

Quarterly Report

1 January – 31 March 2001

Report date 9 April 2001

Principal Points

GYMPIE ELDORADO GOLD GROWING RAPIDLY

- Record production of 13,179 ozs and strong growth outlook. Monkland Mine cash operating costs averaged \$A288/oz for an operating margin of \$A232/oz (\$US114/oz) which is a 74% higher margin than for the previous corresponding quarter.
- Mine plans for the new large Stockwork 6A orebody completed, underpinning the operation at an annual average 10g/t for 3 years or more. This is one of the country's highest-grade gold mines.
- Recent exploration drill-intercepts include 7 metres at 21g/t and 12 metres at 17.5 g/t gold on a newly discovered, large gold orebody within the Monkland Mine.
- Lewis Mine construction is on schedule and the large Rands Dyke Stockwork has been discovered, including one drill intercept of 18 metres at 8.1g/t close to the decline. Such increasing exploration success is profoundly transforming the future scale of mine and mill production at Gympie.

SOUTHLAND COAL STARTS PRODUCTION AS COAL PRICES RISE

- Leading contractor Thiess Mining Pty Ltd was appointed to replace Colrok after it went into voluntary administration on 10 January. Thiess is now restarting production following a \$4.5 million remediation program.
- While little coal was produced for the quarter during this remediation program by Thiess, mine production over the next two years is planned at 3.2 million tonnes. Installed mine capacity exceeds 2 million tonnes per annum and production rates will build up steadily.
- Customers continue to show strong support with most of the next 12 months production already allocated at prices more than 20% higher than the past 12 months. The coal market is particularly strong with excess export demand from Japan, Korea, India, Taiwan, Europe and also domestically.

GROUP FINANCIALS

- Have hedged 50% of 6 years' gold sales at \$A526/oz, assuming only 100,000 ozs per annum and hedged planned coal sales for the next 10 months at US:\$A exchange rates averaging US63 cents.
- In the coming financial year, operations are expected to contribute \$40 million, which will be reinvested or used to reduce borrowings. This annual operating contribution is the equivalent of 60% of the Company's current market capitalisation of \$67 million.
- The group owes no money to previous coal contractor Colrok or its associated entities and has lodged damages claims for \$39 million and received counter-claims for \$21 million.
- Liabilities are 30% of asset book value.

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This Quarterly Report summarises the activities of Gympie Gold Limited and its subsidiaries during the three months ended 31 March 2001.

Gympie Gold Limited lodges Quarterly Reports with the Australian Stock Exchange but this Quarterly Report has also been mailed to all shareholders because of profound recent business developments.

Shareholders should also note that Gympie Gold complies with its continuous disclosure requirements by making public announcements via Stock Exchange and Media Releases. Since the Annual General Meeting on 22 November 2000, Stock Exchange and Media Releases have been made on 10 January, 11 January, 24 January, 30 January, 5 March, 7 March and 12 March.

Shareholders can obtain copies of all 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 wholly-owned operating subsidiaries:

- Gympie Eldorado Gold Mines Pty Limited ("Gympie Eldorado") produces gold 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 strategy is to reinvest operating cash flows in the short term and maintain reasonable shareholder returns while pursuing opportunities for exceptional returns. The successful implementation of our business plans for Gympie Eldorado Gold and for Southland Coal should underpin real value for shareholders well in excess of \$1.00 per Gympie Gold share.

Business Plan

Our business plan is summarised as follows:

- Generate above-average performance for shareholders through distributions of cash or other benefits coupled with share price growth superior to other companies in the same market sector:



Figure 1

Share Price of Gympie Gold Limited (middle line) compared with the Gold Index of gold shares on the Australian Stock Exchange (bottom line) and their ratio (top line) showing that Gympie Gold has strongly outperformed the ASX Gold Index..

Note that in 1996 and 1997, the Company also returned \$12 million cash back to shareholders via equal access share buy-backs. And in 1999, The Company made a one-for-five bonus issue of options exercisable into ordinary shares at 80 cents per share by 30 June 2001.

- Expand Gympie Eldorado Gold by reinvesting cash from operations into exploration for even larger gold systems and increasing production efficiency through mechanisation. We believe there is potential to discover well in excess of 6 million ounces of gold in the Gympie Goldfield. It is worth noting that the existing operation is profitable, that output has grown by more than 60% over the previous corresponding quarter and that this trend is continuing.

- Establish Southland Coal as the leading producer of metallurgical coal in New South Wales based on Southland's renowned high fluidity, low ash Greta Seam coal. A new mine operator – Thiess Pty. Limited has been appointed and output should now be successfully established at 1.5mtpa by June with expansion planned to over 2mtpa within 3 years.

Strategic Alliances in Place

Gympie Eldorado Gold and Southland Coal remain 100%-owned by Gympie Gold. Key strategic alliances are now in-place for both businesses:

- Roche at Gympie Eldorado Gold, and
- Thiess at Southland Coal.

In addition to these alliances for mine development and production, we have a coal marketing alliance with AMCI and a gold gemstone marketing alliance with Kabana, both of the USA.

Outlook

Strong growth is expected for the group's businesses for some years to come and the quality of our strong alliances should benefit the shareholders of Gympie Gold Limited.

The prospects for shareholder returns have been enhanced since the last Annual General Meeting principally due to increases in product-prices at Southland Coal and the increasing rate of discovery and large scale orebodies being found at Gympie Eldorado Gold.

It is now Gympie Gold's intention to build both businesses for the long-term.

We regularly examine opportunities for merger and acquisitions, joint venture or other corporate mechanisms for enhancement of shareholders returns. During the past five years, we have kept the focus on Gympie Eldorado Gold and Southland Coal and we have retained full ownership. Opportunities will continue to be assessed.

Gympie Gold Gemstone

This new business initiative continues to develop and Group senior management now includes a General Manager, Gemstone. During the quarter, gemstone market launches were made of several Gympie Gold-in-Quartz products in Tucson, Carribean, Alaska, Tokyo and Basel. Gympie Gold is rapidly establishing international recognition as the only reliable long-term supplier, with proprietary technology and international distribution.

Finance

At the end of the quarter, the company's cash and gold bullion was \$1.7 million. The Group's total liabilities stood at \$34 million including \$21.3 million of corporate borrowings, \$6.2 million project finance advanced by contractors for mine development and \$3.4 million leasing of plant and equipment. The company also has a \$US5 million stockpile facility available which was unused at the date of this report, as were other working capital facilities.

