

FOCUS

Gympie Gold Limited is an Australian exploration, production and marketing company with two businesses: the re-establishment of the prolific, high-grade Gympie Goldfield in Queensland and the production of high-quality coking coal from the Hunter Valley in New South Wales.

The Company is focused on re-establishing its six-year record of delivering above-average business performance and share appreciation, after unsatisfactory results for 2002-03. Our finances, growth momentum and share price were damaged by production problems experienced at Southland Colliery. These have been overcome and production is now consistently performing well.

Gold operations provide a base for our ambitious exploration of the high-grade Gympie Goldfield, the known bounds of which were extended during 2002-03 as a result of a drilling program launched at the beginning of the financial year. After being curtailed to conserve cash, drilling recommenced in August 2003 with a focus on further testing recently discovered extensions of the major goldfield ore feeder system, which has to date yielded 2 million of the Goldfield's historical production of 4 million ounces of gold.

Innovative marketing adds value to our coal and gold products. Coal products are customised to meet the specific requirements of a diverse group of coking coal products and customers globally. Gympie Gold® Gemstone captures value by creating a unique product sold for much more than its gold content. Gympie is now the first gold company to create a line of branded jewellery made from its own gold, silver and gemstone. It is hallmarked Gympie and has been launched internationally.

Our medium-term strategy is to further establish the critical mass of each business from both organic and corporate initiatives.

Harry Adams
Managing Director



FOLD OUT THE FRONT COVER FOR AN OVERVIEW OF
THE GYMPIE GOLDFIELD EXPLORATION PROGRAM...

CORPORATE OVERVIEW

Gympie Gold Limited is owned by about 8,000 holders of ordinary shares and convertible notes quoted on the Australian Stock Exchange and AIM, the London Stock Exchange's international market.

The group has two principal wholly-owned subsidiaries which explore for, extract, process and market mineral products:

- Gympie Eldorado Gold conducts exploration supported by early-stage production of gold and gemstone at the high-grade Gympie Goldfield, which historically produced over 4 million ounces gold. While production in recent years has been within the range of 30,000 to 55,000 ounces per annum, exploration programs are targeting large structures which are very prospective for major high-grade gold systems.
- Southland Coal has now established strong production of high-quality coking coal from the Greta Seam, which has been in continuous production for more than 100 years. Southland exclusively controls this well-known coking coal seam, exports via the world's largest coal port and has established a market niche based predominantly on the coal's properties of extremely high-fluidity and low ash.

SOUTHLAND EXCLUSIVELY CONTROLS THIS WELL-KNOWN COKING COAL SEAM, EXPORTS VIA THE WORLD'S LARGEST COAL PORT AND HAS ESTABLISHED A MARKET NICHE BASED PREDOMINANTLY ON THE COAL'S PROPERTIES OF EXTREMELY HIGH-FLUIDITY AND LOW ASH.

market niche based predominantly on the coal's properties of extremely high-fluidity and low ash. The mine is targeting production of 1.8 to 2.2 million tonnes for 2003-04.

Gympie Gold's organisational structure includes a small corporate office in Sydney, operations management based at the mine sites and marketing management travelling globally to meet customers' needs.

Accountability is measured against performance indicators covering all facets of the business, starting with safety and environmental management.

Gympie Gold has transferred some of its regional mineral rights into 25%-owned D'Aguiar Gold Limited, which will focus on gold-copper porphyry targets in the Gympie district. D'Aguiar listed on the Australian Stock Exchange on 21 August 2003.

Opposite: Stockpile management at Southland Colliery.

Below: The Lewis Decline has greatly increased Gympie Eldorado's production capacity.



...EXPLORATION PROGRAMS ARE TARGETING
LARGE STRUCTURES WHICH ARE VERY PROSPEC-
TIVE FOR MAJOR HIGH-GRADE GOLD SYSTEMS.

BUSINESS SUMMARY

2002-03 PERFORMANCE

2003-04 TARGETS

Group Financial Results

- Sales revenue up \$11.1 million to \$96.1 million
- EBITDA down \$2.7 million to \$11.0 million
- Net loss of \$22.9 million after tax

- Increase revenue by more than 50%
- Triple EBITDA
- Establish profitability
- Reduce short-term liabilities

Southland Coal

- Exceptional safety performance
- Production of 1.26 million tonnes was constrained by ground conditions
- New operating regime implemented
- Maintained prices and won new customers in all continents other than Africa
- EBITDA of \$6.6 million and net loss of \$11.7 million

- Further reduce core risks
- Reduce unit costs
- Further diversify customers geographically
- Increase production to 1.8 to 2.2 million tonnes
- Achieve consistent, profitable production

Gympie Eldorado Gold

- Safety performance improved
- Lewis Decline connected with Monkland Mine on schedule in December 2002
- Inglewood Structure extended by several kilometres and discovered near surface at South Inglewood
- EBITDA of \$8.6 million and net loss of \$0.2 million
- Gold hedging reduced

- Further improve safety performance
- Discover major new gold systems in Gympie Goldfield
- Maximise efficiency of gold operation and maximise operational cash flows to expand exploration
- Further reduce hedging commitments

Gympie Gold® Gemstone

- Revenue contribution of \$1.3 million
- Marketing constrained by gemstone supply
- Launched Gympie Gold® Jewellery

- Increase supply of gemstone
- Reinforce market niche with core gemstone customers
- Expand penetration of jewellery line



CHAIRMAN'S REPORT

THE 2002-03 YEAR

The year ended 30 June 2003 was a most disappointing year for the Company. The net loss of \$22.9 million reflects this. Six months of production problems at Southland Coal had a severe effect on the Company's profitability and balance sheet. Southland has been back in full production since March 2003, but some of the consequences of the problem period, particularly the balance sheet constraints, will continue to influence the current year.

The problems at Southland arose from difficult ground conditions encountered in September 2002 and which persisted until mid-February 2003. In that period only about 250,000 tonnes of coal were produced, a shortfall of 350,000 tonnes and \$20 million on budgeted saleable coal, and extra costs were incurred to fix the problems. The episode cost the Company about \$25 million.

Since March 2003, Southland has been in full production and the sort of difficulties experienced are not expected to recur. Extensive corrective measures

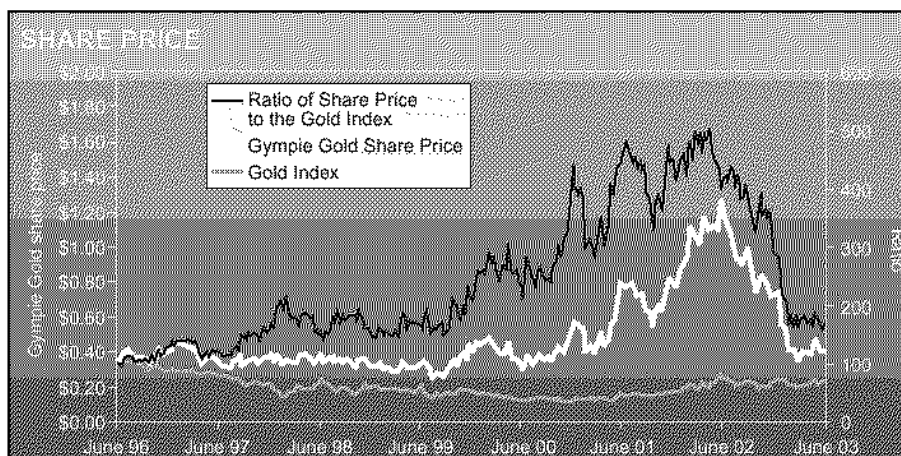
THE PROBLEMS AT SOUTHLAND AROSE FROM DIFFICULT GROUND CONDITIONS ENCOUNTERED IN SEPTEMBER 2002 AND WHICH PERSISTED UNTIL MID-FEBRUARY 2003...THE EPISODE COST THE COMPANY ABOUT \$25 MILLION.

were taken, including the purchase of a near-new longwall to replace a section of the existing longwall unit when it is moved to the next panel in September 2003. Coal production since the beginning of March has averaged 192,000 tonnes per month which equates to about 2 million tonnes per year, after allowing time for a longwall move.

As a result of the problems at Southland the Company needed to rebuild the balance sheet where contingency reserves had been almost exhausted. Share placements and a Share Purchase Plan raised \$15.2 million during the June 2003 quarter. Some restructuring of loan arrangements also occurred and a major target for the current year is to restructure the duration of loan facilities.

The problems at Southland overshadowed achievements at Gympie Eldorado, particularly some exciting exploration results.

Gold operations were slightly below budget due to the grade from a particular Stockwork zone being lower than forecast. In addition, near-mine exploration was disappointing in that it failed to find large ore zones that could be brought into production quickly from the Lewis Decline. However, overall exploration success was significant and added greatly to the prospectivity of the whole





Board of Directors, from right, Chris Rawlings, Michael Darling, Harry Adams and Roy Woodall. Director Peter Cadwallader is not in this photograph.

Gympie Goldfield. Of particular importance was the identification of Goldfield extensions to the prolific Inglewood Structure to the north and south.

In our view the evidence continues to build that the Gympie Goldfield has the potential to deliver more gold in the future than the 4 million ounces it already has produced. The mining operation will remain small until exploration results trigger expansion using the infrastructure that has been established.

OUTLOOK FOR 2003-04

The markets for our two key products look reasonably sound in the coming year.

Coking coal prices have been supported worldwide by the enormous demand for steel coming from China. This in turn has been driving both the Japanese and Korean steel industries which are working at full capacity. Coking coal is therefore in a different market situation from thermal coal where excess production has been evident. The negative for Australian coking coal producers has been a stronger Australian dollar which has taken the shine off the price received in local currency terms.

Southland has the great benefit of having a niche coking coal with extremely high-fluidity and very low ash.

This opens up a universe of marketing and coal blending opportunities which we have been actively pursuing. From being essentially a coal sold only to a few Japanese customers several years ago, Southland, under the ownership of Gympie Gold, has now opened markets all over the world. This has allowed us to defend price and maximise the value-adding role for our coal. In addition, we have hedged the Australian dollar receipts for about 50% of expected revenues in the next eighteen months at a value of US 62 cents to the Australian dollar.

The gold price outlook is, in our view, excellent. It seems the volatility in world currency markets, particularly the weakening US dollar, has resulted in new life for gold which, only a short time ago, was being written off as a barbaric relic. Gold is being viewed again as a serious asset class for investors. I expect this trend to continue.

As a consequence of this view, gold hedging commitments were reduced by 94,000 ounces during 2002-03. Forward sales totalled 126,000 ounces at 30 June 2003, equivalent to about half of gold production over the next four years at current production rates or approximately 20% of current resources.

IN OUR VIEW THE EVIDENCE CONTINUES TO BUILD THAT THE GYMPIE GOLDFIELD HAS THE POTENTIAL TO DELIVER MORE GOLD IN THE FUTURE THAN THE 4 MILLION OUNCES IT ALREADY HAS PRODUCED.



Southland Coal's shearer and longwall unit cutting panel SL3 with operators Phil Bridge and Mark Scott.

PRIORITIES FOR 2003-04

The key priorities we have set for the Company over this year are designed to restore its growth momentum and re-kindle market support.

1. To achieve production at Southland of 1.8 to 2.2 million tonnes and tightly control the costs of production to expand operating margins.
2. To follow-up on last year's advances in exploring the Gympie Goldfield in order to add further to existing resources and enhance the prospectivity of the whole Goldfield.
3. To continue the process of strengthening the corporate balance sheet by reducing and restructuring existing short-term loans and by fine-tuning hedging arrangements for both currency and gold.
4. To extend the Gympie Gold® Gemstone business into new markets and downstream into the Gympie Gold® Jewellery Collection, as well as increasing the supply of gemstone from the mine.

We are actively pursuing these objectives and achieving improvements in all these areas. As we report progress during the year, I hope shareholders will be increasingly confident that the Company is back on track. The reduction in the market value of Gympie Gold shares has been one of the most painful results of the problems of the last year. As a large shareholder, no one feels this more deeply than I do. I would hope over the coming year that as the market sees that the Company is achieving its objectives this will lead to stronger support for the Gympie Gold shares and higher prices.

Jason Kelly (Mining Manager) and Rob Scargill (General Manager, Gold Operations) inspect mining activities at Gympie Eldorado.



D'AGUILAR GOLD LIMITED

Gympie Gold has helped and encouraged D'Aguilar Gold Limited to raise funds to explore tenements around the Gympie Goldfield. Some of our regional tenements were sold to D'Aguilar, particularly those tenements prospective for gold-copper deposits which are that Company's primary exploration target.

Gympie Gold shareholders were offered the opportunity to participate in the D'Aguilar float and they contributed strongly. Chris Rawlings, a Gympie Gold non-executive Director, is D'Aguilar's Chairman. Ian Levy, Gympie Gold's General Manager, Corporate Development is also on the D'Aguilar Board of Directors. Ron Cunneen, formerly Gympie Gold's General Manager of Gold Exploration, is now D'Aguilar's Exploration Manager.

Gympie Gold holds about 25% of D'Aguilar's shares and views the D'Aguilar initiative as an exciting way to inject new resources and ideas into the exploration of the Gympie district.

GYMPIE GOLD...VIEWS THE D'AGUILAR INITIATIVE AS AN EXCITING WAY TO INJECT NEW RESOURCES AND IDEAS INTO THE EXPLORATION OF THE GYMPIE DISTRICT.



PERSONNEL

A year like 2002-03 makes exceptional demands on a small management team. They responded with a drive and dedication of which I am most appreciative.

Pressures such as these also lead inevitably to the re-assessment by the Company and by individuals of roles and responsibilities. We have made a number of important changes. Peter Hayes has been appointed to the new position of Chief Operating Officer and Arthur Gillen has been appointed Chief Financial Officer. John Leach, who served the Company diligently for eight years, retired as Finance Director. Personnel numbers at Gympie Eldorado were reduced and Rob Scargill was appointed General Manager, Gold Operations; Bruce McQuitty was appointed Exploration Manager, Gold.

To my Board colleagues and to the Managing Director, Harry Adams, may I express my appreciation for their efforts over the year.

Michael Darling
Chairman

Senior management,
from right, Harry Adams
(Managing Director), Peter Hayes
(Chief Operating Officer),
Arthur Gillen (Chief Financial
Officer) and Ian Levy
(General Manager, Corporate
Development).

FINANCIAL SUMMARY

SUMMARY GROUP FINANCIAL PERFORMANCE

(\$ millions)	2002-03	2001-02	Variance
Gold sales revenue	30.0	28.5	1.5
Coal sales revenue	66.0	56.5	9.6
Total sales revenue	96.1	85.0	11.1
Other revenue	0.8	0.7	0.1
Total revenue	96.9	85.7	11.1
Operating costs	(81.5)	(68.2)	(13.3)
Corporate costs	(4.3)	(3.8)	(0.5)
Earnings before interest expense, tax, depreciation and amortisation (EBITDA)	11.0	13.7	(2.7)
Depreciation and amortisation	(27.1)	(15.7)	(11.4)
Borrowing costs	(8.7)	(1.3)	(7.3)
(Loss)/profit before tax	(24.8)	(3.3)	(21.5)
Income tax benefit (expense)	1.9	0.8	1.1
(Loss)/profit after tax	(22.9)	(2.5)	(20.4)

SUMMARY OF GROUP FINANCIAL POSITION

(\$ millions)	2002-03	2001-02	Variance
Current assets	66.3	64.4	1.9
Non-current assets	159.7	138.4	21.3
Total assets	226.1	202.9	23.2
Current liabilities	61.1	38.8	(22.2)
Non-current liabilities	69.9	62.2	(7.7)
Total liabilities	131.0	101.1	(29.9)
Total equity	95.1	101.8	(6.7)

SUMMARY OF GROUP FINANCIAL POSITION

(\$ millions)	2002-03	2001-02	Variance
Net cash inflow from operating activities	(3.1)	13.6	(16.7)
Net cash outflow from investing activities	(43.9)	(48.5)	4.6
Net cash inflow from financing activities	29.3	52.1	(22.8)
Net increase (decrease) in cash held	(17.7)	17.2	(35.0)
Cash at end of financial year	7.8	25.5	(17.7)

Note: The \$40 million face value of the convertible notes is included in non-current liabilities. Figures are rounded on the underlying actual amounts and thus may not add precisely.

FINANCIAL PERFORMANCE

Key points regarding the Group's 2002-03 financial performance are:

- Coal revenue increased 17% due to a better \$A/\$US exchange being achieved in 2002-03. Coal revenue was much less than planned due to production difficulties suppressing mine production by 300,000 tonnes to 1.26 million tonnes and shipping constraints delaying 100,000 tonnes of sales into the 2003-04 financial year;
- Total operating costs increased in line with higher production and due to additional ground support costs being incurred at Southland;
- Depreciation and amortisation charges increased, reflecting increased production and the level of capital spent on the operations in recent years;
- Increased borrowing costs reflect interest paid on the Convertible Notes for the first full year and a higher level of Group borrowings; and
- The loss after tax of \$22.9 million was most disappointing and represents what can only be described as an unsatisfactory result.

The Group is poised for improved operating results from 2003-04 because:

- Revenues are forecast to increase by at least 50%, due mainly to higher coal production but also due to continued marketing activities that add value to both coal and gold products; and
- The new operating regime at Southland should ensure production is increased substantially while costs do not increase proportionately.

THE GROUP IS POISED FOR IMPROVED OPERATING RESULTS FROM 2003-04...

FINANCIAL POSITION

The Company's financial position at 30 June 2003 may be summarised as follows:

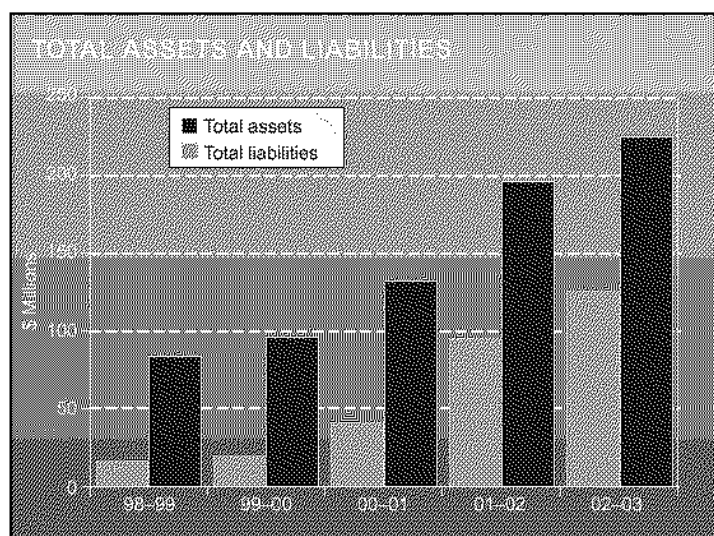
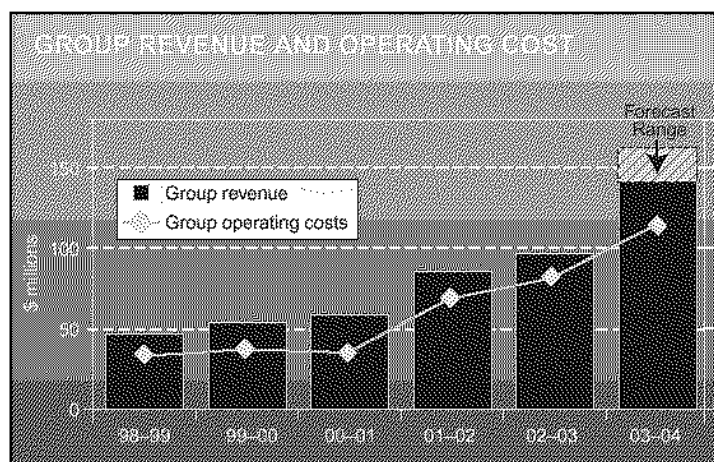
- Working capital of \$5.3 million. Receivables at the end of June were more than usual as sales increased sharply in June;
- Total assets of \$226.1 million related primarily to \$66.3 million of current assets, \$86.5 million to long-term gold assets and \$65.2 million to long-term coal assets;
- Total liabilities represent 58% of total assets;
- Of total liabilities of \$131.0 million, \$40.0 million is attributable to the Convertible Notes which are unsecured, subordinated and redeemable; \$36.1 million is attributable to secured term borrowings; and the balance is a combination of revolving trade finance lines, equipment leasing, trade creditors and provisions; and
- Total shareholders' equity is \$95.1 million.

CAPITAL STRUCTURE

In order to restore the Company's working capital, a package of equity raisings totalling \$15.2 million was completed in May 2003. The initial component of this raising was private placements to professional investors (as defined in Australian corporations law) and several of the Company's Directors. The second component was a Share Purchase Plan which provided the opportunity for all eligible shareholders to participate at the same price as the private placements at \$0.335 per share.

At 30 June 2003, Gympie Gold Limited had 206.4 million ordinary shares on issue and 12.0 million unlisted options.

A total of 40.0 million Convertible Notes are on issue and interest is paid quarterly at a fixed rate of 8.5% per annum on the \$1.00 par value. Noteholders may elect to convert their notes into Gympie Gold shares at the Conversion Rate of 1 note to 0.7567 of a Gympie Gold share. If the noteholder elects not to convert the notes into Gympie Gold shares, then the Company will simply redeem the notes at par value (\$1.00) at the end of their five-year life in September 2007.



Above: Group revenue is forecast to increase by more than 50%. Liabilities of \$131 million include \$40 million for convertible notes.

Below: Southland's washed coal stockpiles were more than 200,000 tonnes at 30 June 2003.



RISK MANAGEMENT

Operational management, including exploration and mine planning, is controlled by our own personnel. Suitably qualified contractors provide support as appropriate at our operations – Thiess at Southland Coal, Roche at Gympie Eldorado and Kabana in the Gympie Gold® Gemstone venture.

