



GIPPSLAND **LIMITED**

**ABN 31 004 766 376
and Controlled Entities**

**FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2008**

**GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities**

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**GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities**

CORPORATE DIRECTORY

DIRECTORS	Robert John (Jack) Telford – Executive Chairman & Chief Executive Officer Jon Starink – Executive Director John Morrison Chisholm – Non-Executive Director John Stuart Ferguson Dunlop – Non-Executive Director John Damien Kenny - Non-Executive Director	
COMPANY SECRETARY	Rowan St John Caren	
REGISTERED OFFICE	207 Stirling Highway Claremont WA 6010 Australia	
POSTAL ADDRESS	PO Box 352 Nedlands WA 6909 Australia	
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E-MAIL	info@gippslandltd.com	
WEBSITE	www.gippslandltd.com	
AUDITORS	PKF Chartered Accountants & Business Advisors Level 7, BGC Centre 28 The Esplanade Perth WA 6000 Australia	
SOLICITORS	Blakiston and Crabb 1202 Hay Street West Perth WA 6005 Australia	Trowers & Hamlins 3 rd Floor, 1 El Gabalaya Street Zamalek, Cairo Arab Republic of Egypt
	Cobbetts Ship Canal House, King Street Manchester M2 4WB United Kingdom	
SHARE REGISTRY	Security Transfer Registrars Pty Ltd Suite 1, Alexandria House 770 Canning Hwy Applecross WA 6153 Australia	PO Box 535 Applecross WA 6953 Australia
	Website: www.securitytransfer.com.au	

**GIPPSLAND LIMITED ABN 31 004 766 376
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CORPORATE DIRECTORY (cont)

AUSTRALIAN SECURITIES EXCHANGE	The Company's securities are quoted on the official list of the Australian Securities Exchange (ASX Limited), the home exchange being: ASX Limited 2 The Esplanade Perth WA 6000 Australia
ASX CODE	GIP
FRANKFURT STOCK EXCHANGE	The Company's securities are quoted on the Frankfurt Stock Exchange; Neue Börsenstrasse 1 60487 Frankfurt / Main Germany
FSE – CODE	GIX

**GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities**

DIRECTORS' REPORT

Your directors submit the financial report for the half year ended 31 December 2008.

Directors

The names of directors who held office during or since the end of the half-year:

Mr Robert J Telford
Dr John M Chisholm
Mr Jon Starink
Mr John D Kenny
Mr John SF Dunlop

Review of Operations

The consolidated operating loss after tax for the half year was \$1,570,986 (2007 – profit of \$13,777).

The principal activities of the economic entity during the half-year were the exploration and development of commercially and economically viable mineral resources. The primary focus continued to be on the development of the Abu Dabbab tantalite, tin and feldspar project in Egypt in which both Gippsland and the Egyptian Government each have a 50% economic interest.

During the half year the Abu Dabbab project Definitive Feasibility Study was reviewed and capital costs were updated from the previous estimate. The updated capital cost estimate 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.

German bank KfW IPEX-Bank GmbH ("KfW") was appointed Mandated Lead Arranger to secure debt finance for the Abu Dabbab Project in December 2007. Detailed discussions have been held with KfW over the terms and conditions for securing the debt portion of the project finance. Gippsland and KfW were actively engaged in the due diligence process on the project during the half year.

An in-fill drilling programme totalling 1,438m was completed which increased the drilling density at Abu Dabbab. This programme increased the quantity of Inferred Resources and also enabled a large proportion of the previously identified Inferred Resources to be upgraded to the higher status Indicated and Measured Resource categories and hence converted to an Ore Reserve category under the JORC code.

During the half year Gippsland completed the issue and allotment of 17,080,000 shares at an issue price of UK £0.025/share. During the period the Company also issued 17,000,000 unlisted options expiring on 31 May 2012 with an exercise price of \$0.15 to directors and management.

