GIPPSLAND LIMITED

ABN 31 004 766 376
and Controlled Entities

FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2012

GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities

CONTENTS

CORPORATE DIRECTORY

DIRECTORS	Ian Jeffrey Gandel – Non-Executive Chairman Jon Starink – Executive Director John Damian Kenny - Non-Executive Director
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SOLICITORS	Steinepreis Paganin Level 4, 16 Milligan Street Perth WA 6000 Australia Trowers & Hamlins 3rd Floor, 1 El Gabalaya Street Zamalek, Cairo Arab Republic of Egypt Gowlings (UK) LLP 15th Floor, 125 Old Broad Street London EC2N 1AR United Kingdom
SHARE REGISTRY	Security Transfer Registrars Pty Ltd Suite 1, 770 Canning Hwy Applecross WA 6153 Australia PO Box 535 Applecross WA 6953 Australia Website: www.securitytransfer.com.au

CORPORATE DIRECTORY (cont)

AUSTRALIAN SECURITIES EXCHANGE	The Company's securities are quoted on the official list of the Australian Securities Exchange (ASX Limited), the home exchange being: ASX Limited 2 The Esplanade Perth WA 6000 Australia
ASX CODE	GIP
FRANKFURT STOCK EXCHANGE	The Company's securities are quoted on the Frankfurt Stock Exchange; Neue Börsenstrasse 1 60487 Frankfurt / Main Germany
FSE – CODE	GIX

GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities

DIRECTORS' REPORT

Your directors submit the financial report for the half year ended 31 December 2012.

Directors

The names of directors who held office during or since the end of the half-year:

Mr Ian J Gandel
Mr Jon Starink
Mr John D Kenny
Mr John SF Dunlop (resigned 12 July 2012)

Review of Operations

The consolidated operating loss after tax for the half year was $1,735,373 (2011 – loss of $1,152,991).

The principal activities of the economic entity during the half-year were the exploration and development of commercially and economically viable mineral resources. The Company continued to focus on the development of the Abu Dabbab tantalite, tin and feldspar project and production at the Alluvial Tin Project in Egypt, in which both Gippsland and the Egyptian Government have a 50% shareholding.

A syndicate of four Egyptian banks, being Bank Audi, Banque Du Caire, Banque Misr and Commercial International Bank, have joined forces and formed a consortium (the "Consortium") to jointly support Tantalum Egypt JSC ("TE JSC") in raising the required senior debt financing (the "Transaction") 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 ("Term Sheet") on behalf of TE JSC from the Consortium in relation to the Transaction. The Term Sheet, once signed, will not be binding on either side and will be subject to full due diligence, approvals and fulfilment of required conditions precedent.

To expand the plant and improve production at its Alluvial Tin Project, the Company purchased a demountable modular gravity separation plant comprised of rougher and cleaner spiral separators with a nominal treatment capacity of 50 tonnes per hour (tph) of -2 mm alluvial material. At an average feed grade of -2 mm feedstock of around 1.8 to 2 kg tin per tonne and at 90% recovery, the plant is expected to produce between 50 to 55 tonnes of tin contained in concentrate per month. When a circuit to process -4+2 mm material begins operation, additional production from this circuit would increase production by between 20 to 25 tonnes of tin in concentrate per month.

During the period, the Company completed the first part of a 5,000m drilling programme on the Adobha Project in Northern Eritrea. A programme of 53 holes totalling 2,845m tested six of the high to medium ranked Versatile Time Domain Electro Magnetic anomalies that were accessible. The drilling results received to date indicate that the area is mineralised and that additional geological mapping and geochemical sampling will be required prior to the second phase of drilling.

Corporately, during the half year;

- Gippsland raised $1.38 million (before costs) by way of a non-renounceable rights issue at an issue price of $0.006 per share.
- On 12 July 2012, Mr John Dunlop resigned his position as Director of the Company.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 4 for the half-year ended 31 December 2012.

