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REPORT TO SHAREHOLDERS

MARCH QUARTER 2006

Highlights

- Major improvement to mine performance
- Positive cash contribution from mining
- Gold shipped 4,817 ounces (3,010 ounces)
- In mine exploration success

Operations Review

Results from the Monkland mine for the 3rd quarter reflect the benefits of significant operational and management changes implemented in January following the review of under performance in the preceding quarter. The new team has focussed on the simple things, cost reductions, payable ore, planned maintenance and appropriate mining practices in a safe working environment. The results have been immediate and encouraging.

Gold shipped was 4,817 ounces (previous quarter 3,010 ounces) at a cash cost of $600 per ounce ($1,260). The mine generated $29,000 in free cash plus a further $627,000 in respect of gold shipped in March for which payment was received in April; (previous quarter $1.5m outflow). Funding the temporary increase in gold debtors plus exploration and administration costs meant net operating outflows were $1.1m compared to $4.2m in the previous quarter.

During the quarter, 18,804 tonnes were milled (16,162 tonnes) at an average grade of 7.78 g/t (6.07 g/t). Renewed focus on hand held mining which is more appropriate to the narrow stopes, has greatly reduced dilution. The introduction of tribute miners with payments directly related to gold production has improved mill delivery rates, where recovery remains above 96%.

Stabilisation of the operations has allowed management to now focus on in mine exploration aimed at extending mine life.

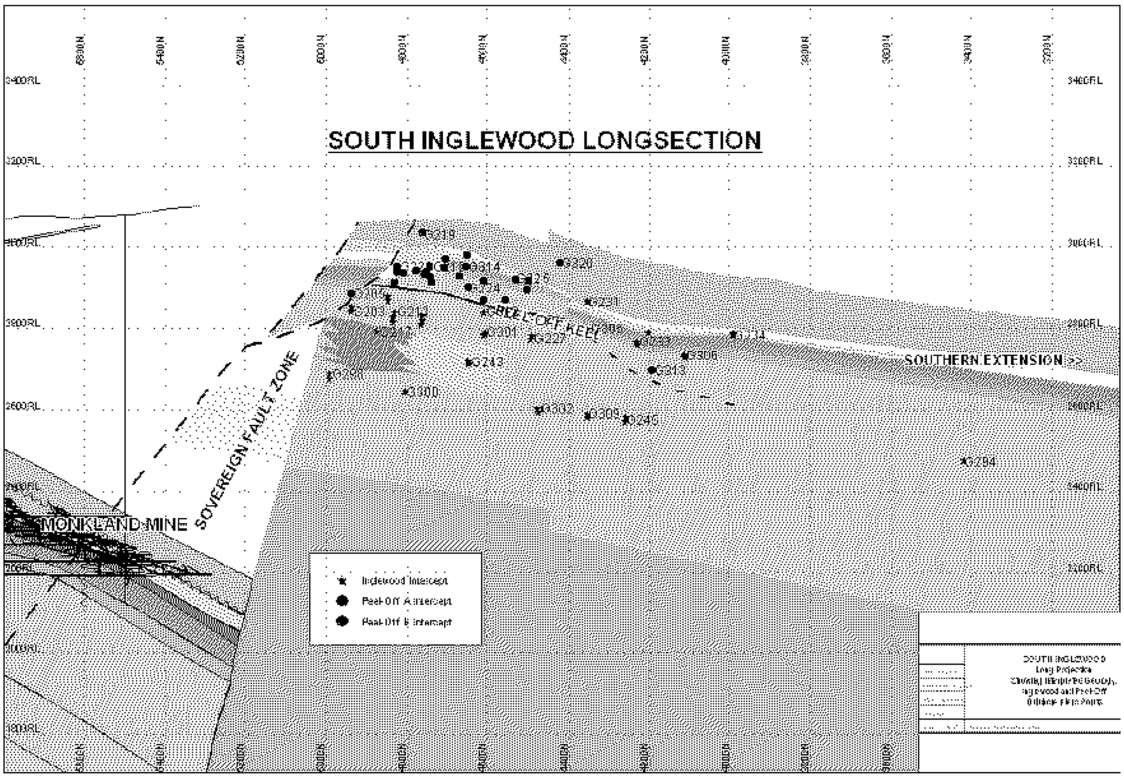
Four diamond drillholes, into a position east of the Inglewood structure and above Stockworks 6A, have outlined approximately 6,000 tonnes of ore grading an estimated 17 g/t. Drilling has also commenced into subs 4 and 5 above 12L where extensions of the Eastern Lode Channel in the Museum Block are a priority target. Approval has been given for 3 holes totalling 800m aimed at proving a resource in the Oriental Consols mine where 1915 Mines Department reports indicate the presence of "a large flat quartz formation and several shows of gold". Work at that time was reputed to have been suspended due to the Inspector of Mines condemning the winding rope. Should this drilling be successful, access is available from 13L.

