



Gippsland Limited and its Controlled Entities

ABN 31 004 766 376

Annual Financial Report

30 June 2011

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DIRECTORS' REPORT

Your Directors present their report with respect to the results of Gippsland Limited ("Gippsland" or "the Company") and its controlled entities ("the Group") for the year ended 30 June 2011 ("the Balance Date") and the state of affairs of the Company and the Group at Balance Date.

DIRECTORS

The names of the Directors in office at any time during or since the end of the year are as below. Directors were in office for this entire period unless otherwise stated.

Mr Ian Jeffrey Gandel
Mr Jon Starink
Mr John Stuart Ferguson Dunlop
Mr John Damian Kenny
Mr Robert John Telford (resigned 25 November 2010)

Names, qualifications, experience and special responsibilities

Ian Jeffrey Gandel - Chairman (Non-executive)

LLB, BEc, FCPA, FAICD

Mr Gandel was appointed Director and non-executive chairman on 24 June 2009. He is also a member of the Company's Remuneration Committee and Audit Committee.

Mr Gandel is a Melbourne businessman with extensive experience in retail management and retail property. He has had an involvement in the construction and leasing of Gandel shopping centres and has been a director of Gandel Retail Trust. He has previously been involved in the Priceline retail chain and the CEO chain of serviced offices.

Mr Gandel has been an investor in the mining industry since 1994, and is currently a substantial shareholder of a number of publicly listed Australian companies and is involved in exploration in his own right in Victoria, New South Wales and Western Australia.

During the past three years Mr Gandel has served as a Director of the following listed companies:

Alliance Resources Limited* – Appointed 15 October 2003

Alkane Resources Ltd* – Appointed 25 July 2006

Octagonal Resources Ltd* - Appointed 10 November 2010

Jon Starink – Director (Executive)

BSC (Hons), BChemE(Hons), MAppISc, FAusIMM, FIEAust, FIChemE, MRACI, MTMS, CPEng, CChem, CSci

Mr Starink was appointed Director on 8 May 2007.

Based in London, Mr Starink is a Chartered Professional Engineer, a Chartered Scientist and a Chartered Industrial Chemist, a Fellow of the Institution of Engineers Australia, a Fellow of the Australasian Institute of Mining and Metallurgy, a Fellow of the Institution of Chemical Engineers, a Member of The Metallurgical Society and a Member of the Royal Australian Chemical Institute.

Mr Starink has over 30 years experience in the mining industry in the role of both Executive and Non-Executive Director. His extensive practical and operational experience includes engineering design and project management; mining exploration management; science and engineering research & development and process innovation & development.

Mr Starink served in senior technical and engineering roles with the Sons of Gwalia Ltd Greenbushes tantalum-tin project for 10 years where he was directly responsible for process development, project design and construction management for the tin smelter and tantalum extraction projects.

During the past three years Mr Starink has served as a Director of the following listed company:

MacArthur Minerals Limited* – Appointed 28 June 2011

Manaccomm Corporation Limited – Appointed 30 August 2006; Resigned 22 November 2008.

DIRECTORS' REPORT

John Stuart Ferguson Dunlop – Director (Executive)

BE, M Eng Sc, P Cert Arb, CP, FAusIMM, FIMMM, MSME, MCIMM, MMICA

Mr Dunlop was appointed Director on 1 July 2005. He is also Chairman of the Company's Remuneration Committee and a member of the Audit Committee.

Mr Dunlop is a certified Mine Manager having approximately 40 years of international surface and underground mining experience in a variety of base metals, industrial and precious metals production.

He is a former Director of the Australasian Institute of Mining and Metallurgy (AusIMM) and remains Chairman of its affiliate, the Mineral Industry Consultants Association (MICA).

Mr Dunlop is a highly experienced mining professional having been involved in the design, construction and on-going operation of a number of major resource projects throughout the world.

He has operated his own mining consulting firm since 1992 and was previously a senior executive with BHP's (now BHP Billiton) Minerals Division, before becoming General Manager Operations for Aztec Mining Co Ltd until that company's takeover by Normandy Mining Ltd.

During the past three years Mr Dunlop has served as a Director of the following listed companies:

Alliance Resources Limited* – Appointed 30 November 1994

Alkane Resources Ltd* – Appointed 4 July 2006

Copper Strike Ltd* – Appointed 9 November 2009

Drummond Gold Ltd – Appointed 1 August 2007; Resigned 15 July 2010

John Damian Kenny – Director (Non-executive)

B Com (Hons), LLB

Mr Kenny was appointed Director on 2 September 1999. He is also a member of the Company's Remuneration Committee and is Chairman of the Company's Audit Committee.

Mr Kenny is a corporate and resources lawyer with a specialised interest in venture capital, initial public offerings and mergers and acquisitions. He has extensive experience in public equity fundraisings and the pricing of equity, debt and derivative securities.

During the past three years Mr Kenny has served as a Director of the following listed company:

The ARK Fund Limited* - Appointed 18 June 2003

Robert John Telford - Director (Executive) (resigned 25 November 2010)

AWAIT (Chem), MRACI

Mr Telford was appointed Director on 20 January 1992 and resigned on 25 November 2010.

Mr Telford holds an Associate degree in Pure Chemistry (Organic and Inorganic) having graduated from the Institute of Technology of Western Australia (now Curtin University) in 1967. He was not a director of any other listed company at the time of his resignation as a Director, nor had he been a director of any other listed company within the three years prior to his resignation as a Director.

* denotes current directorship

DIRECTORS' REPORT

Interest in Shares and Options of the Company and related bodies corporate

As at the date of this report, the interest of the directors in the shares and options of Gippsland Limited were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares	Exercise Price of Options	Expiry date of Options
IJ Gandel	244,552,183	-	-	-
JSF Dunlop	1,000,000	2,000,000	15c	31 May 2012
JD Kenny	2,892,858	1,000,000	15c	31 May 2012
J Starink	1,800,000	2,000,000	15c	31 May 2012

OPTIONS

At the date of this report, the unissued ordinary shares of Gippsland Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
16 May 2006	26 May 2012	\$0.135	25,000,000
05 February 2008	15 December 2011	UK£0.0665	4,000,000
28 November 2008	31 May 2012	\$0.150	17,000,000
17 August 2009	14 December 2011	\$0.080	10,000,000

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Rowan St John Caren
BCom, CA

Mr Caren was appointed Company Secretary on 15 August 2006.

Mr Caren was employed by the chartered accountancy firm Price Waterhouse Coopers in Australia and overseas for six years and has been directly involved in the minerals exploration industry for a further 15 years. He also provides company secretarial and corporate advisory services to several exploration companies and is a member of the Institute of Chartered Accountants in Australia.

MEETINGS OF DIRECTORS

During the financial year, 10 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
IJ Gandel	10	10	2	2	1	1
JSF Dunlop	10	8	-	-	1	1
JD Kenny	10	10	2	1	1	1
J Starink	10	10	-	-	-	-
RJ Telford (resigned)	5	5	1	1	-	-

PRINCIPAL ACTIVITIES

The principal activities of the entities within the Group during the year were exploration and development of commercially and economically viable mineral resources. There were no significant changes in the nature of the Group's principal activity during the year.

CONSOLIDATED RESULTS

The consolidated operating loss of the Group after providing for income tax amounted to \$2,630,645 (2010: \$2,894,769).

DIRECTORS' REPORT

Review of Operations

During the year the Company continued to focus on the development of the Abu Dabbab tin/tantalum project in Egypt. The following activities were undertaken in relation to the Abu Dabbab tin/tantalum project:

- appointment of corporate advisor to assist in fund raising and financial structuring.
- construction of free zone security wall.
- obtaining approval for the fresh water pipeline.
- commencement of trial mining activities in relation to the alluvial tin deposit.
- change of scope from 2 million tonnes per annum ("Mtpa") of Run-of-Mine ore ("ROM") to 3 Mtpa of ROM.
- increase of ore reserves.
- independent calculation of project economics.

In addition, the Company's operations included:

- exploration activities in Eritrea in relation to an Exploration Licence and three Prospecting Licences granted during the year to a 100% owned subsidiary of the Company. Exploration activities included a systematic drainage geochemical programme and commencement of a geophysical survey of the Adobha project area.
- successful placement of shares to raise \$3,200,000 before costs.
- continuation of drilling, metallurgical testwork and completion of a JORC compliant mineral resource at the Company's 40% owned Heemskirk Tin Project by the Company's joint venture partner.

Financial Position

The net assets of the Group have decreased by \$523,627 to \$4,376,993 at 30 June 2011. The decrease has largely resulted from the following factors:

- proceeds from the issue of shares raising \$3,200,000 before costs;
- a consolidated operating loss of the Group of \$2,630,645; and
- foreign currency translation differences of \$899,448.

As at Reporting Date the group had a working capital deficiency of \$224,060. A fully underwritten renounceable rights issue was completed in August 2011 to raise \$5,063,591 before costs to address this working capital deficiency.

DIVIDENDS

No dividends were declared or paid during the financial year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the Company occurred during the financial year:

- a) The Company's 100% owned subsidiary Adobha Resources (Eritrea) Pty Ltd (formerly Nubian Resources Pty Ltd) was granted a 2,100km² Exploration Licence plus three new 100km² Prospecting Licences (total 2,400 km²), in the highly prospective Adobha region of The State of Eritrea;
- b) Completed the issue and allotment of 80,000,000 shares at a placement price of \$0.04 to raise \$3,200,000 (before costs) on 1 October 2010;
- c) RJ Telford resigned as a Director of the Company on 25 November 2010 and his contract as Chief Executive Officer was terminated on 26 November 2010.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 4 July 2011, the Company entered into a loan agreement with Abbotsleigh Pty Ltd, an entity associated with Mr Ian Gandel. The loan facility was for \$640,000 to assist the Company to meet its minimum expenditure commitments in Eritrea and for working capital. \$400,000 of the loan facility was drawn down and subsequently repaid to Abbotsleigh Pty Ltd following the completion of the rights issue in August 2011. Interest of 4% was paid by Gippsland to Abbotsleigh Pty Ltd on the funds drawn down and the loan was unsecured.

DIRECTORS' REPORT

During July 2011, a scoping study was completed in relation to the Company's 40% owned Heemskirk Tin Project by the Company's joint venture partner.

On 26 July 2011, strong drilling results were reported by the Company's joint venture partner in relation to the Company's 40% owned Heemskirk Tin Project.

During July and August 2011, the Company commenced and successfully completed a fully underwritten renounceable rights issue to raise \$5,063,591 before costs. The rights issue was underwritten by Patersons Securities Ltd and sub-underwritten by Gandel Metals Pty Ltd, an entity associated with Mr Ian Gandel.

During August 2011, the Company announced approval of the Abu Dabbab Alluvial Project, subject to approval of the Board of Directors of Tantalum Egypt JSC and finalising financing arrangements.

During September 2011, the Company received approval from the Ministry of Energy and Mines in the State of Eritrea regarding the conversion of the 100 km² Prospecting Licence held by Adobha Resources (Eritrea) Pty Ltd for the Gerasi South area to an Exploration Licence. The Prospecting Licences held by Adobha Resources (Eritrea) Pty Ltd for the Hafta West and Romay areas have expired as they had a one year term, however, applications to convert these areas to Exploration Licences have been lodged with the Ministry of Energy and Mines and the applications are pending.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Information as to likely developments in the operations of the Company and the Group and the expected results of those operations in future financial years has not been included in this report because, in the opinion of the Directors, it would prejudice the interests of the Company and the Group.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are not currently subject to any significant environmental regulations under either Australian, Eritrean or Egyptian legislation. However, the board is committed to achieving a high standard of environmental performance, and regular monitoring of potential environmental exposures is undertaken by management. The board considers that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

An environmental and social impact assessment was updated during the previous financial year for the Abu Dabbab project in Egypt.

