

SUMMARY OF OPERATIONS

DALGARANGA PROJECT:

During the quarter significant progress was made towards development of the Company's 100% Dalgaranga Gold Project, including completion of the Feasibility Study as well as continuation of an ongoing aggressive exploration and resource drilling programme.

Additionally Gascoyne moved to 100% ownership of the Dalgaranga Gold Project through completion of the purchase of the 20% balance of the Mining Lease and Miscellaneous licences that were owned by our JV Partner. The consideration paid for the 20% interest was \$4.5 million in cash and 11 million Gascoyne shares, with a deferred cash payment of \$1.5 million to be paid after 30,000 ounces have been produced from the project.

The Feasibility Study (FS) was also completed and concluded that a viable project could be developed at Dalgaranga.

Key outcomes were:

- FS outlines a technically and financially robust project with an initial 6 year life of mine (LOM) with undiscounted pre-tax operating cash surplus of A\$373 million from revenue of A\$866 million¹
- Development based on two open cut mines, and a new conventional SAG milling circuit, gravity and carbon in leach processing plant with a nameplate throughput of 2.5Mtpa, with low Operating Cash Cost (C1) of A\$869/oz² and all in sustaining cost (AISC) of A\$931/oz³
- Pre-production Capital Cost for processing plant and associated Infrastructure of A\$86 million (including contingencies of \$6.1m) - payback within 18 months of production
- Production of 105,000ozpa in first two years
- 592,500 ounces within the initial mine plan⁴ (14.1Mt @ 1.31 g/t gold), with exceptional potential for Resource growth
- Proved and Probable Ore Reserve of 552,000 ounces (13.3Mt @ 1.29 g/t) a 25% increase over PFS

The FS **excludes** the exploration potential at the project, in particular the Gilbeys South and Sly Fox Prospects, where drilling during the quarter intersected significant mineralisation including:

Gilbeys South:

- o 22m @ 5.7 g/t gold, including 6m @ 18 g/t gold
- o 22m @ 2.5 g/t gold
- o 8m @ 11.5 g/t gold including 1m @ 83.7 g/t gold
- o 5m @ 10.7 g/t gold
- o 12m @ 2.0 g/t gold, including 4m @ 5.5 g/t gold
- o 23m @ 1.2 g/t gold
- o 5m @ 5.2 g/t gold
- o 14m @ 1.4 g/t gold
- o 12m @ 1.7 g/t gold
- o 19m @ 1.2 g/t gold
- o 13m @ 1.2 g/t gold

Sly Fox:

- o 36m @ 2.3 g/t gold from 16m including 16m @ 4.2 g/t
- o 39m @ 1.1 g/t gold from 8m to EOH
- o 47m @ 0.5 g/t gold from surface to EOH

GLENBURGH PROJECT:

Soil sampling of a number of regional targets was undertaken during the quarter. Results are currently being assessed with the aim to be drill testing the priority targets in the first half of 2017.

CORPORATE:

During the quarter 2.8 million unlisted employee options were exercised and a further 7.85 million issued under the Company's ESOP.

At the end of the quarter, the Company's cash reserves were \$5.9 million.

CORPORATE DETAILS

ASX Code: GCY
 Shares: 267M
 Share Price: 58.5c
 Market Cap: \$156 M

ASSETS

Cash: \$5.9M
 Glenburgh (100%) 1.0M oz Gold
 Dalgaranga (100%) 1.12M oz Gold
 Egerton (100%) 24,000oz Gold

BOARD

Non-Executive Chairman
 Mike Joyce

Managing Director
 Michael Dunbar

Non-Executive Directors
 John den Dryver
 Gordon Dunbar
 Graham Riley
 Stan Macdonald

