



ABN 57 139 522 900

FINANCIAL REPORT
HALF-YEAR ENDED 31 DECEMBER 2017

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CORPORATE DIRECTORY

Directors

Mr Rodney Michael Joyce	Non-Executive Chairman
Mr Michael Dunbar	Managing Director
Mr Gordon Dunbar	Non-Executive Director
Mr John den Dryver	Non-Executive Director
Mr Ian Kerr	Executive Director
Ms Sally-Anne Layman	Non-Executive Director
Mr Stanley Macdonald	Non-Executive Director
Mr Graham Riley	Non-Executive Director

Company Secretary

Mrs Eva O'Malley BCom, CA, AGIA
Mr David Lim B.Bus. CPA AGIA

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DIRECTORS' REPORT

The directors present the Half-Year Financial Report of Gascoyne Resources Ltd (**Company**) and its controlled entities (**Group** or **Consolidated Entity**), for the half-year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

Other than as stated, the following persons were directors of Gascoyne Resources Limited during the half-year and up to the date of this report.

Mr Rodney Michael Joyce	BSc.(Hons), MSc, MAusIMM	Non-executive Chairman
Mr Michael Dunbar	BSc., P Grad Dip (economic geology), MAusIMM	Managing Director
Mr Gordon Dunbar ⁽¹⁾	BSc.(Hons), MSc, FAusIMM, FAIG	Non-executive Director
Mr John den Dryver	BEng.(Mining), MSc, FAusIMM(CP)	Non-executive Director
Mr Ian Kerr ⁽²⁾	BEng.(Civil)(Hons II), MIEAust.	Executive Director
Ms Sally-Anne Layman	BEng.(Mining)(Hons), B.Com, CPA, AICD	Non-Executive Director
Mr Stanley Macdonald		Non-executive Director
Mr Graham Riley	B.Juris LLB	Non-executive Director

(1) Mr G Dunbar retired from his position as a director on 31 December 2017.

(2) Mr I Kerr was appointed a director on 21 November 2017.

REVIEW OF OPERATIONS

The operations of the Group are focused on mineral exploration and development. It has an experienced board and management team aiming to create shareholder wealth from its mineral assets, as well as examining new opportunities to add to the value proposition for shareholders. The Group holds mining leases and exploration licenses and applications with a total area of approximately 4,000km² in the Gascoyne and Murchison regions of Western Australia (see Figure 1).

During the last six months the Group gained significant momentum on the development and construction of the Dalgaranga Gold Project (**DGP**), while also continuing the exploration effort at Glenburgh and Egerton. The immediate priority has been the construction of the DGP, which is currently approximately one month ahead of schedule and on budget, with commissioning and first production expected in May 2018.

In addition to the construction and development activities, an aggressive exploration programme is currently underway with approximately 75,000m of drilling planned over the next 6 months.



Figure 1: Gascoyne and Murchison Tenement Locations

DALGARANGA GOLD PROJECT (DGP)

M59/749 & L 59/141, 142, 151, 152, 153, EL59/2150 & 2053 – 100% Gascoyne
E59/1709, 1904, 1905, 1906 &, EL21/195 - 80% Gascoyne

The DGP contains a Measured, Indicated and Inferred Resource of **31.1Mt @ 1.3 g/t for 1,320,000 ounces of contained gold** (see Table 4 below). The updated mining inventory comprises **16.2Mt @ 1.3g/t for 652,000 ounces of gold** which is inclusive of Proved and Probable Ore Reserves of **15.3Mt @ 1.3 g/t for 612,000 ounces of gold** (see Table 2).

Activities at the DGP have continued to accelerate with Financial Close for the \$60 million debt achieved in December 2017, gold hedging completed and construction activities advancing on schedule with approximately 120 people working on site. In addition to the construction and development activities, exploration continued, resulting in further improvements in the DGP mine plan and an increase in the Ore Reserve for the project.

FINANCIAL CLOSE AND FIRST DRAWDOWN

As announced on 27 December 2017, Financial Close for the \$60 million loan facility provided by National Australia Bank and Commonwealth Bank of Australia was achieved, with all conditions satisfied to access funding through the facility.

First drawdown of the loan facility occurred in December 2017 with \$20 million drawn down to fund development costs over the subsequent months. The second drawdown of \$31.5 million was completed on 2 March 2018.

GOLD HEDGING CONTRACTS

As announced on 15 December 2017, the Group entered into flat forward gold sales contracts for 164,000 ounces of gold production, at a delivery price of \$1,712 per ounce.

The first gold delivery into the forward sales contracts is due in September 2018 and the last delivery date in June 2022.

UPDATE TO DGP MINE PLAN

The DGP mine plan and Ore Reserves have been updated to incorporate the increased Mineral Resource since the June 2017 Mine Plan and Ore Reserve was released (See ASX Announcement 16 November 2017).

The updated mine plan incorporates a nameplate 2.5Mtpa processing plant, currently under construction (see below) and three open pits which will feed the processing plant for more than 6 years, with life of mine (**LOM**) annual production averaging approximately 100,000ozpa.

UPDATED ORE RESERVES

The Ore Reserve has been updated to incorporate a number of changes since the June 2017 Ore Reserve was released. These changes include a redesign of the Gilbeys pit, an update of the Golden Wings Mineral Resource, minor adjustments to the Golden Wings pit and inclusion of the upper portions of the recently discovered Sly Fox deposit.

The revised DGP Mining Inventory now stands at **652,000 ounces of gold**, including increased Ore Reserves; now **612,000 ounces of gold** (15.3Mt @ 1.3 g/t gold, see Table 1 & 2). In addition to the Ore Reserve, 40,000 ounces of gold (0.9Mt @ 1.4 g/t gold) of Inferred Mineral Resource is contained within the new mine designs. The Inferred Mineral Resource accounts for only approximately 6% of the mill feed. (See ASX Announcement 16 November 2017 for full details).

UPDATED MINING AND PROCESSING PLAN

As a result of the discovery of the Sly Fox deposit and revised open pit designs for Golden Wings and Gilbeys, the Dalgaranga mine plan has been updated.

The inclusion of Sly Fox into Years 1 & 2, as well as implementation of a staged mining approach at Gilbeys has allowed utilisation of the processing plant above its nameplate capacity due to the increase in oxide ore. This results in gold production of up to 120,000ozpa in the first two years, while also deferring around 10 Mt to 12 Mt of waste movement from these years of the operation (see Table 3). These changes further improve the early cash flow from the Project. Deferring this waste movement delays approximately \$20 million of costs out of the first two years of the operation, with annual production effectively unchanged and enhancing the ability for early debt repayment.

Table 1 – Mineral Resource Breakdown within the Dalgaranga Pit Designs

Total Material (Mt)	Waste (Mt)	Measured & Indicated		Inferred		In situ Ounces (Koz)	
		Tonnes (Mt)	Au (g/t)	Tonnes (Mt)	Au (g/t)	Measured & Indicated	Inferred
Gilbeys							
118.2	104.5	13.0	1.23	0.7	1.3	515	31
Gilbeys South							
3.0	2.8	0.23	1.12	0.03	3.6	8	3
Golden Wings							
16.4	14.9	1.4	1.39	0.1	1.5	63	6
Sly Fox Pit							
5.9	5.3	0.63	1.26	0.01	1.4	26	0.5
Total							
143.5	127.4	15.3	1.25	0.9	1.4	612	40

Totals may not add due to rounding.

Table 2 – Dalgaranga Gold Project Ore Reserve – As of November 2017

Pit Area	Classification	Ore Reserve	
		Tonnes (Mt)	Au Grade (g/t)
Gilbeys⁽¹⁾	Proved	2.8	1.4
	Probable	10.4	1.2
	Sub Total	13.2	1.2
Golden Wings	Proved	-	-
	Probable	1.4	1.4
	Sub Total	1.4	1.4
Sly Fox	Proved	-	-
	Probable	0.6	1.3
	Sub Total	0.6	1.3
Total Dalgaranga Ore Reserve		15.3	1.3

Notes: 1. Includes Gilbeys South Pit. All Ore Reserves are completely included within the quoted Mineral Resources and are quoted in dry tonnes. Totals may not add due to rounding.

Table 3 – Summary Mine Production Schedule

Prod ⁿ Year	Total Material	Waste	Ore processed		Au Produced
			Tonnes	Au	
	Mt	Mt	Mt	g/t	Koz
Pre-prod	6.8	6.1			
1	45.0	42.4	2.8	1.29	110
2	34.2	30.8	2.8	1.50	122
3	25.2	22.8	2.6	1.22	92
4	21.2	18.7	2.5	1.24	86
5	8.9	5.8	2.5	1.32	91
6	2.2	0.8	2.5	1.02	69
7			0.4	0.82	8
Total	143.5	127.4	16.2	1.3	578

DEVELOPMENT AND CONSTRUCTION ACTIVITIES

The DGP development and construction progressed on schedule during the half-year. Work continued on the process plant, construction of the evaporation ponds and completion of the tailings storage facility lift, clearing of the airstrip, water bore drilling and dewatering.

