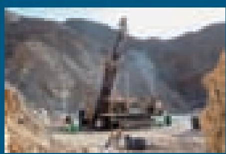
2010 ANNUAL REPORT

GIPPSLAND LIMITED

ABN 31 004 766 376

CONTENTS

GIPPSLAND LIMITED

ABN 31 004 766 376

ANNUAL REPORT 2010

ABU DABBAB RC DRILLING MOD 3

CORPORATE DIRECTORY

DIRECTORS
Ian Jeffrey Gandel – Non Executive Chairman
Robert John (Jack) Telford – Executive Director & Chief Executive Officer
Jon Starink – Executive Director
John Stuart Ferguson Dunlop – Non-Executive Director
John Damian Kenny – Non-Executive Director

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Rowan St John Caren

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AUSTRALIAN STOCK EXCHANGE
The Company's securities are quoted on the official list of the ASX Ltd (ASX), the home exchange being:
The ASX (Perth) Ltd
2 The Esplanade
Perth WA 6000
Australia

ASX CODE
GIP

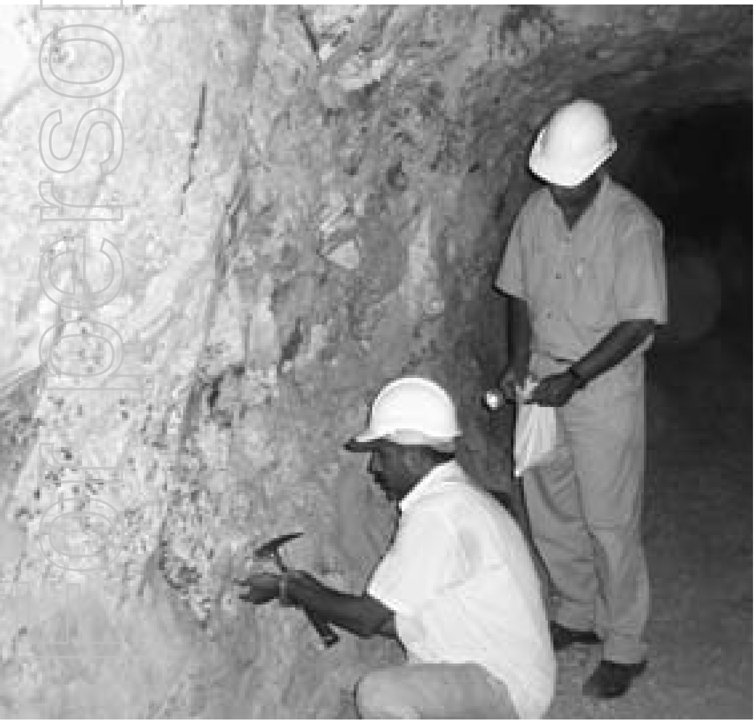
FRANKFURT STOCK EXCHANGE (DEUTSCHE BÖRSE)
The Company's securities are quoted on the Frankfurt Stock Exchange
Neue Börsenstrasse 1
60487 Frankfurt / Main
Germany

FSE CODE
GIX

As the global economy has returned to a more stable condition over the past financial year, markets for the metals of most interest to our Company, tantalum and tin, have recently experienced significant price increases. The spot market price of tantalum has increased from approximately US$38/lb in December 2009 to the present price of approximately US$90/lb. During this period the LME cash price for tin has increased from a low of US$10,300 mid-2009 to the present price of approximately US$27,000/tonne.

EGYPT

Our flagship project is the 44.5 million tonne Abu Dabbab Tantalum-Tin Project in Egypt. Abu Dabbab together with the Company's nearby Nuweibi tantalum deposit have a combined resource base of 142.5 million tonnes of which 30.2 million tonnes is in the Ore Reserve category. This world scale resource backing places Gippsland in a prime position to be the world's major supplier of tantalum feedstock for several decades.



ABU DABBAB MINERALISATION SAMPLING

During 2007, a ten year Off-take Agreement was secured with the German tantalum major HC Starck GmbH for the supply of six million pounds of tantalum pentoxide from the Abu Dabbab project. As you will be aware the Company is presently in negotiation with HC Starck regarding the off-take pricing. These negotiations have taken longer than we would have hoped however we are confident of progress in the short term. Once clarification of the off-take pricing is achieved, we will move rapidly to secure project financing for Abu Dabbab.

Worldwide pressure to arrest the supply of 'conflict' materials is building. On 15 July 2010, the international tantalum market underwent a dramatic change with the passing of a ground-breaking new conflict minerals bill, passed by the United States Senate, which will largely curtail central African groups from funding their subversive activities by the revenue generated from the sale of conflict minerals of tantalum, tungsten and tin. The DRC 'conflict minerals' law is the first of its kind in the world, requiring companies to use independent experts to certify whether their minerals are conflict-free. This is of considerable benefit to Gippsland as its Abu Dabbab project is potentially the world's largest single supplier of conflict-free tantalum.

Once again, the Company acknowledges the high level of support it enjoys from its Egyptian partners. In particular, our CEO, Jack Telford, and I wish to acknowledge and thank His Excellency Eng Sameh Fahmy, Minister of the Egyptian Ministry of Petroleum and Mineral Resources, for his substantial support and assistance during the past year. Eng Mostafa El Baahar, the Chairman of the Egyptian Mineral Resources Authority, also continues to provide a high level of support for the Company and its Egyptian projects.

ERITREA

During the year, the Company was granted a large Exploration Licence plus three new Prospecting Licences ('Licences') totalling 2,400 km^2, in the Adobha region of Eritrea.

The new Licences secure a large area around the promising base metal prospects discovered by the Company during recent regional reconnaissance geochemical surveys. The prospects are host to large areas of visible copper mineralisation, some of which contain associated lead and zinc.

IAN GANDEL
NON-EXECUTIVE CHAIRMAN

TASMANIA

The Heemskirk Tin Project, at Zeehan Tasmania, collectively comprises Australia's largest known undeveloped hard rock tin deposit; the Queen Hill, Severn, and Montana deposits. During the past year, Gippsland's joint venture partner Stellar Resources Ltd completed a diamond core drilling program at Heemskirk Tin Project, the shallowest of three tin deposits that comprise the Heemskirk Tin Project. It now plans to complete metallurgical testwork and update the historical resource estimate by year's end.

CORPORATE

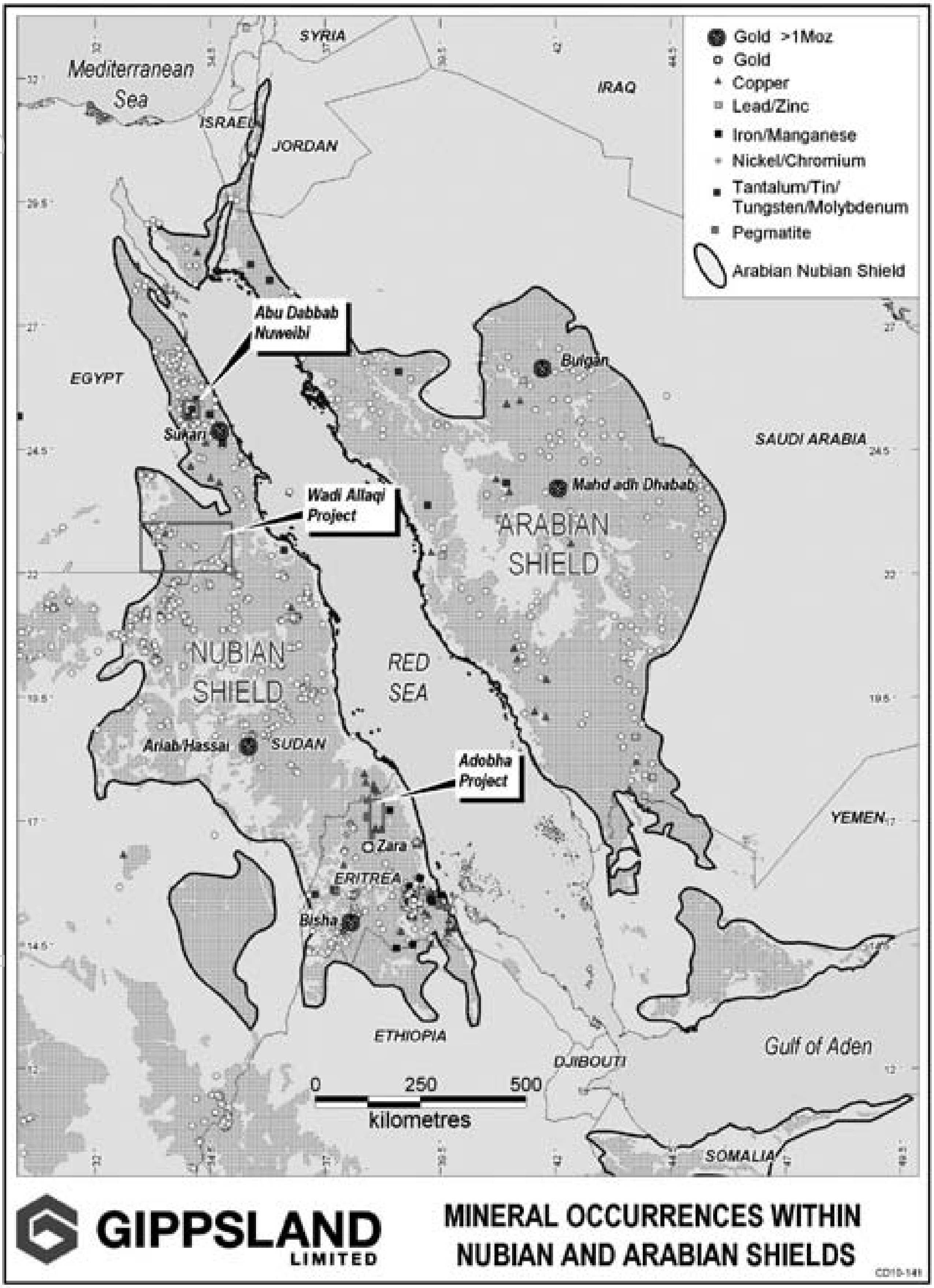
I am very excited by the Company's plans to spin off its Eritrean exploration assets together with its 40% interest in the Heemskirk Tin Project in Tasmania. We firmly believe that this spin off will unlock value for the shareholders of Gippsland.

We have recently secured over $3 million in funding through Patersons Securities Limited and that will enable your Company to move its projects forward.

I look forward to reporting some major steps forward in respect of the development and financing of Abu Dabbab, as well as the spinout of assets we believe are currently overlooked in the Gippsland share price, over the next few months.

Yours sincerely

Ian Gandel
Chairman


Gold >1Moz
Gold
Copper
Lead/Zinc
Iron/Manganese
Nickel/Chromium
Tantalum/Tin/ Tungsten/Molybdenum
Pegmatite
Arabian Nubian Shield
Mediterranean Sea
SYRIA
IRAQ
ISRAEL
JORDAN
EGYPT
Abu Dabbab Nuweibi
Sukari
Bulgah
SAUDI ARABIA
Mahd adh Dhahab
Wadi Allaqi Project
ARABIAN SHIELD
NUBIAN SHIELD
RED SEA
Ariab/Hassai
SUDAN
Adobha Project
YEMEN
Zara
ERITREA
Bisha
ETHIOPIA
DJIBOUTI
Gulf of Aden
SOMALIA
0
250
500
kilometres
GIPPSLAND LIMITED
MINERAL OCCURRENCES WITHIN NUBIAN AND ARABIAN SHIELDS
CD10-141

OVERVIEW

Gippsland's activities are primarily focussed on the Arabian-Nubian Shield, which has yielded a number of world scale projects, particularly in regard to tantalum, gold, copper and Volcanic Massive Sulphide (VMS) projects.

Having regional headquarters in Cairo, Gippsland is able to efficiently utilise its team of executives and technical staff in advancing the Company's interests in Egypt, Eritrea and the Kingdom of Saudi Arabia, thus covering the majority of the highly prospective Arabian-Nubian Shield in a cost effective manner.

Gippsland's prime asset is the world scale Egyptian Abu Dabbab-Nuweibi Tantalum Project, which is destined to be the world's foremost source of the strategic supermetal tantalum, which is vital to the global electronics and aerospace industries.

Gippsland's recently granted tenements in Eritrea present an excellent opportunity to discover a substantial gold or VMS style copper deposit.

Gippsland 40% free carried interest in the Tasmanian Heemskirk Tin Project, the largest known hard rock tin deposit in Australia, provides another example of the Company's spread of projects.

REVIEW OF OPERATIONS

EGYPT

Gippsland has a controlling 50% interest in the Egyptian Abu Dabbab and Nuweibi tantalum-tin-feldspar deposits located near the western shore of the Red Sea coast in Egypt. These two deposits have a combined JORC compliant resource of 142.5 million tonnes. The resources were also confirmed to be 43-101 complaint during September of this year.

The Company has in place all of the required permits for the mine and plant areas. The only outstanding item is a small environmental study, currently in progress, along the proposed pipeline from the Red Sea to the plant site. Throughout the year the Company has continued its efforts to establish additional markets for the Tantalum production above that covered by the existing Off-take Agreement with HC Starck. The price of tantalum has increased steadily over the past year and the passing of the landmark Conflict Minerals Bill by the United States Senate in July 2010 is presently stabilising the tantalum market and causing an encouraging strengthening in price.

The Company also has a similar interest in eight gold prospects and one copper-nickel prospect located in the Wadi Allaqi region situated to the south-east of Aswan in Egypt. Drilling on the Wadi Allaqi prospects has identified a number of mineralised zones including the delineation of one zone containing an Inferred gold resource of 85,000 oz at Seiga. Significant copper and nickel mineralisation has been intersected by RC drilling on the Abu Swayel prospect.