Gympie Gold has made extensive use of structured project financing provided by our contractors as part of our alliancing strategy. This assists in the management of early-stage start-up risks and maximises project returns to shareholders. The timing of repayments to contractors of their project financing is linked to production cash flows, the forecast of which indicates repayment within two years.

On the basis of net present value of forecast project cash flows and as presented to shareholders at the Annual General Meeting of 22 November 2000 the gold and coal businesses are considered to have a real value exceeding \$130 million or \$1.00 per share.

Gold and Currency Hedging

The company's gold hedging strategy is to sell forward enough production at prices above \$A500 per oz in order to cover costs and commitments. The balance of production is left unhedged, thus permitting the company to capture the price upside during short-term spikes in the \$A gold price, including the recent price hike to \$A535/oz.

At the reporting date, 188,822 ozs had been sold forward for delivery by June 2006 at \$520 per oz and an additional 80,100 ozs has been sold forward for delivery by June 2004 at \$539 per oz.

Table 1: Gold Hedging Disclosure

Australian Gold Council Standard	Year	00/01	01/02	02/03	03/04	Balance	Totals
Total Hedged (ozs): A\$ denominated	Ozs	8,822	51,000	63,000	74,100	72,000	268,922
Estimated Net Realised Value (A\$/oz) ⁽¹⁾	\$/oz	\$520	\$526	\$528	\$530	\$520	\$526
Call Options Sold: A\$ denominated	Ozs			10,750			10,750
Strike price	\$/oz			\$520			\$520
Total Committed (ozs): A\$ denominated ⁽²⁾	Ozs	8,822	51,000	73,750	74,100	72,000	279,672
Estimated Net Realised Price (A\$/oz)	\$/oz	\$520	\$526	\$527	\$530	\$520	\$526
(1) After allowing for actual fixed gold lease fees on 268,000 ounces. Balance is floating with an assumed 1.5% lease rate.							
(2) Margin calls do not apply. Mark to market of (\$11.5M) at period-end gold price of A\$527.83 per ounce.							

The company's currency hedging strategy is to sell forward at prevailing \$US exchange rates to cover contractually committed sales which have \$US selling prices. At the reporting date \$US46.6 million of coal revenues have been hedged at exchange rates averaging US63 cents to A100 cents for delivery by October 2002. However, we anticipate delivery during the next 10 months.

GYMPIE ELDORADO GOLD - GYMPIE, QUEENSLAND

Occupational Health & Safety

Safety performance continues to improve and the lost-time-injury-frequency rate has been reduced to about 10% of the level prevailing when we took over in 1995. Safety improvement remains our highest priority and we aim to eliminate all injuries.

The Environment

Gympie Eldorado Gold maintains cyanide discharge levels of under one part-per-million, the lowest in the country. In recognition of this and other environmental achievements the company was awarded the Australian Mines and Energy Environmental Foundation prize for 2000.

Record Quarter for Monkland Mine Due to Mechanisation and Grade

Gold production rose by 66% to a record 13,179 ounces and operating costs fell 22% to \$288 per ounce of gold compared with the previous corresponding quarter. Improved grades and gemstone bonuses augmented unit operating cost improvements.

Mine production of 45,077 tonnes and mill throughput of 44,249 tonnes for the quarter were both record results. Mill throughput during the month of March was a record 17,000 tonnes – equivalent to 205,000 tonnes per annum. Mine ore grades and mill recovery efficiencies have not deteriorated during this systematic scale-up of production over the past 12 months.

Rands Dyke Stockwork Orebody Has Been Discovered in new Lewis Mine

A wide stockwork orebody has been located 30 vertical metres above the decline path to be driven in the coming months. Its apparent scale makes this orebody a high priority for development.

High Grade Gympie Vein Recently Discovered in new Lewis Mine

Classic high-grade Gympie Veins containing visible gold have been intersected at the same level as the Lewis decline and some 100 metres to the north.

Monkland Mine Production and Development

The objective at Gympie is to discover and develop high-profit gold orebodies. We aim to maximise growth in profits and shareholders returns and are not focussed on production growth as an end in itself. When we expand production to, say, 100,000 ounces per annum at say, 8 g/t grade, it will be more worthwhile than producing double that at half the grade.

Our first operation is the Monkland Mine, which started up production in 1995 and it is our objective to establish several mines with average cash operating costs below \$A300/oz (\$US180/oz) and total production costs below \$A350/oz (\$US210/oz).

During the quarter, gold sales of 12,306 ounces averaged a price of \$A520/oz (\$US260/oz). This generated a cash operating margin of \$A232/oz.

Expansion development work is on schedule and has transformed the Monkland Mine into a predominantly mechanised operation – using long-hole open stoping, diesel-powered rubber-tyred loaders and other modern low cost mining methods. These initiatives will result in higher tonnages at lower costs per tonne in the coming years. However, specialist hand-held mining methods continue to be applied to narrow, high-grade zones.

Our expanded mine management and technical services group is performing very well in planning and controlling rapid growth and mechanisation.

Gympie Eldorado's cash operating margin is increasing as is the profit per ounce. The following table shows the improving production costs for the past five quarters:

Table 2: Gold Production Costs
(presented in accordance with the US Gold Institute standard)

Quarter:	Mar 2001		Dec 2000		Sept 2000		June 2000		Mar 2000	
	AS000	AS/oz	AS000	AS/oz	AS000	AS/oz	AS000	AS/oz	AS000	AS/oz
Direct mining expenses	4,724		3,182		3,996		3,865		3,315	
Mine development adjustments	(1,521)		(801)		(1,462)		(1,142)		(954)	
Mill and transportation costs	788		622		648		620		598	
By-product credits	(195)		161		(353)		(199)		(50)	
Cash Operating Costs	3,796	\$288	3,165	\$240	2,829	\$338	3,144	\$488	2,909	\$368
Royalties	167		165		108		77		80	
Total Cash Costs	3,963	\$301	3,330	\$252	2,937	\$351	3,221	\$500	2,989	\$378
Depreciation	763		576		575		571		561	
Amortisation/Write-offs	954		450		450		513		410	
Reclamation	30		30		30		40		10	
Total Production Costs	5,710	\$433	4,386	\$333	3,992	\$477	4,345	\$674	3,970	\$502

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.

