

# GYMPIE GOLD LIMITED

ACN 000 759 535

## **Chairman's Address General Meeting 17 June 2002**

Good morning ladies and gentlemen and welcome to this General Meeting of Gympie Gold Limited.

This meeting has been called to ratify the placement of shares to professional investors earlier this year and to seek your approval for an issue of convertible notes.

As I explained in my letter attached to the notice of meeting, the purpose of these capital raisings is to strengthen the Company's balance sheet to ensure the rapid growth that is underway in both our coal and gold businesses can be sustained and further enhanced. Put simply, we want to take maximum advantage of a favourable period in the commodity cycle. The hard work put in during the lean years must now produce the benefits and a strong balance sheet is needed to do this.

Our gold and coal businesses have historically been funded in such a way that Gympie Gold Limited retains a high level of ownership of both mines, 100% of Gympie Eldorado Gold and 90% of Southland Coal, while early shareholders have seen only minimal dilution of their holding.

In order to do this, the businesses have been developed slowly and opportunities to grow have been deferred. As well as this, the alliances with contractors have resulted in a reliance on short-term capital.

Despite improved product markets these constraints are still largely with us today. As world growth strengthens, we should be in a positive cycle for commodities.

As a Company, we want to take maximum advantage of this cycle for our shareholders. We already have the matchless advantage of increasing output from

our two businesses right at the beginning of the cycle. Those companies which must now raise capital to commence development of deferred projects are probably some years behind us.

It is now appropriate for Gympie Gold to introduce longer term funding to facilitate continued growth of our businesses and position the Company to take advantage of new opportunities (whether on our own patch or further a-field).

Our financial plan to take advantage of improving market conditions involves putting in place new capital from the issue of Convertible Notes and supplementing this with expanded banking facilities to provide prudent reserves and enable hedging if appropriate. These moves will reduce the Company's short-term funding constraints and foster continued growth. At the same time, the company's shareholder base will be broadened by bringing in significant new investors, particularly in the UK and Europe.

In January 2002, by way of private placement, the Company completed the issue of 14 million shares to professional investors at \$0.75 per share, raising of \$10.5 million. These funds were applied towards general ongoing working capital requirements and the development of the Company's mining operations at Gympie Eldorado Gold and Southland Coal.

We chose to make a private placement at that time because of the speed and surety it provided.

A rights issue, the alternative fund raising method we considered, is a process that takes several months to complete, during which time market conditions may change dramatically and the company may fail to raise the required funds. In the uncertain markets that prevailed at the time this was considered too great a risk.

Listing Rules of the Australian Stock Exchange limit to 15% of the Company's total issued capital that the Company may issue during any 12 month period without shareholder approval. The placement in early January represented approximately 10% of the Company's issued capital and thus was within the 15% limit. Resolution 1

today seeks shareholder ratification of this placement for the purposes of the ASX Listing Rules.

Since January, the market for gold equities has improved in line with a strengthening \$US gold price, providing the opportunity to raise further capital at a relatively attractive price, principally to replace the Company's short-term debt.

On 17 May 2002, Gympie Gold announced the issue of up to 40 million 5-year Convertible Notes, subject to shareholder approval. The notes are to be issued at \$1.00 each and will pay interest at a fixed rate of 8.5% per annum. The purchaser may elect to convert the notes into Gympie Gold shares at a fixed conversion price of \$1.35 per note, thereby receiving 740 Gympie Gold shares per \$1,000 of Convertible Notes. If the purchaser elects not to convert the notes into Gympie Gold shares, then the Company will simply re-purchase the notes at \$1.00 each at the end of their five-year life.

If Resolution 2 is approved by shareholders today, this issue will raise a total of \$40 million as subscriptions have been received for the maximum of 40 million Convertible Notes.

The Convertible Notes issue can be considered a type of placement as institutional investors in Europe and Australia indicated prior to the announcement that they would subscribe for more than the \$20 million minimum subscription level. The placement route was again chosen to ensure that the required funds were raised quickly while the market window was open.

Ideally, we would have liked Gympie Gold shareholders to receive a priority allocation of these Convertible Notes. Unfortunately, the required time frame for the issue and administrative complexities precluded this.

However, approximately \$15 million of the notes have been taken up by retail investors in Australia. These notes were distributed via several Australian brokers whose client base forms the majority of Gympie Gold's retail shareholders, thus hopefully many of our shareholders were able to successfully apply for these notes.

These Convertible Notes allow the Company to raise further capital without issuing shares at a discount to the prevailing share price as would be the case with a typical private placement. The notes are a straight-forward financial instrument that allows the holder to either receive an 8.5% yield or participate in a stronger share price by converting the notes into shares at a premium to the current share price, minimising potential dilution of current shareholders. In the event that all 40 million notes are ultimately converted in shares, this would represent only 15% of current issued capital on a fully diluted basis.

If Resolution 2 is approved today, these notes are expected to be listed during the week beginning 24 June 2002 on both the Australian Stock Exchange and AIM, the London Stock Exchange's international market for growing companies.

If both resolutions are approved today, the Company may issue additional securities up to the limit of 15% of issued capital during the next 12 months without the need to obtain further shareholder approval. This will provide the company with flexibility to raise further capital if required or an attractive opportunity presents itself.

Looking to the future, the coal is a more established and predictable business today, but Gympie Eldorado Gold has the potential for greater upside tomorrow. We see this combination as very attractive and an excellent platform on which to build growth. If the winds of the cycle are blowing with us, and sometimes commodity cycles can blow pretty hard, we see no reason why the next few years should not be very rewarding for Gympie Gold shareholders.

It is for these reasons we are seeking your support for the new capital. I hope you will agree with the strategy and urge you to support it.