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GIPPSLAND
LIMITED

Gippsland Limited and its Controlled Entities

ABN 31 004 766 376

Annual Financial Report

30 June 2009

Contents

DIRECTORS' REPORT	1
AUDITORS' INDEPENDENCE DECLARATION	10
CORPORATE GOVERNANCE STATEMENT	11
INCOME STATEMENT	18
BALANCE SHEET	19
CASH FLOW STATEMENT	20
STATEMENT OF CHANGES IN EQUITY	21
NOTES TO THE FINANCIAL STATEMENTS	22
1 CORPORATE INFORMATION	22
2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	22
3 RETROSPECTIVE RESTATEMENT	31
4 REVENUES, OTHER INCOME AND EXPENSES	32
5 REVERSAL OF IMPAIRMENT LOSS	32
6 INCOME TAX	33
7 EARNINGS PER SHARE	34
8 CASH AND CASH EQUIVALENTS	35
9 TRADE AND OTHER RECEIVABLES (CURRENT)	35
10 OTHER FINANCIAL ASSETS (NON-CURRENT)	36
11 PROPERTY, PLANT AND EQUIPMENT	37
12 EXPLORATION AND EVALUATION EXPENDITURE	39
13 TRADE AND OTHER PAYABLES (CURRENT)	39
14 PROVISIONS (CURRENT)	39
15 LOANS AND BORROWINGS (CURRENT)	40
16 CONTRIBUTED EQUITY	40
17 RESERVES AND ACCUMULATED LOSSES	41
18 INTERESTS IN CONTROLLED ENTITIES	42
19 INTERESTS IN JOINT VENTURE OPERATIONS AND BUSINESS UNDERTAKINGS	42
20 EXPENDITURE COMMITMENTS	42
21 SHARE BASED PAYMENT PLANS	43
22 CONTINGENT LIABILITIES AND CONTINGENT ASSETS	44
23 SUBSEQUENT EVENTS	45
24. REMUNERATION OF AUDITORS	45
25 RELATED PARTY DISCLOSURE	46
26 KEY MANAGEMENT PERSONNEL	47
27 SEGMENT INFORMATION	48
28 FINANCIAL INSTRUMENTS	50
DIRECTOR'S DECLARATION	56
INDEPENDENT AUDITOR'S REPORT	57
SHAREHOLDER'S INFORMATION SET OUT AS AT 18 SEPTEMBER 2009	59

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 2009 ("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 (appointed 24 June 2009)
Mr Robert John Telford
Dr John Morrison Chisholm (resigned 15 May 2009)
Mr John Stuart Ferguson Dunlop
Mr John Damian Kenny
Mr Jon Starink

Names, qualifications, experience and special responsibilities

Ian Jeffrey Gandel - Chairman (Non-executive)

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 successful Melbourne businessman with extensive experience in retail management and retail property. He has been a Director of the Gandel Retail Trust and has had an involvement in the construction and leasing of Gandel shopping centres. He has been involved in the Priceline retail chain and the Corporate Executive Offices chain of serviced offices.

Through his private investment vehicles, Mr Gandel has been an investor in the mining industry since 1994. Mr Gandel is currently a substantial shareholder in a number of publicly listed Australian companies and, through his private investment vehicles, now holds and explores tenements in his own right in Victoria, Western Australia and Queensland.

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

Alliance Resources Limited* – Appointed 31/10/2003

Alkane Resources Ltd* – Appointed 25/7/2006

Robert John Telford - Director (Executive) and Chief Executive Officer AWAIT (Chem), MRACI

Mr Telford was appointed Director on 20 January 1992. Mr Telford was Executive Chairman of Gippsland until 24 June 2009. He is a member of the Company's Audit Committee.

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.

Mr Telford has been a major shareholder in technology-based industries for some 30 years in the capacity of Chief Executive Officer ("CEO"). He has been involved in the pharmaceutical industry having been a past chairman and major shareholder of the company Inovax Limited.

As a major shareholder, Mr Telford has held the position of CEO in companies involved in inorganic and organic chemical manufacture for over 15 years. He has been involved in the international resource industry for some 25 years via private and public companies and in the main is responsible for securing the Company's interest in its Egyptian resource projects.

Mr Telford is a Member of the Royal Australian Chemical Institute.

He is not currently a Director of any other listed company nor has he been within the last three years.

DIRECTORS' REPORT

Jon Starink – Director (Executive)

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

Mr Starink was appointed Director on 8 May 2007.

Based in London, Jon 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.

He 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:

Manacomm Corporation Limited - Resigned 22 November 2008.

John Stuart Ferguson Dunlop – Director (Non-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.

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 30/11/1994

Alkane Resources Ltd* – Appointed 4/7/2006

Drummond Gold Ltd* - Appointed 1/8/2007

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

* 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	80,000,000	-	-	-
RJ Telford	19,597,446	5,000,000	15c	31 May 2012
JSF Dunlop	-	2,000,000	15c	31 May 2012
JD Kenny	2,250,000	1,000,000	15c	31 May 2012
J Starink	300,000	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	16 May 2012	\$0.135	25,000,000
05 February 2008	15 December 2011	UK£0.07	4,000,000
28 November 2008	31 May 2012	\$0.150	17,000,000
17 August 2009	14 December 2011	\$0.087	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 13 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, 20 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
IJ Gandel	-	-	-	-
RJ Telford	20	20	-	-
JM Chisholm	18	14	-	-
JSF Dunlop	20	19	-	-
JD Kenny	20	15	-	-
J Starink	20	20	-	-

DIRECTORS' REPORT

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 \$2,751,352 (2008: \$2,520,874).

Review of Operations

During the year the Company continued to focus on the development of the Abu Dabbab tantalum/tin project in Egypt. In addition substantial management effort was applied to manage the Company through the turmoil created in financial markets by the global financial crisis.

Throughout the year the German KfW Bankengruppe (KfW) have been Mandated Lead Arranger of project finance for the Abu Dabbab project. In preparation for Abu Dabbab project finance approval, the following activities were undertaken:

- a new ore reserve statement was completed.
- a review and update of the Definitive Feasibility Study was completed.
- an Environmental and Social Impact Assessment was completed.
- an independent technical due diligence review was completed.
- Port Turumbi was identified and secured as a port site for the export of Feldspar products, and
- the preferred EPCM contractor was identified and contract negotiations were initiated.

In June 2009 the mandate with KfW was extended to 31 December 2009.

Financial Position

The net assets of the Group have decreased by \$1,147,642 to \$2,986,456 at 30 June 2009. The decrease has largely resulted from the following factors:

- a consolidated operating loss of the Group of \$2,751,352;
- proceeds from the issue of shares raising \$1,128,075; and
- foreign currency translation differences of \$458,635.

As at Balance Date the company had a working capital deficiency. The directors have undertaken a \$500,000 private placement in August 2009 and have initiated a fully underwritten rights issue to raise \$3,872,958 to address this working capital deficiency.

The directors believe that upon successful completion of the rights issue in October 2009, the Company will be in a sound financial position to be able to continue with the development of the Abu Dabbab project, undertake further exploration at the Wadi Allaqi leases and to take advantage of further opportunities to grow the Company, should they arise.

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) Completed the issue and allotment of 17,080,000 shares at a placement price of UK£0.025 (\$0.057) on 6 October 2008;
- b) Two directors of the Company provided unsecured, interest free loans to the Company for the purposes of working capital. Mr Telford provided a loan of \$250,000 and Mr Starink provided a loan of \$50,000;
- c) Completed the issue and allotment of 4,545,454 shares at a placement price of \$0.022 on 2 March 2009;

DIRECTORS' REPORT

- d) The Company was de-listed from the Alternative Investment Market (AIM) operated by the London Stock Exchange PLC on 22 March 2009. All shares traded on AIM were subsequently transferred to trade on the Australian Securities Exchange operated by ASX Limited;
- e) Completed a convertible loan funding facility from Abbotsleigh Pty Limited for an advance of \$800,000 on 15 April 2009. Funds were advanced in 2 tranches with the first tranche being \$439,695 received on 29 April 2009 and the second tranche being \$360,305 received on 25 June 2009.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 30 July and 5 August 2009, a total of \$150,000 was loaned to the Company for working capital purposes by Gandel Metals Pty Limited, a company associated with director Mr Ian Gandel. The loan was unsecured and interest free and subsequently repaid in full on 27 August 2009.

On 14 August 2009, the Company announced the issue of 10,000,000 options over ordinary shares with an exercise price of \$0.087 per share and an expiry date of 14 December 2011 to the International Finance Corporation ("IFC"). The issue was made following re-negotiation of the IFC Subscription Agreement to allow the Company increased flexibility for capital raisings.

On 17 August 2009, 15,625,000 fully paid ordinary shares were issued to private investors at a price of \$0.032 per share to raise \$500,000 for working capital purposes.

On 28 August 2009, Abbotsleigh Pty Limited elected to convert its \$800,000 Convertible Loan into shares of the Company. Pursuant to the loan agreement the shares were issued at a conversion price of \$0.01 per share, being 80,000,000 shares. Following the conversion Abbotsleigh Pty Limited holds 18.89% of the issued capital in the Company.

On 28 August 2009, the Company announced a pro-rata renounceable rights issue of approximately 121,029,937 new shares on the basis of two new shares for every seven shares held at an issue price of \$0.032 per new share, to raise approximately \$3,872,958. The rights issue is fully underwritten by Gandel Metals Pty Ltd and is due for completion on 15 October 2009.