Production and Development - Monkland Mine

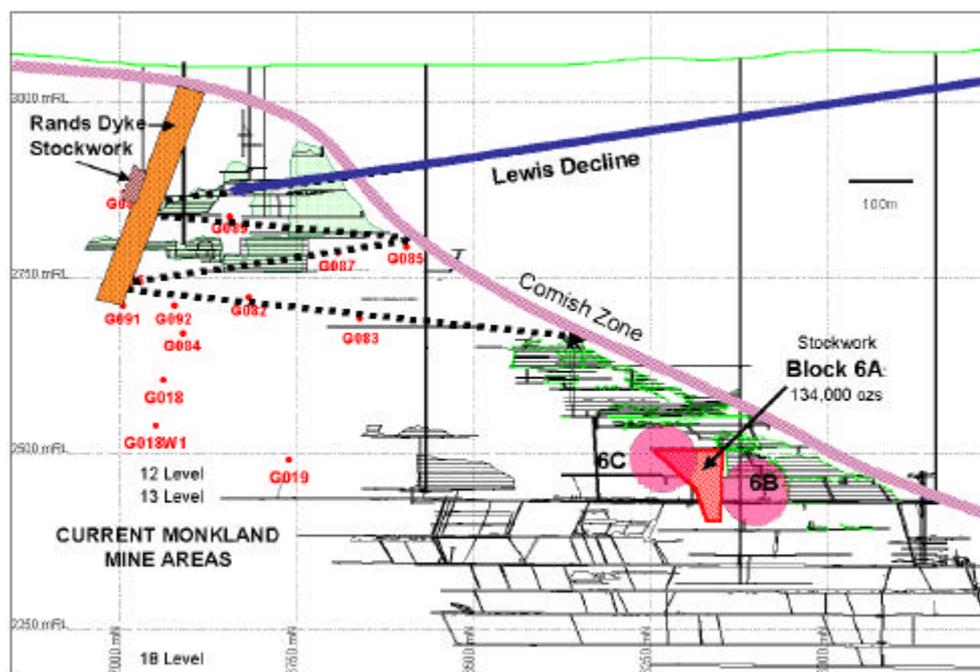


Figure 2
Section View:
Lewis & Monkland
Mines Looking
North-Eastwards.
Gold mineralisation
occurs below the
Cornish Zone. The
main orebody called
Inglewood Lode is in
the plane of the page;
Stockworks including
6A and Rands Dyke
run northwards away
from the page.
Rich gold lodes occur
where lodes meet the
Cornish Zone.
"G" series numbers are
drill intercepts

Production is on Schedule

Mining is in progress on 8 mine levels spaced 40 metres apart vertically and between 560 metres and 900 metres in depth.

Development at Record Rates

Level development on ore totalled 996 metres and other development on ore (including rising and sub-levels) totalled 98 metres. Development work produced 16,479 tonnes of ore. Level development in waste totalled 248 metres plus 46 metres other waste producing 6,997 tonnes, of which 32 % was hoisted and sold and the remainder was used as underground backfill.

Trackless Mining Now Fully Operational

Modern trackless mining methods using diesel powered rubber tyred equipment has been a success in the high grade "S1" block of the Inglewood Lode between 12 Level and 10 Level.

6A Stockwork Orebody Ready For Development

Trackless mining methods are also planned for the development and mining of the large, high grade 6A stockwork orebody discovered in May 2000 between 10 Level and 14 Level.

Gympie Eldorado Treatment Plant Operations

During the quarter, the mill processed 44,249 tonnes of ore averaging 9.51 g/t gold grade at an average gold recovery of 95.8% to produce 12,967 ounces of gold. This excludes 212 ounces of gold dispatched as gold-in-quartz gemstone. Total gold production was 13,179 ounces or 14,240 ounces gold-equivalent, allowing for the value-adding multiplier of the gemstone business.

The cyanide destruction circuit performed satisfactorily with tailings cyanide levels of less than one part per million which is the lowest in the country.

Planning is underway to determine the optimum method to expand the mill capacity at Gympie to cope with increased production.

Table 3: Production Statistics

Quarter:	Mar 2001		Dec 2000		Sept 2000		June 2000		Mar 2000	
MINE DEVELOPMENT										
Metres on Ore	Levels	996m	657m	340m	206m	244m				
	Other	98m	65m	215m	-	-				
Metres on Waste	Levels	248m	698m	993m	677m	562m				
	Other	46m	139m	54m	-	-				
MINE PRODUCTION										
	Tonnes	Grade	Tonnes	Grade	Tonnes	Grade	Tonnes	Grade	Tonnes	Grade
Stope Ore	g/t		g/t		g/t		g/t		g/t	
Inglewood	21,257	8.2	21,388	9.0	26,971	7.1	18,628	6.3	24,876	7.2
Gympie Veins	987	12.9	1,068	10.6	679	4.0	3,215	12.1	2,664	19.4
Stockwork	6,353	9.8	569	5.5						
Specimen Stone	1	1.9%	1	5%						
Development Ore										
Inglewood	16,480	10.7	10,250	13.1	4,876	10.6	4,243	6.0	7,692	3.9
Gympie Veins	-	-	-	-	-	-	-	-	-	-
Stockwork Ore	-	-	-	-	5,159	6.0	2,005	12.1	-	-
Miscellaneous Ore	-	-	-	-	-	-	-	-	-	-
Total Ore Mined	45,077	9.6	33,276	11.8	37,685	7.3	28,091	7.3	35,232	7.4
Waste Mined	31,027		25,452		25,943		15,174		18,157	
Total Ore + Waste	75,104		58,728		63,628		43,265		53,379	
TREATMENT PLANT										
Inglewood Ore	36,336	9.22	32,674	10.2	29,704	7.78	24,256	6.25	32,320	6.47
Carbonaceous Ores	1,156	12.9	1,062	11.4	463	4.38	3,156	9.30	2,748	20.9
Stockwork Ore	6,757	9.64	-	-	6,496	6.04	2,005	12.1	-	-
High Grade	0.25	3.2%	0.513	5.6%						
Total Ore Treated	44,249	9.51	33,736	11.1	36,663	7.43	29,417	6.98	35,068	7.60
Mill recovery rate(%)	95.8%		95.8%		93.8%		92.0%		92.3%	
Gold Produced (ozs)	12,967 ozs		11,602 ozs		8,214 ozs		6,068 ozs		7,914 ozs	
Gemstone Gold (ozs)	212 ozs		1,568 ozs		159 ozs		364 ozs		--	
TOTAL GOLD (ozs)	13, 179 ozs		13,170 ozs		8,373 ozs		6,432 ozs		7,914 ozs	
<u>Note:</u> "Gemstone Gold" includes gold in gemstone despatched for processing and ultimate sale to jewellery manufacturer customers.										