Subsequent to the half year on 3 March 2009 the Company issued 4,545,454 ordinary shares at \$0.022 each to sophisticated investors raising a total of \$100,000 for working capital purposes.

On 15 April 2009 the Company secured a 12 month convertible loan for \$800,000 to provide working capital. The funds raised via this loan are not sufficient to satisfy working capital needs for the next 12 months and the directors are aware that raising additional working capital will be required in the near term.

The Company is working towards securing project finance for the construction of the Abu Dabbab project in Egypt. Upon securing this project finance, the directors of the Company intend to implement a more substantial capital raising to fund the equity component of financing for the development of the Abu Dabbab project.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 5 for the half-year ended 31 December 2008.

This report is signed in accordance with a resolution of the Board of Directors.

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

**R J TELFORD
DIRECTOR**

Dated this 17th day of April 2009

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Gippsland Limited for the half year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Gippsland Limited and the entities it controlled during the half year.



PKF
Chartered Accountants



Neil Smith
Partner

Dated in Perth, Western Australia on this 17th day of April 2009.

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**GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities**

**CONDENSED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

		Consolidated	
		31 December 2008	31 December 2007
		\$	\$
	Note		
Finance Income		10,097	37,868
Other Income		13,010	16,907
Foreign exchange gains/ (losses)		(94,270)	(28,260)
Management and employee expenses		(679,916)	(666,253)
Exploration expenses		-	(12,426)
Reversal of impairment of deferred exploration expenditure	3	-	2,116,696
Depreciation expense		(27,946)	(44,098)
Impairment of deferred exploration expenditure		(29,873)	(889,908)
Administration expense		<u>(762,088)</u>	<u>(516,749)</u>
Profit / (loss) before income tax expense		(1,570,986)	13,777
Income tax expense		<u>-</u>	<u>-</u>
Net profit / (loss) attributable to members of the parent entity		<u>(1,570,986)</u>	<u>13,777</u>
Basic profit (loss) / diluted profit (loss) per share (cents per share)		(0.50)	0.0

The accompanying notes form part of these financial statements.

**GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities**

**CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2008**

	Note	Consolidated 31 December 2008 \$	30 June 2008 \$
CURRENT ASSETS			
Cash and cash equivalents		411,940	1,592,840
Trade and other receivables		78,732	47,941
Other current assets		19,673	46,095
TOTAL CURRENT ASSETS		510,345	1,686,876
NON CURRENT ASSETS			
Property, plant and equipment		218,145	199,747
Deferred exploration expenditure		5,043,508	3,105,666
TOTAL NON CURRENT ASSETS		5,261,653	3,305,413
TOTAL ASSETS		5,771,998	4,992,289
CURRENT LIABILITIES			
Trade and other payables		709,626	799,863
Other financial liabilities	4	300,000	-
Short term provisions		17,617	58,328
TOTAL CURRENT LIABILITIES		1,027,243	858,191
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		1,027,243	858,191
NET ASSETS		4,744,755	4,134,098
EQUITY			
Issued capital	5	30,578,570	29,550,495
Accumulated losses		(27,228,458)	(25,657,472)
Other reserves		1,394,643	241,075
		4,744,755	4,134,098

The accompanying notes form part of these financial statements.

**GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities**

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

CONSOLIDATED	Share Capital - Ordinary	Accumulated Losses	Other Reserves	Total
Balance at 1 July 2007	25,409,780	(23,136,598)	138,802	2,411,984
Profit attributable to members of parent entity	-	13,777	-	13,777
Sub-total	<u>25,409,780</u>	<u>(23,122,821)</u>	138,802	2,425,761
Shares issued during the half year	<u>3,030,676</u>	-	-	<u>3,030,676</u>
Balance at 31 December 2007	<u>28,440,456</u>	<u>(23,122,821)</u>	138,802	<u>5,456,437</u>
Balance at 1 July 2008	29,550,495	(25,657,472)	241,075	4,134,098
Profit attributable to members of parent entity	-	(1,570,986)	-	(1,570,986)
Option Reserve on recognition of issue of unlisted options	-	-	17,000	17,000
Currency translation differences	-	-	1,136,568	1,136,568
Sub-total	<u>29,550,495</u>	<u>(27,228,458)</u>	1,394,643	3,716,680
Shares issued during the half year	<u>1,028,075</u>	-	-	<u>1,028,075</u>
Balance at 31 December 2008	<u>30,578,570</u>	<u>(27,228,458)</u>	1,394,643	<u>4,744,755</u>

