

GYMPIE GOLD LIMITED

ABN 88 000 759 535

Quarterly Report

1 October 2000 – 31 December 2000

Tuesday, 30 January 2001

PRINCIPAL POINTS

GYMPIE GOLD EXPANSION ON SCHEDULE

- Monkland Mine at Gympie has been converted to a mainly mechanised mine and production ore grades have increased above 10 grams per tonne gold, which places Gympie amongst the highest-grade gold mines.
- Construction of the new Lewis Mine at Gympie is on track and we expect will increase production for the goldfield to 100,000 ounces gold p.a.

SOUTHLAND COAL IN TRANSITION

- Southland Coal's commissioning of the refurbished longwall mining unit in new panel SL2 was interrupted on 10 January when the contract-operator, Colrok Australia appointed voluntary administrators. Separate announcements to the Stock Exchange were made on 10, 12 and 24 January 2001.
- Southland Coal has secured the colliery workings and is in the process of identifying and appointing a replacement mine operator to achieve a 1.5 million tonnes per annum production rate and grow beyond 2 million tonnes pa over the next few years.
- The coal markets are improving and operating margins should increase as production expands from SL2 where the Greta Seam is over 5 metres thick and yields semi-hard coking coal at less than 7% ash and fluidity above 5,000 ddpn, the highest quality of its type in Australia.

GOLD EXPLORATION

- New stockwork blocks, 6B and 6C have been located in the Monkland Mine.

PRODUCTION

- Gold production rose 38% to 11,602 ozs at cash operating cost of A\$294 (US\$162) per ounce which is 15% lower than the cost of the previous quarter. This is part of the continuing improvement due to the development and mechanisation of the mine.
- Coal production of 87,000 tonnes was severely restricted by commissioning and startup problems with the longwall unit which has been upgraded and moved to SL2. Production was scheduled at +100,000 tpm from November.

FINANCIAL

- Cash and bullion now \$3.2 million.

[For Further Information Contact:](#)

Mr Harry Adams, Managing Director

Telephone: (02) 9251 2777 or 0412 369 710

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This quarterly report summarises the activities of Gympie Gold Limited and its subsidiaries during the three months ended 31 December 2000 plus recent material events.

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 Gympie 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 maintain good shareholder returns while pursuing opportunities for exceptional returns, including:

- Expansion of Gympie Eldorado via decline access and mechanised mining equipment coupled with continuing exploration for large gold deposits in the Gympie district.
- Expansion of Southland Coal to become the leading producer of metallurgical coal in the Hunter Valley, New South Wales based on Southland’s renowned high fluidity, low ash Greta Seam coal which is the highest quality coking coal of its type.

Finance

At the end of the quarter, the company’s cash and gold bullion was \$3.2 million. As planned borrowings have expanded with operations and stood at \$13.7 million other than \$3.1 million spent by Roche Mining on the Lewis Mine development and limited recourse coal stockpile finance of \$3 million.

Both Gympie Eldorado Gold and Southland Coal remain 100%-owned by Gympie Gold. Consideration continues to be given to the merit of new strategic alliances for the accelerated expansion of both businesses. Consideration is also being given to a stock exchange listing on the “AIM Board” of the UK Stock Exchange.

Gold and Currency Hedging

The company’s gold hedging strategy is to sell forward at prices above \$A500 per oz to cover costs and leave its upside potential unhedged. At the reporting date, 197,000 ozs had been sold forward with Rothschild Australia to deliver by June 2006 at prices no less than \$520 per oz. An additional 80,100 ozs have been sold forward with National Australia Bank to deliver by June 2004 at \$539 per oz via Roche Mining our gold mining contractor for the new Lewis Mine.

Table 1: Gold Hedging Disclosure

Australian Gold Council Standard	Year	00/01	01/02	02/03	03/04	Balance	Totals
Forward Sales: A\$ denominated	ozs	16,821	51,000	63,000	74,100	72,000	276,921
Estimated Net Realised Price ⁽¹⁾	\$/oz	\$520	\$526	\$528	\$530	\$520	\$525
Call Options Sold: A\$ denominated	ozs			10,750			10,750
Strike price	\$/oz			\$520			\$520
Total Hedged: Committed ⁽²⁾	ozs	16,821	51,000	73,750	74,100	72,000	287,671
Estimated Net Realised Price	\$/oz	\$520	\$526	\$527	\$530	\$520	\$525

(1) After allowing for actual fixed gold lease fees on 126,000 ounces. Balance is floating with an assumed 1.5% lease rate.
(2) Margin calls do not apply. Mark to market of (\$4.1M) at period-end gold price of \$491.25 per ounce.