Process Plant Construction Update

GR Engineering has progressed significantly with the design, engineering and construction of the 2.5Mtpa DGP Processing Plant. Design and engineering is complete and construction is well advanced (See Photos 1-5 below) with completion expected approximately 1 month ahead of schedule.

Construction of the DGP has progressed ahead of the original schedule, with commissioning and first gold production now expected in May 2018. To date the following activities have been undertaken within the process plant:

-) Concrete and civil works have been completed.
-) SAG mill installation is well advanced.
-) The Crusher and ROM bin have been delivered to site and installation is underway.
-) CIL tank erection is complete.
-) Steel erection on Site is nearing completion.
-) The Elution and gold recovery circuit installation progresses on schedule with electrical cabling and terminations underway.
-) Reagent storage area has been completed with the final electrical and piping connections underway.
-) Water services area is completed, including reverse osmosis treatment plant, fire system, raw and process water pumps. Water services have now been fully commissioned and handed over to the Operations team.



Photo 1: Dalgarranga Plant Site Construction Progress



Photo 2: Dalgara Process Plant Site Layout Overview

(a) ROM Pad, (b) Crusher, (c) Ore Transfer Bin, (d) Coarse Ore Stockpile, (e) SAG Mill, (f) CIL Tanks, (g) Reagent Storage, (h) Power Station, (i) LNG Storage Facility, (j) NRW Mining Facilities, (k) Water Services and Process Water Ponds, (l) Administration Office, (m) Workshop and Stores



Photo 3: SAG Mill Installation – Progressing Well



Photo 4: Top of CIL Tank Steelwork, SAG Mill and Cyclone Tower Construction - Well Advanced



Photo 5: Water Services Area – Ready for Commissioning

Power Purchase Agreement Executed

As announced on 8 December 2017, the Group executed a Power Purchase Agreement (**PPA**) with Zenith Energy Limited (ASX: ZEN) to build, own and operate a 15MW gas-fired power station for the DGP.

Under the terms of the PPA, Zenith will construct and operate the power station to service the power needs of the DGP. The power station will utilise LNG gas-fuelled generators, providing the DGP with clean, cost effective power for the life of the project. The PPA has an initial 6-year term, with the Group having the option to extend this for a further 4 years.

LNG Supply Agreement Executed

As announced on 31 January 2018, the Group has executed a long term LNG supply agreement with EVOL LNG (**EVOL**) to power the 15MW gas-fired power station for the DGP, owned by Zenith Energy Limited.

Under the terms of the LNG supply agreement, EVOL is supplying the +1.0 million litre storage facility and the vaporisation equipment required for the power station, and to supply the DGP's 2.5Mtpa CIL gold processing facility.

Power Station Construction Update

The Zenith power station and the EVOL fuel storage facility construction are advancing on schedule. Construction of the engine hall and main power control room has progressed significantly in the last month (See Photo 6 below). The backup diesel generators have arrived in Perth and the Jenbacher gas generators have been built and are en route to Australia with delivery to site scheduled for March, and commissioning scheduled for late April 2018. The LNG fuel storage tanks are currently being delivered to Site (See Photo 7 below) and are expected to be commissioned in mid April 2018, in preparation for power station commissioning in late April 2018 and the process plant commissioning in May 2018.



Photo 6: Zenith's Engine Hall and HV Switch room at the Power Station



Photo 7: EVOL's LNG Fuel Storage Tank Being Delivered to Site

Tailings Storage Facility (TSF) and Evaporation Pond

The TSF and evaporation pond construction is complete (see Photo 8 & 9 below). The initial TSF lift comprises construction of a 3.5m embankment. The tailings pipeline is currently being installed. The construction of the evaporation ponds is complete, with dewatering having commenced in October 2017, 5 months ahead of mining at Golden Wings and Sly Fox, and 8 months ahead of mining at Gilbeys (see Photo 10).



Photo 8: Dalgaranga Tailings Storage Facility (foreground) and Evaporation Ponds In Use (background)



Photo 9: Dalgaranga TSF Decant Structure



Photo 10: Evaporation Pond Cell 1 Discharge from Golden Wings, Sly Fox and Gilbeys Pits

Mining Contract Executed

During the half-year the Group executed a 6 year contract with NRW Holdings Limited (**NRW**) for the mining at the DGP (See ASX announcement dated 13 December 2017). The contract is for open pit mining services, including drill and blast operations, and associated services required for the project and extends for 72 months. Mobilisation has commenced with mining commencing in early March 2018.

Mining Contractor Mobilisation and Site Establishment

NRW has commenced site establishment and mobilisation of the mining equipment (see Photo 11 & 12 below). To date one of the excavators, a number of trucks and ancillary mobile equipment have been mobilised. NRW commenced mining activities in early March. As part of the mining contract, NRW have purchased a number of new truck trays that will increase the payloads of the trucks and improve efficiency. A number of these new trays have been fabricated (See Photo 13 below) and are scheduled to arrive on site in the March 2018.



Photo 11: NRW Site Establishment Underway Including Maintenance Workshops, Offices and Associated Infrastructure



Photo 12: Mobilisation of Mining Equipment is Underway

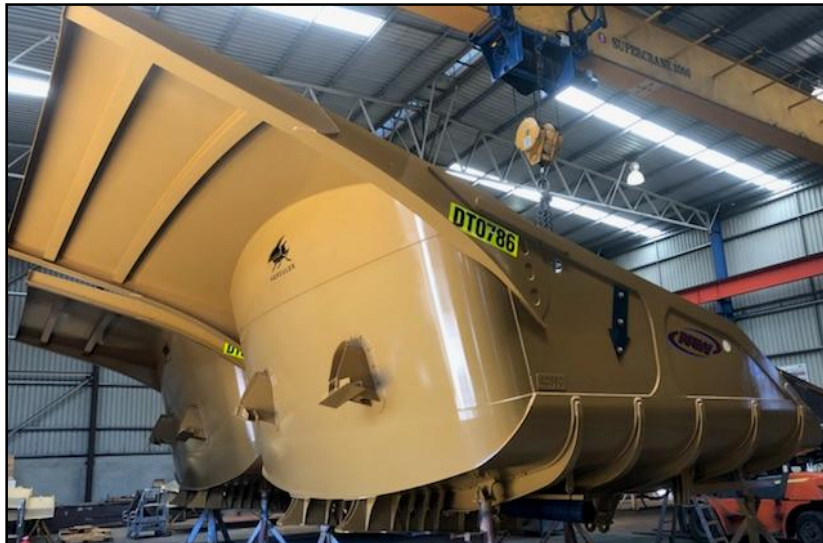


Photo 13: New Truck Trays ready for Dalgaranga Mining to Commence

Airstrip Construction

Next to the 240 person Dalgaranga village, a dedicated airstrip has been constructed. The airstrip was completed in March 2018 and is fully operational, with regular flights directly to site underway. (see Photo 14).



Photo 14: Dalgaranga Airstrip Completed and Fully Operational

EXPLORATION ACTIVITIES

Following the discovery of the Sly Fox deposit, exploration has continued along the Sly Fox – Seagrams trend to the south east of the known deposits. This target is the highest priority area to be tested in the accelerated exploration effort that has commenced. The programme for the first 6 months of 2018 includes approximately 40,000 metres of aircore and RC drilling to test the: a) extensions to the Sly Fox Deposit, b) the Seagrams Prospect, c) the Greencock Prospect and extensions, d) other new targets (see Figure 2). Approximately 10,000m of RC drilling will follow up and extend significant exploration results at Greencock, and other anomalous Aircore results.

DALGARANGA PROJECT EXPANDED THROUGH TENEMENT ACQUISITION

During the half-year, the Group expanded the DGP through the acquisition of an adjoining exploration licence (E59/2053) from a private individual (see Figure 3). The tenement is considered to be highly prospective for gold and base metal mineralisation, and has strong synergies with existing DGP tenements. The tenement contains numerous historic gold and base metal prospects, which has not had any drilling activity in over 17 years. Of immediate interest is the Greencock Gold Prospect, which contains a number of significant gold intersections over a strike length of 300m. The prospect remains open at depth and along strike, some of the better intersections from historical drilling at the prospect include; **15m @ 1.5g/t gold, 19m @ 1.6g/t gold, 15m @ 1.1g/t gold and 10m @ 1.1g/t gold**. Greencock is approximately 7.5km from the DGP processing plant. See ASX release on 22 December 2017 for full details.

