

Quarterly Report

1 July – 30 September 2001

Report date 22 October 2001

Principal Points

PRODUCTION

- Second highest coal production quarter to date of 233,000t run-of-mine coal despite scheduled suspension in mid-August for the move to the next production zone in SL2, where production has since recommenced in October.
- Gold production of 7,800oz retarded by lower productivity during enterprise agreement negotiations and by materials-handling problems in new Monkland Mine production zone S1...these issues resolved and production back on track with increased underground broken ore stocks in September and increased ore deliveries to mill to date during October. The quarter was also characterised by a low 7g/t grade, however still on-track for a whole-year average of 10g/t.
- The planned doubling of group unit outputs over the 01-02 year as a whole triggered large development advance of 2,159m at Southland Colliery and 2,099m at Gympie Eldorado where the new Lewis Mine is scheduled for production start-up January 2002, in line with timetable.
- Record revenues of \$450,000 from Gympie Gold Gemstone and new products launched.

GOLD EXPLORATION

- Underground drilling intercepts include 18.9m @ 7.1 g/t and 8.7m @ 13.5 g/t on the Inglewood Lode in the Lewis Mine's first planned production zone, near Rands Dyke.
- Drilling from surface in the Mary River Valley, 2km from mine infrastructure has clipped a gold-bearing structure at less than 50 metres depth. The mineralisation appears similar to the Inglewood Lode and drill intercepts to date include visible gold in quartz veins within dyke rocks over a strike-length of 300m, which remains open.

PHYSICAL RISKS

- All operating sites running at industry standard safety performance, with LTIFR's of around 10.

CORPORATE

- Appointed W.H Ireland Limited as broker for the admission of the Company's shares to AIM, the London Stock Exchange's international market for growing companies, scheduled for November.
- Cash and gold bullion (in-circuit) was \$8.5 m. No new hedging for either gold or coal revenues.
- The Company committed to its foundation projects within the low-product-price setting of the past five years and is now accelerating growth as the markets for its products are stronger.

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This Quarterly Report summarises the activities of Gympie Gold Limited and its subsidiaries during the three months ended 30 September 2001.

Shareholders can obtain copies of recent Quarterly Reports and other public announcements from the company's website www.gympiegold.com.au or from the Australian Stock Exchange, or may contact the Company's registered office (see last page) for further assistance.

CORPORATE OVERVIEW

Gympie Gold Limited has two principal wholly-owned operating subsidiaries:

- **Gympie Eldorado** Gold Mines Pty Limited ("Gympie Eldorado") produces gold and gemstone from high grade deposits at the Gympie Goldfield in south east Queensland, and
- **Southland Coal** Pty Limited ("Southland Coal") produces high quality coking coal from the renowned Greta Seam in the Hunter Valley, New South Wales.

Gympie Gold Limited's objective is to generate above-average returns to shareholders, as has been achieved over the past 5 years, through business-value growth in the short-term. This is intended to be complemented by cash distributions to shareholders in the longer term when operating cash flows no longer need to be fully reinvested to service the group's current rapid-growth phase.

The Company's strong sense of accountability to Shareholders has been publicly recognised with receipt of the award from The Australian Mines Handbook for the Best Quality Annual Report for 2000. During 1999 and 1998 the Company also received the award for the Best Quarterly Reports.

01-02 Business Plan

- **Rapid Focused Growth** is being pursued by a doubling of group unit outputs, a reduction of unit costs, an increase in \$A product selling prices and by focusing on value-adding to the group's gold and coal products through customer-focus and marketing-innovation.
- **Gympie Eldorado is Establishing Capacity for Growth** by reinvesting operating cash flows into increased production capacity and into exploration. The Gympie Goldfield is highly prospective and exploration activities are fanning out from our mine areas.
- **Southland Coal is Establishing itself as the Coking Coal Leader in NSW** based on Southland's high fluidity, low ash Greta Seam coal. Production is now running at 1.5Mtpa with staged expansion planned to 2.4 Mtpa in 03-04.

Strategic Alliances

The Company retains 100% ownership of Gympie Eldorado and Southland Coal and has formed key strategic alliances with strong organisations to complement the group's position and skills:

- **Kabana** for market and product development in the gemstone and gold industry
- **AMCI** for customer-servicing in the coal industry
- **Roche** for mining operations at Gympie Eldorado's new Lewis Mine, and
- **Thiess** for mining and processing operations at Southland Colliery.

Gold and Currency Hedging

The company's longstanding gold hedging strategy is to sell forward enough production at prices above \$A500/oz to cover base costs and commitments. The balance of production is left unhedged, thus permitting the Company to capture gold price upside. Planned 01-02 gold production exceeds the 51,000 oz committed to hedging contracts and so the Company could benefit from some of the current higher \$A spot price while maintaining its insured floor price.

At the end of the quarter, 253,615 ozs had been sold forward for delivery by June 2006 at \$520 per oz and an additional 78,100 ozs has been sold forward for delivery by June 2004 at \$539 per oz.

