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GIPPSLAND LIMITED

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21 April 2011

GIPPSLAND TO FOCUS ON THE ABU DABBAB TIN-TANTALUM-FELDSPAR PROJECT
NON-EGYPTIAN ASSETS TO BE DIVESTED

Gippsland Limited ("**Gippsland**" or the "**Company**") (ASX: GIP) is pleased to announce it and its subsidiaries have entered into various transactions to divest Gippsland's interest in its non-Egyptian assets in order for Gippsland to focus on securing funding at the earliest opportunity for the development of its flagship 44.5 million tonne Abu Dabbab tin-tantalum-feldspar project and its Nuweibi tantalum project located in Egypt.

It is the view of the Gippsland Board that Gippsland's non-Egyptian exploration assets, being its exploration assets in Eritrea and its interest in the Tasmanian Heemskirk Joint Venture do not at present contribute significantly to the market valuation of Gippsland's shares. As previously announced, it is the view of Gippsland's Board that effective exploitation of Gippsland's non-Egyptian exploration assets would benefit substantially from a corporate re-structure to provide opportunity to 'unlock' the value of these assets.

A newly incorporated company, Adobha Resources Limited ("**Adobha**") of which Messrs Ian Gandel, John Dunlop and John Chisholm are directors, will purchase Gippsland's 40% interest in the Heemskirk Joint Venture and subscribe for shares in Adobha Resources (Eritrea) Pty Ltd (formerly Nubian Resources Pty Ltd) ("**Adobha Eritrea**"). Adobha Eritrea is currently a wholly owned subsidiary of Gippsland and holds the Group's Eritrean exploration assets.

Adobha is proposing to conduct an initial public offer ("**IPO**") and seek a listing on the Australian Securities Exchange ("**ASX**"). Gippsland shareholders will have a priority offer in the IPO. A prospectus for the IPO is expected to be issued within the next 2 months. The prospectus will be sent to Gippsland shareholders who will have the opportunity to apply for shares by completing the application form that will accompany that prospectus. The Offer is expected to be fully underwritten.

Sale of Heemskirk Joint Venture

Gippsland, Adobha and Adobha Resources (Australia) Pty Ltd ("**Adobha Australia**") (Adobha Australia is a wholly owned subsidiary of Adobha) have entered into a sale agreement pursuant to which Adobha Australia will purchase Gippsland's 40% interest in the Heemskirk Joint Venture (defined below) in consideration for the issue of 4,000,000 fully paid ordinary shares in Adobha at a deemed issue price of $0.20 per share ("**Heemskirk Agreement**").

Gippsland and Columbus Metals Limited ("**Columbus**") are participants in an unincorporated joint venture ("**Heemskirk Joint Venture**") in relation to retention licence 5/1997 located in Tasmania ("**Licence**"). Gippsland is the beneficial owner of a 40% interest in the Heemskirk Joint Venture ("**JV Interest**") and under the terms of the JV Agreement Gippsland's JV Interest is free carried by Columbus until the completion of a bankable feasibility study.

Under the terms of the Heemskirk Agreement, Gippsland has agreed to sell and assign its JV Interest together with mining information and its rights and interests under the JV Agreement ("**Sale Assets**") to Adobha Australia and Adobha Australia has agreed to purchase the Sale Assets in the name of its wholly owned subsidiary, Adobha Australia.

Completion of the sale of the Sale Assets is conditional upon:

- the grant of all necessary consents and approvals by the Minister under the Mining Act of Tasmania to the sale of the Sale Assets ("**Ministerial Approval**");
- conditional approval for Adobha's admission to the official list of the ASX and satisfaction of all of the conditions imposed by the ASX other than completion under the Subscription Agreement (defined below); and
- the execution of a deed of assignment, assumption and release between Gippsland, Adobha Australia and Columbus in relation to the Heemskirk Joint Venture.

