

For personal use only

## GIPPSLAND LIMITED

ABN 31 004 766 376

# PROSPECTUS

For a pro-rata renounceable rights issue of approximately 162,535,026 New Shares on the basis of 1 New Share for every 5 Shares held on the Record Date at an issue price of 1.5 cents per New Share, to raise approximately \$2,438,025.

**The Rights Issue closes at 5.00pm AWST on 9 March 2012.**

THIS RIGHTS ISSUE IS UNDERWRITTEN BY  
PATERSONS SECURITIES LIMITED ABN 69 008 896 311

### IMPORTANT NOTICE

*This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser. An investment in the securities offered by this Prospectus should be considered speculative.*

*If you sell or have sold or otherwise transferred all your Shares in Gippsland Limited on or before the Record Date, you should send this document, to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, this document should not be forwarded or transmitted in or into a country or jurisdiction outside of Australia, New Zealand or the United Kingdom. If you have sold or transferred only part of your holding of Shares you should retain this document.*

## INDEX

<b>Section 1</b>	<b>DETAILS OF THE OFFER</b>	<b>9</b>
<b>Section 2</b>	<b>COMPANY UPDATE AND PURPOSE AND EFFECT OF THE RIGHTS OFFER</b>	<b>21</b>
<b>Section 3</b>	<b>RISK FACTORS</b>	<b>30</b>
<b>Section 4</b>	<b>RIGHTS AND LIABILITIES ATTACHING TO NEW SHARES</b>	<b>44</b>
<b>Section 5</b>	<b>ADDITIONAL INFORMATION</b>	<b>47</b>
<b>Section 6</b>	<b>DEFINED TERMS</b>	<b>66</b>
<b>Section 7</b>	<b>DIRECTORS' RESPONSIBILITY STATEMENT &amp; CONSENT</b>	<b>70</b>

### **ANNEXURE A**

#### **Summary of Important Dates\***

Prospectus lodged with ASIC and ASX; Appendix 3B lodged with ASX	7 February 2012
Notice sent to Shareholders containing information required by Appendix 3B	9 February 2012
"Ex" Date (date Shares quoted ex-rights)	10 February 2012
Rights Trading Commences	10 February 2012
Record Date to determine Entitlements (5.00pm AWST)	16 February 2012
Opening Date/Despatch of Prospectus (9.00am AWST)	22 February 2012
Rights Trading Ends	2 March 2012
New Shares quoted on a deferred settlement basis	5 March 2012
Closing Date for acceptances and receipt of applications under the Rights Issue (5.00pm AWST)	9 March 2012
Notification to ASX of Shortfall Shares	15 March 2012
Allotment of New Shares and despatch of holding statements	20 March 2012
Trading on ASX in the New Shares to commence	21 March 2012

\*These dates are indicative only. The Directors reserve the right to vary the key dates, to cancel the Offer, to close the Offer early, or to accept late applications, either generally or in a particular case, without prior notice and subject to compliance with the Corporations Act, the Listing Rules and other applicable law..

#### **Key Definitions**

Throughout this Prospectus, for ease of reading, various words and phrases have been defined rather than used in full on each occasion and are set out in Section 6 of this Prospectus.

## IMPORTANT NOTICE

Shareholders should read this Prospectus in its entirety and, if in doubt, should consult their professional advisers before deciding whether to accept their Entitlements. Shareholders resident in the United Kingdom are recommended to seek their own personal financial advice immediately from their stockbroker, bank manager, solicitor, accountant, fund manager or should consult a person or other independent adviser duly authorised under the United Kingdom's Financial Services and Markets Act 2000 ("FSMA") who specialises in advising on the acquisition of shares and other securities before taking any action.

This Prospectus is dated 7 February 2012. A copy of this Prospectus was lodged with the ASIC on that date. No responsibility for the contents of this Prospectus is taken by the ASIC or the ASX. No applications for New Shares will be accepted nor will New Shares be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. New Shares issued pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus. An application for New Shares will only be accepted on the "Entitlement and Acceptance Form" accompanying this Prospectus.

This document does not constitute an approved prospectus for the purposes of the United Kingdom's Prospectus Rules and contains no offer of transferable securities to the public within the meaning of sections 85 and 102B of the FSMA or otherwise. This document has not been, and will not be, approved or examined by or filed with the UK Financial Services Authority ("FSA") or by any other regulatory authority which could be a competent authority for the purposes of the Prospectus Rules.

The Company will apply for the New Shares offered pursuant to this Prospectus to be listed for quotation on the ASX. It is expected that quotation of the New Shares on the ASX will commence on 21 March 2012.

In preparing this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers who investors may consult. No person is authorised to give any information or to make any representation in connection with the Rights Issue described in this Prospectus. Any information or representation which is not contained in this Prospectus or disclosed by the Company pursuant to its continuous disclosure obligations may not be relied upon as having been authorised by the Company in connection with the issue of this Prospectus.

This Prospectus does not constitute an offer or invitation to acquire securities in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. Neither this document nor the New Shares have been, nor will be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States of America, or any applicable securities laws of a country or jurisdiction outside of Australia, New Zealand or the United Kingdom. Accordingly, subject to certain exceptions, the New Shares may not, directly or indirectly, be offered or sold within a country or jurisdiction outside of Australia, New Zealand or the United Kingdom or to or for the account or benefit of any national resident or citizen of, or any person located in a country or jurisdiction outside of Australia, New Zealand or the United Kingdom. The

For personal use only

distribution of this Prospectus in jurisdictions outside of Australia, New Zealand or the United Kingdom may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

### United Kingdom Notice

The offer of New Shares under the Rights Issue is only being made in the United Kingdom to persons who are of a kind described in Article 43(2) (members and creditors of certain bodies corporate) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (“Order”) as amended.

The offer of New Shares to Eligible Shareholders, in so far as such offer relates to any Shortfall Shares, is only being made in the United Kingdom to persons who are of a kind described in Article 43(2) (members and creditors of certain bodies corporate) of the Order.

The content of this document has not been approved by an authorised person for the purposes of section 21 of the FSMA. Any investment to which this document relates is available to (and any investment activity to which it relates will be engaged with) only those persons described above. **Persons who do not fall within this category should not rely on this document nor take any action upon it, but should return it immediately to the Company.**

**This document and its contents must not be distributed or passed on, directly or indirectly, published, reproduced or disclosed (in whole or in part) by recipients to any other class of person and in any event under no circumstances should persons of any other description rely or act upon the contents of this document.**

Any decision regarding any proposed investment in the Company’s securities must be made on the basis of public information on the Company. Reliance solely on this communication for the purpose of engaging in investment activities may expose a person to a significant risk of losing all of the property or other assets invested.

The total consideration of the Offer under the Rights Issue and offers made by the Company in the European Economic Area (in which area the Offer is only being made to Eligible Shareholders who have registered addresses in the United Kingdom) in the twelve month period preceding the Closing Date shall be less than €5,000,000 in aggregate. Any applications for Shortfall Shares made by Eligible Shareholders who have registered addresses in the United Kingdom may only be made on the condition that the Directors have a complete discretion to scale-back any such applications on a pro-rata basis to ensure that the total sum for which such Shareholders may subscribe for in Shortfall Shares when aggregated with the total sum for which such Shareholders have already subscribed under the Offer does not exceed a threshold of €5,000,000. Therefore, in accordance with Section 85 and schedule 11A of the FSMA, this document does not constitute an approved prospectus for the purposes of the United Kingdom’s Prospectus Rules and contains no offer of transferable securities to the public within the meaning of sections 85 and 102B of the FSMA or otherwise. This document has not been, and will not be, approved or examined by

or filed with the FSA or by any other regulatory authority which could be a competent authority for the purposes of the Prospectus Rules.

For personal use only

## **CORPORATE DIRECTORY**

### **DIRECTORS**

**Ian Gandel**  
Non Executive Chairman

**Jon Starink**  
Executive Director

**John Dunlop**  
Executive Director

**John Kenny**  
Non Executive Director

### **SECRETARY**

Rowan Caren

### **REGISTERED OFFICE**

Suite 4, 207 Stirling Highway  
Claremont WA 6010  
AUSTRALIA

### **PRINCIPAL OFFICE**

Suite 4, 207 Stirling Highway  
Claremont WA 6010  
AUSTRALIA

Telephone: +61 8 9340 6000  
Facsimile: +61 8 9340 6060  
Website: [www.gippslandltd.com](http://www.gippslandltd.com)  
Email: [info@gippslandltd.com](mailto:info@gippslandltd.com)

### **AUSTRALIAN SOLICITORS**

Steinepreis Paganin  
Level 4, The Read Buildings  
16 Milligan Street  
Perth WA 6000  
AUSTRALIA

### **UNITED KINGDOM SOLICITORS**

Cobbetts LLP  
70 Gray's Inn Road  
London WC1X 8BT  
UNITED KINGDOM

### **AUDITORS**

Deloitte Touche Tohmatsu  
Level 14, Woodside Plaza,  
240 St Georges Terrace, Perth, 6000,  
AUSTRALIA

Telephone: +61 8 9365 7000

### **SHARE REGISTRY**

Security Transfer Registrars Pty Ltd\*  
770 Canning Hwy  
Applecross WA 6153  
AUSTRALIA

Telephone: +61 8 9315 2333  
Facsimile: +61 8 9315 2233

### **UNDERWRITER**

Patersons Securities Limited  
Level 23, 2 The Esplanade  
Perth WA 6000  
AUSTRALIA

Telephone: +61 8 9263 1111  
Facsimile: +61 8 9325 5123

### **EXCHANGES**

ASX: GIP

DEUTSCHE BORSE: GIX

\* This entity has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus. Its name is included for information purposes only.

## **BRIEF INSTRUCTIONS**

Participation in the Rights Issue is open to all Eligible Shareholders (i.e. Shareholders resident in Australia, New Zealand and the United Kingdom on the Record Date – refer to Section 1.12).

### ***What You May Do***

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. You may:

- accept your Entitlement in full or part;
- sell your Entitlement in full or in part on ASX;
- transfer your Entitlement other than on-market on ASX; or
- allow the whole or part of your Entitlement to lapse.

### ***If You Wish To Take Up All or Part Of Your Entitlement***

Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the Entitlement and Acceptance Form. Forward your completed Entitlement and Acceptance Form, together with your cheque or banker's draft drawn on an Australian bank (denominated in Australian currency) for the amount shown on the Entitlement and Acceptance Form or for such lesser amount as you wish to apply for, so as to reach the Company's Share Registry no later than 5.00pm AWST on 9 March 2012 (except where payment is via BPAY® in which case payment must be made by such earlier time that your own financial institution may implement the electronic payment prior to 5.00pm AWST on 9 March 2012). If you elect to pay via BPAY®, you must follow the instructions for BPAY® set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

### ***If You Wish to Sell All or Part of Your Entitlement on ASX***

Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the reverse of the Entitlement and Acceptance Form and liaise with your stockbroker (payment for your Entitlement, or part thereof, that you wish to sell must be provided to your stockbroker).

Eligible Shareholders who have registered addresses in the United Kingdom should obtain legal advice in respect of applicable United Kingdom laws if they intend to sell all or part of their Entitlement to a person who is not an Eligible Shareholder.

### ***If You Wish to Transfer your Entitlement Other Than On-Market on ASX***

Forward a completed standard renunciation or transfer form (obtainable from your stockbroker or the Company's Share Registry) completed by the buyer and yourself and an Entitlement and Acceptance Form completed by the buyer, together with the buyer's cheque or banker's draft drawn on an Australian bank (denominated in Australian currency) so as to reach the Company's Share Registry no later than 5.00pm AWST on 9 March 2012.

Eligible Shareholders who have registered addresses in the United Kingdom should obtain legal advice in respect of applicable United Kingdom laws if they intend to sell all or part of their Entitlement to a person who is not an Eligible Shareholder.

***If You Wish to Apply for Shortfall Shares***

Complete the accompanying Entitlement and Acceptance Form, including the section marked "**Shortfall Shares**", in accordance with the instructions set out on the Entitlement and Acceptance Form. Forward your completed Entitlement and Acceptance Form, together with payment for your Entitlement and a separate payment in respect of the Shortfall Shares applied for as a cheque or banker's draft drawn on an Australian bank (denominated in Australian currency), or if paying by BPAY®, the amount must equal the amount shown on your Entitlement and Acceptance Form plus the amount to pay for the Shortfall Shares you are applying for (ie. number of Shortfall Shares applying for multiplied by 1.5 cents per Shortfall Share), so as to reach the Company's Share Registry no later than 5.00pm AWST on 9 March 2012. Please refer to Section 1.8 for further information in relation to Shortfall Shares.

***Entitlements Not Taken Up***

If you decide not to accept all or part of your Entitlement pursuant to the Rights Issue, you are not required to take any action. The New Shares not accepted will form part of the Shortfall Shares. Any Shortfall Shares not taken up by Eligible Shareholders, as set out in this Prospectus, will be dealt with in accordance with Section 1.8 and the Underwriting Agreement (the material terms of which are summarised in Section 5.4).



## Section 1 DETAILS OF THE OFFER

### 1.1 The Offer

This Prospectus is for a pro-rata renounceable rights issue of approximately 162,535,026 New Shares on the basis of 1 New Share for every 5 Shares held by Eligible Shareholders on the Record Date at an issue price of 1.5 cents per New Share, to raise approximately \$2,438,025 (less expenses of the Rights Issue estimated to be \$150,000). In determining Entitlements, any fractional entitlement will be rounded up to the nearest whole number.

The total consideration of the Offer made by the Company in the European Economic Area, in which area the Offer is only being made in the United Kingdom, under the Rights Issue (including the option for Eligible Shareholders with registered addresses in the United Kingdom to make applications for any Shortfall Shares) and offers made by the Company in the European Economic Area, including the United Kingdom, in the twelve month period preceding the Closing Date will be less than €5,000,000 in aggregate (assuming full subscription for New Shares by Eligible Shareholders and on the condition that any applications for Shortfall Shares made by Eligible Shareholders with registered addresses in the United Kingdom will be scaled-back on a pro-rata basis to ensure that the €5,000,000 threshold is not exceeded – this condition has been set to ensure that the Company is not required to produce an approved prospectus in the UK pursuant to section 85 of the FSMA). The issue of a prospectus in the United Kingdom would considerably increase the costs of the Rights Issue and it would take much longer to complete, as any such prospectus would require the prior approval by the United Kingdom Listing Authority.

