

THIRD QUARTER ACTIVITIES REPORT

Period: 1 JANUARY – 31 MARCH 2014

Release Date: 29 APRIL 2014

Key Points

- Main focus has been to develop the investment strategy to attract funds for the completion of the 2014 Abu Dabbab Development Plan and initial work on the Abu Dabbab tantalum-tin-feldspar project. A detailed, confidential Information Memorandum and data package is being prepared and it is planned to commence this process, focussing on the Gulf region in May with selected investor groups.
- Board and management were substantially strengthened with the appointment of a Managing Director and a Project Development Manager.
- Lycopodium was engaged to update cost estimates for the 2008 Feasibility Study.
- The Abu Dabbab Alluvial Tin Operation produced approximately 45 tonnes of tin concentrate for the period.
- Subsequent to the end of the quarter the tin operations were suspended due to ongoing technical problems and further delays in relation to the Company's permits to export product and import spare parts. The import and export permits have now been reinstated.
- The exploration office in Eritrea has been closed down and the Perth office has relocated to smaller premises.
- Gandel Metals has continued to provide funding. The Company's closing cash position at 31 March 2014 was \$302,000.

INTRODUCTION

The Directors of Gippsland Limited ("Gippsland" or "the Company") provide the following Activities and Cash Flow Report for the March Quarter, 2014, with updates of events up to the date of this report.

The Company's key asset is the large scale Abu Dabbab tantalum-tin-feldspar deposit in Egypt (the "Project") which the Company is seeking to bring into production within the next 2 years. In February 2013 it commenced a small scale alluvial tin operation at the same site.

The key focus for the period was to develop the investment strategy and supporting information to facilitate the Company raising sufficient funds to complete the 2014 Abu Dabbab Development Plan through the possible sale of an indirect interest in the Project. As well, there have been technical and permitting issues to manage affecting the alluvial operation. In the background, with a very tight funding situation a start has been made to curtail non-core activities and reduce costs to focus the business solely on the Abu Dabbab hard-rock development as quickly as possible.

QUARTERLY ACTIVITIES

1. CORPORATE

- An investment strategy is being developed to attract investment mainly from the Gulf Region to fund the completion of the 2014 Abu Dabbab Development Plan and initial work on the Project. A detailed confidential Information Package is being prepared and it is planned to commence this process in May with selected investor groups.
- The Company has appointed Mr Mike Rosenstreich as Managing Director of the Company. Mr. Rosenstreich has a technical background but has worked in corporate finance and management of listed companies over the past 15 years.
- Mr Brian Talbot was appointed as Development Manager of the Abu Dabbab Project presently based in Egypt. He has been based in Egypt since September 2013 as Operations Manager of the Alluvial Tin Project, near Abu Dabbab. Mr Talbot has a strong operational background as a metallurgist and operations manager predominantly through Africa.
- The Company has relocated its head office in Perth to significantly smaller premises. The Company's office in Eritrea was closed. These changes will result in substantial savings going forward.
- The Company borrowed a further \$1,038,000 from Gandel Metals Pty Ltd, a company controlled by the Company's Chairman Mr Ian Gandel. The total amount of the unsecured loan outstanding at 31 March 2014 was \$1,789,000.
- Gandel Metals Pty Ltd has provided a letter of support to Gippsland in relation to providing further funding during the period to 30 June 2014. The letter of support is conditional on the Company continuing to make positive progress with respect to financing of the Project.
- Cash on hand at the close of the Quarter was \$302,000.

2. ABU DABBAB TANTALUM-TIN PROJECT (50% INTEREST)


- The Company continues to work through a Project development and financing strategy centred around a "low-capital" development model utilising contractors and suppliers to undertake activities such as mining, crushing and screening the ore and supplying water, power and other services on a "through the fence" basis. Through March and April, Company representatives met with key supplier and contractor groups and have had encouraging preliminary negotiations which are ongoing.
- Lycopodium Engineering Pty Ltd has been engaged by Gippsland to update the operating and capital cost estimates of the 2008 Abu Dabbab Feasibility Study which is based on a 2 Mtpa treatment rate. This work is ongoing with a site visit completed by Lycopodium in late March, 2014.

3. ALLUVIAL TIN OPERATION (50% INTEREST)

- Mining of the alluvial tin deposits at Abu Dabbab was completed in late January 2014 and all plant feedstock is now being sourced from various stockpiles from earlier processing operations. Plant performance has declined significantly as the plant feed transitioned from ROM ore material to reprocessing of tailings, whilst awaiting the arrival of special crushers to enable the processing of a coarse ore stockpile.