This report is signed in accordance with a resolution of the Board of Directors.

J STARINK
DIRECTOR
Dated this 15th day of March 2013

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Gippsland Limited
207 Stirling Highway
CLAREMONT WA 6010

15 March 2013

Dear Sirs

Gippsland Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Gippsland Limited.

As lead audit partner for the review of the financial statements of Gippsland Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants

GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Note	Consolidated	
		31 December 2012 $	**31 December 2011 $**
Finance revenue		**6,055**	53,996
Other income		**-**	9,575
Total income		**6,055**	63,571
Administration expense		**(721,363)**	(515,390)
Employee benefits expense		**(361,294)**	(650,969)
Foreign exchange (losses)/gains		**(8,224)**	(11,404)
Share based payment expense		**-**	(4,260)
Depreciation expense		**(41,145)**	(34,539)
Impairment of other financial assets		**(609,402)**	-
Total expenses		**(1,741,428)**	(1,216,562)
Loss before income tax		**(1,735,373)**	(1,152,991)
Income tax expense		**-**	-
Loss after income tax		**(1,735,373)**	(1,152,991)
Other comprehensive income			
Items that may be classified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(115,561)**	81,482
Total other comprehensive income		**(115,561)**	81,482
Total comprehensive income/(loss) for the period		**(1,850,934)**	(1,071,509)
Profit/(loss) is attributable to:			
Members of the parent		**(1,735,373)**	(1,152,991)
Non-controlling interest		**-**	-
Total comprehensive income/(loss) is attributable to:			
Members of the parent		**(1,850,934)**	(1,071,509)
Non-controlling interest		**-**	-
Earnings per share			
Basic profit (loss) (cents per share)		**(0.16)**	(0.15)
Diluted profit (loss) (cents per share)		**(0.16)**	(0.15)

The accompanying notes form part of these financial statements.

GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	Consolidated	
		31 December 2012 $	30 June 2012 $
CURRENT ASSETS			
Cash and cash equivalents		**200,631**	1,169,582
Trade and other receivables		**126,828**	25,902
Inventories		**58,470**	53,851
Other assets		**128,582**	203,374
TOTAL CURRENT ASSETS		**514,511**	1,452,709
NON CURRENT ASSETS			
Other financial assets		**2,655,253**	3,264,656
Property, plant and equipment		**1,150,404**	1,192,111
Exploration and evaluation		**7,277,609**	6,458,211
Mine properties		**1,417,995**	910,257
TOTAL NON CURRENT ASSETS		**12,501,261**	11,825,235
TOTAL ASSETS		**13,015,772**	13,277,944
CURRENT LIABILITIES			
Trade and other payables		**1,225,344**	993,262
Provisions		**83,109**	73,739
TOTAL CURRENT LIABILITIES		**1,308,453**	1,067,001
TOTAL NON-CURRENT LIABILITIES		**-**	-
TOTAL LIABILITIES		**1,308,453**	1,067,001
NET ASSETS		**11,707,319**	12,210,943
EQUITY			
Issued capital	**3**	**46,878,157**	45,530,847
Reserves		**(300,587)**	(185,026)
Accumulated losses		**(34,870,251)**	(33,134,878)
TOTAL EQUITY		**11,707,319**	12,210,943

The accompanying notes form part of these financial statements.

