

16 October 2012

ERITREAN EXPLORATION UPDATE

RC DRILLING PROGRAMME – PRELIMINARY RESULTS

Gippsland Limited ('Gippsland' or 'the Company') [ASX: GIP, FRA: GIX] is pleased to announce the completion of the first part of a 5,000m drilling programme on the Adobha Project in northern Eritrea.

A programme of 53 holes totalling 2,845m tested six of the high to medium ranked VTEM anomalies that were accessible.

The programme was designed to drill a small number of holes into each of the higher ranked anomalies in order to assess which anomalies would be tested in more detail.

Heavy rains associated with the wet season made movement between the sites difficult and precluded testing of some of the targets where the only access was along river beds. Assay results from the programme have now been received for most of the holes which were completed during the period 13 July to 10 September.

Highlights

- Low-grade copper mineralisation over significant intervals was intersected in three holes, RCAD03, 05 and 06. Hole RCAD05 intersected 4m @ 0.14% Cu and RCAD06 2m @ 0.76% Cu.
- Hole RCAD11 intersected 6m @ 0.24% Zn with some associated lead. This anomaly (V11) is of particular interest with respect to VMS exploration due to the combination of both Zn and Pb.
- The drilling results received to date indicate that the area is mineralised and that additional geological mapping and geochemical sampling will be required prior to the second phase of drilling.

Anomaly V11

Fourteen holes were drilled on this anomaly to test VTEM, gravity and geochemical targets.

Hole RCAD11 tested a geochemical anomaly on the edge of one of the VTEM conductors. The intersection of 6m @ 2,377ppm Zn and 654ppm Pb is of interest as a small intersection (2m) was located in an adjacent hole 20m across strike with a maximum value of 1,148ppm Zn. The combination of Zn and Pb is of interest as these two elements are commonly associated with VMS deposits and can occur laterally for some distance from the main deposit.

Anomaly V13

Hole RCAD13 was drilled to test a gravity anomaly that coincided with a small EM conductor. The hole intersected 16m @ 720ppm Cu which is clearly anomalous. Outcropping malachite was located adjacent to the drill collar location during the drill site preparation using a bulldozer. The area is covered by thin colluvial cover and a small excavator will be used to dig shallow pits for follow-up work prior to further drilling.

Anomaly V14

The best results were obtained from the area of outcropping malachite discovered during the initial regional drainage geochemical survey 2010. Two of the holes intersected wide intersections of anomalous Cu values including 28m @ 410ppm and 26m @ 1,638ppm Cu in holes RCAD05 & 06 respectively. Both holes included narrower but higher grade Cu values (see Table 1).

Table 1 Adobha Project Best RC drill intersections

Anomaly	Hole	From (m)	To (m)	Interval (m)	Grade (ppm)	N-UTM	E-UTM
V11	RCAD11	40	46	6	2,377 Zn, 654 Pb	1885351	406469
V13	RCAD03	46	62	16	720 Cu	1924918	406363
V14	RCAD05	40	68	28	410 Cu	1918720	410861
	Incl.	42	46	4	1,435 Cu		
V14	RCAD06	0	26	26	1,638 Cu	1918797	410832
	Incl.	22	24	2	7,597 Cu		

Anomaly V15

VTEM anomaly V15 which was interpreted to be one of the highest priority targets did not intersect any high base metal values. The assays for the holes drilled on this anomaly have not yet been received but based on values determined using a Niton portable XRF unit many of the holes intersected anomalous Cu and Zn values in the low hundreds of ppm range. Drill hole RCAD031 (1871557N, 409565E) intersected 20m of Zn in the 100-300ppm range which is anomalous and of interest given that the host rock is a felsic volcanic. Detailed geological mapping is being conducted on this site to assist in interpreting the results in term of volcanic terrains.

Anomalies V7 and V12

Due to access problems two high priority targets were not drilled.

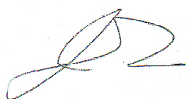
V7 is accessible only by foot will require helicopter support for drilling.

V12 is only accessible by 4WD vehicles during the dry season as the access is some 20km along a river bed. This target will be drilled following a programme of geological mapping and geochemical sampling that is currently in progress, as significant site preparation will be required in order to adequately test the conductors identified by the VTEM survey.

