GIPPSLAND LIMITED

ABN 31 004 766 376
and Controlled Entities

FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2010

GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities

CONTENTS

CORPORATE DIRECTORY

DIRECTORS	Ian Jeffrey Gandel – Non-Executive Chairman Jon Starink – Executive Director John Stuart Ferguson Dunlop – Executive Director John Damian Kenny - Non-Executive Director	
COMPANY SECRETARY	Rowan St John Caren	
REGISTERED OFFICE	207 Stirling Highway Claremont WA 6010 Australia	
POSTAL ADDRESS	PO Box 352 Nedlands WA 6909 Australia	
TELEPHONE	+61 (0)8 9340 6000	
FACSIMILE	+61 (0)8 9340 6060	
E-MAIL	info@gippslandltd.com	
WEBSITE	www.gippslandltd.com	
AUDITORS	Deloitte Touche Tohmatsu Level 14, Woodside Plaza 240 St Georges Terrace Perth WA 6000 Australia	
SOLICITORS	Blakiston and Crabb 1202 Hay Street West Perth WA 6005 Australia	Trowers & Hamlins 3rd Floor, 1 El Gabalaya Street Zamalek, Cairo Arab Republic of Egypt
	Cobbetts Ship Canal House, King Street Manchester M2 4WB United Kingdom	
SHARE REGISTRY	Security Transfer Registrars Pty Ltd Suite 1, 770 Canning Hwy Applecross WA 6153 Australia	PO Box 535 Applecross WA 6953 Australia
	Website: www.securitytransfer.com.au	

CORPORATE DIRECTORY (cont)

AUSTRALIAN SECURITIES EXCHANGE	The Company's securities are quoted on the official list of the Australian Securities Exchange (ASX Limited), the home exchange being: ASX Limited 2 The Esplanade Perth WA 6000 Australia
ASX CODE	GIP
FRANKFURT STOCK EXCHANGE	The Company's securities are quoted on the Frankfurt Stock Exchange; Neue Börsenstrasse 1 60487 Frankfurt / Main Germany
FSE – CODE	GIX

GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities

DIRECTORS' REPORT

Your directors submit the financial report for the half year ended 31 December 2010.

Directors

The names of directors who held office during or since the end of the half-year:

Mr Ian J Gandel
Mr Jon Starink
Mr John D Kenny
Mr John SF Dunlop
Mr Robert J Telford (resigned 26/11/10)

Review of Operations

The consolidated operating loss after tax for the half year was $1,236,248 (2009 – loss of $1,332,236).

The principal activities of the economic entity during the half-year were the exploration and development of commercially and economically viable mineral resources. The primary focus continued to be on the development of the Abu Dabbab tantalite, tin and feldspar project in Egypt in which both Gippsland and the Egyptian Government each have a 50% economic interest.

The Company is working towards securing project finance and equity for the development and construction of the Abu Dabbab project in Egypt.

The Group applied for and was granted an exploration licence and three prospecting licences in Eritrea covering 2,400 km^2 of ground prospective for both VMS mineralisation and structurally controlled gold mineralisation. During the period, the Group undertook geological mapping activities over the whole of the tenement area.

Corporately, during the half year;

- Gippsland raised $3.2 million (before costs) by way of a placement to institutional and sophisticated clients of Patersons Securities Limited which placed 80 million fully paid ordinary shares at $0.04 per share;
- Gippsland appointed Deloitte Touche Tohmatsu as the Company's auditor.
- Gippsland announced the intention to pursue the spin off via an IPO and listing on ASX of Gippsland's 100% owned Adobha Project located in the State of Eritrea and Gippsland's 40% interest in the Heemskirk Tin Project located in Tasmania.

Recent political events in Egypt have seen many changes to the country and the region. Gippsland Directors and staff are dealing with these changes and are working towards resolving any issues caused by the disruption. During the height of the demonstrations in Egypt, the Company directed its Cairo staff not to attend the office. This was a short term safety measure only and subsequently the Cairo office resumed operations and there was no damage to or loss of Gippsland property.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 4 for the half-year ended 31 December 2010.

This report is signed in accordance with a resolution of the Board of Directors.