Table 1: Gold Hedging Disclosure

Australian Gold Council Standard	Year	1/2	02/03	03/04	04/05	Balance	Totals
Total Hedged (ozs): A\$ denominated	Ozs	44,515	63,000	74,100	36,000	36,000	253,615
Estimated Net Realised Value (A\$/oz) ⁽¹⁾	\$/oz	\$526	\$528	\$530	\$520	\$520	\$526
Call Options Sold: A\$ denominated	Ozs		10,750				10,750
Strike price	\$/oz		\$520				\$520
Total Committed (ozs): A\$ denominated⁽²⁾	Ozs	44,515	73,750	74,100	36,000	36,000	264,365
Estimated Net Realised Price (A\$/oz)	\$/oz	\$526	\$527	\$530	\$520	\$520	\$526
(1) After allowing for actual fixed gold lease fees on 253,615 ounces. Balance is floating with an assumed 1.5% lease rate.							
(2) Margin calls do not apply. Mark to market of (\$A12M) at prevailing gold price of \$A552 per ounce.							

In respect of the Company's coal business, the long-standing currency hedging strategy is to sell forward at prevailing \$US exchange rates to cover contractually committed sales which have \$US coal selling prices. At the reporting date \$US30.8 million of coal revenues have been hedged at exchange rates averaging \$US0.63 to \$A1.00 for delivery by October 2002 (mark to market of (\$A14M); margin calls do not apply). With existing hedge contracts covering only planned coal production to March 2002 and with the current spot price of the \$A currently under \$US0.52 to \$A1.00, the Company stands to benefit from a low \$A as from April 02.

GYMPIE GOLD® GEMSTONE AND GOLD MARKETING

Gympie Gold ® Gemstone is establishing international recognition. It has built a niche in the world market, due to the Company's rare ability to regularly supply high quality gold-in-quartz; a proprietary processing technology has been developed and the business has established an international marketing, distribution and service network. Revenue for the quarter in this fledgling business exceeded \$450,000 and, with Kabana, the Company is examining a range of opportunities to address the needs of a growing customer base.

The gold industry as a whole is planning to launch a global multi-year gold-marketing initiative and the Company's Managing Director is a member of the global marketing steering committee. The Company is focused on optimising its share of the value-added margin for all its products and this is indicative of the direction gold producers generally are taking.

GYMPIE ELDORADO- GYMPIE, QUEENSLAND

Occupational Health & Safety

Independent audit confirms continuing improvement and industry-standard safety incident frequency rate.

Environment

Awarded the Australian Mines and Energy Environmental Foundation (AMEEF) environmental excellence prize for 2000 and the local Cooloola Shire Environmental award for 2001.

Lewis Mine Nearing Production Start-Up

Development reaches the first production zone in October and stoping is scheduled to commence in January 02, aiming to lift total gold output to the rate of 100,000oz pa from high-grade ore. Drill intercepts in the ore block currently being developed include 8.7m @ 13.5 g/t Au in hole B071.

Production Costs

Cash operating costs \$A484/oz (\$US247/oz) and cash operating margin \$A40/oz (\$US20/oz) reflect a low-production/high-development quarter. The whole-year budget is for cash operating cost average below \$A300/oz to be sought via higher grade and via scale-economies as output rises.

Exploration Programs Expanded to Focus on Large Number of Targets

The exploration budget has been doubled to over \$A6M p.a. because access to many lode zones already drill-intercepted in the vicinity of the mine workings is now possible. Surface drilling is targeting major gold systems which are outside the perimeter of the old Gympie Goldfield but potentially accessible from extensions to the Lewis Mine.

Gold Production and Development

The objective at Gympie is to discover and develop high-profit gold orebodies. We aim to maximise shareholders' returns and are not focused on production growth as an end in itself.

The factors, which contributed to the poor quarterly production result, included:

- Lower workforce productivity during enterprise agreement negotiations, now concluded
- Material-handling problems in the start-up of a new stoping block, largely overcome - October month-to-date results are 3,600/tonnes per week from the Monkland Mine which is 50% higher than the rate of the previous quarter and indicates that production is getting back on track
- Low 7g/t head grade compared with whole-year budget 10g/t which remains reasonable

Gold production was 7,763 oz for sales of 7,491 oz at average price of \$A524/oz and \$A548/oz after accounting for previously deferred hedge-gains. Cash operating margin was \$A40/oz. In addition 80 kg of gemstone was sent from site for processing in the USA.

The following table shows that this particular quarter was high-cost and out-of-line with the established trend of production costs heading towards sub-\$300/oz on a cash operating cost basis and sub-\$A400/oz on a total cost basis:

Table 2: Gold Production Costs??