GIPPSLAND LIMITED ABN 31 004 766 376
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Share Capital – Ordinary	Accumulated Losses	Option Reserve	Foreign Currency Translation Reserve	Total
	$	$	$	$	$
Balance at 1 July 2011	38,588,181	(33,934,237)	530,402	(807,353)	4,376,993
Currency translation differences	-	-	-	81,482	81,482
Loss for the period	-	(1,152,991)	-	-	(1,152,991)
Total comprehensive income for the period	-	(1,152,991)	-	81,482	(1,071,509)
Transactions with owners in their capacity as owners					
Shares issued during the half year	5,063,591	-	-	-	5,063,591
Share issue costs	(388,466)	-	-	-	(388,466)
Option reserve on recognition of unlisted options	-	-	4,260	-	4,260
Balance at 31 December 2011	43,263,306	(35,087,228)	534,662	(725,871)	7,984,869
Balance at 1 July 2012	45,530,847	(33,134,878)	534,662	(719,688)	12,210,943
Currency translation differences	-	-	-	(115,561)	(115,561)
Loss for the period	-	(1,735,373)	-	-	(1,735,373)
Total comprehensive income for the period	-	(1,735,373)	-	(115,561)	(1,850,934)
Transactions with owners in their capacity as owners					
Shares issued during the half year	1,384,105	-	-	-	1,384,105
Share issue costs	(36,795)	-	-	-	(36,795)
Option reserve on recognition of unlisted options	-	-	-	-	-
Balance at 31 December 2012	46,878,157	(34,870,251)	534,662	(835,249)	11,707,319

The accompanying notes form part of these financial statements.

GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Consolidated	
	31 December 2012 $	**31 December 2011 $**
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	**(816,140)**	(1,077,507)
Interest received	**6,364**	52,285
Finance costs paid	**-**	(592)
Other income	**-**	9,575
Net cash flows from/(used in) operating activities	**(809,776)**	(1,016,239)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from sale of alluvial tin	**290,845**	-
Payments for exploration and evaluation	**(913,987)**	(1,891,980)
Payments for mine properties	**(825,624)**	
Purchase of property, plant and equipment	**(50,077)**	(549,623)
Loans to other entities	**-**	(66,678)
Net cash flows from/(used in) investing activities	**(1,498,843)**	(2,508,281)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from share issues	**1,384,105**	5,063,591
Payment of share issue costs	**(36,795)**	(388,467)
Proceeds from borrowings	**-**	400,000
Repayment of borrowings	**-**	(560,000)
Net cash flows from/(used in) financing activities	**1,347,310**	4,515,124
Net increase / (decrease) in cash and cash equivalents	**(961,309)**	990,604
Effects of exchange rate changes on cash	**(7,642)**	(25,947)
Cash and cash equivalents at beginning of period	**1,169,582**	806,397
Cash and cash equivalents at end of period	**200,631**	1,771,054

The accompanying notes form part of these financial statements.

NOTE 1: BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2012 and any public announcements made by Gippsland Limited and its controlled entities during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Reporting Basis and Conventions

The half-year report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Going Concern

The consolidated entity has incurred a net loss after income tax of $1,735,373 (2011: $1,152,991) and experienced net cash outflows from operating activities of $809,776 (2011: $1,016,239) and net cash outflows from investing activities of $1,498,843 (2011: $2,508,281) for the half-year ended 31 December 2012.

The ability of the consolidated entity to continue as a going concern is principally dependent upon raising additional capital and / or debt finance, the sale of non-core assets and the ramp-up in production of its Alluvial Tin project to fund exploration and project development, the Abu Dabbab project, other commitments, other principal activities and provide additional working capital.

These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

Subsequent to year end, Gippsland entered into agreements with Abbotsleigh Proprietary Limited (a director related entity of Ian Gandel) to provide $1,200,000 in short-term funding. Details of the terms of this loan have been disclosed in Note 6 to the half-year financial report. To the date of this report, the Company has drawn down $600,000 of this funding and is in the process of formalising the loan documentation which is expected to be on or around 18 March 2013.

On 6 March 2013, the Company announced a non-renounceable rights issue to all shareholders on the basis of one new share for every four existing shares to raise approximately $3,014,736 (before costs) at an issue price of 1.0 cent per new share.