LEWIS MINE PROJECT

New Lewis Mine Developing Rapidly

Development of Gympie's second modern gold mine, the Lewis Mine commenced on 19 May 2000 with Roche Mining as the contract Mine Developer and Operator. Declining commenced in August 2000 and has reached the ore zones. Exploratory development on ore will begin shortly.

Underground exploration drilling within the Lewis mine has started for drill-out of inferred resource on the known Inglewood Lode and to follow-up other targeted mineralised structures. Early results are encouraging with several new discoveries within tens of metres of the decline route.

In January, Roche Mining completed Stage 1 of its contract on schedule. In February, the breakthrough was achieved into the pre-prepared ventilation shaft and by the end of March the total decline advance-to-date was 1,500 metres with is 215 metres vertical depth. Ground conditions are generally excellent and the average monthly advance rate to date of 230 metres exceeds the national average for such work.

Surface and underground drillholes in the Lewis Mine area have intercepted additional large zones of stockwork mineralisation and this could lead to changes in schedules and mine plans as opportunities are identified.

During 2000, significant mineralisation concealed by shallow alluvial soils and sands were discovered in the Mary River area within 700 metres lateral distance from the planned decline path. These exploration targets will be further evaluated as part of the Lewis mine development program.

A potentially significant observation was made in March 2001 when it was noted that the newly discovered Rands Dyke structure continues for over 800 metres north of the main Inglewood Lode and has been intersected in drillholes up to 800 metres south of the Inglewood Lode. In fact, it is possible that the Rands Dyke may be associated with some of the shallow mineralisation drilled in the Partridge Prospect south of Inglewood (see Figure 3). This target could represent more than 1 million ounces all within a short distance of the Lewis Mine decline.

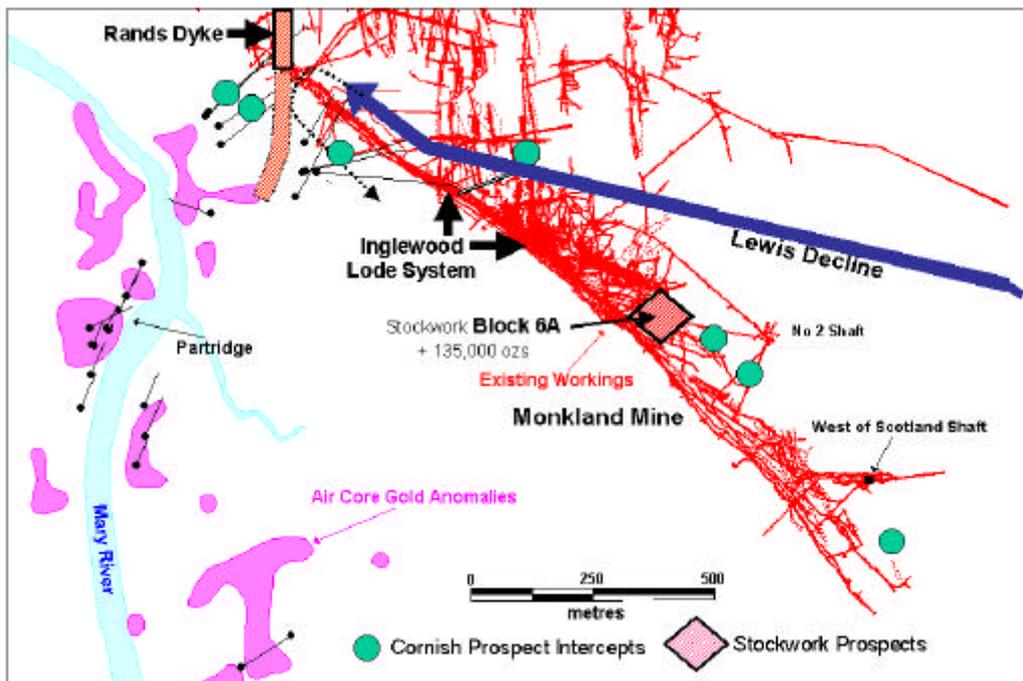


Figure 3

Map of Monkland Mine, Lewis Mine and Gold Development Prospects at Gympie

EXPLORATION

During the quarter exploration expenditure totalled \$567,000 and resources stand at 660,000 ozs at average 7.0 g/t. Since Gympie Eldorado commenced operations and exploration in 1994-5, the aggregate historical cost of gold-discovery has been \$A16/oz of resource. This is 25% less than the national average for the period 1990-2000.

Monkland Mine exploration tested new areas of stockwork mineralisation below 12 Level and intersected previously unknown high grade Gympie Veins. Lewis Mine underground drilling commenced in March. Surface exploration was also concentrated on the Rands Dyke Stockwork and similar targets for the new Lewis Mine. These areas have yet to be included in published mineral resources and ore reserves.

Lewis Mine Exploration

The Lewis Mine has three targeted ore sources warranting drilling and exploratory development:

1. The main Inglewood Lode.
2. The newly discovered Rands Dyke Stockwork.
3. The newly discovered high grade narrow veins.

Inglewood Lode

A cross-cut from the main Lewis Mine decline is being driven into the southern part of the Inglewood Lode to test stopes conditions and to explore for high-grade mineralisation in the "Cornish-Zone" (see Figure 2).

Rands Dyke Stockwork

Rands Dyke is a west-dipping, +10 metres wide, dolerite dyke with stockwork veining on its western contact that has potential to form bulk tonnage ore amenable to modern mechanised mining techniques.

A surface diamond drillhole, G116, and an underground diamond drillhole, A004, from the Lewis decline intersected the Rands Dyke stockwork orebody. The two similar-looking intercepts are 20 metres apart and both comprise wide zones of thin stockwork veins, some containing visible gold.