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 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 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:

DIRECTORS' REPORT

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 \$16,905.

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

The following non-audit services are provided by the Company's auditor, PKF Chartered Accountants & Business Advisors ("PKF"). The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service means the auditor independence was not compromised.

Fees for non-audit services were paid/payable to PKF during the year ended 30 June 2009 as follows:

Taxation Services	\$34,782
Corporate Advisory Fees	\$13,890

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 2009 has been received and can be found on page 10 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.

DIRECTORS' REPORT

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

(i) Directors

IJ Gandel	- Chairman (Non-executive) – appointed 24 June 2009
RJ Telford	- Executive Director and Chief Executive Officer
JM Chisholm	- Executive Director/Chief Geologist (resigned directorship on 15 May 2009)
J Starink	- Executive Director
JSF Dunlop	- Non-Executive Director
J Kenny	- Non-executive Director

(ii) Executives

A Ayyash	- Regional Manager - Middle East and North Africa
RS Caren	- Company Secretary
S Chadwick	- Senior Project Coordinator
NA Marston	- Chief Financial Officer – appointed 3 December 2008
PR Sims	- Chief Financial Officer – resigned 17 November 2008

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 2009

Key Management Personnel	Short-term Benefits Cash, salary and commissions \$	Share-based Payment Options \$	Post-employment Benefits Superannuation \$	Total \$	Remuneration consisting of options for the year %
Non-Executive Directors					
Mr IJ Gandel	-	-	-	-	-
Mr JSF Dunlop	25,500	2,000	-	27,500	7.27
Mr JD Kenny	18,750	1,000	-	19,750	5.06
Sub-total	44,250	3,000	-	47,250	
Executive Directors					
Mr RJ Telford	152,000	5,000	-	157,000	3.18
Dr JM Chisholm*	118,333	3,000	-	121,333	2.47
Mr J Starink	80,000	2,000	-	82,000	2.44
Sub-total	350,333	10,000	-	360,333	
Other key management personnel					
Mr A Ayyash	165,099	1,000	-	166,099	0.60
Mr RS Caren	69,483	1,000	-	70,483	1.42
Mr S Chadwick	59,168	2,000	-	61,168	3.27
Mr NA Marston	72,453	-	6,520	78,973	-
Mr PR Sims	116,391	-	11,639	128,030	-
Sub-total	482,594	4,000	18,159	504,753	
Total	877,177	17,000	18,159	912,336	

* Dr JM Chisholm resigned as a director of the Company on 15 May 2009

DIRECTORS' REPORT

Table 2: Remuneration for the year ended 30 June 2008

Key Management Personnel	Short-term Benefits Cash, salary and commissions \$	Share-based Payment Options \$	Post- employment Benefits Superannuation \$	Total \$	Remuneration consisting of options for the year %
Non-executive directors					
Mr JSF Dunlop	60,412	-	-	60,412	-
Mr JD Kenny	38,750	-	-	38,750	-
Sub-total	99,162	-	-	99,162	
Executive directors					
Mr RJ Telford	260,211	-	-	260,211	-
Dr JM Chisholm	237,500	-	-	237,500	-
Mr J Starink	120,000	-	-	120,000	-
Sub-total	617,711	-	-	617,711	
Other key management personnel					
Mr RS Caren	60,000	-	-	60,000	-
Mr PR Sims	230,303	-	23,030	253,333	-
Sub-total	290,303	-	23,030	313,333	
Total	1,007,176	-	23,030	1,030,206	

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

30 June 2009	Terms & Conditions for Each Grant				
	Granted No.	Grant Date	Fair Value per Option at Grant Date (\$) (note 21)	Exercise Price per option (\$) (note 21)	Expiry Date
Directors					
Mr RJ Telford	5,000,000	28 Nov 2008	0.001	0.15	31 May 2012
Dr JM Chisholm	3,000,000	28 Nov 2008	0.001	0.15	31 May 2012
Mr JSF Dunlop	2,000,000	28 Nov 2008	0.001	0.15	31 May 2012
Mr JD Kenny	1,000,000	28 Nov 2008	0.001	0.15	31 May 2012
Mr J Starink	2,000,000	28 Nov 2008	0.001	0.15	31 May 2012
Executives					
Mr A Ayyash	1,000,000	28 Nov 2008	0.001	0.15	31 May 2012
Mr RS Caren	1,000,000	28 Nov 2008	0.001	0.15	31 May 2012
Mr S Chadwick	2,000,000	28 Nov 2008	0.001	0.15	31 May 2012

30 June 2008	Terms & Conditions for Each Grant				
	Granted No.	Grant Date	Fair Value per Option at Grant Date (\$) (note 21)	Exercise Price per option (\$) (note 21)	Expiry Date
Nil	-	-	-	-	-

DIRECTORS' REPORT

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

30 June 2009

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

30 June 2008

	Shares issued No.	Paid per share (note 16) \$	Unpaid per share \$
Directors			
Mr RJ Telford	6,558,322	0.09	-
Mr JD Kenny	2,250,000	0.09	-
Dr JM Chisholm	2,260,000	0.09	-

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



RJ TELFORD
Director

Dated this 30th day of September 2009.

AUDITOR'S INDEPENDENCE DECLARATION

As lead engagement partner for the audit of Gippsland Limited and its controlled entities for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Gippsland Limited and the entities it controlled during the year.



PKF
Chartered Accountants



Neil Smith
Partner

Dated at Perth, Western Australia this 30th day of September 2009.

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CORPORATE GOVERNANCE STATEMENT

ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve, the Company has turned to the ASX Corporate Governance Principles and Recommendations issued in August 2007. As consistency with the ASX guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the Council in place for the entire reporting period, the Company has identified when such policies or committees were introduced. The Company has endeavoured to early adoption of the revised principles and recommendations.

To illustrate where the Company has addressed each of the Council's revised recommendations, the following summary cross-references each revised recommendation with sections of the Corporate Governance Statement.

Introduction

Gippsland Limited has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's corporate governance practices is set out on the Company's website at www.gippslandltd.com:

- Corporate Governance Statement including disclosures and explanations;
- Summary of Code of Conduct for Directors and Key Executives;
- Summary of Securities Trading Policy;
- Summary of Continuous Disclosure Policy;
- Summary of Shareholder Communications Strategy;
- Policy on Risk Oversight and Management of Material Business Risks; and
- Summary of Company Code of Ethics and Conduct.

Explanations for Departures from Best Practice Recommendations

During the financial year the Company has complied with the majority of the Eight Essential Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the Council and as detailed below:

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Council Principle 1: Companies should establish and disclose the respective roles and responsibilities of board and management.

Council Recommendation 1.1:

Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The Company complies with this recommendation.

The board has set out the responsibilities of the Board in Section 1.1 of its Corporate Governance Statement which can be accessed on the Company website. Any functions not reserved for the Board and not expressly reserved for members by the *Corporations Act 2001* and ASX Listing Rules are reserved for senior executives.

Council Recommendation 1.2:

Disclose the process for evaluating the performance of senior executives.

The Company complies with this recommendation.

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial and operating performance;
- comparison of executive remuneration levels to industry benchmarks; and

CORPORATE GOVERNANCE STATEMENT

- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.

Council Recommendation 1.3:

Companies should provide the information indicated in the Guide to reporting on Principle 1

The Company complies with this recommendation.

A review of senior executive performance in accordance with the above policy was in progress as at the reporting date.

2. STRUCTURE THE BOARD TO ADD VALUE

Council Principle 2: Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Council Recommendation 2.1:

A majority of the Board should be independent directors.

The Company does not comply with this Recommendation.

Currently the Board of Gippsland Limited has two independent directors, Mr JSF Dunlop and Mr JD Kenny and three non-independent directors, Mr RJ Telford, Mr IJ Gandel and Mr J Starink.

While the Board strongly endorses the position that boards need to exercise independence of judgment, it also recognises (as does ASX Corporate Governance Council Principle 2) that the need for independence is to be balanced with the need for skills, commitment and a workable board size. The Board believes it has recruited members with the skills, experience and character to discharge its duties and that any greater emphasis on independence would be at the expense of the Board's effectiveness.

Messrs Kenny and Dunlop are Non-Executive Directors of the Company. Both Non-Executive Directors are considered independent within the ASX Corporate Governance Council's guidelines.

Mr JSF Dunlop is a principal at John Dunlop & Associates Pty Ltd, engineering service providers for the Company. Mr Dunlop has been directly involved in the provision of the engineering services by John Dunlop & Associates Pty Ltd, however the undertaking of this role does not constitute Mr Dunlop or John Dunlop & Associates Pty Ltd as being material service providers to the Company. Where required Mr Dunlop does not participate in the discussions regarding the provision of engineering services.

At present the Company believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board Meeting before commencement of discussion on the topic.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of appointing additional independent Non-Executive Directors.

Council Recommendation 2.2:

The chair should be an independent director.

The Company does not comply with this Recommendation.

The Company's Chairman, Mr IJ Gandel, is not considered by the Board to be independent as he holds a substantial interest in the Company's securities. The previous Chairman, Mr RJ Telford, was considered by the Board not to be independent as he was also the Chief Executive Officer.

However the Board believes that the Chairman is able and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairman.

CORPORATE GOVERNANCE STATEMENT

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to necessitate the appointment of an independent Chairman.

Council Recommendation 2.3:

The roles of chair and chief executive officer should not be exercised by the same individual.

The Company does comply with this Recommendation.

