

23 January 2012

## ABU DABBAB – ALLUVIAL TIN PROJECT UPDATE ON SCHEDULE FOR MARCH START-UP

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### Highlights

- Project is on schedule for a March 2012 start-up
- Alluvial separator plant due on site early February
- All other capital purchases identified and on order
- Staffing and recruitment activities are essentially complete
- Mining contract awarded and mobilisation to site expected in February
- Detailed logistics planning well advanced
- Negotiations with a custom smelter are underway
- OH & S and environmental policies established
- Detailed commissioning plans in place for start-up

Gippsland Limited ('Gippsland' or the 'Company') [ASX: GIP, FRA: GIX] provides the following update for the alluvial tin project (the "Abu Dabbab Alluvial Tin Project") in Egypt, previously referred to in ASX announcements dated 25 April , 3 August and 7 October 2011.

As previously reported, the Wadi Quaria tin placer at Abu Dabbab is to be mined initially over a 17 month campaign, outlined in detail in the Company's ASX release dated 7 October 2011 (See Figure 1).

The Company is pleased to advise that the project has advanced significantly and is on target for start-up in March 2012.

### Project Status Summarized

The project implementation has been in the hands of an in-house management team, which has been focused on the following core project activities:

#### *Project Funding*

The project will be funded internally .

#### *Staffing & Recruitment*

Recruitment of the process plant, maintenance and administration workforce is essentially complete, with all associated employment documentation in place. A mining workforce will be supplied by the mining contractor.

### *Capital Purchasing*

The previously reported estimated capital cost of the start-up was put at \$0.6 million. Expenditure to date is approaching 80% completeness and is still within an estimated  $\pm 10\%$  of the original estimate.

### *Mining Contract*

After a competitive tender process, the mining contract was awarded to Orbit Star Contracting. The mobilisation payments have been made and the contractor is expected on site in February. Under the terms of the contract, Orbit Star will supply the mining and screening equipment, plus its own site camp and amenities.

The contract calls for the mining of approximately 246,000 m<sup>3</sup> (393,000 tonnes) of ore and 261,000 m<sup>3</sup> of waste over 17 months and screening at -6 mm to produce 189,000 tonnes of mineralized feed to the alluvial plant. The average monthly plant feed is therefore expected to be 11,500 tonnes of -6 mm screened ore.

The monthly mining rates are expected to be 20,000 m<sup>3</sup> of waste removal and 15,000m<sup>3</sup> (24,000 tonnes) of run of mine unscreened ore.

### *Ore Processing*

Screening of run of mine ore and processing of the -6 mm screen fraction will take place at the minesite, adjacent to the central part of Wadi Quaria itself. This site can be seen in both Figures 2 and 4. Rougher cassiterite recovery is planned to be achieved with two Extrac-Tec HPC-30 separators feeding a single HPC-15 cleaner separator. Concentrate from the HPC-15 will be further refined on a Wilfley Table, located at the project Free Zone.

### *Logistics*

Logistics was broken down into five major components: power, water, roads, accommodation and communication. Each of these project requirements was analysed in detail and addressed. A water supply contract tender was awarded to Egypt Marine, who operate a nearby desalination facility; power will be generated on site; roads have been upgraded using local contractors; a 40 man camp is soon to be established on a new site adjacent to the mining area; and communications are being addressed so as to allow contact between site, the Cairo office and Gippsland's office in Perth.

### *Product Despatch and Sales*

Product finishing will be completed with a Wilfley Table located in the Free Zone area at the minesite (Figure 3). Final concentrate from the Wilfley Table will be sun dried and bagged, sampled, and despatched in 20 foot standard shipping containers. Independent assay will be undertaken under terms defined by a standard toll smelting contract which is under negotiation.

The product finishing, bagging and despatch facilities are under construction at present and will be ready for use when the Wilfley Table is commissioned in early March 2012.

### *Occupational Health, Safety & Environment*

Gippsland's operating entity in Egypt; Tantalum Egypt JSC (TE JSC) has expanded its OH & S and E documentation so as to accommodate the operational phase being embarked upon.

### *Accounting and General Administration*

Procedures are in place for budgeting, cost accounting, management reporting, payroll, accounts payable, petty cash, purchasing, stores warehousing and the like.

### *Pre- Operations and Commissioning Planning*

Under the heading pre-operations, the following activities have been completed:

