

Gondwana RESOURCES LIMITED

ABN 72 008 915 311

18 July 2014

Market Announcements Office
Australian Securities Exchange
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

GONDWANA RESOURCES LIMITED – TARGET'S STATEMENT

In accordance with item 14 of section 633(1) of the *Corporations Act 2001* (Cth), attached is a copy of the target's statement of Gondwana Resources Limited (ASX: GDA) (**Gondwana**) dated 18 July 2014 in relation to the off-market takeover bid by Ochre Industries Pty Limited (ACN 162 416 408) (**Ochre**) for all the ordinary shares in Gondwana (**Target's Statement**).

A copy of the Target's Statement has been given to each of the Australian Securities & Investments Commission and Ochre today.

Yours faithfully



Paul Goodsall
Director/Company Secretary

Gondwana Resources Limited

ACN 008 915 311

Target's Statement

This Target's Statement has been issued in response to the off-market takeover bid made by Ochre Industries Pty Limited (ACN 162 416 408) (**Ochre**), a wholly owned subsidiary of Ochre Group Holdings Limited (ACN 008 877 745) (**OGH**), for all of the fully paid ordinary shares in Gondwana Resources Limited (**Gondwana**), which Ochre does not already own or control, for \$0.082 per Gondwana Share.

Gondwana's directors unanimously recommend that you REJECT the Offer

STEINPREIS PAGANIN
Lawyers & Consultants



Securities
Griffiths McBurney

Legal Adviser

Corporate Adviser

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

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KEY DATES

Date of Ochre's Offer	3 July 2014
Date of this Target's Statement	18 July 2014
Close of Offer Period (unless extended or withdrawn)	5:00pm (AWST) on 4 August 2014

ENQUIRIES

Gondwana Shareholders may call Gondwana on +61 8 9364 7414 between 9:00am and 5:00pm (AWST) Monday to Friday, if they have any queries in relation to the Offer. Calls to Gondwana may be recorded.

Further information relating to the Offer can be obtained from the ASX website (ASX Code: GDA) at www.asx.com.au or from Gondwana's website at www.gondwanaresources.com.

IMPORTANT NOTICES

Nature of this document

This is a Target's Statement issued by Gondwana under Part 6.5 Division 3 of the Corporations Act in response to the off-market takeover bid made by Ochre for all of the fully paid ordinary shares in Gondwana.

ASIC lodgement

This Target's Statement is dated 18 July 2014 and was lodged with the ASIC and given to ASX on that date. Neither ASIC, nor ASX, nor any of their respective officers take any responsibility for the contents of this Target's Statement.

Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in section 10 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in this Target's Statement and defined in the Corporations Act have the same meaning and interpretation as in the Corporations Act.

No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or, particular needs. It does not contain personal advice. Your Gondwana Directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement (including in the Independent Expert's Report) may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Gondwana operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

None of Gondwana, Gondwana's officers and employees, any persons named in this Target's Statement with their consent, or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement (including in the Independent Expert's Report) reflect views held only as at the date of this Target's Statement.

Disclaimer as to information

The information on Ochre contained in this Target's Statement has been prepared by Gondwana using publicly available information. The information in this Target's Statement concerning Ochre, has not been independently verified by Gondwana. Accordingly, Gondwana does not, subject to the Corporations Act, make any

representation or warranty (express or implied) as to the accuracy or completeness of such information.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside of Australia.

Privacy

Gondwana has collected your information from its register of members for the purpose of providing you with this Target's Statement. The type of information Gondwana has collected about you includes your name, contact details and information on your shareholding or option holding (as applicable) in Gondwana. Without this information, Gondwana would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Gondwana Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to Gondwana's Related Bodies Corporate and external service providers (such as the share registry of Gondwana and print and mail service providers) and may be required to be disclosed to regulators such as ASIC and the ASX. If you would like details of information about you held by Gondwana, please contact the Company. Calls to the Company may be recorded.



18 July 2014

Dear Shareholder

REJECT OCHRE'S OFFER

On 12 May 2014, Ochre Industries Pty Limited, a wholly owned subsidiary of Ochre Group Holdings Limited, announced a conditional and unsolicited off-market takeover offer for Gondwana (**Ochre's Offer**).

Ochre's Offer is set out in its bidder's statement lodged with ASIC and released to the ASX on 19 June 2014, as supplemented by Ochre's first supplementary bidder's statement dated 2 July 2014. Ochre's Offer is a conditional offer of \$0.082 cash per Gondwana Share. The offer period commenced on 3 July 2014 and closes at 5:00pm (AWST) on 4 August 2014, unless extended or withdrawn.

Gondwana's Directors unanimously recommend you REJECT the Offer

At the current time, I strongly recommend along with each other director of Gondwana, that you REJECT the Offer. The principal reasons for your Directors' recommendation are:

1. The Offer undervalues your Gondwana Shares and does not adequately reflect Gondwana's future prospects;
2. The Independent Expert has concluded that Ochre's Offer is neither fair nor reasonable;
3. The Gondwana Directors who control approximately 19% of the Gondwana Shares on issue intend to REJECT the Offer;
4. Ochre's Offer is highly conditional and uncertain;
5. By accepting the Offer, you will not have the benefit of any subsequent higher offer from any third party or benefit from any further growth of the Company.

Further details are set out in section 2 of this Target's Statement.

Each of the Gondwana Directors intends to **REJECT** the Offer in respect of the Gondwana Shares they own or control.

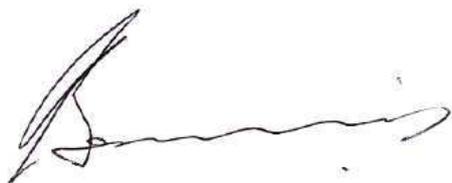
Further information

The Gondwana Directors will be closely monitoring the progress of the Offer. The Gondwana Directors will keep Gondwana Shareholders informed of any material developments in relation to the Offer through releases to the ASX (which will also be published on Gondwana's website).

This Target's Statement contains the Gondwana Directors' formal response to Ochre's Offer. I encourage you to read this document carefully. If you need any more information, I recommend that you seek independent advice or call Gondwana between 9am and 5.00pm (AWST) Monday to Friday.

To REJECT the Offer, simply do nothing and disregard all documentation and communication sent to you by Ochre.

Yours sincerely

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

**Warren Beckwith
Chairman
For and on behalf of
Gondwana Resources Limited**

1. FREQUENTLY ASKED QUESTIONS

This section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for Gondwana Shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
What is Ochre's Offer for my Gondwana Shares?	Ochre is offering \$0.082 cash for each Gondwana Share that you hold. You may accept the Offer only in respect of all, and not part, of the Gondwana Shares that you hold.
What choices do I have as a Gondwana Shareholder?	<p>As a Gondwana Shareholder, you have the following choices in respect of your Gondwana Shares:</p> <ul style="list-style-type: none">• reject the Offer by doing nothing; or• accept the Offer; or• sell your Gondwana Shares on the ASX (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance). <p>There are several implications in relation to each of the above choices. A summary of these implications is set out in section 4.11 of this Target's Statement.</p>
What are the Gondwana Directors recommending?	Each Gondwana Director recommends that you REJECT the Offer. The reasons why the Directors are recommending that you REJECT the Offer are set out in section 2 of this Target's Statement.
What do the Directors of Gondwana intend to do with any Gondwana Shares that they hold?	Each Gondwana Director has advised that they intend to REJECT the Offer in respect of any Gondwana Shares that they own or control.
What does the Independent Expert say?	The Independent Expert has concluded that the Offer is NEITHER FAIR NOR REASONABLE .
How many Gondwana Shares does Ochre already own?	As at the date immediately before the date of this Target's Statement, OGH had a Relevant Interest in 4,155,095 Gondwana Shares. OGH's voting power is 17.01% as at the date of this Target's Statement. See section 6.3 of the Bidder's Statement for further details on OGH's interest in Gondwana.
How do I REJECT the Offer?	Simply do nothing. Ignore all documents sent to you by Ochre. Do not fill in or send any documents to Ochre.
What are the consequences of accepting the Offer?	If you accept the Offer, unless withdrawal rights are available (see below), you will give up your right to sell your Gondwana Shares on the ASX or otherwise deal with your Gondwana Shares while the

Question	Answer
now?	<p>Offer remains open.</p> <p>The effect of acceptance is set out in section 11.25 of the Bidder's Statement. Gondwana Shareholders should read this section in full to understand the effect that acceptance will have on their ability to exercise rights attaching to their Gondwana Shares and the representations and warranties they give by accepting the Offer.</p>
If I accept the Offer, can I withdraw my acceptance?	<p>You only have limited rights to withdraw your acceptance of the Offer.</p> <p>See section 5.8 of this Target's Statement and section 3 of the Bidder's Statement for further details.</p>
When does the Offer close?	<p>The Offer is scheduled to close at 5:00 pm (AWST) on 4 August 2014, but the Offer Period can be extended in certain circumstances.</p> <p>Please be aware that there is no guarantee that Ochre will extend the Offer Period beyond 4 August 2014. Accordingly, your Gondwana Directors recommend that you should assume that the Offer Period will not be extended beyond this date. See section 5.5 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.</p>
What are the conditions to the Offer?	<ul style="list-style-type: none"> • The Offer is subject to a number of Offer Conditions. • The key outstanding Offer Conditions, as at the date of this Target's Statement, are summarised in section 5.2 of this Target's Statement, and set out in full in Annexure A. • Unless all of the Offer Conditions are freed or fulfilled, the Offer will not proceed.
What happens if the Offer Conditions are not satisfied or waived?	<p>If the Offer Conditions are not fulfilled or freed (that is, if any of the Offer Conditions are not satisfied or waived) before the Offer closes, the Offer will lapse. You would then be free to deal with your Gondwana Shares even if you had accepted the Offer.</p>
Can Ochre withdraw the Offer?	<p>Ochre may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Ochre may withdraw the Offer with the written consent of ASIC and subject to conditions (if any) specified in such consent.</p>
When will I be sent my consideration if I accept the Offer?	<p>In the usual case, you will be issued your consideration on or before the earlier of:</p> <ul style="list-style-type: none"> • the day that is one month after the date of your acceptance or, if at the time of your acceptance the Offer is subject to an Offer Condition, one month after the Offer becomes, or is declared, unconditional; and • the day that is 21 days after the end of the Offer Period. <p>Full details of when you will be issued consideration are set out in sections 11.10 and 11.11 of the Bidder's Statement.</p> <p>See section 5.9 of this Target's Statement for further details on when you will be sent your consideration.</p>

Question	Answer
What are the tax implications of accepting the Offer?	<p>A general outline of the tax implications of accepting the Offer is set out in section 9 of the Bidder's Statement as supplemented by section 8 of this Target's Statement.</p> <p>As the outline is a general outline only, Gondwana Shareholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.</p>
Can I participate in the Offer in respect of my Gondwana Options?	<p>No. The Offer does not extend to Gondwana Options. However, the Offer extends to any Gondwana Shares that are issued after the Record Date and during the Offer Period as a result of the exercise of Gondwana Options.</p>
Is there a number that I can call if I have further queries in relation to the Offer?	<p>If you have any further queries in relation to the Offer, you can call the Company on + 618 9364 7414. Calls to this number may be recorded.</p>

2. WHY YOU SHOULD REJECT THE OFFER

In summary, the key reasons why the Gondwana Directors recommend Gondwana Shareholders **REJECT** the Offer are:

1. **Ochre's Offer undervalues your Gondwana Shares and does not adequately reflect Gondwana's future prospects**
 2. **The Independent Expert has concluded that Ochre's Offer is neither fair nor reasonable**
 3. **The Gondwana Directors who control approximately 19% of the Gondwana Shares on issue intend to REJECT Ochre's Offer**
 4. **Ochre's Offer is highly conditional and uncertain**
 5. **By accepting Ochre's Offer, you will not have the benefit of any subsequent higher offer from any third party or benefit from any further growth of the Company**
-

2.1 Introduction

The consideration being offered by Ochre under the Offer is \$0.082 cash for each Gondwana Share. The Offer is subject to a number of conditions. Those conditions are summarised in section 5.2 of this Target's Statement.

Gondwana's Board has carefully considered the Offer and unanimously recommends that Gondwana Shareholders take no action and therefore **REJECT** the Offer. All Gondwana Directors who own Gondwana Shares intend to reject the Offer in respect of the Gondwana Shares that they own or control. The Gondwana Directors' reasons for their recommendation are set out below.

2.2 **The Offer undervalues your Gondwana Shares and does not adequately reflect Gondwana's future prospects**

Your Directors are unanimous in their view that the Offer does not reflect the value or quality of Gondwana's assets, that it is opportunistic in its timing and that Gondwana Shareholders will receive greater value by remaining a shareholder of the Company.

The Offer is below the Independent Expert's valuation range

The Independent Expert's conclusion is that the Offer is neither fair nor reasonable. The Independent Expert's valuation range of \$0.1018 to \$0.1259 per Gondwana Share, with a preferred value of \$0.1136, supports the Gondwana Directors' view that Ochre's Offer is inadequate and undervalues your Gondwana Shares.

Gondwana is an attractive investment proposition

Gondwana has a number of attractive and strategically significant assets, including:

- the \$1.13/tonne royalty on the production and sale of iron ore and the 1.5% royalty of the gross proceeds of the sale of other minerals which the Company holds over the Corunna Downs Iron Ore Project that the Company sold to Atlas Iron Ltd (**Atlas**) in 2013. In particular, in light of Atlas's recent announcements (dated 9 May 2014¹) in respect of a Mineral Resource and significant exploration targets at Corunna Downs, the Board believes that the potential for a substantial mining project and a significant annual royalty stream from Corunna Downs appears relatively high, although no estimates of the amount or timing of such potential royalties can be made at this time;
- the Company's Parker Range Gold Project: the Company intends to further explore and evaluate the potential of this project which includes the Centenary and Buffalo deposits, resume the feasibility study for this project during 2014, submit further mining proposals and/or enter into an arrangement with a third party for the early development of the project;
- the carried interest and royalty on the potential production of minerals the Company holds over the Gobbo's Copper/Nickel Project farmed out to Platypus Resources Ltd;
- the Spring Hill Gold reserve: the Spring Hill reserve is not currently included in the Parker Range feasibility study, and may provide further mining reserves as potential upside to this project;
- the Toomey Hills, Dulcie and Eastern Group exploration tenements: the Parker Range project includes a further 300km² of prospective exploration tenements, which the Company intends to further explore and/or enter into an arrangement with a third party to farm out these tenements;
- the Red Rock Bore uranium project, with potential for a large low-grade uranium resource. The Company intends to submit applications for an exploration programme to test this project; and
- the Mick Well / Ted Well rare-earths project: the project has potential for pegmatite vein-hosted REE mineralisation and the Company intends to conduct initial surface sampling.

Ochre's Offer undervalues your Gondwana Shares

Your Directors do not consider that the Offer adequately reflects the value of your Gondwana Shares and Gondwana's future prospects. Accepting the Offer (or otherwise selling your Gondwana Shares on market) will deprive you of any exposure to potential value appreciation associated with Gondwana's portfolio of projects or with Gondwana in general.

¹ Refer to announcements made by Atlas Iron Limited (ASX: AGO) on 9 May 2014.

Your Directors consider that each of the Gondwana Shares currently on issue are worth substantially more than the \$0.082 per Gondwana Share offered for the following reasons:

- The Independent Expert has determined that Ochre's offer is not fair and not reasonable based on their valuation of Gondwana's assets;
- The Independent Expert is not able to ascribe any value to the Corunna Downs royalty until it is based on a published reserve;
- On this basis, not only does the Ochre offer undervalue Gondwana's assets, it does not ascribe any value to the potential Corunna Downs royalty.

Over the past 12 to 18 months, Gondwana has completed a number of developments to enhance the understanding and value of the Company's project portfolio, including:

- Completion of the Pre-Feasibility level mining studies and submission of mining proposals to the Department of Mines and Petroleum for the Parker Range Gold Project;
- Completed the sale of the Corunna Downs tenements to Atlas Iron Ltd with a potential royalty on the production of iron ore and other minerals;
- Farmed-out the Gobbo's Copper/Nickel Project to Platypus Resources Ltd, reducing exploration expenditure commitments while retaining exposure to potential mineral discoveries;
- The discovery of the REE potential of Mick Well / Ted Well; and
- The sale of Panorama (E45/4110) tenement to Atlas.

Your Directors also believe that the Offer is opportunistic and has been made at a time of share price weakness being experienced by the mineral exploration sector as a whole and when the gold price has undergone a decline and there is general market pessimism in relation to the junior resources and gold sector in Australia, which is reflected in Gondwana's share price.

As the Offer is a cash offer, if you accept the Offer you will no longer retain any exposure to potential value appreciation associated with Gondwana's growth strategy or with Gondwana in general.

Gondwana has excellent future prospects

Gondwana has a number of attractive and strategically significant features underpinning its future prospects. Your Directors believe that the Company has a well-developed strategy to create value for its shareholders. In particular, your Directors believe that you should consider the following developments which are scheduled to occur throughout the next several months:

- The Gondwana Directors are presently considering a recommencement of mining studies on the Parker Range Gold Project with a view to a joint venture or other arrangement that may potentially lead to an early start to production;
- Active discussions are also in progress with potential partners or buyers for the Company's exploration tenements at Parker Range that do not form part of

the gold project, as well as another exploration tenement in the East Pilbara. This will permit a more active investigation of new, potential “company-maker” projects, as well as allowing the Company to focus its exploration efforts on a smaller number of core mineral prospects in gold, uranium and rare earths. A joint venture of Gondwana’s Parker Range Gold Project may also be pursued;

- the Company intends to realise investment opportunities in connection with a convertible loan agreement it entered into with Amazon Resources Limited (**ARL**), a potash explorer with projects in Brazil. This investment was made with a view to acquiring a significant stake in this world-class exploration opportunity. To date, ARL has been unsuccessful in raising sufficient capital to achieve its dual aims of drilling its potash prospects and ASX listing, and all avenues will continue to be investigated by the Company; and
- the Company intends to apply additional resources to its Western Australian exploration programmes, particularly the Red Rock Bore uranium prospect and the newly-identified rare earths prospect in the Gascoyne region. While the gold price has declined, uranium prices are showing signs of recovery. In this light, and subject to funding, the Company is in particular planning to increase exploration activity on its prospective Gascoyne uranium tenements. This includes a first-pass field program at the rare earths prospect at Mick Well/Ted Well. If fully subscribed, the Entitlements Offer (referred to in section 2.4 below) will provide capital to assist in funding exploration and development projects in the Parker Range, Gascoyne and Pilbara regions in Western Australia and evaluating potential new projects (in addition to reducing short term debt and providing general working capital to the Company).

Although completion of these developments is subject to risk, markets and uncertainties and cannot be guaranteed, your Directors believe that the potential rewards substantially outweigh the potential risks.

2.3 The Independent Expert has concluded that Ochre’s Offer is neither fair nor reasonable

The Independent Expert has concluded that Gondwana is worth significantly more than Ochre’s Offer.

Your Board commissioned BDO Corporate Finance (WA) Pty Ltd as independent expert to undertake an independent assessment of Ochre’s Offer. The Independent Expert’s Report accompanies this Target’s Statement.

The Independent Expert has concluded that Ochre’s Offer is **NEITHER FAIR NOR REASONABLE** and that the Offer Price of \$0.082 per Gondwana Share is significantly lower than its assessed valuation range for Gondwana Shares.

The Independent Expert has assessed that the value of a Gondwana Share ranges from \$0.1018 to \$0.1259, with a preferred value of \$0.1136.

Gondwana’s Directors recommend that you read the Independent Expert’s Report in full.

2.4 The Gondwana Directors who control approximately 19% of the Gondwana Shares on issue intend to REJECT the Offer

The Directors of Gondwana who control approximately 19% of the Gondwana Shares on issue intend to **REJECT** the Offer in respect of the Gondwana Shares held by them or on their own behalf.

Your Directors are unanimous in their view that the Offer does not reflect the value or quality of Gondwana's assets, is opportunistic in its timing and that Gondwana Shareholders will receive greater value by remaining a shareholder of the Company.

2.5 Ochre's Offer is highly conditional and uncertain

Ochre's Offer is highly conditional and uncertain. The Offer is subject to 13 different conditions.

Even if you accept Ochre's Offer, it may not be successful. You will only be paid if each of the conditions to the Offer is satisfied or waived. The Board believes that there is a material risk that certain conditions to the Offer may not be satisfied or waived.

In particular, the Prescribed Occurrences Condition, which provides, among other things, that Gondwana must not issue Gondwana Shares or agree to make such an issue, is unlikely to be satisfied.

On 17 July 2014, Gondwana announced that it would proceed with an entitlements offer to Gondwana Shareholders of 1 Gondwana Share for every Gondwana Share held (**Entitlements Offer**). The Entitlements Offer is scheduled to close on 15 August 2014. Should Gondwana receive acceptances under the Entitlements Offer prior to the end of the Offer Period, this will trigger the Prescribed Occurrences Condition.

On 11 July 2014, Gondwana released a notice of annual general meeting (**AGM Notice**). Under Resolution 5 of the AGM Notice, Gondwana seeks the approval for the issue of 15,000,000 Gondwana Shares and 15,000,000 Gondwana Options.

The Bidder's Statement provides that the Prescribed Occurrences Condition will be triggered if Gondwana Shares are issued or agreed to be issued in terms of Resolution 5 or Resolution 6 (which seeks approval for the adoption of an employee share plan) to be put to Gondwana Shareholders for approval at Gondwana's annual general meeting. Gondwana may issue Gondwana Shares pursuant to Resolution 5, should that resolution be approved, in order to raise additional capital for the Company. The above would trigger the Prescribed Occurrences Condition. However, the Company does not intend to issue or agree to issue any Gondwana Shares pursuant to its employee share plan during the Offer Period.

Gondwana also notes that on 30 June 2014 the Company announced that it had entered into an agreement with Atlas Operations Pty Ltd, a subsidiary of Atlas Iron Limited (ASX:AGO), to sell the whole of the Company's 90% interest in exploration licence E45/4110, referred to as the Panorama Prospect, for \$200,000. The sale of the Panorama Prospect completed on 1 July 2014. This has triggered the condition set out in section 1.28(d) of Annexure A of this Target's Statement. In its First Supplementary Bidder's Statement dated 2 July 2014, Ochre has stated that it reserves the right to rely on or waive the condition set out in section 1.28(d) of Annexure A of this Target's Statement as it sees fit.

2.6 By accepting the Offer, you will not have the benefit of any subsequent higher offer from any third party or benefit from any further growth of the Company

If you accept the Offer you will lose any opportunity to obtain a higher price for your Gondwana Shares that may arise if:

- (i) any superior offer is made by another bidder for your Gondwana Shares; or
- (ii) a higher price is available in due course on market.

By accepting the Offer, you will not benefit from any further growth of the Company.

If you accept the Offer, you will not be able to accept a higher offer from a third party unless the Offer lapses or you have a right to withdraw your acceptance.

There have been no discussions or approaches made to Gondwana at this time and the Board is not aware of a superior proposal to the Offer and is not in a position to provide Gondwana Shareholders with information in relation to the probability of an alternative transaction arising, but will keep Gondwana Shareholders informed of any material developments.

The Offer is currently scheduled to close at pm 5.00pm (AWST time) on 4 August 2014.

3. DIRECTORS' RECOMMENDATIONS AND INTENTIONS

3.1 Directors' recommendations

After taking into account each of the matters in this Target's Statement and in the Bidder's Statement, each of the Gondwana Directors recommends that you **REJECT** the Offer.

The Gondwana Directors' reasons for their above recommendation are set out in section 2 of this Target's statement.

In considering whether to accept the Offer, the Gondwana Directors encourage you to:

- (a) read the whole of this Target's Statement and the Bidder's Statement;
- (b) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- (c) consider the choices available to you as outlined in section 4.11 of this Target's Statement;
- (d) carefully consider section 4.13 of this Target's Statement; and
- (e) obtain financial advice from your broker or financial adviser on the Offer and obtain taxation advice on the effect of accepting the Offer.

3.2 Intentions of the Gondwana Directors in relation to the Offer

Each Gondwana Director who owns Gondwana Shares has advised that they intend to, **REJECT** the Offer in respect of any Gondwana Shares that they own or control.

Details of the previously announced direct and indirect holdings of each Gondwana Director in Gondwana Shares are set out in section 7.1 of this Target's Statement.

4. IMPORTANT MATTERS FOR GONDWANA SHAREHOLDERS TO CONSIDER

4.1 The Offer

Ochre announced its intention to make the Takeover Bid for Gondwana on 12 May 2014. A summary of the Offer is contained in section 5 of this Target's Statement.

The Offer is open for acceptance until **5:00 pm (AWST) on 4 August 2014**, unless it is extended or withdrawn (sections 5.5 and 5.6 of this Target's Statement describe the circumstances in which Ochre can extend or withdraw its Offer).

4.2 Information about Ochre

Ochre was incorporated in New South Wales in 2013. Ochre is a wholly owned subsidiary of Ochre Group Holdings Limited (ACN 008 877 745) (**OGH**).

OGH was incorporated in Western Australia in 1978. OGH was listed on the ASX on 17 January 1991 as Rico Resources Limited and changed its name to Ochre Group Holdings Limited on 6 December 2012.

OGH wholly owns five subsidiary companies including Ochre. The four other subsidiaries held by OGH are Joffrey Pty Ltd, Ochre Capital Management Pty Ltd, Ochre Petroleum Pty Ltd and Winterfell Nominees Pty Ltd

The directors of Ochre are:

- (a) Mr Nathan Featherby (director); and
- (b) Mr Vazrick Hovanesian (director and company secretary).

Section 4.4 of the Bidder's Statement contains further information regarding the directors of Ochre.

The directors of OGH are:

- (a) Mr Nathan Featherby (executive chairman);
- (b) Mr McAndrew Rudisill (non-executive director);
- (c) Mr Shane Pentony (non-executive director);
- (d) Mr Mark Reilly (non-executive director); and
- (e) Mr Glenn Featherby (non-executive director).

Section 4.4 of the Bidder's Statement contains further information regarding the directors of OGH.

Section 4 of the Bidder's Statement contains further information regarding OGH.

4.3 Value of the Offer

For further information on the value of the Offer, see section 2 of this Target's Statement and the Independent Expert's Report attached as Annexure B of this Target's Statement. Gondwana's Directors recommend that you read the Independent Expert's Report in full.

4.4 Sources of consideration

Information relating to the sources of consideration for the Offer is set out in section 7 of the Bidder's Statement.

4.5 Minority ownership consequences

Ochre's Offer is presently subject to the Minimum Acceptance Condition.

If the Minimum Acceptance Condition is not fulfilled, Ochre has the right to free its Offer from the Minimum Acceptance Condition and could acquire a position of significant influence over Gondwana.

If Ochre acquires more than 50% but less than 90% of the Gondwana Shares on issue, Ochre will acquire a majority shareholding in Gondwana.

Depending upon the number of Gondwana Shareholders that accept the Offer, this may have a number of implications for Gondwana Shareholders who do not accept the Offer, including:

- (a) Ochre may be in a position to significantly influence the composition of Gondwana's Board and senior management, determine Gondwana's dividend policy and control the strategic direction of the businesses of Gondwana and its subsidiaries;
- (b) the liquidity of Gondwana Shares may be lower than at present;
- (c) there may be limited institutional support for Gondwana Shares;
- (d) if the number of Gondwana Shareholders is less than that required by the ASX Listing Rules to maintain an ASX listing, then the ASX may suspend and/or de-list Gondwana. If this occurs, any remaining Gondwana Shareholders will not be able to sell their Gondwana Shares on market; and
- (e) if the number of Gondwana Shareholders is less than that required by the ASX Listing Rules to maintain an ASX listing, then Ochre may seek to have Gondwana removed from the official list of the ASX. If this occurs, Gondwana Shares will not be able to be bought or sold on the ASX.

4.6 Risks of accepting the Offer

(a) Possibility of a superior proposal emerging

You may consider that a third party may emerge with a superior proposal. If you accept the Offer, you will not be able to accept your Gondwana Shares into any superior proposal such that you will not be able to obtain any potential benefit associated with that superior proposal (if any). Your Directors are not currently aware of any superior proposal.

(b) No interest in equity upside

If you accept the Offer, you will lose your interest and exposure in the future profits and dividends (if any) associated with Gondwana and its projects.

4.7 Gondwana Share price absent the Offer

While there are many factors that influence the market price of Gondwana Shares, your directors anticipate that, following the close of the Offer, the market price of Gondwana Shares may fall if Ochre's Offer fails (and there is no alternative to the Offer), if Ochre acquires more than 50% (but less than 90%) of the Gondwana Shares or if the takeover is otherwise unsuccessful.

4.8 Dividend issues for Gondwana's Shareholders

Gondwana's Board has not made any determination as to a dividend policy for Gondwana.

4.9 Other alternatives to the Offer

The Gondwana Board is not aware of any alternatives to the Offer in order to maximise value for Gondwana Shareholders. This includes the potential for rival takeover bids for Gondwana.

At this stage, the Gondwana Board is not in a position to provide Gondwana Shareholders with information in relation to the probability of an alternative transaction arising but will keep Gondwana Shareholders informed of any material developments.

On 11 July 2014, Gondwana issued a Notice of Annual General Meeting (**AGM**) seeking shareholder approval at its annual general meeting to issue up to 15,000,000 Gondwana Shares, together with 15,000,000 free attaching further placement options during the three months after 11 August 2014 (**Securities Placement**) to raise further capital. In addition, Gondwana has announced an entitlements offer of one Gondwana Share for every Gondwana Share held (**Entitlements Offer**) and an offer of Gondwana Options to those Gondwana Shareholders who participated in the Prior Placement (**Prior Options Offer**) (together these offers and the Securities Placement are the **Notice Placements**). Gondwana is also seeking shareholder approval under Resolution 6 of its annual general meeting for the adoption of an employee share plan. If Gondwana completes the Securities Placement or the Entitlements Offer or issues Gondwana Shares under the employee share plan during the Offer Period, this will result in the Prescribed Occurrences Condition being breached, and the Takeover Bid will not be able to proceed unless Ochre waives or decides not to rely on a breach of this condition. Gondwana notes however that it does not intend to issue or agree to issue any Gondwana Shares pursuant to its employee share plan during the Offer Period.

