

207 Stirling Highway  
Claremont WA 6010  
Australia

t : +61 8 9340 6000  
f : +61 8 9340 6060

PO Box 352  
Nedlands WA 6909  
Australia

e : [info@gippslandltd.com](mailto:info@gippslandltd.com)  
w : [www.gippslandltd.com](http://www.gippslandltd.com)



ABN 31 004 766 376

28 August 2009

## FULLY UNDERWRITTEN RENOUNCEABLE RIGHTS ISSUE TO RAISE \$3.88 MILLION

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The Directors of Gippsland Limited [ASX: GIP, DB: GIX] ("Gippsland" or "the Company") are pleased to announce a fully underwritten renounceable rights issue to all shareholders on the basis of two new shares for every seven existing shares at an issue price of 3.2 cents (approx €0.019) per new share ("Rights Issue"). The Rights Issue will raise \$3,872,958 (approx €2,278,500) for the Company before issue costs.

The Rights Issue has been fully underwritten by Gandel Metals Pty Ltd (as trustee for the Gandel Metals Trust), a company controlled by Gippsland Chairman, Mr Ian Gandel. The Rights Issue price represents a 41% discount to the 30 day volume weighted average of Gippsland shares traded on ASX.

A prospectus for the Rights Issue will follow this announcement and will be despatched to eligible shareholders following the Record Date of 8 September 2009.

After meeting the expenses of the Rights Issue, the funds raised from the Rights Issue will be applied to the Company's 44.5 million tonne Abu Dabbab tantalum-tin project in Egypt. Specifically these funds will be used to meet the costs of completing due diligence related to financing the Abu Dabbab project; working capital; project development; exploration of existing projects and repayment of Directors' interest-free loans to the Company.

This Rights Issue follows on from the \$800,000 (approx €470,600) loan conversion on 27 August 2009 by Abbotsleigh Pty Ltd, a company controlled by Mr Ian Gandel. Mr Gandel has indicated the present intention for Abbotsleigh Pty Ltd is to fully take up its rights under the Rights Issue, thereby maintaining its present 18.9% shareholding in the company.

Following an extremely challenging twelve months, this capital raising will now enable the Directors to focus on the Company's prime aim; to develop the Abu Dabbab project into the leading supplier of feedstock to the global tantalum industry.

A handwritten signature in black ink, appearing to read 'J. Telford', written in a cursive style.

RJ (Jack) Telford  
Director, Chief Executive Officer

***For further information, please contact***

Jack Telford  
Gippsland Limited  
Tel: +61 8 9340 6000  
Email: [jtelford@gippslandltd.com](mailto:jtelford@gippslandltd.com)  
Web: [www.gippslandltd.com](http://www.gippslandltd.com)

DJ Carmichael & Co  
Paul Covich / Rob Matthews  
Tel: +61 8 9263 5271  
Email: [pcovich@djcarichael.com.au](mailto:pcovich@djcarichael.com.au) / [rmatthews@djcarichael.com.au](mailto:rmatthews@djcarichael.com.au)  
Web: [www.djcarichael.com.au](http://www.djcarichael.com.au)

WH Ireland Limited (UK)  
John Molyneux / James Hughes  
Tel: +44 20 7220 1665 / +4420 7220 1663  
Email: [john.molyneux@wh-ireland.co.uk](mailto:john.molyneux@wh-ireland.co.uk) / [james.hughes@wh-ireland.co.uk](mailto:james.hughes@wh-ireland.co.uk)  
Web: [www.wh-ireland.co.uk](http://www.wh-ireland.co.uk)



ABN 31 004 766 376

## PROSPECTUS

For a pro-rata renounceable rights issue of approximately 121,029,937 New Shares on the basis of two New Shares for every seven Shares held on the Record Date at an issue price of \$0.032 per New Share, to raise approximately \$3,872,958.

**THE RIGHTS ISSUE CLOSES AT 5.00PM AWST ON 28 SEPTEMBER 2009.**

**THIS RIGHTS ISSUE IS UNDERWRITTEN BY GANDEL METALS PTY LTD  
(ACN 102 347 995) AS TRUSTEE FOR THE GANDEL METALS TRUST**

### IMPORTANT NOTICE

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

If you sell or have sold or otherwise transferred all your Shares in Gippsland Limited ("Gippsland" or the "Company"), on or before the Record Date, you should send this document, to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into the United States of America, Canada, the Republic of South Africa, the Republic of Ireland or Japan. If you have sold or transferred only part of your holding of Shares you should retain this document. However, this document should not be forwarded or transmitted in or into the United States of America, Canada, the Republic of South Africa, the Republic of Ireland or Japan.

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### ANNEXURE A

Summary of Important Dates*	
Announcement of Rights Issue	28 August 2009
Lodge Prospectus with ASIC and ASX	28 August 2009
Notice sent to shareholders containing information required by Appendix 3B	1 September 2009
"Ex" Date (date Shares quoted ex-rights)	2 September 2009
Rights trading commences	2 September 2009
Record Date to determine Entitlements (5.00pm AWST)	8 September 2009
Opening Date/Dispatch of Prospectus (9.00am AWST)	14 September 2009
Rights trading ends	21 September 2009
Closing Date for acceptances and receipt of applications under the Rights Issue (5.00pm AWST)	28 September 2009
Closing date for acceptance & receipt of applications for the Shortfall by Underwriter	1 October 2009
Notification to ASX of Shortfall	1 October 2009
Allotment of New Shares	7 October 2009
Trading on ASX in the New Shares to commence	8 October 2009
*These dates are indicative only. The Directors reserve the right to vary the key dates, without prior notice and subject to compliance with the Corporations Act, the Listing Rules and other applicable law to cancel the Offer, close the Offer early, or accept late applications, either generally or in a particular case.	

### IMPORTANT NOTICE

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

This Prospectus is dated 28 August 2009. A copy of this Prospectus was lodged with the ASIC on 28 August 2009. No responsibility for the contents of this Prospectus is taken by ASIC. No applications for New Shares will be accepted nor will New Shares be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

This document does not constitute an approved prospectus for the purposes of the UK Prospectus Rules and contains no offer of transferable securities to the public within the meaning of sections 85 and 102B of FSMA or

otherwise. This document has not been, and will not be, approved or examined by or filed with the Financial Services Authority ("FSA") or by any other authority which could be a competent authority for the purposes of the Prospectus Rules.

Application will be made for the New Shares to be listed for quotation on the ASX. It is expected that quotation of the New Shares on the ASX will commence on 8 October 2009.

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

This Prospectus does not constitute an offer or invitation to acquire securities in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. Neither this document nor the New Shares have been, nor will be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States of America, or any applicable securities laws of Canada, Japan, the Republic of South Africa or the Republic of Ireland. Accordingly, subject to certain exceptions, the New Shares may not, directly or indirectly, be offered or sold within the United States of America, Canada, Japan, the Republic of South Africa or the Republic of Ireland or to or for the account or benefit of any national resident or citizen of, or any person located in, the United States of America, Canada, Japan, the Republic of South Africa or the Republic of Ireland. The distribution of this Prospectus in other jurisdictions may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

## UK NOTICE

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

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

The content of this document has not been approved by an authorised person for the purposes of section 21 of the FSMA. Any investment to which this document relates is available to (and any investment activity to which it relates will be engaged with) only those persons described above. Persons who do not fall within this category should not take any action upon this document, but should return it immediately.

This document and its contents must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

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

The total consideration of the offer under the Rights Issue and offers made by the Company in the United Kingdom in the twelve month period preceding the Closing Date shall be less than €2,500,000 in aggregate. Therefore, in accordance with Section 85 and schedule 11A of the FSMA, this document does not constitute an approved prospectus for the purposes of the Prospectus Rules of the Financial Services Authority ("FSA") in the United Kingdom and contains no offer of transferable securities to the public within the meaning of sections 85 and 102B of FSMA or otherwise. This document has not been, and will not be, approved or examined by or filed with the FSA or by any other authority which could be a competent authority for the purposes of the Prospectus Rules.

## Other Exchanges

The Shares are included in trading on the Open Market (Regulated Unofficial Market) of the Frankfurt Stock Exchange.