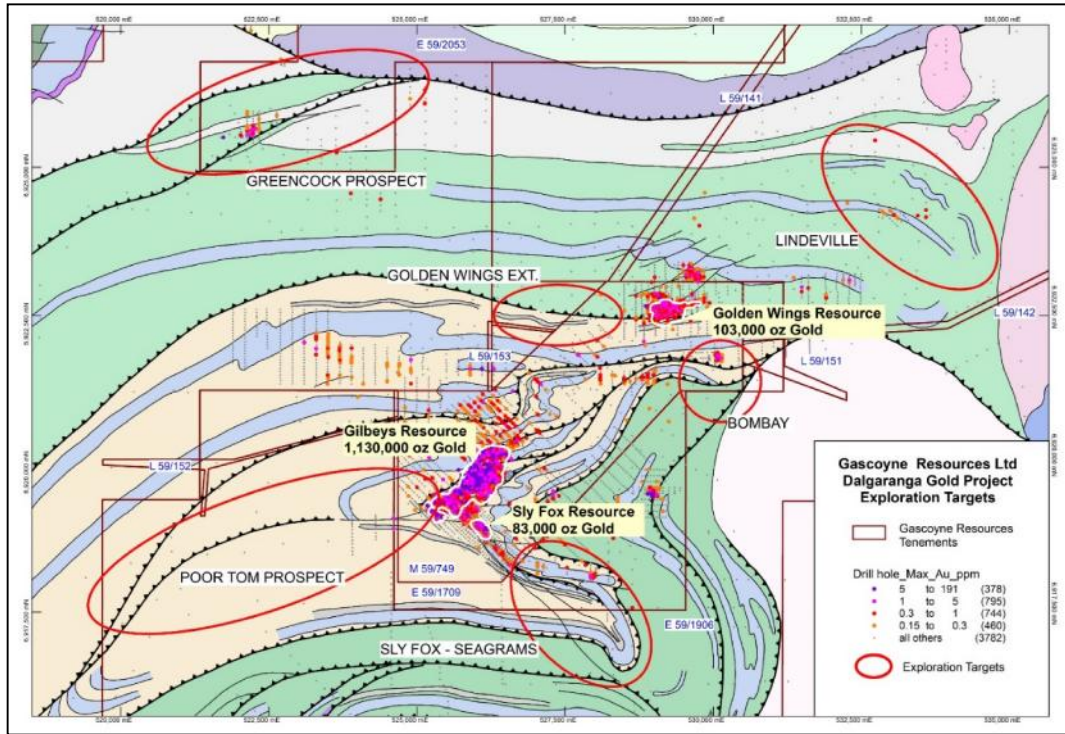


Figure 2: Dalgaranga Gold Project Deposit and Prospect Layout

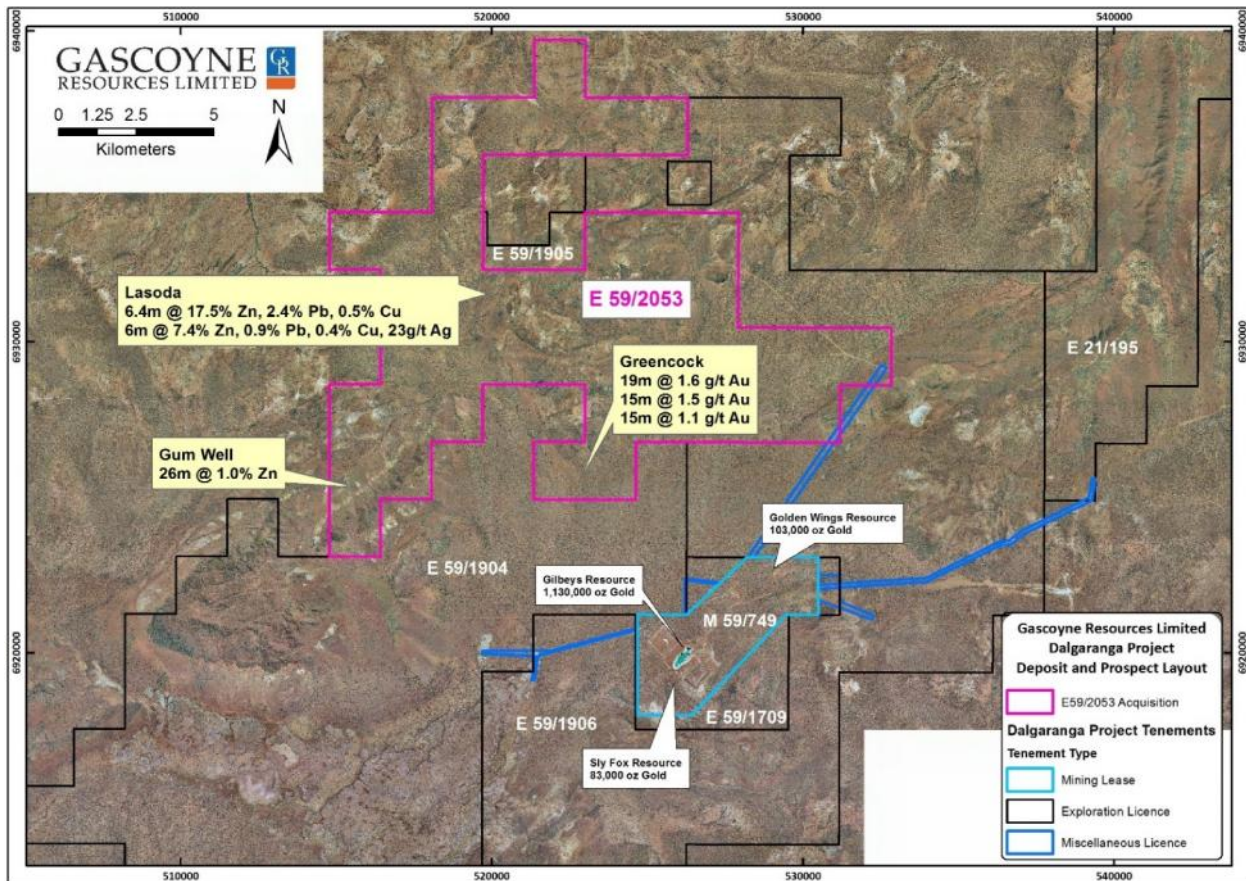


Figure 3: Location of Tenement E59/2053 and Historic Prospects

GLENBURGH GOLD PROJECT

M09/148, E09/1325, 1764, 1865, 1866, 2025 & 2148, L09/56 & 62 -100% Gascoyne

Following a review of previous exploration completed over the project, a number of targets (both resource extensional and regional) have been identified (see Figure 4, 5 & 6).

As a result, a 32 hole RC drill programme has been completed on the project. The RC drilling programme was designed to extend the existing shallow resources, primarily in the central zone of Glenburgh, which contains over 600,000oz of the 1.0 million ounces contained on the property. Initial drill testing was also completed of a number of surface sample anomalies that extend more than 6km North East of the known deposits (see Figure 4) See ASX release on 13 October 2017 for full details.

Highlights from the recent drilling program at Glenburgh include an intersection of **25m @ 3.3 g/t gold** from 40m in VRC933 including a higher grade core of **12m @ 5.9 g/t gold** from the Torino deposit (Figure 6) and a number of intersections returned from drilling at the Tuxedo deposit area including **18m @ 0.9 g/t gold** from 79m including **10m @ 1.2g/t gold** from VRC904 and from the Icon deposit **15m @ 1.0 g/t gold** from VRC915 (Figure 7 - 9).

The 2013 Preliminary Feasibility Study (PFS) is currently in the process of being updated to incorporate the increased gold price, lower diesel price and changes in input costs since 2013. Given the current focus on the development of the DGP, the timing for the completion of the updated PFS is yet to be determined.

