



# **GYMPIE GOLD LIMITED**

## **FINANCIAL REPORT**

30 JUNE 2002

# GYMPIE GOLD LIMITED

**COUNTRY OF INCORPORATION:** Australia  
ABN 88 000 759 535

## DIRECTORS

Michael Darling	Chairman
Harry Adams	Managing Director
John Leach	Finance Director
Peter Cadwallader	Director
Chris Rawlings	Director
Roy Woodall AO	Director
Anne Adaley	Company Secretary

## REGISTERED HEAD OFFICE

Level 9 Gold Fields House  
1 Alfred Street  
Sydney NSW 2000  
Tel: +61 2 9251 2777  
Fax: +61 2 9251 2666

## STOCK EXCHANGE LISTINGS

Gympie Gold Limited's shares and convertible notes trade on the Australian Stock Exchange (ASX) and the Alternative Investment Market (AIM) of the London Stock Exchange with the following codes:

Exchange	Shares	Notes
ASX	GYM	GYMG
AIM	GGD	GGDA

Gympie aims to keep shareholders fully informed and promptly informs the ASX and AIM of matters that may affect the Company's share price.

## BANKERS

HSBC Precious Metals (Australia) Limited  
HSBC Centre  
580 George Street  
Sydney NSW 2000

National Australia Bank  
255 George Street  
Sydney NSW 2000

Commonwealth Bank of Australia  
1 Alfred Street  
Sydney NSW 2000

## AUDITOR

PricewaterhouseCoopers  
201 Sussex Street  
Sydney NSW 2000

## WEBSITE

Announcements and other reports are available on [www.gympiegold.com.au](http://www.gympiegold.com.au) soon after release. To be notified by email of future announcements, simply send an email to [info@gympiegold.com.au](mailto:info@gympiegold.com.au) with "subscribe email alerts" and your name.

## Further information on Gympie Gold

Visit [www.gympiegold.com.au](http://www.gympiegold.com.au) or contact:

Mail: Level 9, Gold Fields House  
1 Alfred Street  
Sydney NSW 2000  
Email: [info@gympiegold.com.au](mailto:info@gympiegold.com.au)

## SHAREHOLDER ENQUIRIES

Computershare Investor Services Pty Ltd manages both the share register and convertible note register for Gympie Gold. Queries regarding number of shares held, change of address and other matters regarding your shareholding should be directed to Computershare. You can access required forms and information regarding your shareholding on their website at [www.computershare.com](http://www.computershare.com), or alternatively contact Computershare at:

## AUSTRALIA

Tel: 1 300 577 010 (within Australia)  
+61 3 9615 5970 (outside Australia)  
Mail: Level 2, 45 St George's Terrace  
Perth WA 6000

## UNITED KINGDOM

Tel: 0870-7020003 (within UK)  
Mail: PO Box 82, The Pavilions, Bridgewater Road  
Bristol BS99 7NH

# CONTENTS

DIRECTORS' REPORT	4
CORPORATE GOVERNANCE STATEMENT	12
FINANCIAL STATEMENTS	14
DIRECTORS' DECLARATION	46
INDEPENDENT AUDIT REPORT	47
SHAREHOLDER INFORMATION	49

# DIRECTORS' REPORT

as at 9 September 2002

Your directors submit their report for the year ended 30 June 2002.

## DIRECTORS

The following persons were directors of Gympie Gold Limited during the financial year and up to the date of this report:

### **Michael Darling (Chairman)**

Bachelor of Arts in Law (Oxon)

Master of Business Administration (Harvard)

Mr Darling has been Chairman of Gympie Gold since 1990. He is also Chairman of portfolio investment companies Caledonia Investments Ltd and Platinum Capital Ltd.

### **Harry Adams (Managing Director)**

Bachelor of Commerce Finance and Systems (UNSW)

Master of Business Administration (AGSM)

Mr Adams has been Managing Director of the Gympie Gold group since September 1995 and a Director since July 1990. He is Executive Chairman of the Company's subsidiaries Gympie Eldorado Gold Mines Pty Limited and Southland Coal Pty Limited. Mr Adams has previously served as chief executive, development manager, investment manager and non-executive director in several growth companies. Mr Adams is also Deputy Chairman of the Australian Gold Council.

### **Peter Cadwallader**

Bachelor of Economics

Fellow of the Institute of Chartered Accountants

Mr Cadwallader, a director since 1971, has extensive experience in the finance, accounting and investment fields. He is Chairman of the Group's Audit Committee, and is a director of a number of other companies including Wattyl Limited and Permanent Trustee Company Limited.

### **John Leach**

Bachelor of Arts in Economics

Master of Business Administration

Member of the Institute of Chartered Accountants

Fellow of the Australian Institute of Company Directors

Mr Leach joined Gympie Gold Limited in October 1995 and was appointed a Director on 15 September 1998. He has over 20 years experience in senior financial and executive director positions with several listed Australian mining companies. Mr Leach is also Finance Director of Gympie Gold Limited and executive director of the Company's subsidiaries Gympie Eldorado Gold Mines Pty Limited and Southland Coal Pty Limited.

### **Roy Woodall AO**

Bachelor of Science (Hons) (University of Western Australia)

Master of Science (University of California, Berkeley)

Mr Woodall was appointed a Director of Gympie Gold Limited on 6 March 2000. Mr Woodall is experienced in both mining geology and mineral exploration, including 33 years in exploration management positions. Mr Woodall has been a Director of WMC Resources Limited and is a director of Rothschild Australian Golden Arrow Investors Limited, Strike Oil NL and Bendigo Mining NL.

# DIRECTORS' REPORT

as at 9 September 2002

## DIRECTORS (continued)

### Dr Christopher Rawlings

Bachelor of Science (PhD) (University of Newcastle)

Fellow of AusIMM

Fellow of the Australian Institute of Company Directors

Dr Rawlings was appointed a Director of Gympie Gold Limited on 13 June 2001 and he is Chairman of the Group's Physical Risk Committee. Dr Rawlings has over 22 years experience in the Australian coal mining industry, including 6 years as Managing Director of South Blackwater Coal Limited and 6 years as Managing Director and Chief Executive Officer of QCT Resources Limited. Dr Rawlings is also a Director of Uniquest Pty Limited, JK Tech Pty Limited and Chairman of Renison Consolidated Mines NL.

## INTEREST IN THE SHARES OF THE COMPANY AND RELATED BODIES CORPORATE

At the date of this report the interests of directors in the shares of the Company and related bodies corporate were:

Director	Gympie Gold Limited	
	Ordinary shares	Options over ordinary shares
M G Darling	44,289,059	–
H Adams	1,982,035	4,000,000
P C Cadwallader	466,405	–
J E Leach	16,000	1,500,000
R Woodall	120,000	250,000

## MEETINGS OF DIRECTORS

The following table indicates the number of meetings of the Company's directors held during the year ended 30 June 2002, and the number of meetings attended by each director:

Number of Meetings Held	14
M G Darling	14
H Adams**	14
P C Cadwallader*	14
J E Leach*	14
R Woodall	13
C Rawlings**	14

\* Member of the Audit Committee. The Audit Committee of the Board of Directors met on three occasions during the year with all members attending each meeting.

\*\* Member of the Physical Risk Committee. The Physical Risk Committee of the Board met on four occasions during the year with all members attending each meeting.

The Remuneration Committee consists of the full Board excluding the executive directors. The committee met on one occasion during the year with all members attending the meeting.

## PRINCIPAL ACTIVITIES

The principal activities within the consolidated entity in the course of the financial year were exploration for, mining and marketing of, gold and coal reserves.

# DIRECTORS' REPORT

as at 9 September 2002

## RESULTS AND DIVIDENDS – GYMPIE GOLD LIMITED

The consolidated loss after tax for the financial year was \$2,490,000 (2001: profit of \$6,453,000). This is after a tax benefit of \$813,000 (2001: tax expense \$1,612,000).

No dividends were declared or paid during the financial year and the directors recommend that no dividend be paid in respect of the financial year ended 30 June 2002 (2001: nil).

## REVIEW OF OPERATIONS AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Increasing coal and gold production lifted Group sales revenue to \$85,004,000 for 2001–02. Operating costs also increased as the mines prepared for significantly higher future levels of production, leading to the Company recording an operating loss for 2001–02 after tax of \$2,490,000. This result is not dissimilar to last years' result which, although recording a profit of \$6,453,000, included a profit of \$7,704,000 from the sale of a 10% joint venture interest in the Southland Colliery during 2000–01.

The past two years have been very challenging and expensive years of setting up operations, particularly at Southland Coal. However, the Group is now poised for significantly improved profitability from 2002–03 as sufficient mine development is now in place to further increase production and achieve operating cost efficiencies.

The operating surplus (earnings before interest, tax, depreciation and amortisation) from gold operations increased to \$9,682,000 (2000–01: \$8,968,000) and contributed a before tax profit of \$4,310,000 (2000–01: \$4,144,000) as gold production was up 15% and unit costs improved.

The operating surplus (earnings before interest, tax, depreciation and amortisation) from the coal operations increased to \$8,190,000 (2000–01: \$4,372,000). Despite coal production doubling over the previous year, the colliery contributed a small loss of \$2,096,000 (2000–01: \$7,270,000 profit including a \$7,704,000 profit from the sale of 10% joint venture interest) as unit costs and write-offs were high during the new mine operator's first year on site. Southland is now set up to deliver profits from the second half of 2002–03 as production increases.

Corporate costs include expenses of \$976,000 associated with listing the Company's securities in the United Kingdom and with the development of the proposed Southern Gympie Goldfield Exploration Joint Venture.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Since balance date:

- a) a \$32 million loan facility has been finalised and the previous shorter term bank loan facility was repaid in full;
- b) the Company has put in place additional currency hedging and thereby increased forward cover from \$US6.5 million at an \$A/\$US rate of 63 cents as at 30 June 2002 to \$US47.7 million at an \$A/\$US rate of 55 cents as at the date of this report.

No other matters or circumstances have arisen since 30 June 2002 that have significantly affected or may significantly affect:

- a) the consolidated Company's operations in future financial years; or
- b) the results of those operations in future financial years; or
- c) the consolidated Company's state of affairs in future financial years.

# DIRECTORS' REPORT

as at 9 September 2002

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The review of operations foreshadows possible developments in the operations of the consolidated entity but the directors are not in a position to refer to the expected results of those developments. The directors are of the opinion that any further information as to likely developments in the operations of the consolidated entity are likely to prejudice the interests of the Company and the consolidated entity, and accordingly have not included any additional information.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company and its controlled entities hold environmental permits as part of mining tenements issued by the Queensland Department of Natural Resources and Mines (for Gympie Eldorado Gold Mines Pty Limited) and the New South Wales Department of Mineral Resources (for Southland Colliery and the closed Fifield Magnesite Mine). All operations are subject to general obligations under the Clean Waters Acts, local council ordinances, Environmental Protection Authorities, Departments of Land and Water Conservation and common law.

The environmental permits set standards for process water discharges, tailings dams management and engineering requirements, rehabilitation obligations and environmental practice relating to the operations. There have been no known breaches of the environmental permits and obligations.

