KPMG Corporate Recovery

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Ref: Gympie04C-Cr 2nd Circ-L2301-CJR

Circular to Creditors
30 January 2004

Gympie Gold Limited	**ACN 000 759 535**
Southland Mining Ltd	**ACN 000 610 926**
Southland Coal Pty Ltd	**ACN 000 077 225**
Gympie Eldorado Gold Mines Pty Ltd	**ACN 068 754 530**

(Receivers and Managers appointed)
(Administrators appointed)

Southland Gold Pty Ltd	**ACN 074 464 967**
Devex Pty Ltd	**ACN 000 075 043**
Doral Resources NL	**ACN 008 902 010**
Haoma Petroleum Pty Ltd	**ACN 008 741 222**
Strata Petroleum Pty Ltd	**ACN 008 901 997**
Doral Magnetite Pty Ltd	**ACN 009 352 443**
Doral Lime Products Pty Ltd	**ACN 009 327 780**
Gympie Gold Mining Pty Ltd	**ACN 008 598 703**

(Administrators appointed)

I refer to the Administrators' first Circular to Creditors dated 30 December 2003, and provide the following update on the Voluntary Administration of the above named companies.

Appointment of Voluntary Administrators and Receivers and Managers

As creditors are aware, Voluntary Administrators were appointed to the above companies by resolution of the companies' directors on 30 December 2003 following an underground fire at the Southland mine. Immediately following the appointment of Voluntary Administrators, Mr Andrew Love and others from Ferrier Hodgson were appointed as Receivers and Managers by HSBC Precious Metals Australia Limited. The Receivers and Managers are in control of the company's assets and affairs. As such, while the Administrators can hold meetings of creditors and receive details of unsecured creditors claims, developments are largely dependent upon either the progress of the Receivers and Managers or proposals being received for a Deed of Company Arrangement satisfactory to the Receivers and Managers.

Progress at Southland Mine

The underground fire at the Southland Mine on 24 December 2003 precipitated the voluntary administration of the companies. The mine was subsequently sealed and the fire suppressed.

Until the mine can be accessed, the full extent of damage and the ramifications of the disaster cannot be determined. It is likely to be some time before the Southland Mine is rendered safe for re-entry for investigations or other mining activities.

The Receivers and Managers have instigated investigations into the status of the damage to the mine. It is planned for a camera and other monitoring tools to be inserted into the hazard area for the purposes of investigating the cause and extent of the damage in question. The first such drill-hole entry was achieved on 19 January 2004 which indicated low temperatures in the tail-gate end of the longwall face. This is a positive sign that perhaps the longwall mining unit was not damaged extensively. Further follow-up investigations are nonetheless required.

Offer for sale of Gympie Eldorado

On 19 January the Receivers and Managers announced to the ASX and AIM financial markets that they are to offer for sale Gympie Eldorado Gold Mines Pty Ltd or its assets, together with its interest in D'Aguilar Gold Limited. The Receivers expect to receive indicative offers for the sale of the gold assets owned by Gympie Eldorado by 18 February 2004 with an expectation that final offers be received by 17 March 2004. It is possible that the outcomes will not be publicly known and any transaction will not complete for some time after that date.

Financial position

As a result of the urgent activity required following the Southland Mine fire and the requirements of the Receivers and Managers, the directors of the companies have sought and received extensions of time for the preparation and submission of Reports as to Affairs for each of the companies. At this stage those reports are not expected until early next month. At that time, the Administrators will be in a better position to assess the financial position of each of the companies within the group.

The Administrators have received numerous enquiries regarding the Southland Mine fire and the availability of insurance. The formulation of any insurance claim is presently in its early stages and will be dependent upon the outcome of the investigations that are currently occurring at the Southland Mine and various technical assessments arising out of this work. At this stage, the value of any insurance claim cannot be quantified.

Statutory timetable

The first statutory meeting of creditors was held on 7 January 2003. A copy of the minutes to this meeting can be found on www.gympiegold.com.au. At this meeting the creditors of three of the main companies, being Gympie Gold, Gympie Eldorado and Southland Coal, resolved, inter alia, to appoint a committee of creditors (Creditors' Committee).

Under the Voluntary Administration process, Administrators are generally required to convene a second meeting of creditors within a maximum of 28 days of appointment. At the second meeting, creditors decide between three options to determine the future of the company under administration, being (1) the administration ending (where the company is solvent) (2) a deed of company arrangement, or (3) liquidation.