The accompanying notes form part of these financial statements.

**GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities**

**CONDENSED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Consolidated	Consolidated
	31 December	31 December
	2008	2007
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Interest received	10,097	40,749
Payments to suppliers and employees	<u>(1,559,359)</u>	<u>(2,035,623)</u>
Net cash used in operating activities	<u>(1,549,262)</u>	<u>(1,994,874)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,967)	(122,912)
Payments for project development	<u>(920,778)</u>	<u>(382,662)</u>
Net cash used in investing activities	<u>(922,745)</u>	<u>(505,574)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net proceeds from share issues	969,166	3,030,676
Proceeds from Directors' Loans	<u>300,000</u>	<u>-</u>
Net cash provided by financing activities	<u>1,269,166</u>	<u>3,030,676</u>
Net increase / (decrease) in cash held	(1,202,841)	530,228
Effects of exchange rate changes on cash	21,941	(36,700)
Add opening cash brought forward	<u>1,592,840</u>	<u>2,611,219</u>
Closing cash carried forward	<u>411,940</u>	<u>3,104,747</u>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

NOTE 1. BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Gippsland Limited and its controlled entities during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Reporting Basis and Conventions

The half-year report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Going Concern

The consolidated entity has incurred a net loss of \$1,570,986 and incurred negative cash flows from operating activities of \$1,549,262. At that date, the group had cash resources of \$411,940 and a working capital deficiency of \$516,898. At the date of issue of the financial report, the cash resources had reduced to less than \$10,000.

These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The ability of the consolidated entity to continue as a going concern is principally dependent upon raising additional capital and / or debt finance to fund exploration and project development, funding the Abu Dabbab project, other commitments, other principal activities and working capital.

The directors have prepared a cash flow forecast for the period ending 31 March 2010 which indicates that the current cash resources may not meet expected cash outgoings, without additional funding.

On 15 April 2009 the Company secured a 12 month convertible loan for \$800,000 to provide working capital. The funds raised via this loan are not sufficient to satisfy working capital needs for the next 12 months and the directors are aware that raising additional working capital will be required in the near term. The Company has the capacity to raise additional working capital via a rights issue and/or share placements.

Based on the cash flow forecasts and achieving future funding, the directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity be unable to continue as a going concern.

**NOTES TO THE FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

Changes in accounting policies

Since 1 July 2008, the Group has adopted the following Standards and interpretations, mandatory for financial reporting periods beginning on and after 1 July 2008. Adoption of these Standards and Interpretations did not have any material effect on the financial position or the performance of the Group.