The Company is proud to have been acknowledged several times by government authorities, community and industry bodies as having achieved high standards for environmental performance at its operations in Gympie, Queensland and at Southland Colliery in the Hunter Valley of New South Wales. At Gympie, the Company is especially proud of its rehabilitation of exploration sites and having the lowest cyanide levels in tailings discharge waters of any gold mine in Australia.

Gympie Gold constantly monitors the environmental impacts of its operation and is committed to continual improvement of its environmental performance. All areas not required for ongoing operation are progressively rehabilitated.

Southland Coal has removed over 190,000 tonnes of old coal refuse and revegetated more than 30 hectares of land associated with coal production by previous operators over some decades.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all directors and officers of the Company, on a full indemnity basis and to the full extent permitted by law, for all losses or liabilities incurred by that person as an officer of the Company or of a related body corporate including, but not limited to, a liability for negligence or for reasonable costs and expenses incurred:

- a) in defending proceedings, whether civil or criminal, in which judgment is given in favour of the person or in which the person is acquitted; or
- b) in connection with an application, in relation to such proceedings, in which the Court grants relief to the person under the law.

The insurance policy does not contain details of the premiums paid in respect of individual directors and officers of the Company. The total amount of the insurance contract premium paid was \$35,200. This amount is excluded from Directors' Remuneration as disclosed in Note 34.

## SHARE TRADING BY DIRECTORS

The Board of Directors' policy prohibits short term trading of the Company's shares, and directors must notify the Board in advance of any proposed transactions involving the Company's shares.

# DIRECTORS' REPORT

as at 9 September 2002

## DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Remuneration Committee assesses the appropriateness of the nature and the amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance. All senior executives have the opportunity to qualify for participation of the Executive Performance Incentive Plan which currently provides cash and share option incentives where specified performance criteria are met including criteria relating to profitability, cash flow and share price growth. Details regarding the issue of share options under this plan are provided in Note 24 to the financial statements.

Details of the nature and amount of each element of the emolument for the financial year of each director and each of the five officers of the Company receiving the highest emoluments are as follows. The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure. The category 'other' includes the value of the benefits provided to directors and officers, determined on the basis of the cost to the Company in accordance with AASB 1017 and UIG Abstract 14.

### Directors of Gympie Gold Limited and Consolidated Entity

	Base Salary \$	Motor Vehicle \$	Annual Emoluments			Long Term Emoluments	
			Bonus \$	Superannuation \$	Other \$	Option Grants	Option Value \$
M G Darling <i>Chairman</i>	40,000	-	-	3,200	-	-	-
P C Cadwallader <i>Director</i>	37,500	-	-	3,000	-	-	-
R Woodall <i>Director</i>	30,000	-	-	-	-	-	-
C Rawlings <i>Director</i>	37,500	-	-	3,000	-	-	-
H Adams <i>Managing Director</i>	192,277	35,000	87,500	30,000	72,723	-	-
J E Leach <i>Finance Director</i>	134,262	25,774	60,000	81,563	23,400	700,000	357,000



# DIRECTORS' REPORT

as at 9 September 2002

## DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS (continued)

	Executive Officers of Gympie Gold Limited and Consolidated Entity						Long Term Emoluments	
	Base Salary	Motor Vehicle	Annual Emoluments			Option Grants	Option Value	
			Bonus	Superannuation	Other			
\$	\$	\$	\$	\$	\$	\$		
I Levy <i>General Manager, Corporate Development</i>	164,184	14,013	12,500	8,803	–	–	–	
R Cunneen <i>General Manager, Gold Exploration</i>	138,387	–	35,000	43,613	5,000	250,000	127,500	
R Johnston <i>General Manager, Gold Operations</i>	178,196	–	50,000	8,804	–	250,000	72,500	
R Reynolds <i>General Manager, Coal Marketing</i>	142,500	–	30,000	22,500	–	–	–	
G Hall <i>General Manager, Gemstone</i>	118,197	–	20,000	8,803	–	150,000	43,500	

Directors' remuneration excludes insurance premium \$35,200 paid by the parent entity in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers. Information relating to the insurance contracts is set out in the directors' report.

The valuation of options is based on the Black–Scholes model calculation which assumes a willing buyer and a willing seller in an active market. It should be noted however that these options are not quoted and not transferable.

## DIRECTORS' REPORT

as at 9 September 2002

### SHARE OPTIONS

At the date of this report, options over 8,973,997 ordinary shares in Gympie Gold Limited remain on issue. All options are unlisted and are exercisable on the terms listed below:

Number	Exercise price	Exercisable by
2,300,000	\$0.40	15 December 2002
500,000	\$0.40	01 September 2003
30,000	\$0.40	04 September 2003
250,000	\$0.40	15 November 2004
160,000	\$0.50	10 December 2004
250,000	\$0.40	15 May 2005
900,000	\$0.40	06 September 2005
250,000	\$0.40	20 October 2005
300,000	\$0.40	22 November 2005
1,700,000	\$0.80	22 November 2005
100,000	\$0.42	29 January 2006
500,000	\$0.40	12 February 2006
400,000	\$0.80	31 October 2006
298,630	\$0.65	05 November 2006
85,367	\$0.772	28 November 2006
700,000	\$1.06	24 April 2007
250,000	\$1.14	18 June 2007
<u>8,973,997</u>		

The persons entitled to exercise the above options have no rights by virtue of the options to participate in any share issue of any other corporation.

A total of 2,606,230 ordinary shares were issued during the year ended 30 June 2002 on the exercise of options. No further shares have been issued since 30 June 2002. The amount paid on each of the shares were 40 cents each for 2,260,000 shares, 50 cents each for 250,000 shares and 77.2 cents each for 96,230 shares. No amounts are unpaid on any of the shares.

### CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Gympie Gold Limited support and have adhered to the principles of corporate governance. The Company's Corporate Governance Statement is contained in a separate section of this annual report.

## DIRECTORS' REPORT

as at 9 September 2002

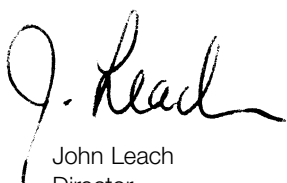
### ROUNDING OF FINANCIAL STATEMENTS

These Financial Statements have been rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the options available to the Company under the ASIC class order 98/0100.

### AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.



John Leach  
Director



Harry Adams  
Director

Signed at Sydney, New South Wales  
9 September 2002

# CORPORATE GOVERNANCE STATEMENT

30 June 2002

The Board of Directors of Gympie Gold Limited is responsible for the corporate governance of the consolidated Company. The Board guides and monitors the business and affairs of Gympie Gold Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

During the year ended 30 June 2002 the following corporate governance practices have been in operation in Gympie Gold Limited:

- The Board consists of a non-executive Chairman, three non-executive directors, together with two executive directors being the Managing Director and the Finance Director of the Company.
- Persons may be nominated for the Board by recommendation of the directors or by submitting a notice and consent to nominate prior to any general meeting of the Company.
- All directors except for the sole Managing Director are appointed by ordinary resolution at the Annual General Meeting of the Company, for a maximum period of three years. Retirement is by rotation or at the request of a director.
- Directors may seek independent professional advice on matters affecting the carrying out of their duties as a director of the Company.
- The full Board, excluding the executive directors, reviews and sets the compensation arrangements for:
  - the Managing Director and senior executives;
  - non-executive members of the Board.

Independent advice may be obtained to ensure appropriate levels of remuneration are set.

- The Company has an Audit Committee chaired by a non-executive Director. Meetings are held on an "as required basis" and are attended by the Company Secretary and external auditor. The Committee reviews the financial reporting system, accounting policies and internal controls of the Company, as well as conducting a detailed review of the income, expenditure, assets, liabilities and cashflows included in the half yearly and annual reports.
- The directors support and adhere to the principles set out in a paper, Corporate Practices and Conduct, issued by the Australian Institute of Company Directors, and recognise the need for the highest standards of behaviour and accountability.
- The Board of Directors has a policy which prohibits short-term trading of the Company's shares and directors must notify the Board in advance of any proposed transactions involving the Company's shares.
- The purchase and sale of Company securities by directors and employees is not permitted during the period of two months prior to the release of the Company's annual results and half-yearly results; any other time when the Company is in possession of unpublished price-sensitive information relating to those securities; or at any time when it has become reasonably probable that such information will be required to be reported.
- In October 2001 the Company established a Physical Risk Committee chaired by a non-executive Director. The committee meets on a regular basis to review the Company's strategic direction to focus on the key physical risks which could prevent the Company from achieving its objectives. Management are then required to ensure that appropriate controls are in place to effectively manage those risks. This is monitored by the Board on a monthly basis.

## CORPORATE GOVERNANCE STATEMENT

30 June 2002

- The Company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective the environmental, health, safety management system was established to facilitate the systematic identification of environmental and OH&S issues and to ensure they are managed in a structured manner. This system has been operating for a number of years and allows the Company to:
  - Monitor its compliance with all relevant legislation;
  - Continually assess and improve the impact of its operations on the environment;
  - Encourage employees to actively participate in the management of environmental and OH&S issues;
  - Work with trade associations representing the Company's businesses to raise standards;
  - Use energy and other resources efficiently; and
  - Encourage the adoption of similar standards by the Company's principal suppliers, contractors and distributors.
- The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities.

All information disclosed to the Australian Stock Exchange and the London Alternative Investment Market (AIM) is posted on the Company's web site as soon as it is disclosed to the Australian Stock Exchange and AIM. When analysts are briefed on aspects of the Company's operations, the material used in the presentation is released to the Australian Stock Exchange and London Alternative Investment Market and posted on the Company's web site.