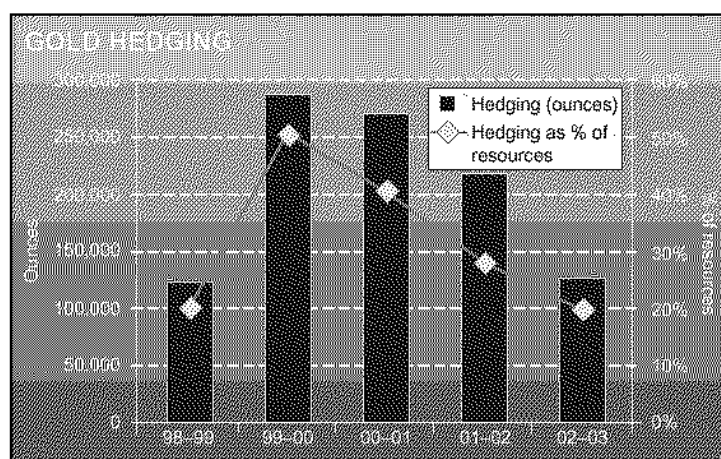
A portion of future product revenues are hedged in \$A in order to provide some insurance. The general rationale of our hedging policies is to protect the company's exposure where a change in product pricing would be damaging, but to leave upside potential unhedged as much as practical.

GOLD HEDGING POSITION AS AT 30 JUNE 2003

Disclosure as per Australian Gold Council standard		03-04	04-05	05-06	06-07	Totals/ Averages
Total Hedged (Forward Sales)	ounces	36,100	36,000	36,000	18,000	126,100
Estimated Net Realisable Price	\$A/oz	520	520	520	520	520

- Estimated Net Realisable Price is after allowing for gold lease fees on all ounces, which are fixed until August 2003, and then assumed to be 1.0% per annum thereafter.
- Margin calls do not apply to gold hedging contracts. No contingent hedging contracts exist.
- Marked-to-market of negative \$A4 million at year-end gold price of \$A517/oz.

Gold revenue received (including by-product credits) for 2002-03 was \$A552 per ounce, compared with the average spot gold price of \$A572 for the year.



Gold hedging has been decreasing over the past four years and now totals only 126,100 ounces.

Gold hedging commitments were reduced by 94,000 ounces or 43% during 2002-03. Forward sales totalled only 126,100 ounces at 30 June 2003. These forward contracts are scheduled to be delivered at \$A520 per ounce and at a rate of 3,000 ounces per month until December 2006.

Only 18% of Mineral Resources at Gympie Eldorado are subject to price caps (hedging commitments) – down from 51% at 30 June 2000. The remaining 82% and all additional gold discovered is fully exposed to gold price movements.

The contracts for Southland's coal are predominantly in US dollars and the Company utilises currency hedging in order to protect the Australian dollar revenue stream. Southland converted its 2002-03 \$US receipts into Australian dollars at an average exchange rate of less than \$A 1.00/\$US 0.59.

At 30 June 2003, the Company had currency hedging in place of \$US57 million at an average rate of \$A1.00/\$US0.616, sufficient to cover approximately 1.5 million tonnes of coal sales. The positive marked-to-market value of this position was \$A5 million at the year-end spot rate of \$1.00/\$US0.667. Management will continue to evaluate further short-term currency hedging at appropriate levels to protect future revenue in \$A terms.

A PORTION OF FUTURE PRODUCT REVENUES ARE HEDGED IN \$A IN ORDER TO PROVIDE SOME INSURANCE. THE GENERAL RATIONALE OF OUR HEDGING POLICIES IS TO PROTECT THE COMPANY'S EXPOSURE WHERE A CHANGE IN PRODUCT PRICING WOULD BE DAMAGING, BUT TO LEAVE UPSIDE POTENTIAL UNHEDGED AS MUCH AS PRACTICAL.

SOUTHLAND COAL



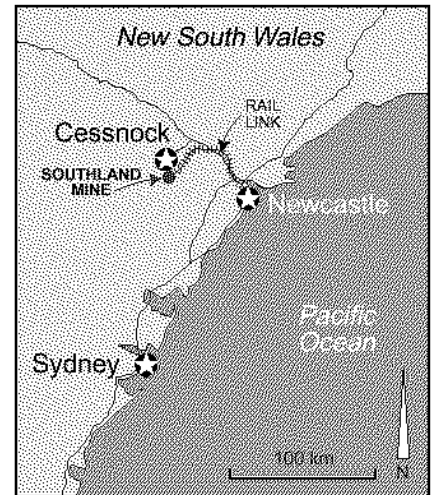
The Southland Colliery is located near Cessnock in the Hunter Valley of New South Wales and 65 kilometres from Newcastle – the world's largest coal port.

Southland produces Australia's lowest ash high-fluidity coking coal from the well-known Greta Seam. Southland produces a superior coke blending coal that permits steel producers to reduce costs by substituting our coals for some of the more expensive hard coking coals. Southland's coal also has other attractive properties suitable for the steel industry and also to sized-coal and electricity generation markets.

The Greta Seam has been in almost continuous production for over 100 years and the Southland Colliery now exclusively holds all known reserves. The colliery currently has an infrastructure capacity of over 2 million tonnes per annum and Recoverable Coal Reserves of 41 million tonnes.

In early 2001, Gympie Gold and Thiess entered into a strategic alliance whereby Thiess invested \$11 million to take a 10% joint venture interest in the Southland Colliery.

An allancing contract between Gympie Gold and Thiess was triggered in November 2002 as part of the turnaround of the then-problematic production



**Mat Thomas and
Steve Grant operating the
continuous miner unit.**





Above: Bob Butcher, Mine Manager of Southland Colliery.

Right: The coal seam currently being mined is much thicker than the area mined prior to 2001.

operations. This contract covers the entire operation and provides the following benefits to the project:

- Full transparency in cost and performance measurement, through an open-book approach;
- Integration of the management teams of owner and contractor with owner-leadership reinforced throughout;
- Transparency of contractor's margin and administrative overheads; and
- Integration of owner and contractor focus onto long-term planning.

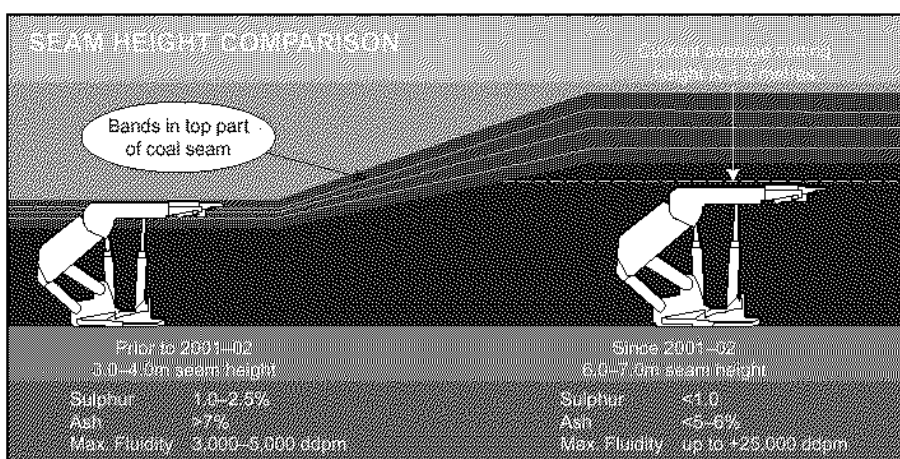
Direction of the joint venture now flows from an alliance leadership team headed by Gympie Gold as the principal owner.

OPERATIONS

Longwall production for 2002-03 totalled an unsatisfactory 1.26 million tonnes of run-of-mine coal. Even though this was a 23% increase on the previous year, it was much less than the forecast production of 1.5 million tonnes.

Coal production was severely restricted from September 2002 to February 2003 due to:

- Longwall face stability problems, primarily relating to a zone of poor ground conditions (low angle in-seam shearing); and
- The longwall unit being moved to mine through this zone at a higher level in the seam, pending regulatory approval of improved ground support techniques which were introduced in January 2003.



The zone had been anticipated in the mining plan but its impact was under-estimated, as mining in plus-6 metre thick sections of the seam has been conducted for less than 18 months. Based on operational changes, experience gained and independent advice, Southland should now be able to efficiently mine through similar zones when encountered in the future. This was indeed found to be the case in May 2003.

The Southland Colliery has performed well under a new operating regime since

the longwall unit was re-positioned back on the seam floor in mid-February 2003. An average of 192,000 tonnes per month was produced for the remainder of the year, well above budgeted rates.

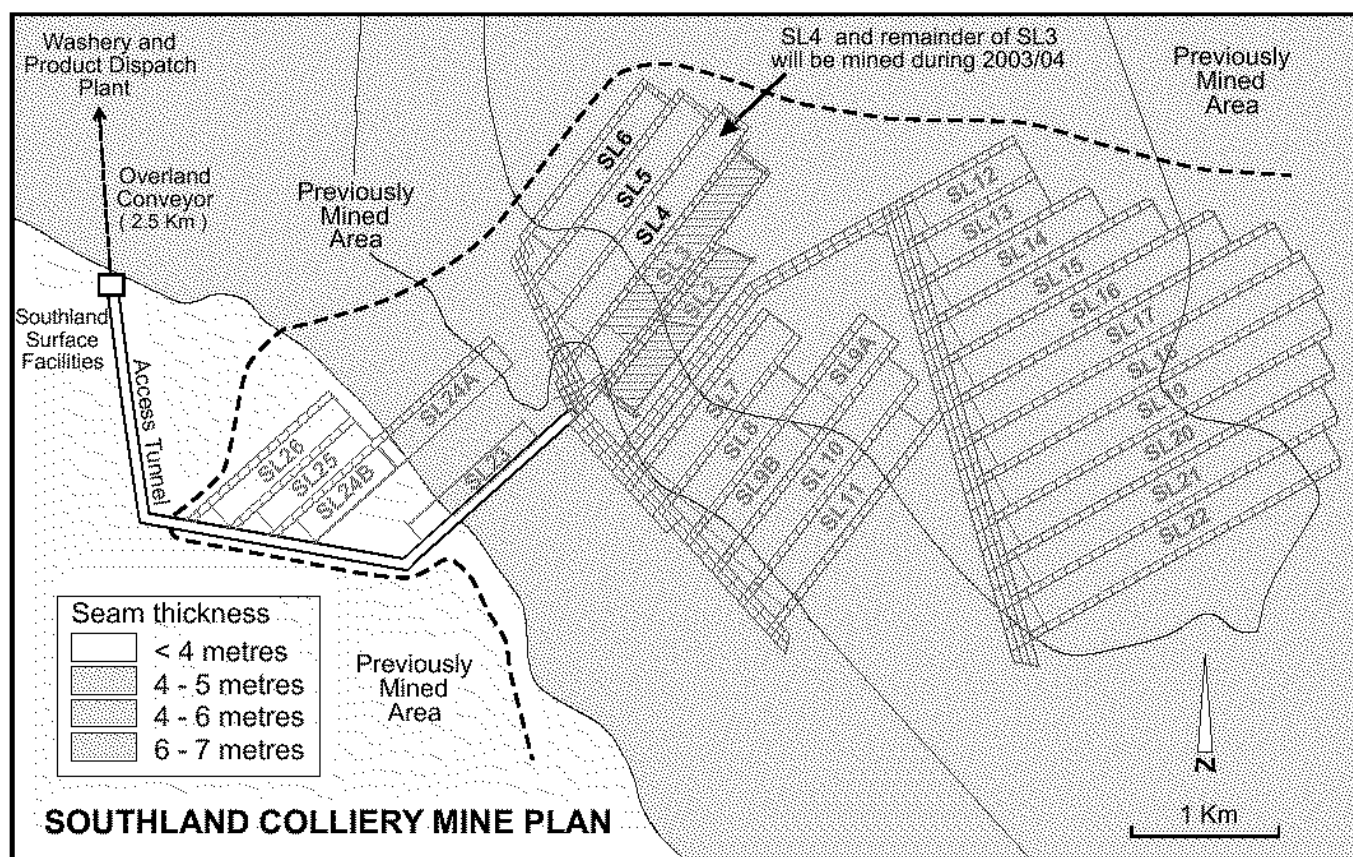
Increased reliability of production flowed from the new operational regime which included the following:

- Conversion of longwall operations

SOUTHLAND PRODUCTION AND SALES STATISTICS

		2000-1	2001-2	2002-3
Development advanced	metres	4,175	10,600	6,005
Raw coal produced 'ROM'	tonnes	460,303	1,026,512	1,260,857
Washed coal produced	tonnes	445,856	959,596	1,155,996
Coal sales (including purchases)	tonnes	413,881	1,117,586	1,261,143

All figures quoted are for 100% of the project. Southland Coal's share is 90%.



from a 5-day roster to a continuous 7-day roster increased the annual production capacity of the operation, by approximately 20%;

- Mechanical improvements to the longwall unit and upgraded maintenance systems which have enhanced operational reliability;
- New rapid recovery strata fill techniques have been introduced; and
- Bringing forward the alliance contract with Thiess, triggering an open-book approach and integration of our respective management teams.

Strong production since February 2003 has permitted the establishment of a washed coal stockpile of more than 200,000 tonnes, which will allow Southland to balance shipments with reduced production during the longwall transfer to the next panel (SL4) in September–October 2003.

The washery plant yield for 2002–03 exceeded 90%, reflecting the low ash of the Greta Seam coal.

Development of the SL4 longwall panel was completed in May 2003 as scheduled. This was achieved even though one continuous miner unit was utilised for most of the year, rather than the two planned units.

Longwall face equipment purchased during the year will be used to upgrade the existing longwall unit in September 2003. This equipment is in near-new condition and will replace a 90 metre section of the 220 metre longwall. The overall cost of this major upgrade is approximately \$10 million, substantially less than the cost of an entire new longwall unit. This project is expected to further increase the longwall's reliability and its ability to cope with varying ground conditions.

A pre-feasibility study was completed for a proposed 2 million tonne open-cut operation on an established mine lease. Final feasibility studies are being undertaken and will be followed by the regulatory approval process. In addition, long-term plans are being developed for Southland's large freehold land holdings in the Hunter Valley.

STRONG PRODUCTION SINCE FEBRUARY 2003 HAS PERMITTED THE ESTABLISHMENT OF A WASHED COAL STOCKPILE OF MORE THAN 200,000 TONNES, WHICH WILL ALLOW SOUTHLAND TO BALANCE SHIPMENTS WITH REDUCED PRODUCTION DURING THE LONGWALL TRANSFER TO THE NEXT PANEL IN SEPTEMBER–OCTOBER 2003.



The recently purchased, near-new longwall face equipment in the process of being refurbished.

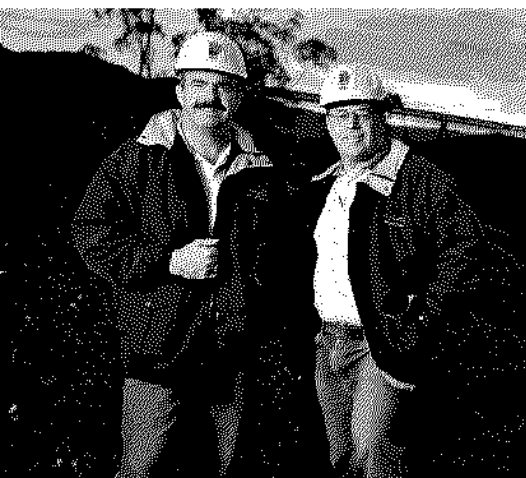
MARKETING

Southland produces Australia's lowest ash, high-fluidity coking coal from the Greta Seam in the Hunter Valley. Southland's product range includes Bellbird Premium Coking Coal, Southland Semi-Soft Coking Coal, Southland PCI Coal (Pulverised Coal Injection), Southland Sized Coal and to a lesser degree low-ash, high-energy thermal coal. Southland's coal is also in demand by other producers shipping coal from Newcastle in order to upgrade their export products.

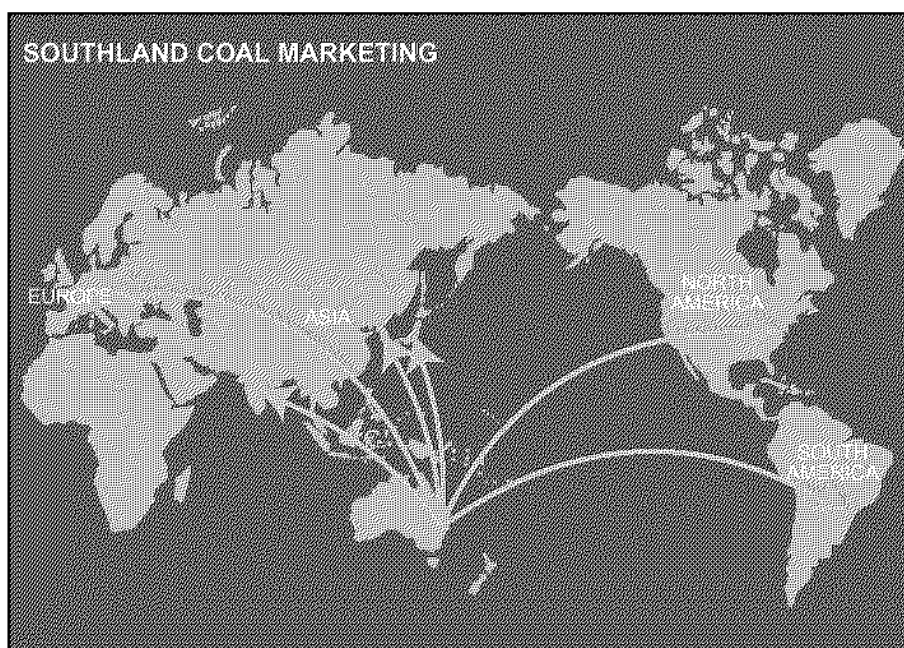
This diversified product mix provides the mine with a long-term strategic role as an exporter of high-quality coking coal.

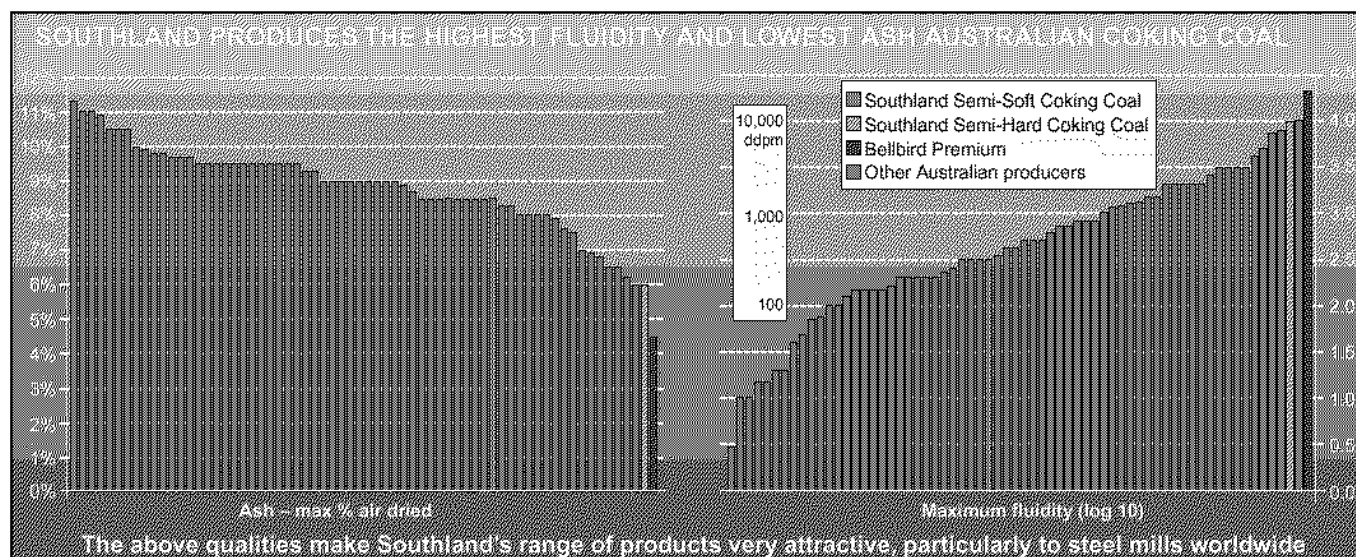
AS AN INDEPENDENT COAL COMPANY, SOUTHLAND COAL IS ABLE TO ADD VALUE TO ITS PRODUCTS BY ITS FLEXIBILITY AND ABILITY TO SERVICE A WIDE RANGE OF WORLDWIDE MARKETS...

As an independent coal company, Southland Coal is able to add value to its products by its flexibility and ability to service a wide range of worldwide markets, in particular North Asia, Europe, South America and the domestic market. Greta Seam coal retains its fluidity for an exceptionally long period, thereby facilitating penetration into Europe and South American market segments as an attractive coke-blend component.



Southland Coal's Bob Reynolds (General Manager – Marketing) and Kim Daven (Chief Financial Officer – Southland) with coal stockpiles in background.





A diversified customer base and product mix enables Southland to:

- Protect its average pricing by managing the product mix as demand changes; and
- Reduce the risk of over-exposure to a particular market segment or country.

Coal sales (including purchased coal) were 1.26 million tonnes for 2002–03 and sales are expected to increase to over 2 million tonnes for 2003–04.

The demand for coking coal has remained firm during 2002–03 due to the worldwide steel industry producing at full capacity, predominantly driven by China's booming economy. Strong coking coal demand combined with Southland's product mix and niche marketing strategy should continue to protect product pricing as sales increase substantially over the coming year.