The Group is required to carry out its activities in accordance with the Mining Laws and regulations in the areas in which it undertakes its exploration activities.

INDEMNITY AND INSURANCE OF OFFICERS

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay an insurance premium as follows:

The Company has paid premiums to insure any director or officer of Gippsland Limited against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium is \$14,053 (2010: \$21,090). The Company has entered into "Deeds of Indemnity, Access and Insurance" with directors and officers in which the Company agrees to indemnify the directors and officers in respect of certain liabilities incurred by the director or officer while acting in their capacity for the Company and to insure the director or officer against certain risks they are exposed to as a director or officer of the Company.

DIRECTORS' REPORT

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. No proceedings have been brought or intervened in or on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

No non-audit services were provided by the Company's current auditor, Deloitte Touche Tomatsu ("Deloitte").

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2011 has been received and can be found on page 11 of the directors' report.

REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each director of Gippsland Limited, and for the executives receiving the highest remuneration.

Remuneration Policy

The remuneration policy of Gippsland Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The board of Gippsland Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, is developed and approved by the board after seeking professional advice from independent external consultants as required.
- All executives receive a base salary (which is based on factors such as length of service and experience).
- The board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is currently fixed at \$150,000 with any change in this amount subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the option plan.

No relationship exists between the remuneration policy and the Company's performance.

Details of key management personnel (including the highest paid executives of the Company and the Group)

(i) Directors

IJ Gandel	- Chairman (Non-Executive)
J Starink	- Executive Director
JSF Dunlop	- Executive Director
J Kenny	- Non-Executive Director
RJ Telford	- Executive Director (resigned 25 November 2010) and Chief Executive Officer (terminated 26 November 2010)

DIRECTORS' REPORT

(ii) Executives

JM Chisholm	- Chief Geologist
A Ayyash	- Regional Manager - Middle East and North Africa
RS Caren	- Company Secretary
GA Hawkins	- Chief Financial Officer – appointed 1 September 2010
NA Marston	- Chief Financial Officer – resigned 8 January 2010

Non-Executive Director Remuneration

IJ Gandel - Chairman (Non-Executive)

- Remuneration: \$80,000 per annum.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination.

J Kenny - Non-Executive Director

- Remuneration: \$40,000 per annum.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination.

Employment Contracts

J Starink - Executive Director

- Term of agreement: 8 May 2007 until terminated in accordance with the agreement.
- Remuneration: \$150,000 per annum.
- Period of notice for termination/resignation: Three months written notice by either party.
- Details of remuneration entitlement on termination: Payment of consulting fees up to the date of termination or payment of three months salary in lieu of notice.

JSF Dunlop - Executive Director

- Remuneration: \$115,000 per annum.
- Period of notice for termination/resignation: None.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination.

JM Chisholm - Chief Geologist

- Remuneration: \$175 per hour. Total remuneration is capped at \$175,000 per year.
- Period of notice for termination/resignation: Three months written notice by either party.
- Details of remuneration entitlement on termination: Payment of consulting fees up to the date of termination or payment of three months salary in lieu of notice.

A Ayyash - Regional Manager - Middle East and North Africa

- Term of agreement: 1 October 2010 until terminated in accordance with the agreement.
- Remuneration: \$188,600 salary and allowances per annum. On 30 November 2010, 500,000 shares were issued to Mr Ayyash as part of his renewal of his employment contract. The shares were issued for nil consideration and have a deemed value of \$22,500.
- Period of notice for termination/resignation: Two months written notice by the Company or three months written notice by the Executive.
- Details of remuneration entitlement on termination: Payment of salary and employee entitlements up to the date of termination and one month's salary for each year worked by the Executive.

RS Caren - Company Secretary

- Term of agreement: 15 August 2006 until terminated in accordance with the agreement.
- Remuneration: \$5,000 per month.
- Period of notice for termination/resignation: One month written notice by either party.
- Details of remuneration entitlement on termination: Payment of consulting fees up to the date of termination.

DIRECTORS' REPORT

GA Hawkins - Chief Financial Officer (appointed 1 September 2010)

- Term of agreement: 1 September 2010 until terminated in accordance with the agreement.
- Remuneration: \$160,000 per annum.
- Period of notice for termination/resignation: Two months written notice by the Company or three months written notice by the Executive.
- Details of remuneration entitlement on termination: Payment of salary and employee entitlements up to the date of termination.

RJ Telford - Executive Director (resigned 25 November 2010) and Chief Executive Officer (terminated 26 November 2010)

- Term of agreement: 1 January 2004 until terminated in accordance with the agreement (26 November 2010).
- Remuneration: \$250,000 per annum.
- Period of notice for termination/resignation: Three months written notice by either party.
- Details of remuneration entitlement on termination: Payment of consulting fees up to the date of termination.

Remuneration of key management personnel and the highest paid executives of the Company and the Group

Table 1: Remuneration for the year ended 30 June 2011

Key Management Personnel	Short-term Benefits Cash, salary and commissions \$	Share-based Payment Shares \$	Post-employment Benefits Superannuation \$	Total \$	Remuneration consisting of options for the year %
Non-Executive Directors					
Mr IJ Gandel	88,188	-	-	88,188	0.00%
Mr JD Kenny	36,808	-	-	36,808	0.00%
Sub-total	124,996	-	-	124,996	
Executive Directors					
Mr J Starink	135,000	-	-	135,000	0.00%
Mr JSF Dunlop	74,800	-	-	74,800	0.00%
Mr RJ Telford (terminated 26 November 2010)	166,667	-	-	166,667	0.00%
Sub-total	376,467	-	-	376,467	
Other key management personnel					
Mr A Ayyash	191,870	22,500	-	214,370	10.50%
Mr RS Caren	79,775	-	-	79,775	0.00%
Dr JM Chisholm	94,238	-	-	94,238	0.00%
Mr GA Hawkins	122,324	-	11,009	133,333	0.00%
Sub-total	488,207	22,500	11,009	521,716	
Total	989,670	22,500	11,009	1,023,179	

DIRECTORS' REPORT

Table 2: Remuneration for the year ended 30 June 2010

Key Management Personnel	Short-term Benefits Cash, salary and commissions \$	Share-based Payment Shares \$	Post-employment Benefits Superannuation \$	Total \$	Remuneration consisting of options for the year %
Non-Executive Directors					
Mr IJ Gandel	50,000	-	-	50,000	0.00%
Mr JSF Dunlop	25,700	-	-	25,700	0.00%
Mr JD Kenny	25,000	-	-	25,000	0.00%
Sub-total	100,700	-	-	100,700	
Executive Directors					
Mr RJ Telford	250,000	-	-	250,000	0.00%
Mr J Starink	120,000	-	-	120,000	0.00%
Sub-total	370,000	-	-	370,000	
Other key management personnel					
Mr A Ayyash	167,062	-	-	167,062	0.00%
Mr RS Caren	62,975	-	-	62,975	0.00%
Dr JM Chisholm	145,600	-	-	145,600	0.00%
Mr NA Marston (resigned 8 January 2010)	127,750	-	11,498	139,248	0.00%
Sub-total	503,387	-	11,498	514,885	
Total	974,087	-	11,498	985,585	

Table 3: Compensation Options: Granted and vested during the year (consolidated)

The following are grants of share-based payment compensation to directors and senior management:

30 June 2011		Terms & Conditions for Each Grant				Vesting date
Granted No.	Grant Date	Fair Value per Option at Grant Date (\$)	Exercise Price per option (\$)	Expiry Date		
		(note 19)	(note 19)			
Nil	-	-	-	-	-	-

30 June 2010		Terms & Conditions for Each Grant				Vesting date
Granted No.	Grant Date	Fair Value per Option at Grant Date (\$)	Exercise Price per option (\$)	Expiry Date		
		(note 19)	(note 19)			
Nil	-	-	-	-	-	-

DIRECTORS' REPORT

Table 4: Shares issued on exercise of compensation options (consolidated)

30 June 2011

	Shares issued No.	Paid per share \$	Unpaid per share \$
Directors			
Nil	-	-	-

30 June 2010

	Shares issued No.	Paid per share \$	Unpaid per share \$
Directors			
Nil	-	-	-

Table 5: Share-based payment arrangements in existence

During the financial year, the following share-based payment arrangements were in existence in relation to directors and senior management.

Options series	Grant date	Expiry date	Number of options	Grant date fair value	Vesting date
(1) Issued 28 November 2008	28 November 2008	31 May 2012	17,000,000	\$0.0010	Vests at date of grant

There are no further service or performance criteria that need to be met in relation to options granted under series (1) before the beneficial interest vests in the recipient.

During the financial year:

- 500,000 shares were issued to Mr Ayman Ayyash in accordance with his employment contract. The shares were issued for nil consideration and have a deemed value of \$22,500 (2010: Nil). There were no other grants of share-based payment compensation to directors or senior management.
- No directors or senior management exercised options that were granted to them as part of their compensation.
- No options held by directors or senior management lapsed.

[END OF REMUNERATION REPORT]

Signed in accordance with a resolution of the Board of Directors.



JSF DUNLOP
Director

Dated this 30th day of September 2011.

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

30 September 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 audit of the financial statements of Gippsland Limited for the financial year ended 30 June 2011, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Neil Smith
Partner
Chartered Accountants

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

		<i>CONSOLIDATED</i>		<i>PARENT</i>	
	<i>Note</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
		\$	\$	\$	\$
Continuing Operations					
Finance revenue	3(a)	82,348	61,446	82,348	61,445
Other Income	3(b)	590	2,994	590	2,994
Total Income		82,938	64,440	82,938	64,439
Administration expense	3(c)	(1,113,588)	(988,964)	(806,937)	(576,985)
Employee benefits expense	3(d)	(1,221,526)	(1,111,176)	(892,875)	(822,071)
Foreign exchange gain/(losses)		1,125	10,392	(1,733)	4,313
Share based payment expense		(22,500)	(181,000)	(22,500)	(181,000)
Exploration expense		(39,318)	(16,501)	(27,806)	(1,411)
Project evaluation expense		(33,165)	(362,468)	-	-
Impairment of loans to other entities		(239,596)	-	(239,596)	-
Depreciation and amortisation expense		(39,222)	(38,299)	(15,675)	(13,622)
Impairment of intercompany loans		-	-	(1,584,566)	(1,171,869)
Impairment of exploration and evaluation expenditure		(5,793)	(250,398)	-	-
Finance costs		-	(20,795)	-	(20,795)
Total expenses		(2,713,583)	(2,959,209)	(3,591,688)	(2,783,440)
Loss before income tax		(2,630,645)	(2,894,769)	(3,508,750)	(2,719,001)
Income tax expense	4	-	-	-	-
Loss after income tax		(2,630,645)	(2,894,769)	(3,508,750)	(2,719,001)
Other comprehensive income					
Exchange rate differences on translating foreign operations		(899,448)	(275,212)	-	-
Total other comprehensive income		(899,448)	(275,212)	-	-
Total comprehensive income/(loss) for the period		(3,530,093)	(3,169,981)	(3,508,750)	(2,719,001)
Profit/(loss) is attributable to:					
Members of the parent		(3,530,093)	(3,169,981)	(3,508,750)	(2,719,001)
Non-controlling interest		-	-	-	-
		(3,530,093)	(3,169,981)	(3,508,750)	(2,719,001)
Total comprehensive income/(loss) is attributable to:					
Members of the parent		(3,530,093)	(3,169,981)	(3,508,750)	(2,719,001)
Non-controlling interest		-	-	-	-
		(3,530,093)	(3,169,981)	(3,508,750)	(2,719,001)
Basic earnings/(loss) per share (cents per share)	5	(0.43)	(0.58)		
Diluted earnings/(loss) per share (cents per share)	5	(0.43)	(0.58)		