The Board believes that Gondwana Shareholders should consider the value of subscribing for Gondwana Shares pursuant to the Entitlements Offer at an attractive price (\$0.032 per Gondwana Share) and retaining their shareholding for the potentially substantial medium and long term value that may be realised from the execution of Gondwana's strategic plans and Gondwana's assets, and whether this investment strategy may be of greater benefit to Gondwana Shareholders than allowing Ochre to take control of the Company. The Board believes that Gondwana Shareholders should be given the opportunity to decide what strategy is best for them.

4.10 Taxation consequences of a change in control in Gondwana

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offer is set out

in section 9 of the Bidder's Statement as supplemented by section 8 of this Target's Statement.

You should carefully read and consider the taxation consequences of accepting the Offer. The outline provided in the Bidder's Statement and this Target's Statement is of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

4.11 Your choices as a Gondwana Shareholder

Your Gondwana Directors unanimously recommend that you REJECT the Offer.

However, as a Gondwana Shareholder you have the following choices currently available to you:

(a) Reject the Offer

Gondwana Shareholders who wish to reject the Offer should do nothing.

Gondwana Shareholders should note that if Ochre and its Associates have a Relevant Interest in at least 90% of the Gondwana Shares during or at the end of the Offer Period, Ochre will be entitled to compulsorily acquire the Gondwana Shares that it does not already own (see section 5.12 of this Target's Statement for further details).

If Ochre acquires more than 50% but less than 90% of the Gondwana Shares then, assuming all other Offer Conditions are fulfilled or freed, Ochre will acquire a majority shareholding in Gondwana. In these circumstances, shareholders who do not accept the Offer will become minority shareholders in Gondwana. The potential implications of becoming a minority shareholder in Gondwana are discussed in section 4.5 of this Target's Statement.

(b) Accept the Offer

Gondwana Shareholders may elect to accept the Offer. Details of the consideration that will be received by Gondwana Shareholders who accept the Offer are set out in section 5.1 of this Target's Statement and in the Bidder's Statement.

You should be aware that if you choose to accept the Offer:

- (i) you will not be able to accept a superior proposal from any other bidder if such an offer is made, or benefit from any higher price in the market;
- (ii) you will lose the opportunity to receive future benefits as a Gondwana Shareholder; and
- (iii) you may incur a tax liability as a result of the sale.

The Bidder's Statement contains details of how to accept the Offer in section 11 of the Bidder's Statement.

(c) Sell your Gondwana Shares on market

During a takeover, shareholders of a target company who have not already accepted the bidder's offer may still sell these shares on market for cash.

On 17 July 2014, the day prior to the date on which this Target's Statement was lodged with ASIC, Gondwana's share price was \$0.055 being a \$0.027 discount to the Offer Price. The latest price for Gondwana's Shares may be obtained from the ASX website: <http://www.asx.com.au/>.

You should be aware that if you choose to sell your Gondwana Shares during the currency of the Offer (that is, other than by way of accepting the Offer):

- (i) you will not be able to accept a superior proposal from any bidder if such an offer is made, or benefit from any higher price in the market;
- (ii) you will lose the opportunity to receive future benefits as a Gondwana Shareholder;
- (iii) you may incur a tax liability as a result of the sale; and
- (iv) you may incur a brokerage charge.

4.12 Gondwana Optionholders

If you are a Gondwana Optionholder, the Offer does not apply to your Gondwana Options. However, the Offer extends to any Gondwana Shares that are issued after the Record Date and during the Offer Period as a result of the exercise of Gondwana Options.

4.13 Risk factors

In considering this Target's Statement, Gondwana Shareholders should be aware that there are a number of risks, general and specific, which may affect the future operating and financial performance of Gondwana and the value of Gondwana Shares. Many of these risks are relevant to Gondwana Shareholders today and will be relevant to Gondwana Shareholders who remain as Gondwana Shareholders following the completion of the Offer.

Many of these risks are outside the control of Gondwana and the Gondwana Board. There can be no certainty that Gondwana will achieve its stated objectives or that any forward looking statements will eventuate.

Additional risks and uncertainties not currently known to Gondwana may have a material adverse effect on Gondwana's business and the information set out below does not purport to be, nor should it be construed as representing, an exhaustive list of the risks that may affect Gondwana.

Gondwana Shareholders should read this Target's Statement in its entirety and carefully consider the following risk factors in deciding whether to accept the Offer.

(a) Going Concern Risk

The Company's 2013 Annual Report contains a 'going concern' qualification. The Company is reliant upon raising additional funds to enable it to continue with its operations, including its ongoing exploration programs and commitments. Because of this, there is material uncertainty which may cast 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 its 2013 Annual Financial Report.

Notwithstanding the 'going concern' qualification included in the Company's 2013 Annual Report, the Directors believe that upon the successful completion of the Entitlements Offer, the Company will have sufficient funds to adequately meet the Company's short term exploration commitments and working capital requirements. However, it is highly likely that further funding will be required to meet the medium term working operating costs of the Company.

In the event that the Entitlements Offer is not completed successfully, there is significant uncertainty as to whether the Company can continue as a going concern, which is likely to have a material adverse effect on the Company's activities.

(b) Additional Requirements for Capital

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

(c) Risk associated with Ochre

(i) Risk of fundraising by the Company being frustrated or delayed

Ochre's recent application to the Takeovers Panel and objections to the Company's Notice of Annual General Meeting had the effect of frustrating and delaying attempts at fund raising by the Company.

The Board believes that Ochre's actions appear to be part of a broader strategy by Ochre to seek to limit the Company's ability to raise funds to carry on its business, which in turn will make Ochre's Offer more attractive.

Any subsequent actions which have the effect of further frustrating or delaying fundraising attempts by the Company may have a material adverse effect on the Company's financial position and operations.

(ii) Risk of Ochre achieving Board Control at the EGM

On 12 June 2014, the Company received a notice from Ochre requisitioning a general meeting of Shareholders to remove all of the Company's directors and appoint nominees of Ochre as directors. This meeting (**EGM**) will be held on 11 August 2014, immediately after the Company's AGM is held. It is highly unusual for a bidder with a takeover offer current to attempt to cause a board spill.

If Ochre is successful in removing the current directors and appointing its own nominees, there is a risk that Ochre will not proceed with the Ochre Offer as it will have already gained board control of the Company and will also be entitled to withdraw the Ochre Offer as a defeating condition of the Ochre Offer has been breached. Refer to section 5.2 for further details.

(iii) **Uncertainty Risk**

Neither Ochre, nor its proposed nominees, has provided any statement as to its strategic or operational objectives for the future of the Company, other than stating that Ochre will undertake a review of the operations, tenements and other assets of the Company should Ochre acquire control of the Company pursuant to the Ochre Offer and as otherwise set out in the Bidder's Statement.

As Ochre has provided no clear plans for the Company other than this general statement of intentions, uncertainty about Ochre's motives and intentions will prevail if Ochre gains control of the Company. This may have an adverse effect on the Company.

(d) **Contractual Risk**

Gondwana is a party to a farm-in agreement with Platypus Minerals Limited (**Platypus**) in respect of Gondwana's 90% interest in the Gobbos Copper Prospect and the Cyclops Nickel Prospect located in the East Pilbara of Western Australia. Gondwana is reliant on Platypus complying with the terms and conditions of the farm-in agreement and the conditions attaching to the tenements (as applicable). Should Platypus fail to comply with the terms of the farm-in agreement, Gondwana's interest in the prospects may be adversely affected. If a party defaults in the performance of its obligations it may be necessary for Gondwana to approach a court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms.

(e) **Exploration Success**

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

The exploration costs of Gondwana are based on certain assumptions with respect to the method and timing of exploration. By their nature,

these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that these cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect Gondwana's viability.

(f) **Operating Risks**

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

Specifically, the Gondwana Board acknowledges that Gondwana does not presently have the financial capacity to sole fund the start-up mining costs at its Parker Range Gold Project and a joint venture with a mining contractor or similar arrangement is being considered to minimise the risk and the capital required by Gondwana. No assurances can be given that Gondwana will conclude that the Parker Range Gold Project is commercially feasible or be able to make satisfactory arrangements to develop the Parker Range Gold Project on commercially acceptable terms.

In respect of Gondwana's other exploration tenement interests, no assurances can be given that Gondwana will achieve commercial viability through the successful exploration and/or mining of its tenement interests.

Until Gondwana is able to realise value from its projects, it is likely to incur ongoing operating losses.

(g) **Resource and Reserve Estimates**

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

(h) **Commodity Price Volatility and Exchange Rate Risks**

If Gondwana achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of Gondwana to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of Gondwana. Such factors include supply

and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

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

(i) **Environmental Risks**

The operations and proposed activities of Gondwana are subject to State and Federal laws and regulation concerning the environment. As with most exploration projects and mining operations, Gondwana's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is Gondwana's practice to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

(j) **Title Risks and Native Title**

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

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

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

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

(k) **Economic**

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

(l) **Market conditions**

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

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

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

(m) **Regulation**

Government legislation and policy, both within Australia and internationally, including changes to the taxation system may have an adverse effect on Gondwana's activities.

(n) **Dividends**

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

(o) **Taxation**

The disposal of Gondwana Shares will have tax consequences which may differ depending on the individual financial affairs of each Gondwana Shareholder. All Gondwana Shareholders are urged to obtain independent financial advice about the consequences of accepting the Offer from a taxation viewpoint and generally.

(p) **Reliance on Key Personnel**

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

5. KEY FEATURES OF THE OFFER

5.1 Consideration payable to Gondwana Shareholders who accept the Offer

The consideration being offered by Ochre under the Offer is \$0.082 cash for each Gondwana Share that Ochre does not already own.

5.2 Offer Conditions

Ochre's Offer is subject to a number of Offer Conditions. The Offer Conditions are set out in full in section 11 of the Bidder's Statement and Annexure A of this Target's Statement.

In summary, the outstanding Offer Conditions to the Offer, as at the date of this Target's Statement, are:

- (a) Ochre acquiring a Relevant Interest in excess of 50% of the Gondwana Shares then on issue. The Offer is for 100% of the shares in Gondwana at the Record Date;
- (b) all regulatory approvals required by law or a regulatory authority in respect of the Offer are obtained;
- (c) no event occurs during the Offer Period that is likely to have a Material Adverse Effect on the assets, liabilities, financial condition or prospects of Gondwana;
- (d) neither Gondwana nor its subsidiaries makes any material acquisitions, disposals or commitments during the Offer Period;
- (e) no 'Prescribed Occurrence' occurs during the Offer Period;
- (f) neither Gondwana nor its subsidiaries commits any Restricted Act;
- (g) Ochre not becoming aware of any untrue statements by Gondwana filed with ASX during the Offer Period;
- (h) no regulatory action occurs in respect of Gondwana during the Offer Period;
- (i) no right or entitlement to terminate or alter any Mining Interest or royalty contract arises during the Offer Period;
- (j) Ochre being provided with equal access to information provided to any other person in respect of a Competing Proposal;
- (k) neither Gondwana nor its subsidiaries agreeing to pay or provide a break fee to any person in respect of a Competing Proposal;
- (l) neither Gondwana nor its subsidiaries entering into, disclosing or becoming subject to an arrangement to dispose of or encumber a Mining Interest during the Offer Period; and
- (m) no regulatory authority refusing or materially varying any renewal of a Mining Interest or mining contract.

On 11 July 2014, Gondwana issued a Notice of Annual General Meeting (**AGM**) seeking shareholder approval at its annual general meeting to issue up to

15,000,000 Gondwana Shares, together with 15,000,000 free attaching further placement options during the three months after 11 August 2014 (**Securities Placement**) to raise further capital. In addition, Gondwana has announced an entitlements offer of one Gondwana Share for every Gondwana Share held (**Entitlements Offer**) and an offer of Gondwana Options to those Gondwana Shareholders who participated in the Prior Placement (**Prior Options Offer**) (together these offers and the Securities Placement are the **Notice Placements**). Gondwana is also seeking shareholder approval under Resolution 6 of its annual general meeting for the adoption of an employee share plan. If Gondwana completes the Securities Placement or the Entitlements Offer or issues Gondwana Shares under the employee share plan during the Offer Period, this will result in the Prescribed Occurrences Condition being breached, and the Takeover Bid will not be able to proceed unless Ochre waives or decides not to rely on a breach of this condition. Gondwana notes however that it does not intend to issue or agree to issue any Gondwana Shares pursuant to its employee share plan during the Offer Period.

The Board believes that Gondwana Shareholders should consider the value of subscribing for Gondwana Shares pursuant to the Entitlements Offer at an attractive price (\$0.032 per Gondwana Share) and retaining their shareholding for the potentially substantial medium and long term value that may be realised from the execution of Gondwana's strategic plans and Gondwana's assets, and whether this investment strategy may be of greater benefit to Gondwana Shareholders than allowing Ochre to take control of the Company. The Board believes that Gondwana Shareholders should be given the opportunity to decide what strategy is best for them.

Gondwana notes that the Bidder's Statement provides that Ochre does not intend to rely on a breach of the Prescribed Occurrences Condition if 12,500,000 Gondwana Options are issued if Resolution 4 contained in Gondwana's notice of annual general meeting is approved. Gondwana also notes that on 30 June 2014 the Company announced that it had entered into an agreement with Atlas Operations Pty Ltd, a subsidiary of Atlas Iron Limited (ASX:AGO), to sell the whole of the Company's 90% interest in exploration licence E45/4110, referred to as the Panorama Prospect, for \$200,000. The sale of the Panorama Prospect completed on 1 July 2014. This has triggered the condition set out in section 1.28(d) of Annexure A of this Target's Statement. In its First Supplementary Bidder's Statement dated 2 July 2014, Ochre has stated that it reserves the right to rely on or waive the condition set out in section 1.28(d) of Annexure A of this Target's Statement as it sees fit.

Subject to the Corporations Act, Ochre may declare the Offer to be free from any Offer Condition or to extend the Offer at any time.

5.3 Notice of Status of Conditions

Ochre must give a Notice of Status of Conditions to the ASX and Gondwana on a date between 14 and 7 days before the end of the Offer Period (subject to variation in accordance with section 630(2) of the Corporations Act if the Offer Period is extended), and Ochre has nominated 25 July 2014 as the date on which it will give such a notice.

Ochre is required to set out in its Notice of Status of Conditions:

- (a) whether the Offer is free of any or all of the Offer Conditions;
- (b) whether, so far as Ochre knows, any of the Offer Conditions have been fulfilled; and

- (c) Ochre's voting power in Gondwana.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Ochre is required, as soon as practicable after the extension, to give a notice to the ASX and Gondwana that states the new date for the giving of the Notice of Status of Conditions.

If an Offer Condition is fulfilled (so that the Offer becomes free of that condition) during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, Ochre must, as soon as practicable, give the ASX and Gondwana a notice that states that the particular condition has been fulfilled.

5.4 Offer Period

Unless Ochre's Offer is extended or withdrawn, it is open for acceptance until 5:00 pm (AWST) on 4 August 2014.

The circumstances in which Ochre may extend or withdraw its Offer are set out in section 5.5 and section 5.6 respectively of this Target's Statement.

5.5 Extension of the Offer Period

Ochre may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in section 5.3 of this Target's Statement) while the Offer is subject to conditions. However, if the Offer is unconditional (that is, all the Offer Conditions are fulfilled or freed), Ochre may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- (a) Ochre improves the consideration offered under the Offer; or
- (b) Ochre's voting power in Gondwana increases to more than 50%.

If either of these two events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

5.6 Withdrawal of Offer

Ochre may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Ochre may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

5.7 Effect of acceptance

The effect of acceptance of the Offer is set out in section 11.25 of the Bidder's Statement. Gondwana Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the rights attaching to their Gondwana Shares and the representations and warranties which they give by accepting of the Offer.

5.8 Your ability to withdraw your acceptance

You only have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if Ochre varies the Offer in a way that postpones, for more than one month, the time when Ochre needs to meet its obligations under the Offer. This will occur if Ochre extends the Offer Period by more than one month and the Offer is still subject to conditions.

5.9 When you will receive your consideration if you accept the Offer

In the usual case, you will be issued your consideration on or before the later of:

- (a) one month after the date the Offer becomes, or is declared, unconditional; and
- (b) one month after the date you accept the Offer if the Offer is, at the time of acceptance, unconditional,

but, in any event (assuming the Offer becomes, or is declared, unconditional), no later than 21 days after the end of the Offer Period.

However, there are certain exceptions to the above timetable for the issuing of consideration. Full details of when you will be issued your consideration are set out in sections 11.10 and 11.11 of the Bidder's Statement.

5.10 Effect of an improvement in consideration on Gondwana's Shareholders who have already accepted the Offer

If Ochre improves the consideration offered under the Offer, all Gondwana Shareholders, whether or not they have accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

5.11 Lapse of Offer

The Offer will lapse if the Offer Conditions are not freed or fulfilled by the end of the Offer Period, in which case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your Gondwana Shares as you see fit.

5.12 Compulsory acquisition

(a) Compulsory acquisition within one month after the end of the Offer Period

Ochre will be entitled to compulsorily acquire any Gondwana Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period:

- (i) Ochre and its Related Bodies Corporate acquire a Relevant Interest in at least 90% (by number) of the Gondwana Shares; and
- (ii) Ochre and its Related Bodies Corporate have acquired at least 75% (by number) of the Gondwana Shares that Ochre offered to acquire (excluding Gondwana Shares in which Ochre or its Related Bodies Corporate had a Relevant Interest at the date of the Offer and also excluding Gondwana Shares issued to an Associate of Ochre during the Offer Period).

If these thresholds are met and Ochre wishes to exercise its right to compulsorily acquire any outstanding Gondwana Shares, Ochre will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Gondwana Shareholders who have not accepted the Offer. Gondwana Shareholders have certain rights under the Corporations Act to challenge a compulsory acquisition pursuant to the procedure outlined in the Corporations Act, but a successful challenge will require the relevant Gondwana Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their Gondwana Shares. If compulsory acquisition occurs, Gondwana Shareholders who have their Gondwana Shares compulsorily acquired are likely to be sent their consideration approximately five to six weeks after the compulsory acquisition notices are dispatched to them.

The Directors of Gondwana who control approximately 19% of the Gondwana Shares on issue intend to REJECT the Offer in respect of the Gondwana Shares held by them or on their own behalf. Accordingly, Ochre will not meet the above thresholds to compulsorily acquire any outstanding Gondwana Shares within one month after the end of the Offer Period.

(b) Alternative compulsory acquisition regime

It is also possible that Ochre will, at some time during or after the end of the Offer Period, either alone or with a Related Body Corporate, hold full beneficial interests in at least 90% (by number) of all the Gondwana Shares. Ochre would then have rights to compulsorily acquire all of the Gondwana Shares that it does not own within six months of becoming the holder of 90% (by number) of all the Gondwana Shares. The price which Ochre would have to pay to compulsorily acquire all of the remaining Gondwana Shares under this alternative compulsory acquisition regime would have to be considered in a report of an independent expert.

Gondwana Shareholders would have certain rights under the Corporations Act to challenge a compulsory acquisition pursuant to the procedures outlined in the Corporations Act, but a challenge would require people who hold at least 10% of the Gondwana Shares that are proposed to be the subject of the compulsory acquisition to object to the compulsory acquisition. If people holding such number of Gondwana Shares object to the compulsory acquisition, and Ochre still wishes to proceed with the compulsory acquisition, Ochre would be required to establish to the satisfaction of a court that the terms of the compulsory acquisition represent 'fair value' for the Gondwana Shares. In the absence of a challenge by people holding the requisite number of Gondwana Shares, Gondwana Shareholders who have their Gondwana Shares compulsorily acquired under this procedure are likely to be sent their consideration approximately five to six weeks after the compulsory acquisition notices are dispatched to them.

6. INFORMATION REGARDING GONDWANA

6.1 Background information on Gondwana

Gondwana was incorporated on 10 April 1980 in Western Australia and listed on ASX on 2 April 1987. It is a mineral exploration company that specialises in exploration for gold and other minerals.

The Parker Range project has been operating south of Marvel Loch in Western Australia for the past 11 years. Gondwana has been conducting gold mining studies and its recent focus has been to transform three historic gold deposits into JORC Code gold resources and explore nearby historic gold prospects. At the end of 2013, Gondwana announced the temporary suspension of mining studies on the Parker Range Gold Project as a consequence of the recent fall in the gold price. The directors are now considering a recommencement of studies in preparation for any gold price recovery and/or a joint venture or other arrangement that may potentially lead to an early start to production.

While the gold price has declined, uranium prices are showing signs of recovery. In this light, and subject to funding, Gondwana is planning to increase exploration activity on its prospective Gascoyne uranium tenements. Gondwana holds a 100% interest in a number of exploration licenses in the Gascoyne/Ashburton region which have been selected for exploration for uranium and possible rare earth deposits.

Gondwana has the right to receive royalties on minerals extracted from tenements in East Pilbara that were sold to Atlas Iron Limited and from tenements in the Pilbara that are the subject of a farm-out to Platypus Resources Limited.

In order to conserve funds and prioritize projects, Gondwana is also looking to dispose of or farm out a number of other tenements in the near future. This will also permit a more active investigation of potential new projects.

6.2 Directors of Gondwana

As at the date of this Target's Statement, the directors of Gondwana are:

Name	Position
Mr Warren Beckwith	Chairman and Managing Director
Mr Paul Goodsall	Non-Executive Director
Mr Steven Pynt	Non-Executive Director
Mr Jolyon Sinclair	Non-Executive Director

6.3 Publicly available information about Gondwana

Gondwana is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Gondwana is subject to the ASX Listing Rules which require continuous disclosure of any information Gondwana has that a reasonable person would expect to have a material effect on the price or value of its securities.

Copies of ASX announcements made by Gondwana are available on the ASX's website at www.asx.com.au (ASX Code: GDA).

6.4 Financial information and related matters

Gondwana's last published audited financial statements are for the financial year ended 31 December 2013 and were dated 31 March 2014 and lodged with ASX on 31 March 2014.

Copies of these reports may be obtained from ASX's website at www.asx.com.au (ASX: GDA).

So far as the Gondwana Directors are aware:

- (a) Other than as disclosed in the Company's Prospectus lodged with ASIC on 17 July 2014, the financial position of Gondwana has not materially changed since the date of the annual report dated 31 March 2014 for the year ending 31 December 2013; and
- (b) there has not been any matter or circumstance, other than those referred to in the annual report dated 31 March 2014 and this Target's Statement that has significantly affected, or may significantly affect the operations or the financial position of Gondwana, the results of operations of Gondwana, or the state of affairs of Gondwana in future financial years.

Gondwana Shareholders should consider section 9.1 of this Target's Statement in connection with the potential effect of the Offer on Gondwana's financing arrangements and material contracts.

6.5 Forecast financial information for Gondwana

Gondwana has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information. The Gondwana Directors have concluded that, as at the date of this Target's Statement, it would be misleading to provide forecast financial information for Gondwana, as a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable law, policy and market practice.

The financial performance of Gondwana in any period will be influenced by various factors that are outside the control of the Gondwana Directors and that cannot, at this time, be predicted with a high level of confidence.

6.6 Ochre's current interests in Gondwana

As at the date of this Target's Statement, OGH has a Relevant Interest in 4,155,095 Gondwana Shares, representing 17.01% of the Gondwana Shares on issue. Ochre holds 3,305,095 Gondwana Shares and Joffrey Pty Ltd (a wholly owned subsidiary of OGH) holds 850,000 Gondwana Shares.

Subject to Gondwana Shareholder approval being obtained in respect of the Prior Options Offer at Gondwana's annual general meeting (refer to section 5.2 of this Target's Statement for further details), OGH will also be issued with 390,625 Gondwana Options exercisable at a price of \$0.05 each on or before 31 December 2015 under the Prior Options Offer.

Further details regarding Ochre's current interests in Gondwana can be found at section 6 of the Bidder's Statement.

6.7 Entitlements Offer and Securities Placement

On 17 July 2014, Gondwana announced that it would proceed with an entitlements offer to Gondwana Shareholders of 1 Gondwana Share for every Gondwana Share held (**Entitlements Offer**). The Entitlements Offer is scheduled to close on 15 August 2014. Should Gondwana receive acceptances under the Entitlements Offer prior to the end of the Offer Period, this will trigger the Prescribed Occurrences Condition of Ochre's Offer. The purpose of the Entitlements Offer is to raise \$781,870 (before expenses) assuming all Gondwana Shares under the Entitlements Offer are issued. The effect of the Entitlements Offer on the capital structure of the Company is set out in section 9.3 of this Target's Statement.

On 11 July 2014, Gondwana released a notice of annual general meeting. Under resolution 5 of the notice of meeting, Gondwana seeks the approval for the issue of 15,000,000 Gondwana Shares and 15,000,000 Gondwana Options (**Securities Placement**) to raise further capital. The Bidder's Statement provides that the Prescribed Occurrences Condition will be triggered if Gondwana Shares are issued or agreed to be issued in terms of Resolution 5 (or Resolution 6 which seeks approval for the adoption of an employee share plan) to be put to Gondwana Shareholders for approval at Gondwana's annual general meeting. Gondwana may issue Gondwana Shares pursuant to Resolution 5, should that resolution be approved, in order to raise additional capital for the Company. This above will trigger the Prescribed Occurrences Condition of Ochre's Offer if Gondwana issues or agrees to issue any securities pursuant to the Securities Placement or the Company's employee share plan during the Offer Period.

The reason the Company is seeking shareholder approval for the Securities Placement is that the Company may, depending on the success of other fund raising activity, require additional funds to meet its forecast cash expenditures, principally on its gold, uranium, rare earths and other mineral exploration commitments on tenements at Parker Range, Gascoyne and the Pilbara and the evaluation of potential new projects and for working capital, for the period ending 31 March 2015. If approved, the Directors are likely, depending on market conditions, to undertake the Securities Placement, wholly or in part, within one to two months after the annual general meeting, but not later than three months after the annual general meeting.

The issue price of the Gondwana Shares to be issued under the Securities Placement will be not less than 80% of the average market price for Gondwana Shares calculated over the 5 days on which sales in the Gondwana Shares are recorded before the day on which the issue is made or, if there is a prospectus, over the last 5 days on which sales in the securities were recorded before the date the prospectus is signed. Based on the most recent closing market price for Gondwana Shares on 30 April 2014 of \$0.055, the lowest issue price (ie. maximum discount) under the Securities Placement (of not less than 80% of this market price) would be \$0.044 per Gondwana Share. Therefore, assuming an issue price of \$0.044 per Gondwana Share and assuming all Gondwana Shares are issued under the Securities Placement, the Company would raise \$660,000. This amount is for illustrative purposes only – the market price of Gondwana Shares (upon which the issue price of the Gondwana Shares will be based) may be different at the date of the Securities Placement meaning a lesser or greater amount will be raised. The effect of the Securities Placement on the capital structure of the Company is set out in section 9.3 of this Target's Statement.

The Board believes that Gondwana Shareholders should consider the value of subscribing for Gondwana Shares pursuant to the Entitlements Offer at an attractive price (\$0.032 per Gondwana Share) and retaining their shareholding for the potentially substantial medium and long term value that may be realised from the execution of Gondwana's strategic plans and Gondwana's assets, and whether this investment strategy may be of greater benefit to Gondwana Shareholders than allowing Ochre to take control of the Company. The Board believes that Gondwana Shareholders should be given the opportunity to decide what strategy is best for them.

The Company is also seeking approval for the issue of 1,250,000 Gondwana Options to Gondwana Shareholders who participated in the Prior Placement recently completed by the Company (**Prior Placement Option Offer**). No funds will be raised under the Prior Placement Option Offer as the Gondwana Options are free attaching to Gondwana Shares which were issued under the Prior Placement.

6.8 Section 249D Requisition

On 12 June 2014, the Company received a notice from Ochre requisitioning a general meeting of shareholders to remove all of the Company's directors and appoint nominees of Ochre as directors. The notice of meeting in respect of such requisition was despatched to Gondwana Shareholders on 3 July 2014. If each of the resolutions are passed at the general meeting, Ochre would take control of Gondwana's Board. Gondwana Shareholders should read the notice of meeting for further details.

6.9 Sale of Panorama Prospect

On 30 June 2014 the Company announced that it had entered into an agreement with Atlas Operations Pty Ltd, a subsidiary of Atlas Iron Limited (ASX:AGO), to sell the whole of the Company's 90% interest in exploration licence E45/4110, referred to as the Panorama Prospect, for \$200,000. The sale of the Panorama Prospect completed on 1 July 2014. This has triggered the condition set out in section 1.28(d) of Annexure A of this Target's Statement. In its First Supplementary Bidder's Statement dated 2 July 2014, Ochre has stated that it reserves the right to rely on or waive the condition set out in section 1.28(d) of Annexure A of this Target's Statement as it sees fit.

7. INFORMATION RELATING TO THE GONDWANA DIRECTORS

7.1 Interests and dealings in Gondwana securities

(a) Interests in Gondwana securities

As at the date of this Target's Statement, the Gondwana Directors had the following Relevant Interests in Gondwana Shares and Gondwana Options:

Director	Gondwana Shares	Gondwana Options
Warren Beckwith	3,189,543	1,000,000
Paul Goodsall	854,949	200,000
Steven Pynt	655,181	Nil
Jolyon Sinclair	Nil	Nil

Notes

1. Each Gondwana Option is exercisable at \$0.10 on or before 30 June 2015.
2. Warren Beckwith's Gondwana Shares are held by Bellatrix Pty Ltd, a company controlled by Warren Beckwith, Beckwith & Company Pty Ltd <Beckwith Superannuation Fund A/C> and Kyla Fay Colvin.
3. No Gondwana Shares are held directly by Warren Beckwith and 3,189,543 Gondwana Shares are held indirectly by related parties. 1,000,000 Gondwana Options (exercisable at 10 cents on or before 30 June 2015) are held indirectly by related parties of Warren Beckwith.
4. No Gondwana Shares are held directly by Paul Goodsall and 854,949 Gondwana Shares and 200,000 Gondwana Options (exercisable at 10 cents on or before 30 June 2015) are held indirectly by Joymill Pty Ltd <PM & DJ Goodsall Superannuation Fund > by virtue of control and beneficial interest.
5. 655,181 Gondwana Shares are held indirectly by Asket Pty Ltd < SL Pynt Superannuation Fund> by virtue of control and beneficial interest.