The roles of chairman and chief executive officer were previously performed by the same individual, Mr RJ Telford, however the role of Chairman is now held by Mr IJ Gandel following his appointment to the Board on 24 June 2009. Mr Telford remains the Chief Executive Officer.

The Board believed that Mr Telford's extensive industry experience and previous record as Chairman made him the most appropriate person for the position at the time. The Company has addressed the fact that as it moves into the stage of development at Abu Dabbab, it is appropriate to split the roles and following his appointment to the Board on 24 June 2009, Mr IJ Gandel has been appointed Non-Executive Chairman.

Council Recommendation 2.4:

The Board should establish a nomination committee.

The Company does not comply with this Recommendation.

The board does not have a nomination committee. The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board's duties and physical ability to undertake Board's duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next Annual General Meeting. Under the Company's Constitution the tenure of Directors is subject to reappointment by shareholders not later than the third anniversary following his last appointment. Subject to the requirements of the *Corporations Act 2001*, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A Managing Director may be appointed for any period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

The Board acknowledges this does not comply with Recommendation 2.4 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of a nomination committee will be reviewed by the Board and implemented if appropriate.

Council Recommendation 2.5:

Disclose the process for evaluating the performance of the board, its committees and individual directors.

The Company complies with this recommendation.

The Board has adopted a self-evaluation process to measure its own performance during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the Directors of the Company.

Council Recommendation 2.6:

Companies should provide the information indicated in the Guide to reporting on Principle 2.

The Company complies with this recommendation and provides the following disclosures.

The period of office, skills, experience and expertise relevant to the position held by each director are disclosed in the

CORPORATE GOVERNANCE STATEMENT

Directors Report.

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

A performance evaluation of board members was completed during the reporting period in accordance with the stated policy.

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Council Principle 3: Companies should actively promote ethical and responsible decision-making.

Council Recommendation 3.1:

Establish a code of conduct and disclose the code or a summary of the code as to:

- *the practices necessary to maintain confidence in the Company's integrity;*
- *the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;*
- *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Company complies with this recommendation.

The Company has adopted a Code of Conduct for Directors and Key Executives and a Company Code of Ethics and Conduct, both of which can be accessed on the website.

Council Recommendation 3.2:

Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

The Company complies with this recommendation.

A trading policy has been adopted and a copy of the Company's Share Trading policy is available on the website.

Council Recommendation 3.3:

Provide the information indicated in the Guide to reporting on Principle 3.

The Company complies with this recommendation.

4. SAFEGUARD INTEGRITY OF FINANCIAL REPORTING

Council Principle 4: Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Council Recommendation 4.1:

The Board should establish an audit committee.

The Board had previously considered that the Company was not of a size, nor are its financial affairs of such complexity to justify the formation of an audit committee. Until now, the Board as a whole has undertaken the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems. In August 2009 the Board resolved to form an audit committee and adopt an audit committee charter. It is anticipated that this will be in place shortly.

The Board acknowledges this does not comply with Recommendation 4.1 for the year ended 30 June 2009. It is anticipated that the Company will comply in future periods.

CORPORATE GOVERNANCE STATEMENT

Council Recommendation 4.2:

The audit committee should be structured so that it:

- *consists only of non-executive directors;*
- *consists of a majority of independent directors;*
- *is chaired by an independent chair, who is not chair of the board;*
- *has at least three members.*

Refer to the comments in respect of Council Recommendation 4.1.

Council Recommendation 4.3

The audit committee should have a formal operating charter.

Refer to the comments in respect of Council Recommendation 4.1.

Council Recommendation 4.4:

Provide the information indicated in the Guide to reporting on Principle 4.

The Company complies with this recommendation and provides the following disclosure.

The Company appointed a new auditor in December 2007 following a competitive tender. External auditors are selected on the basis of professional skills, reputation, service levels and fees. The current policy of the external auditor is to rotate the audit engagement partner every 5 years. This is disclosed on the Company website.

5. MAKE TIMELY AND BALANCED DISCLOSURE

Council Principle 5: Companies should promote timely and balanced disclosure of all material matters concerning the Company.

Council Recommendation 5.1:

Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company complies with this recommendation.

The Company has adopted a Continuous Disclosure Policy which is available on its website.

Council Recommendation 5.2:

Provide the information indicated in the Guide to reporting on Principle 5.

The Company complies with this recommendation.

6. RESPECT THE RIGHTS OF SHAREHOLDERS

Council Principle 6: Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Council Recommendation 6.1:

Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.

The Company complies with this recommendation.

CORPORATE GOVERNANCE STATEMENT

The Company has adopted a Shareholder Communication Strategy which is available on its website.

Council Recommendation 6.2:

Provide the information indicated in the Guide to reporting on Principle 6.

The Company complies with this recommendation.

7. RECOGNISE AND MANAGE RISK

Council Principle 7: Companies should establish a sound system of risk oversight and management and internal control.

Council Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Company complies with this recommendation.

In August 2008 the Company adopted a Policy on Risk Oversight and Management of Material Business Risks which is available on the website.

Council Recommendation 7.2

The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Following the adoption of a Policy on Risk Oversight and Management of Material Business Risks in August 2008 the Chief Executive Officer and the Chief Financial Officer reviewed the risk management and internal control systems. They subsequently reported to the Board in respect of the Company's key business risks and how they are being managed.

Council Recommendation 7.3

The board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company complies with this recommendation.

The Board receives assurance from the Chief Executive Officer and the Chief Financial Officer in the form of a declaration, prior to approving the financial statements.

Council Recommendation 7.4:

Provide the information indicated in the Guide to reporting on Principle 7.

The Company complies with this recommendation and provides the following disclosure;

The board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

CORPORATE GOVERNANCE STATEMENT

8. REMUNERATE FAIRLY AND RESPONSIBLY

Council Principle 8: Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Council Recommendation 8.1

The Board should establish a remuneration committee.

The Company complies with this recommendation.

The Remuneration Committee has three members, consisting of the independent directors, Mr Dunlop and Mr Kenny, and Mr Gandel, the Non-executive Chairman. There was a single meeting of the Remuneration Committee during the reporting period which was attended by all members of the Remuneration Committee.

The Remuneration Committee is chaired by Mr Dunlop. The Remuneration committee charter is available on the website.

Council Recommendation 8.2

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The Company complies with this recommendation.

Information on director and executive remuneration is contained within the Directors' Report.

Council Recommendation 8.3:

Provide the information indicated in the Guide to reporting on Principle 8.

The Company complies with this recommendation and provides the following disclosures;

- The Company currently has no schemes for retirement benefits, other than superannuation for directors.
- The Company does not have any unvested entitlements under any equity-based remuneration schemes.

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	Note	CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		\$	\$	\$	\$
Continuing Operations					
Finance revenue	4(a)	10,809	77,542	10,023	74,152
Other Income	4(b)	6,494	3,338	6,494	1,835
Administration expense	4(c)	(1,387,443)	(2,051,916)	(935,791)	(1,292,517)
Employee benefits expense	4(d)	(1,201,186)	(1,247,101)	(872,873)	(806,986)
Foreign exchange losses		(93,057)	(31,688)	(92,967)	(5,189)
Exploration expense		-	(59,515)	-	(59,515)
Project development expense		-	(211,937)	-	-
Impairment reversal of exploration expenditure	5	-	2,184,129	-	-
Depreciation and amortisation expense		(57,155)	(70,353)	(20,308)	(22,216)
Impairment of intercompany loans		-	-	(1,698,175)	(3,219,534)
Impairment of exploration and evaluation expenditure		(29,749)	(1,109,807)	-	-
Finance costs		(65)	(3,566)	(65)	(56)
Loss from continuing operations before income tax expense		(2,751,352)	(2,520,874)	(3,603,662)	(5,330,026)
Income tax expense	6	-	-	-	-
Loss attributable to members of the parent		(2,751,352)	(2,520,874)	(3,603,662)	(5,330,026)
Basic earnings/(loss) per share (cents per share)	7	(0.86)	(0.91)		
Diluted earnings/(loss) per share (cents per share)	7	(0.86)	(0.91)		

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

BALANCE SHEET

AS AT 30 JUNE 2009

	Note	CONSOLIDATED		PARENT	
		2009 \$	2008 \$	2009 \$	2008 \$
ASSETS					
Current Assets					
Cash and cash equivalents	8	114,127	1,592,840	68,038	1,328,816
Trade and other receivables	9	31,707	47,941	31,707	47,941
Other Assets		58,752	46,095	54,229	35,051
Total Current Assets		204,586	1,686,876	153,974	1,411,808
Non-Current Assets					
Other financial assets	10	-	-	27,688	27,688
Property, plant and equipment	11	168,340	199,747	49,223	68,253
Exploration and evaluation	12	4,422,641	3,105,666	-	-
Total Non-Current assets		4,590,981	3,305,413	76,911	95,941
TOTAL ASSETS		4,795,567	4,992,289	230,885	1,507,749
LIABILITIES					
Current Liabilities					
Trade and other payables	13	688,713	799,863	248,909	150,622
Provisions	14	20,398	58,328	4,679	21,243
Loans and Borrowings	15	1,100,000	-	1,100,000	-
Total Current Liabilities		1,809,111	858,191	1,353,588	171,865
TOTAL LIABILITIES		1,809,111	858,191	1,353,588	171,865
NET ASSETS		2,986,456	4,134,098	(1,122,703)	1,335,884
EQUITY					
Equity attributable to equity holders of the parent					
Contributed Equity	16(a)	30,678,570	29,550,495	30,678,570	29,550,495
Reserves	17	716,709	241,074	349,402	332,402
Accumulated losses	17	(28,408,823)	(25,657,471)	(32,150,675)	(28,547,013)
TOTAL EQUITY		2,986,456	4,134,098	(1,122,703)	1,335,884