The directors have prepared a cash flow forecast for the period ending 31 March 2014 which indicates that the current cash resources will not meet expected cash outgoings without additional capital and / or debt funding. The directors anticipate that this funding will be obtained through a combination of some or all of the following:

- Obtaining the additional short-term funding of $600,000 based on the agreements noted above;
- Completion of the non-renounceable rights issue in April 2013 (as detailed above) to raise approximately $3,014,736 (before costs);
- Realisation of non-core assets by no later than April 2013 at amounts equivalent to the carrying value of those assets at 31 December 2012;
- Successful ramp-up of the Alluvial Tin Project, increasing revenue and cash receipts from March 2013 due to a planned upgrade of its plant facility; and / or
- Further capital raisings and / or debt funding.

The Company will use part of the cash proceeds obtained from the completion of the non-renounceable rights issue and/or the realisation of non-core assets to repay the short-term funding provided to the Company by Abbotsleigh Proprietary Limited.

The directors are satisfied that they will achieve the matters set out above and therefore the going concern basis of preparation is appropriate. The financial report has therefore been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the consolidated entity be unable to raise the funding referred to above, there is a material uncertainty whether the consolidated entity will be able to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Accounting Policies

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those applied in the 30 June 2012 annual report, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2012, as noted below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New Standards and Interpretations

(a) Changes in Accounting Policies and Disclosures

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period.

Significant new and revised standards and interpretations effective for the current financial reporting period that are relevant to the consolidated entity are:

- Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 ‘Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income’.

The adoption of AASB 2011-9 has resulted in changes to the Group’s presentation of, or disclosure in, its half-year financial statements. AASB 2011-9 introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(b) Accounting Standards and Interpretations issued but not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the half year ending 31 December 2012. Management are in the process of assessing the impact of the adoption of these standards and interpretations on the consolidated entity.

NOTE 2: OPERATING SEGMENT

(a) Industry segments

The Group operates predominantly in the mining and exploration industry.

Information reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance is focussed on the type of resources being explored for and evaluated or developed. The Group's reportable segments under AASB 8 are therefore as follows:

- Tantalum
- Gold
- Copper
- Corporate

The tantalum segment relates to the development of the Group's Abu Dabbab tantalum-tin project in Egypt.
The gold segment relates to the exploration activities at Wadi Allaqi in Egypt.
The copper segment relates to the exploration activities at the Adobha project in Eritrea.

The corporate segment relates to operations of the corporate head office in Perth, Western Australia.

(b) Business segments

The following tables present revenue and loss information and certain asset and liability information regarding business segments for the periods ended 31 December 2012 and 2011.

	Continuing Operations				*Total Operations*
	Tantalum $	*Gold* $	*Copper* $	*Corporate* $	$
Period ended 31 December 2012					
Revenue					
Other revenues from external customers	-	-	-	6,055	6,055
Inter-segment transactions	-	-	-	-	-
Total segment revenue	-	-	-	6,055	6,055
Inter-segment elimination					-
Total consolidated revenue					6,055
Result					
Segment result	(320,548)	(12,875)	(54,529)	(1,347,421)	(1,735,373)
(Loss) before income tax and minority interest					(1,735,373)
Income tax expense					-
Net (loss) for the year					(1,735,373)
Assets					
Segment assets	6,549,764	35,315	3,665,983	2,764,710	13,015,772
Total assets					13,015,772

	Continuing Operations				*Total Operations*
	Tantalum $	*Gold* $	*Copper* $	*Corporate* $	$
Period ended 31 December 2011					
Revenue					
Other revenues from external customers	-	-	2,223	61,348	63,571
Inter-segment transactions	-	2,606	-	-	2,606
Total segment revenue	-	2,606	2,223	61,348	66,177
Inter-segment elimination					(2,606)
Total consolidated revenue					63,571
Result					
Segment result	(299,185)	(22,243)	(70,974)	(760,589)	(1,152,991)
(Loss) before income tax and minority interest					(1,152,991)
Income tax expense					-
Net (loss) for the year					(1,152,991)
Assets					
Segment assets	5,251,661	55,070	2,035,632	1,639,926	8,982,289
Total assets					8,982,289

