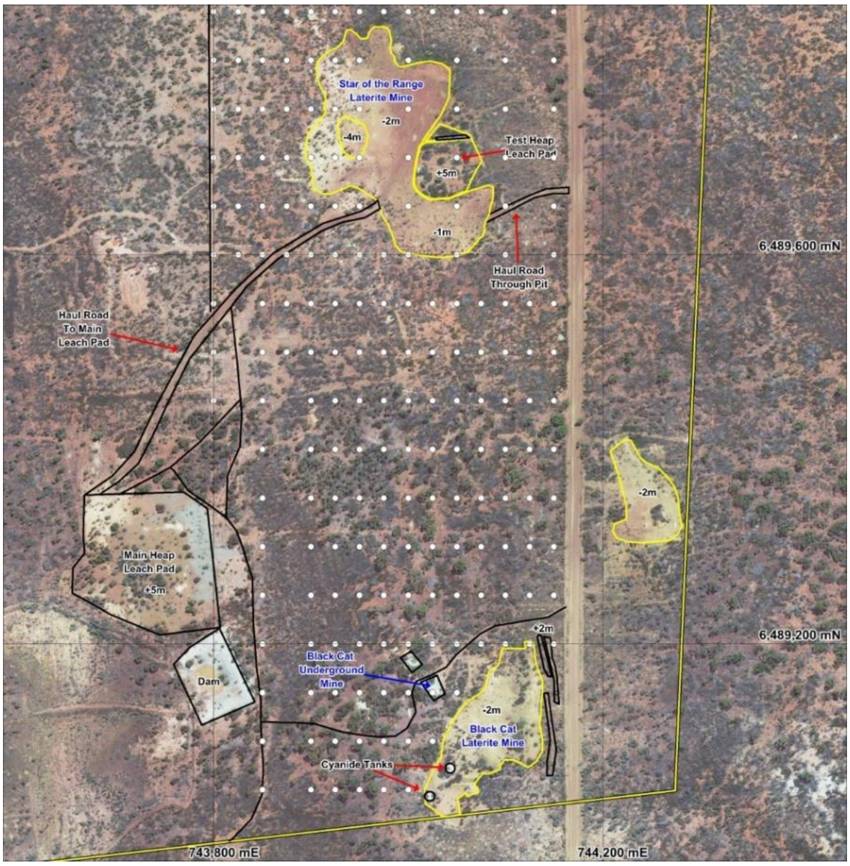

Figure 4: Gold sample location Black Cat to Star of the Range on satellite with topographic features

The Star of the Range and Black Cat gold mine laterite pits show extensive oxidization of an altered amphibolite, which developed after intense shearing of the mafic host. Gold in soil mineralisation is likely continuous between the 2 pits, and under the cross cutting alluvial drainage channel (through the centre of the soil survey) which drains into the salt lake. Remnant exposures of laterite are all that remains of the relict soil terrain, some of which was mined prior to 1982 and the rest in 1992. Multiple quartz lodes were injected along shear zones between the stacked BIF units and although small in tonnage, some do have bonanza +80g/t gold grades.

A gold in soil anomaly was historically mapped in A22398 (Star of the Range Annual report for M77/55 & M77/56 Nov 1987) with good shallow drilling results in laterite pits, but not across the Black Cat area. A deep target zone is down dip of multiple outcropping drag folded BIF units at Black Cat. In the stopes of the Black Cat underground, tightly folded units suggesting a deeper gold target exists down plunge in the fold nose not reached in the area's historic shallow drilling.

An airborne EM survey is still to be conducted for sulphide detection down dip prior to finalising the planned RC drill hole program design.

The 1940 geology map (GSWA Bulletin 99) shows three kink folded BIF's and a single 45° angled Black Cat underlay shaft, located west of the existing small laterite pit on the tenement boundary. Late stage gold bearing quartz lodes (such as Black Cat) can withhold their gold once oxidised, unlike the larger tonnage sulphide lodes which get depleted as gold remobilises to the surface. Bulletin 99 discusses geological examination of the Black Cat underground during mining "*No work has been carried out to any great depth, because the ore bodies have pinched to stringers with a flattening in dip. It is likely that the dip will steepen again and the ore shoots will gradually attain their original dimensions. For this reason, prospecting below the known ore shoots is recommended, taking into account their pitch*." After careful examination of the Black Cat underground mine during operation (pre WWII), it was noted the "*ground water is at 144ft vertical depth*" which shows the depth of probable gold depletion from near surface oxidisation and "*two ore shoots, which pitch steeply to the south east, are being mined and the main shaft is sunk between them*" which is opposite the BIF dip and suggests a brittle deformed host.

Recommended in 1940 was to underground drive northwest and southeast along the BIF strike as new shoots will "*probably be disclosed*", but only where the main underlay shaft dips change from 45° to 52°. The main underlay shaft changed steepness at 93ft (down shaft) to 143ft (down shaft) when the underlay shaft returns to a 45° dip to 200ft (down shaft) or 144ft V.D. Changes in BIF dip have resulted from folding on a horizontal northwest-southeast axis, and could repeat at depth.

The local steeping in the BIF dip has influenced the quartz deposition, plus there is a pronounced fold in the 3 BIF's outcropping, with the fold nose area down dip still to be investigated. The 400m long Black Cat target zone identified on the new soil survey map is untested past 144 ft V.D or 44m vertical depth indicated in the 1940 report. The 400m long Star of the Range target zone identified with the new soil results is untested past the water table depth too.

At Black Cat a tightly spaced RC drill program is being design to drill across all 3 BIFs, to target at depth the steeply plunging quartz veins in fold hinges between each BIF unit.

Planning of deeper RC holes down dip to the west of the 800m long gold in soil anomaly will target large tonnage dipping conductors for gold mineralisation, if mineralisation is similar to the Buffalo deposit in the north of the tenement over a target strike length of 100m - 200m. The soils have been contoured together with previous mine area contaminated soils removed, highlighting five gold targets.

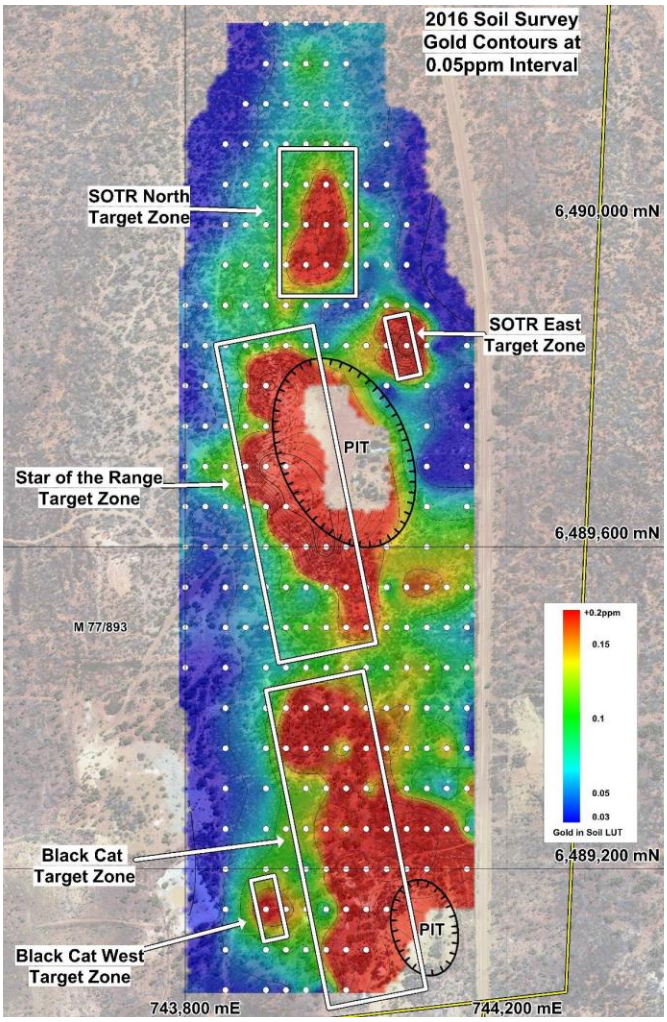

Figure 5: Black Cat Gold Target Zone is 400m long and Star of the Range Gold Target Zone is 400m

Cross cutting veins "in a pressure shadow" dipping SE are perpendicular to the SW dipping BIF and amphibolite host indicate brittle fracturing from southern tenement boundary to SOTR mine. The folded BIF at this location is changing dip and plunge due to the compression creating a kink fold, with a possible radial brittle deformation later infilling with 1-2ft wide quartz vein sets.

Drilling of three other gold mines along the same BIF hosted geology (at Centenary, Buffalo and Spring Hill) showed up to 4 stacked BIF units with them all carrying varying amounts of gold. Gold mineralisation is often enriched in the central and eastern BIF units, closest to the granite dome upwelling. At Centenary quartz rich shoots plunge down the main asymmetric fold void created during folding of the BIF, from horizontal N-S movements along the shear zone around the dome.

Many Parker Range gold deposits have higher grade and higher tonnage mineralisation below the depletion zone, where fresh pyrrhotite sulphide mineralisation is located. The gold sulphide ore is formed within a proximal shear zone parallel to the granite dome. The gold rich sulphide mineralisation is usually at the centre of a major shearing system and often adjoins a distal shear zone on sheared margins, creating amphibolite magnetite alteration along the belts entire strike length.

