

# 2013

ANNUAL REPORT  GIPPSLAND LIMITED

ABN 31 004 766 376



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**GIPPSLAND**  
LIMITED

ABN 31 004 766 376

# ANNUAL REPORT 2013



# CORPORATE DIRECTORY

DIRECTORS	Ian Jeffrey Gandel – Non Executive Chairman Jon Starink – Executive Director John Damian Kenny – Non-Executive Director	
COMPANY SECRETARY	Rowan St John Caren	
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AUDITORS	Deloitte Level 14, Woodside Plaza 240 St. George's Terrace Perth WA 6000 Australia	
SOLICITORS	Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street Perth WA 6000 Australia  Gowlings (UK) LLP 15th Floor 125 Old Broad Street London EC2N 1AR United Kingdom	Trowers & Hamblins 3rd Floor, 1 El Gabalaya Street Zamalek, Cairo Arab Republic of Egypt
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	
PHONE NUMBER	+61 8 9315 2333	
AUSTRALIAN STOCK EXCHANGE	The Company's securities are quoted on the official list of the ASX Ltd (ASX), the home exchange being: The ASX (Perth) Ltd 2 The Esplanade Perth WA 6000 Australia	
ASX CODE	GIP	
FRANKFURT STOCK EXCHANGE (DEUTSCHE BÖRSE)	The Company's securities are quoted on the Frankfurt Stock Exchange Börsenplatz 4 60313 Frankfurt / Main Germany	
FSE CODE	GIX	





# CHAIRMAN'S REPORT

The Company has made significant progress during the past year notwithstanding that it has been a tough year, including a particularly tough last six months, for minerals companies. The political upheaval in Egypt has made matters even more challenging for those companies with an Egyptian focus. Despite this, Gippsland has been able to advance financing negotiations with a consortium of Egyptian banks and to produce tin from its alluvial operations at Abu Dabbab.

## **Egypt**

The reserve base at the Company's Abu Dabbab Tin-Tantalum Project stands at 33.18 million tonnes, with a further 12 million tonnes in the resource category. The Company's nearby Nuweibi tantalum deposit, has a resource base of 98 million tonnes.

The Abu Dabbab Tin-Tantalum Project debt financing continues to occupy management and the Board's main attention. Last year, in this Address I expressed hope for a more stable political situation in Egypt to assist the Company in seeking the debt finance. This stability did not transpire however it did not prove to be problematic in terms of the financing. The selected banking consortium (Consortium) consists solely of Egyptian banks. The Consortium's understanding of the region's politics and risk profile proved substantially more positive than what might have been expected by an external observer. The Consortium has maintained its keen focus on financing the Abu Dabbab project.

The banks appointed Wardell Armstrong as Independent Technical Advisor in April 2013. Unfortunately this appointment did not eventuate the way parties may have hoped. Indeed, substantial delays were caused when it emerged that Wardell Armstrong's project leader and a key contractor retained by Wardell Armstrong to assist with execution of their review on behalf of the Consortium had previously been retained by others to provide advice specifically in relation to the Project. This prior engagement was not disclosed prior to the appointment of Wardell Armstrong by the Consortium and, when disclosed, was considered by Gippsland and by the Consortium as potentially giving rise to a conflict of interest.

Coffey International was appointed in late July 2013 as Independent Technical Advisor to replace Wardell Armstrong. Coffey International has provided to the Consortium a draft report that concludes that the Project has no fatal flaws. Subject to a satisfactory outcome of this high level review, the Consortium intends to proceed to obtaining credit committee approval for the Transaction and to the final negotiation and execution of a definitive term sheet, which the Company expects to contain conditions precedent that will need to be fulfilled prior to the first drawdown.

We believe that the existing Off-take Agreement with the German tantalum major HC Starck GmbH together with projected tin production from the Abu Dabbab Tin-Tantalum Project will assist us to negotiate a finance package which will contribute toward the long-term success of the project. HC Starck has again recently re-affirmed its support for the Project and has expressed an interest in securing any tantalum production in excess of the contracted 600,000 pounds per annum covered by the Offtake Agreement.

Also at Abu Dabbab, Gippsland commissioned and commenced production of tin from the alluvial placer deposits. To date we have produced almost 70 tonnes of tin which has been sold in concentrate form to the Malaysian Smelting Corporation for refinement.

Once again, the Company acknowledges the high level of support it enjoys from its Egyptian partners. In particular, I wish to acknowledge and thank His Excellency Eng Sharif Ismaeil, Minister of the Egyptian Ministry of Petroleum and Mineral Resources, for his substantial support and assistance during the past year. Geologist



# CHAIRMAN'S REPORT

Dr. Mosaád Hashem, the Chairman of the Egyptian Mineral Resources Authority and Geologist Dr. Mohamed Ramadan, the acting Chairman of the Egyptian Company for Mineral Resources, also continue to provide a high level of support for the Company and its Egyptian projects.

## Eritrea

In Eritrea, Gippsland has an extensive and key landholding at its Adobha Project. Eritrea is a highly prospective exploration destination.

During the year the Company completed part of a 5,000 metre reconnaissance reverse circulation ("RC") drilling programme designed to test a number of VTEM, gravity and geochemical anomalies. The drilling results, and the results of subsequent rock-chip sampling, soil sampling and geological mapping, indicates that the area is mineralised and that a second phase of drilling is justified.

The Company would like to thank The Minister of Energy and Mines, Mr Alem Kibreab, Director General, Department of Mines and Mr Mebrahtu Okbazghi, Director of Mineral Resources Management, of the Ministry of Energy and Mines for their high level of support for the Company in The State of Eritrea.

## Tasmania

The Company sold its 43.5 million share holding in Stellar Resources Limited (ASX: SRZ) for a total of approximately \$1.9 million. Gippsland will retain a net smelter return royalty over any future tin production from the Heemskirk project.

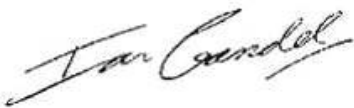
## Corporate

I am very encouraged by the progress made during the year in progressing the financing of Abu Dabbab and in establishing Gippsland's credentials as an alluvial tin miner in Egypt. The Company has preserved the equity of shareholders by financing operations through a rights issue to shareholders, sale of its stake in Stellar Resources Limited and existing cash reserves. I appreciate the patience and support from my fellow shareholders during the year.

I would like to particularly acknowledge the efforts of Gippsland's executive director, Jon Starink, during the year.

During the upcoming year, we will be working very hard to ensure the financing of Abu Dabbab.

Yours sincerely,



**Ian Gandel**

Chairman



**IAN GANDEL**  
NON-EXECUTIVE CHAIRMAN





# REVIEW OF OPERATIONS

## OVERVIEW

Gippsland's activities are primarily focussed on the Arabian-Nubian Shield, which is particularly prospective for tantalum, gold and base metal mineralisation, and is host to a number of world scale projects.

Having its regional headquarters in Cairo, and an exploration office in Asmara, Eritrea, Gippsland is able to efficiently utilise its team of executives and technical staff in advancing the Company's interests in Egypt and Eritrea.

Gippsland's flagship asset is the world class Abu Dabbab Tantalum-Tin-Feldspar Project in Egypt. The Abu Dabbab licence also hosts an alluvial tin deposit which is currently being mined by Gippsland.

## EGYPT

Gippsland has a controlling 50% interest in the Abu Dabbab and Nuweibi Tantalum-Tin-Feldspar deposits located near the western shore of the Red Sea coast in Egypt.

The reserve base at Abu Dabbab stands at 33.18 million tonnes, with a further 12 million tonnes in the resource category. The Company's nearby Nuweibi tantalum deposit, has a resource base of 98 million tonnes.

The Company continued mining and production of tin concentrate from its Abu Dabbab Alluvial Tin Project during the year.

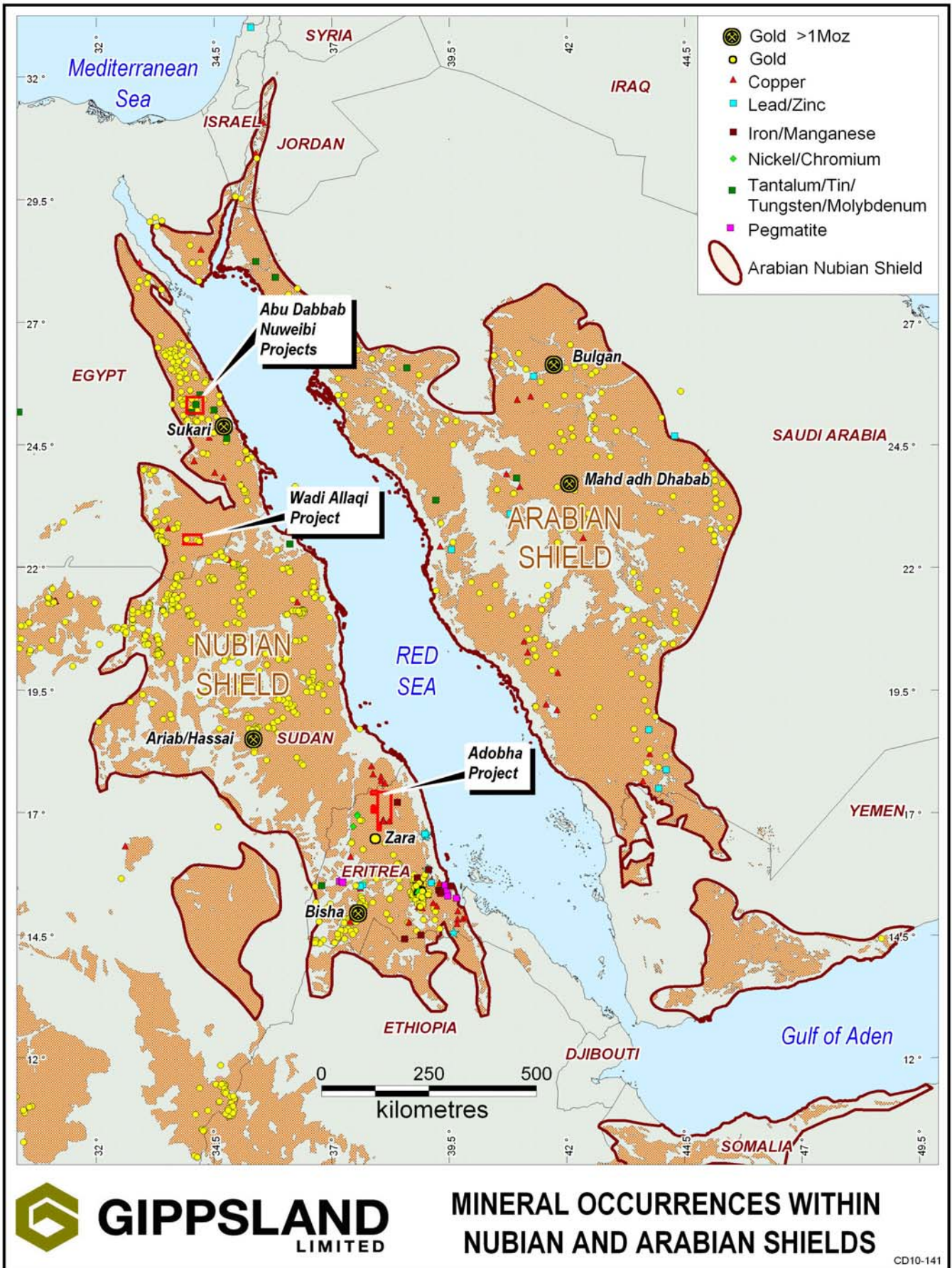
The Company also has an interest in eight gold prospects and one copper-nickel prospect located in the Wadi Allaqi region situated to the south-east of Aswan in Egypt.

## ERITREA

In Eritrea, the Company's 100% owned subsidiary Adobha Resources (Eritrea) Pty Ltd ("Adobha Resources") holds two Exploration Licences totaling 1,156 km<sup>2</sup> in area. Both are located north of the Eritrean capital Asmara in a geological setting similar to that of the 0.84 Moz Zara Gold Project located some 16 km to the south of the Company's southernmost licence boundary. The geological setting is also similar to that found at the Bisha gold base metal deposit containing 1.6 Moz Au and 0.45 Mt Cu, located some 174 km to the south. An application for an additional Exploration Licence area is pending.



# REVIEW OF OPERATIONS





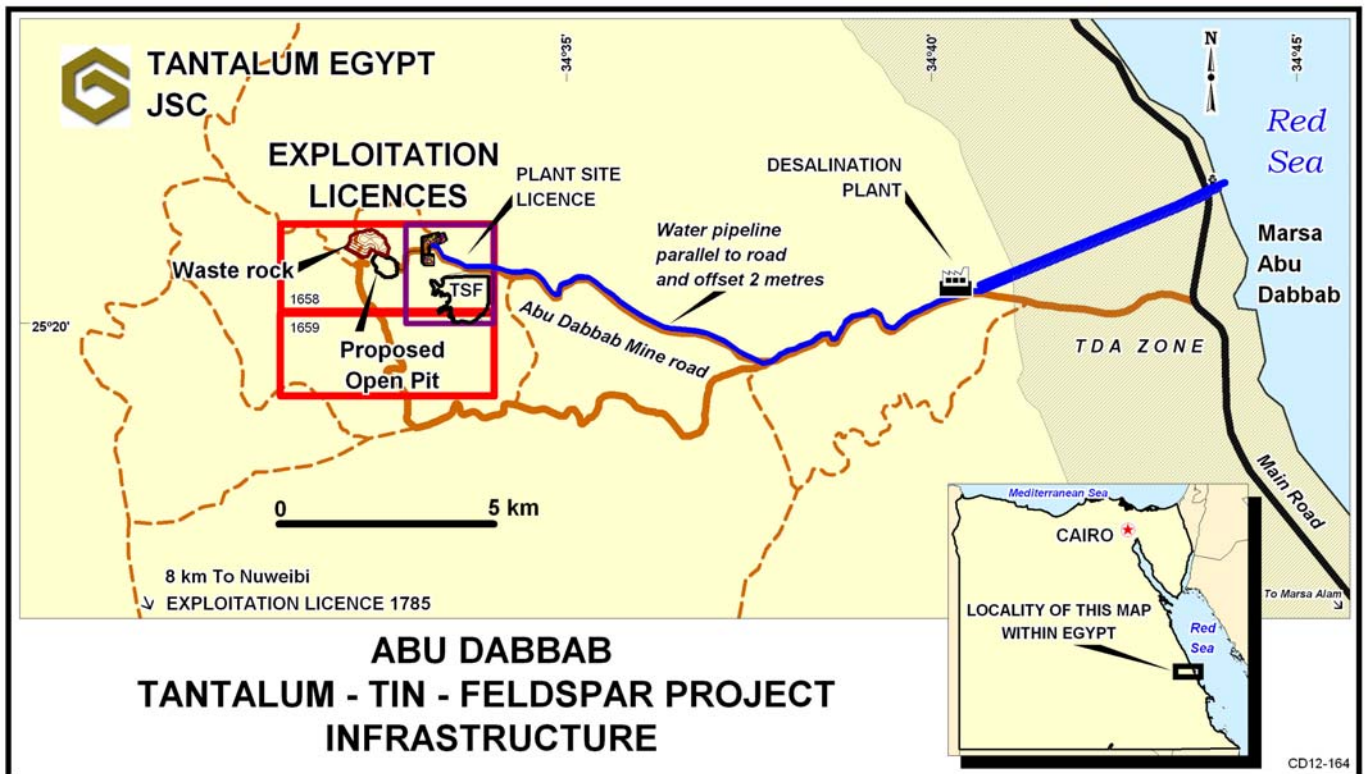
# REVIEW OF OPERATIONS

## EGYPT

### ABU DABBAB

#### Introduction

The Abu Dabbab tantalum-tin-feldspar deposit is covered by two Exploitation Licences (№ 1658 & № 1659) granted in the name of Tantalum Egypt JSC (“TE JSC”), a company incorporated in Egypt and held 50% by the Egyptian government owned Egyptian Mineral Resources Authority (“EMRA”) and 50% by Tantalum International Pty Ltd (“Tantalum International”), a wholly owned subsidiary of Gippsland. The two Exploitation Licences each have a 30-year tenure with an option for a further 30 years.



#### Ten Year Tantalum Off-take Agreement

TE JSC has an Off-take Agreement (“OTA”) with the German tantalum refiner HC Starck GmbH, whereby HC Starck has contracted to purchase 600,000 pounds per year of Abu Dabbab tantalum (in the form of tantalum pentoxide - Ta<sub>2</sub>O<sub>5</sub>) for a period of ten years.

HC Starck has recently affirmed its continued interest in supply under the OTA. HC Starck has also recently expressed an interest in tantalum production in excess of the contracted 600,000 pounds per annum. The Company has entered into discussions with other tantalum refiners in respect of the production capacity that is not committed to HC Starck under the OTA.

#### Tantalum Market

The long predicted shortage in the global tantalum supply is now having a dramatic effect on the international tantalum market, with the spot market price increasing from approximately US\$38 per pound in December 2009 to the present price of approximately US\$109 per pound.



## REVIEW OF OPERATIONS

The Abu Dabbab Tantalum-Tin-Feldspar Project (the “Project”) is expected to be capable of providing initial production in excess of 900,000 pounds of Ta<sub>2</sub>O<sub>5</sub> per year based on a 3 mtpa processing facility. Implementation of the Abu Dabbab Project would position Gippsland as a world ranking, top tier producer of conflict-free, clean tantalum.

### Project Finance

A syndicate of four Egyptian banks, being Bank Audi, Banque Misr, Commercial International Bank and Banque Du Caire, joined forces and formed a consortium (the “Consortium”) to jointly support TE JSC in raising the required senior debt financing (the “Transaction”) for the development of the initial phase of the Abu Dabbab Project. Banque Du Caire withdrew from the Consortium, however, the remaining three banks have elected to fill the void left by the departure of Banque Du Caire internally rather than seek a replacement bank.

Gippsland received a Draft Indicative Term Sheet on behalf of TE JSC from the Consortium in relation to the Transaction and the Consortium appointed Coffey International (“Coffey”) to act as an Independent Technical Advisor to assist it in the Transaction. Coffey is a specialist professional services consultancy with expertise in geosciences, international development and project management. Coffey has previously provided independent technical assessments of the Project.

The Consortium instructed Coffey to prepare an initial technical report with a scope of work including a comprehensive summary of the global tantalum market, a high level review and validation of the business model and its assumptions, and a high level review and validation of the Project’s technical feasibility milestones.

Subject to a satisfactory outcome of this high level review, the Consortium intends to proceed to obtaining credit committee approval for the Transaction and to the final negotiation and execution of a definitive term sheet, which the Company expects to contain some conditions precedent that will need to be fulfilled prior to the first drawdown. Coffey has provided a preliminary draft report to the Consortium which concludes that the Project has no fatal flaws.

The Company is moving forward with the Consortium but has been approached by a further three substantial Gulf financial institutions expressing interest to participate in the debt financing package.

Gippsland has appointed El Torgoman Partners & Advisors Ltd (the “Advisor”) to provide various services to assist it and Tantalum International, a wholly owned subsidiary of Gippsland, to raise the balance of the finance for the Project. In relation to this appointment, the Advisor is working in conjunction with HC Securities and Investment, an investment bank in the Middle East and North Africa region.

TE JSC has appointed Helmy, Hamza and Partners, a member firm of Baker & McKenzie International to act as borrower counsel to TE JSC in the debt financing for the Project.

The initial phase of the Project involves the proposed development by TE JSC of an open pit mine for the purpose of processing around 41 million tonnes of in-situ ore and mineable resource over 13.8 years at a processing rate of 3 million tonnes per annum of run-of-mine (“ROM”) ore with projected average annual production capacity of over 925,000 lbs of tantalum pentoxide (Ta<sub>2</sub>O<sub>5</sub>) in a marketable form and over 2,300 tonnes of tin as LME quality metal. Abu Dabbab is potentially a world class source of tantalum raw material feedstock, capable of providing a stable, long term supply of this vital strategic raw material.

A second phase of Abu Dabbab’s development would involve a feldspar processing circuit, bulk material ship loading facilities and associated logistics infrastructure to produce and load up to 2.4 million tonnes per annum of ceramic-grade feldspar.