The accompanying notes form an integral part of this Statement of Comprehensive Income.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

		<i>CONSOLIDATED</i>		<i>PARENT</i>	
	<i>Note</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
		\$	\$	\$	\$
ASSETS					
Current Assets					
Cash and cash equivalents	6	806,397	1,223,122	639,915	1,147,375
Trade and other receivables	7	98,480	33,556	85,038	31,810
Other assets		80,524	42,958	70,057	35,635
Total Current Assets		985,401	1,299,636	795,010	1,214,820
Non-Current Assets					
Other financial assets	8	-	-	27,888	27,788
Property, plant and equipment	9	284,429	133,846	46,876	47,922
Exploration and evaluation	10	4,316,624	4,384,999	-	-
Total Non-Current assets		4,601,053	4,518,845	74,764	75,710
TOTAL ASSETS		5,586,454	5,818,481	869,774	1,290,530
LIABILITIES					
Current Liabilities					
Trade and other payables	11	1,010,327	900,625	123,939	45,164
Provisions	12	10,177	17,236	5,678	2,925
Loans and Borrowings	13	188,957	-	-	-
Total Current Liabilities		1,209,461	917,861	129,617	48,089
TOTAL LIABILITIES		1,209,461	917,861	129,617	48,089
NET ASSETS		4,376,993	4,900,620	740,157	1,242,441
EQUITY					
Equity attributable to equity holders of the parent					
Contributed Equity	14(a)	38,588,181	35,581,715	38,588,181	35,581,715
Reserves	15	(276,951)	622,497	530,402	530,402
Accumulated losses	15	(33,934,237)	(31,303,592)	(38,378,426)	(34,869,676)
TOTAL EQUITY		4,376,993	4,900,620	740,157	1,242,441

The accompanying notes form an integral part of this Statement of Financial Position.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	<i>Note</i>	<i>CONSOLIDATED</i> 2011	2010	<i>PARENT</i> 2011 \$	2010 \$
Cash flows from operating activities					
Payments to suppliers and employees		(2,376,324)	(2,272,893)	(1,738,629)	(1,586,498)
Interest received		82,902	61,583	82,902	60,468
Finance costs		-	(20,795)	-	(20,795)
Other receipts		590	1,880	590	2,994
Net cash flows (used in) operating activities	6	(2,292,832)	(2,230,225)	(1,655,137)	(1,543,831)
Cash flows from investing activities					
Payments for exploration and evaluation		(816,812)	(457,715)	-	-
Payments for property, plant and equipment		(214,310)	(13,807)	(10,294)	(12,321)
Payments for other assets		-	-	(100)	(100)
Loans to controlled entities within the Group		-	-	(1,584,566)	(1,171,869)
Loans to other entities		(50,639)	-	(239,596)	-
Net cash flows (used in) investing activities		(1,081,761)	(471,522)	(1,834,556)	(1,184,290)
Cash flows from financing activities					
Proceeds from issue of fully paid shares	14(b)	3,200,000	4,372,958	3,200,000	4,372,958
Payment of transaction costs	14(b)	(216,034)	(269,813)	(216,034)	(269,813)
Proceeds from borrowings		-	150,000	-	150,000
Repayment of borrowing		-	(450,000)	-	(450,000)
Net cash flows from financing activities		2,983,966	3,803,145	2,983,966	3,803,145
Net increase/(decrease) in cash held		(390,627)	1,101,398	(505,727)	1,075,024
Net foreign exchange differences		(26,098)	7,597	(1,733)	4,313
Cash and cash equivalents at beginning of period		1,223,122	114,127	1,147,375	68,038
Cash and cash equivalents at end of period	6	806,397	1,223,122	639,915	1,147,375

The accompanying notes form an integral part of this Statement of Cash Flows.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Issued capital	Accumulated losses	Option reserve	Foreign currency translation reserve	Total equity
	\$	\$	\$	\$	\$
CONSOLIDATED					
At 1 July 2009	30,678,570	(28,408,823)	349,402	367,307	2,986,456
Currency translation differences	-	-	-	(275,212)	(275,212)
Loss for the year	-	(2,894,769)	-	-	(2,894,769)
Total comprehensive income for the year	-	(2,894,769)	-	(275,212)	(3,169,981)
Transactions with owners in their capacity as owners					
Issue of share capital	5,172,958	-	-	-	5,172,958
Transaction costs	(269,813)	-	-	-	(269,813)
Cost of share-based payments	-	-	181,000	-	181,000
At 30 June 2010	35,581,715	(31,303,592)	530,402	92,095	4,900,620
Currency translation differences	-	-	-	(899,448)	(899,448)
Loss for the year	-	(2,630,645)	-	-	(2,630,645)
Total comprehensive income for the year	-	(2,630,645)	-	(899,448)	(3,530,093)
Transactions with owners in their capacity as owners					
Issue of share capital	3,200,000	-	-	-	3,200,000
Transaction costs	(216,034)	-	-	-	(216,034)
Cost of share-based payments	22,500	-	-	-	22,500
At 30 June 2011	38,588,181	(33,934,237)	530,402	(807,353)	4,376,993
PARENT					
At 1 July 2009	30,678,570	(32,150,675)	349,402	-	(1,122,703)
Loss for the year	-	(2,719,001)	-	-	(2,719,001)
Total comprehensive income for the year	-	(2,719,001)	-	-	(2,719,001)
Transactions with owners in their capacity as owners					
Issue of share capital	5,172,958	-	-	-	5,172,958
Transaction costs	(269,813)	-	-	-	(269,813)
Cost of share-based payments	-	-	181,000	-	181,000
At 30 June 2010	35,581,715	(34,869,676)	530,402	-	1,242,441
Loss for the year	-	(3,508,750)	-	-	(3,508,750)
Total comprehensive income for the year	-	(3,508,750)	-	-	(3,508,750)
Transactions with owners in their capacity as owners					
Issue of share capital	3,200,000	-	-	-	3,200,000
Transaction costs	(216,034)	-	-	-	(216,034)
Cost of share-based payments	22,500	-	-	-	22,500
At 30 June 2011	38,588,181	(38,378,426)	530,402	-	740,157

The accompanying notes form an integral part of this Statement of Changes in Equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

1 CORPORATE INFORMATION

The financial report of Gippsland Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 30 September 2011.

Gippsland Limited which is the ultimate parent company, is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group is exploration and mine development.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and applicable Australian Accounting Standards.

The financial report has also been prepared on a historical cost basis, except where stated.

The financial report is presented in Australian dollars and all values are in whole dollars.

(b) Going Concern

The consolidated entity and the company have incurred net losses after tax of \$2,630,645 (2010: \$2,894,769) and \$3,508,750 (2010: \$2,719,001) respectively and experienced net cash outflows from operating and investing activities of \$3,374,593 (2010: \$2,701,747) and \$3,489,693 (2010: \$2,728,121) respectively for the year ended 30 June 2011. As at 30 June 2011, the consolidated entity had a working capital deficiency of \$224,060 and had cash assets of \$806,397.

The ability of the consolidated entity and the company to continue as going concerns is principally dependent upon raising additional capital and / or debt finance to fund exploration and project development, funding the Abu Dabbab project, Eritrean 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 and the company's ability to continue as going concerns.

During July and August 2011, the Company commenced and successfully completed a fully underwritten renounceable rights issue to raise \$5,063,591 before costs. The rights issue was underwritten by Patersons Securities Ltd and sub-underwritten by Gandel Metals Pty Ltd, an entity associated with Mr Ian Gandel.

The directors have prepared a cash flow forecast for the period ending 30 September 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 at least \$2.3 million (net of costs) to be raised by no later than May 2012 to fund its current operations through to 30 September 2012. The consolidated entity is currently evaluating capital raising and/or debt funding opportunities.

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 and the company be unable to raise the funding referred to above, there is a material uncertainty whether the consolidated entity and the company will be able to continue as going concerns and, therefore, whether they will be required to realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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 and the company be unable to continue as going concerns.

(c) Statement of Compliance

Compliance with Australian Accounting Standards ensures the financial report, the financial statements and notes comply with International Financial Reporting Standards ("IFRS").

(d) New standards and Interpretations Adopted

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 beginning 1 July 2010.

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.

The adoption of these standards has not had an impact on the consolidated entity.

Accounting Standards and Interpretations issued but not yet effective

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the year ended 30 June 2011.

Standard / Interpretation	Effective for annual reporting periods beginning/ending on or after	Expected to be applied by consolidated entity
AASB 124 Related Party Disclosures (2009) and AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 9: Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-9 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2013	30 June 2014
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from Annual Improvements Project	1 January 2011	30 June 2012
AASB 2010-5 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011	30 June 2012
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Standard / Interpretation	Effective for annual reporting periods beginning/ending on or after	Expected to be applied by consolidated entity
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013	30 June 2014
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income	1 July 2012	30 June 2013
AASB 10 Consolidated Financial Statements	1 January 2013	30 June 2014
AASB 11 Joint Arrangements	1 January 2013	30 June 2014
AASB 12 Disclosure of Interests in Other Entities	1 January 2013	30 June 2014
AASB 127 Separate Financial Statements (2011), AASB 128 Investments in Associates and Joint Ventures (2011) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Venture Arrangement Standards	1 January 2013	30 June 2014
AASB 13 Fair Value Measurement	1 January 2013	30 June 2014
AASB 119 Employee Benefits	1 January 2013	30 June 2014

The impact of these recently issued or amended Standards and Interpretation have not been determined as yet by the consolidated entity.

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of Gippsland Limited and entities (including special purpose entities) controlled by Gippsland Limited (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Gippsland Limited has control.

(f) Interests in joint ventures

The Group's interest in its joint venture operations is accounted for by recognising the Group's assets and liabilities from the joint venture, as well as expenses incurred by the Group and the Group's share of income earned from the joint venture, in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

(g) Foreign currency translation

Both the functional and presentation currency of Gippsland Limited and its Australian subsidiaries is Australian dollars (\$AU).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date.

All differences in the consolidated financial report are taken to the statement of comprehensive income with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the statement of comprehensive income.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiaries Tantalum Egypt JSC, Nubian Resources JSC and Nubian Resources PLC is Egyptian pounds (EGP).

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Gippsland Limited at the rate of exchange ruling at the statement of financial position date and the statements of comprehensive income are translated at the weighted average exchange rates for the year.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

(h) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount which represents fair value at that date less an allowance for any doubtful debts. An allowance of doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(j) Other financial assets

Other financial assets in the parent company represent investments in subsidiaries held at cost less any impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

(k) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment losses recognised.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold Improvements - over 2 to 5 years

Plant and equipment - over 3 to 10 years

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the statement of comprehensive income.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

(l) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is recognised as exploration and evaluation assets, measured on the cost basis. The expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(m) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(n) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(p) Loans and borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

(q) Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received.

Any transaction costs arising on the issue of shares are recognised directly in equity as a reduction of the share proceeds received.

(r) Share-based payment transactions

The Group provides remuneration to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Gippsland Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects -

- (i) the extent to which the vesting period has expired, and
- (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 5).

(s) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. All other leases are classified as finance leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(t) Revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(u) Income tax

In principle, deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

(v) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Cash Flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(w) Employee entitlements

Provision is made for the Company's liability for employee benefits arising from services rendered by employees at balance date. Employee benefits expected to be settled within one year, together with entitlements arising from wages and salaries, annual leave and sick leave, which will be settled within one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the entity to employee superannuation funds and are charged as expenses when incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

(x) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(y) Segment information

Operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker has been identified as the board of directors of the Company.