For coal, currency hedging facilities have been established for \$US49.8 million of coal sales for delivery during the period to end October 2002 at exchange rates averaging about US 63.00 cents to A100 cents.

GYMPIE ELDORADO GOLD - GYMPIE, QUEENSLAND

Occupational Health and Safety

Our performance continues to improve as demonstrated by our current 52-week lost time injury frequency rate of 31 as compared with 250 at the time we took over operations in 1994-95. Continuing safety improvement is our highest priority and reflects itself in the current high re-investment of operating cash flows and additional capital investment, converting to mainly mechanised mining methods what has historically been a mainly manual-methods mine.

Low Costs, High Production Due to Mechanisation, Grade and Gemstone.

Rubber-tyred diesel machinery and long-hole stoping have been introduced on 12 Level and longhole stoping on 12, 13, 14 & 15 Levels. Over the last quarter, gold production rose by 38% to a record 11,602 ounces and operating costs fell a further 15% to \$294 per ounce of gold. Good grades and gemstone bonuses augmented the unit operating cost improvements this quarter.

Stockwork Blocks 6B & 6C Have Been Identified

Stockwork block 6A on 12 Level has been drilled, bulk sampled and is now estimated at 360,000 tonnes at 11 g/t containing 127,000 ounces. Block 6A is 62 metres long, 35 metres wide and over 80 metres high – ideal for mechanised mining. A 2,000 tonne bulk sample milled successfully, averaging 12 g/t grade and 91.2% recovery of gold. Drilling has intersected extensions and fault-offsets of the large stockwork ore zone, including intercepts that are interpreted as being part of blocks 6B and 6C.

Overview

The business plan now being achieved at Gympie is to discover and develop high-profit gold orebodies and ultimately to establish several mines with average cash operating costs below \$A300/oz (\$US200/oz) and total production costs below \$A350/oz (\$US230/oz).

During the quarter gold sales of 12,027 ounces averaged \$522/oz (\$US287/oz) price which generated a cash operating margin of \$228/oz.

Ore production this quarter was partially constrained by accelerated off-ore development congesting ore mining areas and disrupting shaft hoisting capacity. This development work is on schedule and is part of the mine expansion program that is transforming the business to a predominantly mechanised mine by the 4th Quarter of the 2000/01 financial year using long-hole open stoping, diesel-powered rubber-tyred loaders and other modern low cost mining methods.

If development continues to progress on schedule, the mine should be able to produce higher tonnages at lower costs per tonne in the coming several quarters.

The following table shows production costs for the past five quarters for our Monkland Mine. These are presented in accordance with the US Gold Institute standard:

Table 2 – Gold Production Costs

Quarter:	Dec 2000		Sept 2000		June 2000		Mar 2000		Dec 1999	
	A\$000	A\$/oz	A\$000	A\$/oz	A\$000	A\$/oz	A\$000	A\$/oz	A\$000	A\$/oz
Direct mining expenses	2778		3,996		3,865		3315		3,369	
Mine development adjustments	(801)		(1,462)		(1,142)		(954)		(523)	
Mill and transportation costs	1225		648		620		598		623	
By-product credits	161		(353)		(199)		(50)		(125)	
Cash Operating Costs	3,363	\$294	2,829	\$344	3,144	\$488	2,909	\$368	3,344	\$348
Royalties	165		108		77		80		117	
Total Cash Costs	3,528	\$308	2,937	\$358	3,221	\$500	2,989	\$378	3,461	\$360
Depreciation	576		575		571		561		579	
Amortisation/Write-offs	450		450		513		410		295	
Reclamation	30		30		40		10		30	
Total Production Costs	4,584	\$401	3,992	\$486	4,345	\$674	3,970	\$502	4,365	\$454

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.