The estimated investment cost of the first phase of the Project is in the range of USD \$225-250 million.





## REVIEW OF OPERATIONS

The balance of the funds required for the development of the Project after senior debt financing and mezzanine debt financing, if any, is likely to be contributed to TE JSC by way of shareholder loans to be provided by Tantalum International (“Shareholder Funding”).

To avoid significant raisings for the purpose of providing the Shareholder Funding for the Project, which might be highly dilutive for the Company’s present shareholder base, the Company’s preferred approach is to raise all or substantially all of these funds by way of securing investment by MENA financial institutions or industry groups directly into Tantalum International or a Special Purpose Vehicle formed for such a transaction.

Two such potential MENA investors acting in concert have advised the Company that their respective Boards have approved an investment in Tantalum International in principle. In addition, a number of other prospective investors for Tantalum International have been identified and in many cases preliminary meetings have been held.

### Abu Dabbab Alluvial Project

Early in the 2012/13 year, it was determined that the program of mining and processing using HPC-30 units was effective at treating the +2 mm material at treatment rates of 10 to 12 tonnes per hour (“tph”) but was not effective at treating the higher grade -2 mm material. Consequently, production from the HPC-30 units did not match initial expectations.

The Board of the Company and the Board of TE JSC approved the purchase of a demountable modular gravity separation plant comprised of rougher and cleaner spiral separators with a nominal treatment capacity of 50 tph of -2 mm alluvial material (the “Spiral Plant”).

Installation of the Spiral Plant and associated equipment was completed by 5 February 2013 and commissioning with feed material started on 26 February 2013.

The start of processing operations with -2 mm dry feed derived from ROM mining and screening operations and from stockpiles encountered unexpected contamination of the -2 mm feed with occasional coarse material and the feed circuit was modified to protect the Spiral Plant from this material. It was also recognised that the HPC-30 tailings materials were contaminated by occasional stones entrained by the mining contractor during movement from the HPC-30 circuit to stockpile. As this tailings material was damp, a wet screening circuit was designed and commissioned using elements of the HPC-30 circuit and a new DSM screen unit was installed.

The Directors have determined that the use of the HPC-30 units to process the -4/+2 mm material would not be economic and have been investigating alternatives to recover the tin from the +2 mm material. The Company is currently evaluating an option of purchasing a crushing plant which would crush the -4/+2 mm material to -2 mm which would then be processed through the Spiral Plant.

Grade control pitting on a 20 x 25 m grid, sample processing by screen size analysis and sampling over the entire Wadi Mubarak placer was completed during the year and mining operations at the Wadi Mubarak placer deposit commenced in late March 2013. Mine planning based on the grade control samples suggest a total of approximately 120,000 tonnes of -2 mm material in ROM containing an estimated 155 tonnes of tin-in-cassiterite. The -2 mm size fraction constitutes an average of 43% of ROM by weight.

The political events in Egypt during the year did not impact the Company’s operations at the Abu Dabbab alluvial tin project.

Between 28 June 2012 and 30 June 2013, thirteen shipments of cassiterite were despatched from site to Malaysia Smelting Corporation Bhd. A summary of sale details of these shipments is shown in Table 1 below.



# REVIEW OF OPERATIONS

**Table 1 Shipments dispatched from Abu Dabbab prior to 30 June 2013**

Shipment Number	Date of Sale to Smelter	Final Grade (Sn)	Contained Tin (tonnes)	Sale Price of Tin (USD per tonne)	Total Gross Proceeds (USD) (refer Notes 1 and 2)
1	24/8/12	55.030%	4.90	18,900	92,697
2	24/9/12	59.825%	5.36	21,300	114,335
3	28/12/12	55.685%	6.21	23,400	143,634
4	8/1/13	61.340%	6.12	24,050	147,205
5	22/2/13	58.885%	5.85	23,500	137,481
6	25/3/13	58.810%	5.85	22,720	132,983
7	13/5/2013	45.870%	5.92	21,100	124,939
8	21/5/2013	48.270%	5.27	20,900	110,124
9	3/6/2013	44.710%	2.66	19,680	52,409
10	17/6/2013	41.520%	4.95	19,150	94,848
11	1/7/13	44.525%	4.89	19,450	95,260
12	15/7/13	43.890%	7.11	20,450	145,500
13	24/7/13	40.295%	4.01	22,000	88,319
			69.1		\$1,479,434

Notes:

1. Total Gross Proceeds is calculated prior to the deduction of toll treatment charges.
2. The date of sale to smelter is the date of the payment by the smelter of a provisional advance for the shipment.

The Company is represented at the premises of Malaysia Smelting Corporation in Penang, Malaysia, by Alfred H Knight (Malaysia), a member of the international Alfred H Knight Group of independent commodity analysts, inspectors and consultants. The representative from Alfred H Knight (Malaysia) ensures all procedures in relation to the weighing and sampling of the cassiterite shipments are performed correctly. The Company also obtains independent assays for each shipment from Alfred H Knight (UK).

## NUWEIBI

The Exploitation Licence № 1785 covering the Nuweibi tantalum deposit was issued to Tantalum Egypt JSC by Ministerial Decree № 5 of 2008 on 13 July 2008. The Nuweibi deposit is located 17 km to the south-southwest of the Abu Dabbab deposit and 30 km inland from the Red Sea. This Exploitation Licence also has a 30-year tenure with an option of a further 30 years.

Tin mineralisation was first discovered at Nuweibi in 1944 and it was not until 1970 that the more valuable tantalum mineralisation was recognised. The deposit was the subject of detailed exploration by the same joint Soviet-Egyptian team that explored Abu Dabbab. The previous work has included 23 diamond drill holes totalling 2,746 m, four surface trenches and four bulk samples which were used for metallurgical testwork.

The mineral resources at Nuweibi have been estimated by Gippsland using the ore block modelling (inverse distance squared) method at a 100 g/t Ta<sub>2</sub>O<sub>5</sub> cut-off and currently stand at a combined Indicated and Inferred Resources of 98 million tonnes at 140 g/t of Ta<sub>2</sub>O<sub>5</sub>.

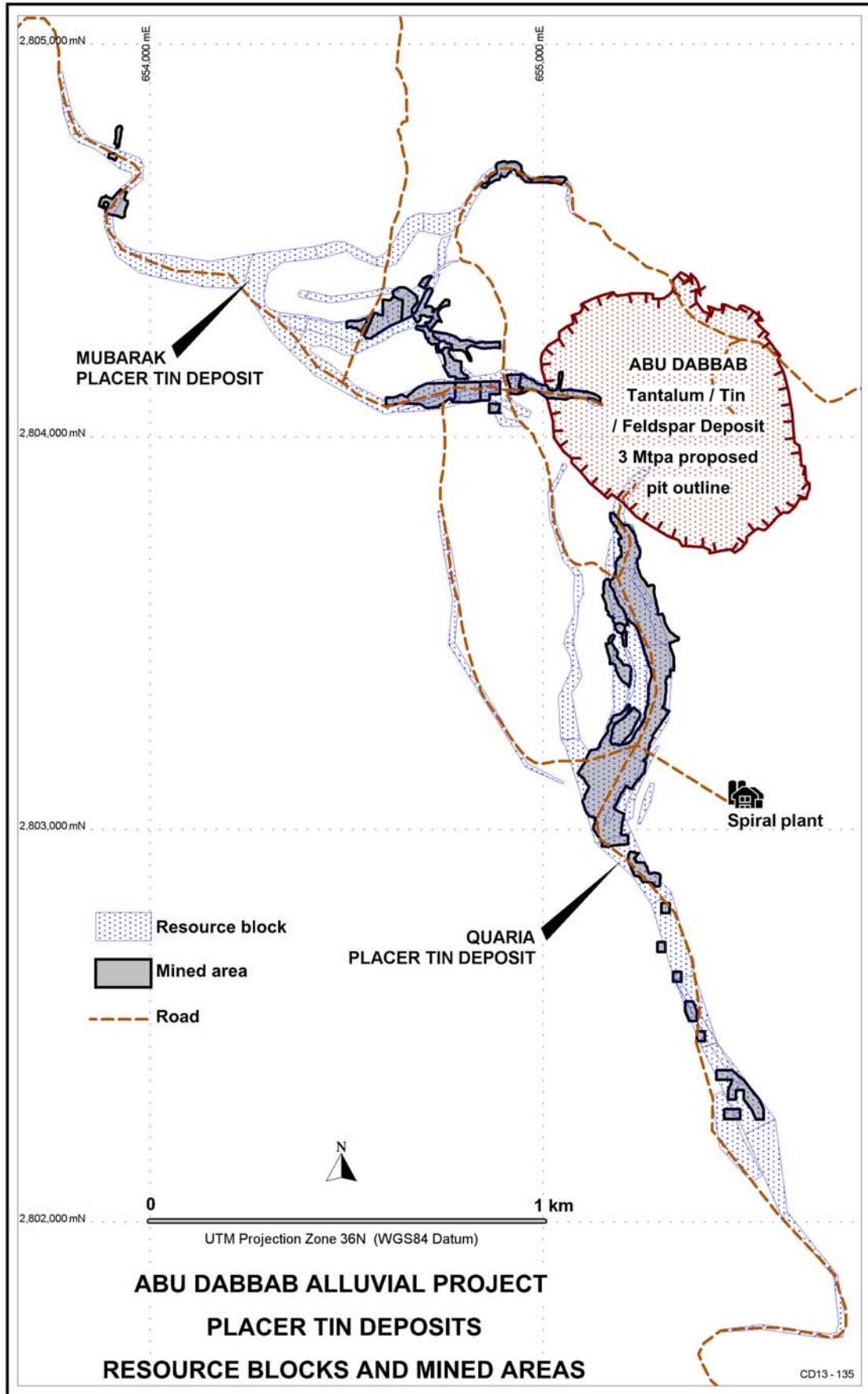
There is the potential for a significant increase in Nuweibi's mineral resources as the deposit is open at depth as well as to the east and the west. There is also a small placer containing tin and tantalum.

Work undertaken during the year included an assessment in relation to determining the feasibility of mining an alluvial tin deposit at Nuweibi once the Abu Dabbab Alluvial Project has been completed. The initial results of this assessment indicate that the tin grades are too low to justify mining the alluvial deposit at Nuweibi and transporting the material to Abu Dabbab for processing.





# REVIEW OF OPERATIONS



# REVIEW OF OPERATIONS

## WADI ALLAQI

The Wadi Allaqi Project consists of nine small Exploration Licences located approximately 160 km southeast of Aswan in the south-western part of the Eastern Desert of Egypt. These Exploration Licences have a total area of 144 km<sup>2</sup>. Application has been made for an Exploration Licences having a total area of 980 km<sup>2</sup> and the renewal of the small Seiga licence. Exploration of the current Exploration Licences will re-commence following the granting of the tenements under application.

Exploration within the Wadi Allaqi tenements has delineated an Inferred Resource of 85,000 oz of gold contained in 1.1 million tonnes at a grade of 2.3 g/t Au.

## ERITREA

### ADOBHA

Gippsland's 100% owned subsidiary Adobha Resources holds the Adobha Exploration Licence covering 1,056 km<sup>2</sup> and the Gerasi South Exploration Licence covering 100 km<sup>2</sup> in the highly prospective Adobha region of The State of Eritrea. In July 2013 the area of the Adobha Exploration Licence was reduced by 50%.

The two granted Exploration Licences cover an area that is regarded as being very prospective for volcanogenic massive sulphide mineralisation and structurally controlled gold mineralisation. Local examples of these types of deposits are the Bisha base metal deposit (pre-mining Probable Ore Reserve of 26.5Mt containing 1.618 million ounce gold and 0.45 million tonne copper<sup>1</sup>) located some 174 km to the south and the Zara gold project (Probable Ore Reserve of 4.6 million tonnes grading 5.1 grams of gold per tonne, containing 760,000 ounces of gold) located only 16 km to the south of the Company's most southern Licence. The Precambrian Nubian-Arabian Shield hosts at least five gold deposits containing in excess of 1 million ounces of gold including the 14.5 million ounce Sukari gold deposit in Egypt.

During the year, the Company completed the first part of a 5,000m reverse circulation ("RC") 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 VTEM anomalies that were accessible. Heavy rains associated with the wet season made movement between the sites difficult and precluded testing of some of the targets where the only access was along river beds.

<sup>1</sup> Source: <http://www.nevsun.com/projects/bisha-main/#reserves>



## REVIEW OF OPERATIONS

The best RC drill intersections are shown in Table 2.

**Table 2 Adobha project - Summary of significant drill intersections**

Locality	HOLE ID	From (m)	To (m)	Interval (m)	Cu ppm	Pb ppm	Zn ppm	Coordinate(UTM)
V11	RCAD11	40	46	6		654	2,377	1885351N/406469E
V13	RCAD03	46	62	16	720			1924918N/406363E
V14 south	RCAD-04	0	28	28	478			1918645N/410969E
	RCAD-05	40	68	28	410			1918720N/410861E
	including	42	46	4	1,435			
	including	54	58	4	1,332			
	including	78	86	8	753			
	RCAD-06	0	26	26	1,638			1918797N/410832E
	including		22	24	7,997			
	RCAD 42	4	16	14	465			1918685N/410921E
	including	48	80	32	657			
V14 North	including	61	63	2	1,390			
	RCAD 07	67	92	25	719			1920731N/411111E
	RCAD 41	4	30	26	996			1920533N/411023E
	including	16	18	2	2,207			
		32	68	36	1,147			
	including	40	42	2	7,480			
	RCAD 45	2	17	15	537			1920536N/410968E
		24	32	8	670			
	RCAD 46	8	30	22	1,057			1920527N/411078E
	including	22	24	2	1,646			
		35	88	52	841			
	including	72	74	2	1,746			
	RCAD 49	9	23	14	739			1920733N/411045E
	including	19	21	2	1,149			
		25	37	12	823			
	including	29	31	2	1,509			
		41	61	20	776			
including	49	51	2	1,149				
RCAD 51	8	24	16	731			1920362N/411072E	
including	16	18	2	1,732		611		
	24	28	4	409		410		

The drilling results indicate that the area is mineralised and that additional geological mapping and geochemical sampling will be required prior to the second phase of drilling.

Further exploration involved systematic rock-chip sampling, soil sampling and geological mapping of all of the VTEM anomaly areas, interpreted geological areas of interest and geochemical anomalies identified from the regional drainage geochemical surveys. The work identified numerous areas of artisanal workings which have been systematically sampled. Most of the artisanal workings have been located in the Gerasi South EL and the





## REVIEW OF OPERATIONS

southern part of the Adobha EL where the focus is on gold mineralisation trending north from the Zara Project (Koka deposit) located 16 km to the south of the southern boundary of the tenement.

The work has identified an area of interest to the north of Area 4 where two sub-parallel zones of quartz veins with associated artisanal workings have been located. These northeast trending vein sets have been rock-chip sampled. Of 98 samples collected, 57 contained >0.1g/t Au of which 28 samples contained >0.4g/t Au. Channel sampling along five lines returned >0.1g/t Au in 17 of the 46 samples with a maximum of 1.6g/t Au over 2m in channel No A4-04 (395354E/1856266N) and 1.60g/t Au over 2.1m in channel sample A4-03 (395353E/1856212N).

The Semait prospect contains historical copper workings which date from the 1930s when Eritrea was an Italian colony. The immediate area around the old workings was explored by Ophir Ventures Inc. during the 1990's. Geochemical sampling (soil and rock-chip) by Ophir Ventures and extended by ARE has identified a zone of copper mineralisation associated with a major shear structure over a strike length of 1,000m. Twenty seven rock chip samples collected over intervals of 3 to 5m were collected of which 19 returned significant Cu values ranging between 0.02% to 9.76% with an average of 1.27% (Table 3). Two samples showed Au anomalies 1.24g/t and 0.27g/t.

**Table 3 Semait Prospect - Results of rock-chip sampling**

Sample No.	UTME	UTMN	Au (ppb)	Cu (ppm)	Pb (ppm)	Zn (ppm)
689530	411120	1889613	10	1,267	18	24
689531	411124	1889722	3	13,859	11	3
689532	411127	1889914	13	9,472	71	22
689533	411103	1889942	16	228	0	2
689534	411116	1889981	9	10,909	7	8
689535	411211	1890210	9	9.76%	34	53
689536	411250	1889888	13	4,270	6	9
689537	411051	1890034	3	10,477	16	3
689540	411084	1889024	1	12,075	2	24
689541	411112	1889138	2	2,513	0	14
689542	411034	1889124	1	17,828	0	5
689543	411141	1889512	55	12,396	5	6
689544	411136	1889591	10	13,333	1	33
689550	411163	1890692	271	280	197	30
689551	411119	1889860	18	17,098	30	14
689553	411201	1890894	1,242	8,103	3	14
689555	411093	1890458	6	296	3	1
689558	411181	1890105	6	817	1	1
689559	411138	1890091	0	8,258	2	10

## TASMANIA

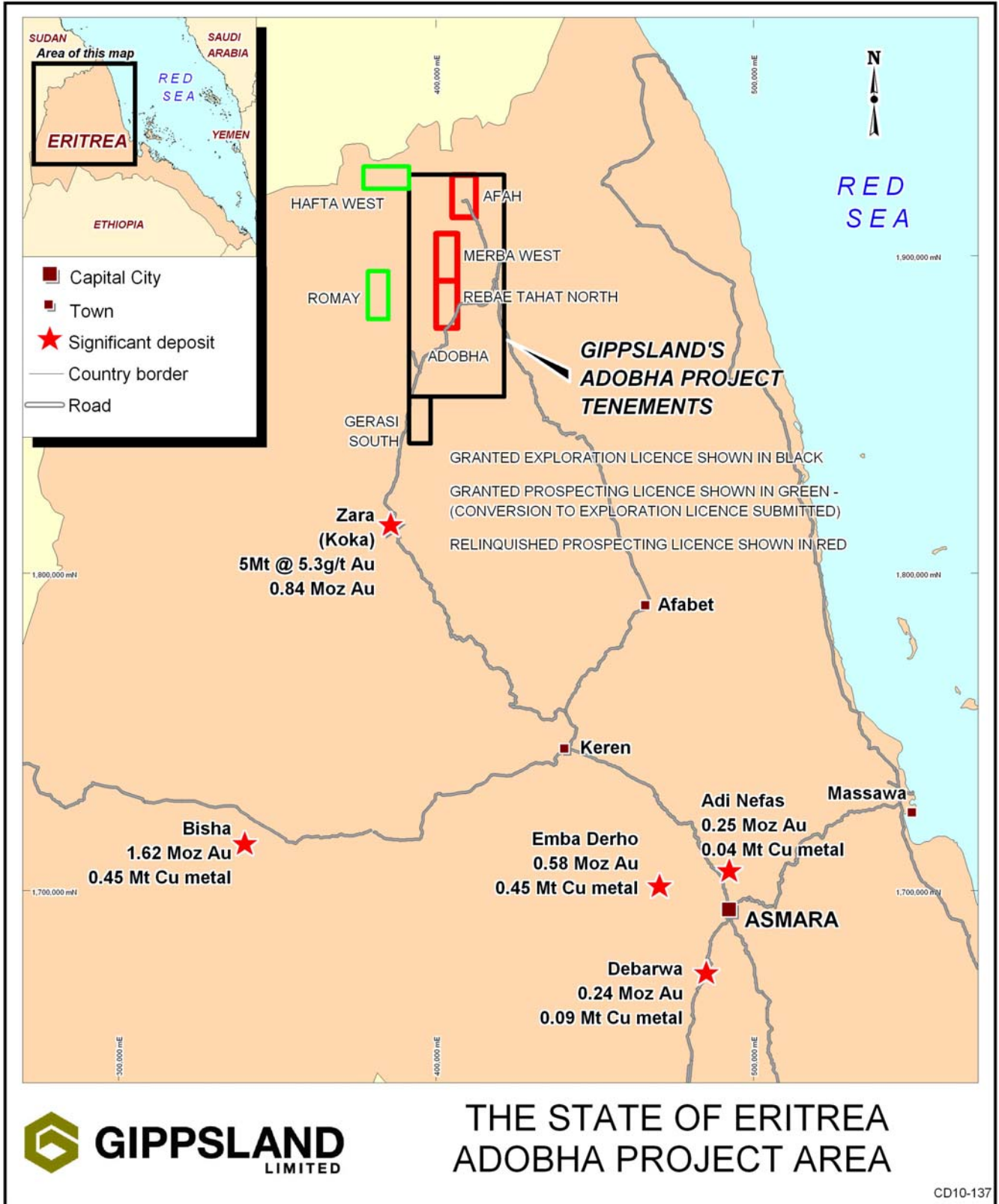
The Company sold its 43.5 million shareholding in Stellar Resources Limited (ASX: SRZ) for a total of approximately \$1.9 million. Gippsland will retain a net smelter return royalty over any future tin production from the Heemskirk Tin Project.