- In mid-January concentrate shipments from Egypt were suspended by the Egyptian government pending clarification of certain export issues, which consequently also prevented all imports of spare parts and consumables. The operating company, Tantalum Egypt JSC ("TE") in which Gippsland has a 50% interest had advised Gippsland that all issues in relation to the temporary suspension of concentrate shipments had been resolved in late March. However, with the backdrop of the current Egyptian political situation, the reinstatement of the export permits has taken longer than anticipated.
- The culmination of the poor operational performance, suspension of concentrate exports and the delays in importing the crushers has forced management to suspend Spiral Plant operations in mid-April pending resolution of the export permit issues and a review of restarting operations to treat the 81,000 tonnes of +2.5mm / -4 mm stockpile. Only minor retreatment of low grade concentrate over the Wilfley table is being undertaken on a minimal staffing roster.
- Approximately 45 tonnes of tin concentrates were produced during the quarter. As a result of the suspension of exports, an inventory of 48 tonnes of tin concentrate ready for shipment has built up on site.
- On the 23 April, TE received written notification that the export issues had been resolved and that it could resume export of the stockpiles at site.

Yours faithfully



Mike Rosenstreich
 Managing Director
 Gippsland Limited
www.gippslandltd.com

T: +61 8 9340 6000
 E: info@gippslandltd.com

Tenements Held at 31 March 2014

Country	Project	Tenement	Status	Interest held by Gippsland
Egypt	Abu Dabbab	Exploitation Licence 1658	Granted	50% ²
Egypt	Abu Dabbab	Exploitation Licence 1659	Granted	50% ²
Egypt	Nuweibi	Exploitation Licence 1785	Granted	50%
Egypt	Wadi Allaqi - Seiga	Exploration Licence ¹	Pending	50%
Egypt	Wadi Allaqi - Shashoba	Exploration Licence ¹	Pending	50%
Egypt	Wadi Allaqi – Haimur	Exploration Licence ¹	Pending	50%
Egypt	Wadi Allaqi – Garayat	Exploration Licence ¹	Pending	50%
Egypt	Wadi Allaqi – Koleit	Exploration Licence ¹	Pending	50%
Egypt	Wadi Allaqi – Nile Valley A	Exploration Licence ¹	Pending	50%
Egypt	Wadi Allaqi – Nile Valley E	Exploration Licence ¹	Pending	50%
Egypt	Wadi Allaqi – Abu Swayel	Exploration Licence ¹	Pending	50%
Egypt	Wadi Allaqi – Um Tiur	Exploration Licence ¹	Pending	50%
Eritrea	Adobha	Exploration Licence	Granted	100%
Eritrea	Adobha (Gerasi South)	Exploration Licence	Granted	100%
Eritrea	Adobha (Gerasi)	Exploration Licence	Pending	-

Notes:

1. Tenements granted subject to an agreement with the Egyptian Government (EMRA) dated 21 June 2004. Applications to renew tenements have been lodged.

2. Gippsland holds 50% of the shares in TE JSC which holds the exploitation licences, however Gippsland has a 45% interest in dividend payments made by TEJSC.

There were no acquisitions or disposals of tenements during the quarter.

Attachment – Appendix 5B Cash Flow

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

Gippsland Limited

ABN

31 004 766 376

Quarter ended ("current quarter")

31 March 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	306	1,816
1.2 Payments for (a) exploration & evaluation	(25)	(164)
(b) development	(53)	(60)
(c) production	(793)	(2,399)
(d) administration	(376)	(1,135)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	-	1
1.5 Interest and other costs of finance paid	(14)	(22)
1.6 Income taxes paid		
1.7 Other (provide details if material)	-	1
Net Operating Cash Flows	(955)	(1,962)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects		
(b) equity investments		
(c) other fixed assets	(61)	(98)
1.9 Proceeds from sale of: (a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities	8	8
1.12 Other (provide details if material)		
Net investing cash flows	(53)	(90)
1.13 Total operating and investing cash flows	(1,008)	(2,052)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.		
1.15 Proceeds from sale of forfeited shares		
1.16 Proceeds from borrowings	1,038	1,788
1.17 Repayment of borrowings		
1.18 Dividends paid		
1.19 Other – share issue costs	-	(6)
Net financing cash flows (carried forward)	1,038	1,782

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Net financing cash flows (brought forward)	1,038	1,782
Net increase (decrease) in cash held	30	(270)
1.20 Cash at beginning of quarter/year to date	288	587
1.21 Exchange rate adjustments to item 1.20	(16)	(15)
1.22 Cash at end of quarter	302	302

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	25
1.24 Aggregate amount of loans to the parties included in item 1.10	Nil
1.25 Explanation necessary for an understanding of the transactions	
Payments of consulting fees and directors fees to directors and director related entities	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

Financing facilities available

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	1,788	1,788
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	16
4.2 Development	222
4.3 Production	797
4.4 Administration	503
Total	1,538

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	302	288
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	302	288

Changes in interests in mining tenements and petroleum tenements

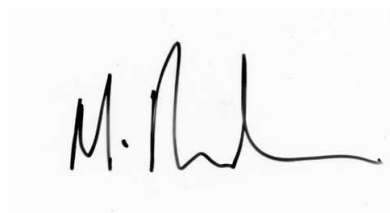
	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

Issued and quoted securities at end of current quarter

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference ⁺securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 ⁺Ordinary securities	1,375,700,081	1,375,700,081		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 ⁺Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options	-	-	<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~/does not*~~ (delete one) give a true and fair view of the matters disclosed.



Director: M.B. Rosenstreich
Date: 29 April 2014

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.