Table 4: First results from Rands Dyke Stockwork

Hole	From (m)	To (m)	Length (m)	Grade (g/t Au)
G116	167.8	185.9	18.1	4.3
A004	330.0	348.0	18.0	8.0

Notes: High-grade assays have been cut to a maximum 250 g/t as for Stockworks elsewhere in the mine. Intercept grades are length-weighted averages of individual sample grades. These fire assays by a registered commercial laboratory are being duplicated by screen fire assay methods for samples containing visible gold. This report accurately reflects reports by a Competent Person as defined in the Australasian Joint Ore Reserve Code, namely R Cunneen being a member of the Australian Institute of Geoscientists and having more than five years experience in this activity.

Geological modelling indicates that Rands Stockwork has potential for 250,000 tonnes for every 100 metres strike-length. Drilling will intensify on the Rands Dyke target in the next quarter.

High Grade Gympie Vein – No. 1 West Reef

Two surface diamond drillholes have intersected an unmined, high grade Gympie vein located 100 metres north of the Lewis Mine decline which we interpret to be the southern extension of the No. 1 West Reef mined by oldtimers 150 metres further to the north. Hole G119 intersected 1.75 metres of veining with visible gold and hole G120 intersected 0.5 metres of veining with coarse visible gold.

Monkland Mine Exploration

Inglewood S1 Development

Mechanised mining is focussed on the “S1” block of the Inglewood Lode above 12 Level. Ore drives on sublevels, 15 metres apart vertically have shown that the Inglewood Lode grades are increasing upwards as shown by the following grade-control sampling:

Table 5: S1 Ore Zone on Inglewood Lode Above 12 Level

Level/Sublevel	Ore Panel Length (metres)	Lode Width (metres)	Lode Grade (g/t Au)
Sub 5 (uppermost)	260m	1.3m	18.4 g/t
Sub 4	250m	1.2m	25.1 g/t
Sub 3	213m	1.5m	23.1 g/t
Sub 2	219m	2.0m	13.6 g/t
Sub 1	232m	2.3m	9.5 g/t
Level 12 (deepest)	180m	2.4m	10.4 g/t
Average	226m	1.8m	14.3 g/t

Stockwork 6A Extensions and Discovery of Stockworks 6B & 6C

Extensions of the newly discovered Stockwork Block 6A has been intersected in areas outside the current resource-estimate, which confirms and expands the down-plunge dimensions. Maximum dimensions of this block as drilled to date are: 120 metres long, 40 metres wide and 120 metres high - ideal for mechanised bulk mining.

Other than Stockwork Block 6A, no block within any of the 7 known stockwork zones have yet to be included in estimates of ore reserves, which currently stands at 207,000 ozs at 7.9 g/t.

We plan to develop into Block 6B, located 70 metres south of Block 6A and intersected by 4 drillholes during the quarter and also into Block 6C located 20 metres west of Block 6A and intersected in 3 drillholes. Development and further drilling will evaluate the grade of these blocks across their full widths, which are as yet unknown.

Today’s typical stockwork block size is 30 metres wide, +50 metres high and +40 metres long containing 50,000 to more than 200,000 ounces in each block.

Table 6: Recent Stockwork Drillhole Results 14L to 10L

Hole	Block	Levels	From (m)	To (m)	Length (m)	Grade (g/t)
L28	6C	11L-10L	60.0	65.0	5.0	10.3
L39	6B	13L-12L	32.0	48.0	16.0	4.0
L45	6B	13L	18.0	25.0	7.0	21.0
L46	6B	13L	15.0	23.0	8.0	9.0
L49	6B	13L	42.0	54.0	12.0	17.5
L49	6B?	13L-14L	102.0	107.0	5.0	8.6

Gold-in-Quartz Gemstone & High Grade Ore Zones

Gemstone production comes from extremely rich “Jewellers’ Shop” zones that form in shear zones at the top of the so-called “Productive Beds” – Productive Beds are carbonaceous rocks that are proven as effective gold “traps”. This setting is now recognised as being widespread over some square kilometres and is named the Cornish Zone in Figure 2. Such high-grade zones underpinned old-timers’ production from the Gympie Goldfield which totalled some 3.5 million oz at the impressive average grade of 24g/t.

Production and exploratory mining is occurring in the Cornish Zone between 15 and 12 Levels. Recent drilling results on high grade veins are shown in Table 7:

Table 7: Recent High Grade Vein Drillhole Results 14L to 10L

Hole	Vein/Zone	From (m)	To (m)	Length (m)	Grade (g/t)
F6768	Cornish	0.0	2.2	2.2	38.70
F6772	Cornish	0.00	6.5	6.5	13.40
F6775	Cornish	6.3	13.6	7.3	10.50
L39	O'Regans	134.0	135.1	1.1	60.0
L39	Unknown	113.0	115.0	2.0	17.0
L39	Unknown	146.0	147.0	1.0	15.2
L40	Unknown	52.0	53.0	1.0	66.9
L49	Unknown	18.0	19.0	1.0	27.3
L49	Unknown	77.8	79.0	1.3	13.0

Exploration has identified over 400 metres strike length of high-grade structures, ensuring that high-grade stopes will remain part of the ore mix for more than 3 years based on current levels of production.

Gympie Goldfield Exploration

Mary River Prospects

Figure 3 shows the geochemical anomalies from air core drillholes beneath the Mary River sands. Limited scout drilling of these anomalies over the past 18 months has achieved an 80% hit rate of potentially ore grade intercepts. The surface exploration program's current focus on the Lewis Mine area also serves as the next step in follow up to the shallow targets.

We are prospecting for a major new ore system below shallow alluvial cover and initial access for exploratory development may be via extensions to the Lewis Mine workings. Based on average mineral endowment intensity, the prospective beds within the Mary River Prospects area are estimated to potentially contain +2 million ounces of gold in resources. This is a conservative estimate of mineral potential - the southern extension of Rands Dyke alone (discussed in the Lewis Mine operations section above) has the potential for +1 million ounces.

Northern Gympie Goldfield

Due to exploration successes in the Lewis Mine area and throughout the large Mary River Prospect area, very little exploration has been done in the Northern Gympie Goldfield. However, by applying the knowledge gained from our exploration successes and careful research of the available historical and recent exploration results indicates substantial exploration potential in the Phoenix Block (+1.5 million ounces potential), the Great Northern Block (+1.5 million ounces potential) and the Two Mile Block (+1.5 million ounces potential).