ERITREA

In Eritrea, the Company's 100% owned subsidiary Nubian Resources Pty Ltd was recently granted a large Exploration Licence and three Prospecting Licences in the Adobha region. The four Licences total 2,400 km^2 in area and are located north of the Eritrean capital

Asmara in a geological setting similar to that of the 0.9 Moz Zara Gold Project located some 17 km to the south of the Company's southernmost licence boundary. The geological setting is also similar to that found at the Bisha gold base metal deposit containing 1.44 Moz Au and 0.39 Mt Cu, located some 174 km to the south.

TASMANIA

In Australia, the Company has a 40% free-carried interest in the Heemskirk Tin Project located at Zeehan in Tasmania with joint venture partner Stellar Resources Limited. Heemskirk contains a resource of 50,370 tonnes of tin metal.

EGYPT

ABU DABBAB

Introduction

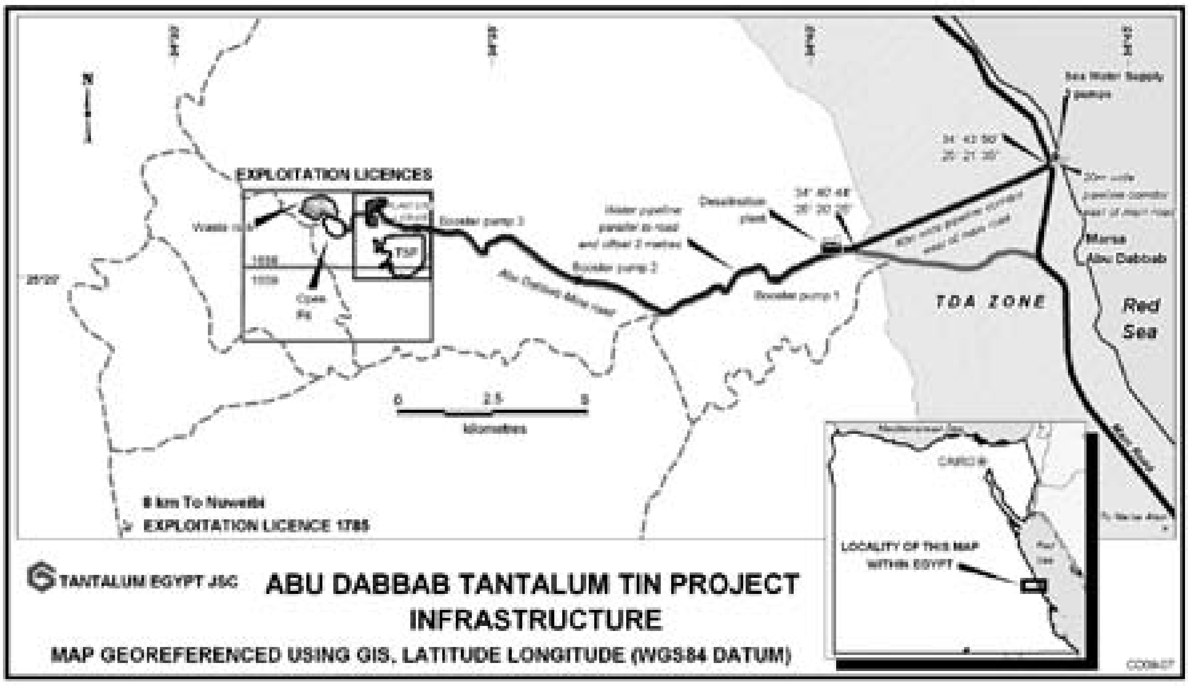
The Abu Dabbab tantalum-tin deposit is covered by two Exploitation Licences (No. 1658 & No. 1659) granted in the name of Tantalum Egypt JSC, a company incorporated in Egypt and held 50% by the Egyptian government owned Egyptian Mineral Resources Authority and 50% by Tantalum International Pty Ltd, a wholly owned subsidiary of Gippsland Limited. The two Exploitation Licences have a 30-year tenure with an option of a further 30 years.

Ten Year Tantalum Offtake Agreement

Gippsland has an Offtake Agreement with the German tantalum refiner HC Starck GmbH, whereby HC Starck has contracted to purchase 600,000 pounds per year of Abu Dabbab tantalum (in the form of tantalum pentoxide - Ta_2O_5) for a period of ten years. In August 2009, the Company advised the market that although the original milestones under the Offtake Agreement had not been met, the Offtake Agreement has been extended to 31 December 2010.

The Company is presently in negotiation with HC Starck regarding revised terms of the Offtake Agreement to reflect, amongst other matters, the production of a synthetic tantalum concentrate ('SynCon') which benefits from a higher Ta_2O_5 content and therefore a higher value. HC Starck has stipulated that the SynCon is its preferred product for their tantalum refining process as it reduces transportation costs, consumption of processing reagents and the amount of potentially hazardous waste product required for disposal. The latter will largely eliminate the need to dispose of waste materials in specialised underground storage repositories in Germany.

Whilst these HC Starck discussions are in progress, the Company has also entered into discussions with other tantalum refiners.



Tantalum market

The long predicted shortage in the global tantalum supply is now having a dramatic effect on the international tantalum market, with the spot market price increasing from approximately US$38 per pound in December 2009 to the present price of approximately US$85 per pound.

The shortage is expected to continue through to at least 2013, by which time production from the Abu Dabbab operation is expected to largely satisfy demand with its initial production estimated to be in excess of 650,000 pounds of tantalum per year.

The passing of the Conflict Minerals Bill by the United States Senate on 15 July 2010, is likely to have a positive impact on the global tantalum market and lead to a strengthening of the tantalum price. This Bill was designed to lift the curse of corruption and conflict from poor countries that are rich in oil and minerals by promoting greater public oversight and responsible trading practices. This practice has been particularly prevalent in the Democratic Republic of Congo ('DRC') where the sale of minerals such as tantalum, tin and tungsten has financed the 15 year war. Provisions in the Bill will require companies registered with the Securities and Exchange Commission to publicly disclose if they are sourcing conflict minerals from the DRC or adjoining countries. Companies will also have to detail the measures they have taken to avoid sourcing these minerals from DRC armed groups.

Project Finance

The Company has previously advised the market that its proposed financing for the Abu Dabbab project with KfW-IPEX Bank GmbH was well advanced. Prior to the onset of the global financial crisis, the legal and technical due diligence had been largely completed by the bankers. A key outstanding part of the financing arrangement is the revised terms of the Offtake Agreement with HC Starck to take into account the delivery of the tantalum SynCon. The financing discussions await completion of negotiations with HC Starck, or other tantalum refiners.

The financing mandate with KfW was extended through to 31 December 2009; however it has not been formally extended further as to do so would incur a fee to Gippsland. Discussions with KfW are ongoing.

Feasibility Study Update

In November 2009, it was estimated that detailed engineering and construction would be commenced by 2010 with commissioning in 2012, however based upon the assumption that the HC Starck negotiations are finalised in the near future, commissioning is now anticipated to commence during the first quarter of 2013.

The Company has now completed all of the necessary environmental studies required for the mine area, tailings disposal facility and plant area. The last remaining environmental study to be completed is in relation to the pipeline reserve from the Red Sea and is currently underway.

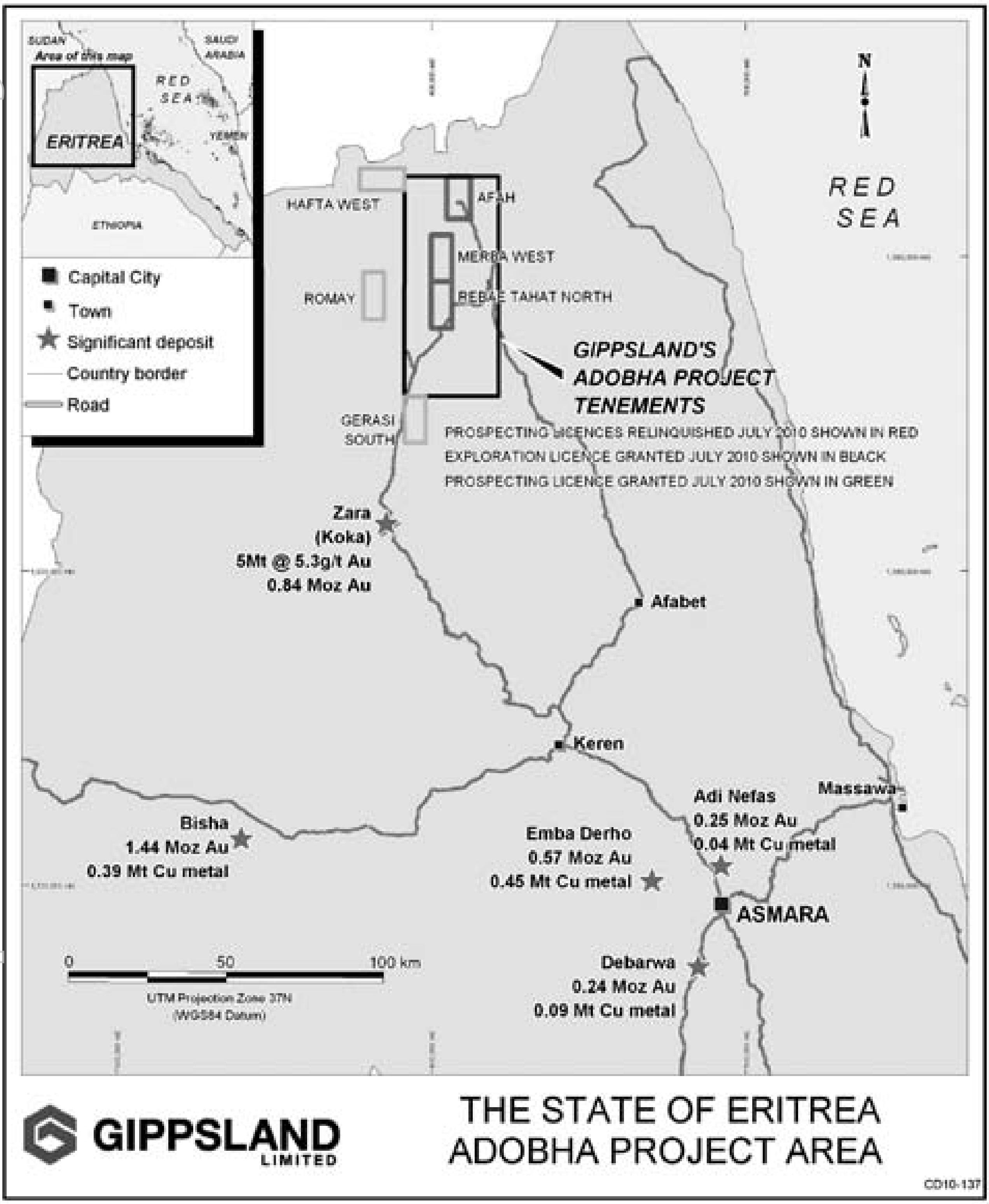
NUWEIBI

The Exploitation Licence No. 1785 covering the Nuweibi tantalum deposit was issued to Tantalum Egypt JSC by Ministerial Decree No. 5 of 2008 on 13 July 2008. The Nuweibi deposit is located 17 km to the south-southwest of the Abu Dabbab deposit and 30 km inland from the Red Sea. This Exploitation Licence also has a 30-year tenure with an option of a further 30 years.

Tin mineralisation was first discovered at Nuweibi in 1944 and it was not until 1970 that the more valuable tantalum mineralisation was recognised. The deposit was the subject of detailed exploration by the same joint Soviet-Egyptian team that explored Abu Dabbab. The previous work has included 23 diamond drill holes totalling 2,746 m, four surface trenches and four bulk samples which were used for metallurgical testwork.

The mineral resources at Nuweibi have been estimated by Gippsland using the ore block modelling (inverse distance squared) method at a 100 g/t Ta_2O_5 cut-off and currently stand at a combined Indicated and Inferred Resources of 98 million tonnes at 140 g/t of Ta_2O_5.

There is the potential for a significant increase in Nuweibi mineral resources as the deposit is open at depth as well as to the east and the west. There is also a small placer resource containing tin and tantalum.


SUDAN
Area of this map
SAUDI ARABIA
RED SEA
ERITREA
YEMEN
ETHIOPIA
Capital City
Town
Significant deposit
Country border
Road
N
RED SEA
HAFTA WEST
AFAH
MERBA WEST
ROMAY
BEBAE TAHAT NORTH
GIPPSLAND'S ADOBHA PROJECT TENEMENTS
GERASI SOUTH
PROSPECTING LICENCES RELINQUISHED JULY 2010 SHOWN IN RED
EXPLORATION LICENCE GRANTED JULY 2010 SHOWN IN BLACK
PROSPECTING LICENCE GRANTED JULY 2010 SHOWN IN GREEN
Zara (Koka)
5Mt @ 5.3g/t Au
0.84 Moz Au
Afabet
Keren
Adi Nefas
0.25 Moz Au
0.04 Mt Cu metal
Massawa
Bisha
1.44 Moz Au
0.39 Mt Cu metal
Emba Derho
0.57 Moz Au
0.45 Mt Cu metal
ASMARA
Debarwa
0.24 Moz Au
0.09 Mt Cu metal
0
50
100 km
UTM Projection Zone 37N
(WGS84 Datum)
GIPPSLAND LIMITED
THE STATE OF ERITREA
ADOBHA PROJECT AREA
CD10-137

WADI ALLAQI

The Wadi Allaqi Project consists of nine Exploration Licences located approximately 160 km southeast of Aswan in the south-western part of the Eastern Desert of Egypt. These Exploration Licences have a total area of 144 km^2. Application has been made for three additional Wadi Allaqi Exploration Licences having a total area of 3,000km^2. Exploration of the current Exploration Licences will re-commence following the granting of the tenements under application.

Exploration within the Wadi Allaqi tenements has delineated an Inferred Resource of 85,000 oz of gold contained in 1.1 million tonnes at a grade of 2.3 g/t Au.