Production and Development - Monkland Mine

Table 3 - Production Statistics

Quarter:		Dec 2000		Sept 2000		June 2000		Mar 2000		Dec 1999	
Mine Development											
Metres on Ore	Levels	657m		340m		206m		244m		71m	
	Other	65m		215m							
Metres on Waste	Levels	698m		993m		677m		562m		531m	
	Other	139m		54m							
Mine Production											
	tonnes	grade	tonnes	grade	tonnes	grade	tonnes	grade	tonnes	grade	
		g/t		g/t		g/t		g/t		g/t	
Stope Ore											
Inglewood	21,388	9.0	26,971	7.1	18,628	6.3	24,876	7.2	27,549	7.3	
Gympie Veins	1,068	10.6	679	4.0	3,215	12.1	2,664	19.4	4,569	18.8	
Stockwork	569	5.5									
Specimen Stone	1	5%									
Development Ore											
Inglewood	10,250	13.1	4,876	10.6	4,243	6.0	7,692	3.9	3,260	7.9	
Gympie Veins	-	-	-	-	-	-	-	-	-	-	
Stockwork Ore	-	-	5,159	6.0	2,005	12.1	-	-	-	-	
Miscellaneous Ore	-	-	-	-	-	-	-	-	-	-	
Total Ore Mined	33,276	11.8	37,685	7.3	28,091	7.3	35,232	7.4	35,378	8.8	
Waste Mined	25,452		25,943		15,174		18,157		13,439		
Total Ore + Waste	58,728		63,628		43,265		53,379		48,817		
Treatment Plant											
	tonnes	grade	tonnes	grade	tonnes	grade	tonnes	grade	tonnes	grade	
Inglewood Ore	32,674	10.2	29,704	7.78	24,256	6.25	32,320	6.47	31,247	7.42	
Carbonaceous Ores	1,062	11.4	463	4.38	3,156	9.30	2,748	20.9	4,754	18.1	
Stockwork Ore	-	-	6,496	6.04	2,005	12.1	-	-	-	-	
High Grade	0.513	5.6%									
Total Ore Treated	33,736	11.1	36,663	7.43	29,417	6.98	35,068	7.60	36,001	8.83	
Mill recovery rate(%)	95.8%		93.8%		92.0%		92.3%		93.9%		
Gold Produced (ozs)	11,602 ozs		8,214 ozs		6,068 ozs		7,914 ozs		9,597 ozs		
Specimen Gold (ozs)	1,568 ozs		159 ozs		364 ozs		--		--		

Note: "Specimen Gold" includes gold contained in gemstone despatched for processing and ultimate sale to jewellery manufacturer customers. It also includes gold recovered from gemstone off-cuts processed through the mill.

Stoping

Stope preparation, mining and stope drawdown has been in progress on 8 mine levels that are each approximately 40 metres apart vertically. The deepest is Level 18 and the shallowest is Level 12, some 900 metres and 570 metres respectively below surface. Mechanised long-hole mining methods have been introduced and account for over 80% of production in calendar 2001. The early signs are that the mechanised mining is not producing additional stope overbreak dilution of grade and is proving superior for safety and cost performances.

Development

Level development on ore totalled 657 metres, other development on ore including rising and sub-levels totalled 65 metres, producing 10,035 tonnes. Level development in waste totalled 698 metres and 139 metres of other development in waste, producing 25,452 tonnes waste, of which 4,170 tonnes was hoisted and sold and the remainder used as backfill underground.

Modern trackless mining methods have been installed by contract miners Kidd Mining in the high grade “S1” block of the Inglewood Lode between 12 Level and 10 Level using diesel load-haul-dump machines. This and other developments are allowing modern long-hole mining to become the dominant mining method at Gympie.

The major stockwork orebody “6A” recently discovered on 12 Level is ideally located for modern trackless mining methods and has produced development ore and some initial trial stoping ore already. Once designs and stoping methods have been confirmed, stoping of the main 6A stockwork areas will be introduced as a regular part of ore production.