(Presented in accordance with the US Gold Institute standard)

Quarter:	Sept 2001		June 2001		Mar 2001		Dec 2000		Sept 2000	
	A\$000	A\$/oz	A\$000	A\$/oz	A\$000	A\$/oz	A\$000	A\$/oz	A\$000	A\$/oz
Direct mining expenses	4,390		3,967		4,724		3,182		3,996	
Mine development adjust't	(981)		(1,091)		(1,521)		(801)		(1,462)	
Mill & transport costs	707		777		788		622		648	
By-product credits	(471)		(397)		(195)		161		(353)	
Cash Operating Costs	3,759	\$484	3,257	\$354	3,796	\$288	3,165	\$240	2,829	\$338
Royalties	105		137		167		165		108	
Total Cash Costs	3,864		3,393	\$375	3,963	\$301	3,330	\$252	2,937	\$351
Depreciation	657		639		763		576		575	
Amortisation/Write-offs	831		753		954		450		450	
Reclamation	30		30		30		30		30	
Total Production Costs	5,382	\$693	4,815	\$523	5,710	\$433	4,386	\$333	3,992	\$477

Note: Mine exploration expenditure is expensed as either "Direct mining expenses" or "Amortisation" depending on the time horizon of the exploration. All other exploration expenditure outside of the mine area is capitalised, the carrying value reviewed regularly and then expensed under the category of "Write-Offs". By-product credits represent sales of waste, silver and gemstone. Gemstone production is treated as stock until sold by the marketing department or by our marketing joint venture to 3rd-party customers. It is then shown as by-product credit. Statistics on a "per ounce" basis have been adjusted to take into account gold ounces shipped in gemstone.

Table 3: Gold Development and Production Statistics

Quarter:		Sept 2001		June 2001		Mar 2001		Dec 2000		Sept 2000	
MINE DEVELOPMENT											
Metres on Ore	Monkland	98m		504m		1,094m		722m		555m	
	Lewis	93m		72m		--		--		--	
Metres on Waste	Monkland	1,008m		559m		292m		836m		1,084m	
	Lewis	901m		782m		605m		822m		411m	
MINE PRODUCTION											
		Tonnes	Grade	Tonnes	Grade	Tonnes	Grade	Tonnes	Grade	Tonnes	Grade
Stope Ore					g/t		g/t		g/t		g/t
	Inglewood	21,113	7.0	32,339	8.8	21,257	8.2	21,388	9.0	26,971	7.1
	Gympie Veins	4,340	6.3	0	0	987	12.9	1,068	10.6	679	4.0
	Stockwork	2,548	5.9	4,283	8.3	6,353	9.8	569	5.5		
	Specimen Stone	0.1	6.7%	1	3.3%	1	1.9%	1	5%		
Development Ore											
	Inglewood	197	5.2	1,448	10.3	16,480	10.7	10,250	13.1	4,876	10.6
	Gympie Veins	-	-	-	-	-	-	-	-	-	-
	Stockwork Ore	127	6.3	-	-	-	-	-	-	5,159	6.0
	Lewis Ore	5,366	7.6	3,293	5.6	-	-	-	-	-	-
Total Ore Mined		33,691	6.9	41,365	9.1	45,077	9.6	33,276	11.8	37,685	7.3
	Waste Mined	9,445		4,981		31,027		25,452		25,943	
	Total Ore + Waste	43,136		46,346		75,104		58,728		63,628	
TREATMENT PLANT											
	Inglewood Ore	29,591	7.31	29,120	8	36,336	9.22	32,674	10.2	29,704	7.78
	Carbonaceous Ores	1,129	6.35	0	0	1,156	12.9	1,062	11.4	463	4.38
	Stockwork Ore	4,314	4.56	4,031	9.32	6,757	9.64	-	-	6,496	6.04
	High Grade	0.2	1.2%	0.25	3.3%	0.25	3.2%	0.513	5.6%		
Total Ore Treated		35,034	7.01	36,449	8.04	44,249	9.51	33,736	11.1	36,663	7.43
	Mill recovery rate(%)	96.1		96.0%		95.8%		95.8%		93.8%	
Gold Produced (ozs)		7,513		9,043 ozs		12,967 ozs		11,602 ozs		8,214 ozs	
Gemstone Gold (ozs)		250		2,632 ozs		212 ozs		1,568 ozs		159 ozs	
TOTAL GOLD (ozs)		7,763		11,675 ozs		13,179 ozs		13,170 ozs		8,373 ozs	

Note: "Gemstone Gold" includes gold in gemstone despatched for processing and ultimate sale to jewellery manufacturer customers.

Mine development work included:

- Monkland Mine setting up stockwork Block 6A for start-up in the last quarter of 01-02.
- Lewis Mine accessing its first scheduled production zone – Inglewood Lode Block N3
- Specialist hand-held mining applied to small “Gympie Vein” zones to recover gemstone

The Company is incrementally expanding mill capacity at Gympie to cope with increased production scheduled over the coming two years. This strategy of continual de-bottlenecking includes the installation of a crushing circuit and the upgrade of the gravity circuit.

GYMPIE EXPLORATION

Exploration expenditure totalled \$1.5M. The increased exploration budget reflects:

- Exploration for additional resources – now that underground access is available to already-drilled and intercepted targets, including 7 large zones of Stockwork mineralisation, the Inglewood Lode and smaller/higher-grade Gympie Veins.
- The policy to convert resources to reserves for the new Lewis Mine to complement the existing reserve inventory of over 3 years’ ore for the Monkland Mine. Progress is good.
- The search for a major new gold system of +1M oz which can be accessed and exploited via the new Lewis Mine, designed to cater for up to 2Mtpa as compared with initial planned production of 200,000tpa. This search is concentrating on zones of mineralisation under the shallow alluvial cover of the Mary River in the Southern Gympie Goldfield. Drilling has hit a new structure.