ERITREA

ADOBHA

In October 2009 the Company announced that it had been granted three Prospecting Licences in the highly prospective Adobha region of Eritrea. The Company completed a drainage geochemical survey targeting interpreted Thematic Mapper ('TM') satellite images which identified a number of areas of anomalous gold and base metals which were followed-up with rock-chip sampling and geological mapping. The follow-up work identified two large areas of outcropping copper mineralisation, some of which contained associated lead and zinc.

Further to the successful results of the initial surveys the Company converted the three Prospecting Licences to a large Exploration Licence and applied for a further three Prospecting Licences. On 10 July 2010, the Company announced that its 100% owned subsidiary Nubian Resources Pty Ltd had been granted a 2,100 km^2 Exploration Licence plus three new 100 km^2 Prospecting Licences giving the Company a very large strategic tenement holding of 2,400 km^2 in the highly prospective Adobha region. These new Licences secure the promising base metal prospects discovered by the Company during recent regional reconnaissance geochemical surveys.

TM Anomaly E26

The analytical results of systematic rock-chip sampling support the field observations of visible copper (in the form of malachite) over a wide area within the TM anomaly. The best results were obtained from the central part of TM anomaly E26 (410900E/1918700N) where field examination identified discontinuous malachite in bedrock over a width of at least 390 m and a strike length of some 520 m. In this area visible copper occurs in three separate northerly trending zones representing contacts between altered and unaltered felsic volcanics.

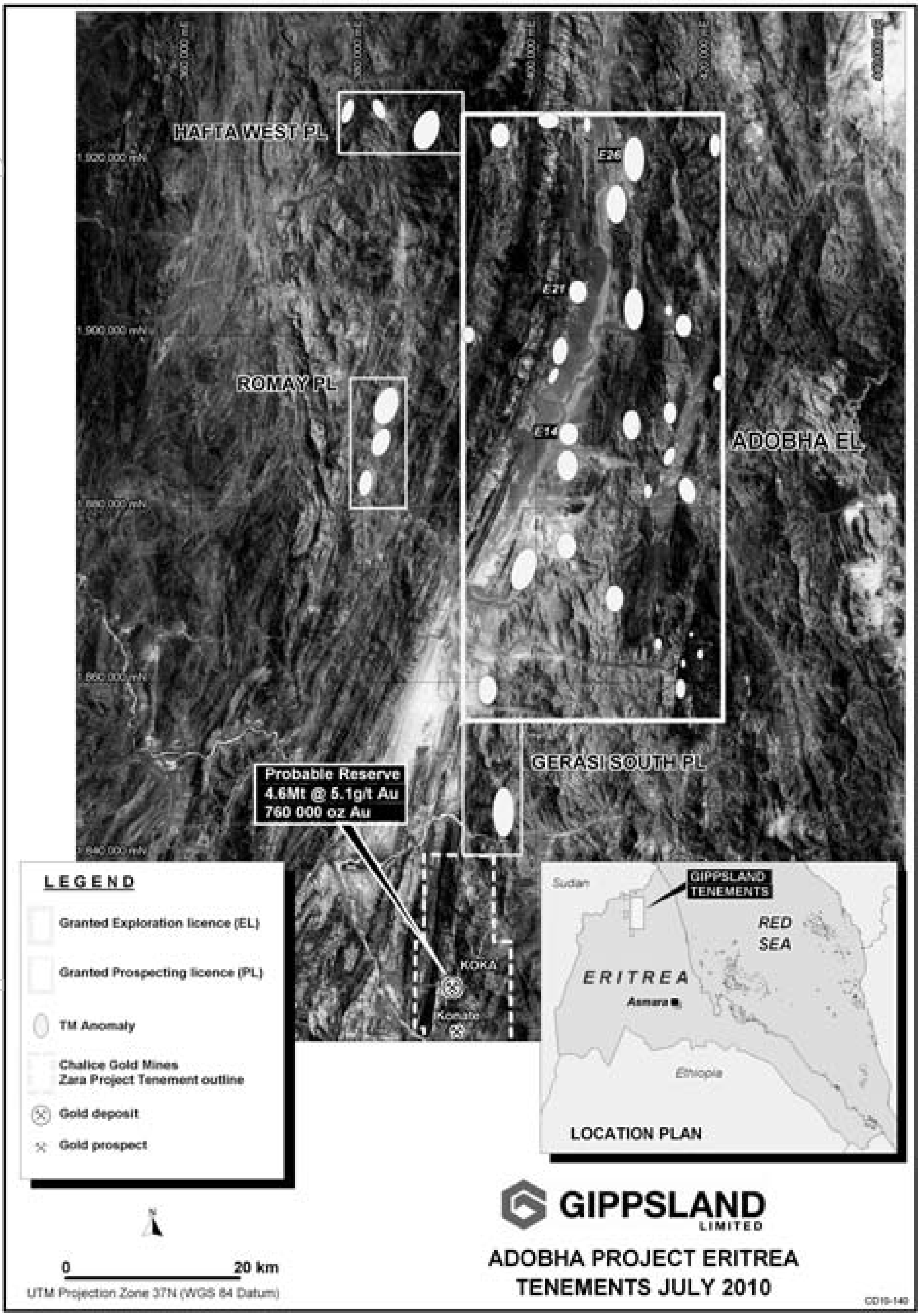
Between the two westernmost zones, copper also occurs disseminated within the matrix of the volcanics. Rock-chip samples were collected along seven profiles covering the two western zones in the central area in order to delineate the extent of the mineralisation. Consistent with the presence of visible copper, individual rock samples returned high copper values with the highest assay being 10.63% in a sample of altered felsic volcanic at location 410937E/1918642N. The systematic sampling along the profiles revealed widespread copper mineralisation which included a best assay of 0.29% Cu over a 10 m interval in profile T26-02. The best assay results are included in the table below.

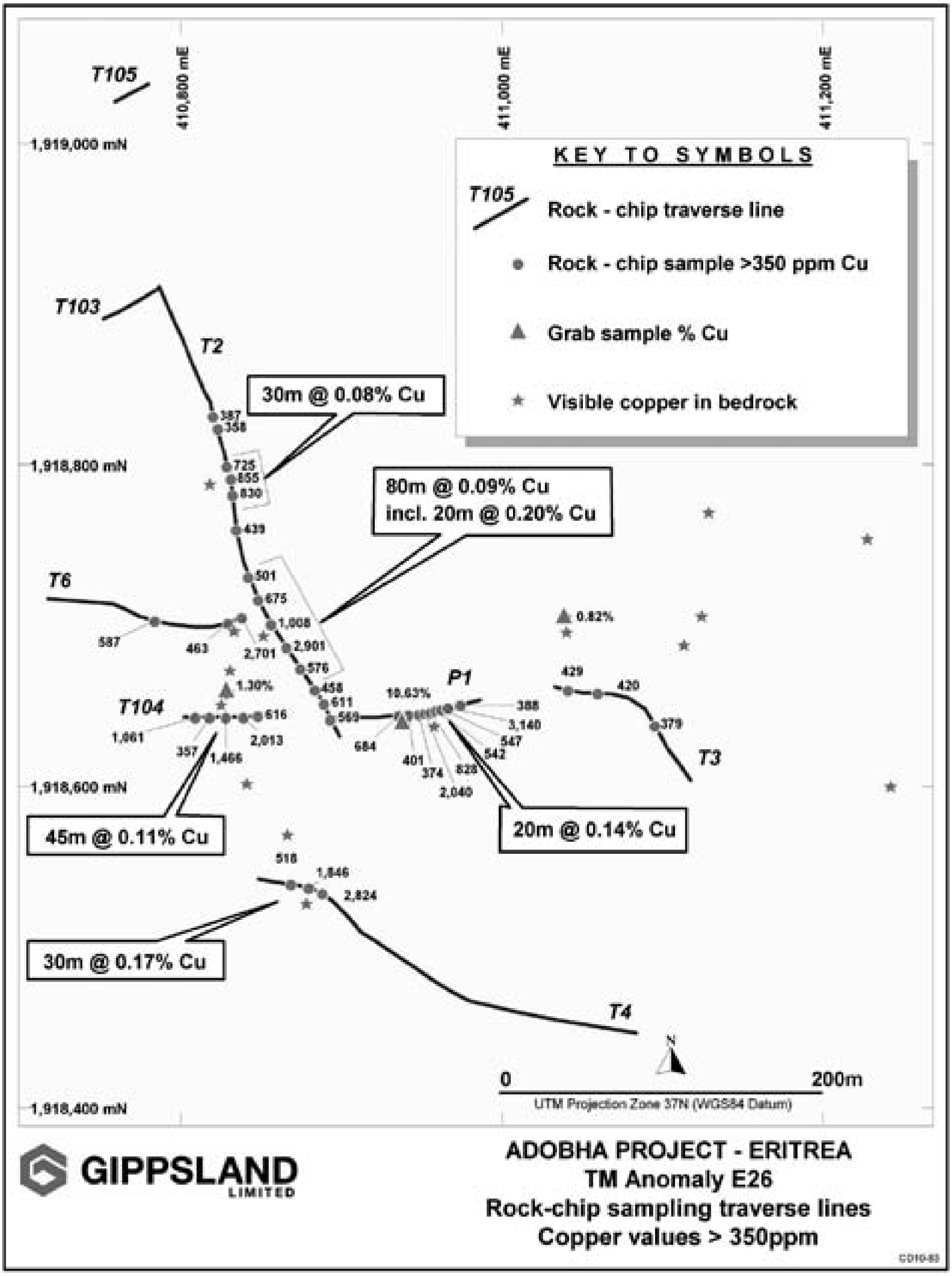
Profile	Interval (m)	Cu (%)
T26-P01	20	0.14
T26-02	30	0.08
	80	0.09
Incl.	10	0.29
T26-04	30	0.17
T26-06	10	0.27
T26-104	45	0.11

The third zone of northerly striking copper mineralisation contains visible malachite and is located to the east at around 411240E giving the width of copper mineralisation identified to date of approximately 390 m. This zone has not been explored further to the east.

A traverse approximately 2.5 km to the north (412000N/1921900E) located samples of mineralised float in the drainage channel that contained visible malachite. Assays of these three samples returned values of 0.81%, 0.30% & 1.49% Cu and 0.54, 1.37 & 1.15 g/t Au respectively. The bedrock source of these samples has not yet been located.

Based on the lithology of the host rocks (which include altered felsic volcanics, chloritic tuffs, volcanic breccias), and the style of the mineralisation, the area is similar to low-grade copper mineralisation typical of the footwall below VMS deposits in many of the Palaeozoic, Proterozoic and Archaean deposits of Australia and Canada.


HAFTA WEST PL
ROMAY PL
ADOBHA EL
GERASI SOUTH PL
E26
E27
E14
Probable Reserve
4.6Mt @ 5.1g/t Au
760 000 oz Au
KOKA
Koradi
LEGEND
Granted Exploration licence (EL)
Granted Prospecting licence (PL)
TM Anomaly
Chalice Gold Mines
Zara Project Tenement outline
Gold deposit
Gold prospect
Sudan
GIPPSLAND TENEMENTS
RED SEA
ERITREA
Asmara
Ethiopia
LOCATION PLAN
0
20 km
UTM Projection Zone 37N (WGS 84 Datum)
GIPPSLAND LIMITED
ADOBHA PROJECT ERITREA
TENEMENTS JULY 2010



T105
410,800 mE
411,000 mE
411,200 mE
1,919,000 mN
1,918,800 mN
1,918,600 mN
1,918,400 mN
KEY TO SYMBOLS
Rock - chip traverse line
Rock - chip sample >350 ppm Cu
Grab sample % Cu
Visible copper in bedrock
T103
T2
T6
T104
P1
T3
T4
30m @ 0.08% Cu
80m @ 0.09% Cu
incl. 20m @ 0.20% Cu
45m @ 0.11% Cu
20m @ 0.14% Cu
30m @ 0.17% Cu
0.82%
1.30%
10.63%
0
200m
UTM Projection Zone 37N (WGS84 Datum)
N
GIPPSLAND LIMITED
ADOBHA PROJECT - ERITREA
TM Anomaly E26
Rock-chip sampling traverse lines
Copper values > 350ppm

TM Anomaly E21 (404800E/1905000NA)

Anomaly E21 covers a northerly trending sequence of felsic volcanics which outcrop as a steep range of hills parallel to the stratigraphy. Malachite was located in detrital rocks in channels draining a strike length of approximately 2 km of the stratigraphic succession. Prospecting along these drainage channels resulted in malachite being located in bedrock discontinuously over a strike length of about 1.7 km.

A short profile of 35 m (7 samples) was rock-chip sampled across an outcrop of visible malachite. Three of the samples contained strongly anomalous Cu and Zn with the maximum value being 976 ppm Cu.

The exploration to date indicates that the prospective target horizon is located along the upper levels of the ridge where the felsic rocks become more chloritised and there are a higher proportion of volcanic breccias and tuffs. Chloritised felsic tuffs were located at various points along the anomaly which returned anomalous base metal values using a Niton portable XRF analyser. These high base metal values were replicated by chemical analysis with the two best values from rock samples R277 and R279. The presence of anomalous Cu, Pb & Zn values in chloritised felsic volcanic rocks is very encouraging considering the geological environment and is indicative of the close proximity to VMS mineralisation.