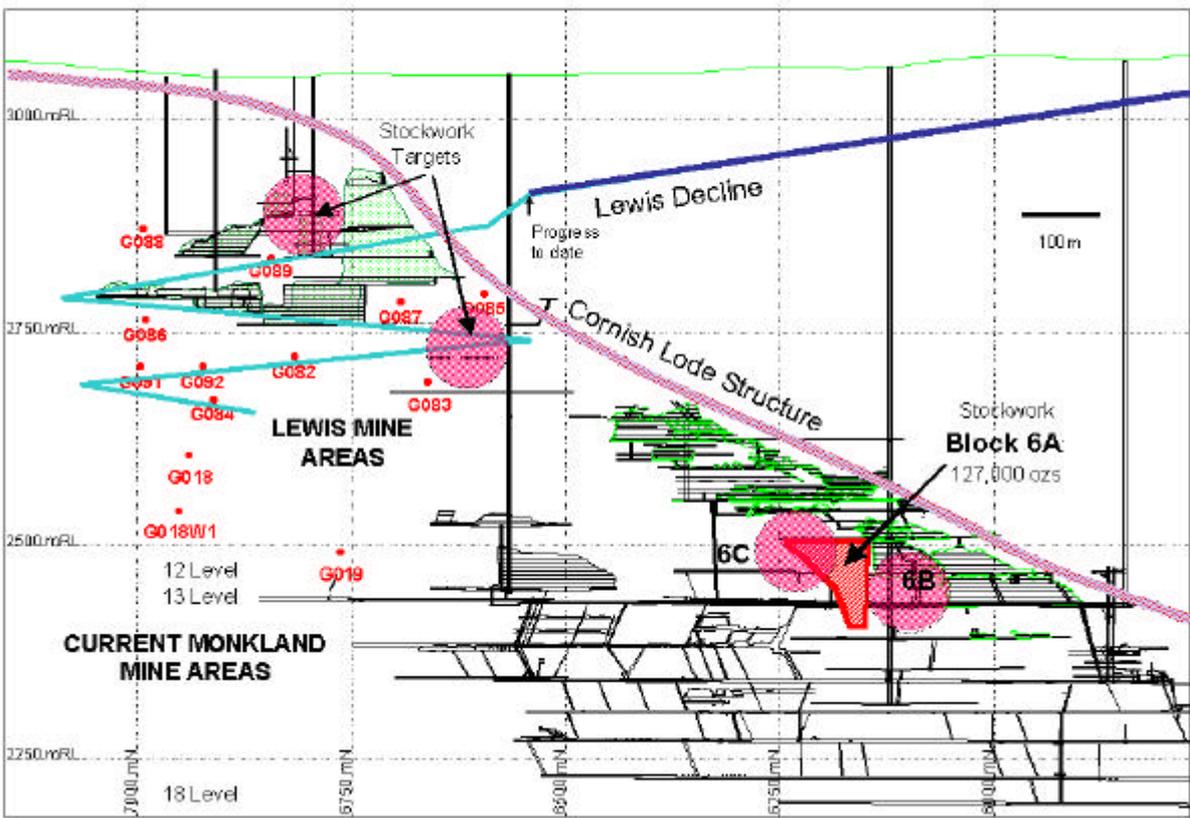


Figure 1: Section View of Lewis & Monkland Mines

Gympie Treatment Plant Operations

During the quarter, the mill processed 33,736 tonnes of ore averaging 11.12 g/t gold grade for an average gold recovery of 95.8%.

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 continuing to determine the optimum method to expand the mill capacity at Gympie to cope with the increased production from the expansion of the Monkland Mine and the development of the new Lewis Mine.

LEWIS MINE PROJECT

New Lewis Mine Developing Rapidly

Development of Gympie's second modern gold mine, the Lewis Mine commenced 19th May. Roche Mining is the Mine Developer and Operator, under a partnering contract.

The Lewis Mine decline advanced to a total of 1,050 metres and completed Stage 1 on 27 January 2001. Underground diamond drilling has commenced and ground conditions appear better than expected. It is anticipated to make the ventilation breakthrough into the Museum Shaft in February but current ventilation capacity is better than expected.

The new Lewis Mine and expansion of the Monkland Mine are projected to lift gold production from 35,000 ounces to 100,000 ounces per annum with potential to expand further. The Lewis Mine development is initially targeting shallow extensions of the main orebody, the Inglewood Lode currently being mined below 550 metres depth in the Monkland Mine. The first Inglewood ore target has been scheduled to be reached after about 2,200 metres of decline advance and stope production was expected late in the second half of 2001.