Exploration For Additional Resources

Stockworks

The Monkland and Lewis Mines are in the vicinity of 7 zones of stockwork mineralisation discovered to date. Stockworks are zones of multiple close-spaced gold-quartz veins normally ore-grade in black shale rocks. They can be massive orebodies up to 80 metres wide and each stockwork zone can contain 30,000 to 300,000 ozs of gold, normally at grades from 5 g/t to 15 g/t. Stockworks discovered to date have been located within 100 metres to the northeast of the main Inglewood lode but stockwork zones also occur further away from the Inglewood.

Stockwork exploration is currently focussed as follows (see Figure 1):

Zone 6: 6A orebody being developed and mined; resources being established for 6B & 6C

Zone 1: follow-up drill testing of earlier success including 20m @ 13 g/t in hole M053

Zone 7: being evaluated by exploratory development off Lewis Mine decline

Zone 4: associated with the major regional structure “Rands Dyke”, especially near the intersection with the main Inglewood Lode in the Lewis Mine where the mineralisation has widened substantially. The Lewis Mine will develop and evaluate this area in Nov-Dec.

Inglewood and Gympie Vein Resource Drilling

The Inglewood Lode continues to be our most reliable orebody. Resource drilling on Inglewood is rapidly adding resources and reserves in the new Lewis Mine and should continue to expand our resource and reserve base for at least the next 2 years as the Lewis Mine develops the lode.

Gympie Veins are well understood and are relied on for high-grade ore and rare instances of Gemstone. But Gympie Vein ore remains under-represented in our reserve and resource statements due to their extremely nuggetty gold distributions which restricts estimation methods.

Policy to Convert Resources to Reserves for the Lewis Mine

The Company's policy is of establishing and maintaining minimum reserves of three years' production and minimum resources of nine years' production has been achieved for the Monkland Mine and is now being addressed for the new Lewis Mine, where underground drilling commenced recently. The Company does not presently place a priority on establishing or increasing reserves and resources in zones which are not accessible from current or already-planned mine infrastructure. This may change in the future if the gold price outlook continues to improve and subject to the cost of capital at the time.

Table 4: Resources and Reserves As At 30 June 2001

Mineral Resources (inclusive of Ore Reserves)					Ore Reserves				
Category	Tonnes	Grade g/t	Contained Gold ozs 30/6/01	Contained Gold ozs 30/6/00	Category	Tonnes	Grade g/t	Contained Gold ozs 30/6/01	Contained Gold ozs 30/6/00
Inferred	1,387,000	7.3	327,000	268,000	Probable	325,000	7.9	83,000	94,000
Indicated	672,000	6.9	150,000	145,000	Proved	519,000	9.0	151,000	103,000
Measured	712,000	8.6	198,000	158,000	Total	844,000	8.6	234,000	197,000
Total	2,771,000	7.6	675,000	571,000					

High grade assays cut to 56 g/t for Inglewood and 250 g/t for Gympie Lodes and Stockwork. Minimum block cut-off grades of 6 m x g/t has been applied for Mineral Resources and 9 m x g/t for Ore Reserves. This table accurately reflects the report of the Competent Persons as defined

in the Australasian Joint Ore Reserve Code, being R Cunneen J. Dugdale and I Levy, members of the Australasian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists and having more than five years experience in the field of activity being reported.

