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GIPPSLAND LIMITED

ABN 31 004 766 376

THIRD QUARTER ACTIVITIES REPORT

Period: 1 JANUARY – 31 MARCH 2011
Release Date: 29 APRIL 2011

The Directors of Gippsland Limited ('Gippsland' or 'the Company') [ASX: GIP, FRA: GIX] provide the following Activities Report for the period January - March 2011, together with details of events up to the date of this report.

Highlights

- Free Zone Security Fence nears completion;
- Water pipeline route finalised and surveyed;
- Coastal seabed survey completed;
- Feldspar shipping port studies progressing;
- Revised environmental impact study nearing completion;
- Alluvial tin trial mining commences;
- Further progress at the Heemskirk JV tin project;
- Exploration set to recommence in Eritrea; and
- Non-Egyptian Assets to be divested

EGYPT - ABU DABBAB TANTALUM-TIN PROJECT

Free Zone Walled Compound

The Company continued construction of a 3.5 metre-high brick security fence enclosing the Abu Dabbab Free Zone (FZ) site leased from EMRA in compliance with the General Authority for Investment (GAFI) requirements. The structures undergoing completion include a GAFI and Customs Office as well as the walled compound

The works are expected to be completed as soon as the fourth side of the compound is closed with a chain wire fence in April 2011.

Fresh Water Pipeline Survey

During the period, the Company secured approval for a corridor linking the Project's Free Zone location to the shore of the Red Sea. This land corridor has been surveyed and provision allowed for a desalination plant and saltwater brine injection bores.

This was an important development as it effectively created a reserved land corridor connecting the minesite to the coast, thus guaranteeing a means to bring fresh water to the project area.

Shipping Studies

The Company announced on 14 January 2009 that the Egyptian National Centre for Planning and Usage of State Land had approved the use of the Port Turumbi portsite for the Abu Dabbab project for the export of approximately 1.5 million tonnes per year of ceramic grade feldspar produced as a by-product from the 44.5 million tonne Abu Dabbab tantalum-tin project. Terms of use of this facility continue to be negotiated.

Whilst the Company welcomes the opportunity to utilise the Port Turumbi port as a location for its feldspar export ship loading facilities, it wishes to explore the possibility of establishing its new facility in the vicinity of Marsa Abu Dabbab, which is located significantly closer to the plant site. Establishment of a new ship loading facility at this location would avoid road transport along the highway between Marsa Mubarak and Port Turumbi.

The location north of Marsa Abu Dabbab would have the additional benefit of providing for an integration of the FZ (where the Project's Reverse Osmosis water purification facilities are to be located), the sea water pipeline corridor, land facilities for the storage of export feldspar, the Project's sea water intake structures and accommodation for the Project's employees.

The Company has appointed Cullen, Grummit & Roe (UK) Limited (CGR) to prepare alternative conceptual designs for a proposal to construct a ship-loader jetty with the capacity to load 30,000 tonne vessels in the vicinity of the proposed location of the sea water intake structure. The conceptual designs will take into consideration likely environmental constraints and mitigation measures required to minimise disturbance to the reef environment.

Coffey Mining Technical Review

Coffey Mining Pty Ltd (Coffey Mining) was appointed as the Independent Engineer by the Company's prospective debt financiers to conduct an Independent Engineering Audit (IEA) on the Abu Dabbab Project, located in Egypt. The purpose of the IEA was to validate the Company's Bankable Feasibility Study (BFS) and confirm that the proposed mining operations, processing facilities and associated infrastructure and services have been based on appropriate and adequate data and were developed in terms of sound engineering principles and generally accepted environmental guidelines and practice. The IEA was also to verify that the operation would achieve the planned output of metals within the detailed capital and operating cost budgets over the planned life of mine.

The final draft EIA was received by the Company late in December 2010. Following comments on the draft from the Company and its consultants, the final report should issue in due course. No fatal flaws were identified in the draft.

Project ESIA

Following evaluation by Lycopodium and Gippsland of alternative approaches to the supply of raw sea water and the disposal of waste brine, it is proposed to source raw sea water directly by way of a sea water intake from the Red Sea. Raw sea water will be desalinated within the area of the Free Zone whilst brine will be disposed of in coastal re-injection wells. This proposal required regulatory approval from a number of authorities for the onshore pipeline facilities.

As previously advised, these project changes require the updating of the project ESIA to take account of the elimination of the use of sea water as process water and the consequential changes to the tailings storage facility ("TSF") and sea water intake and brine discharge facilities. The Company's environmental consultants, Environics, are currently revising the ESIA and is now expected to deliver its report in the second quarter of 2011, following which the final environmental approvals for the project may be obtained.