Sample	Location	Cu (ppm)	Pb (%)	Zn (ppm)
R277*	404497E/ 1905421N	10	0.97	597
R279	404359E/ 1905030N	607	0.12	11

* Contained visible galena (lead sulphide)

AUSTRALIA

HEEMSKIRK

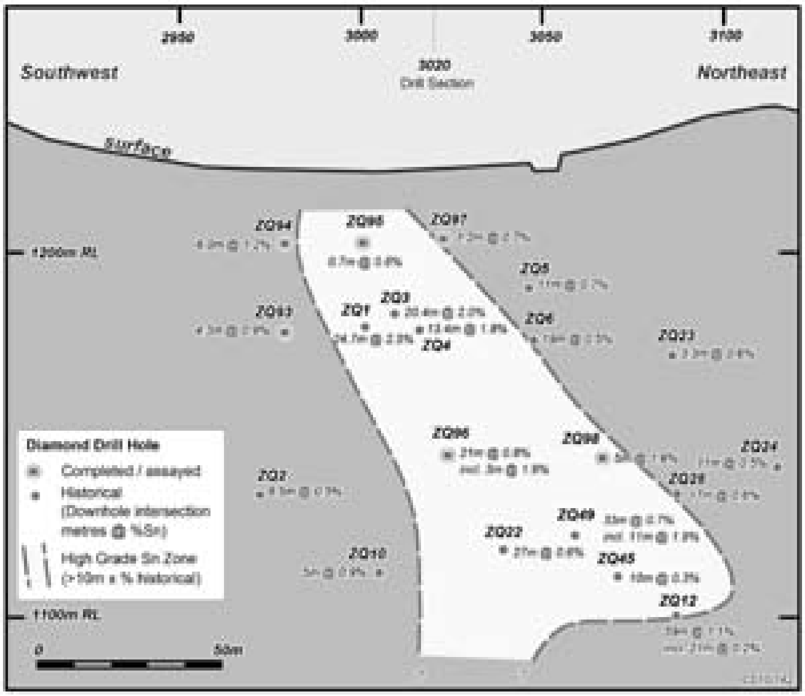
The Heemskirk Tin Project (previously referred to as the Zeehan Tin Project) is located within a major tin province in the northwest of Tasmania approximately 15 km from the large Renison tin deposit. Stellar Resources Limited ('Stellar') holds a 60% interest in the Heemskirk Tin Project with the remaining 40% being held by Gippsland.

Under the terms of a Joint Venture Agreement, Stellar has the right to increase its equity from 60% to 70% by completing a Banked Feasibility Study, at which time Gippsland's interest will reduce to 30%. Gippsland enjoys a free-carried interest in the project until the point at which Stellar completes the Banked Feasibility Study.

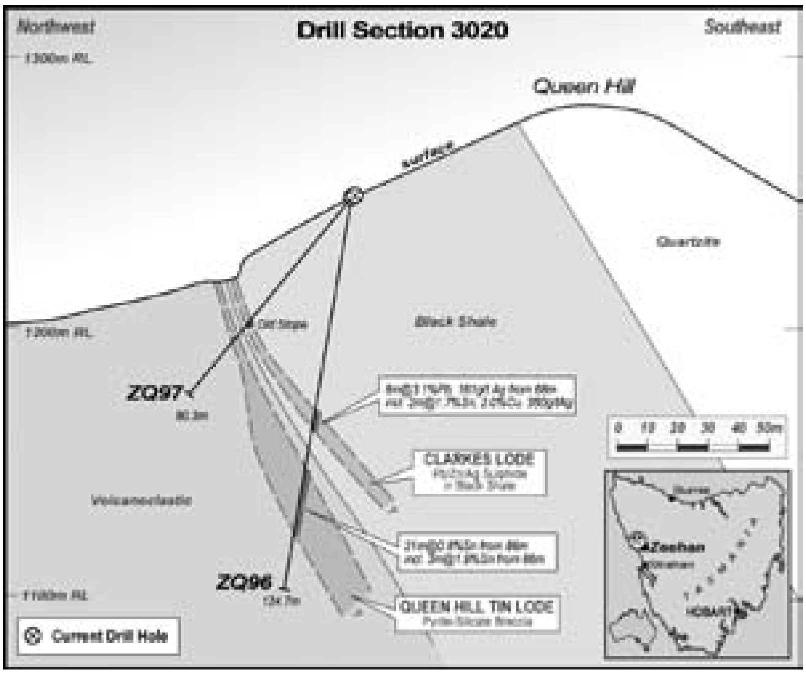
In July 2008, Gippsland concluded an agreement with Stellar whereby Stellar and Gippsland would merge their respective Joint Venture interests in the Heemskirk Tin Project into Stellar's subsidiary Columbus Metals Limited ('Columbus') upon it being listed on the Australian Securities Exchange. This option became less attractive as a result of the global financial crisis and Stellar initiated a drilling programme to test the upper levels of the Queen Hill deposit.

A program of six diamond core holes (ZQ93 to ZQ98) to test the Queen Hill deposit at depths of 60 m and 80 m below the surface has recently been completed. Holes ZQ94, 95 and 97 tested positions within 30 m of the surface while holes ZQ96 and ZQ98 infilled gaps in the previous drilling at 80 m below the surface.

All of the holes have intersected mineralisation and have expanded the extent of the mineral resource zone identified by a previous explorer. Hole ZQ96 returned the best assay results to date with a 21 m down-hole intersection grading 0.8% tin from 86 m, including 3m at 1.9% tin.



LONG-SECTION SHOWING MINERALISED DRILL HOLE PIERCE POINTS AND HIGH GRADE ZONE



QUEEN HILL INTERPRETATIVE GEOLOGY

MINERAL RESOURCE AND ORE RESERVE INVENTORY - SEPTEMBER 2010

TOTAL MINERAL RESOURCES - EGYPT

Category	Measured	Indicated	Inferred	Total	Cut-off
Abu Dabbab (Gippsland 50%)					
Million tonnes	15.2	17.3	12	44.5	100 g/t Ta_2O_5
Ta_2O_5(g/t)	290	250	200	250	
Sn (%)	0.143	0.078	0.03	0.09	
Placer tin deposit					
Volume (m^3)			438,000	438,000	
Contained Sn (t)			760	760	
Nuweibi (Gippsland 50%)					
Million tonnes	-	48	50	98	100 g/t Ta_2O_5
Ta_2O_5 (g/t)	-	147	138	143	
Seiga (Gippsland 50%)					
Million tonnes			1.1	1.1	0.7 g/t Au
Gold (g/t)			2.3	2.3	

TOTAL MINERAL RESOURCES - AUSTRALIA

Category	Measured	Indicated	Inferred	Total	Cut-off
Heemskirk - Tasmania (Gippsland 40% free carried interest)					
Queen Hill					
Million tonnes		1.8		1.8	0.1% Sn
Sn (%)		0.82		0.82	
Severn					
Million tonnes			5.1	5.1	0.1% Sn
Sn (%)			0.6	0.6	
Montana					
Million tonnes			0.4	0.4	0.1% Sn
Sn (%)			1.22	1.22	

TOTAL ORE RESERVES - EGYPT (INCLUSIVE OF MINERAL RESOURCES)

Category	Proved	Probable		Total	
Abu Dabbab (Gippsland 50%)					
Million tonnes	15.20	15.04		30.24	
Ta_2O_5 (g/t)	260	250		255	
Sn (%)	0.133	0.084		0.109	

Note: Numbers in table may not add correctly due to rounding

FINANCIAL STATEMENTS

GIPPSLAND LIMITED AND ITS CONTROLLED ENTITIES ABN 31 004 766 376

30 June 2010

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 2010 ("the Balance Date") and the state of affairs of the Company and the Group at Balance Date.

DIRECTORS

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

Mr Ian Jeffrey Gandel
Mr Robert John Telford
Mr John Stuart Ferguson Dunlop
Mr John Damian Kenny
Mr Jon Starink

Names, qualifications, experience and special responsibilities

Ian Jeffrey Gandel - Chairman (Non-executive)
LLB, BEc, FCPA, FAICD

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

Mr Gandel is a 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. 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.

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:

Manaccom 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
Copper Strike Ltd* – Appointed 9/11/2009
Drummond Gold Ltd – Resigned 15/7/2010

John Damian Kenny – Director (Non-executive)
B Com (Hons), LLB

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

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

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

The ARK Fund Limited* - Appointed 18 June 2003

* denotes current directorship

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	133,824,073	-	-	-
RJ Telford	18,497,446	5,000,000	15c	31 May 2012
JSF Dunlop	-	2,000,000	15c	31 May 2012
JD Kenny	2,892,858	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	26 May 2012	$0.135	25,000,000
05 February 2008	15 December 2011	UK£0.0665	4,000,000
28 November 2008	31 May 2012	$0.150	17,000,000
17 August 2009	14 December 2011	$0.080	10,000,000

COMPANY SECRETARY

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

Rowan St John Caren
BCom, CA

Mr Caren was appointed Company Secretary on 15 August 2006.

Mr Caren was employed by the chartered accountancy firm Price Waterhouse Coopers in Australia and overseas for six years and has been directly involved in the minerals exploration industry for a further 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, 8 meetings of directors were held. Attendances by each director during the year were as follows:

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 $2,894,769 (2009: $2,751,352).

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, the Company's operations included:

- exploration activities in Eritrea including completion of a reconnaissance drainage geochemical survey and completion of a programme of geochemical sampling and geological mapping to follow up on the encouraging results from the drainage geochemical survey.

	Directors' Meetings		Audit Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
IJ Gandel	8	8	2	2	1	1
RJ Telford	8	8	2	2	-	-
JSF Dunlop	8	6	-	-	1	1
JD Kenny	8	7	2	2	1	1
J Starink	8	6	-	-	-	-

- successful completion of a renounceable rights issue.
- commencement of drilling at the Company's 40% owned Heemskirk Tin Project by the Company's joint venture partner.
- entering into a Memorandum of Understanding in the Kingdom of Saudi Arabia ("KSA") to investigate various mineral projects located with the Arabian-Nubian Shield of the KSA.

Financial Position

The net assets of the Group have increased by $1,914,164 to $4,900,620 at 30 June 2010. The increase has largely resulted from the following factors:

- proceeds from the issue of shares raising $4,372,958;
- conversion of a convertible loan for $800,000 into 80,000,000 shares at $0.01 per share;
- a consolidated operating loss of the Group of $2,894,769; and
- foreign currency translation differences of $275,212.

As at Balance Date the group had working capital of $381,775.

DIVIDENDS

No dividends were declared or paid during the financial year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

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

b) Completed the issue and allotment of 15,625,000 shares at a placement price of $0.032 on 18 August 2009;

c) Conversion of the $800,000 convertible loan funding facility from Abbotsleigh Pty Limited, at the conversion rate of one share for every $0.01 of the outstanding amount of the loan, into 80,000,000 shares on 28 August 2009;

d) Completed a rights issue and allotment of 121,029,937 shares at a placement price of $0.032 on 14 October 2009;

e) Repayment of the loans to two directors of the Company who provided unsecured, interest free loans to the Company for the purposes of working capital. Mr Telford was repaid $250,000 and Mr Starink was repaid $50,000;

f) A total of $150,000 was loaned by Mr Gandel to the Company for working capital and subsequently repaid. The loan was unsecured and interest free.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

During July 2010, the Company's 100% owned subsidiary Nubian Resources Pty Ltd was granted a 2,100km^2 Exploration Licence plus three new 100km^2 Prospecting Licences (total 2,400 km^2), in the highly prospective Adobha region of The State of Eritrea.

During August 2010, drilling at the near surface Queen Hill deposit at Zeehan in Tasmania has confirmed continuity of high grade tin mineralisation over potentially mineable widths in relation to the Company's 40% owned Heemskirk Tin Project. On 28 September 2010, further results were reported in relation to the Heemskirk Tin Project.

During September 2010, Patersons Corporate Finance was appointed to act as Lead Manager for a placement of up to 80,000,000 shares at $0.04 per share to raise up to $3,200,000 before costs. As at the date of signing the financial report, the Company had firm commitments for the full $3,200,000.

During September 2010, the Gippsland Board of Directors resolved to pursue the spin off via an IPO and listing on ASX Limited of Gippsland's 100% owned Adobha Project located in the State of Eritrea and Gippsland's 40% interest in the Heemskirk Tin Project located in Tasmania.

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 previous financial year for the Abu Dabbab project in Egypt.

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

INDEMNITY AND INSURANCE OF OFFICERS

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

The Company has paid premiums to insure any director or officer of Gippsland Limited against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium is $21,090 (2009: $16,905). The Company has entered into "Deeds of Indemnity, Access and Insurance" with directors and officers in which the Company agrees to indemnify the directors and officers in respect of certain liabilities incurred by the director or officer while acting in their capacity for the Company and to insure the director or officer against certain risks they are exposed to as a director or officer of the Company.

PROCEEDINGS ON BEHALF OF COMPANY

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

NON-AUDIT SERVICES

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

The following non-audit services were provided by the Company's previous 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 2010 as follows:

Taxation Services	$24,122
Corporate Advisory Fees	Nil

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 2010 has been received and can be found on page 28 of the directors' report.

REMUNERATION REPORT (AUDITED)

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

Remuneration Policy

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

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

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

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

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

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

(i) Directors

IJ Gandel	-	Chairman (Non-Executive)
RJ Telford	-	Executive Director and Chief Executive Officer
J Starink	-	Executive Director
JSF Dunlop	-	Non-Executive Director
J Kenny	-	Non-Executive Director

(ii) Executives

JM Chisholm	-	Chief Geologist
A Ayyash	-	Regional Manager - Middle East and North Africa
RS Caren	-	Company Secretary
NA Marston	-	Chief Financial Officer – resigned 8 January 2010
PR Sims	-	Chief Financial Officer – resigned 17 November 2008

Non-Executive Director Remuneration

IJ Gandel

- Remuneration: $50,000 per annum.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination.

JSF Dunlop

- Remuneration: $25,000 per annum.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination.

J Kenny

- Remuneration: $25,000 per annum.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination.

Employment Contracts

RJ Telford - Executive Director and Chief Executive Officer

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

J Starink - Executive Director

- Term of agreement: 8 May 2007 until terminated in accordance with the agreement.
- Remuneration: $120,000 per annum.
- Period of notice for termination/resignation: Three months written notice by either party.
- Details of remuneration entitlement on termination: Payment of consulting fees up to the date of termination or payment of three months salary in lieu of notice.

JM Chisholm - Chief Geologist

- Remuneration: $175 per hour.
- Period of notice for termination/resignation: None.
- Details of remuneration entitlement on termination: Payment of consulting fees up to the date of termination.

A Ayyash - Regional Manager - Middle East and North Africa

- Term of agreement: 1 March 2008 until 1 March 2011.
- Remuneration: $158,600 per annum.
- Period of notice for termination/resignation: One month written notice by either party.
- Details of remuneration entitlement on termination: Payment of salary and employee entitlements up to the date of termination.