## STATEMENTS OF FINANCIAL PERFORMANCE

For the year ended 30 June 2002

	Notes	Consolidated		Gympie Gold Limited	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Revenue from operating activities	3	<b>85,004</b>	48,204	<b>73</b>	43
Revenue from outside operating activities	3	<b>727</b>	10,799	<b>2,549</b>	2,070
<b>Revenue from ordinary activities</b>	3	<b>85,731</b>	59,003	<b>2,622</b>	2,113
Changes in inventories of finished goods and work in progress		<b>1,869</b>	3,615	<b>(1)</b>	-
Raw materials and consumables used		<b>(53,940)</b>	(25,886)	-	-
Employee benefits expense		<b>(12,019)</b>	(11,642)	<b>(2,798)</b>	(2,047)
Administration costs		<b>(2,807)</b>	(1,660)	<b>(2,807)</b>	(1,660)
Other expenses from ordinary activities		<b>(5,083)</b>	(3,965)	<b>(976)</b>	-
Earnings before interest expense, tax, depreciation and amortisation		<b>13,751</b>	19,465	<b>(3,960)</b>	(1,594)
Depreciation and amortisation expenses	4	<b>(15,706)</b>	(9,658)	<b>(48)</b>	(28)
Borrowing costs expense	4	<b>(1,348)</b>	(1,742)	<b>(812)</b>	(826)
<b>(Loss)/Profit from ordinary activities before income tax benefit/(expense)</b>	4	<b>(3,303)</b>	8,065	<b>(4,820)</b>	(2,448)
Income tax benefit/(expense)	5	<b>813</b>	(1,612)	-	-
<b>Net (Loss)/Profit</b>	25	<b>(2,490)</b>	6,453	<b>(4,820)</b>	(2,448)
		<b>Cents</b>	Cents		
Basic earnings per share	33	<b>(1.7)</b>	5.0		
Diluted earnings per share	33	<b>(1.6)</b>	5.0		

*The above statements of financial performance should be read in conjunction with the accompanying notes.*

# STATEMENTS OF FINANCIAL POSITION

As at 30 June 2002

	Notes	Consolidated		Gympie Gold Limited	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>CURRENT ASSETS</b>					
Cash assets	6	26,201	8,879	25,012	8,045
Receivables	7	7,477	7,689	61	4,836
Inventories	8	9,320	7,391	68	69
Development	9	20,724	8,483	-	-
Other	10	726	517	437	430
<b>Total Current Assets</b>		<b>64,448</b>	<b>32,959</b>	<b>25,578</b>	<b>13,380</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	11	-	-	69,214	40,115
Investments	12	67	67	67,618	67,618
Property, plant and equipment	13	130,349	102,052	306	304
Deferred tax asset	14	5,359	4,103	-	-
Other	15	2,658	282	2,376	-
<b>Total Non-Current Assets</b>		<b>138,433</b>	<b>106,504</b>	<b>139,514</b>	<b>108,037</b>
<b>TOTAL ASSETS</b>		<b>202,881</b>	<b>139,463</b>	<b>165,092</b>	<b>121,417</b>
<b>CURRENT LIABILITIES</b>					
Payables	16	13,928	8,707	703	1,469
Interest bearing liabilities	17	22,227	8,891	5,128	2,816
Provisions	18	2,679	2,188	469	260
Other	19	-	758	-	-
<b>Total Current Liabilities</b>		<b>38,834</b>	<b>20,544</b>	<b>6,300</b>	<b>4,545</b>
<b>NON-CURRENT LIABILITIES</b>					
Payables	20	-	-	56,777	56,174
Interest bearing liabilities	21	52,358	15,765	42,610	7,616
Deferred tax liabilities	22	7,278	6,835	-	-
Provisions	23	2,581	3,077	143	78
<b>Total Non-Current Liabilities</b>		<b>62,217</b>	<b>25,677</b>	<b>99,530</b>	<b>63,868</b>
<b>TOTAL LIABILITIES</b>		<b>101,051</b>	<b>46,221</b>	<b>105,830</b>	<b>68,413</b>
<b>NET ASSETS</b>		<b>101,830</b>	<b>93,242</b>	<b>59,262</b>	<b>53,004</b>
<b>EQUITY</b>					
Contributed equity	24	95,718	84,640	95,718	84,640
Retained profits/(Accumulated losses)	25	6,112	8,602	(36,456)	(31,636)
<b>TOTAL EQUITY</b>		<b>101,830</b>	<b>93,242</b>	<b>59,262</b>	<b>53,004</b>

The above statements of financial position should be read in conjunction with the accompanying notes.

# STATEMENTS OF CASH FLOW

For the year ended 30 June 2002

	Notes	Consolidated		Gympie Gold Limited	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers (inclusive of goods and services tax)		88,829	66,741	1,188	43
Payments to suppliers and employees (inclusive of goods and services tax)		(74,751)	(57,070)	(7,118)	(2,647)
Interest received		379	146	307	97
Borrowing costs		(1,347)	(1,874)	(283)	(386)
Other revenue		505	–	79	–
<b>Net cash inflow/(outflow) from operating activities</b>	27	<b>13,615</b>	<b>7,943</b>	<b>(5,827)</b>	<b>(2,893)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for exploration, mine development, property, plant and equipment		(48,397)	(22,652)	(56)	(276)
Proceeds from sale of property, plant and equipment		–	33	–	–
Proceeds from 10% project interest		–	9,834	–	–
Security deposit inflow/(outflow)		(90)	954	–	969
Loans to subsidiary companies		–	–	(27,897)	(12,056)
Repayments from subsidiaries		–	–	–	6,801
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(48,487)</b>	<b>(11,831)</b>	<b>(27,953)</b>	<b>(4,562)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares and other equity instruments		56,342	3,876	56,342	3,876
Share issue costs		(525)	(202)	(525)	(202)
Proceeds from borrowings		44,484	7,883	(2,688)	10,424
Repayment		(44,945)	–	–	–
Finance lease payments		(878)	(814)	(7)	(2)
Deferred borrowing costs		(2,376)	–	(2,376)	–
<b>Net cash inflow/(outflow) from financing activities</b>		<b>52,102</b>	<b>10,743</b>	<b>50,746</b>	<b>14,096</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>17,230</b>	<b>6,855</b>	<b>16,966</b>	<b>6,641</b>
Cash at the beginning of the financial year		8,271	1,416	7,754	1,113
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	6	<b>25,501</b>	<b>8,271</b>	<b>24,720</b>	<b>7,754</b>
Non-cash financing and investing activities	37				

The above statements of cash flows should be read in conjunction with the accompanying notes.



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of Accounting**

This general purpose financial report has been prepared in accordance with the Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

### **Principles of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Gympie Gold Limited ("Company" or "parent entity") as at 30 June 2002 and the results of all controlled entities for the year then ended. Gympie Gold Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Investments in joint ventures are accounted for as set out in Note 1 – "Joint Venture Operation".

### **Income Tax**

Tax effect accounting procedures are followed whereby the income tax expense in the statements of financial performance is matched with the accounting profit after allowing for permanent differences. The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

### **Foreign Currency Translation and Gold Hedging**

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit or loss for the year.

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions, are deferred up to the date of the purchase or sale and included in the measurement of the purchase or sale. In the case of hedges of monetary items, exchange gains or losses are brought to account in the financial year in which the exchange rates change. Gains or costs arising at the time of entering into such hedging transactions are brought to account in the statements of financial performance over the lives of the hedges.

If the hedging transaction is terminated prior to its maturity date and the hedged transaction is still expected to occur, deferral of any gains and losses which arose prior to termination continues and is recognised when the underlying transaction occurs.

In those circumstances where a hedging transaction is terminated prior to maturity because the hedged transaction is no longer expected to occur, any previously deferred gains and losses are recognised in the statements of financial performance on the date of termination.

Revenue received from the sale of call options prior to the expiry date is recognised as revenue in the period the premium is received. The expense is recognised in the period it is realised.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue Recognition

Amounts are recognised as sales revenue when there has been a passing of risk to a customer, and:

- the product is in a form suitable for delivery and no further processing is required by, or on behalf of, the producer;
- the quantity and quality of the product can be determined with reasonable accuracy;
- the product has been dispatched to the customer and is no longer under physical control of the producer (or property in the product has earlier passed to the customer); and
- the selling price can be determined with reasonable accuracy.

Sales revenue represents gross proceeds receivable from the customer.

Revenue received from sale or disposal of product, materials or services during the exploration, evaluation, development or phases of operations is offset against expenditure in respect of the area of interest or mineral resources concerned.

### Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

### Inventories

Inventories of broken ore, concentrate, work in process, coal and gold are physically measured or estimated and valued at the lower of cost and net realisable value.

Costs represent weighted average cost and include direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortisation.

The net realisable value is the amount estimated to be obtained from sale of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

Low value by-products which are obtained as a result of the production process for gold are valued at net realisable value with that value being offset against the cost of producing the main products.

Inventories of consumable supplies and spare parts expected to be used in production are valued at weighted average costs. Obsolete or damaged inventories of such items are valued at net realisable value. A regular and ongoing review is undertaken to establish the extent of surplus items, and a provision is made for any potential loss on their disposal.

### Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market-determined, risk-adjusted discount rate. The discount rates used range from 5% to 15% depending upon the nature of the assets.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revaluations of Non-Current Assets

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss. The increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Potential capital gains tax is not taken into account in determining revaluation amounts unless it is expected that a liability for such tax will crystallise.

### Property, Plant and Equipment

Each item of buildings, machinery and equipment is written off over its expected useful life using the units of production or straight line method. The unit of production basis results in a depreciation charge proportional to the depletion of the recoverable mineral resources. Each item's economic life has due regard to both its own physical life limitations and to present assessments of recoverable mineral resources of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all mine buildings, machinery and equipment.

The expected useful lives are as follows:

- Mine buildings – the shorter of applicable mine life and 40 years;
- Machinery and equipment – the shorter of applicable mine life or 15 years, depending on the nature of the asset.

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

### Exploration and Evaluation Costs

Exploration and evaluation expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration, evaluation, development and construction costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- a) such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- b) exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Accumulated costs in respect of areas of interest are written off in the statement of financial performance when the above criterion does not apply or when the directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated with the costs of development and classified under non-current assets as "Deferred mineral properties: Production phase – development".

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Development Costs**

Development expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure having a specific connection with the development property.

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

No amortisation is provided in respect of development properties until they are reclassified as 'production phase development' following a decision to commence mining. After this decision, the costs are amortised over the life of the area of interest to which such costs relate on a production output basis.

For coal operations the cost of developing longwall panels are not expensed until the longwall coal is mined. The cost of development is amortised over the tonnes of longwall coal produced from that block. Some specific start-up costs relating to longwall panel development are amortised based on the relative future economic benefit that will be derived from each panel.

### **Leased Non-Current Assets**

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The leased asset is amortised on a straight line basis over the term of the lease or, where it is likely that the Company will obtain ownership of the asset, the life of the asset. Lease assets held at the reporting date are being amortised over periods ranging from 1 to 5 years.

### **Cash**

For the purpose of the statement of cash flows, cash includes cash on hand and in banks, deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts, and security deposits.

### **Trade and Other Creditors**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### **Interest Bearing Liabilities**

Loans are carried at their principal amounts which represent the value of future cash flows associated with servicing the debt.

### **Maintenance and Repairs**

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a major component of an asset, in which case the costs are capitalised and depreciated. Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Employee Entitlements

- a) Wages and salaries, annual leave and sick leave  
Liabilities for wages and salaries, annual leave and sick leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.
- b) Long service leave  
A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The value of the share plan as described in Note 30 is not being charged as an employee entitlement expense. Superannuation contributions are provided on the basis as described in Note 30.

### Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred and include interest on bank overdrafts, short-term and long-term borrowings and finance lease charges except for ancillary costs in relation to debt instruments which are capitalised and amortised over the life of the instrument in accordance with AASB 1036 Borrowing Costs.

### Earnings Per Share

- a) Basic earnings per share  
Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.
- b) Diluted earnings per share  
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

In previous years basic earnings per share was determined using the profit from ordinary activities after income tax. Diluted earnings per share in previous years adjusted the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and earnings that would have arisen had the dilutive options been exercised during the financial year rather than adjusting the weighted average number of shares to include potential ordinary shares assumed to have been issued for no consideration.

The change in the basis for calculating earnings per share figures was made to comply with AASB 1027 Earnings per Share, issued in June 2001.

The earnings per share information for the year ended 30 June 2001 has been recalculated to present the comparative amounts on a consistent basis with the current financial year.