Validation of SynCon Process

In anticipation of securing appropriate project finance, the Company has appointed CRT Minerals, the Company's pyrometallurgical consultants, to prepare a test work program to validate the SynCon process and to accurately define key final equipment and process specification parameters. It is anticipated that work will commence in the next quarter.

Seabed Survey

The Company completed a survey of the seabed in the vicinity of Marsa Abu Dabbab in conjunction with its final design of the sea water intake facilities. The results of the survey confirms that in the immediate offshore vicinity of the pipeline corridor the profile of the seabed comprises a shallow shelf extending approximately 110 metres to a narrow coral reef and a very abrupt change at the reef outer margin with a very steep slope to a depth of more than 80 metres within 100 metres of the reef outer margin

This work will facilitate the EIS update, particularly with regard to the proposed sea water desalination strategy.

Alluvial Tin Trial Mining

The Directors are pleased to announce that the trailer mounted alluvial separator has been delivered to site and all ancillary equipment and services have been installed. Trial mining of more than 1,000 cubic metres of material and on-site processing has commenced. The programme is expected to be completed within two months and will involve excavating at least five costeans across the entire width of the two placer deposits.

The trial mining programme is a prelude to the full-scale mining of two placer tin deposits at Abu Dabbab which, subject to the results of the trial mining, the Company plans to commence during 2011. The placers are known as Wadi Mubarak and Wadi Quaria and are located adjacent to the Abu Dabbab tin-tantalum-feldspar deposit.

The objectives of the trial mining programme include confirmation of the recoverable grade of tin and related minerals, re-evaluation of recoverable resources based on a lower cut-off grade, validation of the simple conceptual process flowsheet and the development of commercially sized equipment design and specification criteria. Subject to a successful outcome of the trial mining programme, the Company intends to commence commercial operations at the earliest opportunity with a view to exploiting the resource over a 12-month operating time frame.

The placers were first explored during the early 1970s by a joint Egyptian-Soviet expedition. Sampling data produced by the programme was re-evaluated and a new resource estimation completed by Gippsland in 2008 identified an Inferred Resource of 438,000m^3 of alluvium containing 759t of recoverable tin metal. A short programme of re-sampling of the pits excavated during the early 1970s as part of the Soviet exploration programme was completed during 2009 and confirmed the presence of cassiterite and wolframite at commercially exploitable levels.

ERITREA (ADOBHA PROJECT)

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

The Licences cover 2,400km^2 of a highly mineral endowed region of Eritrea that is regarded as very prospective for volcanogenic massive sulphide (VMS) mineralisation and structurally controlled gold mineralisation. Local examples of these types of deposits are the Bisha base metal deposit (1.44 million ounce gold and 0.39 million tonne copper) located some 174km to the south and the 0.760 million ounce Zara gold project (Koka deposit) located only 16km to the south of the Company's most southern Licence. The large area covered by the Licences forms part of the Precambrian Nubian-Arabian Shield that also hosts the 13.7 million ounce Sukari gold deposit.

Under the terms of the Eritrean Mining Act, Prospecting Licences are granted for one year after which they may be converted to Exploration Licences or surrendered. Exploration Licences have tenure of three years which can be extended for a further two years.

The Licences secure a large area around the promising base metal prospects discovered by the Company during recent regional reconnaissance geochemical surveys. The geochemical surveys and subsequent follow-up involving rock-chip sampling and geological mapping identified large areas of visible copper mineralisation, some of which contained associated lead and zinc. The geochemical surveys targeted the highest ranked of the interpreted Thematic Mapper ('TM') satellite image anomalies. A number of anomalies are still to be examined.

Geological interpretation of the tenements was completed at 1:25,000 (23 map sheets) and 250,000 scales. A colour 1:100,000 compilation was also been completed during the period. Based on this work, high priority target areas for geochemical sampling have been outlined. Individual sample location sites for the southern-most areas have been identified.

A helicopter survey for comprehensive drainage sampling and mapping of the Exploration Licence is expected to commence in early May. The survey will be conducted using four sampling teams. All of the company's tenements are held by a wholly owned, Australian domiciled subsidiary. This subsidiary is now known as Adobha Resources (Eritrea) Pty Ltd (ARE, formerly Nubian Resources Pty Ltd) following a change of name on 16 February 2011.

ARE has appointed country manager and exploration geologist Eyob Fisseha Andemeskel (effective 1 March 2011) and office manager Martha Abrahalei (effective 15 March 2011). ARE is presently finalising contracts for the secondment of two geologists from the Department of Mines Eritrea. In addition ARE is presently securing the services of field assistants and other support personnel.

A status report on the proposed spin off of the Eritrean assets and the Company's interests in the Tasmanian Heemskirk Tin Project is included later in this report.