OUTLOOK

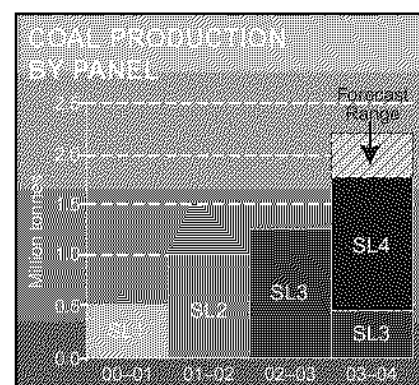
Southland is now well placed to reap the benefits of the investment made since the establishment of the colliery in 1998. Large stockpiles are now in place to cover the scheduled production hiatus when the longwall unit is moved from panel SL3 to panel SL4, which is expected to take approximately 6 weeks during September/October 2003. Longwall panel SL4 was fully developed by June 2003 and contains about 1.7 million tonnes of coal.

The improved operating regime and the imminent upgrade of the longwall unit should increase the production efficiency and its ability to cope with varying ground conditions.

Southland's planned 2003–04 financial year production is 1.8 to 2.2 million tonnes. The operation aims to achieve healthy profit margins as production increases as Southland has a high proportion of fixed costs.

Recoverable Coal Reserves of 41 million tonnes indicate that Southland Coal will be producing premium quality coal for the long term.

Longwall panel SL3 will be completed in September 2003 and then longwall panel SL4 will provide the remainder of the 1.8 to 2.2 million tonnes of production planned for 2003–04.



COAL RESOURCES (INCLUSIVE OF COAL RESERVES)

Category	Million Tonnes	
	30 June 2002	30 June 2003
Indicated	121.1	121.2
Measured	23.2	20.3
Total Resources	144.4	141.5

COAL RESERVES

Category	Million Tonnes	
	30 June 2002	30 June 2003
Probable	35.87	37.00
Proved	11.88	3.75
Recoverable Reserves	47.75	40.75

The Coal Resources estimate is for the full thickness of the Greta Seam while the Coal Reserves estimate is for a mining height of 3.1 metres to 3.5 metres.

CONTINUAL IMPROVEMENT

Gympie Gold is dedicated to continually improving all aspects of its businesses, focusing on the principal objective of generating superior returns for shareholders while maintaining a strong sense of social responsibility and accountability. The Company's performance indicators reflect an approach which fully integrates the economic and other aspects of prosperous long-term businesses.

PEOPLE

Our achievements to date and our prospects for further success are attributable to teams of excellent people. Performance is measured in ways which emphasise the accountability of teams.

GYMPIE GOLD IS DEDICATED TO CONTINUALLY IMPROVING ALL ASPECTS OF ITS BUSINESSES, FOCUSING ON THE PRINCIPAL OBJECTIVE OF GENERATING SUPERIOR RETURNS FOR SHAREHOLDERS WHILE MAINTAINING A STRONG SENSE OF SOCIAL RESPONSIBILITY AND ACCOUNTABILITY.

At Southland, the Company moved to a full "alliancing" arrangement with mining contractor Thiess in November 2002. This contract sets the framework for the longer-term optimisation of the mining operation at Southland. We also reached a new enterprise bargaining agreement with the site workforce during the year.

At Gympie Eldorado, completion of the Lewis Decline and the need to make the operation more cost-efficient has required the workforce to be reduced substantially. Unfortunately this included some long-serving staff and contractors. The result is a leaner and more-focused management and workforce at the operation.

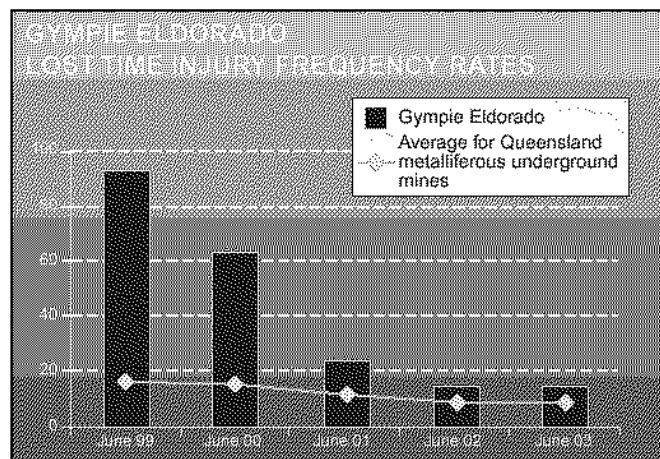
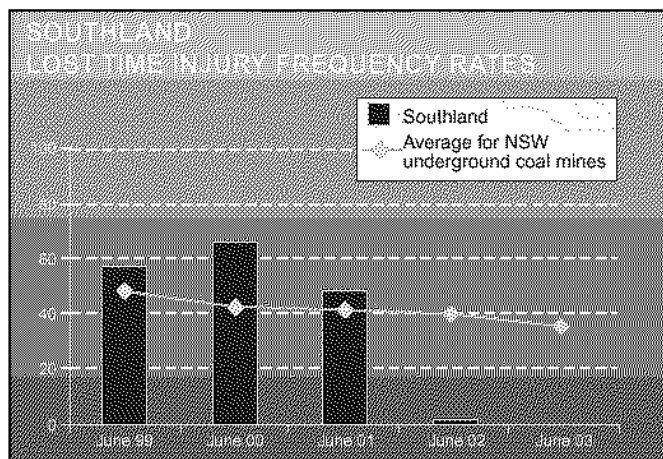
TRAINING

Gympie Gold ensures that employees and contractors have access to training that assists in developing skills in all aspects of the business including productivity, safety, health, social and environmental matters.

Site enterprise agreements reinforce our philosophy of continuous improvement in operational efficiency and safety largely through the flexibility of work practices.

Dean McKay (Training Officer) trains Dave Turnbull (Loader Operator) on the remote operation of a Toro loader. Gympie Eldorado operates two of these loaders in order to maximise ore recovery from stopes while ensuring the safety of the operator.





SAFETY

We are striving to eliminate all injuries and continually improve occupational health.

After several years of improvement, Gympie Eldorado's safety performance was steady with a lost time injury frequency rate (number of hours lost per million hours worked) of 15 for 2002–03, the same level as the previous year. An independent audit of core physical risks has led to a prioritised action-list.

Southland has achieved zero lost-time injuries over the 2002–03 financial year. This is a magnificent achievement and a great tribute to the high level of risk awareness of the workforce and management of the mine.

Further programmes of improvements in the risk profile of the mine are being conducted this year. These include behaviour-based safety initiatives.

SOUTHLAND HAS ACHIEVED ZERO LOST-TIME INJURIES OVER THE 2002–2003 FINANCIAL YEAR.

ENVIRONMENT

Gympie Gold constantly monitors the environmental impacts of its operations and is committed to continual improvement of its environmental performance. All areas not required for ongoing operations are progressively rehabilitated.

Over the past few years Gympie Gold and its subsidiaries have received public recognition for environmental excellence. At Gympie, the Company is especially proud of its rehabilitation of exploration sites and having the lowest cyanide levels in tailings waters of any gold mine in Australia.

Southland Coal has removed over 300,000 tonnes of old coal refuse and revegetated more than 50 hectares of land associated with coal production by previous operators over some decades. Southland is planning to use water pumped from the underground mine for the coal preparation process. This recycling of mine water along with the harvesting of rainfall would provide all industrial water required for the operation.

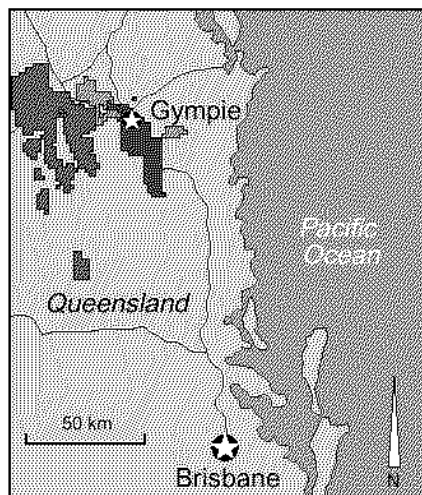
COMMUNITY

Our mining operations are an integral part of the communities of Gympie, Queensland and Cessnock, New South Wales. We are one of the largest single employers and contributors to the economies of these districts.

Both Gympie Eldorado and Southland Coal have overcome major challenges in successfully re-starting gold and coal production from these historic mining districts. We work hard to openly communicate and to maintain our reputation as good corporate citizens in these communities, which draw heavily on mining for economic activity and social context.



The safety of employees is paramount and safety programmes are regularly reinforced in different ways.



Senior Geologist Pat Stidolph in front of the mineralised white quartz forming Inglewood ore.

Gympie Eldorado is located at Gympie, 180 kilometres north of Brisbane, Queensland and is 100% owned by Gympie Gold.

The objective at Gympie is to discover and develop large, high-profit gold orebodies. Exploration of the Gympie Goldfield advanced significantly during 2002–03 as the major Goldfield “ore feeder”, the Inglewood Structure, was discovered along strike to the north and south of the current mine area. Gympie Eldorado’s actual cost of discovery to date is only \$18 per ounce of resource.

Mining operations provide invaluable working knowledge of the mineralisation systems and is an integral part of exploring the multi-million ounce potential of the high-grade Gympie Goldfield. Gold production is currently about 50,000 ounces per year.

The Lewis Decline (tunnel access) was connected to the deeper workings of the Monkland Mine ahead of schedule in December 2002. The decline allows a large area of the Gympie Goldfield to be drilled more cost-effectively from multiple locations underground and tunnel access can readily be extended in various directions around the Goldfield. The operation can now be scaled up relatively quickly as and when additional orebodies are delineated as the haulage capacity of the decline is much greater than that of the existing shafts.



GYMPIE ELDORADO EXPLORATION

The Gympie Goldfield is considered to be very prospective for the discovery of orebodies containing more than one million ounces of gold because:

- Historical production has yielded more than **four million ounces of gold**;
- Modern exploration indicates strong potential for substantial discoveries;
- Geological controls on mineralisation are now much better understood;
- The known boundaries of the Goldfield have already been extended even though it is very sparsely drill-tested away from the current mine area; and
- First-pass drilling away from the current mine has intersected the major ore feeder, the Inglewood Structure, with 4.3 kilometres of strike-length having drill-intercepted gold mineralisation. Interpretation of geophysical data strongly indicates that this major ore-bearing structure, open at depth, continues further in both directions.

Tenements covering a ten-kilometre by four-kilometre area surrounding the Goldfield are 100%-owned by Gympie Gold. Inside the front cover of this report are diagrams illustrating the largely untested prospectivity of this major goldfield. Our tenements have been expanded to the south in order to cover recently recognised potential.

Substantial prospects identified in the Gympie Goldfield range from conceptual targets to actual discoveries which, in total, may host over six million ounces of gold. Most individual prospects are in low confidence categories ("high risk") due to limited drilling but small zones of North Inglewood and Partridge are more advanced and have already been proven up to ore reserves status. Overall, the likelihood of a major discovery is considered to be high and we are reasonably confident of discovering at least two million ounces.

The primary exploration aim is to discover a major new gold ore system analogous to the Inglewood–Stockwork–Gympie Vein orebodies in the current mine area which has yielded 2 million ounces historically.

A total of \$5.7 million was spent on exploration in 2002–03, of which approximately two-thirds was spent on grassroots exploration. Limited funds have constrained exploration expenditure since early 2003, curtailing the ambitious three-year \$25 million exploration program announced in August 2002. Drilling has since been restarted and is likely to increase when exploration results warrant it and as funds become available.

SUBSTANTIAL PROSPECTS IDENTIFIED IN THE GYMPIE GOLDFIELD RANGE FROM CONCEPTUAL TARGETS TO ACTUAL DISCOVERIES WHICH, IN TOTAL, MAY HOST OVER SIX MILLION OUNCES OF GOLD.

Hali Snowball (Field Services Supervisor) and Soel Snowball (Senior Field Assistant) taking soil samples with a mechanical auger. The results identify areas enriched in gold and assist drilling of prospective areas beneath surface cover.

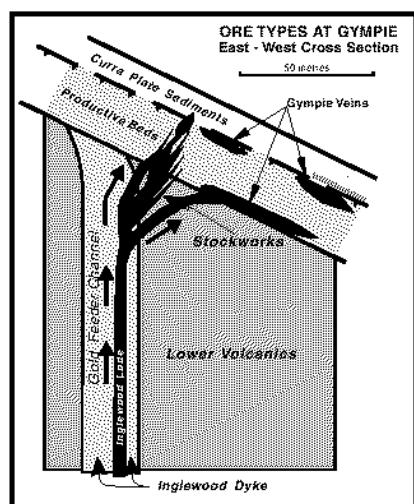




Diamond drilling at North Inglewood supervised by Steve Groves (Project Geologist) and Jason Beckton (Senior Exploration Geologist).

Gympie Veins, the Inglewood Lode and Stockworks are the three types of ore-bodies mined to date in the Gympie Goldfield. The sustained modern exploration effort at Gympie has provided strong understanding of the rock types and controls on mineralisation summarised as follows:

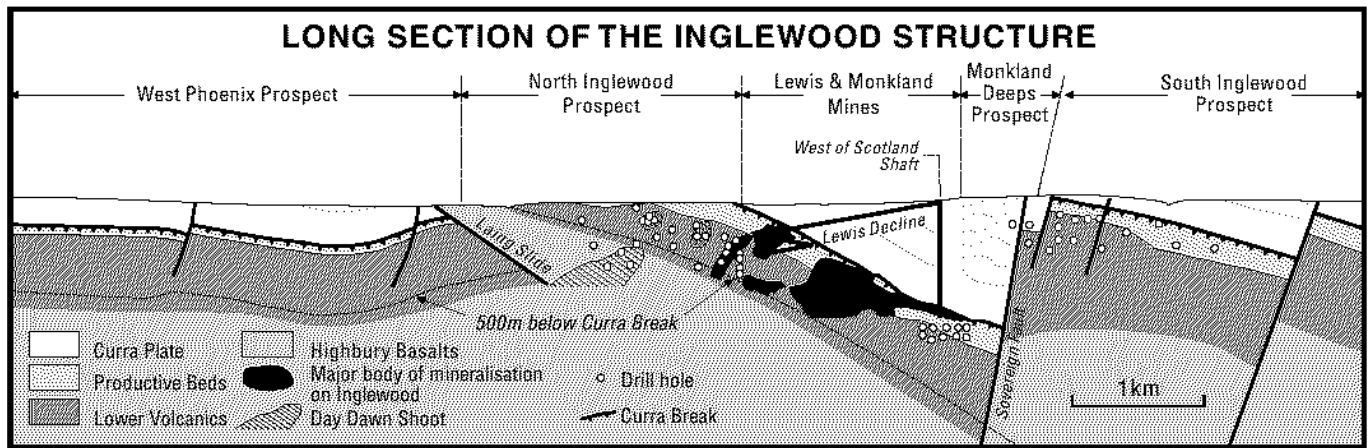
1. **Curra Plate Sediments** contain un-mineralised shales and limestone that were thrust over the Productive Beds by the Curra Break fault, thus concealing part of the Goldfield and large areas with exploration potential.
2. **Productive Beds** comprise carbon-bearing sediments and volcanics which help Gympie Veins to form and become highly enriched in gold. Gympie Veins were mined by the old-timers and are relied on for high-grade ore and rare occurrences of Gympie Gold® Gemstone.
3. **Lower Volcanics** contain many quartz veins which are often low grade, probably due to the lack of carbon.
4. **Highbury Basalts** underlie the Lower Volcanics and the entire Goldfield but were only recently recognised as prospective when deep drillholes intersected quartz veins with economic gold grades similar to Inglewood ore shoots.
5. The **Inglewood Structure** transects the Goldfield and hosts the major Inglewood Lode. Steep north-plunging zones of richer ore called "ore shoots" typically occur within the Inglewood Lode at a 250 to 300 metre spacing. These shoots typically contain 50,000 to 150,000 ounces of gold at grades of better than 8g/t gold and at widths from 1 to 5 metres.
6. **Stockwork** orebodies are zones of multiple close-spaced, north-south striking gold-rich quartz veins ("Gympie Veins"). Stockworks can form massive orebodies up to 80 metres wide and Stockwork zones typically contain from 30,000 to 300,000 ounces of gold at grades from 5g/t to 15g/t.



Narrow feeder channels, such as the Inglewood Lode, were the source of nearly all of the ore processed until stockwork ore provided the majority of mill feed during 2002–03. Higher-grade ore from Gympie Veins provides Gemstone and a sweetener to gold production.

The areas considered to have highest potential for significant discoveries in the short term include:

- Continuations of the Inglewood Lode at depth, and along strike to the north and south, including associated large-tonnage Stockwork orebodies and high-grade Gympie Veins.
- Drill-intercepted mineralised systems parallel to and analogous to the Inglewood–Stockwork–Gympie Vein ore system in the Southern Gympie Goldfield, such as the Partridge Graben prospect where an initial resource of 79,000 ounces has already been delineated.
- Elsewhere in the known gold-bearing productive beds of the Gympie Goldfield.



RESOURCES AND RESERVES

At 30 June 2003, Mineral Resources totalled 686,000 ounces and Ore Reserves totalled 161,000 ounces. Key changes over the past year include:

- The processing of approximately 60,000 ounces from Reserves which represents about 95,000 ounces from Resources;
- Poor near-mine exploration results around the Lewis Decline. The old-timers had exploited more than we anticipated in this remnant mining zone; and
- The large extensions discovered to the Inglewood Structure north, south and at depth, which for the most part do not yet constitute resources.

MINERAL RESOURCES (INCLUSIVE OF ORE RESERVES)

Category	Tonnes	Grade g/t	Contained Gold Ounces	
			30 June 2003	30 June 2002
Inferred	1,515,000	6.5	315,000	473,000
Indicated	1,427,000	7.1	324,000	151,000
Measured	170,000	8.5	47,000	159,000
Total	3,112,000	6.9	686,000	783,000

ORE RESERVES

Category	Tonnes	Grade g/t	Contained Gold Ounces	
			30 June 2003	30 June 2002
Probable	564,000	7.30	133,000	84,000
Proved	103,000	8.62	28,000	114,000
Total	667,000	7.51	161,000	198,000

Jim Dugdale (Mine Geology Manager) researching historical mining records in the company's library.



GYMPIE ELDORADO OPERATIONS DEVELOPMENT

Mine development totalled 7,432 metres for 2002–03 and is expected to decrease to approximately 5,000 metres for 2003–04, reflecting the completion of connecting the Lewis Decline to the deeper workings of the Monkland Mine.

The Lewis Decline accessed some ore that was mined in 2002–03 but, apart from that, near-mine exploration off the decline has been relatively unsuccessful because it was focused on remnant zones in areas extensively mined historically. The Lewis Decline's principal role is to continue to:

- Assist exploration for new orebodies by allowing a large area of the Gympie Goldfield to be drilled more cost-effectively from underground;
- Provide the starting point to readily extend tunnel access in additional directions as new ore zones are discovered;
- Provide the infrastructure to scale-up gold production relatively quickly when additional orebodies are delineated as the haulage capacity of the decline is much greater than that of the existing shafts;
- Accelerate the conversion of the gold resource base into ore reserves and production; and
- Enable improvements, such as in ventilation and haulage, to current mining operations by supplementing shaft access to the Monkland Mine.

A focus of development at the Monkland Mine during the year was development on the Inglewood Lode in the Museum Shoot.

RECORD GOLD PRODUCTION OF 55,368 OUNCES WAS ACHIEVED FOR 2002–03 AT A CASH OPERATING COST OF \$350 PER OUNCE. THIS 7% INCREASE IN GOLD PRODUCTION OVER THE PREVIOUS YEAR WAS DUE TO STRONG INCREASES IN ORE MINED AND MILL THROUGHPUT, PARTIALLY OFFSET BY LOWER MILL RECOVERY AND HEAD GRADE.

PRODUCTION

The primary ore source for 2002–03 was Stockwork Block 6A, which was the first Stockwork orebody discovered and developed at Gympie and marked the arrival of modern bulk-mining to the project. The first stope block had an average width of more than 30 metres, compared with average stoping width of under 3 metres for the 250,000 ounces mined since modern operations commenced in 1995.

Internal grade variability within the Stockwork orebody led to grade mined to date being about 2.8g/t less than the 11.5g/t initially forecast. Reserve modelling techniques have been calibrated accordingly.

GOLD PRODUCTION AND COST STATISTICS

		2001–02	2002–03	% Change
Mine development	metres	9,965	7,432	–25%
Ore mined	tonnes	209,088	233,295	+12%
Mill throughput	tonnes	194,490	251,691	+29%
Head grade	g/t	8.54	7.61	–11%
Mill recovery	%	94.5%	88.7%	–6%
Gold produced	ounces	50,346	54,594	+8%
Gold in gemstone	ounces	1,356	774	–43%
Total gold production	ounces	51,702	55,368	+7%
Cash operating cost	\$A/ounce	317	350	+10%
Total cash cost	\$A/ounce	331	365	+10%
Total production cost	\$A/ounce	429	521	+21%

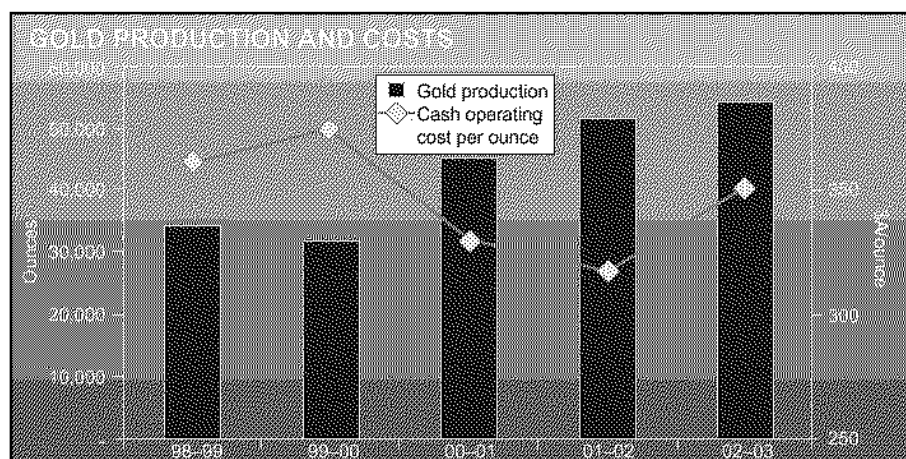
Record gold production of 55,368 ounces was achieved for 2002–03 at a cash operating cost of \$350 per ounce. This 7% increase in gold production over the

previous year was due to increases in ore mined and mill throughput, partially offset by lower mill recovery and head grade.