The accompanying notes form an integral part of this Balance Sheet.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	Note	CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		\$	\$	\$	\$
Cash flows from operating activities					
Payments to suppliers and employees		(2,454,397)	(2,918,308)	(1,711,339)	(1,951,685)
Interest received		10,809	80,423	10,023	77,032
Other receipts		6,494	3,338	6,494	1,835
Net cash flows used in operating activities	8	(2,437,094)	(2,834,547)	(1,694,822)	(1,872,818)
Cash flows from investing activities					
Payments for exploration and evaluation		(1,172,590)	(2,155,401)	-	-
Payments for property, plant and equipment		(2,602)	(46,130)	(1,444)	(2,333)
Increase in investment in subsidiary		-	-	-	(27,383)
Net cash flows used in investing activities		(1,175,192)	(2,201,531)	(1,444)	(29,716)
Cash flows from financing activities					
Loans to controlled entities within the Group		-	-	(1,698,175)	(3,219,535)
Proceeds from issue of fully paid shares	16(b)	1,128,075	4,140,715	1,128,075	4,140,715
Payment of transaction costs		(1,445)	-	(1,445)	-
Proceeds from borrowings	15	1,100,000	-	1,100,000	-
Net cash flows from financing activities		2,226,630	4,140,715	528,455	921,180
Net increase/(decrease) in cash held		(1,385,656)	(895,363)	(1,167,811)	(981,354)
Net foreign exchange differences		(93,057)	(123,016)	(92,967)	(5,189)
Cash at beginning of period		1,592,840	2,611,219	1,328,816	2,315,359
Cash at end of period	8	114,127	1,592,840	68,038	1,328,816

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

	Issued capital \$	Accumulated Losses \$	Other Reserves \$	Total Equity \$
CONSOLIDATED				
At 1 July 2007	25,409,780	(23,136,597)	138,802	2,411,985
Currency translation differences	-	-	(91,328)	(91,328)
Loss for the year	-	(2,520,874)	-	(2,520,874)
Issue of share capital	1,181,290	-	-	1,181,290
Transaction Costs	(71,251)	-	-	(71,251)
Exercise of options	3,030,676	-	-	3,030,676
Cost of share-based payments	-	-	193,600	193,600
At 30 June 2008	29,550,495	(25,657,471)	241,074	4,134,098
Currency translation differences	-	-	458,635	458,635
Loss for the year	-	(2,751,352)	-	(2,751,352)
Issue of share capital	1,128,075	-	-	1,128,075
Cost of share-based payments	-	-	17,000	17,000
At 30 June 2009	30,678,570	(28,408,823)	716,709	2,986,456
PARENT				
At 1 July 2007	25,409,780	(23,216,987)	138,802	2,331,595
Loss for the year	-	(5,330,026)	-	(5,330,026)
Issue of share capital	1,181,290	-	-	1,181,290
Transaction costs	(71,251)	-	-	(71,251)
Exercise of options	3,030,676	-	-	3,030,676
Cost of share-based payments	-	-	193,600	193,600
At 30 June 2008	29,550,495	(28,547,013)	332,402	1,335,884
Loss for the year	-	(3,603,662)	-	(3,603,662)
Issue of share capital	1,128,075	-	-	1,128,075
Cost of share-based payments	-	-	17,000	17,000
At 30 June 2009	30,678,570	(32,150,675)	349,402	(1,122,703)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

1 CORPORATE INFORMATION

The financial report of Gippsland Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 30 September 2009.

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 taxes for the year ended 30 June 2009 of \$2,751,352 and \$3,603,662 respectively. The consolidated entity and the company have a working capital deficiency of \$1,604,525 and \$1,199,614 respectively and the consolidated entity has cash assets of \$114,127 as at 30 June 2009. The Company has a net asset deficiency of \$1,122,703 as at 30 June 2009.

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

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, other commitments, other principal activities and working capital.

Subsequent to year end, the directors have taken steps to ensure the company and the consolidated entity continued as going concerns by:

- issuing 15,625,000 fully paid ordinary shares at a price of \$0.032 per share to sophisticated investors (as defined in the *Corporations Act 2001*) on 18 August 2009 to raise \$500,000 before issue costs for the purposes of working capital;
- on 28 August 2009, Abbotsleigh Pty Limited elected to convert its \$800,000 Convertible Loan into shares of the Company. Pursuant to the loan agreement the shares were issued at a conversion price of \$0.01 per share, being 80,000,000 shares, thereby reducing the company's outstanding liabilities; and
- commenced a pro-rata renounceable rights issue of approximately 121,029,937 new shares on the basis of two new shares for every seven shares held on the Record Date at an issue price of \$0.032 per new share, to raise approximately \$3,872,958. The rights issue is fully underwritten by Gandel Metals Pty Limited, a company associated with Mr I J Gandel. Gandel Metals Pty Limited have provided representations to the Company which have satisfied the Board as to its capacity to take up all of the rights issue shortfall pursuant to the terms of the Underwriting Agreement. The rights issue is due for completion on 15 October 2009.

The directors have prepared a cash flow forecast for the period ending 30 September 2010 which indicates that the company will have sufficient cash flows to meet all working capital requirements.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

(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").

Changes in accounting policies

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption for financial reporting periods beginning 1 July 2008 but have not been applied in preparing the financial report.

New or revised requirement	Application Date	More information	Impact on Group
<p><i>AASB 101 Presentation of Financial Statements (Revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards & Interpretations and AASB 2007-10 Further Amendments to AASBs arising from AASB 101</i></p> <p>The revised standard affects the presentation of changes in equity and comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	This is a disclosure standard, so will have no direct impact on amounts in the financial report, other than amendments to disclosures.
<p><i>AASB 123 Borrowing Costs (Revised), AASB 2007-6 Amendments to Australian Accounting Standards 1, 101, 107, 111, 116, 138 and Interpretations 1 & 12</i></p> <p>This revision eliminates the option to expense borrowing costs on qualifying assets and requires that they be capitalised. The Amending Standard eliminates reference to the expensing option in various other pronouncements.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The adoption of this standard will have no impact on the group.
<p><i>AASB 3 Business Combinations (Revised), AASB 127 Consolidated and Separate Financial Statements (Amended), AASB 2008-3 Amendments to AASBs arising from AASB 3 and AASB 127</i></p> <p>This revision changes the application of acquisition accounting for business combinations and accounting for non-controlling interests. The revised and amended standards incorporate many changes which will have a significant impact on the profit and loss for entities entering into business combinations.</p>	Beginning 1 July 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p><i>AASB 8 Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards 5, 6, 102, 107, 119, 127, 134, 136, 1023 & 1038 arising from AASB 8</i></p> <p>This standard supersedes AASB 114 Segment Reporting, introducing a US GAAP approach of management reporting as part of the convergence project with FASB.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	AASB 8 is a disclosure standard, so will have no direct impact on amounts in the financial report, other than amendments to disclosures.
<p><i>AASB 2008-1 Amendments to Australian Accounting Standards: Share-Based Payments: Vesting Conditions and Cancellations</i></p> <p>This clarifies that vesting conditions comprise service conditions and performance conditions only and that other features of a share-based payment transaction are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

New or revised requirement	Application Date	More information	Impact on Group
<p>AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p>AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project AASB 2008-6 amends AASB 1 and AASB 5 to include requirements relating to a sale plan involving the loss of control of a subsidiary.</p>	Beginning 1 July 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p>AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate This amends and clarifies the following standards AASB 101, AASB 118, AASB 127 and AASB 136 for the treatment of determining the cost of an investment in a subsidiary, jointly controlled entity or associate.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p>AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project The amendments revise changes to AASB 2, AASB 138, AASB Interpretations 9 & 16 from changes to AASB 3</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p>AASB 2009-5 Amendments Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p>AASB 2008-12: Amendments to Australian Accounting Standards – Reclassification of Financial Assets The amendments clarify the effective date of the amendments made to AASB 139 and AASB 7 as a result of the issuance of AASB 2008-10 in November 2008. AASB 2008-12 clarifies that, the amendments under AASB 2008-10, apply from 1 July 2008, and may not be applied to financial reporting periods before this date.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p>AASB 2009-2: Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments The amendments to AASB 7 require enhanced disclosures about fair value measurements and liquidity risk.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p>Interpretation 17 Distributions of Non-cash Assets to Owners This Interpretation provides guidance on how an entity should measure distributions of assets other than cash when it pays dividends to its owners, except for common control transactions.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Gippsland Limited and its subsidiaries ('the Group').

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.

(e) 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.

(f) 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 balance sheet date.

All differences in the consolidated financial report are taken to the income statement 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 income statement.

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 balance sheet date and the income statements 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

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

(g) Cash and cash equivalents

Cash and short-term deposits in the balance sheet 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 Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice which represents fair value at that date amount 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.

(i) Other Financial assets

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

(j) 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 inflows, 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 inflows 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 income statement.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued used 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 income statement in the period the item is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

(k) Exploration and Evaluation expenditure

Exploration and evaluation expenditure incurred is recognised as exploration and evaluation assets, measured on the cost basis as an intangible asset. 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.

(l) 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.

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.

(m) 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.

(n) 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 income statement 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

(o) Loans and Borrowings

Loans and borrowings include Director's loans and the \$800,000 Convertible Note. All 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.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

(p) 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.