Our public statements of +6 million ounces exploration potential at Gympie are therefore well founded by prospectivity as well as by the successful track record of our exploration group.

Regional Exploration

The company controls the regional exploration potential in 1,332 square kilometres of exploration permits surrounding the Gympie Goldfield. Regional exploration has discovered several good prospects including porphyry-related mineralisation at Woolooga, 30 kilometres north of Gympie and at Mt Tietsel 10 kilometres southeast of Gympie.

These good prospects are currently awaiting drilling. The intense exploration activity in the near-mine environment within the Gympie Goldfield is occupying our exploration focus at this time.

SOUTHLAND COAL – HUNTER VALLEY, NSW

Coal Market Outlook Improved

Most of Southland's production for the next year has already been allocated to customers. There have been significant coal price increases of about 20% in the market for our products and Southland will benefit substantially from this.

Thiess Pty Ltd. Appointed mine operator

Southland removed Colrok Australia Pty. Ltd. as operator on January 10th 2001 when that company was put into voluntary administration by its Directors. The colliery is now operated by Thiess Pty. Ltd. who took over operations on March 7th, 2001 after completing an extensive review of Southland's potential. Thiess, through a competitive selection process, was chosen from among several well qualified replacement candidates.

Thiess are contractors at fourteen collieries, including two underground longwall mines. In all, they are responsible for operations that together produce over 40 million tonnes of coal. Southland is pleased that a company of the stature and capability of Thiess has agreed to join with us in bringing the colliery to its maximum potential.

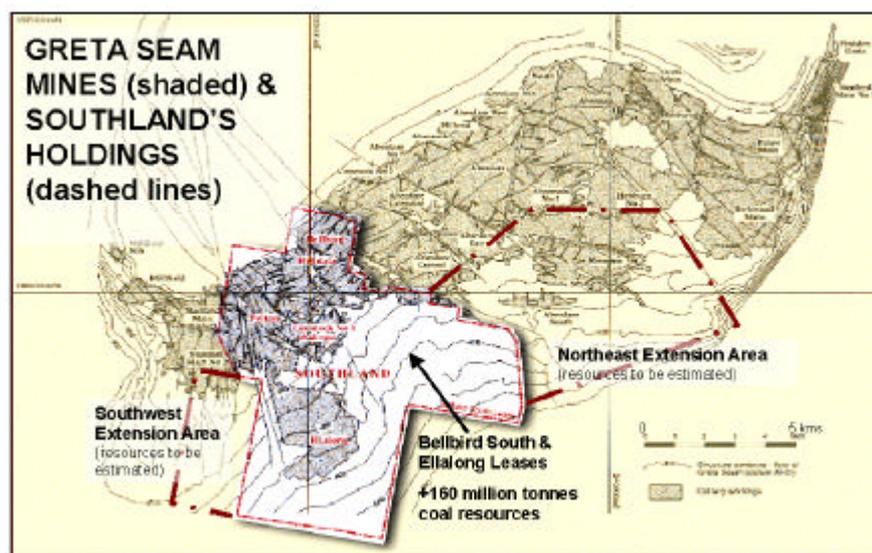
Claims For Damages Served On Previous Operator

Southland Coal has lodged claims for damages of \$39 million against Colrok. In response Colrok has submitted claims for damages of \$21 million against Southland. Resolution of this dispute could be lengthy and litigious but is not expected to deter from Southland's future performance with new operator Thiess.

Overview

Southland Colliery was formed in July 1998 when Gympie Gold's wholly-owned subsidiary, Southland Coal, purchased the infrastructure of the closed-down Ellalong Colliery and then amalgamated it with Southland Coal's adjacent long-held Bellbird South coal leases.

Figure 4: The Greta Coal Seam – Past, Present & Future



Combined Measured and Indicated Resources total 163 million tonnes of coking coal within the full Greta Seam in these areas. Recoverable Ore Reserves total 58 million tonnes based on underground longwall mining methods under latest mine plans.

Southland recently expanded its coal leases by 50% or 2,000 hectares, which reinforces its exclusive tenure over all recoverable Greta Seam coal.

Southland is the largest single source of high fluidity coking coal in the New South Wales with a current infrastructure capacity of +2 million tonnes per annum and an optimum long term production rate of +3 million tonnes per annum which makes it a major source of this important class of coal.

This project now represents a major long-term asset of the Gympie Gold group. Its scale and importance for future returns to shareholders is illustrated by the estimated net present value of its forecast future cash flows at well in excess of \$100 million.

The colliery is now operated by Thiess which was selected from several well qualified replacement-operator candidates.

Our Southland management team has done an exceptional job during the March quarter arranging the rapid restart of production under Thiess and maintaining customer support.

Replacement of Contract-Operator

Southland Colliery was formerly operated by Colrok Australia Pty Ltd – a wholly owned subsidiary of Thyssen Schachtbau of Germany. Southland had expected Colrok to perform with the support of its much larger parent company. However Colrok failed in its attempt to re-start production in Bellbird South in the last quarter of calendar 2000 and financial support from Thyssen Schachtbau was withdrawn. As a result, Colrok's Directors placed it into voluntary administration on 10 January 2001.

Gympie Gold's Southland management team immediately took possession, secured the colliery workings and took the following actions:

- Terminated on 10 January Colrok's operating contract;
- Took possession of site on 10 January and immediately installed care and maintenance team hired via the CFMEU's United Mine Services;
- Concluded on 7 March competitive tenders from candidates for contract-operator;
- Executed on 7 March a binding heads of agreement with Thiess Pty Ltd, the nation's leading coal contract miner;
- Installed Thiess onto site on 8 March;
- Purchased on 9 March any required plant and equipment owned by Colrok from its voluntary administrators;
- Concluded on some coal sales contracts for the coming year at 20% higher prices;
- Reaffirmed on 27 March our claims for damages against Colrok and enjoined Thyssen Schachtbau, retaining professional advisers Minter Ellison, solicitors and Ferrier Hodgson, Chartered Accountants to manage litigation;
- Restarted production of coal.