The Heemskirk Tin Project currently comprises the Queen Hill, Severn and Montana deposits which are located immediately northwest of Zeehan on the west coast of Tasmania. Stellar has estimated that the three deposits comprise a total inferred and indicated resource of 4.4 million tonnes grading 1.1% tin making Heemskirk the highest grade, undeveloped tin resource in Australia.

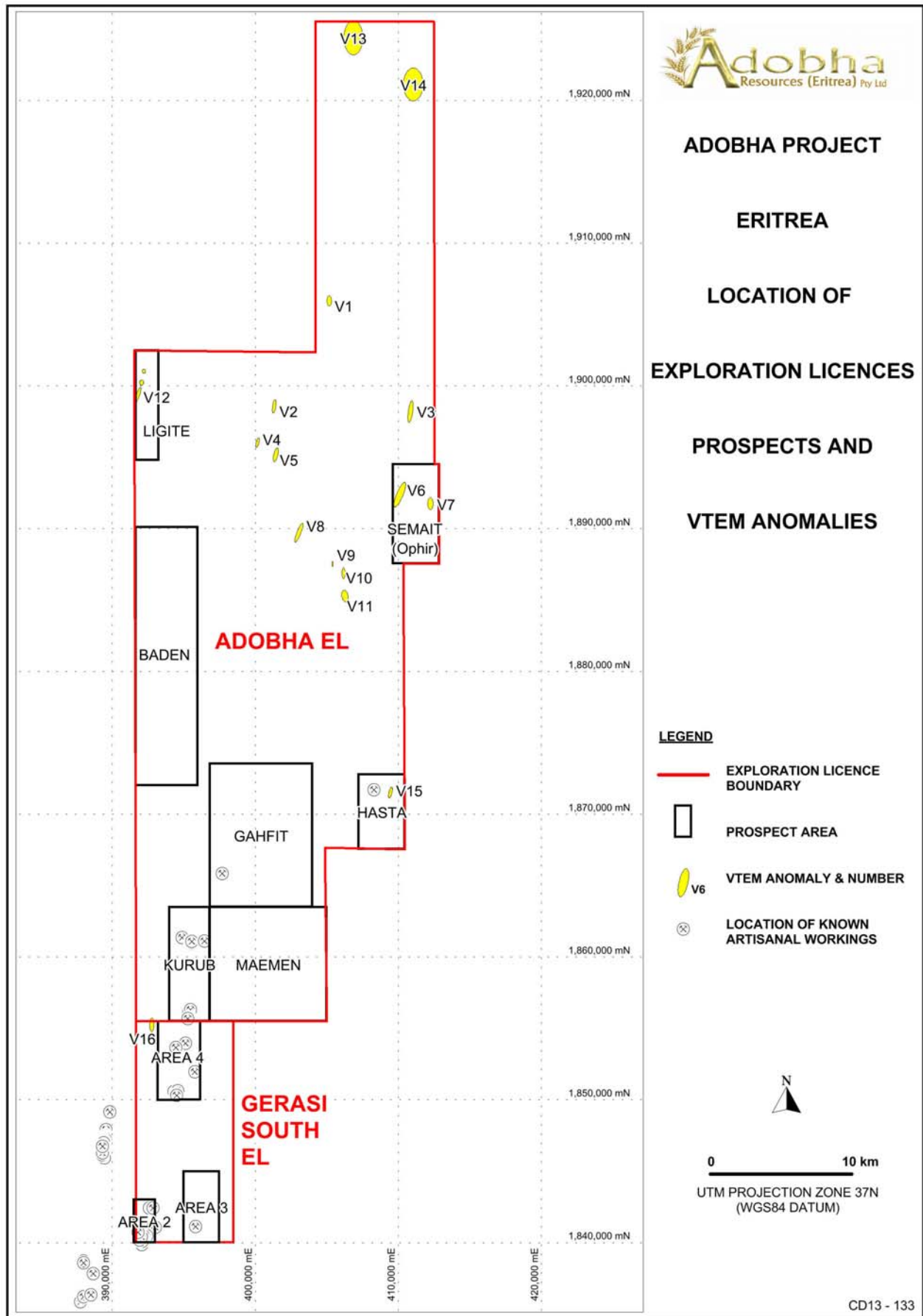
Preliminary studies have indicated that at the right tin price, an economic mining project could be developed.



# REVIEW OF OPERATIONS

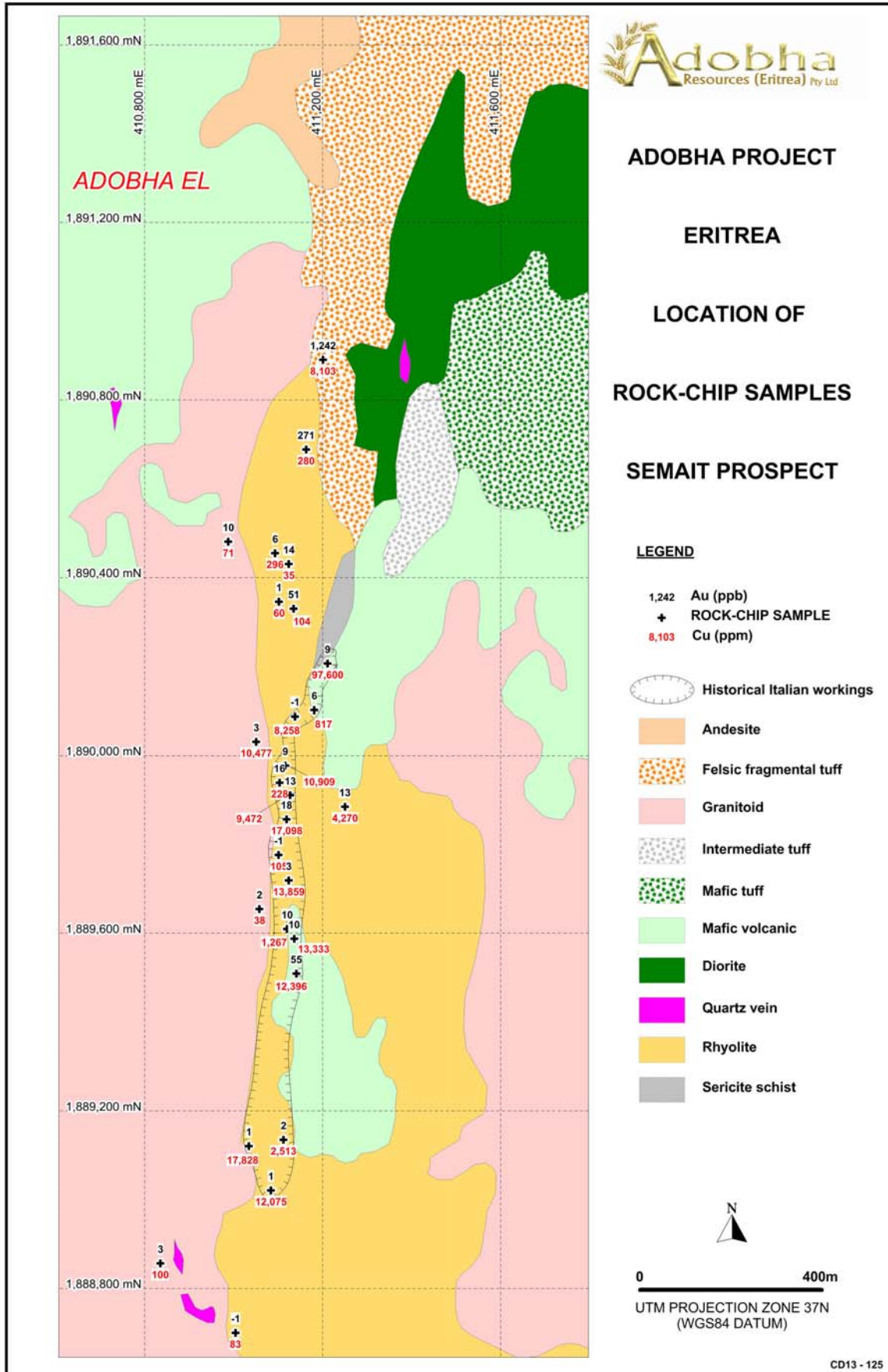


# REVIEW OF OPERATIONS

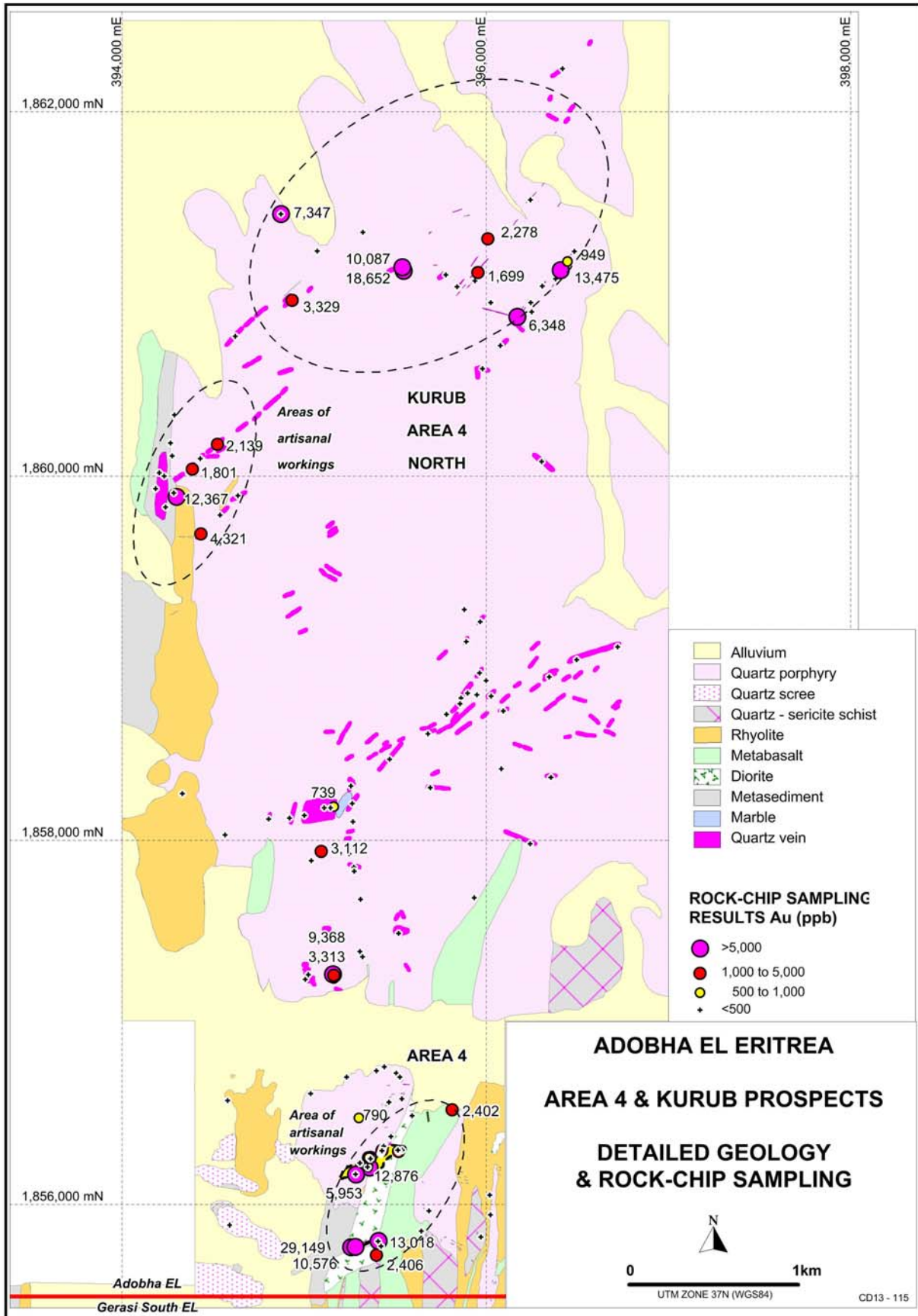




# REVIEW OF OPERATIONS



# REVIEW OF OPERATIONS



# REVIEW OF OPERATIONS

## MINERAL RESOURCE AND ORE RESERVE INVENTORY - SEPTEMBER 2013

### TOTAL MINERAL RESOURCES - EGYPT

Category	Indicated	Inferred	Total	Cut-off
<b>Abu Dabbab (Gippsland 50%)</b>				
Million tonnes		12	12	100g/t Ta <sub>2</sub> O <sub>5</sub>
Ta <sub>2</sub> O <sub>5</sub> (g/t)		200	200	
Sn (%)		0.03	0.03	
Placer tin deposit				
Volume (m <sup>3</sup> )		175,000	175,000	
Cassiterite (kg/m <sup>3</sup> )		1.8	1.8	
<b>Nuweibi (Gippsland 50%)</b>				
Million tonnes	48	50	98	100g/t Ta <sub>2</sub> O <sub>5</sub>
Ta <sub>2</sub> O <sub>5</sub> (g/t)	147	138	143	
<b>Seiga (Gippsland 50%)</b>				
Million tonnes		1.1	1.1	0.7g/t Au
Gold (g/t)		2.3	2.3	

### TOTAL ORE RESERVES - EGYPT

Category	Proved	Probable	Total
<b>Abu Dabbab (Gippsland 50%)</b>			
Million tonnes	15.20	17.98	33.18
Ta <sub>2</sub> O <sub>5</sub> (g/t)	260	245	252
SnO <sub>2</sub> (%)	0.1695	0.099	0.131

Note: Numbers in table may not add correctly due to rounding

**Note:** In accordance with Listing Rule 5.6 of the Australian Stock Exchange Limited, the geological information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on data compiled by Dr John Chisholm, a Fellow of The Australasian Institute of Mining and Metallurgy. Dr Chisholm has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Chisholm consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.





FINANCIAL STATEMENTS



ABN 31 004 766 376

FINANCIAL STATEMENTS



# DIRECTORS' REPORT

Your Directors present their report with respect to the results of Gippsland Limited ("Gippsland" or "the Company") and its controlled entities ("the Group") for the year ended 30 June 2013 ("the Balance Date") and the state of affairs of the Company and the Group at Balance Date.

## DIRECTORS

The names of the Directors in office at any time during or since the end of the year are as below. Directors were in office for this entire period unless otherwise stated.

Mr Ian Jeffrey Gandel  
Mr Jon Starink  
Mr John Damian Kenny  
Mr John Stuart Ferguson Dunlop (resigned 12 July 2012)

### *Names, qualifications, experience and special responsibilities*

#### **Ian Jeffrey Gandel - Chairman (Non-executive)** **LLB, BEc, FCPA, FAICD**

Mr Gandel was appointed Director and non-executive chairman on 24 June 2009. He is also Chairman of the Company's Remuneration Committee and a member of the Audit Committee.

Mr Gandel is a Melbourne businessman with extensive experience in retail management and retail property. He has had an involvement in the construction and leasing of Gandel shopping centres and has been a director of Gandel Retail Trust. He has previously been involved in the Priceline retail chain and the CEO chain of serviced offices.

Mr Gandel has been an investor in the mining industry since 1994, and is currently a substantial shareholder of a number of publicly listed Australian companies and is involved in exploration in his own right in Victoria, New South Wales and Western Australia.

During the past three years Mr Gandel has served as a Director of the following listed companies:

Alliance Resources Limited\* – Appointed 15 October 2003  
Alkane Resources Ltd\* – Appointed 25 July 2006  
Octagonal Resources Ltd\* - Appointed 10 November 2010

#### **Jon Starink – Director (Executive)** **BSC (Hons), BChemE(Hons), MAppIsc, FAusIMM, FIEAust, FIChemE, MRACI, MTMS, CPEng, CChem, CSci**

Mr Starink was appointed Director on 8 May 2007. He is also a member of the Audit Committee and Remuneration Committee (appointed 9 August 2012).

Based in London, Mr Starink is a Chartered Professional Engineer, a Chartered Scientist and a Chartered Industrial Chemist, a Fellow of the Institution of Engineers Australia, a Fellow of the Australasian Institute of Mining and Metallurgy, a Fellow of the Institution of Chemical Engineers, a Member of The Metallurgical Society and a Member of the Royal Australian Chemical Institute.

Mr Starink has over 30 years experience in the mining industry in the role of both Executive and Non-Executive Director. His extensive practical and operational experience includes engineering design and project management; mining exploration management; science and engineering research & development and process innovation & development.

Mr Starink served in senior technical and engineering roles with the Sons of Gwalia Ltd Greenbushes tantalum-tin project for 10 years where he was directly responsible for process development, project design and construction management for the tin smelter and tantalum extraction projects.



# DIRECTORS' REPORT

During the past three years Mr Starink has served as a Director of the following listed company:  
Macarthur Minerals Limited\* – Appointed 28 June 2011

**John Damian Kenny – Director (Non-executive)**  
**B Com (Hons), LLB**

Mr Kenny was appointed Director on 2 September 1999. He is also a member of the Company's Remuneration Committee and is Chairman of the Company's Audit Committee.

Mr Kenny is a corporate and resources lawyer with a specialised interest in venture capital, initial public offerings and mergers and acquisitions. He has extensive experience in public equity fundraisings and the pricing of equity, debt and derivative securities.

During the past three years Mr Kenny has served as a Director of the following listed companies:

The ARK Fund Limited\* - Appointed 18 June 2003

Indus Coal Limited\* - Appointed 13 September 2011

Sun Resources Limited\* - Appointed 1 March 2012

**John Stuart Ferguson Dunlop – Director (Executive) (resigned 12 July 2012)**  
**BE, M Eng Sc, P Cert Arb, CP, FAusIMM, FIMMM, MSME, MCIMM, MMICA**

Mr Dunlop was appointed Director on 1 July 2005 and resigned on 12 July 2012.

During the past three years Mr Dunlop has served as a Director of the following listed companies:

Alliance Resources Limited\* – Appointed 30 November 1994

Alkane Resources Ltd\* – Appointed 4 July 2006

Copper Strike Ltd\* – Appointed 9 November 2009

Drummond Gold Ltd – Appointed 1 August 2007; Resigned 15 July 2010

\* denotes current directorship

## ***Interest in Shares and Options of the Company and related bodies corporate***

As at the date of this report, the interest of the directors in the shares and options of Gippsland Limited were:

	<b>Number of Ordinary Shares</b>	<b>Number of Options over Ordinary Shares</b>
IJ Gandel	586,788,200	-
JD Kenny	5,165,819	-
J Starink	3,085,715	-

## **OPTIONS**

At the date of this report, the unissued ordinary shares of Gippsland Limited under option are as follows:

<b>Grant Date</b>	<b>Date of Expiry</b>	<b>Exercise Price</b>	<b>Number under Option</b>
25 November 2011	31 December 2013	\$0.06	600,000





# DIRECTORS' REPORT

## COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

**Rowan St John Caren**  
**BCom, CA**

Mr Caren was appointed Company Secretary on 15 August 2006.

Mr Caren was employed by the chartered accountancy firm PricewaterhouseCoopers in Australia and overseas for six years and has been directly involved in the minerals exploration industry for a further 15 years. He also provides company secretarial and corporate advisory services to several exploration companies and is a member of the Institute of Chartered Accountants in Australia.

## MEETINGS OF DIRECTORS

During the financial year, 11 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
IJ Gandel	11	11	2	2	1	1
JD Kenny	11	9	2	2	1	1
J Starink	11	11	2	2	1	1
JSF Dunlop	1	-	-	-	-	-

## PRINCIPAL ACTIVITIES

The principal activities of the entities within the Group during the year were exploration and development of commercially and economically viable mineral resources. There were no significant changes in the nature of the Group's principal activity during the year.

