

20 November 2008

ABU DABBAB PROJECT UPDATE

- Review of definitive feasibility study completed
 - Capital expenditure of US\$173 million
 - Production of 55% tantalum synthetic concentrate (SynCon)
 - Project finance progress
 - Completion of independent technical review
 - Lycopodium appointed as Engineering, Procurement & Construction Management (EPCM) contractor
 - Environmental & Social Impact Assessment (ESIA) completed & submitted to project finance banks
 - Port Turumbi application for feldspar export
 - World scale resource base - 142.5 million tonnes
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Gippsland Limited, which is developing the world-class 44.5 million tonne Abu Dabbab and the 98 million tonne Nuweibi tantalum projects in Egypt, is listed on the ASX Limited and the London Stock Exchange AIM [GIP]. The Company's shares also trade on the UK PLUS Markets [GIP] and the Frankfurt Deutsche Börse [GIX].

The Directors are pleased to provide the following update for the Abu Dabbab project.

PROJECT CAPITAL EXPENDITURE (CAPEX)

The Directors advise that the Abu Dabbab project ('the Project') definitive feasibility study has been reviewed and has determined that the total capital expenditure ('CAPEX') will amount to US\$173 million, an increase of US\$48 million over the previous November 2007 estimate. This updated figure includes contingency and pre-production costs, owner's costs and all Project finance costs during construction. Importantly however, it also now includes provision for the installation of additional plant and equipment associated with the significant increase of tantalum product grades from 20% to 55% Ta₂O₅.

The revised CAPEX figure was determined in the context of record high construction material costs as well as high plant and machinery costs and record high fuel prices. The Directors believe that this CAPEX figure is quite conservative and given the probable economic circumstances ahead, these costs are likely to decline.

PRODUCTION OF 55% TANTALUM SYNTHETIC CONCENTRATE (SYNCON)

The increase in CAPEX is in part associated with the production of a high purity tantalum synthetic concentrate, known in the industry as SynCon, containing 55% Ta₂O₅.

The recent initiative to advance to the SynCon route results from the Company's on-going evaluation and optimisation of past testwork and the availability of computer metallurgical modelling techniques. This new initiative is a major advance for the Project as it represents the

first stage in the tantalum refining process, producing a premium grade material containing less than 0.1% combined uranium (as U_3O_8) and thorium (as ThO_2). This very significant down-stream, value-adding step also results in a reduction of a number of other unwanted metallic impurities.

Whilst the production of a premium grade SynCon entails increased CAPEX, this is offset by the enhanced value of the tantalum end-product, plus savings to the Project and its tantalum customers. It also reduces ocean shipping and inland SynCon transportation costs, as well as reduced disposal costs for waste generated by the Project's customers during the tantalum refining process.

Gippsland Executive Chairman Jack Telford said, "The production of this 55% SynCon at Abu Dabbab is a groundbreaking change for the industry as mining companies have traditionally produced a relatively low value, low grade, impure tantalum mineral concentrate. This significant change to the global tantalum supply chain results directly from the Board's practical industrial experience and depth of knowledge in fields of chemistry, chemical engineering and metallurgy".

INCREASED REVENUE STREAM & OFFTAKE

The Abu Dabbab Project is scheduled to produce approximately 650,000 pounds per annum of tantalum (as Ta_2O_5), plus approximately 1,500 tonnes of tin metal per annum.

The Company's subsidiary Tantalum Egypt JSC has contracted with German tantalum major HC Starck GmbH for the supply of 600,000 pounds of Ta_2O_5 per annum for the initial 10 years. The tantalum price stipulated in the 10-year HC Starck offtake agreement is highly commercially sensitive and presently cannot be disclosed, however the Company is pleased to advise that the production of SynCon will increase the Project's revenue stream significantly.

Testwork undertaken in Australia indicated that the Abu Dabbab Project has the potential to produce approximately 1.5 million tonnes of ceramic grade feldspar per annum from the tailings generated in the tantalum and tin extraction process. Preliminary laboratory and in-plant testwork undertaken in Italy, the major European consumer of ceramic grade feldspar, indicated that this high purity potassium feldspar is well suited to the production of ceramic tiles and sanitary ware. Consequently, the Company determined that feldspar has the potential to increase the Project's gross revenue by more than US\$30 million per year.

The resulting feldspar credit will be finalised on completion of a separate feldspar feasibility study however, work undertaken to date by the Company indicates that feldspar revenue is likely to cause a further marked reduction of the tantalum net cash production cost. It is anticipated that feldspar production will commence within 2 years of the Project's start-up in late 2010.