RS Caren - Company Secretary

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

NA Marston - Chief Financial Officer (resigned 8 January 2010)

- Term of agreement: 3 December 2008 until terminated in accordance with the agreement (8 January 2010).
- Remuneration: $200,000 per annum.
- Period of notice for termination/resignation: Two months written notice by either party.
- Details of remuneration entitlement on termination: Payment of salary and employee entitlements up to the date of termination.

PR Sims - Chief Financial Officer (resigned 17 November 2008)

- Term of agreement: 7 August 2006 until terminated in accordance with the agreement (17 November 2008).
- Remuneration: $265,000 per annum.
- Period of notice for termination/resignation: Three months written notice by either party.
- Details of remuneration entitlement on termination: Payment of salary and employee entitlements up to the date of termination.

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

Table 1: Remuneration for the year ended 30 June 2010

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	50,000	-	-	50,000	0.00%
Mr JSF Dunlop	25,700	-	-	25,700	0.00%
Mr JD Kenny	25,000	-	-	25,000	0.00%
Sub-total	**100,700**	**-**	**-**	**100,700**	
Executive Directors					
Mr RJ Telford	250,000	-	-	250,000	0.00%
Mr J Starink	120,000	-	-	120,000	0.00%
Sub-total	**370,000**	**-**	**-**	**370,000**	
Other key management personnel					
Mr A Ayyash	167,062	-	-	167,062	0.00%
Mr RS Caren	62,975	-	-	62,975	0.00%
Dr JM Chisholm*	145,600	-	-	145,600	0.00%
Mr NA Marston (resigned 8 January 2010)	127,750	-	11,498	139,248	0.00%
Sub-total	**503,387**	**-**	**11,498**	**514,885**	
Total	**974,087**	**-**	**11,498**	**985,585**	

Table 2: 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 NA Marston	72,453	-	6,520	78,973	-
Mr PR Sims	116,391	-	11,639	128,030	-
Sub-total	**423,426**	**2,000**	**18,159**	**443,585**	
Total	**818,009**	**15,000**	**18,159**	**851,168**	

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

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

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

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

30 June 2009			Terms & Conditions for Each Grant			Vesting date
			Fair Value per Option at Grant Date ($)	Exercise Price per option ($)		
	Granted No.	Grant Date	(note 19)	(note 19)	Expiry Date	
Directors						
Mr RJ Telford	5,000,000	28 Nov 2008	0.001	0.15	31 May 2012	Vests at date of grant
Dr JM Chisholm	3,000,000	28 Nov 2008	0.001	0.15	31 May 2012	Vests at date of grant
Mr JSF Dunlop	2,000,000	28 Nov 2008	0.001	0.15	31 May 2012	Vests at date of grant
Mr JD Kenny	1,000,000	28 Nov 2008	0.001	0.15	31 May 2012	Vests at date of grant
Mr J Starink	2,000,000	28 Nov 2008	0.001	0.15	31 May 2012	Vests at date of grant
Executives						
Mr A Ayyash	1,000,000	28 Nov 2008	0.001	0.15	31 May 2012	Vests at date of grant
Mr RS Caren	1,000,000	28 Nov 2008	0.001	0.15	31 May 2012	Vests at date of grant

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

30 June 2010	Shares issued No.	Paid per share $	Unpaid per share $
Directors			
Nil	-	-	-

30 June 2009	Shares issued No.	Paid per share $	Unpaid per share $
Directors			
Nil	-	-	-

Table 5: Share-based payment arrangements in existence

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

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

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

During the financial year:

- There were no grants of share-based payment compensation to directors or senior management.
- No directors or senior management exercised options that were granted to them as part of their compensation.
- No options held by directors or senior management lapsed.

[END OF REMUNERATION REPORT]

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

RJ TELFORD
Director

Dated this 30th day of September 2010.

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

30 September 2010

Dear Board Members

Gippsland Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Gippsland Limited and its controlled entities.

As lead audit partner for the audit of the financial statements of Gippsland Limited for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu

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
- annual performance appraisal meetings between the executive and the Chairman incorporating analysis of performance 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 completed in February 2010.

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.

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.

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.

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.

Mr IJ Gandel is the Non-Executive Chairman and Mr RJ Telford is the Chief Executive Officer. The roles of chairman and chief executive officer are not exercised by the same individual.

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, the Board undertakes an annual review in relation to the composition and skills mix of the Directors of the Company. The last review was completed in February 2010.

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 skills, experience and expertise relevant to the position held by each director are disclosed in the 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.

Period of Office Held by each director in office at the date of the Directors Report:

Robert John Telford –
appointed 14 January 1992, tenure 18 years

John Damian Kenny –
appointed 2 September 1999, tenure 11 years

John Stuart Ferguson Dunlop –
appointed 1 July 2005, tenure 5 years

Jon Starink –
appointed 8 May 2007, tenure 3 years

Ian Gandel –
appointed 24 June 2009, tenure 1 year

A performance evaluation of board members was completed in February 2010 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 Company complies with this recommendation.

In August 2009 an audit committee was formed and an audit committee charter was adopted.

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.*

The members of the audit committee are Mr Ian Gandel, Mr Jack Telford, Mr John Kenny. The Chairman of the audit committee is Mr Kenny, who is not the Chairman of the Board.

Currently the audit committee has two non-independent directors, Mr Telford and Mr Gandel. The Company does not comply with Recommendation 4.2.

While the Board strongly endorses the position that the audit committee should exercise independence of judgment, it also recognises that there are only five directors on the Board and it was decided that audit committee members should be those most familiar with statutory financials. 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 simply to fill the audit committee.

Council Recommendation 4.3

The audit committee should have a formal operating charter.

The Company does comply with this recommendation.

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 Deloitte Touche Tohmatsu to take over from PKF in 2010, following the transfer of all PKF Perth audit partners to Deloitte. This appointment is subject to shareholder approval. 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.

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.

The Company has 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.

The Chief Executive Officer and the Chief Financial Officer review the risk management and internal control systems and report annually to the Board in respect of the company's key business risks and how they are being managed. The last report was completed in August 2010.

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.

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 Board established a remuneration committee which is governed by a formal charter. 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.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $	PARENT 2010 $	PARENT 2009 $
CONTINUING OPERATIONS					
Finance revenue	3(a)	**61,446**	10,809	**61,445**	10,023
Other Income	3(b)	**2,994**	6,494	**2,994**	6,494
Total Income		**64,440**	17,303	**64,439**	16,517
Administration expense	3(c)	**(988,964)**	(1,387,443)	**(576,985)**	(935,791)
Employee benefits expense	3(d)	**(1,111,176)**	(1,201,186)	**(822,071)**	(872,873)
Foreign exchange gain/(losses)		**10,392**	(93,057)	**4,313**	(92,967)
Share based payment expense		**(181,000)**	-	**(181,000)**	-
Exploration expense		**(16,501)**	-	**(1,411)**	-
Project evaluation expense		**(362,468)**	-	**-**	-
Depreciation and amortisation expense		**(38,299)**	(57,155)	**(13,622)**	(20,308)
Impairment of intercompany loans		**-**	-	**(1,171,869)**	(1,698,175)
Impairment of exploration and evaluation expenditure		**(250,398)**	(29,749)	**-**	-
Finance costs		**(20,795)**	(65)	**(20,795)**	(65)
Total expenses		**(2,959,209)**	(2,768,655)	**(2,783,440)**	(3,620,179)
Loss before income tax		**(2,894,769)**	(2,751,352)	**(2,719,001)**	(3,603,662)
Income tax expense	4	**-**	-	**-**	-
Loss after income tax		**(2,894,769)**	(2,751,352)	**(2,719,001)**	(3,603,662)
Other comprehensive income					
Exchange rate differences on translating foreign operations		**(275,212)**	458,635	**-**	-
Total other comprehensive income		**(275,212)**	458,635	**-**	-
Total comprehensive income/(loss) for the period		**(3,169,981)**	(2,292,717)	**(2,719,001)**	(3,603,662)
Profit/(loss) is attributable to:					
Members of the parent		**(3,169,981)**	(2,292,717)	**(2,719,001)**	(3,603,662)
Non-controlling interest		**-**	-	**-**	-
		(3,169,981)	(2,292,717)	**(2,719,001)**	(3,603,662)
Total comprehensive income/(loss) is attributable to:					
Members of the parent		**(3,169,981)**	(2,292,717)	**(2,719,001)**	(3,603,662)
Non-controlling interest		**-**	-	**-**	-
		(3,169,981)	(2,292,717)	**(2,719,001)**	(3,603,662)
Basic earnings/(loss) per share (cents per share)	5	**(0.58)**	(0.86)		
Diluted earnings/(loss) per share (cents per share)	5	**(0.58)**	(0.86)		

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $	PARENT 2010 $	PARENT 2009 $
ASSETS					
Current Assets					
Cash and cash equivalents	6	**1,223,122**	114,127	**1,147,375**	68,038
Trade and other receivables	7	**33,556**	31,707	**31,810**	31,707
Other Assets		**42,958**	58,752	**35,635**	54,229
Total Current Assets		**1,299,636**	204,586	**1,214,820**	153,974
Non-Current Assets					
Other financial assets	8	**-**	-	**27,788**	27,688
Property, plant and equipment	9	**133,846**	168,340	**47,922**	49,223
Exploration and evaluation	10	**4,384,999**	4,422,641	**-**	-
Total Non-Current assets		**4,518,845**	4,590,981	**75,710**	76,911
TOTAL ASSETS		**5,818,481**	4,795,567	**1,290,530**	230,885
LIABILITIES					
Current Liabilities					
Trade and other payables	11	**900,625**	688,713	**45,164**	248,909
Provisions	12	**17,236**	20,398	**2,925**	4,679
Loans and Borrowings	13	**-**	1,100,000	**-**	1,100,000
Total Current Liabilities		**917,861**	1,809,111	**48,089**	1,353,588
TOTAL LIABILITIES		**917,861**	1,809,111	**48,089**	1,353,588
NET ASSETS		**4,900,620**	2,986,456	**1,242,441**	(1,122,703)
EQUITY					
Equity attributable to equity holders of the parent					
Contributed Equity	14(a)	**35,581,715**	30,678,570	**35,581,715**	30,678,570
Reserves	15	**622,497**	716,709	**530,402**	349,402
Accumulated losses	15	**(31,303,592)**	(28,408,823)	**(34,869,676)**	(32,150,675)
TOTAL EQUITY		**4,900,620**	2,986,456	**1,242,441**	(1,122,703)

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Note	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $	PARENT 2010 $	PARENT 2009 $
Cash flows from operating activities					
Payments to suppliers and employees		**(2,272,893)**	(2,454,397)	**(1,586,498)**	(1,711,339)
Interest received		**61,583**	10,809	**60,468**	10,023
Finance costs		**(20,795)**	-	**(20,795)**	-
Other receipts		**1,880**	6,494	**2,994**	6,494
Net cash flows (used in) operating activities	6	**(2,230,225)**	(2,437,094)	**(1,543,831)**	(1,694,822)
Cash flows from investing activities					
Payments for exploration and evaluation		**(457,715)**	(1,172,590)	**-**	-
Payments for property, plant and equipment		**(13,807)**	(2,602)	**(12,321)**	(1,444)
Increase in investment in subsidiary		**-**	-	**(100)**	-
Loans to controlled entities within the Group		**-**	-	**(1,171,869)**	(1,698,175)
Net cash flows (used in) investing activities		**(471,522)**	(1,175,192)	**(1,184,290)**	(1,699,619)
Cash flows from financing activities					
Proceeds from issue of fully paid shares	14(b)	**4,372,958**	1,128,075	**4,372,958**	1,128,075
Payment of transaction costs		**-**	(1,445)	**-**	(1,445)
Proceeds from borrowings		**150,000**	1,100,000	**150,000**	1,100,000
Repayment of borrowing		**(450,000)**	-	**(450,000)**	-
Payments for share issue costs		**(269,813)**	-	**(269,813)**	-
Net cash flows from financing activities		**3,803,145**	2,226,630	**3,803,145**	2,226,630
Net increase/(decrease) in cash held		**1,101,398**	(1,385,656)	**1,075,024**	(1,167,811)
Net foreign exchange differences		**7,597**	(93,057)	**4,313**	(92,967)
Cash and cash equivalents at beginning of period		**114,127**	1,592,840	**68,038**	1,328,816
Cash and cash equivalents at end of period	6	**1,223,122**	114,127	**1,147,375**	68,038

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	Issued Capital	Accumulated Losses	Reserves (Note 15)	Total Equity
	$	$	$	$
CONSOLIDATED				
At 1 July 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)
Total comprehensive income for the year	-	(2,751,352)	458,635	(2,292,717)
Transactions with owners in their capacity as owners				
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
Currency translation differences	-	-	(275,212)	(275,212)
Loss for the year	-	(2,894,769)	-	(2,894,769)
Total comprehensive income for the year	-	(2,894,769)	(275,212)	(3,169,981)
Transactions with owners in their capacity as owners				
Issue of share capital	5,172,958	-	-	5,172,958
Transaction costs	(269,813)	-	-	(269,813)
Cost of share-based payments	-	-	181,000	181,000
At 30 June 2010	35,581,715	(31,303,592)	622,497	4,900,620
PARENT				
At 1 July 2008	29,550,495	(28,547,013)	332,402	1,335,884
Loss for the year	-	(3,603,662)	-	(3,603,662)
Total comprehensive income for the year	-	(3,603,662)	-	(3,603,662)
Transactions with owners in their capacity as owners				
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)
Loss for the year	-	(2,719,001)	-	(2,719,001)
Total comprehensive income for the year	-	(2,719,001)	-	(2,719,001)
Transactions with owners in their capacity as owners				
Issue of share capital	5,172,958	-	-	5,172,958
Transaction costs	(269,813)	-	-	(269,813)
Cost of share-based payments	-	-	181,000	181,000
At 30 June 2010	35,581,715	(34,869,676)	530,402	1,242,441

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

1 CORPORATE INFORMATION

The financial report of Gippsland Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 30 September 2010.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

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

(b) Going Concern

The Consolidated Entity and the Company have incurred net losses after tax of $2,894,769 and $2,719,001, and experienced net cash outflows from operations of $2,230,225 and $1,543,831 respectively for the year ended 30 June 2010. As at 30 June 2010, the Consolidated Entity and the Company had working capital of $381,775 and $1,166,731 respectively and the Consolidated Entity had cash assets of $1,223,122.

