

Gippsland

Bankers in the desert

Gippsland has provided an update on the Abu Dabbab tantalum project in Egypt this morning. Of most importance, is news of a due diligence trip last month by representatives from two major German banks, KfW and DEG. In the meantime, work continues with resource and reserve upgrades and process flowsheet improvements. **BUY.**

Given Gippsland's existing tantalum off-take agreement with the German processing company, HC Starck, German banks would appear to offer a logical source for the debt finance required for the project. The company now expects the banks to have completed their evaluation work by the end of June.

The company has now received the majority of assays from its 2007 drill programme. As intended, this campaign allowed Gippsland to significantly increase the level of confidence in the existing resources. Just under 11Mt has been moved from the Inferred to the Indicated level, a 6-fold increase. In turn this should allow a considerable increase in the deposit's reserves beyond the current 14.6Mt. An updated JORC resource estimate is planned for release in mid-May. In the meantime, the company has produced a new resource estimate for the deposit. Overall the resource increases fractionally, from 39.9Mt to 40Mt, but the proportion in the Measured and Indicated categories has increased from 35% to 63%. However, the overall tantalum pentoxide grade (Ta_2O_5) has dropped slightly (-3.6%) to 243g/t.

On the processing side, the company continues to optimise the flowsheet. The focus has been on increasing recovery rates whilst reducing costs. Gippsland now considers it possible to significantly increase the use of raw seawater in the plant. The resulting reduction in demand for fresh or desalinated water may bring noticeable reductions to costs. We await the release of the revised reserve estimate and project financials before adjusting our numbers, but with good progress being made reiterate our recommendation. **BUY.**

BUY**4.1p**

AIM GIP.L

Share price as at: 07:43

No of shares (m) 293.7

Market cap (£m/A\$m) 12.1/25.7

Net cash (£m/A\$m) 1.5/3.1

Enterprise value (£m/A\$m) 10.6/22.6

(%)	1m	3m	12m
FTA relative	-14.2	-1.4	20.6

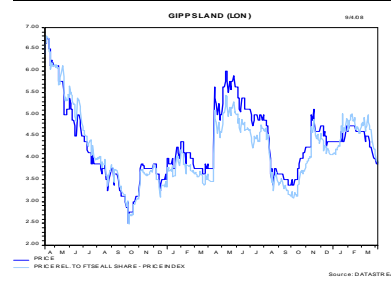
12 month high/low (p) 6.0/3.4

Next news

New reserve estimate

Business

Tantalum mine development and gold exploration in Egypt

www.gippsland.com.au**Price and price relative (-2y)**

Source : Datastream

Year end 30 June	Sales (A\$m)	Pre-tax (A\$m)	Normalised (A\$m)	EPS (A¢)	PER (x)	DPS (A¢)	Yield (%)	EV/Sales (x)	EV/EBITDA (x)
2007A	0.0	-4.2	-4.2	-1.6	nm	0.0	0.0	nm	nm
2008E	0.0	-4.8	-4.8	-1.1	nm	0.0	0.0	nm	nm
2009E	0.0	-6.2	-6.2	-1.4	nm	0.0	0.0	nm	nm
2010E	33.1	1.1	0.5	0.1	73.6	0.0	0.0	0.7	1.3

Source: Company & Seymour Pierce Limited

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