As at the date of this Prospectus, the Company has 43,200,000 unquoted Options on issue. Optionholders will not be entitled to participate in the Rights Issue without first exercising their Options and acquiring the resulting Shares, and having them registered in their name in the Share Register, prior to the Record Date.

If all of the Options currently on issue are exercised and the resulting Shares are issued prior to the Record Date, the number of Shares on issue will be 855,875,131 and the number of New Shares that are offered pursuant to this Prospectus will be approximately 171,175,026. If none of the Options are exercised prior to the Record Date, approximately 162,535,026 New Shares will be offered pursuant to this Prospectus.

Any New Shares not taken up by Eligible Shareholders under their Entitlement will form part of the Shortfall Shares (please refer to Section 1.8 for further details). Any Shortfall Shares not taken up will be dealt with in accordance with the Underwriting Agreement (please refer to Section 5.4 for further details).

## 1.2 Rights Trading

Entitlements to New Shares offered pursuant to the Rights Issue are renounceable. This enables Eligible Shareholders who do not wish to subscribe for some or all of the New Shares to which they are entitled under this Rights Issue to sell their respective Rights.

The renounceable Rights Issue also enables Eligible Shareholders and other persons resident in Australia and New Zealand, and certain categories of persons resident in the United Kingdom (Eligible Shareholders who have registered addresses in the United Kingdom should obtain legal advice in respect of applicable United Kingdom laws if they intend to sell all or part of their Entitlement to any person who is not an Eligible Shareholder), to purchase additional Rights if they wish.

Trading of Rights will commence on ASX on 10 February 2012 and will cease trading on 2 March 2012.

Details on how to sell your rights are set out in Section 1.3 below.

## 1.3 Entitlements and Acceptance

Participation in the Rights Issue is open to all Eligible Shareholders (ie Shareholders with a registered address in the Share Register in Australia, New Zealand or the United Kingdom on the Record Date – refer to Section 1.12 for further details). Eligible Shareholders who accept their Entitlement (in full or in part) acknowledge, warrant, represent and undertake to the Company in the terms set out in Annexure A to this Prospectus.

The number of New Shares to which you are entitled under the Rights Issue (ie your Entitlement) is shown in the Entitlement and Acceptance Form accompanying this Prospectus. In determining Entitlements, any fractional entitlement will be rounded up to the nearest whole number.

### ***Acceptance of Entitlement in Full***

If you are an Eligible Shareholder and wish to take up **all or part** of your Entitlement under the Rights Issue, please complete the Entitlement and Acceptance Form in accordance with the instructions set out on the Entitlement and Acceptance Form.

### ***Partial Acceptance of Entitlement and Sell the Balance***

If you are an Eligible Shareholder and wish to take up only **part** of your Entitlement and to sell the balance on ASX, please follow the instructions set out on the reverse of the Entitlement and Acceptance Form under the section marked "**Sale of your Entitlement by your stockbroker in full or in part**" and then liaise accordingly with your stockbroker. Eligible Shareholders who have registered addresses in the United Kingdom should obtain legal advice in

respect of applicable United Kingdom laws if they intend to sell all or part of their Entitlement to a person who is not an Eligible Shareholder.

Trading of Rights will commence on 10 February 2012. You must deal with that part of your Entitlement which you do not intend to accept by close of trading on the ASX on 2 March 2012, when Rights trading will cease. Brokerage fees may apply.

***Non-Acceptance of Entitlement***

If you do not wish to take up any part of your Entitlement under the Rights Issue, you are not required to take any action. If you decide not to accept all or part of your Entitlement, the New Shares not accepted will be dealt with as Shortfall Shares in accordance with Section 1.8.

***Shortfall Shares Application***

If you wish to take up **more** than your Entitlement under the Rights Issue, you may apply for Shortfall Shares that may arise under the Rights Issue. See Section 1.8 for more information about Shortfall Shares.

***Sale of Your Full Entitlement on ASX***

If you wish to sell **all** of your Entitlement on the ASX, please follow the instructions set out on the reverse of the Entitlement and Acceptance Form under the section marked "**Sale of your Entitlement by your stockbroker in full or in part**". Eligible Shareholders who have registered addresses in the United Kingdom should obtain legal advice in respect of applicable United Kingdom laws if they intend to sell all or part of their Entitlement to a person who is not an Eligible Shareholder.

Trading of Rights will commence on 10 February 2012. You must deal with your Entitlement by close of trading on the ASX on 2 March 2012, when Rights trading will cease. Brokerage and registry transfer fees may apply.

***Transfer of Entitlement other than On-Market on ASX***

If you wish to transfer all or part of your Entitlement to another person or party other than on-market on the ASX, then you must forward the following documents:

- a completed standard renunciation or transfer form (obtainable from your stockbroker or the Company's Share Registry) completed by the buyer and yourself;
- an Entitlement and Acceptance Form completed by the buyer; and

- the buyer's cheque or banker's draft (drawn on an Australian bank and denominated in Australian currency) for the amount due in respect of the New Shares,

to the Company's Share Registry at:

**Delivered to**

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153  
AUSTRALIA

**Or by post to**

Security Transfer Registrars Pty Ltd  
PO Box 535  
Applecross WA 6953  
AUSTRALIA

**not later than 5.00pm AWST on 9 March 2012** or such later date as the Directors advise. Cheques should be made payable to "**Gippsland Limited – Share Issue Account**" and crossed "Not Negotiable".

Eligible Shareholders who have registered addresses in the United Kingdom should obtain legal advice in respect of applicable United Kingdom laws if they intend to sell all or part of their Entitlement to a person who is not an Eligible Shareholder.

***Acceptance of Terms***

All applications for New Shares must be made on the Entitlement and Acceptance Form. Any application will be treated as an offer from the applicant to acquire New Shares on the terms and conditions set out in this Prospectus. The Directors reserve the sole right to reject any applications for New Shares.

(i) **Australia or New Zealand**

If you are an Eligible Shareholder with an address in Australia or New Zealand registered in the Share Register please ensure the completed Entitlement and Acceptance Form, together with your cheque or banker's draft drawn on an Australian bank (denominated in Australian currency) or BPAY® electronic payment (made pursuant to the instructions detailed on the back of the Entitlement and Acceptance Form), is received by the Company's Share Registry at:

**Delivered to**

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153  
AUSTRALIA

**Or by post to**

Security Transfer Registrars Pty Ltd  
PO Box 535  
Applecross WA 6953  
AUSTRALIA

**not later than 5.00pm AWST on 9 March 2012** or such later date as the Directors advise. Cheques should be made payable to "**Gippsland Limited – Share Issue Account**" and crossed "Not Negotiable".

If paying via BPAY®, applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the applicant to ensure that funds are submitted through BPAY® so that the funds are received by the Company by the Closing Date of 5.00pm AWST on 9 March 2012 or such later date as the Directors advise. If you elect to pay via BPAY®, you must follow the instructions for BPAY® set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

(ii) **United Kingdom**

If you are an Eligible Shareholder with a registered address in the United Kingdom please ensure the completed Entitlement and Acceptance Form, together with a cheque or banker's draft drawn on an Australian bank (denominated in Australian currency) is received by the Company's Share Registry at:

**Delivered to**

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153  
AUSTRALIA

**Or by post to**

Security Transfer Registrars Pty Ltd  
PO Box 535  
Applecross WA 6953  
AUSTRALIA

**not later than 5.00pm AWST on 9 March 2012** or such later date as the Directors advise. Cheques should be made payable to "**Gippsland Limited – Share Issue Account**" and crossed "Not Negotiable".

***Taxation Implications***

Shareholders should obtain independent advice on the taxation implications arising out of their participation in the Rights Issue.

***Enquiries***

If you have any queries regarding your Entitlement, please contact the Company's Share Registry by telephone on +61 8 9315 2333 or contact your stockbroker or professional adviser.

***Please note if you do not accept your Entitlement in accordance with the instructions set out above, any Entitlement not accepted will form part of the Shortfall Shares.***

1.4 **Minimum Subscription**

There is no minimum subscription. The Offer is fully underwritten and the amount to be raised pursuant to this Prospectus is \$2,438,025. No Shares will be issued pursuant to this Prospectus until the subscription for the amount to be raised has been received.

## 1.5 Underwriting

The Rights Issue is fully underwritten by Patersons Securities Limited. Pursuant to the Underwriting Agreement, the Company will pay Patersons 5% of the total amount sought under the Rights Issue (less the amount of Abbotsleigh's Entitlement), being approximately \$85,209, and a lead manager fee of \$20,000. A summary of the material terms of the Underwriting Agreement, including rights of termination, is set out in Section 5.4.

The underwriting is sub-underwritten by Gandel Metals. Gandel Metals is controlled by Ian Gandel, a director of the Company. Pursuant to a sub-underwriting agreement entered into between Patersons and Gandel Metals, Patersons will pay Gandel Metals a fee of 4% of the total amount sought under the Rights Issue (less the amount of Abbotsleigh's Entitlement), being a total amount of \$68,167.19. Please refer to Sections 5.5 and 5.6 for further details in this regard.

## 1.6 Opening and Closing Dates

The Rights Issue will open for receipt of acceptances at 9.00am AWST on 22 February 2012.

The Rights Issue will close at 5.00pm AWST on 9 March 2012 (except where payment is via BPAY® in which case payment must be made by such earlier time that your own financial institution may implement the electronic payment prior to 5.00pm AWST on 9 March 2012) or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine and provided that the Company gives ASX notice of such a change at least 6 Business Days prior to the Closing Date.

## 1.7 Brokerage and Commission

No brokerage or stamp duty will be payable by investors in respect of a subscription for New Shares under this Prospectus or in respect of the Company issuing New Shares under this Prospectus.

Shareholders should note that brokerage may be incurred upon the sale of Entitlements or the purchase of additional Entitlements. Shareholders should liaise with their stockbroker in this regard.

## 1.8 Rights Issue Shortfall Shares

If you decide not to accept all or part of your Entitlement pursuant to the Rights Issue, you are not required to take any action. Any New Shares not accepted will form part of the Shortfall Shares and will be dealt with in accordance with this Section 1.8 and the terms of the Underwriting Agreement (the material terms of which are summarised in Section 5.4). In these circumstances, Eligible Shareholders will receive no benefit. Accordingly, it is important that they take action to either accept or renounce their Entitlement in accordance with the above instructions.

Entitlements not taken up will become available as Shortfall Shares. Shareholders may, in addition to accepting all of their Entitlement, apply for Shortfall Shares regardless of the size of their present holding. Shareholders may only make an application for Shortfall Shares if they have accepted their maximum Entitlement under the Rights Issue.

Eligible Shareholders with a registered address in the United Kingdom may apply for Shortfall Shares subject to the condition that any such applications will be scaled-back on a pro-rata basis to ensure that the maximum amount of the Offer being made under the Rights Issue to Shareholders with a registered address in the European Economic Area is less than the €5,000,000 threshold for the preceding 12 month period from the date of this Prospectus in the event that such applications will exceed the threshold.

It is intended that priority will be given to Eligible Shareholders when dealing with Shortfall applications prior to the Underwriter being allocated any New Shares. If more Shortfall Shares are applied for than are available from the number of New Shares not taken up under the Rights Issue, those Shortfall Applications will be scaled-back on a proportional basis taking into consideration the size of the applicant's holding in the Company as at the Record Date (but for Eligible Shareholders with a registered address in the United Kingdom, subject to the scale-back mechanism referred to above), and allocated by the Underwriter following consultation with the Company and in accordance with the Underwriting Agreement. It is possible, particularly if there is an active Rights trading market, that there will be few or no Shortfall Shares available for issue. It is an express term of the Offer that applicants for Shortfall Shares will be bound to accept a lesser number of Shortfall Shares allocated to them than applied for. If a lesser number is allocated to them, excess Application Monies will be refunded without interest.

The Directors and other related parties of the Company may not apply for any Shortfall Shares. However, Gandel Metals, a company controlled by Ian Gandel, as the sub-underwriter to the Rights Issue, may acquire New Shares (following allocation of Entitlements and Shortfall Shares) under the sub-underwriting arrangements summarised in Section 5.6..

If you are an Eligible Shareholder and wish to apply for any Shortfall Shares that may arise under the Rights Issue you should, in addition to completing the section marked "**Entitlement or Part Thereof**", complete the section marked "**Shortfall Shares**" on the Entitlement and Acceptance Form in accordance with the instructions set out on the Entitlement and Acceptance Form.

The Company also notes that it is its current intention to conduct an unmarketable parcel sell down pursuant to clause 3.2 of the Company's constitution following completion of the Rights Issue. This will involve the Company providing notice to the Shareholders who hold less than a marketable parcel of the Company's Shares, that it intends to sell those

For personal use only

Shares on the ASX, unless those Shareholders advise the Company in writing that they wish to retain their Shares.

Accordingly, those Shareholders who hold less than a marketable parcel of the Company's Shares may wish to consider taking up their Entitlement and applying for Shortfall Shares. Full and further details of this proposal will be provided to relevant Shareholders and the market in general following completion of the Rights Issue.