(z) Critical accounting judgements and key sources of estimation uncertainty

In the application of Australian Accounting Standards management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgments made by management that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, these relate to impairment of inter-company loans and exploration and evaluation expenditure.

The criteria used by management in determining the impairment is as follows:

- Inter-company loans are impaired by the lending company to the extent that there is uncertainty about the future recoverability of such loans from the borrowing company. Reversal of all or part of prior period impairment losses may be approved by management once a borrowing company has a capacity to repay all or part of such inter-company loans, and
- The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation or alternatively the sale of the respective areas of interest at an amount at least equal to book value. Therefore exploration and evaluation expenditure is impaired until such time as the aforementioned can be determined, normally by way of a Feasibility Study or some other event. Reversal of prior period impairment losses may be approved by management once the capacity to exploit or sell has been positively determined.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(aa) Financial risk management policy

Details of the Group's financial risk management policy are set out in Note 26.

(bb) Compound financial instruments

The Group evaluates the terms of any financial instrument to determine whether it contains both a liability and an equity component. The separate components of a financial instrument that create a financial liability and grant an option to the holder of the instrument to convert it into an equity instrument are recognised separately on the statement of financial position.

(cc) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

3 REVENUES, OTHER INCOME AND EXPENSES

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$
Revenue and expenses from continuing operations				
(a) Revenue				
Finance revenue	82,348	61,446	82,348	61,445
	82,348	61,446	82,348	61,445
(b) Other income				
Sundry income	590	2,994	590	2,994
	590	2,994	590	2,994
(c) Administration expenses				
Included in administrative expenses:				
Minimum lease payments - operating lease	154,372	145,507	130,176	126,944
Consultancy expenses	231,088	63,293	231,088	63,292
(d) Employee benefits expenses				
Payroll cost	1,204,737	1,096,651	876,086	807,546
Superannuation	16,789	14,525	16,789	14,525
Employee benefits expense in Statement of Comprehensive Income	1,221,526	1,111,176	892,875	822,071
Share-based payments expense	22,500	-	22,500	-
Total employee benefit expenses	1,244,026	1,111,176	915,375	822,071

4 INCOME TAX

Statement of Comprehensive Income

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$

(a) The components of income tax expense for the years ended 30 June 2011 and 2010 are:

Statement of Comprehensive Income

Current income tax

Current income tax charge/(benefit)	-	-	-	-
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Deferred income tax

Relating to origination and reversal of temporary differences	-	-	-	-
Benefit from previously unrecognised tax loss used to reduce deferred tax expense	-	-	-	-
Income tax expense/(benefit) reported in statement of comprehensive income	-	-	-	-

Statement of changes in equity

Income tax liability reported in equity	-	-	-	-
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 30 June 2011 and 2010 is as follows:

Statement of Comprehensive Income

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$
Accounting profit (loss) before tax	(2,630,645)	(2,894,769)	(3,508,750)	(2,719,001)
At the statutory income tax rate of 30% (2010: 30%)	(789,194)	(868,431)	(1,052,625)	(815,700)
Non-deductible expenses	79,398	227,039	747,107	89,934
Temporary differences and tax losses not recognised	709,796	641,392	305,518	725,766
Income tax expense recognised on profit or loss	-	-	-	-
	-	-	-	-
Effective income tax rate	0%	0%	0%	0%

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$

Unrecognised deferred tax assets and liabilities

Deferred tax assets and liabilities have not been recognised in respect of the following items:

Deferred tax liabilities

Other assets	(90)	(146)	(90)	(146)
Foreign exchange gain	-	-	-	-
	(90)	(146)	(90)	(146)

Deferred tax assets

Business related costs	57,446	35,577	57,446	35,577
Accrued superannuation	-	-	-	-
Accrued audit fees	8,482	8,115	5,308	5,054
Accrued expenses	11,384	2,206	11,384	1,500
Employee entitlements	1,703	878	1,703	878
Foreign exchange gain	-	-	-	17
Foreign exchange loss	466,470	90,890	-	-
Tax losses (domestic)	4,839,207	4,444,627	4,116,152	3,568,376
Trade and other receivables	-	-	4,725,416	4,923,677
	5,384,692	4,582,293	8,917,409	8,535,079
Unrecognised deferred tax assets	(5,384,602)	(4,582,147)	(8,917,319)	(8,534,933)
	90	146	90	146
Net deferred tax asset	-	-	-	-

Tax losses and temporary differences not recognised	5,384,602	4,582,147	8,917,319	8,534,933
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The deductible temporary differences and tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company and Group can utilise benefits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

5 EARNINGS PER SHARE

	CONSOLIDATED	
	2011	2010
	cents	cents
Basic earnings per share	(0.43)	(0.58)
Diluted earnings per share	(0.43)	(0.58)

The following reflects the income and share data used in the basic and diluted earnings per share computations:

(a) Reconciliation of earnings used in calculating earnings per share

Profit/(loss) attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	(2,630,645)	(2,894,769)
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(b) Weighted average number of shares used in the denominator

	Shares	Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	604,762,113	497,548,253
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	604,762,113	497,548,253

There were 56,000,000 potential ordinary shares as at 30 June 2011 (56,000,000 for 30 June 2010).

The consolidated entity's options over ordinary shares could potentially dilute basic earnings per share in the future, however they have been excluded from the calculations of diluted earnings per share because they are anti-dilutive for the years presented.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

6 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$
Cash at bank and in hand	271,797	104,951	105,315	29,204
Short term deposits	534,600	1,118,171	534,600	1,118,171
	806,397	1,223,122	639,915	1,147,375

Cash at bank and in hand earns interest at floating rates based on daily bank rates.

Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents is \$806,397 (2010: \$1,223,122).

Reconciliation to statement of cash flows

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

Cash at bank and in hand	271,797	104,951	105,315	29,204
Short-term deposits	534,600	1,118,171	534,600	1,118,171
	806,397	1,223,122	639,915	1,147,375

Reconciliation from the net profit/(loss) after tax to the net cash flows from operations

Net Profit/(Loss) after income tax	(2,630,645)	(2,894,769)	(3,508,750)	(2,719,001)
<i>Adjustments for:</i>				
Depreciation and amortisation	39,222	38,300	15,675	13,622
Impairment losses	247,227	35,224	1,826,000	1,171,869
Foreign exchange loss (gain)	167,901	(42,635)	1,733	(4,313)
Share options expensed	22,500	181,000	22,500	181,000
Exploration expenses	9,616	229,959	-	-
<i>Changes in assets and liabilities</i>				
(increase)/decrease in trade and other receivables	(55,821)	(1,849)	(44,126)	(103)
(increase)/decrease in other assets	(8,987)	15,794	(1,838)	18,594
(decrease)/increase in provisions	(7,059)	(3,161)	2,753	(1,754)
(decrease)/increase in trade and other payables	(76,786)	211,912	30,916	(203,745)
Net cash from operating activities	(2,292,832)	(2,230,225)	(1,655,137)	(1,543,831)

Non-cash transactions

During the 2011 financial year, the Group did not enter into any non-cash investing or financing activities.

During the 2010 financial year, the Group entered into the following non-cash investing and financing activities which are not reflected in the statement of cash flows:

- The issue of 10,000,000 options on 17 August 2009 for nil consideration to International Finance Corporation pursuant to the renegotiation of the International Finance Corporation Subscription Agreement to allow increased flexibility for capital raisings. The options had an exercise price of \$0.087 and an expiry date of 14 December 2011. On 9 November 2009, the exercise price of the options was amended to \$0.08; and
- Conversion of the \$800,000 convertible loan funding facility from Abbotsleigh Pty Limited, at the conversion rate of one share for every \$0.01 of the outstanding amount of the loan, into 80,000,000 shares on 28 August 2009.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

7 TRADE AND OTHER RECEIVABLES (CURRENT)

		CONSOLIDATED		PARENT	
		2011	2010	2011	2010
		\$	\$	\$	\$
Trade receivables	(i)	-	-	-	-
Other receivables	(ii)	98,480	33,556	85,038	31,810
Loan receivable from Adobha Resources Ltd	(iii)	239,596	-	239,596	-
Allowance for impairment of receivables	(iii)	(239,596)	-	(239,596)	-
		98,480	33,556	85,038	31,810

- (i) Trade receivables are non-interest bearing and are generally on 30-day terms.
- (ii) Other receivables relate to GST receivable from the Australian Taxation Office and a refund due from a supplier.
- (iii) Gippsland loaned funds to Adobha Resources Ltd in relation to the proposed Initial Public Offering ("IPO") of Adobha Resources Ltd. The loan funds were used by Adobha Resources Ltd for establishment costs, IPO costs, working capital and on-lending funds to Adobha Resources (Eritrea) Pty Ltd for exploration costs. The proposed IPO was terminated in June 2011. The loan has been fully impaired.

8 OTHER FINANCIAL ASSETS (NON-CURRENT)

		CONSOLIDATED		PARENT	
		2011	2010	2011	2010
		\$	\$	\$	\$
Loans receivable from controlled entities (a)		-	-	15,751,387	16,412,258
Allowance for impairment of receivables		-	-	(15,751,387)	(16,412,258)
Investments in controlled entities - at cost		-	-	27,888	27,788
		-	-	27,888	27,788

The impairment of loans to subsidiaries was \$1,584,566 (2010: \$1,171,869). During the year, \$2,245,437 of the loan from Gippsland to its 100% owned subsidiary Adobha Resources (Eritrea) Pty Ltd was forgiven. This loan amount had been fully impaired.

The impairment recognised represents the difference between the carrying amount of these loans receivable and the recoverable amount of the loans at the end of the financial year.

Ageing of impaired loans receivable:

		CONSOLIDATED		PARENT	
		2011	2010	2011	2010
		\$	\$	\$	\$
0 – 60 days		-	-	137,936	246,836
60 – 90 days		-	-	163,009	86,189
90 – 120 days		-	-	301,327	72,620
120+ days		-	-	15,149,115	16,006,613
Total		-	-	15,751,387	16,412,258

All amounts are receivable in Australian dollars

(a) Loans receivable from controlled entities

The loans to controlled entities are advanced interest free, are unsecured and will be repaid when the respective subsidiary is generating sufficient funds and has the financial capacity to meet the loan commitment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

(b) Fair Values

The fair values and carrying values of non-current receivables of the Group are as follows:

	<i>CONSOLIDATED</i>		<i>PARENT</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	\$	\$	\$	\$
Loan receivables	-	-	-	-

(c) Interest Rate Risk

Details regarding interest rate risk exposure are disclosed in note 26(b).