AUSTRALIA - HEEMSKIRK TIN DEPOSIT DRILLING RESULTS AND METALLURGICAL TESTWORK RESULTS

The Heemskirk Tin Project (Gippsland: 40% free carried to BFS), at Zeehan Tasmania, collectively comprises Australia's largest known undeveloped hard rock tin deposit; the Queen Hill, Severn, and Montana deposits.

During the reporting period, Gippsland's joint venture partner Stellar Resources Ltd (ASX: Code SRZ, "Stellar") reported further progress on the project, focusing on Queen Hill, the shallowest of the three deposits, with the following key points:

- The completion of a JORC Compliant Mineral Resource of 4.4 Mt grading 1.1% tin or 49,000 tonnes of contained tin for the three deposits identified to date (Queen Hill, Montana and Severn) within the project;
- 1.6 Mt grading 1.2% tin (at Queen Hill) classified as Indicated Resource;
- All tin deposits remain open at depth;
- This resource estimate to underpin a scoping study in the June quarter;
- Drilling commenced on near-surface targets around the Queen Hill and Montana deposits to potentially upgrade and expand resources; and
- Preliminary metallurgical test work has shown that the traditional high-sulphide tin processing circuit will work for Heemskirk tin mineralization. This means that toll milling at nearby existing tin treatment plants can be considered as realistic treatment options.

Under the terms of the Heemskirk joint venture agreement, Stellar (subject to satisfaction of a number of conditions) has the right to increase its ownership of the Heemskirk Tin Project from 60% to 70%. These conditions include the requirement on Stellar to:

- Complete a comprehensive feasibility study recommending that commercial development be undertaken with a view to undertaking mining operations and containing all necessary supporting reports and data including geological and metallurgical, financing and marketing studies ('Studies'); coupled with,

- A written commitment based upon the Studies by a corporation, institution or bank acceptable to Gippsland and Stellar to lend not less than one half of all costs to be met by Gippsland for the commercial development of the project up to the date of commencement of commercial production.

CORPORATE

Non-Egyptian Assets To Be Divested

The Company 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.

Independent valuations of Eritrea and Heemskirk were obtained and form the basis of the proposed transactions. ASX clearance has been sought and granted as to the form and nature of the offering. Details will be advised when a prospectus is registered and made available.

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.

It is also 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.

Continued exploration of the Eritrean assets requires substantial commitment to expenditure.

Such expenditure would, in the absence of the proposed transactions, have to be met by the issue of new equity by Gippsland.

The proposed transactions provide for the opportunity for individual Gippsland shareholders to decide to decline to contribute to such expenditure without dilution of their interests in the Abu Dabbab project. The proposed transactions also ensure that future equity raisings by Gippsland will be applied primarily to the development of the Abu Dabbab Project.

Alternatively, the proposed transactions provide for the opportunity for individual Gippsland shareholders to maintain their interest in the Eritrean assets by electing to contribute to the funding required to explore and further develop 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.

Messrs Ian Gandel, John Dunlop and John Chisholm are not presently shareholders of Adobha.

Upon successful conclusion of the IPO and listing on the ASX, Dr Chisholm will assume the role of Managing Director and Mr Dunlop will assume the role of Executive Director. Mr Gandel will serve as non-executive Chairman.

In recognition of the key executive roles to be performed by Dr Chisholm and Mr Dunlop, Adobha has allotted 1 million options to Dr Chisholm and 500,000 options to Mr Dunlop.

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. Pursuant to the terms of the Heemskirk Agreement, upon completion of an Acceptable Feasibility Study (as defined in the Heemskirk Agreement) Gippsland's JV Interest will reduce to 30%. In addition, upon commencement of Commercial Mining Operations (as defined in the Heemskirk Agreement), Gippsland shall not be entitled to receive for its own benefit its share of the proceeds from mining operations until it has repaid to Columbus 75% of Expenditures contributed by Columbus on behalf of Gippsland, being 30% of all Expenditures incurred until the completion of the Acceptable Feasibility Study together with interest.

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 (formerly Nubian Resources Pty Ltd) 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;
- 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;
- the loan of $2,245,437 to be forgiven relates in part a long standing non-recoverable intercompany loan to the value of $1,911,848 provided by Gippsland to Abobha Eritrea to finance the then activities of Adobha Eritrea relating to an unsuccessful Internet business proposal.
- The balance of the loan of $2,245,437 to be forgiven, to the value of $333,589, relates to intercompany loans provided by Gippsland to Adobha Eritrea to fund exploration activities in Eritrea.
- 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.

Further updates in relation to the progress of the IPO and proposed timetable will be announced when available.

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Note:

In accordance with Listing Rule 5.6 of the Australian Stock Exchange Limited, the geological information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on data compiled by Dr John Chisholm, a Fellow of The Australasian Institute of Mining and Metallurgy. Dr Chisholm has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Chisholm consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.