*Eligible Shareholders – Australia or New Zealand*

Eligible Shareholders resident in Australia or New Zealand are invited to, in completing the Entitlement and Acceptance Form, complete the section marked "**Shortfall Shares**" in the Entitlement and Acceptance Form and return it, together with a separate cheque or banker's draft drawn on an Australian bank (denominated in Australian currency) in respect of the Shortfall Application, made payable to "**Gippsland Limited – Share Issue Account**" and crossed "Not Negotiable", to the Company's Share Registry at:

**Delivered to**

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153  
AUSTRALIA

**Or by post to**

Security Transfer Registrars Pty Ltd  
PO Box 535  
Applecross WA 6953  
AUSTRALIA

**not later than 5.00pm AWST on 9 March 2012** or such later date as the Directors advise.

If paying via BPAY® (for Australian and New Zealand Eligible Shareholders only), applicants should be aware that their own financial institution may implement earlier cut-off times with regards to electronic payment and it is the responsibility of the applicant to ensure that funds are submitted through BPAY® by such earlier time that your own financial institution may implement the electronic payment prior to the Closing Date of 5.00pm AWST on 9 March 2012 or such later date as the Directors advise. If you elect to pay via BPAY®, you must follow the instructions for BPAY® set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

*Eligible Shareholders – United Kingdom*

Eligible Shareholders resident in the United Kingdom are invited to, in completing the Entitlement and Acceptance Form, complete the section marked "**Additional New Shares**" on the Entitlement and Acceptance Form and return it, together with a cheque or banker's draft drawn on an Australian bank (denominated in Australian currency), to the Company's Share Registry at:



**Delivered to**  
Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153  
AUSTRALIA

**Or by post to**  
Security Transfer Registrars Pty Ltd  
PO Box 535  
Applecross WA 6953  
AUSTRALIA

**not later than 5.00pm AWST on 9 March 2012** or such later date as the Directors advise.

If the total consideration from applications for Shortfall Shares from Eligible Shareholders with registered addresses in the UK would, when aggregated with the total consideration from initial applications for New Shares from Eligible Shareholders with registered addresses in the UK exceed the €5,000,000 threshold, then all such applications for Shortfall Shares will be scaled-back on a pro-rata basis to ensure that the €5,000,000 threshold is not exceeded.

The Offer has been structured such that the maximum amount that can be raised by the Company under the Offer will not exceed the sterling equivalent of €5,000,000. This maximum limit has been set to ensure that the Company is not required to produce an approved prospectus in the United Kingdom pursuant to section 85 of FSMA. The issue of a prospectus in the United Kingdom would considerably increase the costs of the Rights Issue and it would take much longer to complete, as any such prospectus would require the prior approval by the United Kingdom Listing Authority.

Any Shortfall Shares remaining after Shortfall Applications from Eligible Shareholders have been processed will be allocated to the Underwriter in accordance with the provisions of the Underwriting Agreement.

#### 1.9 **ASX Listing**

The Company will make application to ASX within seven days following the date of this Prospectus for official quotation of the New Shares offered pursuant to this Prospectus.

If approval for official quotation of the New Shares is not granted by ASX within three months after the date of this Prospectus, the Company will not allot or issue any New Shares and will repay all Application Monies (where applicable) as soon as practicable, without interest.

A decision by ASX to grant official quotation of the New Shares is not to be taken in any way as an indication of ASX's view as to the merits of the Company, or the New Shares now offered for subscription.

#### 1.10 **Issue and Allotment of New Shares**

The New Shares are expected to be issued and allotted by no later than 20 March 2012. The Company will allot the New Shares on the basis of an Eligible

Shareholder's Entitlement. Where the number of New Shares issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date.

Until issue and allotment of the New Shares under this Prospectus and quotation of the New Shares on ASX, any Application Monies received by the Company will be held in trust in a separate bank account opened and maintained for that purpose only. Any interest earned on the Application Monies will be for the benefit of the Company and will be retained by it irrespective of whether allotment of the New Shares takes place.

**1.11 No Issue of New Shares after 13 months**

No New Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

**1.12 Overseas Investors**

The Company is of the view that it is unreasonable to make an offer under this Prospectus to Shareholders with a registered address outside of Australia, New Zealand and the United Kingdom ("**Excluded Shareholders**") having regard to:

- (a) the number of Shareholders registered outside of Australia, New Zealand and the United Kingdom;
- (b) the number and value of the New Shares to be offered to Shareholders registered outside of Australia, New Zealand and the United Kingdom; and
- (c) the cost of complying with the legal requirements and requirements of regulatory authorities in the other overseas jurisdictions.

Accordingly, only Eligible Shareholders are entitled to participate in the Rights Issue and the Company is not required to, and does not, make any offers under this Prospectus to Shareholders with a registered address outside of Australia, New Zealand and the United Kingdom.

The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). Members of the public in New Zealand who are not Shareholders on the Record Date are not entitled to apply for any New Shares.

The offer of New Shares under the Rights Issue made in this Prospectus is only being made in the United Kingdom to persons who are of a kind described in Article 43(2) of the United Kingdom's Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (members and creditors of certain bodies corporate).

### *Nominee*

For the purposes of ASX Listing Rule 7.7 and Section 615 of the Corporations Act, and subject to ASIC approval of such appointment being obtained (and in the event that ASIC approval of the nominee appointment is not obtained, ASIC approval of a replacement nominee appointed by the Company), the Company has appointed Patersons as nominee to arrange the sale of the Rights which would have been offered to Excluded Shareholders had they been entitled to participate in the Rights Issue and to account to the Excluded Shareholders for their proportion of the sale proceeds net expenses.

#### **1.13 Taxation Implications**

The Directors do not consider that it is appropriate to give applicants advice regarding the taxation consequences of applying for New Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, and the Underwriter do not accept any responsibility or liability for any taxation consequences to Applicants. Potential applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the New Shares offered pursuant to this Prospectus.

#### **1.14 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship**

The Company will not be issuing share certificates. The Company will apply to ASX to participate in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Investors will be provided with a statement (similar to a bank account statement) that sets out the number of Securities allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

#### **1.15 Data Protection and Privacy**

The Company collects information about each applicant from the Entitlement and Acceptance Form for the purposes of processing the application and, if the application is successful, to administer the applicant's security holding in the Company.

For personal use only

By submitting an Entitlement and Acceptance Form, each applicant agrees that the Company may use the information in the Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Company's related bodies corporate, agents, contractors and third party service providers (including mailing houses), the ASX, ASIC and other regulatory authorities.

If an applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public registers. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements. If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your application.

## Section 2 COMPANY UPDATE AND PURPOSE AND EFFECT OF THE RIGHTS OFFER

### 2.1 Purpose of the Rights Issue

The purpose of the Rights Issue is to raise approximately \$2,438,025 (before expenses).

The following table summarises the proposed application of funds raised from the Rights Issue.

Item	Description	Amount (\$)
1	Eritrea – Balance of 2011/2012 Minimum Exploration Expenditure (see Note 1 below) including Reverse Circulation Drilling and purchase of new site vehicles	1,337,000
2	Eritrea – Commencement of 2012/2013 Exploration in Eritrea (see Note 1 below)	251,000
3	Abu Dabbab – Construction of alluvial plant and associated working capital	150,000
4	Abu Dabbab – Costs associated with seeking a financing of the Abu Dabbab tin tantalum project	320,000
5	Expenses of the Rights Issue (see Section 5.12)	150,000
6	Working Capital (see Note 2 below)	230,025
<b>Total</b>		<b>2,438,025</b>

Note 1: This expenditure is the amount payable by Gippsland's 100% owned subsidiary, Adobha Eritrea, in accordance with the work programme for the second year of the Adobha Eritrea Exploration Licence and the first year of the Gerasi South Exploration Licence. If Adobha Eritrea fails to fulfil the minimum expenditure under the work programmes, the Eritrean Ministry of Energy and Mines requires Adobha Eritrea to pay an amount equal to such unfulfilled obligation to the Eritrean Government to satisfy the deficiency. The Eritrean Ministry of Energy and Mines also has the discretion to allow the Company to spend the unspent amount in the following year, or to extend the period for expenditure of the minimum expenditure commitment.

Note 2: Working capital expenditure will be applied towards operational and administration expenditure and costs associated with maintaining the prospecting and exploration licences in good standing. These costs include wages and salaries, occupancy costs, professional consultants' fees, compliance and other reporting costs associated with running an ASX listed company, as well as other typical administration type expenditure.

The above proposed use of funds is subject to ongoing review and evaluation by the Company and the actual use of funds raised under the Rights Issue may change depending on the outcome of the programs as they proceed.

The independent auditor's report accompanying the consolidated entity's financial report for the year ended 30 June 2011 was unqualified but contained an emphasis of matter paragraph in respect of a material uncertainty regarding the consolidated entity's and the Company's continuation as going concerns. The auditor drew attention to a note in the consolidated entity's financial report with respect to the consolidated entity's

net losses after tax and cash outflows and the need for additional funding to be raised.

The note stated that "The Directors have prepared a cash flow forecast for the period ending 30 September 2012 which indicates that the current cash resources may not meet expected cash outgoings, without additional capital and / or debt funding. The consolidated entity will require approximately \$2,300,000 (net of costs) to be raised by no later than May 2012 to fund its current operations through to 30 September 2012. The consolidated entity is currently evaluating capital raising and/or debt funding opportunities." The Rights Issue will raise sufficient additional funding to meet the anticipated shortfall of funds referred to in the abovementioned note accompanying the consolidated entity's financial report for the year ended 30 June 2011. The Company's current cash resources and the additional capital proposed to be raised by the Rights Issue are sufficient to meet the Company's current and approved future activities. However, the Company will need to raise further additional capital and/or debt funding if it decides to progress other not yet approved activities and proposals (see Section 2.2 for more details in this regard).

## **2.2 Strategy Update**

The Company is currently investigating and conducting preliminary discussions with a number of financial institutions based in the Gulf region in respect of seeking proposals for the provision of financing to develop the Company's Abu Dabbab Tantalum/Tin/Feldspar Project in Egypt. Such investigations and discussions are at an early and preliminary stage and no conclusions have been made by the Company. It is uncertain whether any proposal will be received by the Company which is commercially acceptable to the Company, or if a proposal will be accepted and executed by the Company in the near future or at all. It is possible that any proposal accepted and executed by the Company may be conditional on a further equity fundraising which may, if conducted, have a dilutive effect on the interests of Shareholders.

In the event that a finance proposal is accepted and executed by the Company, it will issue an announcement to ASX in fulfilment of its continuous disclosure obligations and will provide a further strategy update if appropriate. Please see the risk factor set out in Section 3.2(e) for more information on the risks to Shareholders of the Company raising additional equity or debt capital.

## **2.3 Principal Effects**

The principal effects on the Company of the Rights Issue (which is fully underwritten by Patersons and sub-underwritten by Gandel Metals) are as follows:

- (a) the Company will issue 162,535,026 New Shares (assuming no Options currently on issue are exercised and resulting Shares issued and allotted before the Record Date) and the total number of Shares on issue will increase to 975,210,157 Shares;
- (b) following the issue of the New Shares, the Company's cash reserves will increase by approximately \$2,438,025 less expenses of the Rights Issue, which are estimated to be approximately \$150,000; and
- (c) the equity of Excluded Shareholders and Eligible Shareholders who do not participate in the Rights Issue will be diluted as is evidenced from the figures set out below.

**2.4 Effect on Capital Structure**

The pro-forma capital structure of the Company following the Rights Issue (assuming no Options currently on issue are exercised) pursuant to this Prospectus is set out below:

Shares	Number
Existing Shares on issue	812,675,131
New Shares offered for subscription pursuant to this Prospectus	162,535,026
<b>Total Shares on issue after completion of Rights Issue</b>	<b>975,210,157</b>

The Company also has 43,200,000 unquoted Options on issue as follows:

Number	Exercise Price	Expiry Date
25,000,000	\$0.135	26 May 2012
17,000,000	\$0.15	31 May 2012
600,000	\$0.04	31 December 2012
600,000	\$0.06	31 December 2013

Note: The exercise price of these options may be adjusted in accordance with the Listing Rules.

**2.5 Unaudited Pro-Forma Consolidated Statement of Financial Position**

The following is an audited consolidated statement of financial position of the Company and its controlled entities as at 30 June 2011, an unaudited consolidated statement of financial position of the Company and its controlled entities as at 31 December 2011 and an unaudited pro-forma consolidated statement of financial position of the Company as at 31 December 2011, adjusted to reflect:

- i. the Rights Issue of 162,535,026 New Shares to raise \$2,438,025;

- ii. the expenses of the Rights Issue of \$150,000; and
- iii. the receipt of 43,528,743 shares in Stellar Resources Limited valued at \$4,635,811 being the consideration from the sale of the Company's interest in the Heemskirk Tin Joint Venture, which had a nil carrying value at 31 December 2011. The value of the shares in Stellar Resources Limited has been determined by multiplying the number of shares received by \$0.1065, being the 5 day volume weighted average price for Stellar Resources Limited shares for the 5 Business Days between 19 January and 25 January 2012.



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION \***

	<b>30 June 2011 Historical Audited Consolidated (\$)</b>	<b>31 December 2011 Unaudited Consolidated (\$)</b>	<b>31 December 2011 Unaudited Pro-forma Consolidated (\$)</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	806,397	1,771,055	4,059,080
Trade and other receivables	98,480	24,765	24,765
Other assets	80,524	279,701	279,701
<b>TOTAL CURRENT ASSETS</b>	<b>985,401</b>	<b>2,075,521</b>	<b>4,363,546</b>
<b>NON-CURRENT ASSETS</b>			
Financial assets	-	-	4,635,811
Property, plant and equipment	284,429	963,345	963,345
Exploration and evaluation	4,316,624	5,929,801	5,929,801
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4,601,053</b>	<b>6,893,146</b>	<b>11,528,957</b>
<b>TOTAL ASSETS</b>	<b>5,586,454</b>	<b>8,968,667</b>	<b>15,892,503</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	1,010,327	960,739	960,739
Provisions	10,177	23,059	23,059
Loans and borrowings	188,957	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,209,461</b>	<b>983,798</b>	<b>983,798</b>
<b>TOTAL LIABILITIES</b>	<b>1,209,461</b>	<b>983,798</b>	<b>983,798</b>
<b>NET ASSETS</b>	<b>4,376,993</b>	<b>7,984,869</b>	<b>14,908,705</b>
<b>EQUITY</b>			
Issued capital	38,588,181	43,263,306	45,551,331
Accumulated losses	(33,934,237)	(38,711,814)	(34,076,003)
Other reserves	(276,951)	3,433,377	3,433,377
<b>TOTAL EQUITY</b>	<b>4,376,993</b>	<b>7,984,869</b>	<b>14,908,705</b>

\* Accounting policies applied in preparation of the Pro Forma Consolidated Statement of Financial Position as at 31 December 2011 are consistent with those applied by the Company in its 2011 annual financial report as detailed in the Company's 2011 Annual Report.