(b) Dealings in Gondwana Shares and Gondwana Options

In the 4 month period ending on the date immediately before the date of this Target's Statement, the Gondwana Directors (other than Jolyon Sinclair) have acquired or disposed of a Relevant Interest in Gondwana Shares or Gondwana Options as follows:

- (i) Warren Beckwith acquired a Relevant Interest in 850,000 Gondwana Shares on 30 April 2014 through the exercise of 350,000 Gondwana Options that were exercisable on or before 30 June 2014 and 500,000 Gondwana Options that were exercisable on or before 30 June 2015;
- (ii) Paul Goodsall acquired a Relevant Interest in 300,000 Gondwana Shares on 30 April 2014 through the exercise of 250,000 Gondwana Options that were exercisable on or before 30 June 2014 and 50,000 Gondwana Options that were exercisable on or before 30 June 2015; and
- (iii) Steven Pynt acquired a Relevant Interest in 600,000 Gondwana Shares on 30 April 2014 through the exercise of 250,000 Gondwana Options that were exercisable on or before 30 June

2014 and 350,000 Gondwana Options that were exercisable on or before 30 June 2015.

Jolyon Sinclair has not acquired or disposed of a Relevant Interest in any Gondwana Shares or Gondwana Options in the 4 month period ending on the date immediately before the date of this Target's Statement.

7.2 Interests and dealings in Ochre Group securities

(a) Interests in Ochre Group securities

As at the date immediately before the date of this Target's Statement, no Gondwana Director had a Relevant Interest in any Ochre Group securities.

(b) Dealings in Ochre Group securities

No Gondwana Director has acquired or disposed of a Relevant Interest in any Ochre Group securities in the 4 month period ending on the date immediately before the date of this Target's Statement.

7.3 Benefits and agreements

(a) Benefits in connection with retirement from office

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Gondwana or related body corporate of Gondwana.

(b) Agreements connected with or conditional on the Offer

There are no agreements made between any Gondwana Director and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Gondwana Shares or Gondwana Options.

(c) Benefits from Ochre Group

None of the Gondwana Directors have agreed to receive, or are entitled to receive, any benefit from any member of the Ochre Group which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Gondwana Shares or Gondwana Options.

(d) Interests of directors in contracts with Ochre

None of the Gondwana Directors have any interest in any contract entered into by any member of the Ochre Group.

8. AUSTRALIAN TAXATION CONSEQUENCES

8.1 Introduction

This section 8 provides a brief overview of the possible Australian income tax, GST and stamp duty consequences relating to the acceptance of the Offer by Australian resident and Foreign Resident Gondwana Shareholders who hold their Gondwana Shares on capital account.

Among other things, this section does not consider the Australian income tax, GST and stamp duty consequences that arise for:

- (a) Gondwana Shareholders who hold their Gondwana Shares as trading stock or revenue assets;
- (b) financial institutions, insurance companies, partnerships, tax exempt organisations, superannuation funds or temporary residents (unless expressly stated);
- (c) dealers in securities;
- (d) Australian residents who hold their Gondwana Shares as part of an enterprise carried on, at or through a permanent establishment in a foreign country; and
- (e) Gondwana Shareholders who change their tax residence while holding Gondwana Shares.

The information contained in this section is intended to provide a general outline of the Australian tax consequences based on the Australian tax laws as at the date of this Target's Statement and is not intended to be a complete analysis of all the potential tax consequences that could arise for Gondwana Shareholders. Accordingly, this information should not be relied upon as advice and Gondwana Shareholders should seek their own advice to confirm the tax consequences that may arise in relation to the Offer.

The information contained in this section is based on the *Income Tax Assessment Act 1936* (Cth), the *Income Tax Assessment Act 1997* (Cth), the GST Act, relevant stamp duty legislation, applicable case law and published Australian Taxation Office and State/Territory Revenue authority rulings, determinations and statements of administrative practice at the date of this Target's Statement. Australian tax laws may be amended at any time and therefore the tax consequences discussed in this section may change if there is a change in the tax laws after the date of this Target's Statement.

The commentary in this section is confined to tax issues which are only one part of the many matters that investors need to consider when making a decision about their investments. Under the Corporations Act, the commentary in this section is not required to be provided by a holder of an Australian Financial Services Licence (**AFSL**). Gondwana Shareholders should consider taking advice from the holder of an AFSL and Gondwana makes no representation as to the accuracy or otherwise of the commentary in this section.

8.2 Gondwana Shareholders who accept the Offer

(a) Disposal of Gondwana Shares

The acceptance of the Offer may give rise to a CGT event for Gondwana Shareholders, being the disposal of Gondwana Shares.

Gondwana Shareholders may make a capital gain if the capital proceeds received on disposal of the Gondwana Shares is greater than the cost base of those shares and a capital loss if the reduced cost base of the Gondwana Shares is greater than the capital proceeds.

Under the terms of the Offer, Gondwana Shareholders who accept the Offer will receive \$0.082 for each Gondwana Share tendered under the Offer. This should generally be the capital proceeds amount for the purposes of calculating any capital gain or loss that arises on disposal of Gondwana Shares under the Offer.

The cost base or reduced cost base of Gondwana Shares should include the acquisition cost of the Gondwana Shares and certain incidental costs.

Any capital gain or loss that arises as a result of the disposal of Gondwana Shares will arise in the income year in which the CGT event occurs. The time of the CGT event should be as follows:

- (i) If the Offer is accepted by the Gondwana Shareholder on or before the date when the Offer becomes or is declared unconditional, the time of the CGT event should be the date the Offer becomes or is declared unconditional.
- (ii) If the Offer is accepted by the Gondwana Shareholder between the date the Offer becomes or is declared unconditional and the date the Offer closes, the time of the CGT event should be the date the Gondwana Shareholder accepts the Offer.
- (iii) Should the Gondwana Shareholder not accept the Offer by the date the Offer closes and the Gondwana Shares are compulsory acquired, the time of the CGT event should be the date ownership of the Gondwana Shareholders' Gondwana Shares passes to Ochre in accordance with the compulsory acquisition.

(b) Capital losses

Australian tax law requires that capital gains and capital losses are aggregated to determine the net capital gain for the income year. The net capital gain amount is included in assessable income and subject to income tax at the applicable marginal tax rate.

Capital losses may only be offset against capital gains and may not be offset against other types of income, but may be carried forward to offset future capital gains in certain circumstances.

(c) CGT discount

Certain Gondwana Shareholders may be eligible for the CGT discount concession in respect of any capital gain arising on the disposal of Gondwana Shares where the Gondwana Shares have been held for at least 12 months prior to the time of the CGT event, excluding the days of acquisition and disposal.

The CGT discount percentage is applied to the amount of the capital gain after offsetting any current year or carried forward capital losses. The CGT discount percentage is 50% for individuals and trusts, and 33 1/3% for complying superannuation funds. For example, if an individual is entitled to the CGT discount concession, then only 50% of the capital gain would be included in assessable income and taxed at marginal rates.

The CGT discount is not available to companies.

8.3 Foreign Resident Gondwana Shareholders who accept the Offer

Any capital gain or loss that is made by a Foreign Resident Gondwana Shareholder on the disposal of Gondwana Shares should be disregarded if:

- (a) the Foreign Resident Gondwana Shareholder (together with their Associates) did not hold 10% or more of the Gondwana Shares on issue at the time of the CGT event or at any time throughout a 12 month period occurring within 24 months before the CGT event; and
- (b) the Foreign Resident Gondwana Shareholder does not hold Gondwana Shares at any time in carrying on a business at or through a permanent establishment in Australia.

Capital gains derived by a Foreign Resident are generally only subject to income tax in Australia to the extent that they relate to relevant direct and indirect interests in taxable Australian property, which includes interests in Australian real property. Where a Foreign Resident Gondwana Shareholder indirectly holds an interest in Australian real property through Gondwana Shares, any capital gains may trigger a CGT liability.

Based on the current assets and liabilities of Gondwana, it is considered unlikely that the Gondwana Shares would currently constitute an interest in taxable Australian property. However, the analysis of whether the Gondwana Shares do constitute an interest in taxable Australian property must be undertaken at the time of a disposal of the Gondwana Shares. Accordingly, Foreign Resident Gondwana Shareholders who (together with their Associates) hold an interest of 10% or more of Gondwana Shares on issue over the relevant period should seek further independent advice in relation to these matters.

To the extent that a Foreign Resident Gondwana Shareholder is subject to income tax in Australia on a capital gain, the tax consequences discussed in section 8.2 above should apply.

8.4 GST and stamp duty

No Australian stamp duty or GST is payable by you on the sale of your Gondwana Shares to Ochre pursuant to the Offer. You may be charged GST on incidental costs incurred in acquiring or disposing of your Gondwana Shares. You may be entitled to input tax credits or reduced input tax credits for such costs,

but should seek independent professional advice in relation to your own particular circumstances.

9. ADDITIONAL INFORMATION

9.1 Effect of the takeover on Gondwana's financing and material agreements

To the best of each Gondwana Director's knowledge, there are no material contracts or financing arrangements to which Gondwana is a party which contain any change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer.

9.2 Material litigation

As far as the Gondwana Directors are aware, Gondwana is not involved in any ongoing litigation which is material in the context of Gondwana and its Related Bodies Corporate taken as a whole.

9.3 Gondwana's issued securities

As at the date of this Target's Statement, Gondwana's issued equity securities consisted of:

- (a) 24,433,440 Gondwana Shares on issue (including 25,000 that are restricted unquoted Gondwana Shares issued pursuant to the Gondwana Employee Share Plan). If all Gondwana Shares the subject of the Notice Placements and Entitlements Offer are issued, the number of Gondwana Shares on issue will be as follows:

	Number
Shares on issue at date of this Target's Statement	24,433,440
Shares offered pursuant to the Securities Placement	15,000,000
Shares offered pursuant to the Entitlements Offer	24,433,440
Total Shares on issue after completion of the Offer	63,866,880

- (b) 4,100,000 Gondwana Options on issue. If all Gondwana Options the subject of the Notice Placements and Entitlements Offer are issued, the number of Gondwana Options on issue will be as follows:

	Number
Options on issue at date of this Target's Statement	
- Unquoted Gondwana Options exercisable at \$0.10 on or before 30 June 2015	4,100,000
New Options offered pursuant to the Prior Options Offer	1,250,000
Options offered pursuant to the Securities Placement	15,000,000
Options offered pursuant to the underwriter of the Entitlements Offer	4,000,000
Total Options on issue after completion of the Offer¹	24,350,000

There are no other shares or other securities (including equity securities, debt securities or convertible securities) or options or performance rights or other instruments which are convertible into securities in Gondwana nor has it offered or agreed to issue any such shares, securities, options or performance rights or other instruments to any Third Party.

9.4 Substantial holders

As at the date of this Target's Statement, Gondwana is aware from notices filed with the ASX that the following persons have substantial holdings in Gondwana:

	Name of substantial holder	Number of Gondwana Shares held	% of total
1.	Ochre Group Holdings Limited/ Joffrey Pty Limited/ Ochre Industries Pty Limited ¹	4,155,095	17.01%
2.	Warren Beckwith ²	3,189,543	13.05%
3.	Peter Stuart Bryant	2,257,289	9.24%
4.	Duncan Samuel Rothwell Merrin	1,959,577	8.02%

Notes

1. Ochre Group Holdings Limited is the holding company of Joffrey Pty Ltd.
2. Held by Bellatrix Pty Ltd, a company controlled by Mr Warren Beckwith, a Director, Beckwith & Company Pty Ltd <Beckwith Superannuation Fund A/C> and Kyla Fay Colvin.

9.5 Effect of Offer on Gondwana Options

The Offer extends to new Gondwana Shares that are issued after the Record Date and during the Offer Period as a result of the exercise of Gondwana Options.

9.6 Effect of Offer on Gondwana Shares issued under Gondwana's employee share scheme

On 13 July 2009, Gondwana issued 2,500,000 Gondwana Shares (**Plan Shares**) to an eligible person under the Gondwana Employee Share Plan which was last approved by Gondwana Shareholders on 30 April 2007 (**Employee Share Plan**). Under a consolidation of the Gondwana Shares in December 2012, the Plan Shares were consolidated to 25,000 Plan Shares.

The Plan Shares were acquired by way of a loan from the Company to the eligible person (**Loan**). The Plan Shares are subject to restrictions on transfer until the Loan is repaid, of which the full amount of \$25,000 remains outstanding. While the Loan is outstanding, the Company has a first right of refusal over the Plan Shares. Subject to that right of first refusal, in the event of a change of control of the Gondwana Board, the eligible person may dispose of or grant an encumbrance over the Plan Shares.

9.7 Continuous disclosure

Gondwana is a disclosing entity under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require Gondwana to notify ASX of information about specified matters and events as they occur for the purpose of

making that information available to the market. In particular, Gondwana has an obligation (subject to limited exceptions) to notify ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Gondwana Shares.

Copies of the documents filed with ASX may be obtained from the ASX website at www.asx.com.au (ASX: GDA) or from Gondwana website at www.gondwanaresources.com. In addition, Gondwana will make copies of the following documents available for inspection at Gondwana's offices which are located at 8 Kearns Crescent, Ardross, Western Australia, (between 9.00am and 5.00pm on Business Days):

- (a) Annual Report 2013, lodged with ASX on 31 March 2014; and
- (b) any continuous disclosure document lodged by Gondwana with ASX between the lodgement of its Annual Report 2013 and the date of this Target's Statement.

Copies of documents lodged with ASIC in relation to Gondwana may be obtained from, or inspected at, an ASIC office.

9.8 JORC Code reporting of Gondwana's Exploration Results, Mineral Resources and Ore Reserves

Details of the Mineral Resource and Ore Reserves estimates and the parameters are included in the Company's ASX release entitled "Activities Report for June Quarter 2012". The information contained in this report replicates information contained in the Company's "Activities Report for June Quarter 2012".

The information in this Target's Statement that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves 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. 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". 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 is not aware of any new information or data that materially affects the information included in the "Activities Report for June Quarter 2012", in the case of mineral resources and ore reserves that all the material assumptions and technical parameters underpinning the estimates in the "Activities Report for June Quarter 2012" continue to apply and have not materially changed.

The information in this Target Statement which relates to Exploration Results, Mineral Resources or Ore Reserves as prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. All material assumptions and technical parameters underpinning the estimates of Mineral Resources continue to apply and have not materially changed.

9.9 Consents

Steinepreis Paganin has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as Australian legal advisers to Gondwana in the form and context in which it is named. Steinepreis Paganin has not advised on the laws of any foreign jurisdiction, and has provided no tax advice in relation to any jurisdiction. Steinepreis Paganin has not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based and takes no responsibility for any part of this Target's Statement, other than a reference to its name.

GMP Securities Pty Ltd has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as the Company's corporate adviser in the form and context in which it is named. GMP Securities Pty Ltd has provided no tax advice in relation to any jurisdiction. GMP Securities Pty Ltd has not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based and takes no responsibility for any part of this Target's Statement, other than a reference to its name.

BDO Corporate Finance (WA) Pty Ltd has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in the Target's Statement and for the Independent Expert's Report to accompany this Target's Statement, and for the inclusion of any statement said in this Target's Statement or the Independent Expert's Report based on a statement by BDO Corporate Finance (WA) Pty Ltd, in the form and context in which it is included.

BDO Corporate Finance (WA) Pty Ltd:

- (a) has not caused or authorised the issue of this Target's Statement;
- (b) does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based, other than as included in the Independent Expert's Report and statements in this Target's Statement based on its Independent Expert's Report; and
- (c) takes no responsibility for any part of this Target's Statement other than the Independent Expert's Report and statements in this Target's Statement based on the Independent Expert's Report and any reference to its name.

Agricola Mining Consultants Pty Ltd has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in the Target's Statement and for the Independent Valuation Report to accompany the Independent Expert's Report and this Target's Statement, and for the inclusion of any statement said in this Target's Statement or the Independent Valuation Report based on a statement by Agricola Mining Consultants Pty Ltd, in the form and context in which it is included.

Agricola Mining Consultants Pty Ltd:

- (a) has not caused or authorised the issue of this Target's Statement;

- (b) does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based, other than as included in the Independent Valuation Report and statements in this Target's Statement based on its Independent Valuation Report; and
- (c) takes no responsibility for any part of this Target's Statement other than the Independent Valuation Report and statements in this Target's Statement based on the Independent Valuation Report and any reference to its name.

Each Gondwana Director has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to the making of statements in this Target's Statement that they intend to reject the Offer in respect of the Gondwana Shares held by them or on their behalf (either only in relation to the parcel of Gondwana Shares that they own, control or represent, or in aggregate with other parcels of Gondwana Shares owned, controlled or represented by other Gondwana Shareholders who also intend to reject, or cause to be rejected, the Offer).

As permitted by ASIC Class Order 13/521 this Target's Statement contains statements which are made in, or based on statements made in, documents lodged with ASIC or given to the ASX. Pursuant to the Class Order, the parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Target's Statement. If you would like to receive a copy of any of these documents, or the relevant parts of the documents containing the statements (free of charge), during the Offer Period, please contact the Company.

As permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or
- (b) from a public official document or a published book, journal or comparable publication.

In addition, as permitted by ASIC Class Order 07/429, this Target's Statement also contains trading data obtained from IRESS without their consent.

9.10 Regulatory and other approval, consent or waiver requirements

Gondwana has not been granted any modifications or exemptions by ASIC from the Corporations Act in connection with the Takeover Bid, nor has Gondwana been granted any waivers from ASX in relation to the Takeover Bid.

9.11 No other material information

This Target's Statement is required to include all the information that Gondwana Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- (a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any director of Gondwana.

The Gondwana Directors are of the opinion that the information that Gondwana Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- (a) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- (b) the information contained in Gondwana's releases to the ASX, and in the documents lodged by Gondwana with ASIC before the date of this Target's Statement; and
- (c) the information contained in this Target's Statement.

The Gondwana Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Gondwana Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Gondwana Directors have had regard to:

- (a) the nature of the Gondwana Shares;
- (b) the matters that shareholders may reasonably be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to shareholders' professional advisers; and
- (d) the time available to Gondwana to prepare this Target's Statement.

10. GLOSSARY AND INTERPRETATION

10.1 Glossary

Where the following terms are used in this Target's Statement they have the following meanings:

Acceptance Form means the acceptance form for the Offer accompanying the Bidder's Statement or, as the context requires, any replacement or substitute acceptance form provided by or on behalf of Ochre, which forms part of the Bidder's Statement.

Announcement Date means 12 May 2014, being the day on which the Offer was announced by Ochre with the ASX.

ASIC means Australian Securities & Investments Commission.

Associate has the meaning given to that term in sections 10 to 17 of the Corporations Act.

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

ASX Listing Rules or **Listing Rules** means the official listing rules of ASX.

ASX Settlement Operating Rules means the operating rules of the settlement facility provided by ASX.

AWST means Australian Western Standard Time.

Bidder's Statement means the statement under Part 6.5 of Division 2 of the Corporations Act issued by Ochre in relation to the Offer, as supplemented.

Business Day means a day that is not a Saturday, Sunday or public holiday or bank holiday in Sydney, NSW or Perth, Western Australia.

CGT means capital gains tax.

Competing Proposal has the meaning given to that term in the Bidder's Statement.

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

Dispose means to sell, offer for sale, transfer, assign, swap, surrender, gift, create or allow to exist an encumbrance, option or trust or otherwise deal with or dispose of that property (or any legal or beneficial interest in it or part of it) or authorise, or agree conditionally or otherwise to do, any of the things referred herein.

Entitlements Offer has the meaning given in section 5.2 of this Target's Statement.

Foreign Resident means a Gondwana Shareholder who is not a resident of Australia for taxation purposes.

Gondwana means Gondwana Resources Limited (ACN 008 915 311).

Gondwana Board means the board of directors of Gondwana.

Gondwana Director means a director of Gondwana.

Gondwana Option means an option to acquire a Gondwana Share.

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

Gondwana Shareholder means a person who is recorded in Gondwana's register of members as the holder of one or more Gondwana Shares.

GST means Australian goods and services tax.

GST Act means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Independent Expert means BDO Corporate Finance (WA) Pty Ltd.

Independent Expert's Report means the report prepared by the Independent Expert attached as Annexure B.

Independent Valuation Report means the report of Agricola Mining Consultants Pty Ltd attached to the Independent Expert's Report.

Issuer Sponsored Holding means a holding of Gondwana Shares on Gondwana's issuer sponsored subregister.

Material Adverse Effect means those events set out in 1.28(c) of Annexure A.

Minimum Acceptance Condition means the Offer Condition set out in section 1.28(a) of Annexure A.

Mining Interest has the meaning given to that term in the Bidder's Statement.

Notice of Status of Conditions means Ochre's notice disclosing the status of the conditions to the Offer which is required to be given by section 630(3) of the Corporations Act.

Notice Placements has the meaning given in section 5.2 of this Target's Statement.

Ochre or **Bidder** means Ochre industries Pty Limited (ACN 162 416 408).

Ochre Group means Ochre and its Related Bodies Corporate.

Ochre Shares means fully paid ordinary shares in the issued capital of Ochre.

Offer or **Ochre's Offer** means the offer to acquire Gondwana Shares to be made by Ochre in connection with the Takeover Bid.

Offer Conditions means the conditions to the Offer set out in Annexure A to this Target's Statement.

Offer Price means \$0.082.

Offer Period means the period with respect to the Offer during which the Offer is open for acceptance in accordance with section 11.4 of the Bidder's Statement.

OGH means Ochre Group Holdings Limited (ACN 008 877 745).

Prescribed Occurrence means an event set out in section 1.28(e) of Annexure A.

Prescribed Occurrences Condition means the Offer Condition set out in section 1.28(e) of Annexure A.

Prior Options Offer has the meaning given in section 5.2 of this Target's Statement.

Prior Placement means the placement of 2,500,000 Gondwana Shares, at \$0.032 per Gondwana Share, announced on 31 March 2014.

Record Date means 5.00pm (AWST) on 26 June 2014.

Regulatory Authority includes:

- (a) a government or governmental, semi-governmental, administrative, fiscal or judicial entity or authority;
- (b) a minister, department, office, commission, delegate, instrumentality, tribunal, agency, board, authority or organisation of any government;
- (c) any regulatory organisation established under a statute; and
- (d) in particular, ASX and ASIC.

Related Bodies Corporate has the meaning given in the Corporations Act.

Related Entities has the meaning given in section 9 of the Corporations Act.

Relevant Interest has the meaning given in section 608 and section 609 of the Corporations Act.

Restricted Act means those events set out in section 1.28(f) of Annexure A.

Rights has the meaning given to that term in the Bidder's Statement.

Securities Placement has the meaning given in section 5.2 of this Target's Statement.

Takeover Bid means the off-market takeover bid made by Ochre for all of the Gondwana Shares that Ochre does not currently own or control.

Target's Statement means this document (including the attachments and annexure), being the statement under Part 6.5 Division 3 of the Corporations Act issued by Gondwana in relation to the Offer.

Third Party means a party other than Gondwana and any subsidiary of Gondwana, and Ochre and any subsidiary of Ochre.

10.2 Interpretation

In this Target's Statement:

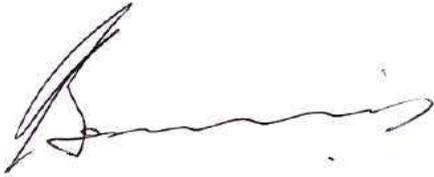
- (a) other words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words of any gender include all genders;
- (c) words indicating the singular include the plural and vice versa.

- (d) an expression indicating a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant;
- (f) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (g) headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement;
- (h) a reference to time is a reference to AWST unless otherwise indicated; and
- (i) a reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia unless otherwise stated.

11. AUTHORISATION

This Target's Statement has been approved by a unanimous resolution passed by the directors of Gondwana.

Signed for and on behalf of Gondwana Limited

A handwritten signature in black ink, appearing to read 'Warren Beckwith', written over a light grey rectangular background.

Warren Beckwith
Chairman

ANNEXURE A – OFFER TERMS AND CONDITIONS

Set out below is a copy of the Offer Terms and Conditions (**Offer Terms**) that can be found in section 11 of Ochre's Bidder's Statement. All defined terms set out below have the meaning given to them in the Bidder's Statement unless otherwise indicated.

Part 1: The Offer

1.1 The Offer

Ochre offers to acquire all of your Gondwana Shares and all Rights attaching to them on the terms set out in the Offer. The Offer extends to Gondwana Shares that are issued during the period from the Record Date to the end of the Offer Period due to the exercise of Gondwana Options that are on issue at the Record Date.

1.2 Persons to whom offers are made

Ochre is making an offer in the form of the Offer, and copies of this Bidder's Statement (including the Offer) will be sent, to:

- (a) each holder of Gondwana Shares registered in Gondwana's register of members at 5.00pm (AWST) on the Record Date; and
- (b) each holder of Gondwana Options registered at 5.00pm (AWST) on the Record Date.

1.3 Offer Date

This Offer is dated Thursday, 3 July 2014, being the date on which the first of the Offers is sent to the persons referred to in section 1.2 of these Offer Terms.

1.4 Offer Period

The Offers will remain open for the period:

- (a) starting on the Offer Date; and
- (b) ending at 5.00pm (AWST) on Monday, 4 August 2014,

unless this period is extended in accordance with the Corporations Act or the Offer is withdrawn in accordance with the Corporations Act.

1.5 Extension of the Offer Period

- (a) Ochre may, in its sole discretion, extend the Offer Period in accordance with the Corporations Act.
- (b) If, within the last seven days of the Offer Period:
 - (i) the Offer is varied to improve the consideration offered; or
 - (ii) Ochre's voting power in Gondwana increases to in excess of 50%,

the Offer Period will be automatically extended so that it ends 14 days after the relevant event.

1.6 Conditions

Each Offer is subject to the Conditions in section 1.28.

1.7 If you have sold any of your Gondwana Shares

If you have sold some or all of your Gondwana Shares when the Offer is made to you, or you sell some or all of your Gondwana Shares during the Offer Period, please refer to section 1.22.

1.8 If you are a trustee or nominee

If you are a trustee or nominee of some or all of your Gondwana Shares, please refer to section 1.23.

Part 2: Consideration

1.9 Price payable

The amount offered for each of your Gondwana Shares is \$0,082.

1.10 Payment of consideration

Subject to this section 1.10 and the Corporations Act, if you accept the Offer and the Conditions are fulfilled or waived, Ochre will pay you the consideration for your Gondwana Shares under the Offer within 21 days after the date of your acceptance or, if at the time of your acceptance the Offer is subject to a Condition, 21 days after any contract resulting from your acceptance of the Offer becomes, or is declared, unconditional.

1.11 Payment where additional documents are required

Where additional documents are required, either by the Acceptance Form or otherwise, to be given to Ochre with your acceptance to enable Ochre to become the holder of your Gondwana Shares (such as a power of attorney);

- (a) if those documents are given to Ochre with your acceptance. Ochre will pay you the consideration for your Gondwana Shares in accordance with section 1.10;
- (b) if those documents are given to Ochre after your acceptance and before the end of the Offer Period, while the Offer is subject to a Condition, Ochre will pay you the consideration for your Gondwana Shares within 21 days after any contract resulting from your acceptance of the Offer becomes, or is declared, unconditional;
- (c) if those documents are given to Ochre after your acceptance and before the end of the Offer Period, while the Offer is not subject to a Condition, Ochre will pay you the consideration for your Gondwana Shares within 21 days after Ochre is given those documents; and
- (d) if those documents are given to Ochre after the end of the Offer Period, Ochre will pay you the consideration for your Gondwana Shares within 21 days after those documents are given. However, if, at the time those documents are given to Ochre the contract resulting from your acceptance of the Offer is still subject to a Condition in section 1.28, Ochre will pay you the consideration for your Gondwana Shares within 21 days after the contract becomes, or is declared, unconditional.

1.12 Delivery of consideration

Payment of any cash amount to which you are entitled will be made by cheque drawn in Australian currency in your favour. The cheque will be sent to you, at your risk, by ordinary mail (or, in the case of Gondwana Shareholders with addresses outside Australia, by airmail) to your address shown on the Acceptance Form or the address for you last notified to Ochre by Gondwana.

1.13 Rights

If Ochre become entitled to any Rights as a result of your acceptance of the Offer, it may require you to give to it all documents necessary to vest title to those Rights in Ochre, or otherwise to give Ochre the benefit or value of those Rights. If you do not do so, or if you have received or are entitled to receive (or any previous holder of your Gondwana Shares has received or is entitled to receive) the benefit of those Rights, Ochre will be entitled to deduct the amount (or an amount equal to the value, as reasonably assessed by Ochre) of those Rights. If Ochre does not, or cannot, make such a deduction, you must pay that amount to Ochre.

1.14 Certain overseas residents

If, at the time you accept the Offer, any authority or clearance of the Reserve Bank of Australia, the Australian Taxation Office or the Minister for Foreign Affairs is required for you to receive any consideration under the Offer, or you are resident in, or a resident of, a place to which, or you are a person to whom:

- (a) the Autonomous Sanctions Regulations 2011 (Cth);
- (b) the Banking (Foreign Exchange) Regulations 1959 (Cth);
- (c) the Charter of the United Nations (Dealing With Assets) Regulations 2008 (Cth);
- (d) the Charter of the United Nations (Sanctions — Democratic Republic of the Congo) Regulations 2008 (Cth);
- (e) the Charter of the United Nations (Sanctions — Iran) Regulations 2008 (Cth);
- (f) the Charter of the United Nations (Sanctions — Iraq) Regulations 2008 (Cth);
- (g) the Charter of the United Nations (Sanctions — Lebanon) Regulations 2008 (Cth);
- (h) the Charter of the United Nations (Sanctions — Liberia) Regulations 2008 (Cth);
- (i) the Charter of the United Nations (Sanctions—Al-Qaida) Regulations 2008 (Cth);
- (j) the Charter of the United Nations (Sanctions-Cote d'Ivoire) Regulations 2008 (Cth);
- (k) the Charter of the United Nations (Sanctions—Democratic People's Republic Of Korea) Regulations 2008 (Cth);

- (l) the Charter of the United Nations (Sanctions—Eritrea) Regulations 2010 (Cth);
- (m) the Charter of the United Nations (Sanctions-Libyan Arab Jamahiriya) Regulations 2011 (Cth);
- (n) the Charter of the United Nations (Sanctions—Somalia) Regulations 2008 (Cth);
- (o) the Charter of the United Nations (Sanctions—Sudan) Regulations 2008 (Cth);
- (p) Charter of the United Nations (Sanctions—Central African Republic) Regulations 2014 (Cth);
- (q) Charter of the United Nations (Sanctions—the Taliban) Regulations 2013 (Cth);
- (r) Charter of the United Nations (Sanctions—Yemen) Regulations 2014 (Cth); and
- (s) any other law of Australia that would make it unlawful for Ochre to provide consideration for your Gondwana Shares,

applies, then acceptance of the Offer will not create or transfer to you any right (contractual or contingent) to receive the consideration specified in the Offer unless and until all requisite authorities or clearances have been obtained by you in favour of Ochre.