(q) 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').

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 7).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

(r) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(s) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(t) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet 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.

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 assets 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 balance sheet 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 balance sheet date.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

(u) 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 balance sheet.

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.

(v) 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 after 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.

(w) 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.

(x) Segment information

A business segment is a distinguishable component of the Group that is engaged in providing products and services that are subject to risks and returns that are different to those of other business segments.

A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(y) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

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.

(z) Financial risk management policy

Details of the Group's financial risk management policy are set out in Note 28.

(aa) 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 balance sheet.

(ab) Comparative Figures

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

3 RETROSPECTIVE RESTATEMENT

During the financial year, management made a review of the exchange differences arising on the retranslation of intercompany loans denominated in foreign currencies in accordance with its accounting policies. It was determined that these differences should be accounted in a separate component of equity in the financial statements that include the foreign operation and the reporting entity in accordance with AASB 121 *The Effects of Changes in Foreign Exchange Rates*.

As such, in accordance with AASB 121, Gippsland Limited has retrospectively restated its income statement and other reserves to reflect these foreign exchange differences. The restatement has had the effect of overstating the group's loss for the year and overstating other reserves by an amount of \$904,259 at 30 June 2008.

The correction of this restatement has had the following effect on the balance sheet:

Effect of changes as at 30 June 2008	CONSOLIDATED		
	Prior to Adjustment	Required Adjustment	Post Adjustment
Reserves	1,145,333	(904,259)	241,074
Accumulated losses	(26,561,730)	904,259	(25,657,471)
Loss attributable to members of the parent	(3,425,133)	904,259	(2,520,874)
Basic earnings per share	(1.24)	0.33	(0.91)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

4 REVENUES, OTHER INCOME AND EXPENSES

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	\$	\$	\$	\$
Revenue and expenses from continuing operations				
(a) Revenue				
Finance revenue	10,809	77,542	10,023	74,152
	10,809	77,542	10,023	74,152
(b) Other income				
Sundry income	6,494	3,338	6,494	1,835
	6,494	3,338	6,494	1,835
(c) Administration expenses				
Included in administrative expenses:				
Minimum lease payments - operating lease	144,415	123,328	122,396	106,654
Option expense	-	193,600	-	193,600
Consultancy expenses	25,803	140,953	24,575	57,405
(d) Employee benefits expenses				
Payroll cost	1,158,109	1,217,380	829,796	778,916
Superannuation	26,077	29,721	26,077	28,069
Share-based payments expense	17,000	-	17,000	-
Total employee benefit expenses	1,201,186	1,247,101	872,873	806,985

5 REVERSAL OF IMPAIRMENT LOSS

In the previous year, the Company reversed the exploration and evaluation impairment losses previously recognised amounting to \$2,184,129 in relation to the Abu Dabbab tantalite, tin and feldspar project.

The main events and circumstances that led to the reversal of these impairment losses were as follows:

- A 10 year off take agreement was signed with the German company HC Starck GmbH for the supply of 600,000 pounds of tantalum per annum.
- A Bankable Feasibility Study for a mill feed of 2 million tonnes per annum on the Abu Dabbab project has been completed.
- Detailed negotiations with the German bank KfW Bankengruppe to secure the debt portion of the project finance had commenced. The bank is continuing with its due diligence process.
- An infill drilling program at Abu Dabbab had been completed resulting in an increase in the project reserves.
- A major equity raising is planned following the completion of the bank due diligence.

The impact of the reversal of impairment loss is to increase the Exploration and Evaluation asset (\$4,422,641) by \$2,184,129 on the Balance Sheet.

As at Balance Date, the circumstances of the reversal of impairment loss remained valid.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

6 INCOME TAX

Income Statement	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	\$	\$	\$	\$

(a) The components of income tax expense for the years ended 30 June 2009 and 2008 are:

Income Statement

Current income tax

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

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

Income tax liability reported in equity	-	-	-	-
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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 2009 and 2008 is as follows:

Accounting profit (loss) before tax	(2,751,352)	(2,520,874)	(3,603,662)	(5,330,026)
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At the statutory income tax rate of 30% (2008: 30%)	(825,405)	(756,262)	(1,081,099)	(1,599,008)
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Provision for non-recovery of loans		-		-
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Exploration expenditure incurred in relation to a foreign permanent establishment	-	17,855	-	17,855
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Non-deductible expenses	12,680	62,389	12,680	62,389
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Temporary differences not recognised	812,725	676,018	1,068,419	1,518,764
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Income tax expense	-	-	-	-
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Income tax expense reported in income statement	-	-	-	-
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Income tax attributable to discontinued operation	-	-	-	-
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Effective income tax rate	0%	0%	0%	0%
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	\$	\$	\$	\$
Unrecognised deferred tax assets and liabilities				
Deferred tax assets and liabilities have not been recognised in respect of the following items:				
Other assets	(231)	-	(231)	-
Business related costs	77,178	105,744	77,178	105,744
Accrued superannuation	-	-	-	-
Accrued audit fees	10,538	8,724	6,843	4,989
Accrued expenses	60	-	60	-
Employee entitlements	1,404	6,373	1,404	6,373
Borrowing costs	17,571	1,454	17,571	1,454
Foreign exchange gain	(228,176)	110,695	20,251	1,557
Foreign exchange loss	20,278	-	-	-
Tax losses (domestic)	4,003,215	3,321,947	3,218,109	2,704,603
Trade and other receivables	-	-	4,572,117	4,062,664
<i>Potential unrecognised tax benefit @ 30%</i>	3,901,837	3,554,937	7,913,302	6,887,384

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 can utilise benefits.

7 EARNINGS PER SHARE

	CONSOLIDATED	
	2009	2008
	cents	cents
Basic earnings per share	(0.86)	(0.91)
Diluted earnings per share	(0.86)	(0.91)

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	(2,751,352)	(2,520,874)
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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	320,389,652	276,638,760
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	320,389,652	276,638,760

There were 46,000,000 potential ordinary shares as at 30 June 2009 (29,000,000 for 30 June 2008).

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 2009

8 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash at bank and in hand	114,127	1,551,516	68,038	1,328,816
Short term deposits	-	41,324	-	-
	114,127	1,592,840	68,038	1,328,816

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 \$114,127 (2008: \$1,592,840).

Reconciliation to cash flow statement

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

Cash at bank and in hand	114,127	1,551,516	68,038	1,328,816
Short-term deposits	-	41,324	-	-
	114,127	1,592,840	68,038	1,328,816

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

Net Profit/(Loss) after income tax	(2,751,352)	(2,520,874)	(3,603,662)	(5,330,026)
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Adjustments for:

Depreciation and amortisation	57,155	70,353	20,308	22,216
Impairment losses	29,749	(802,869)	1,698,175	3,219,535
Expenses capitalised	1,445	(104,892)	1,445	-
Foreign exchange loss (gain)	354,412	31,688	93,133	5,189
Share options expensed	17,000	193,600	17,000	193,600

Changes in assets and liabilities

(increase)/decrease in trade and other receivables	16,234	74,864	16,234	73,314
(increase)/decrease in other assets	(12,657)	(26,565)	(19,178)	(15,521)
(decrease)/increase in provisions	(37,930)	20,027	(16,564)	9,767
(decrease)/increase in trade and other payables	(111,150)	230,121	98,287	(50,892)
Net cash from operating activities	(2,437,094)	(2,834,547)	(1,694,822)	(1,872,818)

9 TRADE AND OTHER RECEIVABLES (CURRENT)

		CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		\$	\$	\$	\$
Trade receivables	(i)	-	-	-	-
Other receivables	(ii)	31,707	47,941	31,707	47,941
		31,707	47,941	31,707	47,941

- (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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

10 OTHER FINANCIAL ASSETS (NON-CURRENT)

	<i>CONSOLIDATED</i>		<i>PARENT</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	\$	\$	\$	\$
Loans receivable from controlled entities (a)	-	-	15,240,389	13,542,214
Provision for impairment of receivables	-	-	(15,240,389)	(13,542,214)
Investments in controlled entities - at cost	-	-	27,688	27,688
	-	-	27,688	27,688

The impairment of loans to subsidiaries was \$1,698,175 (2008: \$3,219,534)

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.

(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>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	\$	\$	\$	\$
Loan receivables	-	-	-	-

(c) Interest Rate Risk

Details regarding interest rate risk exposure are disclosed in note 28(b).

(d) Credit risk

Details regarding credit risk exposure are disclosed in note 28(d).