(d) Credit risk

Details regarding credit risk exposure are disclosed in note 26(d).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

9 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED			PARENT		
	<i>Leasehold Improvements</i>	<i>Plant and equipment</i>	<i>Total</i>	<i>Leasehold Improvements</i>	<i>Plant and equipment</i>	<i>Total</i>
	\$	\$	\$	\$	\$	\$
Year ended 30 June 2011						
Balance at 30 June 2010	5,602	128,244	133,846	5,602	42,320	47,922
Additions	543	205,905	206,448	-	14,629	14,629
Disposals	-	-	-	-	-	-
Foreign Exchange Adjustment	-	(18,303)	(18,303)	-	-	-
Depreciation charge for the year	(3,650)	(33,912)	(37,562)	(3,650)	(12,025)	(15,675)
Balance at 30 June 2011	2,495	281,934	284,429	1,952	44,924	46,876
At 1 July 2010						
Cost	18,251	330,908	349,159	18,251	122,537	140,788
Accumulated depreciation and impairment	(12,649)	(202,664)	(215,313)	(12,649)	(80,217)	(92,866)
Net carrying amount	5,602	128,244	133,846	5,602	42,320	47,922
At 30 June 2011						
Cost	18,794	479,039	497,833	18,251	126,333	144,584
Accumulated depreciation and impairment	(16,299)	(197,105)	(213,404)	(16,299)	(81,409)	(97,708)
Net carrying amount	2,495	281,934	284,429	1,952	44,924	46,876
Year ended 30 June 2010						
Balance at 30 June 2009	9,252	159,088	168,340	9,252	39,971	49,223
Additions	-	13,807	13,807	-	12,321	12,321
Disposals	-	-	-	-	-	-
Foreign Exchange Adjustment	-	(10,001)	(10,001)	-	-	-
Depreciation charge for the year	(3,650)	(34,650)	(38,300)	(3,650)	(9,972)	(13,622)
Balance at 30 June 2010	5,602	128,244	133,846	5,602	42,320	47,922
At 1 July 2009						
Cost	18,251	317,436	335,687	18,251	110,216	128,467
Accumulated depreciation and impairment	(8,999)	(158,348)	(167,347)	(8,999)	(70,245)	(79,244)
Net carrying amount	9,252	159,088	168,340	9,252	39,971	49,223
At 30 June 2010						
Cost	18,251	330,908	349,159	18,251	122,537	140,788
Accumulated depreciation and impairment	(12,649)	(202,664)	(215,313)	(12,649)	(80,217)	(92,866)
Net carrying amount	5,602	128,244	133,846	5,602	42,320	47,922

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

10 EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$
Exploration & evaluation expenditure (at cost)	7,565,055	8,607,962	-	-
Accumulated amortisation and impairment	(3,248,431)	(4,222,963)	-	-
	4,316,624	4,384,999	-	-

Movement:

Exploration & evaluation expenditure

Balance at beginning of year	4,384,999	4,422,641	-	-
Current year expenditure	972,786	489,926	-	-
Foreign exchange adjustment	(1,035,368)	(277,170)	-	-
Impairment	(5,793)	(250,398)	-	-
Balance at end of year	4,316,624	4,384,999	-	-

The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation or alternatively the sale of the respective areas of interest at an amount at least equal to book value.

For the year ended 30 June 2011 and 30 June 2010, evaluation expenditure on the Abu Dabbab project was capitalised at cost. This project cost will be amortised over the life of the Abu Dabbab operation once production has commenced.

For the year ended 30 June 2011, exploration expenditure of \$5,793 (2010: \$35,225) on the Wadi Allaqi project was impaired.

11 TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$
Trade payables and accruals (i)	1,010,327	900,625	123,939	45,164
	1,010,327	900,625	123,939	45,164

(i) Trade payables and accruals are non-interest bearing and are normally settled on repayment terms between 7 and 30 days.

12 PROVISIONS (CURRENT)

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$
Provision for annual leave	10,177	17,236	5,678	2,925
	10,177	17,236	5,678	2,925

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

13 LOANS AND BORROWINGS (CURRENT)

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$
Loans – unsecured (i)	188,957	-	-	-
	-	-	-	-
	188,957	-	-	-

- (i) During the year, the Company's 100% owned subsidiary Adobha Resources (Eritrea) Pty Ltd received loan funds from Adobha Resources Ltd. These loans were part of the proposed Initial Public Offering ("IPO") of Adobha Resources Ltd whereby Adobha Resources Ltd would loan funds to Adobha Resources (Eritrea) Pty Ltd to fund exploration expenditure in Eritrea. In June 2011, the proposed IPO of Adobha Resources Ltd was terminated. The loan was repaid during August 2011 following the rights issue by the Company. The loan was interest free and unsecured.

14 CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$
(a) Ordinary Shares				
Issued and fully paid	38,588,181	35,581,715	38,588,181	35,581,715

Fully paid ordinary shares carry one vote per share and carry the right to dividends

		Number of shares	\$
(b) Movement in ordinary share capital			
At 30 June 2009		327,979,779	30,678,570
Share issue (i)		15,625,000	500,000
Share issue (ii)		80,000,000	800,000
Share issue (iii)		121,029,937	3,872,958
Share issue costs			(269,813)
Subtotal (shares issued during year)		216,654,937	4,903,145
At 30 June 2010		544,634,716	35,581,715
Share issue (iv)		80,000,000	3,200,000
Share issue (v)		500,000	22,500
Share issue costs			(216,034)
Subtotal (shares issued during year)		80,500,000	3,006,466
At 30 June 2011		625,134,716	38,588,181

- (i) 15,625,000 shares issued on 19 August 2009 for cash at 3.2 cents each.
(ii) 80,000,000 shares issued on 27 August 2009 in relation to the conversion of an \$800,000 convertible loan into shares at 1.0 cent per share.
(iii) 121,029,937 shares issued on 14 October 2009 for cash at 3.2 cents each.
(iv) 80,000,000 shares issued on 1 October 2010 for cash at 4 cents each.
(v) 500,000 shares issued on 30 November 2010 as remuneration to Mr Ayman Ayyash for nil consideration. The deemed value was determined as 4.5 cents per share.

The unissued ordinary shares of Gippsland Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
16 May 2006	26 May 2012	\$0.135	25,000,000
05 February 2008	15 December 2011	UK£0.0665	4,000,000
28 November 2008	31 May 2012	\$0.150	17,000,000
17 August 2009	14 December 2011	\$0.080	10,000,000
Total			56,000,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

15 RESERVES AND ACCUMULATED LOSSES

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$
(a) Reserves				
Option issue reserve	530,402	530,402	530,402	530,402
Foreign currency translation reserve	(807,353)	92,095	-	-
	(276,951)	622,497	530,402	530,402

	<i>Option issue reserve</i>	<i>Foreign currency translation reserve</i>	<i>Total</i>
	\$	\$	\$
Movements in reserves			
At 30 June 2009	349,402	367,307	716,709
Share based payment	181,000	-	181,000
Currency translation differences	-	(275,212)	(275,212)
At 30 June 2010	530,402	92,095	622,497
Share based payment	-	-	-
Currency translation differences	-	(899,448)	(899,448)
As at 30 June 2011	530,402	(807,353)	(276,951)

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$
(b) Accumulated losses				
Movements in accumulated losses were as follows:				
Balance 1 July	(31,303,592)	(28,408,823)	(34,869,676)	(32,150,675)
Net profit/(loss) for the year	(2,630,645)	(2,894,769)	(3,508,750)	(2,719,001)
Balance 30 June	(33,934,237)	(31,303,592)	(38,378,426)	(34,869,676)

(c) Nature and purpose of reserves

Option issue reserve

The option issue reserve is used to record items recognised as expenses on grant of share options.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the net investment hedged in these subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

16 INTERESTS IN CONTROLLED ENTITIES

The consolidated financial statements include the financial statements of Gippsland Limited and the controlled entities listed in the following table:

	Country of incorporation	Percentage of equity interest held by the Group		Investment	
		2011	2010	2011	2010
		%	%	\$	\$
Tantalum International Pty Ltd	Australia	100	100	100	100
Here2win.com Pty Ltd	Australia	100	100	100	100
Adobha Resources (Eritrea) Pty Ltd *	Australia	100	100	100	100
Oryx Resources Pty Ltd	Australia	100	100	100	100
Gippsland (Jordan) Pty Ltd **	Australia	100	-	100	-
Nubian Resources PLC	United Kingdom	100	100	27,388	27,388
Tantalum Egypt JSC	Egypt	50	50	-	-
Nubian Resources JSC	Egypt	100	100	-	-
				27,888	27,788

* Formerly Nubian Resources Pty Ltd

** Gippsland (Jordan) Pty Ltd was incorporated on 6 April 2011 and is currently dormant.

Gippsland Limited is the ultimate Australian parent entity and ultimate parent of the Group.

17 INTERESTS IN JOINT VENTURE OPERATIONS AND BUSINESS UNDERTAKINGS

At 30 June 2011, the Group was a participant in the following joint ventures:

Name of joint venture	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	% Interest	% Interest	% Interest	% Interest
Heemskirk Tin Deposit – Tasmania, Australia	40	40	40	40
Seiga – Wadi Allaqi, Egypt	50	50	-	-
Um Shashoba – Wadi Allaqi, Egypt	50	50	-	-
Haimur – Wadi Allaqi, Egypt	50	50	-	-
Nile Valley Block E – Wadi Allaqi, Egypt	50	50	-	-
Nile Valley Block A – Wadi Allaqi, Egypt	50	50	-	-
Um Garayat – Wadi Allaqi, Egypt	50	50	-	-
Koleit – Wadi Allaqi, Egypt	50	50	-	-
Um Tiur – Wadi Allaqi, Egypt	50	50	-	-
Abu Swayel – Wadi Allaqi, Egypt	50	50	-	-

The joint ventures are not separate legal entities. They are contractual arrangements between the participants and are of the type where initially one party contributes tenements with the other party earning a specified percentage by funding exploration activities. The Joint Ventures do not hold any assets and accordingly the Company's share of exploration expenditure is accounted for in accordance with the policy set out in Note 2.

18 EXPENDITURE COMMITMENTS

(a) Lease expenditure commitments

The Group has entered into commercial leases for office accommodation in Perth, Australia and Cairo, Egypt.

Perth Office Lease

The property lease is a non-cancellable lease with a five year term, 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. Two options exist to renew the lease at the end of the five year term for an additional 2.5 years per

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

option. The Company has advised the landlord that it is exercising the first of these options to extend the lease for 2.5 years. The lease will be subject to a market rent review on renewal of the lease.

Cairo Office Lease

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance.

Asmara Office Lease

The property lease is a non-cancellable lease with a six month term, with rent payable monthly in advance.

Future minimum rentals payable as at 30 June are as follows:

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$
Within one year	160,000	141,850	132,400	127,850
After one year but not more than five years	285,000	58,350	205,700	58,350
	445,000	200,200	338,100	186,200

(b) Exploration expenditure commitments

Under Eritrean mining law, expenditure commitments entered into by a tenement holder with respect to a tenement are mandatory. Failure to expend funds in accordance with a commitment may result in a liability to the Eritrean government to the extent of the unexpended portion of the expenditure commitment, or forfeiture of the tenement/s. As at 30 June 2011, the Group was required to expend approximately a further US\$760,000 on the tenements in Eritrea by no later than 23 July 2011, being the first anniversary of the Eritrean tenements' grant. On 30 June 2011, Gippsland's 100% owned subsidiary, Adobha Eritrea Pty Ltd entered into a contract with Geotech Airborne Ltd in relation to a Versatile Time-Domain Electromagnetic (VTEM) survey on its tenements in Eritrea. Under the agreement, Adobha Eritrea Pty Ltd is committed to expenditure of approximately US\$713,000. This committed expenditure together with other operational expenditure in July has enabled the Company to meet its Year 1 minimum expenditure commitments. The minimum expenditure commitments for years 2 and 3 in relation to its 2,100 km² Adobha Exploration Licence are US\$1,720,000 and US\$3,440,000 respectively. The Group has recently submitted applications to convert its three Adobha Eritrea Prospecting Licences (Gerasi South, Hafta West and Romay) into exploration licences. The Ministry of Energy and Mines in the State of Eritrea has approved the conversion of the Gerasi South prospecting licence to an exploration licence. The minimum expenditure commitments for years 1, 2 and 3 in relation to the 100 km² Gerasi South Exploration Licence are US\$100,000, US\$200,000 and US\$400,000 respectively. The applications for Hafta West and Romay are pending. The granting of the new exploration licences for Hafta West and Romay are not guaranteed, however, on the assumption that new exploration licences are granted, the additional minimum expenditure commitments for Years 1, 2 and 3 of the new exploration licences would be similar to the minimum expenditure commitments for the Gerasi South exploration licence, that is, US\$100,000, US\$200,000 and US\$400,000 respectively per licence.

The Group has committed to spend \$300,000 on exploration at its Nuweibi Tantalum-Tin Project in Egypt by 31 December 2011.