### Restoration Costs

Restoration and rehabilitation of mine sites is carried out on an ongoing basis during the life of the mine. Provision is made for the cost of any rehabilitation or restoration work required to be completed at the end of the mine life. The provision is raised progressively over the life of the mine using current undiscounted costs. Any revisions to the estimate of costs are reflected in the provision when they are made.

### Royalties

Ad valorem royalties and other mining imposts are accrued and charged against earnings when the liability from production or sale of the mineral occurs.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Remaining Mine Lives**

In estimating the remaining life of the mine at each mine property for the purpose of amortisation and depreciation calculations, due regard is given not only to the volume of remaining economically recoverable reserves and resources but also to limitations which could arise from the potential for changes in technology, demand, product substitution and other issues that are inherently difficult to estimate over a lengthy time frame. This uncertainty can lead to the adoption of a realistic time limitation for the purpose of such calculations, and so lead to use of a straight line basis of amortisation, in lieu of a units of production method, as this may give a better representation of the using up of the net cost of the economic reserves being exploited. At 30 June 2002, no such time limitation bases of amortisation and depreciation have been adopted.

### **Investments**

Investments are carried at the lower of cost and recoverable amount.

### **Gold Bullion**

Gold bullion includes gold that has been poured or is in a form ready to be poured prior to year end but had not yet been delivered.

### **Dividends**

Provision is made for the amount of any dividend declared, determined or publicly recommended by the director on or before the end of the financial year but not distributed at balance date, as well as any dividends to be paid out of retained profits at the end of the financial year where the dividend was proposed, recommended or declared between the end of the year and the completion of the financial report.

### **Joint Venture Operation**

The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in Note 38.

### **Rounding of Amounts**

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or, in certain cases, to the nearest dollar.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

## 2. SEGMENT INFORMATION

### Business Segments

Gympie Gold Limited (Gympie Gold) is an Australian public listed exploration, production and marketing Company with two principal wholly-owned subsidiaries.

### Gold

Gympie Eldorado Gold Mines Pty Limited (Gympie Eldorado) has re-opened the high-grade Gympie Goldfield located near Gympie in south-east Queensland.

### Coal

Southland Coal Pty Limited (Southland Coal) has re-established production of high-quality coking coal from the Greta Seam, near Cessnock in the Hunter Valley of New South Wales.

### Geographical Segments

Gympie Gold Limited operates in the geographic area of Australia.

2002	Gold	Coal	Unallocated	Total
Operating Revenue	\$'000	\$'000	\$'000	\$'000
Sales to Customers outside the consolidated entity	28,452	56,479	73	85,004
Other revenue	192	194	341	727
Total segment revenue	<u>28,644</u>	<u>56,673</u>	<u>414</u>	<u>85,731</u>
<b>Segment Result</b>	4,310	(2,096)	–	2,214
Unallocated revenue less unallocated expenses				<u>(5,517)</u>
Profit from ordinary activities before income tax				<u>(3,303)</u>
Income tax benefit				<u>813</u>
Net profit from ordinary activities after income tax				<u>(2,490)</u>
Segment Assets	<u>76,295</u>	<u>91,199</u>	<u>35,387</u>	<u>202,881</u>
Segment Liabilities	<u>8,975</u>	<u>8,446</u>	<u>83,630</u>	<u>101,051</u>
Acquisition of property, plant and equipment and other non-current segment assets	<u>27,374</u>	<u>8,327</u>	<u>51</u>	<u>35,752</u>
Depreciation and amortisation expense	<u>5,372</u>	<u>10,286</u>	<u>48</u>	<u>15,706</u>
Other non-cash expenses	<u>2,135</u>	<u>–</u>	<u>301</u>	<u>2,436</u>
Net cash inflow/(outflow) from operating activities	<u>11,530</u>	<u>7,914</u>	<u>(5,829)</u>	<u>13,615</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

## 2. SEGMENT INFORMATION (continued)

2001	Gold \$'000	Coal \$'000	Unallocated \$'000	Total \$'000
<b>Operating Revenue</b>				
Sales to Customers outside the consolidated entity	24,050	24,112	42	48,204
Other revenue	128	10,569	102	10,799
Total segment revenue	24,178	34,681	144	59,003
<b>Segment Result</b>	4,144	7,270	–	11,414
Unallocated revenue less unallocated expenses				(3,349)
Profit from ordinary activities before income tax				8,065
Income tax expense				(1,612)
Net profit from ordinary activities after income tax				6,453
Segment Assets	53,331	66,576	19,556	139,463
Segment Liabilities	6,259	6,666	33,296	46,221
Acquisition of property, plant and equipment and other non-current segment assets	17,708	13,567	281	31,556
Depreciation and amortisation expense	4,824	4,806	28	9,658
Other non-cash expenses	3,935	1,603	199	5,737
Net cash inflow/(outflow) from operating activities	8,015	(7,135)	7,063	7,943

### Accounting Policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and the revised segment reporting accounting standard, AASB 1005 Segment Reporting, which has been applied for the first time in the year ended 30 June 2002. The business segments identified in the primary reporting disclosures and the geographical segment are not materially different to the industry and geographical segments identified in previous years. The comparative information has been restated to present the information on a consistent basis with the current year disclosures.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operations cash, receivables, inventories, property, plant and equipment and deferred mineral prospects, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provision for rehabilitation. Segment assets and liabilities do not include income taxes.

### Inter-Segment Transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's length" basis and are eliminated on consolidation.



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

	Consolidated		Gympie Gold Limited	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>3. REVENUE</b>				
<b>Revenue from operating activities</b>				
Sales	85,004	48,204	73	43
<b>Revenue from outside the operating activities</b>				
Interest	413	150	869	542
Foreign exchange gains	-	4	-	-
Proceeds from sale of 10% project interest	-	10,516	-	-
Proceeds on sale of property, plant and equipment	108	33	-	-
Other revenue	206	96	1,680	1,528
	<b>727</b>	<b>10,799</b>	<b>2,549</b>	<b>2,070</b>
<b>Revenue from ordinary activities</b>	<b>85,731</b>	<b>59,003</b>	<b>2,622</b>	<b>2,113</b>
<b>4. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES</b>				
<b>a) Net gains and expenses</b>				
Profit/(loss) from ordinary activities before income tax expense includes the following specific net gains and expenses:				
<b>Net Gains</b>				
Net gain on sale of a 10% project interest:				
Cash consideration received/receivable	-	10,516	-	-
Less: carrying amount of interest sold	-	(2,812)	-	-
Gain on sale	-	7,704	-	-
Unrealised exchange gains/(losses) from translation of stockpile finance facility	-	4	-	-
<b>Expenses</b>				
Cost of goods sold	76,950	41,496	(1)	-
Depreciation				
Buildings	4	64	-	-
Property, plant and equipment	2,753	2,808	42	25
Total depreciation	2,757	2,872	42	25
Amortisation				
Plant and equipment under finance leases	654	244	6	3
Exploration, evaluation and deferred mineral prospects	5,259	3,083	-	-
Longwall panel development	4,171	3,003	-	-
Amortisation of deferred costs	2,865	456	-	-
Total amortisation	12,949	6,786	6	3
Total depreciation and amortisation	15,706	9,658	48	28
Borrowing costs				
Interest and finance charges paid/payable	1,051	1,205	811	826
Finance lease charges	297	537	1	-
Total borrowing costs	1,348	1,742	812	826
Government mining royalties incurred	2,156	1,161	-	-
Rental expense relating to operating leases				
Minimum lease payments	261	140	261	140
Provisions				
Employee entitlements	414	417	274	119
Restoration/rehabilitation	(419)	(367)	-	-
<b>Total other provisions</b>	<b>(5)</b>	<b>50</b>	<b>274</b>	<b>119</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

## 4. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES (continued)

### b) Change in accounting estimates

During the year, the method of amortisation of some specific start-up costs relating to longwall panel development was revised. The previous method was based on the tonnes of coal produced from a longwall block (which is the method applied to normal longwall panel developments). The revised method of amortisation used for these specific costs is based on the relative future economic benefits that will be derived from each panel.

The net effect of that change in the current financial year was a reduction in the amortisation charge of \$598,000. The amortisation charge for the year ended 30 June 2003 will be increased by a similar amount.

	Consolidated		Gympie Gold Limited	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000

## 5. INCOME TAX

The income tax expenses for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:

Profit/(loss) from ordinary activities before income tax expense	<b>(3,303)</b>	8,065	<b>(4,820)</b>	(2,448)
Income tax calculated @ 30% (2001: 34%)	<b>(991)</b>	2,742	<b>(1,446)</b>	(832)
Tax effect of permanent differences				
Non deductible expenditure	<b>174</b>	(876)	<b>12</b>	9
Future income tax benefits not brought to account	-	-	<b>1,433</b>	-
Benefit of losses of prior years recouped	-	-	-	765
Income tax adjusted for permanent differences	<b>(817)</b>	1,866	<b>(1)</b>	(58)
Timing differences relating to prior year tax losses not booked	<b>4</b>	(9)	<b>1</b>	(38)
Net adjustment to deferred income tax liabilities and assets to reflect the decrease in Company tax rate to 30%	-	(245)	-	96
<b>Aggregate income tax (benefit)/expense</b>	<b>(813)</b>	1,612	<b>-</b>	-

### Adjustment to deferred income tax balances

Legislation reducing the Company tax rate from 34% to 30% for the 2001–2002 income tax year was passed during the year ended 30 June 2000. As a consequence, deferred tax balances were remeasured during the year ended 30 June 2001 using the appropriate new rates, depending on the timing of their reversal.

The deferred income tax liability in the consolidated entity has been reduced by \$11,904,000 (2001: \$7,625,000) in respect of future income tax benefits attributable to tax losses (Note 22).

The future income tax benefit in the consolidated entity includes \$4,869,000 (2001: \$3,665,000) attributed to tax losses (Note 14).

