

20 September 2019
Australian Securities Exchange Limited
Via ASX Market Announcements Platform

DALGARANGA OPERATIONS UPDATE – AUGUST 2019

- August reconciled monthly gold production of 5,767 ounces recovered;
- Rolling 3-month average result of 6,113 ounces per month recovered;
- Record average spot gold price of \$2,186/oz received in August on 6,516oz gold sold;
- 25% of August production included mill feed grade exceeding 1.0 g/t Au;
- August reconciled monthly gold production derived from processing of 249kt at 0.83 g/t Au at 87.3% recovery, (July 241kt at 0.84 g/t Au at 90.9% recovery);
- Gravity component of gold recovered was 13.7% for August, continuing the high proportion recovered in July (11.4%) from the areas of the pit where increasing fresh rock is being accessed;
- Golden Wings pit recommenced mining during August as per Interim Mine Plan (IMP);
- Good August reconciliation results against the Localised Uniform Conditioning (LUC)¹ geological model of 105% tonnes, 89% grade and 93% metal; and
- Two-month average reconciliation (July-August) of 105% tonnes, 94% grade and 99% metal.

Long Term Planning

- Ore Reserve estimation is being finalised, with announcement expected in the near term upon completion;
- New Life of Mine Plan (LOMP) developed in parallel with Ore Reserve estimation.

Voluntary Administration

- Dual track sale/recapitalisation process commenced;
- Revenue protection puts purchased.

Gascoyne Resources Limited (Administrators Appointed) (“Gascoyne” or “Company”)(ASX:GCY) provides the following update on recent operational activities for the month of August.

August Production

Final reconciled production for the full month of August was 5,767 ounces recovered, with 6,778 fine ounces poured.

This equates to a rolling 3-month average of 6,113 ounces recovered. August production was derived from 249kt of ore processed at an average grade of 0.83 g/t Au with metallurgical recoveries of 87.3% (Table1). The lower recovery is directly attributable to low recovery on two separate days when significant quantities of lower recovery shale ore was processed during August. The tactics around processing of shale ore generally is being reviewed as it appears to be having an impact in September as well. Further details will be provided in the next production update.

1. Recoverable LUC model includes 10% ore loss on metal as recommended by Cube consultants.

Table 1

	Unit	Apr-19	May-19	Jun-19	June 19 Qtr	Jul-19	Aug-19
Mill Throughput	kt	229	212	275	716	241	249
Daily Average	t	7,632	7,057	9,169	7,865	7,774	8,029
Dry t per operating hour	t	375	410	376	393	357	357
Plant Availability	%	85.3	69.4	96.6	84	90.9	93.8
Mill feed grade	g/t	0.73	0.73	0.84	0.77	0.85	0.83
Recovery	%	90.6	86.7	88.7	88.7	90.9	87.3
Recovered Gold	oz	4,893	4,332	6,561	15,787	6,012	5,767
Poured Gold	oz	5,107	3,634	6,914	15,655	5,346	6,778

All plant feed for August was sourced from mining during the month with no need to supplement with low grade material to meet mill capacity. Mine call grade from grade control models was 0.69g/t indicating a positive Mine Call Factor (MCF) of 16%, continuing the trend of positive MCF's.

Gravity gold recovery was 13.7% in August, continuing the July trend (11.4%), up from a historically low average of 3-4% over the project life to date. This further reinforces the influence of the increasing transitional and fresh rock components of the blend as the Gilbey's pit deepens.

Mining

Mining continued in Gilbey's pit with mining of the Golden Wings pit recommencing in August. Total Material Movement (TMM) of 0.9M BCM was achieved in August over both pits, lower than the forecast 1.0 – 1.1M BCM. This was mainly due to increasing area restrictions as available pit floor areas decrease and an increasing amount of transitional and fresh material being encountered. Water affected floor conditions in the northern end of the Gilbey's pit, but continued good water management minimised disruptions.