General

Exploration is continuing in the Gerasi South EL where the focus is on gold mineralisation trending north from the Zara Project (Koka deposit) located 16km to the south of the southern boundary of the tenement. This work is mainly drainage geochemical sampling and geological mapping.

Signed



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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.

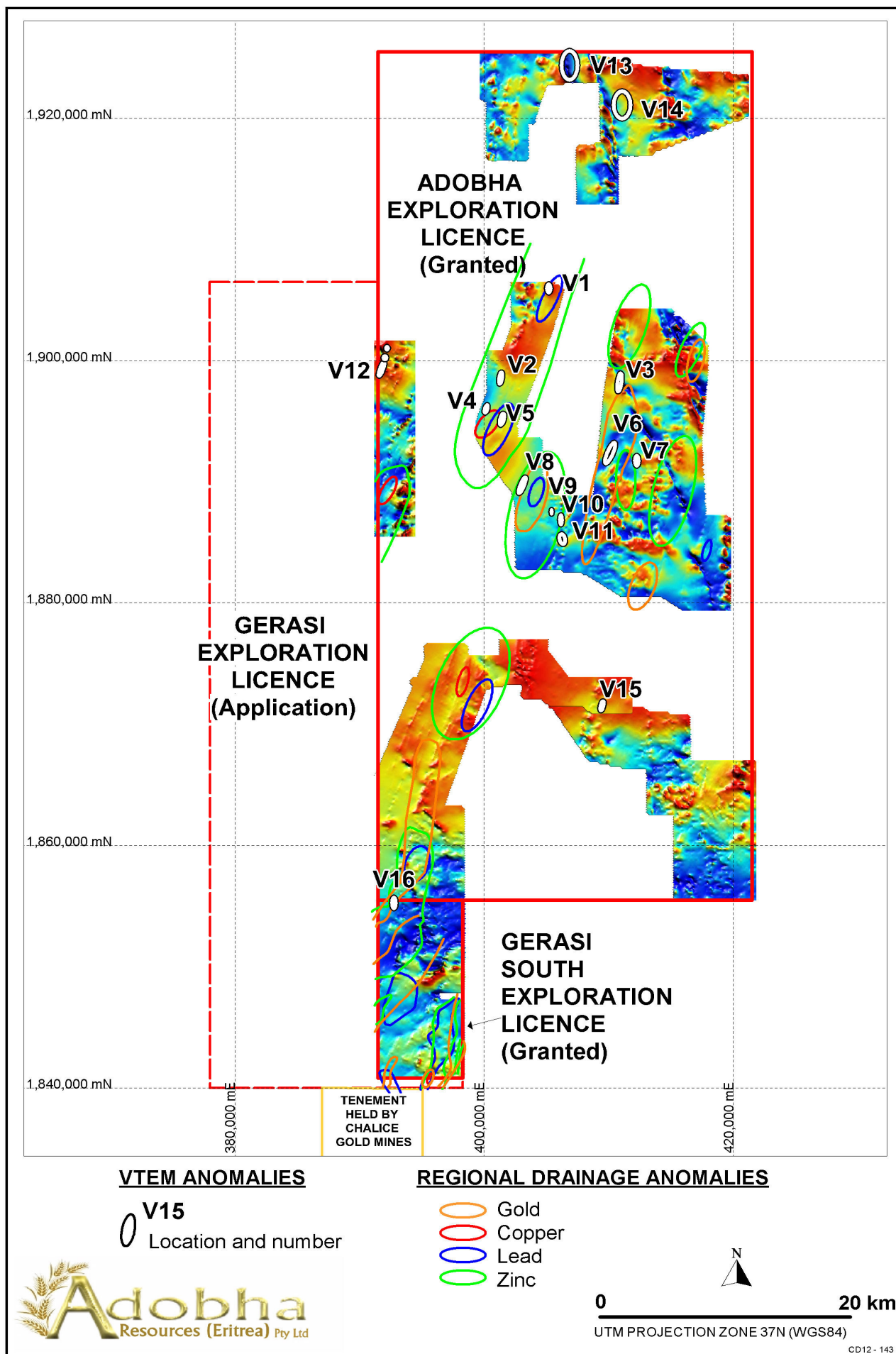


Figure 1 Plan showing the location of the VTEM anomalies