White Horseshoe mine survey

Gold in soil assays show a relict laterite ridge to the south east of the White Horseshoe mine in the drainage direction towards the salt lake. The low gold tenor of 0.1g/t indicates this laterite is only weakly mineralised, although still warrants some shallow drill holes though the centre of the +0.1g/t gold in soil anomaly to confirm higher gold grades don't exist below the soil samples 0.3m depth.

This laterite is possibly secondary erosion from the White Horseshoe mine area or a redox front from an earlier east trending drainage channel, which has now etched southwards around the gold in soil anomaly causing a 2m raised 200m long laterite outcrop. Gold enrichment within a 1-2m thick laterite zone located below a 0.5m depleted surface laterite might still exist requiring shallow drilling to ascertain if there is any small tonnage laterite zones containing over 0.5g/t for heap leaching.

Gordon Highlander mine survey

At the Gordon Highlander historic underground mine, approximately 300m south of Spring Hill workings, the southernmost hole during the 2010 RC program intersected 3m @ 1.01 g/t from 14m down hole depth and 5m @ 1.97g/t from 23m depth in hole 10SHRC014.

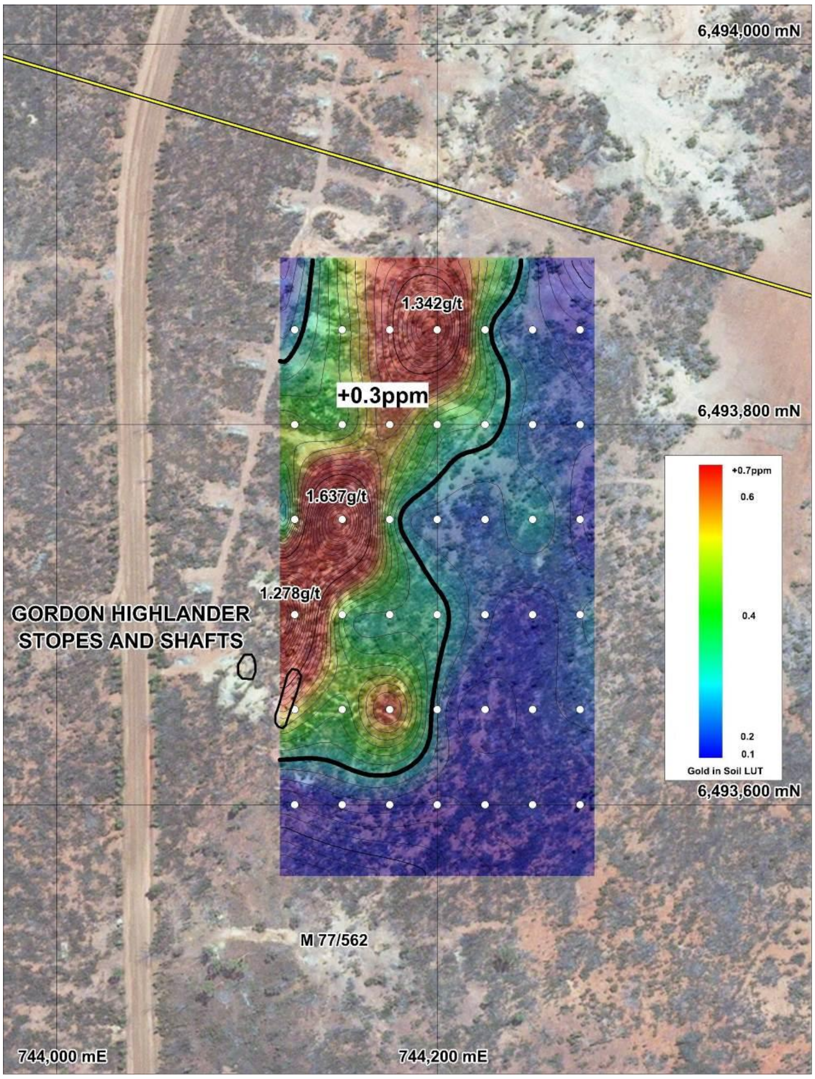

Figure 6: Gordon Highlander mine has multiple high grade soil assays within +0.3g/t areas

The 2010 drill intersect is up-dip from a previously drilled 2008 RC exploration hole (SHRC08015) which intersected 5m @ 1.57g/t from 36m depth. The best RC results at Gordon Highlander are:

SHRC08015 : 26m to 32m 6m @ 0.83 and 36m to 41m - 5m @ 1.57

10SHRC014 : 14m to 17m - 3m @ 1.01 and 23m to 28m - 5m @ 1.97g/t

Detailed gold in soil assays taken to the north and east of the Gordon Highlander historic workings show +0.3g/t gold anomalism from the Spring Hill mine area to the Gordon Highlander mine because the mineralised BIF outcrops there containing up to 1.637g/t in soils. There is also a small anomaly to the east off the main zone however that could be contamination. The area to the south east of the BIF has no further anomalies although there are cultural disturbances in this area.

A second soil survey will be designed for later in 2017, to outline the end of the anomalous gold trend south west of Gordon Highlander up to the main road. This soil data will be used to orientate further infill RC drilling down dip and along strike to the south west of the Gordon Highlander shaft.

Mopoke north and south survey

The Mopoke North quartz vein has been drill previously tested and a review of the drilling effectiveness shows additional holes are required. This drilling was performed in 2010 and the two holes showed 1m gold intersects up to 0.9 g/t, but they were very shallow and do require deeper holes to test veins below oxide level. The +0.3g/t soil gold anomalism survey extends 100m to the north of the quartz vein outcrop and further drill holes are being designed to test north of the outcrop area.

Buffalo East survey

Historic drilling within Wamex report A25941 shows a small zone of enrichment in the corner of the Centipede, Buffalo and Mopoke tenements. This mineralized area is located in shallow laterite around the margin of the salt lake where the hyper saline water encroachment towards Buffalo. This EM conductive high is shown on the company's 2010 V-TEM AEM data as high conductivity on all channels, with the underlying geology changing to more ultramafic at the location.

Secondary gold deposition is an important style of gold mineralization above or near to primary ore zones such as at the Golden Virgin pit north of Buffalo, which enriches near the surface because of the salt water interaction with the primary mineralisation. Shallow drilling is required south of the existing cleared drill line, to ascertain if this is primary or secondary mineralisation.

McIntosh to Raven Mine survey

The McIntosh area was infill soil sampled in early 2016. Results of this survey have been analysed and highlight the Raven laterite area east south east of the old Raven underground mine as a priority drill target. Only shallow drilling has been previously undertaken across the BIF at this location.

This lateritic gold mineralisation appears to be continuous downhill towards the salt lake and is coming directly from of the eastern side of the Raven underground shaft. This data identifies the eastern BIF of Raven could be similarly to Centenary which has a depletion zone down to 40m. As shown at Centenary to the north of Raven, the eastern BIF is heavily leached of gold in the top 40m making Raven's eastern BIF a priority drill target at depth. RC drilling is planned to test the down plunge and down dip mineralisation at Raven because historic drilling wasn't deep enough.

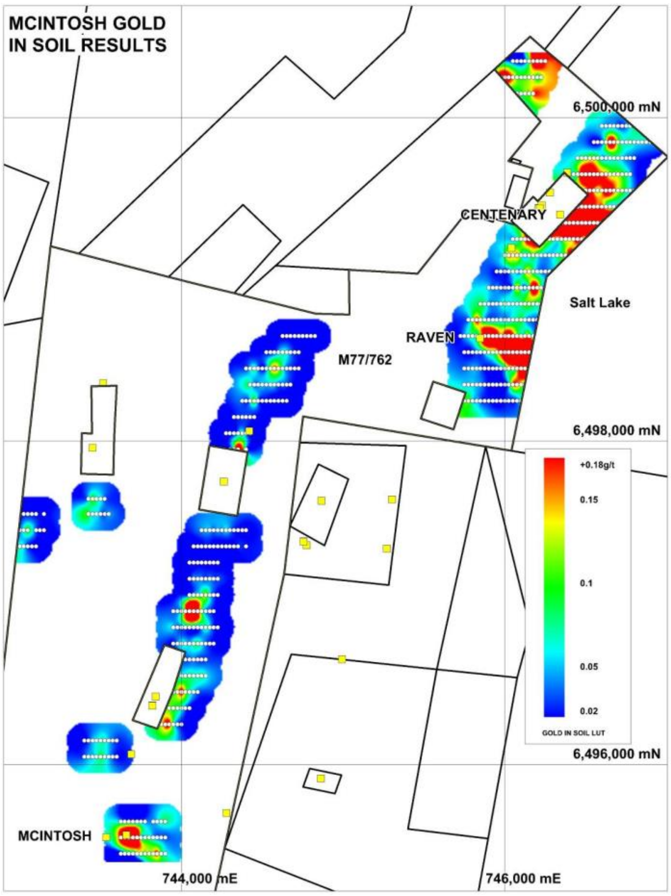

Figure 7: Centenary to McIntosh infill soils - target east of Raven is continuous to lake

Conclusions

A number of 1990's vintage soil survey/auger program anomalies were infill soil surveyed during 2016. This soil analysis has revealed high priority gold drilling targets at the Black Cat mine, Star of the Range mine, Gordon Highlander mine, and Raven Mine.