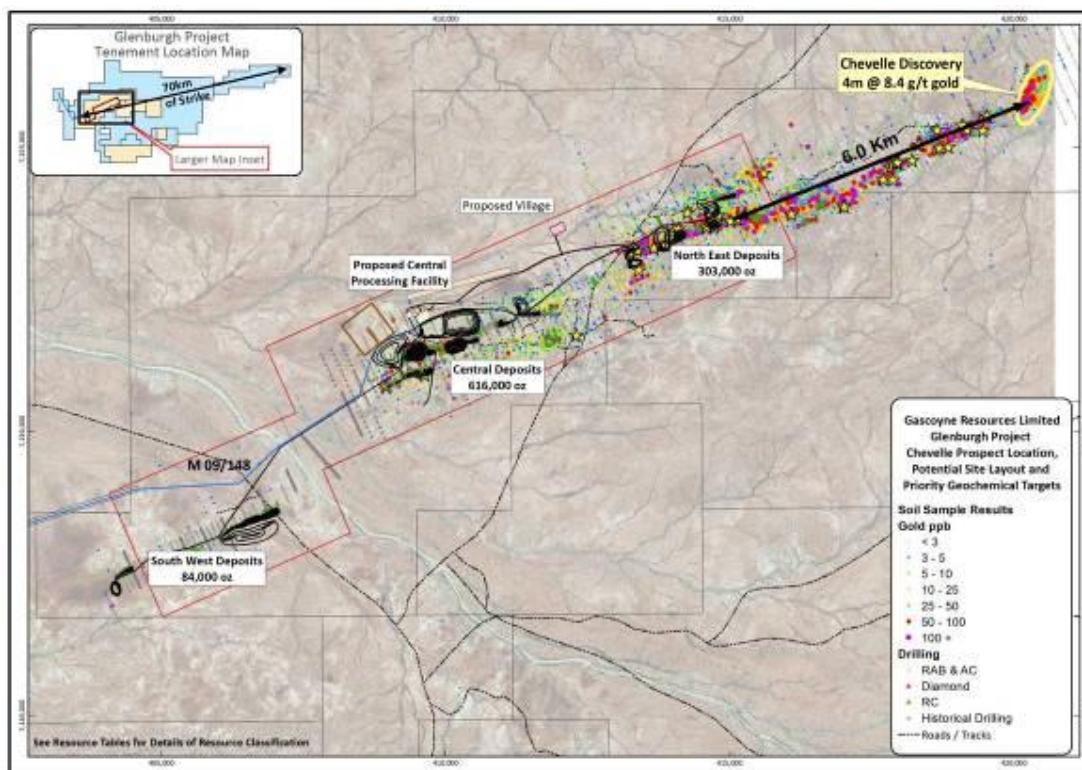


Figure 4: Glenburgh Project Deposit and Prospect Layout

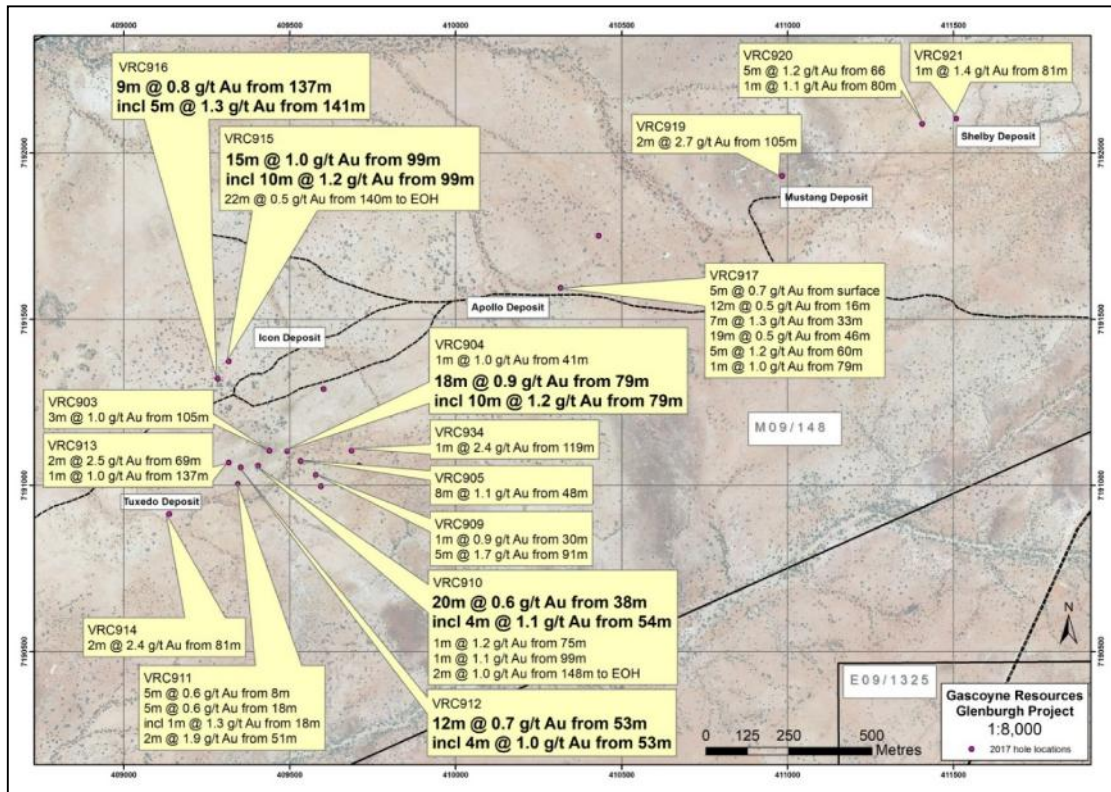


Figure 5: Location of RC holes Central Deposit Area - showing intersections

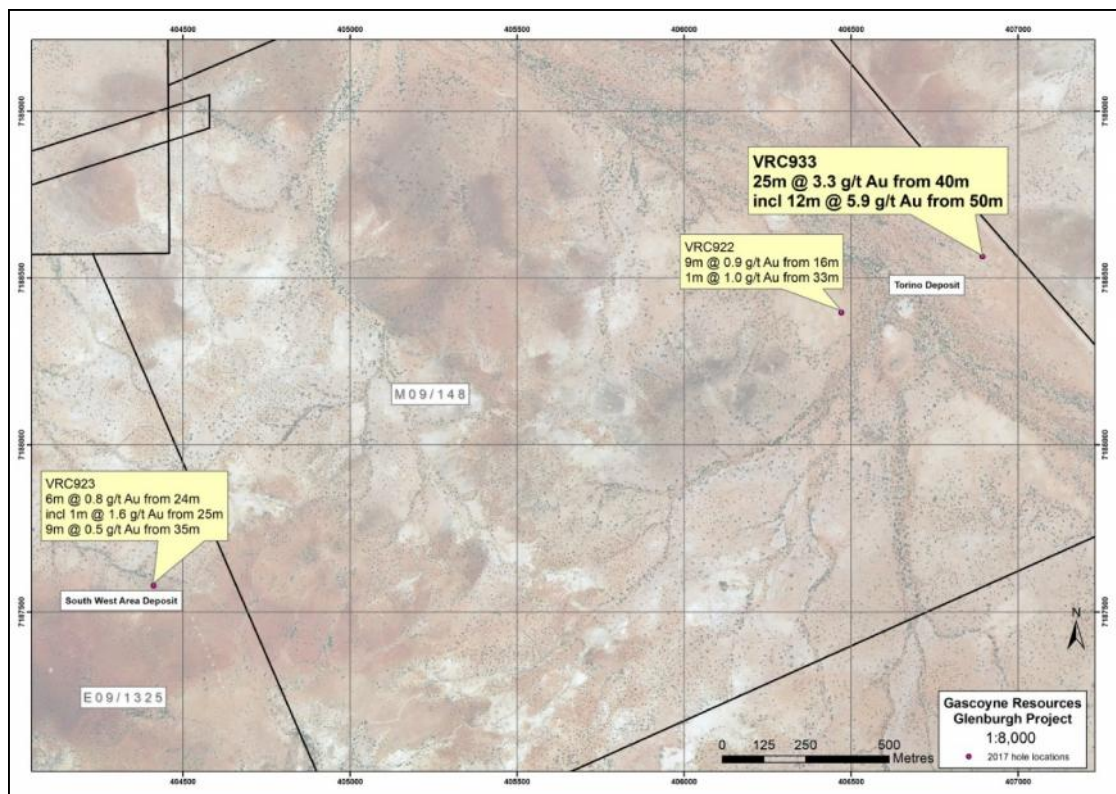


Figure 6: Location of RC holes SW Deposit Area - showing intersections

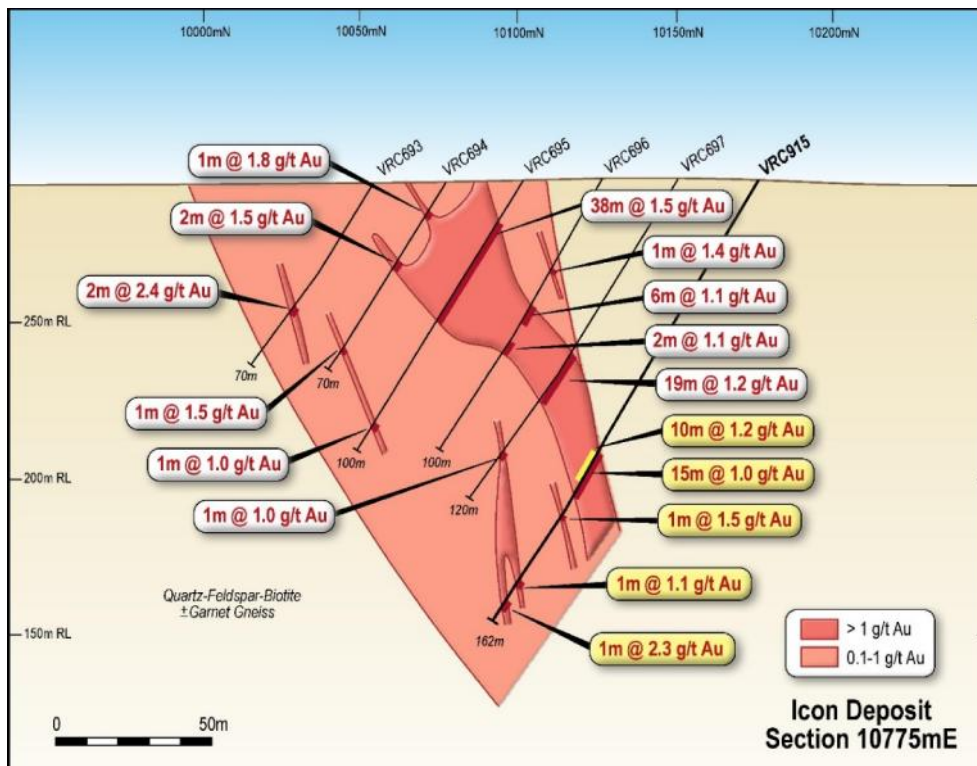


Figure 7: Cross Section Icon Deposit 10775E

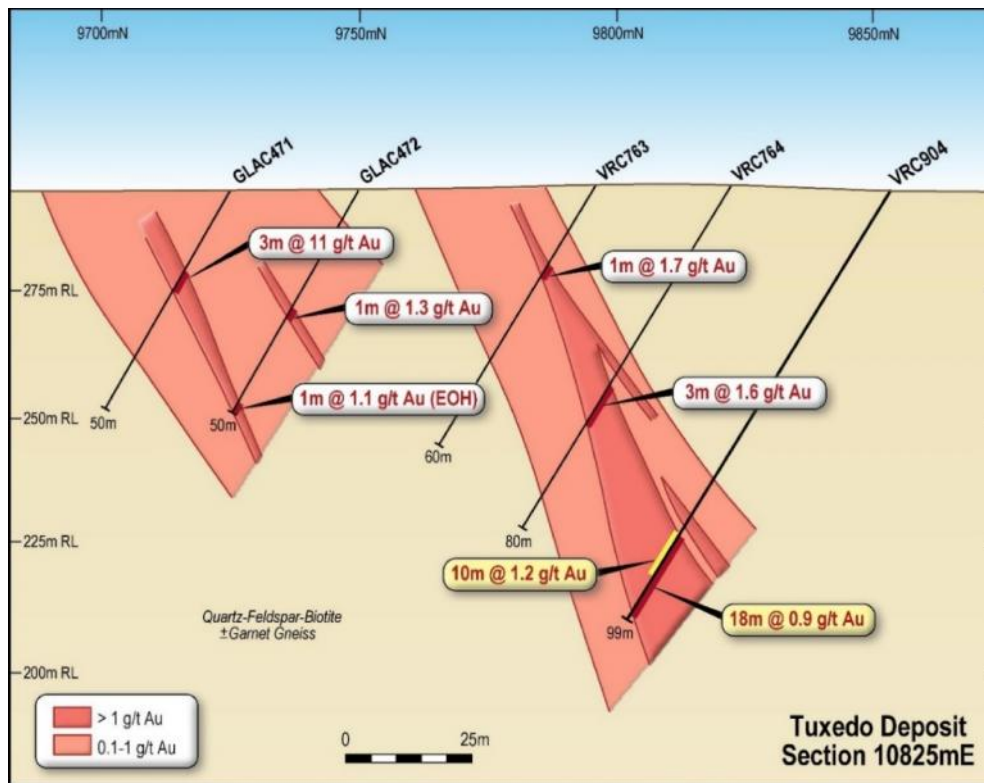


Figure 8: Cross Section Tuxedo Deposit 10825E

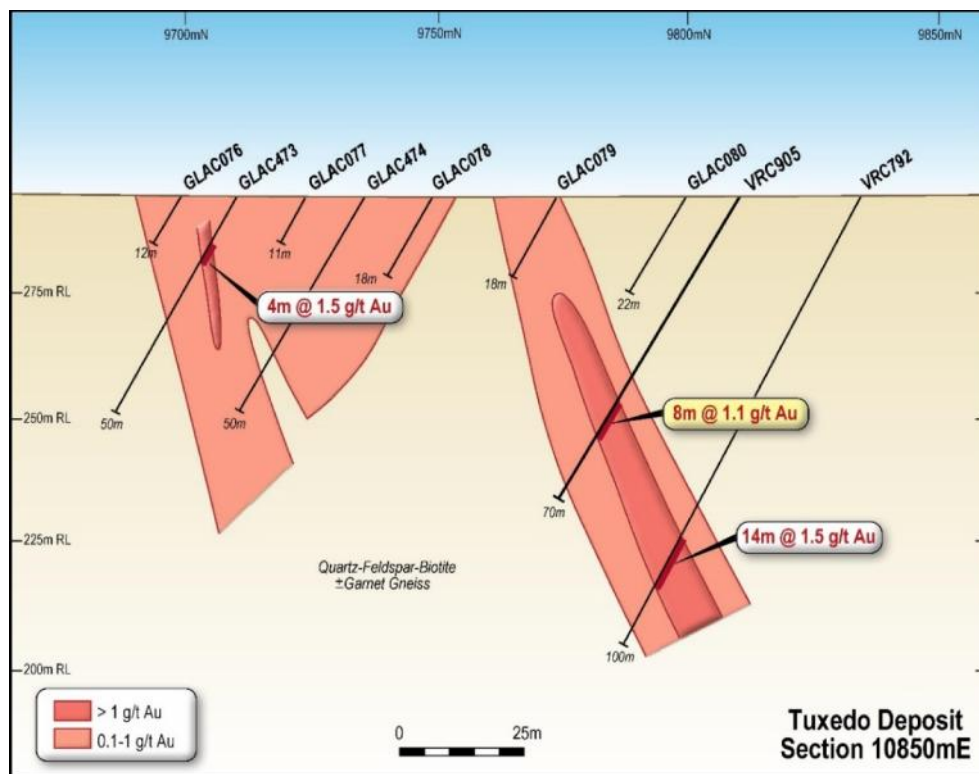


Figure 9: Cross Section Tuxedo Deposit 10850E

OTHER PROJECTS

Gascoyne Resources Limited 100%

The Group controls a number of tenements and tenement applications in the Murchison, Pilbara and Gascoyne regions of Western Australia. While the Glenburgh and Dalgara projects remain the focus for the Group, these new projects have the potential to add significantly to the Group's future, while also providing some geographical diversification of our gold and base metal assets within Western Australia.

During the half-year, the Company entered a farm-in and joint venture arrangement with Doray Minerals Limited (ASX: DRM), where Doray can earn up to an 80% interest in the Andy Well North tenement (E51/1648) in the northern Murchison region of Western Australia.

During the half year ending 31 December 2017, no field activities have been undertaken on these regional projects.

BACKGROUND ON GASCOYNE RESOURCES

Gascoyne Resources Limited was listed on the ASX in December 2009 and is focused on exploration and development of a number of gold projects in Western Australia.

The Company's 100% owned gold projects combined have over **2.3 million ounces of contained gold on granted Mining Leases**:

DALGARANGA

The DGP is located approximately 65km by road NW of Mt Magnet in the Murchison gold mining region of Western Australia and covers the majority of the Dalgaranga greenstone belt. After discovery in the early 1990's, the project was developed and from 1996 to 2000 produced 229,000 oz's of gold with reported cash costs of less than \$350/oz.

The Project contains a JORC Measured, Indicated and Inferred Resource of **31.1 Mt @ 1.3 g/t Au for 1,320,000 ounces** of contained gold (Table 4). The DGP has a **Proved and Probable Ore Reserve of 612,000 ounces of gold** (Table 2). The Ore Reserves are included in the Mineral Resource.