## CONSOLIDATED RESULTS

The consolidated operating loss of the Group after providing for income tax amounted to \$7,999,617 (2012: profit of \$799,359).

### *Review of Operations*

During the year the Company continued to focus on the development of the Abu Dabbab tantalum/tin/feldspar project and production at the Alluvial Tin Project in Egypt. The following activities were undertaken in relation to the Abu Dabbab tantalum/tin/feldspar project and the Abu Dabbab Alluvial Tin Project:

- Consortium of Egyptian banks formed to support Tantalum Egypt JSC in raising senior debt and appointment of Independent Technical Advisor.
- Purchase and commissioning of a demountable modular gravity separation plant for the Alluvial Mining Project at Abu Dabbab.
- Commencement of mining activities at Wadi Mubarak placer deposit at the Abu Dabbab Alluvial Tin Project.
- 12 shipments of cassiterite were made during the year from the Abu Dabbab Alluvial Tin Project.

In addition, the Company's operations included:

- exploration activities in Eritrea in relation to two Exploration Licences granted to a 100% owned subsidiary of the Company. Exploration activities included completion of a drilling programme consisting of 53 holes totalling 2,845m to test six of the high to medium ranked VTEM anomalies, drainage geochemical sampling, rock-chip and soil sampling, and geological mapping.
- successful placements of shares during the year to raise a total of \$3,032,162 before costs.



# DIRECTORS' REPORT

- sale of the Company's shareholding in Stellar Resources Ltd of 43,528,743 shares for approximately \$1.9 million, after deducting the costs of brokerage.

## **Financial Position**

The net assets of the Group have decreased by \$5,069,558 to \$7,141,385 at 30 June 2013. The decrease has largely resulted from the following factors:

- full impairment of the capitalised exploration expenditure in relation to the Group's exploration licences in Eritrea totalling \$3,645,635;
- proceeds from the issue of shares raising a total during the year of \$3,032,162 before costs;
- a reduction in the market value of the Company's shareholding in Stellar Resources Ltd which was sold around May 2013 for approximately \$1.9 million; and
- capital and development expenditure and inventories in relation to the Abu Dabbab Alluvial Tin Project.

As at Reporting Date the group had a working capital deficit of \$411,843 (2012: surplus of \$385,708).

## **DIVIDENDS**

No dividends were declared or paid during the financial year.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

The following significant changes in the state of affairs of the Company occurred during the financial year:

- Completed the issue and allotment of 230,684,158 shares at a placement price of \$0.006 to raise \$1,384,105 (before costs) on 10 September 2012;
- Completed the issue and allotment of 164,805,766 shares at a placement price of \$0.01 to raise \$1,648,057 (before costs) on 15 April 2013;
- Mr JSF Dunlop resigned as a Director of the company on 12 July 2012; and
- The Company sold its shareholding in Stellar Resources Ltd of 43,528,743 shares for approximately \$1.9 million, after deducting the costs of brokerage.

## **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

Gandel Metals Pty Ltd, a company associated with Mr Ian Gandel, has entered into an agreement to provide a loan facility to Gippsland for up to \$1,000,000 for working capital.

The terms of the agreement are as follows:

- the interest rate for the loan is equal to the ANZ facility interest rate, as varied (currently 5.33%);
- the loan is unsecured; and
- the loan is repayable the earlier of:
  - 1 July 2014;
  - 5 business days after completion of a capital raising by Gippsland for an amount equal to or greater than \$1,500,000; 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.

No other matters or circumstances have arisen since the end of the financial year which significantly affected 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.



# DIRECTORS' REPORT

## FUTURE DEVELOPMENTS

The consolidated entity's activities will continue to focus on the Abu Dabbab Alluvial Tin Project and progressing financing of the Abu Dabbab tantalum/tin/feldspar project.

Information as to other likely developments in the operations of the Company and the Group and the expected results of those operations in future financial years has not been included in this report because, in the opinion of the Directors, it would prejudice the interests of the Company and the Group.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are not currently subject to any significant environmental regulations under either Australian, Eritrean or Egyptian legislation. However, the board is committed to achieving a high standard of environmental performance, and regular monitoring of potential environmental exposures is undertaken by management. The board considers that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

An environmental and social impact assessment was updated during the previous financial year for the Abu Dabbab project in Egypt.

The Group is required to carry out its activities in accordance with the Mining Laws and regulations in the areas in which it undertakes its exploration activities.

## INDEMNITY AND INSURANCE OF OFFICERS

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay an insurance premium as follows:

The Company has paid premiums to insure any director or officer of Gippsland Limited against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium is \$13,051 (2012: \$14,103). The Company has entered into "Deeds of Indemnity, Access and Insurance" with directors and officers in which the Company agrees to indemnify the directors and officers in respect of certain liabilities incurred by the director or officer while acting in their capacity for the Company and to insure the director or officer against certain risks they are exposed to as a director or officer of the Company.

## PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. No proceedings have been brought or intervened in or on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

## NON-AUDIT SERVICES

No non-audit services were provided by the Company's current auditor, Deloitte Touche Tomatsu ("Deloitte").

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2013 has been received and can be found on page 30 of the directors' report.



# DIRECTORS' REPORT

## REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each director of Gippsland Limited.

### Remuneration Policy

The remuneration policy of Gippsland Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The board of Gippsland Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, is developed and approved by the board after seeking professional advice from independent external consultants as required. In the years presented, no external consultants have been used.
- All executives receive a base salary (which is based on factors such as length of service and experience).
- The board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is currently fixed at \$250,000 with any change in this amount subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the option plan.

No relationship exists between the remuneration policy and the Company's performance.

At the Company's most recent Annual General Meeting, the remuneration report for the year ended 30 June 2012 was passed with a greater than 75% vote in favour.

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2013:

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
	\$	\$	\$	\$	\$
Revenue	8,228	90,820	82,938	64,440	17,303
Net profit/(loss) before tax	(7,999,617)	799,359	(2,630,645)	(2,894,769)	(2,751,352)
Net profit/(loss) after tax	(7,999,617)	799,359	(2,630,645)	(2,894,769)	(2,751,352)

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Share price at start of year	\$0.009	\$0.032	\$0.030	\$0.044	\$0.099
Share price at end of year	\$0.007	\$0.009	\$0.032	\$0.030	\$0.044
Basic/diluted earnings/(loss) per share	(0.67) cps	0.10 cps	(0.43) cps	(0.58) cps	(0.86) cps





# DIRECTORS' REPORT

## Details of key management personnel

### (i) Directors

IJ Gandel	- Chairman (Non-Executive)
J Starink	- Executive Director
J Kenny	- Non-Executive Director
JSF Dunlop	- Executive Director (resigned 12 July 2012)

### (ii) Executives

JM Chisholm	- Chief Geologist
A Ayyash	- Regional Manager - Middle East and North Africa

## Non-Executive Director Remuneration

### IJ Gandel - Chairman (Non-Executive)

- Remuneration: \$80,000 per annum.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination.

### J Kenny - Non-Executive Director

- Remuneration: \$40,000 per annum.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination.

## Employment Contracts

### J Starink - Executive Director

- Term of agreement: 8 May 2007 until terminated in accordance with the agreement.
- Remuneration: \$150,000 per annum for 2.5 days work per week plus additional fees based on hours worked above the base hours as determined by the Remuneration Committee.
- Period of notice for termination/resignation: Three months written notice by either party.
- Details of remuneration entitlement on termination: Payment of consulting fees up to the date of termination or payment of three months salary in lieu of notice.

### JM Chisholm - Chief Geologist

- Remuneration: \$175 per hour.
- Period of notice for termination/resignation: Three months written notice by either party.
- Details of remuneration entitlement on termination: Payment of consulting fees up to the date of termination or payment of three months salary in lieu of notice.

### A Ayyash - Regional Manager - Middle East and North Africa

- Term of agreement: 1 October 2010 until terminated in accordance with the agreement.
- Remuneration: \$188,600 salary and allowances per annum.
- Period of notice for termination/resignation: Two months written notice by the Company or three months written notice by the Executive.
- Details of remuneration entitlement on termination: Payment of salary and employee entitlements up to the date of termination and one month's salary for each year worked by the Executive.



# DIRECTORS' REPORT

## Remuneration of key management personnel

**Table 1: Remuneration for the year ended 30 June 2013**

Key Management Personnel	Short-term Benefits Cash, salary and commissions \$	Share-based Payment Shares \$	Post-employment Benefits Superannuation \$	Total \$	Remuneration consisting of options for the year %
<b>Non-Executive Directors</b>					
Mr IJ Gandel	80,000	-	-	80,000	0.00%
Mr JD Kenny	40,000	-	-	40,000	0.00%
<b>Sub-total</b>	<b>120,000</b>	<b>-</b>	<b>-</b>	<b>120,000</b>	
<b>Executive Directors</b>					
Mr J Starink	300,000	-	-	300,000	0.00%
Mr JSF Dunlop (resigned 12 July 2012)	-	50,000	-	50,000	0.00%
<b>Sub-total</b>	<b>300,000</b>	<b>50,000</b>	<b>-</b>	<b>350,000</b>	
<b>Other key management personnel</b>					
Mr A Ayyash	188,600	-	-	188,600	0.00%
Dr JM Chisholm	197,400	-	-	197,400	0.00%
<b>Sub-total</b>	<b>386,000</b>	<b>-</b>	<b>-</b>	<b>386,000</b>	
<b>Total</b>	<b>806,000</b>	<b>50,000</b>	<b>-</b>	<b>856,000</b>	

**Table 2: Remuneration for the year ended 30 June 2012**

Key Management Personnel	Short-term Benefits Cash, salary and commissions \$	Share-based Payment Shares \$	Post-employment Benefits Superannuation \$	Total \$	Remuneration consisting of options for the year %
<b>Non-Executive Directors</b>					
Mr IJ Gandel	80,000	-	-	80,000	0.00%
Mr JD Kenny	40,000	-	-	40,000	0.00%
<b>Sub-total</b>	<b>120,000</b>	<b>-</b>	<b>-</b>	<b>120,000</b>	
<b>Executive Directors</b>					
Mr J Starink	200,000	-	-	200,000	0.00%
Mr JSF Dunlop (resigned 12 July 2012)	113,417	-	1,583	115,000	0.00%
<b>Sub-total</b>	<b>313,417</b>	<b>-</b>	<b>1,583</b>	<b>315,000</b>	
<b>Other key management personnel</b>					
Mr A Ayyash	198,508	-	-	198,508	0.00%
Dr JM Chisholm	244,693	-	-	244,693	0.00%
<b>Sub-total</b>	<b>443,201</b>	<b>-</b>	<b>-</b>	<b>443,201</b>	
<b>Total</b>	<b>876,618</b>	<b>-</b>	<b>1,583</b>	<b>878,201</b>	

### Compensation Options: Granted and vested during the year (consolidated)

There were no options granted to Directors or other Key Management Personnel during 2012 or 2013.



# DIRECTORS' REPORT

**Table 3: Shares issued on exercise of compensation options (consolidated)**

**30 June 2013**

	Shares issued No.	Paid per share \$	Unpaid per share \$
<b>Directors</b>			
Nil	-	-	-

**30 June 2012**

	Shares issued No.	Paid per share \$	Unpaid per share \$
<b>Directors</b>			
Nil	-	-	-

**Table 4: Share-based payment arrangements in existence**

During the financial year, the following share-based payment arrangements were in existence in relation to directors and senior management.

Options series	Grant date	Expiry date	Number of options	Grant date fair value	Vesting date
(1) Issued 25 November 2011	25 Nov 2011	31 Dec 2012	500,000	\$0.0032	25 Nov 2011
(2) Issued 25 November 2011	25 Nov 2011	31 Dec 2013	500,000	\$0.0039	25 Nov 2011

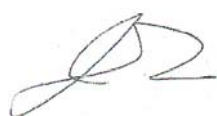
There are no further service or performance criteria that need to be met in relation to options granted under series (1) or (2) before the beneficial interest vests in the recipient.

During the financial year:

- 5,000,000 shares with a value of 1 cent per share were issued to John Dunlop in relation to director fees payable.
- There were no other grants of share-based payment compensation to directors or senior management.
- No directors or senior management exercised options that were granted to them as part of their compensation.

[END OF REMUNERATION REPORT]

Signed in accordance with a resolution of the Board of Directors.



**J STARINK**  
Director

Dated this 27<sup>th</sup> day of September 2013.



# AUDITOR'S INDEPENDENCE DECLARATION

**Deloitte.**

Deloitte Touche Tohmatsu  
ABN 74 490 121 060

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240 St Georges Terrace  
Perth WA 6000  
GPO Box A46  
Perth WA 6837 Australia

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Fax: +61 8 9365 7001  
www.deloitte.com.au

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

27 September 2013

Dear Board Members

## **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 audit of the financial statements of Gippsland Limited for the financial year ended 30 June 2013, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

  
DELOITTE TOUCHE TOHMATSU



**Chris Nicoloff**  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu Limited

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# CORPORATE GOVERNANCE STATEMENT

## ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve, the Company has turned to the ASX Corporate Governance Principles and Recommendations issued in August 2007 (and amended in 2010). As consistency with the ASX guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the Council in place for the entire reporting period, the Company has identified when such policies or committees were introduced. The Company has endeavoured to early adoption of the revised principles and recommendations.

To illustrate where the Company has addressed each of the Council's revised recommendations, the following summary cross-references each revised recommendation with sections of the Corporate Governance Statement.

### **Introduction**

Gippsland Limited has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's corporate governance practices is set out on the Company's website at [www.gippslandltd.com](http://www.gippslandltd.com):

- Corporate Governance Statement including disclosures and explanations;
- Summary of Code of Ethics and Conduct for Directors and Key Executives;
- Summary of Securities Trading Policy;
- Audit Committee Charter;
- Remuneration Committee Charter;
- Summary of Continuous Disclosure Policy;
- Summary of Shareholder Communications Strategy;
- Policy on Risk Oversight and Management of Material Business Risks; and
- Summary of Company Code of Ethics and Conduct.

### **Explanations for Departures from Best Practice Recommendations**

During the financial year the Company has complied with the majority of the Eight Essential Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the Council and as detailed below:

#### **1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

**Council Principle 1: Companies should establish and disclose the respective roles and responsibilities of board and management.**

*Council Recommendation 1.1:*

*Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.*

The Company complies with this recommendation.

The board has set out the responsibilities of the Board in Section 1.1 of its Corporate Governance Statement which can be accessed on the Company website. Any functions not reserved for the Board and not expressly reserved for members by the *Corporations Act 2001* and ASX Listing Rules are reserved for senior executives.

*Council Recommendation 1.2:*

*Disclose the process for evaluating the performance of senior executives.*

The Company complies with this recommendation.

Arrangements put in place by the Board to monitor the performance of the Group's executives include:



# CORPORATE GOVERNANCE STATEMENT

- a review by the Board of the Group's financial and operating performance;
- comparison of executive remuneration levels to industry benchmarks; and
- annual performance appraisal meetings between the executive and the Chairman incorporating analysis of performance with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.

*Council Recommendation 1.3:*

*Companies should provide the information indicated in the Guide to reporting on Principle 1*

The Company complies with this recommendation.

A review of senior executive performance in accordance with the above policy was completed in October 2013.

## 2. STRUCTURE THE BOARD TO ADD VALUE

***Council Principle 2: Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.***

*Council Recommendation 2.1:*

*A majority of the Board should be independent directors.*

The Company does not comply with this Recommendation.

Currently the Board of Gippsland Limited has one independent director, Mr J Kenny, and two non-independent directors, Mr I Gandel and Mr J Starink. The former director, Mr J Dunlop was not considered to be an independent director as he was performing an executive role prior to his resignation from the Board in July 2012. Mr Starink is not independent by virtue of the fact that he is an executive. Mr Gandel is not independent as he holds a substantial interest in the Company's securities.

While the Board strongly endorses the position that boards need to exercise independence of judgment, it also recognises (as does ASX Corporate Governance Council Principle 2) that the need for independence is to be balanced with the need for skills, commitment and a workable board size. The Board believes it has recruited members with the skills, experience and character to discharge its duties and that any greater emphasis on independence would be at the expense of the Board's effectiveness.

Mr Kenny is a Non-Executive Director of the Company. He is considered independent within the ASX Corporate Governance Council's guidelines.

At present the Company believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board Meeting before commencement of discussion on the topic.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of appointing additional independent Non-Executive Directors.

*Council Recommendation 2.2:*

*The chair should be an independent director.*

The Company does not comply with this Recommendation.

The Company's Chairman, Mr I Gandel, is not considered by the Board to be independent as he holds a substantial interest in the Company's securities.

However the Board believes that the Chairman is able and does bring quality judgment to all relevant issues falling within the scope of the role of a Chairman.



# CORPORATE GOVERNANCE STATEMENT

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to necessitate the appointment of an independent Chairman.

*Council Recommendation 2.3:*

*The roles of chair and chief executive officer should not be exercised by the same individual.*

The Company does comply with this Recommendation.

Mr IJ Gandel is the Non-Executive Chairman and the role of Chief Executive Officer is undertaken by Mr Starink. The roles of chairman and chief executive officer are not exercised by the same individual.

*Council Recommendation 2.4:*

*The Board should establish a nomination committee.*

The Company does not comply with this Recommendation.

The board does not have a nomination committee. The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board's duties and physical ability to undertake Board's duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next Annual General Meeting. Under the Company's Constitution the tenure of Directors is subject to reappointment by shareholders not later than the third anniversary following his last appointment. A Managing Director may be appointed for any period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

The Board acknowledges this does not comply with Recommendation 2.4 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of a nomination committee will be reviewed by the Board and implemented if appropriate.

*Council Recommendation 2.5:*

*Disclose the process for evaluating the performance of the board, its committees and individual directors.*

The Company complies with this recommendation.

The Board has adopted an annual evaluation process to measure its own performance. Also, the Board undertakes an annual review in relation to the composition and skills mix of the Directors of the Company.

*Council Recommendation 2.6:*

*Companies should provide the information indicated in the Guide to reporting on Principle 2.*

The Company complies with this recommendation and provides the following disclosures.

The skills, experience and expertise relevant to the position held by each director are disclosed in the Directors Report.

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

Period of Office Held by each director in office at the date of the Directors Report

John Kenny – appointed 2 September 1999, date of last re-election 26 November 2009, tenure 14 years



# CORPORATE GOVERNANCE STATEMENT

Jon Starink – appointed 8 May 2007, date of last re-election 26 November 2010, tenure 6 years  
Ian Gandel – appointed 24 June 2009, date of last re-election 16 November 2012, tenure 4 years

A performance evaluation of board members was completed in October 2013.

## 3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

**Council Principle 3: Companies should actively promote ethical and responsible decision-making.**

*Council Recommendation 3.1:*

*Establish a code of conduct and disclose the code or a summary of the code as to:*

- *the practices necessary to maintain confidence in the Company's integrity;*
- *the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;*
- *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Company complies with this recommendation.

The Company has adopted a Code of Ethics and Conduct for Directors and Key Executives and a Company Code of Ethics and Conduct, both of which can be accessed on the website.

*Council Recommendation 3.2:*

*Companies should establish a policy concerning diversity, and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them*

A diversity policy was adopted on 27 September 2012. A copy of the Company's Diversity policy is available on the website. The policy does not contain measurable objectives because the Company is not of a sufficient size to justify these objectives.

*Council Recommendation 3.3:*

*Companies should disclose in each annual report the measurable objectives for achieving gender diversity.*

The Company does not comply with this recommendation as it has not implemented a policy containing measurable objectives because the Company is not of a sufficient size to justify these objectives.

*Council Recommendation 3.4:*

*Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.*

The Company complies with this recommendation. The Group currently employs five women across its offices in Perth, Cairo and Asmara. None of the female employees is a senior executive or a Director.

*Council Recommendation 3.5:*

*Provide the information indicated in the Guide to reporting on Principle 3.*

The Company complies with this recommendation.

## 4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

**Council Principle 4: Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.**

*Council Recommendation 4.1:*

*The Board should establish an audit committee.*





# CORPORATE GOVERNANCE STATEMENT

The Company complies with this recommendation.

In August 2009 an audit committee was formed and an audit committee charter was adopted.