Secondary gold drilling targets are evident along the shear zone north of McIntosh, Mopoke North quartz vein and Buffalo East laterite area.

FORRESTANIA / MT HOLLAND

The Forrestania/Mt Holland project (exploration licence application) contains an unmined gold-bearing laterite, from an historic prospect referred to as the Blue Turtle prospect. No drill logs can be located but the drill locations are noted on plans.

WAMEX report A24752: Blue Turtle Annual report on Mt Holland E77/23 1988; Author Metals Exploration Ltd refers in the text to primary gold mineralisation at the Blue Turtle prospect up to 3m @ 6.6g/t from 9m with 3 to 6m of laterite pisoliths above grading up to 1.28g/t.

Shallow drilling on 100m spaced lines either side failed to delineate any continuity. In this area, depletion zones combined with near vertical gold shoots in the unweathered basement are often beneath near-surface oxide mineralisation, and it appears no deep RC drilling has been undertaken at this prospect. Multiple E-W trending dykes at this location have disturbed the N-S stratigraphy and mineralisation may be locally folded or remobilised, so could be trending oblique to the E-W drill lines. Gold mineralisation could potentially be around 150m in strike and may be related to a vertical or sub-vertical plunging shoot.

EAST PILBARA

Gobbo's Copper-Molybdenum Prospect (E45/3326)

This tenement contains the Gobbo's copper/molybdenum prospect and the Cyclops nickel prospect.

The Company entered into an agreement with Platypus Minerals Ltd (now Lepidico Ltd: ASX:LPD) to farm out tenement E45/3326 on the following terms: -

a. Sole fund $500,000 on exploration within 3 years to earn a 51% interest, Gondwana retaining 39% and Adelaide Prospecting Pty Ltd (APPL) 10%. Lepidico has advised that it has since expended the required amount and has earned its 51% interest.

b. Option to sole fund a further $500,000 on exploration within a further 3 years to earn an additional 24% interest, with Gondwana retaining 15% and APPL 10%.

c. Subsequent expenditure on a pro-rata basis by Lepidico and Gondwana, subject to dilution by industry standard formula. APPL would remain free carried to completion of a feasibility study.

d. Should any party's interest fall below 5%, then that party's interest would convert to a 2.5% royalty on gross sales on all metals produced from the tenement.

e. At any time after Lepidico has earned its 75% interest, Gondwana has the right to convert its remaining interest to a 2.5% royalty on gross sales on all metals produced.

Lepidico has announced significant reconnaissance drilling intercepts of copper, molybdenum and tungsten, rated Gobbos as one of the most outstanding unexplored prospects in Western Australia.

Nullagine Gold Prospect (E46/1026)

Nullagine gold project is considered prospective for mineralisation similar to Millennium Minerals' Nullagine Gold Project, which holds a 31.76M tonne resource at 1.3g/t for a total of 1,280,400oz, (Millennium annual report 2016). Gold has also been mined from along the Blue Spec Fault to the east of Gondwana's project. Historical drilling on the Blue Spec Fault indicates gold mineralisation extends over a 5km strike length, with gold being hosted in or adjacent to near vertical quartz veins.

The company has completed a data review and an initial field exploration program. ASTER imagery and an interpretation report was acquired from Geoimage. Fieldwork included mapping of accessible areas and collection of 105 rock chip samples taken with the best Gold, Arsenic and Copper results below:

Sample ID	Geology	Easting MGA94_51	Northing MGA94_51	Au ppm	As ppm	Cu ppm
GN040	Grey sandstone with lots of silica flooding and QZVNs	210529	7582439	0.31	53	9
GN076	Quartz vein which includes pyrite grains that have been altered to haematite, vein surrounded by silicified basalt	206661	7596183	0.16	68	60
GN083	red very altered fine grained basalt	205394	7596723	0.01	57	220
GN100	white red banded siliclastic	202404	7597450	<0.01	97	213

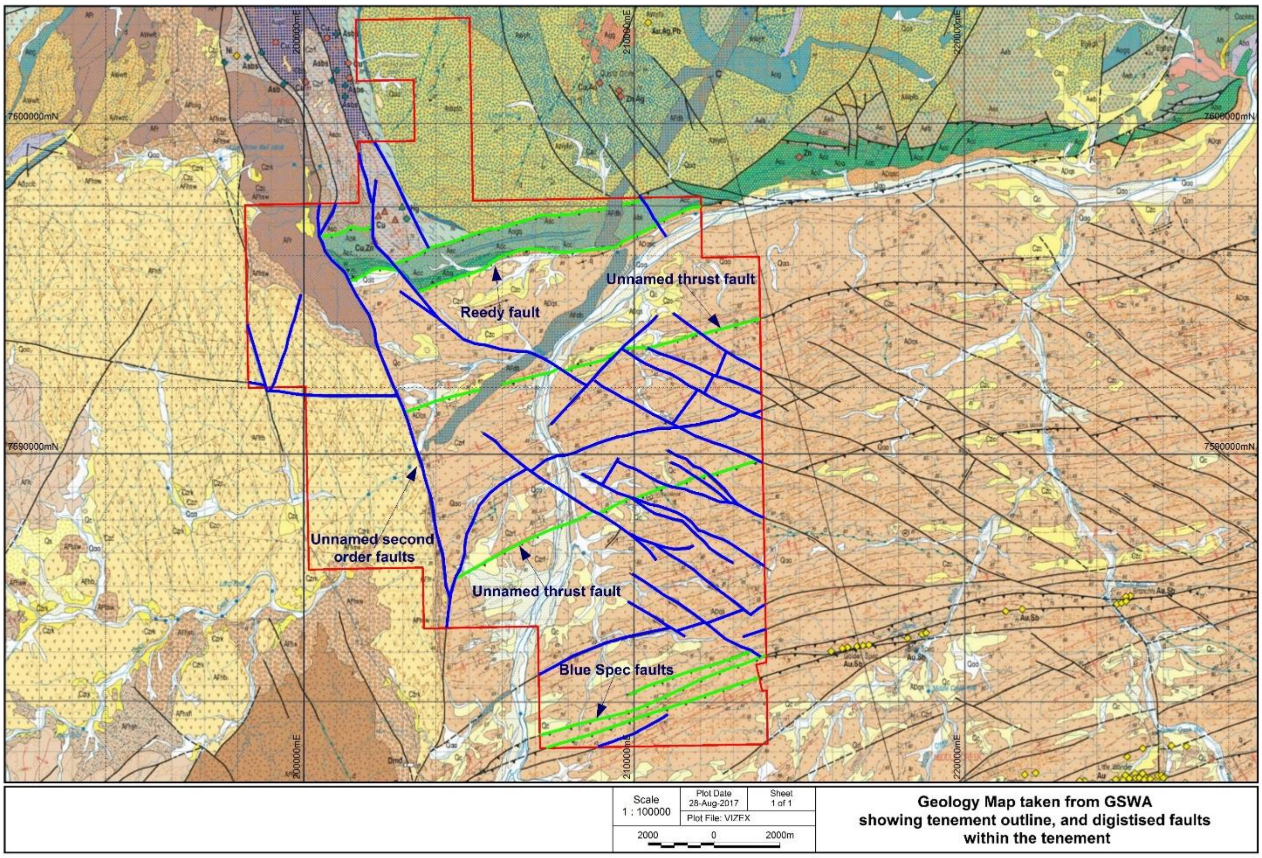

Figure 8: Tenement outline, major faults and the Blue Spec Mine location (Millennium Minerals current mine areas extend across the area south of this plan)

Interpretation of the geology, the 2017 rock samples and the 2017 geochemical assays, coupled with a review of the complex mineralising mechanism of the Blue Spec Fault, has resulted in definition of two previously unknown and untested areas of interest.

The project is considered prospective for gold mineralisation for the following reasons:

- Correct sequence of geological units (as identified by Millennium Minerals) including the Mosquito Creek Formation.
- Correct regional structural setting, which includes the Blue Spec Fault and parallel fault zones
- Historical drilling intersected >5km strike length of gold anomalism (to the east of E46/1026)
- Complex local structural setting faults that may provide ideal hosts for mineralisation.
- Presence of mafic dolerites/gabbros.
- Anomalous gold results indicate mineralising fluids have been present within the tenement.

The work program indicates the Nullagine project has potential to host significant gold deposits in the following settings:

- A series of disconcordant (with respect to stratigraphy) vertically stacked quartz, pyrite reefs systems and quartz stockwork
- Discordant veins internally within the Blue Spec Fault
- Two anomalous gold results indicating that mineralising fluids have been present within the tenement.

A follow-up programme will now be designed andimplentation in early 2018.

Other Pilbara tenements

The Company has retained a 90% interest in exploration licence E45/3956 (Comet East prospect – granted on 7 August 2017), which is considered prospective for gold.

IMPORTANT NOTE RE PARKER RANGE GOLD PROJECT ORE RESERVES

As the Company has not yet completed its formal Pre-Feasibility Study, no Ore Reserve estimate can yet be completed or announced. References to Ore Reserves in previously released reports are hereby withdrawn.