The Feasibility Study (**FS**) that was completed on the DGP in November 2016 highlighted a robust development case for the Project.

The FS investigated the development of two open pits feeding a 2.5 Mtpa processing facility resulting in production of around 100,000 ozpa for 6 years and concluded that the operation would be a low cost, high margin and long life operation with high operating margins.

As a result of the FS, the Company has progressed through the funding, development and construction phases for the Project. Construction is progressing approximately 1 month ahead of schedule and is on track for first gold production in May 2018.

Significant exploration potential also remains outside the known Resources with numerous historical geochemical prospects only partially tested.

Table 4: Dalgaranga August 2017 Mineral Resource Estimate (0.5 g/t Cut-off)

Type	Measured			Indicated			Inferred			Total		
	Tonnes Mt	Au g/t	Au Ounces	Tonnes Mt	Au g/t	Au Ounces	Tonnes Mt	Au g/t	Au Ounces	Tonnes Mt	Au g/t	Au Ounces
Laterite				0.6	1.1	19,400	0.02	0.7	500	0.6	1.1	20,000
Oxide	0.2	1.6	8,000	1.8	1.7	97,000	0.8	1.4	40,000	2.8	1.6	142,000
Transitional	0.5	2.1	30,000	1.2	1.4	57,000	0.5	1.5	25,000	2.2	1.6	109,000
Fresh	2.2	1.4	94,000	12.6	1.2	503,000	11.0	1.3	445,000	25.7	1.3	1,041,000
Total	2.8	1.5	133,000	16.2	1.3	676,000	12.3	1.3	504,000	31.1	1.3	1,320,000

Note: Discrepancies in totals are a result of rounding

GLENBURGH

The Glenburgh Project in the Gascoyne region of Western Australia has a Measured, Indicated and Inferred Resource of: 21.3Mt @ 1.5 g/t Au for 1.0 million oz gold from several prospects within a 20km long shear zone (see Table 5).

A PFS on the project has been completed (see announcement 5 August 2013) that showed a viable project exists, with a production target of 4.9 Mt @ 2.0 g/t for 316,000 oz (70% Indicated and 30% Inferred resources) within 12 open pits and one underground operation. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised. The study showed attractive all in operating costs of under A\$1,000/oz and indicated a strong return with an operating surplus of ~ A\$160M over the 4+ year operation. The study included approximately 40,000m of resource drilling, metallurgical drilling and testwork, geotechnical, hydrogeological and environmental assessments. Importantly the study has not included the drilling

completed during 2013, which intersected significant shallow high-grade zones at a number of the known deposits.