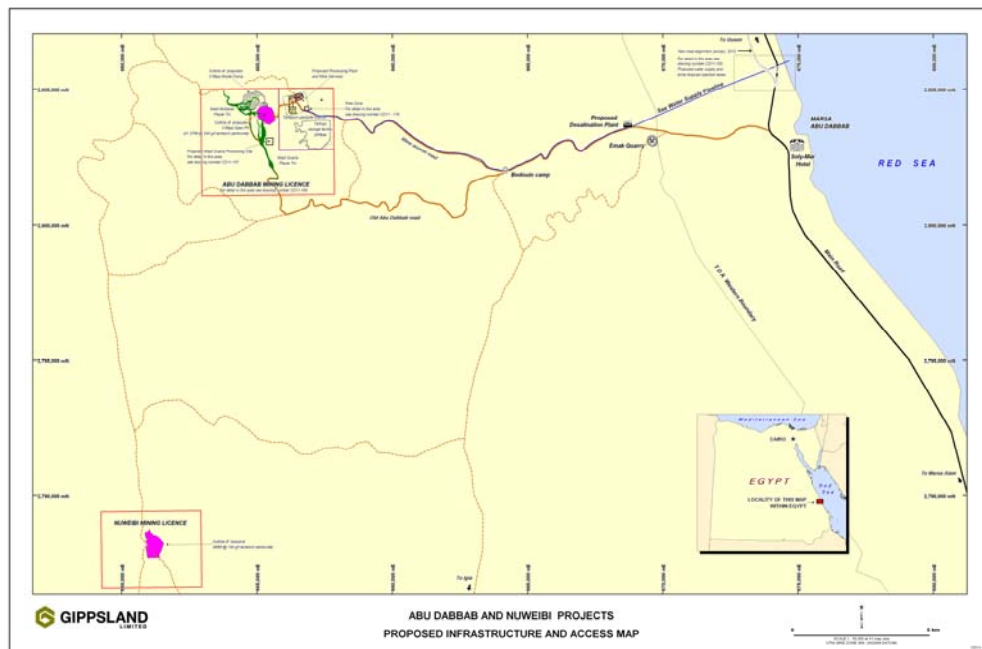
- Site earthworks (Figure 4);
- Plant mark-outs (Figure 5);
- Local procurement; and
- Security build-up.

Commissioning planning has included:

- Validation of process mass flows and water balance;
- Arrangement with vendors for site commissioning assistance;
- Rigorous checking and recording of inbound equipment; and
- Finalisation of the commissioning team.

Gippsland’s Executive Director John Dunlop, will head the commissioning team on site during the entire start-up phase, which is expected to run from mid-February till the end of March. He will be assisted by TE’s geological professionals on site and supported by the existing accounting and management staff in the TE Cairo office.

A further release, updating shareholders on progress is planned towards the end of the commissioning phase.



**Figure 1: Project setting and access from Red Sea Coast**

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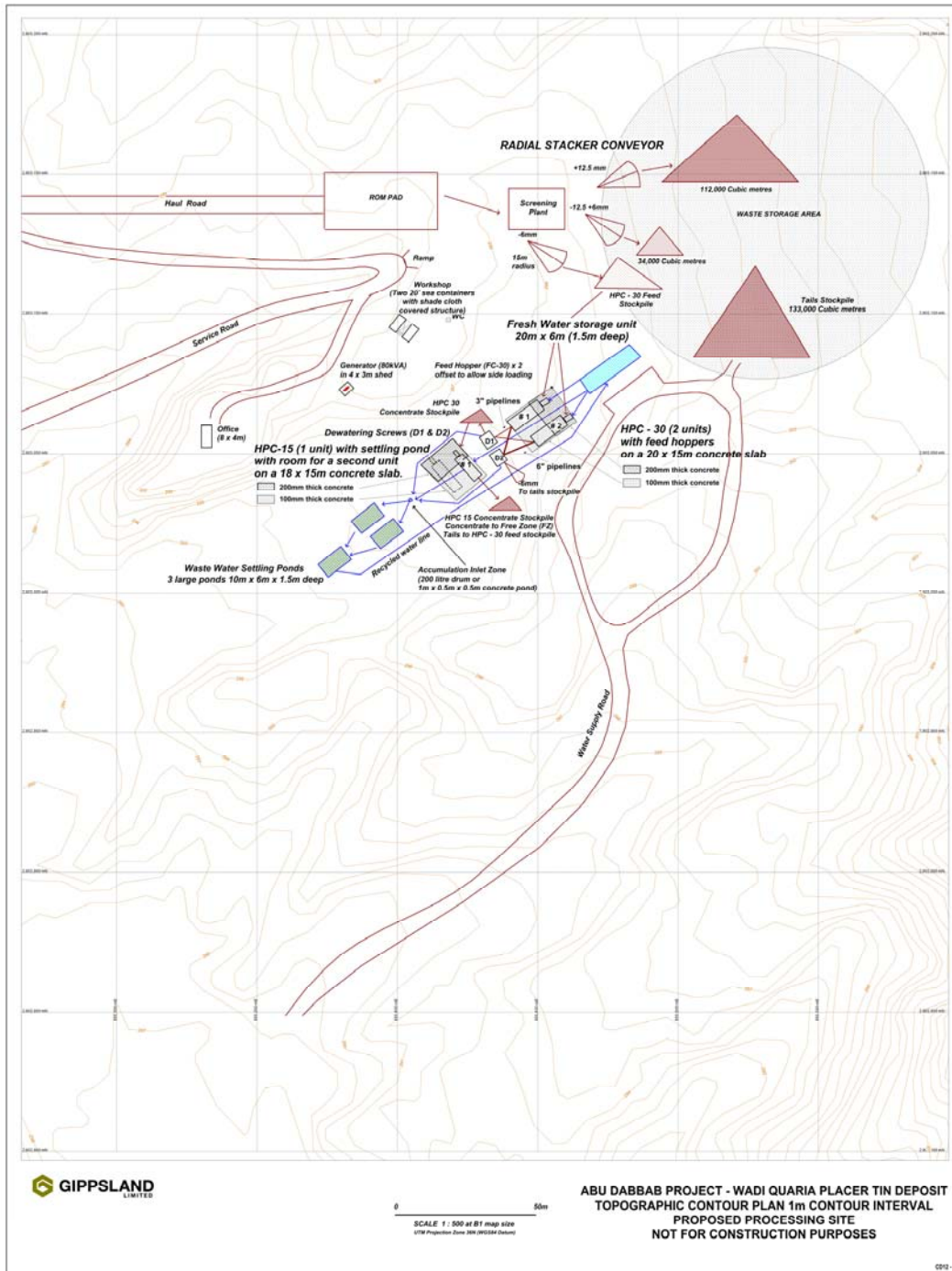