## NOTES TO THE PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Historical 30 June 2011 (\$)	Unaudited 31 December 2011(\$)	Unaudited Pro-Forma 31 December 2011(\$)
<b>Cash and cash equivalents</b>			
Cash at bank and on hand	806,397	1,771,055	4,059,080
<b>Adjustments arising in the preparation of the pro-forma cash balance are summarised as follows:</b>			
Actual balance as at 31 December 2011			1,771,055
Issue of 162,535,026 New Shares at 1.5 cents per New Share			2,438,025
Capital raising costs			(150,000)
			4,059,080
<b>Financial assets</b>			
Financial assets	-	-	4,635,811
<b>Adjustments arising in the preparation of the pro-forma financial assets balance are summarised as follows:</b>			
Actual balance as at 31 December 2011			-
Receipt of 43,528,743 Stellar Resources Ltd shares from the sale of the Company's interest in the Heemskirk Tin Joint Venture			4,635,811
			4,635,811
<b>Issued Capital</b>			
Issued Capital	38,588,181	43,263,306	45,551,331
<b>Adjustments arising in the preparation of the pro-forma issued capital balance are summarised as</b>			

follows:

Actual balance as at 31 December 2011	43,263,306
Issue of 162,535,026 New Shares at 1.5 cents per New Share	2,438,025
Capital raising costs	(150,000)
	<hr/>
	45,551,331

#### Accumulated losses

Accumulated losses	(33,934,237)	(38,711,814)	(34,076,003)
--------------------	--------------	--------------	--------------

Adjustments arising in the preparation of the pro-forma accumulated losses balance are summarised as follows:

Actual balance as at 31 December 2011	(38,711,814)
Net profit from the sale of the Company's interest in the Heemskirk Tin Joint Venture	4,635,811
	<hr/>
	(34,076,003)

The above audited consolidated statement of financial position of the Company and its controlled entities as at 30 June 2011 reflects all transactions from 1 July 2010 to 30 June 2011. The above unaudited consolidated statement of financial position of the Company and its controlled entities as at 31 December 2011 reflects all transactions from 1 July 2011 to 31 December 2011. The above unaudited pro-forma reflects the unaudited balances at 31 December 2011, adjusted for the pro-forma events set out in this Section 2.5.

#### 2.6 Expenditure Commitments

The Group has office lease expenditure commitments in Australia, Egypt and Eritrea as follows:

Payable within one year	\$161,350
Payable after one year but not more than five years	\$239,000

Under Eritrean mining law, expenditure commitments entered into by a tenement holder with respect to a tenement are mandatory. Failure to expend funds in accordance with a commitment may result in a liability to the Eritrean government to the extent of the unexpended portion of the expenditure commitment, or forfeiture of the tenement/s (for further information on consequences see Section 3.2(k)). The Group is required to expend a further \$1,354,000 on the Adobha Exploration Licence in Eritrea by

no later than 23 July 2012, being the second anniversary of the grant of the tenement, and a further \$63,000 on the Gerasi South Exploration Licence in Eritrea by no later than 25 August 2012, being the first anniversary of the grant of the tenement. The Company expects that approximately \$146,000 of this total expenditure of \$1,417,000 will be paid during January and February from its existing cash. The balance of the minimum expenditure commitments of \$1,271,000 and an estimated \$66,000 for the purchase of new site vehicles, being a total of \$1,337,000, will be funded from the proceeds of the Rights Issue.

The minimum expenditure commitments for year 3 of the Adobha Exploration Licence is US\$3,440,000 and the minimum expenditure commitments for year 2 of the Gerasi South Exploration Licence is US\$200,000. The Group has pending applications regarding other exploration licence areas. The granting of the new exploration licences is not guaranteed, however, on the assumption that new exploration licences are granted, the additional minimum expenditure commitments for Years 1, 2 and 3 of the new exploration licences are estimated to be US\$268,250, US\$536,500 and US\$1,073,000 respectively. The Company does not currently have the funds to meet these requirements and will need to raise additional capital to do so.

## 2.7 Capital Commitments

Gippsland's subsidiary, Tantalum Egypt JSC, entered into a contract prior to 31 December 2011 with a mining contractor in relation to its Alluvial Tin Project. The total contract value is estimated at US\$1,740,000 over the life of the project. As at 31 December 2011, under this contract, Tantalum Egypt JSC had paid an advance payment of US\$125,000 and accrued for a further advance payment of US\$100,000, which was paid during January 2012.

As at 31 December 2011, Gippsland's subsidiary, Tantalum Egypt JSC, had a capital commitment of approximately \$20,000 in relation to an item of plant purchased for its Alluvial Tin Project. This amount was paid on 2 February 2012.

## 2.8 Subsequent Events

At an Extraordinary General Meeting on 20 January 2012, the Shareholders of Gippsland approved the sale of its interest in the Heemskirk Tin Joint Venture to Columbus Metals Ltd, a subsidiary of Stellar Resources Ltd. As announced to the ASX on 2 February 2012, the Shareholders of Stellar Resources Ltd have approved the transaction on 25 January 2012 and settlement has occurred.

In consideration for the sale, Gippsland has been issued 43,528,743 fully paid ordinary shares in Stellar Resources Ltd and has been released from any obligations in relation to prior year exploration expenditure. Gippsland is also entitled to a net smelter royalty in respect of any further tin production from the Heemskirk Tin Joint Venture. Full details of the terms of this transaction were announced to the market on 2 November 2011. This transaction has

been included as a pro-forma adjustment in the Unaudited Pro-forma Consolidated statement of financial position in Section 2.5.

No other matters or circumstances have arisen since 31 December 2011 which significantly affect 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.

## Section 3 RISK FACTORS

### 3.1 Introduction

This Section identifies the areas the Directors regard as the major risks associated with an investment in the Company. Investors should be aware that an investment in the Company involves many risks which may be higher than the risks associated with an investment in other companies.

The risk factors which should be taken into account by investors in assessing the Company's activities and investment in the Company include, but are not necessarily limited to, those set out below. Investors should carefully consider the following factors, among others, affecting the proposed activities of the Company prior to making an investment in the Company, as well as other matters set out elsewhere in this Prospectus. The exploration and development of natural resources is a speculative activity that involves a high degree of financial risk. An investment in the Company may not be suitable for all investors.

The New Shares offered by this Prospectus carry no guarantee whatsoever with respect to return on capital investment, payment of dividends or the future value of the Shares. Intending subscribers should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to subscribe for New Shares. Investors should carefully consider these factors in light of personal circumstances (including financial and taxation issues) and seek professional advice from an accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

The New Shares offered by this Prospectus should be considered speculative.

### 3.2 Specific Risk Factors

#### (a) Going concern risk

As noted in Section 2.1 above, while completing the audit of the Company's annual financial report for the year ended 30 June 2011, the Company's auditor, Deloitte Touche Tohmatsu drew attention to the following note in the consolidated entity's financial report:

*"The Directors have prepared a cash flow forecast for the period ending 30 September 2012 which indicates that the current cash resources may not meet expected cash outgoings, without additional capital and/or debt funding. The consolidated entity will require approximately \$2,300,000 (net of costs) to be raised by not later than May 2012 to fund its current operations through to 30 September 2012. The consolidated entity is currently evaluating capital raising and/or debt funding opportunities."*

Notwithstanding the 'going concern' emphasis of matter included in the annual financial report, the Directors believe that upon the successful completion of the Offer, the Company will have sufficient funds to adequately meet the Company's current exploration commitments and short term working capital requirements. However, it is highly likely that further funding will be required to meet the medium to long term working capital costs of the Company. Please refer to Section 2.1 above for further details.

In the event that the Offer is not completed successfully there is significant uncertainty as to whether the Company can continue as a going concern, and which is likely to have a material adverse effect on the Company's activities.

(b) **Viability of the Abu Dabbab Project**

The development of the Abu Dabbab Project into a commercially viable mine cannot be assured. Development projects, such as Abu Dabbab, have no operating history upon which to base estimates of future commercial viability. Estimates of mineral resources and mineral reserves are, to a large extent, based on the interpretation of geological data obtained from drillholes and other sampling techniques and feasibility studies. This information is used to calculate estimates of the capital cost and operating costs based upon anticipated tonnage and grades of tantalum, tin and feldspar to be mined and processed, the configuration of the mineral resource, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, it is possible that estimated results and actual results could differ and such difference could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. There can be no assurance that the Company will be able to complete development of their mineral projects, or any of them, at all or on time or to budget due to, among other things, and in addition to those factors described above, changes in the economics of the mineral projects, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls being inadequate to support Gippsland's operations. Should any of these events occur, it would have a material adverse effect on Gippsland's business, financial condition, results of operations and prospects.

The Abu Dabbab Project, which is the Company's prime asset, is also heavily reliant upon the offtake agreement with HC Starck GmbH ("**Starck**"). Risks associated with this agreement are detailed further below.

(c) **Starck Offtake Agreement**

On 13 November 2007, the Company announced that its 50% owned subsidiary, Tantalum Egypt JSC, had secured a 10 year offtake

agreement with the German tantalum company Starck for the supply of tantalum pentoxide from its Abu Dabbab project in Egypt ("**Starck Agreement**"). The majority of the sales of tantalum pentoxide from the Abu Dabbab project heavily depend on Starck fulfilling its obligations under the Starck Agreement. The Starck Agreement provides for a floor price of Ta<sub>2</sub>O<sub>5</sub> and price-escalation tied to production cost increases.

(d) **Control Risk**

Prior to the Offer, Abbotsleigh has lodged notices confirming that it had a relevant interest in 30.1% of Gippsland's issued capital. Abbotsleigh is an entity controlled by Ian Gandel, the Company's chairman. At completion of the Offer, Abbotsleigh will have an interest of between 30.1% and 41.7% of Gippsland's issued capital depending on whether it and other Eligible Shareholders subscribe for all or part of their Entitlement. In addition, Gandel Metals, which will sub-underwrite the Rights Offer, is also an entity controlled by Ian Gandel. The combined maximum interests of Abbotsleigh and Gandel Metals in Gippsland's issued capital will be between 30.1% and 41.7% representing a controlling interest in Gippsland by Ian Gandel. Such a controlling interest has the potential to impinge upon the ability of the Board to run Gippsland in a fully independent manner. Ian Gandel's interest also means that he has the potential to prevent a special resolution from being passed by the Company (such resolution requiring at least 75% of the votes cast by members entitled to vote on the resolution). Special resolutions are required in relation to approve certain Company matters including amending the Company's constitution, approving the voluntary winding up of the Company and, if at any time the share capital of the Company is divided into different classes of shares, approving the variation of the rights attached to any such class. Please refer to Section 5.6 – 5.8 for further information regarding Ian Gandel's interests.

(e) **Additional Capital**

The Company will require significant capital in order to develop the Abu Dabbab project and to fund its other operations. The Company currently has no revenues from operations and is currently wholly reliant upon external financing to fund all of its capital requirements. As noted in Sections 2.1 and 2.2 above, the Company must source additional capital and/or debt funding in order to meet its current expenditure commitments and cash outgoings.

The Company will require additional financing from external sources to meet such requirements. There can be no assurance that such financing will be available to the Company or, if it is, that it will be offered on acceptable terms. If additional financing is raised through the issuance of equity or convertible debt securities of the Company, the interests of Shareholders in the net assets of the Company may be diluted. Any failure of the Company to obtain required financing on acceptable terms



could have a material adverse effect on the Company's financial condition, results of operations and liquidity and require the Company to cancel or postpone planned capital investments.

(f) **Foreign Jurisdictions**

Gippsland conducts mining, development and exploration activities in Egypt and Eritrea. Gippsland's foreign mining investments are subject to the risks normally associated with the conduct of business in foreign countries. The occurrence of one or more of these risks could have a material and adverse effect on Gippsland's profitability or the viability of its affected foreign operations, which could have a material and adverse effect on Gippsland's future cash flows, earnings, results of operations and financial condition.

Risks may include, among others, labour disputes, invalidation of governmental orders and permits, uncertain political and economic environments, sovereign risk, war (including in neighbouring states), civil disturbances and terrorist actions, arbitrary changes in laws or policies of particular countries, the failure of foreign parties to honour contractual relations or obligations, corruption, foreign taxation, delays in obtaining or the inability to obtain necessary governmental permits, opposition to mining from environmental or other non-governmental organisations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports, instability due to economic under-development, inadequate infrastructure and increased financing costs. These risks may limit or disrupt Gippsland's operations, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalisation or expropriation without fair compensation.

(g) **Government Policy**

Resource industry profitability can be affected by changes in government policy in both Australia, Egypt and Eritrea relating to mineral exploration and production, all of which is beyond the control of the Company.

Tantalum concentrates usually contain varying quantities of radioactive  $U_3O_8$  and  $ThO_2$ . International Maritime Organisation ("IMO") regulations restrict the ocean shipment of tantalum concentrates having a content in combined  $U_3O_8$  and  $ThO_2$  content excess of 0.1%. Metallurgical modelling and testwork has indicated that the Abu Dabbab product will not be classified as an IMO Class 7 radioactive material as the combined  $U_3O_8$  and  $ThO_2$  content will be below the IMO maximum limit of 0.1%. There is no guarantee that the IMO 0.1% limit will not be lowered in the future.

The shipment of IMO Class 7 radioactive materials is highly restricted by international shipping regulations to the extent that entry into the

European Economic Zone, Japan and certain numerous other countries is restricted unless shipped by a dedicated vessel. The road transportation of IMO Class 7 materials within Europe and certain numerous other jurisdictions is extremely difficult to the point of being impractical.

(h) **Political and Economic Stability in Egypt**

Egypt had been politically stable for over 25 years until the popular uprising in the first half of 2011. The United States remains Egypt's chief ally and source of foreign aid and it is important that Egypt is able to maintain a balance between its relationship with the United States and with its Arab neighbours. The major identifiable threat to continued political stability is Islamic militancy. While this appears to be under control, there can be no guarantee that this will continue to be the case. There has been sporadic terrorist activity by militant Islamic organisations in Egypt. While the tourist industry has been the main target of such groups, it is possible that they may turn their attention to the assets of the extractive industries in Egypt. Increased tension in Israel may result in a less stable political situation in the Middle East which could have a material adverse effect on Gippsland.