## CORPORATE DIRECTORY

### DIRECTORS

**Ian Jeffrey Gandel**

Non Executive Chairman

**Robert John (Jack) Telford**

Executive Director and Chief Executive Officer

**Jon Starink**

Executive Director

**John Stuart Ferguson Dunlop**

Non Executive Director

**John Damian Kenny**

Non Executive Director

### SECRETARY

Rowan Caren

### REGISTERED OFFICE

Suite 4, 207 Stirling Highway

Claremont WA 6010

AUSTRALIA

### PRINCIPAL OFFICE

Suite 4, 207 Stirling Highway

Claremont WA 6010

AUSTRALIA

Tel: +61 8 9340 6000

Fax: +61 8 9340 6060

Website: [www.gippslandltd.com](http://www.gippslandltd.com)

Email: [info@gippslandltd.com](mailto:info@gippslandltd.com)

### AUDITORS

PKF Chartered Accountants & Advisers

BGC Centre

Level 7, 28 The Esplanade

Perth WA 6000

AUSTRALIA

### SHARE REGISTRY

Security Transfer Registrars Pty Ltd

770 Canning Hwy

Applecross WA 6153

AUSTRALIA

Telephone: +61 8 9315 2333

Facsimile: +61 8 9315 2233

### UNDERWRITER

Gandel Metals Pty Ltd

as trustee for the Gandel Metals Trust

Suite 3, 51-55 City Road

Southbank VIC 3006

AUSTRALIA

Telephone: +61 3 9697 9000

Facsimile: +61 3 9697 9001

### AUSTRALIAN SOLICITORS

Blakiston & Crabb

1202 Hay Street

West Perth WA 6005

AUSTRALIA

### UK SOLICITORS

Cobbetts LLP

58 Mosley Street

Manchester M2 3HZ

UNITED KINGDOM

### EGYPTIAN SOLICITORS

Trowers & Hamblins\*

1 El Gabalaya Street, 3rd Floor

Zamalek, Cairo

ARAB REPUBLIC OF EGYPT

\*Provided for information purposes only.

### BRIEF INSTRUCTIONS

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

#### What you may do

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

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

#### If you wish to take up all or part of your Entitlement

Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the form. Forward your completed Entitlement and Acceptance Form, together with your cheque or banker's draft (denominated in Australian currency) for the amount shown on the form or for such lesser amount as you wish to apply for, so as to reach the Company's Share Registry no later than 5:00pm AWST on 28 September 2009 (except

where payment is via BPAY® in which case payment must be made by such earlier cut off time that your own financial institution may implement with regard to electronic payments). If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

#### **If you wish to sell all or part of your Entitlement on ASX**

Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the reverse of the form and liaise with your stockbroker.

#### **If you wish to transfer your Entitlement other than on market using ASX**

Forward a completed standard renunciation form (obtainable from your stockbroker or the Company's Share Registry), an Entitlement and Acceptance Form (completed by the transferee) together with the transferee's cheque or banker's draft (denominated in Australian currency) so as to reach the Company's Share Registry no later than 5:00pm AWST on 28 September 2009.

#### **If you wish to participate in the Shortfall**

Complete the accompanying Entitlement and Acceptance Form, including the section marked "**Additional New Shares**", in accordance with the instructions set out on the form. Forward your completed Entitlement and Acceptance Form, together with payment for your Entitlement and a separate cheque or banker's draft (denominated in Australian currency) in respect of the Shortfall applied for, so as to reach the Company's Share Registry no later than 5:00pm AWST on 28 September 2009.

#### **Entitlements not taken up**

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

## **SECTION 1 DETAILS OF THE OFFER**

### **1.1 The Offer**

This Prospectus is for a pro-rata renounceable rights issue of approximately 121,029,937 New Shares on the basis of two New Shares for every seven Shares held by Existing Eligible Shareholders on the Record Date at an issue price of \$0.032 per New Share, to raise approximately \$3,872,958 (less expenses of the Rights Issue estimated to be \$270,000). In determining Entitlements, any fractional entitlement will be rounded up to the nearest whole number.

The total consideration of the offer made by the Company in the United Kingdom under the Rights Issue and offers made by the Company in the United Kingdom in the twelve month period preceding the Closing Date shall be less than €2,500,000 in aggregate (assuming full subscription by Existing Eligible Shareholders).

As at the date of this Prospectus, 423,604,779 Shares are on issue.

The Company also has the following unquoted Options on issue:

<b>Number</b>	<b>Exercise price</b>	<b>Expiry date</b>
25,000,000	\$0.135	26 May 2012
4,000,000	£0.07	15 December 2011
17,000,000	\$0.015	31 May 2012
10,000,000	\$0.087	14 December 2011

Existing holders of Options will not be entitled to participate in the Rights Issue. Holders of Options may exercise their Options prior to the Record Date if they wish to participate in the Rights Issue.

If all of the Options currently on issue are exercised and Shares issued prior to the Record Date, the number of New Shares that are offered pursuant to this Prospectus will be approximately 137,029,937. If none of the Options are exercised prior to the Record Date, approximately 121,029,937 New Shares would be offered pursuant to this Prospectus.

Any New Shares not taken up by Existing Eligible Shareholders under their Entitlement will form part of the Shortfall. Please refer to Section 1.8 for further details. Any New Shares not taken up in the Shortfall will be dealt with in accordance with the Underwriting Agreement. Please refer to Section 5.5 for further details.

This Prospectus is also to facilitate the secondary trading of:

- (a) 80,000,000 Shares the Company has issued to Abbotsleigh at a deemed issue price of \$0.01 as repayment of a loan for \$800,000 (plus interest accruing at 10% p.a.) made by Abbotsleigh (as lender) to the Company (as borrower) ("**Repayment Shares**") on 28 August 2009; and
- (b) 15,625,000 Shares ("**Placement Shares**") the Company has issued to sophisticated investors (as defined in the Corporations Act) on 18 August 2009.

The Repayment Shares and Placement Shares were issued without disclosure to investors under Part 6D.2 of the Corporations Act. A prospectus is required under the Corporations Act to enable Abbotsleigh who was issued with the Repayment Shares and the persons who were issued with the Placement Shares to on-sell those Shares within 12 months of their issue. The Company did not issue the Repayment Shares nor the Placement Shares with the purpose of Abbotsleigh or the allottees of the Placement Shares (as the case may be) selling or transferring their securities, or granting, using or transferring interests in, those securities. However, the Board considers that Abbotsleigh and the allottees of the Placement Shares should be entitled, should they wish, to on-sell their Repayment Shares or Placement Shares (as the case may be) prior to the expiry of 12 months after their issue. Abbotsleigh is an entity associated with Ian Gandel, a Director. Refer to Sections 4.2(x) and 5.6 for further information in this regard.

## 1.2 Rights Trading

Entitlements to New Shares pursuant to the Rights Issue are renounceable. This enables Existing Eligible Shareholders who do not wish to subscribe for some or all of the New Shares under this Rights Issue to sell their respective Rights and also enables Existing Eligible Shareholders to purchase additional Rights if they wish.

Rights trading commences on ASX on 2 September 2009 and will cease trading on 21 September 2009.

## 1.3 Underwriting

The Rights Issue is fully underwritten by Gandel Metals. Pursuant to the Underwriting Agreement, the Company will pay Gandel Metals 4.00% of the total amount sought under the Rights Issue, being approximately \$154,918. A summary of the material terms of the Underwriting Agreement, including rights of termination, is set out in Section 5.5. Gandel Metals is an entity controlled by Ian Gandel, a Director. Please refer to Sections 5.5 and 5.6 for further details in this regard.

## 1.4 Purpose of the Rights Issue

The purpose of the Rights Issue is, after meeting the expenses of the Rights Issue, to raise funds for the Company's Abu Dabbab tantalum/tin project in Egypt, specifically to complete the final bankable feasibility study, the costs of due diligence related to the Abu Dabbab financing, working capital, exploration of existing projects and repayment of Directors' loans to the Company (see Section 5.6 for further details in this regard).

The following table illustrates the proposed application of funds raised from the Rights Issue in approximate AUD terms.

Item	Description	Amount (\$)
1	Abu Dabbab - Feasibility Study Revision	487,229
2	Abu Dabbab - Project Finance Due Diligence	163,670
3	Exploration	120,000
4	Repaying Directors' Loans	300,000
5	Expenses of Rights Issue	270,000
6	Repayment of Interest on Convertible Loan	20,795
7	Working Capital and Business Development	2,511,264
<b>Total</b>		<b>3,872,958</b>

## 1.5 Opening and Closing Dates

The Rights Issue will open for receipt of acceptances at 9:00am AWST on 14 September 2009.

The Rights Issue will close at 5:00pm AWST on 28 September 2009 (except where payment is via BPAY® in which case payment must be made by such earlier cut off time that your own financial institution may implement with regard to electronic payments) or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine and provided that the Company gives ASX notice of the change at least 6 Business Days prior to the Closing Date of the Rights Issue.

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## 1.6 Brokerage and Commission

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

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

## 1.7 Entitlements and Acceptance

Participation in the Rights Issue is open to all Existing Eligible Shareholders (i.e. shareholders resident in Australia, New Zealand and the United Kingdom on the Record Date - refer to Section 1.12). Existing Eligible Shareholders who accept their Entitlement (in full or in part) acknowledge, warrant, represent and undertake to the Company in the terms set out in Annexure A.

### Acceptance of Entitlement in Full

If you are an Existing Eligible Shareholder and wish to take up **all** of your Entitlement under the Rights Issue, please complete the Entitlement and Acceptance Form in accordance with the instructions set out on the reverse of that form. Applications must not exceed your Entitlement as shown on the Entitlement and Acceptance Form. Applications exceeding your Entitlement will be deemed to be for your maximum Entitlement and any surplus subscription funds will be returned, at the applicant's sole risk, without interest.