Part 3: How to accept

1.15 Full acceptance required

Subject to section 1.23, you may only accept the Offer during the Offer Period for all your Gondwana Shares.

1.16 CHES Holdings

If your Gondwana Shares are in a CHES Holding (and you are not a Participant), you may:

- (a) instruct your Controlling Participant to initiate acceptance of the Offer for your Gondwana Shares in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period; or
- (b) authorise Ochre to instruct your Controlling Participant (usually your broker) on your behalf to initiate acceptance of the Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules, by completing, signing and returning the enclosed Acceptance Form in accordance with the instructions on it. This will authorise Ochre to initiate a request to your Controlling Participant to initiate acceptance of the Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period. The Acceptance Form must be received at the address stated on it in sufficient time before the end of the Offer Period (5.00pm (AWST) on Monday, 4 August 2014, unless the Offer Period is extended) to enable Ochre to instruct your Controlling Participant to effect acceptance of the Offer for your Gondwana Shares before the end of the Offer Period.

1.17 Participant

If your Gondwana Shares are in a CHES Holding and you are a Participant, acceptance of the Offer may be initiated in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period (5.00pm (AWST) on Monday, 4 August 2014, unless the Offer Period is extended).

1.18 Issuer Sponsored Holdings

If you hold Gondwana Shares in an Issuer Sponsored Holding, to accept the Offer you must:

- (a) complete and sign the enclosed Acceptance Form in accordance with the instructions on it; and
- (b) send it, and all other documents required by the instructions on the Acceptance Form, so that they are received before the end of the Offer Period (5.00pm (AWST) on Monday, 4 August 2014, unless the Offer Period is extended) at the address stated on the Acceptance Form.

1.19 Faxed acceptances

- (a) You may also send your Acceptance Form by facsimile to +618 9315 2233.
- (b) If your Acceptance Form is returned by facsimile it will be deemed to be received in time if the facsimile transmission is received before the end of the Offer Period, but you will not be entitled to receive the consideration under the Offer to which you are entitled until your original Acceptance Form (including any documents required by the terms of the Offer and the instructions on the Acceptance Form) is received at the address stated on the Acceptance Form.

1.20 Ochre's discretion regarding incomplete or invalid acceptance

Ochre may, in its absolute discretion, determine that any Acceptance Form it receives is a valid acceptance, even if one or more of the requirements set out in the Acceptance Form has not been complied with or you have been sent (and you have therefore completed) the wrong Acceptance Form for the subregister on which your Gondwana Shares are held, but Ochre may, in its absolute discretion, decide not to pay you until:

- (a) the irregularity has been resolved; and
- (b) the share certificate (if any), or an acceptable indemnity, and any other document required to enable Ochre to be registered as the holder of your Gondwana Shares, have been given to Ochre.

1.21 Status of the Acceptance Form

The Acceptance Form that accompanies this Bidder's Statement forms part of the Offer, and the instructions on the Acceptance Form must be followed in using it to accept the Offer.

1.22 If another person is entitled to your Gondwana Shares

If, when the Offer is made to you, or at any time during the Offer Period, another person is, or is entitled to be, registered as the holder of some or all of your Gondwana Shares (**Transferred Shares**), then Ochre will be taken to have:

- (a) made to the other person a corresponding offer for the Transferred Shares;
- (b) made you a corresponding offer for your Gondwana Shares except the Transferred Shares; and
- (c) withdrawn the Offer.

1.23 If you are a trustee or nominee

If at any time during the Offer Period you are a trustee for or nominee of two or more persons or your Gondwana Shares for some other reason consist of two or more separate parcels within the meaning of section 653B of the Corporations Act, then:

- (a) a separate Offer will be taken to have been made to you in relation to each separate parcel of Gondwana Shares; and
- (b) an acceptance by you of the Offer in respect of any separate parcel of Gondwana Shares will be ineffective unless:
 - (i) you have given Ochre a notice, delivered in accordance with section 1.24, stating that your Gondwana Shares consist of separate parcels; and
 - (ii) your acceptance specifies the number of Gondwana Shares in each separate parcel to which the acceptance relates.

1.24 Notice of separate parcels

A notice in accordance with section 1.23 must:

- (a) if it relates to Gondwana Shares not in a CHESS Holding, be in writing; or
- (b) if it relates to Gondwana Shares in a CHESS Holding, be in an electronic form approved by the ASX Settlement Operating Rules for the purposes of Part 6.8 of the Corporations Act.

1.25 Effect of acceptance

By initiating acceptance of the Offer through CHESS in accordance with sections 1.16 or 1.17, or signing and returning an Acceptance Form in accordance with sections 1.16, 1.17 or 1.18, you will have:

- (a) accepted the Offer (and each variation of the Offer (if any) permitted under Part 6.6 of the Corporations Act) for all your Gondwana Shares;
- (b) subject to the Conditions in section 1.28 being fulfilled, agreed to transfer your Gondwana Shares to Ochre;
- (c) represented and warranted to Ochre that:

- (i) your Gondwana Shares are at the time of acceptance, and will be on registration of the transfer of your Gondwana Shares to Ochre, fully paid up, and Ochre will acquire good title to them and full beneficial ownership of them free from all mortgages, charges, liens and other encumbrances and restrictions on transfer of any kind; and
 - (ii) you have full power and capacity to sell and transfer those securities;
- (d) irrevocably and unconditionally authorised Ochre (by its servants or agents) to complete or alter the Acceptance Form on your behalf (and irrevocably and unconditionally appoint Ochre, its directors, secretaries, officers, servants and agents as your attorney for that purpose) by:
 - (i) inserting correct details of your Gondwana Shares;
 - (ii) filling in any blanks remaining on the Acceptance Form;
 - (iii) rectifying any error in or omission from the Acceptance Form; and
 - (iv) completing and signing on your behalf (or as your attorney) any other instrument or transfer,as may be necessary to make the Acceptance Form an effective acceptance of the Offer or to enable the registration of the transfer of your Gondwana Shares to Ochre;
- (e) if any of your Gondwana Shares are held in a CHES Holding and you have signed an Acceptance Form for them, irrevocably authorised Ochre (by its servants or agents) to:
 - (i) instruct your Controlling Participant to initiate acceptance of the Offer for those Gondwana Shares in accordance with the ASX Settlement Operating Rules; and
 - (ii) give any other instructions in relation to those Gondwana Shares to your Controlling Participant on your behalf under the Sponsorship Agreement between you and the Controlling Participant as may be necessary to make the Acceptance Form an effective acceptance of the Offer or to enable the registration of the transfer of your Gondwana Shares to Ochre;
- (f) irrevocably appointed Ochre and its directors, secretaries and officers jointly and each of them severally as your attorney, with effect from the date the Offer or any contract resulting from the acceptance of the Offer is declared free from all its conditions or those conditions are fulfilled, with power to exercise the powers and rights which you could lawfully exercise as the registered holder of your Gondwana Shares, including (without limitation):
 - (i) requesting Gondwana to register your Gondwana Shares in the name of Ochre;
 - (ii) applying for a replacement certificate in respect of any share certificate that has been lost or destroyed;

- (iii) attending and voting at any general meeting, or court convened meeting, of Gondwana in person, by proxy or by body corporate representative;
- (iv) demanding a poll for a vote taken at or proposing or seconding a resolution to be considered at a meeting of Gondwana;
- (v) requisitioning a meeting of Gondwana;
- (vi) signing any form, notice, proxy or instrument relating to your Gondwana Shares; and
- (vii) doing all things incidental and ancillary to any of paragraphs (f)(i) to (f)(vi),

and you acknowledge and agree that the attorney may exercise those powers in the interests of Ochre as the intended registered holder of your Gondwana Shares;

- (g) agreed not to attend or vote in person at any meeting of Gondwana, except as permitted by Ochre, or to exercise or purport to exercise any of the powers conferred on Ochre and its directors, secretaries and officers in paragraph (f);
- (h) irrevocably authorised and directed Gondwana to pay or account to Ochre for all Rights if and when the contract resulting from your acceptance of the Offer becomes unconditional. Ochre will account to you for any Rights received by it if the Offer is withdrawn or the contract resulting from your acceptance of the Offer is rescinded under section 1.29(b)(i) or is rendered void under section 1.33;
- (i) except where Rights have been paid or accounted for under paragraph (h), irrevocably authorised Ochre to deduct from the consideration payable for your Gondwana Shares, the amount or value of all Rights under sections 1.26 and 1.27;
- (j) irrevocably authorised Ochre to transmit a message to ASX Settlement in accordance with Rule 14.17.1 of the ASX Settlement Operating Rules so as to enter your Gondwana Shares which are in a CHES Holding to the Takeover Transferee Holding (even if Ochre has not yet paid the consideration due to you);
- (k) agreed to execute all documents, transfers and assurances as may be necessary or desirable to convey your Gondwana Shares and Rights to Ochre; and
- (l) agreed to fully indemnify Ochre in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or your Security Reference Number or in consequence of the transfer of your Gondwana Shares to Ochre being registered by Gondwana without production of your Holder Identification Number or your Security Reference Number.

Part 4: Dividends and other entitlements

1.26 Cash Rights

If any cash Rights are declared, paid, made, arise or accrue to you as the holder of your Gondwana Shares, Ochre may reduce the price specified in section 1.9 by the amount of the Rights, unless the benefit of the Rights is passed to Ochre under section 1.25(c)(i).

1.27 Non-cash Rights

If any non-cash Rights are issued, made, arise or accrue to you as the holder of your Gondwana Shares, Ochre may reduce the price specified in section 1.9 by the value (as reasonably determined by the chair of ASX or his nominee or, if such a determination is not made within two weeks of a request being made of them by Ochre, as reasonably determined by Ochre) of the non-cash Rights, unless the benefit of the Rights is passed on to Ochre under section 1.25(c)(i).

Part 5: Conditions to the Offer

1.28 Conditions

- (a) **(Minimum acceptance condition)** Before the end of the Offer Period, Ochre and its associates have a Relevant Interest in excess of 50% of Gondwana Shares then on issue.
- (b) **(Regulatory approvals)** During the Offer Period all Regulatory Approvals which are required by law or by a Regulatory Authority in order to permit the Offer to be made to and accepted by Gondwana Shareholders and the lawful completion of the Offer if it is accepted and becomes unconditional are granted, given, made or obtained in each case on an unconditional basis and remain in full force and effect in all respects and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.
- (c) **(No material adverse event)** Except as publicly announced to ASX prior to the **Announcement Date**, none of the following has happened or happens, is announced, disclosed or otherwise becomes known to Ochre (whether it becomes public or not) during the period from and including the Announcement Date to the end of the Offer Period:
 - (i) any event, action, proceeding, circumstance or change in circumstance that (individually or with others) has or is reasonably likely to have a material adverse effect on the assets, liabilities, financial condition or prospects of Gondwana, including but not limited to any one or more of the following effects:
 - (A) when considered together with any related events, occurrences or matters, but disregarding the effects of any unrelated events, occurrences or matters, a diminution in the net assets of Gondwana by an amount equal to 20% or more by reference to the value of the net assets of Gondwana as at 31 December 2013 as shown in the Gondwana Annual Report 2013; or

- (B) the incurring of any obligations, liabilities, costs or expenses (contingent or otherwise), other than capital expenditure previously disclosed publicly or to Ochre in writing, where the quantum (whether individually or when aggregated with all such other events) exceeds \$100,000;
 - (ii) any event or circumstance which constitutes or gives rise to or may (upon the passage of time, the fulfilment of any condition, or the giving of notice or taking of any other action by a Regulatory Authority or any other person) give rise to the suspension, revocation, disclaimer, invalidity, unenforceability, variation, lapse or termination of all or any material rights under any Mining Interest, the contract between Gondwana and Atlas Iron Limited relating to the payment of a royalty or any material contract to which Gondwana or any subsidiary of Gondwana is a party; or
 - (iii) the grant of mining or other rights or interests of any kind over all or part of any area covered by or the subject of a Mining Interest to any person other than the holder(s) of that Mining Interest (in that capacity) which materially conflict or could reasonably be expected to materially conflict with the enjoyment of the rights conferred or purported to be conferred by a Mining Interest.
- (d) **(No material acquisitions, disposals, commitments, etc)** Between the Announcement Date and the end of the Offer Period, neither Gondwana nor any of its subsidiaries:
- (i) enters into or announces an intention or proposal to enter into or offers to enter into;
 - (ii) discloses the existence of; or
 - (iii) incurs, becomes subject to, or brings forward the time for performance of (or is reasonably likely to incur, become subject to or bring forward the time for performance of), an obligation or arrangement (other than pursuant to and in the proper discharge of a legally binding obligation entered into and fully disclosed to the ASX prior to the Announcement Date) or a decision by it, whether conditional or otherwise:
 - (A) to acquire an interest in property or other assets for an amount or having a market value in aggregate greater than \$100,000;
 - (B) to dispose of an interest in any property or other asset for an amount, or in respect of which the book value (as recorded in Gondwana's balance sheet as at 31 December 2013) is, in aggregate, greater than \$100,000;
 - (C) to perform or acquire the benefit of any services or supplies of goods or services in relation to any asset, business or interest where the aggregate financial liability of Gondwana or any subsidiary of Gondwana in respect of those services exceeds or may exceed

\$100,000 or the term of the arrangement exceeds and cannot be terminated within 12 months;

- (D) to enter into or terminate, or, in any material respect, amend or waive, any of the terms applicable to, or rights (including any rights of pre-emption or first or last refusal) under, a shareholders agreement, joint-venture, asset or profit sharing agreement, royalty agreement, the contract between Gondwana and Atlas Iron Limited relating to the payment of a royalty, partnership or joint-selling agreement or sale or purchase agreement or merger of business or of corporate entities; or
- (E) to make or incur capital expenditure of more than \$100,000 (whether for an individual item or on an aggregated basis),

unless approved in writing by Ochre.

- (e) **(No Prescribed Occurrences)** Between the period beginning on the Announcement Date and ending at the end of the Offer Period, none of the following events occur in relation to Gondwana or any of its subsidiaries.
 - (i) Gondwana converts all or any of its shares into larger or smaller number of shares under section 254H of the Corporations Act;
 - (ii) Gondwana or a subsidiary of Gondwana resolves to reduce its share capital in any way;
 - (iii) Gondwana or a subsidiary of Gondwana:
 - (A) enters into a buy-back agreement; or
 - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
 - (iv) Gondwana or a subsidiary of Gondwana issues shares or grants an option over its shares or agrees to make such an issue or grant such an option;
 - (v) Gondwana or a subsidiary of Gondwana issues, or agrees to issue, convertible notes;
 - (vi) Gondwana or a subsidiary of Gondwana disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
 - (vii) Gondwana or a subsidiary of Gondwana grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property;
 - (viii) Gondwana or a subsidiary of Gondwana resolves to be wound up;

- (ix) a liquidator or provisional liquidator of Gondwana or a subsidiary of Gondwana is appointed;
- (x) a court makes an order for the winding up of Gondwana or a subsidiary of Gondwana;
- (xi) an administrator of Gondwana, or a subsidiary of Gondwana, is appointed under section 436A, 436B or 436C of the Corporations Act;
- (xii) Gondwana or a subsidiary of Gondwana executes a deed of company arrangement; or
- (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Gondwana or a subsidiary of Gondwana.

Gondwana Shareholders should note that a Prescribed Occurrence will happen if Gondwana Shares, or options exercisable for Gondwana Shares, are issued or agreed to be issued as a consequence of any shares or options being issued in terms of Resolution 5 and /or the employee share plan in terms of Resolution 6 to be put before Gondwana Shareholders for approval at Gondwana's Annual General Meeting. Further details are set out in Section 10.3. Ochre does not intend to rely on a breach of this Condition if the 1,250,000 options exercisable for Gondwana Shares are issued if Resolution 4 being put before Gondwana Shareholders for approval at the Annual General Meeting is approved.

(f) **(Conduct of Gondwana's business)** Between the Announcement Date and the end of the Offer Period, none of the following events occurs:

- (i) except as required by law, Gondwana or a subsidiary of Gondwana:
 - (A) increases the remuneration of or pays any bonus or issues any securities or options to, or otherwise varies the employment agreements with, any of its directors or employees except:
 - (I) as expressly required under the terms of any employment agreement existing as at the Announcement Date; or
 - (II) that the remuneration of employees (not including directors) may be increased provided that:
 - the remuneration of any one employee is not increased by more than 10% of the remuneration payable to that employee as at the Announcement Date; and
 - the aggregate of all the increases in remuneration do not exceed 10% of the total remuneration payable by Gondwana to all its employees

(including the employees of Gondwana's Related Entities) as at the Announcement Date;

- (B) accelerates the rights of any of its directors or employees to benefits of any kind; or
 - (C) pays a director, executive or employee a termination payment, other than as provided for in an existing employment contract and approved by shareholders for the purposes of the Corporations Act or ASX Listing Rules (as appropriate) before the Announcement Date;
- (ii) Gondwana or a subsidiary of Gondwana gives or agrees to give a financial benefit to a related party of Gondwana within the meaning of Chapter 2E of the Corporations Act;
 - (iii) Gondwana or a subsidiary of Gondwana enters into any arrangement for the borrowing of an amount in excess of \$100,000 except as a consequence of the renegotiation of its loan facilities that exist as at the Announcement Date, but without increasing the amount available under those facilities;
 - (iv) Gondwana or a subsidiary of Gondwana enters into any arrangement under which Gondwana or a subsidiary of Gondwana may be required to advance or provide
 - (v) financial accommodation to another party, other than in the ordinary course of business;
 - (vi) Gondwana or any of its subsidiaries exercises or waives any pre-emptive rights or rights of first or last refusal in respect of any shares, assets or property held by another person prior to the final date on which those rights may be exercised;
 - (vii) Gondwana declaring, paying or distributing any dividend, bonus or other share of its profits or assets by way of dividend, capital reduction or otherwise; or
 - (viii) Gondwana or a subsidiary of Gondwana amends its constitution.
- (g) **(No untrue statements)** Between the Announcement Date and the end of the Offer Period, Ochre does not become aware of:
- (i) any statement that is untrue or misleading in any material respect; or
 - (ii) any fact that is required to be stated to make a statement not misleading in any material respect,
- in any document filed by or on behalf of Gondwana with ASX, other than changes, events or conditions fully and publicly announced or fully and publicly disclosed by Gondwana prior to the Announcement Date.
- (h) **(No regulatory action)** Between the Announcement Date and the end of the Offer Period:

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Regulatory Authority;
 - (ii) no action or investigation is announced, commenced or threatened by any Regulatory Authority with respect to Gondwana or a subsidiary of Gondwana;
 - (iii) no application is made to any Regulatory Authority (other than by Ochre or any associate of Ochre), in consequence of or otherwise relating to the Offer (other than an application or determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act or if the regulatory action results from action or inaction of Ochre or its associates) which is reasonably likely to or purports or threatens to:
 - (A) restrain, prohibit or impede, or otherwise materially adversely impact on, the making of the Offer or the completion of any transaction contemplated by the Bidder's Statement (including the acquisition of Gondwana Shares) or the continued ownership and operation of the business of Gondwana or a subsidiary of Gondwana; or
 - (B) require the variation of the terms of the Offer; or
 - (C) require or approve the divestiture of any Gondwana Shares or the divestiture of any assets of the Gondwana or a subsidiary of Gondwana or Ochre or a subsidiary of Ochre.
- (i) **(Non-existence or exercise of certain rights)** Between the Announcement Date and the end of the Offer Period, there is no person (other than Ochre or any of its subsidiaries) having any rights, being entitled to or exercising any rights, alleging an entitlement, or expressing or announcing an intention (whether or not that intention is stated to be a final or determined decision of that person) and in all cases whether subject to conditions or not, as a result of any change of control event in respect of Gondwana (including Ochre acquiring shares in Gondwana) or any of its subsidiaries or assets, to:
- (i) terminate or alter any Mining Interest, the contract between Gondwana and Atlas Iron Limited relating to the payment of a royalty or any material contract to which Gondwana or any of its subsidiaries is a party;
 - (ii) require the termination, modification or disposal or offer to dispose of any material interest or asset, corporate body, other entity, partnership or joint venture (incorporated or unincorporated); or
 - (iii) accelerate or adversely modify the nature or performance of any material obligations of Gondwana or any of its subsidiaries under any Mining Interest, the contract between Gondwana and Atlas Iron Limited relating to the payment of a royalty or other material contract.

- (j) **(Equal access to information)** At all times between the Announcement Date and the end of the Offer Period, Gondwana promptly (and in any event within two Business Days) provides to Ochre a copy of all material information concerning Gondwana's or any subsidiary of Gondwana's business and operations and that has not already been provided to Ochre relating to Gondwana or any subsidiary of Gondwana or any of their respective businesses or operations that is provided by Gondwana or any of its related parties (within the meaning of section 228 of the Corporations Act) to any person (other than Ochre) for the purpose of soliciting, encouraging or facilitating a proposal or offer by that person, or by any other person, in relation to a Competing Proposal.
- (k) **(No break fees):**
- (i) That, subject to paragraph 1.28(k)(ii) below, between the Announcement Date and the end of the Offer Period neither Gondwana or body corporate which is or becomes a subsidiary of Gondwana, agrees (whether conditionally or contingently) to pay or provide any benefit to any person, or to forego or otherwise reduce any payment or benefit to which it would otherwise be entitled, in connection with any person other than Ochre making or agreeing to participate in, or enter into negotiations concerning a Competing Proposal.
- (ii) Paragraph 1.28(k)(i) above does not apply to a payment:
- (A) for providing professional advisory services to Gondwana;
- (B) which is approved in writing by Ochre;
- (C) lawfully made to any Gondwana directors, officers or employees (subject to paragraph 1.28(f)(i)(A)); or
- (D) which is approved by a resolution passed at a general meeting of Gondwana.
- (l) **(No direct or indirect Disposal of or encumbrance over Mining Interests)** Between that day that is one month before the Announcement Date and the end of the Offer Period, neither Gondwana nor any of its subsidiaries:
- (i) enters into or announces an intention or proposal to enter into or offers to enter into;
- (ii) discloses the existence of; or
- (iii) becomes subject to, an obligation or arrangement, whether conditional or otherwise and irrespective of the consideration or value:
- (A) to Dispose of all or any of, or any interest in, a Mining Interest or the contract between Gondwana and Atlas Iron Limited relating to the payment of a royalty;
- (B) to Dispose or issue, or grant an option or other rights over or in respect of, all or any of the shares or other

voting or economic interests in Gondwana or any subsidiary of Gondwana; or

- (C) to grant, permit, suffer to subsist or enter into any encumbrance or other security interest over all or any of, or any interest in, a Mining Interest or the contract between Gondwana and Atlas Iron Limited relating to the payment of a royalty.

(m) **(New mining contract and Mining Interest renewals):**

- (i) If before the end of the Offer Period:

- (A) a mining contract has been entered into with a Regulatory Authority; or

- (B) any Mining Interest in relation to which a renewal application:

- (I) has been made before and is outstanding on the Announcement Date; or

- (II) is made on or after the Announcement Date,

is renewed, that mining contract is entered into or (as the case may be) that renewal is granted in favour of, and solely for the benefit of, a wholly owned subsidiary of Gondwana and on terms and conditions that are substantially the same as the final draft of that mining contract or (as applicable) the terms and conditions of renewal set out in the renewal application forms disclosed by Gondwana to ASX or to Ochre before the Announcement Date.

- (ii) If before the end of the Offer Period, such a mining contract has not been entered into or such a renewal has not been granted:

- (A) the applicable Regulatory Authority has not before the end of Offer Period notified or otherwise made known an intention to refuse to enter into the mining contract or grant the renewal; and

- (B) neither the applicable Regulatory Authority nor Gondwana or any of Gondwana's Related Entities has before the end of Offer Period notified or otherwise proposed or made known an intention to seek a material change to the terms and conditions of that mining contract or renewal relative to the final draft of that mining contract or (as applicable) the terms and conditions of renewal set out in the renewal application forms disclosed by Gondwana to ASX or Ochre before the Announcement Date.

1.29 Declaration of Offer being free from conditions

- (a) Ochre may, subject to the Corporations Act, declare the Offer and all other Offers and all contracts resulting from the acceptance of Offers

free from the conditions (or any one or more or any part of them) in section 1.28.

- (b) Subject to compliance with sections 630 and 650F of the Corporations Act, a declaration made under section 1.29(a) must be made by Ochre by notice in writing to Gondwana:
 - (i) in the case of a Condition relating to the happening of a Prescribed Occurrence, not later than three Business Days after the end of the Offer Period; and
 - (ii) in any other case, not later than seven days before the end of the Offer Period.

1.30 Breach of Conditions

Each of the Conditions in section 1.28 is a condition subsequent and does not prevent a contract to sell your Gondwana Shares resulting from an acceptance of the Offer. However, if a Condition in section 1.28 is breached or not fulfilled, Ochre may by notice in writing to you rescind that contract as if that contract had not been formed.

1.31 Benefit of Conditions

Subject to the Corporations Act:

- (a) Ochre alone has the benefit of the Conditions in section 1.28;
- (b) a breach or non-fulfilment of any of those Conditions may be relied on only by Ochre; and
- (c) Ochre may, at its sole discretion, waive the breach or non-fulfilment of all or any of those Conditions.

1.32 Status notice

The date for giving the notice referred to in section 630(1) of the Corporations Act relating to the status of the conditions in section 1.28 is Friday, 25 July 2014 (Notice of Status of Conditions). This date may be extended in accordance with section 630(2) of the Corporations Act if the Offer Period is extended.

1.33 Void contracts

If at the end of the Offer Period the Conditions in section 1.28 have not been fulfilled and Ochre has not declared the Offer and all contracts resulting from the acceptance of the Offer free from those Conditions, all contracts resulting from the acceptance of the Offer and all acceptances to which binding contracts have not yet resulted will be automatically void.

In that event, Ochre will, if you have accepted the Offer, return at your risk your Acceptance Form together with all documents forwarded by you with the Acceptance Form to your address shown in the Acceptance Form.

Part 6: Withdrawal

1.34 Withdrawal

Ochre may withdraw the Offer with the written consent of ASIC. That consent may be given subject to any conditions specified in the consent.

Part 7: Variation

1.35 Ochre's entitlement

Ochre may at any time before the end of the Offer Period vary the Offer in accordance with the Corporations Act:

- (a) by extending the Offer Period;
- (b) by increasing the consideration payable under the Offer; and
- (c) with the written consent of ASIC, and subject to any conditions specified by ASIC in that consent, in the manner that ASIC permits.

1.36 Extension of Offer

If Ochre extends the Offer Period, you will receive notice of the extension, unless, at the date of the extension, you have already accepted the Offer and the Offer has become free from the Conditions in section 1.28 or those Conditions have been fulfilled.

Part 8: Costs

1.37 Costs

All costs and expenses of the preparation of this Bidder's Statement, and any stamp duty payable on the transfer of Gondwana Shares for which the Offer is accepted, will be paid by Ochre.

Part 9: Notices

1.38 Service on Gondwana

Ochre may give a notice to Gondwana under the Offer by leaving it at, or sending it by prepaid ordinary post to, the registered office of Gondwana.

1.39 Service on Ochre

You or Gondwana may give a notice to Ochre under the Offer by leaving it at, or sending it by prepaid ordinary post to Ochre at the address set out in the Acceptance Form.

1.40 Service on you

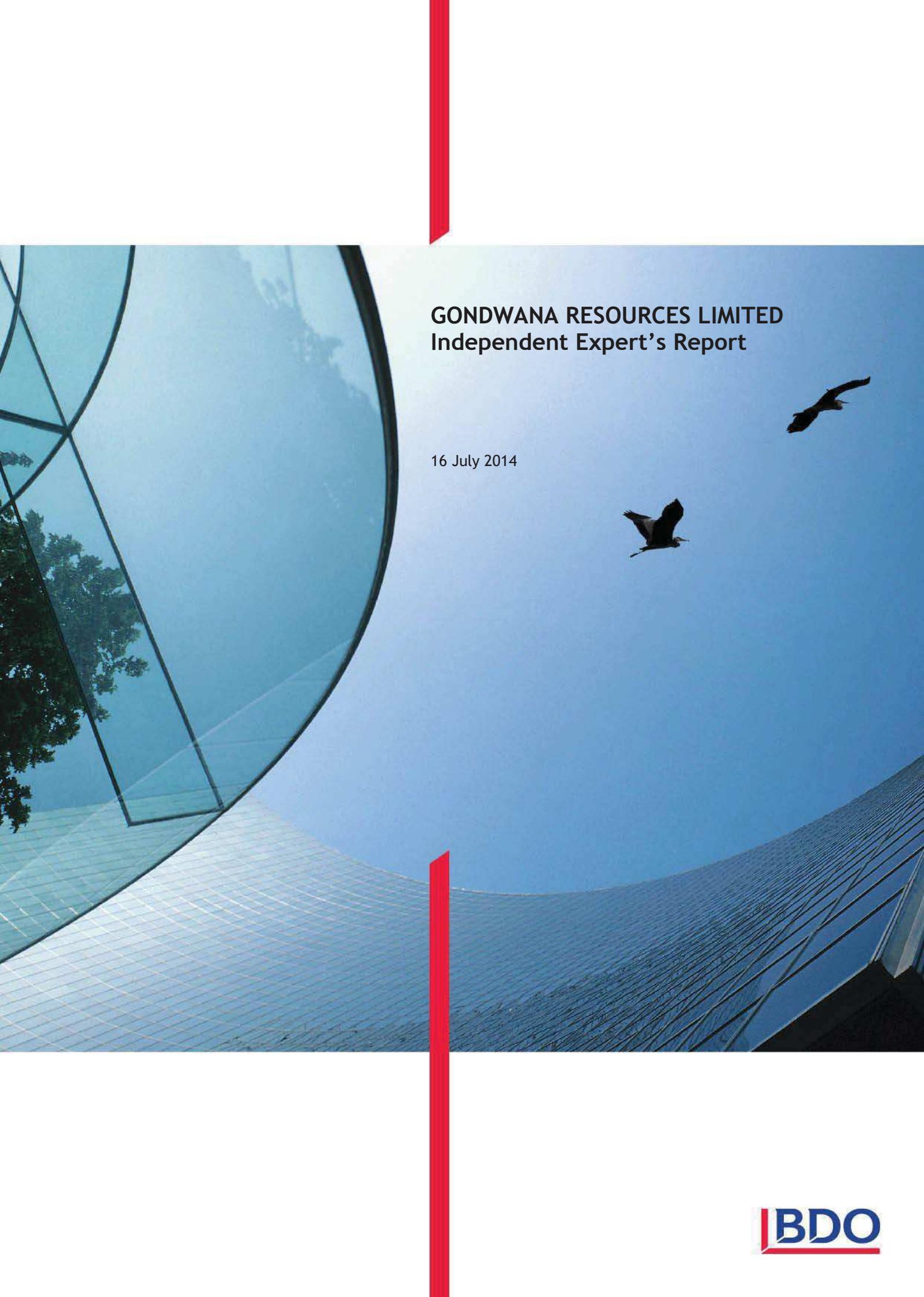
Ochre may give a notice to you under the Offer by leaving it at, or sending it by prepaid ordinary post or by airmail (if your address is outside Australia), to your address given to Ochre by Gondwana under section 641 of the Corporations Act.