Figure 2: Site layout plan – minesite

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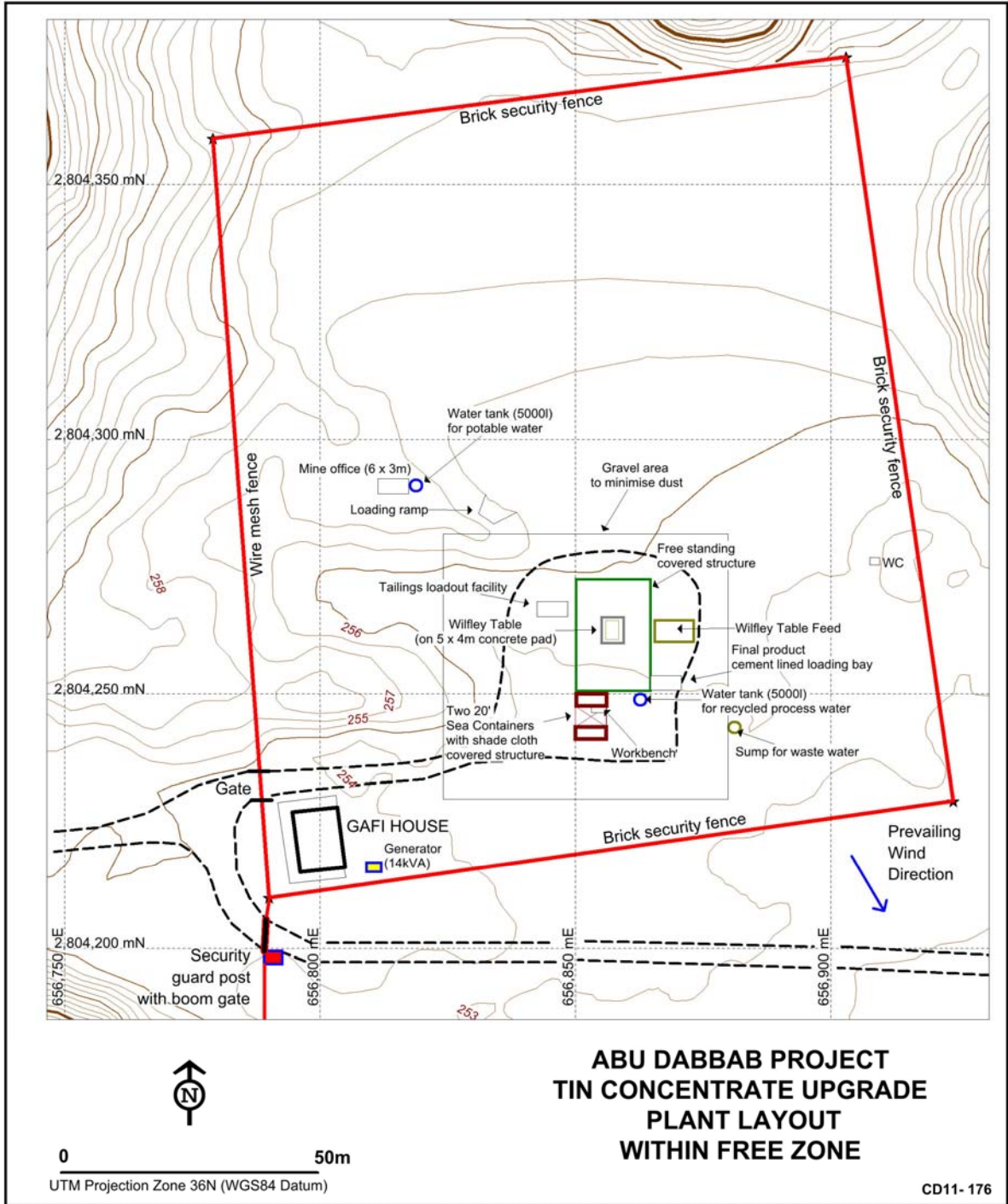


Figure 3: Product finishing area at project Free Zone

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Figure 4: Pre-production earthworks at the ore processing site



Figure 5: Floor mark-outs at the Free Zone finishing area following earthworks

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