Surface drillholes have also intercepted some large zones of stockwork mineralisation adjacent to the proposed Lewis Mine. If tracked to the favourable stratigraphic sequence, the Pengelly Siltstone, these stockworks could be both extensive and high grade like the 6A stockwork block recently accessed on 12 Level in the Monkland Mine at 550 metres depth. A stockwork block would be highly profitable for mining by a modern mechanised decline mine like the Lewis Mine.

As the Lewis Mine progresses into the ore environment over the coming months, exploration successes could lead to changes in schedules and mine designs because the configuration and dimensions of the several ore types are not yet thoroughly known. Recent exploration results from surface drillholes have already justified a realignment of the planned decline path (see Exploration section below).

The Lewis Mine development is also aimed at opening up the entire southern half of the Gympie Goldfield and the Mary River area in which recent discoveries have been made in previously unrecognised shallow extensions to the Gympie Goldfield.

EXPLORATION

Exploration expenditure totalled \$671,000 during the quarter. Mine exploration was concentrated on new zones of stockwork mineralisation on 12 Level. Surface exploration was concentrated on targets for the new Lewis Mine at the northern end of the Mine Leases.

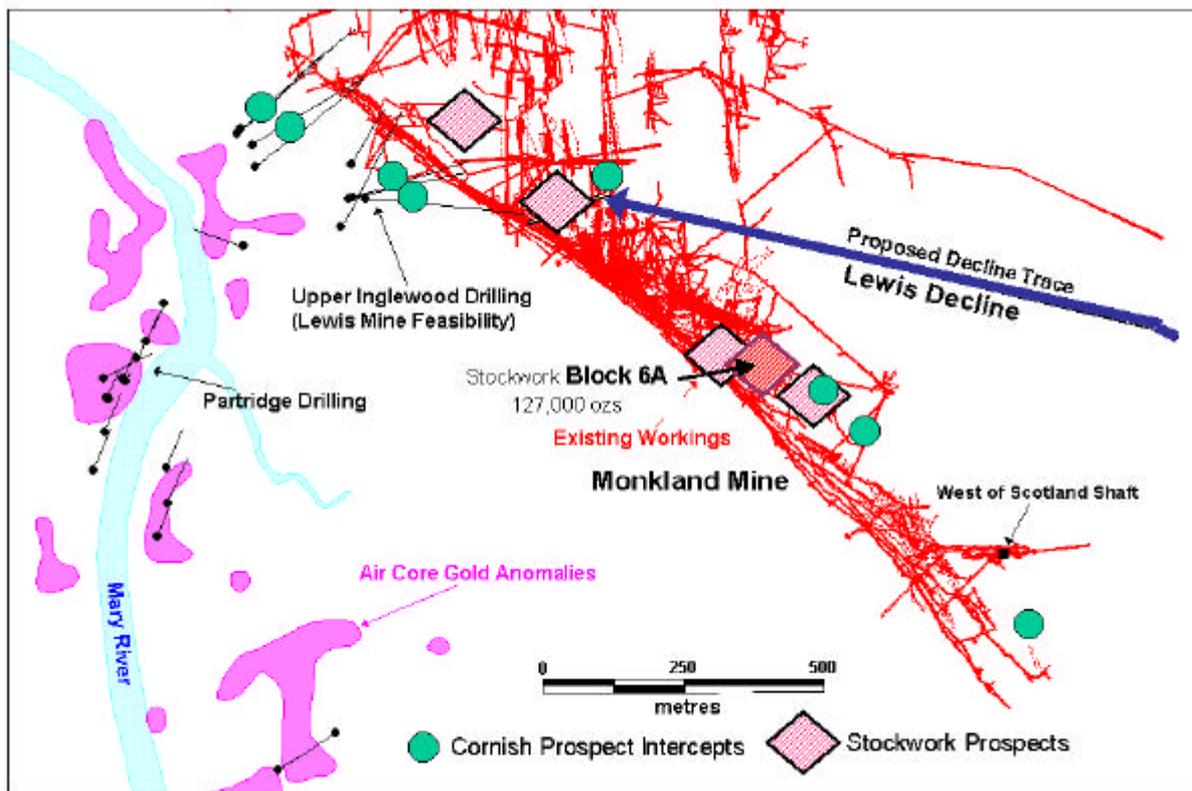


Figure 2: Map of New Gold Developments and Prospects at Gympie

MINE EXPLORATION

Specimen Stone

Specimen stone production is currently sourced mainly from extremely rich “Jewellery Shop” zones that form in shear zones at the top of the Productive Beds. This setting is now recognised as being widespread and is named the Cornish Lode Structure in Figure 1.