Part 10: Governing Law

1.41 Governing law

This Offer and any contract resulting from your acceptance of it is governed by the laws in force in New South Wales.

ANNEXURE B – INDEPENDENT EXPERT’S REPORT



GONDWANA RESOURCES LIMITED
Independent Expert's Report

16 July 2014



Financial Services Guide

16 July 2014

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Gondwana Resources Limited ('Gondwana') to provide an independent expert's report on the takeover bid from Ochre Group Holdings Ltd ("Ochre") of 8.2 cents per share in cash for each Gondwana share. You will be provided with a copy of our report as a retail client because you are a shareholder of Gondwana.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$32,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Other Assignments In the last two years BDO Corporate Finance (WA) Pty Ltd has received \$7,772 for valuation services in respect of a royalty stream.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Gondwana for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.

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Appendix 5 - Independent Valuation Report prepared by Agricola

16 July 2014

The Directors
Gondwana Resources Limited
230 Rockeby Road
SUBIACO WA 6008

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 12 May 2014 Ochre Group Holdings Limited ("Ochre") announced an off market takeover bid for Gondwana Resources Limited ("Gondwana" or 'the Company'). Ochre issued a Bidders statement on 2 July 2014, under the terms of the bid Ochre is offering cash consideration of \$0.082 per Gondwana share ('the Offer').

2. Summary and Opinion

2.1 Purpose of the report

The directors of Gondwana have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Offer is fair and reasonable to the non associated shareholders of Gondwana ('Shareholders').

There is no statutory requirement for an Independent Expert's Report and Gondwana's directors have commissioned our report for corporate governance purposes to be included in the Target's Statement for Gondwana in order to assist the Shareholders in their decision whether to accept the Offer.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Offer as outlined in the body of this report. We have considered:

- How the value of a Gondwana share prior to the Offer compares to the consideration provided by the Offer;
- The likelihood of a superior alternative offer being available to Gondwana;

- Other factors which we consider to be relevant to the Shareholders in their assessment of the Offer; and
- The position of Shareholders should the Offer not be accepted.

2.3 Opinion

We have considered the terms of the Offer as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Offer is neither fair nor reasonable to Shareholders.

2.4 Fairness

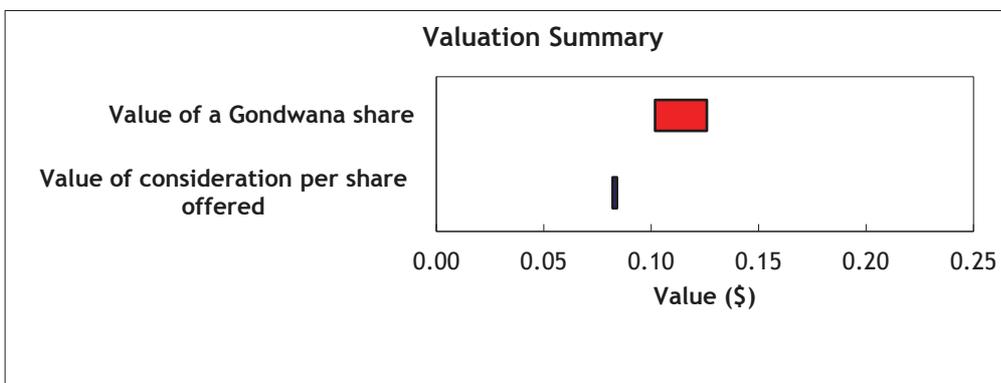
In section 12 we determined that the Offer consideration compares to the value of a Gondwana share, as detailed below.

	Ref	Low \$	Preferred \$	High \$
Value of a Gondwana share	10.1	0.1018	0.1136	0.1259
Value of the consideration		0.0820	0.0820	0.0820

Source: BDO analysis

We note that the Corruna Downs royalty is not included in the above valuation of Gondwana. Due to the requirements of RG 170 we are unable to ascribe a value to this asset as Atlas has not declared a reserve. Which means that we do not have a reasonable basis upon which to forecast future cash flows arising from this royalty. We note that as at the date of our report the announced Inferred Resource at Corruna Downs is 51 million tonnes. Under the Corruna Downs royalty, Atlas must pay Gondwana \$1.13/tonne on the production of iron ore and other minerals which Gondwana holds over the Corruna Downs Iron Ore Project. On 9 May 2014, Atlas released results regarding resources estimates and targets at the Corruna Downs Iron Ore Project. Refer to Atlas’s announcement for further details.

The above valuation ranges are graphically presented below:



Source: BDO Analysis

The above pricing indicates that, in the absence of any other relevant information, and a superior offer, the Offer is not fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Offer; and
- other considerations, including the position of Shareholders if the Offer is not successful and the consequences of not approving the Offer.

In our opinion, the position of Shareholders if the Offer successful is less advantageous than the position if the Offer is not successful. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Offer is not reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.4	Certainty of cash consideration	13.5	The Offer is not fair
13.4	Removes future risks associated with holding shares in Gondwana	13.5	Inability to benefit from potential upside in Gondwana's Projects
		13.5	Inability to benefit from potential upside in Gondwana's interest in the Corunna Down's Royalty

Other key matters we have considered include:

Section	Description
13.1	Alternative Proposal
13.2	Practical level of control
13.3	Consequences of not accepting the Offer

3. Scope of the Report

3.1 Purpose of the Report

There is no requirement under ASX Listing Rules or Corporations Act Regulations for Gondwana to engage an independent expert in relation to the Offer.

Notwithstanding the above, Gondwana engaged BDO to prepare this report for provisions to Shareholders to assist them in deciding whether to accept or reject the Offer.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of ‘fair and reasonable’. In determining whether the Offer is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid. In our opinion, the Offer is a control transaction as defined by RG 111 and we have therefore assessed the Offer as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being ‘not fair’ the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between value of a Gondwana share prior to the Offer and the value of consideration offered for each Gondwana share (fairness - see Section 12 ‘Is the Offer Fair?’); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 13 ‘Is the Offer Reasonable?’).

4. Outline of the Offer

Ochre is offering to acquire all Gondwana shares for cash consideration of \$0.082 per Gondwana share. The Offer is subject to certain conditions, some of which are shown below:

- A minimum acceptance condition of more than 50%;
- All regulatory approvals are obtained;
- No event occurs which has a material adverse effect on Gondwana;
- Neither Gondwana nor its subsidiaries make any material acquisitions, disposals or commitments;
- No Prescribed Occurrence;

Further details can be found in the Bidder’s Statement

5. Profile of Gondwana

5.1 History

Gondwana was incorporated on 10 April 1980 and listed on the ASX on 2 April 1987. The Company is focused principally on gold and mineral exploration in the Parker Range, Pilbara and Gascoyne regions, Western Australia. The Company's current board members:

- Mr Warren Beckwith, Non executive Chairman, Managing Director;
- Mr Paul Goodsall, Director and Company Secretary;
- Mr Steven Pynt, Director; and
- Mr Jolyon Sinclair, Non executive Director

On 30 June 2014, the Company announced the sale of its' 90% interest at the Panorama Prospect to Atlas Operations Pty Ltd ('Atlas'), a subsidiary of Atlas Iron Limited, for \$0.2 million. Under the sale agreement of the Panorama Tenement, Gondwana retains a royalty of 1% of gross revenue from iron ore and other minerals mined sold with Atlas to assume obligations to Adelaide Prospecting Pty Ltd in relation to their 10% interest in the Panorama Tenement.

5.2 Projects

Set out below is a brief description of the Company's projects:

Parker Range Mining Project

The Parker Range gold project is located in the established Southern Cross Greenstone Belt, and was acquired from Sons of Gwalia in 2003. The project contains approximately 500 km² of exploration tenure across 32 licenses including:

- The Twoomey Hills group of tenements are located approximately 1 km from the north-eastern margin of the granite dome contact. Gold has been previously mined from the Toomey Hills area with production estimated at 3,180 ounces of gold. Previous drilling intersected 4m at 7.9g/t Au and 1m@27g/t Au.
- The Dulcie group tenements contain the Langley Central deposit historically mined from 2m to 5m by Thames Mining. Gondwana have drilled a single section, which confirmed the presence of the Langley Central mineralisation. Included in the Dulcie group tenement is also the Intrepid Pig Prospect which is located along the western margin of the Dulcie Group tenements.
- The East Parker Dome comprise of two tenements, the Milky Way East and the Boodaring Rock prospects. The Milky Way East prospect was first discovered in the late 1980's. And appears to be a broad mineralised area. The Boodaring Rock prospect contains a significant soil anomaly but has yet to be drill tested.
- The Forrestainia tenement contains the Blue Turtle prospect, with unmined gold bearing laterites. While 100m-spaced shallow drilling has been unable to define a continuous laterite resource, the primary mineralisation is the key target. Due to the vertical nature of these mineralised shoots and some structural complexity which can offset the oxide expression of primary mineralisation, a systematic and progressive step-out drill program will be required to define what is likely to the primary target.

Within the project exists three historic gold deposits: Centenary, Buffalo and Spring Hill. The Company's gold exploration focus during the last three years involves transforming the two gold deposits at Buffalo and Spring Hill into JORC Code gold resources and to explore nearby gold prospects.

During the half year of 2013, the Company completed a pit shell optimisation study for each of the Centenary, Buffalo and Spring Hill gold deposits with indication of positive results for all three pits.

In September 2013, the Company commissioned Capital Mine Consulting to conduct an independent review of the Parker Range Gold Projects' economic feasibility based on the production parameters and the Company's budgeted costs in which results indicated the project had positive economics and completion of the recommended work could further enhance the project robustness.

In the annual report for the year ended 31 December 2013, the Company outlined the decision to temporarily suspend further mining studies until the prices of gold recovers at least to levels prevailing in 2012.

Further information on Gondwana can be found in the Bidders Statement.

5.3 Historical Balance Sheet

Statement of Financial Position	Audited as at 31-Dec-13 \$	Audited as at 31-Dec-12 \$
CURRENT ASSETS		
Cash and cash equivalents	222,655	739,046
Other receivables	132,752	158,495
TOTAL CURRENT ASSETS	355,407	897,541
NON-CURRENT ASSETS		
Deferred exploration & evaluation expenditure	100,400	306,649
Property, plant and equipment	520	3,704
TOTAL NON-CURRENT ASSETS	100,920	310,353
TOTAL ASSETS	456,327	1,207,894
CURRENT LIABILITIES		
Trade and other payables	339,349	588,856
Interest bearing liabilities	180,114	324,300
TOTAL CURRENT LIABILITIES	519,463	913,156
TOTAL LIABILITIES	519,463	913,156
NET ASSETS	(63,136)	294,738
EQUITY		
Issued capital	32,475,155	32,474,840
Reserves	140,781	140,781
Accumulated losses	(32,679,072)	(32,320,883)
TOTAL UNIT HOLDERS EQUITY	(63,136)	294,738

Source: Gondwana Resources Limited annual report for the year ended 31 December 2013.

5.4 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Audited for the year ended 31-Dec-13 \$	Audited for the year ended 31-Dec-12 \$
Revenue		
Other income	1,468,026	1,633,943
Finance income	25,396	9,738
Expenses		
Employee expenses	(84,176)	(96,166)
Office and corporate expenses	(473,337)	(632,284)
Depreciation expense	(3,183)	(6,713)
Provision for diminution - loan receivable	(300,000)	(400,000)
Exploration expenditure	(945,953)	(772,425)
Finance expense	(44,962)	(61,779)
Loss from continuing operations before income tax	(358,189)	(325,686)
Income tax expense	-	-
Loss from continuing operations after income tax	(358,189)	(325,686)
Foreign currency translation differences	-	-
Total comprehensive loss for the year	(358,189)	(325,686)

Source: Gondwana Resources Limited annual report for the year ended 31 December 2013.

5.5 Capital Structure

The share structure of Gondwana as at 14 July 2014 is outlined below:

	Number
Total Ordinary Shares on Issue	24,433,440
Top 20 Shareholders	17,234,642
Top 20 Shareholders - % of shares on issue	70.5%

Source: Godwana Management

The range of shares held in Godwana as at 14 July 2014 is as follows:

Range of Shares Held	No. of Ordinary Shareholders	No. of Ordinary Shares	% Issued Capital
1-1,000	2486	315,793	1.3%
1,001-5,000	377	945,068	3.9%
5,001-10,000	127	994,941	4.1%
10,001-100,000	142	4,201,868	17.2%
100,001 - and over	26	17,975,770	73.6%
TOTAL	3158	24,433,440	100.0%

Source: Godwana Management

The ordinary shares held by the most significant shareholders as at 14 July 2014 are detailed below:

Name	No of Ordinary Shares Held	Percentage of Issued Shares (%)
Bellatrix Pty Ltd	2,855,331	11.7%
Ochre Industries Pty Limited	2,260,606	9.3%
B C Capital Limited	2,130,000	8.7%
International Business Services Limited	1,909,577	7.8%
Total Top 4	9,155,514	37.5%
Others	15,277,926	62.5%
Total Ordinary Shares on Issue	24,433,440	100.0%

Source: Godwana Management

The most significant option holders of Godwana as at 14 July 2014 are outlined below:

	Number of Options
Expiring 30 June 2015, exercisable at \$0.10	
B C Capital Limited	120,000
Bellatrix Pty Ltd	1,000,000
Crying Rock Pty Ltd	1,000,000
GG Hancock Pty Ltd	400,000
Greensea Investments Pty Ltd	600,000
International Business Services Limited	430,000
Joymill Pty Ltd	200,000
Mr Peter Bryant	100,000
Mr Phillip Ringrose	50,000
Nightwatch Investments Pty Ltd	200,000
Total Number of Options	4,100,000

Source: Godwana Management

6. Profile of Ochre

6.1 History

Ochre is an ASX-listed iron ore explorer focused on projects located in Western Australia's Pilbara region. Ochre listed on the ASX in January 1991 under the name E-Com Multi Limited and specialised in internet based e-commerce technology. In 2011, the company entered into an agreement with Talisman Mining Limited to acquire mineral resources tenements which included two iron projects, Wonmunna and Uaroo. At the time of acquisition, Wonmunna contained a JORC inferred resource whilst Uaroo was a greenfields project believed to be prospective for iron ore. Ochre withdrew from the Uaroo Project during the December quarter of 2013 as a result of limitations in potential for significant iron mineralisation. Due to the change in the nature of its activities, the company changed its name from E-Com Multi Limited to Rico Resources Limited in February 2011 and then to Ochre in December 2012.

Ochre's Board of Directors comprises five members:

- Mr Nathan Featherby, Executive Chairman
- Mr Glenn Featherby, Non-executive Director
- Mr Mark Reilly, Non-executive Director
- Mr Shane Pentony, Non-executive Director
- Mr McAndrew Rudisill, Non-executive Director

The Company Secretary is Mr Vaz Hovanessian.

6.2 Wonmunna Project

Ochre entered into an agreement with Ascot Resources Limited on 18 March 2014 to sell its Wonmunna Project. Under the terms of the agreement Ochre will receive the following consideration from Ascot:

- 88,000,000 shares in Ascot after a 1 for 2 consolidation;
- \$2m in cash based on a minimum of \$10m fundraising;
- Subject to various conversion conditions \$29.75 million cash payable 5 years from completion of the transaction at a coupon rate of 5.88% per annum; and
- A 1% gross revenue royalty.

Further information on Ochre can be found in the Bidder's Statement.

7. Economic analysis

Growth in the global economy is continuing at a moderate pace, helped by firmer conditions in the advanced countries. China's growth slowed a little earlier in the year but remains generally in line with policymakers' objectives. Commodity prices in historical terms remain high, but some of those important to Australia have declined.

Financial conditions overall remain very accommodative. Long-term interest rates and risk spreads remain low. Emerging market economies are once again receiving capital inflows. Volatility in many financial prices is currently unusually low. Markets appear to be attaching a very low probability to any rise in global interest rates over the period ahead.

In Australia, recent data indicate somewhat firmer growth around the turn of the year, but this resulted mainly from very strong increases in resource exports as new capacity came on stream; smaller increases in such exports are likely in coming quarters. Moderate growth has been occurring in consumer demand. A strong expansion in housing construction is now under way. At the same time, resources sector investment spending is starting to decline significantly. Signs of improvement in investment intentions in some other sectors are emerging, but these plans remain tentative as firms wait for more evidence of improved conditions before committing to significant expansion. Public spending is scheduled to be subdued. Overall, the Bank still expects growth to be a little below trend over the year ahead.

There has been some improvement in indicators for the labour market in recent months, but it will probably be some time yet before unemployment declines consistently. Growth in wages has declined noticeably. If these and other domestic costs remain contained, inflation should remain consistent with the target over the next one to two years, even with lower levels of the exchange rate.

Monetary policy remains accommodative. Interest rates are very low and for some borrowers have edged lower over recent months. Savers continue to look for higher returns in response to low rates on safe instruments. Credit growth has picked up a little, including most recently to businesses. Dwelling prices have increased significantly over the past year, though there have been some signs of a moderation in the pace of increase recently. The exchange rate remains high by historical standards, particularly given the declines in key commodity prices, and hence is offering less assistance than it might in achieving balanced growth in the economy.

Looking ahead continued accommodative monetary policy should provide support to demand and help growth to strengthen over time. Inflation is expected to be consistent with the 2-3 per cent target over the next two years.

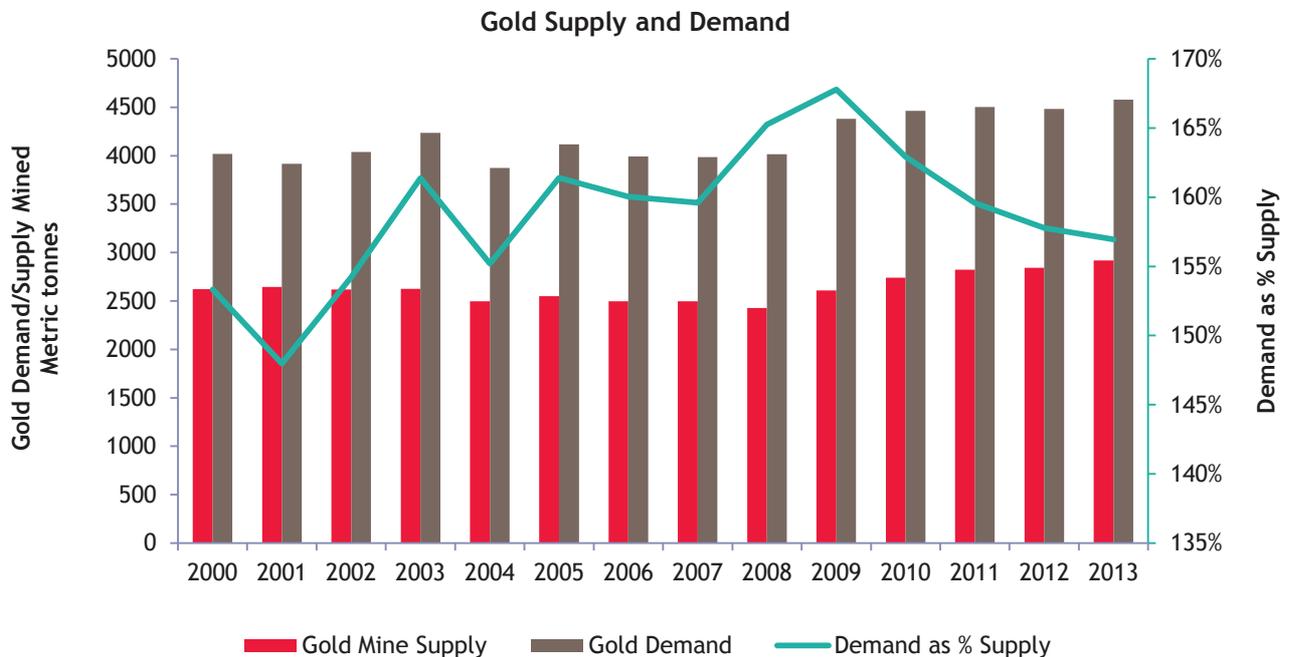
Source: www.rba.gov.au *Statement by Glenn Stevens, Governor: Monetary Policy Decision 1 July 2014.*

8. Industry analysis

Gold

Gold is both a commodity and an international store of monetary value. Once mined, gold continues to exist indefinitely, often melted down and recycled to produce alternative or replacement products. This characteristic means that gold demand is supported by both mine production and gold recycling.

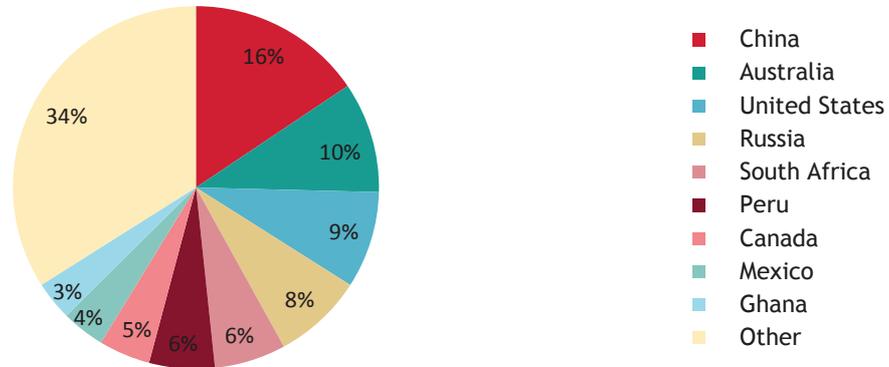
As illustrated in the chart below, gold mine production was approximately 2,917 metric tonnes in 2013 and gold consumption was 4,578 metric tonnes. Demand for gold has consistently exceeded supply over the last 10 years, and the escalated level of economic and financial uncertainty during recent years has caused investors to move capital from risky assets to gold assets, which are perceived to be a good store of monetary value. As a result, total gold demand increased by approximately 14% between 2008 and 2013, with demand as a percentage of supply remaining at over 150% for the same period.



Source: Bloomberg and BDO Analysis

Until the late 1980s, South Africa produced approximately half of the total gold produced. More recently however, gold production has become geographically segmented, as shown in the chart below, with production dominated by China, Australia and the United States.

Gold Production 2013



Source: Bloomberg and BDO Analysis

Gold prices

The price of gold fluctuates on a daily basis depending on global demand and supply factors. The softening of gold prices over the last two years is reflective of the recovery of global economic conditions. The value of gold peaked at US\$1,900 per ounce on 5 September 2011. This peak was largely caused by the debt market crisis in Europe, but it was also driven by the Standard and Poor’s downgrade of the US credit rating. This sent global stock markets tumbling and a flood of investors towards safer havens such as gold. Prices contracted in December 2011 reaching a low of US\$1,545 per ounce followed by a recovery in 2012, reaching US\$1,790 per ounce on 4 October 2012 before declining to US\$1,675 per ounce at 31 December 2012. Gold prices have declined in 2013 and most recently was US\$1,338 per ounce on 11 July 2014.

According to Bloomberg forecasts and Consensus Economics, gold prices are forecast to stabilise in the coming years, with the long term forecast around US\$1,250.

Gold Spot Price



Source: Bloomberg, Consensus Economics and BDO Analysis

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment such as a Resource Multiple

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Gondwana shares we have chosen to consider the following methodologies:

- Sum of the parts valuation (NAV) including a DCF for the Centenary and Buffalo deposits where Reserves have been declared;
- A market based assessment of the Resources of Gondwana's projects; and
- Quoted Market Price

We have chosen these methodologies for the following reasons:

- Gondwana has not generated a trading income. Therefore there are no historic profits that could be used to represent future earnings. This means that the FME valuation approach is not appropriate. Furthermore FME is generally not appropriate for mining and exploration ; and
- Gondwana's most significant assets are mineral assets. As such a net asset value method is appropriate, and we require a specialist valuation of the assets for which Reserves are not present and therefore cannot be valued via a DCF. We instructed Agricola Mining Consultants Pty Ltd ('Agricola') to provide an independent specialist current market valuation of the Resource's and exploration assets held by Gondwana, the full report may be found in Appendix 5. Where Reserves are present it is possible to undertake a DCF to incorporate in the sum of the parts value; and
- Gondwana is listed on the ASX. This provides an indication of the market value

10. Valuation of Gondwana shares

10.1 Net Asset Valuation of Gondwana

The value of Gondwana's assets on a going concern basis is reflected in our valuation below:

Valuation following the transaction	Ref	Audited as at			
		31-Dec-13 \$	Low value \$	Preferred value \$	High value \$
CURRENT ASSETS					
Cash and cash equivalents	a	222,655	1,675,410	1,675,410	1,675,410
Other receivables		132,752	132,752	132,752	132,752
TOTAL CURRENT ASSETS		355,407	1,808,162	1,808,162	1,808,162
NON-CURRENT ASSETS					
Deferred exploration & evaluation expenditure	b	100,400	4,900,000	5,600,000	6,350,000
Property, plant and equipment		520	520	520	520
TOTAL NON-CURRENT ASSETS		100,920	4,900,520	5,600,520	6,350,520
TOTAL ASSETS		456,327	6,708,682	7,408,682	8,158,682
CURRENT LIABILITIES					
Trade and other payables		339,349	339,349	339,349	339,349
Interest bearing liabilities		180,114	180,114	180,114	180,114
TOTAL CURRENT LIABILITIES		519,463	519,463	519,463	519,463
TOTAL LIABILITIES		519,463	519,463	519,463	519,463
NET ASSETS		(63,136)	6,189,219	6,889,219	7,639,219
Shares on issue (number)	c	22,053,440	60,778,581	60,665,003	60,665,003
Value per share (\$) undiluted			0.1018	0.1136	0.1259

Source: BDO analysis

We have been advised that there has not been a significant change in the net assets of Gondwana since 31 December 2013 except as adjusted for as described below. The table above indicates the net asset value of a Gondwana share is between \$0.1018 and \$0.1259 with a preferred value of \$0.1136.

This valuation is prior to the Entitlement Offer dated on or around 17 July 2014 of one Share for every one Share held by those Shareholders registered at the Record Date at an issue price of 3.2 cents per Share to raise up to \$781,870 before costs. The Entitlement Offer is fully underwritten by GMP Securities Australia Pty Ltd.

We note that under section 10.1 of the Bidders statement the Offer has a record date of 5.00pm (AWST) on Thursday 26 June 2014 and accordingly does not apply to the securities to be issued under the Entitlement offer. It is our understanding that if Gondwana receives acceptances under the Entitlement Offer prior to the end of this bid's offer period, this will trigger a defeating condition of the bid which Ochre may rely on. We also understand that Ochre would need to seek relief from ASIC to extend the bid to these securities. In the event that this occurs we would prepare a supplementary Independent Expert's Report to consider the revised bid.

The Entitlements offer has the following dilutionary impact on Shareholders

Effect of Entitlement Offer	Low value	Preferred value	High value
No exercise of Underwriter options			
Additional cash raised less costs	704,293	704,293	704,293
Resulting Net Assets	6,893,512	7,593,512	8,343,512
Shares issued	24,433,440	28,433,440	28,433,440
Total shares on issue	85,212,021	85,212,021	85,212,021
Value per share (\$) undiluted	0.083	0.092	0.100

The effect of the exercise of the underwriters options is shown below

Effect of Entitlement Offer with the exercise of Underwriter options	Low value	Preferred value	High value
Additional cash raised less costs	904,293	904,293	904,293
Resulting NTA	7,093,512	7,793,512	8,543,512
Shares issued	28,433,440	28,433,440	28,433,440
Total shares on issue	89,212,021	89,212,021	89,212,021
Value per share (\$)	0.080	0.087	0.096

Given the opportunity to participate in the Entitlement Offer is available to Shareholders whereby the dilution can be avoided we consider the value of a Gondwana share to be between \$0.1018 and \$0.1259 with a preferred value of \$0.1136. However if Shareholders are unable to participate in they will be diluted per the tables above.

Should the Offer be varied we would be required to issue a supplementary report and reconsider the above analysis at that time.

The following adjustments were made to the net assets of Gondwana as at 31 December 2013 in arriving at our valuation.