Colrok was on a performance based contract and was paid on the basis of washed coal produced. Although Southland Coal provided some financial and other assistance, Colrok's contractual entitlements remained dependent on its own performance and in the absence of product coal, Colrok was not entitled to receive production payments from Southland.

Southland Coal has lodged formal claims for damages of \$39 million against Colrok. In response Colrok has submitted claims for damages of \$21million against Southland Coal. Southland Coal has also formally enjoined Colrok's parent company Thyssen Schachtbau. Resolution of this dispute could be lengthy and litigious but is not expected to deter from Southland's future performance with new operator Thiess.

Based on a review of the circumstances and events and on legal advice received, your Directors believe that Southland Coal has a very strong case against Colrok Australia and Thyssen Schachtbau.

Vastly Improved Outlook

The outlook for the colliery has improved. The main reasons for this are:

- Excess demand for our product, particularly from Japan and other North Asian markets and also from India, Europe, South America and domestic. Most of the production for next 12 months has already been allocated to specific customers;
- Healthy product price increases of about 20% based on those price negotiations that we have already settled;
- The appointment of the very experienced Thiess Pty Limited as operator of the mine. Thiess now retain the operatorships of coal mines which together produce over 40 million product tonnes.

Thiess have already prepared the mine for the current restart of production under a performance-based contract which provides for the extraction of 3.2 million tonnes of coal from the next two longwalls (SL2 and SL3). This contract is at a guaranteed maximum price with a benefit sharing formula if performance is above expectations.

Discussions are fairly advanced for a long term contractual relationship that will extend beyond the current SL2 and SL3 contract of work and focus on optimising expanded operations.

Description of Thiess

Thiess Pty Ltd is a wholly-owned subsidiary of Leighton Holdings Ltd, which is listed on the Australian Stock Exchange. Leighton Holdings has a market capitalisation of \$1.86 billion at 31 March. In the year ended 30 June 2000 Thiess had revenue of more than \$1.5 billion and at that date had total assets of more \$800 million and shareholders funds in excess of \$300 million.

Thiess are contractors at 14 collieries, including two full-operating contracts in underground longwall mines. It employs over 6000 personnel producing in excess of 40 million tonnes per year. Two of Thiess's mines have achieved the prestigious NOSA safety-audit 5 Star rating.

Description of Contract

Thiess and Southland have executed a binding heads of agreement with the following principal terms:

- Completion of initial remediation works to allow colliery restart;
- Extraction of 3.2 million tonnes from longwall panels SL2 and SL3 plus development of panel SL4;
- Compliance with mine plans agreed with Southland;
- Contract rates set at guaranteed maximum price per tonne of run-of-mine production, per metre of development advance and on a lump-sum basis for initial remediation works;
- Payment for contract charges tied to available net revenues;
- Joint approval of long-term arrangements in May 2001.

Southland retains responsibility for rehabilitation of the site as it stood at the time of Thiess commencing, coal washing, transport, marketing and general business planning and management.

Coal Quality and Seam Conditions

Southland's high fluidity, low ash coal from the Greta Seam is a superior blending coal that permits steel producers to reduce costs by substituting semi-hard and semi-soft coking coals for the more expensive hard coking coals. This Greta Seam is well understood and has been mined to produce its speciality coal for over 100 years.

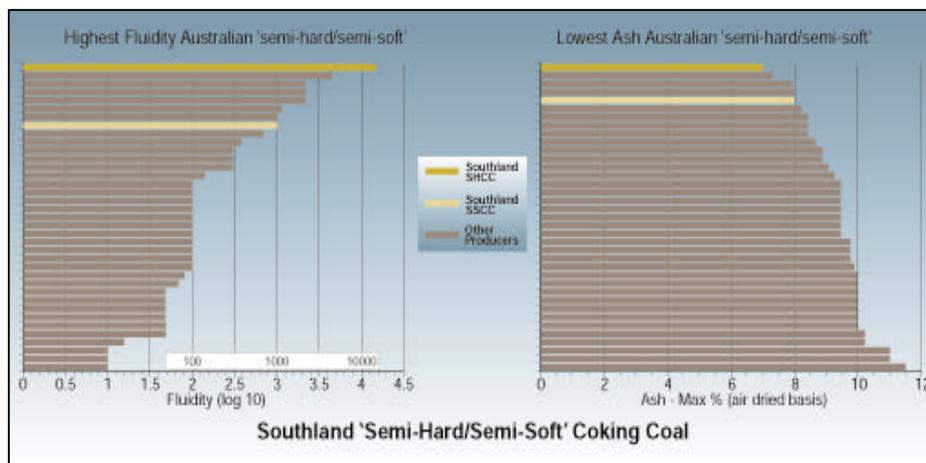


Figure 5
Coal Quality Charts showing that Southland semi-hard coking coal has the highest fluidity and lowest ash in Australia. When blended into semi-soft coal, it is still amongst the best quality semi-soft coking coal in Australia (see white bars in these graphs).

The geology and seam conditions of the Bellbird South production area is well defined by:

- Surface boreholes and their geophysical logs;
- Previous workings on the Greta Seam to the north (Aberdare Central Colliery), west (Kalingo & Pelton Collieries) and south (Ellalong Colliery). There have been more than 20 mines on the Greta Seam over the past 100 years. The seam was the nation's No.1 coal producer in the early twentieth century.;
- Mapping and strip sampling of development roadways ahead of production, and;
- High resolution, high quality seismic reflection data that has been proven capable of identifying faults of up to seam-thickness in size-of-throw, in advance of production and depict seam continuity between boreholes.

The results of new contractors' due diligence has reaffirmed that roof and floor conditions in the Bellbird South area are considered well suited to longwall mining methods.