## *Council Recommendation 4.2:*

*The audit committee should be structured so that it:*

- *consists only of non-executive directors;*
- *consists of a majority of independent directors;*
- *is chaired by an independent chair, who is not chair of the board;*
- *has at least three members.*

The members of the audit committee are Mr Gandel, Mr Starink and Mr Kenny. The Chairman of the audit committee is Mr Kenny, who is not the Chairman of the Board. Mr Starink joined the audit committee upon the resignation from the Board of Mr Dunlop in July 2012.

Currently the audit committee has one independent director, Mr Kenny, and two non-independent directors, Mr Starink and Mr Gandel. The Company does not comply with Recommendation 4.2.

While the Board strongly endorses the position that the audit committee should exercise independence of judgment, it also recognises that there are only three directors on the Board and it was decided that audit committee members should be those most familiar with statutory financials. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of appointing additional independent Non-Executive Directors simply to fill the audit committee.

## *Council Recommendation 4.3*

*The audit committee should have a formal charter.*

The Company complies with this recommendation.

## *Council Recommendation 4.4:*

*Provide the information indicated in the Guide to reporting on Principle 4.*

The Company complies with this recommendation and provides the following disclosure.

- Two meetings of the audit committee were held during the year. Mr Starink and Mr Gandel attended both meetings. Mr Kenny attended one meeting. The meeting which Mr Kenny did not attend was chaired by the Secretary, Mr Caren, in his absence.
- Deloitte Touche Tohmatsu is the incumbent auditor. External auditors are selected on the basis of professional skills, reputation, service levels and fees.
- The current policy of the external auditor is to rotate the audit engagement partner every 5 years. This is disclosed on the Company website. The audit partner was rotated after the 2012 audit.

## **5. MAKE TIMELY AND BALANCED DISCLOSURE**

***Council Principle 5: Companies should promote timely and balanced disclosure of all material matters concerning the Company.***

### *Council Recommendation 5.1:*

*Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

The Company complies with this recommendation.



# CORPORATE GOVERNANCE STATEMENT

The Company has adopted a Continuous Disclosure Policy which is available on its website.

*Council Recommendation 5.2:*

*Provide the information indicated in the Guide to reporting on Principle 5.*

The Company complies with this recommendation.

## 6. RESPECT THE RIGHTS OF SHAREHOLDERS

***Council Principle 6: Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.***

*Council Recommendation 6.1:*

*Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.*

The Company complies with this recommendation.

The Company has adopted a Shareholder Communication Strategy which is available on its website.

*Council Recommendation 6.2:*

*Provide the information indicated in the Guide to reporting on Principle 6.*

The Company complies with this recommendation.

## 7. RECOGNISE AND MANAGE RISK

***Council Principle 7: Companies should establish a sound system of risk oversight and management and internal control.***

*Council Recommendation 7.1:*

*Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*

The Company complies with this recommendation.

The Company has a Policy on Risk Oversight and Management of Material Business Risks which is available on the website.

*Council Recommendation 7.2*

*The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.*

The Chief Executive Officer (currently the Executive Director, Mr Starink) and the Chief Financial Officer review the risk management and internal control systems and report annually to the Board in respect of the company's key business risks and how they are being managed. The last report was completed in September 2013.

*Council Recommendation 7.3*

*The board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.*



# CORPORATE GOVERNANCE STATEMENT

The Company complies with this recommendation.

The Board receives assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer in the form of a declaration, prior to approving the financial statements.

*Council Recommendation 7.4:*

*Provide the information indicated in the Guide to reporting on Principle 7.*

The Company complies with this recommendation and provides the following disclosure;

The board has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

## 8. REMUNERATE FAIRLY AND RESPONSIBLY

***Council Principle 8: Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.***

*Council Recommendation 8.1*

*The Board should establish a remuneration committee.*

The Company complies with this recommendation.

The Board established a remuneration committee which is governed by a formal charter. The Remuneration committee charter is available on the website.

*Council Recommendation 8.2*

*The remuneration committee should be structured so that it;*

- *Consists of a majority of independent directors;*
- *Is chaired by an independent chair*
- *Has at least three members*

The members of the remuneration committee are Mr Gandel, Mr Starink and Mr Kenny. The Chairman of the remuneration committee is Mr Gandel who is not independent. Mr Starink joined the remuneration committee upon the resignation from the Board of Mr Dunlop in July 2012.

Currently the remuneration committee has one independent director, Mr Kenny, and two non-independent directors, Mr Starink and Mr Gandel. The Company does not comply with Recommendation 8.2.

While the Board strongly endorses the position that the remuneration committee should exercise independence of judgment, it also recognises that there are only three directors on the Board. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of appointing additional independent Non-Executive Directors simply to fill the remuneration committee.

*Council Recommendation 8.3*

*Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

The Company complies with this recommendation.

Information on director and executive remuneration is contained within the Directors' Report.



# CORPORATE GOVERNANCE STATEMENT

*Council Recommendation 8.4:*

*Provide the information indicated in the Guide to reporting on Principle 8.*

The Company complies with this recommendation and provides the following disclosures;

- A single meeting of the remuneration committee was held during the year which was attended by Mr Gandel, Mr Kenny and Mr Starink.
- The Company currently has no schemes for retirement benefits, other than superannuation for directors.
- The Company does not have any unvested entitlements under any equity-based remuneration schemes.





**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2013**

	<i>Note</i>	<b>2013</b> \$	<b>2012</b> \$
Finance revenue	3(a)	<b>8,228</b>	81,037
Other Income	3(b)	-	9,783
<b>Total Income</b>		<b>8,228</b>	<b>90,820</b>
Other gains and losses	3(c)	<b>(1,348,318)</b>	3,264,656
Administration expense	3(d)	<b>(1,454,254)</b>	(1,013,251)
Employee benefits expense	3(e)	<b>(1,041,773)</b>	(1,407,394)
Foreign exchange gain/(losses)		<b>(7,136)</b>	(21,610)
Share based payment expense	3(e)	<b>(50,000)</b>	(4,260)
Project evaluation expense		<b>(364,283)</b>	-
Depreciation and amortisation expense		<b>(86,836)</b>	(65,505)
Impairment of exploration and evaluation expenditure	12	<b>(3,645,635)</b>	(44,097)
Finance costs		<b>(9,610)</b>	-
<b>Total expenses</b>		<b>(8,007,845)</b>	<b>708,539</b>
<b>(Loss)/profit before income tax</b>		<b>(7,999,617)</b>	<b>799,359</b>
Income tax expense	4	-	-
<b>(Loss)/profit after income tax</b>		<b>(7,999,617)</b>	<b>799,359</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange rate differences on translating foreign operations		<b>(69,416)</b>	87,665
<b>Total other comprehensive income</b>		<b>(69,416)</b>	<b>87,665</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(8,069,033)</b>	<b>887,024</b>
<b>(Loss)/profit is attributable to:</b>			
Members of the parent		<b>(7,818,715)</b>	976,628
Non-controlling interest		<b>(180,902)</b>	(177,269)
		<b>(7,999,617)</b>	<b>799,359</b>
<b>Total comprehensive (loss)/income is attributable to:</b>			
Members of the parent		<b>(7,959,875)</b>	1,117,100
Non-controlling interest		<b>(109,158)</b>	(230,076)
		<b>(8,069,033)</b>	<b>887,024</b>
Basic earnings/(loss) per share (cents per share)	5	<b>(0.67)</b>	0.10
Diluted earnings/(loss) per share (cents per share)	5	<b>(0.67)</b>	0.10

The accompanying notes form an integral part of this Consolidated Statement of Profit or Loss and Other Comprehensive Income.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2013

	<i>Note</i>	<b>2013</b>	<b>2012</b>
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	<b>586,883</b>	1,169,582
Trade and other receivables	7	<b>313,424</b>	25,902
Inventories	8	<b>94,976</b>	53,851
Other assets	9	<b>55,990</b>	203,374
<b>Total Current Assets</b>		<b>1,051,273</b>	1,452,709
<b>Non-Current Assets</b>			
Other financial assets	10	-	3,264,656
Property, plant and equipment	11	<b>1,938,858</b>	1,192,111
Exploration and evaluation	12	<b>4,040,894</b>	6,458,211
Mine properties	13	<b>1,573,476</b>	910,257
<b>Total Non-Current assets</b>		<b>7,553,228</b>	11,825,235
<b>TOTAL ASSETS</b>		<b>8,604,501</b>	13,277,944
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	14	<b>1,355,268</b>	993,262
Provisions	15	<b>107,848</b>	73,739
<b>Total Current Liabilities</b>		<b>1,463,116</b>	1,067,001
<b>TOTAL LIABILITIES</b>		<b>1,463,116</b>	1,067,001
<b>NET ASSETS</b>		<b>7,141,385</b>	12,210,943
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Contributed equity	17(a)	<b>48,530,322</b>	45,530,847
Reserves	18(a)	<b>(1,257,921)</b>	(1,116,761)
Accumulated losses	18(b)	<b>(37,964,388)</b>	(30,145,673)
Non-controlling interest	16	<b>(2,166,628)</b>	(2,057,470)
<b>TOTAL EQUITY</b>		<b>7,141,385</b>	12,210,943

The accompanying notes form an integral part of this Consolidated Statement of Financial Position.



# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2013

	<i>Note</i>	<i>2013</i>	<i>2012</i>
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(2,062,546)	(2,908,766)
Payments for project evaluation		(364,283)	-
Interest received		8,465	81,151
Finance costs		(9,610)	(592)
Other receipts		-	7,561
<b>Net cash flows (used in) operating activities</b>	6	<b>(2,427,974)</b>	<b>(2,820,646)</b>
<b>Cash flows from investing activities</b>			
Receipts from sale of alluvial tin		1,052,798	-
Payments for exploration and evaluation		(1,401,717)	(2,631,215)
Payments for mine properties		(1,790,348)	-
Payments for plant and equipment		(944,860)	(868,429)
Proceeds from sale of financial assets		1,916,337	-
<b>Net cash flows (used in) investing activities</b>		<b>(1,167,790)</b>	<b>(3,499,644)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of fully paid shares	17(b)	3,032,162	7,501,617
Payment of transaction costs	17(b)	(76,465)	(558,951)
Loans to other entities		-	(66,746)
Proceeds from borrowings		1,200,000	400,000
Repayment of borrowing		(1,200,000)	(560,000)
<b>Net cash flows from financing activities</b>		<b>2,955,697</b>	<b>6,715,920</b>
Net (decrease)/increase in cash and cash equivalents held		(640,067)	395,630
Net foreign exchange differences		57,368	(32,444)
Cash and cash equivalents at beginning of period		1,169,582	806,396
<b>Cash and cash equivalents at end of period</b>	6	<b>586,883</b>	<b>1,169,582</b>

The accompanying notes form an integral part of this Consolidated Statement of Cash Flows.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2013

	Issued capital	Accumulated losses	Option reserve	Foreign currency translation reserve	Non- controlling interest	Total equity
	\$	\$	\$	\$	\$	\$
<b>At 1 July 2011</b>	38,588,181	(31,122,301)	530,402	(1,791,895)	(1,827,394)	4,376,993
Currency translation differences	-	-	-	140,472	(52,807)	87,665
Loss for the year	-	976,628	-	-	(177,269)	799,359
Total comprehensive income for the year	-	976,628	-	140,472	(230,076)	887,024
<b>Transactions with owners in their capacity as owners</b>						
Issue of share capital	7,501,617	-	-	-	-	7,501,617
Transaction costs	(558,951)	-	-	-	-	(558,951)
Cost of share-based payments	-	-	4,260	-	-	4,260
<b>At 30 June 2012</b>	45,530,847	(30,145,673)	534,662	(1,651,423)	(2,057,470)	12,210,943
Currency translation differences	-	-	-	(141,160)	71,744	(69,416)
Loss for the year	-	(7,818,715)	-	-	(180,902)	(7,999,617)
Total comprehensive income for the year	-	(7,818,715)	-	(141,160)	(109,158)	(8,069,033)
<b>Transactions with owners in their capacity as owners</b>						
Issue of share capital	3,032,162	-	-	-	-	3,032,162
Transaction costs	(82,687)	-	-	-	-	(82,687)
Cost of share-based payments	50,000	-	-	-	-	50,000
<b>At 30 June 2013</b>	48,530,322	(37,964,388)	534,662	(1,792,583)	(2,166,628)	7,141,385

The accompanying notes form an integral part of this Consolidated Statement of Changes in Equity.





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

### 1 CORPORATE INFORMATION

The financial report of Gippsland Limited for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 27 September 2013.

Gippsland Limited which is the ultimate parent company, is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group is exploration and mine development.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and applicable Australian Accounting Standards.

The financial report has also been prepared on a historical cost basis, except where stated.

The financial report is presented in Australian dollars and all values are in whole dollars.

For the purpose of preparing the financial statements, the consolidated entity is a for-profit entity.

#### (b) Going Concern

The consolidated entity has incurred a net loss after income tax of \$7,999,617 (2012: profit of \$799,359) and experienced net cash outflows from operations of \$2,427,974 (2012: \$2,820,646) and net cash outflows from investing activities of \$1,167,790 (2012: \$3,499,644) for the year ended 30 June 2013. As at 30 June 2013, the consolidated entity had a working capital deficiency of \$411,843 and had cash and cash equivalents of \$586,883.

The ability of the company and the consolidated entity to continue as going concerns is principally dependent upon raising additional capital and / or debt finance, and continuation of 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 company and the consolidated entity's ability to continue as going concerns.

Subsequent to year end, Gippsland entered into agreements with Gandel Metals Proprietary Limited (a director related entity of Ian Gandel) to provide \$1,000,000 in short-term funding. Details of the terms of this loan have been disclosed in Note 24 to the financial report. To the date of this report, the Company has received \$250,000 of this funding.

The directors have prepared a cash flow forecast for the period ending 30 September 2014 which indicates that the current cash resources will not meet expected cash outgoings without additional capital and / or debt funding and continuation of production of its Alluvial Tin project. The directors anticipate that these requirements will be met through a combination of some or all of the following:

- Obtaining the remaining short-term funding of \$750,000 based on the agreement noted above;
- Obtaining a reduction and deferral on exploration commitments on its Eritrean project from the Eritrean Ministry of Energy and Mines;
- Continuation of production of its Alluvial Tin Project; and / or
- Further capital raisings and / or debt funding of at least \$1,500,000 by February 2014.

The Company will use part of the cash proceeds obtained from the completion of the capital raising to repay the short-term funding provided to the Company by Gandel Metals Proprietary Limited.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

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 company and the consolidated entity be unable to achieve the initiatives referred to above, there is a material uncertainty whether the company and the consolidated entity will be able to continue as going concerns and, therefore, whether they will realise their assets and discharge their 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 company and the consolidated entity not continue as going concerns.

### (c) Statement of Compliance

Compliance with Australian Accounting Standards ensures the financial report, the financial statements and notes comply with International Financial Reporting Standards ("IFRS").

### (d) New Standards and Interpretations Adopted

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 beginning 1 July 2012.

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements:

- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

From 1 July 2012, the consolidated entity applied amendments to AASB 101 Presentation of Items of Other Comprehensive Income outlined in AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income. The change in the accounting policy only relates to disclosures and has had no impact on the earnings of the consolidated entity. The changes have been applied retrospectively and require the consolidated entity to separately present those items of other comprehensive income that maybe reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. These changes have been included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

### Accounting Standards and Interpretations issued but not yet effective

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the year ended 30 June 2013.

Standard / Interpretation	Effective for annual reporting periods beginning/ending on or after	Expected to be applied by consolidated entity
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2015	30 June 2016



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

Standard / Interpretation	Effective for annual reporting periods beginning/ending on or after	Expected to be applied by consolidated entity
AASB 10 Consolidated Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards	1 January 2013	30 June 2014
AASB 11 Joint Arrangements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards	1 January 2013	30 June 2014
AASB 12 Disclosure of Interests in Other Entities and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards	1 January 2013	30 June 2014
AASB 127 Separate Financial Statements (2011) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards	1 January 2013	30 June 2014
AASB 128 Investments in Associates and Joint Ventures (2011) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards	1 January 2013	30 June 2014
AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13	1 January 2013	30 June 2014
AASB 119 Employee Benefits (2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011)	1 January 2013	30 June 2014
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013	30 June 2014
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	1 January 2013	30 June 2014
AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013	30 June 2014
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 January 2014	30 June 2015
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	1 January 2013	30 June 2014
AASB 2012-6 Amendments to Australian Accounting Standards Mandatory Effective Date of AASB 9 and Transition Disclosures	1 January 2013	30 June 2014
AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments	1 January 2013	30 June 2014
Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12	1 January 2013	30 June 2014



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

Standard / Interpretation	Effective for annual reporting periods beginning/ending on or after	Expected to be applied by consolidated entity
Amendments to Australian Accounting Standards arising from Interpretation 20		
AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities	1 January 2014	30 June 2015

The impact of these recently issued or amended Standards and Interpretation are not expected to have a material impact on the consolidated entity.

### (e) Basis of consolidation

The consolidated financial statements comprise the financial statements of Gippsland Limited and entities (including special purpose entities) controlled by Gippsland Limited (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the Group. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Gippsland Limited has control.

### (f) Interests in joint ventures

The Group's interest in its joint venture operations is accounted for by recognising the Group's assets and liabilities from the joint venture, as well as expenses incurred by the Group and the Group's share of income earned from the joint venture, in the consolidated financial statements.

### (g) Foreign currency translation

Both the functional and presentation currency of Gippsland Limited and its Australian subsidiaries is Australian dollars (\$AU).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date.

All differences in the consolidated financial report are taken to the statement of profit or loss and other comprehensive income with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the statement of profit or loss and other comprehensive income.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiaries Tantalum Egypt JSC, Nubian Resources JSC and Nubian Resources PLC is Egyptian pounds (EGP).

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Gippsland Limited at the rate of exchange ruling at the statement of financial position date and the statements of profit or loss and other comprehensive income are translated at the weighted average exchange rates for the year.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of profit or loss and other comprehensive income.

### **(h) Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### **(i) Trade and other receivables**

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount which represents fair value at that date less an allowance for any doubtful debts. An allowance of doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

### **(j) Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Categories of inventory include spare parts and stores.

### **(k) Other financial assets**

Other financial assets in the parent company represent investments in subsidiaries held at cost less any impairment.

### **(l) Property, plant and equipment**

Leasehold improvements, buildings and plant and equipment are stated at cost less accumulated depreciation and any impairment losses recognised.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold Improvements - over 2 to 5 years

Buildings – over 20 years

Plant and equipment - over 3 to 10 years





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

### *Impairment*

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss and other comprehensive income in the period the item is derecognised.

### **(m) Exploration and evaluation expenditure**

Exploration and evaluation expenditure incurred is recognised as exploration and evaluation assets, measured on the cost basis. The expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

The Group assesses the stage of each mine under construction to determine when a mine moves into the pre-production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the mine and the processing plant is substantially complete and ready for its intended use. At this time, any costs capitalised to 'exploration and evaluation' are reclassified to 'mine properties'. Some of the criteria will include, but are not limited, to the following:

- Availability of the plant;
- Completion of a reasonable period of testing of the mine plant and equipment;
- Ability to produce metal in saleable form (within specifications); and
- Ability to sustain ongoing production of metal at commercial rates of production.

### **(n) Mine properties**

When a mine construction project moves into the pre-production stage, any costs capitalised to 'exploration and evaluation' are reclassified to 'mine properties'. During this pre-production stage, certain mine construction and commissioning costs continue to be capitalised to mine properties and offset any incidental revenue earned until such time as the project is operating in line with management's expectation.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs that qualify for capitalisation relating to mine asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation / amortisation commences.

Mine properties are recorded at cost, less accumulated depreciation and amortisation and any impairment losses.

Amortisation is over the units of production of the economically recoverable reserves (that is, tonnes of ore).

### **(o) Recoverable amount of assets**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

### **(p) Trade and other payables**

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### **(q) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### **(r) Loans and borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

### (s) Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received.

Any transaction costs arising on the issue of shares are recognised directly in equity as a reduction of the share proceeds received.

### (t) Share-based payment transactions

The Group provides remuneration to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Gippsland Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects -

- (i) the extent to which the vesting period has expired, and
- (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 5).

### (u) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. All other leases are classified as finance leases. Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### (v) Revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### (w) Income tax

In principle, deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

### (x) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### *Financial assets*

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 29.