COMPETENT PERSON STATEMENT – EXPLORATION RESULTS

The information in this Report that relates to Exploration Results is based on information compiled by the Company by Mr Grant Donnes, a competent person who is a Member of the Australian Institute of Geoscientists. Mr Donnes has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). 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.

COMPETENT PERSON STATEMENT – MINERAL RESOURCES

The information in the Independent Geological Report that relates to Exploration Targets, Exploration Results or Mineral Resources is based on information compiled by the Company and reviewed by Malcolm Castle, a competent person who is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Malcolm Castle is a consultant geologist employed by Agricola Mining Consultants Pty Ltd. Mr Castle has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Malcolm Castle consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Malcolm Castle's review is based on information compiled by Mr David Hollingsworth, a consultant of the Company, who has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity to undertake the resource estimates and Mr Hollingsworth consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

APPENDIX 1

MINERAL RESOURCE ESTIMATES

Malcolm Castle of Agricola Mining Consultants Pty Ltd was commissioned by the Company to provide an updated Independent Review of the Resource Estimation for the Parker Range Gold Project in Western Australia, and he submitted his Report in October 2015. The JORC Mineral Resource Estimates are set out below.

Refer to the Competent Person Statement above.

Resource Category	Tonnes	Grade (g/t)	Cut ounces* (Au)
Buffalo			
Indicated	346,400	2.7	29,700
Inferred	79,300	2.2	5,600
Spring Hill			
Indicated	226,400	2.0	14,250
Inferred	180,300	2.0	11,500
Centenary			
Indicated	391,000	2.4	30,400
Inferred	166,000	1.8	9,900
Total Project			
Indicated	**963,800**	**2.4**	**74,350**
Inferred	**425,600**	**2.0**	**27,000**

**Average grades are reported at 0.5g/t cutoff*

APPENDIX 2

TENEMENT LISTING

Tenement	Application	Granted	Status	Third Party Interest
East Pilbara Projects, WA				
Gobbos and Cyclops Projects				
E45/3326	10/10/2008	21/01/2011	Granted	Adelaide Prospecting 10%* `Lepidico Ltd earning 75% pursuant to farm-in agreement
Comet East & Nullagine Projects				
E45/3956	18/08/2011	7/08/2017	Granted	
E46/1026	26/05/2014	10/05/2016	Granted	
Parker Range Projects, Southern Cross WA				
Parker Range Gold Project				
M77/657-I	25/05/1994	3/02/1995	Granted	
M77/893	10/12/1997	3/01/2001	Granted	Cerro Resources NL 30%*
M77/52	26/06/1984	27/06/1984	Granted	Cerro Resources NL 30%*
M77/762-I	23/04/1996	25/01/2007	Granted	
M77/562	9/07/1992	23/10/1992	Granted	Barclay Holdings 30%*
M77/567-I	13/08/1992	5/01/1993	Granted	
M77/89	18/11/1985	26/03/1986	Granted	
M77/561	9/07/1992	23/10/1992	Granted	Barclay Holdings 30%*
L77/0264	5/09/2013	7/01/2014	Granted	Miscellaneous licence for road realignment
				** Free carried to feasibility study*
Parker Range Exploration				
P77/4375	15/08/16	-	Pending	Earning 51% (holder: Emu Fence Exploration P/L)
P77/4376	15/08/16	-	Pending	Earning 51% (holder: Emu Fence Exploration P/L)
P77/4377	15/08/16	-	Pending	Earning 51% (holder: Emu Fence Exploration P/L)
P77/4378	15/08/16	-	Pending	Earning 51% (holder: Emu Fence Exploration P/L)
P77/4379	15/08/16	-	Pending	Earning 51% (holder: Emu Fence Exploration P/L)
P77/4380	15/08/16	-	Pending	Earning 51% (holder: Emu Fence Exploration P/L)
P77/2425	23/01/17	-	Pending	Earning 51% (holder: Emu Fence Exploration P/L)
P77/4418	23/01/17	-	Pending	Earning 51% (holder: Emu Fence Exploration P/L)
P77/4419	23/01/17	-	Pending	Earning 51% (holder: Emu Fence Exploration P/L)
P77/4420	23/01/17	-	Pending	Earning 51% (holder: Emu Fence Exploration P/L)
P77/4421	23/01/17	-	Pending	Earning 51% (holder: Emu Fence Exploration P/L)
P77/4422	23/01/17	-	Pending	Earning 51% (holder: Emu Fence Exploration P/L)
Forrestania/Mt Holland Project				
E77/2143	12/08/2013	-	Pending	
E77/2390	22/08/2016	-	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 2016 and the auditor's report thereon.

1. DIRECTORS

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

Warren Talbot Beckwith - Chairman and Managing Director
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 chairman of Westralian Group Pty Ltd, which is engaged in corporate advisory services and investment in Australia and Hong Kong. He is a Fellow of the Institute of Chartered Accountants in Australia, Fellow of the Hong Kong Institute of Certified Public Accountants and Fellow of the Australian Institute of Company Directors. Warren has held directorships or executive positions in listed companies in Australia and Hong Kong for many years and is currently a director of China Properties Group Limited (Hong Kong-listed) and Utopa Limited (Hong Kong).

Steven Leigh Pynt - Non-Executive Director
Appointed 17 March 2000
Steven is the Legal Director of a major retail franchising company and is a commercial lawyer in private practice, specialising in commercial law including corporations law, franchising and contracts. In addition to completing his law degree in 1980, Steven has completed a Bachelor of Business majoring in Accounting, an MBA and a Master of Taxation Studies. Steven has had long experience as company director and is Chairman of Global Health Limited and Ephraim Resources Limited (both ASX-listed companies).

Jolyon James Sinclair - Non-Executive Director
Appointed 24 October 2012
Jol has over 15 years in asset finance, venture capital and business development. He has held National Sales and Marketing roles for publicly listed IT companies before creating a niche venture capital and asset finance company that specialised in the mining and telecommunications industries.

All related party transactions have been disclosed in Note 19 of the financial statements.

2. COMPANY SECRETARY

Mr Steven Pynt was appointed to the position of company secretary on 9 February 2015.

3. 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:

	Board Meetings	
Director	**Entitled to Attend**	**Attended**
Warren Beckwith	7	7
Steven Pynt	7	7
Jolyon Sinclair	7	7

4. 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.

5. OPERATING AND FINANCIAL REVIEW

Review of operations

The review of operations is included at pages 3 to 13.

Review and results of operations

The loss of the Company for the financial year after income tax was $438,589 (2015: profit $1,398,785).

Shareholder returns

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.

DIRECTORS' REPORT (continued)

	2016	2015	2014	2013	2012
Net profit/(loss) attributable to the equity holders of the company	(438,589)	1,398,785	(2,091,443)	(358,189)	(325,686)
Profit/(Loss) per share^	($0.017)	$0.056	($0.096)	($0.02)	($0.03)
Dividends paid	-	-	-	-	-
Share price at 31 December^	$0.10	$0.10	$0.10	$0.07	$0.05
Change in share price^	-	-	$0.03	$0.02	($0.25)

^ *last price prior to suspension of trading on 15 September 2014*

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 2012 to 2016 have been calculated in accordance with Australian Accounting Standards (AASBs).

6. DIVIDENDS

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

7. STATE OF AFFAIRS

No shares or options were issued during the year and no options were exercised during the year.

On 12 May 2014, Ochre Industries Pty Limited (Ochre), a wholly owned subsidiary of Ochre Group Holdings Limited, announced a conditional and unsolicited off-market takeover offer for Gondwana (Offer). The Offer was a conditional offer of $0.082 cash per Gondwana Share. Ochre's Offer was set out in its bidder's statement lodged with ASIC and released to the ASX on 19 June 2014 and in Ochre's first supplementary bidder's statement dated 2 July 2014. The Company issued its Target's Statement on 18 July 2014 and the directors unanimously recommended that shareholders reject the Offer.

On 18 August 2014 and 19 August 2014, Ochre announced that it had increased the Offer Price under its offer to $0.115 per Gondwana Share and declared the offer free of certain conditions (Revised Offer).

The Company issued its First Supplementary Target's Statement on 10 September 2014, the directors unanimously recommending that shareholders reject the Revised Offer. The Revised Offer expired on 7 November 2014 and was not extended.

During the takeover bid, the Company incurred substantial legal and other professional costs as well as ongoing operating costs. One of the seriously adverse effects of the takeover bid was to prevent the Company proceeding with its proposed underwritten rights issues (for which, in April 2014 and again in May 2014, a Prospectus was issued and each time was required to be withdrawn). As a result, the Company was only able to pay these substantial costs after the sale of non-core assets, principally:

- on 30 June 2014, the sale to Atlas Operations Pty Ltd (a subsidiary of Atlas Iron Limited) of Gondwana's 90% interest in the Panorama tenement in the Pilbara for $200,000 in cash.
- On 22 October 2015, the agreement to terminate Atlas' obligation to make a $1.13/tonne royalty payment to Gondwana on the first 30M tonnes produced from Atlas' Corunna Downs Iron Project, subject to Atlas paying $500,000 within 7 days, $500,000 within 180 days, $1,000,000 in Atlas shares by 1 August 2016 and $250,000 within 30 days of first iron ore exports from Corunna Downs. The cash consideration was duly received, including $500,000 during the financial year, and shares with a market value of $1,000,000 were received during the financial year.
- On 23 December 2016, the settlement of the sale of non-core tenements at Parker Range for $247,476 in cash (net of selling costs).