John S Dunlop

JSF DUNLOP
DIRECTOR
Dated this 16th day of March 2011

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

DX: 206
Tel: +61 (0) 8 9365 7000
Fax: +61 (8) 9365 7001
www.deloitte.com.au

The Board of Directors
Gippsland Limited
207 Stirling Highway
PERTH WA 6010

16 March 2011

Dear Board Members

Gippsland Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Gippsland Limited.

As lead audit partner for the review of the financial statements of Gippsland Limited for the financial half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith
Partner
Chartered Accountants

GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Note	Consolidated	
		31 December 2010 $	**31 December 2009 $**
Finance revenue		**44,804**	20,955
Other income		**188**	1,113
Total revenue		**44,992**	22,068
Administration expense		**(615,138)**	(512,450)
Employee benefits expense		**(591,230)**	(622,229)
Foreign exchange gains/(losses)		**4,255**	6,845
Share based payment expense		**(22,500)**	(181,000)
Exploration expenses		**(31,299)**	(1,163)
Project evaluation expense		**(9,616)**	-
Depreciation expense		**(15,712)**	(21,519)
Impairment of deferred exploration expenditure		**-**	(1,993)
Finance costs		**-**	(20,795)
Total expenses		**(1,281,240)**	(1,354,304)
Loss before income tax		**(1,236,248)**	(1,332,236)
Income tax expense		**-**	-
Loss after income tax		**(1,236,248)**	(1,332,236)
Other comprehensive income			
Foreign currency translation		**(664,686)**	(500,962)
Total other comprehensive income		**(664,686)**	(500,962)
Total comprehensive income/(loss) for the period		**(1,900,934)**	(1,833,198)
Profit/(loss) is attributable to:			
Members of the parent		**(1,236,248)**	(1,332,236)
Non-controlling interest		**-**	-
Total comprehensive income/(loss) is attributable to:			
Members of the parent		**(1,900,934)**	(1,833,198)
Non-controlling interest		**-**	-
Earnings per share			
Basic profit (loss) (cents per share)		**(0.21)**	(0.30)
Diluted profit (loss) (cents per share)		**(0.21)**	(0.30)

The accompanying notes form part of these financial statements.

GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	Consolidated	
		31 December 2010 $	**30 June 2010 $**
CURRENT ASSETS			
Cash and cash equivalents		**2,695,264**	1,223,122
Trade and other receivables		**97,904**	33,556
Other current assets		**60,927**	42,958
TOTAL CURRENT ASSETS		**2,854,095**	1,299,636
NON CURRENT ASSETS			
Property, plant and equipment		**139,596**	133,846
Exploration and evaluation		**4,044,990**	4,384,999
TOTAL NON CURRENT ASSETS		**4,184,586**	4,518,845
TOTAL ASSETS		**7,038,681**	5,818,481
CURRENT LIABILITIES			
Trade and other payables		**1,002,231**	900,625
Provisions		**30,298**	17,236
TOTAL CURRENT LIABILITIES		**1,032,529**	917,861
TOTAL NON-CURRENT LIABILITIES		**-**	-
TOTAL LIABILITIES		**1,032,529**	917,861
NET ASSETS		**6,006,152**	4,900,620
EQUITY			
Issued capital	**3**	**38,588,181**	35,581,715
Reserves		**(42,189)**	622,497
Accumulated losses		**(32,539,840)**	(31,303,592)
TOTAL EQUITY		**6,006,152**	4,900,620

The accompanying notes form part of these financial statements.

GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED	**Share Capital - Ordinary**	**Accumulated Losses**	**Other Reserves**	**Total**
Balance at 1 July 2009	30,678,570	(28,408,824)	716,709	2,986,455
Currency translation differences	-	-	(500,962)	(500,962)
Loss for the period	-	(1,332,236)	-	(1,332,236)
Total comprehensive income for the period	-	(1,332,236)	(500,962)	(1,833,198)
Transactions with owners in their capacity as owners				
Option Reserve on recognition of issue of unlisted options	-	-	181,000	181,000
Conversion of convertible notes	800,000	-	-	800,000
Shares issued during the half year	4,372,958	-	-	4,372,958
Share issue costs	(269,813)	-	-	(269,813)
Balance at 31 December 2009	35,581,715	(29,741,060)	396,747	6,237,402
Balance at 1 July 2010	35,581,715	(31,303,592)	622,497	4,900,620
Currency translation differences	-	-	(664,686)	(664,686)
Loss for the period	-	(1,236,248)	-	(1,236,248)
Total comprehensive income for the period	-	(1,236,248)	(664,686)	(1,900,934)
Transactions with owners in their capacity as owners				
Shares issued during the half year	3,222,500	-	-	3,222,500
Share issue costs	(216,034)	-	-	(216,034)
Balance at 31 December 2010	38,588,181	(32,539,840)	(42,189)	6,006,152

The accompanying notes form part of these financial statements.

GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Consolidated	
	31 December 2010 $	**31 December 2009 $**
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	**(1,183,181)**	(1,361,768)
Interest received	**17,603**	20,955
Finance costs paid	**-**	(20,795)
Other income	**187**	1,113
Net cash flows from/(used in) operating activities	**(1,165,391)**	(1,360,495)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation	**(264,039)**	(177,038)
Purchase of property, plant and equipment	**(40,767)**	(4,442)
Loans to other entities	**(16,413)**	-
Net cash flows from/(used in) investing activities	**(321,219)**	(181,480)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from share issues	**3,200,000**	4,372,958
Payment of share issue costs	**(216,034)**	(196,421)
Repayment of Directors' Loans	**-**	(300,000)
Net cash flows from/(used in) financing activities	**2,983,966**	3,876,537
Net increase / (decrease) in cash and cash equivalents	**1,497,356**	2,334,562
Effects of exchange rate changes on cash	**(25,214)**	2,431
Cash and cash equivalents at beginning of period	**1,223,122**	114,127
Cash and cash equivalents at end of period	**2,695,264**	2,451,120

The accompanying notes form part of these financial statements.

NOTE 1: BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Gippsland Limited and its controlled entities during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Reporting Basis and Conventions

The half-year report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Going Concern

The consolidated entity has incurred a net loss after income tax of $1,236,248 (2009: $1,332,236) and experienced net cash outflows from operations of $1,165,391 (2009: $1,360,495) for the half-year ended 31 December 2010.

The ability of the consolidated entity to continue as a going concern is principally dependent upon raising additional capital and / or debt finance to fund exploration and project development, funding the Abu Dabbab project, other commitments, other principal activities and working capital.

These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The directors have prepared a cash flow forecast for the period ending 31 March 2012 which indicates that the current cash resources may not meet expected cash outgoings, without additional capital and / or debt funding. The consolidated entity will require approximately $1.2 million (net of costs) to be raised by no later than September 2011 to fund its current operations through to 31 March 2012. The consolidated entity is currently evaluating capital raising and/or debt funding opportunities.

In addition, the consolidated entity announced its intention to pursue the spin off via an IPO and listing on ASX of Gippsland's 100% owned Adobha Project located in the State of Eritrea and Gippsland's 40% interest in the Heemskirk Tin Project located in Tasmania. Accordingly, the cash flow forecast prepared for the consolidated entity does not include any cash flows relating to these projects

Based on the cash flow forecasts and achieving future funding, the directors are satisfied that the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the consolidated entity be unable to raise the funding referred to above, there is a material uncertainty whether the consolidated entity will be able to continue as a going concern and, therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the consolidated entity be unable to continue as a going concern.

Accounting Policies

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those applied in the 30 June 2010 annual report, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2010, as noted below.

New Standards and Interpretations

(a) Changes in Accounting Policies and Disclosures

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period.

Significant new and revised standards and interpretations effective for the current financial reporting period that are relevant to the consolidated entity are:

- AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process;
- AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions AASB 2.
- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project:
- Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments.

(b) Accounting Standards and Interpretations issued but not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the half year ending 31 December 2010. Management are in the process of assessing the impact of the adoption of these standards and interpretations on the consolidated entity.

NOTE 2: OPERATING SEGMENT

(a) Industry segments

The Group operates predominantly in the mining and exploration industry.