The directors estimate potential future income tax benefit in respect of tax losses not brought to account is	-	-	<b>4,769</b>	3,384
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## 6. CURRENT ASSETS – CASH ASSETS

Cash on hand and at bank	<b>25,501</b>	8,271	<b>24,720</b>	7,754
Security deposits	<b>700</b>	608	<b>292</b>	291
	<b>26,201</b>	8,879	<b>25,012</b>	8,045

Security deposits represent monies deposited as security for bank guarantees in favour of Government bodies as performance guarantees over certain mining tenements, or in favour of other parties as performance guarantees for various undertakings.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

	Consolidated		Gympie Gold Limited	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>7. CURRENT ASSETS – RECEIVABLES</b>				
Trade debtors	5,505	2,664	–	–
Gold bullion	95	66	–	–
Other debtors	1,877	4,959	61	4,836
	<b>7,477</b>	<b>7,689</b>	<b>61</b>	<b>4,836</b>
<p>Gold bullion represents gold that has been poured or is in a form ready to be poured prior to year end but not yet delivered into forward contracts. There is no credit risk associated with gold bullion as all the bullion is delivered directly into forward contracts (Note 36).</p> <p>Other debtors are carried at nominal amounts and are normally settled on 30 day terms. The credit risk associated with other debtors approximates their carrying values. Other debtors are non interest bearing.</p>				
<b>8. CURRENT ASSETS – INVENTORIES</b>				
Raw materials and stores – at cost	933	873	–	–
Work in progress – at cost	3,884	1,301	–	–
Finished goods – at cost	4,503	5,217	68	69
	<b>9,320</b>	<b>7,391</b>	<b>68</b>	<b>69</b>
<b>9. CURRENT ASSETS – DEVELOPMENT</b>				
Longwall panel development	20,724	8,483	–	–
<b>10. CURRENT ASSETS – OTHER</b>				
Exploration tenement held for resale	420	415	420	415
Prepayments	306	102	17	15
	<b>726</b>	<b>517</b>	<b>437</b>	<b>430</b>
<p>Prepayments are non interest bearing.</p>				
<b>11. NON-CURRENT ASSETS – RECEIVABLES</b>				
Loans to controlled entities (Note 31)	–	–	69,214	40,115
<p>Loans to controlled entities consists of:</p> <p>– non-interest bearing loan \$63,230</p> <p>– interest bearing loan \$5,984</p> <p>These are unsecured loans which have no fixed term of repayment.</p>				
<b>12. NON-CURRENT ASSETS – INVESTMENTS</b>				
Shares in controlled entities (Note 32)	–	–	67,551	67,551
Other	67	67	67	67
	<b>67</b>	<b>67</b>	<b>67,618</b>	<b>67,618</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

	Consolidated		Gympie Gold Limited	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>13. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT</b>				
<b>Deferred Mineral Prospects</b>				
Exploration, evaluation and development costs carried forward in respect of mining areas of interest				
a) Pre-production phase: exploration and development				
Gold Mining				
Gympie Qld				
At cost	<b>45,874</b>	25,715	-	-
Accumulated amortisation	<b>(1,759)</b>	(1,276)	-	-
Total pre-production phase	<b>44,115</b>	24,439	-	-
b) Production phase: development				
Coal Mining				
Cessnock NSW				
At cost	<b>48,049</b>	45,800	-	-
Accumulated amortisation	<b>(4,787)</b>	(2,611)	-	-
Gold mining				
Gympie Qld				
At cost	<b>25,104</b>	21,590	-	-
Accumulated amortisation	<b>(6,452)</b>	(4,730)	-	-
Total production phase	<b>61,914</b>	60,049	-	-
Total Deferred Mineral Prospects	<b>106,029</b>	84,488	-	-

The ultimate recoupment of amounts carried forward for exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of the costs carried forward for development is not charged until production commences.

Deferred Mineral Prospects include assets held under finance leases with a written down value of \$1,142,936 as at 30 June 2002 (2001: \$943,016).

## Property, plant and equipment

### Land and buildings

Freehold land – at cost	<b>3,652</b>	3,652	-	-
Buildings on freehold land – at cost	<b>496</b>	466	-	-
Less: Accumulated depreciation	<b>(78)</b>	(74)	-	-
	<b>418</b>	392	-	-
Total land and buildings	<b>4,070</b>	4,044	-	-

### Plant and equipment

Plant and equipment – at cost	<b>32,883</b>	24,277	<b>490</b>	445
Less: Accumulated depreciation	<b>(15,812)</b>	(13,065)	<b>(204)</b>	(167)
	<b>17,071</b>	11,212	<b>286</b>	278
Plant and equipment under finance lease	<b>4,157</b>	2,656	<b>27</b>	27
Less: Accumulated amortisation	<b>(978)</b>	(348)	<b>(7)</b>	(1)
	<b>3,179</b>	2,308	<b>20</b>	26
Total plant and equipment	<b>20,250</b>	13,520	<b>306</b>	304
Total property plant and equipment	<b>24,320</b>	17,564	<b>306</b>	304
Total deferred mineral prospects, property, plant and equipment	<b>130,349</b>	102,052	<b>306</b>	304

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

### 13. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

#### Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Pre-Production Phase \$'000</b>	<b>Production Phase \$'000</b>	<b>Total \$'000</b>
Opening balance 1 July 2001	24,439	60,049	84,488
Additions	20,609	4,927	25,536
Transfer from current to non-current development	–	3,128	3,128
Transfer from non-current to current development	–	(1,864)	(1,864)
Amortisation expense (Note 4a)	(933)	(4,326)	(5,259)
Closing balance 30 June 2002	44,115	61,914	106,029

<b>Consolidated</b>	<b>Freehold land \$'000</b>	<b>Buildings \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Leased Plant and equipment \$'000</b>	<b>Total \$'000</b>
Opening balance 1 July 2001	3,652	392	11,212	2,308	17,564
Additions	–	30	8,614	1,541	10,185
Disposals	–	–	–	(16)	(16)
Property, plant and equipment written off	–	–	(2)	–	(2)
Depreciation/amortisation expense	–	(4)	(2,753)	(654)	(3,411)
Closing balance 30 June 2002	3,652	418	17,071	3,179	24,320

<b>Gympie Gold Limited</b>	<b>Plant and equipment \$'000</b>	<b>Leased Plant and equipment \$'000</b>	<b>Total \$'000</b>
Opening balance 1 July 2001	278	26	304
Additions	52	–	52
Disposal	(2)	–	(2)
Depreciation/amortisation expense	(42)	(6)	(48)
Closing balance 30 June 2002	286	20	306

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

	Consolidated		Gympie Gold Limited	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>14. NON-CURRENT ASSETS – DEFERRED TAX ASSET</b>				
Future income tax benefit	<b>5,359</b>	4,103	-	-
<b>15. NON-CURRENT ASSETS – OTHER</b>				
Deferred borrowing costs	<b>2,376</b>	-	<b>2,376</b>	-
Security deposit	<b>282</b>	282	-	-
	<b>2,658</b>	282	<b>2,376</b>	-
<b>16. CURRENT LIABILITIES – PAYABLES</b>				
Trade creditors	<b>12,357</b>	5,313	<b>337</b>	490
Other creditors and accruals	<b>1,571</b>	3,394	<b>366</b>	979
	<b>13,928</b>	8,707	<b>703</b>	1,469
<b>17. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES</b>				
<b>Secured</b>				
Bank and finance loans	<b>5,120</b>	2,808	<b>5,120</b>	2,808
Lease liability (Note 26)	<b>1,274</b>	765	<b>8</b>	8
Loan from mining contractor	<b>10,388</b>	2,600	-	-
Stockpile finance	<b>5,445</b>	2,718	-	-
	<b>22,227</b>	8,891	<b>5,128</b>	2,816
Details of the security relating to each of the secured liabilities and further information on the bank loans is set out in Note 21.				
<b>18. CURRENT LIABILITIES – PROVISIONS</b>				
Employee entitlements (Note 30)	<b>1,976</b>	1,711	<b>469</b>	260
Rehabilitation	<b>703</b>	477	-	-
	<b>2,679</b>	2,188	<b>469</b>	260
<b>19. CURRENT LIABILITIES – OTHER</b>				
Deferred income	-	758	-	-
<b>20. NON-CURRENT LIABILITIES – PAYABLES</b>				
Unsecured payables to other controlled entities	-	-	<b>56,777</b>	56,174
Further information relating to loans from related parties is set out in Note 31.				

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

	Consolidated		Gympie Gold Limited	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>21. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES</b>				
<b>Unsecured Liabilities</b>				
Convertible notes	40,000	–	40,000	–
<b>Secured Liabilities</b>				
Bank loans	2,600	7,600	2,600	7,600
Lease liability (Note 26)	3,010	2,405	10	16
Loan from mining contractor	6,748	5,760	–	–
Total secured non-current interest bearing liabilities	12,358	15,765	2,610	7,616
Total non-current interest bearing liabilities	52,358	15,765	42,610	7,616
<b>Secured Liabilities (total current and non-current)</b>				
Bank and finance loans	7,720	10,408	7,720	10,408
Lease liabilities	4,284	3,170	18	24
Stockpile finance	5,445	2,718	–	–
Loan from mining contractor	17,136	8,360	–	–
Total secured liabilities	34,585	24,656	7,738	10,432

### Security for Interest Bearing Liabilities

The bank loan is secured by a charge over the assets of a controlled entity, Gympie Eldorado Gold Mines Pty Limited. The loan is also guaranteed by the parent entity.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The stockpile finance is secured by the coal in the stockpile and coal debtors.

The loans from mining contractors are secured in respect of coal operations by a charge over the assets of a controlled entity, Southland Coal Pty Limited, and in respect of gold operations by a second mortgage over the tenements of the southern goldfield owned by Gympie Eldorado Gold Mines Pty Limited.

### Assets pledged as security

The carrying amounts on assets pledged as security are:

Deferred mineral prospect	106,029	84,488	–	–
Land and buildings	4,070	4,044	–	–
Plant and equipment	20,250	13,520	306	304
Stock	4,062	3,424	–	–
Debtors	4,611	2,207	–	–
	139,022	107,683	306	304

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

	Consolidated		Gympie Gold Limited	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000

## 21. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES (continued)

### Financial Arrangements

Unrestricted access was available at balance date to the following lines of credit:

### Credit Standby Arrangements

Total facilities

Stockpile finance facility	9,259	7,874	–	–
Bank and finance loan facility	8,600	12,000	8,600	12,000
	<b>17,859</b>	<b>19,874</b>	<b>8,600</b>	<b>12,000</b>

Used at balance date

Stockpile finance facility	5,445	2,718	–	–
Bank and finance loan facility	7,720	10,408	7,720	10,408
	<b>13,165</b>	<b>13,126</b>	<b>7,720</b>	<b>10,408</b>

Unused at balance date

Stockpile finance facility	3,814	5,156	–	–
Bank and finance loan facility	880	1,592	880	1,592
	<b>4,694</b>	<b>6,748</b>	<b>880</b>	<b>1,592</b>

In addition to the above there is a bank guarantee of \$400,000 not recognised in the financial statements.

The stockpile finance facility can only be drawn in United States dollars and can be used to fund the coal stockpile at the mine site and realisation costs. Interest rates on all facilities are variable. The current interest rates are 6.64% on the bank loans and 3.75% on the stockpile finance facility.

### Convertible Notes

The parent issued 40,000,000 8.5% unsecured convertible notes for \$40 million on 24 June 2002. The notes are convertible into ordinary shares of the parent entity, at the option of the holder, at a fixed conversion price of \$1.35 per share, or repayable on 30 September 2007. The convertible notes are presented in the statement of financial position as follows:

Non-current liabilities				
Face value of notes issued	40,000	–	40,000	–

## 22. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

Deferred tax	7,278	6,835	–	–
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Refer to Note 5 for details of the reduction in deferred income tax liability attributable to tax losses.