Application for extension of the convening period for the second meeting

Legislation provides that, in certain cases, the Administrator may apply to the court to extend the usual convening period. The Administrators have sought and obtained a four month extension to the statutory convening period for the second meeting of creditors after undertaking a preliminary assessment of the circumstances of the Group and consultation with key stakeholders. The period of the extension was determined having regard to the likely timeframes involved with the following:

- A further two to four months are required for investigations to be completed so that the status of the Southland Mine can be determined;
- The Administrators will not be able to fully assess the financial status and viability of the group until these further investigations have been completed and we have a better idea of potential arrangements for the sale of the Gympie Eldorado assets and the nature extent of the insurance recoveries;
- The affairs of the companies are complex and there are interrelated arrangements within the group which also require further investigation. As the affairs and obligations of the various companies are interlinked any proposal for a deed of company arrangement will necessarily require incorporating the commitment of all of the companies;
- Further time is required to canvass both overseas and domestic markets to ascertain the level of interest in the companies and their assets – again this process cannot be commenced until the status of the mine is known;
- If the result of the investigations I have outlined above is positive, there will be a reasonable likelihood that the affairs of the companies can be restructured which may result in a significantly higher return to creditors and the retention of a significantly greater number of jobs than would eventuate in a liquidation scenario. However, until investigations are complete, it is not possible to put forward a deed of company arrangement or to provide creditors with the information they will need to make an informed decision as to whether or not to vote in favour of such a deed at the second creditors' meeting; and
- Presently, it is not possible to know the extent of the damage to the mine or whether or not the business can be restructured or salvaged, or whether the mine asset can be sold for a material sum. Without the extension I do not believe that the interests of the companies and the creditors would be best served.

In the circumstances, the Administrator applied to Court on Thursday 22 January for a four-month extension to the normal convening period. Prior to making this application, I sought and received support for the application from the Receivers and Managers and the first ranking secured creditors, representatives of management and all members of the committees of creditors.

The Court made orders granting the extension for all companies on 22 January 2004. In the event the circumstances enable the options available to creditors to be considered in a shorter timeframe than the additional four months allowed, then the meetings may be convened at an earlier date.

I have agreed with the elected Committees of Creditors for three of the 12 companies that I will convene regular meetings or teleconferences with them during the extension period to keep them informed of developments.

Future Reporting and information

Prior to the second meeting of creditors I shall send written notice to all creditors, with a report about the companies, which will also detail my recommendation as to the three options for the future of the company, and include the details of any proposed deed of company arrangement.

If you wish to follow the progress of the companies in the interim period, please refer to www.gympiegold.com.au, where regular updates will be posted.

Creditors who wish to discuss any aspects of the above should please contact Chania Rodwell or Travis Shields of my staff at on 02 9455 9161 or 02 9335 8755.

Dated 30 January 2004

M C Smith
Administrator

J D Hayes
Administrator

KPMG

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Media / ASX / AIM release – 30 January 2004
Extension of convening period for the second statutory meeting of creditors

On Thursday 22 January 2004, the Supreme Court of NSW granted to the Administrators of the above companies a four-month extension to the convening period for the second statutory meetings of creditors. The Administrators must now report to and convene the second meetings of creditors on or before 26 May 2004. The second meetings will be held within 5 business days of the end of this extended convening period. The second meeting is held to enable creditors to decide the future of the companies (as between the Administration ending, a Deed of Company arrangement, if proposed, being entered into or liquidation). In the event that circumstances enable the options available to creditors to be considered in a shorter timeframe than the additional four months allowed, then the meetings may be convened at an earlier date.

The four month extension was sought after a preliminary assessment of the circumstances of the group and consultation with key stakeholders. The period of the extension was determined having regard to the likely timeframes involved in the further investigations into the damage caused by the fire at the Southland mine (expected to take another 2 to 4 months), the Receivers and Managers recently announced program to offer the gold assets of the group for sale and related assessments regarding the future viability of the group. The Administrators are likely to be in a better position to determine whether a Deed of Company Arrangement can be proposed in the best interests of all stakeholders.

The Receivers and Managers, the first ranking secured creditors and all members of the elected committees of creditors supported the Administrators in their application for the extension to the convening period.

Further information is provided on www.gympiegold.com.au, where an updated circular to creditors has been published.