As at the date of this report, all material debts other than related parties have been paid.

Gondwana retained the $1.13/tonne royalty on tonnes beyond the first 30M of production at Corunna Downs and a royalty of 1% of gross revenue from iron ore and other minerals sold from Panorama.

During this period of indebtedness, from mid-2014 until late 2016, the Company was unable to complete and lodge with ASX Limited (ASX) its statutory audited financial statements and half yearly or annual reports. As a consequence, the Company's securities were suspended from trading by ASX on 15 September 2014.

DIRECTORS' REPORT (continued)

The Company has now completed and lodged all outstanding audited financial statements and reports from 2014 to 2016 and will table them, including this report, at the forthcoming Annual General Meeting of shareholders.

On 11 November 2016, the Company announced an agreement to sell Gondwana's Remaining Royalty Interests to Ochre. Having entered into an agreement to sell back to Atlas Iron Limited (Atlas) the royalties on the first 30 million tonnes of production from Atlas' Corunna Downs iron project, Gondwana remained entitled to royalties from any production beyond 30Mt at Corunna Downs and any future production from Atlas' Panorama tenement, together referred to as the "Remaining Royalty Interests" (refer to the Company's previous ASX releases for details of the transactions with Atlas.

The consideration payable to Gondwana by Ochre under the agreement for the sale of the Remaining Royalty Interests comprises:

- the buy back and cancellation of all shares held by Ochre and its associated company, Joffrey Pty Limited, in Gondwana (Ochre Shares); and
- cash of $100,000.

The agreement is subject to receipt of the deposit and the consent of Atlas, both of which have been received, and the approval of Gondwana pursuant to the requirements for a selective share buy-back under Division 2 of Part 2J.1 of the Corporations Act and the requirements for the disposal of a substantial asset to a substantial holder under Listing Rule 10.1. Shareholder approval will be sought at the Company's forthcoming annual general meeting.

8. 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. 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.

9. AFTER BALANCE DATE EVENTS

On 11 January 2017, the Company entered into an agreement with Bellatrix Pty Ltd, an entity controlled by Warren Beckwith, for a new unsecured loan of $300,000. $25,000 was drawn down on 30 June 2017 and $275,000 was drawn down on 11 July 2017. The loan is repayable on demand and bears interest at the rate of 7.5% per annum and a $15,000 establishment fee was paid.

On 12 June 2017, the Company raised $133,638 from the placement of 3,818,227 new shares issued at a price of 3.5 cents each.

Other than as disclosed above, 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.

10. 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.

DIRECTORS' REPORT (continued)

11. REMUNERATION REPORT (AUDITED)

Principles of compensation

Remuneration is also referred to as compensation throughout this report.

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. 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. 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 operations, 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 may include 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 16 to financial statements). There were no bonuses or long-term incentives granted to key management personnel during the year, and there are no unvested or unexercised long-term incentives outstanding at the end of the year.

Consequences of performance of shareholder returns

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.

	2016	2015	2014	2013	2012
Net profit/(loss) attributable to the members of the company	(438,589)	1,398,785	(2,091,443)	(358,189)	(325,686)
Profit/(Loss) per share^	($0.017)	$0.056	($0.096)	($0.02)	($0.03)
Dividends paid	-	-	-	-	-
Share price at 31 December^	$0.10	$0.10	$0.10	$0.07	$0.05
Change in share price^	-	-	$0.03	$0.02	($0.25)

^ *last price prior to suspension of trading on 15 September 2014*

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 2012 to 2016 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 (except for monthly fee of $18,000 from 1 July 2016 to 31 January 2017) together with the provision of a 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 June 2019.

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' 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-employ-ment*	*Share-based payments*			*Total*	*Value of share-based payments as proportion of remuneration*	*Portion of remuneration performance related*
		Salary & fees $	*Consulting fees* $	*Non-monetary benefit* $	*Total* $	*Super-annuation benefits* $	*Options (A)* $	*Unlisted shares (B)* $	*Total* $	$	%	%
Directors												
Non-executive directors												
S L Pynt	2016	15,000	-	-	15,000	1,425	-	-	-	16,425	-	-
	2015	15,000	-	-	15,000	1,425	-	-	-	16,425	-	-
J J Sinclair	2016	15,000	-	-	15,000	1,425	-	-	-	16,425	-	-
	2015	15,000	-	-	15,000	1,425	-	-	-	16,425	-	-
Executive directors												-
W T Beckwith (Chairman)	2016	15,000	198,000	3,055	216,055	1,425	-	-	-	217,480	-	-
	2015	-	75,000	13,475	88,475	-	-	-	-	88,475	-	-
Total directors' remuneration	2016	45,000	198,000	3,055	246,055	4,275	-	-	-	250,330	-	-
	2015	30,000	75,000	13,475	118,,475	2,850	-	-	-	121,325	-	-

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.

Key management personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis. Refer to Note 19.

Other key management personnel transactions
During the year, the Company accrued $8,387 for the cost of office facilities, personnel and administrative services payable to Westralian Group Pty Ltd, a company of which W T Beckwith is a director, (2015: $22,564).

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	Other (i)	Granted as compen-sation	Received on exercise of options	Shares held at 31 December
WT Beckwith	2016	3,189,543	-	-	-	-	3,189,543
SL Pynt	2016	656,531	-	-	-	-	656,531
J Sinclair	2016	1,461	-	-	-	-	1,461

Specified key management	Year	Options held at 1 January	Purchases	Disposals / Expired	Granted as compen-sation	Exercise of options	Options held at 31 December
WT Beckwith	2016	-	-	-	-	-	-
SL Pynt	2016	-	-	-	-	-	-
J Sinclair	2016	-	-	-	-	-	-

[End of audited remuneration report]

12. 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	3,189,543	-
S L Pynt	656,531	-
J J Sinclair	1,461	-

13. UNISSUED SHARES UNDER OPTION

At the date of this report, there were no unissued ordinary shares of the Company under option.

DIRECTORS' REPORT (continued)

No options have been granted since the end of the financial year.

14. SHARES ISSUED ON EXERCISE OF OPTIONS

During or since the end of the financial year, the Company has not issued any ordinary shares as a result of the exercise of options.

15. 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.

16. NON-AUDIT SERVICES

During the year Moore Stephens, the Company's current auditor, has not performed other services in addition to their statutory duties.

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

	2016 $	2015 $
Audit services:		
Auditor of the Company:		
Audit and review of financial reports – KPMG (former auditor)	44,806	64,300
Audit and review of financial reports – Moore Stephens	35,000	-
Service other than statutory audit:		
Other services:		
Taxation compliance services	-	-

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

The lead auditor's independence declaration is set out on page 24 and forms part of the directors' report for the year ended 31 December 2016.

Dated at Perth this 12th day of September 2017.

Signed in accordance with a resolution of directors

Steven Pynt
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 Moore Stephens. Moore Stephens were appointed on 18 August 2017 by resolution of the directors. The lead audit partner is required to rotate after the December 2020 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.

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

CORPORATE GOVERNANCE STATEMENT (continued)

external consultant. The Board then appoints the most suitable candidate. New Board appointees must stand for election at the next general meeting of shareholders.

Diversity

The Board has not yet established a formal diversity policy to be made publicly available, and containing measureable objectives for achieving gender diversity. The Company is currently considered to be of insufficient size to warrant it.

The Company has 3 directors, including an Executive Chairman, all of whom are male. In addition, the Company currently employs (including on a consulting basis) 1 person, male, who is not in a senior executive position.

Risk Management

Oversight and management of material business risks

The Company has a management policy in place for the identification and effective management of risk. The policy provides for the management of risk by the Board and executive reports to the Board, being principally the risks involved in the Company's main business enterprise, namely developing its gold and minerals exploration interests.

Design and implementation of systems to manage material business risks

Management has established a register of business risks and identified the material business risks affecting the Company. To the extent possible in a Company with a very small number of staff, internal controls are in place to mitigate against any material business risks. Risks of a strategic, financial and operational nature (such as ability to raise capital to fund exploration, commodity price and currency fluctuations, adequate levels of insurance, contract documentation, resourcing, and meeting financial reporting and compliance obligations) are reviewed on a regular basis by the Board.

Potential operational risks involved in running the Company are managed by the Board. Due to the size of the Company, the Board does not consider it practical to establish a separate committee to focus on these issues.

The Company Secretary and the Executive Chairman, who have overall responsibility for the implementation of the policy, report to the Board on the effective management of risk.

Compliance with Corporations Act Section 295A

The Board receives a declaration from the Executive Chairman and the Company Secretary covering the matters set out in section 295A of the Corporations Act 2001 and in accordance with the terms stipulated in Recommendation

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

CORPORATE GOVERNANCE STATEMENT (continued)

- 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.

