MEDIA RELEASE

3 August 2009

Sale of Mt Caudan Iron Ore Exploration Interests

Background

Gondwana Resources Limited is pleased to announce that it has made a conditional offer to Cazaly Iron Pty Ltd (a wholly-owned subsidiary of Cazaly Resources Limited **ASX:CAZ**) to sell all of Gondwana's interests in the Mt Caudan Iron Ore project.

Under the Mt Caudan Farm In Agreement (***Farm In***), which was first entered into in June 2007, Cazaly Iron is earning an 80% interest in the iron ore rights in a number of Gondwana's tenements at Mt Caudan, Parker Range, Western Australia. Under the terms of the Farm In, Gondwana's remaining 20% interest is free-carried until the completion of a bankable feasibility study.

In March 2008, Gondwana granted to William Richmond (***Richmond***) a 5% carried interest in iron ore rights in certain tenements covered by the Mt Caudan Farm In Agreement (***Principal Tenements***), with Gondwana retaining a 15% carried interest. Gondwana retains a 20% carried interest in iron ore rights in the remaining tenements (***Other Tenement Interests***).

Pursuant to three agreements entered into in 2002, 2003 and 2004, Kagara Nickel Pty Ltd (***Kagara***) retains nickel rights over certain Other Tenement Interests.

Cazaly Resources Limited (ASX:CAZ) has recently published an Iron Ore Resource estimate and has made a series of ASX releases covering exploration results, ore resources and up-to-date progress on the Mt Caudan Iron Ore Project.

Sale Agreement

The principal terms of Gondwana's proposal are as follows:

- Two separate and concurrent offers have been made to Cazaly Iron, the first covering the Principal Tenements and the second covering the Other Tenement Interests (***Offers***).
- The offers are conditional on the consent of Richmond and Kagara in the form specified in their respective agreements with Gondwana.
- The aggregate consideration payable by Cazaly Iron to Gondwana in respect of Gondwana's net interest is $207,500 in cash together with $655,000 in shares in Cazaly Resources (or, failing that, cash) and Cazaly Iron will pay a proportionate consideration directly to Richmond in respect of his interest in the Principal Tenements.
- The Offers must be accepted no later than Wednesday 5 August 2009.
- Settlement will be 28 days after acceptance.

The Company is pleased with the proposed sale of Mt Caudan interests which, once completed, will allow the Company to concentrate its iron ore ambitions on the *Corunna Downs Iron Prospect* in the Pilbara, which is 100%-owned* and which Gondwana's geologists consider has significant potential.

Contact

For further information phone Grant Donnes or Warren Beckwith on (08) 9388 9961, email info@gondwanaresources.com or visit the Company's website at www.gondwanaresources.com

Warren Beckwith
Director

** Adjacent exploration licence applications are 90% owned.*