The Group has no other minimum exploration expenditure commitments in respect to any mining tenements or projects.

(c) Joint venture expenditure commitments

The Group has no minimum expenditure commitments in respect to any of its mining joint ventures.

(d) 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 2012.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

(e) 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 EGP2,383,450 (approximately \$378,000). As at 30 June 2011, the Group had incurred EGP2,248,450 (approximately \$356,600) of the construction costs. Accordingly, it is anticipated that a further EGP135,000 (approximately \$21,400) will be required to be spent by the Group in respect of this construction, subject to any further expenditure that may be incurred. The above amount includes an invoice for EGP558,700 (approximately A\$88,609) from the contractor used to construct the free zone wall at the Abu Dabbab project in Egypt, which the Group believes is in excess of the contract for the free zone wall. The Group is currently reviewing this situation and is in discussions with the contractor in order to resolve the matter.

19 SHARE BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

The expense recognised for share based payments during the year is shown in the table below:

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$
Expense arising from equity-settled share-based payment transactions	22,500	181,000	22,500	181,000
	22,500	181,000	22,500	181,000

(b) Types of share-based payment plans

On 28 November 2008, directors, senior executives and consultants to the Company were granted 17,000,000 options each with an exercise price of \$0.15 on or before 31 May 2012.

On 17 August 2009, 10,000,000 options were issued for nil consideration to International Finance Corporation pursuant to the renegotiation of the International Finance Corporation Subscription Agreement to allow increased flexibility for capital raisings. The options had an exercise price of \$0.087 and an expiry date of 14 December 2011. On 9 November 2009, the exercise price of the options was amended to \$0.08.

On 30 November 2010, 500,000 fully paid ordinary shares were issued to Mr Ayman Ayyash for nil consideration in accordance with his employment contract. The shares had a deemed value of 4.5 cents per share being a total deemed value of \$22,500.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
				\$	\$
(1) Issued 28 November 2008 (*)	17,000,000	28/11/08	31/05/12	0.15	0.001
(2) Issued 17 August 2009 (*)	10,000,000	17/08/09	14/12/11	0.08	0.0181
Shares	Number	Issue date	Fair value at issue date		
			\$		
Ordinary fully paid	500,000	30/11/10	0.045		

(*) In accordance with the terms of the share-based arrangement, options issued during the financial years ended 30 June 2009 and 30 June 2010, vest at the date of their issue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

(c) Summary of options granted

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options issued during the year.

	2011 No	2011 WAEP	2010 No	2010 WAEP
Outstanding at the beginning of the year	56,000,000	0.13	46,000,000	0.14
Granted during the year	-	-	10,000,000	0.08
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	56,000,000	0.13	56,000,000	0.13
Exercisable at the end of the year	56,000,000	0.13	56,000,000	0.13

(d) Weighted average of remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 0.80 years (2010: 1.80 years).

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was \$0.08 - \$0.15. (2010: \$0.08 - \$0.15).

(f) Weighted average fair value

The weighted average fair value of options granted during the year was nil (2010: \$0.0181).

(g) Option pricing model

Equity-settled transactions

The fair value of the equity-settled share options granted is estimated as at the date of grant using a binomial model taking into account the terms and conditions upon which the options were granted.

Using the Binomial Tree option valuation, the fair value of the options issued during the year was calculated. The model takes into account share price volatilities. The following inputs were used:

	2011	2010
Strike price	-	A\$ 0.087
Stock price	-	A\$ 0.055
Valuation date	-	17/08/2009
Expiry date	-	14/12/2011
Volatility	-	75%
Risk free rate	-	3.76%
Value per option	-	A\$ 0.0181
Number of options	-	10,000,000
Value of options	-	A\$ 181,000

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FOR THE YEAR ENDED 30 JUNE 2011

20 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent Liabilities

The Group did not have any contingent liabilities as at Balance Date.

(b) Contingent Assets

The Group did not have any contingent assets as at Balance Date.

21 SUBSEQUENT EVENTS

On 4 July 2011, the Company entered into a loan agreement with Abbotsleigh Pty Ltd, an entity associated with Mr Ian Gandel. The loan facility was for \$640,000 to assist the Company to meet its minimum expenditure commitments in Eritrea and for working capital. During July and August 2011, \$400,000 of the loan facility was drawn down and subsequently repaid to Abbotsleigh Pty Ltd following the completion of the rights issue. Interest of 4% was paid by Gippsland to Abbotsleigh Pty Ltd on the funds drawn down and the loan was unsecured.

During July 2011, a scoping study was completed in relation to the Company's 40% owned Heemskirk Tin Project by the Company's joint venture partner.

On 26 July 2011, strong drilling results were reported by the Company's joint venture partner in relation to the Company's 40% owned Heemskirk Tin Project.

During July and August 2011, the Company commenced and successfully completed a fully underwritten renounceable rights issue to raise \$5,063,591 before costs. The rights issue was underwritten by Patersons Securities Ltd and sub-underwritten by Gandel Metals Pty Ltd, an entity associated with Mr Ian Gandel.

During August 2011, the Company announced approval of the Abu Dabbab Alluvial Project, subject to approval of the Board of Directors of Tantalum Egypt JSC and finalising financing arrangements.

During September 2011, the Company received approval from the Ministry of Energy and Mines in the State of Eritrea regarding the conversion of the 100 km² Prospecting Licence held by Adobha Resources (Eritrea) Pty Ltd for the Gerasi South area to an Exploration Licence. The Prospecting Licences held by Adobha Resources (Eritrea) Pty Ltd for the Hafta West and Romay areas have expired as they had a one year term, however, applications to convert these areas to Exploration Licences have been lodged with the Ministry of Energy and Mines and the applications are pending.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

22 REMUNERATION OF AUDITORS

The auditor of Gippsland Limited is Deloitte Touche Tomatsu ("Deloitte"). Deloitte were appointed as auditor during August 2010 and accordingly, no amount was paid to Deloitte during the financial year ended 30 June 2010, however, \$16,847 was accrued at 30 June 2010 for audit fees payable to Deloitte for the audit of the financial statements..

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$
Amounts received or due and receivable by Deloitte for:				
• an audit or review of the financial report of the entity and any other entity in the Group	37,827	16,847	37,827	16,847
• other services in relation to the entity and any other entity in the Group				
(a) tax compliance	-	-	-	-
(b) corporate advisory fees	-	-	-	-
	37,827	16,847	37,827	16,847
Amounts received by auditors other than Deloitte for:				
• an audit or review of the financial report of the entity and any entity in the Group	34,696	52,442	1,960	25,942
• other services in relation to the entity and any entity in the Group				
(b) tax compliance	-	24,983	-	22,299
(b) corporate advisory fees	-	-	-	-
	34,696	77,425	1,960	48,241
	72,523	94,272	39,787	65,088

23 RELATED PARTY DISCLOSURE

Ultimate Parent

Gippsland Limited is the ultimate holding company of the Group.

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$
Aggregate amounts receivable at balance date from:				
Controlled entities (i)	-	-	15,751,387	16,412,258
Allowance for impairment	-	-	(15,751,387)	(16,412,258)
	-	-	-	-

(i) The loans to controlled entities are advanced interest free, are unsecured and will be repaid when the respective subsidiary is generating sufficient funds and has the financial capacity to meet the loan commitment.

The impairment of loans to controlled entities during the year was \$1,584,566 (2010: \$1,171,869). During the year, \$2,245,437 of the loan from Gippsland to its 100% owned subsidiary Adobha Resources (Eritrea) Pty Ltd was forgiven. This loan amount had been fully impaired. All amounts are receivable in Australian Dollars.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year:

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FOR THE YEAR ENDED 30 JUNE 2011

	<i>CONSOLIDATED</i>		<i>PARENT</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	\$	\$	\$	\$
Gandel Metals Pty Ltd – a company controlled by Mr IJ Gandel received director's fees.	88,188*	50,000	88,188	50,000
Gandel Metals Pty Limited - a company associated with Mr IJ Gandel rented a Niton Analyser to Tantalum Egypt JSC for use in relation to the Abu Dabbab Project. The rental charged by Gandel Metals Pty Ltd was less than the rental that would have been charged by an arms-length party.	5,000	-	-	-
Abbotsleigh Pty Limited – a company associated with Mr IJ Gandel converted its Convertible Loan to Gippsland into shares in Gippsland.	-	800,000	-	800,000
Abbotsleigh Pty Limited – a company associated with Mr IJ Gandel received interest on its Convertible Loan to Gippsland up to the date of the conversion of the loan into shares in Gippsland.	-	20,795	-	20,795
Mr IJ Gandel – director loan provided to Gippsland	-	150,000	-	150,000
Mr IJ Gandel - repayment of director loan by Gippsland	-	150,000	-	150,000
Gandel Metals Pty Limited, a company associated with Mr IJ Gandel received a fee of 4% for underwriting the rights issue by Gippsland during October 2009.	-	154,918	-	154,918
Abbotsleigh Pty Limited – a company associated with Mr IJ Gandel participated in the rights issue by Gippsland during October 2009 and purchased the shortfall of the rights issue under the underwriting agreement with Gandel Metals Pty Ltd.	-	1,722,370	-	1,722,370
Mandu Pty Ltd – a company controlled by Dr JM Chisholm received geological consulting fees.	94,238*	145,600	94,238	145,600
John S Dunlop and Associates Pty Ltd – a company controlled by Mr JSF Dunlop received directors and mining consulting fees.	74,800*	25,700	74,800	25,700
Ventureworks JDK Pty Ltd – a company controlled by Mr JD Kenny received director's fees.	36,808*	25,000	36,808	25,000
Mr J Starink – received directors fees and consulting fees.	135,000*	120,000	135,000	120,000
Mr J Starink – repayment of director loan by Gippsland	-	50,000	-	50,000
Eco International Pty Ltd – a company controlled by Mr RJ Telford received management fees.	166,667*	250,000	166,667	250,000
Mr RJ Telford - repayment of director loan by Gippsland	-	250,000	-	250,000

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	CONSOLIDATED 2011 \$	2010 \$	PARENT 2011 \$	2010 \$
Gippsland loaned funds to Adobha Resources Ltd in relation to the proposed Initial Public Offering ("IPO") of Adobha Resources Ltd. Adobha Resources Ltd was established as a wholly owned subsidiary of Gippsland, however, the ownership of Adobha Resources Ltd was transferred to Mr GA Hawkins based on professional advice regarding the structuring of the proposed IPO. The loan funds were used by Adobha Resources Ltd for establishment costs, IPO costs, working capital and on-lending funds to Adobha Resources (Eritrea) Pty Ltd for exploration costs. The proposed IPO was terminated in June 2011.	239,596	-	239,596	-
Adobha Resources Ltd loaned funds to Gippsland's 100% owned subsidiary, Adobha Resources (Eritrea) Pty Ltd, in relation to funding exploration activities in Eritrea. The loans were a component of a transaction regarding the proposed IPO of Adobha Resources Ltd. Adobha Resources Ltd was established as a wholly owned subsidiary of Gippsland, however, the ownership of Adobha Resources Ltd was transferred to Mr GA Hawkins based on professional advice regarding the structuring of the proposed IPO. The proposed IPO was terminated in June 2011.	188,957	-	-	-
The parent entity, Gippsland, has made loans to its controlled entities. These loans are interest free, unsecured and at call.	-	-	1,469,193	1,171,869

* Note: These amounts are included within the Remuneration Report in the Directors' Report.