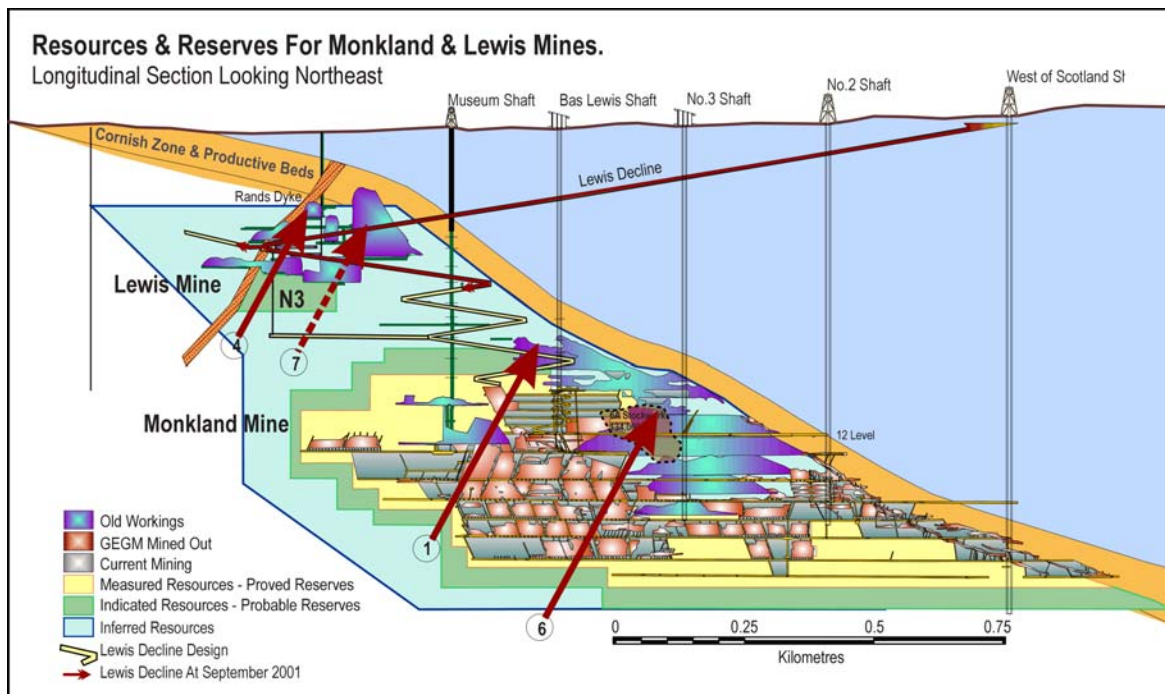


Figure 1: Monkland & Lewis Gold Mines
Stockwork Zones Being Explored Are Arrowed & Numbered
Note the N3 Zone on Inglewood Lode in Lewis Mine Area

Details of individual mine zones being targeted for resources and reserves:

1. Drilling of Inglewood Lode in the Lewis Mine

The Inglewood Lode underpins the initial mine plan for the Lewis Mine just as it did for the Monkland Mine at start-up in 1995. The initial target zone for the Lewis Mine called 'N3 block' was intensively drilled at 25 metre spacings during the quarter as the Lewis decline approached this on schedule for zone set-up during the second quarter.

Table 5: Lewis Mine Drill Results for Inglewood Lode N3 Block - Initial Target Zone

Hole	From (m)	To (m)	Length (m)	True Width (m)	Grade (g/t Au)	Comment
B017	157.65	160.30	2.65	2.00	0.28	
B018	134.65	153.50	18.85	11.08	7.11	Visible gold
B019	130.00	133.00	3.00	1.63	9.21	Visible gold
B020	121.15	123.10	1.95	0.79	0.62	
B021	138.30	139.90	1.60	1.24	0.39	
B022	129.00	129.90	0.90	0.63	4.99	
B023	116.20	119.00	2.80	1.72	26.6	Visible gold
B024	113.40	114.70	1.30	0.63	7.45	
B025	128.40	130.85	2.45	1.85	26.2	Visible gold
B026	115.60	121.05	5.45	2.81	16.9	Visible gold
B027	149.50	152.15	2.65	2.17	2.15	
B028	138.30	140.70	2.40	1.68	23.7	Visible gold
B029	123.48	126.17	2.69	1.66	42.0	Visible gold
B030	163.80	166.25	2.45	1.67	32.8	Visible gold
B032	210.53	218.10	7.57	6.62	0.34	
B033	156.80	159.30	2.50	1.57	6.89	Visible gold
B034	201.65	204.40	2.75	2.38	0.90	
B054	170.34	171.70	1.36	0.68	15.9	Visible gold
B063	228.90	230.20	1.30	0.57	11.2	Visible gold
B064	225.00	226.20	1.20	0.76	3.41	
B065	209.50	209.75	0.25	0.20	1.53	
B066	175.25	175.70	0.45	0.26	8.55	
B067	166.65	167.06	0.41	0.33	1.43	
B068	151.00	152.00	1.00	1.00	1.10	
B069	158.00	159.53	1.53	1.33	0.55	
B070	171.83	173.62	1.79	1.45	1.33	

These close-spaced drilling results are better than was originally predicted. Drilling to date has defined sufficient ore to design extraction of 40,000 ounces of gold during the current financial year from N3.

Next Lewis Mine Targets

The N3 block is open at depth and is open north and south along strike. Any ore in the vicinity of the Lewis Decline can be rapidly developed and extracted with relatively little capital expenditure.

To the south, the S3 block will be drill tested in Nov-Dec and is potentially the up-dip extension of ore being mined at 600 metres depth at the northern end of the 13 Level in Monkland Mine.

An exciting new development has been the confirmation of ore grade Inglewood Lode about 200 metres further north of the N3 block and only 150 metres north of the existing Lewis Decline. This N4 block is north of "Rands Dyke" and "N3" in Figure 1. Hole B059 recently intersected 1.0 metres at 15.7 g/t which corroborates two older drill results and a record of visible gold at depth in the historic Aurelia shaft. More drilling is in progress. An unmined ore shoot is considered a strong possibility in the N4 block. Any mine development into the N4 block would also open-up the Rands Dyke-Zone 4 stockwork and the wide Inglewood ore zone: see below.

3. Drilling of Stockwork Zone 4 (Rands Dyke Stockwork).

Recent intercepts are:

Table 6: Lewis Mine: Zone 4 Rands Dyke & Inglewood Lode

Hole	From (m)	To (m)	Length (m)	Grade (g/t Au)	Comment
B018	134.65	153.50	18.85	7.11	11.1m true width
B071	173.1	181.8	8.7	13.5	6.7m true width

4. Drilling of other Stockwork Zones

Drilling from both Monkland and Lewis for stockwork resources and reserves will continue as logistics and competing priorities permit.