Increased mill throughput reflects the recent modifications to the grinding, gravity and leach circuits. Throughput for 2002–03 was double the level achieved in 2000–01. There is scope to further increase throughput as mill capacity is now approximately 300,000 tonnes per annum.

Gold recovery dropped to 88.7% as Stockwork ore provided 71% of mill feed, compared with the primary ore source for the previous year being relatively high-recovery (94.5%) Ingleswood ore.

Head grade decreased to 7.61g/t gold from 8.54g/t gold the previous year.



OUTLOOK

Exploration will continue to be the driving focus of activities at Gympie. Prospecting activities will include near-surface exploration of already-identified prospective large structures away from the mine, follow-up drilling of structures adjacent to the mine and exploratory development of drill-intercepted structures in the mine.

Ingleswood ore and Stockwork ore are each planned to provide about half of mill feed for 2003–04.

Mining operations provide a platform for exploring the Gympie Goldfield. Gold production for the 2003–04 financial year is expected to continue at about 50,000 ounces. In subsequent years gold production will be managed up or down to optimise exploration.

EXPLORATION WILL CONTINUE TO BE THE DRIVING FOCUS OF ACTIVITIES AT GYMPIE.

Matt Houston (Contract Geologist) taking core orientation measurements.





Jewellery from the "Gympie Gold® Jewellery Collection" – made exclusively from gemstone, gold and silver mined from the Gympie Eldorado mine.

GYMPIE GOLD® GEMSTONE



The Gympie Goldfield is famous for the occasional extraordinarily rich vein of native gold in pure white quartz. Rare zones of these rich veins were mined in the late nineteenth century and labelled "jewellers' shops". Since 1997, Gympie Gold has discovered several of these "jewellers' shops". Instead of simply processing this rare gold-in-quartz along with the other ore from the Gympie Eldorado mine, value has been added by separately marketing this gold-in-quartz.



In 2000, Gympie Gold Limited established a processing and marketing alliance with Kabana, one of North America's leading inlay and high-end jewellery specialists. Pure quartz blocks with naturally occurring veins of gold are extracted from the mine, prepared using our proprietary technology, cut into thin slabs and then sold as gemstone to jewellery manufacturers.

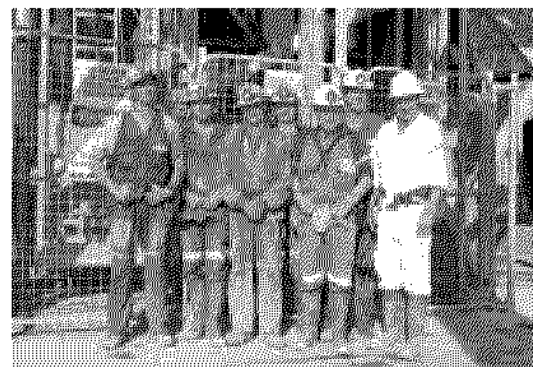
TO OUR KNOWLEDGE, GYMPIE GOLD LIMITED IS THE ONLY MINING COMPANY IN THE WORLD THAT MARKETS AND SELLS JEWELLERY MANUFACTURED FROM METAL AND GEMSTONE FROM ITS MINING OPERATIONS.

Gympie Gold® Gemstone is now sold worldwide and demand has grown steadily. Growth of this business is currently constrained by the supply of "jewellers' shops" material and prices have been increased accordingly. Gympie Gold® Gemstone is marketed in the same channels as higher-quality Australian opals.

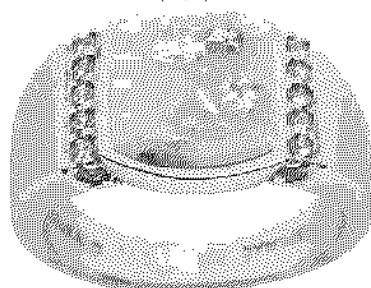
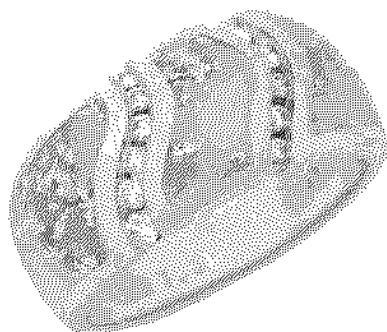
In order to capture more value from this rare product, the "Gympie Gold® Jewellery Collection" was launched during 2002-03. This exclusive line of jewellery is manufactured from gold and silver supplied only from our Gympie Eldorado mine in Queensland with Gympie Gold® Gemstone inlaid to create unique designs. Innovative designs and state of art craftsmanship have provided an exclusive range of jewellery for both men and women, contrasting the natural beauty of white quartz and the glimmer of gold, with some designs enhanced by diamonds. This range is marketed exclusively by Gympie Gold and is easily recognised by the "Gympie" hallmark.

To our knowledge, Gympie Gold Limited is the only mining company in the world that markets and sells jewellery manufactured from metal and gemstone from its mining operations.

The Gympie Eldorado mining team remains focused on finding more of this rare stone and the Company is confident that this business will continue to grow.



Gemstone team, from left, Stope Miners Steve Mincher, Adam Jones, Steve Jenno, Charlie Cumner with Glenn Hampton (Shift Boss), John Ingram (Mine Geologist), Gary Hall (General Manager, Gemstone).



D'Aguilar Gold Limited, 25%-owned by Gympie Gold, is a new exploration company focused on the discovery of large, bulk-mineable gold-copper deposits in southeast Queensland.

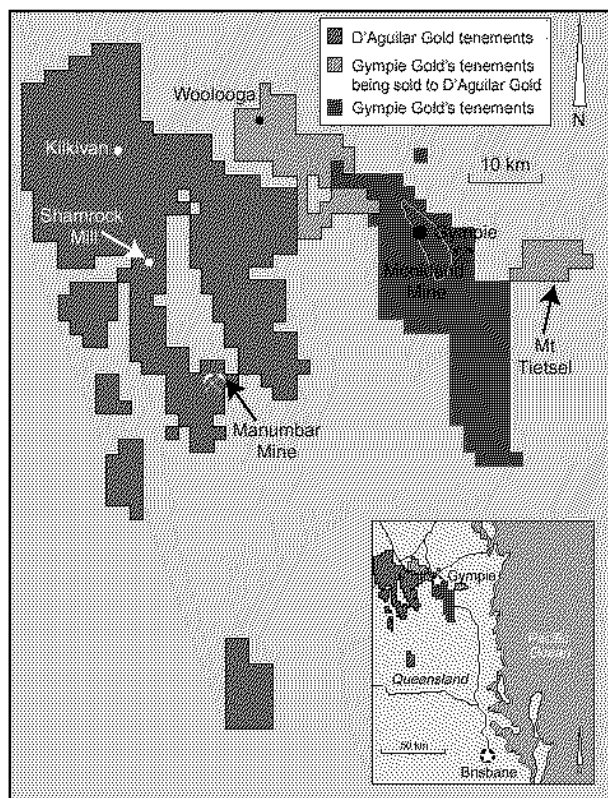
D'AGUILAR HOLDS 2,000 SQUARE KILOMETRES OF PROSPECTIVE GROUND CENTRED ON KILKIVAN, SOME 50 KILOMETRES WEST OF GYMPIE.

Since 1 July 2003, D'Aguilar Gold has completed a \$4 million initial public offering of shares and listed on the Australian Stock Exchange.

D'Aguilar holds 2,000 square kilometres of prospective ground centred on Kilkivan, some 50 kilometres west of Gympie. Gympie Gold has invested seed capital in D'Aguilar and, subject to regulatory consents, has agreed to transfer 220 square kilometres of tenements to D'Aguilar. These tenements contain three porphyry-style, bulk tonnage, gold-copper prospects in the Gympie district and complement the prospects already owned by D'Aguilar.

Gympie Gold will be D'Aguilar's largest shareholder with approximately 25% of the company and has appointed two Directors to its Board. This enables

Gympie Gold to focus on exploration of the high-grade Gympie Goldfield system while providing our shareholders with exposure to D'Aguilar Gold's large portfolio of porphyry-style targets in the region – an expansion of the Company's gold exploration potential.



D'Aguilar Gold's large tenement position in the Gympie region complements Gympie Gold's 100%-owned tenements centred on the Gympie Goldfield.



From right, Nicholas Mather (Managing Director – D'Aguilar Gold), Pia Waistell (Office Manager – D'Aguilar Gold) and Ian Levy (Director, D'Aguilar Gold and General Manager, Corporate Development – Gympie Gold).

SHAREHOLDER INFORMATION

ISSUED CAPITAL

At 30 June 2003, Gympie Gold Limited had on issue 206.4 million ordinary shares, 12.0 million unlisted options at various exercise prices and 40.0 million convertible notes.

Interest on the convertible notes is paid at the end of each calendar quarter at a rate of 8.5% per annum on the A\$1.00 face value. Noteholders may elect to convert their notes into Gympie Gold shares at the Conversion Rate of 1 note to 0.7567 of a Gympie Gold share. If the noteholder elects not to convert the notes into Gympie Gold shares, then the Company will simply redeem the notes at par value (\$1.00) at the end of their five-year life in September 2007.

STOCK EXCHANGE LISTINGS

Gympie Gold Limited's shares and convertible notes trade on the Australian Stock Exchange (ASX) and the Alternative Investment Market (AIM) of the London Stock Exchange with the following codes:

Exchange	Shares	Notes
ASX	GYM	GYMG
AIM	GGD	GGDA

CONTINUOUS DISCLOSURE

Gympie Gold is committed to ensuring that shareholders and the financial markets are provided with full and timely information about its activities. In recognition of the quality of this disclosure, Gympie Gold received in July 2003 the Australian Mines Handbook Award for the best quarterly report.

During the 2002–03 financial year, Gympie Gold Limited lodged more than 30 announcements with the Australian Stock Exchange and London Alternative Investment Market (AIM).

All major reports, announcements and presentations are posted on the Company's website (www.gympiegold.com.au) soon after release to the Australian Stock Exchange and AIM.

If you would like to be notified by email of new information being posted on the website, simply send an email to info@gympiegold.com.au with "subscribe email alerts" and your name typed in the body of the email.

SHAREHOLDER INFORMATION

continued

In this report the words Gympie Gold, "the Company" or "the Group" are used to refer to Gympie Gold Limited and/or its related parties. Gympie Eldorado or Gympie Eldorado Gold Mines refer to Gympie Eldorado Gold Mines Pty Limited. Southland or Southland Coal refer to Southland Coal Pty Limited.

Gympie Gold's financial year ends on 30 June. Reference in the report to a year is to the year ended 30 June 2003. All currency is expressed in Australian dollars unless otherwise indicated. All weights expressed in ounces are troy ounces.

Some of the statements contained in this report are not historical facts but may be forward-looking statements such as forecasts, estimates and statements describing the Company's future plans, objectives or goals. Actual results could differ materially from those expected. This report should not be relied upon as the sole basis for any investment in Gympie Gold. Independent financial advice should be sought before making any investment in Gympie Gold.

The information on mineralisation contained in this report has been prepared in accordance with the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves (JORC Code 1999) and accurately reflects information compiled or audited by:

- Jim Dugdale, Bruce McQuitty, Michael Parry, John Ingram, Jason Beckton, Ian Levy, and Rob Scargill for gold, and
- Rob Dyson and David Meldrum for coal

who are competent persons (as defined by the JORC Code) with more than five years of relevant experience in relation to such mineralisation and who are corporate members of the Australasian Institute of Mining and Metallurgy.

DIRECTORS

Michael Darling	Chairman
Harry Adams	Managing Director
Peter Cadwallader	Director
Chris Rawlings	Director
Roy Woodall AO	Director
Anne Adaley	Company Secretary

FURTHER INFORMATION ON GYMPIE GOLD

Visit www.gympiegold.com.au or contact:

Mail: Level 9, Gold Fields House
1 Alfred Street Sydney NSW 2000

Tel: +61 2 9251 2777

Fax: +61 2 9251 2666

Email: info@gympiegold.com.au

SHAREHOLDER ENQUIRIES

Computershare Investor Services Pty Ltd manages both the share register and the convertible note register for Gympie Gold.

Queries regarding number of shares held, change of address and other matters regarding your shareholding should be directed to Computershare. You can access required forms and information regarding your shareholding on their website at www.computershare.com, or alternatively contact Computershare at:

AUSTRALIA

Tel: 1 300 557 010 (within Australia)
+61 3 9615 5970 (outside Australia)

Mail: Level 2, 45 St Georges Terrace
Perth WA 6000

UNITED KINGDOM

Tel: 0870-7020 003 (within UK)

Mail: PO Box 82, The Pavilions, Bridgewater Road
Bristol BS99 7NH

ANNUAL GENERAL MEETING

The Company's 2003 Annual General Meeting will be held in the Macquarie Graduate School of Management, Level 6, 51-57 Pitt Street, Sydney on Tuesday 25 November 2003 at 10.30am.

The business of the meeting is detailed in the Notice of Meeting mailed to shareholders with this Annual Report.



GYMPIE GOLD

Financial and Resource Report

30 June 2003



COUNTRY OF INCORPORATION: Australia
ABN 88 000 759 535

DIRECTORS

Michael Darling	Chairman
Harry Adams	Managing Director
Peter Cadwallader	Director
Chris Rawlings	Director
Roy Woodall AO	Director
Anne Adaley	Company Secretary

REGISTERED OFFICE

Level 9 Gold Fields House
1 Alfred Street
Sydney NSW 2000
Tel: +61 2 9251 2777
Fax: +61 2 9251 2666

STOCK EXCHANGE LISTINGS

Gympie Gold Limited's shares and convertible notes trade on the Australian Stock Exchange (ASX) and the Alternative Investment Market (AIM) of the London Stock Exchange with the following codes:

Exchange	Shares	Notes
ASX	GYM	GYMG
AIM	GGD	GGDA

AUDITOR

PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000

WEBSITE

Announcements and other reports are available on www.gympiegold.com.au soon after release. To be notified by email of future announcements, simply send an email to info@gympiegold.com.au with "subscribe email alerts" and your name.

FURTHER INFORMATION ON GYMPIE GOLD

Visit www.gympiegold.com.au or contact:

Mail: Level 9, Gold Fields House
1 Alfred Street
Sydney NSW 2000
Email: info@gympiegold.com.au

SHAREHOLDER ENQUIRIES

Computershare Investor Services Pty Ltd manages both the share register and convertible note register for Gympie Gold.

Queries regarding number of shares held, change of address and other matters regarding your shareholding should be directed to Computershare. You can access required forms and information regarding your shareholding on their website at www.computershare.com, or alternatively contact Computershare at:

AUSTRALIA

Tel: 1 300 557 010 (within Australia)
+61 3 9615 5970 (outside Australia)
Mail: Level 2, 45 St George's Terrace
Perth WA 6000

UNITED KINGDOM

Tel: 0870-7020003 (within UK)
Mail: PO Box 82, The Pavilions, Bridgewater Road
Bristol BS99 7NH

CONTENTS

DIRECTORS' REPORT	4
CORPORATE GOVERNANCE STATEMENT	12
FINANCIAL STATEMENTS	14
DIRECTORS' DECLARATION	51
INDEPENDENT AUDIT REPORT	52
SOUTHLAND RESOURCES AND RESERVES	54
GYMPIE ELDORADO RESOURCES AND RESERVES	56
SHAREHOLDER INFORMATION	57

DIRECTORS' REPORT

as at 28 August 2003

Your directors submit their report for the year ended 30 June 2003.

DIRECTORS

The following persons were directors of Gympie Gold Limited during the financial year and up to the date of this report:

Michael Darling (Chairman)

Bachelor of Arts in Law (Oxon)

Master of Business Administration (Harvard)

Mr Darling has been Chairman of Gympie Gold since 1990. He is also Chairman of portfolio investment company Caledonia Investments Limited.

Harry Adams (Managing Director)

Bachelor of Commerce Finance and Systems (UNSW)

Master of Business Administration (AGSM)

Mr Adams has been Managing Director of the Gympie Gold group since September 1995 and a Director since July 1990. He is Executive Chairman of the Company's subsidiaries Gympie Eldorado Gold Mines Pty Limited and Southland Coal Pty Limited. Mr Adams has previously served as chief executive, development manager, investment manager and non-executive director in several growth companies. Mr Adams is also Deputy Chairman of the Australian Gold Council.

Peter Cadwallader

Bachelor of Economics

Fellow of the Institute of Chartered Accountants

Mr Cadwallader, a director since 1971, has extensive experience in the finance, accounting and investment fields. He is Chairman of the Group's Audit Committee, and is a director of a number of other companies.

Roy Woodall AO

Bachelor of Science (Hons) (University of Western Australia)

Master of Science (University of California, Berkeley)

Mr Woodall was appointed a Director of Gympie Gold Limited on 6 March 2000. Mr Woodall is experienced in both mining geology and mineral exploration, including 33 years in exploration management positions. Mr Woodall has been a Director of WMC Resources Limited and is a director of Rothschild Australian Golden Arrow Investors Limited and Global Resources Fund, Strike Oil NL, and Bendigo Mining NL.

Dr Christopher Rawlings

Bachelor of Science (PhD) (University of Newcastle)

Fellow of AusIMM

Fellow of the Australian Institute of Company Directors

Dr Rawlings was appointed a Director of Gympie Gold Limited on 13 June 2001 and he is Chairman of the Group's Physical Risk Committee. Dr Rawlings has over 22 years experience in the Australian coal mining industry, including 6 years as Managing Director of South Blackwater Coal Limited and 6 years as Managing Director and Chief Executive Officer of QCT Resources Limited. Dr Rawlings is also a Director of Uniquist Pty Limited, JK Tech Pty Limited, Chairman of Renison Consolidated Mines NL and D'Agullar Gold Limited and Acting Chief Executive Officer of Australian Magnesium Corporation.

John Leach (Resigned 26 June 2003)

Bachelor of Arts in Economics

Master of Business Administration

Member of the Institute of Chartered Accountants

Fellow of the Australian Institute of Company Directors

Mr Leach joined Gympie Gold Limited in October 1995 and was appointed a Director on 15 September 1998. He has over 20 years experience in senior financial and executive director positions with several listed Australian mining companies. Mr Leach was Finance Director of Gympie Gold Limited and executive director of the Company's subsidiaries Gympie Eldorado Gold Mines Pty Limited and Southland Coal Pty Limited from 1 July 2002 to 26 June 2003.

DIRECTORS' REPORT

as at 28 August 2003

INTEREST IN THE SHARES OF THE COMPANY AND RELATED BODIES CORPORATE

At the date of this report the interests of directors in the shares of the Company and related bodies corporate were:

Gympie Gold Limited		
Director	Ordinary shares	Options over ordinary shares
M G Darling	51,356,581	—
H Adams	3,326,230	4,000,000
P C Cadwallader	492,635	—
R Woodall	283,115	250,000
C Rawlings	—	—

MEETINGS OF DIRECTORS

The following table indicates the number of meetings of the Company's directors held during the year ended 30 June 2003, and the number of meetings attended by each director:

Number of Meetings Held	14
M G Darling	12
H Adams **	13
P C Cadwallader *	14
J E Leach *	14
R Woodall	13
C Rawlings **	14

* Member of the Audit Committee. The Audit Committee of the Board of Directors met on five occasions during the year with all members attending each meeting.

** Member of the Physical Risk Committee. The Physical Risk Committee of the Board met on five occasions during the year with all members attending each meeting.

The Remuneration Committee consists of Chairman of the Board Michael Darling, Chairman of the Audit Committee Peter Cadwallader and the Managing Director Harry Adams. The committee met on three occasions during the year with all members attending the meetings.

PRINCIPAL ACTIVITIES

The principal activities within the consolidated entity in the course of the financial year were exploration for, mining and marketing of, gold and coal reserves.

RESULTS AND DIVIDENDS – GYMPIE GOLD LIMITED

The consolidated loss after tax for the financial year was \$22,858,000 (2002: loss of \$2,490,000). This is after a tax benefit of \$1,919,000 (2002: tax benefit \$813,000).

No dividends were declared or paid during the financial year and the directors recommend that no dividend be paid in respect of the financial year ending 30 June 2003 (2002: nil).

DIRECTORS' REPORT

as at 28 August 2003

REVIEW OF OPERATIONS AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Key points regarding the Group's 2002–03 financial performance are:

- Gold revenue increased 6% as an additional 4,248 ounces were sold;
- Coal revenue increased 17% due to a better \$A/\$US exchange being achieved in 2002–03. Coal revenue was much less than planned due to production difficulties suppressing mine production by 300,000 tonnes to 1.2 million tonnes and shipping constraints delaying 100,000 tonnes of sales into the 2003–04 financial year;
- Total operating costs increased in line with higher production and due to additional ground support costs being incurred at Southland;
- Depreciation and amortisation charges increased, reflecting increased production and the level of capital spent on the operations in recent years;
- Increased borrowing costs reflect interest paid on the Convertible Notes for the first full year and a higher level of Group borrowings; and
- Group loss after tax of \$22,858,000 was most disappointing and represents what can only be described as an unsatisfactory result.