### Partial Acceptance of Entitlement

If you are an Existing Eligible Shareholder and wish to take up **part** of your Entitlement and sell the balance on ASX, please follow the instructions set out on the reverse of the the Entitlement and Acceptance Form under the section marked "**Sale of your Entitlement by your stockbroker in full or in part**" and then liaise accordingly with your stockbroker.

Rights trading commences on 2 September 2009. You must deal with that part of your Entitlement which you do not intend to accept by close of trading on the ASX on 21 September 2009, when Rights trading ceases.

### Acceptance of Terms

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

#### (i) Australia or New Zealand

If you are an Existing Eligible Shareholder resident in Australia or New Zealand please ensure the completed Entitlement and Acceptance Form, together with your cheque (denominated in Australian currency), is received by the Company's Share Registry at:

#### Delivered to

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

#### Or by post to

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

**not later than 5.00pm AWST on 28 September 2009** or such later date as the Directors advise. Cheques should be made payable to "**Gippsland Limited - Share Issue Account**" and crossed "Not Negotiable". If paying via BPAY, applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the applicant to ensure that funds are submitted through BPAY by the date and time mentioned above. If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

**(ii) United Kingdom**

If you are an Existing Eligible Shareholder resident in the UK please ensure the completed Entitlement and Acceptance Form, together with a banker's draft (denominated in Australian currency) is received by the Company's Share Registry at:

**Delivered to**

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

**Or by post to**

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

**not later than 5.00pm AWST on 28 September 2009** or such later date as the Directors advise.

**Sale of all your Entitlement on ASX**

If you wish to sell all of your Entitlement on the ASX, please follow the instructions set out on the reverse of the Entitlement and Acceptance Form under the section marked "**Sale of your Entitlement by your stockbroker in full or in part**".

Rights trading commences on 2 September 2009. You must deal with your Entitlement by close of trading on the ASX on 21 September 2009, when Rights trading ceases.

**Transfer of Entitlement Other Than on Market Using ASX**

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

- a completed standard renunciation form (obtainable from your stockbroker or the Company's Share Registry);
- Entitlement and Acceptance Form completed by the transferee; and
- Transferee's cheque for the amount due in respect of the New Shares to the Company's Share Registry at:

**Delivered to**

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

**Or by post to**

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

**not later than 5.00pm AWST on 28 September 2009** or such later date as the Directors advise. Cheques should be made payable to "**Gippsland Limited - Share Issue Account**" and crossed "Not Negotiable".

**Taxation Implications**

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

**Enquiries**

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

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

## 1.8 Rights Issue Shortfall

If Existing Eligible Shareholders decide not to accept all or part of their Entitlement pursuant to the Rights Issue, Existing Eligible Shareholders are not required to take any action. The New Shares not accepted will form part of the Shortfall and will be dealt in accordance with this Section 1.8. In these circumstances, Existing Eligible Shareholders will receive no benefit. Accordingly, it is important that they take action to either accept or renounce their Entitlement in accordance with the above instructions.

An application to participate in any Shortfall may only be made by an Existing Eligible Shareholder. The Directors and other related parties of the Company may not participate in any Shortfall (except for Ian Gandel in relation to the underwriting of the Rights Issue by Gandel Metals, an entity he controls).

If Existing Eligible Shareholders, after taking up their full Entitlement, wish to apply for additional New Shares under the Shortfall then the maximum number of New Shares which they may apply for under the Shortfall is that number of New Shares that the Existing Eligible Shareholder has applied for under their Entitlement. For example, if an Existing Eligible Shareholder holds 10,000 Shares on the Record Date (entitling them to 2,857 New Shares under their Entitlement), the maximum number of New Shares they can apply for under the Shortfall is also 2,857.

It is intended that priority will be given to Existing Eligible Shareholders when dealing with Shortfall Applications prior to the Underwriter being allocated any New Shares.

The Directors do not guarantee that any Shortfall Application will be successful (whether in whole, in part or at all). Directors, in their absolute discretion, may allot to some Shortfall applicants, and not others, a lesser number of New Shares than the number for which the Shortfall Application applies, or to reject a Shortfall Application pursuant to this Prospectus. In the event a Shortfall Application is not accepted (whether in whole or in part) monies in relation to the New Shares applied for and not allocated will be refunded in full without interest at the applicant's sole risk as soon as practicable after the decision to not accept the Shortfall Application (whether in whole or in part) is made.

If you wish to participate in any Shortfall that may arise under the Rights Issue you should, in addition to completing the section marked "**Entitlement or Part Thereof**", complete the section marked "**Additional New Shares**" in the Entitlement and Acceptance Form in accordance with the instructions set out thereon.

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

### **Delivered to**

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

### **Or by post to**

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

Existing Eligible Shareholders resident in the UK are invited to, in completing the Entitlement and Acceptance Form, additionally complete the section marked "**Additional New Shares**" in the Entitlement and Acceptance Form and return it, together with a banker's draft (in Australian currency), to the Company's Share Registry at:

### **Delivered to**

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

### **Or by post to**

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

**not later than 5.00pm AWST on 28 September 2009** or such later date as the Directors advise.

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

## 1.9 Issue and Allotment of New Shares

The New Shares are expected to be issued and allotted and quoted on the ASX by no later than 8 October 2009. Until issue and allotment of the New Shares under this Prospectus and quotation of the New Shares on ASX, any acceptance money received by the Company will be held in trust in a separate bank account opened and maintained for that purpose only. Any interest earned on the acceptance money will be for the benefit of the Company and will be retained by it irrespective of whether allotment of the New Shares takes place.

## 1.10 ASX Listing

The Company will make application to ASX within 7 days following the date of this Prospectus for official quotation of the New Shares offered pursuant to this Prospectus.

If approval for official quotation of the New Shares is not granted by ASX within 3 months after the date of this Prospectus, the Company will not allot or issue any New Shares and will repay all application monies (where applicable) as soon as practicable, without interest at the applicant's sole risk.

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

## 1.11 No Issue of New Shares after 13 months

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

## 1.12 Overseas Investors

The Company is of the view that it is unreasonable to make an offer under this Prospectus to Existing Shareholders outside of Australia, New Zealand and the United Kingdom having regard to:

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

Accordingly, only Existing Eligible Shareholders are entitled to participate in the Rights Issue and the Company is not required to make any offers under the Rights Issue to Existing Shareholders resident outside of Australia, New Zealand and the United Kingdom ("**Excluded Shareholders**").

The Company has appointed Maiden Capital Pty Ltd, on normal commercial terms, as nominee for the Excluded Shareholders to arrange the sale of the Rights which would have been offered to the Excluded Shareholders had they been entitled to participate in the Rights Issue. The Company will transfer the Rights of the Excluded Shareholders to the nominee who will account to those Excluded Shareholders for the net proceeds of the sale of the Rights (if any). The nominee will have the absolute and sole discretion to determine the timing and the price at which the Rights may be sold and the manner of any such sale. Neither the Company nor the nominee will be subject to any liability for failure to sell the Rights or to sell them at a particular price.

If, in the reasonable opinion of the nominee, there is not a viable market for the Rights or a surplus over the expenses of sale cannot be obtained for the Rights that would have been offered to the Excluded Shareholders, then the Rights will be allowed to lapse and they will form part of the Shortfall.

## 1.13 Market Prices of Shares on ASX

The highest and lowest closing market sale prices of Shares on ASX during the 3 months immediately preceding the date of this Prospectus and the respective dates of those sales were \$0.061 on 7 August

2009 and \$0.038 on 16 and 17 July 2009. The latest available market sale price of Shares on ASX immediately before the date of issue of this Prospectus was \$0.050 on 27 August 2009.

## 1.14 Data Protection and Privacy

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

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

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

## SECTION 2 CAPITAL STRUCTURE & EFFECT OF THE OFFERS

### 2.1 Principal Effects

The principal effects of the Rights Issue are:

- (a) the Company's cash funds will increase by approximately \$3,872,958 less expenses of the Rights Issue, which are estimated to be approximately \$270,000; and
- (b) the total number of Shares on issue will be approximately 544,634,716 (assuming no Options currently on issue are exercised).

### 2.2 Consolidated Balance Sheet and Capital Structure

#### Capital Structure of the Company

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

Issued Capital - Shares	Number
Existing Shares on issue	423,604,779
New Shares offered for subscription pursuant to this Prospectus	121,029,937
<b>Total Shares on issue after completion of Rights Issue</b>	<b>544,634,716</b>

The Company also has the following unquoted Options on issue:

Number	Exercise price	Expiry date
25,000,000	\$0.135	26 May 2012
4,000,000	£0.07	15 December 2011
17,000,000	\$0.15	31 May 2012
10,000,000	\$0.087	14 December 2011

#### Pro-Forma Consolidated Balance Sheet

The following is a pro-forma unaudited consolidated balance sheet of the Company as at 30 June 2009, adjusted to reflect:

- i. the grant of 10,000,000 unlisted Options exercisable at \$0.087 by no later than 14 December 2011;

- ii. the issue of 15,625,000 shares to raise \$500,000 on 18 August 2009;
- iii. the conversion of 80,000,000 Convertible Notes into Shares at a conversion price of \$0.01 cent per Share into 80,000,000 Shares;
- iv. the Rights Issue of 121,029,937 New Shares to raise \$3,872,958;
- v. the incurring of administration costs for the period from 1 July 2009 to 31 August 2009 of \$425,000 and payment of trade payables of \$343,900; and
- vi. the expenses of the Rights Issue of \$270,000.