NOTE 3: CONTRIBUTED EQUITY

	31 December 2012 $	31 December 2012 Number	30 June 2012 $	30 June 2012 Number
Issued capital:				
1,205,894,315 (June 2012: 975,210,157) fully paid ordinary shares	**46,878,157**	**1,205,894,315**	**45,530,847**	**975,210,157**
Movement				
Opening Balance at 1 July 2012	**45,530,847**	**975,210,157**		
Shares issued during the period				
Rights issue	**1,384,105**	**230,684,158**		
Share issue costs	**(36,795)**	**-**		
Closing balance at 31 December 2012	**46,878,157**	**1,205,894,315**		

Options

	No of Options
Opening balance at 1July 2012	**1,200,000**
Less: Exercise of options during the period	**-**
Less: Options expired during the period	**(600,000)**
Plus: Options issued during the period	**-**
Closing balance at 31 December 2012	**600,000**

As at 31 December 2012 the economic entity had the following options on issue:

(i) 600,000 unlisted options exercisable at 6.0 cents each by 31 December 2013.

NOTE 4: COMMITMENTS AND CONTINGENCIES

Operating lease commitments - Group as lessee

The Group has entered into commercial leases for office accommodation in:
- Perth, Australia;
- Cairo, Egypt; and
- Asmara, Eritrea

Perth Office Lease

The property lease is a non-cancellable lease with a 2.5 year term (expiring in April 2014), with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by the lower of CPI or 5% per annum. Lease payments for the next 12 month period to 31 December 2013 are estimated to be $130,000 and for the remaining term of the current lease from 1 January 2014 to 10 April 2014 are estimated to be $36,100. An option exists to renew the lease at the end of the 2.5 year term for an additional 2.5 years.

Cairo Office Lease

The property lease is a non-cancellable lease with a five year term expiring on 31 August 2016, with rent payable monthly in advance. Lease payments for the next 12 month period to 31 December 2013 are estimated to be $19,000 and for the remaining term of the current lease from 1 January 2014 to 31 August 2016 are estimated to be $57,000.

Asmara Office Lease

The property lease is a non-cancellable lease with a twelve month term, with rent payable monthly in advance. Lease payments for the next 12 month period to 31 December 2013 are estimated to be $10,000.

Bank Guarantee

A subsidiary of the Group has been required to provide a bank guarantee of US$30,000 to the General Authority for Investment and Free Zone in Egypt. The letter of guarantee is valid until 10 August 2013.

Minimum Exploration Expenditure – Eritrea

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. The Group is required to expend approximately a further $2,876,000 on the Adobha Exploration Licence in Eritrea by no later than 23 July 2013, being the third anniversary of the grant of the tenement, and approximately a further $172,000 on the Gerasi South Exploration Licence in Eritrea by no later than 25 August 2013, being the second anniversary of the grant of the tenement.

Subject to the relinquishment provisions in relation to the licence areas, the minimum expenditure commitments for year 4 of the Adobha Exploration Licence is US$5,160,000 and the minimum expenditure commitments for year 3 of the Gerasi South Exploration Licence is US$400,000. The Group has pending applications regarding other exploration licence areas.

Exploration Expenditure - Nuweibi

Prior to 30 June 2011, the Group committed to spend US$300,000 on exploration at its Nuweibi Tantalum-Tin Project.

Drilling at Nuweibi was deferred due to the lack of a suitable drilling rig. Accordingly, approximately a further US$294,400 is required to be spent in relation to exploration once a suitable drilling rig becomes available in order to meet this expenditure commitment.

Capital Commitments

Prior to 31 December 2012, Gippsland's subsidiary, Tantalum Egypt JSC, entered into a contract to purchase a demountable modular gravity separation plant with a value of approximately A$544,000. 60% of this amount is payable on 15 March 2013 with the balance payable on 15 April 2013.

Tantalum Egypt JSC also entered a contract before 31 December 2012 to purchase a generator for the gravity separation plant. As at 31 December 2012, the balance payable under this contract was approximately US$48,750.

