

## **ASX ANNOUNCEMENT**

**8 November 2022**

### **DALGARANGA GOLD MINE OPERATIONS UPDATE**

Gascoyne Resources Limited (“**Gascoyne**” or “**Company**”) (ASX: GCY) provides the following update on its 100%-owned Dalgaranga Gold Project, located in Western Australia’s Murchison region.

As outlined in the Company’s September 2022 Quarterly Report (see ASX Announcement 17 October 2022), gold production at Dalgaranga has been negatively impacted in recent months by abnormally high rainfall, labour shortages and COVID-19 impacts.

These factors have continued through October and into November, leading to reduced production levels, higher production costs and negative cash-flow from operations, which the Board has determined is not sustainable. Furthermore, it is clear that despite the significant potential of the Company’s assets such as Yalgoo, Gilbey’s North and Never Never, the transition to mining this higher-grade ore is not affordable and cannot be optimised at the current time given Gascoyne’s liquidity position.

In response to this rapidly changing situation, the Board has initiated a review of the Company’s operating strategy and will implement the following steps with immediate effect:

- Open pit mining and ore processing operations at Dalgaranga will be suspended immediately.
- The 2.5Mtpa Dalgaranga mill will be transitioned to operating on a care and maintenance basis over the next 2-3 weeks and maintained in a state ready for a rapid resumption of production.
- The majority of the workforce currently at Dalgaranga will be demobilised over the next 1-2 days.

Discussions have commenced with the Company’s contractors and creditors to allow the Company to restructure its financial position to enable Dalgaranga to remain on care and maintenance in the medium term.

During this period, the Company’s management team will work with its advisors and key stakeholders to develop a new strategic operating plan and implement a financial restructure. A key part of this will be to pivot to an exploration/resource growth focus in the short term while preserving the value of the existing assets and securing additional strategic funding to:

- Complete the drill-out of the near-surface high-grade Never Never and Gilbey’s North discoveries (located at the northern edge of the main Gilbey’s open pit) to bring them to reserve status.
- Establish an underground portal and exploration decline from Gilbey’s Pit northward toward Never Never to facilitate continued reserve drilling of this very high-grade discovery as well as other identified near-mine targets.
- Evaluate and progress other near-mine surface opportunities, including the Gilbey’s Eastern footwall area and 40koz Archie Rose gold deposit toward reserve status.
- Progress the approval of the Mining Lease and complete the Feasibility Study on the satellite 244koz Melville Gold Project at Yalgoo.

- Establish a +5-year solid mine plan based on reserves, encompassing a blend of higher-grade sources with “baseload” ore feed capable of underpinning a sustainable production profile for the Company.

Preparation of the new strategic operating plan (including a new mine plan) and implementing a financial restructure is expected to take several months to complete.

Gascoyne is committed to maintaining the processing infrastructure at Dalgara in good working order and at a high state of readiness to facilitate the rapid resumption of production, pending the outcomes of the financial review, mining studies and exploration success.

### **Management Comment**

Gascoyne Managing Director and CEO, Simon Lawson, said: *“It is very disappointing to have to make this decision, particularly in light of all the hard work the exceptional team at Dalgara has put in over the past couple of years. The continued pressure of industry-wide cost inflation, approval delays and sub-par operational performance have contributed to the Board and I uniting in the view that continuing to operate in these challenging times is extremely high risk. We are committed to developing a sustainable +5-year solid mine plan targeting higher margin production and we strongly believe that this focus is in the best interests of the Company and our shareholders.*

*“The foundation of our decision is heavily influenced by the phenomenal near-mine exploration success Gascoyne has enjoyed in recent months, making what is arguably Australia’s best new high-grade gold discovery right on the doorstep of the current operation. However, the timelines involved in properly drilling out and developing this exceptional discovery, together with the ongoing productivity, equipment availability and people shortage issues experienced by the mining contractor, mean that it is simply a more prudent and sensible step to pause mining and processing, step back and recast our operations on a much more sustainable basis.*

*“It is extremely sad to have to say goodbye to so many good people who have worked so hard on behalf of the Company to this point. Our HR team and Employee Assistance Provider will be providing support and assistance to those affected at this difficult time.*

*“The Board and I want to thank the supporters of Gascoyne to this point and assure all our stakeholders that we strongly feel we are making this decision in their best interests and that we are committed to preserving and growing the value of the Company’s assets as a priority. We will be working very hard over the coming months as we establish a solid financial platform to support growth and reserve drilling to build an operating plan with firm foundations and optionality to deliver sustainable production from our debt-free processing plant for many years to come.”*

Employees not required during the period of care and maintenance will be offered redundancy packages.

The Company will continue to update the market as this restructuring program progresses.

### **Authorisation**

This announcement has been authorised for release by the Board of Gascoyne Resources Limited.

### **For further information:**

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