Production and exploratory mining is occurring between 15 and 12 Levels. Specimen Stone blocks are sorted into gold-in-quartz pieces for Gemstone that average about 12% to 15% gold and lower-grade off-cuts. During the quarter, 0.513 tonne of off-cuts was milled at an average grade of 55,659 grams gold per tonne (ie. 5.57% gold) or 1,800 ounces gold per tonne.

A 250 metre long prospective zone for further Jewellery Shop locations has been identified extending from 15 Level to the 10 Level, some 80 metres above our current 12 Level.

Stockwork 6A Extension Below 12 Level Monkland Mine

The newly discovered Stockwork Block 6A on 12 Level has been intersected in holes L26, L27 and L33 (see table of results) between 12 Level and 14 Level – at least 40 metres deeper than previously known. This confirms and expands the down-plunge dimension of Stockwork Block 6A. Maximum dimensions of Stockwork Block 6A drilled to date are: 120 metres long, 40 metres wide and 120 metres high, ideal for mechanised bulk mining.

Two New Stockwork Blocks Confirmed on 12 Level Monkland Mine

Stockwork Block 6B occurs about 70 metres south of Block 6A and will be drill tested during the March Quarter. Stockwork veins hosting visible gold have been encountered in the mine openings that were refurbished to allow drill access.

Stockwork Block 6C occurs about 20 metres west of Block 6A. Initial drilling of the target intersected abundant but low-grade stockwork veins in unfavourable volcanic and sandstone rocks. Follow-up drillhole L28 intersected the veins in favourable “Productive Beds” and returned 5 metres averaging 10.3 grams gold per tonne (see results table).

Table 4 – Recent Stockwork Drillhole Results 14L to 10L

Hole	Blockt	Levels	From (m)	To (m)	Length (m)	Grade (g/t)
L26	6A	12L-14L	45	65	20	8.1
L27	6A	12L-14L	32	63	31	12.4
L28	6A	12L-11L	40	46	6	7.0
L28	6C	11L-10L	60	65	5	10.3
L30	6A	12L-11L	36	42	6	4.0
L32	6A	12L-11L	21	50	29	18.9
L33	6A	12L-14L	0	62	62	9.3

REGIONAL EXPLORATION

Cornish Prospect

This is an east-flat-dipping mineralised shear zone at the top of the Productive Beds beneath the limestone rock that overlies the area of the Lewis and Monkland Mines. High grade gold intercepts have been encountered on this structure at depths ranging from 20 metres below surface in the west to about 1,000 metres in the east which is below our deepest mine workings. This extensive ore target extends well below and above current workings – see Figures 1 & 2.

The Lewis Mine decline will encounter this Cornish Lode Structure during the March quarter.

Lewis Stockwork Prospects

Drilling continued on stockwork zones in the Lewis Mine area (see Figures 1 & 2). Wide zones of stockwork veins (some carrying visible gold) have been intersected and the favourable Pengelly siltstone unit has been intersected but as yet, we have not intersected a position where the stockwork veins occur within Pengelly siltstone where the known high grade stockworks occur.

However, a specific stockwork target has recently been identified and the future path of the Lewis Mine decline has been realigned so that this target can be tested at an early stage. Drilling from within the Lewis Mine decline commences in February.

Mary River Prospects

Figure 2 shows the geochemical anomalies from air core drillholes beneath the Mary River sands. Assessment of our success rate from limited scout drilling of these anomalies over the past 18 months has shown that we achieved an 80% hit rate of potentially ore grade intercepts. The surface exploration program is heavily focussed on the Lewis Mine area but is cognisant of these extremely attractive targets that will be intensively explored in the near future.

We are chasing an entirely new ore system in a major goldfield that may be concealed below the shallow sands of the old Mary River flats.

SOUTHLAND COAL – HUNTER VALLEY, NSW

Overview

Southland Colliery is located near Cessnock in the Hunter Valley, New South Wales. It was formed in July 1998 when Gympie Gold's wholly-owned subsidiary, Southland Coal, purchased the assets and infrastructure of the Ellalong Colliery and amalgamated it with Southland Coal's adjacent long-held Bellbird South coal leases.