MOORE STEPHENS

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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 of Gondwana Resources Limited for the year ended 31 December 2016 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.

Suan-Lee Tan
Partner

Moore Stephens
Chartered Accountants

Signed at Perth on the 12th day of September 2017

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016	2015
		$	$
Other income	6	261,689	2,020,000
Employee expenses		(1,214)	(336)
Office and corporate expenses		(270,994)	(236,600)
Legal and professional expenses		(61,510)	(19,445)
Depreciation expenses		(899)	(621)
Provision for diminution – loan receivable		-	64,000
Exploration expenditure		(365,315)	(424,723)
Results from operating activities		(438,243)	1,402,275
Finance income		98	82
Finance expenses	5	(444)	(3,572)
Net finance expenses		(346)	(3.490)
Loss before income tax			1,398,785
Income tax expense	8	-	-
Loss for the period		(438,589)	1,398,785
Other comprehensive income		-	-
Total comprehensive loss for the period		(438,589)	1,398,785
Loss attributable to owners of the company		(438,589)	1,398,785
Total comprehensive loss for the period attributable to the owners of the company		(438,589)	1,398,785
Earnings per share:			
Basic profit/(loss) per share	9	($0.017)	$0.056
Diluted profit/(loss) per share	9	($0.017)	$0.056

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out pages 29 to 46.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	2016	2015
		$	$
Assets			
Property, plant and equipment	13	-	899
Capitalised Exploration and evaluation expenditure	14	116,060	100,300
Total non-current assets		116,060	101,199
Cash and cash equivalents	10	263,602	68,066
Other receivables	11 (a)	64,940	574,562
Other financial assets	11(b)	-	1,000,000
Loan receivable	12	-	-
Total current assets		328,542	1,642,628
Total assets		444,602	1,743,827
Liabilities			
Trade and other payables	15	1,035,986	1,896,622
Total current liabilities		1,035,986	1,896,622
Total liabilities		1,035,986	1,896,622
Net assets deficiency		(591,384)	(152,795)
Equity			
Share Capital	16	33,078,154	33,078,154
Reserves		140,781	140,781
Accumulated losses		(33,810,319)	(33,371,730)
Total equity		(591,384)	(152,795)

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 29 to 46.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital	Accumulated Losses	Share based payment Reserve	Total Equity
	$	$	$	$
Balance at 1 January 2015	33,023,154	(34,770,515)	140,781	(1,606,580)
Total comprehensive income for the period				
Profit or (loss)	-	1,398,785	-	1,398,785
Total comprehensive income for the period:	-	1,398,785	-	1,398,785
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners				
Issue of shares	55,000	-	-	55,000
Share options exercised	-	-	-	-
Share issue costs	-	-	-	-
Total contributions by and distributions by owners	55,000	-	-	55,000
Balance at 31 December 2015	33,078,154	(33,371,730)	140,781	(152,795)
Balance at 1 January 2016	33,078,154	(33,371,730)	140,781	(152,795)
Total comprehensive income for the period				
Profit or (loss)	-	(438,589)	-	(438,589)
Total comprehensive income for the period:	-	(438,589)	-	(438,589)
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners				
Issue of shares	-	-	-	-
Share options exercised	-	-	-	-
Share issue costs	-	-	-	-
Total contributions by and distributions by owners	-	-	-	-
Balance at 31 December 2016	33,078,154	(33,810,319)	140,781	(591,384)

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 29 to 46.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016	2015
		$	$
Cash flows from operating activities			
Cash receipts in the course of operations		-	-
Cash payments in the course of operations		(1,540,867)	(640,729)
Interest received		98	82
Interest paid		(444)	(3,572)
Net cash used in operating activities	17(ii)	(1,541,213)	(644,219)
Cash flows from investing activities			
Proceeds sales of shares (profit on sale)		38,073	-
Proceeds from sales of tenements		247,476	20,000
Proceeds of cancellation fee		1,500,000	500,000
(Payment for tenement)/refund of tenement deposit		(15,760)	29,054
Net cash from investing activities		1,769,789	549,054
Cash flows from financing activities			
Proceeds from issue of shares and exercise of options (net of costs)		-	55,000
Proceeds from borrowings		169,488	94,150
Repayment of borrowings		(202,528)	-
Net cash from financing activities		(33,040)	149,150
Net increase in cash held		195,536	53,985
Cash at the beginning of the financial period		68,066	14,081
Cash at the end of the financial period	17(i)	263,602	68,066

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 29 to 46.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. REPORTING ENTITY

Gondwana Resources Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 47 Ord Street, West Perth, Western Australia.

The Company is a for-profit entity and primarily is involved in the exploration and evaluation of mineral deposits.

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 12th September 2017.

(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, investments which are recorded at fair value through profit and loss and loans and receivable. 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(k))
- Impairment (Note 3(l))
- Share based transactions (Note 3(d))
- Going concern (Note 2(d))

(d) Going Concern

On 12 May 2014, Ochre Industries Pty Limited (Ochre), a wholly owned subsidiary of Ochre Group Holdings Limited, announced a conditional and unsolicited off-market takeover for Gondwana (Offer). Ochre's offer was set out in its bidder's statement lodged with the ASIC and released to the ASX on 19 June 2014, as supplemented by Ochre's first supplementary bidder's statement dated 2 July 2014. The Company issued its Target's Statement on 18 July 2014 wherein the directors unanimously recommended that shareholders reject the Offer. Ochre announced a revised offer on both 18 and 19 August 2014. The Company issued its First Supplementary Target's Statement on 10 September 2014, with the Directors recommending the Revised Offer be rejected. The Revised Offer expired on 7 November 2014 and was not extended.

During the takeover bid, the Company incurred substantial legal and other professional costs as well as on-going operating costs. One of the adverse effects of the takeover bid was to prevent the Company proceeding with its then proposed underwritten rights issues (for which, in April 2014 and again in May 2014, a Prospectus was issued and on both occasions it was required to be withdrawn). As a result, the Company was only able to pay these substantial costs from the proceeds of sale of non-core asset and was also unable to finalise the completion and lodgement of its 30 June 2014 half yearly financial statements and subsequent half yearly and annual statutory financial statements with ASX Limited (ASX). As a consequence the company's securities were suspended from trading by ASX on 15 September 2014. As of the date of this report all material external debts accumulated since mid-2014 have since been repaid, principally from the sale of non-core assets which raised approximately $2.27M during 2015 and 2016, as disclosed in Note 6.

The Company made a loss for the year of $438,589, (2015: profit $1,398,785) with cash outflows from operations of $(1,541,213) (2015 $644,219), Current liabilities exceeded current assets by $707,444 at 31 December 2016 (31 December 2015: deficit $253,994), and the Company has a net asset deficiency of $591,384 at 31 December 2016 (31 December 2015: deficit 152,795). The company has raised sufficient funds from the sale of non-core assets to enable all amounts due and payable other than related parties to be paid. The cash balance at 8 September 2017 was $178,247.

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 exploration expenditures (which have been significantly reduced) for the twelve month period from the date of this report from one or a combination of further anticipated capital raisings, potential gold mining income and sale of assets. Related parties and directors have also agreed not to recall their loans to the detriment of the Company.

The Company intends to undertake a placement of new securities to raise approximately $500,000 following its Annual General Meeting planned to be held in October 2017, and a pro rata Entitlement Issue to raise approximately $1,000,000 early in 2018 to further fund exploration and mining activities, should the Company be successful in obtaining approval from the Department of Mining and Petroleum's (DMP) for the Company's updated mining proposals. Before suspension from the ASX in 2014, the Company had been successful in capital raisings during prior periods and has demonstrated an ongoing ability to raise additional funds through share placements, rights issues, borrowings and the sale of assets (see note 6).

Should the Company not be successful in its relisting on the ASX, and/or raising additional funds through future capital raisings or its gold mining venture, it may be necessary to sell some of its assets, farm-out exploration projects, further reduce or defer exploration expenditure and/or reduce operating overheads. Although the directors are confident that they will be successful in one or more of these measures, if they are not, there is a material uncertainty which casts 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 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 statement of financial position.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(c) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

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 reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of 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 reporting 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.

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 recognised as an employee expense in profit or loss in the periods during which the services are rendered by employees.

(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 statement of comprehensive income 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-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(g) Loan and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see note 3(l)). Loans and receivables comprise cash and cash equivalents and loan receivables.

(h) Other trade and other receivables

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

(i) 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.

(j) 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 accumulated impairment losses (see accounting policy 3(l)).

(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 2016 and 2015 are as follows:

	2016	2015
Office equipment	25% to 40%	25% to 40%
Computer equipment	25% to 40%	25% to 40%
Computer software	25% to 40%	25% to 40%
Field equipment	25% to 40%	25% to 40%

(k) 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 other than acquisition costs 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 recorded in profit or loss 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 in accounting policy 3(l).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(l) Impairment

Non-financial assets

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 profit or loss. 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.

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.

Non-derivative financial assets

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

loss is reversed through profit or loss.

(m) Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing profit or 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 is based on profit or 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.

(n) 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 profit or loss over the period of the borrowings on an effective interest basis.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

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.

Loan and 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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.