## 23. NON-CURRENT LIABILITIES – PROVISIONS

Employee entitlements (Note 30)	638	489	143	78
Rehabilitation	1,943	2,588	–	–
	<b>2,581</b>	<b>3,077</b>	<b>143</b>	<b>78</b>



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

24. CONTRIBUTED EQUITY	Gympie Gold Limited		Gympie Gold Limited	
	2002	2001	2002	2001
	Shares	Shares	\$'000	\$'000
Issued and paid up capital	156,742,154	140,135,924	95,718	84,640
Former share premium reserve included in equity			13,896	13,896

## a) Movements in Ordinary Share Capital

Date	Details	Notes	Number of shares	Issue price	\$'000
01-07-2000	Opening Balance		129,228,105		76,227
31-12-2000	Exercise of options	c)	30,000	\$0.40	12
31-12-2000	Exercise of options	b)	5,566	\$0.80	4
31-05-2001	Exercise of options	c)	60,000	\$0.50	30
31-05-2001	Exercise of options	c)	110,000	\$0.40	44
30-06-2001	Exercise of options	c)	90,000	\$0.40	36
30-06-2001	Share placement	d)	5,047,000	\$0.80	4,038
30-06-2001	Share issue cost		-	-	(203)
30-06-2001	Exercise of options	b)	5,565,253	\$0.80	4,452
30-06-2001	Balance		140,135,924		84,640
13-11-2001	Exercise of options	c)	37,500	\$0.40	15
05-12-2001	Exercise of options	c)	10,000	\$0.40	4
05-12-2001	Exercise of options	c)	250,000	\$0.40	100
05-12-2001	Exercise of options	c)	12,500	\$0.40	5
02-01-2002	Share placement	d)	14,000,000	\$0.75	10,500
02-01-2002	Share issue cost		-	-	(525)
05-02-2002	Exercise of options	c)	250,000	\$0.50	125
12-03-2002	Exercise of options	c)	700,000	\$0.40	280
12-03-2002	Exercise of options	c)	1,000,000	\$0.40	400
31-05-2002	Exercise of options	c)	250,000	\$0.40	100
12-06-2002	Exercise of options	c)	96,230	\$0.772	74
30-06-2002	Closing balance		156,742,154		95,718

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

## b) Options

On 24 December 1999, 25,637,180 options were allotted to shareholders in accordance with a resolution at the Annual General Meeting on 24 November 1999. Each option was convertible into one unissued ordinary share in Gympie Gold Limited on or before 30 June 2001 at an exercise price of 80 cents per share. During the previous financial year 5,570,819 ordinary shares were issued at 80 cents per share pursuant to the exercise of the options. The balance of 20,066,361 unexercised options were cancelled on 30 June 2001.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

## 24. CONTRIBUTED EQUITY (continued)

### c) i) Share Option Plan

During the financial year 2,606,230 (2001: 5,860,819) shares were issued by Gympie Gold Limited as the result of exercise of options.

### ii) During the financial year 298,630 options have been issued to Hollyglade Holdings Ltd, financiers (2001: 500,000 options) by Gympie Gold Limited.

During the financial year 181,597 options have been issued to Nabarro Wells & Co. Ltd, UK Advisors, of which 96,230 were exercised (2001: nil).

All other options detailed below were issued to employees.

During the financial year 700,000 options were granted to a Director pursuant to the approval by shareholders at the Annual General Meeting on 7 November 2001.

At the end of the financial year, 8,973,997 options remained unexercised.

Grant Date	Expiry Date	Exercise Price	Options Granted	Options exercised and shares issued during the year		Unissued shares and options available at the end of the year	
				2002	2001	2002	2001
05-12-1996	05-12-2001	\$0.40	420,000	310,000	110,000	-	310,000
30-04-1997	30-04-2002	\$0.40	1,700,000	1,700,000	-	-	1,700,000
15-12-1997	15-12-2002	\$0.40	2,300,000	-	-	2,300,000	2,300,000
01-09-1998	01-09-2003	\$0.40	500,000	-	-	500,000	500,000
04-09-1998	04-09-2003	\$0.40	150,000	-	120,000	30,000	30,000
15-11-1999	15-11-2004	\$0.40	250,000	-	-	250,000	250,000
15-11-1999	15-11-2004	\$0.50	250,000	250,000	-	-	250,000
10-12-1999	10-12-2004	\$0.50	220,000	-	60,000	160,000	160,000
15-05-2000	15-05-2005	\$0.40	250,000	-	-	250,000	250,000
06-09-2000	06-09-2005	\$0.40	900,000	-	-	900,000	900,000
20-10-2000	20-10-2005	\$0.40	500,000	250,000	-	250,000	500,000
22-11-2000	22-11-2005	\$0.40	300,000	-	-	300,000	300,000
22-11-2000	22-11-2005	\$0.80	1,700,000	-	-	1,700,000	1,700,000
29-01-2001	29-01-2006	\$0.42	100,000	-	-	100,000	100,000
12-02-2001	12-02-2006	\$0.40	500,000	-	-	500,000	500,000
31-10-2001	31-10-2006	\$0.80	400,000	-	-	400,000	-
05-11-2001	05-11-2006	\$0.65	298,630	-	-	298,630	-
28-11-2001	28-11-2006	\$0.772	181,597	96,230	-	85,367	-
24-04-2002	24-04-2007	\$1.06	700,000	-	-	700,000	-
18-06-2002	18-06-2007	\$1.14	250,000	-	-	250,000	-
			11,870,227	2,606,230	290,000	8,973,997	9,750,000

### d) i) Share Placement

On 19 June 2001 the Company announced a placement of new shares in the Company at 80 cents per share to clients of stockbrokers Southern Cross Equities. 5,047,000 ordinary shares were issued.

### ii) Pursuant to the share placement announced on 13 December 2001 the Company issued 14,000,000 ordinary shares in the Company at an issue price of 75 cents per share to clients of WH Ireland (Stockbrokers) in the United Kingdom and clients of Southern Cross Equities (Stockbrokers) in Australia.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

	Consolidated		Gympie Gold Limited	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>25. RESERVES AND RETAINED PROFITS</b>				
Retained profits/(accumulated losses) at the beginning of the financial year	<b>8,602</b>	2,149	<b>(31,636)</b>	(29,188)
Net profit/(loss) attributable to members of Gympie Gold Limited	<b>(2,490)</b>	6,453	<b>(4,820)</b>	(2,448)
Retained profits/(accumulated losses) at the end of the financial year	<b>6,112</b>	8,602	<b>(36,456)</b>	(31,636)
<b>26. COMMITMENTS FOR EXPENDITURE</b>				
<b>Operating leases</b>				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	<b>209</b>	136	<b>209</b>	136
Later than one year but not later than 5 years	<b>139</b>	86	<b>139</b>	86
	<b>348</b>	222	<b>348</b>	222
<b>Finance leases</b>				
Commitments in relation to finance leases are payable as follows:				
Within one year	<b>1,576</b>	1,038	<b>8</b>	8
Later than one year but not later than 5 years	<b>3,346</b>	2,743	<b>10</b>	19
Minimum lease payments	<b>4,922</b>	3,781	<b>18</b>	27
Less: Future finance charges	<b>(638)</b>	(611)	<b>-</b>	(3)
Total finance lease liabilities	<b>4,284</b>	3,170	<b>18</b>	24
Representing lease liabilities:				
Current (Note 17)	<b>1,274</b>	765	<b>8</b>	8
Non-current (Note 21)	<b>3,010</b>	2,405	<b>10</b>	16
	<b>4,284</b>	3,170	<b>18</b>	24

## Exploration Commitments

Continued rights of tenure to exploration and mining tenements are subject to the Company meeting certain commitments as set by the Department of Mines and Energy (Queensland). These obligations, which are subject to renegotiation upon expiry of such leases, are not provided for in the financial statements, as there is no legal liability for the Company to ensure that such commitments are met. However, as a result of the current status of the tenements, and the level of expenditure to date, there are no outstanding exploration commitments at balance date.

## Capital Commitments

A controlled entity, Southland Coal Pty Limited, has made commitments for future expenditure for mine equipment and development of approximately \$2,000,000.

## Contract in Relation to Coal Operations

A controlled entity, Southland Coal Pty Limited, has contractual obligations to purchase coal produced by Thiess Limited under a guaranteed maximum price contract that expires in June/July of 2003. An alliance style contract will continue for a further eight years.

## Contract in Relations to Gold Operations

A controlled entity, Gympie Eldorado Gold Mines Pty Limited, has entered into a contract with Roche Mining Pty Limited for the development of the Lewis Mine.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

	Consolidated		Gympie Gold Limited	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>27. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>				
Profit/(loss) from ordinary activities after income tax	(2,490)	6,453	(4,820)	(2,448)
Depreciation of property, plant and equipment	2,757	2,872	42	25
Amortisation of exploration, evaluation and deferred mineral prospects	12,949	3,323	6	3
Exploration and development expenditure written off	-	2,721	-	-
Movement deferred tax balances	(813)	1,612	-	-
Provision for restoration/rehabilitation	(419)	(367)	-	-
Provision for employee entitlements	414	417	274	119
Profit on sale of 10% project interest	-	(7,704)	-	-
Changes in assets and liabilities				
Prepayments	(204)	154	(2)	12
Trade and sundry receivables	(4,527)	(1,536)	36	(106)
Creditors	8,635	5,174	(764)	1,031
Inventory	(1,929)	(4,151)	1	(1)
Deferred income	(758)	(1,025)	-	-
Inter-company charge	-	-	(600)	(1,528)
Net cash flow provided by/(used in) operating activities	<b>13,615</b>	<b>7,943</b>	<b>(5,827)</b>	<b>(2,893)</b>

## 28. CONTINGENT LIABILITIES

### Guarantees

Gympie Gold Limited and certain controlled entities have given guarantees to certain government bodies and unrelated parties amounting to

	2002	2001		
	5,350	5,565	-	-

A claim for \$21 million has been made by Colrok Australia Pty Limited (voluntary administrator appointed) for work performed under the mine operating contract with a controlled entity, Southland Coal Pty Limited. This contract was terminated under the insolvency default provisions. Claims of \$39 million have been made against Colrok for damages. Discussions with the Administrator are ongoing and no legal proceedings have been initiated.

## 29. REMUNERATION OF AUDITORS

	Consolidated		Gympie Gold Limited	
	2002 \$	2001 \$	2002 \$	2001 \$
Remuneration to the auditor of the parent entity and of the consolidated entity – PricewaterhouseCoopers:				
Remuneration for audit or review of the financial reports	103,000	75,500	33,781	25,000
Other services	94,800	-	94,800	-
	<b>197,800</b>	<b>75,500</b>	<b>128,581</b>	<b>25,000</b>

Auditors' remuneration has not been rounded in accordance with ASIC 98/0100.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

## 30. EMPLOYEE ENTITLEMENTS

Employee numbers	Consolidated Number		Gympie Gold Limited Number	
	2002	2001	2002	2001
Number of employees (excluding mining contractors) as at reporting date	<b>148</b>	144	<b>11</b>	12

### Employee Share Option Plan

An employee share plan has been established whereby employees of the consolidated entity are issued with options over ordinary shares of Gympie Gold Limited. The options, issued for nil consideration, are issued in accordance with guidelines established by the Directors. The options cannot be transferred and will not be quoted on the Australian Stock Exchange.

During the year, 1,350,000 options were issued under this plan to those eligible. The details of the options on issue are shown in Note 24.