#### *Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

### (y) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Cash Flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

### (z) Employee entitlements

Provision is made for the Company's liability for employee benefits arising from services rendered by employees at balance date. Employee benefits expected to be settled within one year, together with entitlements arising from wages and salaries, annual leave and sick leave, which will be settled within one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the entity to employee superannuation funds and are charged as expenses when incurred.

### (aa) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

### (bb) Segment information

Operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker has been identified as the board of directors of the Company.

### (cc) Critical accounting judgements and key sources of estimation uncertainty

In the application of Australian Accounting Standards management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgments made by management that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, these relate to impairment of inter-company loans and exploration and evaluation expenditure.

The criteria used by management in determining the impairment is as follows:

- Inter-company loans are impaired by the lending company to the extent that there is uncertainty about the future recoverability of such loans from the borrowing company. Reversal of all or part of prior period impairment losses may be approved by management once a borrowing company has a capacity to repay all or part of such inter-company loans, and
- The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation or alternatively the sale of the respective areas of interest at an amount at least equal to book value. Therefore exploration and evaluation expenditure is impaired until such time as the aforementioned can be determined, normally by way of a Feasibility Study or some other event. Reversal of prior period impairment losses may be approved by management once the capacity to exploit or sell has been positively determined.
- The impairment of financial assets is accounted for by revaluing the financial asset to market value at the reporting date. The financial asset consists of shares in an ASX listed company and the market value is determined by using the closing price on the last business day of the reporting period. Any movement in the market value of the financial asset is brought to account in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.
- The Group assesses the stage of each mine under construction to determine when a mine moves into the pre-production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

criteria to assess when the mine and the processing plant is substantially complete, ready for its intended use and operating in the manner intended by management. When a mine construction project moves into the pre-production stage, any costs capitalised to 'exploration and evaluation' are reclassified to 'mine properties'.

Mine properties are amortised over the units of production of the economically recoverable reserves.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

### **(dd) Financial risk management policy**

Details of the Group's financial risk management policy are set out in Note 29.

### **(ee) Compound financial instruments**

The Group evaluates the terms of any financial instrument to determine whether it contains both a liability and an equity component. The separate components of a financial instrument that create a financial liability and grant an option to the holder of the instrument to convert it into an equity instrument are recognised separately on the statement of financial position.

### **(ff) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year, as described in Note 31.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

### 3 REVENUES, OTHER INCOME AND EXPENSES

	<i>2013</i>	<i>2012</i>
	\$	\$
<b>Revenue and expenses from continuing operations</b>		
<b>(a) Revenue</b>		
Finance revenue	8,228	81,037
	<u>8,228</u>	<u>81,037</u>
<b>(b) Other income</b>		
Sundry income	-	9,783
	<u>-</u>	<u>9,783</u>
<b>(c) Other gains and losses</b>		
Loss on sale of financial assets	(1,348,318)	-
Profit on sale of Heemskirk Joint Venture interest	-	4,635,811
Net gain/(loss) arising on financial assets	-	(1,371,155)
	<u>(1,348,318)</u>	<u>3,264,656</u>
<b>(d) Administration expenses</b>		
Included in administrative expenses:		
Minimum lease payments - operating lease	198,901	198,854
Consultancy expenses	198,505	153,874
<b>(e) Employee benefits expenses</b>		
Payroll cost	1,021,544	1,385,891
Superannuation	20,229	21,503
As per Statement of Profit or Loss and Other Comprehensive Income	<u>1,041,773</u>	<u>1,407,394</u>
Share-based payments expense	50,000	4,260
Total employee benefit expenses	<u>1,091,773</u>	<u>1,411,654</u>

### 4 INCOME TAX

#### Statement of Profit or Loss and Other Comprehensive Income

	<i>2013</i>	<i>2012</i>
	\$	\$

(a) The components of income tax expense for the years ended 30 June 2013 and 2012 are:

#### Statement of Profit or Loss and Other Comprehensive Income

<i>Current income tax</i>		
Current income tax charge/(benefit)	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	-
Benefit from previously unrecognised tax loss used to reduce deferred tax expense	-	-
Income tax expense/(benefit) reported in statement of profit or loss and other comprehensive income	<u>-</u>	<u>-</u>

#### Statement of changes in equity

Income tax liability reported in equity	<u>-</u>	<u>-</u>
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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 30 June 2013 and 2012 is as follows:

### Statement of Profit or Loss and Other Comprehensive Income

	<b>2013</b>	<b>2012</b>
	\$	\$
Accounting profit (loss) before tax	<b>(7,999,617)</b>	799,359
At the statutory income tax rate of 30% (2012: 30%)	<b>(2,399,885)</b>	239,808
Non-deductible expenses	<b>770,029</b>	466,503
Temporary differences and tax losses not recognised	<b>1,629,856</b>	(706,311)
Income tax expense recognised on profit or loss	-	-
	-	-
Effective income tax rate	<b>0%</b>	0%

### Unrecognised deferred tax assets and liabilities

Deferred tax assets and liabilities have not been recognised in respect of the following items:

	<b>2013</b>	<b>2012</b>
	\$	\$
<b>Deferred tax liabilities</b>		
Other assets	<b>(122)</b>	(68)
	<b>(122)</b>	(68)
<b>Deferred tax assets</b>		
Business related costs	<b>19,003</b>	76,099
Accrued superannuation	-	-
Accrued audit fees	<b>3,597</b>	9,817
Accrued expenses	<b>112,255</b>	54,118
Employee entitlements	<b>32,355</b>	11,828
Foreign exchange loss	<b>224,447</b>	4,951
Tax losses (domestic)	<b>5,740,810</b>	4,345,798
	<b>6,132,467</b>	4,502,611
Unrecognised deferred tax assets	<b>(6,132,345)</b>	(4,502,543)
	<b>122</b>	68
Net deferred tax	-	-
Tax losses and temporary differences not recognised	<b>6,132,345</b>	4,502,543

The deductible temporary differences and tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company and Group can utilise benefits.

### 5 EARNINGS PER SHARE

	<b>2013</b>	<b>2012</b>
	<b>cents</b>	<b>cents</b>
Basic earnings per share	<b>(0.67)</b>	0.10
Diluted earnings per share	<b>(0.67)</b>	0.10





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

The following reflects the income and share data used in the basic and diluted earnings per share computations:

**(a) Reconciliation of earnings used in calculating earnings per share**

	<i>2013</i>	<i>2012</i>
	\$	\$
(Loss)/profit attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	<b>(7,999,617)</b>	799,359

**(b) Weighted average number of shares used in the denominator**

	<i>Shares</i>	<i>Shares</i>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>1,195,966,832</b>	833,820,398
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	<b>1,195,966,832</b>	833,820,398

There were 600,000 potential ordinary shares as at 30 June 2013 (1,200,000 for 30 June 2012).

The consolidated entity's options over ordinary shares could potentially dilute basic earnings per share in the future, however they have been excluded from the calculations of diluted earnings per share because they are anti-dilutive and out of the money for the years presented.

### 6 CASH AND CASH EQUIVALENTS

	<i>2013</i>	<i>2012</i>
	\$	\$
Cash at bank and in hand	<b>285,883</b>	385,782
Short term deposits	<b>301,000</b>	783,800
	<b>586,883</b>	1,169,582

Cash at bank and in hand earns interest at floating rates based on daily bank rates.

Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents is \$586,883 (2012: \$1,169,582).

**Reconciliation to statement of cash flows**

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

Cash at bank and in hand	<b>285,883</b>	385,782
Short-term deposits	<b>301,000</b>	783,800
	<b>586,883</b>	1,169,582



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
<b>Reconciliation from the net profit/(loss) after tax to the net cash flows used in operations</b>		
Net (Loss)/Profit after income tax	(7,999,617)	799,359
<i>Adjustments for:</i>		
Depreciation and amortisation	86,836	65,505
Impairment losses of exploration expenditure	3,645,635	44,387
Foreign exchange loss (gain)	(35,258)	(5,479)
Share based payment expense	50,000	4,260
Profit on sale of Heemskirk Joint Venture interest	-	(4,635,811)
Loss on disposal of financial asset	1,348,318	-
Loss on disposal of assets	1,119	-
Net loss arising on available for sale financial asset	-	1,371,155
<i>Changes in assets and liabilities</i>		
(increase)/decrease in trade and other receivables	(43,502)	70,164
(increase)/decrease in other assets	144,813	(164,141)
(increase)/decrease in inventories	(41,125)	(706,078)
(decrease)/increase in provisions	34,110	63,562
(decrease)/increase in trade and other payables	380,697	272,471
Net cash used in operating activities	(2,427,974)	(2,820,646)

### Non-cash transactions

During the 2013 financial year, the Group entered into the following non-cash investing and financing activities which are not reflected in the statement of cash flows:

- The issue of 5,000,000 ordinary shares on 18 June 2013 at 1 cent per share in relation to director fees payable.

During the 2012 financial year, the Group entered into the following non-cash investing and financing activities which are not reflected in the statement of cash flows:

- The issue of 1,200,000 options on 25 November 2011 for nil consideration to employees of Gippsland. 600,000 of the options had an exercise price of \$0.04 and an expiry date of 31 December 2012, and the other 600,000 options had an exercise price of \$0.06 and an expiry date of 31 December 2013; and
- Gippsland Ltd received 43,528,743 shares in Stellar Resources Ltd valued at \$4,635,811 being the consideration from the sale of the Company's interest in the Heemskirk Tin Joint Venture. The value of the shares in Stellar Resources Ltd has been determined by multiplying the number of shares received by \$0.1065, being the 5 day volume weighted average price for Stellar Resources Ltd shares for the 5 business days between 19 January and 25 January 2012.

## 7 TRADE AND OTHER RECEIVABLES (CURRENT)

		2013	2012
		\$	\$
Trade receivables	(i)	241,450	-
Other receivables	(ii)	71,974	25,902
Loan receivable from Adobha Resources Ltd	(iii)	239,885	239,885
Allowance for impairment of receivables	(iii)	(239,885)	(239,885)
		313,424	25,902



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

- (i) Trade receivables are non-interest bearing and are generally on 30-day terms.
- (ii) Other receivables relate to GST receivable from the Australian Taxation Office and a refund due from a supplier.
- (iii) Gippsland loaned funds to Adobha Resources Ltd in relation to the proposed Initial Public Offering (“IPO”) of Adobha Resources Ltd. The loan funds were used by Adobha Resources Ltd for establishment costs, IPO costs, working capital and on-lending funds to Adobha Resources (Eritrea) Pty Ltd for exploration costs. The proposed IPO was terminated in June 2011. The loan has been fully impaired.

### 8 INVENTORIES

	<b>2013</b>	<b>2012</b>
	\$	\$
Spare parts and stores – at costs	<b>94,976</b>	53,851
	<b>94,976</b>	53,851

The cost of inventories recognised as an expense during the year in respect of continuing operations was nil (2012: nil).

### 9 OTHER ASSETS

	<b>2013</b>	<b>2012</b>
	\$	\$
Prepayments	<b>52,779</b>	199,803
Rental deposits	<b>3,139</b>	3,262
Accrued revenue	<b>72</b>	309
	<b>55,990</b>	203,374

### 10 OTHER FINANCIAL ASSETS (NON-CURRENT)

	<b>2013</b>	<b>2012</b>
	\$	\$
Investments in listed entities classified as available for sale – at fair value	-	3,264,656
	-	3,264,656

This investment consisted of 43,528,743 shares in Stellar Resources Ltd and was subject to escrow pursuant to ASX rules until 31 January 2013. The shares were sold during April and May 2013 for \$1,916,337 after brokerage costs. The shares had a deemed cost base of \$4,635,810 resulting in a total loss on disposal of \$2,719,473. \$1,371,155 of this loss was brought to account in 2012 as an impairment of the shares to disclose them at their fair value at 30 June 2012 and the balance of the loss of \$1,348,318 has been brought to account during 2013.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

### 11 PROPERTY, PLANT AND EQUIPMENT

	<i>Leasehold Improvements</i> \$	<i>Buildings</i>	<i>Plant and equipment</i> \$	<i>Total</i> \$
<b>Year ended 30 June 2013</b>				
Balance at 30 June 2012	1,806	155,359	1,034,946	1,192,111
Additions	-	8,637	923,984	932,621
Disposals	-		(1,520)	(1,520)
Foreign Exchange Adjustment	-	(86)	(97,432)	(97,518)
Depreciation charge for the year	(192)	(9,669)	(76,975)	(86,836)
Balance at 30 June 2013	<u>1,614</u>	<u>154,241</u>	<u>1,783,003</u>	<u>1,938,858</u>
<b>At 1 July 2012</b>				
Cost	20,175	161,412	1,330,433	1,512,020
Accumulated depreciation and impairment	(18,369)	(6,053)	(295,487)	(319,909)
Net carrying amount	<u>1,806</u>	<u>155,359</u>	<u>1,034,946</u>	<u>1,192,111</u>
<b>At 30 June 2013</b>				
Cost	20,175	170,049	2,245,672	2,435,896
Accumulated depreciation and impairment	(18,561)	(15,808)	(462,669)	(497,038)
Net carrying amount	<u>1,614</u>	<u>154,241</u>	<u>1,783,003</u>	<u>1,938,858</u>
<b>Year ended 30 June 2012</b>				
Balance at 30 June 2011	2,495		281,934	284,429
Additions	1,381	161,412	790,910	953,703
Disposals	-	-	(9,606)	(9,606)
Foreign Exchange Adjustment	-	(38)	29,128	29,090
Depreciation charge for the year	(2,070)	(6,015)	(57,420)	(65,505)
Balance at 30 June 2012	<u>1,806</u>	<u>155,359</u>	<u>1,034,946</u>	<u>1,192,111</u>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

### 12 EXPLORATION AND EVALUATION EXPENDITURE

	<b>2013</b>	<b>2012</b>
	\$	\$
Exploration & evaluation expenditure (at cost)	<b>10,944,830</b>	9,842,616
Accumulated amortisation and impairment	<b>(6,903,936)</b>	(3,384,405)
	<b>4,040,894</b>	6,458,211

#### Movement:

##### *Exploration & evaluation expenditure*

Balance at beginning of year	<b>6,458,211</b>	4,316,624
Current year expenditure	<b>1,360,342</b>	2,690,645
Foreign exchange adjustment	<b>(132,024)</b>	(98,123)
Reclassification of expenditure as Property, Plant and Equipment	-	(118,798)
Transfer to mine properties	-	(288,039)
Impairment	<b>(3,645,635)</b>	(44,098)
Balance at end of year	<b>4,040,894</b>	6,458,211

The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation or alternatively the sale of the respective areas of interest at an amount at least equal to book value.

For the year ended 30 June 2013 and 30 June 2012, evaluation expenditure on the Abu Dabbab project was capitalised at cost, until such time production commences and costs are transferred to 'mine properties'.

For the year ended 30 June 2013, exploration expenditure of nil (2012: \$2,289) on the Wadi Allaqi project was impaired.

For the year ended 30 June 2013, exploration expenditure in Eritrea in relation to the Group's:

- (e) current Exploration Licences (Adobha and Gerasi South) of \$3,645,635 (2012: nil) was impaired; and
- (f) expired Prospecting Licences (Hafta West and Romay) of nil (2012: \$41,809) was impaired.

### 13 MINE PROPERTIES

	<b>2013</b>	<b>2012</b>
	\$	\$
Mine properties (at cost)	<b>1,573,476</b>	910,257
Accumulated amortisation and impairment	-	-
	<b>1,573,476</b>	910,257

#### Movement:

##### *Mine properties*

Balance at beginning of year	<b>910,257</b>	-
Transfer from exploration and evaluation expenditure	-	288,039
Reclassification of inventories (Note 31)	-	652,227
Additions	<b>1,912,019</b>	-
Net pre-production revenue	<b>(1,236,406)</b>	-
Foreign exchange adjustments	<b>(12,394)</b>	-
Amortisation adjustment	-	(30,009)
Balance at end of year	<b>1,573,476</b>	910,257





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

This project cost will be amortised over the life of the Abu Dabbab operation from production commencement. Expenditure in relation to pre-production activities on the Abu Dabbab Alluvial Tin Project was capitalised at cost and will be amortised based on tin production.

### 14 TRADE AND OTHER PAYABLES (CURRENT)

	<b>2013</b>	<b>2012</b>
	\$	\$
Trade payables and accruals (i)	<b>1,355,268</b>	993,262
	<b>1,355,268</b>	993,262

(i) Trade payables and accruals are non-interest bearing and are normally settled on repayment terms between 7 and 30 days.

### 15 PROVISIONS (CURRENT)

	<b>2013</b>	<b>2012</b>
	\$	\$
Provision for annual leave	<b>83,721</b>	51,946
Provision for long service leave	<b>24,127</b>	21,793
	<b>107,848</b>	73,739

### 16 NON-CONTROLLING INTEREST

	<b>2013</b>	<b>2012</b>
	\$	\$
Balance at beginning of year	<b>(2,057,470)</b>	(1,827,394)
Share of profit/(loss) for the year	<b>(180,902)</b>	(177,269)
Share of movement in foreign currency translation reserve	<b>71,744</b>	(52,807)
Balance at end of year	<b>(2,166,628)</b>	(2,057,470)

### 17 CONTRIBUTED EQUITY

	<b>2013</b>	<b>2012</b>
	\$	\$
<b>(a) Ordinary Shares</b>		
Issued and fully paid	<b>48,530,322</b>	<b>45,530,847</b>

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Issued capital has no par value.

		<b>Number of</b>	<b>\$</b>
		<b>shares</b>	
<b>(b) Movement in ordinary share capital</b>			
At 30 June 2011		625,134,716	38,588,181
Share issue	(i)	187,540,415	5,063,591
Share issue	(ii)	162,535,026	2,438,026
Share issue costs			(558,951)
<b>Subtotal (shares issued during year)</b>		<b>350,075,441</b>	<b>6,942,666</b>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

		<i>Number of shares</i>	<i>\$</i>
At 30 June 2012		975,210,157	45,530,847
Share issue	(iii)	230,684,158	1,384,105
Share issue	(iv)	164,805,766	1,648,057
Share issue	(v)	5,000,000	50,000
Share issue costs			(82,687)
<b>Subtotal (shares issued during year)</b>		<b>400,489,924</b>	<b>2,999,475</b>
At 30 June 2013		<b>1,375,700,081</b>	<b>48,530,322</b>

- (i) 187,540,415 shares issued on 18 August 2011 for cash at 2.7 cents each
- (ii) 162,535,026 shares issued on 20 March 2012 for cash at 1.5 cents each.
- (iii) 230,684,158 shares issued on 10 September 2012 for cash at 0.6 cents each.
- (iv) 164,805,766 shares issued on 15 April 2013 for cash at 1 cent each.
- (v) 5,000,000 shares issued on 18 June 2013 in relation to fees payable at 1 cent each.

The unissued ordinary shares of Gippsland Limited under option are as follows:

<b>Grant Date</b>	<b>Date of Expiry</b>	<b>Exercise Price</b>	<b>Number under Option</b>
25 November 2011	31 December 2013	\$0.06	600,000
Total			600,000

### 18 RESERVES AND ACCUMULATED LOSSES

	<i>2013</i>	<i>2012</i>	
	<i>\$</i>	<i>\$</i>	
<b>(a) Reserves</b>			
Option issue reserve	<b>534,662</b>	534,662	
Foreign currency translation reserve	<b>(1,792,583)</b>	(1,651,423)	
	<b>(1,257,921)</b>	(1,116,761)	
			<i>Foreign currency translation reserve</i>
	<i>Option issue reserve</i>	<i>reserve</i>	<i>Total</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>
<b>Movements in reserves</b>			
At 30 June 2011	530,402	(1,791,895)	(1,261,493)
Share based payment	4,260	-	4,260
Currency translation differences	-	140,472	140,472
As at 30 June 2012	534,662	(1,651,423)	(1,116,761)
Share based payment	-	-	-
Currency translation differences	-	(141,160)	(141,160)
As at 30 June 2013	534,662	(1,792,583)	(1,257,921)
	<i>2013</i>	<i>2012</i>	
	<i>\$</i>	<i>\$</i>	
<b>(b) Accumulated losses</b>			
Movements in accumulated losses were as follows:			
Balance 1 July	<b>(30,145,673)</b>	(31,122,301)	
Net profit/(loss) for the year	<b>(7,818,715)</b>	976,628	
Balance 30 June	<b>(37,964,388)</b>	(30,145,673)	



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

### (c) Nature and purpose of reserves

#### *Option issue reserve*

The option issue reserve is used to record items recognised as expenses on grant of share options.