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

11 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 2009						
Balance at 30 June 2008	12,902	186,845	199,747	12,902	55,351	68,253
Additions	-	2,602	2,602	-	1,444	1,444
Disposals	-	(1,331)	(1,331)	-	(1,331)	(1,331)
Foreign Exchange Adjustment	-	24,477	24,477	-	-	-
Depreciation charge for the year	(3,650)	(53,505)	(57,155)	(3,650)	(15,493)	(19,143)
Balance at 30 June 2009	9,252	159,088	168,340	9,252	39,971	49,223
At 30 June 2008						
Cost or fair value	18,251	316,165	334,416	18,251	110,104	128,355
Accumulated depreciation and impairment	(5,349)	(129,320)	(134,669)	(5,349)	(54,753)	(60,102)
Net carrying amount	12,902	186,845	199,747	12,902	55,351	68,253
At 30 June 2009						
Cost or fair value	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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	<i>CONSOLIDATED</i>			<i>PARENT</i>		
	<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 2008						
Balance at 30 June 2007	31,055	123,853	154,908	16,552	71,584	88,136
Additions	-	10,300	10,300	-	2,333	2,333
Disposals	-	-	-	-	-	-
Transfers	(14,503)	119,395	104,892	-	-	-
Depreciation charge for the year	(3,650)	(66,703)	(70,353)	(3,650)	(18,566)	(22,216)
Balance at 30 June 2008	12,902	186,845	199,747	12,902	55,351	68,253
At 30 June 2007						
Cost or fair value	33,385	225,697	259,082	18,251	143,379	161,630
Accumulated depreciation and impairment	(2,330)	(101,844)	(104,174)	(1,699)	(71,795)	(73,494)
Net carrying amount	31,055	123,853	154,908	16,552	71,584	88,136
At 30 June 2008						
Cost or fair value	18,251	316,165	334,416	18,251	110,104	128,355
Accumulated depreciation and impairment	(5,349)	(129,320)	(134,669)	(5,349)	(54,753)	(60,102)
Net carrying amount	12,902	186,845	199,747	12,902	55,351	68,253

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

12 EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	\$	\$	\$	\$
Exploration & evaluation expenditure (at cost)	8,893,599	6,769,865	-	-
Accumulated amortisation and impairment	(4,470,958)	(3,664,199)	-	-
	4,422,641	3,105,666	-	-

Movement:

Exploration & evaluation expenditure

Balance at beginning of year	3,105,666	-	-	-
Current year expenditure	933,473	2,269,051	-	-
Foreign Exchange Adjustment	413,250	(237,707)	-	-
Impairment	(29,749)	(1,109,807)	-	-
Impairment reversal (note 5)	-	2,184,129	-	-
Balance at end of year	4,422,641	3,105,666	-	-

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.

The directors have reviewed the carrying values of each area of interest as at Balance Date. Where the carrying value of an individual area of interest was in excess of its recoverable amount the area of interest has been written down to its recoverable amount.

For the year ended 30 June 2009, 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 2009, exploration expenditure of \$29,749 on the Wadi Allaqi project was impaired.

13 TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	\$	\$	\$	\$
Trade payables and accruals (i)	688,713	799,863	248,909	150,622
	688,713	799,863	248,909	150,622

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

14 PROVISIONS (CURRENT)

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	\$	\$	\$	\$
Provision for annual leave	20,398	58,328	4,679	21,243
	20,398	58,328	4,679	21,243

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

15 LOANS AND BORROWINGS (CURRENT)

		CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		\$	\$	\$	\$
Directors' Loans - unsecured	(i)	300,000	-	300,000	-
Convertible Loan - secured	(ii) (iii) (iv)	800,000	-	800,000	-
		1,100,000	-	1,100,000	-

- (i) In December 2008, Directors' Loans to the value of \$300,000 were made to the Company. The loans are interest free, unsecured and repayable following a capital raising(s) of at least \$1,500,000 by the Company or as is mutually agreed between the Lender and the Company.
- (ii) On 15 April 2009, the Company secured a 12 month convertible loan for \$800,000 from Abbotsleigh Proprietary Limited as trustee for the I.Gandel Share Investment Trust. Abbotsleigh Pty Limited became a related party of the Company upon the appointment of Mr Gandel as a director on 24 June 2009. Interest on the loan will accrue at a rate of 10% per annum. The loan may be converted into fully paid ordinary shares in the Company at a conversion rate of \$0.01 per share. Conversion of the loan into 80,000,000 shares took place on 28 August 2009.
- (iii) The Convertible Loan is secured by a registered specific and floating charge over the legal interest in the present and future assets of Tantalum International Pty Ltd, of any nature or description, situated anywhere in Australia or overseas.
- (iv) The Convertible Loan has been classified as a straight debt instrument with no equity component. This has been determined based on the terms and conditions of the convertible loan in accordance with the agreement between the Company and Abbotsleigh Pty Ltd.

16 CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	\$	\$	\$	\$
(a) Ordinary Shares				
Issued and fully paid	30,678,570	29,550,495	30,678,570	29,550,495

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 1 July 2007		259,524,592		25,409,780
Exercise of options	(i)	33,674,180		3,030,676
Issued to employee	(ii)	500,000		-
Share issue	(iii)	12,655,553		1,181,290
Transaction costs	(iv)	-		(71,251)
At 30 June 2008		306,354,325		29,550,495
Share issue	(v)	17,080,000		1,028,075
Share issue	(vi)	4,545,454		100,000
At 30 June 2009		327,979,779		30,678,570

- (i) 33,674,180 shares issued on 31 December 2007 for cash on exercise of share options at 9 cents each.
- (ii) 500,000 shares issued on 26 February 2008 in accordance with an employment contract for nil consideration
- (iii) 12,655,553 shares issued on 27 June 2008 for cash at 9.3 cents each
- (iv) The transaction costs represent the cost of issuing the shares
- (v) 17,080,000 shares issued on 6 October 2008 for cash at 2.5 pence each (approx. 5.7 cents each)
- (vi) 4,545,454 shares issued on 2 March 2009 for cash at 2.2 cents each.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

17 RESERVES AND ACCUMULATED LOSSES

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	\$	\$	\$	\$
(a) Reserves				
Option issue reserve	349,402	332,402	349,402	332,402
Foreign currency translation reserve	367,307	(91,328)	-	-
	716,709	241,074	349,402	332,402

	Option issue reserve		Foreign currency translation reserve	Total
	\$	\$	\$	
Movements in reserves				
At 1 July 2007		138,802	-	138,802
Share based payment		193,600	-	193,600
Currency translation differences		-	(91,328)	(91,328)
At 30 June 2008		332,402	(91,328)	241,074
Currency translation differences		-	458,635	458,635
Share based payment		17,000	-	17,000
As at 30 June 2009		349,402	367,307	716,709

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	\$	\$	\$	\$
(b) Accumulated losses				
Movements in accumulated losses were as follows:				
Balance 1 July	(25,657,471)	(23,136,597)	(28,547,013)	(23,216,987)
Net profit/(loss) for the year	(2,751,352)	(2,520,874)	(3,603,662)	(5,330,026)
Balance 30 June	(28,408,823)	(25,657,471)	(32,150,675)	(28,547,013)

(c) Nature and purpose of reserves

Option issue reserve

The option issue reserve is used to record items recognised as expenses on valuation 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 2009

18 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	
		2009 %	2008 %	2009 \$	2008 \$
Tantalum International Pty Ltd	Australia	100	100	100	100
Here2win.com Pty Ltd	Australia	100	100	100	100
Abutan Pty Ltd	Australia	100	100	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	-	-
				27,688	27,688

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

19 INTERESTS IN JOINT VENTURE OPERATIONS AND BUSINESS UNDERTAKINGS

At 30 June 2009, the Group was a participant in the following joint ventures:

Name of joint venture	CONSOLIDATED		PARENT	
	2009 % Interest	2008 % Interest	2009 % Interest	2008 % 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.

20 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. An option exists to renew the lease at the end of the five year term for an additional five years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

Cairo Office Lease

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

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

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	\$	\$	\$	\$
Within one year	146,690	140,925	126,690	123,704
After one year but not more than five years	171,400	281,327	161,400	281,327
	318,090	422,252	288,090	405,031

(b) Exploration expenditure commitments

The Group has no 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.

21 SHARE BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

The expense recognised for employee services during the year is shown in the table below:

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	\$	\$	\$	\$
Expense arising from equity-settled share-based payment transactions	17,000	-	17,000	-
Expense arising from cash-settled share-based payment transactions	-	-	-	-
	17,000	-	17,000	-

(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.

(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.

	2009	2009	2008	2008
	No	WAEP	No	WAEP
Outstanding at the beginning of the year	29,000,000	0.14	83,232,393	0.11
Granted during the year	17,000,000	0.15	4,000,000	0.16
Exercised during the year	-	-	(33,674,180)	(0.09)
Lapsed during the year	-	-	(24,558,213)	(0.10)
Outstanding at the end of the year	46,000,000	0.14	29,000,000	0.14

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

(d) Weighted average of remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is 2.87 years (2008: 3.85 years)

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was \$0.135 - \$0.15. (2008: \$0.135 - \$0.16)

(f) Weighted average fair value

The weighted average fair value of options granted during the year was \$0.15 (2008: \$0.16)

(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 and the risk that the Company is not listed. The following inputs were used:

Strike price	A\$ 0.15
Stock price	A\$ 0.06
Valuation date	28/11/2008
Expiry date	31/05/2012
Volatility	40%
Risk free rate	3.13%
Value per option	A\$ 0.001
Number of options	17,000,000
Value of options	A\$ 17,000

22 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

23 SUBSEQUENT EVENTS

On 30 July and 5 August 2009, a total of \$150,000 was loaned to the Company for working capital purposes by Gandel Metals Pty Limited, a party associated with director Mr IJ Gandel. The loan was unsecured and interest free and subsequently repaid in full on 27 August 2009.

On 14 August 2009, the Company announced the issue of 10,000,000 options over ordinary shares with an exercise price of \$0.087 per share and an expiry date of 14 December 2011 to the International Finance Corporation ("IFC"). The issue was made following re-negotiation of the IFC Subscription Agreement to allow the Company increased flexibility for capital raisings.

On 17 August 2009, 15,625,000 fully paid ordinary shares were issued to private investors at a price of \$0.032 per share to raise \$500,000 for working capital purposes.