Information reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance is focussed on the type of resources being explored for and evaluated or developed. The Group's reportable segments under AASB 8 are therefore as follows:

- Tantalum
- Gold
- Copper
- Corporate

The tantalum segment relates to the development of the Group's Abu Dabbab tantalum-tin project in Egypt.
The gold segment relates to the exploration activities at Wadi Allaqi in Egypt.
The copper segment relates to the exploration activities at the Adobha project in Eritrea.

The corporate segment relates to operations of the corporate head office in Perth, Western Australia.

(b) Business segments

The following tables present revenue and loss information and certain asset and liability information regarding business segments for the periods ended 31 December 2010 and 2009.

	Continuing Operations				*Total Operations*
	Tantalum $	***Gold $***	***Copper $***	***Corporate $***	***$***
Period ended 31 December 2010					
Revenue					
Other revenues from external customers	-	-	-	44,992	44,992
Inter-segment transactions	-	8,795	-	-	8,795
Total segment revenue	-	8,795	-	44,992	53,787
Inter-segment elimination					(8,795)
Total consolidated revenue					44,992
Result					
Segment result	332,469	31,641	9,624	862,514	1,236,248
Loss before income tax and minority interest					1,236,248
Income tax expense					-
Net loss for the year					1,236,248
Assets and liabilities					
Segment assets	3,829,443	64,737	309,114	2,835,387	7,038,681
Total assets					7,038,681

	Continuing Operations				*Total Operations*
	Tantalum $	***Gold $***	***Copper $***	***Corporate $***	***$***
Period ended 31 December 2009					
Revenue					
Other revenues from external customers		1	-	20,067	20,068
Inter-segment transactions	-	-	-	-	-
Total segment revenue	-	1	-	20,067	20,068
Inter-segment elimination					-
Total consolidated revenue					20,068
Result					
Segment result	314,329	75,860	-	942,047	1,332,236
Loss before income tax and minority interest					1,332,236
Income tax expense					-
Net loss for the year					1,332,236
Assets and liabilities					
Segment assets	3,976,836	233,253	-	2,490,718	6,700,807
Total assets					6,700,807

NOTE 3: CONTRIBUTED EQUITY

	31 December 2010 $	31 December 2010 Number	30 June 2010 $	30 June 2010 Number
Issued capital:				
625,134,716 (June 2010: 544,634,716) fully paid ordinary shares	**38,588,181**	**625,134,716**	**35,581,715**	**544,634,716**
Movement				
Opening Balance at 1 July 2010	**35,581,715**	**544,634,716**		
Shares issued during the period				
Share placement	**3,200,000**	**80,000,000**		
Issue of shares under employment contract	**22,500**	**500,000**		
Share issue costs	**(216,034)**	**-**		
Closing balance at 31 December 2010	**38,588,181**	**625,134,716**		

Options	No of Options
Opening balance at 1July 2010	**56,000,000**
Less: Exercise of options during the period	**-**
Plus: Options issued during the period	**-**
Closing balance at 31 December 2010	**56,000,000**

As at 31 December 2010 the economic entity had the following options on issue:

(i) 25,000,000 unlisted options exercisable at 13.5 cents each by 26 May 2012.
(ii) 4,000,000 unlisted options exercisable at 6.65 UK pence each by 15 December 2011.
(iii) 17,000,000 unlisted options exercisable at 15.0 cents each by 31 May 2012.
(iv) 10,000,000 unlisted options exercisable at 8.0 cents each by 14 December 2011.

NOTE 4: COMMITMENTS AND CONTINGENCIES

Operating lease commitments - Group as lessee

The Group has entered into commercial leases for office accommodation in:

- Perth, Australia;
- Cairo, Egypt; and
- Asmara, Eritrea

Perth Office Lease

The property lease is a non-cancellable lease with a five year term (expiring in October 2011), with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the lower of CPI or 5% per annum. Lease payments for the next 10 month period to 10 October 2011 are estimated to be $109,941. An option exists to renew the lease at the end of the five year term for an additional five years.

Cairo Office Lease

The property lease is a non-cancellable lease with a two year term expiring in March 2011, with rent payable monthly in advance. Lease payments for the next 3 month period to 31 March 2011 are estimated to be $4,000.