#### *Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the net investment hedged in these subsidiaries.

## 19 INTERESTS IN CONTROLLED ENTITIES

The consolidated financial statements include the financial statements of Gippsland Limited and the controlled entities listed in the following table:

	Country of incorporation	Percentage of equity interest held by the Group		Investment	
		2013 %	2012 %	2013 \$	2012 \$
Tantalum International Pty Ltd	Australia	100	100	100	100
Here2win.com Pty Ltd	Australia	100	100	100	100
Adobha Resources (Eritrea) Pty Ltd	Australia	100	100	100	100
Oryx Resources Pty Ltd	Australia	100	100	100	100
Gippsland (Jordan) Pty Ltd	Australia	100	100	100	100
Nubian Resources PLC	United Kingdom	100	100	27,388	27,388
Tantalum Egypt JSC	Egypt	50	50	-	-
Nubian Resources JSC	Egypt	100	100	-	-
				<b>27,888</b>	<b>27,888</b>

Gippsland Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Tantalum Egypt JSC is included in the consolidated financial statements on the basis that Gippsland Limited controls the activities of Tantalum Egypt JSC by way of Gippsland's casting vote on the Board of Directors.

## 20 INTERESTS IN JOINT VENTURE OPERATIONS AND BUSINESS UNDERTAKINGS

At 30 June 2013, the Group was a participant in the following joint ventures:

### Name of joint venture

	2013 % Interest	2012 % Interest
Seiga – Wadi Allaqi, Egypt	50	50
Um Shashoba – Wadi Allaqi, Egypt	50	50
Haimur – Wadi Allaqi, Egypt	50	50
Nile Valley Block E – Wadi Allaqi, Egypt	50	50
Nile Valley Block A – Wadi Allaqi, Egypt	50	50
Um Garayat – Wadi Allaqi, Egypt	50	50
Koleit – Wadi Allaqi, Egypt	50	50
Um Tiur – Wadi Allaqi, Egypt	50	50
Abu Swayel – Wadi Allaqi, Egypt	50	50

The joint ventures are not separate legal entities. They are contractual arrangements between the participants and are of the type where initially one party contributes tenements with the other party earning a specified percentage by funding exploration activities. The Joint Ventures do not hold any assets and accordingly the Company's share of exploration expenditure is accounted for in accordance with the policy set out in Note 2.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

### 21 EXPENDITURE COMMITMENTS

#### (a) Lease expenditure commitments

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

##### *Perth Office Lease*

The property lease is a non-cancellable lease with a two and a half year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the lower of CPI or 5% per annum. 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, with rent payable monthly in advance.

##### *Asmara Office Lease*

The property lease is a non-cancellable lease with a twelve month term, with rent payable monthly in advance.

Future minimum rentals payable as at 30 June are as follows:

	2013 \$	2012 \$
Within one year	125,600	159,500
After one year but not more than five years	40,800	149,900
	166,400	309,400

#### (b) Exploration expenditure commitments

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. As at 30 June 2013, the Group has received written confirmation from the Eritrean Ministry of Energy and Mines that the expenditure commitments for Year 3 (year ended 23 July 2013) of the Adobha Exploration Licence and Year 2 (year ended 25 August 2013) of the Gerasi South Exploration Licence have been fulfilled and the Company is in good standing in relation to both of the exploration licences. The Company is required to spend US\$400,000 on exploration of the Gerasi South Exploration Licence by 25 August 2014, being Year 3 of the Licence. The Year 4 expenditure commitment for the year ended 23 July 2014 for the Adobha Exploration Licence calculated in accordance with the Exploration Licence Agreement is approximately US\$5,160,000, however, it is subject to relinquishment provisions and also the discretion of the Eritrean Ministry of Energy and Mines. The Company has applied to the Eritrean Ministry of Energy and Mines for a deferment in relation to future year's expenditure commitments until additional funds are raised for exploration and the Company has proposed an exploration expenditure amount for Year 4 of US\$1,000,000 instead of the US\$5,160,000 as per the Exploration Licence agreement. The Company has received verbal approval from the Eritrean Ministry of Energy and Mines in relation to this deferment of expenditure. The Group has pending applications regarding other exploration licence areas. The granting of the new exploration licences is not guaranteed, however, if granted, there will be additional minimum expenditure commitments. The Company does not currently have the funds to meet these requirements and will need to raise additional capital to do so.

During 2011, the Group committed to spend US\$300,000 on exploration at its Nuweibi Tantalum-Tin Project by 31 December 2011. Drilling at Nuweibi planned for the December 2011 quarter was deferred due to the lack of a suitable drilling rig. Approximately US\$294,400 as at 30 June 2013 is required to be spent in relation to exploration once a suitable drilling rig becomes available in order to meet this expenditure commitment.

The Group has no other minimum exploration expenditure commitments in respect to any mining tenements or projects.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

### (c) Joint venture expenditure commitments

The Group has no minimum expenditure commitments in respect to any of its mining joint ventures.

### (d) 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 2014.

### (e) Capital Commitments

There are no capital commitments of the Group at 30 June 2013.

### (f) Other Commitments

Payment of \$30,000 of the 2013 remuneration of Executive Director of Gippsland Ltd, Mr Jon Starink, has been deferred pending certain conditions. This amount has been included in Mr Starink's total remuneration shown in the Remuneration Report for the year ended 30 June 2013.

## 22 SHARE BASED PAYMENT PLANS

### (a) Recognised share-based payment expenses

The expense recognised for share based payments during the year is shown in the table below:

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Expense arising from equity-settled share-based payment transactions	<b>50,000</b>	4,260
	<b>50,000</b>	4,260

### (b) Types of share-based payment plans

On 25 November 2011, 1,200,000 options were issued to employees of the Company for nil consideration. The expiry date, exercise price and fair value of the options are shown in the table below.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
				\$	\$
(1) Issued 25 November 2011 (*)	600,000	25/11/11	31/12/12	0.04	0.0032
(2) Issued 25 November 2011 (*)	600,000	25/11/11	31/12/13	0.06	0.0039
(3) Issued 16 May 2006	25,000,000	16/5/06	26/5/12	0.135	Nil
(4) Issued 5 February 2008	4,000,000	5/2/08	15/12/11	UK£0.0665	0.0484
(5) Issued 28 November 2008	17,000,000	28/11/08	31/5/12	0.150	0.0010
(6) Issued 17 August 2009	10,000,000	17/8/09	14/12/11	0.080	0.0181
Shares	Number	Issue date	Fair value at issue date		
			\$		
Ordinary fully paid	5,000,000	18/6/13	0.01		

(\*) In accordance with the terms of the share-based arrangement, options issued during the financial year ended 30 June 2012, vest at the date of their issue.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

### (c) Summary of options granted

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options issued during the year.

	2013 No	2013 WAEP	2012 No	2012 WAEP
Outstanding at the beginning of the year	1,200,000	0.05	56,000,000	0.13
Granted during the year	-	-	1,200,000	0.05
Exercised during the year	-	-	-	-
Expired during the year	(600,000)	0.04	(56,000,000)	0.13
Outstanding at the end of the year	600,000	0.06	1,200,000	0.05
Exercisable at the end of the year	600,000	0.06	1,200,000	0.05

### (d) Weighted average of remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2013 is 0.50 year (2012: 1.00 years).

### (e) Range of exercise price

The exercise price for options outstanding at the end of the year was \$0.06. (2012: range of \$0.04 - \$0.06).

### (f) Weighted average fair value

The weighted average fair value of options granted during the year was nil (2012: \$0.05).

### (g) Option pricing model

#### *Equity-settled transactions*

There were no equity-settled share options granted during the year.

## 23 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### (a) Contingent Liabilities

The Group did not have any contingent liabilities as at Balance Date.

### (b) Contingent Assets

During 2012, the Company executed a sale and purchase agreement with Stellar Resources Ltd whereby Stellar Resources Ltd acquired the Company's 40% interest in the Heemskirk Tin Project for 43,528,743 shares in Stellar Resources Ltd and a royalty. The 43,528,743 shares in Stellar Resources Ltd were sold during 2013. Under the Minerals Royalty Deed dated 30 January 2012, the royalty receivable by the Company will be calculated as follows:

Net Realised Price (Tin Price) per tonne	Royalty Percentage
Less than \$25,000	Nil
\$25,000 - \$30,000	1% plus 0.0002% for every \$1 the Net Realised Price is over \$25,000
\$30,000 or more	2%

The Group did not have any other contingent assets as at Balance Date.





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

### 24 SUBSEQUENT EVENTS

Gandel Metals Pty Ltd, a company associated with Mr Ian Gandel, has entered into an agreement to provide a loan facility to Gippsland for up to \$1,000,000 for working capital.

The terms of the agreement are as follows:

- (a) the interest rate for the loan is equal to the ANZ facility interest rate, as varied (currently 5.33%);
- (b) the loan is unsecured; and
- (c) the loan is repayable the earlier of:
  - 1 July 2014;
  - 5 business days after completion of a capital raising by Gippsland for an amount equal to or greater than \$1,500,000; 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.

No other matters or circumstances have arisen since the end of the financial year which significantly affected 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.

### 25 REMUNERATION OF AUDITORS

The auditor of Gippsland Limited is Deloitte Touche Tomatsu ("Deloitte").

	2013 \$	2012 \$
Amounts received or due and receivable by Deloitte for:		
• an audit or review of the financial report of the entity and any other entity in the Group	63,892	40,138
Amounts received by auditors other than Deloitte for:		
• an audit or review of the financial report of the entity and any entity in the Group	39,632	34,537
	103,524	74,675

### 26 RELATED PARTY DISCLOSURE

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year:

	2013 \$	2012 \$
Gandel Metals Pty Ltd – a company controlled by Mr IJ Gandel received director's fees.	80,000*	80,000*
Gandel Metals Pty Limited - a company associated with Mr IJ Gandel rented a Niton Analyser to Tantalum Egypt JSC for use in relation to the Abu Dabbab Project. The rental charged by Gandel Metals Pty Ltd was less than the rental that would have been charged by an arms-length party.	-	17,357
Abbotsleigh Pty Limited – a company associated with Mr IJ Gandel provided loan funds to Gippsland. The interest rates for the loans were 7.14% (2013) and 4% (2012), the loans were unsecured and both loans have been repaid.	1,200,000	400,000
Abbotsleigh Pty Limited – a company associated with Mr IJ Gandel was repaid loan funds by Gippsland. The interest rates for the loans were 7.14% (2013) and 4% (2012) and the loans were unsecured.	1,200,000	400,000



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

	<i>2013</i>	<i>2012</i>
	\$	\$
Abbotsleigh Pty Limited – a company associated with Mr IJ Gandel received interest on its loan funds to Gippsland up to the date of repayment of the loan by Gippsland Ltd. The interest rates for the loans were 7.14% (2013) and 4% (2012), the loans were unsecured and both loans have been repaid.	<b>9,215</b>	592
Gandel Metals Pty Limited - a company associated with Mr IJ Gandel received a fee of 4% for sub-underwriting the rights issue by Gippsland during August 2011. The fee was paid by Patersons Securities Ltd as underwriter of the rights issue.	-	202,544
Abbotsleigh Pty Limited – a company associated with Mr IJ Gandel participated in the rights issue by Gippsland Ltd during August 2011 and purchased the shortfall of the rights issue in accordance with the sub-underwriting agreement between Gandel Metals Pty Ltd and Patersons Securities Ltd.	-	2,989,659
Gandel Metals Pty Limited - a company associated with Mr IJ Gandel received a fee of 4% for sub-underwriting the rights issue by Gippsland during March 2012. The fee was paid by Patersons Securities Ltd as underwriter of the rights issue.	-	68,175
Abbotsleigh Pty Limited – a company associated with Mr IJ Gandel participated in the rights issue by Gippsland Ltd during March 2012 and purchased the shortfall of the rights issue in accordance with the sub-underwriting agreement between Gandel Metals Pty Ltd and Patersons Securities Ltd.	-	1,260,738
Mandu Pty Ltd – a company controlled by Dr JM Chisholm received geological consulting fees.	<b>197,400*</b>	244,693*
Mandu Pty Ltd - a company controlled by Dr JM Chisholm received \$37,500 for consulting fees during the year ended 30 June 2011 from Adobha Resources Ltd, which was intended to be the listing vehicle for the Eritrean exploration assets through a proposed Initial Public Offering. The proposed Initial Public Offering was cancelled and during the year ended 30 June 2012, these fees of \$37,500 were brought to account in Gippsland’s subsidiary, Adobha Resources (Eritrea) Pty Ltd, in order for the fees to contribute towards the Company’s exploration expenditure commitments in Eritrea.	-	37,500
Ventureworks JDK Pty Ltd – a company controlled by Mr JD Kenny received director’s fees.	<b>40,000*</b>	40,000*
Mr J Starink – received director fees and consulting fees.	<b>300,000*</b>	200,000*
John S Dunlop and Associates Pty Ltd – a company controlled by Mr JSF Dunlop received directors and mining consulting fees.	<b>50,000*</b>	95,833*
Mr JSF Dunlop – received director fees and superannuation.	-*	19,167*
Gippsland loaned funds to Adobha Resources Ltd in relation to the proposed Initial Public Offering (“IPO”) of Adobha Resources Ltd. Adobha Resources Ltd was established as a wholly owned subsidiary of Gippsland, however, the ownership of Adobha	-	66,747



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

	<i>2013</i>	<i>2012</i>
	\$	\$
Resources Ltd was transferred to Mr GA Hawkins based on professional advice regarding the structuring of the proposed IPO. The loan funds were used by Adobha Resources Ltd for establishment costs, IPO costs, working capital and on-lending funds to Adobha Resources (Eritrea) Pty Ltd for exploration costs. The proposed IPO was terminated in June 2011.		
Adobha Resources Ltd loaned funds to Gippsland's 100% owned subsidiary, Adobha Resources (Eritrea) Pty Ltd, in relation to funding exploration activities in Eritrea. The loans were a component of a transaction regarding the proposed IPO of Adobha Resources Ltd. Adobha Resources Ltd was established as a wholly owned subsidiary of Gippsland, however, the ownership of Adobha Resources Ltd was transferred to Mr GA Hawkins based on professional advice regarding the structuring of the proposed IPO. The proposed IPO was terminated in June 2011.	-	37,500
Adobha Resources (Eritrea) Pty Ltd repaid loan funds to Adobha Resources Ltd.	-	160,000
Loan funds owed by Adobha Resources (Eritrea) Pty Ltd to Adobha Resources Ltd were offset against loans owed by Adobha Resources Ltd to Gippsland Ltd.	-	66,457

\* Note: These amounts are included within the Remuneration Report in the Directors' Report.

### 27 KEY MANAGEMENT PERSONNEL

#### (a) Details of key management personnel

IJ Gandel	- Chairman (Non-Executive)
J Starink	- Executive Director
J Kenny	- Non-Executive Director
JM Chisholm	- Chief Geologist
A Ayyash	- Regional Manager - Middle East and North Africa
JSF Dunlop	- Executive Director (resigned 12 July 2012)

#### (b) Compensation of key management personnel

The aggregate compensation made to key management personnel of the Group is set out below:

	<i>2013</i>	<i>2012</i>
	\$	\$
Short-term employee benefits	<b>806,000</b>	876,618
Post-employment benefits	-	1,583
Share-based payment	<b>50,000</b>	-
	<b>856,000</b>	<b>878,201</b>

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

### (c) Option holdings of key management personnel (consolidated)

Options held in Gippsland Limited (number) by Key Management personnel are:

30 June 2013	Balance at 1.7.2012	Granted as remune- ration	Options exerci- sed	Options expired	Balance at 30.6.2013	Vested at 30.6.2013	Vested but not exerci- sable	Vested and exerci- sable	Vested during the year
<b>Directors</b>									
Mr IJ Gandel	-	-	-	-	-	-	-	-	-
Mr JSF Dunlop	-	-	-	-	-	-	-	-	-
Mr JD Kenny	-	-	-	-	-	-	-	-	-
Mr J Starink	-	-	-	-	-	-	-	-	-
<b>Executives</b>									
Mr A Ayyash	-	-	-	-	-	-	-	-	-
Dr JM Chisholm	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
<b>30 June 2012</b>									
	Balance at 1.7.2011	Granted as remune- ration	Options exerci- sed	Options expired	Balance at 30.6.2012	Vested at 30.6.2012	Vested but not exerci- sable	Vested and exerci- sable	Vested during the year
<b>Directors</b>									
Mr IJ Gandel	-	-	-	-	-	-	-	-	-
Mr JSF Dunlop	2,000,000	-	-	2,000,000	-	-	-	-	-
Mr JD Kenny	1,000,000	-	-	1,000,000	-	-	-	-	-
Mr J Starink	2,000,000	-	-	2,000,000	-	-	-	-	-
<b>Executives</b>									
Mr A Ayyash	1,000,000	-	-	1,000,000	-	-	-	-	-
Dr JM Chisholm	3,000,000	-	-	3,000,000	-	-	-	-	-
	9,000,000	-	-	9,000,000	-	-	-	-	-

### (d) Shareholdings of key management personnel (consolidated)

Shares held in Gippsland Limited (number) by key management personnel are:

30 June 2013	Balance 1.7.2012 Ord	Granted as remuneration Ord	On exercise of Options Ord	Net Change Other* Ord	Balance 30.6.2013 Ord
<b>Directors</b>					
Mr IJ Gandel	328,601,392	-	-	258,186,808	586,788,200
Mr JD Kenny	2,892,858	-	-	2,272,961	5,165,819
Mr J Starink	2,160,000	-	-	925,715	3,085,715
Mr JSF Dunlop (resigned 12 July 2012)	1,200,000	5,000,000	-	514,286	6,714,286
<b>Executives</b>					
Mr A Ayyash	974,784	-	-	-	974,784
Dr JM Chisholm	2,790,370	-	-	697,593	3,487,963
	338,619,404	5,000,000	-	262,597,363	606,216,767



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

30 June 2012	Balance 1.7.2011	Granted as remuneration	On exercise of Options	Net Change Other*	Balance 30.6.2012
	Ord	Ord	Ord	Ord	Ord
<b>Directors</b>					
Mr IJ Gandel	133,824,073	-	-	194,777,319	328,601,392
Mr JD Kenny	2,892,858	-	-	-	2,892,858
Mr J Starink	300,000	-	-	1,860,000	2,160,000
Mr JSF Dunlop (resigned 12 July 2012)	-	-	-	1,200,000	1,200,000
<b>Executives</b>					
Mr A Ayyash	974,784	-	-	-	974,784
Dr JM Chisholm	2,420,000	-	-	370,370	2,790,370
	140,411,715	-	-	198,207,689	338,619,404

\* Net change refers to shares purchased or sold during the financial year.

### (e) Other transactions with key management personnel

Please refer to note 26 regarding loans from key management personnel to the Company.

## 28 SEGMENT INFORMATION

### (a) Reportable 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.

The following tables present revenue and profit information and certain asset and liability information regarding reportable segments for the years ended 30 June 2013 and 2012.