**CONSOLIDATED BALANCE SHEET  
PRO-FORMA REFLECTING PROPOSED RIGHTS ISSUE\***

	<b>30 June 2009 Unaudited Accounts (\$)</b>	<b>30 June 2009 Pro-forma Accounts (\$)</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	114,127	3,448,185
Trade and other receivables	31,707	31,707
Prepayments	26,090	26,090
<b>TOTAL CURRENT ASSETS</b>	<b>171,924</b>	<b>3,505,982</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	168,340	168,340
Capitalised exploration expenditure	4,422,640	4,422,640
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4,590,980</b>	<b>4,590,980</b>
<b>TOTAL ASSETS</b>	<b>4,762,904</b>	<b>8,096,962</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	688,713	344,813
Other financial liabilities	1,100,000	300,000
Short term provisions	20,398	20,398
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,809,111</b>	<b>665,211</b>
<b>TOTAL LIABILITIES</b>	<b>1,809,111</b>	<b>665,211</b>
<b>NET ASSETS</b>	<b>2,953,793</b>	<b>7,431,751</b>
<b>EQUITY</b>		
Issued Capital	30,678,570	35,581,528
Accumulated Losses	(28,441,486)	(29,018,486)
Other reserves	716,709	868,709
<b>TOTAL EQUITY</b>	<b>2,953,793</b>	<b>7,431,751</b>

\*Accounting policies applied in preparation of the Unaudited Pro Forma Consolidated Balance Sheet as at 30 June 2009 are consistent with those applied by the Company in its 2008 annual financials as detailed in the 2008 Annual Report.

## NOTES TO THE PRO-FORMA CONSOLIDATED BALANCE SHEET

### Actual and Proposed Transactions and Assumptions to Arrive at Pro-Forma Balance Sheet

	Unaudited Historical Consolidated Balance Sheet 30 June 2009 (\$)	Unaudited Pro-Forma Consolidated Balance Sheet 30 June 2009 (\$)
<b>Cash and cash equivalents</b>		
Cash at bank and on hand	114,127	3,448,185
<b>Adjustments arising in the preparation of the pro-forma cash balance are summarised as follows:</b>		
Actual balance as at 30 June 2009		114,127
Issue of 15,625,000 Shares at \$0.032 per Share		500,000
Issue of 121,029,937 Shares at \$0.032 per Share		3,872,958
Administrative costs from June to August 2009 and payment of creditors		(768,900)
Capital raising costs		(270,000)
		<u>3,448,185</u>
<b>Trade and Other Payables</b>		
Trade and Other Payables	688,713	344,813
<b>Adjustments arising in the preparation of the pro-forma cash balance are summarised as follows:</b>		
Actual balance as at 30 June 2009		688,713
Creditors paid		(343,900)
		<u>344,813</u>
<b>Other Financial Liabilities</b>		
Other Financial Liabilities	1,100,000	300,000
<b>Adjustments arising in the preparation of the pro-forma cash balance are summarised as follows:</b>		
Actual balance as at 30 June 2009		1,100,000
Conversion of 80,000,000 Convertible Notes into Shares at \$0.01 per Share		(800,000)
		<u>300,000</u>
<b>Issued Capital</b>		
Issued Capital	30,678,570	35,581,528
<b>Adjustments arising in the preparation of the pro-forma cash balance are summarised as follows:</b>		
Actual balance as at 30 June 2009		30,678,570
Conversion of 80,000,000 Convertible Notes into Shares at \$0.01 per Share		800,000
Issue of 15,625,000 Shares at \$0.032 per Share		500,000
Issue of 121,029,937 Shares at \$0.032 per Share		3,872,958
Capital raising costs		(270,000)
		<u>35,581,528</u>

## Other Reserves

Other Reserves	716,709	868,709
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### Adjustments arising in the preparation of the pro-forma cash balance are summarised as follows:

Actual balance as at 30 June 2009		716,709
Issue of 10,000,000 Options exercisable at \$0.087 each on or before 14 December 2011		152,000
		<hr/>
		868,709

## Accumulated Losses

Accumulated Losses	28,441,486	29,018,486
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### Adjustments arising in the preparation of the pro-forma cash balance are summarised as follows:

Actual balance as at 30 June 2009		28,441,486
Issue of 10,000,000 Options exercisable \$0.087 each on or before 14 December 2011		152,000
Administrative expenses of \$425,000 from June to August 2009		425,000
		<hr/>
		29,018,486

## SECTION 3 COMPANY OVERVIEW AND PROJECTS

### 3.1 Abu Dabbab

#### Background

Gippsland has, directly and through its wholly owned subsidiary Tantalum International Pty Ltd, a 50% interest in the Egyptian registered joint venture company Tantalum Egypt JSC, owner of the 44.5 million tonne Abu Dabbab tantalum-tin-feldspar and the 98 million tonne Nuweibi tantalum deposit located approximately 20 kilometres inland from the western shore of the Red Sea in Egypt. By way of a casting vote, Gippsland has the controlling interest in Tantalum Egypt JSC, except in relation to certain major decisions for which a two thirds vote is required.

#### Reserves & Resources

Combining Abu Dabbab with the Nuweibi tantalum deposits, Gippsland has a resource base of 142.5 million tonnes which includes an Ore Reserve of 30.2 million tonnes, the foundation for Gippsland to become a leading global tantalum producer for several decades.

An infill reverse circulation (RC) and diamond drilling programme was completed at Abu Dabbab during 2008, which resulted in a large quantity of the Inferred Resources being elevated to the higher category of Indicated Resources. This was very significant as the higher category resources were subsequently converted to Ore Reserves, resulting in the total reserves more than doubling to 30.2 million tonnes, grading 255 g/t tantalum pentoxide (" $Ta_2O_5$ ") and 0.109% Sn.

#### Production Process Improvements

The revised production process flowsheet will now result in the delivery of a high quality synthetic tantalum concentrate (SynCon) having a  $Ta_2O_5$  content of approximately 50% versus the less valuable mineral concentrate containing a minimum  $Ta_2O_5$  content of 20%. Completion of the independent review of the revised production process flowsheet is currently well advanced.

The Abu Dabbab plant site is situated within 1 kilometre of the mine site and is ideally situated to also draw mill feed from the 98 million tonne Nuweibi tantalum deposit.

## Off-take Agreement

In November 2007, the Company secured a ten year off-take agreement ("**Agreement**") with the German tantalum major HC Starck GmbH ("**Starck**") for the supply of approximately six million pounds of Ta<sub>2</sub>O<sub>5</sub> from the Abu Dabbab project. Save for the first year of commercial production where the Company shall provide all Ta<sub>2</sub>O<sub>5</sub> produced to Starck, the Agreement represents 600,000 pounds of Ta<sub>2</sub>O<sub>5</sub> per year or 92% of the project's initial projected annual Ta<sub>2</sub>O<sub>5</sub> production. The prices of Ta<sub>2</sub>O<sub>5</sub> under the Agreement are confidential, however the Agreement contains price-escalation clauses tied to production cost increases and a floor price of Ta<sub>2</sub>O<sub>5</sub>. Under the Agreement the Company must meet certain milestones relating to placement of orders for Semi Autogenous Grinding Mill and Ball Mills, selection and confirmation of a preferred financier, execution of an EPCM contract and commencement of siteworks which have not been achieved due to delays in obtaining project finance. The Company has commenced discussions with Starck to re-negotiate aspects of the Agreement to balance the project revenues with the increased capital expenditure and operating expenditure associated with the higher value tantalum SynCon.

It is envisioned that all tin production of approximately 1,500 tonnes per annum will be sold on the spot metal market.

## Project Finance

The capital cost for the Abu Dabbab project including financing during construction, was revised and announced to the market in November 2008 to be in the order of US\$173 million, including contingency and pre-production costs, owner's costs and project finance costs during construction, however in view of the recent dramatic decrease in steel and energy costs, the Directors believe the capital cost for the project may be less than this amount. Discussions with the German government owned KfW IPEX-Bank GmbH ("**KfW**") are well advanced in regard to the debt component of the project finance facility. Legal and technical due diligence is largely complete however it will now be necessary for KfW to consider the minor changes associated with the use of desalinated seawater, and the revised offtake arrangement. The Company has secured an extension to KfW's mandate as lead arranger to secure finance for the project until 31 December 2009.