Cash

We have adjusted cash to reflect the following items

Item	\$
Cash at 31 March 2014 per the Company's quarterly cash flow statement	78,000
Cash received post 31 March 2014 for the exercise of options	238,000
Sale of the Panorama tenement on 1 July 2014	200,000
Capital expenditure funding to be raised in respect of the discounted cash flow valuation below	1,159,410
Total	1,675,410

Valuation of Gondwana's mineral assets

We instructed Agricola Mining Consultants Pty Ltd (“**Agricola**”) to provide an independent market valuation of the exploration assets held by Gondwana in accordance with the VALMIN Code. Agricola considered a number of different valuation methods when valuing the exploration assets of Gondwana. Agricola applied the Geo Factor method and the PEM method. These methods are discussed in Agricola's report in Appendix 5. We consider these methods to be appropriate given the pre feasibility stage of development for Gondwana's exploration assets.

The range of values for each of Gondwana's exploration assets as calculated by Agricola is set out below:

Gondwana	Low value	Preferred value	High value
Mineral Asset Valuation	\$	\$	\$
Agricola valuation	1,700,000	2,200,000	2,800,000
DCF of Parker Range	3,200,000	3,400,000	3,550,000
Total	4,900,000	5,600,000	6,350,000

Source: Agricola Report at Appendix 5

The table above indicates a range of values between \$4.90 million and \$6.35 million, with a preferred value of \$5.60 million

Discounted Cash Flow Valuation

Future Cash Flows

The management of Gondwana has prepared a detailed cash flow model for the Centenary and Buffalo deposits ('the Model'). We have reviewed the Model and the material assumptions that underpin it.

BDO has made certain adjustments to the Model where it was considered appropriate to arrive at an adjusted model ('the Adjusted Model'). In particular, we have adjusted

- The gold price;
- USD:AUD exchange rates; and
- Added corporate costs.

The Adjusted Model was provided to Agricola. Agricola provided a Technical Assessment Report on the reasonableness of the following assumptions and inputs within the model;

- Tonnes of ore;
- Grade;
- Recovery;
- Mining contractor costs;
- Grade control;
- Road haulage;
- Toll treatment;
- Gold selling costs;
- Mine administration;
- Flights and accommodation; and
- Capital expenditure.

BDO has undertaken an analysis of the Model which has involved:

- analysing the Model to confirm its integrity and mathematical accuracy;
- reviewing the reasonableness of the assumptions adopted by Gondwana;
- calculating appropriate discount rates; and
- preparing our own Adjusted Model.

Limitations

Since forecasts relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of management's actions in implementing the plans on which the forecasts are based. Accordingly, actual results may vary materially from the forecasts, as it is often the case that some events and circumstances frequently do not occur as expected, or are not anticipated, and those differences may be material.

Assumptions

The model was prepared by Capital Mine Consulting who were commissioned by Gondwana with a bottom up approach developed from the mine schedule. We have set out the key assumptions used in the Adjusted Model below:

Revenue Assumptions

- We have adopted gold prices based on forward rates at 10 July 2014 sourced from Bloomberg as detailed below

Period	\$
Q3 2014	1,337
Q4 2014	1,340
Q1 2015	1,341
Q2 2015	1,341
Remaining 2015	1,342
2016	1,353

Operating Cost and Operating Assumptions

Period	
Tonnes of ore	669.0kt
Grade	2.08 g/t
Recovery	90%
Mining contractor costs	\$30.8 per tonne
Grade control	\$0.77 per tonne
Road haulage	\$6.58 per tonne
Toll treatment	\$25.00 per tonne
Gold selling costs	\$3.50 per tonne
Mine administration	\$4.14 per tonne
Flights and accommodation	\$3.21 per tonne

Exchange Rate assumptions

USD:AUD rates have been based on forward rates as at 10 July, sourced from Bloomberg and range from 0.9385 to 0.0903052 over the 20 month period with an average rate of 0.09200019.

Other Assumptions

- Capital expenditure being Roadworks, Mobilisation, Rehabilitation and overheads of \$1.4 million

Discount Rate

In selecting our range of discount rates we considered the following:

We consider the gold industry to be a relatively, moderate risk industry.

We reviewed the weighted average cost of capital of companies listed on the ASX that have an exposure to the gold industry. A detailed description of these companies is attached as Appendix 4.

We considered the similarities of comparable companies used to estimate an approximate risk premium to be applied to the Gondwana. In particular we considered:

- The debt to equity ratios of the companies;
- The size of the operations;
- The location of the operations;
- The diversity of operations; and

The post tax nominal discount rate applied to the Adjusted Model is between 9.23% and 12.03% with a preferred value of 10.63%. Details of how we arrived at the adopted discount range are shown in Appendix 3.

Valuation

On the basis of the assumptions detailed above, we conclude that the value of the deposits is between \$3.2 million and \$3.55 million with a preferred value of \$3.4 million.

Sensitivity Analysis

We have analysed the key assumptions to the Adjusted Model and have prepared sensitivities on the NPV. These sensitivities have been prepared to assist Shareholders in considering the potential affects to the value of the Project if our base case assumptions change.

Delay in the project	Discount rate		
	9.23%	10.63%	12.03%
Base case	3,619,647	3,565,939	3,513,772
3 month delay	3,540,631	3,477,008	3,415,387
6 month delay	3,463,341	3,390,295	3,319,758

Source: BDO analysis

Change in operating costs	-5%	Base Case	+5%
Base case	3,674,839	3,565,939	3,457,039
3 month delay	3,583,192	3,477,008	3,370,824
6 month delay	3,493,831	3,390,295	3,286,759

Source: BDO analysis

Change in exchange rate	-5%	Base Case	+5%
Base case	5,601,559	3,565,939	1,719,337
3 month delay	5,461,862	3,477,008	1,676,458
6 month delay	5,325,648	3,390,295	1,634,649

Source: BDO analysis

Change in gold price	-5%	Base Case	+5%
Base case	1,627,007	3,565,939	5,500,902
3 month delay	1,586,431	3,477,008	5,363,714
6 month delay	1,546,867	3,390,295	5,229,949

Source: BDO analysis

We note the following from the sensitivities included in the tables above:

The most significant movement in value results from exchange rate and gold price movements. We note however that the project has a life of 20 months and forward rates are available for both.

- Given the Company's ability to mitigate these risks by utilising forward rates we have not placed significant weight on these factors in forming our valuation range.
- We have considered a delay in the project in forming our view of the range.

Shares on issue

We have adjusted shares on issue to reflect the following items

Item	Low	Preferred	High
Shares issued for the exercise of options	2,380,000	2,380,000	2,380,000
Shares to be issued for capital expenditure in the DCF model	36,345,141	36,345,141	36,345,141

We have assumed that the Company will raise capital to fund the capital cost of the project through an equity capital raise.

The shares issued for capital expenditure have been calculated based on the Entitlement Offer price of 3.2 cents per share. As this is underwritten we believe that it is the appropriate reference price to adopt for the placement that would be required to fund the capital expenditure.

10.2 Quoted Market Prices for Gondwana Securities

To provide a comparison to the valuation of Gondwana in Section 10.1, we have also assessed the quoted market price for a Gondwana share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Therefore, our calculation of the quoted market price of a Gondwana share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a Gondwana share is based on the pricing prior to the announcement of the Offer. This is because the value of a Gondwana share after the announcement may include the affects of any change in value as a result of the Offer. However, we have considered the value of a Gondwana share following the announcement when we have considered reasonableness in Section 13.

Information on the Offer was announced to the market on 12 May 2014, however trading was suspended on 30 April 2014. Therefore, the following chart provides a summary of the share price movement over the 12 months to 30 April 2014 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of Gondwana shares from 30 April 2013 to 30 April 2014 has ranged from a low of \$0.042 on 19 March 2014 to a high of \$0.100 on 28 April 2014. From June 2013 to September 2013, the share price showed a moderate upward trend; however during the seven months to February 2014, there were many periods of no trades noted. The most significant trading volumes were experienced in the three months between February 2014 and April 2014. The highest single day of trading was on 17 April 2014, where 1,059,564 shares were traded. On 30 April 2014, Gondwana share price closed at \$0.055.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$ (movement)			\$ (movement)		
29/04/2014	TOV: Gondwana Resources Limited - Panel Receives Application	0.047	▼	53.0%	0.000	▼	100.0%
16/04/2014	Non-Renounceable Issue Prospectus	0.072	▲	30.9%	0.080	▲	11.1%
15/04/2014	Non-Renounceable Entitlement Issue and Appendix 3B	0.055	▶	0.0%	0.080	▲	45.5%
31/03/2014	Annual Report 2013 - 31 March 2014	0.052	▲	15.6%	0.055	▲	5.8%
31/03/2014	Placement, Appendix 3B and Section 708(5)(e) Notice	0.052	▲	15.6%	0.055	▲	5.8%
31/01/2014	Quarterly Activities Report and Appendix 5B - December 2013	0.057	▶	0.0%	0.065	▲	14.0%
4/12/2013	Pilbara Farm Out Agreement	0.070	▶	0.0%	0.075	▲	7.1%
1/11/2013	Quarterly Activities Report and Appendix 5B	0.080	▼	11.1%	0.080	▶	0.0%
31/07/2013	Activities Report and Appendix 5B June Quarter 2013	0.065	▶	0.0%	0.065	▶	0.0%
21/05/2013	New Constitution	0.066	▲	10.0%	0.060	▼	9.1%
1/05/2013	Activities Report and Appendix 5B - March Quarter 2013	0.080	▲	14%	0.080	▶	0%

On 1 May 2013, the Company released the March Quarter 2013 Activities and Cashflow Report. The report outlined the Company's intention to farm out lower priority areas, recapitalise the Company and to identify and acquire new, potential mineral projects for investment. Furthermore, the Company announced the finalisation of the sale of the Corunna Downs Project to Atlas, for which Gondwana received \$1.4 million. On the day of the release, the Company's share price increased by 14% to \$0.080; and remained unchanged in the following three days.

On 4 December 2013, Gondwana announced that it had entered into a farm-in agreement with Platypus Minerals Limited ('Platypus') in relation to the Company's 90% interest in the Gobbos Copper Prospect and the Cyclops Nickel Prospect located in East Pilbara, Western Australia. Under the agreement, Platypus may earn a 75% interest in the granted exploration license. On the day of the announcement, the Company's shares remained unchanged at \$0.070; however in the three days subsequent they closed 7.1% higher at \$0.075.

On 31 March 2014, the Company announced a capital raising via the placement of 2.5 million fully paid ordinary shares at a price of \$0.032 per share. The placement also involved the issue of one option for every two shares taken up at an exercise price of \$0.05 per option on or before 31 December 2015 which is subject to shareholder approval. On the day of the announcement, Gondwana shares increased by 15.6% to \$0.052 and continued to increase by a further 5.8% to \$0.055 in the following three days.

On 16 April 2014, Gondwana announced that it had lodged a prospectus with ASIC and the ASX in relation to the placement of 2.5 million shares at a price of \$0.032. Funds raised through the placement will be used for exploration and evaluation of mineral projects in the Parker Range, Gascoyne, East Pilbara and corporate and administration costs and the prepayment of short term debt. On the day of the

announcement, the Company's shares increased by 30.9% to \$0.072 and continued to increase by 11.1% to \$0.080 in the three days subsequent.

On 29 April 2014, the Australian Takeovers Panel received an application from Ochre in relation to the one for one non-renounceable, partially underwritten, entitlement issue by Gondwana. The entitlement issue is partially underwritten (50%) by Bellatrix Pty Ltd, which currently has a voting power of 11.84% in Gondwana. In the application, Ochre seeks the final orders that the entitlement issue be prevented from proceeding or, alternatively, Gondwana obtain non-associated shareholder approval of the entitlement issue under Chapter 2E of the Act. On the day of the announcement, the Company's share price closed 53% lower to \$0.047.

To provide further analysis of the market prices for a Gondwana share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 30 April 2014.

	30-Apr-14	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.055				
Volume weighted average price (VWAP)		\$0.078	\$0.068	\$0.062	\$0.062

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Offer, to avoid the influence of any increase in price of Gondwana shares that has occurred since the Offer was announced.

An analysis of the volume of trading in Gondwana shares for the twelve months to 30 April 2014 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.055	\$0.055	6,465	0.03%
10 Days	\$0.047	\$0.100	2,052,724	8.41%
30 Days	\$0.043	\$0.100	4,238,240	17.36%
60 Days	\$0.042	\$0.100	6,088,526	24.94%
90 Days	\$0.042	\$0.100	6,516,584	26.70%
180 Days	\$0.042	\$0.100	7,513,488	30.78%
1 Year	\$0.042	\$0.100	8,238,233	33.75%

Source: Bloomberg, BDO analysis

This table indicates that Gondwana's shares display a low to moderate level of liquidity, with 33.75% of the Company's current issued capital being traded in a twelve month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and

- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Gondwana, we do not consider the trading to be deep as there is a low level of liquidity with trading concentrated in a small time period as well as a degree of volatility being present. We note that in the 60 day period the recent price and volume has been influenced by the activity of Ochre acquiring shares as disclosed in section 6.3 of the Bidders Statement. In the absence of this activity we consider the liquidity of Gondwana to be low and reduces the reliability of QMP.

Our assessment is that a range of values for Gondwana shares based on market pricing, after disregarding post announcement pricing, is between \$0.055 and \$0.080.

Control Premium

We have reviewed the control premiums paid by acquirers of companies listed on the ASX. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2014	1	60.31	32.29
2013	15	52.64	59.55
2012	19	135.78	42.67
2011	20	634.68	31.40
2010	22	789.90	46.09
2009	29	86.80	39.23
2008	8	553.76	38.87
	Median	135.78	39.23
	Mean	330.55	41.44

Source: Bloomberg

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The table above indicates that there has been an increasing trend of control premium paid by acquirers of general mining companies since 2008, with the average control premium peaking in 2013. The long term average of announced control premium paid by acquirers of mining targets in Australia is in excess of 40%.

As the Offer will result in Ochre increasing its interest in Gondwana to between 50% and 100% if successful, Ochre should be expected to pay a control premium. Taking into account of the above analysis, an appropriate control premium to apply in our valuation of Gondwana's shares is between 30% and 40%.

Quoted market price including control premium

Applying a control premium to Gondwana's quoted market share price results in the following quoted market price value including a premium for control:

	Low	Midpoint	High
	\$	\$	\$
Quoted market price value	0.055	0.068	0.080
Control premium	30%	35%	40%
Quoted market price valuation including a premium for control	0.0715	0.0918	0.112

Source: BDO analysis

Therefore, our valuation of an Gondwana share based on the quoted market price method and including a premium for control is between \$0.0715 and \$0.112, with a midpoint value of \$0.0918.

10.3 Assessment of Gondwana Value

The results of the valuations performed are summarised in the table below:

	Low	Preferred	High
	\$	\$	\$
Net assets value (Section 10.1)	0.1018	0.1136	0.1259
ASX market prices (Section 10.2)	0.0715	0.0918	0.112

Source: BDO analysis

Based on the results above we consider the value of a Gondwana share to be between \$0.1018 and \$0.11259, with a preferred value of \$0.1136.

We have relied on the net asset value in forming our valuation opinion due to the low level of liquidity of Gondwana's share trading. As previously noted we do not consider the trading to be deep as there is a low level of liquidity with trading concentrated in a small time period as well as a degree of volatility being present. We note that in the 60 day period the recent price and volume has been influenced by the activity of Ochre acquiring shares as disclosed in section 6.3 of the Bidders Statement. In the absence of this activity we consider the liquidity of Gondwana to be low and reduces the reliability of QMP.

We note that the Corruna Downs royalty is not included in the above valuation of Gondwana. Due to the requirements of RG 170 we are unable to ascribe a value to this asset as Atlas has not declared a reserve. Which means that we do not have a reasonable basis upon which to forecast future cash flows arising from this royalty Under the Corruna Downs royalty, Atlas must pay Gondwana \$1.13/tonne on the production of iron ore and other minerals which Gondwana holds over the Corruna Downs Iron Ore Project. On 9 May

2014, Atlas released results regarding resources estimates and targets at the Corrunga Downs Iron Ore Project. Refer to Atlas’s announcement for further details.

11. Valuation of consideration

In accordance with the terms of the Offer Ochre is providing consideration of \$0.082 cash per Gondwana share.

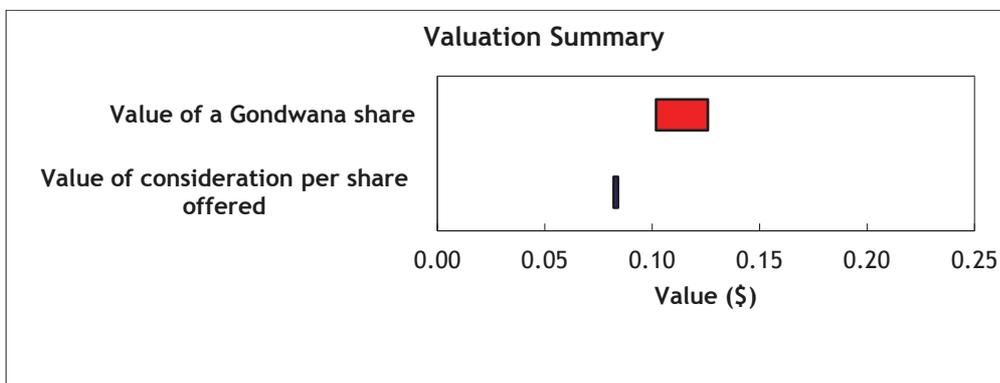
12. Is the Offer fair?

The value of a Gondwana share compared to the Offer consideration is illustrated below:

	Ref	Low \$	Preferred \$	High \$
Value of a Gondwana share	10.1	0.1018	0.1136	0.1259
Value of the consideration		0.082	0.082	0.082

We note from the table above that the preferred value of a Gondwana share is greater than the value of consideration. Therefore, we consider that the Offer is not fair.

The above valuation ranges are graphically represented below:



Source: BDO Analysis

13. Is the offer reasonable?

13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Gondwana a premium over the value ascribed to the Offer.

13.2 Practical Level of Control

Under the conditions of the Offer there is a 50% minimum level of acceptance by Shareholders. Therefore Ochre may acquire an interest of between 50% and 100% of the Company.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter.

If Ochre acquires more than 50% and less than 90% of Gondwana shares then Ochre would be able to pass general resolutions and block special resolutions, and may be able to pass special resolutions (if over 75%). In this scenario Ochre's intentions include to:

- Maintain Gondwana's ASX listing
- Review the composition of the board of directors of Gondwana and request representation on the board that is commensurate with its shareholding in Gondwana, Ochre is currently seeking to have the four board members replaced; and
- Review the operations and assets of Gondwana.

Should Ochre acquire 90% or more of shares in Gondwana then Ochre would be able to pass general and special resolutions. In this scenario Ochre's intentions include to:

- Compulsorily acquire the outstanding Gondwana shares in accordance with the Corporations Act;
- Arrange for Gondwana to be removed from the Official List of the ASX; and
- Replace all members of the board of directors of Gondwana with its own nominees.

Ochre's control of Gondwana following the Offer may be significant when compared to all other shareholders depending on the level of acceptance of the Offer by Shareholders.

13.3 Consequences of not Approving the Offer

Consequences

If the Offer is not successful the Directors will continue with their objective of gold and mineral exploration in the Parker Range, Pilbara and Gascoyne regions, Western Australia.

Post announcement pricing

We note that Gondwana is suspended and as such there has been no post announcement trading.

13.4 Advantages of Accepting the Offer

We have considered the following advantages when assessing whether the Offer is reasonable.

Advantage	Description
Certainty of cash consideration	<p>The cash consideration that has been offered by Ochre would allow Gondwana Shareholders to realise cash for their investment without incurring brokers' fees. No dividends have been paid on Gondwana shares to date.</p> <p>The consideration of cash of \$0.082 is a fixed and definite amount, and is not subject to the inherent risks that will affect the quoted market price of a Gondwana share, including the risk of fluctuations in value of the Gondwana exploration assets.</p> <p>There may be capital gains tax implications for Shareholders, and Shareholders should consult with their own tax advisors to determine any individual tax implications from acceptance of the Offer</p>
Removes future risks associated with holding shares in Gondwana	<p>The Offer removes the risks that Shareholders bear from continuing to hold Gondwana shares. These risks include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • Development of projects into cash generating assets; • Deterioration in market conditions; and • Future funding.

13.5 Disadvantages of Accepting the Offer

If the Offer is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
The Offer is not fair	As set out in Section 12 the Offer is not fair.
Inability to benefit from potential upside in Gondwana's Projects	<p>If the Offer is successful, Shareholders will forgo their participation in potential future profits and capital growth that Gondwana may be able to realise.</p> <p>The Company is currently seeking to progress towards mining the Reserves contained in the Parker Range Project.</p> <p>If Shareholders accept the Offer then they will no longer hold an interest in the Company or in the Projects. Therefore Shareholders would not be able to benefit from any increase in the value of Gondwana in the future.</p>

Inability to benefit from potential upside in Gondwana's interest in the Corunna Downs Royalty

On 15 November 2011 Gondwana Resources Limited announced that it had entered into an agreement with Atlas Iron Limited to sell its interest in the Corruna Downs Iron Prospect in the Pilbara for \$2.1 million in cash, to be paid in 3 tranches. The agreement was replaced by a subsequent agreement announced on 12 October 2012 with Gondwana to retain a royalty of \$1.13 per tonne for all iron ore sold.

Due to the requirements of RG 170 we are unable to ascribe a value to this asset as Atlas has not declared a reserve. Which means that we do not have a reasonable basis upon which to forecast future cash flows arising from this royalty. We note that as at the date of our report the announced Inferred Resource at Corruna Downs is 51 million tonnes. Under the Corruna Downs royalty, Atlas must pay Gondwana \$1.13/tonne on the production of iron ore and other minerals which Gondwana holds over the Corruna Downs Iron Ore Project. On 9 May 2014, Atlas released results regarding resources estimates and targets at the Corruna Downs Iron Ore Project.

If Shareholders accept the offer they will not be exposed to the potential upside of Royalty Revenue should Atlas move the Project into production. Refer to Atlas's announcement for further details.

14. Conclusion

We have considered the terms of the Offer as outlined in the body of this report and have concluded that the Offer is neither fair nor reasonable to the Shareholders of Gondwana.

15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Gondwana for the years ended 31 December 2013 and 31 December 2012
- Independent Valuation Report and Technical Assessment Report of Gondwana mineral assets dated 15 July 2014 performed by Agricola;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Gondwana.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$32,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Gondwana in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Gondwana, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Gondwana and Ochre and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Gondwana and Ochre and their respective associates.

A draft of this report was provided to Gondwana and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 200 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 16 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

18. Disclaimers and consents

This report has been prepared at the request of Gondwana for inclusion in the Targets Statement which will be sent to all Gondwana Shareholders. Gondwana engaged BDO Corporate Finance (WA) Pty Ltd to



prepare an independent expert's report to consider if the takeover from Ochre is fair and reasonable to non associated shareholders.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Target's Statement. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Target's Statement other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The forecasts provided to BDO Corporate Finance (WA) Pty Ltd by Gondwana and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance (WA) Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actual be achieved. BDO Corporate Finance (WA) Pty Ltd disclaims any possible liability in respect of these forecasts. We note that the forecasts provided do not include estimates as to the effect of any future emissions trading scheme should it be introduced as it is unable to estimate the effects of such a scheme at this time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Offer, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Gondwana, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Gondwana.

The valuer engaged for the mineral asset valuation, Agricola, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.



The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

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

A handwritten signature in blue ink, appearing to read 'Adam Myers', written in a cursive style.

Sherif Andrawes

Adam Myers

Director

Director

Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act
Adjusted Model	BDO's adjustment to the Model
Agricola	Agricola Mining Consultants Pty Ltd
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Atlas	Atlas Operations Pty Ltd
BDO	BDO Corporate Finance (WA) Pty Ltd
The Company	Gondwana Resources Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Model	Cash flow model for Centenary and Buffalo deposits prepared by management of Gondwana
NAV	Net Asset Value
Ochre	Ochre Group Holdings Limited
The Offer	Ochre's offer to acquire all Gondwana shares for a cash consideration of \$0.082 per Gondwana share.
Our Report	This Independent Expert's Report prepared by BDO
Platypus	Platypus Minerals Limited

RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Shareholders	Shareholders of Gondwana not associated with Ochre
VWAP	Volume Weighted Average Price

Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Appendix 3 - Discount Rate Assessment

Determining the correct discount rate, or cost of capital, for a business requires the identification and consideration of a number of factors that affect the returns and risks of a business, as well as the application of widely accepted methodologies for determining the returns of a business.

The discount rate applied to the forecast cash flows from a business represents the financial return that will be required before an investor would be prepared to acquire (or invest in) the business. Since the cash flows in the Model represent cash flows to equity holders, we have discounted these cash flows using a cost of equity.

The capital asset pricing model ('CAPM') is commonly used in determining the market rates of return for equity type investments and project evaluations. CAPM provides the required return on an equity investment.

Cost of Equity and Capital Asset Pricing Model

CAPM is based on the theory that a rational investor would price an investment so that the expected return is equal to the risk free rate of return plus an appropriate premium for risk. CAPM assumes that there is a positive relationship between risk and return, that is, investors are risk averse and demand a higher return for accepting a higher level of risk.

CAPM calculates the cost of equity and is calculated as follows:

CAPM

$$K_e = R_f + \beta \times (R_m - R_f)$$

Where:

K_e = expected equity investment return or cost of equity in nominal terms

R_f = risk free rate of return

R_m = expected market return

$R_m - R_f$ = market risk premium

β = equity beta

The individual components of CAPM are discussed below.

Risk Free Rate (R_f)

The risk free rate is normally approximated by reference to a long term government bond with a maturity equivalent to the timeframe over which the returns from the assets are expected to be received. We have used the current yield to maturity on the 10-year Commonwealth Government Bond which was 3.47% per annum as at 10 July 2014.

Market Risk Premium ($R_m - R_f$)

The market risk premium represents the additional return that investors expect from an investment in a well-diversified portfolio of assets. It is common to use a historical risk premium, as expectations are not observable in practice.

The market risk premium is derived on the basis of capital weighted average return of all members of the S&P 200 Index minus the risk free rate which is dependent on the ten year government bond rates. For the purpose of our report we have adopted a market risk premium of 6% to 8%.

Equity Beta

Beta is a measure of the expected correlation of an investment's return over and above the risk free rate, relative to the return over and above the risk free rate of the market as a whole; a beta greater than one implies that an investment's return will outperform the market's average return in a bullish market and underperform the market's average return in a bearish market. On the other hand, a beta less than one implies that the business' will underperform the market's average return in a bullish market and outperform the market's average return in a bearish market.

Equity betas are normally either an historical beta or an adjusted beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. An adjusted beta is calculated based on the assumption that the relative risk of the past will continue into the future, and is hence derived from historical data. It is then modified by the assumption that a stock will move towards the market over time, taking into consideration the industry risk factors which make the operating risk of the company greater or less risky than comparable listed companies.

It is important to note that it is not possible to compare the equity betas of different companies without having regard to their gearing levels. Thus, a more valid analysis of betas can be achieved by 'ungearing' the equity beta (β_a) by applying the following formula:

$$\beta_a = B / (1 + (D/E \times (1-t)))$$

In order to assess the appropriate equity beta for the Project, we have had regard to the equity beta of Gondwana and of listed companies involved in similar activities in similar industry sectors. Due to the low market capitalisation of Gondwana there are limited comparable companies that could be identified. The geared betas below have been calculated against the All Ordinaries Index. The geared betas below have been calculated using weekly data over a two-year period.

Company	Market Capitalisation	Geared Beta	Gross Debt/Equity (%)	Ungeared Beta
	10 July 2014 (\$m)			
Gondwana Resources Limited	1.09	0.84	99%	0.50

Company	Market Capitalisation 10 July 2014 (\$m)	Geared Beta (B)	Gross Debt/Equity (%)	Ungeared Beta (Ba)
Hammer Metals Limited	7.81	0.62	0%	0.62
GME Resources Ltd.	13.52	1.20	0%	1.20
	Mean	0.89		0.77
	Median	0.84		0.62

Selected Beta (B)

In selecting an appropriate beta for the Project, we have considered the similarities between the comparable companies selected above. The comparable similarities and differences noted are the comparable companies' mining and exploration assets have varying risk profiles depending on the maturity of the assets and the stages and location of production and debt to equity.

Having regard to the above we consider that an appropriate ungeared beta to apply to the Project is between 0.92 and 1.05. We consider it reasonable that a forward looking ungeared beta for Gondwana will reflect that of its peers. We consider Gondwana's risk profile to be slightly lower than the high end of the comparable range as Gondwana has a relatively short project life, therefore the beta range we have selected is slightly higher than the observed average ungeared beta but lower than the high end of the range.

We consider it reasonable to assume that the shareholders of Gondwana determine their required rate of return, for a particular project, by viewing the risks associated with the future cash flows of the project. We have re-gear the project beta to 1.02 to 1.17.

Cost of Equity

We have assessed the cost of equity to be:

Input	Value Adopted	
	Low	High
Risk free rate of return	3.47%	3.47%
Equity market risk premium	6.00%	8.00%
Beta (geared)	1.02	1.17
Cost of Equity	9.60%	12.87%

$WACC = (E/E+D) \times Ke + [(D/D+E) \times Kd(1-t)]$		
Weighted average cost of capital	Low	High
Cost of equity (Ke)	9.60%	12.87%
Cost of debt (Kd)	10.00%	10.00%
Proportion of equity (E/(E+D))	85.76%	85.76%
Proportion of debt (D/(E+D))	14.24%	14.24%
WACC	9.23%	12.03%

Appendix 3 - Comparable companies

Descriptions of comparable listed companies are summarised as follows.

Company Name	Exchange	Ticker	Company description
Hammer Metals	ASX	HMX	Hammer Metals Limited focuses on the discovery and production of metals in Australia. It primarily explores for iron oxide, copper, gold, molybdenum, and rhenium ores. The company holds interest in the Mount Isa project hub, which includes the Kalman, Pindora South, Overlander, Tiny Boot, Andy's Hill, Serendipity/Python, Pelican, and Mount Philp projects. It also owns interest in the Mt Morgan project hub that comprises the Golden Peaks project situated in coastal central Queensland. In addition, the company holds interest in the Pilbara Iron Ore, Leonora Gold and Sunset Well Gold, Paterson, and Fortitude Gold projects in Western Australia. The company was formerly known as Midas Resources Limited and changed its name to Hammer Metals Limited in April 2014.
GME Resources Limited	ASX	GME	GME Resources Limited, together with its subsidiaries, engages in the investment, exploration, and development of mineral properties in Australia. It primarily explores for nickel and gold ores. The company owns a 100% interest in the NiWest Nickel Laterite project with a land holding of approximately 500 square kilometers located in the North Eastern Goldfields of Western Australia; and owns various gold projects located in the Leonora, Laverton region. GME Resources Limited is based in Balcatta, Australia.

