

**Gympie Gold Limited (“GGL”)**  
**ACN 000 759 535**  
**Southland Mining Limited (“SM”)**  
**ACN 000 610 926**  
**Southland Coal Pty Limited (“SC”)**  
**ACN 000 077 225**  
**Gympie Eldorado Gold Mines Pty Limited (“GEGM”)**  
**ACN 068 754 530**  
**(Receivers and Managers Appointed)**  
**(Administrators Appointed)**

*Tony McGrath*  
*Colin Nicol*  
*Scott Kershaw*  
*Murray Smith*  
*Joseph Hayes*  
*Chris Honey*  
*Douglas Potter*  
*Mike Hill*  
*Peter Anderson*  
*Robyn McKern*  
*Sam Davies*  
*Shaun Fraser*  
*John Cronin*  
*Jamie Harris*

**Circular to Creditors**  
**22 July 2004**

We provide the following update on the Voluntary Administration of the abovenamed companies.

**Meeting of creditors – to continue 11am, 28 July 2004**

The second meeting of creditors which was adjourned on 2 June is scheduled to continue at 11am on Wednesday 28 July 2004, at the same venue, the Auditorium, 10 Shelley St, Sydney NSW 2000. At this meeting, creditors will be asked to vote on the future of the company as set out in the original Notice of meeting, to elect committees of inspection and to consider approving additional Administrators’ remuneration.

**Options available to creditors**

Under the Voluntary Administration process, creditors may vote on one of the following options for the future of a company in Administration:

1. The Administration of the company should end;
2. The company should enter into a Deed of Company Arrangement (“DOCA”); or
3. To liquidate the company.

**Proposals for a Deed of Company Arrangement (“DOCA”)**

The second meetings of creditors were adjourned to allow further time for proposals for a DOCA to emerge, in particular from the sale processes of the gold and coal assets being undertaken by the Receivers and Managers. However, since the adjournment of the second meeting of creditors we have not received any DOCA proposals from potential purchasers of those assets.

We have investigated the possibility of the sale of the listed company shell of Gympie Gold Limited which would require a DOCA to enable the shell to be used for another purpose. We have received a proposal to effectively sell the GGL shell for \$500,000. However, amongst other conditions, such a proposal requires the approval of the bank consortium as first ranking secured creditor and the release of an appropriate asset

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from the consortium's security to satisfy ASX requirements. That approval has not been provided and without it the DOCA proposal cannot proceed.

### **Update regarding the receivership**

Further to the matters noted in our report to creditors dated 26 May 2004, we do not have sufficient information on potential asset realisation values to provide creditors with an update on the likelihood of surplus funds becoming available after payment of the first ranking secured creditors.

We understand that the Receivers and Managers expect to finalise the sale of the Group's gold assets within the next two weeks or so. Sale of the Southland Colliery will likely take at least a further two months. A proposal for a DOCA arising from these asset sales is considered highly unlikely at this stage. The Receivers and Managers have not provided indicative values for commercial reasons but are not confident those sales will clear the first ranking secured creditors' claims. The Receivers and Managers are also continuing to actively pursue insurance claims in relation to the Southland Colliery fire but to date indemnity for the loss has not been admitted and the claims are likely to take considerable time to pursue.

### **Administrators' opinion**

As at the date of this report, the Administrators have not received proposals for a DOCA for SM, SC or GEGM, and the proposal for GGL has conditions which cannot be satisfied. As such, the Administrators cannot recommend any DOCA proposal to creditors. It is inappropriate for the administration to end whilst the companies remain insolvent. Therefore, in the absence of a DOCA, the only appropriate action is that the companies be wound up.

### **Change of contact details**

Effective 1 July 2004, the Corporate Recovery division of KPMG separated to form an independent entity, McGrathNicol+Partners. Please note the revised contact details. Creditors who wish to discuss any aspects of the above should please contact Nick Lawry or Chania Rodwell of our staff on (02) 9338 2635 or (02) 9338 2657.

Dated 21 July 2004



M C Smith  
*Administrator*



J D Hayes  
*Administrator*