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
<p><i>AASB 101 Presentation of Financial Statements (Revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards & Interpretations and AASB 2007-10 Further Amendments to AASBs arising from AASB 101</i></p> <p>The revised standard affects the presentation of changes in equity and comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	This is a disclosure standard, so will have no direct impact on amounts in the financial report, other than amendments to disclosures.
<p><i>AASB 123 Borrowing Costs (Revised), AASB 2007-6 Amendments to Australian Accounting Standards 1, 101, 107, 111, 116, 138 and Interpretations 1 & 12</i></p> <p>This revision eliminates the option to expense borrowing costs on qualifying assets and requires that they be capitalised. The Amending Standard eliminates reference to the expensing option in various other pronouncements.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The adoption of this standard will have no impact on the group.
<p><i>AASB 3 Business Combinations (Revised), AASB 127 Consolidated and Separate Financial Statements (Amended), AASB 2008-3 Amendments to AASBs arising from AASB 3 and AASB 127</i></p> <p>This revision changes the application of acquisition accounting for business combinations and accounting for non-controlling interests. The revised and amended standards incorporate many changes which will have a significant impact on the profit and loss for entities entering into business combinations.</p>	Beginning 1 July 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p><i>AASB 8 Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards 5, 6, 102, 107, 119, 127, 134, 136, 1023 & 1038 arising from AASB 8</i></p> <p>This standard supersedes AASB 114 Segment Reporting, introducing a US GAAP approach of management reporting as part of the convergence project with FASB.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	AASB 8 is a disclosure standard, so will have no direct impact on amounts in the financial report, other than amendments to disclosures.

**GIPPSLAND LIMITED ABN 31 004 766 376
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**NOTES TO THE FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
<p><i>AASB 2008-1 Amendments to Australian Accounting Standards: Share-Based Payments: Vesting Conditions and Cancellations</i></p> <p>This clarifies that vesting conditions comprise service conditions and performance conditions only and that other features of a share-based payment transaction are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p><i>AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i></p> <p>This amends and clarifies the following standards AASB 101, AASB 118, AASB 127 and AASB 136 for the treatment of determining the cost of an investment in a subsidiary, jointly controlled entity or associate.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p><i>AASB 2008-12: Amendments to Australian Accounting Standards – Reclassification of Financial Assets</i></p> <p>The amendments clarify the effective date of the amendments made to AASB 139 and AASB 7 as a result of the issuance of AASB 2008-10 in November 2008.</p> <p>AASB 2008-12 clarifies that, the amendments under AASB 2008-10, apply from 1 July 2008, and may not be applied to financial reporting periods before this date.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p><i>Interpretation 17 Distributions of Non-cash Assets to Owners</i></p> <p>This Interpretation provides guidance on how an entity should measure distributions of assets other than cash when it pays dividends to its owners, except for common control transactions.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.

**GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities**

**NOTES TO THE FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

NOTE 2: SEGMENT INFORMATION

Primary reporting – Business segments

The economic entity only operates in the mining and exploration segment.

Primary reporting – Geographic segments

	Segment Revenue Half-year ended		Segment result Half-year ended	
	31 December 2008 \$	31 December 2007 \$	31 December 2008 \$	31 December 2007 \$
Continuing operations				
Australia	11,140	37,138	(1,152,163)	(797,374)
Egypt	11,967	17,637	(418,823)	811,151
Consolidated revenue	23,107	54,775		
Profit / (loss) before income tax expense			(1,570,986)	13,777
Income tax expense			-	-
Profit / (loss) for the period			(1,570,986)	13,777

NOTE 3: REVERSAL OF IMPAIRMENT LOSS

In the prior period ended 31 December 2007, the company reversed impairment losses previously recognised amounting to \$2,116,696 in relation to the Abu Dabbab tantalite, tin and feldspar project.

The main events and circumstances that led to the reversal of these impairment losses were as follows:

- A 10 year off take agreement was signed with the German company HC Starck GmbH for the supply of 600,000 pounds of tantalum per annum.
- Bankable Feasibility Study on the Abu Dabbab was in the process of being updated.
- Detailed negotiations with a major German Bank to secure the debt portion of project finance have commenced. The bank is now undertaking its due diligence process.
- Commencement of an in-fill drilling program at Abu Dabbab to upgrade the indicated resource to reserve category under the JORC code requirements.

The main class of asset affected by the reversal of the impairment loss is Deferred Exploration Expenditure which at 31 December 2008, totals \$5,043,508.