Source: CapitalIQ

Appendix 5 - Independent Specialist Report



Malcolm Castle
Agricola Mining Consultants Pty Ltd
P.O. Box 473, South Perth, WA 6951
Mobile: 61 (4) 1234 7511
Email: mcastle@castleconsulting.com.au
ABN: 84 274 218 871

15 July 2014

The Directors
BDO Corporate Finance (WA) Pty Ltd
38 Station Street
Subiaco, WA, 6008

Dear Sirs,

Re: INDEPENDENT VALUATION OF THE MINERAL ASSETS in WESTERN AUSTRALIA

HELD BY GONDWANA RESOURCES LIMITED

We have been commissioned by the Directors of BDO Corporate Finance (WA) Pty Ltd (“BDO”) to provide a Mineral Asset Valuation Report (“Report”) of the Mineral Assets in Western Australia held by Gondwana Resources Limited (the “Company”). This Report serves to comment on the geological setting and exploration results on the properties and presents a technical and market valuation for the exploration assets based on the information in this Report.

The present status of the tenements in Western Australia is based on information made available by the Company and verified by us by reference to the Department of Mines and Petroleum, Western Australia. The Report has been prepared on the assumption that the tenements are lawfully accessible for evaluation.

DECLARATIONS

Relevant codes and guidelines

This report has been prepared as a technical assessment and valuation in accordance with the *Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the “VALMIN Code”, 2005)*, which is binding upon Members of the Australasian Institute of Mining and Metallurgy (“AusIMM”) and the Australian Institute of Geoscientists (“AIG”), as well as the rules and guidelines issued by the Australian Securities and Investments Commission (“ASIC”) and the ASX Limited (“ASX”) which pertain to Independent Expert Reports (*Regulatory Guides RG111 and RG112, March 2011*).

Where mineral resources and Ore Reserves have been referred to in this report, the information was prepared and first disclosed under the *"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code")*, prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective 2004 and 2012 as appropriate. Some of the information has not been updated since the estimation date to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Under the definition provided by the VALMIN Code, the property is classified as an 'advanced exploration area' with identified mineral resources, which is inherently speculative in nature. The property is considered to be sufficiently prospective, subject to varying degrees of risk, to warrant further exploration and development of its economic potential.

Sources of Information

The statements and opinion contained in this report are given in good faith and this review is based on information provided by the title holders, along with technical reports by consultants, previous tenements holders and other relevant published and unpublished data for the area. I have endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was provided to BDO, along with a written request to identify any material errors or omissions prior to lodgement.

In compiling this report, I did not carry out a site visit to any of the Company's Project areas. Based on my professional knowledge, experience, previous visits to the general area and the availability of extensive databases and technical reports made available by various Government Agencies, I consider that sufficient current information was available to allow an informed appraisal to be made without such a visit.

The independent valuation report has been compiled based on information available up to and including the date of this report. Consent has been given for the distribution of this report in the form and context in which it appears. I have no reason to doubt the authenticity or substance of the information provided.

Qualifications and Experience

The person responsible for the preparation of this report is:

Malcolm Castle, B.Sc.(Hons), GCertAppFin (Sec Inst), MAusIMM

Malcolm Castle has over 45 years' experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He established a consulting company over 25 years ago and specialises in exploration management, technical Audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including uranium, gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical

Audits in many countries. He has completed numerous Independent Geologist's Reports and mineral asset valuations over the last decade as part of his consulting business.

Mr Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc.(Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004.

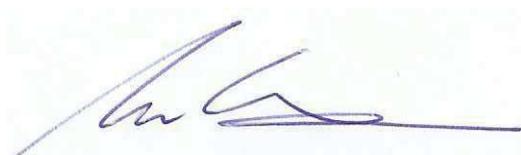
Competent Persons Statement

The information in this report that relates to Exploration Results and Mineral Resources of the Company has been reviewed by Malcolm Castle who is a member of the Australasian Institute of Mining and Metallurgy. Mr Castle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as an Expert and Competent Person as defined under the VALMIN Code and in the 2004 and 2012 Editions of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Castle consents to the inclusion in this report of the matters based on the information in the form and context in which they appear.

Independence

I am not, nor intend to be a director, officer or other direct employee of the Company and have no material interest in the Projects or the Company. The relationship with the Company is solely one of professional association between client and independent consultant. The review work and this report are prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

Yours faithfully



Malcolm Castle

B.Sc.(Hons) MAusIMM,
GCertAppFin (Sec Inst)
Agricola Mining Consultants Pty Ltd

TENEMENT SCHEDULE

Western Australian Tenements

GONDWANA RESOURCES LIMITED - TENEMENT SCHEDULE					
Tenement	Holder	Status	Grant Date	Area	Note
Parker Range Gold Project					
M77/657-I	GONDWANA RESOURCES LIMITED	Granted	2/02/1995	9.63 HA.	
M77/893	CERRO RESOURCES NL	Granted	14/12/2000	426.8 HA.	1
M77/762-I	GONDWANA RESOURCES LIMITED	Granted	21/01/2007	867 HA.	
M77/763-I	GONDWANA RESOURCES LIMITED	Granted	21/01/2007	905 HA.	
M77/562	BARCLAY HOLDINGS LTD	Granted		78 HA.	2
M77/567-I	GONDWANA RESOURCES LIMITED	Granted	29/12/1992	4.85 HA.	
M77/89	GONDWANA RESOURCES LIMITED	Granted	25/03/1986	9.189 HA.	
P77/3696	GONDWANA RESOURCES LIMITED	Granted	13/08/2008	4 HA.	
P77/3692	GONDWANA RESOURCES LIMITED	Granted	13/08/2008	19 HA.	
P77/3693	GONDWANA RESOURCES LIMITED	Granted	13/08/2008	10 HA.	
P77/3694	GONDWANA RESOURCES LIMITED	Granted	13/08/2008	89 HA.	
M77/561	BARCLAY HOLDINGS LTD	Granted		224 HA.	2
Parker Range Northern Group					
M77/52	GONDWANA RESOURCES LIMITED	Granted	31/10/1984	50.19 HA.	1
P77/3720	GONDWANA RESOURCES LIMITED	Granted	30/06/2011	12.33 HA.	
Parker Range Toomey Hills Group					
M77/565-I	GONDWANA RESOURCES LIMITED	Granted	27/12/1992	50 HA.	
M77/1018	GONDWANA RESOURCES LIMITED	Granted	3/07/2007	16 HA.	
P77/3730	GONDWANA RESOURCES LIMITED	Granted	15/10/2009	141 HA.	
P77/3731	GONDWANA RESOURCES LIMITED	Granted	15/10/2009	117 HA.	
P77/3732	GONDWANA RESOURCES LIMITED	Granted	15/10/2009	196 HA.	
P77/3800	GONDWANA RESOURCES LIMITED	Granted	15/10/2009	74 HA.	
Parker Range Dulcie Group					
M77/669	GONDWANA RESOURCES LIMITED	Granted	24/01/1995	493 HA.	
P77/3701-I	GONDWANA RESOURCES LIMITED	Granted	13/08/2008	138 HA.	
P77/3703	GONDWANA RESOURCES LIMITED	Granted	13/08/2008	14 HA.	3
P77/3704-I	GONDWANA RESOURCES LIMITED	Granted	13/08/2008	190 HA.	3
P77/3705-I	GONDWANA RESOURCES LIMITED	Granted	13/08/2008	200 HA.	3
P77/3727	AUDAX MINERALS PTY LTD	Granted	18/02/2009	192 HA.	4
P77/3728	AUDAX MINERALS PTY LTD	Granted	18/02/2009	181 HA.	4
P77/3729	AUDAX MINERALS PTY LTD	Granted	18/02/2009	174 HA.	4
M77/423	GONDWANA RESOURCES LIMITED	Granted	22/12/1992	200 HA.	
Parker Range Eastern Group					
E77/1362	GONDWANA RESOURCES LIMITED	Granted	5/10/2009	46 BL.	
E77/1734	GONDWANA RESOURCES LIMITED	Granted	30/09/2011	28 BL.	
Parker Range - Forrestania					
E77/2143	GONDWANA RESOURCES LIMITED	PENDING		24 BL.	
Gascoyne Uranium Projects					
Red Rock					
Bore					
E08/1966	GONDWANA RESOURCES LIMITED	Granted	20/01/2011	11 BL.	
E08/1967	GONDWANA RESOURCES LIMITED	Granted	20/01/2011	22 BL.	
E08/1968	GONDWANA RESOURCES LIMITED	Granted	20/01/2011	4 BL.	
E08/2049	GONDWANA RESOURCES LIMITED	Granted	20/01/2011	44 BL.	

E08/2410	GONDWANA RESOURCES LIMITED	PENDING		57	BL.	
Deep Bore						
E08/2001	GONDWANA RESOURCES LIMITED	Granted	4/10/2011	19	BL.	
E08/2044	GONDWANA RESOURCES LIMITED	Granted	4/10/2011	37	BL.	
Weaner Bore						
E09/1969	GONDWANA RESOURCES LIMITED	Granted	3/05/2011	58	BL.	
Gascoyne Rare Earths Project						
Mick and Ted Well						
E09/1614	GONDWANA RESOURCES LIMITED	Granted	11/11/2011	64	BL.	
E09/1615	GONDWANA RESOURCES LIMITED	Granted	11/11/2011	64	BL.	
East Pilbara Projects, WA						
Gobbos						
E45/3326	GONDWANA RESOURCES LIMITED	Granted	21/01/2011	68	BL.	5
Panorama						
E45/4110	GONDWANA RESOURCES LIMITED	Granted	4/06/2013	21	BL.	
Comet East						
E45/3956	GONDWANA RESOURCES LIMITED	PENDING		4	BL.	
Other						
E46/1026	GONDWANA RESOURCES LIMITED	PENDING		69	BL.	
Notes						
1	Cerro Resources NL 30% (carried to feasibility study)					
2	Barclay Holdings 30%					
3	Kagara holds nickel rights					
4	Audax 20%					
5	Adelaide Prospecting Pty Ltd 10%, Platypus Minerals Ltd farming in to earn a 75% interest					

The status of the tenements has been verified based on a recent independent inquiry of the Department of Mines and Petroleum, WA, database by me, pursuant to paragraph 67 of the Valmin Code. The tenements are believed to be in good standing at the date of this valuation as represented by the Company. Some future events such as the grant (or otherwise) of expenditure exemptions and plaint action may impact on the valuation and may give grounds for a reassessment.

The Parker Range Gold Project

Spring Hill

The Company has estimated a Mineral Resource in accordance with the JORC Code for the Spring Hill Deposit.

Category	Tonnes	Grade, g/t Au	Ounces
Measured			
Indicate	226,400	2.00	14,250
Measured + Indicated	226,400	2.00	14,250
Inferred	180,300	2.00	11,500
Total	406,700	2.00	25,750

Details of the estimate and the parameters are included in the Company's ASX release "Activities Report for the June Quarter 2012" ("ASX Release") dated 31 July 2012

Competent Persons Statement

The information in the Annual Report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves 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 2004 and 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.

The information contained in this Mineral Resource summary replicates information contained in the ASX Release .

The author of this Report is not aware of any new information or data that materially affects the information included in the ASX Release and, in the case of mineral resources that all the material assumptions and technical parameters underpinning the estimates in the ASX Release continue to apply and have not materially changed. The form and context in which the findings of Mr Castle (Competent Person) are presented have not been materially modified.

Ore Reserves were also estimated for the Spring Hill deposit based on applying mining parameters that reflect current operating costs, gold price and recovery parameters, however no formal feasibility study was completed for this deposit.

Northern Group

The Northern Group is located between the Southern Star gold mine and the Great Victoria gold mine at Marvel Loch. These tenements were drilled by Sons of Gwalia during 1999. The Antares prospect was discovered by Sons of Gwalia using aircore drilling. This area contains a number of significant gold intersections, including an ounce/tonne gold intersect in diamond drill core, and the mineralisation remains open. A supergene enrichment zone at Antares was later drilled beneath using diamond holes. The best gold intersection is within diamond drill hole LKD391, which remains open down plunge and down dip.

Toomey Hills Group

The Toomey Hills Group tenements are located about 1 km from the north-eastern margin of the granite dome contact. Gold has been previously mined from the Toomey Hills area with production estimated at 3,180 oz of gold from 3,400t of ore.

The Toomey Hills gold mines, immediately east of this group, are located along the Groper shear zone with a foliation striking 290-310° and dipping 60-80° towards the north-east. Gold-bearing quartz veins are intercalated within the shear zone, generally along lithological contacts. This brittle ductile shear zone extends through the tenement, clearly offsetting earlier structures and remains poorly tested.

Dulcie Group

The Dulcie tenements contain shallow gold mineralisation at Langley Central under an old laterite gold mine. The Langley central gold project operated in the mid-1980s and mining ceased in 1988. Thames Mining mined the laterite from 2m to 5m depth, and their historic reports outline further mineralisation. The mined area was a surface expression of quartz veined shears within a BIF or iron rich amphibolite unit.

The Company has identified significant undrilled potential in this tenement group along the magnetic BIF unit, which also hosts the gold at Dulcie and Cheritons gold mines. The Intrepid Pig prospect is located along the western margin of the Dulcie Group tenements and has gold in historic drilling which remains open.

Eastern Group (East Parker Dome)

The Eastern Group comprises two tenements around the east of the Parker Granite Dome. Within the southern tenement in the group is gold mineralisation at the Milky Way East prospect in an area that may also hold untested copper potential.

The Milky Way East mineralisation was discovered in the late 1980's and occurs within a gabbro, adjacent to the sheared boundary between a gabbro and the central sediment package. The area has been recognised on broad 400m line spaced drill results and mineralisation extends over 800 metres). The gold mineralisation is open towards the south where it is covered by thick deposits (20m) of transported red clay, sand and alluvial grits which mask bedrock gold mineralisation in soil surveying.

A shear zone contact with the gabbro, while showing gold mineralisation, is thought prospective for copper as past assaying did not include analysis for copper.

High gold in soils required a top cut of 50ppb due to their strength so the data could be compared around the eastern margin of the Parker Dome. A +20ppb gold soil response was identified in the Boodarding Rock tenement, and this has yet to be drill tested.

Forrestania

The Forrestania project contains a 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. 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.

EAST PILBARA PROJECTS

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

This tenement contains the Gobbo's Prospect with Copper and Molybdenum mineralisation being discovered in diamond drilling (from 1980). A detailed aeromagnetic survey identified a demagnetized zone and Copper-Molybdenum mineralisation was found in the creek bed during follow-up work.

Other Pilbara tenements (E46/1026)

This tenement contains the Malachite Creek Cu-Zn occurrence and the Lionel 3,5 & 9 Copper occurrences.

GASCOYNE PROJECTS

Uranium

The most prospective of the targets in this group is Red Rock Bore, where airborne radiometric anomalies are associated with a uraniferous granite at or adjacent to a Lower Proterozoic unconformity. Rock chip and channel sampling completed in 2011 indicates radiometric anomalies are associated with supergene enrichment in weathered exfoliated granite dated at 1681 ± 10 Ma. The granite straddles the Lower-Middle Proterozoic unconformity.

Rare Earths

Mick Well and Ted Well (E09/1614-15)

In 2012, a radiometric and magnetic survey was flown across the area. Reconnaissance rock chip samples were taken prior to the airborne survey and focused on delineating near surface uranium mineralisation. A single rock chip contained a number of rare earths from a small, covered pegmatite near Ted Well, justifying additional research which has now been carried out specifically for Rare Earth Elements (REE).

In 1977 Esso mapped a radiometric hot Granodiorite with Alaskites across the Mick Well area. Microscope work on a rock chip sample number 151 was classified as an Allanite Granite. This rock contains an estimated 20% metamict allanite by visual estimation. Sample 151 has been classified as a biotite metamict-allanite quartz microcline rock or an Allanite Granite. This rock contains a visual estimated 20% metamict allanite. Monazite and possibly xenotime are in 3% of the thin section area.

A 300m long, 120ppm Thorium anomaly is identified 1,400m to the north east of the Mick Well copper occurrence, and striking across the geology in a north east direction.

Thorium Radiometric Targets

The 100m line spaced airborne radiometric / magnetic survey delineated a number of strong thorium dyke-like responses. Some of these dykes are strong on all radiometric channels and some are more subtle, related to thorium only responses. The site of the covered Ted Well pegmatite dyke previously sampled in the creek bed will be tracked on the ground.

The **Centenary and Buffalo Deposits** are the subject of a Preliminary Feasibility Study based on the estimation of Ore Reserves and the study has been compiled for a small scale mining operation. The project will be valued by BDO on the basis of a Discounted Cash Flow Model.

While the inputs to the Centenary and Buffalo DCF analysis have been validated, these Reserves are not specifically included in this Valuation Assessment.

The **Spring Hill Deposit** has estimated Mineral Resources in the Indicated and Inferred categories for gold. When a resource or defined body of mineralisation has been outlined and its economic viability has still to be established (i.e. there is no full feasibility study) then a *Comparable Transactions* approach is usually applied, often stated as a percentage of metal value. This can be applied to Mineral Resource estimates and Exploration Targets compiled in accordance with the JORC code with appropriate discounts for risk in the different categories.

The method requires allocating a dollar value to the mineral resource in the ground and applying appropriate discounts for JORC Category, operating factors and average acquisition cost for mineral projects. This may also apply to well-established zones of mineralisation that have not formally been categorised under the JORC code in certain cases. An additional risk weighting may be appropriate in these circumstances.

*The Mineral Resources and Ore Reserves are assumed to encapsulate all the value for **Mining Leases** and **Miscellaneous Licences** on the Parker Range Gold Project and a separate value for exploration potential for these tenements is not considered warranted.*

The remainder of the **Western Australian Projects**, including the Exploration Licences and Prospecting Licences, are exploration projects. Several methods of valuation are available for such projects where a Mineral Resource has not yet been estimated in accordance with the JORC code. These include the use of valuations based on past exploration expenditure and valuations based on perceived prospectivity.

Exploration projects can be extremely variable and the use of comparable transactions is unlikely to produce a statistical spread of values for “similar” projects. This method can be used where a Mineral Resource has been estimated. The *Prospectivity Exploration Multiplier (PEM)* is based on past expenditure while the Kilburn Geoscience Rating (*Geo-factor Rating*) is based on opinions of the prospectivity hence tenements can have marked variation in value between the methods.

The ‘Geo-factor Rating’ method of valuation for exploration tenements is the preferred valuation method for the Company’s current tenements as it focuses on the future prospectivity of the area.

The Geo-factor Rating method systematically assesses four key technical attributes of a tenement to arrive at a series of factors that are multiplied together to produce a prospectivity rating. The Basic Acquisition Cost (BAC) is the important input to the method and it is calculated by summing the application fees, annual rent, work required to facilitate granting (e.g. native title, environment etc) and statutory expenditure for a period of 12 months. This is usually expressed as average

expenditure per square kilometre. Equity and grant status are also taken into account. Each factor then multiplied serially to the BAC. The 'Base Value' is multiplied by the prospectivity rating to establish the overall technical value of each mineral property.

REVIEW OF PRELIMINARY FEASIBILITY STUDY – CENTENARY AND BUFFALO DEPOSITS

We have reviewed the mining schedule, average monthly grade estimates, capital expenditure and operating cost assumptions in the report prepared by Capital Mine Consulting titled "Parker Range Project Review" and dated 8 October 2013 ("Review").

While the inputs to the Centenary and Buffalo DCF analysis have been validated, the Ore Reserves are not specifically included in this Valuation Assessment.

The Review identified the following risks to the project:

- As with all mining projects, the resource and reserve risk, ie tonnes and grade, is always present. None of the resource is classified as measured and as such there is an implicit risk that the tonnes and grade will vary from the resource estimate.
- The extent of old workings is unknown and if greater than expected would result in a reduction in resources. The old workings will also reduce mining efficiency as precautionary measures are required to ensure safety of mining personnel.
- The project will rely on contractors for mining and processing and thus the Company has, beyond contractual clauses, limited means to make changes to reduce costs and any changes may in fact incur variation charges.
- The Hanking mill is currently under care and maintenance. It is likely that Hanking would either charge a start-up fee to recommence operations or place a minimum tonnage clause in the contract. Both could be a significant liability for the project if production were delayed or the project aborted for any reason.

A consideration of the earlier resource and reserve estimates suggests that variations in tonnes and grade as grade control progresses could be either positive or negative in various areas and sensitivity to tonnage and grade may well be neutral.

Operating costs for mining. Grade control, road haulage and marketing are consistent with industry benchmarks and based on contractor quotes. These are unlikely to reduce during operations and may be sensitive to outside forces beyond the control of the Company.

Of these risks the toll milling charge to be negotiated with the Hanking mill is considered to be the most sensitive. The financial analysis was carried out at a charge of \$25 per tonne and the Review indicated the project would be marginal if the toll charge were to increase by 30%. Sensitivity analysis may be required for increased toll charges.

The Review concluded that the Parker Range Project has the potential to be exploited for a low capital cost through the use of mining contractors and toll treatment at the nearby, currently mothballed, Marvel Loch gold treatment plant which is owned by Hanking.

Economic modelling based on submissions from local contractors indicate that at current gold prices the deposit could be exploited at a profit. However, the toll treatment rate is based on discussions with the previous owner and is at the lower end of current market rates (although each plant and its circumstances is unique).

The current Review is a Preliminary Feasibility Study and further feasibility work may be required to bring the project to Full feasibility and Decision to Mine status. The capital expenditure in the DCF model does not include an allowance for additional expense prior to startup. It is also noted that no contingencies have been allowed for in the DCF model though they may be included in the detail of the assumptions.

We consider that the various assumptions are **based on reasonable grounds** and consistent with an earlier review carried out by us in May 2013.

The Ore Reserves will be valued based on a Discounted Cash Flow model by BDO.

COMPARABLE TRANSACTIONS – MINERAL RESOURCES – SPRING HILL DEPOSIT

MINERAL RESOURCE ESTIMATES

Resource Estimates in accordance with the JORC Code have been compiled for the Spring Hill Deposit and are accepted here for the purpose of the valuation.

Category	Tonnes	Grade, g/t Au	Ounces
Measured			
Indicate	226,400	2.00	14,250
Measured + Indicated	226,400	2.00	14,250
Inferred	180,300	2.00	11,500
Total	406,700	2.00	25,750

VALUATION METHODOLOGY

Contained metal is calculated from the deposit tonnes and grade in the categories of the JORC code. The estimated contained value for the Indicated and Inferred Resource is estimated based on current metal prices. The current Australian gold price is approximately **AU\$1.400** and that has been accepted for the valuation

Contained Value

$$\text{Contained Value} = [\text{Resource Tonnes}] * [\text{Average Price}]$$

Contained Value A\$M	
Measured	-
Indicated	20.38
Inferred	16.23
Exploration Target	-
Subtotal	36.61

Base Value

A discount factor is applied to the contained value to recognise the JORC category and allow for resource estimate risk.

Resource Category Discounts	
Measured Resource	80%
Indicated Resource	70%
Inferred Resource	60%
Exploration Target	50%

Allowances for operating factors are also included in the assessment:

Operations Factors	Gold	
Recovery	90%	Assume Standard
Mining	90%	Small Scale mining
Processing	90%	Toll Treatment
Rail, Road Transport	90%	Road Transport
Port	100%	Not Required
Capex	100%	Contractor facilities
Marketing	100%	Sales to Mint
Total Operating Discount	66%	

The base value for the project is estimated by multiplying the contained value by the discount factors.

$$\text{Base Value} = [\text{Contained Value}] * [\text{Resource Discount}] * [\text{Operating Discounts}]$$

Base Value A\$M	
Measured	
Indicated	9.36
Inferred	6.39
Exploration Target	-
Total	15.75
A\$ per ounce	\$602.26

Average Acquisition Cost

A range of average acquisition cost ("AAC") percentages are estimated based on a database of Merger and Acquisitions activity for the period 2006 to 2013. The percentage represents the amount paid for deposits compared to the contained value at the current metal price.

The AAC for projects lies in the range of 2.5% to 6.6%. The data set does not differentiate between resource categories and operational factors and this has been taken into account with risk related discounts applied to the Base Value. Information on sales internationally has shown a pattern for the AAC as shown in the percentile table.

AAC Percentiles, 2006-2013 – Exploration Assets					
Percentile	10th	25th	50th	75th	90th
AAC	2.2%	2.7%	3.5%	5.6%	6.2%

For the purpose of this valuation the Average Acquisition Cost for the lower, preferred and higher value is selected at the 25th, 50th and 75th percentiles. The Base Value is multiplied by AAC values at those percentiles to arrive at the estimated project technical value.

Technical Value

$$\text{Technical Value} = [\text{Base Value}] * [\text{Average Acquisition Cost}\%]$$

Total Project Technical Value, A\$M	
Low	0.43
High	0.88
Preferred	0.55
% of contained value	1.5%
A\$ per ounce	\$21.08

EXPLORATION PROJECTS - GEO-FACTOR RATING METHOD

BASE VALUE

This represents the exploration cost for the current period of the tenements. The current Base Acquisition Cost (BAC) for exploration projects is considered to be the average expenditure for the first year of the licence tenure. Exploration Licences in Western Australia, for example, attract a minimum annual expenditure for the first three years of \$300 per square kilometre and annual rent of \$43.50. A 10% administration fee is taken into account to imply a BAC of \$400 to \$450 per square kilometre. A similar approach based on expenditure commitments is taken for Prospecting Licences and Mining Leases.

Licence Type	Expend.	Rent	Admin	Total	\$/km ²	BAC - Low	BAC - High
Exploration Licence (E, \$/km ²)	300	43.50	34.35	377.85	378	400	450
Prospecting Licences (P, \$/Ha)	40.00	2.20	4.22	46.42	4,642	5,000	45,500
Mining Lease (M, \$/Ha)	100.00	15.00	11.50	126.50	12,650	13,000	14,000

A detailed list of all tenements is provided separately in the Tenement Schedule.

$$\text{Base Value} = [\text{Area}] * [\text{Grant Factor}] * [\text{Equity}] * [\text{Base Acquisition Cost}]$$

GONDWANA RESOURCES LIMITED				Tenement Factors	
Tenement	Project	Equity	Km ²	Status	Grant
Parker Range Gold Project					
M77/657-I		100%	0.10	Granted	100%
M77/893		70%	4.27	Granted	100%
M77/762-I		100%	8.67	Granted	100%
M77/763-I		100%	9.05	Granted	100%
M77/562		70%	0.78	Granted	100%
M77/567-I		100%	0.05	Granted	100%
M77/89		100%	0.09	Granted	100%
P77/3696		100%	0.04	Granted	100%
P77/3692		100%	0.19	Granted	100%
P77/3693		100%	0.10	Granted	100%
P77/3694		100%	0.89	Granted	100%
M77/561		70%	2.24	Granted	100%
Parker Range Northern Group					
M77/52		70%	0.50	Granted	100%
P77/3720		100%	0.12	Granted	100%
Parker Range Toomey Hills Group					
M77/565-I		100%	0.50	Granted	100%
M77/1018		100%	0.16	Granted	100%
P77/3730		100%	1.41	Granted	100%
P77/3731		100%	1.17	Granted	100%
P77/3732		100%	1.96	Granted	100%
P77/3800		100%	0.74	Granted	100%
Parker Range Dulcie Group					
M77/669		100%	4.93	Granted	100%
P77/3701-I		100%	1.38	Granted	100%
P77/3703		100%	0.14	Granted	100%
P77/3704-I		100%	1.90	Granted	100%
P77/3705-I		100%	2.00	Granted	100%
P77/3727		80%	1.92	Granted	100%
P77/3728		80%	1.81	Granted	100%
P77/3729		80%	1.74	Granted	100%
M77/423		100%	2.00	Granted	100%
Parker Range Eastern Group					
E77/1362		100%	138.00	Granted	100%
E77/1734		100%	84.00	Granted	100%
Parker Range - Forrestania					
E77/2143		100%	72.00	PENDING	60%
Gascoyne Uranium Projects					
Red Rock Bore					
E08/1966		100%	33.00	Granted	100%
E08/1967		100%	66.00	Granted	100%
E08/1968		100%	12.00	Granted	100%
E08/2049		100%	132.00	Granted	100%
E08/2410		100%	171.00	PENDING	60%
Deep Bore					
E08/2001		100%	57.00	Granted	100%
E08/2044		100%	111.00	Granted	100%

Weaner Bore				
E09/1969	100%	174.00	Granted	100%
Gascoyne Rare Earths Project				
Mick and Ted Well				
E09/1614	100%	192.00	Granted	100%
E09/1615	100%	192.00	Granted	100%
East Pilbara Projects, WA				
Gobbos				
E45/3326	90%	204.00	Granted	100%
Panorama				
E45/4110	90%	63.00	Granted	100%
Comet East				
E45/3956	90%	12.00	Pending	60%
Other				
E46/1026	100%	207.00	Pending	60%

PROSPECTIVITY ASSESSMENT FACTORS

An assessment of the prospectivity of tenements was carried out. This includes a consideration of

- Regional mineralization, old and current workings and the validity of conceptual models.
- Local mineralization within the tenements and the application of conceptual models within the tenements.
- Identified anomalies warranting follow up within the tenements.
- The proportion of structural and lithological settings within the tenements and difficulty encountered by cover rocks and other factors.