Gippsland is conducting exploration and development activities in Egypt. Gippsland believes that the newly formed Government of Egypt supports the development of natural resources. There is no assurance that future political and economic conditions in Egypt will not result in the Government of Egypt adopting different policies respecting foreign development and ownership of mineral resources. Any such change in policy may result in changes in laws affecting ownership of assets, land tenure and mineral concessions, taxation, royalties, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, which may affect both Gippsland's ability to undertake exploration and development activities in respect of future properties as well as its ability to continue to explore and develop those properties in respect of which it has obtained mineral exploration rights to date.

(i) **Eritrea and Political Risk**

The Company's activities are subject to sovereign risks, which may impede the Company's activities or result in the impairment or loss of part or all of the Company's interest in the properties. These risks and uncertainties vary from time to time and include such matters as terrorism, hostage taking, military repression, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, expropriation and nationalisation, renegotiation or nullification of existing concessions, licenses, permits and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation, and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors

to employ citizens of, or purchase supplies from, a particular jurisdiction.

The Company has significant interests situated in Eritrea, East Africa, which has historically been exposed to civil and political unrest. In particular, Eritrea has had a long ongoing border dispute with neighbouring Ethiopia, and more recently a border dispute with Djibouti. The Government of Eritrea does not recognise the internationally-backed Transitional Government of Somalia and has been accused of supplying weapons to Somali militant groups. In resolutions adopted in 2009, the Security Council imposed an arms embargo on Eritrea and a travel ban and an assets freeze on Eritrean political and military leaders.

Changes, if any, in mining or investment policies or shifts in political attitude in Eritrea or any other relevant jurisdiction in which the Company operates may adversely affect the Company's operations or profitability.

Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restriction on production, price controls, export controls, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interest. The occurrence of these various factors and uncertainties cannot be predicted and could have an adverse effect on the Company's operations or profitability in varying degrees.

(j) **Eritrean Government Interest**

Pursuant to Eritrean legislation, the Eritrean Government may acquire, without cost to it, a participation interest of up to 10% of any mining investment upon grant of the relevant mining licence.

The Eritrean Government can also acquire an additional equity participation interest not exceeding a total of 40% (including the initial 10% acquired) by mutual agreement with the holder of the investment. Such agreement will specify the price, percentage, timing, financing, resulting rights and obligations and other details of such participation. The Eritrean Government has been known to pay market value consideration for the acquisition of any further participation interest.

Any arrangements for acquisition of participating interests between the Company and the Eritrean Government will be made by mutual agreement however, other than the total interest the Eritrean Government will obtain, there can be no guarantee as to the

For personal use only

consideration paid by the Eritrean Government nor the general terms of the Eritrean Government's participation.

The Eritrean Government's participation interest (if acquired) will be held by the corporate entity, the Eritrean National Mining Corporation (**ENAMCO**). A joint investment company will be a share company established in accordance with the relevant Eritrean laws including the Transitional Commercial Code of Eritrea, in which the shareholders will hold shares in the registered company to the extent of their respective participating interests and ENCAMO to the extent of its acquired interest. Depending on the rights, obligations and details of the Eritrean Government's participation, the Company may be exposed to the Eritrean Government's business risks. If these risks materialise it may impact upon the Company's ability to complete the project and may have adverse affects on the Company's financial performance.

(k) **Title to Mineral Rights**

The acquisition and retention of title to mineral rights is a detailed and time consuming process. Title to, and the area of, mineral resources claims may be disputed or challenged. The Company's right to explore for, mine, produce and sell tantalum from the Abu Dabbab Project is based on Exploitation Licences. Should Gippsland's rights under the Exploitation Licences not be honoured or be unenforceable for any reason, or if any material term of the Exploitation Licences is unilaterally changed or not honoured, including the boundaries, the Company's ability to explore and produce tantalum, tin and feldspar in the future would be materially and adversely affected, and this would have a material and adverse effect on the Company's financial performance and results of operations.

The Company's right to explore, develop, mine and sell tantalum and associated minerals under the Exploitation Licences may be terminated if the Government of Egypt determines that the Company has breached the terms of the Exploitation Licences. Any claim of such breach occurring could result in termination of the Exploitation Licences.

Under Eritrean mining law, expenditure commitments entered into by a tenement holder with respect to a tenement are mandatory. If Adobha Eritrea fails to fulfil the minimum expenditure under the work programmes, the Eritrean government may require Adobha Eritrea to pay the underspent amount (minimum expenditure less actual expenditure) to the Government, or to forfeit the tenement/s. The Eritrean government also has the discretion to alternatively allow the company to spend the underspent amount in the succeeding year or to extend the period for expenditure of the minimum expenditure. The Group is required to expend a further \$1,354,000 on the Adobha Exploration Licence in Eritrea by no later than 23 July 2012, being the second anniversary of this tenements' grant, and a further \$63,000 on the Gerasi South Exploration Licence in Eritrea by no later than 25

For personal use only

August 2012, being the first anniversary of this tenements grant. The minimum expenditure commitments for year 3 of the Adobha Exploration Licence is US\$3,440,000 and the minimum expenditure commitments for year 2 of the Gerasi South Exploration Licence is US\$200,000 . The Group has pending applications regarding other exploration licence areas. The granting of the new exploration licences is not guaranteed, however, on the assumption that new exploration licences are granted, the additional minimum expenditure commitments for Years 1, 2 and 3 of the new exploration licences are estimated to be US\$268,250, US\$536,500 and US\$1,073,000 respectively.

(l) **Value of investment in Stellar Resources Limited**

The Company holds 43,528,743 ordinary shares in the capital of Stellar Resources Limited. Stellar Resources Limited is listed on ASX and the value of its shares may fluctuate according to factors beyond the control of the Company. The Company's shareholding in Stellar Resources Limited is subject to escrow restrictions for a period of 12 months from the date of the issue of the shares. The Company's ability to realise its shares in Stellar Resources Limited may be affected by liquidity in trading of those shares, the results of Stellar Resources Limited exploration progress at Heemskirk and elsewhere and general market factors.

The Company is entitled to receive a net smelter return royalty from production at Heemskirk. The development of Heemskirk Project into a commercially viable mine cannot be assured. The Heemskirk Project has no operating history upon which to base estimates of future commercial viability. Estimates of mineral resources are, to a large extent, based on the interpretation of geological data obtained from drillholes and other sampling techniques and feasibility studies. There can be no assurance that Stellar Resources Limited will be able to complete development of the project. If the project is not developed, it would have a material adverse effect on the value to the Company of its royalty.

(m) **History of Operating Losses**

Gippsland's operations have sustained operating losses during recent fiscal years. There is no guarantee that the Company will ever be profitable.

3.3 **General Risk Factors**

(a) **Share Market Conditions**

As Gippsland is a company listed on ASX and the Deutsche Bourse, its share price is subject to the numerous influences, which may affect both the trend in the share market and the share prices of individual companies.

The future success of ASX and the Deutsche Bourse and liquidity in the market for the Shares cannot be guaranteed. In particular, the market for the Shares may be, or may become, illiquid and therefore the Shares may be or may become difficult to sell.

The market price of the Shares may be subject to fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Company's and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Shares. Quotation on ASX and the Deutsche Bourse should not be taken as implying that there will be a liquid market for the Shares.

(b) **Economic Conditions**

Economic conditions, both domestic and global and in particular those in Australia, Egypt and Eritrea may affect the performance of the Company. Factors such as currency fluctuation, inflation, interest rates, supply and demand and industrial disruption, have an impact on operative costs, commodity prices (including tantalum, tin and feldspar prices) and share market prices. The Company's future possible revenue and share price can be affected by these factors all of which are beyond the control of the Company and the Directors. In addition, the Company's ability to raise additional capital, should it be required, may be affected.

(c) **Reliance on Key Personnel**

The resource business in which Gippsland is involved is reliant upon a number of directors and key employees. The loss of any of these personnel could have a material adverse impact on the resources business of the Company.

(d) **Contractual Risks**

All agreements are subject to interpretation. There is no guarantee that the Company will be able to enforce all its rights under agreements it has with other parties.

(e) **Financial Risks**

The development of the Company's resource business including the Abu Dabbab tantalum, tin and feldspar project depends upon the Company's ability to obtain financing of its operations, private placement financing, public financing, sale of assets or other means. There is no assurance

that the Company will be successful in obtaining finance to satisfy on-going requirements and operations.

(f) **Operational Risk**

By its nature, the business of exploration, mineral development and production which the Company undertakes contains risks. Prosperity depends on the successful exploration and/or acquisition of reserves, design and construction of efficient processing facilities, competent operation and management and efficient financial management. For its part, exploration (particularly for tantalum, tin and feldspar) is a speculative endeavour, while mining operations can be hampered by force majeure circumstances and cost overruns from unforeseen events.

(g) **Environmental Risks**

Exploration programmes impact on the environment. These impacts are minimised by the Company's application of best practice principles.

(h) **Commodity Prices**

The prices that the Company may obtain for mineral commodities (particularly tantalum, feldspar, tin, gold and base metals) may fluctuate due to market conditions. Commodity prices are affected by a number of factors which are beyond the control of the Company. Commodity prices have fluctuated widely in recent years, and future serious price declines could cause continued development of, and commercial production from, the Company's properties to be impracticable or uneconomic. Depending on the price of tantalum, tin and feldspar, projected cash flow from planned mining operations at Abu Dabbab may not be sufficient and the Company could be forced to discontinue development and may lose its interest in, or may be forced to sell, some of its properties. Future production from the Company's Abu Dabbab mining property is dependent on tantalum, tin and feldspar prices that are adequate to make these properties economically viable.

Furthermore, reserve calculations and life-of-mine plans using significantly lower commodity prices could result in material write-downs of the Company's investment in mining properties and increased amortisation, reclamation and closure charges. In addition to adversely affecting the Company's mineral reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

(i) **Mineral Resource and Reserve Estimates**

There is no certainty that the mineral resources or any future mineral reserve attributable to Gippsland will be realised. Until mineral reserves or minerals resources are actually mined and processed, the quantity of mineral resources and mineral reserve grades must be considered as estimates only. In addition, the quantity of mineral reserves and mineral resources may vary depending on, among other things, metal prices and currency exchange rates. Any material change in the quantity of mineral reserves, mineral resources, grade or stripping ratio may affect the economic viability of the properties. In addition, there can be no assurance that tantalum, tin and feldspar recoveries or other metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimates. The volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources, or of the Company's ability to extract these mineral reserves, could have a material adverse effect on the Company's results of operations and financial condition. Also, a reduction in estimated reserves could require material write-downs in investment in the affected mining property and increased amortisation, reclamation and closure changes.

(j) **Insurance**

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes or slowdowns, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment or laws, and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against such risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to the other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which it may not be



insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

(k) **Trading and Liquidity in the Company's Shares**

An investment in the securities of the Company is highly speculative and subject to a high degree of risk and only those who can bear the risk of the entire loss of their investment should invest.

Each prospective investor should view his purchase of New Shares as a long-term investment and should not consider such purchase unless he is certain he will not have to liquidate his investment for an indefinite period of time.

Investors may realise less than their original investment, or sustain a total loss of their investment.

(l) **Retention of Key Business Relationships**

The Company relies significantly on strategic relationships with other entities and also on good relationships with regulatory and governmental departments. The Company also relies upon third parties to provide essential contracting services. There can be no assurance that its existing relationships will continue to be maintained or that new ones will be successfully formed and the Company could be adversely affected by changes to such relationships or difficulties in forming new ones. Any circumstance, which causes the early termination or non-renewal of one or more of these key business alliances or contracts, could adversely impact the Company, its business, operating results and prospects.

Various aspects of the Company's future performance and profitability are dependent on the outcome of future negotiations with third parties. The Company's interests may in future be held in a joint venture and, in some cases, a joint venture partner may be the manager of the joint venture. In these situations the joint venture decision may not accord with the Company's stated plan.

(m) **Currency Risk**

Any future income from mineral sales may be subject to exchange rate fluctuations and become subject to exchange control or similar restrictions. The Company expects to report its financial results in Australian dollars although part of its business may be conducted in other currencies. As a result, it will be subject to foreign currency exchange risk due to exchange rate movements which will affect the Company's transaction costs and the translation of its results.

For personal use only

(n) **Forward Looking Statements**

This document contains forward looking statements, including, without limitation, statements containing the words "believe", "anticipated", "expected" and similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those set out in this Section 3. Given these uncertainties, investors are cautioned not to place any undue reliance on such forward looking statements. To the extent lawfully permitted, the Company disclaims any obligations to update any such forward looking statements in this Prospectus to reflect future events or developments.

(o) **Legal Compliance**

Some of the Group's businesses and operations are highly regulated and located in jurisdictions with complex and, in certain instances, ambiguous legal and regulatory requirements. Further, the interpretation of these requirements may be applied inconsistently, for example, because a body of precedent may not yet exist.

In the event that the Company is found to have not complied with applicable legal and regulatory requirements, it may be subject to the imposition of penalties which may have an adverse effect on the Company.

The Company could also be adversely affected by future changes in legal and regulatory requirements, particularly if these are subject to retrospective application. It is not possible to predict what, if any, future legal and regulatory changes may be made to the requirements under which the Company's businesses and operations operate.

3.4 **Speculative Nature of Investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under this Prospectus.

Therefore, the New Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends or return of capital and the New Shares carry no guarantee with respect to the market value of such New Shares.

For personal use only

Eligible Shareholders should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Shares in the Rights Issue.

## Section 4 RIGHTS AND LIABILITIES ATTACHING TO NEW SHARES

### 4.1 Terms of New Shares

The New Shares to be issued pursuant to this Prospectus will rank equally in all respects with existing Shares in the Company.

The rights attached to Shares are governed by the Constitution (a copy of which can be inspected at the Company's registered office) and, in certain circumstances, will be regulated by the Corporations Act, the Listing Rules, the ASX Settlement Rules, ACH Clearing Rules and the general law.

The following is a summary of the principal rights which attach to the existing Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

#### (a) Voting Rights

Each member present in person or by proxy, representative or attorney has one vote on a show of hands and on a poll one vote for each fully paid share held in the capital of the Company. Each member is entitled to a notice of, and to attend and vote at, general meetings.