The Group is poised for improved profitability from 2003–04 because:

- Revenues are forecast to increase by at least 50%, due mainly to higher coal production but also due to continued marketing activities that add value to both coal and gold products;
- The new operating regime at Southland should ensure production is increased substantially while costs do not increase proportionately; and
- Gympie Eldorado's recent mechanisation and restructuring is achieving operating cost efficiencies;

Total assets increased by \$23,201,000 (11%) during the year, mainly due to:

- \$15,354,000 increase in trade debtors and inventories, due to above-budget coal production during the June 2003 quarter and timing of coal shipments;
- \$15,727,000 increase in the carrying value of gold exploration and development, reflecting the significant drilling of the Gympie Goldfield and development of the exploration decline undertaken during the year;
- \$8,376,000 increase in the carrying value of property, plant and equipment, primarily relating to the purchase of a new shearer and replacement longwall components for the Southland Colliery; and
- Partially offset by a \$17,744,000 decrease in cash.

Total liabilities increased by \$29,937,000 (30%) during the year. This was mainly due to a \$20,144,000 increase in borrowings, reflecting the draw down of a corporate loan facility.

Borrowings at 30 June 2003 totalled \$94,699,000, comprising \$36,086,000 of secured medium-term loans, \$7,346,000 of equipment leasing, \$11,267,000 of non-recourse stock/debtors revolving finance and \$40,000,000 of unsecured convertible notes redeemable in 2007.

Shareholders' equity decreased by \$6,736,000 (7%) during the year, which reflects the net loss of \$22,858,000, partially offset by a \$16,223,000 increase in contributed equity, primarily from the placements and Share Purchase Plan completed during the June 2003 quarter.

DIRECTORS' REPORT

as at 28 August 2003

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

D'Aguilar Gold Limited was listed for trading on the Australian Stock Exchange on 21 August 2003. Three exploration areas were sold to D'Aguilar for \$1,500,000 paid in D'Aguilar shares at the listing price of \$0.20 each for 7,500,000 ordinary shares, which maintains Gympie Gold's ownership of D'Aguilar at approximately 25%.

No other matters or circumstances have arisen since 30 June 2003 that have significantly affected or may significantly affect:

- a) the consolidated Company's operations in future financial years; or
- b) the results of those operations in future financial years; or
- c) the consolidated Company's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The review of operations foreshadows possible developments in the operations of the consolidated entity but the directors are not in a position to refer more expansively to the expected results of those developments. The directors are of the opinion that any further information as to likely developments in the operations of the consolidated entity are likely to prejudice the interests of the Company and the consolidated entity, and accordingly have not included any additional information.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company and its controlled entities hold environmental permits as part of mining tenements issued by the Queensland Department of Natural Resources and Mines (for Gympie Eldorado Gold Mines Pty Limited) and the New South Wales Department of Mineral Resources (for Southland Colliery and the closed Fifield Magnesite Mine). All operations are subject to general obligations under the Clean Waters Acts, local council ordinances, Environmental Protection Authorities, Departments of Land and Water Conservation and common law.

The environmental permits set standards for process water discharges, tailings dams management and engineering requirements, rehabilitation obligations and environmental practice relating to the operations. There have been no known breaches of the environmental permits and obligations.

The Company is proud to have been acknowledged several times by government authorities, community and industry bodies as having achieved high standards for environmental performance at its operations in Gympie, Queensland and at Southland Colliery in the Hunter Valley of New South Wales. At Gympie, the Company is especially proud of its rehabilitation of exploration sites and having the lowest cyanide levels in tailings discharge waters of any gold mine in Australia.

Gympie Gold constantly monitors the environmental impacts of its operation and is committed to continual improvement of its environmental performance. All areas not required for ongoing operation are progressively rehabilitated.

Southland Coal has removed over 300,000 tonnes of old coal refuse and revegetated more than 50 hectares of land associated with coal production by previous operators over some decades.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all directors and officers of the Company, on a full indemnity basis and to the full extent permitted by law, for all losses or liabilities incurred by that person as an officer of the Company or of a related body corporate including, but not limited to, a liability for negligence or for reasonable costs and expenses incurred:

- a) in defending proceedings, whether civil or criminal, in which judgment is given in favour of the person or in which the person is acquitted; or
- b) in connection with an application, in relation to such proceedings, in which the Court grants relief to the person under the law.

The insurance policy does not contain details of the premiums paid in respect of individual directors and officers of the Company. The total amount of the insurance contract premium paid was \$66,550. This amount is excluded from Directors' Remuneration as disclosed in Note 35.

DIRECTORS' REPORT

as at 28 August 2003

SHARE TRADING BY DIRECTORS

The Board of Directors' policy prohibits short term trading of the Company's shares, and directors must notify the Board in advance of any proposed transactions involving the Company's shares.

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Board assesses the appropriateness of the nature and the amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

To assist in achieving these objectives, the Board links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance. All senior executives have the opportunity to qualify for participation in the Executive Performance Incentive Plan which currently provides cash and share option incentives where specified performance criteria are met including criteria relating to profitability, cash flow and share price growth. Details regarding the issue of share options under this plan are provided in Note 31 to the financial statements.

Details of the nature and amount of each element of the emolument for the financial year of each director and each of the five officers of the Company receiving the highest emoluments are as follows. The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure. The category 'other' includes the value of certain business-related expenses paid for or remuneration benefits provided to directors and officers, determined on the basis of the cost to the Company in accordance with AASB 1017 and UIG Abstract 14.

The Remuneration Committee oversees the administration of the Board approved remuneration arrangements. The Remuneration Committee consists of the Chairman of the Board, Chairman of the Audit Committee and the Managing Director.

Directors of Gympie Gold Limited and Consolidated Entity

	Annual Emoluments					Long Term Emoluments		Total
	Base Salary \$	Motor Vehicle \$	Superannuation \$	Other \$	Redundancy \$	Option Grants	Option Value \$	
M G Darling <i>Chairman</i>	40,000	–	3,600	–	–	–	–	43,600
P C Cadwallader <i>Director</i>	37,500	–	3,375	–	–	–	–	40,875
R Woodall <i>Director</i>	30,000	–	–	–	–	–	–	30,000
C Rawlings <i>Director</i>	37,500	–	3,375	–	–	–	–	40,875
H Adams <i>Managing Director</i>	208,091	33,000	10,519	88,390	–	2,300,000	181,125	521,125
J E Leach <i>Finance Director</i>	134,263	30,196	36,060	74,481	183,333	–	–	458,333
Total	487,354	63,196	56,929	162,871	183,333	2,300,000	181,125	1,134,808

DIRECTORS' REPORT

as at 28 August 2003

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS (continued)

	Executive Officers of Gympie Gold Limited and Consolidated Entity					
	Annual Emoluments			Long Term Emoluments		Total
	Base Salary \$	Superannuation \$	Redundancy \$	Option Grants	Option Value \$	
I Levy <i>General Manager, Corporate Development</i>	170,480	24,520	–	–	–	195,000
R Cunneen <i>General Manager, Gold Exploration</i>	149,672	45,328	97,500	–	–	292,500
R Johnston <i>General Manager, Gold Operations</i>	184,481	10,519	65,000	–	–	260,000
R Reynolds <i>General Manager, Coal Marketing</i>	184,480	10,520	–	–	–	195,000
G Hall <i>General Manager, Gemstone</i>	130,500	14,500	–	100,000	15,889	160,889
Total	819,613	105,387	162,500	100,000	15,889	1,103,389

Directors' remuneration excludes insurance premium \$66,550 paid by the parent entity in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers. Information relating to the insurance contracts is set out in the directors' report.

The valuation is based on the Black-Scholes model calculation as at the issue date taking into account vesting restrictions. It assumes a willing buyer and a willing seller in an active market not withstanding that these options are not quoted and not transferable.

DIRECTORS' REPORT

as at 28 August 2003

SHARE OPTIONS

At the date of this report, options over 8,683,997 ordinary shares in Gympie Gold Limited remain on issue. All options are unlisted and are exercisable on the terms listed below:

Number	Exercise price	Exercisable by
250,000	\$0.40	15 November 2004
60,000	\$0.50	10 December 2004
250,000	\$0.40	20 October 2005
1,700,000	\$0.80	22 November 2005
100,000	\$0.42	29 January 2006
500,000	\$0.40	12 February 2006
150,000	\$0.80	31 October 2006
298,630	\$0.65	05 November 2006
85,367	\$0.772	28 November 2006
1,490,000	\$0.75	5 November 2007
2,300,000	\$1.11	30 November 2007
500,000	\$0.43	30 January 2008
1,000,000	\$0.42	19 May 2008
<u>8,683,997</u>		

The persons entitled to exercise the above options have no rights by virtue of the options to participate in any share issue of any other corporation.

A total of 2,300,000 ordinary shares were issued during the year ended 30 June 2003 on the exercise of options. Since balance date 230,000 ordinary shares have been issued as a result of the exercise of options. No other shares have been issued since 30 June 2003. The amount paid on each of the 2,530,000 ordinary shares were 40 cents each. No amounts are unpaid on any of the shares.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Gympie Gold Limited support and have adhered to the principles of corporate governance. The Company's Corporate Governance Statement is contained in a separate section of this annual report.

DIRECTORS' REPORT

as at 28 August 2003

ROUNDING OF FINANCIAL STATEMENTS

These Financial Statements have been rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the options available to the Company under the ASIC class order 98/0100.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to be 'Harry Adams', with a stylized, somewhat jagged script.

Harry Adams
Director

Signed at Sydney, New South Wales
28 August 2003

CORPORATE GOVERNANCE STATEMENT

30 June 2003

The Board of Directors of Gympie Gold Limited is responsible for the corporate governance of the consolidated Company. The Board guides and monitors the business and affairs of Gympie Gold Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

During the year ended 30 June 2003 the following corporate governance practices have been in operation in Gympie Gold Limited:

- The Board consists of a non-executive Chairman, three non-executive directors, together with two executive directors being the Managing Director and the Finance Director of the Company.
- Persons may be nominated for the Board by recommendation of the directors or by submitting a notice and consent to nominate prior to any general meeting of the Company.
- All directors except for the sole Managing Director are appointed by ordinary resolution at the Annual General Meeting of the Company, for a maximum period of three years. Retirement is by rotation or at the request of a director.
- Directors may seek independent professional advice on matters affecting the carrying out of their duties as a director of the Company.
- The full Board, excluding the executive directors, reviews and sets the compensation arrangements for:
 - the Managing Director and senior executives
 - non-executive members of the Board

Independent advice may be obtained to ensure appropriate levels of remuneration are set. The Remuneration Committee oversees the administration of the Board approved remuneration arrangements. The Remuneration Committee consists of the Chairman of the Board, Chairman of the Audit Committee and the Managing Director.

- The Company has an Audit Committee chaired by a non-executive Director. Meetings are held on an "as required basis" and are attended by the Company Secretary and external auditor. The Committee reviews the financial reporting system, accounting policies and internal controls of the Company, as well as conducting a detailed review of the income, expenditure, assets, liabilities and cashflows included in the half yearly and annual reports.
- The directors support and adhere to the principles set out in a paper, Corporate Practices and Conduct, issued by the Australian Institute of Company Directors, and recognise the need for the highest standards of behaviour and accountability.
- The Board of Directors has a policy which prohibits short-term trading of the Company's shares and directors must notify the Board in advance of any proposed transactions involving the Company's shares.
- The purchase and sale of Company securities by directors and senior officers are not permitted during the period of two months prior to the release of the Company's annual results and half-yearly results; any other time when the Company is in possession of unpublished price-sensitive information relating to those securities; or at any time when it has become reasonably probable that such information will be required to be reported.
- The Company has a Physical Risk Committee chaired by a non-executive Director. The Committee meets on a regular basis to oversight the company's physical risk policies and strategies. Management are then required to ensure that risks are managed with the appropriate systems and controls. The effectiveness of the risk management systems are monitored by the Board on a monthly basis.

CORPORATE GOVERNANCE STATEMENT

30 June 2003

- The Company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective the environmental, health, safety management system was established to facilitate the systematic identification of environmental and OH&S issues and to ensure they are managed in a structured manner. This system has been operating for a number of years and allows the Company to:
 - Monitor its compliance with all relevant legislation
 - Continually assess and improve the impact of its operations on the environment
 - Encourage employees to actively participate in the management of environmental and OH&S issues
 - Work with trade associations representing the Company's businesses to raise standards
 - Use energy and other resources efficiently, and
 - Encourage the adoption of similar standards by the Company's principal suppliers, contractors and distributors.
- The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities.

All information disclosed to the Australian Stock Exchange and the London Alternative Investment Market (AIM) is posted on the Company's web site as soon as it is disclosed to the Australian Stock Exchange and AIM. When analysts are briefed on aspects of the Company's operations, the material used in the presentation is released to the Australian Stock Exchange and London Alternative Investment Market and posted on the Company's web site.

STATEMENTS OF FINANCIAL PERFORMANCE

For the year ended 30 June 2003

	Notes	Consolidated		Gympie Gold Limited	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenue from operating activities	3	96,115	85,004	56	73
Revenue from outside operating activities	3	738	727	1,923	2,549
Revenue from ordinary activities	3	96,853	85,731	1,979	2,622
Changes in inventories of finished goods and work in progress		6,731	1,869	–	(1)
Raw materials and consumables used		(74,738)	(53,940)	–	–
Employee benefits expense		(15,066)	(12,019)	(2,661)	(2,798)
Administration costs		(3,131)	(2,807)	(3,131)	(2,807)
Other expenses from ordinary activities		(454)	(5,083)	(426)	(976)
Unrealised foreign exchange gain		816	–	–	–
Earnings before interest expense, tax, depreciation and amortisation		11,011	13,751	(4,239)	(3,960)
Depreciation and amortisation expenses	4	(27,109)	(15,706)	(52)	(48)
Borrowing costs expense	4	(8,679)	(1,348)	(7,908)	(812)
Loss from ordinary activities before income tax benefit	4	(24,777)	(3,303)	(12,199)	(4,820)
Income tax benefit	5	1,919	813	–	–
Net Loss attributable to members of Gympie Gold Limited	26	(22,858)	(2,490)	(12,199)	(4,820)
		Cents	Cents		
Basic earnings per share	34	(13.9)	(1.7)		
Diluted earnings per share	34	(13.9)	(1.6)		

The above statements of financial performance should be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2003

	Notes	Consolidated		Gympie Gold Limited	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
CURRENT ASSETS					
Cash assets	6	8,384	26,201	7,218	25,012
Receivables	7	14,132	7,477	32	61
Inventories	8	16,285	9,320	68	68
Development	9	20,084	20,724	–	–
Other	10	7,457	726	30	437
Total Current Assets		66,342	64,448	7,348	25,578
NON-CURRENT ASSETS					
Receivables	11	–	–	113,823	69,214
Investments	12	416	67	67,967	67,618
Deferred mineral prospects	13	120,277	105,378	–	–
Property, plant and equipment	14	33,347	24,971	289	306
Deferred tax asset	15	3,153	5,359	–	–
Other	16	2,547	2,658	2,264	2,376
Total Non-Current Assets		159,740	138,433	184,343	139,514
TOTAL ASSETS		226,082	202,881	191,691	165,092
CURRENT LIABILITIES					
Payables	17	17,607	13,928	1,847	703
Interest bearing liabilities	18	30,895	22,227	14,008	5,128
Provisions	19	2,136	2,679	526	469
Other	20	10,436	–	–	–
Total Current Liabilities		61,074	38,834	16,381	6,300
NON-CURRENT LIABILITIES					
Payables	21	–	–	57,936	56,777
Interest bearing liabilities	22	63,804	52,358	54,003	42,610
Deferred tax liabilities	23	3,153	7,278	–	–
Provisions	24	2,957	2,581	184	143
Total Non-Current Liabilities		69,914	62,217	112,123	99,530
TOTAL LIABILITIES		130,988	101,051	128,504	105,830
NET ASSETS		95,094	101,830	63,187	59,262
EQUITY					
Contributed equity	25	111,941	95,718	111,941	95,718
(Accumulated losses)/Retained profits	26	(16,847)	6,112	(48,754)	(36,456)
TOTAL EQUITY		95,094	101,830	63,187	59,262

The above statements of financial position should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2003

		Consolidated		Gympie Gold Limited	
	Notes	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of goods and services tax)		97,523	88,829	1,142	1,188
Payments to suppliers and employees (inclusive of goods and services tax)		(93,209)	(74,751)	(4,326)	(7,118)
Interest received		553	379	463	307
Borrowing costs		(8,040)	(1,347)	(7,355)	(283)
Other revenue		64	505	63	79
Net cash inflow/(outflow) from operating activities	28	(3,109)	13,615	(10,013)	(5,827)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for exploration, mine development, property, plant and equipment		(43,899)	(48,397)	(33)	(56)
Proceeds from sale of property, plant and equipment		240	—	—	—
Security deposit inflow/(outflow)		72	(90)	33	—
Loans to subsidiary companies		—	—	(42,552)	(27,897)
Investment		(350)	—	(350)	—
Net cash inflow/(outflow) from investing activities		(43,937)	(48,487)	(42,902)	(27,953)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares and other equity instruments		15,409	56,342	15,409	56,342
Share issue costs		—	(525)	—	(525)
Proceeds from borrowings		71,991	44,484	30,500	(2,688)
Repayment of borrowings		(54,940)	(44,945)	(10,220)	—
Finance lease payments		(2,630)	(878)	(7)	(7)
Deferred borrowing costs		(528)	(2,376)	(528)	(2,376)
Net cash inflow/(outflow) from financing activities		29,302	52,102	35,154	50,746
NET INCREASE/(DECREASE) IN CASH HELD		(17,744)	17,230	(17,761)	16,966
Cash at the beginning of the financial year		25,501	8,271	24,720	7,754
CASH AT THE END OF THE FINANCIAL YEAR	6	7,757	25,501	6,959	24,720
Non-cash financing and investing activities	38				

The above statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

This general purpose financial report has been prepared in accordance with the Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Gympie Gold Limited ("Company" or "parent entity") as at 30 June 2003 and the results of all controlled entities for the year then ended. Gympie Gold Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Investments in joint ventures are accounted for as set out in Note 1 – "Joint Venture Operation".

Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statements of financial performance is matched with the accounting profit after allowing for permanent differences. The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Foreign Currency Translation and Gold Hedging

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit or loss for the year.

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates in accordance with Board approved policy. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions, are deferred up to the date of the purchase or sale and included in the measurement of the purchase or sale. The net amounts receivable or payable under the hedging transaction are also recorded in the statement of financial position. Any gains or losses arising on the hedging transaction after the recognition of the hedged purchase or sale are included in the statement of financial performance.

Change in accounting policy for foreign currency translation and gold hedging

The above policy was adopted with effect from 1 July 2002 to comply with AASB 1012 Foreign Currency Translation released in November 2000.

The adjustments made at the beginning of the financial year as a result of this change were:

- an increase in consolidated current assets – other of \$1,240,000 (Gympie Gold Limited – \$nil)
- an increase in consolidated current liabilities – other of \$1,240,000 (Gympie Gold Limited – \$nil)

If the hedging transaction is terminated prior to its maturity date and the hedged transaction is still expected to occur, deferral of any gains and losses which arose prior to termination continues and is recognised when the underlying transaction occurs.

In those circumstances where a hedging transaction is terminated prior to maturity because the hedged transaction is no longer expected to occur, any previously deferred gains and losses are recognised in the statements of financial performance on the date of termination.

Revenue received from the sale of call options prior to the expiry date is recognised as revenue in the period the premium is received. The expense is recognised in the period it is realised.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Amounts are recognised as sales revenue when there has been a passing of risk to a customer, and:

- the product is in a form suitable for delivery and no further processing is required by, or on behalf of, the producer;
- the quantity and quality of the product can be determined with reasonable accuracy;
- the product has been dispatched to the customer and is no longer under physical control of the producer (or property in the product has earlier passed to the customer); and
- the selling price can be determined with reasonable accuracy.

Sales revenue represents gross proceeds receivable from the customer.

Revenue received from sale or disposal of product, materials or services during the exploration, evaluation development or phases of operations is offset against expenditure in respect of the area of interest or mineral resources concerned.

Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

Inventories

Inventories of broken ore, concentrate, work in process, coal and gold are physically measured or estimated and valued at the lower of cost and net realisable value.

Costs represent weighted average cost and include direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortisation.

The net realisable value is the amount estimated to be obtained from sale of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

Low value by-products which are obtained as a result of the production process for gold are valued at net realisable value with that value being offset against the cost of producing the main products.

Inventories of consumable supplies and spare parts expected to be used in production are valued at weighted average costs. Obsolete or damaged inventories of such items are valued at net realisable value. A regular and ongoing review is undertaken to establish the extent of surplus items, and a provision is made for any potential loss on their disposal.

Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market-determined, risk-adjusted discount rate. The discount rates used ranged from 5% to 15% depending upon the nature of the assets.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revaluations of Non-Current Assets

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Potential capital gains tax is not taken into account in determining revaluation amounts unless it is expected that a liability for such tax will crystallise.

Property, Plant and Equipment

Each item of buildings, machinery and equipment is written off over its expected useful life using the units of production or straight line method. The unit of production basis results in a depreciation charge proportional to the depletion of the recoverable mineral resources. Each item's economic life has due regard to both its own physical life limitations and to present assessments of recoverable mineral resources of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all mine buildings, machinery and equipment.

The expected useful lives are as follows:

- Mine buildings – the shorter of applicable mine life and 40 years;
- Machinery and equipment – the shorter of applicable mine life or 15 years, depending on the nature of the asset.