	2016	2015
	$	**$**
5. FINANCIAL EXPENSE		
Interest and borrowing expense:		
Third parties	444	3,572
	444	3,572
6. OTHER INCOME		
Profit on sale of tenements (net of costs) (i)	223,616	20,000
Cancellation fees – royalty (ii)	-	2,000,000
Profit on sale of shares (net of costs) (ii)	38,073	-
	261,689	2,020,000

(i) Sale of tenements at Parker Range during the financial year.

(ii) Under the agreement entered into with Atlas to terminate part of their obligation to make royalty payments to Gondwana on production from the Corunna Downs Iron Project, the final two instalments of the consideration, $500,000 in cash and $1,000,000 in Atlas shares, were received during the financial year. The profit of $2,000,000 on the transaction was brought to account at the date of the agreement in the 2015 financial year.

The profit on the sale of Atlas shares, $38,073, was brought to account in the 2016 financial year.

A further $250,000 (which has not been brought to account as it is a contingent asset) is receivable within 30 days of first iron ore exports from Corunna Downs.

7. AUDITORS' REMUNERATION

	2016	2015
Audit Services		
- audit & review of the financial reports (KPMG)	44,806	64,300
- audit & review of the financial reports (Moore Stephens)	35,000	-
Other Services		
- tax compliance services	-	-
	79,806	64,300

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

8. TAXATION

	2016 $	2015 $
Recognised in profit or loss:		**Refer Note 8(a)**
Current tax expense / (benefit)		
Current tax expense / (benefit)	-	400,436
	-	400,436
Deferred tax expense / (benefit)		
Recognition of tax losses not recognised previously	-	(400,436)
Total income tax expense in profit or loss	-	-
Numerical reconciliation between tax expense and pre-tax net profit/(loss)		
Net Profit/(Loss)	(438,589)	1,398,785
Prima facie tax (benefit) / expense from continuing activities before income tax at 27.5% (2015: 30%)	(120,612)	419,636
Add/(decrease) tax effect of:		
Non-deductible expenses	15,038	-
Deferred tax balances not recognised	(38,921)	(19,200)
Revenue losses not recognised	144,495	-
Losses recouped not previously recognised	-	(400,436)
Income tax expense	-	-

Net unrecognised deferred tax assets at 27.5% (2015: 30%) – refer Note 8(b)

	2016 $	2015 $
The following net deferred tax assets have not been brought into account:		
- Revenue losses (deferred tax asset)	7,856,466	7,929,553
- Capital losses (deferred tax asset)	383,027	417,848
- Other (deferred tax asset)	50,573	92,901
- Exploration expenditure (deferred tax liability)	(31,917)	(30,090)
Net unrecognised deferred tax assets	8,258,149	8,410,212

The tax benefits of the above deferred tax assets will only be obtained if:

(i) The company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(ii) The company continues to comply with the conditions for deductibility imposed by law; and

(iii) No changes in income tax legislation adversely affect the company in utilising the benefits.

(a) 2015 Comparative

The 2015 comparative has been re-stated to be consistent with the 2016 format. There is no change to the current and deferred income tax position.

(b) Reduction in Corporate Tax Rate

The corporate tax rate for eligible companies will reduce from 30% to 25% by 30 June 2027 providing certain turnover thresholds and other criteria are met. Deferred tax assets and liabilities are required to be measured at the tax rate that is expected to apply in the future income year when the asset is realised or the liability is settled. The Directors have determined that the deferred tax balances be measured at the tax rates stated.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

9. EARNINGS PER SHARE

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

	2016	2015
	$	$
Profit/(loss) attributable to ordinary shareholders at 31 December	(438,589)	1,398,785

	2016	2015
	#	#
Issued ordinary shares at 1 January	25,808,440	24,408,440
Effect of share options exercised	-	461,096
Effect of ordinary shares issued	-	-
Weighted average number of shares	25,808,440	24,869,536

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

Expiry Date	Exercise Price	Number of Options
30 June 2017	$0.10	1,100,000

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

	2016	2015
	$	$

10. CASH AND CASH EQUIVALENT ASSETS

Cash at bank and on hand	263,602	68,066
	263,602	68,066

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed on note 21.

11. OTHER RECEIVABLES

(a) Other Receivables		
GST receivable	64,627	72,275
Amounts due from related parties	-	900
Other receivables (i)	313	500,313
Prepayments	-	1,074
	64,940	574,762
(b) Other financial assets		
Other financial assets (i)	-	1,000,000
	-	1,000,000

(i) On 22 October 2015, the Company entered into an agreement to terminate Atlas' obligation to make a $1.13/tonne royalty payment to Gondwana on the first 30M tonnes produced from Atlas' Corunna Downs Iron Project (Termination Agreement). The consideration was $500,000 payable in October 2015, $500,000 payable by April 2016 and $1,000,000 in Atlas shares by 1 August 2016. The proceeds in cash and shares have since been received.

The profit on the transaction was brought to account at the date of the agreement in the 2015 financial year. A further $250,000 (which has not been brought to account as it is a contingent asset) is receivable within 30 days of first iron ore exports from Corunna Downs.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

12. LOAN RECEIVABLE

	2016	2015
	$	$
Loan receivable	646,000	646,000
Less: Provision for diminution	(646,000)	(646,000)
	-	-

The loan receivable is an unsecured converting loan to Amazon Resources Limited (ARL) with a limit of $750,000, of which $646,000 had been drawn down at 31 December 2016 (2015: $646,000). The loan is convertible at the election of the Company into shares in ARL at 10 cents per share or, if lower, the issue price of any new ARL shares in an IPO or otherwise. Under a letter agreement dated 7 January 2015, the termination date for the loan has been extended to 31 December 2018. No interest or fees are payable unless the loan is not repaid or converted by the termination date.

The Board believes it is appropriate to make full provision against the recoverability of the loan at this time given the current financial position of ARL. However, the Board will use its best endeavours to recover the loan from ARL, if not converted.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Computer equipment	Computer software	Field equipment	Total
	$	$	$	$	$
Cost					
Balance at 1 January 2015	21,833	20,214	61,355	1,273	106,542
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at 31 December 2015	21,833	22,081	61,355	1,273	106,542
Balance at 1 January 2016	21,833	22,081	61,355	1,273	106,542
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at 31 December 2016	21,833	22,081	61,355	1,273	106,542
Depreciation and impairment losses					
Balance at 1 January 2015	21,833	20,561	61,335	1,273	105,022
Depreciation for the year	-	621	-	-	621
Disposals	-	-	-	-	-
Balance at 31 December 2015	21,833	21,182	61,335	1,273	105,643
Balance at 1 January 2016	21,833	21,182	61,335	1,273	105,643
Depreciation for the year	-	899	-	-	899
Disposals	-	-	-	-	-
Balance at 31 December 2016	21,833	22,081	61,335	1,273	106,542
Carrying amounts					
at 1 January 2015	-	1,520	-	-	1,520
at 31 December 2015	-	899	-	-	899
at 1 January 2016	-	899	-	-	899
at 31 December 2016	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

14. EXPLORATION AND EVALUATION EXPENDITURE

	2016 $	2015 $
Capitalised exploration and evaluation expenditure		
Cost		
Balance at 1 January 2016	260,300	260,300
Exploration tenement interests acquired	15,760	-
Disposal	-	-
Balance at 31 December 2016	276,060	260,300
Impairment		
Balance at 1 January 2016	160,000	160,000
Write off	-	-
Balance at 31 December 2016	160,000	160,000
Carrying Value		
at 1 January 2016	100,300	100,300
at 31 December 2016	116,060	100,300

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.

15. TRADE AND OTHER PAYABLES

	2016 $	2015 $
Trade payables	223,118	1,103,942
Other payables and accruals	679,777	548,191
Other payables due to related entities (note 19)	133,091	244,489
	1,035,986	1,896,622

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.

16. CONTRIBUTED EQUITY

(a) Share capital

	2016 $	2015 $
Issued and paid-up share capital (listed) 25,508,440 (2015: 25,508,440) ordinary fully paid shares	33,078,154	33,078,154
	33,078,154	33,078,154

* The number of shares excludes 300,000 (2015: 300,000) unlisted shares pursuant to the Gondwana Employee 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 2016	2015
31/07/2015	30 June 2017	$0.10	1,100,000	1,100,000
			1,100,000	1,100,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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(q) 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 statement of financial position as follows:

	2016 $	2015 $
Cash at bank and on hand	263,602	68,066
Application monies	-	-
	263,602	68,066
(ii) Reconciliation of cash flows from operating activiti		
Profit/(Loss) for the period after income tax	(438,589)	1,398,785
Adjustments for:		
Depreciation	899	621
Royalty cancellation fee	-	(2,000,000)
Profit on sale of tenements	-	(20,000)
(Reversal)/Provision for diminution loan receivable	-	(64,000)
Directors' fees	-	30,000
Management fees	-	75,000
Net cash used in operating activities before change in assets and liabilities	(437,690)	(579,594)
Change in assets and liabilities during the financial year		
(Increase)/decrease in other receivables	9,622	(7,099)
Increase/(decrease) in other payables	(1,113,145)	(57,526)
Net cash outflows from operating activities	(1,541,213)	(644,219)
(iii) Non-cash investing and financing activities		
Settling of loans and payables through share placement	-	-
	-	-

18. SEGMENT REPORTING

For management purposes, the company is organised into one operating segment domiciled in the same country, 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
SL Pynt - Non-executive director
J J Sinclair - Non-executive director

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	$	$
Base emoluments	45,000	30,000
Consulting fees	198,000	75,000
Non-monetary benefits	3,055	13,475
Superannuation contribution	4,275	2,850
	250,330	121,325

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 2016	Balance at 31 December 2015	Interest paid/payable 2016 year	Highest balance in 2016
	$	$	$	$
Paul Goodsall	29,999	29,999	-	29,999
Steven Pynt	54,740	3,675	-	54,740
Jolyon Sinclair	43,609	3,544	-	60,738
Warren Beckwith	4,743	207,271	-	216,571
Total loans received from key management personnel	133,091	244,489	-	362,048
Balance of (assets) / liabilities held with respect to key management personnel and their related parties	133,091	244,489	--	--

The payables balances are unpaid director fees, superannuation, provision of interest free loans and reimbursement of expenses. Related party of Warren Beckwith included above is Bellatrix Pty Ltd.