Table 5: Glenburgh Deposits - Area Summary
Mineral Resource Estimate (0.5 g/t Au Cut-off)

Area	Measured			Indicated			Inferred			Total		
	Tonnes Mt	Au g/t	Au Ounces	Tonnes Mt	Au g/t	Au Ounces	Tonnes Mt	Au g/t	Au Ounces	Tonnes Mt	Au g/t	Au Ounces
North East	0.2	4.0	31,000	1.4	2.1	94,000	3.3	1.7	178,000	4.9	1.9	303,000
Central	2.6	1.8	150,000	3.2	1.3	137,000	8.4	1.2	329,000	14.2	1.3	616,000
South West							2.2	1.2	84,000	2.2	1.2	84,000
Total	2.9	2.0	181,000	4.6	1.6	231,000	13.9	1.3	591,000	21.3	1.5	1,003,000

Note: Discrepancies in totals are a result of rounding

EGERTON

The Project includes the high-grade Hibernian deposit and the high-grade Gaffney's Find prospect, which lie on a granted mining leases. Previous drilling includes high grade intercepts, **14m @ 71.7 g/t gold, 34m @ 14.8 g/t gold, 8m @ 11.4 g/t gold, 2m @ 147.0 g/t gold, and 5m @ 96.7 g/t gold** associated with quartz veining in shallow south-west plunging shoots. The Hibernian deposit has only been drill tested to 70m below surface and there is strong potential to expand the deposit with drilling testing deeper extensions to known shoots and targeting new shoot positions. Extensions to mineralised trends and new regional targets will be tested with Aircore during drilling campaigns.

Gascoyne is developing the 100% owned low capex, high margin DGP which is on schedule to be in production late in the second quarter of 2018, while continuing to evaluate the near term 100% owned Glenburgh Gold Project to delineate meaningful increases in the Resource base and progress project permitting. Exploration is also continuing at the 100% owned high-grade Egerton project; where the focus has been to assess the economic viability of trucking high-grade ore to either Glenburgh or to another processing facility for treatment and exploration of the high grade mineralisation within the region.

Further information is available at www.gascoyneresources.com.au

Competent Persons Statement

Information in this announcement relating to the Dalgaranga project is based on data compiled by Gascoyne's Managing Director Mr Mike Dunbar who is a member of The Australasian Institute of Mining and Metallurgy. Mr Dunbar has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons under the 2012 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Dunbar consents to the inclusion of the data in the form and context in which it appears.

The Dalgaranga and Glenburgh Mineral Resources have been estimated by RungePincockMinarco Limited, an external consultancy, and are reported under the 2012 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves (see GCY -ASX announcement 7th August 2017 titled "Dalgaranga Gold Project – Sly Fox Resource and Exploration Update" and 24th July 2014 titled "High Grade Domains Identified Within Updated Glenburgh Gold Mineral Resource"). The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimate in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not materially modified from the original market announcements.

The Dalgaranga Ore Reserve has been estimated by Mr Harry Warries, an employee of Mining Focus Consultants Pty Ltd, an external consultancy, and are reported under the 2012 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Warries is a Fellow of the Australasian Institute of Mining and Metallurgy. He has sufficient experience, relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking, to qualify as a Competent Person as defined in the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves' of December 2012 ("JORC Code") as prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia. (See GCY -ASX announcement 16th November 2017 titled "Dalgaranga Gold Project – Mine Plan Increased to Over 650,000Oz"). The company confirms that the form and context in which the Competent Person's findings are presented have not materially modified from the original market announcements.

The Glenburgh 2004 JORC resource (released to the ASX on April 29th 2013) which formed the basis for the preliminary Feasibility Study was classified as Indicated and Inferred and as a result, is not sufficiently defined to allow conversion to an ore reserve; the financial analysis in the preliminary Feasibility Study is conceptual in nature and should not be used as a guide for investment. It is uncertain if additional exploration will allow conversion of the Inferred resource to a higher confidence resource (Indicated or Measured) and hence if a reserve could be determined for the project in the future. Production targets referred to in the preliminary Feasibility Study and in this report are conceptual in nature and include areas where there has been insufficient exploration to define an Indicated mineral resource. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. This information was prepared and first disclosed under the JORC Code 2004, the resource has now been updated to conform to the JORC 2012 guidelines. This new JORC 2012 resource, reported above, will form the basis for any future studies.

The Mt Egerton drill intersections referred to in this announcement were prepared and first disclosed under the JORC Code 2004. They have not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Information in this announcement relating to the Mt Egerton Gold Project is based on data compiled by Gascoyne's Managing Director Mr Mike Dunbar who is a member of The Australasian Institute of Mining and Metallurgy. Mr Dunbar 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 Competent Persons under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Dunbar consents to the inclusion of the data in the form and context in which it appears

CORPORATE

During the reporting period the Group entered into a number of transactions to fund ongoing activities including the development of its 100% owned Dalgaranga Gold Project and ongoing exploration and evaluation work on its extensive tenement holdings.

As part of a strategy to mitigate risk in respect of adverse movements in gold price, the Group executed a gold forward sale contract for 164,000oz of gold with the Commonwealth Bank of Australia in November 2017. In December these gold forward sales contracts were subsequently rolled out to longer-dated flat forward delivery contracts with a delivery price of \$1,712 per ounce (164,000 oz) with providers of the \$60 million Project Financing Facility for the Dalgaranga Gold Project, Commonwealth Bank of Australia (**CBA**) and National Australia Bank (**NAB**).

The Group will progressively deliver gold produced at its Dalgaranga Gold Project (DGP) into these contracts over the life of the project.

As noted above, the Group entered into a Project Financing Facility with CBA and NAB in December 2017 to partially fund the development of the DGP. This facility incorporates a \$60 million loan facility and a hedging facility to enable the Group to manage price risk. A further \$55 million of equity for the project's development was contributed by Gascoyne Resources Ltd, which facilitated the commencement of development at the DGP earlier in the calendar year, prior to the Project Financing Facility (PFF) being finalised.

In December the Group made an initial loan draw down of \$20 million from the PFF facility, with a further \$31.5 million drawn in March 2018, \$8.5 million remains available and undrawn.

During the half-year Gascoyne undertook an equity placement, raising \$21.5 million (before costs) to fund the expansion of exploration activities, with the aim of expanding existing Resources inventory and targeting new discoveries, ongoing development of the Glenborough and Dalgaranga projects and general working capital requirements.

Financial Result

The net consolidated loss of the Group for the half-year ended 31 December 2017, after provision for income tax was \$1,982,266 (2016: \$2,177,590).

Events occurring after the Reporting Period

Subsequent to the Balance Date the Group drew down a further \$31.5 million from its \$60 million Project Finance Facility held with National Australia Bank and Commonwealth Bank of Australia in order to fund development expenditure at its 100% owned Dalgaranga Gold Project. At the date of this report a total of \$51.5 million had been drawn from the Project Financing Facility, with \$8.5 million of the facility available remaining available and undrawn.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is included on page 24 of this half-year Financial Report.

This report is made and signed in accordance with a resolution of directors made pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the directors.

A handwritten signature in black ink, appearing to read 'R. M. Joyce', with a stylized flourish at the end.

R M Joyce
Chairman

Dated this 14th day of March 2018



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Auditor's Independence Declaration to the Directors of Gascoyne Resources Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Gascoyne Resources Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Partner – Audit & Assurance

Perth, 14 March 2018

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Independent Auditor's Review Report to the Members of Gascoyne Resources Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Gascoyne Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Gascoyne Resources Limited does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Directors' Responsibility for the Half Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gascoyne Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance

Perth, 14 March 2018

DIRECTORS' DECLARATION

In the opinion of the directors of Gascoyne Resources Limited:

1. The consolidated financial statements and notes of Gascoyne Resources Limited are in accordance with the Corporations Act 2001 and accounting standards, including Accounting Standard AASB 134: Interim Financial Reporting and regulations, and give a true and fair view of the financial position as at 31 December 2017 and the performance for the half-year ended on that date; and
2. There are reasonable grounds to believe that Gascoyne Resources Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



R M Joyce
Chairman

Dated this 14th day of March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION **as at 31 December 2017**

	Note	31 December 2017 \$	30 June 2017 \$
ASSETS			
Current			
Cash and cash equivalents		34,375,885	41,774,003
Trade and other receivables		2,867,309	1,302,703
Pre-production mining costs		448,028	-
Total Current Assets		37,691,222	43,076,706
Non-Current			
Exploration and evaluation expenditure		24,564,085	23,124,120
Mine properties		19,101,996	18,530,056
Development assets	2	61,454,923	15,264,470
Plant and equipment		88,296	55,632
Other assets		208,625	208,565
Rehabilitation asset	3	1,595,546	302,855
Deferred tax asset		4,561,501	3,307,161
Total Non-Current Assets		111,574,972	60,792,859
TOTAL ASSETS		149,266,194	103,869,565
LIABILITIES			
Current			
Trade and other payables		12,226,701	7,081,240
Borrowings	4	1,656,038	-
Provisions		320,826	214,946
Total Current Liabilities		14,203,565	7,296,186
Non-Current			
Trade and other payables		-	99,457
Borrowings	4	18,366,622	-
Provisions		1,599,191	357,978
Total Non-Current Liabilities		19,965,813	457,435
TOTAL LIABILITIES		34,169,378	7,753,621
NET ASSETS		115,096,816	96,115,944
EQUITY			
Share capital	5	125,844,598	104,881,460
Non-controlling interest		876,254	824,545
Reserves		882,968	934,677
Accumulated losses		(12,507,004)	(10,524,738)
TOTAL EQUITY		115,096,816	96,115,944

This statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the half-year ended 31 December 2017

	Note	31 December 2017 \$	31 December 2016 \$
Revenue from continuing operations			
Interest revenue		77,701	46,149
Other revenue		-	15,777
		77,701	61,926
Expenses			
Directors fees		(192,397)	(100,232)
Employment costs	6	(649,889)	(1,639,501)
Audit and accountancy		(42,223)	(26,191)
Finance costs		(1,554,436)	(112,540)
Investor relations		(148,871)	(211,689)
IT costs		(22,068)	(477)
Premises costs		(109,178)	(53,137)
Profession services		(133,709)	(30,439)
Other general and admin expenses		(85,961)	(100,486)
Overheads capitalised to exploration		116,077	53,133
Exploration and evaluation expenditure written off	7	(76,578)	(8,076)
Depreciation		(14,663)	(9,881)
		(2,913,896)	(2,239,516)
Loss before tax		(2,836,195)	(2,177,590)
Income tax benefit		853,929	-
Loss after tax for the half-year		(1,982,266)	(2,177,590)
Total other comprehensive income		-	-
Total Comprehensive Income		(1,982,266)	(2,177,590)
Loss for the period attributable to:			
Owners of the Company		(1,982,266)	(2,177,590)
Non-controlling interests		-	-
		(1,982,266)	(2,177,590)
Other comprehensive income for the period attributable to:			
Owners of the Company		(1,982,266)	(2,177,590)
Non-controlling interests		-	-
		(1,982,266)	(2,177,590)
Loss per share			
Basic (cents per share)		(0.5)	(0.9)
Diluted (cents per share)		(0.5)	(0.9)

This statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 31 December 2017

	31 December 2017 \$	31 December 2016 \$
Cash flows from operating activities		
Payments to suppliers and employees	(2,899,723)	(916,108)
Interest received	78,068	46,149
Other revenue received	-	28,584
Net cash used in operating activities	(2,821,655)	(841,375)
 Cash flows from investing activities		
Payments for capitalised exploration and evaluation expenditure	(1,304,103)	(4,802,261)
Acquisition of tenement interest	(100,000)	(3,614,040)
Payments on mine properties	(1,177,785)	-
Purchase of property, plant and equipment	(14,827)	(139,284)
Payments for construction expenditure	(41,246,799)	(455,490)
Transfer to security deposit	(61)	-
Net cash used in investing activities	(43,843,575)	(9,011,075)
 Cash flows from financing activities		
Proceeds from issue of shares	21,499,013	910,000
Share issue costs	(1,331,901)	(23,215)
Loan drawdown	20,000,000	-
Loan establishment costs	(900,000)	-
	39,267,112	886,785
Net change in cash and cash equivalents	(7,398,118)	(8,965,665)
Cash and cash equivalents at beginning of the period	41,774,003	14,879,759
Cash and cash equivalents at end of the period	34,375,885	5,914,094

This statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2017

	Share Capital Ordinary	Options Reserve	JV Exploration Asset Reserve	Accumulated Losses	Amount Attributable to owners of the parent	Non- Controlling Interests	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1/7/2017	104,881,460	1,446,755	(512,078)	(10,524,738)	95,291,399	824,545	96,115,944
Loss for the year	-	-	-	(1,982,266)	(1,982,266)	-	(1,982,266)
Total comprehensive loss for the half year	-	-	-	(1,982,266)	(1,982,266)	-	(1,982,266)
Increase in non-controlling interest's share of net assets	-	-	(51,709)	-	(51,709)	51,709	-
Extinguishment of non-controlling interest's share of acquired exploration assets	-	-	-	-	-	-	-
Shares issued during the half year	21,898,013	-	-	-	21,898,013	-	21,898,013
Share issue costs	(934,875)	-	-	-	(934,875)	-	(934,875)
Employee incentive options vested	-	-	-	-	-	-	-
Balance at 31/12/2017	125,844,598	1,446,755	(563,787)	(12,507,004)	114,220,562	876,254	115,096,816

This statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the half-year ended 31 December 2017

	Share Capital Ordinary	Options Reserve	JV Exploration Asset Reserve	Accumulated Losses	Amount Attributable to owners of the parent	Non- Controlling Interests	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1/7/2016	46,121,808	255,500	(857,929)	(9,080,901)	36,438,478	1,245,473	37,683,951
Loss for the year	-	-	-	(2,177,590)	(2,177,590)	-	(2,177,590)
Total comprehensive loss for the half year	-	-	-	(2,177,590)	(2,177,590)	-	(2,177,590)
Increase in non-controlling interest's share of net assets	-	-	(990,383)	-	(990,383)	990,383	-
Extinguishment of non-controlling interest's share of acquired exploration assets	-	-	1,423,623	-	1,423,623	(1,498,700)	(75,077)
Shares issued during the half year	5,145,000	-	-	-	5,145,000	-	5,145,000
Share issue costs	(6,166)	-	-	-	(6,166)	-	(6,166)
Employee incentive options vested	-	1,446,755	-	-	1,446,755	-	1,446,755
Balance at 31/12/2016	51,260,642	1,702,255	(424,689)	(11,258,491)	41,279,717	737,156	42,016,873

This statement should be read in conjunction with the accompanying notes.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

for the half-year ended 31 December 2017

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL STATEMENTS

Financial reporting framework

These general purpose financial statements for the interim reporting period ended 31 December 2017 have been prepared in accordance with the Corporations Act 2001, AASB 134 *Interim Financial Reporting*. As such they do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the Group's Annual Financial Report for the year ended 30 June 2017 together with any public announcements made by Gascoyne Resources Limited during the half-year.

The interim financial report for Gascoyne Resources Limited (**Company**) and its controlled entities (**Group or Consolidated Entity**) for the half-year period ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors of the Company on 14th March 2018.

Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last Annual Financial Statements for the year ended 30 June 2017.

The accounting policies have been applied consistently throughout the Group for the purpose of preparing these interim financial statements.

The following new accounting policies have been applied to during the half year.

Pre-production mining costs

Costs incurred in relation to the mining of mineral deposits prior to the mining of ore have been recognised in the Statement of Financial Position as preproduction mining costs. Once mining of ore commences pre-production mining costs will be recognised in the calculation of the cost base of mineral inventories, in relation to unsold product, or cost of goods sold for sold product.

Contingent assets/liabilities - gold forward contracts

The Group enters into financial instruments in the form of forward gold sales contracts (**Gold Forwards**) to mitigate the risk of adverse price movements in relation to the sale of future gold production. The Gold Forwards guarantee an agreed price for the sale of an agreed volume of the Group's forecast gold production. The Group intends settling the Gold Forwards by physically delivering gold produced to the counterparties.

As physical gold is delivered into the Gold Forwards the Group recognises revenue at the agreed price in accordance with accounting standards.

The market value of the outstanding Gold Forwards varies over time as a result of changes in the market price of gold. At each Balance Date the Group calculates the fair value of its outstanding Gold Forwards and recognises the fair value as either a contingent asset or liability in the notes to the financial statements. The fair value represents the amount which would be received (asset) or paid (liability) if the outstanding obligations were settled on the valuation date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the period in which they are incurred and reported as finance costs in the Statement of Profit or Loss and Other comprehensive income.

Estimates and other judgements

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgements, estimates and assumptions made by management.

Areas of critical judgements, estimates and assumptions mostly relate to the recoverability of the carrying value of exploration and evaluation expenditure and assets relating to the development of the Group's Dalgaranga Gold Project (**DGP**). Management continually reviews the judgements, estimates and assumptions used to justify the carrying value of these assets to ensure that the carrying value does not exceed their recoverable amounts.

Significant events and transactions

During the half year the Group executed a number of transactions in relation to the development of its 100% owned DGP located in the Murchison region of Western Australia.

On 6 December the Group entered into a Project Financing Facility with National Australia Bank and the Commonwealth Bank of Australia for a \$60 million loan and hedging facility. \$20 million of the loan was drawn prior to the Balance Date.

Prior to the above loan draw down the Group entered into gold hedging transactions for 164,000 ounces at a price of \$1712 per ounce.

During the half year the Company undertook a share placement, issuing 56,576,351 shares to raise \$21.5 million before costs. The funds were raised to fund regional exploration activities at the Group's DGP and Glenburgh projects, development of the DGP and general working capital requirements.

2. DEVELOPMENT ASSETS

	6 months to 31 December 2017 \$	Year to 30 June 2017 \$
Opening balance	15,264,470	-
Current year expenditure	46,190,453	15,264,470
Closing balance	61,454,923	15,264,470

Development Assets recognised consist of construction costs related to the development of the Group's Dalgaranga Gold Project.