Reconciliation

Reconciliation of mining results of the Gilbey's pit only for August against the prediction per the finalised LUC recoverable geological model (as at 30 June 2019) returned good results. Reconciled August actual ore mined of 364kt compared favourably against the LUC model predicted volume from the same mining area of 346kt (105%), whilst actual reconciled grade achieved was 0.67 g/t vs predicted 0.75 g/t (89%) for an overall 7,779 oz vs 8,324 oz (93%) (Table 2). Dig Block volumes delivered (which equates to diluted isoshell grade control models) continued the improved trend seen in July, showing good results for August (Table 1), although the grade requires further investigation to understand why only 85% was achieved. The combined average reconciliations for July and August shows excellent reconciliation to both the LUC model and digblocks.

August 2019 Reconciliation Results - Gilbey's only									
	LUC Model (Recoverable)*			Digblock (Diluted Grade Control Isoshell)			Reconciled Mined		
	Tonnes	Grade	Gold	Tonnes	Grade	Gold	Tonnes	Grade	Gold
	t (dry)	g/t	oz	t (dry)	g/t	oz	t (dry)	g/t	oz
TOTAL	345,769	0.75	8,324	328,644	0.79	8,303	363,831	0.67	7,779
Rec Mined VS	105%	89%	93%	111%	85%	94%			

*Recoverable LUC model includes 10% ore loss component

July 2019 Reconciliation Results - Gilbey's Only									
	LUC Model (Recoverable)*			Digblock (Diluted Grade Control Isoshell)			Reconciled Mined		
	Tonnes	Grade	Gold	Tonnes	Grade	Gold	Tonnes	Grade	Gold
	t (dry)	g/t	oz	t (dry)	g/t	oz	t (dry)	g/t	oz
TOTAL	259,674	0.81	6,746	252,161	0.83	6,734	272,978	0.81	7,081
Rec Mined VS	105%	100%	105%	108%	97%	105%			

July-August 2019 Reconciliation Results - Gilbey's only									
	LUC Model (Recoverable)*			Digblock (Diluted Grade Control Isoshell)			Reconciled Mined		
	Tonnes	Grade	Gold	Tonnes	Grade	Gold	Tonnes	Grade	Gold
	t (dry)	g/t	oz	t (dry)	g/t	oz	t (dry)	g/t	oz
TOTAL	605,443	0.77	15,070	580,805	0.81	15,037	636,809	0.73	14,860
Rec Mined VS	105%	94%	99%	110%	90%	99%			

Table 2: Shows reconciliation results for August and July plus combined July – August

The graph below (Figure 1) shows the improved reconciliation results against the LUC vs OK Mineral Resource models since January 2019. The change to the LUC and ISO shell grade control methodologies was fully implemented by the end of June 2019.

