

SECOND QUARTER ACTIVITIES REPORT

Period: 1 OCTOBER – 31 DECEMBER 2012

Release Date: 31 JANUARY 2013

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

HIGHLIGHTS

- Consortium of Egyptian banks formed to support Tantalum Egypt JSC in raising senior debt;
- Draft Indicative Term Sheet received from the Consortium;
- Demountable modular 50 tph spiral plant arrived on site; and
- First pass drilling programme completed in Eritrea.

EGYPT - ABU DABBAB TANTALUM-TIN PROJECT

Project Debt Finance

A syndicate of four Egyptian banks, being Bank Audi, Banque Du Caire, Banque Misr and Commercial International Bank, have joined forces and formed a consortium (the “Consortium”) to jointly support Tantalum Egypt JSC (“TE JSC”) in raising the required senior debt financing (the “Transaction”) for the development of the initial phase of the Abu Dabbab Tantalum-Tin-Feldspar Project (the “Project”).

Gippsland has received and is presently in negotiations regarding a Draft Indicative Term Sheet (“Term Sheet”) on behalf of TE JSC from the Consortium in relation to the Transaction.

Gippsland has appointed El Torgoman Partners & Advisors Ltd (the “Advisor”) to provide various services to assist it and Tantalum International Pty Ltd (a wholly owned subsidiary of Gippsland) to raise the balance of the finance for the Project (“Shareholder Fund Raising”). In relation to this appointment, the Advisor is working in conjunction with HC Securities and Investment, an investment bank in the Middle East and North Africa region. TE JSC is also expected to engage El Torgoman Partners & Advisors Ltd to provide various services to assist it to raise the debt finance for the Project.

TE JSC has appointed Helmy, Hamza and Partners, a member firm of Baker & McKenzie International to act as borrower counsel to TE JSC in the debt Project financing for the Project. Helmy, Hamza and Partners is also expected to be appointed to assist the Company in relation to the Shareholder Fund Raising.

The initial phase of the Project involves the proposed development by TE JSC of an open pit mine for the purpose of processing around 41 million tonnes of in-situ mineable “ore” over 13.8 years at a processing rate of 3 million tonnes per annum of run-of-mine (“ROM”) ore with projected average annual production capacity of over 925,000 lbs of tantalum pentoxide (Ta₂O₅) in a marketable form and over 2,300 tonnes of tin as LME quality metal. Abu Dabbab is potentially a world class source of tantalum raw material feedstock, capable of providing a stable, long term supply of this vital strategic raw material.

A second phase of Abu Dabbab's development would involve a feldspar processing circuit, bulk material ship loading facilities and associated logistics infrastructure to produce and load up to 2.4 million tonnes per annum of ceramic-grade feldspar.

The estimated investment cost of the first phase of the Project is in the range of USD \$225-250 million.

The Term Sheet, once signed, will not be binding on either side and is subject to full due diligence, approvals and fulfilment of required conditions precedent.

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

During the previous quarter, the Board of the Company and the Board of TE JSC approved the purchase from MSP Engineering Pty Ltd of a demountable modular gravity separation plant comprised of rougher and cleaner spiral separators with a nominal treatment capacity of 50 tonnes per hour (tph) of -2 mm alluvial material (the "Spiral Plant"). The combined production capacity and improved recovery is expected to increase cassiterite production from the current rate of around 10 to 12 tonnes per month, containing on average between 5.5 and 6.6 tonnes of tin, to approximately 145 tonnes per month, containing on average 80 tonnes of tin, from mid February 2013.

The spiral plant arrived on site on 17 January 2013 and is expected to be in full production by mid February 2013, which is approximately two weeks behind schedule. The revised estimated total capital cost of the expansion is approximately US\$775,000.

TE JSC has also entered into a Supplementary Contract for digging, loading, transporting and screening of alluvial materials with mining contractor Orbit Star Company ("Orbit") pursuant to which Orbit will mine and screen 1,000 bank cubic metres ("BCM") of ore per day until January 2013 and 3,000 BCM per day of ore and waste thereafter.

Revenue from tin concentrate sales over the eight-month project life is expected to be approximately US\$12.4 million, assuming a tin price of US\$20,000 per tonne. The current LME tin price as at the time of writing is US\$25,070 per tonne (Source: LME Official Prices for 30 January 2013). Direct and indirect cash costs for the project (excluding capital expense) are estimated at US\$5.3 million over the same period. Total capital cost for the project after the completion of the expansion and including capital costs already incurred is estimated to be US\$1.45 million. The Company will provide an update of the project economics once the Spiral Plant commences operations, however, Gippsland notes that if the tin price can maintain its current level of approximately US\$25,000 per tonne, this will have a very positive impact on expected revenue from the project over its current base case financial forecasts.