## Outlook

The Directors consider that the 44.5 million tonne Abu Dabbab deposit and the nearby 98 million tonne Nuweibi deposit place the Company in a unique and highly advantageous position in the global tantalum supply chain.

This dependence upon Abu Dabbab has been greatly enhanced by the recent suspension or placement on "care and maintenance" of mines in Australia, Africa and Canada. While these closures were in part related to the contraction of the electronics industry, the Directors are of the view that these closures were also triggered by:

- escalating cost of production;
- decreasing demand for tantalum grades;
- increased metallurgical complications;
- unacceptably high uranium and thorium contents; and
- lack of shipping space for radioactive Class 7 tantalum concentrates.

The Abu Dabbab project is designed to produce a high-grade SynCon having a Ta<sub>2</sub>O<sub>5</sub> content in excess of 50%. Abu Dabbab is also scheduled to generate substantial revenues from the tantalum co-products tin and feldspar. It is not expected that the Abu Dabbab concentrate will be classified as an IMO Class 7 radioactive material. Refer to Section 4.2(c) for further detail.

The Directors consider the Company to be in a unique and highly advantageous position in the global supply chain for tantalum.

### 3.2 Heemskirk Tin Project

The Heemskirk tin project is located within a major tin province in the west of Tasmania. Gippsland holds a free carried 40% interest in the project to completion of a bankable feasibility study in respect of the project at which point its interest would be reduced to 30%. Joint venture partner Columbus Metals Limited

("Columbus") (a subsidiary of Stellar Resources Limited ("Stellar")) and the Company have signed a letter of agreement whereby the companies will merge their respective interests in Heemskirk into Columbus, subject to a successful initial public offering being completed by Columbus. These plans have stalled due to the present global financial crisis, however the parties have verbally agreed that the joint venture is still on foot.

### 3.3 Eritrea

The Company has applied for three prospecting licences in the northern part of Eritrea in an area in which a number of base metal and gold deposits have recently been discovered including the Bisha VMS deposit located in south-western Eritrea and the Zara gold project located immediately to the south of the three application areas. The Company is currently in negotiations seeking to joint venture the project to an ASX listed exploration company with activities in Eritrea.

**Competent Person's Statement:** The information in Section 3 that relates to Exploration Results, Mineral Resources and Ore Reserves is based on data compiled by Dr John Chisholm and Mr John Dunlop who are Fellows of The Australasian Institute of Mining and Metallurgy. Dr Chisholm, a former Executive Director of the Company, was a full time employee of the Company until 18 May 2009. Since then, Dr Chisholm has been a full time employee of Mandu Pty Ltd. Mr Dunlop, a Non-Executive Director of the Company, is employed by mining engineering consultants, John S Dunlop & Associates Pty Ltd. Dr Chisholm and Mr Dunlop have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to each 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 and Mr Dunlop consent to the inclusion in Section 3 of the matters based on their information in the form and context in which it appears.

## SECTION 4 RISK FACTORS

### 4.1 Introduction

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

The following summary, which is not exhaustive, represents some of the major risk factors which potential investors need to be aware of.

### 4.2 Risk Factors

#### (a) Share Market Conditions

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

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

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

#### (b) Economic Conditions

Economic conditions, both domestic and global and in particular those in Egypt, may affect the performance of the Company. Factors such as currency fluctuation, inflation, interest rates, supply

and demand and industrial disruption, have an impact on operative costs, commodity prices (including tantalum, tin and feldspar prices) and share market prices. The Company's future possible revenue and share price can be affected by these factors all of which are beyond the control of the Company and the Directors. In addition, the Company's ability to raise additional capital, should it be required, may be affected.

**(c) Government Policy**

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

Tantalum concentrates usually contain varying quantities of radioactive  $U_3O_8$  and  $ThO_2$ . International Maritime Organisation ("IMO") regulations restrict the ocean shipment of tantalum concentrates having a content in combined  $U_3O_8$  and  $ThO_2$  content excess of 0.1%. Metallurgical modelling and testwork has indicated that the Abu Dabbab product will not be classified as an IMO Class 7<sup>1</sup> radioactive material as the combined  $U_3O_8$  and  $ThO_2$  content will be below the IMO maximum limit of 0.1%. There is no guarantee that the IMO 0.1% limit will not be lowered in the future.

The shipment of IMO Class 7 radioactive materials is highly restricted by international shipping regulations to the extent that they are not permitted to enter in the European Economic Zone, Japan and certain numerous other countries is restricted unless shipped by a dedicated vessel. The road transportation of IMO Class 7 materials within Europe and certain numerous other jurisdictions is extremely difficult to the point of being impractical.

**(d) Reliance on Key Personnel**

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

**(e) Contractual Risks**

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

**(f) Financial Risks**

The development of the Company's resource business and the Abu Dabbab tantalum, tin and feldspar project depends upon the Company's ability to obtain financing of its operations, private placement financing, public financing, sale of assets or other means. There is no assurance that the Company will be successful in obtaining finance to satisfy on-going requirements and operations.

**(g) Operational Risk**

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

**(h) Environmental Risks**

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

**(i) Commodity Prices**

The prices that the Company may obtain for mineral commodities (particularly tantalum, feldspar and tin) may fluctuate due to market conditions. Commodity prices are affected by a number of factors which are beyond the control of the Company. Commodity prices have fluctuated widely in recent years, and future serious price declines could cause continued development of, and

commercial production from, the Company's properties to be impracticable or uneconomic. Depending on the price of tantalum, tin and feldspar, projected cash flow from planned mining operations may not be sufficient and the Company could be forced to discontinue development and may lose its interest in, or may be forced to sell, some of its properties. Future production from the Company's mining properties is dependent on tantalum, tin and feldspar prices that are adequate to make these properties economically viable.

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

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

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

The Abu Dabbab project, which is the Company's prime asset, is also heavily reliant upon the offtake agreement with HC Starck GmbH, described above at Section 3.1. Risks associated with this agreement are detailed further below.

**(k) Mining Operations**

Mining operations are subject to all the hazards and risks normally encountered in the exploration for and development and production of minerals, including unusual and unexpected geological formations, seismic activity, rock bursts, cave-ins, flooding, variations in grade, deposit size, density and other geological problems, hydrological conditions, metallurgical and other processing problems, mechanical equipment performance problems, the unavailability of materials and equipment including fuel, labour force disruptions, unanticipated transportation costs, unanticipated regulatory changes, unanticipated or significant changes in the costs of supplies including, but not limited to, petroleum, and adverse weather conditions and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Should any of these risks and hazards affect any of Gippsland's proposed mining operations, it may cause the cost of production to increase to a point where it would no longer be economic to produce tantalum, tin and/or feldspar from the Company's mineral reserves, which would have a material and adverse affect on the financial condition, results of operation and cash flows of the Company.

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

There is no certainty that the mineral resources or any future mineral reserve attributable to Gippsland will be realised. Until mineral reserves or minerals resources are actually mined and processed, the quantity of mineral resources and mineral reserve grades must be considered as estimates only. In addition, the quantity of mineral reserves and mineral resources may vary depending on, among other things, metal prices and currency exchange rates. Any material

change in the quantity of mineral reserves, mineral resources, grade or stripping ratio may affect the economic viability of the properties. In addition, there can be no assurance that tantalum, tin and feldspar recoveries or other metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

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

**(m) Foreign Jurisdictions**

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

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

The economy and political system of Egypt should be considered by investors to be less predictable than those in countries in which the majority of investors are likely to be resident. The possibility that the current, or a future, government may adopt substantially different policies, take arbitrary action which might halt production, extend to the re-nationalisation of private assets or the cancellation of contracts, the cancellation of mining and exploration rights and/or changes in taxation treatment cannot be ruled out, the happening of any of which could result in a material and adverse effect on the Company's results of operations and financial condition.

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

Egypt has been politically stable for over 25 years, particularly under the presidency of Hosni Mubarak, who succeeded Anwar Sadat in October 1981. The United States remains Egypt's chief ally and source of foreign aid and it is important that Egypt is able to maintain a balance between its relationship with the United States and with its Arab neighbours. The major identifiable threat to political stability is Islamic militancy. While this appears to be under control, there can be no guarantee that this will continue to be the case. There has been sporadic terrorist activity by militant Islamic organisations in Egypt. While the tourist industry has been the main target of such groups, it is possible that they may turn their attention to the assets of the extractive industries in Egypt. Increased tension in Israel may result in a less stable political situation in the Middle East which could have a material adverse effect on Gippsland.

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

**(o) Title to Mineral Rights**

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

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

**(p) Insurance**

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

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against such risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to the other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which it may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

**(q) History of Operating Losses**

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

**(r) Additional Capital**

The Company will require significant capital in order to develop the Abu Dabbab project and to fund its other operations. The Company currently has no revenues from operations and is currently wholly reliant upon external financing to fund all of its capital requirements. The Company will require additional financing from external sources to meet such requirements. There can be no assurance that such financing will be available to the Company or, if it is, that it will be offered on acceptable terms. If additional financing is raised through the issuance of equity or convertible debt securities of the Company, the interests of shareholders in the net assets of the Company may be diluted. Any failure of the Company to obtain required financing on acceptable terms could have a material adverse effect on the Company's financial condition, results of operations and liquidity and require the Company to cancel or postpone planned capital investments.