On 28 August 2009, Abbotsleigh Pty Limited elected to convert its \$800,000 Convertible Loan into shares of the Company. Pursuant to the loan agreement the shares were issued at a conversion price of \$0.01 per share, being 80,000,000 shares. Following the conversion Abbotsleigh Pty Limited holds 18.89% of the issued capital in the Company.

On 28 August 2009 the Company announced a pro-rata renounceable rights issue of approximately 121,029,937 new shares on the basis of two new shares for every seven shares held at an issue price of \$0.032 per new share, to raise approximately \$3,872,958. The rights issue is fully underwritten by Gandel Metals Pty Ltd and is due for completion on 15 October 2009.

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.

24. REMUNERATION OF AUDITORS

The auditor of Gippsland Limited is PKF Chartered Accountants & Business Advisors ("PKF").

	<i>CONSOLIDATED</i>		<i>PARENT</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	\$	\$	\$	\$
Amounts received or due and receivable by PKF for:				
• an audit or review of the financial report of the entity and any other entity in the Group	58,093	42,834	58,093	42,834
• other services in relation to the entity and any other entity in the Group				
(a) tax compliance	34,782	2,992	13,994	500
(b) corporate advisory fees	13,890	22,697	8,290	10,902
	106,765	68,523	80,377	54,236
Amounts received by auditors other than PKF for:				
• an audit or review of the financial report of the entity and any entity in the Group	52,143	89,037	-	12,422
• other services in relation to the entity and any entity in the Group				
(b) tax compliance	2,865	-	-	-
(b) corporate advisory fees	-	-	-	-
	161,773	157,560	80,377	66,658

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

25 RELATED PARTY DISCLOSURE

Ultimate Parent

Gippsland Limited is the ultimate holding company of the Group

	<i>CONSOLIDATED</i>		<i>PARENT</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	\$	\$	\$	\$
Aggregate amounts receivable at balance date from:				
Controlled entities (i)	-	-	15,240,389	13,542,214
Provision for non-recovery	-	-	(15,240,389)	(13,542,214)
	-	-	-	-

(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 \$1,698,175 (2008: \$3,219,534). 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:

	<i>CONSOLIDATED</i>		<i>PARENT</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	\$	\$	\$	\$
Eco International Pty Ltd – a company controlled by Mr RJ Telford received management fees.	152,000	260,211	152,000	260,211
Mandu Pty Ltd – a company controlled by Dr JM Chisholm received geological consulting fees.	118,333	237,500	118,333	237,500
John S Dunlop and Associates Pty Ltd – a company controlled by Mr JSF Dunlop received directors and mining consulting fees.	25,500	60,412	25,500	60,412
Ventureworks JDK Pty Ltd – a company controlled by Mr JD Kenny received director's fees.	18,750	38,750	18,750	38,750
Mr RJ Telford – director loan provided to Gippsland	250,000	-	250,000	-
Mr J Starink – director loan provided to Gippsland	50,000	-	50,000	-
Abbotsleigh Pty Limited – a company associated with Mr IJ Gandel provided a Convertible Loan to Gippsland	800,000	-	800,000	-
The parent entity, Gippsland, has made loans to its controlled entities. These loans are interest free, unsecured and at call.	-	-	1,698,175	3,219,535

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

26 KEY MANAGEMENT PERSONNEL

(a) Compensation of key management personnel

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

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

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

30 June 2009	Balance at 1.7.2008	Granted as remuneration	Options Exercised	Options Lapsed	Balance at 30.6.2009
Directors					
Mr IJ Gandel	-	-	-	-	-
Mr RJ Telford	-	5,000,000	-	-	5,000,000
Dr JM Chisholm	-	3,000,000	-	-	3,000,000
Mr JSF Dunlop	-	2,000,000	-	-	2,000,000
Mr JD Kenny	-	1,000,000	-	-	1,000,000
Mr J Starink	-	2,000,000	-	-	2,000,000
Executives					
Mr A Ayyash	-	1,000,000	-	-	1,000,000
Mr RS Caren	-	1,000,000	-	-	1,000,000
Mr S Chadwick	-	2,000,000	-	-	2,000,000
Mr NA Marston	-	-	-	-	-
Mr PR Sims	-	-	-	-	-
	-	17,000,000	-	-	17,000,000
30 June 2008	Balance at 1.7.2007	Granted as remuneration	Options Exercised	Options Lapsed	Balance at 30.6.2008
Directors					
Mr RJ Telford	6,558,322	-	6,558,322	-	-
Dr JM Chisholm	2,260,000	-	2,260,000	-	-
Mr JSF Dunlop	2,250,000	-	-	(2,250,000)	-
Mr JD Kenny	2,250,000	-	2,250,000	-	-
Mr J Starink	-	-	-	-	-
Executives					
Mr PR Sims	2,250,000	-	-	(2,250,000)	-
Mr RS Caren	-	-	-	-	-
	15,568,322	-	11,068,322	(4,500,000)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

(c) Shareholdings of key management personnel (consolidated)

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

30 June 2009	Balance 1.7.2008	Granted as remuneration	On exercise of Options	Net Change Other*	Balance 30.6.2009
	Ord	Ord	Ord	Ord	Ord
Directors					
Mr IJ Gandel	-	-	-	-	-
Mr RJ Telford	20,126,446	-	-	(529,000)	19,597,446
Dr JM Chisholm	2,420,000	-	-	-	2,420,000
Mr JSF Dunlop	-	-	-	-	-
Mr JD Kenny	2,250,000	-	-	-	2,250,000
Mr J Starink	300,000	-	-	-	300,000
Executives					
Mr A Ayyash	974,784	-	-	-	974,784
Mr RS Caren	-	-	-	-	-
Mr S Chadwick	-	-	-	-	-
Mr NA Marston	-	-	-	-	-
Mr PR Sims	-	-	-	-	-
	26,071,230	-	-	(529,000)	25,542,230
30 June 2008	Balance 1.7.2007	Granted as remuneration	On exercise of Options	Net Change Other*	Balance 30.6.2008
	Ord	Ord	Ord	Ord	Ord
Directors					
Mr RJ Telford	13,568,124	-	6,558,322	-	20,126,446
Dr JM Chisholm	160,000	-	2,260,000	-	2,420,000
Mr JSF Dunlop	-	-	-	-	-
Mr JD Kenny	-	-	2,250,000	-	2,250,000
Mr J Starink	-	-	-	300,000	300,000
Executives					
Mr A Ayyash	474,784	500,000	-	-	974,784
Mr PR Sims	-	-	-	-	-
Mr RS Caren	-	-	-	-	-
	14,202,908	500,000	11,068,322	300,000	26,071,230

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

(d) Other transactions with key management personnel

Nil

27 SEGMENT INFORMATION

(a) Industry segments

The Group operates predominantly in the mining and exploration industry. The Group's primary reporting format is business segments and its secondary format is geographical segments.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Transfer prices between business segments are set at an arms length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

(b) Business segments

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2009 and 2008.

	<i>Continuing Operations</i>			<i>Total Operations</i>
	<i>Tantalum</i>	<i>Gold</i>	<i>Corporate</i>	
	\$	\$	\$	\$
Year ended 30 June 2009				
Revenue				
Other revenues from external customers	545	242	16,516	17,303
Inter-segment transactions	22,085	23,178	-	45,263
Total segment revenue	22,630	23,420	16,516	62,566
Inter-segment elimination				(45,263)
Total consolidated revenue				17,303
Result				
Segment result	653,374	192,067	1,905,911	2,751,352
Loss before income tax and minority interest				2,751,352
Income tax expense				-
Net loss for the year				2,751,352
Assets and liabilities				
Segment assets	4,458,063	134,307	203,197	4,795,567
Total assets				4,795,567
Segment liabilities	201,658	253,864	1,353,589	1,809,111
Total liabilities				1,809,111
Other segment information				
Capital expenditure	-	1,158	1,444	2,602
Depreciation	3,095	33,752	20,308	57,155
Impairment losses	-	29,749	-	29,749
Year ended 30 June 2008				
Revenue				
Other revenues from external customers	1,966	1,425	77,489	80,880
Inter-segment sales	-	23,934	-	23,934
Total segment revenue	1,966	25,359	77,489	104,814
Inter-segment elimination				(23,934)
Total consolidated revenue				80,880
Result				
Segment result	(1,144,986)	1,556,870	2,108,990	2,520,874
Loss before income tax and minority interest				2,520,874
Income tax expense				-
Net loss for the year				2,520,874
Assets and liabilities				
Segment assets	3,215,400	296,828	1,480,061	4,992,289
Total assets				4,992,289
Segment liabilities	465,755	220,571	171,865	858,191
Total liabilities				858,191
Other segment information				
Capital expenditure	7,967	-	2,333	10,300
Depreciation	13,868	34,268	22,217	70,353
Impairment losses	-	1,109,807	-	1,109,807
Reversal of impairment	2,184,129	-	-	2,184,129

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

(c) Geographical segments

The Group's geographical segments 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 segments for the years ended 30 June 2009 and 2008

	<i>Australia</i> \$	<i>Egypt</i> \$	<i>Total</i> \$
Year ended 30 June 2009			
Revenue			
Other revenues from external customers	16,517	787	17,304
Less revenue attributable to discontinued operation	-	-	-
Revenue from continuing operations	16,517	787	17,304
Inter-segment sales	-	-	-
Segment revenue	16,517	787	17,304
Other segment information			
Segment assets	203,197	4,592,370	4,795,567
Total assets			4,795,567
Capital expenditure	1,444	1,158	2,602
Year ended 30 June 2008			
Revenue			
Other revenues from external customers	77,490	3,390	80,880
Less revenue attributable to discontinued operation	-	-	-
Revenue from continuing operations	77,490	3,390	80,880
Inter-segment sales	-	-	-
Segment revenue	77,490	3,390	80,880
Other segment information			
Segment assets	1,480,061	3,512,228	4,992,289
Total assets			4,992,289
Capital expenditure	2,333	7,967	10,300