The directors have prepared a cash flow forecast for the period ending 30 September 2011 which indicates that the current cash resources will not meet expected cash outgoings, without additional equity funding.

At the signing date of the financial report, the Company had firm commitments of $3,200,000 in relation to a capital raising with funds expected by early October 2010.

In addition, as detailed in Note 21, the Company has announced its decision to pursue the spin off via an underwritten IPO and listing on the Australian Securities Exchange, of the Company's 100% interest in its Eritrea project, and 40% interest in its Tasmanian project, which when completed will remove the Company's minimum expenditure requirements on the Eritrea and Tasmanian projects.

Based on the above factors, the directors are satisfied that the going concern basis of preparation is appropriate. The financial report has therefore been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

(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").

New accounting standards and interpretations

The Group has adopted all new and revised Australian Accounting Standards and AASB Interpretations that are relevant to its operations and effective for reporting periods beginning on 1 July 2009. The following standards have been adopted during the year:

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

(c) **Statement of Compliance continued**

New accounting standards and interpretations continued

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	More information	Impact on Group
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. 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.	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The Group has adopted the revised terminologies for presentation of its financial statements in accordance with AASB 101.
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. This standard supersedes AASB 114, Segment Reporting introducing a US GAAP approach of management reporting as part of the convergence project with FASB.	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The Group has revised its disclosure requirements in accordance with AASB 8, for the Group's operating segments, as described in Note 25.
AASB 123: Borrowing Costs (Revised), AASB 2007-6 Amendments to Australian Accounting Standards 1, 101, 107, 111, 116, 138 and Interpretations 1 & 12. 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.	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The adoption of this standard had no impact on the Group.
AASB 2008-1: Amendments to AASB 2 "Share Based Payments" The amendment clarifies that vesting conditions comprise service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The adoption of this standard had no impact on the Group.
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 & AASB 136 for the treatment of determining the cost of an investment in a subsidiary, jointly controlled entity or associate	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The adoption of this standard had no impact on the Group.
AASB 3 Business Combinations (Revised), AASB 127 Consolidated and Separate Financial Statements (Amended), AASB2008-3 Amendments to AASBs arising from AASB 3 and AASB 127 This revision changes the application of acquisition accounting for business combinations and accounting for non - controlling interests. The revised and amended standards changes affect the valuation of non controlling interest, the accounting of transaction costs and the initial recognition and subsequent recognition of contingent considerations.	Beginning 1 July 2009	This has been adopted for the year ended 30 June 2010	These standards are applied prospectively and had no material impact on prior business combinations. The adoption has amended the accounting policy of business combinations for the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(c) Statement of Compliance continued

New accounting standards and interpretations continued

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	More information	Impact on Group
AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project; AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project; AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Process; AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process These makes amendments to various Australian Accounting Standards which have led to a number of terminology changes, but have had no material effect.	Beginning 1 July 2009	This has been adopted for the year ended 30 June 2010	The adoption of this standard had no material impact on the Group.

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the group for the year ended 30 June 2010.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2010	30 June 2011
• AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions	1 January 2010	30 June 2011
• AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	1 February 2010	30 June 2011
• AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
• AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014
• AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	1 January 2011	30 June 2012
• Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	30 June 2011
• AASB 2009-12: Amendments to Australian Accounting Standards	1 January 2011	30 June 2012.
• AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2010	30 June 2011
• AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2011	30 June 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(d) Basis of consolidation

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

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

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

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

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

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

(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 statement of financial position date.

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(g) Cash and cash equivalents

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

For the purposes of the 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 amount which represents fair value at that date less an allowance for any doubtful debts. An allowance of doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(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 flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Impairment losses are recognised in the statement of comprehensive income.

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

(k) Exploration and evaluation expenditure

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(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 statement of comprehensive income net of any reimbursement.

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

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

(o) Loans and borrowings

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

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

(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').

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(q) Share-based payment transactions continued

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

(i) the extent to which the vesting period has expired, and

(ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest.

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

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

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

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

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

(r) Leases

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

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

(s) Revenue

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

(t) Income tax

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(t) Income tax continued

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

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

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

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

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

(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 statement of financial position.

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

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

(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 within one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the entity to employee superannuation funds and are charged as expenses when incurred.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(x) Segment reporting

The Group has adopted AASB 8 *Operating Segments* with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (AASB 114 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has not changed.

(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.

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 26.

(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 statement of financial position.

(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 REVENUES, OTHER INCOME AND EXPENSES

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Revenue and expenses from continuing operations				
(a) Revenue				
Finance revenue	**61,446**	10,809	**61,445**	10,023
	61,446	10,809	61,445	10,023
(b) Other income				
Sundry income	**2,994**	6,494	**2,994**	6,494
	2,994	6,494	**2,994**	6,494
(c) Administration expenses				
Included in administrative expenses:				
Minimum lease payments - operating lease	**145,507**	144,415	**126,944**	122,396
Consultancy expenses	**63,293**	25,803	**63,292**	24,575
(d) Employee benefits expenses				
Payroll cost	**1,096,651**	1,158,109	**807,546**	829,796
Superannuation	**14,525**	26,077	**14,525**	26,077
Share-based payments expense	**-**	17,000	**-**	17,000
Total employee benefit expenses	**1,111,176**	1,201,186	**822,071**	872,873

4 INCOME TAX

Statement of Comprehensive Income

(a) The components of income tax expense for the years ended 30 June 2010 and 2009 are:

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

4 INCOME TAX continued

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 2010 and 2009 is as follows:

	CONSOLIDATED		PARENT	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Accounting profit (loss) before tax	**(2,894,769)**	(2,751,352)	**(2,719,001)**	(3,603,662)
At the statutory income tax rate of 30% (2009: 30%)	**(868,431)**	(825,405)	**(815,700)**	(1,081,099)
Non-deductible expenses	**227,039**	12,680	**89,934**	12,680
Temporary differences and tax losses not recognised	**641,392**	812,725	**725,766**	1,068,419
Income tax expense recognised on profit or loss	**-**	-	**-**	-
	-	-	**-**	-
Effective income tax rate	**0%**	0%	**0%**	0%
Unrecognised deferred tax assets and liabilities				
Deferred tax assets and liabilities have not been recognised in respect of the following items:				
Deferred tax liabilities				
Other assets	**(146)**	(231)	**(146)**	(231)
Foreign exchange gain	**-**	(228,176)	**-**	-
	(146)	(228,407)	**(146)**	(231)
Deferred tax assets				
Business related costs	**35,577**	77,178	**35,577**	77,178
Accrued superannuation	**-**	-	**-**	-
Accrued audit fees	**8,115**	10,538	**5,054**	6,843
Accrued expenses	**2,206**	60	**1,500**	60
Employee entitlements	**878**	1,404	**878**	1,404
Borrowing costs	**-**	17,571	**-**	17,571
Foreign exchange gain	**-**	-	**17**	20,251
Foreign exchange loss	**90,890**	20,278	**-**	-
Tax losses (domestic)	**4,444,627**	4,003,215	**3,568,376**	3,218,109
Trade and other receivables	**-**	-	**4,923,677**	4,572,117
	4,582,293	4,130,244	**8,535,079**	7,913,533
Unrecognised deferred tax assets	**(4,582,147)**	(3,901,837)	**(8,534,933)**	(7,913,302)
	146	228,407	**146**	231
Net deferred tax asset	**-**	-	**-**	-
Tax losses not recognised	**4,582,147**	3,901,837	**8,534,933**	7,913,302

The deductible temporary differences and tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company and Group can utilise benefits.

5 EARNINGS PER SHARE

	CONSOLIDATED	
	2010	2009
	cents	cents
Basic earnings per share	**(0.58)**	(0.86)
Diluted earnings per share	**(0.58)**	(0.86)

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

	2010	2009
Profit/(loss) attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**(2,894,769)**	(2,751,352)

(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	**497,548,253**	320,389,652
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**497,548,253**	**320,389,652**

There were 56,000,000 potential ordinary shares as at 30 June 2010 (46,000,000 for 30 June 2009).

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.

6 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Cash at bank and in hand	**104,951**	114,127	**29,204**	68,038
Short term deposits	**1,118,171**	-	**1,118,171**	-
	1,223,122	114,127	**1,147,375**	68,038

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 $1,223,122 (2009: $114,127).

Reconciliation to statement of cash flows

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

Cash at bank and in hand	**104,951**	114,127	**29,204**	68,038
Short-term deposits	**1,118,171**	-	**1,118,171**	-
	1,223,122	114,127	**1,147,375**	68,038

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

Net Profit/(Loss) after income tax	**(2,894,769)**	(2,751,352)	**(2,719,001)**	(3,603,662)
Adjustments for:				
Depreciation and amortisation	**38,300**	57,155	**13,622**	20,308
Impairment losses	**35,224**	29,749	**1,171,869**	1,698,175
Expenses capitalised	**-**	1,445	**-**	1,445
Foreign exchange loss (gain)	**(42,635)**	354,412	**(4,313)**	93,133
Share options expensed	**181,000**	17,000	**181,000**	17,000
Exploration expenses	**229,959**	-	**-**	-
Changes in assets and liabilities				
(increase)/decrease in trade and other receivables	**(1,849)**	16,234	**(103)**	16,234
(increase)/decrease in other assets	**15,794**	(12,657)	**18,594**	(19,178)
(decrease)/increase in provisions	**(3,161)**	(37,930)	**(1,754)**	(16,564)
(decrease)/increase in trade and other payables	**211,912**	(111,150)	**(203,745)**	98,287
Net cash from operating activities	**(2,230,225)**	(2,437,094)	**(1,543,831)**	(1,694,822)

Non-cash transactions

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

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

7 TRADE AND OTHER RECEIVABLES (CURRENT)

		CONSOLIDATED		PARENT	
		2010	2009	2010	2009
		$	$	$	$
Trade receivables	(i)	**-**	-	**-**	-
Other receivables	(ii)	**33,556**	31,707	**31,810**	31,707
		33,556	31,707	**31,810**	31,707

(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.

8 OTHER FINANCIAL ASSETS (NON-CURRENT)

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
Loans receivable from controlled entities (a)	**-**	-	**16,412,258**	15,240,389
Provision for impairment of receivables	**-**	-	**(16,412,258)**	(15,240,389)
Investments in controlled entities - at cost	**-**	-	**27,788**	27,688
	-	-	**27,788**	27,688

The impairment of loans to subsidiaries was $1,171,869 (2009: $1,698,175).

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

Ageing of impaired loans receivable:	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
0 – 60 days	**-**	-	**246,836**	217,775
60 – 90 days	**-**	-	**86,189**	107,747
90 – 120 days	**-**	-	**72,620**	51,370
120+ days	**-**	-	**16,006,613**	14,863,497
Total	**-**	-	**16,412,258**	15,240,389

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:

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
Loan receivables	**-**	-	**-**	-

(c) Interest Rate Risk
Details regarding interest rate risk exposure are disclosed in note 26(b).

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

9 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED			PARENT		
	Leasehold Improvements	Plant and equipment	Total	Leasehold Improvements	Plant and equipment	Total
	$	$	$	$	$	$
Year ended 30 June 2010						
Balance at 30 June 2009	9,252	159,088	168,340	9,252	39,971	49,223
Additions	-	13,807	13,807	-	12,321	12,321
Disposals	-	-	-	-	-	-
Foreign Exchange Adjustment	-	(10,001)	(10,001)	-	-	-
Depreciation charge for the year	(3,650)	(34,650)	(38,300)	(3,650)	(9,972)	(13,622)
Balance at 30 June 2010	5,602	128,244	133,846	5,602	42,320	47,922
At 1 July 2009						
Cost	18,251	317,436	335,687	18,251	110,216	128,467
Accumulated depreciation and impairment	(8,999)	(158,348)	(167,347)	(8,999)	(70,245)	(79,244)
Net carrying amount	9,252	159,088	168,340	9,252	39,971	49,223
At 30 June 2010						
Cost	18,251	330,908	349,159	18,251	122,537	140,788
Accumulated depreciation and impairment	(12,649)	(202,664)	(215,313)	(12,649)	(80,217)	(92,866)
Net carrying amount	5,602	128,244	133,846	5,602	42,320	47,922
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 1 July 2008						
Cost	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	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

10 EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Exploration & evaluation expenditure (at cost)	**8,607,962**	8,893,599	**-**	-
Accumulated amortisation and impairment	**(4,222,963)**	(4,470,958)	**-**	-
	4,384,999	4,422,641	**-**	-
Movement:				
Exploration & evaluation expenditure				
Balance at beginning of year	**4,422,641**	3,105,666	**-**	-
Current year expenditure	**489,926**	933,473	**-**	-
Foreign exchange adjustment	**(277,170)**	413,250	**-**	-
Impairment	**(250,398)**	(29,749)	**-**	-
Balance at end of year	**4,384,999**	4,422,641	**-**	-

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 2010 and 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 2010, exploration expenditure of $35,225 (2009: $29,749) on the Wadi Allaqi project was impaired.