NOTE 4: OTHER FINANCIAL LIABILITIES

In December 2008, Directors' Loans to the value of \$300,000 were made to the Company. The loans are interest free, unsecured and repayable following a capital raising(s) of at least \$1,500,000 by the Company or as is mutually agreed between the Lender and the Company.

**GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities**

**NOTES TO THE FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

NOTE 5: CONTRIBUTED EQUITY

	31 December 2008 \$	31 December 2008 Number	30 June 2008 \$	30 June 2008 Number
<u>Issued capital:</u>				
323,434,325 (June 2008: 306,354,325) fully paid ordinary shares	<u>30,578,570</u>	<u>323,434,325</u>	<u>29,550,495</u>	<u>306,354,325</u>
<u>Movement</u>				
Opening Balance at 1 July 2008	29,550,495	306,354,325		
Shares issued during the period	<u>1,028,075</u>	<u>17,080,000</u>		
Closing balance at 31 December 2008	<u>30,578,570</u>	<u>323,434,325</u>		
<u>Options</u>				
		<u>No of Options</u>		
Opening balance at 1 July 2008		29,000,000		
Less: Exercise of options during the period		-		
Plus: Options issued during the period		<u>17,000,000</u>		
Closing balance at 31 December 2008		<u>46,000,000</u>		

As at 31 December 2008 the economic entity had the following options on issue:

- (i) 25,000,000 unlisted options exercisable at 13.5 cents each by 26 May 2012.
- (ii) 4,000,000 unlisted options exercisable at 7.0 UK pence each by 15 December 2011.
- (iii) 17,000,000 unlisted options exercisable at 15.0 cents each by 31 May 2012.

NOTE 6: COMMITMENTS AND CONTINGENCIES

Operating lease commitments - Group as lessee

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

Perth Office Lease

The property lease is a non-cancellable lease with a five year term (expiring in October 2011), with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the lower of CPI or 5% per annum. Lease payments for the next 12 month period to 31 March 2010 are estimated to be \$125,500. An option exists to renew the lease at the end of the five year term for an additional five years.

Cairo Office Lease

The property lease is a non-cancellable lease with a two year term, with rent payable monthly in advance. Lease payments for the next 12 month period to 31 March 2010 are estimated to be \$25,000.

**NOTES TO THE FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

NOTE 6: EVENTS SUBSEQUENT TO REPORTING DATE

Since 31 December 2008, the following events have arisen that have materially affected the operations of the economic entity, the results of the economic entity or the state of affairs of the economic entity.

- The Company's London based co-brokers, Seymour Pierce Limited and Fox-Davies Capital Limited both terminated their engagements in February 2009. As a consequence of the resignation of Seymour Pierce Limited the Company was suspended and subsequently de-listed from trading on the London Stock Exchange Plc's Alternative Investment Market (AIM).
- On 3 March 2009 the Company issued 4,545,454 ordinary shares at \$0.022 each to sophisticated investors raising a total of \$100,000 for working capital purposes.
- On 15 April 2009 the Company secured a 12 month convertible loan for \$800,000 from Abbotsleigh Proprietary Limited. The loan may be converted into fully paid ordinary shares in the Company at a conversion rate of \$0.01 per share.

**GIPPSLAND LIMITED ABN 31 004 766 376
and Controlled Entities**

DIRECTORS' DECLARATION

The directors of Gippsland Limited declare that:

1. The financial statements and notes, as set out on pages 6 to 15:
 - a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b) give a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the economic entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors dated this 17th day of April 2009.

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

R.J. Telford
Chairman



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF GIPPSLAND LIMITED AND ITS CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Gippsland Limited and its controlled entities, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2008 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gippsland Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gippsland Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the half-year financial report which indicates that the consolidated entity has incurred net losses of \$1,570,986 for the period ended 31 December 2008, and at that date had a working capital deficiency of \$516,898. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.



PKF
Chartered Accountants



Neil Smith
Partner

Dated at Perth, Western Australia this 17th day of April 2009.