In the event of a breach of any escrow agreement entered into by the Company under the Listing Rules in relation to any Shares which are classified under the Listing Rules or by ASX as restricted securities, the member holding the Shares in question shall cease to be entitled to any voting rights in respect of those Shares for so long as the breach subsists.

#### (b) Dividend Rights

The profits of the Company, which the Directors from time to time determine to distribute by way of dividends, are divisible amongst the members in proportion to the number of Shares held by them irrespective of the amount paid or credited as paid on the Shares.

In the event of a breach of any escrow agreement entered into by the Company under the Listing Rules in relation to any Shares which are classified under the Listing Rules or by ASX as restricted securities, the member holding the Shares in question shall cease to be entitled to any dividends in respect of those Shares for so long as the breach subsists.

#### (c) Rights on Winding Up

If the Company is wound up, the liquidator may, with the authority of a special resolution:

- (i) divide among the members in kind the whole or any part of the property of the Company;

For personal use only

- (ii) and for that purpose, set such value as he considers fair upon any property to be so divided; and
- (iii) may determine how the division is to be carried out as between the Shareholders or different classes of members.

The liquidator may with the authority of a special resolution, vest the whole or any part of any such property in trustees to hold in trusts for the benefit of the Shareholders as the liquidator thinks fit. No Shareholder shall be compelled to accept any Shares or other securities in respect of which there is any liability. Subject to the rights of any Shareholders entitled to Shares with special rights in a winding up, all moneys and property that are to be distributed among members on a winding up will be distributed in proportion to the Shares held by them respectively irrespective of the amount paid up or credited as paid up on the Shares.

(d) **Transfer of Shares**

Subject to the Constitution, the Corporations Act, any other laws and the Listing Rules, Shares in the Company are freely transferable.

(e) **Future Increases in Capital**

The Company may by ordinary resolution:

- (i) increase its nominal Shares by the creation of new Shares of such amount as is specified in the resolution;
  - 1. consolidate and divide all or any of its nominal capital into Shares of a larger amount than its existing Shares;
  - 2. sub-divide all or any of its Shares into Shares of a smaller amount; and
  - 3. cancel Shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person or have been forfeited and, reduce its nominal Share capital by the amount of the Shares so cancelled.

The allotment and issue of any new Shares is under the control of the Directors from time to time of the Company. Subject to restrictions on the allotment of Shares to Directors or their associates contained in the Listing Rules, the Constitution and the Corporations Act, the Directors may allot or otherwise dispose of Shares on such terms and conditions as they see fit.

(f) **Variation of Rights**

If at any time the Share capital of the Company is divided into different classes of Shares the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may be varied whether or not the company is being wound up with the consent in writing of three quarters of the issued Shares of that class or if authorised by a special resolution at a separate meeting of the holders of Shares of that class.

Gippsland's Constitution is available for inspection by Shareholders at Gippsland's registered office during normal business hours.

## Section 5 ADDITIONAL INFORMATION

### 5.1 Legal Framework of this Prospectus

The Company is a "disclosing entity" under the Corporations Act and is subject to the regime of continuous disclosure and periodic reporting requirements. Specifically, the Company is subject to the Listing Rules which require continuous disclosure to the market of any information possessed by the Company which a reasonable person would expect to have a material effect on the price or value of its securities.

### 5.2 Applicability of Corporations Act

As a "disclosing entity", the Company has issued this Prospectus in accordance with Section 713 of the Corporations Act applicable to prospectuses for an offer of securities which are quoted enhanced disclosure ("ED") securities which are in a class of securities that were quoted ED securities at all times in the three months before the issue of this Prospectus.

This Prospectus is a "transaction specific prospectus". In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the provisions of the Listing Rules as in force from time to time which apply to disclosing entities, and which require the Company to notify ASIC of information available to the stock market conducted by ASX, throughout the 12 months before the issue of this Prospectus.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at ASX in Perth during normal working hours. In addition, copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, any regional office of ASIC.

For personal use only

The New Shares to be issued under this Prospectus are in respect of a class of shares that were continuously quoted securities at all times in the 12 months before the issue of this Prospectus.

### 5.3 Information Available to Shareholders

The Company will provide a copy of each of the following documents, free of charge, to any investor who so requests during the relevant application period under this Prospectus:

- (a) the Annual Report (including annual financial report) for the Company for the period ending 30 June 2011;
- (b) the Half Yearly Report (including interim financial report) for the Company for the period ending 31 December 2010; and
- (c) the following documents used to notify ASX of information relating to the Company during the period after lodgement of the Annual Report of the Company for the period ending 30 June 2011 and before the issue of this Prospectus:

<b>Date</b>	<b>Description of ASX Announcement</b>
31.10.11	Trading Halt
31.10.11	Quarterly Activities Report
31.10.11	Quarterly Cashflow Report
02.11.11	Heemskirk Tin Project Interest – Sale and Purchase Agreement
02.11.11	Divestment of Heemskirk Tin Project Interest
03.11.11	Heemskirk Tin Project – Sale and Purchase Agreement (SRZ)
15.11.11	Heemskirk Tin Drilling Update (SRZ)
15.11.11	Further Drilling Results at Heemskirk Tin Project
25.11.11	Appendix 3B
30.11.11	Chairman’s Address – AGM 2011
30.11.11	Results of Meeting
30.11.11	Executive Director AGM Presentation 2011
15.12.11	Expiry of Unquoted Options
16.12.11	Expiry of Unquoted Options
20.12.11	Notice of General Meeting/Proxy Form
22.12.11	Eritrean Geophysical Survey Update
20.01.12	Results of Meeting
23.01.12	Abu Dabbab Alluvial Tin Project Update
31.01.12	Quarterly Activities Report
31.01.12	Quarterly Cashflow Report
01.02.12	Becoming a substantial holder for SRZ
02.02.12	Gippsland Becomes Significant Shareholder in SRZ

For personal use only



## 5.4 Material Contracts

### *Underwriting Agreement*

Pursuant to an Underwriting Agreement dated 7 February 2012 between the Company and Patersons Securities Limited (**Underwriter**), the Underwriter has agreed to underwrite all of the Rights Issue pursuant to this Prospectus.

Pursuant to the Underwriting Agreement, the Company will pay the Underwriter an underwriting fee equal to 5% of the total amount to be raised under the Rights Issue (less the amount of Abbotsleigh's Entitlement), being approximately \$85,209 and a corporate fee of \$20,000, plus GST as applicable. In addition, the Company must indemnify the Underwriter, its officers, employees, agents and advisors ("**Indemnified Parties**") against any claim, loss, expense or liability incurred by the Indemnified Parties directly arising from the Rights Issue.

The Company has given warranties and covenants to the Underwriter which are usual in an agreement of this nature.

The Underwriting Agreement provides that the Underwriter may, in its absolute discretion and without cost or liability to the Underwriter, terminate its obligations under the Underwriting Agreement at any time prior to the date at which the allotment of the last of the New Shares occurs under this Prospectus, upon the occurrence of any one or more of the termination events ("**Termination Event**") after the date of the Underwriting Agreement, including:

- (a) (**Indices fall**): the S&P/ASX All Ordinaries Index is at any time after the date of the Underwriting Agreement 15% or more below its respective level as at the close of business on the Business Day prior to the date of this Agreement; or
- (b) (**Prospectus**): the Company does not lodge the Prospectus on the agreed proposed lodgement date or the Prospectus or the Offer is withdrawn by the Company; or
- (c) (**No Official Quotation**): Official quotation of the New Shares on ASX has not been granted by the agreed deadline date for the Company to give written notification to the Underwriter of the Shortfall Shares or, having been granted, is subsequently withdrawn, withheld or qualified; or
- (d) (**Supplementary prospectus**):
  - (i) the Underwriter, having elected not to exercise its right to terminate its obligations under this Agreement as a result of an occurrence as described below, forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement

- prospectus in such form and content and within such time as the Underwriter may reasonably require; or
- (ii) the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter, such agreement not to be unreasonably withheld; or
- (e) **(Non-compliance with disclosure requirements):** it transpires that the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
    - (i) the effect of the Offer on the Company; and
    - (ii) the rights and liabilities attaching to the New Shares; or
  - (f) **(Misleading Prospectus):** it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from this Prospectus (having regard to the provisions of sections 711, 713 and 716 of the Corporations Act) or if any statement in the Prospectus becomes or misleading or deceptive or likely to mislead or deceive or if the issue of this Prospectus is or becomes misleading or deceptive or likely to mislead or deceive;
  - (g) **(Restriction on allotment):** the Company is prevented from allotting the New Shares within the time required by this Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
  - (h) **(Withdrawal of consent to Prospectus):** any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in this Prospectus or to be named in this Prospectus, withdraws that consent;
  - (i) **(ASIC application):** an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the deadline date for the Company to give written notification to the Underwriter of the Shortfall has arrived, and that application has not been dismissed or withdrawn;
  - (j) **(ASIC hearing):** ASIC gives notice of its intention to hold a hearing under section 739 or any other provision of the Corporations Act in relation to this Prospectus to determine if it should make a stop order in relation to this Prospectus or the ASIC makes an interim or final stop order in relation to this Prospectus under section 739 or any other provision of the Corporations Act;
  - (k) **(Takeovers Panel):** the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are

unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel;

- (l) **(Hostilities)**: there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China, or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world, such act having a Material Adverse Effect;
- (m) **(Authorisation)** any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- (n) **(Designated Sub-Underwriters)**: any designated sub-underwriters does not comply with their obligations under a sub-underwriting agreement or threaten not to comply with their respective obligations under a sub-underwriting agreement;
- (o) **(Indictable offence)**: a director or senior manager of a Relevant Company is charged with an indictable offence; and
- (p) **(Termination Events)**: subject always to the Underwriter determining in its reasonable opinion that one or more of the following termination events, alone or together, has or is likely to have a Material Adverse Effect or could give rise to a liability of the Underwriter under the Corporations Act or otherwise, any of the following events occurs:
- (i) **(Default)**: default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
  - (ii) **(Incorrect or untrue representation)**: any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
  - (iii) **(Contravention of constitution or Act)**: a contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
  - (iv) **(Adverse change)**: an event occurs which gives rise to a Material Adverse Effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any Relevant Company including, without limitation, if any forecast in this Prospectus becomes incapable of being met or in the Underwriter's

- reasonable opinion, unlikely to be met in the projected time;
- (v) **(Error in Due Diligence Results)**: it transpires that any of the due diligence results or any part of the materials provided by the Company for verifying statements disclosed in this Prospectus was false, misleading or deceptive or that there was an omission from them;
  - (vi) **(Significant change)**: a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
  - (vii) **(Public statements)**: without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer, the Rights Issue or this Prospectus, unless required by the Corporations Act or the Listing Rules;
  - (viii) **(Misleading information)**: any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the Issue or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive;
  - (ix) **(Official Quotation qualified)**: the official quotation on ASX of the New Shares is qualified or conditional other than it being conditional on the allotment of the New Shares;
  - (x) **(Change in Act or policy)**: there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;
  - (xi) **(Prescribed Occurrence)**: a Prescribed Occurrence occurs, other than as disclosed in this Prospectus;
  - (xii) **(Suspension of debt payments)**: the Company suspends payment of its debts generally;
  - (xiii) **(Event of Insolvency)**: an Event of Insolvency occurs in respect of a Relevant Company;
  - (xiv) **(Judgment against a Relevant Company)**: a judgment in an amount exceeding \$100,000 is obtained against a Relevant Company and is not set aside or satisfied within 7 days;
  - (xv) **(Litigation)**: litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against any Relevant Company, other than any claims foreshadowed in the Prospectus;
  - (xvi) **(Board and senior management composition)**: there is a change in the composition of the Board or a material change in the senior management of the Company effected by the Board before allotment of the last of the New Shares without

- the prior written consent of the Underwriter (which consent is not to be unreasonably withheld or delayed);
- (xvii) **(Change in shareholdings)**: there is a material change in the major or controlling shareholdings of a Relevant Company or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company;
  - (xviii) **(Timetable)**: without the written consent of the Underwriter, there is a delay in any specified date in the agreed proposed timetable which is greater than 7 Business Days;
  - (xix) **(Force Majeure)**: a force majeure event affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 Business Days occurs;
  - (xx) **(Certain resolutions passed)**: a Relevant Company passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
  - (xxi) **(Capital Structure)**: any Relevant Company alters its capital structure in any manner not contemplated by this Prospectus;
  - (xxii) **(Investigation)**: any person is appointed under any legislation in respect of companies to investigate the affairs of a Related Company; and
  - (xxiii) **(Market Conditions)**: a suspension or material limitation in trading generally on the ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

In this Section 5.4:

**"Event of Insolvency"** means

- (a) a receiver, manager, receiver and manager, trustee, administrator, controller or similar officer is appointed in respect of a person or any asset of a person;
- (b) a liquidator or provisional liquidator is appointed in respect of a corporation;
- (c) any application (not being an application withdrawn or dismissed within 7 days) is made to a court for an order, or an order is made, or a meeting is convened, or a resolution is passed, for the purpose of:
- (d) appointing a person referred to in paragraphs (a) or (b);
- (e) winding up a corporation;

- For personal use only
- (f) proposing or implementing a scheme of arrangement;
  - (g) any event or conduct occurs which would enable a court to grant a petition, or an order is made, for the bankruptcy of an individual or his estate under any insolvency provision;
  - (h) a moratorium of any debts of a person, or an official assignment, or a composition, or an arrangement (formal or informal) with a person's creditors, or any similar proceeding or arrangement by which the assets of a person are subjected conditionally or unconditionally to the control of that person's creditors or a trustee, is ordered, declared, or agreed to, or is applied for and the application is not withdrawn or dismissed within 7 days;
  - (i) a person becomes, or admits in writing that it is, is declared to be, or is deemed under any applicable Act to be, insolvent or unable to pay its debts; or
  - (j) any writ of execution, garnishee order, mareva injunction or similar order, attachment, distress or other process is made, levied or issued against or in relation to any asset of a person.

