

7 February 2013

Mr Dale Allen  
Advisor, Listings  
ASX Compliance Pty Limited  
Level 8, Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

## RESPONSE TO ASX QUERY

We refer to your letter dated 5 February 2013 referring to the financial position and future cash flows of Gippsland Limited ("Gippsland" or "the Company").

In response to your queries we advise as follows:

1. *It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?*

The Company could not continue to expend cash at the rate indicated by the Appendix 5B without raising additional capital. This additional capital may be derived from one or more of the following potential sources;

- A loan facility from its largest shareholder. \$800,000 remained available under this facility as at 31 December of which \$400,000 has subsequently been drawn down;
- The sale of investments being part or all of the Company's shareholding in a listed company;
- Revenue from alluvial tin production in Egypt which is anticipated to rise as a result of the commissioning of a demountable modular gravity separation plant comprised of rougher and cleaner spiral separators at Abu Dabbab. The combined production capacity and improved recovery is expected to increase cassiterite production from the current rate of around 10 to 12 tonnes per month, containing on average between 5.5 and 6.6 tonnes of tin, to approximately 145 tonnes per month from mid February 2013, containing on average 80 tonnes of tin. The spiral plant arrived on site on 17 January 2013 and is expected to be in full production by mid February 2013. The Company has previously noted that if the tin price can maintain its current level of approximately US\$25,000 per tonne, this will have a very positive impact on expected revenue;
- A syndicate of four Egyptian banks have joined forces and formed a consortium to jointly assist in raising the required senior debt financing for the development of the initial phase of the Abu Dabbab Tantalum-Tin-Feldspar Project. Gippsland has received and is presently in negotiations regarding a Draft Indicative Term Sheet in relation to the debt financing. Gippsland has appointed advisors to provide various services to assist it and Tantalum International Pty Ltd (a wholly owned subsidiary of Gippsland) to raise the balance of the finance for the Project. It is hoped that these initiatives will secure financing for the Abu Dabbab Tantalum-Tin-Feldspar Project in the near future;
- A capital raising.

2. *Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?*

The Company does not anticipate that in future it will have negative operating cash flows similar to that reported in the December quarter Appendix 5B. It is anticipated that the increased revenue expected to be generated from Abu Dabbab alluvial tin production will ensure that future operating cash flows are not similar to that reported in the December quarter Appendix 5B.

3. *What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?*

The Board of Gippsland monitors the financial position of the Company and the proposed future exploration and development activities to determine the future capital needs of the Company. A range of possible future capital raising scenarios are discussed by the Board in conjunction with its advisors, as required. If required, one or more of these scenarios will be adopted by the Board. The Company has conducted four rights issues in the past few years and has always received solid support from its shareholder base. It would be confident of doing so again if necessary.

4. *Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?*

Confirmed. The Company considers that it is in compliance with the listing rules and, in particular, listing rule 3.1.

5. *Please comment on the Company's compliance with listing rule 12.1.*

The Company's directors are firmly of the belief that the level of the Company's operations warrants continued quotation and listing and as such the Company is in compliance with listing rule 12.1. The Company is well placed to make enormous progress in the coming year with its advanced projects in Egypt.

6. *Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.*

The Company's directors are firmly of the belief that the Company's financial condition (including operating results) warrants continued quotation and listing and, as such, the Company is in compliance with listing rule 12.2. The directors believe that the cash position as at the end of December 2012 is temporary and will improve markedly in the coming year as a result of the factors set out in the response to the first bullet point query.

Yours sincerely



**ROWAN CAREN**  
Company Secretary



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5 February 2013

Rowan Caren  
Company Secretary  
Gippsland Limited

*By email: rcaren@gippslandltd.com*

Dear Rowan

**Gippsland Limited (the "Company")**

I refer to the Company's Quarterly Cash Flow Report in the form of Appendix 5B for the quarter ended 31 December 2012, released to ASX Limited ("ASX") on 31 January 2013, (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales and related debtors of \$137,000.
2. Payments for exploration, evaluation, development and production of \$846,000.
3. Negative operating cash flows for the quarter of \$1,115,000.
4. Cash at end of quarter of \$201,000.

In light of the information contained in the Appendix 5B, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.1.

6. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

### Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on **facsimile number (08) 9221 2020** or **email dale.allen@asx.com.au**. It should not be sent to ASX Market Announcements.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **5:00pm (WST) on Thursday 7 February 2013**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries please let me know.

Yours sincerely,

*[sent electronically without signature]*

Dale Allen  
**Adviser, Listings (Perth)**