Over the next 2 months, management will put a further proposal together for a series of exploration holes beneath 18L, currently the lowest developed level in the mine, seeking extensions to the Peel Off A and Caldwell structures. Both these structures were mined on 18L and remain open down plunge. A drilling position is immediately available on 15L and minimal clean-up is required on 18L where activity ceased several years ago.

The performance improvements and in mine exploration are very encouraging and allow management to continue their endeavours to establish a profitable operation. Fourth quarter production is expected to be approximately 4,000 ounces, with some milling time to be taken by toll treatment of third party ores. Management remains focussed on ensuring that gold sales cover all operating costs and development.

Surface Exploration

Two contract rigs continued surface exploration activities on the Gympie tenements, during the quarter, with some 2,951 metres (previous quarter - 4,518 metres) of surface diamond drilling completed at South Inglewood within EPM 6031.



One hole was drilled into the Inglewood structure which was intersected at a depth of 459 metres with better mineralization encountered in the Eastern Lode Channel.

Twelve holes were drilled to test the Peel-Off A and associated structures at South Inglewood where previous drilling had returned several promising intercepts from those structures.

Although the geological model developed for the structure in the South Inglewood area was again shown to be correct and the intersections contained significant quantities of quartz veining and frequent visible gold, all intersections were sub-economic. A review of drilling to date, together with structural assessment by independent experts, and updating of the Gympie mineralization model is currently underway. Further work at South Inglewood, including drilling, is planned once the review has been completed.

Significant intersections at South Inglewood not previously reported were:

Hole	Northing	Easting	Azimuth	Dip	From (m)	Interval (m)	Au (g/t)	Comment
G309	7098368	469580	93	-82	473.3	0.68	0.21	Inglewood structure (ELC) with 25% quartz
G310	7098534	469583	81	-81	152.5	2.72	0.22	Peel-Off A structure with 30% quartz
G311	7098535	469582	54	-59	148. 8	6.65	1.18	Stockwork in Curra Sandstone; 2% quartz Visible Au
G311	7098535	469582	54	-59	156.5	6.11	0.34	Stockwork in Top Conglomerate; 4% quartz
G312	7098650	469579	212	-81	195.5	43.52 (downhole)	0.50	Inglewood Eastern lode Channel; 55% quartz; visible gold Drilled down structure
G313	7098203	469676	43	-71	266.2	3.99	0.49	Peel-Off B in Mary Volcanics; 19% quartz
G314	7098662	469490	52	-53	116.5	3.33	0.56	Peel-Off A structure with 17% quartz
G314	7098662	469490	52	-53	131.5	18.15	0.38	Stockwork in Calton Volcanics; 5% quartz Visible Au
G316	7098662	469489	13	-49	126.0	3.0	0.52	Peel-Off A structure in Break with 15% quartz
G317	7098662	469488	18	-36	143.7	0.13	22.74	Quartz vein in Curra Sandstone; visible gold
G318	7098753	469411	46	-47	115.9	9.99	0.59	Peel-Off A Stockwork; 8% quartz
G319	7098652	469579	34	-62	145.8	1.79	0.72	Lower Peel-Off A; 28% quartz

1. Intervals (except G312) are estimated true widths and grades are weighted mean over sampled intervals. ..
2. Halved HQ core samples were analysed by 50g Fire Assay (AAS) or by Screen Fire Assay (AAS) on 1kg splits of 0.25m-0.5m samples if coarse gold was present.

While this review is underway the exploration emphasis has switched to the Monkland Mine and Regional areas. Within the mine the potential for locating additional resources below existing workings has been enhanced by the recent rise in the gold price. A number of targets have been identified and diamond drilling from current underground workings has commenced (see above).

Regional Exploration

Regional exploration re-commenced during the quarter with stream sediment sampling, rock chip sampling and geological mapping being undertaken in and around the Six Mile Creek drainage system on EPM's 6031, 14859 and 14860, south of Gympie.

Aircore drilling commenced in the Two Mile West prospect area, six kilometres northwest of the Monkland mine. Limited previous drilling and geochemistry produced significant gold-arsenic anomalies. By the end of the quarter 75 holes had been completed with hole depths averaging 10 metres. No assay results had been received at the date of this report.

The intense focus on South Inglewood during the second and third quarters meant limited resources were allocated to regional work. In the next quarter several thousand metres of aircore drilling are planned north, west, and south of the Monkland mine to obtain bedrock samples from beneath alluvium for lithological identification and geochemical analysis. Based on the success of this exploration technique in the past at Gympie it is expected that a number of discrete geochemical anomalies within prospective lithologies will be located which will warrant further testing by drilling. Drilling of geochemical anomalies defined by aircore drilling through the alluvial deposits of the Mary River floodplain have previously resulted in the discovery of totally blind mineralisation such as the Partridge and Wylly deposits.

Competent Persons' Statement:

The information in this report that relates to exploration results is based on information compiled by Mr Anthony Woodward, who is a Member of the Australian Institute of Scientists and the Australasian Institute of Mining and Metallurgy. Mr Woodward is a full-time employee of Gympie Eldorado Mining Pty Ltd. Mr Woodward has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Woodward consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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