

Tuesday 14 September 2004

Company Announcements Office  
Australian Stock Exchange Limited  
20 Bridge Street  
SYDNEY NSW 2000

Regulatory News Service  
London Stock Exchange Limited  
London EC2 1HP  
United Kingdom

Dear Sir/Madam

### **ABU DABBAB – BANKABLE FEASIBILITY STUDY**

The Directors of Gippsland Limited ("Gippsland" or "the Company") are pleased to announce that on Friday 10 September 2004, they took delivery of the Bankable Feasibility Study ("BFS") undertaken by the international engineering group Lycopodium Pty Ltd in regard to the Company's 40Mt Abu Dabbab tantalum-tin-feldspar project ("Project") located in Egypt.

The BFS is based upon the design throughput of 1.26Mtpa and evaluated the Project for the first 20 years of its mine life. The study determined that the Project will produce in excess of 412,000 pounds of tantalum pentoxide ("Ta<sub>2</sub>O<sub>5</sub>") per year along with some 980 tonnes of tin metal per year during the first 20 years of production. The Company has executed a Heads of Agreement with two major tantalum consumers for the off-take of 420,000 pounds of Ta<sub>2</sub>O<sub>5</sub> per annum for a 4-year period. Tin output will be sold via the London Metal Exchange.

Based upon a capital expenditure of US\$65.5 (A\$93.6<sup>♦</sup>) million, the Project is scheduled to generate an operating margin of US\$112.3 (A\$160.4) million over the 20-year period covered by the BFS.

The project is calculated to have an internal rate of return (IRR) (based on an all equity structure) of 11.2% over the 20 year period covered by the BFS.

Most significantly the US\$65.5 million capital expenditure for the 1.26Mtpa operation makes allowance for the over-sizing of a number of major components including jaw crushers, SAG mill and thickeners, to enable through-put to be expanded to 2Mtpa in a short time-frame. No additional mining equipment would be required to expand the operation from 1.26Mtpa to 2Mtpa. The additional positive cash flows that shall arise due to the expansion from 1.26Mtpa to 2Mtpa are not reflected in above IRR.

Additionally, the BFS is based on the production of Ta<sub>2</sub>O<sub>5</sub> and tin alone and does not take into account 1Mtpa of ceramic grade feldspar which may be produced as a co-product to the tantalum and tin production. The additional positive cash flows that would arise from the sale of feldspar are also not reflected in the above IRR. Testwork undertaken in Italy demonstrated that the Abu Dabbab feldspar is ideally suited to the manufacture of high-quality ceramics such as floor tiles and sanitary ware. The Company has executed a Heads of Agreement with a large European group for the off-take of 2.65Mtpa of feldspar for delivery over a 5-year period.

The Directors instructed its engineering consultants to proceed with the BFS on the basis of Ta<sub>2</sub>O<sub>5</sub> and tin production alone to enable the commencement of production in the shortest possible time-frame. Following start-up, priority will be given to the production of ceramic grade feldspar as the revenue from this product has the potential to equal that of tantalum.

In light of very recent developments within the tantalum industry, the Company has been urged to consider expanding the Project to 2Mtpa. Accordingly, Lycopodium has been instructed to



quantify the effect of increasing production to 2Mtpa, as the resulting economies of scale are expected to materially increase the projected IRR of the Project.

The 40Mt Abu Dabbab Project is owned by the Egyptian registered company Tantalum Egypt LLC, in which Gippsland has a 50% interest by way of an incorporated joint venture with the Egyptian Government. Tantalum Egypt LLC also owns the Mining Licence for the 98Mt Nuweibi tantalum deposit located some 17km from Abu Dabbab.

Yours sincerely  
RJ (Jack) Telford  
Executive Chairman

For further information please contact:

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\* Exchange Rate US\$0.70 = A\$1