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

Exploration and Evaluation Costs

Exploration and evaluation expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration, evaluation, development and construction costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- a) such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- b) exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Accumulated costs in respect of areas of interest are written off in the statement of financial performance when the above criterion does not apply or when the directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated with the costs of development and classified under non-current assets as "Deferred mineral properties: Production phase – development".

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Development Costs

Development expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest in which economically recoverable reserves have been identified. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure having a specific connection with the development property.

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

No amortisation is provided in respect of development properties until they are reclassified as 'production phase development' following a decision to commence mining. After this decision, the costs are amortised over the life of the area of interest to which such costs relate on a production output basis.

For coal operations the cost of developing longwall panels is not expensed until the longwall coal is mined. The cost of development is amortised over the tonnes of longwall coal produced from that block. Some specific start-up costs relating to longwall panel development are amortised based on the relative future economic benefit that will be derived from each panel.

Leased Non-Current Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The leased asset is amortised on a straight line basis over the term of the lease or, where it is likely that the Company will obtain ownership of the asset, the life of the asset. Lease assets held at the reporting date are being amortised over periods ranging from 1 to 5 years.

Cash

For the purpose of the statement of cash flows, cash includes cash on hand and in banks, deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts, and security deposits.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Interest Bearing Liabilities

Loans are carried at their principal amounts which represent the value of future cash flows associated with servicing the debt.

Maintenance and Repairs

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a major component of an asset, in which case the costs are capitalised and depreciated. Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

Employee Entitlements

a) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in employee entitlements in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Change in accounting policy for wages and salaries, annual leave and sick leave

The above policy was adopted with effect from 1 July 2002 to comply with AASB 1028 Employee Benefits released in June 2001.

The adjustments made at the beginning of the financial year as a result of this change were:

- an increase in consolidated employee entitlements of \$101,000 (Gympie Gold Limited – \$99,000)
- a decrease in consolidated retained profits of \$101,000 (Gympie Gold Limited – \$99,000)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	Consolidated		Gympie Gold Limited	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
		(Restated)		(Restated)
Restatements of the statements of financial performance				
Profit/(Loss) from ordinary activities before employee benefits expense and related income tax expense	(9,711)	8,716	(9,538)	(2,022)
Employee benefits expense	(15,066)	(12,120)	(2,661)	(2,897)
Loss from ordinary activities before income tax benefit	(24,777)	(3,404)	(12,199)	(4,919)
Income tax benefit	1,919	813	–	–
Net loss attributable to members of Gympie Gold Limited	(22,858)	(2,591)	(12,199)	(4,919)
Restatement of retained profits/(accumulated losses)				
Previously reported retained profits/(accumulated losses) at the end of the previous financial year (Note 26)	6,112	8,602	(36,456)	(31,636)
Change in accounting policy for wages and salaries, annual leave and sick leave	(101)	–	(99)	–
Restated retained profits/(accumulated losses) at the beginning of the financial year	6,011	8,602	(36,555)	(31,636)
Net loss attributable to members of Gympie Gold Limited	(22,858)	(2,490)	(12,199)	(4,820)
Restated retained profits/(accumulated losses) at the end of the financial year	(16,847)	6,112	(48,754)	(36,456)
Restatement of non-current liabilities – Provisions				
Previously reported carrying amount at the end of the financial year (Note 24)	2,957	2,581	184	143
Adjustment for change in accounting policy	–	101	–	99
Restated carrying amount at the end of the financial year	2,957	2,682	184	242

b) Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The value of the share plan as described in Note 31 is not being charged as an employee entitlement expense. Superannuation contributions are provided on the basis as described in Note 31.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred and include interest on bank overdrafts, short-term and long-term borrowings and finance lease charges except for ancillary costs in relation to debt instruments which are capitalised and amortised over the life of the instrument in accordance with AASB 1036 Borrowing Costs.

Earnings Per Share

a) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Restoration Costs

Restoration and rehabilitation of mine sites is carried out on an ongoing basis during the life of the mine. Provision is made for the cost of any rehabilitation or restoration work required to be completed at the end of the mine life. The provision is raised progressively over the life of the mine using current undiscounted costs. Any revisions to the estimate of costs are reflected in the provision when they are made.

Royalties

Ad valorem royalties and other mining imposts are accrued and charged against earnings when the liability from production or sale of the mineral occurs.

Remaining Mine Lives

In estimating the remaining life of the mine at each mine property for the purpose of amortisation and depreciation calculations, due regard is given not only to the volume of remaining economically recoverable reserves and resources but also to limitations which could arise from the potential for changes in technology, demand, product substitution and other issues that are inherently difficult to estimate over a lengthy time frame. This uncertainty can lead to the adoption of a realistic time limitation for the purpose of such calculations, and so lead to use of a straight line basis of amortisation, in lieu of a units of production method, as this may give a better representation of the using up of the net cost of the economic reserves being exploited. At 30 June 2003, no such time limitation bases of amortisation and depreciation have been adopted.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are carried at the lower of cost and recoverable amount.

Gold Bullion

Gold bullion includes gold that has been poured or is in a form ready to be poured prior to year end but had not yet been delivered.

Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the director on or before the end of the financial year but not distributed at balance date, as well as any dividends to be paid out of retained profits at the end of the financial year where the dividend was proposed, recommended or declared between the end of the year and the completion of the financial report.

Joint Venture Operation

The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in Note 39.

Rounding of Amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or, in certain cases, to the nearest dollar.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

2. SEGMENT INFORMATION

Business Segments

Gympie Gold Limited (Gympie Gold) is an Australian public listed exploration, production and marketing Company with two principal wholly-owned subsidiaries.

Gold

Gympie Eldorado Gold Mines Pty Limited (Gympie Eldorado) has re-opened the high-grade Gympie Goldfield located near Gympie in south-east Queensland.

Coal

Southland Coal Pty Limited (Southland Coal) has re-established production of high-quality coking coal from the Greta Seam, near Cessnock in the Hunter Valley of New South Wales.

Geographical Segments

Gympie Gold Limited operates in the geographic area of Australia.

2003	Gold \$'000	Coal \$'000	Unallocated \$'000	Total \$'000
Operating Revenue				
Sales to Customers outside the consolidated entity	30,021	66,038	56	96,115
Other revenue	236	87	415	738
Total segment revenue	30,257	66,125	471	96,853
Segment Result	(172)	(11,657)	–	(11,829)
Unallocated revenue less unallocated expenses				(12,948)
Loss from ordinary activities before income tax				(24,777)
Income tax benefit				1,919
Net loss from ordinary activities after income tax				(22,858)
 Segment Assets	94,560	118,052	13,470	226,082
 Segment Liabilities	7,218	23,362	100,408	130,988
 Acquisition of property, plant and equipment and other non-current segment assets	24,692	14,408	43	39,143
 Depreciation and amortisation expense	8,814	18,243	52	27,109
 Other non-cash expenses	198	8	98	304
 Net cash inflow/(outflow) from operating activities	5,816	1,088	(10,013)	(3,109)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

2. SEGMENT INFORMATION (continued)

2002	Gold \$'000	Coal \$'000	Unallocated \$'000	Total \$'000
Operating Revenue				
Sales to Customers outside the consolidated entity	28,452	56,479	73	85,004
Other revenue	192	194	341	727
Total segment revenue	28,644	56,673	414	85,731
Segment Result	4,310	(2,096)	–	2,214
Unallocated revenue less unallocated expenses				(5,517)
Loss from ordinary activities before income tax				(3,303)
Income tax benefit				813
Net loss from ordinary activities after income tax				(2,490)
 Segment Assets	 76,295	 91,199	 35,387	 202,881
Segment Liabilities	8,975	8,446	83,630	101,051
Acquisition of property, plant and equipment and other non-current segment assets	27,374	8,327	51	35,752
Depreciation and amortisation expense	5,372	10,286	48	15,706
Other non-cash expenses	2,135	–	301	2,436
Net cash inflow/(outflow) from operating activities	11,530	7,914	(5,829)	13,615

Accounting Policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1. The business segments identified in the primary reporting disclosures and the geographical segment are not materially different to the industry and geographical segments identified in previous years. The comparative information has been restated to present the information on a consistent basis with the current year disclosures.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operations cash, receivables, inventories, property, plant and equipment and deferred mineral prospects, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provision for rehabilitation. Segment assets and liabilities do not include income taxes.

Inter-Segment Transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's length" basis and are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

	Consolidated		Gympie Gold Limited	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
3. REVENUE				
Revenue from operating activities				
Sales	96,115	85,004	56	73
Revenue from outside the operating activities				
Interest	497	413	407	869
Proceeds on sale of property, plant and equipment	240	108	–	–
Other revenue	1	206	1,516	1,680
	<u>738</u>	<u>727</u>	<u>1,923</u>	<u>2,549</u>
Revenue from ordinary activities	<u>96,853</u>	<u>85,731</u>	<u>1,979</u>	<u>2,622</u>
4. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES				
Net gains and expenses				
Profit/(loss) from ordinary activities before income tax expense				
includes the following specific net gains and expenses:				
Expenses				
Cost of goods sold	107,469	76,950	–	(1)
Depreciation				
Buildings	79	4	–	–
Property, plant and equipment	3,405	2,753	47	42
Total depreciation	<u>3,484</u>	<u>2,757</u>	<u>47</u>	<u>42</u>
Amortisation				
Plant and equipment under finance leases	764	654	5	6
Exploration, evaluation and deferred mineral prospects	11,428	8,124	–	–
Longwall panel development	11,433	4,171	–	–
Total amortisation	<u>23,625</u>	<u>12,949</u>	<u>5</u>	<u>6</u>
Total depreciation and amortisation	<u>27,109</u>	<u>15,706</u>	<u>52</u>	<u>48</u>
Borrowing costs				
Interest and finance charges paid/payable	8,660	1,051	8,435	811
Deferred borrowing cost	(528)	–	(528)	–
Finance lease charges	547	297	1	1
Total borrowing costs	<u>8,679</u>	<u>1,348</u>	<u>7,908</u>	<u>812</u>
Government mining royalties incurred	<u>2,436</u>	<u>2,156</u>	<u>–</u>	<u>–</u>
Rental expense relating to operating leases				
Minimum lease payments	<u>271</u>	<u>261</u>	<u>271</u>	<u>261</u>
Provisions				
Employee entitlements	(12)	414	98	274
Restoration/rehabilitation	(155)	(419)	–	–
Total other provisions	<u>(167)</u>	<u>(5)</u>	<u>98</u>	<u>274</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

	Consolidated		Gympie Gold Limited	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
5. INCOME TAX				
The income tax expenses for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit/(loss) from ordinary activities before income tax expense	(24,777)	(3,303)	(12,199)	(4,820)
Income tax calculated @ 30%	(7,433)	(991)	(3,660)	(1,446)
Tax effect of permanent differences				
Non deductible expenditure	459	174	243	12
Income tax adjusted for permanent differences	(6,974)	(817)	(3,417)	(1,434)
Under provision for the previous year	23	4	233	1
Future income tax benefit not brought to account	5,032	–	3,184	1,433
Aggregate income tax benefits	(1,919)	(813)	–	–

Adjustment to deferred income tax balances

The deferred income tax liability in the consolidated entity has been reduced by \$21,171,000 (2002: \$11,904,000) in respect of future income tax benefits attributable to tax losses (Note 23).

The future income tax benefit in the consolidated entity includes \$2,751,000 (2002: \$4,869,000) attributed to tax losses (Note 15).

The directors estimate potential future income tax benefit in respect of tax losses not brought to account is

	5,032	–	7,769	4,769
--	-------	---	-------	-------

This benefit for tax losses will only be obtained if:

- The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- The losses are transferred to an eligible entity in the consolidated entity, and
- The consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- No changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Future income tax benefits attributable to tax losses recognised as a reduction of the provision for deferred income tax are disclosed in Note 23.

Gympie Gold Limited and its wholly-owned Australian subsidiaries have not yet made a decision in regard to the timing of entry into the tax consolidation regime. However, the entities also intend to enter into a tax sharing agreement once the decision to consolidate is made.

As a consequence of the proposed tax sharing arrangement Gympie Gold Limited, as the head entity in the tax consolidated group, will recognise current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group in future financial statements as if those transactions, events and balances were its own, in addition to the current and deferred tax balances arising in relation to its own transaction, events and balances. Amounts receivable or payable under the tax sharing agreement will be recognised separately by Gympie Gold Limited as tax-related amounts receivable or payable. The impact on the income tax expense and results of Gympie Gold Limited is unlikely to be material because of the tax sharing agreement. This is not expected to have a material impact on the consolidated assets and liabilities and results.

The financial effect of the implementation of the legislation has not been recognised in the financial statements for the year ended 30 June 2003.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

	Consolidated		Gympie Gold Limited	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
6. CURRENT ASSETS – CASH ASSETS				
Cash on hand and at bank	7,757	25,501	6,959	24,720
Security deposits	627	700	259	292
	8,384	26,201	7,218	25,012

Security deposits represent monies deposited as security for bank guarantees in favour of Government bodies as performance guarantees over certain mining tenements, or in favour of other parties as performance guarantees for various undertakings.

7. CURRENT ASSETS – RECEIVABLES

Trade debtors	13,894	5,505	–	–
Gold bullion	206	95	–	–
Other debtors	32	1,877	32	61
	14,132	7,477	32	61

Gold bullion represents gold that has been poured or is in a form ready to be poured prior to year end but not yet delivered into forward contracts. There is no credit risk associated with gold bullion as all the bullion is delivered directly into forward contracts (Note 37).

Other debtors are carried at nominal amounts and are normally settled on 30 day terms. The credit risk associated with other debtors approximates their carrying values. Other debtors are non interest bearing.

8. CURRENT ASSETS – INVENTORIES

Raw materials and stores – at cost	1,167	933	–	–
Work in progress – at cost	2,922	3,884	–	–
Finished goods – at cost	12,196	4,503	68	68
	16,285	9,320	68	68

9. CURRENT ASSETS – DEVELOPMENT

Longwall panel development	20,084	20,724	–	–
----------------------------	--------	--------	---	---

10. CURRENT ASSETS – OTHER

Exploration tenement held for resale	–	420	–	420
Prepayments	325	306	30	17
Receivables from bank in relation to foreign exchange contracts	7,132	–	–	–
	7,457	726	30	437

Prepayments are non interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

	Consolidated		Gympie Gold Limited	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
11. NON-CURRENT ASSETS – RECEIVABLES				
Loans to controlled entities (Note 32)	–	–	113,823	69,214

These are unsecured loans which have no fixed term of repayment.

12. NON-CURRENT ASSETS – INVESTMENTS				
Shares in controlled entities (Note 33)	–	–	67,551	67,551
Other	416	67	416	67
	416	67	67,967	67,618

13. NON-CURRENT ASSETS – DEFERRED MINERAL PROSPECTS

Exploration, evaluation and development costs carried forward in respect of mining areas of interest

a) Pre-production phase: exploration

Gold Mining				
Gympie Qld	At cost	53,458	45,874	–
	Accumulated amortisation	–	(1,759)	–
Total pre-production phase		53,458	44,115	–

b) Production phase: development

Coal Mining				
Cessnock NSW	At cost	50,967	46,849	–
	Accumulated amortisation	(9,184)	(4,238)	–
Gold Mining				
Gympie Qld	At cost	36,906	25,104	–
	Accumulated amortisation	(11,870)	(6,452)	–
Total production phase		66,819	61,263	–
Total deferred mineral prospects		120,277	105,378	–

The ultimate recoupment of amounts carried forward for exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of the costs carried forward for development is not charged until production commences.

Deferred Mineral Prospects include assets held under finance leases with a written down value of \$614,000 as at 30 June 2003 (2002: \$1,142,936).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

13. NON-CURRENT ASSETS – DEFERRED MINERAL PROSPECTS (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of deferred mineral prospects at the beginning and end of the current financial year are set out below:

Consolidated	Pre-Production Phase \$'000	Production Phase \$'000	Total \$'000
Opening balance 1 July 2002	44,115	61,263	105,378
Additions	16,201	10,241	26,442
Exploration expenditure written off	(115)	–	(115)
Transfer from pre-production phase to production phase	(5,055)	5,055	–
Amortisation expense (Note 4)	(1,688)	(9,740)	(11,428)
Closing balance 30 June 2003	53,458	66,819	120,277

14. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Gympie Gold Limited	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Land and buildings				
Freehold land – at cost	3,670	3,652	–	–
Buildings on freehold land – at cost	538	496	–	–
Less: Accumulated depreciation	(157)	(78)	–	–
	381	418	–	–
Total land and buildings	4,051	4,070	–	–
Plant and equipment				
Plant and equipment – at cost	41,322	32,883	522	490
Less: Accumulated depreciation	(19,273)	(15,812)	(248)	(204)
	22,049	17,071	274	286
Plant and equipment under finance lease	9,850	5,358	27	27
Less: Accumulated amortisation	(2,603)	(1,528)	(12)	(7)
	7,247	3,830	15	20
Total plant and equipment	29,296	20,901	289	306
Total property, plant and equipment	33,347	24,971	289	306

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

14. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Freehold land	Buildings	Plant and equipment	Leased Plant and equipment	Total
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance 1 July 2002	3,652	418	17,071	3,830	24,971
Additions	18	42	8,420	4,221	12,701
Disposals	–	–	(37)	(40)	(77)
Depreciation/amortisation expense	–	(79)	(3,405)	(764)	(4,248)
Closing balance 30 June 2003	3,670	381	22,049	7,247	33,347

	Plant and equipment \$'000	Leased Plant and equipment \$'000	Total \$'000
Gympie Gold Limited			
Opening balance 1 July 2002	286	20	306
Additions	43	–	43
Disposals	(8)	–	(8)
Depreciation/amortisation expense	(47)	(5)	(52)
Closing balance 30 June 2003	274	15	289

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

	Consolidated		Gympie Gold Limited	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
15. NON-CURRENT ASSETS – DEFERRED TAX ASSET				
Future income tax benefit	3,153	5,359	–	–
16. NON-CURRENT ASSETS – OTHER				
Deferred borrowing costs	2,265	2,376	2,264	2,376
Security deposit	282	282	–	–
	2,547	2,658	2,264	2,376
17. CURRENT LIABILITIES – PAYABLES				
Trade creditors	11,361	12,357	245	337
Other creditors and accruals	6,246	1,571	1,602	366
	17,607	13,928	1,847	703
18. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES				
Secured				
Bank and finance loans	14,000	5,120	14,000	5,120
Lease liability (Note 27)	2,466	1,274	8	8
Loan from mining contractor	3,162	10,388	–	–
Stockpile finance	11,267	5,445	–	–
	30,895	22,227	14,008	5,128
Details of the security relating to each of the secured liabilities and further information on the bank loans is set out in Note 22.				
19. CURRENT LIABILITIES – PROVISIONS				
Employee entitlements (Note 31)	1,932	1,976	526	469
Rehabilitation	204	703	–	–
	2,136	2,679	526	469
20. CURRENT LIABILITIES – OTHER				
Unrealised foreign exchange gain	7,132	–	–	–
Deferred foreign exchange gain	3,304	–	–	–
	10,436	–	–	–
21. NON-CURRENT LIABILITIES – PAYABLES				
Unsecured payables to other controlled entities	–	–	57,936	56,777

Further information relating to loans from related parties is set out in Note 32.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

	Consolidated		Gympie Gold Limited	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
22. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES				
Unsecured Liabilities				
Convertible notes	40,000	40,000	40,000	40,000
Secured Liabilities				
Bank loans	14,000	2,600	14,000	2,600
Lease liability (Note 27)	4,880	3,010	3	10
Loan from mining contractor	4,924	6,748	–	–
Total secured non-current interest bearing liabilities	23,804	12,358	14,003	2,610
Total non-current interest bearing liabilities	63,804	52,358	54,003	42,610
Secured Liabilities (total current and non-current)				
Bank and finance loans	28,000	7,720	28,000	7,720
Lease liabilities	7,346	4,284	11	18
Stockpile finance	11,267	5,445	–	–
Loan from mining contractor	8,086	17,136	–	–
Total secured liabilities	54,699	34,585	28,011	7,738
Security for Interest Bearing Liabilities				
The bank loan is secured by a charge over the assets of a controlled entities, Gympie Eldorado Gold Mines Pty Limited and Southland Coal Pty Limited. The loan is also guaranteed by the parent entity.				
Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.				
The stockpile finance is secured by the coal in the stockpile and coal debtors.				
The loans from mining contractors are secured in respect of coal operations by a charge over the assets of a controlled entity, Southland Coal Pty Limited, and in respect of gold operations by a second mortgage over the tenements of the southern goldfield owned by Gympie Eldorado Gold Mines Pty Limited.				
Assets pledged as security				
The carrying amounts on assets pledged as security are:				
Deferred mineral prospect	120,277	105,378	–	–
Land and buildings	4,051	4,070	–	–
Plant and equipment	29,296	20,901	289	306
Stock	11,044	4,062	–	–
Debtors	12,674	4,611	–	–
Total	177,342	139,022	289	306

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

	Consolidated		Gympie Gold Limited	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

22. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES (continued)

Financial Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Credit Standby Arrangements

Total facilities

Stockpile finance facility	11,987	9,259	–	–
Bank and finance loan facility	28,000	8,600	28,000	8,600
	39,987	17,859	28,000	8,600

Used at balance date

Stockpile finance facility	11,267	5,445	–	–
Bank and finance loan facility	28,000	7,720	28,000	7,720
	39,267	13,165	28,000	7,720

Unused at balance date

Stockpile finance facility	720	3,814	–	–
Bank and finance loan facility	–	880	–	880
	720	4,694	–	880

The stockpile finance facility can only be drawn in United States dollars and can be used to fund the coal stockpile at the mine site and trade debtors. Interest rates on all facilities are variable. The current interest rates are 7.74% on the bank loans and 3.75% on the stockpile finance facility.