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

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

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

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

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

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

Various aspects of the Company's future performance and profitability are dependent on the outcome of future negotiations with third parties. The Company's interests may in future be held in a joint venture and, in some cases, a joint venture partner may be the manager of the joint venture. In these situations the joint venture decision may not accord with the Company's stated plan. Currently the Company has in place contracts with drillers, transport groups and laboratories to facilitate and maintain a level of operations with regard to planned exploration.

**(u) Currency Risk**

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

**(v) Forward Looking Statements**

This document contains forward looking statements, including, without limitation, statements containing the words "believe", "anticipated", "expected" and similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those set out in this Section 4. Given these uncertainties, investors are cautioned not to place any undue reliance on such forward looking statements. To the extent lawfully permitted, the Company disclaims any obligations to update any such forward looking statements in this Prospectus to reflect future events or developments.

**(w) Starck Off-take Agreement**

On 13 November 2007, the Company announced that its 50% owned subsidiary, Tantalum Egypt JSC, had secured a 10 year offtake agreement with the German tantalum major HC Starck GmbH ("**Starck**") for the supply of tantalum pentoxide from its Abu Dabbab project in Egypt ("**Agreement**"). The majority of the sales of tantalum pentoxide from the Abu Dabbab project heavily depend on Starck fulfilling its obligations under the Agreement. The Company is in negotiations with Starck to vary terms of the Agreement. There is a risk that the re-negotiations may not be completed or may be completed on terms less than ideal for the Company.

**(x) Control Risk**

Prior to the Offer, Abbotsleigh has lodged notices confirming that it had a relevant interest in 18.9% of Gippsland's issued capital. Abbotsleigh is an entity controlled by Ian Gandel, the Company's chairman. At completion of the Offer, Abbotsleigh will have an interest of between 18.9% and 14.7% of Gippsland's issued capital depending on whether it subscribes for all or part of its Entitlement. In addition, Gandel Metals, which will underwrite the Rights Offer, is also an entity controlled by Ian Gandel. The combined interests of Abbotsleigh and Gandel Metals in Gippsland's issued capital will be between 18.9% and 36.9%, representing a controlling interest in Gippsland by Mr Gandel. Such a controlling interest has the potential to impinge upon the ability of the Board to run Gippsland in a fully independent manner. Mr Gandel's interest also means that he has the potential to prevent a special resolution from being passed by the Company (such resolution requiring at least 75% of the votes cast by members entitled to vote on the resolution). Special resolutions are required in relation to approve certain Company matters including amending the Company's constitution, approving the voluntary winding up of the Company and, if at any time the

share capital of the Company is divided into different classes of shares, approving the variation of the rights attached to any such class. Please refer to Section 5.6 for further information regarding Mr Gandel's interests.

#### 4.3 Speculative Nature of Investment

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

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

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

### SECTION 5 ADDITIONAL INFORMATION

#### 5.1 Legal Framework of this Prospectus

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

#### 5.2 Applicability of Corporations Act

As a "disclosing entity", the Company has issued this Prospectus in accordance with section 713 of the Corporations Act applicable to prospectuses for an offer of securities which are quoted enhanced disclosure ("ED") securities which are in a class of securities that were quoted ED securities at all times in the 12 months before the issue of this Prospectus.

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

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

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

#### 5.3 Information Available to Shareholders

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

- (a) the Annual Report for the Company for the period ending 30 June 2008;
- (b) the Half Yearly Report for the Company for the period ending 31 December 2008; and
- (c) the following documents used to notify ASX of information relating to the Company during the period after lodgement of the Annual Report of the Company for the period ending 30 June 2008 and before the issue of this Prospectus:

Date	Description of ASX Announcement
28 August 2009	Form 603 Initial Substantial Shareholder Notice
28 August 2009	Appendix 3Y Change of Directors Interest

28 August 2009	Loan Conversion
28 August 2009	Appendix 3B Issue of Securities
26 August 2009	Amendment of Option Terms
18 August 2009	Appendix 3B - Issue of Shares to Euro Institutions
18 August 2009	Appendix 3B - Issue of IFC Options
18 August 2009	Successful Share Placement
14 August 2009	Issue of IFC Options
31 July 2009	Fourth Quarter Activities Report
27 July 2009	Quarterly Financial Report
6 July 2009	New Chairmans Letter to Shareholders
30 June 2009	Appendix 3X - Initial Directors Interest Notice
26 June 2009	Appendix 3B - Issue of Securities
24 June 2009	Results of General Meeting
5 June 2009	Tantalum Project and Corporate Update
28 May 2009	Ceasing to be a substantial holder from IFX
22 May 2009	Notice of General Meeting and Proxy Form
18 May 2009	Appendix 3Z Final Directors Interest Notice
18 May 2009	Resignation of Director
12 May 2009	UK Share Register Transfer Completed
11 May 2009	Change of Directors Interest Notice
1 May 2009	Appendix 3B Abbotsleigh
30 April 2009	Third Quarter Cashflow Report
30 April 2009	Third Quarter Activities Report
17 April 2009	Lifting of ASX Suspension
17 April 2009	Reinstatement of Official Quotation from 20/04/09
17 April 2009	Half Yearly Accounts
16 April 2009	AU\$800,000 Funding Obtained
6 April 2009	UK Share Registry Transfer
23 March 2009	De-Listing from AIM
17 March 2009	Suspension from Official Quotation
9 March 2009	Notice - Section 708A(5)(e) Corporations Act
5 March 2009	Corporate Update
3 March 2009	Appendix 3B Share Issue
13 February 2009	Resignation of Joint Broker
11 February 2009	Response to ASX Appendix 5B Query
11 February 2009	Resignation of Nomad
30 January 2009	Second Quarter Cashflow Report
30 January 2009	Second Quarter Activities Report
14 January 2009	Allocation of Feldspar Portsite
11 December 2008	Alluvial Tin Resource Reserve

3 December 2008	Appendix 3Y Change of Directors' Interest
2 December 2008	Appendix 3B Correction
2 December 2008	Appendix 3B
28 November 2008	Appointment of Alternative Director
28 November 2008	Results of Annual General Meeting
25 November 2008	German Government Guarantee
20 November 2008	Abu Dabbab Project Update
28 October 2008	First Quarter Financial Report
27 October 2008	First Quarter Activities Report
27 October 2008	Notice of Annual General Meeting/Proxy Form
15 October 2008	Annual Report to shareholders
6 October 2008	Appendix 3B - Issue of Shares
6 October 2008	Successful Share Placement
3 October 2008	Request for Trading Halt
3 October 2008	Trading Halt

#### 5.4 Rights Attaching to New Shares

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

The rights attached to Shares are governed by the Constitution and, in certain circumstances, will be regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules, ACH Clearing Rules and the general law.

The following is a summary of the principal rights which attach to the Company's Shares:

##### (a) Voting Rights

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

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

##### (b) Dividend Rights

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

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

##### (c) Rights on Winding Up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the members in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholder or different classes of members.

The liquidator may with the authority of a special resolution vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator things fit, but so that no member is compelled to accept any Shares or other securities in respect of which there is any liability. Subject to the rights of the members (if any) entitles to Shares with special rights in a winding up, all moneys and property that are to be distributed among members on a winding up shall be so distributed in proportion to the Shares held by them respectively irrespective of the amount paid up or credited as paid up on the Shares.

On the winding up of the company, the holders of any Shares which are classified under the Listing Rules or by ASX as restricted securities and which are subject to escrow restrictions at the commencement of the winding up shall rank on a return capital behind all other Shares in the Company.

**(d) Transfer of Shares**

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

**(e) Future Increases in Capital**

The Company may by ordinary resolution:

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

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

**(f) Variation of Rights**

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

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

## **5.5 Material Contracts**

### **Underwriting Agreement**

Pursuant to an Underwriting Agreement dated 28 August 2009 between the Company and the Underwriter, the Underwriter has agreed to underwrite all of the Rights Issue pursuant to this Prospectus.

Pursuant to the Underwriting Agreement, the Company will pay the Underwriter an underwriting fee equal to 4.00% of the total amount to be raised under the Rights Issue, being approximately \$154,918. In addition, the Company must indemnify the Underwriter, its directors, employees, agents and advisors ("**Indemnified Parties**") against any claim, loss, expense or liability incurred by the Indemnified Parties directly arising from the Rights Issue.