5 Drilling and Exploratory Development of Gympie Veins

A major Gympie Vein (O'Regan's Reef) should steadily come into production over the balance of 01-02. Its ore grade is expected to be high and it is also expected to yield gemstone.

Search for a Major New Gold System: Southern Gympie Goldfield

This program is aimed at establishing the existence and structural continuity of a major hitherto-unrecognised gold system – analogous to the Inglewood/Stockwork/Gympie Vein System in the current mine areas which have to date yielded over 2M oz, when taking into account both historical and recent production. The Company believes such a major discovery is quite likely in already-identified areas in the Southern Gympie Goldfield.

Already-drill-intercepted targets were “sidelined” some 18 months ago pending the start-up of the Lewis Mine. Accordingly the Company has now placed a high priority on re-activating the follow-up drilling in the Southern Gympie Goldfield both from surface and from underground. The Lewis Mine has design capacity for 2Mtpa as compared with initial mine plan production of 200,000tpa.

Jones Hill Mineralised Structure

The Jones Hill structure was identified 18 months ago as striking parallel to the Inglewood lode and hosting several geochemically anomalous zones. Initial scout drilling intersected 0.9 m @ 2.9 g/t which confirmed that the structure was gold bearing. Recent follow-up drilling has established a large mineralised structure that is continuous over at least 300 metres strike and passes through favourable host rocks. Assays are still pending but one hole contained visible gold in a quartz lode at 35 metres depth below the surface. Strong mineralisation is evident at shallow depths.

Northern Gympie Goldfield and Regional Exploration

Due to exploration successes in the Lewis Mine area and in the Southern Gympie Goldfield, no exploration was done in the Northern Gympie Goldfield and in our wider regional tenements. The knowledge gained from our exploration successes, careful research of the available historical records and recent exploration results nevertheless indicate substantial exploration potential.

SOUTHLAND COAL, HUNTER VALLEY NSW

Occupational Health & Safety

The colliery has recently achieved 200 LTIFR-free days.

Production

Produced 233,000t run-of-mine coal and completed panel SL2/section 1 by mid-August. Production recommenced on schedule in October in SL2/section2.

Development

Record development advance of 2,159m following expansion of continuous miner fleet to 4 units to compensate for late equipment-arrival since new operator Thiess commenced mining in May 01.

Product Quality and Sales

High product quality derives principally from exceptionally high fluidity and low ash. All sales have been at semi-hard coking coal prices and geographic diversification programs have successfully established new customers in South America, Europe, India and Korea while serving the Company's long-established Japanese steel mill relationships.

Production

Australia's largest coal contractor Thiess was appointed operator at the Southland Colliery in March 01. Thiess replaced the former operator, Colrok Australia Pty Limited which had gone into voluntary administration two months earlier.

Since taking over the operations Thiess:

- Completed by May the initial remediation program to repair the damage by Colrok.
- Appointed new site management and other personnel under a new enterprise agreement.
- Re-established production at the annualised rate of 1.5 million tonnes per annum and tuned materials-handling infrastructure to allow reliable expansion to 2.4Mtpa in 03-04. Fiscal 01-02 production is scheduled at a little less than 1.5Mtpa due to the need for two longwall moves in this particular 12 month period.

Run-of-mine production for the quarter was an on-budget 233,000t which relates to only 6 weeks' operations prior to suspension of coal-cutting during move of the longwall unit to its new production zone – Panel SL2/section2.

Washed coal production for the quarter was an on-budget 205,000t reflecting a washery yield of 93%. This is a particularly high yield and reflects the very high quality of coal in the Bellbird South lease zone from which production commenced in May 01 and where there is +20 years coal reserves. The high quality is due to in-situ coal characteristics and also the +5m thickness of the seam-section in the Bellbird South lease zone allows more selective mining of the best seam section.

The newly-recruited workforce is settling in well and the recently introduced enterprise agreement is proving beneficial in several ways including safety, efficiency of rostering and work practices.

Table 7: Southland Production and Sales Statistics

Quarter:	Sep 01	Jun 01	Mar 01	Dec 00	Sep 00	Jun 00	Mar 00
Production (tonnes)							
Raw Coal Produced "ROM"	233,100	304,496	10,772	88,829	56,205	156,208	146,009
Washed Coal Produced	205,262	283,214	18,147	86,837	57,658	105,687	127,025
Development metres advanced	2,159	1,109	42	1,143	1,881	1,634	2,010
Coal Sales (tonnes delivered)	230,083	200,482	45,935	75,519	49,905	109,040	209,847

The projected forward production in longwall blocks SL2 and SL3 is as follows:

Designed Production From Longwall Panels SL2 to SL4 (see Southland Mine Plan)

Item	SL2 Part 1	SL2 Part 2	SL3	Total
Longwall Coal ROM Tonnes	431,632	647,946	1,764,407	2,843,985
Development Coal ROM Tonnes	89,488	134,329	110,681	334,498
Total Coal ROM Tonnes	521,123(1)	782,279	1,875,088	3,178,483

(1) extraction now completed

The operating contract with Thiess has been structured as a guaranteed maximum price contract for the extraction and development of longwall panels SL2 and SL3 and the development of SL4. Thiess is remunerated at fixed rates for metres developed and for run-of-mine coal delivered to the washery, while remediation requirements are charged as a fixed lump sum.

