

## THIRD QUARTER ACTIVITIES REPORT

Period: 1 JANUARY – 31 MARCH 2012

Release Date: 30 APRIL 2012

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The Directors of Gippsland Limited ('Gippsland' or 'the Company') [ASX: GIP, FRA: GIX] provide the following Activities Report for the period January to March 2012, together with details of events up to the date of this report.

### HIGHLIGHTS

- Mining commenced at Abu Dabbab Alluvial Project on time and on budget;
- Commissioning is close to completion;
- First shipment will now be in the next period;
- Follow-up gravity surveys completed in Eritrea;
- Drilling in Eritrea about to commence;
- Divestment of Heemskirk Tin Project Interest; and
- Fully underwritten renounceable rights issue

### EGYPT - ABU DABBAB TANTALUM-TIN PROJECT

#### Project Debt Finance

Discussions with major banks and sovereign funds located in the Middle East and North Africa region are ongoing.

#### Project Environmental Approvals

As reported previously, the updated Environmental Social Impact Assessment ('ESIA') has been submitted to the Shore Protection Agency and Ministry of Water and Irrigation for approval.

#### Abu Dabbab Alluvial Project

The mining contractor was mobilised and ready on site on 17 February and commenced work on 18 February. All major capital items were delivered to the site and the project commenced on time and on budget.

Screening of run of mine ore and processing of the -6 mm screen fraction has been taking place at the minesite, adjacent to the central part of Wadi Quaria. The rougher separators, associated dewatering screws and Wilfley table have been received and commissioned. Site manning has reached full strength with operations, at the end of the reporting period, on a round the clock basis. The product finishing, bagging and despatch facilities are essentially complete within the Free Zone area, in readiness for shipment.

Late in the period, approval was obtained from Tantalum Egypt JSC to enter into a toll smelting contract to treat cassiterite output from the alluvial operations.

Final testing is expected to be completed during the first two weeks of May, which will push the first project shipment out to the forthcoming quarter. A separate announcement will be made as soon as this milestone is achieved.

## **ERITREA (ADOBHA PROJECT)**

Gippsland's 100% owned subsidiary Adobha Resources (Eritrea) Pty Ltd holds the Adobha Exploration Licence covering 2,100 km<sup>2</sup> and the Gerasi South Exploration Licence covering 100 km<sup>2</sup> in the highly prospective Adobha region of The State of Eritrea.

The two granted Exploration Licences cover a total area of 2,200 km<sup>2</sup> of the highly mineral endowed Nubian-Arabian Shield in Eritrea that is regarded as very prospective for volcanogenic massive sulphide mineralisation and structurally controlled gold mineralisation. Local examples of these types of deposits are the Bisha base metal deposit (1.618 million ounce gold and 0.45 million tonne copper in the Ore Reserves) located some 174 km to the south and the Probable Ore Reserve of 0.760 million ounces of gold at the Zara gold project (Koka deposit) located only 16 km to the south of the Company's most southern Licence. The Precambrian Nubian-Arabian Shield hosts at least five gold deposits containing in excess of 1 million ounces of gold including the 14.5 million ounce Sukari gold deposit in Egypt.

During the quarter, the Company completed a gravity survey within the Adobha Project over all of the high and medium priority electromagnetic anomalies identified from an airborne survey flown by Geotech Airborne Limited using a Versatile Time Domain Electro Magnetic system ('VTEM') during 2011.

The Company also undertook geological mapping, additional geochemical sampling and site access preparatory work ahead of RC drilling which is expected to start very early in May.

The exploration work completed subsequent to the VTEM survey has identified a number of targets which have coincident VTEM, gravity and geochemical anomalies. A programme of RC drilling has been designed to test all of these high priority targets.

## **AUSTRALIA – HEEMSKIRK TIN DEPOSIT**

### **Divestment of Heemskirk Tin Project Interest**

During the quarter, Gippsland and Stellar Resources Ltd ('Stellar') completed the transaction whereby Stellar acquired the 40% interest held in the Heemskirk Tin Project by Gippsland in return for 43,528,743 Stellar shares and a royalty.

The shares received by Gippsland have been escrowed for 12 months from the date of issue in accordance with ASX rules.

## **CORPORATE**

### **Fully Underwritten Renounceable Rights Issue**

On 7 February 2012, Gippsland announced a fully underwritten renounceable rights issue to shareholders at the record date of 16 February 2012 (5pm AWST) on the basis of one new share for every five existing shares to raise approximately \$2,438,000 before costs at an issue price of 1.5 cents per new share ('Rights Issue').

The Rights Issue was successfully completed during March 2012. It was fully underwritten by Patersons Securities Limited and sub-underwritten by Gandel Metals Pty Ltd as trustee for the Gandel Metals Trust, a company controlled by Gippsland Chairman, Mr Ian Gandel.

In all, 78% (over 127 million) of the shares on offer were subscribed for. The remaining 35 million shares on offer were taken up by the sub-underwriter, Gandel Metals Pty Ltd as trustee for the Gandel Metals Trust.

### **Sale of Unmarketable Parcels of Shares**

As part of a capital management program, Gippsland has established a sale facility for unmarketable parcels of Gippsland shares. An unmarketable parcel is a parcel of shares valued at less than \$500 as at the close of trade on 26 March 2012 ('Unmarketable Parcel').

Shareholders holding an Unmarketable Parcel have been sent a notice advising them that they should advise the Company's share registry by 5:00pm (AWST) on 11 May 2012 that they want to retain their shares, otherwise their shares will be sold and they will be sent the sale proceeds.



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### **Note:**

In accordance with Listing Rule 5.6 of the Australian Stock Exchange Limited, the geological information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on data compiled by Dr John Chisholm, a Fellow of The Australasian Institute of Mining and Metallurgy. Dr Chisholm has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Chisholm consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.