Contingent Liability

During the year ended 30 June 2012, the Company received an invoice for $108,000 plus GST from John S Dunlop and Associates Pty Ltd, a company controlled by Mr JSF Dunlop, for consulting work done prior to his resignation as an Executive Director of the Company. During the half year, Mr Dunlop commenced legal action against the Company in relation to this matter. Gippsland disputes this amount is payable and has engaged legal representation to defend itself against the claim by Mr Dunlop. The Company is in discussions with Mr Dunlop to settle this matter.

NOTE 5: CHANGE TO ACCOUNTING TREATMENT OF INVENTORIES

At 30 June 2012, the Group accounted for the alluvial mining project on the basis that the project was in production. Subsequent to lodgement of the 30 June 2012 audited financial statements, the Directors of Gippsland reassessed the performance of the operations and concluded that the existing plant at 30 June 2012 was not performing in line with their expectations. Accordingly, the Directors have decided to account for the alluvial mining project on the basis that the project is in the development phase until such time as they consider the tin production from the alluvial mining project is commercial. This impact is a reclassification of $652,227 from Inventories to Mine Properties and, accordingly, has resulted in a change to the previously reported amounts in the statement of financial position at 30 June 2012 to reflect this reclassification.

While the alluvial mining project is in development phase, all revenues received from the sale of cassiterite will be treated as pre-production revenue and offset against Mine Properties. Cash flows from the pre-production revenue are included in the Condensed Consolidated Statement of Cash Flows under cash flows from investing activities.

NOTE 6: EVENTS SUBSEQUENT TO REPORTING DATE

On or about 8 January 2013, the Company entered into an agreement with Abbotsleigh Pty Ltd (an entity controlled by Ian Gandel) (Abbotsleigh), pursuant to which Abbotsleigh has provided a loan facility to the Company in the amount of $800,000. On or about 12 March 2013, Abbotsleigh entered into a further agreement with the Company to increase the loan facility by $400,000, resulting in a total loan facility of $1,200,000. At the date of this report, $600,000 had been received pursuant to this facility and $600,000 had not been drawn. The Company is in the process of formalising the loan documentation which is expected to be on or around 18 March 2013.

The terms of the agreement are as follows:

(a) the interest rate for the loan is equal to the ANZ margin loan interest rate, as varied (currently 7.14%);
(b) the loan is unsecured; and
(c) the loan is repayable by 31 August 2013 or such earlier date that Gippsland has surplus cash reserves to repay the loan in full without affecting Gippsland's continuing operations in the reasonable opinion of the Directors.

On 31 January 2013, the 43,528,743 fully paid ordinary shares in Stellar Resources Ltd held by the Company were released from escrow.

On 5 March 2013, Gippsland announce a non-renounceable rights issue to all shareholders on the basis of one new share for every four existing shares to raise approximately $3,014,736 before costs at an issue price of 1.0 cents per new share.

Since 31 December 2012, no other events have arisen that have materially affected the operations of the economic entity, the results of the economic entity or the state of affairs of the economic entity.

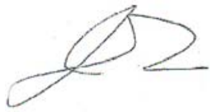
DIRECTORS' DECLARATION

The directors of Gippsland Limited declare that:

1. In the directors' opinion, the financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors dated this 15th day of March 2013.



J STARINK
Director

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Independent Auditor's Review Report to the Members of Gippsland Limited

We have reviewed the accompanying half-year financial report of Gippsland Limited, which comprises the condensed statement of financial position as at 31 December 2012, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 15.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gippsland Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Gippsland Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gippsland Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity has incurred net losses of $1,735,373 (2011: $1,152,991) and experienced net cash outflows from operations of $809,776 (2011: $1,016,239) and net cash outflows from investing activities of $1,498,843 (2011: $2,508,281) for the half-year ended 31 December 2012. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the ordinary course of business, and at the amounts stated in the financial report.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants
Perth, 15 March 2013