24 KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel

IJ Gandel	- Chairman (Non-Executive)
J Starink	- Executive Director
JSF Dunlop	- Executive Director
J Kenny	- Non-Executive Director
JM Chisholm	- Chief Geologist
A Ayyash	- Regional Manager - Middle East and North Africa
RS Caren	- Company Secretary
GA Hawkins	- Chief Financial Officer
RJ Telford	- Executive Director (resigned 25 November 2010) and Chief Executive Officer (terminated 26 November 2010)

NOTES TO THE FINANCIAL STATEMENTS

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(b) Compensation of key management personnel

The aggregate compensation made to key management personnel of the Group is set out below:

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$
Short-term employee benefits	989,670	974,087	989,670	974,087
Post-employment benefits	11,009	11,498	11,009	11,498
Share-based payment	22,500	-	22,500	-
	1,023,179	985,585	1,023,179	985,585

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(c) Option holdings of key management personnel (consolidated)

Options held in Gippsland Limited (number) by Key Management personnel are:

30 June 2011	Balance at 1.7.2010	Granted as remune- ration	Options exerci- sed	Options expired	Balance at 30.6.2011	Vested at 30.6.2011	Vested but not exerci- sable	Vested and exerci- sable	Vested during the year
Directors									
Mr IJ Gandel	-	-	-	-	-	-	-	-	-
Mr JSF Dunlop	2,000,000	-	-	-	2,000,000	2,000,000	-	2,000,000	-
Mr JD Kenny	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000	-
Mr J Starink	2,000,000	-	-	-	2,000,000	2,000,000	-	2,000,000	-
Mr RJ Telford	5,000,000	-	-	-	5,000,000	5,000,000	-	5,000,000	-
Executives									
Mr A Ayyash	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000	-
Mr RS Caren	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000	-
Dr JM Chisholm	3,000,000	-	-	-	3,000,000	3,000,000	-	3,000,000	-
Mr GA Hawkins	-	-	-	-	-	-	-	-	-
	15,000,000	-	-	-	15,000,000	15,000,000	-	15,000,000	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

30 June 2010	Balance at 1.7.2009	Granted as remune- ration	Options exerci- sed	Options expired	Balance at 30.6.2010	Vested at 30.6.2010	Vested but not exerci- sable	Vested and exerci- sable	Vested during the year
Directors									
Mr IJ Gandel	-	-	-	-	-	-	-	-	-
Mr JSF Dunlop	2,000,000	-	-	-	2,000,000	2,000,000	-	2,000,000	2,000,000
Mr JD Kenny	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Mr J Starink	2,000,000	-	-	-	2,000,000	2,000,000	-	2,000,000	2,000,000
Mr RJ Telford	5,000,000	-	-	-	5,000,000	5,000,000	-	5,000,000	5,000,000
Executives									
Mr A Ayyash	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Mr RS Caren	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Dr JM Chisholm	3,000,000	-	-	-	3,000,000	3,000,000	-	3,000,000	3,000,000
	15,000,000	-	-	-	15,000,000	15,000,000	-	15,000,000	15,000,000

(d) Shareholdings of key management personnel (consolidated)

Shares held in Gippsland Limited (number) by key management personnel are:

30 June 2011	Balance 1.7.2010 Ord	Granted as remuneration Ord	On exercise of Options Ord	Net Change Other* Ord	Balance 30.6.2011 Ord
Directors					
Mr IJ Gandel	133,824,073	-	-	-	133,824,073
Mr JSF Dunlop	-	-	-	-	-
Mr JD Kenny	2,892,858	-	-	-	2,892,858
Mr J Starink	300,000	-	-	-	300,000
Mr RJ Telford	18,497,446	-	-	(3,704,830)	14,792,616
Executives					
Mr A Ayyash	974,784	500,000	-	(500,000)	974,784
Mr RS Caren	-	-	-	-	-
Dr JM Chisholm	2,420,000	-	-	-	2,420,000
Mr GA Hawkins	-	-	-	-	-
	158,909,161	500,000	-	(4,204,830)	155,204,331
30 June 2010	Balance 1.7.2009 Ord	Granted as remuneration Ord	On exercise of Options Ord	Net Change Other* Ord	Balance 30.6.2010 Ord
Directors					
Mr IJ Gandel	-	-	-	133,824,073	133,824,073
Mr JSF Dunlop	-	-	-	-	-
Mr JD Kenny	2,250,000	-	-	642,858	2,892,858
Mr J Starink	300,000	-	-	-	300,000
Mr RJ Telford	19,597,446	-	-	(1,100,000)	18,497,446
Executives					
Mr A Ayyash	974,784	-	-	-	974,784
Mr RS Caren	-	-	-	-	-
Dr JM Chisholm	2,420,000	-	-	-	2,420,000
	25,542,230	-	-	133,366,931	158,909,161

* Net change refers to shares purchased or sold during the financial year.

(e) Other transactions with key management personnel

Please refer to Note 23 regarding loans from key management personnel to the Company.

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25 SEGMENT INFORMATION

(a) Reportable 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.

The following tables present revenue and profit information and certain asset and liability information regarding reportable segments for the years ended 30 June 2011 and 2010.

	<i>Continuing Operations</i>				<i>Total Operations</i>
	<i>Tantalum</i>	<i>Gold</i>	<i>Copper</i>	<i>Corporate</i>	
	\$	\$	\$	\$	\$
Year ended 30 June 2011					
Revenue					
Other revenues from external customers	-	-	-	82,938	82,938
Inter-segment transactions	-	16,776	-	-	16,776
Total segment revenue	-	16,776	-	82,938	99,714
Inter-segment elimination					(16,776)
Total consolidated revenue					82,938
Result					
Segment result	(600,027)	(57,715)	(48,502)	(1,924,401)	(2,630,645)
Loss before income tax and minority interest					(2,630,645)
Income tax expense					-
Net loss for the year					(2,630,645)
Assets and liabilities					
Segment assets	3,980,413	58,270	590,512	957,259	5,586,454
Total assets					5,586,454
Segment liabilities	(691,095)	(164,196)	(224,553)	(129,617)	(1,209,461)
Total liabilities					(1,209,461)
Other segment information					
Capital expenditure	(104,596)	-	(87,223)	(14,629)	(206,448)
Depreciation	(5,042)	(15,396)	(3,109)	(15,675)	(39,222)
Impairment losses	-	(5,793)	-	-	(5,793)

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	<i>Continuing Operations</i>				<i>Total Operations</i>
	<i>Tantalum</i>	<i>Gold</i>	<i>Copper</i>	<i>Corporate</i>	
	\$	\$	\$	\$	\$
Year ended 30 June 2010					
Revenue					
Other revenues from external customers		1	-	64,439	64,440
Inter-segment transactions	-	19,540	-	-	19,540
Total segment revenue	-	19,541	-	64,439	83,980
Inter-segment elimination					(19,540)
Total consolidated revenue					64,440
Result					
Segment result	(1,200,463)	(120,725)	(25,817)	(1,547,764)	(2,894,769)
Loss before income tax and minority interest					(2,894,769)
Income tax expense					-
Net loss for the year					(2,894,769)
Assets and liabilities					
Segment assets	4,246,860	87,599	221,280	1,262,742	5,818,481
Total assets					5,818,481
Segment liabilities	(644,755)	(212,460)	(12,557)	(48,089)	(917,861)
Total liabilities					(917,861)
Other segment information					
Capital expenditure	(1,486)	-	-	(12,321)	(13,807)
Depreciation	(589)	(24,088)	-	(13,622)	(38,299)
Impairment losses	-	(35,225)	-	-	(35,225)

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(b) Geographical information

The Group's geographical areas are determined based on the location of the Group's assets and operations.

The following tables present revenue, expenditure and certain asset information regarding geographical locations for the years ended 30 June 2011 and 2010:

	<i>Australia</i>	<i>Egypt</i>	<i>Eritrea</i>	<i>Total</i>
	\$	\$	\$	\$
Year ended 30 June 2011				
Revenue				
Other revenues from external customers	82,938	-	-	82,938
Less revenue attributable to discontinued operation	-	-	-	-
Revenue from continuing operations	82,938	-	-	82,938
Inter-segment sales	-	16,776	-	16,776
Segment revenue	82,938	16,776	-	99,714
Other segment information				
Segment assets	957,259	4,038,683	590,512	5,586,454
Total assets				5,586,454
Capital expenditure	(14,629)	(104,596)	(87,223)	(206,448)
Year ended 30 June 2010				
Revenue				
Other revenues from external customers	64,439	1	-	64,440
Less revenue attributable to discontinued operation	-	-	-	-
Revenue from continuing operations	64,439	1	-	64,440
Inter-segment sales	-	19,540	-	19,540
Segment revenue	64,439	19,541	-	83,980
Other segment information				
Segment assets	1,262,742	4,334,459	221,280	5,818,481
Total assets				5,818,481
Capital expenditure	(12,321)	(1,486)	-	(13,807)

26 FINANCIAL INSTRUMENTS

(a) Financial risk management policy

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to:

- meet all financial commitments as and when they fall due, and
- maintain the capacity to fund its forecast project development and exploration strategies.

The Group continually monitors and tests its forecast financial position against these criteria.

The Group's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

The Group currently has minimal exposure to commodity price risk but it is expected that as the Group's projects move into the production phase the exposure to these risks is expected to increase significantly. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

(b) Interest rate risk

The following table sets out the carrying amount of the financial instruments exposed to interest rate risk:

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$
FINANCIAL ASSETS				
<i>Interest Bearing</i>				
Cash at bank	626,756	1,136,692	626,756	1,136,692
Weighted average interest rate	3.47%	4.55%	4.37%	4.85%
<i>Non-Interest Bearing</i>				
Cash at bank	179,641	86,430	13,159	10,683
Trade receivables	98,480	33,556	85,038	31,810
	904,877	1,256,678	724,953	1,179,185
FINANCIAL LIABILITIES				
<i>Interest Bearing</i>				
Convertible loan	-	-	-	-
Weighted average interest rate	0.00%	0.00%	0.00%	0.00%
<i>Non-Interest Bearing</i>				
Trade and other payables	1,010,327	900,625	123,939	45,164
Other loans	188,957	-	-	-
	1,199,284	900,625	123,939	45,164

The following table summarises the sensitivity of financial assets held at balance date to interest rate risk, following a movement of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below.

	CONSOLIDATED		PARENT	
	Post-tax gain/(loss)/equity increase/(decrease)		Post-tax gain/(loss)/equity increase/(decrease)	
	2011	2010	2011	2010
	\$	\$	\$	\$
+1% (100 basis points)	6,263	11,362	6,263	11,362
-1% (100 basis points)	(6,263)	(11,362)	(6,263)	(11,362)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

(c) Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements

	<i>Carrying Amount</i>		<i>Fair Value</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	\$	\$	\$	\$
CONSOLIDATED				
Financial Assets				
Cash	806,397	1,223,122	806,397	1,223,122
Trade and other receivables - current	98,480	33,556	98,480	33,556
Financial Liabilities				
Trade and other payables	1,010,327	900,625	1,010,327	900,625
Unsecured loans	188,957	-	188,957	-
Convertible loan	-	-	-	-
PARENT				
Financial Assets				
Cash	639,915	1,147,375	639,915	1,147,375
Trade and other receivables - current	85,038	31,810	85,038	31,810
Related party receivables	-	-	-	-
Financial Liabilities				
Trade and other payables	123,939	45,164	123,939	45,164
Unsecured loans	-	-	-	-
Convertible loan	-	-	-	-

Cash, cash equivalents and security deposits: The carrying amount approximates fair value because of their short term to maturity

Trade receivables and trade creditors: The carrying amount approximates fair value.

Shares in controlled entities are excluded from the above as these are accounted for at cost in accordance with AASB 127.

(d) Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group does not hold any credit derivatives to offset its credit exposure.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

(e) Liquidity Risk

The Group's liquidity position is managed to ensure sufficient funds are available to meet our financial commitments in a timely and cost-effective manner.