During the September quarter Southland Coal called for competitive tenders for the washing of the coal and a contract was subsequently awarded to Thiess for a term that matches the short-term mining contract.

Together these mining and washing contracts should deliver Southland Coal a further-improved and competitive cost base.

Southland is now also reviewing its coal haulage contracts and its rail infrastructure. The imminent privatisation of FreightCorp may also have an impact on coal freight costs.

Development

Development for the period totalled 2,159 metres. This improvement in total metres was achieved through the introduction of additional development equipment at the end of July, bringing the complement of development units to four. Metres per week has risen from 119m in July to an encouraging 219m in September.

The increased development effort was required as the delayed deployment of equipment in the June 2001 quarter had meant that the development rates had not met expectations. Conditions in the development areas have varied and Thiess have applied their experience and resources to manage this variability.

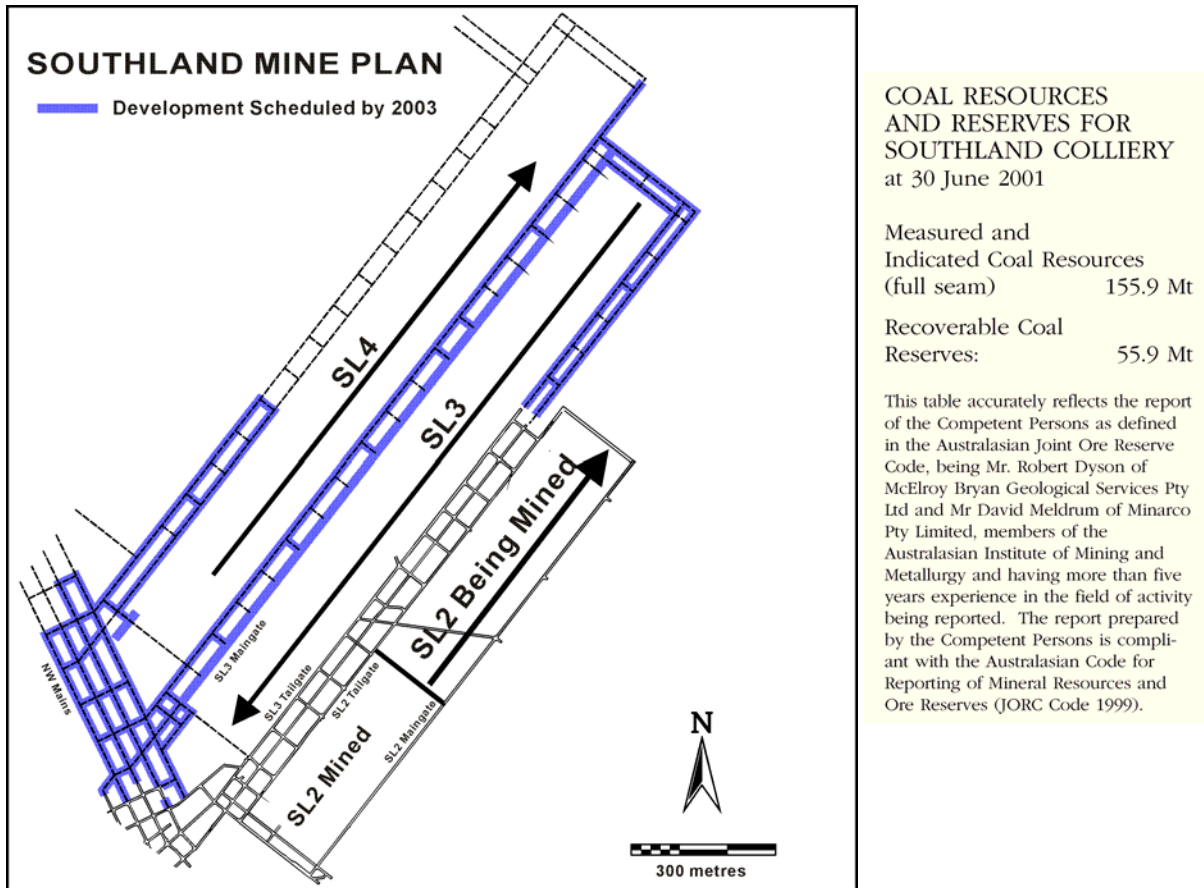


Figure 2: Mine plan showing development and Southland longwall production panels SL2, SL3 and SL4