**“Material Adverse Effect”** means

- (a) a material adverse effect on the outcome of the Offer or on the subsequent market for the New Shares (including, without limitation, matters likely to have a material adverse effect on a decision of an investor to invest in New Shares); or
- (b) a material adverse effect on the assets, condition, trading or financial position, performance, profits and losses, results, prospects, business or operations of the Company and its Subsidiaries either individually or taken as a whole; or
- (c) the Underwriter's obligations under the Underwriting Agreement becoming significantly more onerous than those which exist at the date of the Underwriting Agreement; or
- (d) a material adverse effect on the tax position of either:
  - (i) the Company and its subsidiaries either individually or taken as a whole; or
  - (ii) an Australian resident shareholder in the Company.

**“Prescribed Occurrence”** means

- (a) a Relevant Company converting all or any of its shares into a larger or smaller number of shares;
- (b) a Relevant Company resolving to reduce its share capital in any way;

- For personal use only
- (c) a Relevant Company:
    - (i) entering into a buy-back agreement or;
    - (ii) resolving to approve the terms of a buy-back agreement under section 257C or 257D of the Corporations Act;
  - (d) a Relevant Company making an issue of, or granting an option to subscribe for, any of its shares, or agreeing to make such an issue or grant such an option, other than an issue or agreement to issue in accordance with the Offer or the terms of the Underwriting Agreement;
  - (e) a Relevant Company issuing, or agreeing to issue, convertible notes;
  - (f) a Relevant Company disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
  - (g) a Relevant Company charging, agreeing to charge, the whole, or a substantial part, of its business or property;
  - (h) a Relevant Company resolving that it be wound up;
  - (i) the appointment of a liquidator or provisional liquidator to a Relevant Company;
  - (j) the making of an order by a court for the winding up of a Relevant Company;
  - (k) an administrator of a Relevant Company, being appointed under section 436A, 436B or 436C of the Corporations Act;
  - (l) a Relevant Company executing a deed of company arrangement; or
  - (m) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of a Relevant Company.

## 5.5 Interests of Directors

### *Directors' Holdings*

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- the Rights Issue.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Rights Issue.

At the date of this Prospectus the relevant interest of each of the Directors in the securities of the Company are as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Ian Gandel		244,552,183 <sup>1</sup>		-
Jon Starink		1,800,000 <sup>2</sup>		2,000,000 <sup>5</sup>
John SF Dunlop		1,000,000 <sup>3</sup>		2,000,000 <sup>6</sup>
John D Kenny		2,892,858 <sup>4</sup>		1,000,000 <sup>7</sup>
<b>Total</b>		<b>250,245,041</b>		<b>5,000,000</b>

Notes:

- 244,552,183 Shares are held by Abbotsleigh Proprietary Limited, an entity of which Ian Gandel is a director and shareholder, as trustee for the I Gandel Share Investment Trust, an entity of which Ian Gandel is a beneficiary.
- 1,800,000 Shares are held by Lazarus Foundation Pty Ltd as trustee for the Rand Trust. Jon Starink is a director of the Lazarus Foundation Pty Ltd and a beneficiary of the Rand Trust.
- 1,000,000 Shares are held by John S Dunlop Nominees Pty Ltd as trustee of the John S Dunlop Family Super Fund, an entity of which John Dunlop is a beneficiary.
- 2,892,858 Shares are held by Ventureworks JDK Pty Ltd, an entity of which John Kenny is the sole director and sole shareholder.
- 2,000,000 Options each exercisable at \$0.15 on or before 31 May 2012 are held by Lazarus Foundation Pty Ltd as trustee for the Rand Trust. Jon Starink is a director of the Lazarus Foundation Pty Ltd and a beneficiary of the Rand Trust.
- 2,000,000 Options each exercisable at \$0.15 on or before 31 May 2012 are held by John S Dunlop Nominees Pty Ltd as trustee of the John S Dunlop Family Super Fund, an entity of which John Dunlop is a beneficiary.
- 1,000,000 Options each exercisable at \$0.15 on or before 31 May 2012 are held by Ventureworks JDK Pty Ltd, an entity of which John Kenny is the sole director and sole shareholder.

It is the current intention of Ian Gandel, John Dunlop and John Kenny to take-up all of their respective Entitlements offered to them under this Prospectus. Directors may or may not purchase Rights during the Rights trading period pursuant to this Prospectus or additional Shares prior to the Record Date.

#### **Remuneration of Directors**

The Constitution provides that the aggregate amount of non-executive Directors' fees shall from time to time be determined by the Company by a resolution of Shareholders in general meeting. This amount is currently set at \$250,000.



A Director may be paid fees or other amounts as the Directors determine where a Director performs extra services or otherwise makes special exertions on behalf of the Company outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for reasonable out of pocket expenses incurred as a result of their directorship.

Over the last two years, the total aggregate of the remuneration paid to and benefits in kind granted to the Directors by the Company was as follows:

Director	Fees/Salary/ Bonus (\$)		Other Remuneration (\$)		Total Remuneration (\$)
	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2011	Year ended 30 June 2010	
Jon Starink	135,000	120,000	0	0	255,000
John SF Dunlop <sup>1</sup>	74,800	25,700	0	0	100,500
Ian Gandel <sup>2</sup>	88,188	50,000	0	0	138,188
John Kenny <sup>3</sup>	36,808	25,000	0	0	61,808

Notes:

1. These fees were paid to John S Dunlop and Associates Pty Ltd, a company in which Mr Dunlop has an interest. Payments made were for consultancy fees as well as director fees. The total fees paid include consultancy fees for the year ended 30 June 2011 of \$68,530 (2010: \$700). Mr Dunlop was a Non-Executive Director for the period 1 July 2010 to 31 December 2010 and became an Executive Director on 1 January 2011.
2. These fees were paid to Gandel Metals Pty Ltd, a company in which Ian Gandel has an interest.
3. These fees were paid to Ventureworks JDK Pty Ltd, a company in which Mr Kenny has an interest. Payments made were for consultancy fees as well as director fees. The total fees paid include consultancy fees for the year ended 30 June 2011 of \$4,308 (2010: nil).

Since 1 July 2011 the total aggregate of the remuneration paid to and benefits in kind granted to the Directors by the Company was as follows:

Director	Fees/Salary/ Bonus (\$)	Other Remuneration (\$)	Total Remuneration (\$)
Ian Gandel	46,667	Nil	46,667
Jon Starink	137,500	Nil	137,500
John SF Dunlop	67,083	Nil	67,083
John Kenny	23,333	Nil	23,333

#### **Other Interests**

The Company has entered into Deeds of Indemnity, Access and Insurance on standard terms with each of its current directors, Messrs Starink, Dunlop, Gandel and Kenny and its most recent former director, Robert John (Jack) Telford. Those deeds indemnify these Directors in respect of certain liabilities and legal expenses incurred by them whilst acting as Directors and insures them against certain risks they are exposed to as Directors. The Company has paid insurance premiums to insure each of the Directors against liabilities for

costs and expenses incurred by them in defending any legal proceedings while acting in the capacity of a Director.

#### 5.6 **Sub-Underwriting**

As noted previously, Gandel Metals of which Ian Gandel is the sole director, has agreed to sub-underwrite the Rights Issue. Ian Gandel also controls Abbotsleigh, a major Shareholder of the Company.

Patersons will pay Gandel Metals a fee of 4% of the total amount sought under the Rights Issue, less the amount of Abbotsleigh's Entitlement, being approximately 30% of the total amount sought under the Rights Issue. Accordingly, Gandel Metals will be entitled to receive a fee of up to \$68,167.19 from Patersons.

In the event of there being any Shortfall Shares, Gandel Metals is obligated to subscribe for New Shares not applied for by Eligible Shareholders as Shortfall Shares as determined by the Underwriter in consultation with the Company and in accordance with Section 1.8 of this Prospectus. Gandel Metals' obligations under the sub-underwriting agreement cease if the Rights Issue does not proceed or the Underwriting Agreement is terminated.

The Directors consider, having regard to all available options and the knowledge that Gandel Metals is an entity controlled by Ian Gandel and accordingly is a related party (under the Corporations Act) of the Company, that Patersons entering into a sub-underwriting agreement with Gandel Metals to sub-underwrite the Rights Issue, provides the Company with the highest degree of certainty that the Rights Issue will be successful, in the time available and in what has been, and continues to be, a volatile and difficult market.

#### 5.7 **Ian Gandel Control Scenarios under the Rights Issue**

As at the date of this Prospectus, the current relevant interest of Ian Gandel in the Company, through Abbotsleigh's shareholding, is 30.1%.

Abbotsleigh has confirmed to the Company that it will take up its Entitlement under the Rights Issue as an Eligible Shareholder with respect to its holding of 244,552,183 Shares.

The maximum increase in Ian Gandel's voting power by reason of:

- (a) Abbotsleigh's entitlement to subscribe for New Shares under the Rights Issue; and
- (b) any New **Shares acquired** under Gandel Metals' underwriting of the Rights Issue,

will be 11.6%, bringing Ian Gandel's voting power to approximately 41.7% (if no Eligible Shareholders take-up their Entitlements).

The following table shows the number of Shares on issue at the date of this Prospectus and the total number of Shares on issue as at the close of the Rights Issue based on the maximum total Shares to be issued under the Rights Issue (assuming the existing Options are not exercised).

Shares	Number
Existing Shares	812,675,131
Maximum number of New Shares to be issued pursuant to the Rights Issue (assuming no existing Options are exercised)	[162,535,026]
<b>Total after completion of the Rights Issue</b>	<b>975,210,157</b>

An analysis of the impact of the Rights Issue and underwriting on the effective control of the Company has been undertaken to indicate the effect on Ian Gandel's relevant interest in the Company under various scenarios. The results are detailed below. Each scenario below assumes that there is no exercise of existing Options by any party prior to completion of the Rights Issue.

#### Before Rights Issue

The following table shows the existing capital structure of the Company at the date of this Prospectus.

Shareholder	Shares	% of Total Shares
Ian Gandel/Abbotsleigh <sup>1</sup>	244,552,183	30.1
Others	568,122,948	69.9
<b>TOTAL</b>	<b>812,675,131</b>	<b>100</b>

#### Notes

- Ian Gandel's holding of Shares is held through Abbotsleigh, an entity that he controls. Gandel Metals, another entity controlled by Ian Gandel does not currently have an interest in any Shares but may acquire an interest in Shares through its sub-underwriting of the Rights Issue.

#### Scenario 1 – Maximum Entitlement taken up by all Existing Eligible Shareholders

The following table shows the capital structure of the Company at the close of the Rights Issue if each Eligible Shareholder elects to take up each of their Entitlements to subscribe for Shares pursuant to the Rights Issue.

Shareholder	Shares	% of Total Shares
Ian Gandel/Abbotsleigh <sup>(1)</sup>	293,462,620	30.1
Others	681,747,537	69.9

<b>TOTAL</b>	<b>975,210,157</b>	<b>100</b>
--------------	--------------------	------------

Notes

1. Ian Gandel's holding of Shares is held through Abbotsleigh, an entity that he controls. Gandel Metals, another entity controlled by Ian Gandel does not currently have an interest in any Shares but may acquire an interest in Shares through its sub-underwriting of the Rights Issue.

**Scenario 2 – Ian Gandel, through Abbotsleigh, takes up 100% of Abbotsleigh's Entitlement, all other Eligible Shareholders take up 50% of their Entitlement (and Ian Gandel, through Gandel Metals, takes up its commitment pursuant to the sub-underwriting arrangements)**

The following table shows the capital structure of the Company at the close of the Rights Issue in the event that other than Abbotsleigh, all Eligible Shareholders take up 50% of their Entitlement and Abbotsleigh elects to take up all of its Entitlement under the Rights Issue as an Eligible Shareholder.

Shareholder	Shares	% of Total Shares
Ian Gandel/Abbotsleigh <sup>(1)</sup>	350,274,914	35.9
Others	624,935,243	64.1
<b>TOTAL</b>	<b>975,210,157</b>	<b>100</b>

Notes

1. Ian Gandel's holding of Shares is held through Abbotsleigh, an entity that he controls. Gandel Metals, another entity controlled by Ian Gandel does not currently have an interest in any Shares but may acquire an interest in Shares through its sub-underwriting of the Rights Issue.

**Scenario 3 – Ian Gandel, through Abbotsleigh takes up its Entitlement, nil take up by other Eligible Shareholders (and Ian Gandel, through Gandel Metals, takes up its commitment pursuant to the Underwriting Agreement)**

The table below shows the capital structure of the Company at the close of the Rights Issue where all Existing Eligible Shareholders (other than Abbotsleigh) elect not to take up their Entitlement.

Shareholder	Shares	% of Total Shares
Ian Gandel/Abbotsleigh <sup>(1)</sup>	407,087,209	41.7
Others	568,122,948	58.3
<b>TOTAL</b>	<b>975,210,157</b>	<b>100</b>

Notes

1. Ian Gandel's holding of Shares is held through Abbotsleigh, an entity that he controls. Gandel Metals, another entity controlled by Ian Gandel does not currently have an interest in any Shares but may acquire an interest in Shares through its sub-underwriting of the Rights Issue.

## 5.8 Ian Gandel's Intentions for the Company

Given the potential increase in Ian Gandel's voting power in the Company as a result of Abbotsleigh's participation in the Offer and Gandel Metals' sub-underwriting of the Offer, there is also a requirement to provide details of Ian Gandel's current intentions for the Company in the event that he gains effective control of the Company.

Ian Gandel has informed the Company that if he were to gain effective control of the Company by virtue of Abbotsleigh's and Gandel Metals' shareholdings, including New Shares acquired under the Offer and the sub-underwriting of the Offer, the current intentions of Ian Gandel are that he will procure that the Company:

- generally continue the business of the Company;
- work closely with the Directors to raise the funds necessary to meet the Company's cash requirements;
- subject to any legal requirements, not make any major changes to the business of the Company nor redeploy any of the fixed assets of the Company; and
- subject to detailed internal review of the operations and budgetary constraints of the Company, continue the employment of the Company's present employees.

The intentions and statements of future conduct set out above must also be read as being subject to the legal obligation of the Directors at the time, including Ian Gandel (who is also a Director), to act in good faith in the best interests of the Company and for proper purposes and to have regard to the interests of the Shareholders.