The Company continually reviews its liquidity position including cash flow forecast to determine the forecast liquidity position and maintain appropriate liquidity levels.

The table below reflects the contractual maturity of financial instruments as at 30 June. Cash flows for financial instruments are presented on an undiscounted basis.

2011	Total	Aging analysis between			Currency of payables	
		<30 days	30-60 days	>60 days	AUD	Other
CONSOLIDATED						
Cash and Cash						
Equivalents	(806,397)	(806,397)	-	-	(639,915)	(166,482)
Trade Receivables	(98,480)	(98,480)	-	-	(85,038)	(13,442)
Trade Payables	531,010	392,594	32,787	105,629	182,869	348,141
Other Payables	479,317	-	-	479,317	-	479,317
Other Loans	188,957	-	188,957	-	188,957	-
Convertible Loan	-	-	-	-	-	-
Total	294,407	(512,283)	221,744	584,946	(353,127)	647,534
PARENT						
Cash and Cash						
Equivalents	(639,915)	(639,915)	-	-	(639,915)	-
Trade Receivables	(85,038)	(85,038)	-	-	(85,038)	-
Trade Payables	123,939	123,395	-	544	123,939	-
Other Loans	-	-	-	-	-	-
Convertible Loan	-	-	-	-	-	-
Total	(601,014)	(601,558)	-	544	(601,014)	-
2010						
CONSOLIDATED						
Cash and Cash						
Equivalents	(1,223,122)	(1,223,122)	-	-	(1,147,375)	(75,747)
Trade Receivables	(33,556)	(33,556)	-	-	(31,810)	(1,746)
Trade Payables	304,329	181,989	9,018	113,322	101,929	202,400
Other Payables	596,296	-	-	596,296	-	596,296
Other Loans	-	-	-	-	-	-
Convertible Loan	-	-	-	-	-	-
Total	(356,053)	(1,074,689)	9,018	709,618	(1,077,256)	721,203
PARENT						
Cash and Cash						
Equivalents	(1,147,375)	(1,147,375)	-	-	(1,147,375)	-
Trade Receivables	(31,810)	(31,810)	-	-	(31,810)	-
Trade Payables	45,164	44,620	-	544	45,164	-
Other Loans	-	-	-	-	-	-
Convertible Loan	-	-	-	-	-	-
Total	(1,134,021)	(1,134,565)	-	544	(1,134,021)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

(f) Foreign Exchange Risk

As a result of operations in Egypt, the Group's statement of financial position can be affected significantly by movements in the EGP/AUD exchange rates. The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

At 30 June 2011, the Group had the following exposure to foreign currency that are not designated in cash flow hedges:

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
Financial Assets				
US\$				
Cash and cash equivalents	123,458	52,917	-	-
EGP				
Cash and cash equivalents	30,326	22,830	-	-
GBP				
Cash and cash equivalents	12,669	-	-	-
	166,453	75,747	-	-
Financial Liabilities				
US\$				
Trade and other payables	23,446	38,347	944	-
EGP				
Trade and other payables	769,360	759,292	-	-
Euro				
Trade and other payables	-	5,166	-	-
Nakfa				
Trade and other payables	25,016	-	-	-
GBP				
Trade and other payables	10,580	10,202	-	-
	828,402	813,007	944	-
Net exposure	(661,949)	(737,260)	(944)	-

The following sensitivity is based on the foreign currency risk exposures in existence at the statement of financial position date.

At 30 June 2011, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

	Post Tax Loss (Higher)/Lower		Equity Higher/(Lower)	
	2011	2010	2011	2010
	\$	\$	\$	\$
Consolidated				
AUD/EGP +10%	(316,070)	(102,031)	(1,126,003)	(1,118,933)
AUD/EGP -10%	386,308	124,705	1,376,226	1,367,585
Parent				
AUD/EGP +10%	-	-	-	-
AUD/EGP -10%	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Foreign exchange rates used during the period were as follows:

	2011	2010
	AUD:EGP	AUD:EGP
Rate as at 30 June	6.30520	4.84229
Average Rate for year ended 30 June	5.72250	4.91302

(g) Capital management policy

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its controlled entities are subject to externally imposed capital requirements.

Management monitors capital through the gearing ratio (net debt/total capital). The gearing ratios based on continuing operations at 30 June 2011 and 2010 were as follows:

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	\$	\$	\$	\$
Total trade and other payables	1,010,327	900,625	123,939	45,164
Loans & borrowings	188,957	-	-	-
Less cash and cash equivalents	(806,397)	(1,223,122)	(639,915)	(1,147,375)
Net debt position	392,887	(322,497)	(515,976)	(1,102,211)
Total equity	4,376,993	4,900,620	740,157	1,242,441
Total capital	4,769,880	4,578,123	224,181	140,230
Gearing ratio	8.2%	(7.0%)	(230.2%)	(786.0%)

DIRECTORS' DECLARATION

The directors of Gippsland Limited declare that:

- (a) in the directors' opinion, the financial statements and notes on pages 12 to 52, and the remuneration disclosures that are contained in the Directors' report, set out on pages 6 to 10, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2011 and of their performance, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) in the directors' opinion, the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board as disclosed in note 2 to the financial statements; and
- (c) 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.

The directors have been given the declarations required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors pursuant to Section 295(5) of the *Corporations Act 2001*.

Dated 30th day of September 2011.



JSF Dunlop
Director

Independent Auditor's Report to the members of Gippsland Limited

Report on the Financial Report

We have audited the accompanying financial report of Gippsland Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 12 to 53.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

- (a) the financial report of Gippsland Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2 in the financial report which indicates that the consolidated entity and the company have incurred net losses of \$2,630,645 and \$3,508,750 respectively and experienced net cash outflows from operating and investing activities of \$3,374,593 and \$3,489,693 respectively for the year ended 30 June 2011. The consolidated entity had a working capital deficiency of \$224,060 and had cash assets of \$806,397 at 30 June 2011. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's and company's ability to continue as going concerns and therefore, the consolidated entity and company may be unable to realise their assets and extinguish their liabilities in the ordinary course of business, and at the amounts stated in the financial statements.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 6 to 10 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Gippsland Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Neil Smith
Partner

Chartered Accountants
Perth, 30 September 2011

ASX ADDITIONAL INFORMATION

AS AT 22 SEPTEMBER 2011

A TOTAL EQUITY SECURITIES	Shares	Options ex 26/5/2012 at 13.5 cents	Options ex 15/12/2011 at 6.65 pence	Options ex 31/05/2012 at 15 cents	Options ex 14/12/2011 at 8 cents
Totals on Issue	812,675,131	25,000,000	4,000,000	17,000,000	10,000,000

B DISTRIBUTION OF EQUITY SECURITIES

1 - 1,000	89				
1,001 - 5,000	178				
5,001 - 10,000	225				
10,001 - 100,000	833				
100,001 and over	383	1	2	8	1
	1,708	1	2	8	1

No of shareholders holding an unmarketable parcel 644

C TOP 20 SHAREHOLDERS

	Number	%
1 Abbotsleigh Pty Ltd	244,552,183	30.09
2 JP Morgan Nominees Aust Limited	150,127,787	18.47
3 National Nominees Limited	59,281,437	7.29
4 HSBC Custody Nominees Aust Limited	43,528,027	5.36
5 Situate Pty Ltd	14,279,040	1.76
6 Taveram Pty Limited <Beale S/F>	13,814,455	1.70
7 Taveram Pty Ltd <Beale Super>	10,260,243	1.26
8 RJ & RK Telford	8,519,461	1.05
9 EJ & LY Congdon	6,875,912	0.85
10 Alsanto Nominees Pty Ltd	6,390,000	0.79
11 Figjar Holdings Pty Ltd	5,965,000	0.73
12 Situate Pty Limited	5,203,404	0.64
13 Sunvest Corporation Limited	5,166,665	0.64
14 Citicorp Nominees Pty Limited	4,882,424	0.60
15 Eco International Pty Ltd	4,676,706	0.58
16 Alibank London Nominees Ltd	4,500,000	0.55
17 JP Morgan Nominees Australia Ltd	4,081,964	0.50
18 Nessim Emile Alfred	4,000,000	0.49
19 Avoday Technology Pty Limited	3,000,000	0.37
20 King Town Holdings Pty Ltd	3,000,000	0.37
	602,104,708	74.09

ASX ADDITIONAL INFORMATION

AS AT 22 SEPTEMBER 2011

D UNLISTED OPTION HOLDERS

	Number	Exercise Price	Expiry
International Finance Corporation	25,000,000	13.5 cents	26/05/2012
International Finance Corporation	10,000,000	8 cents	14/12/2011
FD Holdings Ltd	2,000,000	6.65 pence	15/12/2011
Seymour Pierce Limited	2,000,000	6.65 pence	15/12/2011
Eco International Pty Ltd	5,000,000	15 cents	31/05/2012
Mandu Superannuation Fund P/L< Mandu Superannuation Fund>	3,000,000	15 cents	31/05/2012
Lazarus Foundation Pty Ltd	2,000,000	15 cents	31/05/2012
VentureWorks JDK Pty Ltd	1,000,000	15 cents	31/05/2012
Rowan Caren <Family>	1,000,000	15 cents	31/05/2012
Spectrum Metallurgical Consultants Pty Ltd <Super Fund>	2,000,000	15 cents	31/05/2012
Mr Ayman Ayyash	1,000,000	15 cents	31/05/2012
John S Dunlop Nominees Pty Ltd <John S Dunlop Family Super Fund>	2,000,000	15 cents	31/05/2012

E SUBSTANTIAL SHAREHOLDERS

	Number	%
Abbotsleigh Pty Ltd	244,552,183	30.09
Situate Pty Ltd, Tavoroam Pty Ltd and RW Beale	43,300,000	5.33
Acorn Capital Limited	41,000,000	5.05

F VOTING RIGHTS

Under the Company's constitution, all ordinary shares carry one vote per share without restriction. Options over ordinary shares do not carry any voting rights.

F EXPLORATION INTERESTS

As at 22 September 2011, the Company has an interest in the following tenements:

Country	Project	Tenement	Status	Interest
Egypt	Abu Dabbab	Exploitation Licence 1658	Granted	50%
Egypt	Abu Dabbab	Exploitation Licence 1659	Granted	50%
Egypt	Nuweibi	Exploitation Licence 1785	Granted	50%
Egypt	Wadi Allaqi - Seiga	Exploration Licence ¹	Granted	50%
Egypt	Wadi Allaqi - Shashoba	Exploration Licence ¹	Granted	50%
Egypt	Wadi Allaqi – Haimur	Exploration Licence ¹	Granted	50%
Egypt	Wadi Allaqi – Garayat	Exploration Licence ¹	Granted	50%
Egypt	Wadi Allaqi – Koleit	Exploration Licence ¹	Granted	50%
Egypt	Wadi Allaqi – Nile Valley A	Exploration Licence ¹	Granted	50%
Egypt	Wadi Allaqi – Nile Valley E	Exploration Licence ¹	Granted	50%
Egypt	Wadi Allaqi – Abu Swayel	Exploration Licence ¹	Granted	50%
Egypt	Wadi Allaqi – Um Tiur	Exploration Licence ¹	Granted	50%
Eritrea	Adobha	Exploration Licence	Granted	100%
Eritrea	Adobha (Gerasi South)	Exploration Licence	Granted	100%
Eritrea	Adobha (Hafta West)	Exploration Licence	Pending	-
Eritrea	Adobha (Romay)	Exploration Licence	Pending	-
Australia	Heemskirk (Tasmania)	Retention Licence No.5/1997	Granted	40%

Notes: 1. Tenements granted subject to an agreement with the Egyptian Government (EMRA) dated 21 June 2004. Applications to renew tenements have been lodged.