28 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 2009

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	
	2009	2008	2009	2008
	\$	\$	\$	\$
FINANCIAL ASSETS				
<i>Interest Bearing</i>				
Cash at bank	60,587	1,381,335	60,587	1,324,451
<i>Non-Interest Bearing</i>				
Cash at bank	53,540	211,505	7,451	4,365
Trade Receivables	31,707	47,941	31,707	47,941
	145,834	1,640,781	99,745	1,376,757
Weighted average interest rate	0.85%	2.52%	1.42%	2.99%
FINANCIAL LIABILITIES				
<i>Interest Bearing</i>				
Convertible Loan	800,000	-	800,000	-
<i>Non-Interest Bearing</i>				
Trade and other payables	688,713	799,863	248,909	150,622
Directors' Loans	300,000	-	300,000	-
	1,788,713	799,863	1,348,909	150,622
Weighted average interest rate	4.47%	-	5.93%	-

The following table summarises the sensitivity of the fair value of financial assets held at balance date, 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)	
	2009	2008	2009	2008
	\$	\$	\$	\$
+1% (100 basis points)	96	13,813	96	13,245
-1% (100 basis points)	(96)	(13,813)	(96)	(13,245)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

(c) Net 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>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	\$	\$	\$	\$
CONSOLIDATED				
Financial Assets				
Cash	114,127	1,592,840	114,127	1,592,840
Trade and other receivables - current	31,707	47,941	31,707	47,941
Financial Liabilities				
Trade and other payables	688,713	799,863	688,713	799,863
Directors' Loans	300,000	-	300,000	-
Convertible Loan	800,000	-	800,000	-
PARENT				
Financial Assets				
Cash	68,038	1,328,816	68,038	1,328,816
Trade and other receivables - current	31,707	47,941	31,707	47,941
Related party receivables	-	-	-	-
Financial Liabilities				
Trade and other payables	248,909	150,622	248,909	150,622
Directors' Loans	300,000	-	300,000	-
Convertible Loan	800,000	-	800,000	-

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 2009

(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.

2009	Total	Aging analysis between			Currency of payables	
		<30 days	30-60 days	>60 days	AUD	Other
CONSOLIDATED						
Trade Receivables	(31,707)	(31,707)	-	-	(31,707)	-
Trade Payables	468,206	207,257	122,204	138,745	231,967	236,239
Other Payables	220,507	-	-	220,507	-	220,507
Directors' Loans	300,000	-	-	300,000	300,000	-
Convertible Loan	800,000	-	-	800,000	800,000	-
Total	1,757,006	175,550	122,204	1,459,252	1,300,260	456,746
PARENT						
Trade Receivables	(31,707)	(31,707)	-	-	(31,707)	-
Trade Payables	248,909	141,890	102,049	4,970	226,509	22,400
Directors' Loans	300,000	-	-	300,000	300,000	-
Convertible Loan	800,000	-	-	800,000	800,000	-
Total	1,317,202	110,183	102,049	1,104,970	1,294,802	22,400
2008						
CONSOLIDATED						
Trade Receivables	(47,941)	(47,941)	-	-	(47,941)	-
Trade Payables	608,517	419,700	83,440	105,377	296,394	312,123
Other Payables	191,346	-	-	191,346	-	191,346
Total	751,922	377,759	83,440	296,723	248,453	503,469
PARENT						
Trade Receivables	(47,941)	(47,941)	-	-	(47,941)	-
Trade Payables	150,622	138,740	6,505	5,377	109,478	41,145
Total	102,681	90,799	6,505	5,377	61,536	41,145

(f) Foreign Exchange Risk

As a result of operations in Egypt, the Group's balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

At 30 June 2009, the Group had the following exposure to foreign currency that are not designated in cash flow hedges:

	<i>CONSOLIDATED</i>		<i>PARENT</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Financial Assets				
US\$				
Cash and cash equivalents	17,468	229,733	-	-
EGP				
Cash and cash equivalents	28,621	34,291	-	-
GBP				
Cash and cash equivalents	526	1,120,056	526	1,120,056
	46,615	1,384,080	526	1,120,056
Financial Liabilities				
US\$				
Trade and other payables	46,952	55,645	9,940	-
EGP				
Trade and other payables	378,674	6,375	-	-
Euro				
Trade and other payables	6,344	57,528	-	-
GBP				
Trade and other payables	24,776	118,860	12,460	41,145
	456,746	238,408	22,400	41,145
Net exposure	(410,131)	1,145,672	(21,874)	1,078,911

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date.

At 30 June 2009, 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:

	<i>Post Tax Loss (Higher)/Lower</i>		<i>Equity Higher/(Lower)</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	\$	\$	\$	\$
Consolidated				
AUD/EGP +10%	2,652	561,219	(1,246,262)	(1,650,637)
AUD/EGP -10%	(3,241)	(685,934)	1,523,209	2,017,445
Parent				
AUD/EGP +10%	-	-	-	-
AUD/EGP -10%	-	-	-	-

Foreign exchange rates used during the period were as follows:

	2009	2008
	AUD:EGP	AUD:EGP
Rate as at 30 June	4.53500	5.22614
Average Rate for year ended 30 June	4.16169	5.01370

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

(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 2009 and 2008 were as follows:

	<i>CONSOLIDATED</i>		<i>PARENT</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	\$	\$	\$	\$
Total Trade and other payables	688,713	799,863	248,909	150,622
Loans & Borrowings	1,100,000	-	1,100,000	-
Less cash and cash equivalents	(114,127)	(1,592,840)	(68,038)	(1,328,816)
Net Debt Position	1,674,586	(792,977)	1,280,871	(1,178,194)
Total Equity	2,986,456	4,134,098	(1,122,703)	1,335,884
Total Capital	4,661,042	3,341,121	158,168	157,690
Gearing ratio	35.9%	(23.7%)	809.8%	747.2%

DIRECTORS' DECLARATION

The directors of Gippsland Limited declare that:

- (a) in the directors' opinion the financial statements and notes on pages 18 to 55, and the remuneration disclosures that are contained in the Directors' report, set out on pages 6 to 9, are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 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) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and
- (c) 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 by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2009, required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors.

Dated 30th day of September 2009.



RJ Telford
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 balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Gippsland Limited (the company) and the consolidated entity. The consolidated entity comprises both the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 and fair presentation of the financial report 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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's 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 2009 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 2(c).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 9 of the directors' report for the year ended 30 June 2009. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Gippsland Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.



PKF
Chartered Accountants



Neil Smith
Partner

Dated at Perth Western Australia this 30th day of September 2009.

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SHAREHOLDER INFORMATION SET OUT AS AT 18 SEPTEMBER 2009

A TOTAL EQUITY SECURITIES	Shares	Options ex 26/5/2012 at 13.5 cents	Options ex 15/12/2011 at 7 pence	Options ex 31/05/2012 at 15 cents	Options ex 14/12/2011 at 8.7 cents
Totals on Issue	423,604,779	25,000,000	4,000,000	17,000,000	10,000,000

B DISTRIBUTION OF EQUITY SECURITIES

1 - 1,000	79				
1,001 - 5,000	188				
5,001 - 10,000	266				
10,001 - 100,000	741				
100,001 and over	266	1	2	8	1
	1540	1	2	8	1
No of shareholders holding an unmarketable parcel	590				

C TOP 20 SHAREHOLDERS

	Number	%
1 Abbotsleigh Pty Ltd	80,000,000	18.89
2 ANZ Nominees Limited	56,944,840	13.44
3 HSBC Custody Nominees	32,996,387	7.79
4 Situate Pty Ltd	13,734,000	3.24
5 Eco International Pty Ltd	12,727,985	3.00
6 King Town Holdings Pty Ltd	11,930,000	2.82
7 Taveroam Pty Limited	9,443,273	2.23
8 Pershing Nominees Limited	9,136,000	2.16
9 National Nominees Limited	7,899,488	1.86
10 Taveroam Pty Ltd	7,600,000	1.79
11 RJ & RK Telford	6,869,461	1.62
12 Alsanto Nominees Pty Ltd	6,390,000	1.51
13 JP Morgan Nominees Australia	4,622,629	1.09
14 Alibank London	4,500,000	1.06
15 Sunvest Corporation Limited	4,266,665	1.01
16 LR Nominees Limited	3,899,220	0.92
17 The Bank of New York	3,522,222	0.83
18 Lawshare Nominees Limited	2,575,423	0.61
19 Mandu Superannuation Fund	2,320,000	0.55
20 Fiske Nominees Ltd	2,308,332	0.54
	283,685,925	66.96

SHAREHOLDER INFORMATION SET OUT AS AT 18 SEPTEMBER 2009

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	8.7 cents	14/12/2011
FD Holdings Ltd	2,000,000	7 pence	15/12/2011
Seymour Pierce Limited	2,000,000	7 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	80,000,000	18.89
Situate Pty Ltd, Taverroam Pty Ltd and RW Beale	35,468,194	8.4

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 18 September, 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	Application ²	Pending	90%
Eritrea	Adobha	Application ²	Pending	90%
Eritrea	Adobha	Application ²	Pending	90%
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.
- 2 Applications submitted 20 February 2008.