A total of 2,510,000 ordinary shares were issued during the year ended 30 June 2002 on the exercise of options granted under the scheme. The amount received on the exercise of options is recognised as issued capital at the date of issue of the shares. The amount recognised during the year ended 30 June 2002 was \$1,029,000 (2001: \$122,000).

The terms and conditions of 4,000,000 options held by a Director as at 30 June 2002 are exactly the same as under the employee share plan although they do not form a part of that plan.

The market value of ordinary Gympie Gold Limited shares closed at \$1.12 on 28 June 2002.

No other equities in any of the entities within the consolidated entity were acquired by or issued to employees during the year in relation to any other ownership-based remuneration plan.

### Superannuation Commitments

AXA Australia provides employees with benefits on retirement, disability or death. The superannuation plan provides accumulated benefits based on the accumulation of employee and employer contributions with interest, and as such no actuarial assessments are required. Employees contribute various percentages of their wages and salaries to the plan. The consolidated entity has a legal obligation to contribute to the plan or an equivalent plan.

	Consolidated		Gympie Gold Limited	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
The aggregate employee entitlement liability is comprised of:				
Accrued wages, salaries, bonuses and on costs	<b>464</b>	1,158	<b>197</b>	863
Provision for employee entitlements – current (Note 18)	<b>1,976</b>	1,711	<b>469</b>	260
Provision for employee entitlements – non-current (Note 23)	<b>638</b>	489	<b>143</b>	78
Aggregate employee entitlement liability	<b>2,614</b>	2,200	<b>612</b>	338

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

## 31. RELATED PARTIES

### Directors

The Directors of Gympie Gold Limited at any time during the financial year were:

Mr M G Darling, Mr H Adams, Mr P C Cadwallader, Mr J E Leach, Mr R Woodall and Dr C Rawlings.

The following related party transactions occurred during the financial year ending 30 June 2002:

### Transactions Of Directors And Director-Related Entities Concerning Shares Or Share Options

Aggregate numbers of shares and share options of Gympie Gold Limited acquired or disposed of by directors of the Company and consolidated entity or their director-related entities from the Company:

	Parent entity and consolidated	
	2002 Number	2001 Number
Acquisition of ordinary shares by exercise of options	700,000	7,947,266
Options granted over ordinary shares	700,000	2,000,000
Disposal of ordinary shares	(715,000)	-
Aggregate numbers of shares and share options of Gympie Gold Limited held directly, indirectly or beneficially by directors of the Company or the consolidated entity or their director-related entities at balance date:		
Ordinary shares	46,873,499	46,888,499
Options over ordinary shares	5,750,000	5,750,000

### Other Transactions with Directors and Director-Related Entities

A director, Mr M G Darling, is a director and shareholder of Pilatus Capital Limited who provided Gympie Gold Limited with office facilities during the previous financial year at a cost of \$11,310 to Gympie Gold Limited. This arrangement was based on normal commercial terms and conditions but was terminated on 30 June 2001.

A director, Mr R Woodall, is a director and shareholder of Earthsearch Consulting Group Pty Limited who provided geological consulting services during the financial year amounting to \$30,000 (2001: \$24,750). This arrangement is based on normal commercial terms and conditions.

### Wholly-Owned Group

Gympie Gold Limited provided loan funds, management, administration and technical services to entities in the group during the year. Entities in the group reimbursed Gympie Gold Limited for costs incurred on their behalf.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

## 31. RELATED PARTIES (continued)

Transactions between Gympie Gold Limited and other entities in the wholly-owned group during the years ended 30 June 2002 and 2001 consisted of:

- a) loans advanced by Gympie Gold Limited;
- b) loans repaid to Gympie Gold Limited;
- c) the payment of interest on the above loans.

<b>Gympie Gold Limited</b>	
<b>2002</b>	<b>2001</b>
<b>\$'000</b>	<b>\$'000</b>

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly-owned group:

Interest revenue	528	441
Management fee revenue	1,680	1,528

Aggregate amounts receivable from/payable to entities in the wholly-owned group at balance date:

Non-current receivables	69,214	40,115
Non-current payables	56,777	56,174

### Ownership Interests in Related Parties

Interests held in the following classes of related parties are set out in the following notes:

- a) investment in controlled entities – Note 32;
- b) interest in joint venture – Note 38.

## 32. INVESTMENTS IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Equity Holding		Cost of Parent Company's Investment	
		2002	2001	2002	2001
		%	%	\$'000	\$'000
Devex Finance Pty Limited	Australia	100	100	–	–
Southland Mining Limited	Australia	100	100	33,619	33,619
Southland Coal Pty Limited	Australia	100	100	–	–
Southland Gold Pty Limited	Australia	100	100	–	–
NSW Mining Co Pty Limited	Australia	100	100	–	–
Doral Resources NL	Australia	100	100	27,833	27,833
Haoma Petroleum Pty Limited	Australia	100	100	–	–
Strata Petroleum Pty Limited	Australia	100	100	–	–
Doral Magnetite Pty Limited	Australia	100	100	–	–
Doral Lime Products Pty Limited	Australia	100	100	–	–
Gympie Eldorado Gold Mines Pty Limited	Australia	100	100	6,099	6,099
				<b>67,551</b>	<b>67,551</b>

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

### 33. EARNINGS PER SHARE

	Consolidated	
	2002 Cents	2001 Cents
Basic earnings per share	(1.7)	5.0
Diluted earnings per share	(1.6)	5.0
	2002 Shares	2001 Shares
Weighted average number of shares used as the denominator in calculating basic earnings per share	147,432,749	128,905,665
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	151,622,194	130,359,821

### 34. REMUNERATION OF DIRECTORS

	Directors of entities in the consolidated entity		Directors of parent entity	
	2002 \$	2001 \$	2002 \$	2001 \$
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities	1,253,699	1,888,100	1,253,699	1,888,100

Options are granted to executive directors under the Gympie Gold Limited Employee Option Plan, details of which are set out in Note 30. Details of options granted to and exercised by directors during the year ended 30 June 2002 are set out in Note 31.

The amounts disclosed for remuneration of directors include the assessed fair values of options granted to directors during the year ended 30 June 2002 at the date they were granted. Fair values have been assessed using the Black-Scholes option pricing model. Factors taken into account by this model include the exercise price, the term of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. It should be noted however that these options are unlisted and non-transferable.

Directors' remuneration excludes insurance premiums of \$35,200 paid by the parent entity in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers. Information relating to the insurance contracts is set out in the directors' report.



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

## 34. REMUNERATION OF DIRECTORS (continued)

The number of directors of Gympie Gold Limited whose total income from the parent entity or related parties remuneration falls within the following bands:

	\$	\$	2002	2001
0 – 9,999	0	9,999	–	1
10,000 – 19,999	10,000	19,999	–	2
20,000 – 29,999	20,000	29,999	–	1
30,000 – 39,999	30,000	39,999	1	–
40,000 – 49,999	40,000	49,999	3	–
50,000 – 99,999	410,000	419,999	1	–
100,000 – 499,999	580,000	589,999	–	1
500,000 – 689,999	680,000	689,999	1	–
690,000 – 1,259,999	1,250,000	1,259,999	–	1

## 35. REMUNERATION OF EXECUTIVES

	Executive Officers of the Consolidated Entity		Executive Officers of the Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$

Amounts received or due and receivable by executive officers of the consolidated entity and the Company whose remuneration is at least \$100,000 or more, from entities in the consolidated entity and related entities.

	<b>2,343,499</b>	2,771,369	<b>2,343,499</b>	2,010,000
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Options are granted to executive officers under the Gympie Gold Limited Employee Option Plan, details of which are set out in Note 30.

The amounts disclosed for remuneration of executive officers in this note include the assessed fair values of options granted to executive officers during the year ended 30 June 2002 at the date they were granted. Fair values have been assessed using the Black-Scholes option pricing model. Factors taken into account by this model include the exercise price, the term of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. It should be noted however that these options are unlisted and non-transferable.

Executives' remuneration excludes insurance premiums of \$35,200 paid by the parent entity in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual executives.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

### 35. REMUNERATION OF EXECUTIVES (continued)

The number of Australian based executives (including directors) where remuneration from entities in the consolidated entity and related parties was within the specified bands as follows:

			Consolidated		Gympie Gold Limited	
	\$	\$	2002	2001	2002	2001
100,000	-	109,999	-	1	-	-
170,000	-	179,999	-	1	-	1
190,000	-	199,999	3	-	3	-
240,000	-	249,999	-	1	-	-
300,000	-	309,999	1	-	1	-
340,000	-	349,999	1	-	1	-
400,000	-	409,999	-	1	-	-
410,000	-	419,999	1	-	1	-
580,000	-	589,999	-	1	-	1
680,000	-	689,999	1	-	1	-
1,250,000	-	1,259,999	-	1	-	1

### 36. FINANCIAL INSTRUMENTS

Gympie Gold Limited and certain of its controlled entities are party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuation in foreign exchange rates and gold prices.

#### Forward Exchange Contracts

The sales revenue of one of the controlled entities is predominantly denominated in United States dollars. In order to protect against adverse exchange rate movements, all of the anticipated sales revenue is sold forward under forward exchange contracts.

The contracts are timed to mature to match expected US dollar revenue streams.

At balance date, the details of outstanding contracts are:

	Sell US Dollars		Buy Australian Dollars		Average Exchange Rate	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 Cents	2001 Cents
Forward foreign exchange contracts						
Maturity						
0-6 months	6,462	20,085	10,251	31,466	63.04	63.83
6-12 months	-	18,098	-	28,353	-	63.83

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

### 36. FINANCIAL INSTRUMENTS (continued)

As these contracts are hedging anticipated future sales, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction. Included in the amounts deferred are any gains and losses on hedging contracts terminated prior to maturity where the related hedged transaction is still expected to occur.

The following gains, losses and costs have been deferred by the consolidated entity in relation to foreign exchange contracts and are not recognised in the statement of financial position as at 30 June 2002:

	2002 \$'000	2001 \$'000
Unrealised losses	<u>1,240</u>	<u>15,364</u>

#### Commodity Contracts

At 30 June 2002 the Company was committed to delivering 219,850 ounces of gold under forward sales contracts at an average price of \$526 per ounce to 30 June 2006 as follows:

Maturity Date	Ounces to be Delivered		Exercise Price	
	2002	2001	2002 \$	2001 \$
2001–2002	–	53,163	–	526
2002–2003	73,750	73,750	527	527
2003–2004	74,100	74,100	530	530
2004–2005	36,000	36,000	520	520
2005–2006	36,000	36,000	520	520
	<u>219,850</u>	<u>273,013</u>		

Unrealised hedging losses as at 30 June 2002 totalled \$14.6 million net loss on gold contracts (2001: \$10.4 million loss).

This includes 10,750 ounces under sold call option at a strike rate of \$520 per ounce.

#### Credit Risk Exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the statements of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

The recognised financial assets of the consolidated entity include amounts receivable arising from unrealised gains on derivative financial instruments. For off-balance sheet financial instruments, including derivatives, which are deliverable, credit risk also arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. A material exposure arises from forward exchange contracts and commodity contracts and the consolidated entity is exposed to loss in the event that counterparties fail to deliver the contracted amount. At balance date the consolidated entity is in a net loss position on both foreign exchange contracts and commodity contracts and hence credit risk is limited to the carrying value of other receivables.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

## 36. FINANCIAL INSTRUMENTS (continued)

### Interest Rate Risk Exposures

The consolidated Company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table.