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

The Underwriting Agreement provides that the Underwriter may, in its absolute discretion and without cost or liability to the Underwriter, terminate its obligations under the Underwriting Agreement at any time prior to the Underwriter receiving valid notice from the Company of the Shortfall, upon the occurrence of any one or more of the termination events ("**Termination Event**") after the date of the Underwriting Agreement, including:

- (a) the "S&P/ASX 200 Index" or the "All Ordinaries Index" of the ASX falls 15% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement;
- (b) hostilities, political or civil unrest commence or, if existing, undergo a major escalation (whether or not war has been declared) involving one or more of Australia, New Zealand, the United Kingdom, the United States of America, any member state of the European Union, Japan, Indonesia, North Korea or the Peoples Republic of China, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (c) there is introduced into the Parliament of Australia or any of its States or Territories a law intended to come into effect within 12 months or there is an official announcement by the Parliament of Australia or any of its States or Territories of a proposal to introduce laws or adopt policies to come into effect from the date of the announcement or within 3 months thereafter which adversely alters or could be reasonably expected to adversely alter any condition relation to the Rights Issue or the Prospectus existing at the date of the Underwriting Agreement or the income tax position of the Company;
- (d) the Company chooses to or comes under an obligation to issue a supplementary or replacement prospectus or to repay any moneys received by the Company from an applicant and fails to do so;
- (e) ASIC gives notice of intention to hold a hearing under section 739 of the Corporations Act or makes an order under section 739 of the Corporations Act;
- (f) ASIC gives notice of intention to hold a hearing, examination, inspection, investigation or requires information to be disclosed, in connection with the Company, the Prospectus or the Rights Issue;
- (g) an order is made in connection with the Prospectus or the Rights Issue, including under under sections 1324 and 1325 of the Corporations Act;
- (h) any director or general manager of the Company is prosecuted for a criminal offence;
- (i) there is an omission from, or a statement which is, or has become, false or misleading in the Prospectus and such omission or statement is or is likely to be materially adverse from the point of view of an investor;
- (j) any person, other than the Underwriter, who has previously consented to being named in the Prospectus, withdraws that consent whether publicly or not;
- (k) the Company does not lodge the Prospectus by the lodgement date (being 28 August 2009) or the Prospectus is withdrawn by the Company at any time prior to all the Shares having been allotted;
- (l) ASIC gives notice of an intention to prosecute the Company, any director or employee of the Company (or any related entity of the Company), unless it withdraws that intention in writing on or before the Closing Date;
- (m) ASX does not or indicates to the Company or the Underwriter that it will not permit official quotation of the Shares comprised in the Rights Issue to commence or attaches conditions to official quotation that, in the opinion of the Underwriter, would have a material adverse effect on the outcome of the Rights Issue or the subsequent market for the Shares; and
- (n) the occurrence of any of the following events which result in a Material Adverse Effect:
  - (i) except in relation to the terms of certain Options (as disclosed to the Underwriter before the execution of the Underwriting Agreement) the Company or any of its related parties fail to

comply with a clause of its Constitution, a statute or any policy or guideline of ASIC or any other requirement, order or request made by or on behalf of ASIC or any governmental agency;

- (ii) the Company or any of its related parties charges or agrees to charge (or grant any other form of security) over the whole or a substantial part of its business or property to any third party;
- (iii) there is a delay in any date specified in the Rights Issue timetable which is greater than 5 Business Days;
- (iv) a change occurs to the condition, trading or financial position and performance, profits and losses, or prospects of the Gippsland group; and
- (v) the Company or any of its related parties disposes or agree to dispose of the whole or a substantial part of its business or property, or ceases or threatens to carry on business without the Underwriter's prior written consent.

The following terms used in this Section 5.5 with respect to the Underwriting Agreement are defined in the Underwriting Agreement as follows:

- (a) **"Business Day"** has the meaning given in the Listing Rules of ASX (as varied from time to time); and
- (b) **"Material Adverse Effect"** means that in the Underwriter's reasonable opinion reached in good faith, the occurrence of an event described in paragraph (n) above has or is likely to have, or 2 or more such events have or are likely to have, a material adverse effect on the outcome of the Rights Issue or could give rise to a Corporations Act liability of the Underwriter.

## 5.6 Interests of Directors

### Directors' Holdings

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

Director	Shares	Options
Robert John (Jack) Telford	19,597,446 <sup>1</sup>	5,000,000 <sup>5</sup>
Ian Gandel	80,000,000 <sup>2</sup>	-
Jon Starink	300,000 <sup>3</sup>	2,000,000 <sup>6</sup>
John SF Dunlop	-	2,000,000 <sup>7</sup>
John D Kenny	2,250,000 <sup>4</sup>	1,000,000 <sup>8</sup>
<b>Total</b>	<b>102,147,446</b>	<b>10,000,000</b>

Notes:

1. 12,727,985 Shares are held by Eco International Pty Ltd, an entity of which Mr Telford is a director and shareholder. 6,869,461 Shares are held jointly by Mr Telford and Mrs Robin Telford as trustees of the Telford Superannuation Fund, an entity of which Mr Telford is a joint trustee and beneficiary.
2. 80,000,000 Shares are held by Abbotsleigh Proprietary Limited, an entity of which Mr Gandel is a director and shareholder, as trustee for the I Gandel Share Investment Trust, an entity of which Mr Gandel is a beneficiary;
3. 300,000 Shares are held by Lazarus Foundation Pty Ltd as trustee for the Rand Trust. Jon Starink is a director of the Lazarus Foundation Pty Ltd and a beneficiary of the Rand Trust.
4. 2,250,000 Shares are held by Ventureworks JDK Pty Ltd, an entity of which Mr Kenny is the sole director and sole shareholder.
5. 5,000,000 Options each exercisable at \$0.15 on or before 31 May 2012 are held by Eco International Pty Ltd, an entity of which Mr Telford is a director and shareholder.
6. 2,000,000 Options each exercisable at \$0.15 on or before 31 May 2012 are held by Lazarus

Foundation Pty Ltd as trustee for the Rand Trust. Jon Starink is a director of the Lazarus Foundation Pty Ltd and a beneficiary of the Rand Trust.

7. 2,000,000 Options each exercisable at \$0.15 on or before 31 May 2012 are held by John S Dunlop Nominees Pty Ltd as trustee of the John S Dunlop Family Super Fund, an entity of which Mr Dunlop is a beneficiary
8. 1,000,000 Options each exercisable at \$0.15 on or before 31 May 2012 are held by Ventureworks JDK Pty Ltd, an entity of which Mr Kenny is the sole director and sole shareholder.

### Remuneration of Directors

The Constitution provides that the aggregate amount of Directors' fees shall from time to time be determined by the Company by a resolution of shareholders in general meeting. This amount is currently set at \$150,000.

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

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

Director	Fees/Salary/ Bonus (\$)		Other Remuneration (\$)	Total Remuneration (\$)
	Year ended 30 June 2008	Year ended 30 Jun 2009		
RJ (Jack) Telford	260,211	152,000	5,000	417,211
Jon Starink	120,000	80,000	2,000	202,000
John SF Dunlop <sup>1</sup>	60,412	25,500	2,000	87,912
Ian Gandel <sup>2</sup>	Nil	Nil	Nil	Nil
John Kenny	38,750	18,750	1,000	58,500

Notes:

1. These fees were paid to John S Dunlop and Associates Pty Ltd, a company which Mr Dunlop has an interest. Payments made were for consultancy fees as well as director fees. The total fees paid include consultancy fees for the year ended 30 June 2009 of \$10,500 (and fees paid for the year ended 30 June 2008 of \$17,287).
2. Ian Gandel was appointed as a Director on 24 June 2009.

Since 1 July 2009 the total aggregate of the remuneration paid to and benefits in kind granted to the Directors by the Company was as follows:

Director	Fees/Salary/ Bonus (\$)	Other Remuneration (\$)	Total Remuneration (\$)
RJ (Jack) Telford <sup>1</sup>	20,833	Nil	20,833
Ian Gandel <sup>2</sup>	Nil	Nil	Nil
Jon Starink <sup>3</sup>	10,000	Nil	10,000
John SF Dunlop <sup>4</sup>	Nil	Nil	Nil
John Kenny <sup>5</sup>	Nil	Nil	Nil

Notes:

1. \$20,833 is payable (but not yet paid) to Mr Telford.
2. \$8,333 is payable (but not yet paid) to Mr Gandel.

3. \$10,000 is payable (but not yet paid) to Mr Starink.
4. \$4,167 is payable (but not yet paid) to Mr Dunlop.
5. \$4,167 is payable (but not yet paid) to Mr Kenny.

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

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

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

### **Other Interests**

The Company has entered into Deeds of Indemnity, Access and Insurance on standard terms with each of Messrs Telford, Starink, Dunlop, Gandel and Kenny. Those deeds indemnify these Directors in respect of certain liabilities and legal expenses incurred by them whilst acting as Directors and insure them against certain risks they are exposed to as Directors.