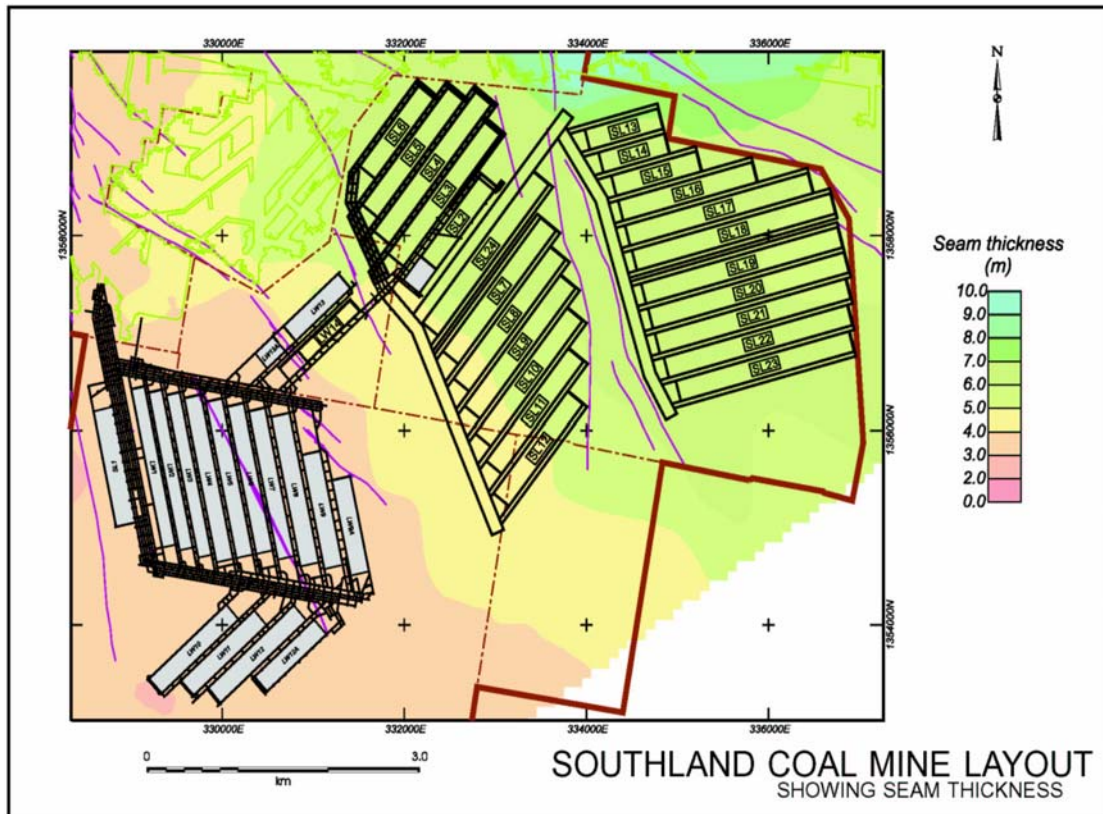


Figure 3: Southland Project: Total Long-Term Mine Layout.
Current longwall panels SL2, SL3 and SL4 are upper central.

Total reserves are sufficient to underpin production of in excess of 50 million tonnes coal. Current programs for surface and underground in-seam drilling are focused on confirming high-resolution seismic interpretation of the mine layout between structural features and also to test seam-gas and coal quality distribution in order to refine marketing plans and mine engineering.

The Company's tenement holdings have recently been expanded which reinforces Southland Coal's total domination of Greta Seam coal reserves.

Sales and Marketing

Southland Colliery mines the renowned Greta Seam, the products of which have been marketed for over 100 years. Southland is the only pure coking coal mine in the Hunter Valley and therefore has a defensible long-term strategic role among exporters of coal from the port of Newcastle – Australia's largest coal port. The product range includes both stand-alone Greta Seam coal such as Southland Premium Coking Coal and a range of other customised products blended at the port to match individual customers' preferences..

As an independent coal company Southland Coal has flexibility to engage with the widest range of customers throughout Asia, Europe and the Americas and to customise quality and service.

Alliance with Thiess

In May 01 Gympie Gold announced a long term strategic alliance with Thiess whereby Thiess invested \$11 million to take a 10% joint venture interest in the Southland Colliery while Southland Coal Pty Ltd, a wholly owned subsidiary of Gympie Gold retains 90%. In addition, Thiess was awarded a further eight year alliancing contract to operate the colliery after the completion of its current two year schedule of rates contract.

During the quarter the current schedule of rates arrangement was extended beyond mining to cover the whole site, including operation of the coal washery, preparation and despatch plant.

Thiess is a wholly-owned subsidiary of Leighton Holdings Ltd, which is listed on the Australian Stock Exchange. Thiess has more than \$1.5 billion of annual revenues, \$800M total assets \$300M shareholders funds and 50Mtpa coal production for its clients in Australia and Indonesia.

Claims for Damages against former Contract-Operator of Southland Colliery

Neither Southland Coal nor Gympie Gold owes any money to the failed previous operator, Colrok Australia, or any of its associated entities. We have lodged claims for damages of \$39 million against Colrok and received claims against Southland Coal for \$21 million. Most of Southland Coal's claims were lodged before Colrok's voluntary administrators were appointed, and Southland Coal is confident in the merits of its claims.

Your Directors continue to believe that Southland Coal has a very strong case against Colrok Australia and Thyssen Schactbau.



A ADALEY
Company Secretary

22 October 2001

Corporate Information

Directors

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

Senior Group Management

Harry Adams	Managing Director
John Leach	Chief Executive, Southland Coal
Rowan Johnston	General Manager, Gold Operations
Ron Cunneen	General Manager, Gold Exploration
Ian Levy	General Manager, Development
Garry Hall	General Manager, Gemstone

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