11 TRADE AND OTHER PAYABLES (CURRENT)

		CONSOLIDATED		PARENT	
		2010	2009	2010	2009
		$	$	$	$
Trade payables and accruals	(i)	**900,625**	688,713	**45,164**	248,909
		900,625	688,713	**45,164**	248,909

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

12 PROVISIONS (CURRENT)

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Provision for annual leave	**17,236**	20,398	**2,925**	4,679
	17,236	20,398	**2,925**	4,679

13 LOANS AND BORROWINGS (CURRENT)

		CONSOLIDATED		PARENT	
		2010	2009	2010	2009
		$	$	$	$
Directors' Loans - unsecured	(i)	-	300,000	-	300,000
Convertible Loan - secured	(ii) (iii)	-	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. These loans were repaid to the Directors in October 2009 following the completion of a rights issue by the Company. The loans were interest free and unsecured.

(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. On 27 August 2009, the loan was converted into 80,000,000 shares in the Company at $0.01 per share. 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 of $20,795 was paid for the term of the loan up to the date of conversion.

(iii) The Convertible Loan was 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. The charge has been discharged subsequent to year end.

14 CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	$	$	$	$
(a) Ordinary Shares				
Issued and fully paid	**35,581,715**	30,678,570	**35,581,715**	30,678,570

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

		Number of shares	$
(b) Movement in ordinary share capital			
At 30 June 2008		306,354,325	29,550,495
Share issue	(i)	17,080,000	1,028,075
Share issue	(ii)	4,545,454	100,000
Subtotal (shares issued during year)		21,625,454	1,128,075
At 30 June 2009		327,979,779	30,678,570
Share issue	(iii)	15,625,000	500,000
Share issue	(iv)	80,000,000	800,000
Share issue	(v)	121,029,937	3,872,958
Share issue costs		-	(269,813)
Subtotal (shares issued during year)		216,654,937	4,903,145
At 30 June 2010		544,634,716	35,581,715

(i) 17,080,000 shares issued on 06 October 2008 for cash on exercise of share options at 6.019 cents each.

(ii) 4,545,454 shares issued on 02 March 2009 for cash on exercise of share options at 2.2 cents each.

(iii) 15,625,000 shares issued on 19 August 2009 for cash at 3.2 cents each

(iv) 80,000,000 shares issued on 27 August 2009 in relation to the conversion of an $800,000 convertible loan into shares at 1.0 cent per share.

(v) 121,029,937 shares issued on 14 October 2009 for cash at 3.2 cents each.

15 RESERVES AND ACCUMULATED LOSSES

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	$	$	$	$
(a) Reserves				
Option issue reserve	**530,402**	349,402	**530,402**	349,402
Foreign currency translation reserve	**92,095**	367,307	**-**	-
	622,497	716,709	**530,402**	349,402

	Option issue reserve	Foreign currency translation reserve	Total
	$	$	$
Movements in reserves			
At 1 July 2008	332,402	(91,328)	241,074
Share based payment	17,000	-	17,000
Currency translation differences	-	458,635	458,635
At 30 June 2009	349,402	367,307	716,709
Share based payment (Note 19)	181,000	-	181,000
Currency translation differences	-	(275,212)	(275,212)
As at 30 June 2010	530,402	92,095	622,497

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	$	$	$	$
(b) Accumulated losses				
Movements in accumulated losses were as follows:				
Balance 1 July	**(28,408,823)**	(25,657,471)	**(32,150,675)**	(28,547,013)
Net profit/(loss) for the year	**(2,894,769)**	(2,751,352)	**(2,719,001)**	(3,603,662)
Balance 30 June	**(31,303,592)**	(28,408,823)	**(34,869,676)**	(32,150,675)

(c) Nature and purpose of reserves

Option issue reserve

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

Foreign currency translation reserve

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

16 INTERESTS IN CONTROLLED ENTITIES

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

	Country of incorporation	Percentage of equity interest held by the Group		Investment	
		2010	2009	2010	2009
		%	%	$	$
Tantalum International Pty Ltd	Australia	100	100	100	100
Here2win.com Pty Ltd	Australia	100	100	100	100
Nubian Resources Pty Ltd *	Australia	100	100	100	100
Oryx Resources Pty Ltd	Australia	100	-	100	-
Nubian Resources PLC	United Kingdom	100	100	27,388	27,388
Tantalum Egypt JSC	Egypt	50	50	-	-
Nubian Resources JSC	Egypt	100	100	-	-
				27,788	27,688

* Formerly Abutan Pty Ltd

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

17 INTERESTS IN JOINT VENTURE OPERATIONS AND BUSINESS UNDERTAKINGS

At 30 June 2010, the Group was a participant in the following joint ventures:

Name of joint venture	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	% Interest	% Interest	% Interest	% Interest
Heemskirk Tin Deposit – Tasmania, Australia	40	40	40	40
Seiga – Wadi Allaqi, Egypt	50	50	-	-
Um Shashoba – Wadi Allaqi, Egypt	50	50	-	-
Haimur – Wadi Allaqi, Egypt	50	50	-	-
Nile Valley Block E – Wadi Allaqi, Egypt	50	50	-	-
Nile Valley Block A – Wadi Allaqi, Egypt	50	50	-	-
Um Garayat – Wadi Allaqi, Egypt	50	50	-	-
Koleit – Wadi Allaqi, Egypt	50	50	-	-
Um Tiur – Wadi Allaqi, Egypt	50	50	-	-
Abu Swayel – Wadi Allaqi, Egypt	50	50	-	-

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

18 EXPENDITURE COMMITMENTS

(a) Lease expenditure commitments

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

Perth Office Lease

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the lower of CPI or 5% per annum. An option exists to renew the lease at the end of the five year term for an additional five years.

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	
	2010	2009	2010	2009
	$	$	$	$
Within one year	**141,850**	146,690	**127,850**	126,690
After one year but not more than five years	**58,350**	171,400	**58,350**	161,400
	200,200	318,090	**186,200**	288,090

(b) Exploration expenditure commitments

During July 2010, the Group entered into agreements in relation to the granting of exploration and prospecting rights and licences in Eritrea. Under the agreements, the minimum total expenditure for exploration and prospecting activities for the first year is approximately US$1,041,000. As these agreements were entered into after 30 June 2010, the Group had not expended any of this amount during the year ended 30 June 2010. There are further minimum expenditure commitments under the exploration licence, however, the amount is subject to relinquishment provisions in the agreement. An estimate of the minimum expenditure is approximately US$1,720,000 in Year 2 and US$3,440,000 in Year 3.

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

(c) Joint venture expenditure commitments

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

(d) Bank guarantee

A subsidiary of the Group has been required to provide a bank guarantee of US$30,000 to the General Authority for Investment and Free Zone in Egypt. The letter of guarantee is valid until 10 August 2011.

19 SHARE BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

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

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Expense arising from equity-settled share-based payment transactions	**181,000**	17,000	**181,000**	17,000
	181,000	17,000	**181,000**	17,000

19 SHARE BASED PAYMENT PLANS continued

(b) Types of share-based payment plans

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

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

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

Option Series	Number	Grant Date	Expiry Date	Exercise price	Fair value at grant date
				$	$
(1) Issued 28 November 2008 (*)	17,000,000	28/11/08	31/05/12	0.15	0.001
(2) Issued 17 August 2009 (*)	10,000,000	17/08/09	14/12/11	0.08	0.0181

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

(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.

	2010	2010	2009	2009
	No	WAEP	No	WAEP
Outstanding at the beginning of the year	**46,000,000**	**0.14**	29,000,000	0.14
Granted during the year	**10,000,000**	**0.08**	17,000,000	0.15
Exercised during the year	**-**	**-**	-	-
Expired during the year	**-**	**-**	-	-
Outstanding at the end of the year	**56,000,000**	**0.13**	46,000,000	0.14
Exercisable at the end of the year	**56,000,000**	**0.13**	46,000,000	0.14

(d) Weighted average of remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 1.80 years (2009: 2.87 years)

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was $0.08 - $0.15. (2009: $0.135 - $0.15)

(f) Weighted average fair value

The weighted average fair value of options granted during the year was $0.0181 (2009: $0.001)

19 SHARE BASED PAYMENT PLANS continued

(g) Option pricing model

Equity-settled transactions

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

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

	2010	2009
Strike price	A$ 0.087	A$ 0.15
Stock price	A$ 0.055	A$ 0.06
Valuation date	17/08/2009	28/11/2008
Expiry date	14/12/2011	31/05/2012
Volatility	75%	40%
Risk free rate	3.76%	3.13%
Value per option	A$ 0.0181	A$ 0.001
Number of options	10,000,000	17,000,000
Value of options	A$ 181,000	A$ 17,000

20 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent Liabilities

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

(b) Contingent Assets

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

21 SUBSEQUENT EVENTS

During July 2010, the Company's 100% owned subsidiary Nubian Resources Pty Ltd was granted a 2,100km^2 Exploration Licence plus three new 100km^2 Prospecting Licences (total 2,400 km^2), in the highly prospective Adobha region of The State of Eritrea.

During August 2010, drilling at the near surface Queen Hill deposit at Zeehan in Tasmania has confirmed continuity of high grade tin mineralisation over potentially mineable widths in relation to the Company's 40% owned Heemskirk Tin Project. On 28 September 2010, further results were reported in relation to the Heemskirk Tin Project.

During September 2010, Patersons Corporate Finance was appointed to act as Lead Manager for a placement of up to 80,000,000 shares at $0.04 per share to raise up to $3,200,000 before costs. As at the date of signing the financial report, the Company had firm commitments for the full $3,200,000.

During September 2010, the Gippsland Board of Directors resolved to pursue the spin off via an IPO and listing on ASX Limited of Gippsland's 100% owned Adobha Project located in the State of Eritrea and Gippsland's 40% interest in the Heemskirk Tin Project located in Tasmania.

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.

22 REMUNERATION OF AUDITORS

The auditor of Gippsland Limited is Deloitte Touche Tomatsu ("Deloitte"). Deloitte were appointed as auditor during August 2010 and accordingly, no amount was paid to Deloitte during the financial year ended 30 June 2010. However, $16,847 has been accrued for audit fees payable to Deloitte for the audit of the financial statements for the year ended 30 June 2010. Remuneration paid to the Company's previous auditor, PKF Chartered Accountants & Business Advisors ("PKF"), is shown below.

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	$	$	$	$
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	**37,819**	58,093	**37,819**	58,093
• other services in relation to the entity and any other entity in the Group				
(a) tax compliance	**24,122**	34,782	**22,299**	13,994
(b) corporate advisory fees	**-**	13,890	**-**	8,290
	61,941	106,765	**60,118**	80,377
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	**31,470**	52,143	**4,970**	-
• other services in relation to the entity and any entity in the Group				
(b) tax compliance	**861**	2,865	**-**	-
(b) corporate advisory fees	**-**	-	**-**	-
	32,331	55,008	**4,970**	-
	94,272	161,773	**65,088**	80,377

23 RELATED PARTY DISCLOSURE

Ultimate Parent

Gippsland Limited is the ultimate holding company of the Group

		CONSOLIDATED		PARENT	
		2010	2009	2010	2009
		$	$	$	$
Aggregate amounts receivable at balance date from:					
Controlled entities	(i)	**-**	-	**16,412,258**	15,240,389
Provision for non-recovery		**-**	-	**(16,412,258)**	(15,240,389)
		-	-	**-**	-

(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 $1,171,869 (2009: $1,698,175). All amounts are receivable in Australian Dollars.

23 RELATED PARTY DISCLOSURE continued

Ultimate Parent continued

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

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Eco International Pty Ltd – a company controlled by Mr RJ Telford received management fees.	**250,000**	152,000	**250,000**	152,000
Gandel Metals Pty Ltd – a company controlled by Mr IJ Gandel received director's fees.	**50,000**	-	**50,000**	-
Mandu Pty Ltd – a company controlled by Dr JM Chisholm received geological consulting fees.	**145,600**	118,333	**145,600**	118,333
John S Dunlop and Associates Pty Ltd – a company controlled by Mr JSF Dunlop received directors and mining consulting fees.	**25,700**	25,500	**25,700**	25,500
Ventureworks JDK Pty Ltd – a company controlled by Mr JD Kenny received director's fees.	**25,000**	18,750	**25,000**	18,750
Mr RJ Telford – director loan provided to Gippsland	**-**	250,000	**-**	250,000
Mr RJ Telford - repayment of director loan by Gippsland	**250,000**	-	**250,000**	-
Mr J Starink – director loan provided to Gippsland	**-**	50,000	**-**	50,000
Mr J Starink – repayment of director loan by 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
Abbotsleigh Pty Limited – a company associated with Mr IJ Gandel converted its Convertible Loan to Gippsland into shares in Gippsland.	**800,000**	-	**800,000**	-
Abbotsleigh Pty Limited – a company associated with Mr IJ Gandel received interest on its Convertible Loan to Gippsland up to the date of the conversion of the loan into shares in Gippsland.	**20,795**	-	**20,795**	-
Mr IJ Gandel – director loan provided to Gippsland	**150,000**	-	**150,000**	-
Mr IJ Gandel - repayment of director loan by Gippsland	**150,000**	-	**150,000**	-
Gandel Metals Pty Limited, a company associated with Mr IJ Gandel received a fee of 4% for underwriting the rights issue by Gippsland during October 2009.	**154,918**	-	**154,918**	-
Abbotsleigh Pty Limited – a company associated with Mr IJ Gandel participated in the rights issue by Gippsland during October 2009 and purchased the shortfall of the rights issue in accordance with the underwriting agreement with Gandel Metals Pty Ltd.	**1,722,370**	-	**1,722,370**	-
The parent entity, Gippsland, has made loans to its controlled entities. These loans are interest free, unsecured and at call.	**-**	-	**1,171,869**	1,698,175

24 KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel

IJ Gandel	- Chairman (Non-Executive)
RJ Telford	- Executive Director and Chief Executive Officer
J Starink	- Executive Director
JSF Dunlop	- Non-Executive Director
J Kenny	- Non-Executive Director
JM Chisholm	- Chief Geologist
A Ayyash	- Regional Manager - Middle East and North Africa
RS Caren	- Company Secretary
NA Marston	- Chief Financial Officer – resigned 8 January 2010

(b) Compensation of key management personnel

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

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	$	$	$	$
Short-term employee benefits	**974,087**	877,177	**974,087**	877,177
Post-employment benefits	**11,498**	18,159	**11,498**	18,159
Share-based payment	**-**	17,000	**-**	17,000
	985,585	912,336	**985,585**	912,336

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

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

24 KEY MANAGEMENT PERSONNEL continued

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

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

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

30 June 2009	Balance at 1.7.2008	Granted as remuneration	Options exercised	Options expired	Balance at 30.6.2009	Vested at 30.6.2009	Vested but not exercisable	Vested and exercisable	Vested during the year
Directors									
Mr IJ Gandel	-	-	-	-	-	-	-	-	-
Mr RJ Telford	-	5,000,000	-	-	5,000,000	5,000,000	-	5,000,000	5,000,000
Mr JSF Dunlop	-	2,000,000	-	-	2,000,000	2,000,000	-	2,000,000	2,000,000
Mr JD Kenny	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Mr J Starink	-	2,000,000	-	-	2,000,000	2,000,000	-	2,000,000	2,000,000
Executives									
Mr A Ayyash	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Mr RS Caren	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Dr JM Chisholm	-	3,000,000	-	-	3,000,000	3,000,000	-	3,000,000	3,000,000
	-	15,000,000	-	-	15,000,000	15,000,000	-	15,000,000	15,000,000

24 KEY MANAGEMENT PERSONNEL continued

(d) **Shareholdings of key management personnel (consolidated)**
Shares held in Gippsland Limited (number) by key management personnel are:

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

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
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	-	-	-	-	-
Dr JM Chisholm	2,420,000	-	-	-	2,420,000
Mr NA Marston	-	-	-	-	-
Mr PR Sims	-	-	-	-	-
	26,071,230	-	-	(529,000)	25,542,230

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

(e) **Other transactions with key management personnel**
Please refer to Note 23 regarding loans from key management personnel to the Company.

