

LETTER TO SHAREHOLDERS

8 November 2021

Dear shareholder,

On behalf of the Board and management team of Gascoyne Resources Limited (“**Gascoyne**” or the “**Company**”) (ASX:GKY) we would like to provide an update on the Firefly Resources Limited (“**Firefly**”) Scheme of Arrangement (“**Scheme**”), the recent takeover offer (“**Westgold Offer**”) from Westgold Resources Limited (“**Westgold**”) and upcoming operational activities.

At the time of entering into the Scheme, the Gascoyne Board considered that the Firefly transaction was in the best interests of Gascoyne shareholders. We recognise our obligation to now deliver on the strategic rationale and value uplift of the Firefly transaction to our shareholders so would like to provide an update on our future plans.

Operational Update

Recent events serve to confirm the strategic value of the +2.5Mtpa Dalgaranga processing hub in the Murchison region. Since we recapitalised the business in 2020 our strategy has been to add value to the Company by building our mining pipeline around this asset, targeting higher grade ore sources which have the potential to deliver higher profitability and a step change in production.

The Gascoyne Board believes the combination with Firefly’s Yalgoo assets will help to deliver on this objective. With the Firefly transaction set to complete in the coming days, we are well advanced in the integration process and there are several upcoming milestones which we expect to achieve between now and the end of the March 2022 quarter. These include:

- An update to the Mineral Resource Estimate for the Melville deposit;
- Maiden Mineral Resource Estimate for the Applecross deposit;
- A Scoping Study for the Melville deposit;
- Maiden Ore Reserve for Melville; and
- Submission of Mining Proposal for Melville.

The developments all support the Updated Business Plan for Dalgaranga which we announced last month. In essence we will be prioritising the introduction of regional deposits like Melville over a previously planned Stage 3 cutback of the Gilbey’s open pit. This will reduce waste stripping costs and improve short to mid-term cashflow.

Our exploration program is also continuing in parallel with our mining activities. Over the next two quarters we are expecting results from the Hendricks, Greencock and Sly Fox targets at Dalgaranga. Results from previously completed drilling at Yalgoo are still outstanding and also expected in the coming weeks.

Through the Firefly transaction we have doubled our landholding in the Murchison region which increases our chance of discovery. We will continue to advance several near-surface deposits identified by Firefly including Don Bradman, Crescent and Brilliant, but will also expand our search across the broader tenement package which hasn’t yet been subject to a modern, systematic exploration program under one owner.

Westgold Offer and Firefly Merger

As you may have seen, the Scheme has been approved by Firefly shareholders and the Supreme Court of Western Australia (the “**Court**”) and the Scheme is now effective. The issue of Gascoyne shares to Firefly shareholders as consideration for the Scheme will take place on 10 November 2021 and completion will occur on the same day.

These milestones mean that the condition in the Westgold Offer of the Scheme with Firefly not proceeding and being validly terminated (“**Firefly Scheme Termination Condition**”) could not be satisfied. Westgold has said that it will not waive any conditions of the Westgold Offer and is seeking consent from the Australian Securities and Investment Commission (“**ASIC**”) to withdraw the offer.

This has been a challenging process and we recognise there are Gascoyne shareholders who are understandably frustrated by these events. Accordingly, we feel it is important to try to explain the full context of the situation the Gascoyne Board was facing when it was seeking to achieve the best outcome for shareholders.

There are several important facts which corralled our decision making in the past six weeks:

- The Scheme Implementation Deed (“**SID**”) between Gascoyne and Firefly was released to the ASX on 16 June 2021. The Westgold Offer was only made on 30 September 2021, some 2 ½ months after Gascoyne was legally bound to comply with the SID. Therefore, the timing and conditionality of the Westgold Offer made it legally incapable of being completed. Had the Westgold Offer been made before mid-June 2021, the Gascoyne Board would have had more flexibility in its future dealings.
- The SID did not have a termination right for Gascoyne. Such a structure where a buyer does not have a valid termination right is common in the Australian market. The structure was scrutinised by the Takeovers Panel, ASIC and the Court throughout the process and was deemed to be proper and justifiable for Gascoyne.
- Firefly was the only party able to validly terminate the Scheme and Gascoyne sought to find a way to satisfy this condition of the Westgold Offer through negotiations with Firefly. Despite several attempts, Firefly was not inclined to terminate the SID.
- Had Gascoyne tried to terminate the SID, our legal obligations would have compelled us to comply with the SID rather than be able to settle through a damages payment to Firefly. Under the terms of the SID there was no commercial outcome available.

Conclusion

Gascoyne recommenced trading on the ASX a little more than 12 months ago in October 2020. The team we have assembled has completed an operational turnaround, recapitalised the business and established a solid foundation from where we can now grow. We remain resolutely committed to delivering long-term value for our shareholders and have a clear strategy in place to achieve it.

The Yalgoo assets are an important pillar to making Gascoyne a more valuable business and building on the value underpinned by the Dalgara processing plant.

We understand the events of recent weeks have been frustrating for a number of shareholders and reaffirm our commitment to delivering on our strategy and creating value for our shareholders.

Yours faithfully



George Bauk
Non-Executive Chair



Richard Hay
Managing Director & CEO