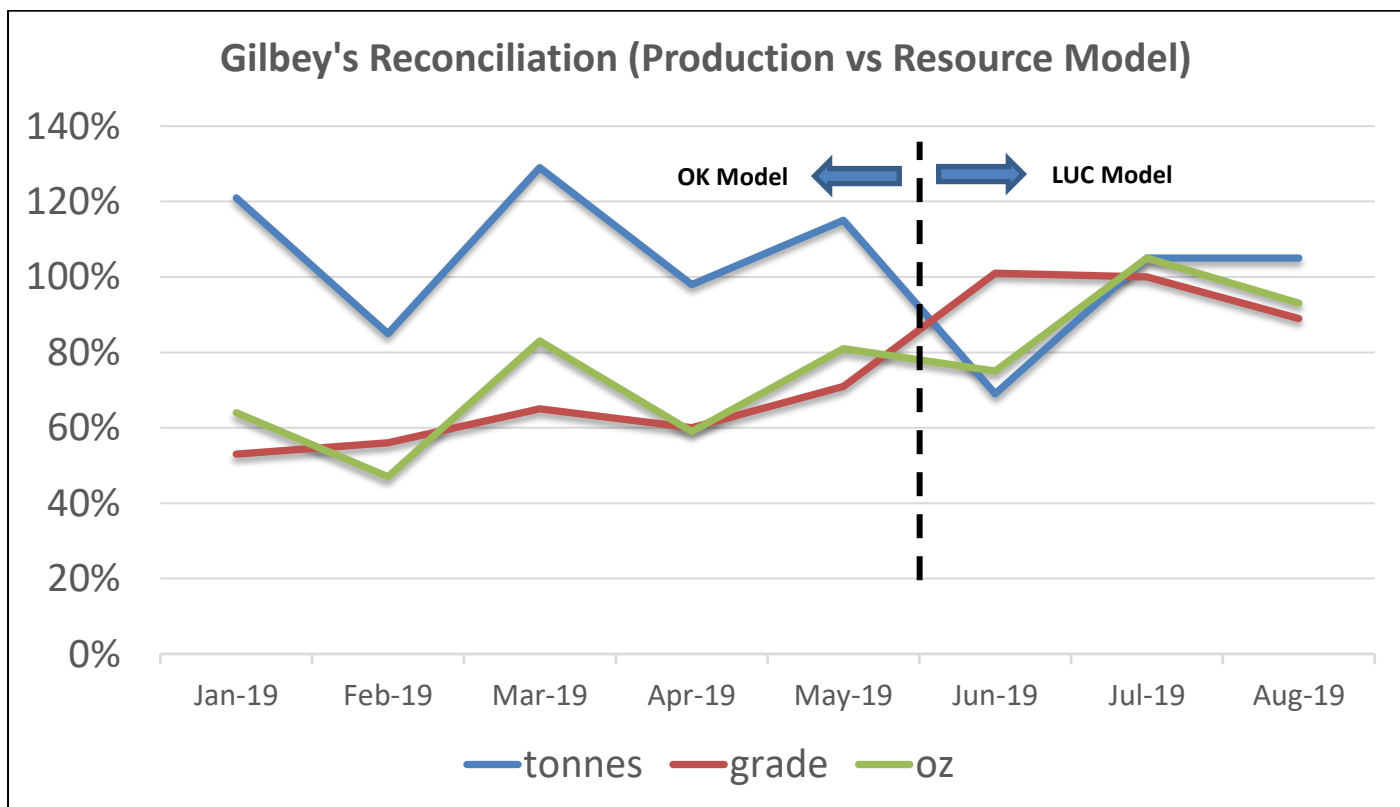


Figure 1: Shows reconciliation results from January 2019 to August 2019

The August reconciliation for the Gilbey's pit only, reinforces the Company's decision to adopt the new LUC geological model and ISO Shell grade control methodologies to underpin its mine planning, as recommended by Cube Consulting.

Interim Mine Plan Progress

In the Interim Mine Plan, access to the southern Main Gilbey's zone was due to be exposed in late September, coincident with the completion of the de-stacking of the north ramp (Figure 2). However, due to a small wall failure in the western wall of the Gilbey's Starter Pit (Figure 2), access to the southern Gilbey's Main lode will be delayed until mid-late October, impacting mined grade for the next 4-5 weeks. Other high-grade sources are being accessed in the GFIN Gilbey's North area and from Golden Wings pit, whilst the de-stacking of the north ramp is expedited.



Figure 2: Showing the southern end of the Gilbey's pit looking south

Ore Reserves

The updated Dalgaranga Gold Mine Mineral Resource (ASX announcement dated 28 August 2019) has been the foundation for updating the Ore Reserve estimate, which has advanced during the month such that it is expected to be completed and announced on the ASX in the near term. A final technical review is currently underway by independent Mining One consultants.

Revenue Protection

To ensure short term viability of the Dalgaranga operations under Voluntary Administration and to assist the business to continue trading, the Voluntary Administrators have purchased short term put options to protect revenue from the majority of gold production over the period from 1 October 2019 to 28 February 2020. The options have an exercise price of A\$2,000 per ounce for 16,200 ounces between 4 October and 20 December 2019 (at 1,400 ounces per week) and A\$2,050 per ounce for a further 14,600 ounces between 20 December 2019 and 28 February 2020 (at 1,400 ounces per week).

Administration Update

The completion of the updated LOMP has allowed the formal commencement of a dual track sale/recapitalisation process. Interested parties have been notified.

Potential Reinstatement to ASX Trading

The Company is continuing its dialogue with the ASX, to ensure that if a recapitalisation of the Company can be achieved, and is agreed to by all parties, a return to trading could occur on an expedited basis. All listing fees have been paid to date and the ASX have indicated it is supportive of a reinstatement process. The Company remains confident that all reinstatement requirements can be met if a recapitalisation of the Company can be achieved.

On behalf of
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