

28 July 2014

Mr Dale Allen
ASX Limited
2 The Esplanade
PERTH WA 6000

Via facsimile: (08) 9381 1322

Dear Sir,

QUARTERLY CASHFLOW QUERY

We refer to your letter dated 23 July 2014 in relation to Gippsland Limited's ("Gippsland" or the "Company") Quarterly Cash Flow Report in the form of the Appendix 5B for the quarter ended 30 June 2014, released to ASX Limited ("ASX") on 23 July 2014.

In response to your queries we advise as follows:

- 1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?*

If the Company were to continue to expend cash at the rate indicated by the Appendix 5B, without raising additional capital by way of debt or equity, project revenues or by way of divestment of project equity, the Company may not have sufficient cash to fund its activities, however the Company has advised readers of the Quarterly Activities Report which was lodged with the Appendix 5B, the following;

- The main focus of activity continues to be on the implementation of the investment strategy to attract funds for the completion of the 2014 Abu Dabbab definitive feasibility study and initial site work. An investment strategy has been developed whereby the Company is seeking to attract investment funds through divestment of a portion of Gippsland's 100% owned holding company of its project equity, linked to provision of the project development funding. Introductions and meetings are in progress with a selected group of investors from the Middle East and North Africa region with an encouraging level of interest and support emerging at this early stage.
- Operations at the Company's alluvial mining project in Abu Dabbab are planned to resume in early August, following Ramadan. Treatment of the existing 81,000 tonne stockpile is planned to be complete in early November which will generate revenues from sales of cassiterite.
- The Company has borrowed further funds from Gandel Metals Pty Ltd, a company controlled by the Company's Chairman, Mr Ian Gandel. Gandel Metals Pty Ltd has agreed to extend the term of the existing loans from 1 July 2014 to 1 August 2014. Provision of any further loan funds or extensions to the repayment date are conditional on the Company continuing to make positive progress with respect to financing of the Abu Dabbab Project, in the opinion of Gandel Metals.

At this time, the Company anticipates receiving further funding and extensions of the existing loans from Gandel Metals Pty Limited. The Company advises that subsequent to the lodgement of the Appendix 5B, Gandel Metals has agreed to further extend the terms of the existing loans to 1 September 2014.

2. *Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?*

The Company expects that its operating cash flows in the next quarter will be negative. Gandel Metals has provided unsecured loan funding in recent months. Provision of any further loan funds or extensions to the repayment date of existing loans are conditional on the Company continuing to make positive progress with respect to financing of the Abu Dabbab Project, in the opinion of Gandel Metals. At this time, the Company anticipates receiving further funding and extensions of the existing loans from Gandel Metals Pty Limited to ensure that it has sufficient funds in order to continue its operations.

3. *What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?*

Refer to the responses to 1 and 2 above. Additionally, in early April, the Company relocated its head office in Perth to significantly smaller premises and the exploration office in Eritrea was closed. This is part of an overall restructuring and cost saving process to ensure that the Company is focussed solely on the development of the Abu Dabbab Project.

4. *Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?*

The Company is of the view that it is in compliance with the listing rules, and in particular, listing rule 3.1.

5. *Please comment on the Company's compliance with listing rule 12.1.*

The Company is of the view that it is in compliance with listing rule 12.1.

6. *Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.*

The Company is of the view that it is in compliance with listing rule 12.2. The Company anticipates that it will have access to funding necessary to enable it to continue to pursue its business objectives.

Yours faithfully



ROWAN CAREN
Company Secretary



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23 July 2014

Rowan Caren
Company Secretary
Gippsland Limited

By email: rcaren@gippslandltd.com

Dear Rowan

Gippsland Limited (the "Company")

I refer to the Company's Quarterly Cash Flow Report in the form of Appendix 5B for the quarter ended 30 June 2014, released to ASX Limited ("ASX") on 23 July 2014, (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales and related debtors of \$310,000.
2. Payments for exploration, evaluation, development and production of \$763,000.
3. Negative operating cash flows for the quarter of \$802,000.
4. Cash at end of quarter of \$277,000.

In light of the information contained in the Appendix 5B, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.1.

6. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on **facsimile number (08) 9381 1322** or **email dale.allen@asx.com.au**. It should not be sent to ASX Market Announcements.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **5:00pm (WST) on Tuesday 29 July 2014**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries please let me know.

Yours sincerely,

[sent electronically without signature]

Dale Allen
Senior Adviser, Listings Compliance (Perth)