Asmara Office Lease

The property lease is a non-cancellable lease with a six month term, with rent payable monthly in advance. Lease payments for the next 5 month period to 14 May 2011 are estimated to be $4,000.

Bank Guarantee

A subsidiary of the Group has been required to provide a bank guarantee of US$30,000 to the General Authority for Investment and Free Zone in Egypt. The letter of guarantee is valid until 10 August 2011.

Minimum Exploration Expenditure – Eritrea

During July 2010, the Group entered into agreements in relation to the granting of exploration and prospecting rights and licences in Eritrea. Under the agreements, the minimum total expenditure for exploration and prospecting activities is approximately US$1,041,000. As at 31 December 2010, the Group had expended approximately US$119,500 on exploration and prospecting activities in Eritrea. Accordingly, a further US$921,500 (approximately) will be required to be spent by the Group on exploration and prospecting activities in Eritrea. There are further minimum expenditure commitments under the exploration licence, however, the amount is subject to relinquishment provisions in the agreement. An estimate of the minimum expenditure is approximately US$1,720,000 in Year 2 and US$3,440,000 in Year 3. .

Capital Commitments

The Group is required to fund the construction of a wall around the “Free Trade Zone” area and a customs office at its Abu Dabbab Project. The estimated cost for this construction is EGP1,688,000 (approx AUD290,000). As at 31 December 2010, the Group had incurred EGP735,700 (approx AUD126,000) of the construction costs. Accordingly, a further EGP952,300 (approx AUD164,000) will be required to be spent by the Group in relation to this construction.

During December 2010, the Group ordered a trailer mounted alluvial separator for its trial mining programme in relation to the alluvial tin deposit at Abu Dabbab. The total cost of the alluvial separator is USD36,920. As at 31 December 2010, the Group had paid USD18,460. Accordingly, a further USD18,460 will be required to be spent by the Group in relation to the purchase of the alluvial separator.

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

On 17 January 2011, the Group appointed its environmental consultants, Environics, to prepare an ESIA study for the seawater intake and brine discharge activities, and to prepare an update of the ESIA addendum. The expected cost for this work is approximately AUD32,000.

On 31 January 2011, Gippsland announced that the Company is to conduct a programme of trial mining in relation to an extensive alluvial tin deposit contained within the 20km2 Abu Dabbab Exploitation Licences.

On 4 March 2011, Stellar Resources Ltd announced a JORC Compliant Mineral Resource in relation to the Company’s 40% owned Heemskirk Tin Project in Tasmania.

Since 31 December 2010, Gippsland has made continued progress toward the spin off via an IPO and listing on ASX of Gippsland’s 100% owned Adobha Project located in the State of Eritrea and Gippsland’s 40% interest in the Heemskirk Tin Project located in Tasmania. Activities have included incorporation of the new public company and a subsidiary thereof, drafting of agreements, negotiating with potential underwriters and sub-underwriters and obtaining advice regarding tax and other issues associated with the proposed transaction.

Since 31 December 2010, no other events have arisen that have materially affected the operations of the economic entity, the results of the economic entity or the state of affairs of the economic entity.

DIRECTORS' DECLARATION

The directors of Gippsland Limited declare that:

1. The financial statements and notes, as set out on pages 5 to 13:

   a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

   b) give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors dated this 16th day of March 2011.

John S Dunlop

JSF DUNLOP
Director

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

DX: 206
Tel: +61 (0) 8 9365 7000
Fax: +61 (8) 9365 7001
www.deloitte.com.au

Independent Auditor's Review Report to the Members of Gippsland Limited

We have reviewed the accompanying half-year financial report of Gippsland Limited, which comprises the condensed statement of financial position as at 31 December 2010, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 14.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gippsland Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Gippsland Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gippsland Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the half-year financial report which indicates that the consolidated entity has incurred net loss after taxes of $1,236,248 and experienced net cash outflows from operations of $1,165,391 for the half-year ended 31 December 2010. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the ordinary course of business, and at amounts that differ from those stated in the financial report.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith
Partner
Chartered Accountants
Perth, 16 March 2011