3. REHABILITATION ASSET

	6 months to 31 December 2017 \$	Year to 30 June 2017 \$
Opening balance	302,855	-
Increase resulting from an increase in rehabilitation provision	1,292,691	302,855
Closing balance	1,595,546	302,855

4. BORROWINGS

	6 months to 31 December 2017 \$	Year to 30 June 2017 \$
Opening balance	-	-
Draw down	20,000,000	-
Interest	22,660	-
Closing balance⁽¹⁾	20,022,660	-

(1) \$1,656,038 of the loan balance is payable within 12 months from the Balance Date.

Borrowings recognised at Note 4 represent a secured \$60 million Project Finance Facility provided to a wholly owned subsidiary of the Company by the National Australia Bank and Commonwealth Bank of Australia to fund the development of the Group's DGP.

Repayment of the loan is based on an agreed fixed schedule with the first repayment due on 31 December 2018.

The interest rate for the loan is variable based on the BBSY rate plus the bank's credit margin. Interest periods are set for periods of 90 days or as otherwise agreed with the Lenders.

5. FULLY PAID ORDINARY SHARES

	2017	2016	2017	2016
	No.	No.	\$	\$
Balance at beginning of financial year	377,175,677	252,650,577	104,881,460	46,121,808
Private placement at \$0.09 per share	-	-	-	-
Exercise of Incentive Options at \$0.26	-	3,500,000	-	910,000
Purchase Consideration at \$0.385 per share	-	11,000,000	-	4,235,000
Private placement at \$0.38 per share	56,576,351	-	21,499,013	-
Tenement acquisition at \$0.38 per share	950,000	-	399,000	-
Share issue costs	-	-	(934,875)	(6,166)
Balance at end of half-year	434,702,028	267,150,577	125,844,598	51,260,642

6. EMPLOYMENT COSTS

	6 months to 31 December 2017 \$	6 months to 31 December 2016 \$
Share Based Payments – Employee Incentive Option (refer Note 9)	-	1,446,755
Employment costs - other	649,889	192,746
Expense recognised during the of half-year	649,889	1,639,501

7. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Group has financial instruments in the form of borrowings which are not measured at fair value in the Statement of Financial Position, as well as current receivables and current payables, which at the Balance Date are considered to be a reasonable approximation of their fair value.

8. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

An assessment of the carrying value of its exploration assets was undertaken at the Balance Date. No provision was made for the impairment of the carrying value of the capitalised exploration and evaluation expenditure in the half-year (2016: nil).

During the half-year the Group expensed by way of write off \$76,578 (2016: \$8,076) of exploration and evaluation expenditure relating to a mineral tenement which was surrendered during the period. Capitalised expenditure written off is included in the calculation of profit and loss.

9. OPTIONS

	2017 No.	2016	2017 \$	2016 \$
Balance at beginning of financial year	7,850,000	3,500,000	1,446,755	255,500
Options @ \$0.26 exercisable on or before 15 November 2016				
Exercised	-	(3,500,000)	-	-
(a) Options @ \$0.55 exercisable on or before 15 November 2019				
Issued	-	7,850,000	-	-
Vested	-	7,850,000	-	1,446,755
Balance at end of half-year	7,850,000	7,850,000	1,446,755	1,702,255

(a) Options exercisable @ \$0.55 per option on or before 15 December 2019

Number issued:	7,850,000 employee incentive options
Grant date:	16 December 2016
Expiry date:	15 December 2019
Vesting conditions:	vesting immediately
Notional value:	\$0.182 each

Notional value calculation assumptions

A Black & Scholes calculation of the notional value of the Incentive Options is outlined below based on the following assumptions:

- the Incentive Options expire on 15 December 2019 and are exercisable at \$0.55 each;
- a share price of \$0.38. This has been based on the share price at grant date;
- a volatility factor of 89.23% based on historical share price information;
- an interest rate of 1.96%;
- the valuations ascribed to the Incentive Options may not necessarily represent the market price of the Incentive Options at the date of the valuation; and
- the valuation date for the Incentive Options was 15 December 2016.

10. OPERATING SEGMENTS

The Group operates in a single segment.

11. COMMITMENTS

In order to maintain current rights of tenure for mineral tenements the Group is required to meet minimum expenditure commitments for these tenements. The minimum expenditure commitment on mineral tenements for the next twelve months is \$1,563,000 (2016: \$1,350,000). These obligations can be reduced by selective relinquishment of exploration tenure or by applying for expenditure exemption. Due to the nature of the Group's operations in exploring and evaluating areas of interest, it is difficult to forecast the nature and amount of future expenditure.

The Company has operating lease commitments with respect to the lease of its corporate office, office equipment and a storage facility. The commitments under these leases terminate at various dates up to 31 January 2019.

Lease commitments under current lease agreements are detailed below:

Estimated annual commitment over the next 12 months:	\$223,000
Later than 1 year but not later than 5 years:	\$202,000
Total lease commitments:	\$425,000

12. CONTINGENT ASSETS AND LIABILITIES

The Group currently as a Bank Guarantee with the value of \$158,562 (2016: \$158,562) to secure lease obligations under the Company's office lease. The Bank Guarantee is secured by a "blocked" deposit held by the grantor of the guarantee (Blocked accounts are recognised as Other non-current assets in the Statement of Financial Position).

In December 2016 the Group executed an agreement to purchase the 20% interest in the tenements forming the Company's DGP owned by the Junior Joint Venture Partner (**Vendor**). Under the terms of this agreement the Group is required to pay the Vendor \$1,500,000 on the production of 30,000 ounces of gold from the Project. At the time of this report gold production at the Project had not commenced.

The transfer of tenements detailed above are subject to Transfer Duty in Western Australia. At the request of the Office of State Revenue (**OSR**) the Group commissioned an independent valuation of the tenements the subject of the transaction. At the reporting date the OSR had not yet finalised the duty assessment process. As such it is uncertain whether the Group is entitled to a refund on the amount of duty previously paid to the OSR, or if an additional amount of duty will be levied.

During the current half year the Group entered into forward gold sales contracts (**Gold Forwards**) for 164,000 ounces of gold in order to mitigate the risk of adverse movements in gold price. At 31 December 2017 the fair value of the Gold Forwards was \$8,931,621 (2016: nil).

13. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the Balance Date the Group withdrew a further \$31.5 million from its \$60M Project Finance Facility held with National Australia Bank and Commonwealth Bank of Australia in order to fund development expenditure at its 100% owned DGP. At the date of this report a total of \$51.5 million had been drawn from the Project Finance Facility, with \$8.5 million of the facility remaining available and undrawn.

TENEMENT SCHEDULE

Tenement	Location	Project	Mineral	Ownership
E51/1681	Gascoyne Region	Beebyn	Gold	100%
E21/195	Murchison Region	Dalgaranga	Gold	80%
E59/1709	Murchison Region	Dalgaranga	Gold	80%
E59/1904	Murchison Region	Dalgaranga	Gold	80%
E59/1905	Murchison Region	Dalgaranga	Gold	80%
E59/1906	Murchison Region	Dalgaranga	Gold	80%
E59/2150	Murchison Region	Dalgaranga	Gold	100%
E59/2053	Murchison Region	Dalgaranga	Gold	100%
L59/141	Murchison Region	Dalgaranga	Gold	100%
L59/142	Murchison Region	Dalgaranga	Gold	100%
L59/151	Murchison Region	Dalgaranga	Gold	100%
L59/152	Murchison Region	Dalgaranga	Gold	100%
L59/153	Murchison Region	Dalgaranga	Gold	100%
M59/749	Murchison Region	Dalgaranga	Gold	100%
E09/1325	Gascoyne Region	Glenburgh	Gold	100%
E09/1764	Gascoyne Region	Glenburgh	Gold	100%
E09/1865	Gascoyne Region	Glenburgh	Gold	100%
E09/1866	Gascoyne Region	Glenburgh	Gold	100%
E09/2025	Gascoyne Region	Glenburgh	Gold	100%
E09/2148	Gascoyne Region	Glenburgh	Gold	100%
L09/56	Gascoyne Region	Glenburgh	Gold	100%
L09/62	Gascoyne Region	Glenburgh	Gold	100%
M09/148	Gascoyne Region	Glenburgh	Gold	100%
E52/3490	Gascoyne Region	Mt James	Gold	100%
E52/2117	Gascoyne Region	Mt Egerton	Gold	100%
E52/2515	Gascoyne Region	Mt Egerton	Gold	100%
E52/3574	Gascoyne Region	Mt Egerton	Gold	100%
M52/343	Gascoyne Region	Mt Egerton	Gold	100%
M52/567	Gascoyne Region	Mt Egerton	Gold	100%
E51/1648 ⁽¹⁾	Murchison Region	Murchison	Gold	100%
ELA09/2286	Gascoyne Region	Bassit Bore	Gold	100%
ELA52/3531	Pilbara Region	Mumbakine Well	Gold	100%
ELA59/2289	Murchison Region	Dalgaranga	Gold	100%

(1) Doray Minerals Limited (ASX: DRM) earning into the project

Abbreviations and Definitions used in Schedule:

E	Exploration Licence	ELA	Exploration Licence Application
P	Prospecting Licence		
L	Miscellaneous Licence		
M	Mining Licence		