KILBURN RATING CRITERIA - SIMPLIFIED				
Rating	Off Site Factor	On Site Factor	Anomaly Factor	Geological Factor
1	Indications of Prospectivity	Indications of Prospectivity	No targets outlined	Generally favourable geological environment
2	Resource targets Identified	Targets identified with successful early drilling	Exposure of mineralised zones or surface drilling (RAB)	Generally favourable lithology with structures or exposures of mineralised zones
3	Along Strike or adjacent to known mineralization	Grade intercepts on adjacent sections - Exploration Targets Estimated from sound evidence	Significant grade intercepts not yet linked on cross and long sections	Significant mineralised zones exposed in prospective host rocks
4		Inferred Resource identified not yet estimated	Grade intercepts on adjacent sections	

Assessments in each category are based on a set scale (see above and Appendix 1) and are multiplied together to arrive at a “prospectivity index”.

$$\text{Prospectivity Index} = [\text{Off Site Factor}] * [\text{On Site Factor}] * [\text{Anomaly Factor}] * [\text{Geology Factor}]$$

GONDWANA RESOURCES LIMITED								Prospectivity Factors	
Tenement	Off Site		On Site		Anomaly		Geology		
	Low	High	Low	High	Low	High	Low	High	
Parker Range Gold Project									
M77/657-I									
M77/893									
M77/762-I									
M77/763-I									
M77/562									
M77/567-I									
M77/89									
P77/3696	2.50	2.60	1.50	1.60	1.75	1.85	1.50	1.60	
P77/3692	2.50	2.60	1.50	1.60	1.75	1.85	1.50	1.60	
P77/3693	2.50	2.60	1.50	1.60	1.75	1.85	1.50	1.60	
P77/3694	2.50	2.60	1.50	1.60	1.75	1.85	1.50	1.60	
M77/561									
Parker Range Northern Group									
M77/52	1.75	1.85	1.00	1.10	1.00	1.10	1.50	1.60	
P77/3720	1.75	1.85	1.50	1.60	1.75	1.85	1.50	1.60	
Parker Range Toomey Hills Group									
M77/565-I	1.75	1.85	1.00	1.10	1.00	1.10	1.50	1.60	
M77/1018	1.75	1.85	1.00	1.10	1.00	1.10	1.50	1.60	
P77/3730	1.75	1.85	1.50	1.60	1.75	1.85	1.50	1.60	
P77/3731	1.75	1.85	1.50	1.60	1.75	1.85	1.50	1.60	
P77/3732	1.75	1.85	1.50	1.60	1.75	1.85	1.50	1.60	
P77/3800	1.75	1.85	1.50	1.60	1.75	1.85	1.50	1.60	
Parker Range Dulcie Group									
M77/669	1.50	1.60	1.25	1.35	1.10	1.20	1.50	1.60	
P77/3701-I	1.50	1.60	1.25	1.35	1.10	1.20	1.50	1.60	
P77/3703	1.50	1.60	1.25	1.35	1.10	1.20	1.50	1.60	
P77/3704-I	1.50	1.60	1.25	1.35	1.10	1.20	1.50	1.60	
P77/3705-I	1.50	1.60	1.25	1.35	1.10	1.20	1.50	1.60	
P77/3727	1.50	1.60	1.25	1.35	1.10	1.20	1.50	1.60	
P77/3728	1.50	1.60	1.25	1.35	1.10	1.20	1.50	1.60	
P77/3729	1.50	1.60	1.25	1.35	1.10	1.20	1.50	1.60	
M77/423	1.50	1.60	1.00	1.10	1.00	1.10	1.50	1.60	
Parker Range Eastern Group									
E77/1362	1.25	1.35	1.25	1.35	1.10	1.20	1.25	1.35	
E77/1734	1.25	1.35	1.25	1.35	1.10	1.20	1.25	1.35	
Parker Range - Forresteria									
E77/2143	1.10	1.20	1.20	1.30	1.10	1.20	1.25	1.35	
Gascoyne Uranium Projects									
Red Rock Bore									
E08/1966	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10	
E08/1967	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10	
E08/1968	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10	
E08/2049	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10	
E08/2410	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10	
Deep Bore	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10	
E08/2001	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10	

E08/2044	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
Weaner Bore								
E09/1969	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
Gascoyne Rare Earths Project								
Mick and Ted Well								
E09/1614	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
E09/1615	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
East Pilbara Projects, WA								
Gobbos								
E45/3326	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
Panorama								
E45/4110	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
Comet East								
E45/3956	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
Other								
E46/1026	1.10	1.20	1.10	1.20	1.25	1.35	1.00	1.10

The Mineral Resources are assumed to encapsulate all the value for **Mining Leases** and **Miscellaneous Licences** at the Parker Range Gold Project and a separate value for exploration potential for these tenements is not considered warranted.

TECHNICAL VALUE

An estimate of technical value has been compiled for the tenements based on the base acquisition cost, area, grant status, equity and ratings for prospectivity.

$$\text{Technical Value} = [\text{Base Value}] * [\text{Prospectivity Index}]$$

GONDWANA RESOURCES LIMITED Tenement	Technical Value, A\$M		
	Low	High	Preferred
Parker Range Gold Project			
M77/657-I	-	-	-
M77/893	-	-	-
M77/762-I	-	-	-
M77/763-I	-	-	-
M77/562	-	-	-
M77/567-I	-	-	-
M77/89	-	-	-
P77/3696	0.00	0.00	0.00
P77/3692	0.01	0.01	0.01
P77/3693	0.01	0.01	0.01
P77/3694	0.04	0.06	0.05
M77/561	-	-	-
Parker Range Northern Group			
M77/52	0.01	0.02	0.02
P77/3720	0.00	0.01	0.01

Parker Range Toomey Hills Group-			
M77/565-I	0.02	0.03	0.02
M77/1018	0.01	0.01	0.01
P77/3730	0.05	0.07	0.06
P77/3731	0.04	0.06	0.05
P77/3732	0.07	0.09	0.08
P77/3800	0.03	0.04	0.03
Parker Range Dulcie Group			
M77/669	0.20	0.29	0.24
P77/3701-I	0.02	0.03	0.03
P77/3703	0.00	0.00	0.00
P77/3704-I	0.03	0.04	0.04
P77/3705-I	0.03	0.05	0.04
P77/3727	0.02	0.04	0.03
P77/3728	0.02	0.03	0.03
P77/3729	0.02	0.03	0.03
M77/423	0.06	0.09	0.07
Parker Range Eastern Group			
E77/1362	0.12	0.18	0.15
E77/1734	0.07	0.11	0.09
Parker Range - Forrestania			
E77/2143	0.03	0.05	0.04
Gascoyne Uranium Projects			
Red Rock Bore	-	-	-
E08/1966	0.02	0.03	0.02
E08/1967	0.03	0.05	0.04
E08/1968	0.01	0.01	0.01
E08/2049	0.06	0.10	0.08
E08/2410	0.05	0.08	0.07
Deep Bore	-	-	-
E08/2001	0.03	0.05	0.04
E08/2044	0.05	0.09	0.07
Weaner Bore	-	-	-
E09/1969	0.08	0.14	0.11
Gascoyne Rare Earths Project			
Mick and Ted Well	-	-	-
E09/1614	0.09	0.15	0.12
E09/1615	0.09	0.15	0.12
East Pilbara Projects, WA			
Gobbos	-	-	-
E45/3326	0.09	0.14	0.12
Panorama	-	-	-

E45/4110	0.03	0.04	0.04
Comet East	-	-	-
E45/3956	0.00	0.01	0.00
Other	-	-	-
E46/1026	0.08	0.12	0.10

Exploration Tenements – Alternative Valuation Methods:

There is a preference for the use of more than one valuation methodology for the same tenements expressed in Paragraph 65 of Regulatory Guide 111. An alternative method to the Geo-factor Rating method might consider past expenditure on the tenements and the uplift of value provided by encouraging result indicated by the Prospectivity Enhancement Multiplier (PEM).

PEM Range	Criteria
1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralization
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed

Complete records of past expenditure for the Projects are not available from the previous explorers. The project has been extensively explored in the past with mapping, satellite imagery, geophysics, surface geochemistry and historical drilling forming part of the data base.

It is considered reasonable to suggest that the current value of these work elements would be as shown in the following table. This is considered speculative (but plausible) and the successful results of the work indicate that detailed drilling has defined targets with potential economic interest with the potential to contain medium sized deposits and small Inferred Resources may be estimated. This would attract Prospectivity Enhancement Multipliers as set out below.

Technical Value - Prospectivity Enhancement Method						
Project	Spend	PEM		Technical Value, A\$M		
		Low	High	Low	High	Preferred
Parker Range Gold Project	0.50	1.10	1.25	0.55	0.63	0.59
Parker Range Northern Group	0.25	1.10	1.25	0.28	0.31	0.29
Parker Range Toomey Hills Group	0.25	1.10	1.25	0.28	0.31	0.29
Parker Range Dulcie Group	0.20	1.00	1.15	0.20	0.23	0.22
Parker Range Eastern Group	0.50	1.00	1.15	0.50	0.58	0.54
Parker Range - Forrestania	0.20	1.10	1.25	0.22	0.25	0.24
Gascoyne Uranium Projects	0.20	1.10	1.25	0.22	0.25	0.24
Gascoyne Rare Earths Project	0.20	1.10	1.25	0.22	0.25	0.24
East Pilbara Projects, WA	0.20	1.10	1.25	0.22	0.25	0.24
Total				2.68	3.06	2.87

In view of the discrepancy between methods and the unsupported estimates of past expenditure the Geofactor Rating Method is considered the most reliable estimate of Technical Value

SUMMARY OF TECHNICAL VALUE

GONDWANA RESOURCES LIMITED Project	Technical Value, A\$M		
	Low	High	Preferred
Spring Hill Deposit			
Mineral Resource	0.43	0.88	0.55
Exploration Areas			
Parker Range Gold Project	0.06	0.08	0.07
Parker Range Northern Group	0.02	0.02	0.02
Parker Range Toomey Hills Group	0.20	0.29	0.25
Parker Range Dulcie Group	0.41	0.60	0.50
Parker Range Eastern Group	0.19	0.30	0.24
Parker Range - Forrestania	0.03	0.05	0.04
Gascoyne Uranium Projects	0.33	0.54	0.44
Gascoyne Rare Earths Project	0.19	0.30	0.24
East Pilbara Projects, WA	0.19	0.31	0.25
Total	2.05	3.37	2.60

Differences between the values for Technical and Market Value stated above and the detail of the report are due to rounding of the values in this table.

MARKET VALUE

In arriving at a fair market value for a particular exploration tenement, We have considered the current market for exploration properties in Australia and overseas. It is considered appropriate to apply a significant discount to the technical value of the exploration potential of the tenements.

We have considered the Country risk and current market for exploration properties in Australia. Assessment of country risk and an assessment of the Business Climate have been provided by a specialist firm (source: www.coface.com). The rating for Australia is 'A1' for country risk and 'A1' for business climate, which are considered to be low. This rating will affect the market factor in assessing market value.

The current market value for mineral exploration projects in Australia is considered to be depressed and a market discount factor of **10%** has been applied to the technical value for the Parker Range Gold project and adjacent tenements. A **20%** discount has been applied to the other Western Australian exploration projects.

The Spring Hill deposit has an Ore Reserve estimate in place and could be added to the Parker Range Gold Project inventory for toll treatment at the Hanking Mill. Accordingly a **25%** market premium has been applied to this deposit. The Company holds 70% equity in the Spring Hill Deposit and this has

been applied at this stage. Equity in the exploration areas is taken into account in the base value estimate.

$$\text{Market Value} = [\text{Technical Value}] * [\text{Adjusted Market Factor}]$$

GONDWANA RESOURCES LIMITED			Market Value, A\$M		
Project	Equity	Market Factor	Low	High	Preferred
Spring Hill Deposit					
Mineral Resource	70%	125%	0.38	0.77	0.48
Exploration Areas					
Parker Range Gold Project		90%	0.05	0.07	0.06
Parker Range Northern Group		90%	0.02	0.02	0.02
Parker Range Toomey Hills Group		90%	0.18	0.26	0.23
Parker Range Dulcie Group		80%	0.33	0.48	0.40
Parker Range Eastern Group		80%	0.15	0.24	0.19
Parker Range - Forrestania		80%	0.02	0.04	0.03
Gascoyne Uranium Projects		80%	0.26	0.43	0.35
Gascoyne Rare Earths Project		80%	0.15	0.24	0.19
East Pilbara Projects, WA		80%	0.15	0.25	0.20
Total			1.69	2.80	2.15

Differences between the values for Technical and Market Value stated above and the detail of the report are due to rounding of the values in this table.

The Company's equity in the projects as stated in the notes to the tenement schedule is taken into account in the Base Value estimated above.

VALUATION OPINION

Based on an assessment of the factors involved, the estimate the market value of the Company's Projects is in the range of A\$1.7 million to A\$2.8 million with a preferred value of A\$2.2 million.

This valuation is effective on 15 July 2014.

APPENDIX 1

MINERAL ASSETS VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS

FAIR MARKET VALUE OF MINERAL ASSETS

Mineral assets include, but are not limited to, mining and exploration tenements held or acquired in connection with the exploration, the development of, and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

Mineral assets classification	
Exploration areas	Mineralization may or may not have been identified, but where a mineral resource has not been defined.
Advanced exploration areas	Mineral resources have been identified and their extent estimated (possibly incompletely). This includes properties at the early stage of assessment.
Pre-development projects	A positive development decision has not been made. This includes properties where a development decision has been negative, properties on care and maintenance and properties held on retention titles.
Development projects	Committed to production, but which, are not yet commissioned or not initially operating at design levels.
Operating Mines	Mineral properties, particularly mines and processing plants, which have been fully commissioned and are in production.

The fair market value of a mineral asset is the estimated amount of money or the cash equivalent or some other consideration for which the mineral asset should change hands between a willing buyer and a willing seller in an arm's length transaction. Each party is assumed to have acted knowledgeably, prudently and without compulsion.

The value of a mineral asset usually consists of two components,

- The underlying or Technical Value which is an assessment of a mineral asset's future net economic benefit under a set of appropriate assumptions, excluding any premium or discount for market, strategic or other considerations.
- The Market Component, which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero.

When the technical and market components of value are combined the resulting value is referred to as the market value. A consideration of country risk should also be taken into account for overseas projects.

The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change.

REGULATORY AUTHORITIES

Mineral asset valuations are prepared in accordance with the *Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "VALMIN Code", 2005)*, which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG"), as well as the rules and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the ASX Limited ("ASX") which pertain to Independent Expert Reports (*Regulatory Guides RG111 and RG112*).

Where mineral resources have been referred to in this report, the classifications are consistent with the *"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code")*, prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective 2004.

THE VALMIN CODE, 2005

The four main requirements of the *VALMIN Code* are

Transparency The report needs to explain how the valuation was done and the assumptions used in calculating the value. The objective is to provide sufficient information that other people can come up with the same answer.

Materiality This means the valuer has to ensure that all important data that could have a significant impact on the valuation is included in the report.

Competence The valuer must be competent at doing valuations. The person needs to be an expert in the particular exploration target being evaluated. Typically the person needs at least 5 years' experience in that commodity.

Independence. The valuer must act in a professional manner and not favour the buyer or the seller. In other words the price must be set at a "fair market value". To achieve independence, the valuer must not receive any special benefit from doing the study.

The decisions as to the valuation methodology or methodologies to be used and the content of the Report are solely the responsibility of the Expert or Specialist whose decisions must not be influenced by the Commissioning Entity. The Expert or Specialist must state the reasons for selecting each methodology used in the Report. Methods chosen must be rational and logical and be based upon reasonable grounds.

The Expert or Specialist should make use of valuation methods suitable to the Mineral or Petroleum Assets or Mineral or Petroleum Securities under consideration. Selection of the appropriate valuation method will depend on, inter alia:

- (a) the purpose of the Valuation;
- (b) the development status of the Mineral or Petroleum Assets;

- (c) the amount and reliability of relevant information;
- (d) the risks involved in the venture; and
- (e) the relevant market conditions for commodities and/or shares.

The Expert or Specialist should choose, discuss and disclose the selected valuation method(s) appropriate to the Mineral or Petroleum Assets or Mineral or Petroleum Securities under consideration, stating the reasons why the particular valuation method(s) have been selected in relation to those factors set out in Paragraph 39 and to the adequacy of available data. It may also be desirable to discuss why a particular valuation method has not been used. The disclosure should give a sufficient account of the valuation method(s) used so that another Expert could understand the procedure used and assess the Valuation. Should more than one valuation method be used and different valuations result, the Expert or Specialist should comment on the reason(s) for selecting the Value adopted.

Australian Securities and Investment Commission – Regulatory Guides RG111 and RG112, 2011

It is not the ASIC's role or intention to limit the expert's exercise of skill and judgment in selecting the most appropriate method or methods of valuation. However, it is appropriate for the expert to consider:

- (a) the discounted cash flow method;
- (b) the amount which an alternative acquirer might be willing to offer if all the securities in the target company were available for purchase;

The ASIC does not suggest that this list is exhaustive or that the expert should use all of the methods of valuation listed above. The expert should justify the choices of valuation method and give a sufficient account of the method used to enable another expert to replicate the procedure and assess the valuation. It may be appropriate for the expert to compare the figures derived by more than one method and to comment on any differences.

The complex valuations in an expert's report necessarily contain significant uncertainties. Because of this an expert who gives a single point value will usually be implying spurious accuracy to his or her valuation. An expert should, however, give as narrow a range of values as possible. An expert report becomes meaningless if the range of values is too wide. An expert should indicate the most probable point within the range of values if it is feasible to do so.

The expert should carry out sufficient enquiries or examinations to establish reasonable grounds for believing that any profit forecasts, cash flow forecasts and unaudited profit figures that are used in the expert's report, and have been prepared on a reasonable basis. If there are material variations in method or presentation the expert should adjust for or comment on them in the report.

The expert should discuss the implications to his or her valuation if:

- (a) the current market value of the subject of the report is likely to change because of market volatility (for example, boom or depression); or

(b) the current market value differs materially from that derived by the chosen method.

VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS

Valuation of exploration properties is exceptionally subjective. If an economic resource is subsequently identified then a new valuation will be dramatically higher, or alternatively if expenditure of further exploration dollars is unsuccessful then it is likely to decrease the value of the Tenements. There are a number of generally accepted procedures for establishing the value of exploration properties and, where relevant, the use of more than one such method to enable a balanced analysis and a check on the result has been undertaken. The value will always be presented as a range with the preferred value identified. The preferred value need not be the median value, and will be determined by the Independent Expert based on his experience.

The Independent Expert, when determining a value for a mineral asset, must assess a range of technical issues prior to selection of a valuation methodology. Often this will require seeking advice from a specialist in specific areas. The key issues are:

- geological setting and style of mineralization
- level of knowledge of the geometry of mineralization in the district
- mining history, including mining methods
- location and accessibility of infrastructure
- milling and metallurgical characteristics of the mineralization
- results of exploration including geological mapping, costeaning and drilling of interpretation of geochemical anomalies
- parameters used to identify geophysical and remote sensing data anomalies
- location and style of mineralization identified on adjacent properties
- appropriate geological models

In addition to these technical issues the Independent Expert needs to make a judgement about the market demand for the type of property, commodity markets, financial markets and stock markets. The technical value of a property should not be adjusted by a “market factor” unless there is a marked discrepancy between the technical value and the market value. When this is done the factor should be clearly identified.

Where there are identified reserves it is appropriate to use financial analysis methods to estimate the net present value (“NPV”) of the properties. This technique has deficiencies, which include assessment of only a very narrow area of risk, namely the time value of money given the real discount rate, and the underlying assumption that a static approach is applicable to investment decision making, which is clearly not the case.

When assessing value of exploration properties with no identified mineral resources or only inferred resources it is inappropriate to prepare any form of financial analysis to determine the net present value. The valuation of exploration tenements or licences, particularly those without identified resources, is highly subjective and a number of methods are appropriate to give a guide as discussed below.

All of these valuation methods are relatively independent of the location of the mineral property. Consequently the valuer will make allowance for access to infrastructure etc when choosing a preferred value. It is observed that the Prospectivity Exploration Multiplier (“PEM”) is heavily based on the expenditure, while the Kilburn Geoscience Rating (“Kilburn”) is more heavily based on opinions of the prospectivity hence tenements can have marked variation in value between the methods. If the Kilburn assessment is high and the PEM is low it indicates effective well focussed exploration, if the Kilburn is low and the PEM high it suggests that the tenement is considered to have lower prospectivity.

PROSPECTIVITY ENHANCEMENT MULTIPLIER (“PEM”) OR MULTIPLE OF EXPLORATION EXPENDITURE (“MEE”)

Past expenditure on a tenement and/or future committed exploration expenditure can establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented results a PEM can be derived which takes into account the valuer’s judgment of the prospectivity of the tenement and the value of the database.

PEM Factors Used in this valuation method

PEM Range	Criteria
0.2 – 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralization identified
0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 – 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralization
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed
3.0 – 4.0	Indicated Resources have been identified that are likely to form the basis of a prefeasibility study
4.0 – 5.0	Indicated and Measured Resources have been identified and economic parameters are available for assessment.

Future committed exploration expenditure is discounted to 60% by some valuers to reflect the uncertainty of results and the possible variations in exploration programmes caused by future undefined events. Expenditure estimates for tenements under application are often discounted to

60% of the estimated value by some valuers to reflect uncertainty in the future granting of the tenement. The PEM Factors are defined in the table.

GEO-FACTOR RATING METHOD (KILBURN)

Valuation is based on a calculation in which the geological prospectivity, commodity markets, financial markets, stock markets and mineral property markets are assessed independently. The Kilburn method is essentially a technique to define a value based on geological prospectivity. The method appraises a variety of mineral property characteristics:

- location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies;
- location and nature of any mineralization, geochemical, geological or geophysical anomaly within the property and the tenor of any mineralization known to exist on the property being valued;
- number and relative position of anomalies on the property being valued;
- geological models appropriate to the property being valued.

The Method systematically assesses and grades these four key technical attributes of a tenement to arrive at a series of multiplier factors. The Basic Acquisition Cost (“BAC”) is the important input to the Kilburn Method and it is calculated by summing the annual rent, statutory expenditure for a period of 12 months and administration fees.

The current BAC for exploration projects is considered to be the average expenditure for the first year of the licence tenure. Exploration Licences in Western Australia, for example, attract a minimum annual expenditure for the first three years of \$300 per square kilometre and annual rent of \$43.50. A 10% administration fee is taken into account to imply a BAC of \$400 to \$450 per square kilometre. A similar approach based on expenditure commitments is taken for Prospecting Licences and Mining Leases

Licence Type	Expend.	Rent	Admin	Total	\$/km ²	BAC - Low	BAC - High
Exploration Licence (E, \$/km ²)	300.00	43.50	34.35	377.85	378	400	450
Prospecting Licences (P, \$/Ha)	40.00	2.20	4.22	46.42	4,642	5,000	45,500
Mining Lease (M, \$/Ha)	100.00	15.00	11.50	126.50	12,650	13,000	14,000

The multipliers or ratings and the criteria for rating selection across these four factors are summarised in the following table.

KILBURN GEO-FACTOR RATING CRITERIA - MODIFIED					
	Rating	Address - Off Property	Mineralization - On Property	Anomalies	Geology
Low	0.5	Very little chance of mineralization, Concept unsuitable to environment	Very little chance of mineralization, Concept unsuitable to environment	Extensive previous exploration with poor results - no encouragement	Generally Unfavourable lithology
Average	1	Indications of Prospectivity, Concept validated	Indications of Prospectivity, Concept validated	Extensive previous exploration with encouraging results - regional targets	Deep alluvium Covered Generally favourable geology
	1.5	RAB Drilling with some scattered results	Exploratory sampling with encouragement, Concept validated	Several early stage targets outlined from geochemistry and geophysics	Shallow alluvium Covered Generally favourable geology (50-60%)
	2	Significant RC drilling leading to advance project status	RAB &/or RC Drilling with encouraging intercepts reported	Several well defined surface targets with some RAB drilling	Exposed favourable lithology (60-70%)
	2.5	Grid drilling with encouraging results on adjacent sections	Diamond Drilling after RC with encouragement	Several well defined surface targets with encouraging drilling results	Strongly favourable lithology (70-80%)
High	3	Resource areas identified	Advanced Resource definition drilling - early stage	Several significant subeconomic targets - no indication of volume	Highly prospective geology (90 - 100%)
	3.5	Along strike or adjacent to known mineralization at Pre-Feasibility Stage	Resource areas identified	Subeconomic targets of possible significant volume - early stage drilling	
	4	Along strike or adjacent to Resources at Definitive Feasibility Stage	Along strike or adjacent to known mineralization at Pre-Feasibility Stage	Marginal economic targets of significant volume - advanced drilling	
	4.5	Along strike or adjacent to Development Stage Project	Along strike or adjacent to Resources at Definitive Feasibility Stage	Marginal economic targets of significant volume - well drilled at Inferred Resource stage	
Very High	5	Along strike or adjacent to Operating Mine	Along strike or adjacent to Development Stage Project	Several significant ore grade correlatable intersections with estimated resources	

Estimate of project value is carried out on a tenement by tenement basis and uses four calculations as shown below. The value estimate is shown as a range with a preferred value.

$$\text{Base Value} = [\text{Area}] * [\text{Grant Factor}] * [\text{Equity}] * [\text{Base Acquisition Cost}]$$

$$\text{Prospectivity Index} = [\text{Off Site Factor}] * [\text{On Site Factor}] * [\text{Anomaly Factor}] * [\text{Geology Factor}]$$

$$\text{Technical Value} = [\text{Base Value}] * [\text{Prospectivity Index}]$$

$$\text{Market Value} = [\text{Technical Value}] * [\text{Market Premium Factor}]$$

VALUATION OF RESOURCES BY COMPARABLE TRANSACTIONS

If a property in the recent past was the subject of an arms-length transaction, for either cash or shares (i.e. from a company whose principal asset was the mineral property) then this forms the most realistic starting point, provided that the deal is still relevant in today’s market. Complicating matters is the knowledge that properties rarely change hands for cash, except for liquidation purposes, estate sales, or as raw exploration property when sold by an individual prospector, or entrepreneur.

Any underlying royalty or net profits interests or rights held by the original vendor of the claims should be deducted from the resultant property value before determination of the company’s interest. Also, reductions in value should be made where environmental, legal or political sensitivities could seriously retard the development of exploration properties.

It should be noted again that exploration is cyclical, and in periods of low metal prices there is often no market, or a market at very low prices, for ordinary exploration acreage (inventory property) unless it is combined with a significant mineral deposit, or with other incentives.

Truly Comparable Transactions are rare for early stage properties without defined drill targets. This is natural in a recession, as companies focus on brownfields exploration. Inflated prices paid for property in fashionable areas should not be discounted because they reflect the true market value of a property at the transaction date. If however, the market sentiment is not so buoyant then adjustments must be made.

When only a resource or defined body of mineralisation has been outlined and its economic viability has still to be established (i.e. there is no ore reserve) then a **Comparable Transactions** approach is usually applied, often stated as a percentage of metal value. This can be applied to Mineral Resource estimates and Exploration Targets in accordance with the JORC code with appropriate discounts for risk in the different categories.

Resource Category Discounts	
Measured Resource	80%
Indicated Resource	70%
Inferred Resource	60%
Exploration Target	50%

With gold projects the method requires allocating a dollar value to resource ounces of gold in the ground. This may also apply to well established zones of mineralisation which have not formally been categorised under the JORC code. An additional risk weighting may be appropriate in these circumstances.

The dollar value must take into account a number of aspects of the resources including:

- The confidence in the resource estimation (the JORC Category).
- The quality of the resource (grade and recovery characteristics)
- Possible extensions of the resource in adjacent areas
- Exploration potential for other mineralisation within the tenements
- Presence and condition of a treatment plant within the project
- Proximity of toll treatment facilities, infrastructure, development and capital expenditure aspects

A similar approach can be taken with other metals including uranium or base metals sold on the spot market and benchmarks are similar to gold properties. Value is estimated as a percentage of contained value once appropriate discounts for uncertainty relating to resource categorisation are taken into account. An example of appropriate discounts for Rare Earths, Iron Ore and Base Metals is included below but these must be considered on a case-by-case basis.

Operations Factors	Base Metals	Iron Ore	Coal	Gold	Rare Earths
Recovery	75%	80.00%	70.00%	90%	60%
Mining	75%	80.00%	75.00%	90%	100%
Processing	80%	75.00%	70.00%	90%	50%
Rail	80%	75.00%	70.00%	90%	75%
Port	80%	60.00%	50.00%	100%	90%
Capex	80%	50.00%	75.00%	100%	50%
Marketing & 3% NSR	75%	85.00%	75.00%	100%	75%
Total Operating Discount	17.28%	9.18%	7.24%	66%	7.59%

Mergers and Acquisitions Activity

A recent review of Mergers and Acquisitions over the last eight years covering the mining boom, the GFC and the recovery phase indicates the price paid for gold assets.

Price Paid(*)	Merger and Acquisitions Activity (CAD)							
	2013	2012	2011	2010	2009	2008	2007	2006
Gold Price, USD	\$1,445	\$1,666	\$1,607	\$1,240	\$1,011	\$862	\$725	\$625
USD:CAD Exchange	1.03	1.00	0.99	1.03	1.14	1.07	1.07	1.13
Gold Price CAD	\$1,488	\$1,665	\$1,590	\$1,277	\$1,154	\$920	\$778	\$709
Producing Assets	\$121	\$200	\$202	\$207	\$89	\$115	\$94	\$74
Percent of Price	8.1%	12.0%	12.7%	16.2%	7.7%	12.5%	12.1%	10.4%
Exploration Assets	\$23	\$47	\$90	\$71	\$29	\$31	\$28	\$54
Percent of Price	1.5%	2.8%	5.7%	5.6%	2.5%	3.4%	3.6%	7.6%
Market Variation	-50%	-20%	+60%	+60%	-30%	-5%	+5%	+100%

*Estimated price paid per ounce of gold in the ground, updated December 31, 2013

Source: <http://www.ibkcapital.com/capital-market-highlights/merger-acquisition-activity/>

The information is based on Canadian experience and closely replicates values reported in Australia and elsewhere. The 'Apparent Acquisition Cost' ("AAC") for gold projects lies in the range of 1.5% to 7.6%. The data set does not differentiate between resource categories or variations in deposits type and individual assessment. It is implicit that this has been taken into account with risk related discounts. Information on sales internationally has shown a pattern for AAC. For the purpose of valuation the Average Acquisition Cost for the lower, preferred and higher value is selected at the 25th, 50th and 75th percentiles of the spread of values.

AAC Percentiles 2006 – 2013 – Exploration Assets					
Percentile	10%	25%	50%	75%	90%
AAC	2.2%	2.7%	3.5%	5.6%	6.2%

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