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 current mine plans. We recently expanded the coal leases by 50% or 2,000 hectares, which reinforces our exclusive tenure over all recoverable Greta Seam coal.

Southland is the largest single source of high fluidity coking coal in the Hunter Valley with a current infrastructure capacity of over 2 million tonnes per annum. Expert assessments indicate that the Colliery has an optimum long term production rate of between 2 and 3 million tonnes of washed coal product per annum which makes it a major source of this important class of coal.

Until 10 January 2001, Southland Colliery was operated by Colrok Australia Pty Ltd – a wholly owned subsidiary of Thyssen Schachtbau of Germany. Colrok appointed voluntary administrators on 10 January 2001. The administrators advised Southland Coal that they were not in a financial position to continue operations or put the mine on care-and-maintenance. Southland Coal took possession and secured the colliery workings on 10 January – see “Subsequent Events”.

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. The levels of sulphur in the new SL2 longwall block and subsequent longwall blocks in the Bellbird South area are within specifications.

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),
- mapping and strip sampling of development roadways ahead of production, and
- high resolution, high quality seismic reflection data that can define small and large scale faults in advance of production and depict seam continuity between boreholes.

The Greta Seam coal is consistently low ash, high fluidity and seam continuity is very good. The Greta Seam is thicker and higher quality in the Bellbird South area than it is in the area of the previous Ellalong workings (see Mine Layout plan).

The roof and floor rock conditions in the Bellbird South area are considered to be well suited to longwall mining methods. The conditions in Southland's previous longwall panel in the Ellalong area, SL1, induced the rock units overlying the longwall supports to cyclically load these supports as was expected. Such conditions are not as prevalent in the Bellbird South area where all future production is planned. This fact together with the realignment of the direction of mining is expected to substantially reduce the occurrence of cyclical loading events and 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 need upgrading as part of on-going remedial action..

Development

The removal of the longwall mining unit from longwall mining block, SL1 in Ellalong, its major refurbishment and upgrade and its move to the next longwall block, SL2 in Bellbird South, started in August 2000.

During this move, longwall components were refurbished and reinstalled. Men and materials transportation was changed to a more flexible and efficient rubber-tyred system. Upgrading of power and compressed air supply was completed and the new ventilation shaft became fully operational.

Colrok planned the new longwall block SL2 to its maximum length of 2 kilometres comprising 2 million tonnes of raw coal feed to the washery. This plan allows development of the northeastern section of SL2 while the longwall extracts coal from the developed southwestern section at the rate of 1.5 million tonnes per annum.

Good ground conditions are indicated in development roadway headings in the Bellbird South area where stable roof, rib and floor conditions have been encountered. Washing of the raw coal feed from development has confirmed that washery yields of final product will exceed 90%.

Production

Run-Of-Mine (“ROM”) production was 88,829 tonnes for the quarter, which was below budget of +100,000 tonnes per month due to inconsistent production during the longwall commissioning in block SL2.

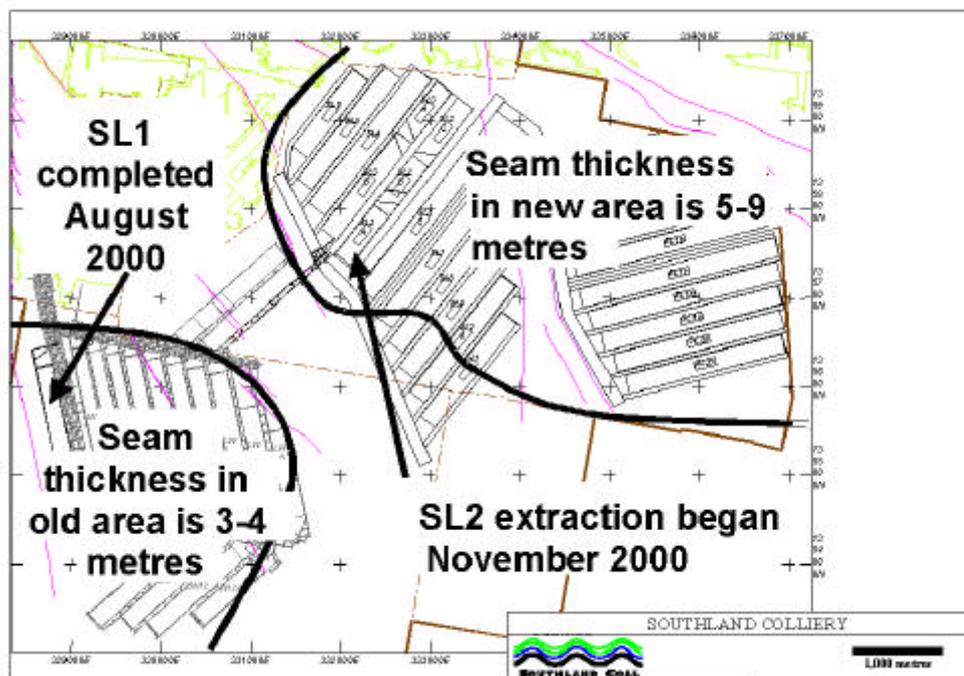
Washed coal production was 86,837 tonnes for the quarter reflecting the low ROM production. Product yield from development in the high quality coal of the Bellbird South area has been encouraging, averaging over 92% yield and favourable coal quality results: lower ash, higher fluidity of over 5,000 ddpm and low sulphur in the order of 1% and trending lower.