During the quarter, the Company made two shipments (shipments #3 and #4) of cassiterite with a further shipment departing Egypt in early January 2013. A summary of tin sales made from 1 July 2012 to the date of this report are as follows:

Shipment Number	Date of Sale to Smelter	Final Grade (Sn)	Contained Tin (tonnes)	Sale Price of Tin (USD per tonne)	Total Gross Proceeds (USD) (refer Note 2)
1	24/8/12	55.030%	4.905	18,900	92,697
2	24/9/12	59.825%	5.368	21,300	114,335
3	28/12/12	55.685%	6.138	23,400	143,634
4	8/1/13	(refer Note 1) 61.340%	(refer Note 1) 6.121	24,050	147,205

Notes:

1. Final grade and contained tin of shipment #3 is subject to receipt of final sale documentation.
2. Total Gross Proceeds is calculated prior to the deduction of toll treatment charges.

The Company is represented at the premises of Malaysia Smelting Corporation in Penang, Malaysia, by Alfred H Knight (Malaysia), a member of the international Alfred H Knight Group of independent commodity analysts, inspectors and consultants. The representative from Alfred H Knight (Malaysia) ensures all procedures in relation to the weighing and sampling of the cassiterite shipments are performed correctly. The Company also obtains independent assays for each shipment from Alfred H Knight (UK).

MENA Mining Show

The Company attended and presented at the MENA Mining Show 2012 held in Dubai from 21 to 23 October, 2012. The presentation delivered by Mr Jon Starink, Executive Director, is available on the Company's website. The MENA Mining Show provided the opportunity for the Company to promote its projects and was seen as an important event to increase the profile of the Group in the MENA region.

ERITREA (ADOBHA PROJECT)

Gippsland's 100% owned subsidiary Adobha Resources (Eritrea) Pty Ltd holds the Adobha Exploration Licence covering 2,100 km² and the Gerasi South Exploration Licence covering 100 km² in the highly prospective Adobha region in the State of Eritrea.

On 16 October 2012, the Company announced 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.

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 all of the holes which were completed during the period 13 July to 10 September.

The best RC drill intersections are shown in 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, 654Pb	1885351	406469
V13	RCAD03	46	62	16	720 Cu	1924918	406363
V14	RCAD05	40	68	28	410Cu	1918720	410861
	Incl.	42	46	4	1,435 Cu		
V14	RCAD06	0	26	26	1,638Cu	1918797	410832
	Incl.	22	24	2	7,597 Cu		

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. It is proposed to conduct IP over some of the drilled VTEM targets which gave anomalous base metals but did not intersect any lithologies which would explain the VTEM conductor.

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, followed-up with rock-chip and soil sampling, and geological mapping.

The work has identified two areas of interest. Area 4 which straddles the northern boundary of the Gerasi South EL and the Adobha EL where two areas of artisanal workings centred on 395380E/1856000N have yielded gold values in rock-chip sampling of up to 29g/t. Scattered rock-chip samples containing greater than 5g/t Au have been recorded from two northeast trending workings over strike lengths of 200 & 380m. A 2.12km long copper-in-soil geochemical anomaly (>75ppm) has been located to the south of the artisanal workings. This anomaly, centred on 395300E/1854600N, is up to 420m wide at its widest point and is open to the south.

Area 2 is located in the southwest corner of the Gerasi South EL where the work has centred on some small artisanal workings. A low-level lead-in-soils anomaly with a strike length of 500m, has been located at 391800E/1840600N.

CORPORATE

Research Note

During the quarter, Petra Capital issued a research note on Gippsland. The research note is available on the Gippsland website www.gippslandltd.com under Investor Relations - Broker Evaluations.

Annual Report

Gippsland's Annual Report for the 2011/2012 year was released on 16 October 2012. The document is available on the Company's website.

Annual General Meeting

The Company's Annual General Meeting ("AGM") was held on 16 November 2012 at Gippsland's corporate headquarters located in Claremont, Western Australia. All resolutions put to shareholders at the AGM were carried on a show of hands. The AGM presentation delivered by Dr John Chisholm, Chief Geologist, is available on the Company's website.



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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.



Abu Dabbab Alluvial Mining Project site