PROJECT FINANCE

The Company is well advanced in its Project finance negotiations with the German bank KfW IPEX-Bank GmbH ('KfW') and DEG - Deutsche Investitions und Entwicklungsgesellschaft mbH ('DEG'). Both are part of KfW Bankengruppe GmbH, which is 80% owned by the German Federal Government, and 20% by the German Federal States (Bundesländer).

The international engineering group Lycopodium prepared the definitive Abu Dabbab feasibility study. Directors are pleased to advise that independent technical due diligence review of the definitive feasibility study by Coffey Mining on behalf of KfW and DEG has been completed. The completion of this review was delayed due to additional work associated with the production of SynCon and general engineering industry work backlogs.

Accordingly, the Directors anticipate that KfW and DEG will consider their position with respect to project finance for the Project by the end of February 2009.

Gippsland Directors are targeting an attractive 80% debt 20% equity ratio for the Project financing.

In relation to equity finance, the Company has been approached by a number of tantalum industry participants and by investment houses, which have expressed interest in direct equity participation in the Project. Whilst discussions are at early stage, it is possible that third party equity participation will provide part or the entire targeted 20% equity project finance component of the CAPEX. Should such third party equity involvement eventuate, it is likely to lead to an expansion in Abu Dabbab production.

ENGINEERING, PROCUREMENT & CONSTRUCTION MANAGEMENT ('EPCM')

Gippsland invited a number of international engineering groups to tender for the EPCM contract for the Abu Dabbab project.

Following an evaluation of the various tenders, Lycopodium Minerals Pty Ltd has been appointed as the EPCM contractor for the Project. Gippsland's Executive Chairman Jack Telford said, "Lycopodium is the logical choice for this project as they have been involved in the development process from pre-feasibility study through to the present day and consequently have a detailed knowledge of the operation. Additionally, Lycopodium has extensive experience operating in Africa and has an excellent reputation for delivering on time and on budget".

The EPCM documentation has been submitted to senior management of KfW for final approval.

ENVIRONMENTAL & SOCIAL ENVIRONMENTAL IMPACT ASSESSMENT ('ESIA')

The Company has taken delivery of the updated ESIA undertaken by the Egyptian environmental group Envirionics. The ESIA update covered changes in the Project associated with the relocation of the plant site to within 1km of the planned open pit mine, production of SynCon and the use of seawater for the majority of the process plant. The findings of the ESIA were positive, not raising any significant matters of concern.

The study was prepared according to the Egyptian environmental legislation as well as the principal guidelines and standards outlined by the International Finance Corporation (IFC) and the World Bank. The IFC provided input and guidance on the preparation of the ESIA with regard to compliance with IFC guidelines and World Bank standards. The ESIA has been presented to KfW and DEG for approval.

FELDSPAR EXPORT PORT APPLICATION

It was planned to establish a small feldspar ship-loading facility at an undeveloped site on the Red Sea coast at Marsa Abu Dabbab approximately 25km to the east of the Abu Dabbab plant site, however recently the dormant Port Turumbi situated approximately 34km north of the Abu Dabbab plant site has become available. Port Turumbi, last used for the export of minerals during the mid 1960s, offers excellent land-backed topography plus water protected from the prevailing seas.

The Company's joint venture vehicle Tantalum Egypt JSC has made application to the Red Sea Authority to acquire the 85-hectare Port Turumbi location. The application is supported by the office of His Excellency Eng Samey Fahmy, Minister of Ministry of Petroleum and Mineral Resources. It is anticipated that Tantalum Egypt will secure the area by way of a 25-year peppercorn lease with an optional 25-year extension.

TANTALUM INDUSTRY OUTLOOK

Gippsland Directors note that recent announcements by industry participants relating to tantalum feedstock price increases, possible tantalum shortages and increasing tantalum end product prices, bodes well for the Abu Dabbab Project which will offer the global tantalum industry a reliable long-term source of this strategic metal.

Mr Telford said, "The need for a reliable long-term supplier of tantalum feedstock was emphasised during the recent annual meeting of tantalum industry leaders at the Tantalum-Niobium International Study Centre Conference held this year in Shanghai, where the magnitude and

importance of the Abu Dabbab project was acknowledged. The importance of Abu Dabbab is also highlighted by recent events in the politically unstable North and South Kivu regions in eastern Democratic Republic of Congo, where artisanal mining of tantalum and tin minerals is commonplace."

WORLD SCALE RESOURCE - 142.5 MILLION TONNES

The Directors are confident that the Abu Dabbab project will play a crucial role in supplying the global tantalum industry with a reliable source of tantalum feedstock. Given the Project's initial mill-feed rate of 2 million tonnes per year, the Company's very large resource base of 142.5 million tonnes provides a solid foundation for the stable supply of tantalum to world markets for the next 30 years and beyond. The magnitude of this resource base also provides significant opportunities for increased production.

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