Other key management personnel transactions
During the year, the Company incurred $8,387 for the cost of office facilities, personnel and administrative services payable Westralian Group Pty Ltd, a company of which W T Beckwith is a director, (2015: $22,564).

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 $380,800 (2015: $523,880). 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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
Cash and cash equivalents and 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	
		2016	2015
		$	$
Cash and cash equivalents	10	263,602	68,066
Other receivables	11(a)	64,940	574,562
Other financial assets	11(b)	-	1,000,000
Loan receivable	12	-	-
		328,542	1,642,628

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.

Impairment losses
As disclosed in Note 12, a provision for diminution of $646,000 has been provided for loan 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 statement of financial position.

(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:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Non-derivative financial liabilities

2016	**Carrying amount**	**Contractual cash flows**	**6 months or less**
	$	**$**	**$**
Trade and other payables	1,035,986	(1,035,986)	(1,035,986)
2015	**Carrying amount**	**Contractual cash flows**	**6 months or less**
	$	**$**	**$**
Trade and other payables	1,896,622	(1,896,622)	(1,896,622)

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 (2015: $ 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:

	2016	**2015**
Variable rate instrument	**$**	**$**
Cash and cash equivalents	263,602	68,066

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

22. EMPLOYEE BENEFITS

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 2016 was $4,275 (2015: $2,850).

23. EVENTS SUBSEQUENT TO BALANCE DATE

On 11 January 2017, the Company entered into an agreement with Bellatrix Pty Ltd, an entity controlled by Warren Beckwith, for a new unsecured loan of $300,000. $25,000 was drawn down on 30 June 2017 and $275,000 was drawn down on 11 July 2017. The loan is repayable on demand and bears interest at the rate of 7.5% per annum and a $15,000 establishment fee was paid.

On 12 June 2017, the Company raised $133,638 from the placement of 3,818,227 new shares issued at a price of 3.5 cents each.

Other than as disclosed above, 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.

24. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods, are discussed below:

AASB 9*: Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items.

The Directors do not anticipate the adoption of AASB 9 will have a material impact on the Company’s financial statements.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue

The Directors do not anticipate that the adoption of AASB 15 will have a material impact on the Company's financial statements.

AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Directors do not anticipate that the adoption of AASB 16 will have a material impact on the Company's financial statements.

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 2016 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 2016.

Dated at Perth this 12th day of September 2017

Signed in accordance with a resolution of the directors:

Steven Pynt
Director

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GONDWANA RESOURCES LTD

MOORE STEPHENS

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REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Gondwana Resources Limited (the Company) which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

Basis for Opinion

In our opinion, the accompanying financial report of the Company 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 2016 and of its financial performance for the year then ended; and

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

Material Uncertainty Related to Going Concern

Without modifying our conclusion, we draw attention to note 2(d) of the financial statements which indicates that for the financial year ended 31 December 2016, the Company's current liabilities exceeded its current assets by $707,444 and had a net asset deficiency of $591,384 at that date. The Company's ability to continue as a going concern for at least the next 12 months is dependent upon one or a combination of its successful relisting on the ASX Limited, further anticipated capital raisings, potential gold mining income and sale of assets. This condition, along with other matters set forth in Note 2(d), indicate the existence of a material uncertainty which may cast significant doubt regarding the ability of the Company to continue as a going concern and therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Company's Ability to Continue as a Going Concern</th></tr>
<tr><td colspan="2">Refer to Note 2(d) "Going Concern"</td></tr>
<tr><td>During the year ended 31 December 2016, the Company incurred a net loss after tax of $438,589, and a net cash outflow from operating activities of $1,541,213. As at 31 December 2016 the Company had net current liabilities of $707,444, and a cash balance of $263,602. As per management, the ability of the Company to continue as a going concern is dependent on it being able to successfully raise capital funding or through asset sales.

Provided the Company can successfully raise additional funding within the next year and recognizing that the Australian equity market may not be well supported currently, the Board is confident of the Company's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. Based on these facts, the Directors consider the going concern basis of preparation to be appropriate for this financial report.

In the event that the company is unable to raise capital as and when required or generate sufficient cashflows from asset sales, it may be unable to continue as a going concern and therefore, the Company may be unable to realise its assets and settle its liabilities in the normal course of business, and at amounts other than as stated in the financial report.

This key audit matter is referred to in our Emphasis of Matter paragraph above.</td><td>Our procedures included, amongst others:
• Review of cash flow forecasts for the financial period 1 July 2017 up to and including 30 September 2018, including assessment of the key financial and operational assumptions, understanding forecast expenditure and commitments, and assessing the liquidity of existing assets on the balance sheet.
• Discussion with management regarding the Company's strategic plans and reliance on future capital raising or asset sales and the various avenues on obtaining this funding

Based on the work done, we agree with the Directors assessment that the going concern basis of preparation is appropriate, however we also concur that there is a material uncertainty, which may cast doubt on the Company's ability to continue as a going concern. The disclosures contained in the financial statements appropriately identify this risk.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, international omissions, misrepresentation, or the override of internal control.

Auditor's Responsibilities for the Audit of the Financial Report (continued)

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

MOORE STEPHENS

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report as included in the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Gondwana Resources Limited, for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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 Australian Auditing Standards.

SUAN LEE TAN
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth on the 12th day of September 2017

SHAREHOLDER INFORMATION AS AT 23 AUGUST 2017

(a) Voting Rights and Classes of Equity Securities

The Company has issued equity securities comprising:

- 29,626,667 listed fully paid ordinary shares; each fully paid share carrying on a poll, one vote.

(b) Distribution of fully paid ordinary shares and options

Size of holding	Shareholders
1 - 1,000	2,096
1,001 - 5,000	291
5,001 - 10,000	95
10,001 - 100,000	99
100,001 & over	29
Total	2,610

(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:

Ochre Group Holdings Limited	22.33% of Issued Capital
Duncan Merrin	11.77% of Issued Capital
BC Capital Limited	11.90% of Issued Capital
Bellatrix Pty Ltd	10.77% of Issued Capital
Dimitrios Hilaris	6.94% of Issued Capital

(d) Twenty Largest Shareholders

The twenty largest shareholders hold 80.02% of the total ordinary shares issued. The names of the 20 largest holders of shares as at 22 June 2017 are listed below.

Rank	Name	Units	%
1.	B C CAPITAL LIMITED	3,398,571	11.47
2.	BELLATRIX PTY LTD	2,855,331	9.64
3.	OCHRE INDUSTRIES PTY LIMITED	2,783,994	9.40
4.	INTERNATIONAL BUSINESS SERVICES LIMITED	2,509,577	8.47
5.	OCHRE INDUSTRIES PTY LIMITED	2,260,606	7.63
6.	MR DIMITRIOS HILARIS	1,107,400	3.74
7.	MR DIMITRIOS HILARIS	949,656	3.21
8.	FERN VALLEY LIMITED	926,439	3.13
9.	MR DARRYL JOHN PEASNELL	909,286	3.07
10.	JOFFREY PTY LTD	850,000	2.87
11.	JOYMILL PTY LTD <PM & DJ GOODSALL S/F A/C>	848,560	2.86
12.	OCHRE INDUSTRIES PTY LTD	814,272	2.75
13.	HANCOCK CORPORATE INVESTMENTS PTY LTD	735,000	2.48
14.	MRS MIRIAM ROSE PYNT	600,000	2.03
15.	MR RODNEY SHANE CORKER	520,000	1.76
16.	HELDON PTY LTD	422,000	1.42
17.	PEASNELL INVESTMENTS PTY LTD <DARRYL PEASNELL S/F A/C>	365,714	1.23
18.	MR PETER JOHN SOWRY	301,000	1.02
19.	MR GRANT EDWARD DONNES	300,000	1.01
20.	BECKWITH & COMPANY PTY LTD <BECKWITH SUPER FUND A/C>	248,450	0.84
	Total:	**23,705,856**	**80.02**

(e) Unquoted equity securities

The Company has issued unquoted equity securities comprising:

- 300,000 unquoted shares issued pursuant to the Gondwana Employee Share Plan

(f) On market buy-back

There is no current on market buy-back.