Convertible Notes

The parent entity issued 40,000,000 8.5% unsecured convertible notes for \$40,000,000 on 24 June 2002. The notes are convertible into ordinary shares of the parent entity, at the option of the holder, at a conversion ratio one note to 0.7567 of an ordinary share, or repayable at the A\$1.00 issue price on 30 September 2007. The convertible notes are presented in the statement of financial position as follows:

Non-current liabilities				
Face value of notes issued	40,000	40,000	40,000	40,000

23. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

Deferred tax	3,153	7,278	–	–
--------------	--------------	--------------	----------	----------

Refer to Note 5 for details of the reduction in deferred income tax liability attributable to future income tax benefits consisting of tax losses.

24. NON-CURRENT LIABILITIES – PROVISIONS

Employee entitlements (Note 31)	670	638	184	143
Rehabilitation	2,287	1,943	–	–
	2,957	2,581	184	143

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

	Gympie Gold Limited		Gympie Gold Limited	
	2003	2002	2003	2002
	Shares	Shares	\$'000	\$'000
25. CONTRIBUTED EQUITY				
Issued and paid up capital	<u>206,358,575</u>	<u>156,742,154</u>	<u>111,941</u>	<u>95,718</u>
Former share premium reserve included in equity			<u>13,896</u>	<u>13,896</u>

a) Movements in Ordinary Share Capital

Date	Details	Notes	Number of shares	Issue price	\$'000
01-07-2001	Opening Balance		140,135,924		84,640
13-11-2001	Exercise of options	c)	37,500	\$0.40	15
05-12-2001	Exercise of options	c)	10,000	\$0.40	4
05-12-2001	Exercise of options	c)	250,000	\$0.40	100
05-12-2001	Exercise of options	c)	12,500	\$0.40	5
02-01-2002	Share placement	d)	14,000,000	\$0.75	10,500
02-01-2002	Share issue cost				(525)
05-02-2002	Exercise of options	c)	250,000	\$0.50	125
12-03-2002	Exercise of options	c)	700,000	\$0.40	280
12-03-2002	Exercise of options	c)	1,000,000	\$0.40	400
31-05-2002	Exercise of options	c)	250,000	\$0.40	100
12-06-2002	Exercise of options	c)	96,230	\$0.772	74
30-06-2002	Balance		<u>156,742,154</u>		<u>95,718</u>
18-11-2002	Exercise of options	c)	2,300,000	\$0.40	920
28-02-2003	Shares issued	b)	1,100,000	\$0.45	495
28-04-2003	Share placement	d)	19,000,000	\$0.335	6,365
28-04-2003	Share issue cost				(326)
21-05-2003	Share purchase plan	d)	18,999,257	\$0.335	6,365
21-05-2003	Share issue cost				(349)
21-05-2003	Share placement	d)	7,267,164	\$0.335	2,435
21-05-2003	Share issue	d)	950,000	\$0.335	318
30-06-2003	Closing balance		<u>206,358,575</u>		<u>111,941</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

b) Options

During the year ended 30 June 2003 Gympie Gold's 90% owned Southland Colliery has purchased for \$5 million near new longwall face equipment which will be integrated into the existing longwall unit. As part of the purchase terms 1,100,000 shares in Gympie Gold Limited were issued to the vendor, Lake Coal Pty Limited a subsidiary of Excel Mining Limited, at an issue price of 45 cents per share.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

25. CONTRIBUTED EQUITY (continued)

c) Share Option Plan

- i) During the financial year 2,300,000 (2002: 2,606,230) shares were issued by Gympie Gold Limited as the result of exercise of options.
- ii) During the financial year 500,000 options have been issued to Hollyglade Holdings Ltd, financiers (2002: 298,630 options) by Gympie Gold Limited.

During the financial year 1,000,000 options have been issued to Lost Ark Nominees Pty Ltd, share underwriters (2002: nil) by Gympie Gold Limited.

All other options detailed below were issued to employees.

During the financial year 2,300,000 options exercisable at \$1.11 per ordinary share were granted to the Managing Director pursuant to the approval by shareholders at the Annual General Meeting on 31 October 2002.

At the end of the financial year, 11,963,997 options remained unexercised.

Grant Date	Expiry Date	Exercise Price	Options Granted	Options exercised and shares issued during the year		Unissued shares and options available at the end of the year	
				2003	2002	2003	2002
05-12-1996	05-12-2001	\$0.40	420,000	—	310,000	—	—
30-04-1997	30-04-2002	\$0.40	1,700,000	—	1,700,000	—	—
15-12-1997	15-12-2002	\$0.40	2,300,000	2,300,000	—	—	2,300,000
01-09-1998	01-09-2003	\$0.40	500,000	—	—	500,000	500,000
04-09-1998	04-09-2003	\$0.40	150,000	—	—	30,000	30,000
15-11-1999	15-11-2004	\$0.40	250,000	—	—	250,000	250,000
15-11-1999	15-11-2004	\$0.50	250,000	—	250,000	—	—
10-12-1999	10-12-2004	\$0.50	220,000	—	—	160,000	160,000
15-05-2000	15-05-2005	\$0.40	250,000	—	—	250,000	250,000
06-09-2000	06-09-2005	\$0.40	900,000	—	—	900,000	900,000
20-10-2000	20-10-2005	\$0.40	500,000	—	250,000	250,000	250,000
22-11-2000	22-11-2005	\$0.40	300,000	—	—	300,000	300,000
22-11-2000	22-11-2005	\$0.80	1,700,000	—	—	1,700,000	1,700,000
29-01-2001	29-01-2006	\$0.42	100,000	—	—	100,000	100,000
12-02-2001	12-02-2006	\$0.40	500,000	—	—	500,000	500,000
31-10-2001	31-10-2006	\$0.80	400,000	—	—	400,000	400,000
05-11-2001	05-11-2006	\$0.65	298,630	—	—	298,630	298,630
28-11-2001	28-11-2006	\$0.772	181,597	—	96,230	85,367	85,367
24-04-2002	24-04-2007	\$1.06	700,000	—	—	700,000	700,000
18-06-2002	18-06-2007	\$1.14	250,000	—	—	250,000	250,000
05-11-2002	05-11-2007	\$0.75	1,490,000	—	—	1,490,000	—
30-11-2002	30-11-2007	\$1.11	2,300,000	—	—	2,300,000	—
30-01-2003	30-01-2008	\$0.43	500,000	—	—	500,000	—
19-05-2003	19-05-2008	\$0.42	1,000,000	—	—	1,000,000	—
			17,160,227	2,300,000	2,606,230	11,963,997	8,973,997

d) i) Share Placement

Pursuant to the share placement announced on 13 December 2001 the Company issued 14,000,000 ordinary shares in the Company at an issue price of 75 cents per share to clients of WH Ireland (Stockbrokers) in the United Kingdom and clients of Southern Cross Equities (Stockbrokers) in Australia.

- ii) On 11 April 2003 the Company announced a package of equity raisings which were implemented in the following manner:

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

25. CONTRIBUTED EQUITY (continued)

Share Placement

On 28 April 2003, the Company issued 19,000,000 ordinary shares in the Company at an issue price of \$0.335 per share to professional and sophisticated investors.

Share Purchase Plan

On 12 May 2003 the Company issued 18,999,257 ordinary shares in the Company at an issue price of \$0.335 per share.

Share Placement

Pursuant to the resolutions approved at the General Meeting on 19 May 2003, the Company issued 7,267,164 ordinary shares in the Company at an issue price of \$0.335 per share to several of the Company's Directors.

iii) Share Issue

On 21 May 2003 the Company issued 950,000 ordinary shares in the Company at an issue price of \$0.335 as fee-consideration for underwriting the Share Purchase Plan.

	Consolidated		Gympie Gold Limited	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
26. RESERVES AND RETAINED PROFITS				
Retained profits/(accumulated losses) at the beginning of the financial year	6,112	8,602	(36,456)	(31,636)
Adjustment resulting from change in accounting policy for wages, salaries, annual leave and sick leave (Note 1)	(101)	–	(99)	–
Net loss attributable to members of Gympie Gold Limited	(22,858)	(2,490)	(12,199)	(4,820)
Retained profits/(accumulated losses) at the end of the financial year	(16,847)	6,112	(48,754)	(36,456)

27. COMMITMENTS FOR EXPENDITURE

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	139	209	139	209
Later than one year but not later than 5 years	–	139	–	139
	139	348	139	348

Finance leases

Commitments in relation to finance leases are payable as follows:

Within one year	2,988	1,576	8	8
Later than one year but not later than 5 years	5,387	3,346	3	10
Minimum lease payments	8,375	4,922	11	18
Less: Future finance charges	(1,029)	(638)	–	–
Total finance lease liabilities	7,346	4,284	11	18

Representing lease liabilities:

Current (Note 18)	2,466	1,274	8	8
Non-current (Note 22)	4,880	3,010	3	10
	7,346	4,284	11	18

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

27. COMMITMENTS FOR EXPENDITURE (continued)

Exploration Commitments

Continued rights of tenure to exploration and mining tenements are subject to the Company meeting certain commitments as set by the Department of Mines and Energy (Queensland). These obligations, which are subject to renegotiation upon expiry of such leases, are not provided for in the financial statements, as there is no legal liability for the Company to ensure that such commitments are met. However, as a result of the current status of the tenements, and the level of expenditure to date, there are no outstanding exploration commitments at balance date.

Capital Commitments

A controlled entity, Southland Coal Pty Limited, has made commitments for future expenditure for mine equipment and development of approximately \$3,000,000.

Contract in Relation to Coal Operations

A controlled entity, Southland Coal Pty Limited, has contractual obligations to sell coal on behalf of Thiess Southland Pty Ltd which holds a 10% joint venture interest in Southland Coal.

28. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated		Gympie Gold Limited	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Loss from ordinary activities after income tax	(22,858)	(2,490)	(12,199)	(4,820)
Depreciation of property, plant and equipment	3,484	2,757	47	42
Amortisation of exploration, evaluation and deferred mineral prospects	23,625	12,949	5	6
Exploration and development expenditure written off	425	—	420	—
Shares issued as consideration for underwriting the Share Purchase Plan	318	—	318	—
Changes in assets and liabilities				
Movement deferred tax balances	(1,919)	(813)	—	—
Provision for restoration/rehabilitation	(155)	(419)	—	—
Provision for deferred costs	639	—	639	—
Provision for employee entitlements	(12)	414	98	274
Deferred foreign exchange gain	3,304	—	—	—
Prepayments	(19)	(204)	(13)	(2)
Trade and sundry receivables	(6,655)	(4,527)	29	36
Creditors	3,679	8,635	1,144	(764)
Inventory	(6,965)	(1,929)	—	1
Deferred income	—	(758)	—	—
Inter-company charge	—	—	(501)	(600)
Net cash flow provided by/(used in) operating activities	(3,109)	13,615	(10,013)	(5,827)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

	Consolidated		Gympie Gold Limited	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
29. CONTINGENT LIABILITIES				
Guarantees				
Gympie Gold Limited and certain controlled entities have given guarantees to certain government bodies and unrelated parties amounting to	5,760	5,350	–	–

30. REMUNERATION OF AUDITORS

	Consolidated		Gympie Gold Limited	
	2003	2002	2003	2002
	\$	\$	\$	\$
Remuneration to the auditor of the parent entity and of the consolidated entity – PricewaterhouseCoopers:				
Remuneration for audit or review of the financial reports	204,320	103,000	61,487	33,781
Other services	–	94,800	–	94,800
	204,320	197,800	61,487	128,581

In accordance with ASIC 98/0100, auditors' remuneration has not been rounded.

31. EMPLOYEE ENTITLEMENTS

	Consolidated		Gympie Gold Limited	
	2003	2002	2003	2002
	Number	Number	Number	Number
Employee numbers				
Number of employees (excluding mining contractors) as at reporting date	151	148	10	11

Employee Share Option Plan

An employee share plan has been established whereby employees of the consolidated entity are issued with options over ordinary shares of Gympie Gold Limited. The options, issued for nil consideration, are issued in accordance with guidelines established by the Directors. The options cannot be transferred and will not be quoted on the Australian Stock Exchange.

During the year, 1,665,000 options were issued under this plan to those eligible and 175,000 of these were cancelled. The details of the options on issue are shown in Note 25.

A total of 2,300,000 ordinary shares were issued during the year ended 30 June 2003 on the exercise of options granted under the scheme. The amount received on the exercise of options is recognised as issued capital at the date of issue of the shares. The amount recognised during the year ended 30 June 2003 was \$920,000 (2002: \$1,029,000).

The terms and conditions of 4,000,000 options held by a Director as at 30 June 2003 are exactly the same as under the employee share option plan although they do not form a part of that plan.

The market value of ordinary Gympie Gold Limited shares closed at \$0.40 on 27 June 2003.

No other equities in any of the entities within the consolidated entity were acquired by or issued to employees during the year in relation to any other ownership-based remuneration plan.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

31. EMPLOYEE ENTITLEMENTS (continued)

Superannuation Commitments

AXA Australia provides employees with benefits on retirement, disability or death. The superannuation plan provides accumulated benefits based on the accumulation of employee and employer contributions with interest, and as such no actuarial assessments are required. Employees contribute various percentages of their wages and salaries to the plan. The consolidated entity has a legal obligation to contribute to the plan or an equivalent plan.

	Consolidated		Gympie Gold Limited	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
The aggregate employee entitlement liability is comprised of:				
Accrued wages, salaries, bonuses and on costs	1,195	464	201	197
Provision for employee entitlements – current (Note 19)	1,932	1,976	526	469
Provision for employee entitlements – non-current (Note 24)	670	638	184	143
Aggregate employee entitlement liability	2,602	2,614	710	612

32. RELATED PARTIES

Directors

The Directors of Gympie Gold Limited at any time during the financial year were:

Mr M G Darling, Mr H Adams, Mr P C Cadwallader, Mr J E Leach, Mr R Woodall and Dr C Rawlings.

Mr J Leach held office as a Director until 26 June 2003.

The following related party transactions occurred during the financial year ending 30 June 2003:

Transactions Of Directors And Director-Related Entities Concerning Shares Or Share Options

Aggregate numbers of shares and share options of Gympie Gold Limited acquired or disposed of by directors of the Company and consolidated entity or their director-related entities from the Company:

	Parent entity and consolidated	
	2003	2002
	Number	Number
Acquisitions/(Disposals)		
Ordinary shares by exercise of options	2,300,000	700,000
Ordinary shares by share placements	7,267,164	–
Ordinary shares purchased on market	434,783	–
Ordinary shares by share purchase plan	131,150	–
Options granted over ordinary shares	2,300,000	700,000
Disposal of ordinary shares	(1,297,035)	(715,000)

Aggregate numbers of shares and share options of Gympie Gold Limited held directly, indirectly or beneficially by directors of the Company or the consolidated entity or their director-related entities at balance date:

Ordinary shares	55,458,561	46,888,499
Options over ordinary shares	4,250,000	5,750,000

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

32. RELATED PARTIES (continued)

Other Transactions with Directors and Director-Related Entities

A director, Mr M G Darling, is a director and shareholder of Pilatus Capital Limited who provided Gympie Gold Limited a finance facility up to \$2 million. The Company borrowed \$2 million during the year and this was repaid in May 2003 together with interest totalling \$72,636 and the facility expired. This arrangement was based on normal commercial terms and conditions. During the year Pilatus provided an underwriting agreement to Gympie Gold Limited of up to \$5,825,000. A commitment fee of \$291,250 was paid in May 2003. This arrangement was based on normal commercial terms and conditions.

A director, Mr H Adams, is associated with the Adams Superannuation Fund who provided Gympie Gold Limited an underwriting facility of up to \$100,000 during the year. A commitment fee of \$5,000 was paid in May 2003. This arrangement was based on normal commercial terms and conditions.

A director, Mr J E Leach, is a director and shareholder of Braeburn Holdings Pty Ltd who provided Gympie Gold Limited an underwriting facility of up to \$75,000 during the year. A commitment fee of \$3,750 was paid in May 2003. This agreement was based on normal commercial terms and conditions.

A director, Mr R Woodall, is a director and shareholder of Earthsearch Consulting Group Pty Limited who provided geological consulting services during the financial year amounting to \$33,000 (2002: \$30,000). This arrangement is based on normal commercial terms and conditions.

Wholly-Owned Group

Gympie Gold Limited provided loan funds, management, administration and technical services to entities in the group during the year. Entities in the group reimbursed Gympie Gold Limited for costs incurred on their behalf.

Transactions between Gympie Gold Limited and other entities in the wholly-owned group during the years ended 30 June 2003 and 2002 consisted of:

- a) loans advanced by Gympie Gold Limited;
- b) loans repaid to Gympie Gold Limited;
- c) the payment of interest on the above loans.

Gympie Gold Limited	
2003	2002
\$'000	\$'000

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly-owned group:

Interest revenue	68	528
Management fee revenue	1,440	1,680

Aggregate amounts receivable from/payable to entities in the wholly-owned group at balance date:

Non-current receivables	113,823	69,214
Non-current payables	57,936	56,777

Ownership Interests in Related Parties

Interests held in the following classes of related parties are set out in the following notes:

- a) investment in controlled entities – Note 33;
- b) interest in joint venture – Note 39.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

33. INVESTMENTS IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Equity Holding		Cost of Parent Company's Investment	
		2003 %	2002 %	2003 \$'000	2002 \$'000
Devex Finance Pty Limited	Australia	100	100	-	-
Southland Mining Limited	Australia	100	100	33,619	33,619
Southland Coal Pty Limited	Australia	100	100	-	-
Southland Gold Pty Limited	Australia	100	100	-	-
NSW Mining Co Pty Limited	Australia	100	100	-	-
Doral Resources NL	Australia	100	100	27,833	27,833
Haoma Petroleum Pty Limited	Australia	100	100	-	-
Strata Petroleum Pty Limited	Australia	100	100	-	-
Doral Magnetite Pty Limited	Australia	100	100	-	-
Doral Lime Products Pty Limited	Australia	100	100	-	-
Gympie Eldorado Gold Mines Pty Limited	Australia	100	100	6,099	6,099
				67,551	67,551

34. EARNINGS PER SHARE

	Consolidated	
	2003 Cents	2002 Cents
Basic earnings per share	(13.9)	(1.7)
Diluted earnings per share	(13.9)	(1.6)
	2003 Shares	2002 Shares
Weighted average number of shares used as the denominator in calculating basic earnings per share	164,913,040	147,432,749
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	164,913,040	151,622,194

35. REMUNERATION OF DIRECTORS

	Directors of entities in the consolidated entity		Directors of parent entity	
	2003 \$	2002 \$	2003 \$	2002 \$
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities	1,134,808	1,253,699	1,134,808	1,253,699

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

35. REMUNERATION OF DIRECTORS (continued)

Options are granted to executive directors under the Gympie Gold Limited Employee Option Plan, details of which are set out in Note 31. Details of options granted to and exercised by directors during the year ended 30 June 2003 are set out in Note 32.

The amounts disclosed for remuneration of directors include the assessed fair values of options granted to directors during the year ended 30 June 2003 at the date they were granted. Fair values have been assessed using the Black-Scholes option pricing model. Factors taken into account by this model include the exercise price, the term of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. It should be noted however that these options are unlisted and non-transferable.

Directors' remuneration excludes insurance premiums of \$66,550 paid by the parent entity in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers. Information relating to the insurance contracts is set out in the directors' report.

The number of directors of Gympie Gold Limited whose total income from the parent entity or related parties remuneration falls within the following bands:

	\$	\$	2003	2002
30,000 – 39,999	–	39,999	1	1
40,000 – 49,999	–	49,999	3	3
50,000 – 59,999	–	59,999	–	1
60,000 – 69,999	–	69,999	1	–
70,000 – 79,999	–	79,999	1	–
80,000 – 89,999	–	89,999	–	1

36. REMUNERATION OF EXECUTIVES

	Executive Officers of the Consolidated Entity		Executive Officers of the Parent Entity	
	2003 \$	2002 \$	2003 \$	2002 \$
Amounts received or due and receivable by executive officers of the consolidated entity and the Company whose remuneration is at least \$100,000 or more, from entities in the consolidated entity and related entities.	2,082,847	2,343,499	1,530,347	2,343,499

Options are granted to executive officers under the Gympie Gold Limited Employee Option Plan, details of which are set out in Note 31.

The amounts disclosed for remuneration of executive officers in this note include the assessed fair values of options granted to executive officers during the year ended 30 June 2003 at the date they were granted. Fair values have been assessed using the Black-Scholes option pricing model. Factors taken into account by this model include the exercise price, the term of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. It should be noted however that these options are unlisted and non-transferable.

Executives' remuneration excludes insurance premiums of \$66,550 paid by the parent entity in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual executives.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

36. REMUNERATION OF EXECUTIVES (continued)

The number of Australian based executives (including directors) where remuneration from entities in the consolidated entity and related parties was within the specified bands is as follows:

		Consolidated		Gympie Gold Limited	
\$	\$	2003	2002	2003	2002
160,000	–	169,999	1	–	1
190,000	–	199,999	2	3	2
260,000	–	269,999	1	–	–
290,000	–	299,999	1	–	–
300,000	–	309,999	–	1	–
340,000	–	349,999	–	1	–
410,000	–	419,999	–	1	–
450,000	–	459,999	1	–	–
520,000	–	529,999	1	–	–
680,000	–	689,999	–	1	–

37. FINANCIAL INSTRUMENTS

Gympie Gold Limited and certain of its controlled entities are party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuation in foreign exchange rates and gold prices.

Forward Exchange Contracts

The sales revenue of one of the controlled entities is predominantly denominated in United States dollars. In order to protect against adverse exchange rate movements, all of the anticipated sales revenue is sold forward under forward exchange contracts.

The contracts are timed to mature to match expected US dollar revenue streams.