2002	Notes	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest maturing in:			Non interest bearing \$'000	Total \$'000
				1 year or less \$'000	Over 1 to 5 years \$'000	Over 5 years \$'000		
<b>Financial assets</b>								
Cash and deposits	6, 15	4.0	26,483	-	-	-	-	26,483
Receivables	7	-	-	-	-	-	7,477	7,477
			26,483	-	-	-	7,477	33,960
<b>Financial liabilities</b>								
Bank loans	21	6.6	7,720	-	-	-	-	7,720
Trade and other creditors	16	-	-	-	-	-	12,357	12,357
Mining loan – gold	17, 21	7.0	8,908	-	-	-	-	8,908
Mining loan – coal	17, 21	10.5	8,228	-	-	-	-	8,228
Stockpile finance	17	4.0	5,445	-	-	-	-	5,445
Lease liabilities	17, 21	8.2	-	1,274	3,010	-	-	4,284
Convertible notes	21	8.5	-	-	-	40,000	-	40,000
			30,301	1,274	3,010	40,000	12,357	86,942
Net financial assets (liabilities)			(3,818)	(1,274)	(3,010)	(40,000)	(4,880)	(52,982)

2001	Notes	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest maturing in:			Total \$'000
				1 year or less \$'000	Over 1 to 5 years \$'000	Non interest bearing \$'000	
<b>Financial assets</b>							
Cash and deposits	6, 15	4.9	9,161	-	-	-	9,161
Receivables	7	-	-	-	-	7,689	7,689
			9,161	-	-	7,689	16,850
<b>Financial liabilities</b>							
Bank loans	17, 21	7.4	9,408	1,000	-	-	10,408
Trade and other creditors	16	-	-	-	-	5,313	5,313
Stockpile finance	17	8.5	2,718	-	-	-	2,718
Mining loan – gold	17, 21	8.9	8,360	-	-	-	8,360
Lease liabilities	17, 21	9.6	-	765	2,405	-	3,170
			20,486	1,765	2,405	5,313	29,969
Net financial assets (liabilities)			(11,325)	(1,765)	(2,405)	2,376	(13,119)

### Net Fair Value of Financial Assets and Liabilities

The net fair value of monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2002

	Consolidated		Gympie Gold Limited	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>37. NON-CASH FINANCING AND INVESTING ACTIVITIES</b>				
Acquisition of plant and equipment by means of finance leases	2,032	476	-	27
Deferred mineral prospects – loan from mining contractor	548	8,360	-	-

## 38. INTERESTS IN JOINT VENTURE

### Joint Venture Operation

Southland Coal Pty Limited has entered into a joint venture operation with Thiess Southland Pty Limited called Southland Colliery Joint Venture. Southland Coal Pty Limited has a 90% participating interest in the joint venture.

The consolidated Company's interests in the assets in the joint venture are included in the consolidated statement of financial position, in accordance with the accounting policy described in Note 1, under the following classifications:

### Current Assets

Cash	202	196	-	-
Receivables	6,370	934	-	-
Mine development	20,724	8,483	-	-
Inventories	5,058	4,047	-	-
Other	289	-	-	-
<b>Total Current Assets</b>	<b>32,643</b>	<b>13,660</b>	<b>-</b>	<b>-</b>

### Non-Current Assets

Plant and equipment – at cost	64,398	54,846	-	-
Less: Accumulated depreciation	(6,689)	(3,451)	-	-
<b>Total Non-Current Assets</b>	<b>57,709</b>	<b>51,395</b>	<b>-</b>	<b>-</b>

### Share of Assets Employed in Joint Venture

	<b>90,352</b>	<b>65,055</b>	<b>-</b>	<b>-</b>
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Commitments for capital expenditure for the joint venture have been included in the capital commitments of the group (Note 26).

The Southland Colliery Joint Venture's principal activity is mining its coal reserves.

## 39. SUBSEQUENT EVENTS

Since balance date:

- a) a \$32 million loan facility has been finalised and the previous shorter term bank loan facility was repaid in full;
- b) the Company has put in place additional currency hedging and thereby increased forward cover from \$US6.5 million at an \$A/\$US rate of 63 cents as at 30 June 2002 to \$US47.7 million at an \$A/\$US rate of 55 cents as at the date of this report.

No other matters or circumstances have arisen since 30 June 2002 that have significantly affected or may significantly affect:

- a) the consolidated Company's operations in future financial years;
- b) the results of those operations in future financial years; or
- c) the consolidated Company's state of affairs in future financial years.

## DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 14 to 45:

- a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) give a true and fair view of the Company's and consolidated Company's financial position as at 30 June 2002 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

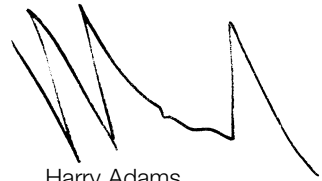
In the directors' opinion:

- a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- b) there are reasonable grounds to believe that the Company 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 directors.



John Leach  
Director



Harry Adams  
Director

Sydney  
9 September 2002

# INDEPENDENT AUDIT REPORT

**To the members of Gympie Gold Limited:**

## **Audit Opinion**

In our opinion, the financial report, set out on pages 14 to 46:

- presents a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Gympie Gold Limited and the Gympie Gold Group (defined below) as at 30 June 2002 and of their performance for the year ended on that date;
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

## **Scope And Summary Of Our Role**

### **The Financial Report – Responsibility And Content**

The preparation of the financial report for the year ended 30 June 2002 is the responsibility of the directors of Gympie Gold Limited. It includes the financial statements for Gympie Gold Limited (the Company) and for the Gympie Gold Group (the Group), which incorporates Gympie Gold Limited and the entities it controlled during the year ended 30 June 2002.

### **The Auditor's Role And Work**

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our role was to conduct the audit in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

In conducting the audit, we carried out a number of procedures to assess whether in all material respects the financial report presents fairly a view in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001, which is consistent with our understanding of the Company's and the Group's financial position, and their performance as represented by the results of their operations and cash flows.

### **The procedures included:**

- selecting and examining evidence, on a test basis, to support amounts and disclosures in the financial report. This included testing, as required by auditing standards, certain internal controls, transactions and individual items. We did not examine every item of available evidence;
- evaluating the accounting policies applied and significant accounting estimates made by the directors in their preparation of the financial report;
- obtaining written confirmation regarding material representations made to us in connection with the audit;
- reviewing the overall presentation of information in the financial report.

Our audit opinion was formed on the basis of these procedures.

## INDEPENDENT AUDIT REPORT

### Independence

As auditor, we are required to be independent of the Group and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board.

In addition to our statutory audit work, we were engaged to undertake other services for the Group. These services are disclosed in Note 29 to the financial statements. In our opinion the provision of these services has not impaired our independence.



PricewaterhouseCoopers



Peter Buchholz  
Partner

Sydney, 9 September 2002



## SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 5 September 2002.

### A) Distribution of Equity Securities

Analysis of numbers of equity security holders by size of holding:

Size of Holding	Class of Equity Security	
	Ordinary Shares	Convertible Notes
1 – 1,000	916	12
1,001 – 5,000	2,858	204
5,001 – 10,000	1,128	258
10,001 – 100,000	1,005	304
100,001 and over	102	42
	6,009	820

There were 295 holders of less than a marketable parcel of ordinary shares and 820 holders of less than a marketable parcel of Convertible Notes.

### B) Equity Security Holders

i) The names of the twenty largest holders of quoted ordinary shares are listed below:

Name	Ordinary Shares	
	Number Held	Percentage of Issued Shares
Pilatus Capital Pty Limited	39,099,284	24.94
Citicorp Nominees Pty Limited	12,507,838	7.98
J P Morgan Nominees Australia	8,310,214	5.30
National Nominees Limited	5,388,431	3.44
Mafed Investments Pty Limited	4,498,356	2.87
Commonwealth Custodial Services Limited	2,867,668	1.83
Cardel Pty Limited	2,803,736	1.79
ANZ Nominees Limited	2,505,100	1.60
Duck Island Pty Ltd	2,000,000	1.28
RBC Global Services Australia Nominees Pty Ltd	1,766,858	1.13
Cal-Bara-Capital Pty Ltd	1,752,000	1.12
Mutual Trust Pty Ltd	1,575,091	1.00
Napla Pty Ltd	1,495,198	0.95
CSFB Fourth Nominees Pty Ltd	1,319,378	0.84
Keffi Korporation Pty Limited	1,236,990	0.79
AMP Life Limited	921,352	0.59
HSBC Custody Nominees (Australia) Limited	919,596	0.59
Balno Pty Limited	669,091	0.43
Cogent Nominees Pty Limited	611,654	0.39
RBC Global Services Australia Nominees Pty Limited	582,261	0.37
	<b>92,830,096</b>	<b>59.23</b>

## SHAREHOLDER INFORMATION (continued)

The shareholder information set out below was applicable as at 5 September 2002.

- ii) The names of the twenty largest holders of quoted Convertible Notes are listed below:

Name	Convertible Notes	
	Number Held	Percentage of Issued Convertible Notes
Westpac Custodian Nominees Limited	5,296,000	13.24
National Nominees Limited	3,605,280	9.01
Chase Nominees Limited	3,000,000	7.50
CSFB Fourth Nominees Pty Ltd	1,866,000	4.67
Anglo Pacific Group Plc	1,000,000	2.50
Argo Investments Limited	1,000,000	2.50
Commonwealth Custodial Services Limited	1,000,000	2.50
ANZ Nominees Limited	899,000	2.25
BB Nominees Pty Ltd	800,000	2.00
Invia Custodian Pty Limited	594,000	1.49
Lost Ark Nominees Pty Limited	578,000	1.45
McCusker Holdings Pty Ltd	500,000	1.25
NCL Nominees Limited	500,000	1.25
RBC Global Services Australia Nominees Pty Limited	500,000	1.25
Balpina Pty Limited	431,000	1.08
Citicorp Nominees Pty Ltd	405,000	1.01
Huntley Investment Company Limited	400,000	1.00
Invia Custodian Pty Limited	396,000	0.99
S C Biggs Pty Ltd	365,000	0.91
Guardian Trust Australia Ltd	300,000	0.75
	<b>23,435,280</b>	<b>58.60</b>

### C) Substantial Holders

Substantial holders in the Company are set out below:

Ordinary Shares	Number Held	Percentage
Pilatus Capital Pty Limited	44,289,059	28.25%
Commonwealth Bank of Australia	11,531,153	7.37%
ING Australia Holdings Limited	8,440,632	5.38%

### D) Voting Rights

The voting rights attaching to each class of equity securities are set out below:

- Ordinary Shares* – On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote;
- Options* – No voting rights;
- Convertible Notes* – No voting rights.

### E) Listings

Gympie Gold Limited is listed on the Australian Stock Exchange and quoted on the London Alternative Investment Market.

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