The implementation of Ian Gandel's current intentions of his ownership of the Company will be subject to the law (including the Corporations Act), the Listing Rules and the Company's constitution.

In particular, the requirements of the Corporations Act and the Listing Rules in relation to conflicts of interest and "related party" transactions will apply as Ian Gandel is currently a related party of the Company by virtue of his Company directorship.

Ian Gandel would only make a decision on his courses of action in light of material facts and circumstances at the relevant time and after it receives appropriate legal and financial advice on such matters, where required, including in relation to any requirements for Shareholder approval.

The statements above are of current intention only which may change as new information becomes available or circumstances change. The statements should be read in this context.

## 5.9 Interests of Named Persons

Except as disclosed in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- the Rights Issue.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Rights Issue.

Steinepreis Paganin have acted as Australian solicitors to the Company in relation to the Rights Issue and this Prospectus. In respect of their work on this Prospectus, the Company will pay approximately \$15,000 for these professional services. Steinepreis Paganin have provided other professional services to the Company during the last two years amounting to approximately \$23,177.

Cobbetts LLP have acted as United Kingdom solicitors to the Company in relation to the Rights Issue and this Prospectus. In respect of their work on this Prospectus, the Company will pay approximately £500 for these professional services. Cobbetts LLP have provided other professional services to the Company during the last two years amounting to approximately \$9,391.

Patersons Securities Limited has acted as Underwriter to the Offer. In respect of this underwriting, the Company will pay approximately \$85,209 representing 5% of the total Offer plus a lead manager fee of \$20,000. The Underwriting Agreement is summarised in Section 5.4.

The amounts disclosed above are exclusive of any amount of goods and services tax payable by the Company in respect of those amounts.

## 5.10 Consents

Each of the parties referred to in this Section 5.10:

- For personal use only
- (a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this Section 5.10; and
  - (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 5.10.

Ian Gandel has given his written consent to the inclusion in Section 5.8 of this Prospectus, to the statement of his intentions in respect of his holding in the Company and the control that he may exercise over the Company and to all references to his statement in the form and context in which those references appear in this Prospectus and has not withdrawn such consents before lodgement of this Prospectus with ASIC.

Each of the following has consented to being named in this Prospectus in the capacity as noted below and has not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC:

- (a) Steinepreis Paganin as the Australian solicitors to the Company;
- (b) Cobbetts LLP as the United Kingdom solicitors to the Company;
- (c) Patersons Securities Limited as the Underwriter of the Rights Issue;
- (d) Patersons Securities Limited as the nominee pursuant to section 615 of the Corporations Act in respect of dealing with Excluded Shareholders' Entitlements under the Rights Issue;
- (e) Gandel Metals as the sub-underwriter of the Rights Issue; and
- (f) Ian Gandel as a substantial Shareholder of the Company.

Deloitte Touche Tohmatsu has given its written consent to be named as auditors to the company and the inclusion in Section 2.1 of this Prospectus to reference to the independent auditor's report accompanying the consolidated entity's financial report for the year ended 30 June 2011 containing an emphasis of matter paragraph in respect of a material uncertainty regarding the consolidated entity's and the Company's continuation as going concerns and to all references to the auditor's report in the form and context in which those references appear in this Prospectus and has not withdrawn such consents before lodgement of this Prospectus with the ASIC.

Security Transfer Registrars Pty Ltd, as the Company's share registry, has not had involvement in the preparation of any part of this Prospectus other than being named as Share Registrar to the Company. Security Transfer Registrars Pty Ltd has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for any part of the Prospectus.

### 5.11 Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

### 5.12 Expenses of the Rights Issue

The estimated total expenses of the Rights Issue (exclusive of any GST which may be payable) are expected to be as follows:

	\$
ASIC fees	2,137
ASX fees	8,045
Underwriting Fees <sup>1</sup>	105,209
Legal expenses	16,000
Printing and Distribution expenses	10,000
Other	8,609
<b>Total</b>	<b>150,000</b>

**Notes:**

1. Includes a fee of \$85,209, which is 5% of the underwritten amount of \$2,438,025, less Abbotsleigh's Entitlement, which assumes that the Rights Offer is fully subscribed and a corporate fee of \$20,000,

### 5.13 Market Prices of Shares on ASX

The highest and lowest closing market sale prices of Shares on ASX during the three months immediately preceding the date of this Prospectus and the respective dates of those sales were:

Highest: \$0.024 on 7 November 2011

Lowest: \$0.014 on 23 December 2011 and 3, 4, 5, 6 & 16 January 2012.

The latest available market sale price of Shares on ASX immediately before the date of this Prospectus was \$0.022 on 6 February 2012.

### 5.14 Electronic Prospectus

Pursuant to Class Order 00/44, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at [www.gippslandltd.com](http://www.gippslandltd.com).



The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

5.15 **Financial Forecasts**

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

## Section 6 DEFINED TERMS

"\$" means an Australian dollar;

"**Abbotsleigh**" means Abbotsleigh Proprietary Limited ACN 005 612 377 as trustee for the I. Gandel Share Investment Trust of Suite 3, 51-55 City Road, Southbank, Victoria;

"**Abbotsleigh Entitlement**" means Abbotsleigh's entitlement to subscribe for New Shares pursuant to this Offer equating to 48,910,437 shares at the issue price of 1.5 cents each for \$733,656.55;

"**Abu Dabbab Project**" means the Company's tantalum/tin project in Egypt;

"**ASX Clear**" means the ASX Clear Pty Limited ABN 48 001 314 503;

"**ASX Clear Rules**" means the operating rules of ASX Clear;

"**Adobha Eritrea**" means Adobha Resources (Eritrea) Pty Ltd ABN 82 078 383 909;

"**Adobha Project**" means the Company's prospecting and exploration projects in Eritrea;

"**Application Monies**" means the monies received from Eligible Shareholders applying for New Shares pursuant to the terms of the Rights Issue;

"**ASIC**" means the Australian Securities & Investments Commission;

"**ASX**" means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**ASX Settlement**" means ASX Settlement Pty Ltd ACN 008 504 532;

"**ASX Settlement Rules**" means the settlement operating rules of ASX Settlement as amended from time to time;

"**AWST**" means Australian Western Standard Time;

"**Board**" means the board of Directors;

"**Business Day**" means every day other than a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day;

"**CHESS**" means the Clearing House Electronic Subregister System;

"**Closing Date**" means 5.00pm AWST on 9 March 2012, or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine;

"**Company**" or "**Gippsland**" means Gippsland Limited ABN 31 004 766 376;

"**Constitution**" means the constitution of the Company, as amended from time to time;

"**Corporations Act**" means the Australian Corporations Act 2001 (Cth);

"**Directors**" means the directors of the Company at the date of this Prospectus;

"**Eligible Shareholders**" means those Shareholders with a registered address in the Share Register in Australia, New Zealand or the United Kingdom as at the Record Date;

"**Entitlement**" or "**Right**" means the entitlement of an Existing Eligible Shareholder to participate in the Rights Issue;

"**Entitlement and Acceptance Form**" means the Entitlement and Acceptance Form accompanying this Prospectus for use in connection with the Rights Issue;

"**Eritrea**" means the State of Eritrea;

"**Ex Date**" means 10 February 2012 being the date from which Shares trade without the Entitlement;

"**Excluded Shareholder**" means Existing Shareholders registered outside of Australia, New Zealand or the United Kingdom;

"**Exploitation Licence**" means exploration licence numbers 1658, 1659 and 1785, being licences issued by the Egyptian Mineral Resources Authority and which provide the right for the holder to explore, mine, process and sell mineral resources contained within the licence area;

"**Exploration Licence**" means the exploration licence for the Company's Adobha Project issued by the Eritrean Ministry of Energy and Mines in which the Company holds a 90% interest and which provides the right for the Company to explore, mine, process and sell mineral resources contained within the licence area;

"**FSA**" means the United Kingdom's Financial Services Authority;

"**FSMA**" means the United Kingdom's Financial Services and Markets Act 2000, including any statutory modification or re-enactment for the time being in force;

"**Gandel Metals**" means Gandel Metals Pty Ltd ABN 50 102 347 995 as trustee for the Gandel Metals Trust;

"**Group**" means the Company and is wholly owned subsidiaries, comprising the consolidated entity;

"**Heemskirk Project**" Stellar Resources' tin project in Australia over which the Company is entitled to a net smelter return royalty;

"**Listing Rules**" means the official listing rules of ASX, as amended from time to time;

"**New Shares**" means the new Shares offered pursuant to the Rights Issue;

"**Nuweibi Project**" means the Company's Nuweibi tantalum project in Egypt;

"**Offer**" means the offer of New Shares to Eligible Shareholders made under the Rights Issue pursuant to this Prospectus;

"**Option**" means an option to acquire one Share;

"**Order**" means the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended;

"**Prospecting Licences**" means the three prospecting licences for the Company's Adobha Project issued by the Eritrean Ministry of Energy and Mines in each of which the Company holds a 90% interest and which provides the right for the Company to conduct prospecting activities within the licence area;

"**Prospectus**" means this prospectus dated 7 February 2012;

"**Prospectus Rules**" means the prospectus rules of the FSA made under Part VI of the FSMA;

"**Record Date**" means 5.00 pm AWST on 16 February 2012;

"**Relevant Company**" means the Company and each member company of the Group;

"**Rights Issue**" means the pro-rata renounceable rights issue pursuant to this Prospectus of approximately 162,535,026 New Shares on the basis of 1 New Share for every 5 Shares held on the Record Date at an issue price of 1.5 cents per New Share, to raise approximately \$2,438,025;

"**Section**" means a section of this Prospectus;

"**Share**" means a fully paid ordinary share in the issued capital of the Company;

"**Shareholder**" means a registered holder of a Share;

"**Share Register**" means the share register maintained on behalf of the Company by the Share Registry;

"**Share Registry**" means Security Transfer Registrars Pty Ltd ABN 95 008 894 488;

"**Shortfall Shares**" means the New Shares forming Entitlements, or parts of Entitlements, not accepted by Eligible Shareholders;

"**Shortfall Application**" means an application for Shortfall Shares;

"**Underwriter**" or "**Patersons**" means Patersons Securities Limited ABN 69 008 896 311 AFSL 239052;

"**Underwriting Agreement**" means the Underwriting Agreement dated 7 February 2012 between the Company and the Underwriter and summarised in Section 5.4 of this Prospectus; and

"**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland.

**Section 7 DIRECTORS' RESPONSIBILITY STATEMENT & CONSENT**

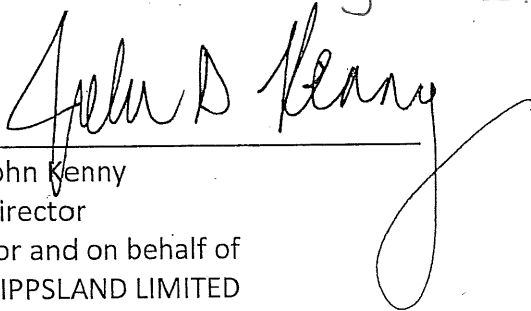
The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of New Shares pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent prior to lodgement.

Dated: 7 February 2012.



John Kenny  
Director  
For and on behalf of  
GIPPSLAND LIMITED

For personal use only

## ANNEXURE A

### FURTHER TERMS AND CONDITIONS

By applying for New Shares under the Rights Issue:

- (a) your application will be irrevocable and unconditional;
- (b) you irrevocably confirm, warrant and undertake that your participation in the Rights Issue is made solely on the basis of the information contained in this Prospectus, the Application Form and the business and financial information published by the Company in accordance with the rules and practices of the ASX and on no other basis whatsoever;
- (c) you acknowledge that you are eligible to participate in the Rights Issue and if you are an Existing Eligible Shareholder resident in the United Kingdom, you irrevocably confirm, warrant and undertake that you are a person falling within Article 43(2) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (members and creditors of certain bodies corporate);
- (d) you irrevocably confirm, warrant and undertake that you were outside the United States of America at the time your acquisition of New Shares was originated and you were not at such time and are not a US person (and were not and are not acquiring on behalf of, or for the account of or benefit of, a US person) within the meaning of Regulation S promulgated under the United States Securities Act 1933 (as amended) and you will not offer, sell or deliver directly or indirectly any of the New Shares in the United States of America;
- (e) you irrevocably confirm, warrant and undertake that you are not a national or resident of a country or jurisdiction outside of Australia, New Zealand or the United Kingdom and that you will not offer, sell or deliver as principal or agent, directly or indirectly, any of the New Shares in or into a country or jurisdiction outside of Australia, New Zealand or the United Kingdom or to or for the benefit of any persons resident in a country or jurisdiction outside of Australia, New Zealand or the United Kingdom or to any person purchasing such shares or options for re-offer, sale or transfer in or into a country or jurisdiction outside of Australia, New Zealand or the United Kingdom;
- (f) you irrevocably confirm, warrant and undertake that you are entitled to subscribe for the New Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and that you have not taken any action which will or may result in the Company or any of its directors, officers, employees or agents acting in breach of any regulatory or legal requirements of any territory in connection with the Offer or your acceptance thereof;
- (g) you irrevocably authorise the Company (and its officers or agents) to correct any error in, or omission from, your Application Form and to complete the Application Form by the insertion of any missing details;

For personal use only

- (h) you irrevocably accept the risk associated with any refund that may be despatched to you by cheque to your address shown on the Share Register;
- (i) you irrevocably agree to indemnify the Company from, and to pay to the Company within 5 business days of demand, any dishonour fees or other costs the Company may incur in presenting a cheque for payment which is dishonoured;
- (j) you acknowledge that neither the Company nor the ASX nor any of the Company's advisers has provided you with investment advice or financial product advice, and that none of them has any obligation to provide this advice, concerning your decision to apply for and purchase the New Shares;
- (k) you irrevocably acknowledge that the Company and its directors, employees and agents are not liable for any exercise of its discretions referred to in this Prospectus; and
- (l) you irrevocably and unconditionally agree to the terms of this Prospectus and agree not to do any act or thing which would be contrary to the spirit, intention or purpose of the Rights Issue or the Prospectus.