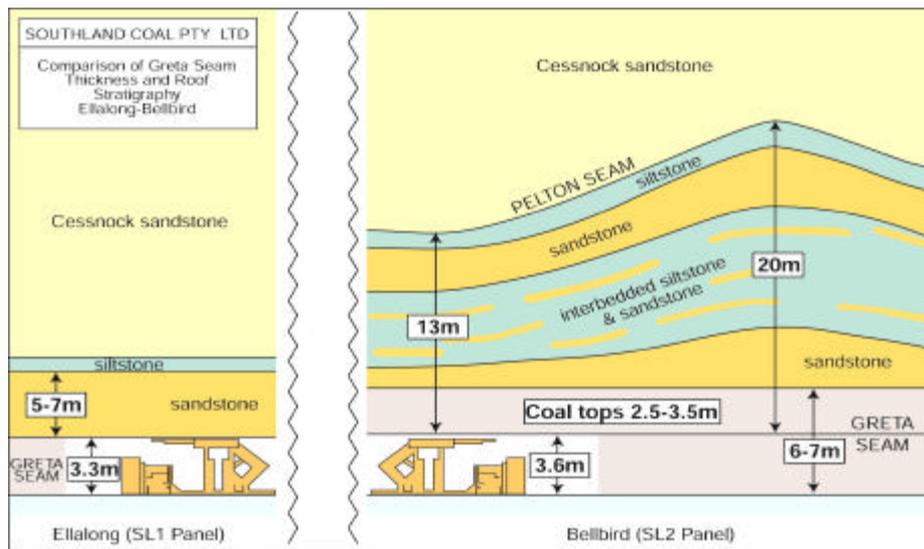


Figure 6
The greater thickness of the interburden above the Greta Seam in the Bellbird South area, where all future production is planned will create less opportunity for problems. This fact together with Thiess's clear commitment of commensurate technical resources and also the realignment of the direction of mining, is expected to substantially improve production efficiency.

Seam gas content is generally low but elevated sulphur in the top portion of the Greta Seam which is left behind as the longwall mining unit advances requires the scheduled engineering management to eliminate spontaneous combustion risks.

Water ingress comes mainly through the Greta Seam from stored water in old workings and does not come from surrounding rocks strata, most of which are impermeable. These water conditions have been well understood for several years and mine dewatering systems are refined and upgraded as part of on-going remedial action.

Infrastructure and Development

The colliery infrastructure has a capacity of +2mtpa and all fixed plant is owned by Southland Coal. Good ground conditions are indicated in development roadway headings for SL2 and SL3 where stable roof, rib and floor conditions have been encountered. Washing of the initial raw coal feed from longwall panel SL2 indicates that washery yields of final product will be +90%.

The removal of the longwall mining unit from longwall mining block SL1 in Ellalong started in August 2000 and ended in October. During this move, longwall components were refurbished and reinstalled. Men and materials transportation was changed to a more flexible and efficient rubber-tired system. Upgrading of power and compressed air supply was completed and a new ventilation shaft became fully operational.

Thiess's remediation program during March included:

- Extensive repairs and remediation works to Southland's infrastructure to raise the standard of operational reliability;
- Concrete-levelling of SL2 gate-road floors to make-good these tunnels that had been cut incorrectly by the previous operator;
- Installation of extra roof and rib support where necessary;
- Installation of safety barriers and other works in order to comply with regulations;
- Cleaning-up of access tunnels to improve underground travel times;
- In all, a total of 150 tasks to raise the standard of the mine workings.

Production Statistics

Table 8: Southland Production and Sales

Quarter:	Mar 01	Dec 00	Sept 00	Jun 00	Mar 00	Dec 99	Sept 99
Production (tonnes)							
Raw Coal Produced "ROM"	10,772	88,829	56,205	156,208	146,009	295,791	397,717
Washed Coal Produced	18,147	86,837	57,658	105,687	127,025	188,661	299,718
Development metres advanced	42	1,143	1,881	1,634	2,010	1,068	965
Coal Sales (tonnes delivered)	45,935	75,519	49,905	109,040	209,847	175,830	217,477

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

Table 9: Designed Production From Longwall Panels

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	782,279	1,875,088	3,178,483

Mine Plan and Layout

While the previous operator planned the new longwall block SL2 to its maximum length of 2 kilometres comprising, 2 million tonnes of raw coal feed to the washery, Thiess has preferred a more conservative plan and development-intensive planned sequence. It is important to note that production will be almost continuous and thus there will be no interruption to market supply

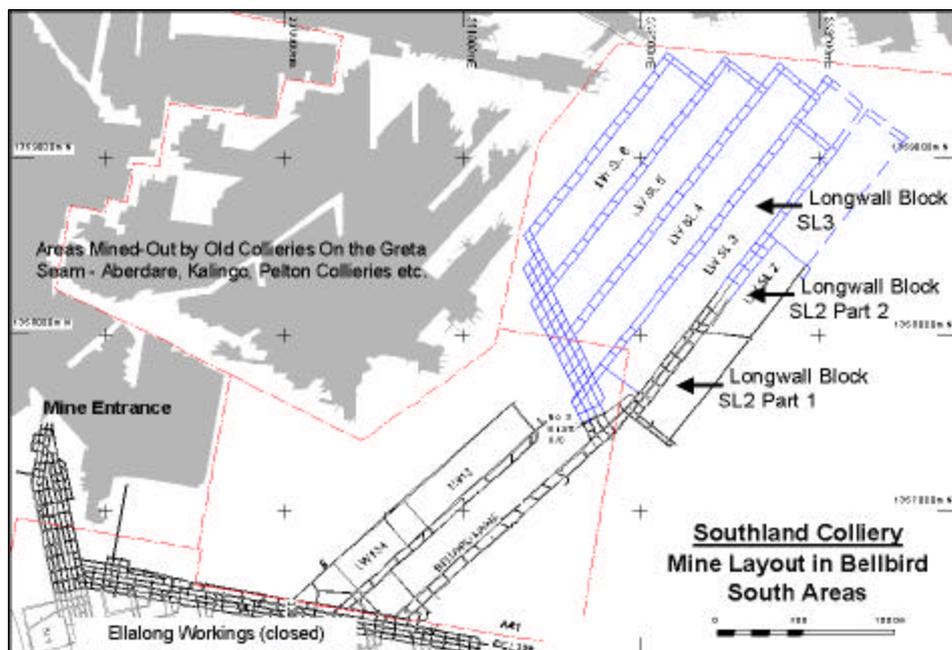


Figure 7

This mine plan displays the old workings of the predecessor Ellalong Colliery and our recently completed SL1 longwall block.

The plan also shows the future workings of the modernised Southland Colliery commencing at longwall block "SL2".

A ADALEY
Company Secretary

9 April 2001

Corporate Information	
<u>Directors</u>	
M G Darling	Chairman
H Adams	Managing Director
P C Cadwallader AO	Director
J E Leach	Director
R Woodall AO	Director
<u>Senior Group Management</u>	
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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