25 SEGMENT INFORMATION

(a) Reportable segments

The Group operates predominantly in the mining and exploration industry.

Information reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance is focussed on the type of resources being explored for and evaluated or developed. The Group's reportable segments under AASB 8 are therefore as follows:

- Tantalum
- Gold
- Copper
- Corporate

The tantalum segment relates to the development of the Group's Abu Dabbab tantalum-tin project in Egypt.

The gold segment relates to the exploration activities at Wadi Allaqi in Egypt.

The copper segment relates to the exploration activities at the Adobha project in Eritrea.

The corporate segment relates to operations of the corporate head office in Perth, Western Australia.

The following tables present revenue and profit information and certain asset and liability information regarding reportable segments for the years ended 30 June 2010 and 2009.

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

25 **SEGMENT INFORMATION continued**

(a) **Reportable segments continued**

	Continuing Operations				Total Operations
	Tantalum	Gold	Copper	Corporate	
	$	$	$	$	$
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

25 SEGMENT INFORMATION continued

(b) Geographical information

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

The following tables present revenue, expenditure and certain asset information regarding geographical locations for the years ended 30 June 2010 and 2009:

	Australia	Egypt	Eritrea	Total
	$	$	$	$
Year ended 30 June 2010				
Revenue				
Other revenues from external customers	64,439	1	-	64,440
Less revenue attributable to discontinued operation	-	-	-	-
Revenue from continuing operations	64,439	1	-	64,440
Inter-segment sales	-	-	-	-
Segment revenue	64,439	1	-	64,440
Other segment information				
Segment assets	1,262,742	4,334,459	221,280	5,818,481
Total assets				5,818,481
Capital expenditure	12,321	1,486	-	13,807
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

26 FINANCIAL INSTRUMENTS

(a) Financial risk management policy

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

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

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

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

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	
	2010	2009	2010	2009
	$	$	$	$
FINANCIAL ASSETS				
Interest Bearing				
Cash at bank	**1,136,692**	60,587	**1,136,692**	60,587
Weighted average interest rate	**4.55%**	0.85%	**4.85%**	1.42%
Non-Interest Bearing				
Cash at bank	**86,430**	53,540	**10,683**	7,451
Trade Receivables	**33,556**	31,707	**31,810**	31,707
	1,256,678	145,834	**1,179,185**	99,745
FINANCIAL LIABILITIES				
Interest Bearing				
Convertible Loan	-	800,000	-	800,000
Weighted average interest rate	**0.00%**	4.47%	**0.00%**	5.93%
Non-Interest Bearing				
Trade and other payables	**900,625**	688,713	**45,164**	248,909
Directors' Loans	-	300,000	-	300,000
	900,625	1,788,713	**45,164**	1,348,909

26 FINANCIAL INSTRUMENTS continued

(b) Interest rate risk continued

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

	CONSOLIDATED		PARENT	
	Post-tax gain/(loss)/equity increase/(decrease)		Post-tax gain/(loss)/equity increase/(decrease)	
	2010	2009	2010	2009
	$	$	$	$
+1% (100 basis points)	**11,362**	96	**11,362**	96
-1% (100 basis points)	**(11,362)**	(96)	**(11,362)**	(96)

(c) Fair values

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

	Carrying Amount		Fair Value	
	2010	2009	2010	2009
	$	$	$	$
CONSOLIDATED				
Financial Assets				
Cash	**1,223,122**	114,127	**1,223,122**	114,127
Trade and other receivables - current	**33,556**	31,707	**33,556**	31,707
Financial Liabilities				
Trade and other payables	**900,625**	688,713	**900,625**	688,713
Directors' Loans	**-**	300,000	**-**	300,000
Convertible Loan	**-**	800,000	**-**	800,000
PARENT				
Financial Assets				
Cash	**1,147,375**	68,038	**1,147,375**	68,038
Trade and other receivables - current	**31,810**	31,707	**31,810**	31,707
Related party receivables	**-**	-	**-**	-
Financial Liabilities				
Trade and other payables	**45,164**	248,909	**45,164**	248,909
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.

26 FINANCIAL INSTRUMENTS continued

(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.

(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.

		Aging analysis between			Currency of payables	
2010	**Total**	**<30 days**	**30-60 days**	**>60 days**	**AUD**	**Other**
CONSOLIDATED						
Cash and Cash Equivalents	(1,223,122)	(1,223,122)	-	-	(1,147,375)	(75,747)
Trade Receivables	(33,556)	(33,556)	-	-	(31,810)	(1,746)
Trade Payables	304,329	181,989	9,018	113,322	101,929	202,400
Other Payables	596,296	-	-	596,296	-	596,296
Directors' Loans	-	-	-	-	-	-
Convertible Loan	-	-	-	-	-	-
Total	(356,053)	(1,074,689)	9,018	709,618	(1,077,256)	721,203
PARENT						
Cash and Cash Equivalents	(1,147,375)	(1,147,375)	-	-	(1,147,375)	-
Trade Receivables	(31,810)	(31,810)	-	-	(31,810)	-
Trade Payables	45,164	44,620	-	544	45,164	-
Directors' Loans	-	-	-	-	-	-
Convertible Loan	-	-	-	-	-	-
Total	(1,134,021)	(1,134,565)	-	544	(1,134,021)	-
2009						
CONSOLIDATED						
Cash and Cash Equivalents	(114,127)	(114,127)	-	-	(68,038)	(46,089)
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
Director's Loans	300,000	-	-	300,000	300,000	-
Convertible Loan	800,000	-	-	800,000	800,000	-
Total	1,642,879	61,423	122,204	1,459,252	1,232,222	410,657
PARENT						
Cash and Cash Equivalents	(68,038)	(68,038)	-	-	(68,038)	-
Trade Receivables	(31,707)	(31,707)	-	-	(31,707)	-
Trade Payables	248,909	141,890	102,049	4,970	226,509	22,400
Director's Loans	300,000	-	-	300,000	300,000	-
Convertible Loan	800,000	-	-	800,000	800,000	-
Total	1,249,164	42,145	102,049	1,104,970	1,226,764	22,400

26 FINANCIAL INSTRUMENTS continued

(f) Foreign Exchange Risk

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

At 30 June 2010, the Group had the following exposure to foreign currency that are not designated in cash flow hedges:

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
Financial Assets				
US$				
Cash and cash equivalents	**52,917**	17,468	**-**	-
EGP				
Cash and cash equivalents	**22,830**	28,621	**-**	-
GBP				
Cash and cash equivalents	**-**	526	**-**	526
	75,747	46,615	**-**	526
Financial Liabilities				
US$				
Trade and other payables	**38,347**	46,952	**-**	9,940
EGP				
Trade and other payables	**759,292**	378,674	**-**	-
Euro				
Trade and other payables	**5,166**	6,344	**-**	-
GBP				
Trade and other payables	**10,202**	24,776	**-**	12,460
	813,007	456,746	**-**	22,400
Net exposure	**(737,260)**	(410,131)	**-**	(21,874)

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

At 30 June 2010, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

	Post Tax Loss (Higher)/Lower		Equity Higher/(Lower)	
	2010	2009	2010	2009
	$	$	$	$
Consolidated				
AUD/EGP +10%	**(102,031)**	2,652	**(1,118,933)**	(1,246,262)
AUD/EGP -10%	**124,705**	(3,241)	**1,367,585**	1,523,209
Parent				
AUD/EGP +10%	**-**	-	**-**	-
AUD/EGP -10%	**-**	-	**-**	-

Foreign exchange rates used during the period were as follows:

	2010	2009
	AUD:EGP	AUD:EGP
Rate as at 30 June	4.84229	4.53500
Average Rate for year ended 30 June	4.91302	4.16169

26 FINANCIAL INSTRUMENTS continued

(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 2010 and 2009 were as follows:

	CONSOLIDATED		PARENT	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Total Trade and other payables	**900,625**	688,713	**45,164**	248,909
Loans & Borrowings	**-**	1,100,000	**-**	1,100,000
Less cash and cash equivalents	**(1,223,122)**	(114,127)	**(1,147,375)**	(68,038)
Net Debt Position	**(322,497)**	1,674,586	**(1,102,211)**	1,280,871
Total Equity	**4,900,620**	2,986,456	**1,242,441**	(1,122,703)
Total Capital	**4,578,123**	4,661,042	**140,230**	158,168
Gearing ratio	**(7.0%)**	35.9%	**(786.0%)**	809.8%

DIRECTORS' DECLARATION

The directors of Gippsland Limited declare that:

(a) in the directors' opinion the financial statements and notes on pages 35 to 73, and the remuneration disclosures that are contained in the Directors' report, set out on pages 22 to 27, 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 2010 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 issued by the International Accounting Standards Board 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 2010, required by Section 295A of the Corporations Act 2001.

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

Dated 30th day of September 2010.

RJ Telford
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GIPPSLAND LIMITED

Deloitte.

Deloitte Touche Tohmatsu
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Report on the Financial Report

We have audited the accompanying financial report of Gippsland Limited, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 13 to 55.

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 control 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(c), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian Accounting Standards ensures that the financial report, comprising the consolidated 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Auditor's Independence Declaration

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

Deloitte.

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 consolidated entity's and company's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2(c).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 11 of the directors' report for the year ended 30 June 2010. 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 of the Remuneration Report, based on our audit conducted in accordance with Australia Auditing Standards.

Opinion

In our opinion the Remuneration Report of Gippsland Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith
Partner
Chartered Accountants
Perth, 30 September 2010

ASX ADDITIONAL INFORMATION

AS AT 20 SEPTEMBER 2010

		Shares	Options ex 26/5/2012 at 13.5 cents	Options ex 15/12/2011 at 6.65 pence	Options ex 31/05/2012 at 15 cents	Options ex 14/12/2011 at 8 cents
		<30 days	30-60 days	>60 days	AUD	Other
A	**TOTAL EQUITY SECURITIES**					
	Totals on Issue	544,634,716	25,000,000	4,000,000	17,000,000	10,000,000
B	**DISTRIBUTION OF EQUITY SECURITIES**					
	1 - 1,000	76				
	1,001 - 5,000	180				
	5,001 - 10,000	238				
	10,001 - 100,000	762				
	100,001 and over	277	1	2	8	1
		1,533	1	2	8	1
	No of shareholders holding an unmarketable parcel	375				

C	**TOP 20 SHAREHOLDERS**	Number	%
1	Abbotsleigh Pty Ltd	133,824,073	24.57
2	ANZ Nominees Limited	99,466,164	18.26
3	HSBC Custody Nominees	33,387,412	6.13
4	National Nominees Limited	23,536,527	4.32
5	Situate Pty Ltd	16,979,040	3.12
6	Eco International Pty Ltd	11,627,985	2.14
7	Taveroam Pty Limited	10,792,377	1.98
8	Taveroam Pty Ltd	10,260,243	1.88
9	RJ & RK Telford	6,869,461	1.26
10	Alsanto Nominees Pty Ltd	6,390,000	1.17
11	Figjar Holdings Pty Ltd	5,965,000	1.10
12	King Town Holdings Pty Ltd	5,300,000	0.97
13	Sunvest Corporation Limited	5,166,665	0.95
14	EJ & LY Congdon	5,000,000	0.92
15	Alibank London Nominees Ltd	4,500,000	0.83
16	JP Morgan Nominees Australia Ltd	3,845,169	0.71
17	Fiske Nominees Ltd	2,967,856	0.54
18	Taveroam Pty Ltd	2,922,078	0.54
19	LR Nominees Limited	2,910,220	0.53
20	Ventureworks JDK Pty Ltd	2,892,858	0.53
		394,603,128	**72.45**

D UNLISTED OPTION HOLDERS

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

E SUBSTANTIAL SHAREHOLDERS

	Number	%
Abbotsleigh Pty Ltd	133,824,073	24.57
Situate Pty Ltd, Taveroam Pty Ltd and RW Beale	40,953,738	7.52

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 20 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	Exploration Licence	Granted	90%
Eritrea	Adobha	Prospecting Licence	Granted	90%
Eritrea	Adobha	Prospecting Licence	Granted	90%
Eritrea	Adobha	Prospecting Licence	Granted	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. Applications to renew tenements have been lodged.

NOTES

GIPPSLAND LIMITED

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