During the 2008 to 2009 financial year, Mr Gandel (via Abbotsleigh, an entity controlled by him) provided a loan of \$800,000 (plus interest accruing at 10% p.a.) to the Company for working capital purposes. The amounts owing under the loan could, at Abbotsleigh's election, be converted into Shares at a conversion rate of \$0.01 of the amount outstanding under the loan. Mr Gandel (via Abbotsleigh) made such election in relation to the principal amount of \$800,000 and the Company has issued the Repayment Shares, which are referred to in Section 1.1 in repayment of this component of the loan. The interest accrued will be paid to Abbotsleigh in cash from the funds raised from the Rights Issue. No further loans are owing to Abbotsleigh or any other entity associated with Mr Gandel. In addition, under the terms of the loan the Company granted Abbotsleigh a share mortgage over its shares in its subsidiary, Tantalum International Pty Ltd ("**TIPL**") and TIPL has also granted a fixed and floating charge to Abbotsleigh as security. It is anticipated that both of these securities will be discharged following full repayment of the loan.

During the 2008 to 2009 financial year, Mr Telford provided an interest-free and unsecured loan of \$250,000 to the Company for working capital purposes, of which AUD\$100,000 is repayable following a capital raising by the Company of at least AUD\$1,500,000 or as mutually agreed between Mr Telford and the Company, and the balance of which cannot be repaid until the loan to Abbotsleigh, referred to in Section 1.1 and above, is repaid in full.

During the 2008 to 2009 financial year, Mr Starink (via an entity controlled by him) provided an interest-free and unsecured loan of \$50,000 to the Company for working capital purposes, of which \$20,000 is repayable following a capital raising by the Company of at least \$1,500,000 or as mutually agreed between Mr Starink and the Company, and the balance of which cannot be repaid until the loan to Abbotsleigh, referred to in Section 1.1 and above, is repaid in full.

### **Underwriting**

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

Gandel Metals will have absolute discretion as to whether or not to rely upon its right to elect that its obligations shall cease or to terminate its obligations in the circumstances contemplated by the Underwriting Agreement.

The Directors consider, having regard to all available options, that entering into the Underwriting Agreement with Gandel Metals, with the knowledge that Gandel Metals is an entity controlled by Mr

Gandel, to underwrite the Rights Issue, provides the Company with the highest degree of certainty that the Rights Issue will be successful, in the time available and in what has been, and continues to be, a volatile and difficult market.

As at the date of this Prospectus, the current relevant interest of Ian Gandel in the Company, through Abbotsleigh's shareholding, is 18.9%.

Abbotsleigh has confirmed to the Company that it presently intends to take up its Entitlement under the Rights Issue as an Existing Eligible Shareholder with respect to its holding of 80,000,000 Shares.

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

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

will be 18% (bringing his voting power to approximately 36.9%).

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

Shares	Number
Existing Shares	423,604,779
Maximum number of New Shares to be issued pursuant to the Rights Issue (assuming no existing Options are exercised)	121,039,937
<b>Total after completion of the Rights Issue</b>	<b>544,644,716</b>

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

#### Before Rights Issue

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

Shareholder	Shares	% of Total Shares
Ian Gandel/Abbotsleigh	80,000,000	18.9
Others	343,604,779	81.1
<b>TOTAL</b>	<b>423,604,779</b>	<b>100</b>

#### Scenario 1 - Maximum Entitlement take up by all Existing Eligible Shareholders

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

Shareholder	Shares	% of Total Shares
Ian Gandel/Abbotsleigh	102,857,143	18.9
Others	441,777,573	81.1
<b>TOTAL</b>	<b>544,634,716</b>	<b>100</b>

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

The following table shows the capital structure of the Company at the close of the Rights Issue in the event that other than Abbotsleigh, all Existing Eligible Shareholders take up 50% of their Entitlement and

Abbotsleigh elects to take up all of its Entitlement under the Rights Issue as an Existing Eligible Shareholder.

Shareholder	Shares	% of Total Shares
Ian Gandel/Abbotsleigh	151,943,540	27.9
Others	392,691,176	72.1
<b>TOTAL</b>	<b>544,634,716</b>	<b>100</b>

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

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

Shareholder	Shares	% of Total Shares
Ian Gandel/Abbotsleigh	201,029,937	36.9
Others	343,604,779	63.1
<b>TOTAL</b>	<b>544,634,716</b>	<b>100</b>

#### **Ian Gandel's intentions for the Company**

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

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

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

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

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

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

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

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





**"Entitlement" or "Right"** means the entitlement of an Existing Eligible Shareholder to apply for New Shares under the Rights Issue;

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

**"Ex Date"** means 2 September 2009 being the date from which Shares trade without the Entitlement;

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

**"Existing Eligible Shareholders"** means those Existing Shareholders registered in Australia, New Zealand or the United Kingdom;

**"Existing Shareholders"** means those shareholders of the Company whose details appear on the Company's register of shareholders as at the Record Dates;

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

**"FSA"** means the UK Financial Services Authority;

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

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

**"Listing Rules"** means the Listing Rules of ASX;

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

**"Offer"** means the offer of New Shares pursuant to this Prospectus;

**"Official List"** means the official list of the UK Listing Authority;

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

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

**"Placement Shares"** has the meaning set out in Section 1.1;

**"Prospectus"** means this prospectus dated 28 August 2009;

**"Prospectus Rules"** means the prospectus rules of the Financial Services Authority made under Part VI of the FSMA;

**"Record Date"** means 5.00 pm AWST on 8 September 2009;

**"Repayment Shares"** has the meaning set out in Section 1.1;

**"Rights Issue"** means the pro-rata renounceable rights issue pursuant to the Prospectus of approximately 121,029,937 New Shares on the basis of two New Shares for every seven Shares held on the Record Date at an issue price of \$0.032 per New Share, to raise approximately \$3,872,958;

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

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

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

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

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

**"Shortfall Application"** means applications for the Shortfall;

**"Underwriter"** means Gandel Metals;

"Underwriting Agreement" means the Underwriting Agreement dated 28 August 2009 between the Company and Gandel Metals and summarised in Section 5.5 of this Prospectus; and

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

## SECTION 7 DIRECTORS' RESPONSIBILITY STATEMENT & CONSENT

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

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

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 28 August 2009



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Robert John (Jack) Telford  
Executive Director, Chief Executive Officer

## ANNEXURE A

### FURTHER TERMS AND CONDITIONS

By applying for New Shares under the Rights Issue:

- (a) your application will be irrevocable and unconditional;
- (b) you irrevocably confirm, warrant and undertake that your participation in the Rights Issue is made solely on the basis of the information contained in this Prospectus, the Application Form and the business and financial information published by the Company in accordance with the rules and practices of the ASX and on no other basis whatsoever;
- (c) you acknowledge that you are eligible to participate in the Rights Issue and if you are an Existing Eligible Shareholder resident in the UK, you irrevocably confirm, warrant and undertake that you are a person falling within Article 43(2) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order");
- (d) you irrevocably confirm, warrant and undertake that you were outside the United States of America at the time your acquisition of New Shares was originated and you were not at such time and are not a US person (and were not and are not acquiring on behalf of, or for the account of or benefit of, a US person) within the meaning of Regulation S promulgated under the United States Securities Act 1933 (as amended) and you will not offer, sell or deliver directly or indirectly any of the New Shares in the United States of America;
- (e) you irrevocably confirm, warrant and undertake that you are not a national or resident of the United States of America, Canada, Japan, the Republic of South Africa or the Republic of Ireland and that you will not offer, sell or deliver as principal or agent, directly or indirectly, any of the New Shares in or into the United States of America, Canada, Japan, the Republic of South Africa or the Republic of Ireland or to or for the benefit of any persons resident in the United States of America, Canada, Japan, the Republic of South Africa or the Republic of Ireland or to any person purchasing such shares or options for re-offer, sale or transfer in or into the United States of America, Canada, Japan the Republic of South Africa or the Republic of Ireland;
- (f) you irrevocably confirm, warrant and undertake that you are entitled to subscribe for the New Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and that you have not taken any action which will or may result in the Company or any of its directors, officers, employees or agents acting in breach of any regulatory or legal requirements of any territory in connection with the Offer or your acceptance thereof;
- (g) you irrevocably authorise the Company (and its officers or agents) to correct any error in, or omission from, your Application Form and to complete the Application Form by the insertion of any missing details;
- (h) you irrevocably accept the risk associated with any refund that may be despatched to you by cheque to your address shown on the Share Register;
- (i) you irrevocably agree to indemnify the Company from, and to pay to the Company within 5 business days of demand, any dishonour fees or other costs the Company may incur in presenting a cheque for payment which is dishonoured;
- (j) you acknowledge that neither the Company nor the ASX nor any of the Company's advisers has provided you with investment advice or financial product advice, and that none of them has any obligation to provide this advice, concerning your decision to apply for and purchase the New Shares;
- (k) you irrevocably acknowledge that the Company and its directors, employees and agents are not liable for any exercise of its discretions referred to in this Prospectus; and
- (l) you irrevocably and unconditionally agree to the terms of this Prospectus and agree not to do any act or thing which would be contrary to the spirit, intention or purpose of the Rights Issue or the Prospectus.