	<i>Continuing Operations</i>				<i>Total Operations</i>
	<i>Tin/Tantalum</i>	<i>Gold</i>	<i>Copper</i>	<i>Corporate</i>	
	\$	\$	\$	\$	\$
<b>Year ended 30 June 2013</b>					
<b>Revenue</b>					
Other revenues from external customers	-	-	-	8,228	8,228
Inter-segment transactions	-	-	-	-	-
Total segment revenue	-	-	-	8,228	8,228
Inter-segment elimination					-
Total consolidated revenue					8,228



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

	<i>Continuing Operations</i>				<i>Total Operations</i>
	<i>Tin/Tantalum</i> \$	<i>Gold</i> \$	<i>Copper</i> \$	<i>Corporate</i> \$	\$
<b>Result</b>					
Segment net operating loss after tax	(1,264,792)	(37,533)	(3,791,089)	(2,906,203)	(7,999,617)
Profit/(loss) before income tax and minority interest					(7,999,617)
Income tax expense					-
Net profit (loss) for the year					<u>(7,999,617)</u>
<b>Assets and liabilities</b>					
Segment assets	7,802,728	32,855	246,164	522,754	8,604,501
Total assets					<u>8,604,501</u>
Segment liabilities	(752,326)	(163,273)	(40,836)	(506,681)	(1,463,116)
Total liabilities					<u>(1,463,116)</u>
<b>Cash flow information</b>					
Net cash flow from/(used in) operating activities	(1,035,525)	(28,026)	(98,713)	(1,265,710)	(2,427,974)
Net cash flow from/(used in) investing activities	864,330	27,175	86,502	(2,145,797)	(1,167,790)
Net cash flow from/(used in) financing activities	-	-	-	2,955,697	2,955,697
Net increase/(decrease) in cash held	(171,195)	(851)	(12,211)	(455,810)	(640,067)
<b>Other segment information</b>					
Capital expenditure	(928,881)	-	(1,748)	(1,992)	(932,621)
Depreciation	(27,454)	(8,344)	(38,129)	(12,909)	(86,836)
Impairment losses	-	-	(3,645,635)	-	(3,645,635)
<b>Year ended 30 June 2012</b>					
<b>Revenue</b>					
Other revenues from external customers	-	-	2,222	88,598	90,820
Inter-segment transactions	-	2,593	-	-	2,593
Total segment revenue	-	2,593	2,222	88,598	93,413
Inter-segment elimination					(2,593)
Total consolidated revenue					<u>90,820</u>
<b>Result</b>					
Segment net operating loss after tax	(652,014)	(41,596)	(175,074)	1,668,043	799,359
Profit/(loss) before income tax and minority interest					799,359
Income tax expense					-
Net profit (loss) for the year					<u>799,359</u>
<b>Assets and liabilities</b>					
Segment assets	6,143,999	44,322	2,851,032	4,238,591	13,277,944
Total assets					<u>13,277,944</u>
Segment liabilities	(556,932)	(168,740)	(85,683)	(255,646)	(1,067,001)
Total liabilities					<u>(1,067,001)</u>
<b>Cash flow information</b>					
Net cash flow from/(used in) operating activities	(1,482,086)	(71,273)	(85,983)	(1,181,304)	(2,820,646)
Net cash flow from/(used in) investing activities	1,594,840	73,149	118,284	(5,285,917)	(3,499,644)
Net cash flow from/(used in) financing activities	-	-	-	6,715,920	6,715,920
Net increase/(decrease) in cash held	112,754	1,876	32,301	248,699	395,630
<b>Other segment information</b>					
Capital expenditure	(776,150)	-	(173,808)	(3,745)	(953,703)
Depreciation	(14,245)	(13,686)	(21,647)	(15,927)	(65,505)
Impairment losses	-	(2,289)	(41,808)	-	(44,097)





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

### (b) Geographical information

The Group's geographical areas are determined based on the location of the Group's assets and operations.

The following tables present revenue, expenditure and certain asset information regarding geographical locations for the years ended 30 June 2013 and 2012:

	<i>Australia</i> \$	<i>Egypt</i> \$	<i>Eritrea</i> \$	<i>Total</i> \$
<b>Year ended 30 June 2013</b>				
<b>Revenue</b>				
Other revenues from external customers	8,228	-	-	8,228
Less revenue attributable to discontinued operation	-	-	-	-
Revenue from continuing operations	8,228	-	-	8,228
Inter-segment sales	-	-	-	-
Segment revenue	8,228	-	-	8,228
<b>Other segment information</b>				
Segment assets	522,754	7,835,583	246,164	8,604,501
Total assets				8,604,501
Capital expenditure	(1,992)	(928,881)	(1,748)	(932,621)
<b>Year ended 30 June 2012</b>				
<b>Revenue</b>				
Other revenues from external customers	88,598	-	2,222	90,820
Less revenue attributable to discontinued operation	-	-	-	-
Revenue from continuing operations	88,598	-	2,222	90,820
Inter-segment sales	-	2,593	-	2,593
Segment revenue	88,598	2,593	2,222	93,413
<b>Other segment information</b>				
Segment assets	4,238,591	6,188,321	2,851,032	13,277,944
Total assets				13,277,944
Capital expenditure	(3,745)	(776,150)	(173,808)	(953,703)

## 29 FINANCIAL INSTRUMENTS

### (a) Financial risk management policy

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to:

- meet all financial commitments as and when they fall due, and
- maintain the capacity to fund its forecast project development and exploration strategies.

The Group continually monitors and tests its forecast financial position against these criteria.

The Group's principal financial instruments comprise cash, short-term deposits and an investment in an ASX listed company. The main purpose of these financial instruments is to raise finance for the Group operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

The Group currently has minimal exposure to commodity price risk but it is expected that as the Group's Alluvial Tin Project has commenced production, and as its other projects move into the production phase, the exposure to these risks is expected to increase significantly. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, security risk and liquidity risk.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

### (b) Interest rate risk

The following table sets out the carrying amount of the financial instruments exposed to interest rate risk:

	<b>2013</b>	<b>2012</b>
	\$	\$
<b>FINANCIAL ASSETS</b>		
<i>Interest Bearing</i>		
Cash at bank	<b>416,502</b>	882,031
Weighted average interest rate	<b>1.60%</b>	2.54%
<i>Non-Interest Bearing</i>		
Cash at bank	<b>170,381</b>	287,551
Trade receivables	<b>313,424</b>	25,902
	<b>900,307</b>	1,195,484
<b>FINANCIAL LIABILITIES</b>		
<i>Non-Interest Bearing</i>		
Trade and other payables	<b>1,355,268</b>	993,262
Other loans	-	-
	<b>1,355,268</b>	993,262

The following table summarises the sensitivity of financial assets held at balance date to interest rate risk, following a movement of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below.

	<i>Post-tax gain/(loss)/equity increase/(decrease)</i>	
	<b>2013</b>	<b>2012</b>
	\$	\$
+1% (100 basis points)	<b>4,163</b>	8,820
-1% (100 basis points)	<b>(4,163)</b>	(8,820)

### (c) Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

	<i>Carrying Amount</i>		<i>Fair Value</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash	586,883	1,169,582	586,883	1,169,582
Trade and other receivables - current	313,424	25,902	313,424	25,902
Available for sale financial asset	-	3,264,656	-	3,264,656
<b>Financial Liabilities</b>				
Trade and other payables	1,355,268	993,262	1,355,268	993,262
Unsecured loans	-	-	-	-
Convertible loan	-	-	-	-

Cash, cash equivalents and security deposits: The carrying amount approximates fair value because of their short term to maturity

Trade receivables and trade creditors: The carrying amount approximates fair value.

Shares in controlled entities are excluded from the above as these are accounted for at cost in accordance with AASB 127.

Financial asset designated as available for sale: The carrying amount of this asset, which consists of shares in an ASX listed company, approximates fair value as the asset is valued at market value based on the closing price of the ASX listed shares on the last business day of the reporting period.

### *Fair value measurements recognised in the consolidated statement of financial position*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<b>30 June 2013</b>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	\$	\$	\$	\$
<b>Available for sale</b>				
Quoted equities	-	-	-	-
Total	-	-	-	-
<b>30 June 2012</b>				
	\$	\$	\$	\$
<b>Available for sale</b>				
Quoted equities	3,264,656	-	-	3,264,656
Total	3,264,656	-	-	3,264,656



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

### (d) Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group does not hold any credit derivatives to offset its credit exposure.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group.

### (e) Liquidity Risk

The Group's liquidity position is managed to ensure sufficient funds are available to meet our financial commitments in a timely and cost-effective manner.

As referred to in the Going Concern note (Note 1(b)), the Group's liquidity position will depend on several factors, including, but not limited to the following:

- Obtaining additional short-term funding of \$1,000,000 from Gandel Metals Proprietary Limited (a director related entity of Ian Gandel);
- Obtaining a reduction and deferral on exploration commitment on its Eritrean project from the Eritrean Ministry of Energy and Mines;
- Continuation of the Alluvial Tin Project; and / or
- Further capital raisings and / or debt funding of at least \$1,500,000 by February 2014.

The Company continually reviews its liquidity position including cash flow forecast to determine the forecast liquidity position and maintain appropriate liquidity levels.

In addition to commitment disclosure in Note 21(b), the table below reflects the contractual maturity of financial instruments as at 30 June. Cash flows for financial instruments are presented on an undiscounted basis.

2013	Total	Aging analysis between			Currency	
		<30 days	30-60 days	>60 days	AUD	Other
Cash and Cash						
Equivalents	(586,883)	(586,883)	-	-	(418,134)	(168,749)
Trade Receivables	(313,424)	(313,424)	-	-	(54,455)	(258,969)
Available for Sale						
Financial Asset	-	-	-	-	-	-
Trade Payables	880,990	520,302	48,200	312,488	434,542	446,448
Other Payables	474,278	-	-	474,278	-	474,278
<b>Total</b>	<b>454,961</b>	<b>(380,005)</b>	<b>48,200</b>	<b>786,766</b>	<b>(38,047)</b>	<b>493,008</b>

2012	Total	Aging analysis between			Currency	
		<30 days	30-60 days	>60 days	AUD	Other
Cash and Cash						
Equivalents	(1,169,582)	(1,169,582)	-	-	(888,868)	(280,714)
Trade Receivables	(25,903)	(25,903)	-	-	(21,486)	(4,417)
Available for Sale						
Financial Asset	(3,264,656)	(3,264,656)	-	-	(3,264,656)	-
Trade Payables	500,391	422,849	13,622	63,920	228,267	272,124
Other Payables	492,872	-	-	492,872	-	492,872
<b>Total</b>	<b>(3,466,878)</b>	<b>(4,037,292)</b>	<b>13,622</b>	<b>556,792</b>	<b>(3,946,743)</b>	<b>479,865</b>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

### (f) Foreign Exchange Risk

As a result of operations in Egypt, the Group's statement of financial position can be affected significantly by movements in the EGP/AUD exchange rates. The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

At 30 June 2013, the Group had the following exposure to foreign currency:

	<u>2013</u>	<u>2012</u>
<b>Financial Assets</b>		
<b>US\$</b>		
Cash and cash equivalents	99,443	186,453
<b>EGP</b>		
Cash and cash equivalents	19,517	31,690
Trade Receivables	258,969	4,416
<b>Nakfa</b>		
Cash and cash equivalents	49,789	62,571
	<u>427,718</u>	<u>285,130</u>
<b>Financial Liabilities</b>		
<b>US\$</b>		
Trade and other payables	237,932	128,309
<b>EGP</b>		
Trade and other payables	651,160	553,787
<b>Nakfa</b>		
Trade and other payables	19,644	73,677
<b>GBP</b>		
Trade and other payables	11,990	9,222
	<u>920,726</u>	<u>764,995</u>
<b>Net exposure</b>	<u>(493,008)</u>	<u>(479,865)</u>

The following sensitivity is based on the most significant foreign currency risk exposures in existence at the statement of financial position date, which is the Australian Dollar moving against the Egyptian Pound (EGP).

At 30 June 2013, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

	<i>Post Tax Loss (Higher)/Lower</i>		<i>Equity Higher/(Lower)</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	\$	\$	\$	\$
AUD/EGP +10%	(40,568)	(5,821)	(1,160,772)	(1,166,163)
AUD/EGP -10%	49,583	7,114	1,418,721	1,425,310

Foreign exchange rates used during the period were as follows:

	<b>2013</b>	<b>2012</b>
	<b>AUD:EGP</b>	<b>AUD:EGP</b>
Rate as at 30 June	6.37220	6.13180
Average Rate for year ended 30 June	6.57920	6.17090



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

### (g) Capital management policy

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Short-term funding for the Group of up to \$1,000,000 has been obtained via a loan facility from Gandel Metals Proprietary Limited (a director related entity of Ian Gandel) to fund operations and commitments. As referred to in the Going Concern note (Note 1(b)), a further capital raising of at least \$1,500,000 is estimated to be required by February 2014, however, the actual amount of any capital raising will be determined closer to the time and be subject to the operational requirements of the Group.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its controlled entities are subject to externally imposed capital requirements.

### (h) Equity price risk

The Group is no longer exposed to equity price risks arising from equity investments following the sale of its equity investments during 2013. The equity investments were acquired from the sale of the Heemskirk Joint Venture interest.

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 10% higher/lower:

- profit for the year ended 30 June 2013 would increase/decrease by nil (2012: \$326,465) as a result of the changes in fair value in the equity investments; and
- other comprehensive income for the year ended 30 June 2013 would have been unaffected as a result of the changes in fair value of the equity investments.

The Group's sensitivity to equity prices has changed significantly from the prior year due to the sale of the shares in Stellar Resources Ltd during the reporting period.

## 30 PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 2 for a summary of the significant accounting policies relating to the Group.

	<b>2013</b>	<b>2012</b>
	\$	\$
<b>(a) Financial Position</b>		
<b>Assets</b>		
Current assets	498,977	939,242
Non-current assets	51,665	3,327,238
Total assets	550,642	4,266,480
<b>Liabilities</b>		
Current liabilities	506,681	255,647
Non-current liabilities	-	-
Total liabilities	506,681	255,647
<b>Equity</b>		
Contributed equity	48,530,322	45,530,847
Accumulated losses	(49,021,023)	(42,054,676)
Option issue reserve	534,662	534,662
Total equity	43,961	4,010,833





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2013

	<i>2013</i>	<i>2012</i>
	\$	\$
<b>(b) Financial Performance</b>		
Profit/(loss) for the year	(6,966,347)	(3,791,623)
Other comprehensive income	-	-
Total comprehensive income	(6,966,347)	(3,791,623)

### **(c) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries**

At the Balance Date there are no guarantees entered into by the Parent Entity in relation to the debts of its subsidiaries (2012: nil).

### **(d) Contingent liabilities of the parent entity**

The Parent Entity did not have any contingent liabilities as at Balance Date.

### **(e) Commitments for capital expenditure entered into by the parent entity**

The Parent Entity did not have any commitments for capital expenditure as at Balance Date.

## **31 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.



# DIRECTORS' DECLARATION

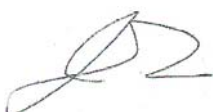
The directors of Gippsland Limited declare that:

- (a) in the directors' opinion, the financial statements and notes on pages 39 to 81, and the remuneration disclosures that are contained in the Directors' report, set out on pages 26 to 29, are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2013 and of their performance, for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) in the directors' opinion, the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board as disclosed in note 2 to the financial statements; and
- (c) 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.

The directors have been given the declarations required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors pursuant to Section 295(5) of the *Corporations Act 2001*.

Dated 27<sup>th</sup> day of September 2013.



J Starink  
Director



# INDEPENDENT AUDITOR'S REPORT



Deloitte Touche Tohmatsu  
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## Independent Auditor's Report to the Members of Gippsland Limited

### Report on the Financial Report

We have audited the accompanying financial report of Gippsland Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 11 to 55.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Auditor's Independence Declaration*

In conducting our audit, 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 report.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

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# INDEPENDENT AUDITOR'S REPORT

**Deloitte.**

## *Opinion*

In our opinion:

- (a) the financial report of Gippsland Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

## *Material Uncertainty Regarding Continuation as a Going Concern*

Without modifying our opinion, we draw attention to Note 2(b) in the financial report which indicates that the consolidated entity has incurred net losses of \$7,999,617 (2012: profit of \$799,359) and experienced net cash outflows from operations of \$2,427,974 (2012: \$2,820,646) and net cash outflows from investing activities of \$1,167,790 (2012: \$3,499,644) for the year ended 30 June 2013. These conditions, along with other matters set out in Note 2(b), indicate the existence of a material uncertainty that may cast significant doubt about the company's and the consolidated entity's ability to continue as going concerns and therefore, whether they will realise their assets and extinguish their liabilities in the ordinary course of business, and at amounts stated in the financial report.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 6 to 9 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Opinion*

In our opinion the Remuneration Report of Gippsland Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Chris Nicoloff*

**Chris Nicoloff**  
Partner  
Chartered Accountants  
Perth, 27 September 2013

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# ASX ADDITIONAL INFORMATION

AS AT 25 SEPTEMBER 2013

<b>A TOTAL EQUITY SECURITIES</b>	Shares	Options ex 31/12/2013 at 6 cents
Totals on Issue	1,375,700,081	600,000

## **B DISTRIBUTION OF EQUITY SECURITIES**

1 - 1,000	49	
1,001 - 5,000	38	
5,001 - 10,000	31	
10,001 - 100,000	496	
100,001 and over	415	2
	1,029	2

No of shareholders holding an unmarketable parcel 516

## **C TOP 20 SHAREHOLDERS**

	Number	%
1 Abbotsleigh Pty Ltd	586,788,200	42.65
2 JP Morgan Nominees Aust Limited	171,385,304	12.46
3 National Nominees Limited	60,890,281	4.43
4 HSBC Custody Nominees Aust Limited	54,083,360	3.93
5 Situate Pty Ltd	27,408,626	1.99
6 Citicorp Nominees Pty Limited	25,904,494	1.88
7 Taverroam Pty Limited <Beale S/F>	19,140,345	1.39
8 Nessim Emile Alfred	18,800,000	1.37
9 Situate Pty Limited	17,777,517	1.29
10 Sunland Systems Pty Ltd	10,905,000	0.79
11 Taverroam Pty Ltd <Beale Super>	10,260,243	0.75
12 EJ & LY Congdon	9,875,912	0.72
13 King Town Holdings Pty Ltd	9,183,882	0.67
14 Bnp Paribas Nominees Pty Ltd	8,953,203	0.65
15 David Same	8,148,006	0.59
16 Eco International Pty Ltd	7,942,488	0.58
17 Threesixty Group Pty Ltd	7,641,000	0.56
18 Alsanto Nominees Pty Ltd	6,390,000	0.46
19 Statemoor Pty Ltd	6,000,000	0.44
20 Starlight Holdings Ltd	6,000,000	0.44
	<b>1,073,497,861</b>	<b>78.04</b>



# ASX ADDITIONAL INFORMATION

AS AT 25 SEPTEMBER 2013

<b>D UNLISTED OPTION HOLDERS</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry</b>
Geoffrey Alexander Hawkins <The Hawkins Family A/c>	500,000	6 cents	31/12/13
Rhonda Jean Light	100,000	6 cents	31/12/13

<b>E SUBSTANTIAL SHAREHOLDERS</b>	<b>Number</b>	<b>%</b>
Abbotsleigh Pty Ltd	586,788,200	42.65
Situate Pty Ltd, Taveram Pty Ltd and RW Beale	75,000,000	5.45

## **F VOTING RIGHTS**

Under the Company's constitution, all ordinary shares carry one vote per share without restriction. Options over ordinary shares do not carry any voting rights.

## **F EXPLORATION INTERESTS**

As at 25 September 2013, the Company has an interest in the following tenements:

<b>Country</b>	<b>Project</b>	<b>Tenement</b>	<b>Status</b>	<b>Interest</b>
Egypt	Abu Dabbab	Exploitation Licence 1658	Granted	50%
Egypt	Abu Dabbab	Exploitation Licence 1659	Granted	50%
Egypt	Nuweibi	Exploitation Licence 1785	Granted	50%
Egypt	Wadi Allaqi - Seiga	Exploration Licence <sup>1</sup>	Pending	50%
Egypt	Wadi Allaqi - Shashoba	Exploration Licence <sup>1</sup>	Pending	50%
Egypt	Wadi Allaqi – Haimur	Exploration Licence <sup>1</sup>	Pending	50%
Egypt	Wadi Allaqi – Garayat	Exploration Licence <sup>1</sup>	Pending	50%
Egypt	Wadi Allaqi – Koleit	Exploration Licence <sup>1</sup>	Pending	50%
Egypt	Wadi Allaqi – Nile Valley A	Exploration Licence <sup>1</sup>	Pending	50%
Egypt	Wadi Allaqi – Nile Valley E	Exploration Licence <sup>1</sup>	Pending	50%
Egypt	Wadi Allaqi – Abu Swayel	Exploration Licence <sup>1</sup>	Pending	50%
Egypt	Wadi Allaqi – Um Tiur	Exploration Licence <sup>1</sup>	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.









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