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Gympie Gold Limited
ACN 000 759 535
(Receivers and Managers appointed)
(Administrators Appointed)

NOTICE TO SHAREHOLDERS

Following an underground fire at the Southland Colliery over the Christmas period, the Board of Gympie Gold Limited appointed Joseph Hayes and Murray Smith of KPMG as Voluntary Administrators to the Group on 30 December 2003. Later the same day, HSBC Precious Metals (Australia) Limited, acting as Agent for the company's corporate loan facility, appointed Andrew Love, Peter Geroff and Allan Lewis of Ferrier Hodgson variously as Receivers and Managers to the Group.

We advise that the general meeting of shareholders, which was scheduled for 8 January 2004 to approve the issue and placement of new shares and ratify the November 2003 placement for the purposes of raising capital, has now been cancelled.

I attach a letter from Mr Harry Adams, the Managing Director of Gympie Gold Limited that provides further details. Shareholders should also refer to the Company's website www.gympiegold.com.au which contains the series of announcements made by the company.

In the first instance, shareholders should contact Mr Roger Howe at Gympie Gold on 02 9251 2777.

Dated 5 January 2004



Murray C Smith
Administrator
KPMG



Joseph D Hayes
Administrator
KPMG

GYMPIE GOLD LIMITED

ABN 88 000 759 535

Under Receivership of Ferrier Hodgson and Administration of KPMG

5 January 2004

Dear Shareholder

As you will be aware, a very serious underground fire occurred at the Southland Colliery over the Christmas period. The purpose of this letter is to inform shareholders about the devastating consequences this disaster and to advise that the General Meeting of shareholders scheduled for 8 January 2004 will not be held.

On 23 December, elevated gas levels were detected and the mine was evacuated. On 24 December, the situation escalated into an emergency as a "heating" indicated increased potential for spontaneous combustion of in-situ coal. On 25 December, the heating worsened and a fire commenced underground, which was suppressed by changes to mine ventilation. On 27 December, further containment was effected by injection into the mine of suppression gases, which choked oxygen supply to the fire. The fire has been suppressed and the mine sealed in a manner which will allow flexibility as to re-entry or ultimately permanent closure, if such a course is dictated by safety or economic considerations.

We are enormously relieved that not a single injury has been incurred. An expert working group continues to evaluate the conditions in the underground mine and how best to make the mine safe for re-entry. It may remain unsafe to re-enter the mine for a protracted period. It will be necessary to physically inspect the mine workings and equipment underground in order to reasonably estimate the cost to potentially re-commence production.

The financial circumstances facing the Company were reviewed by your Directors. The Board determined that the Company faced the possibility of not being able to meet its debts as and when they fell due, given that a) Southland would be incurring extra costs and not generating income for at least several months, b) the second tranche of the recent \$25 million placement would not proceed, and c) additional funding could not be raised whilst there was uncertainty of resuming production at Southland. In these circumstances, Corporations Law is very precise about the duties of the Board. Your Directors immediately and reluctantly appointed KPMG as Voluntary Administrators of the Company. The Company's major lenders then appointed Ferrier Hodgson as Receivers and Managers.

The Company is likely to remain in Receivership and Administration for at least several months. During this process, trading in the Company's shares will remain suspended. The ultimate outcome of this process is for the Company's shares to either re-commence trading or be delisted. In the meantime, Gympie Gold will strive to continue to meet its reporting obligations to the ASX as a listed company and post information on its website.

These events have been an enormous disappointment to the entire organisation. The Board of Directors, Managing Director and staff of Gympie Gold are pro-actively assisting the Voluntary Administrators and Receivers and Managers, with a view to preserving as much value as possible for all stakeholders.

Yours sincerely

Harry Adams
Managing Director
Gympie Gold Limited