If the above conditions are not satisfied by 30 June 2011, then any party may, by notice in writing to the other party, elect to terminate the agreement.

Gippsland, Adobha and Adobha Australia have agreed to apply for Ministerial Approval and to register the transfer of Gippsland's 40% interest in the Licence to Adobha Australia prior to completion of the sale of the Sale Assets on the basis that Adobha Australia will hold the legal interest in the 40% interest in the Licence on trust for Gippsland until completion. If completion does not occur within 6 months of 30 June 2011, Adobha Australia will re-transfer the legal interest in the 40% interest in the Licence to Gippsland.

Subscription for shares in Adobha Resources (Eritrea) Pty Ltd

Adobha Eritrea is the holder of the following tenements ("**Eritrean Project**"):

- exploration licence known as the "Adobha Exploration Licence" granted to Adobha Eritrea on 23 July 2010;
- the prospecting licence known as the "Romay Prospecting Licence" granted to Adobha Eritrea on 23 July 2010;

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- the prospecting licence known as the "Gerasi South Prospecting Licence" granted to Adobha Eritrea on 23 July 2010; and
- the prospecting licence known as the "Hafta West Prospecting Licence" granted Adobha Eritrea on 23 July 2010.

Adobha and Adobha Eritrea have entered into a subscription agreement pursuant to which Adobha will subscribe for up to 80% of the issued capital in Adobha Eritrea for $4,400,000 ("**Subscription Agreement**").

Under the terms of the Subscription Agreement, Adobha has agreed to subscribe for two tranches of fully paid ordinary shares in the capital of the Adobha Eritrea, comprising:

a. 200 ordinary shares subscribed for at A$11,000 per share ("**Tranche 1 Shares**"); and

b. 200 ordinary shares subscribed for at A$11,000 per share ("**Tranche 2 Shares**").

Completion of the subscription for the Tranche 1 Shares is conditional upon the:

- execution of a deed of forgiveness of debt by Gippsland in favour of Adobha Eritrea in which Gippsland releases Adobha Eritrea from its obligation to repay a loan of $2,245,437;
- execution of a shareholder's agreement between Gippsland and Adobha in relation to their shareholdings in Adobha Eritrea;
- receipt of all consents, approvals and authorisations required under the laws of Eritrea for the transactions contemplated in the Subscription Agreement; and
- conditional approval for Adobha's admission to the official list of ASX and the satisfaction of all conditions imposed by the ASX other than completion for subscription of the Tranche 1 Shares and the settlement of the Heemskirk Agreement,

(collectively, the "**Tranche 1 Conditions Precedent**"). If the Tranche 1 Conditions Precedent are not satisfied or waived by 30 June 2011, then any party may, by notice in writing to the other party, elect to terminate the Subscription Agreement.

The subscription for the Tranche 2 Shares is conditional upon Adobha notifying the Company that it will subscribe for the Tranche 2 Shares ("**Tranche 2 Condition Precedent**"). The Tranche 2 Condition Precedent must be satisfied by Adobha within 12 months after the completion date for the subscription of the Tranche 1 Shares.

Funding Arrangements

Adobha has provided Adobha Eritrea non-binding letters of comfort in relation to which it has agreed to provide funding to Adobha Eritrea in order for Adobha Eritrea to meet its expenses in relation to the Eritrean Project both prior to and post the listing of Adobha on ASX ("**Letters of Comfort**").

An entity controlled by Ian Gandel has agreed to make a facility of up to $800,000 available to Adobha in order for Adobha to meet its costs in relation to: (i) providing funding to Adobha Eritrea as outlined in the Letters of Comfort regarding the period prior to Adobha listing on ASX; and (ii) the expenses of Adobha in preparing for its IPO ("**Facility**"). The Facility attracts a rate of interest of 4% per annum and is repayable by Adobha on the earlier of: (i) 1 day after Adobha lists on ASX; or (ii) 30 July 2011. The Facility is unsecured.

Ian Gandel
Chairman

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