At balance date, the details of outstanding contracts are:

	Sell US Dollars		Buy Australian Dollars		Average Exchange Rate	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 Cents	2002 Cents
Forward foreign exchange contracts						
Maturity						
0–6 months	18,576	6,462	29,342	10,251	63.31	63.04
6–12 months	18,000	–	30,158	–	59.69	–
12–18 months	20,000	–	32,409	–	61.71	–
	56,576	6,462	91,909	10,251	61.57	63.04

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

37. FINANCIAL INSTRUMENTS (continued)

As these contracts are hedging anticipated future sales, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction. Included in the amounts deferred are any gains and losses on hedging contracts terminated prior to maturity where the related hedged transaction is still expected to occur.

The following gains, losses and costs have been deferred by the consolidated entity in relation to foreign exchange contracts as at 30 June 2003:

	2003 \$'000	2002 \$'000
Unrealised foreign exchange gains/(losses)	7,132	(1,240)
Deferred foreign exchange gain	3,304	—

Commodity Contracts

At 30 June 2003 the Company was committed to delivering 126,000 ounces of gold under forward sales contracts at an average price of \$520 per ounce to 31 December 2006 as follows:

Maturity Date	Ounces to be Delivered		Delivery Price	
	2003	2002	2003 \$	2002 \$
2002–2003	—	73,750	—	527
2003–2004	36,000	74,100	520	530
2004–2005	36,000	36,000	520	520
2005–2006	36,000	36,000	520	520
2006–2007	18,000	—	520	—
	126,000	219,850		

Unrealised hedging losses as at 30 June 2003 totalled \$3.7 million on gold contracts (2002: \$14.6 million loss).

Credit Risk Exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the statements of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

The recognised financial assets of the consolidated entity include amounts receivable arising from unrealised gains on derivative financial instruments. For off-balance sheet financial instruments, including derivatives, which are deliverable, credit risk also arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. A material exposure arises from forward exchange contracts and commodity contracts and the consolidated entity is exposed to loss in the event that counterparties fail to deliver the contracted amount. At balance date the consolidated entity is in a net loss position on commodity contracts and hence credit risk is limited to the carrying value of other receivables.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

37. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk Exposures

The consolidated Company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table.

2003	Notes	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest maturing in: 1 year or less \$'000	Over 1 to 5 years \$'000	Over 5 years \$'000	Non interest bearing \$'000	Total \$'000
Financial assets								
Cash and deposits	6, 16	3.8	8,666	—	—	—	—	8,666
Receivables	7	—	—	—	—	—	14,132	14,132
Receivables from bank in relation to foreign exchange contracts	10		—	—	—	—	7,132	7,132
			8,666	—	—	—	21,264	29,930
Financial liabilities								
Bank loans	22	7.7	28,000	—	—	—	—	28,000
Trade and other creditors	17	—	—	—	—	—	11,361	11,361
Mining loan – gold	18, 22	8.0	8,086	—	—	—	—	8,086
Stockpile finance	18	3.7	11,267	—	—	—	—	11,267
Lease liabilities	18, 22	7.8	—	2,466	4,880	—	—	7,346
Convertible notes	22	8.5	—	—	40,000	—	—	40,000
			47,353	2,466	44,880	—	11,361	106,060
Net financial assets (liabilities)			(38,687)	(2,466)	(44,880)	—	9,903	(76,130)

2002	Notes	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest maturing in: 1 year or less \$'000	Over 1 to 5 years \$'000	Over 5 years \$'000	Non interest bearing \$'000	Total \$'000
Financial assets								
Cash and deposits	6, 16	4.0	26,483	—	—	—	—	26,483
Receivables	7	—	—	—	—	—	7,477	7,477
			26,483	—	—	—	7,477	33,960
Financial liabilities								
Bank loans	22	6.6	7,720	—	—	—	—	7,720
Trade and other creditors	17	—	—	—	—	—	12,357	12,357
Mining loan – gold	18, 22	7.0	8,908	—	—	—	—	8,908
Mining loan – coal	18, 22	10.5	8,228	—	—	—	—	8,228
Stockpile finance	18	4.0	5,445	—	—	—	—	5,445
Lease liabilities	18, 22	8.2	—	1,274	3,010	—	—	4,284
Convertible notes	22	8.5	—	—	—	40,000	—	40,000
			30,301	1,274	3,010	40,000	12,357	86,942
Net financial assets (liabilities)			(3,818)	(1,274)	(3,010)	(40,000)	(4,880)	(52,982)

Net Fair Value of Financial Assets and Liabilities

The net fair value of monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts except for foreign exchange contracts which have a net fair value of \$4,758,000 and a carrying amount of \$7,132,000.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

38. NON-CASH FINANCING AND INVESTING ACTIVITIES

	Consolidated		Gympie Gold Limited	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Acquisition of plant and equipment by means of finance leases	5,816	2,032	–	–
Deferred mineral prospects – loan from mining contractor	–	548	–	–
Acquisition of plant and equipment by share issue	495	–	495	–

39. INTERESTS IN JOINT VENTURE

Joint Venture Operation

Southland Coal Pty Limited has entered into a joint venture operation with Thiess Southland Pty Limited called Southland Colliery Joint Venture. Southland Coal Pty Limited has a 90% participating interest in the joint venture.

The consolidated Company's interests in the assets in the joint venture are included in the consolidated statement of financial position, in accordance with the accounting policy described in Note 1, under the following classifications:

	Consolidated		Gympie Gold Limited	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Current Assets				
Cash	72	202	–	–
Receivables	13,842	6,370	–	–
Mine development	17,644	20,724	–	–
Inventories	11,185	5,058	–	–
Other	296	289	–	–
Total Current Assets	43,039	32,643	–	–
Non-Current Assets				
Deferred mineral prospects and plant and equipment – at cost	69,698	64,398	–	–
Less: Accumulated depreciation	(7,539)	(6,689)	–	–
Total Non-Current Assets	62,159	57,709	–	–
Share of Assets Employed in Joint Venture	105,198	90,352	–	–

Commitments for capital expenditure for the joint venture have been included in the capital commitments of the group (Note 27).

The Southland Colliery Joint Venture's principal activity is mining its coal reserves.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

40. SUBSEQUENT EVENTS

D'Aguilar Gold Limited was listed for trading on the Australian Stock Exchange on 21 August 2003. Three exploration areas were sold to D'Aguilar for \$1,500,000 paid in D'Aguilar shares at the listing price of \$0.20 each for 7,500,000 ordinary shares, which maintains Gympie Gold's ownership of D'Aguilar at approximately 25%.

No other matters or circumstances have arisen since 30 June 2003 that have significantly affected or may significantly affect:

- a) the consolidated Company's operations in future financial years; or
- b) the results of those operations in future financial years; or
- c) the consolidated Company's state of affairs in future financial years.

41. GOING CONCERN NOTE TO THE FINANCIAL STATEMENTS

The Directors believe the Group is a going concern and the financial report does not include any adjustments relating to the recoverability and classification of the recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

For the year ended 30 June 2003 Gympie Gold Limited and the entities it controlled (the Group), incurred an operating loss of \$22,858,000 after tax and had net cash outflows of \$17,744,000.

The unsatisfactory production for the period to March 2003 of the Southland Colliery was due to longwall face stability problems, primarily relating to a zone of poor ground conditions first encountered in September 2002. The zone had been anticipated in the mine plan but its impact was underestimated. A recurrence of such difficulties is not expected, based on the corrective measures taken and based on consultations with independent specialist experts.

As a result of the financial impact of the events between September 2002 and February 2003 the Group successfully raised \$15.2 million in May 2003. Gympie has also established an operating reserve account of \$6 million which may be drawn down with the agreement of the Lenders in certain circumstances to cover any difficult mining conditions.

During the year the Group rearranged its debt facilities with its bankers to increase its revolving credit line for coal stocks and debtors, and also to reschedule repayments of a term loan from the year ended 30 June 2003 to later in the term of the current facility which expires in the year ending 30 June 2005.

To ensure that the Group does not experience difficulties of a similar magnitude again, the following corrective operational measures have been taken:

- Additional detailed geological mapping was performed to confirm appropriate mining operations through the remainder of longwall panel SL3 and SL4 at Southland. These studies indicate the ground conditions are much-improved within the proposed mining horizon throughout the mine zones in which over 2.5 million tonnes of coal have been developed ready for extraction, including 0.5 million tonnes of coal remaining in the current longwall panel SL3 as at 30 June 2003 and over 1.6 million tonnes in SL4.
- Successfully moving the longwall to the floor of the Greta seam to access the improved geological conditions. This involved mining down through the poor ground conditions caused by in-seam shearing which had destabilised the upper half of the coal seam.
- Conversion of longwall operations from a 5-day roster to a continuous 7-day roster which enhances the ability of the longwall to cope with any difficult ground conditions and also results in an increase to the annual production capacity of the operations by approximately 18%.
- Mechanical improvements to the longwall unit and upgraded maintenance systems which enhanced operational reliability.
- Introduction of new rapid recovery strata fill techniques.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

41. GOING CONCERN NOTE TO THE FINANCIAL STATEMENTS (continued)

- In March 2003 the Group acquired near new longwall equipment to be integrated with the existing longwall unit. This new equipment will enhance control in the difficult group conditions previously encountered during SL3.

Since the various corrective measures were implemented, production resumed on 10 February 2003. In the six month period to August 2003 the average monthly production has been 195,000 tonnes. This level of production was in excess of forecast levels for that period and is consistent with the forecast for the year ending June 2004. The forecast production for the year ending June 2004 is between 1.8 million to 2.2 million saleable tonnes and at the date of this report the directors are confident this level of production can be achieved.

The forecast cash flows assume a restructuring of the current debt prior to December 2003. The objective of the restructuring is to replace a two year banking facility with a longer term facility. At the date of this report the directors are considering various options in conjunction with the Group's major lender to determine the most appropriate type of debt structure, and are confident in their expectation that the funding needs of the group will be met.

The assumptions used in preparing the cash flows also include the realisation of the mine plan which is dependent upon the continued success of the corrective operational measures described above and there being no unforeseen events that would have a significant negative impact on either the achievement of the revised mine plan or the cash flows relating thereto.

Until such time as the Group does restructure its existing two year banking facility, there is a significant uncertainty (as defined in Australian Auditing Standard 708) whether the Group will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Notwithstanding the foregoing the Directors believe that, on the basis of the operational and financial actions taken to date, it is reasonable to expect that the Group has the ability to continue as a going concern with a strengthened balance sheet.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 14 to 50:

- a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Harry Adams', with a stylized, jagged line for the surname.

Harry Adams
Director

Sydney
28 August 2003

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GYMPIE GOLD LIMITED

Audit Opinion

In our opinion, the financial report of Gympie Gold Limited:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Gympie Gold Limited and the Gympie Gold Group (defined below) as at 30 June 2003, and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the statement expressed above, attention is drawn to the following matter. As a result of the matters described in Note 41, there is significant uncertainty whether the Group will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Gympie Gold Limited (the company) and the Gympie Gold Group (the consolidated entity), for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GYMPIE GOLD LIMITED

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.



PricewaterhouseCoopers



Peter Buchholz
Partner

Sydney, 28 August 2003

SOUTHLAND COAL COAL RESOURCES AND COAL RESERVES STATEMENT

Summary Of Resources For Full Greta Seam Thickness
(Million tonnes of coal, As at 30 June 2003)

Location	Measured Resources	Indicated Resources	Total Resources
CML2	19.7	99.3	119.0
CCL728	0.6	21.9	22.5
Total Coal Resources	20.3	121.2	141.5

Summary Of Resources For 4.5 Metre Mining Height From Seam Base

Location	Measured Resources	Indicated Resources	Total Resources
CML2	10.1	70.5	80.6
CCL728	–	2.3	2.3
Total Coal Resources	10.1	72.8	82.9

- Resources are within tenements CML2 and CCL728 and have been estimated to a depth of 650 metres.
- Resource exclusion zones:
 - 20 metre barrier from external lease boundary;
 - 100 metre minimum distance from old workings;
 - 20 metres on each side of interpreted faults and dykes; and
 - northern part of Quorrobolong Fault Zone where seismic records indicate structural disturbance.
- Sulphur content generally increases towards the top of the Greta Seam. In the tenement area, the uppermost 1 metre to 2 metres of the 6 metre thick Greta Seam is high in sulphur (>3%), while the basal 4 metres of the seam has sulphur content typically averaging 0.8% to 1.0%.
- In-situ bulk density of the seam has been determined from an ash/ARD relationship adjusted for moisture. The relationship used is: $ARD = 1.2141 + (0.0099 \times \text{raw ash \% [ad]})$ corrected by subtracting 0.01 to allow for in-situ moisture.

SOUTHLAND COAL COAL RESOURCES AND COAL RESERVES STATEMENT (continued)

Summary Of Southland Coal Reserves
(Million tonnes of coal, As at 30 June 2003)

Location	Proved Reserves	Probable Reserves	Recoverable Reserves
North West (SL3–SL6)	3.75	1.15	4.90
South West (SL7–SL11)	–	7.87	7.87
East (SL11–SL22)	–	24.12	24.12
West (SL23–SL26)	–	3.86	3.86
Total Coal Reserves	3.75	37.00	40.75

1. Longwall extraction heights have been set at 3.1 metres for existing supports and 3.5 metres for replacement supports.
2. Coal barriers have been maintained at mine boundaries, adjacent to old workings and adjacent to faults where no mining has been included in the Reserves estimate. Barriers are:
 - 20 metre barrier at external lease boundary;
 - 100 metre barrier from old workings; and
 - 50 metre barrier either side of faults.
3. Roadway development roadway heights have been nominated at 3.3 metres.
4. In-situ bulk density of the seam has been determined from an ash/ARD relationship adjusted for moisture. The relationship used is: $ARD = 1.2141 + (0.0099 \times \text{raw ash \% [adj]})$ corrected by subtracting 0.01 to allow for in-situ moisture.
5. A moisture adjustment of 2% has been applied to the mined coal to determine the run-of-mine Recoverable Reserves.
6. Out of seam floor dilution of 25mm at an RD of 2.3 has been included in the Recoverable Reserves.
7. Adjustments to the June 2002 reserves estimation include a revised longwall extraction height, alteration to the mine plan in the southeast area and the production of 1.26 million tonnes during the 2002–03 financial year.

The above accurately reflect the reports of:

- R. Dyson of McElroy Bryan Geological Services Pty Ltd for the Coal Resources; and
- P. Mitchell of Minarco Asia Pacific Pty Ltd for the Coal Reserves;

who qualify as Competent Persons and have sufficient relevant experience in the field of activity being reported, as defined by the 1999 Australasian Joint Ore Reserve Code.

GYMPIE ELDORADO
MINERAL RESOURCES AND ORE RESERVES STATEMENT
(as at 30 June 2003)

Category	Tonnes	Grade g/t gold	Contained Gold Ounces 30 June 2003	30 June 2002
Inferred – North Inglewood	398,000	7.3	93,000	
Inferred – Mine Area	1,117,000	6.2	222,000	
Sub-total Inferred	1,515,000	6.5	315,000	473,000
Indicated - Partridge	281,000	8.7	79,000	
Indicated – Mine Area	1,146,000	6.6	245,000	
Sub-total Indicated	1,427,000	7.1	324,000	151,000
Measured – Mine Area	170,000	8.5	47,000	
Sub-total Measured	170,000	8.5	47,000	159,000
Total Mineral Resources	3,112,000	6.9	686,000	783,000
Probable – Partridge	101,000	7.39	24,000	
Probable – Mine Area	463,000	7.30	109,000	
Sub-total Probable	564,000	7.30	133,000	84,000
Proved – Mine Area	103,000	8.62	28,000	
Sub-total Proved	103,000	8.62	28,000	114,000
Total Ore Reserves	667,000	7.51	161,000	198,000

- Mineral Resources include Ore Reserves. Inferred Resources are not converted to Ore Reserves.
- High grades cut to 56g/t for Inglewood ore and 250g/t for Gympie Vein ore and Stockwork ore.
- Visible gold intercepts are assayed by screen-fired methods and others are fire assayed at NATA-registered independent laboratories. Standard and repeat samples, multi-laboratory cross-checks and other quality assurance procedures are used and sub-standard batches of samples have been re-assayed.
- Minimum mining width of 1.5 metres has been applied to Mineral Resources and a minimum mining width of 1.5 metres plus 0.3 metres of dilution at an assumed zero grade has been applied to Ore Reserves.
- Minimum block cut-off grades of 6 gram-metres has been applied for Mineral Resources and 9 gram-metres for Ore Reserves except for Stockworks which have geologically defined boundaries in places.
- Wide, low-grade Inglewood ore reserve blocks have a minimum cut-off grade of 4.0g/t applied.
- Allowances for mining losses and dilution have been made to convert Mineral Resources to Ore Reserve estimates. The historical positive ounces-reconciliation factor of 10% to 20% for actual production compared to Ore Reserve estimates of production **has not** been applied. Mining dilution and loss estimates for the modification of resources to reserves for Inglewood and Gympie lodes are based on historical performance. Engineering estimates of dilution and ore losses are based on mining outlines for Stockwork orebodies from studies by geotechnical consultants, K. Rosengren & Associates and Golders Associates, under the supervision of Competent Person R. Scargill.

The key changes since the Mineral Resources and Ore Reserves Statement as at 30 June 2002 are:

1. The depletion via mining of approximately 95,000 ounces from Mineral Resources and 60,000 ounces from Ore Reserves; and
2. Addition of 27,000 ounces of Ore Reserves in the Museum Shoot of the mine area.

This statement accurately reflect the reports of J. Dugdale, B. McQuitty, M. Parry, J. Ingram, J. Beckton, I. Levy and R. Scargill; who are Competent Persons with sufficient relevant experience in the field of activity being reported, as defined by the 1999 Australasian Joint Ore Reserve Code.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 18 September 2003.

A) Distribution of Equity Securities

Analysis of numbers of equity security holders by size of holding:

Size of Holding	Class of Equity Security	
	Ordinary Shares	Convertible Notes
1 – 1,000	810	19
1,001 – 5,000	2,709	231
5,001 – 10,000	1,337	320
10,001 – 100,000	2,111	437
100,001 and over	178	31
	<u>7,145</u>	<u>1,038</u>

There were 736 holders of less than a marketable parcel of ordinary shares and 551 holders of less than a marketable parcel of Convertible Notes.

B) Equity Security Holders

i) The names of the twenty largest holders of quoted ordinary shares are listed below:

Name	Ordinary Shares	
	Number Held	Percentage of Issued Shares
Pilatus Capital Pty Limited	45,082,549	21.81
National Nominees Limited	6,439,545	3.12
Permanent Trustee Australia Limited	5,613,167	2.72
Mafed Investments Pty Limited	5,108,485	2.47
Cogent Nominees Pty Limited	4,067,081	1.97
Cardel Pty Limited	2,654,630	1.28
Napla Pty Ltd	2,434,543	1.18
Commonwealth Custodial Services Limited	2,287,902	1.11
RBC Global Services Australia Nominees Pty Ltd	2,262,047	1.09
Citicorp Nominees Pty Limited		
<CFSIL CFS WS Small Comp A/C>	2,202,627	1.07
J P Morgan Nominees Australia	2,103,406	1.02
Duck Island Pty Ltd	2,000,000	0.97
Mr John Kahlbetzer	2,000,000	0.97
Vidacos Nominees Limited	2,000,000	0.97
ANZ Nominees Limited	1,966,181	0.95
Cal-Bara-Capital Pty Ltd	1,765,115	0.85
Westpac Custodian Nominees Limited	1,539,725	0.74
Mutual Trust Pty Ltd	1,491,455	0.72
Citicorp Nominees Pty Limited	1,363,589	0.66
Ms Julie Adams & Mr Nicholas Adams	1,221,885	0.59
Total for Top 20 Shareholders	95,603,932	46.26

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 18 September 2003.

- ii) The names of the twenty largest holders of quoted Convertible Notes are listed below:

Name	Convertible Notes	
	Number Held	Percentage of Issued Convertible Notes
Westpac Custodian Nominees Limited	5,256,475	13.14
National Nominees Limited	3,948,394	9.87
Chase Nominees Limited	3,000,000	7.50
ANZ Nominees Limited	1,955,127	4.89
Anglo Pacific Group plc	1,120,000	2.80
Argo Investments Limited	1,000,000	2.50
Commonwealth Custodial Services Limited	1,000,000	2.50
RBC Global Services Australia Nominees Pty Limited	980,160	2.45
JP Morgan Nominees Australia	520,000	1.30
McCusker Holdings Pty Ltd	500,000	1.25
Invia Custodian Pty Limited <WAM Equity Fund A/C>	489,615	1.22
Invia Custodian Pty Limited <WAM Capital Limited A/C>	396,000	0.99
Greenfield Company Limited	303,000	0.76
Mr Daryl Albert Dixon & Mrs Katherine Dixon	255,000	0.64
Mr Mike Hale & Ms Gail Davidson	250,000	0.63
Reach Out Pty Ltd	250,000	0.63
Ms Cindy Sullivan	250,000	0.63
HSBC Custodian Nominees (Australia) Limited	230,000	0.58
Miroma Investment Inc	210,000	0.53
LGT Bank in Liechtenstein	203,000	0.51
Total for Top 20 Noteholders	22,116,771	55.32

C) Substantial Holders

Substantial holders in the Company are set out below:

Ordinary Shares	Number Held	Percentage
Pilatus Capital Pty Limited	51,356,581	24.9%

D) Voting Rights

The voting rights attaching to each class of equity securities are set out below:

- Ordinary Shares* – On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- Options* – No voting rights.
- Convertible Notes* – No voting rights.

E) Listings

Gympie Gold Limited is listed on the Australian Stock Exchange and quoted on the London Alternative Investment Market.