Table 5 – Southland Production and Sales

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

Mine Plan and Layout

The following 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”.



SUBSEQUENT EVENTS SINCE 31 DECEMBER 2001

Contractor Appointed Voluntary Administrators on 10 January 2001

The contract operator, Colrok Australia Pty Ltd experienced delays during November and December in the commissioning of the longwall mining unit in block SL2 which was scheduled to be producing at the annualised rate of 1.5 million tonnes per annum. Reasons for the delays include, failure of the original installation road which had to be filled, congestion at the longwall face due to the installation method and delays in installing conveyors. The delays raised concerns about Colrok's general performance capability.

Once production from the longwall had commenced in early November, a new series of apparently minor, short-term electrical, mechanical and operational failures further delayed commissioning and reduced production levels to less than one third of the scheduled output rate of 1.5 million tonnes per annum. Reasons for these delays include shearer commissioning problems, mismatch between development profiles and roof supports in the maingate and a roof fall in the tailgate due to insufficient roof support.

Colrok was on a performance based contract from the start and was paid on the basis of washed coal product delivered. These delays further delayed Colrok's entitlement to payment and also delayed coal sales by Southland.

The Chairman's address to shareholders at the Annual General Meeting on 22 November 2000, reported that Colrok's performance was under review. Colrok's advice during this time was that resolution of the problems was imminent.

Some of these operational problems were evident to Southland Coal as they occurred and Southland attempted to provide every reasonable assistance to Colrok. During November and December, advice from the contractor indicated that production at budgeted levels "was imminent". Consequently, Southland found it surprising that Colrok appointed voluntary administrators on 10 January.

Southland was surprised to learn from the voluntary administrator that Colrok did not have the financial resources to safeguard the workings and underground equipment. Southland had no alternative but to terminate Colrok's mine operating contract immediately and resume possession of the site. A Southland care-and-maintenance crew was installed immediately.

Since Southland secured the colliery workings on 10 January, previously undisclosed causes for the continuing interruptions to longwall production have been identified and measures are being taken to both understand and remedy the problems.

Several experienced mining contractors have expressed interest in taking over the operatorship and due diligence assessments are in progress.

For further information please also refer separate Announcements to the Australian Stock Exchange dated 10 January 2001, 12 January 2001 and 24 January 2001.

A ADALEY
Company Secretary

30 January 2001

Corporate Information			
Directors		Senior Group Management	
M G Darling	Chairman	Harry Adams	Managing Director
H Adams	Managing Director	John Leach	Chief Executive, Southland Coal
P C Cadwallader AO	Director	Rowan Johnston	General Manager, Gold Operations
J E Leach	Director	Ron Cunneen	General Manager, Gold Exploration
R Woodall AO	Director	Ian Levy	General Manager, Development
Registered Head Office			
Level 9 Gold Fields House		Gympie Gold Limited	
1 Alfred Street Sydney NSW 2000		ABN 88 000 759 535	
Tel: 02 9251 2777 Fax: 02 9251 2666		Stock Exchange Code "GYM"	
Website: www.gympiegold.com.au		E-mail: info@gympiegold.com.au	