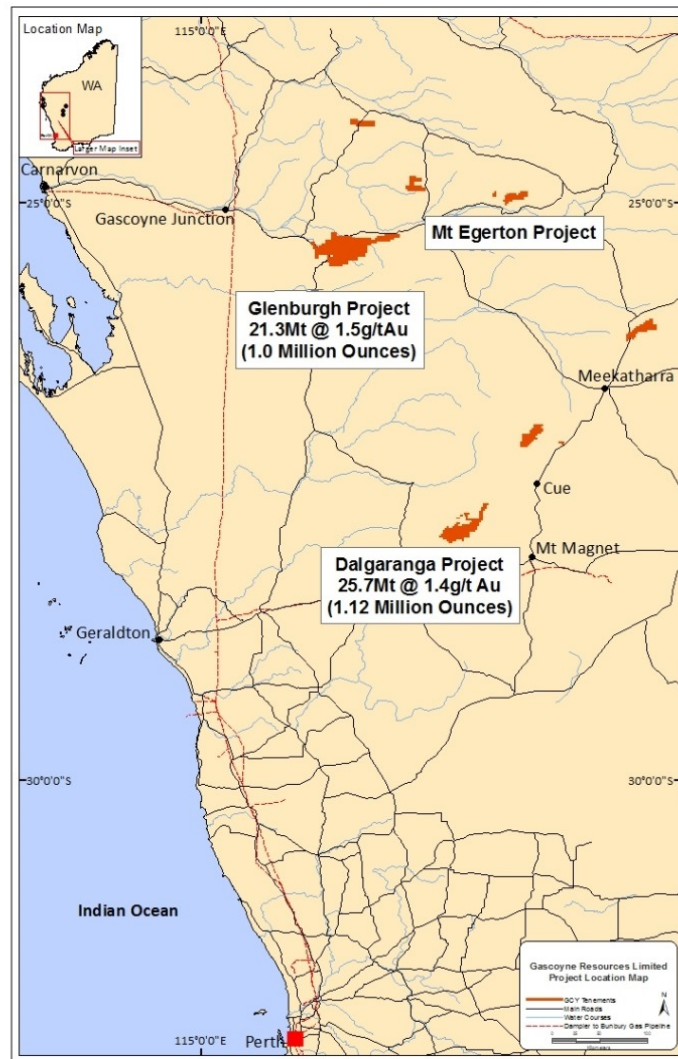
CONTACT DETAILS

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REVIEW OF OPERATIONS

Details of the progress during the quarter include:



**Figure 1: Gascoyne Resources Project Locations
in the Gascoyne and Murchison Regions**

DALGARANGA PROJECT

M59/749 & L 59/141, 142, 151 & 153, ELA59/2150 & LA59/152– 100% Gascoyne
E59/1709, 1904, 1905, 1906 &, EL21/195 - 80% Gascoyne

Activities at the Dalgaranga project have accelerated with three drill rigs active on the project for most of the quarter, the Feasibility Study was completed and the Company moved to 100% ownership of the Dalgaranga Gold Project late in the quarter.

FEASIBILITY STUDY

As announced to the ASX on the 25th of November, the Dalgaranga Feasibility Study has been completed on the Dalgaranga Gold Project. The FS was based on the existing Measured, Indicated and Inferred Mineral Resource (released 7th of September) which currently stands at **25.7Mt @ 1.4 g/t gold for 1,116,000 ounces** of gold. The Measured and Indicated portion has increased to **16.4Mt @ 1.34 g/t gold for 708,000 ounces**. **A further Resource update will be reported in Q1 2017, which will include new gold mineralisation discovered at the Gilbeys South prospect.**

The Feasibility concluded that that a viable project could be developed at Dalgaranga. Key outcomes were:

- FS outlines a technically and financially robust project with an initial 6 year life of mine (LOM) with undiscounted pre-tax operating cash surplus of A\$373 million from revenue of A\$866 million¹
- Development based on two open cut mines, and a new conventional SAG milling circuit, gravity and carbon in leach processing plant with a nameplate throughput of 2.5Mtpa

- LOM Operating Cash Cost (C1) of A\$869/oz² and all in sustaining cost (AISC) of A\$931/oz³
- Pre-production Capital Cost for processing plant and associated Infrastructure of A\$86 million (including contingencies of \$6.1m) - payback within 18 months of production
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- 592,500 ounces within the initial mine plan ⁴ (14.1Mt @ 1.31 g/t gold), with exceptional potential for Resource growth
- Proved and Probable Ore Reserve of 552,000 ounces (13.3Mt @ 1.29 g/t) a 25% increase over PFS

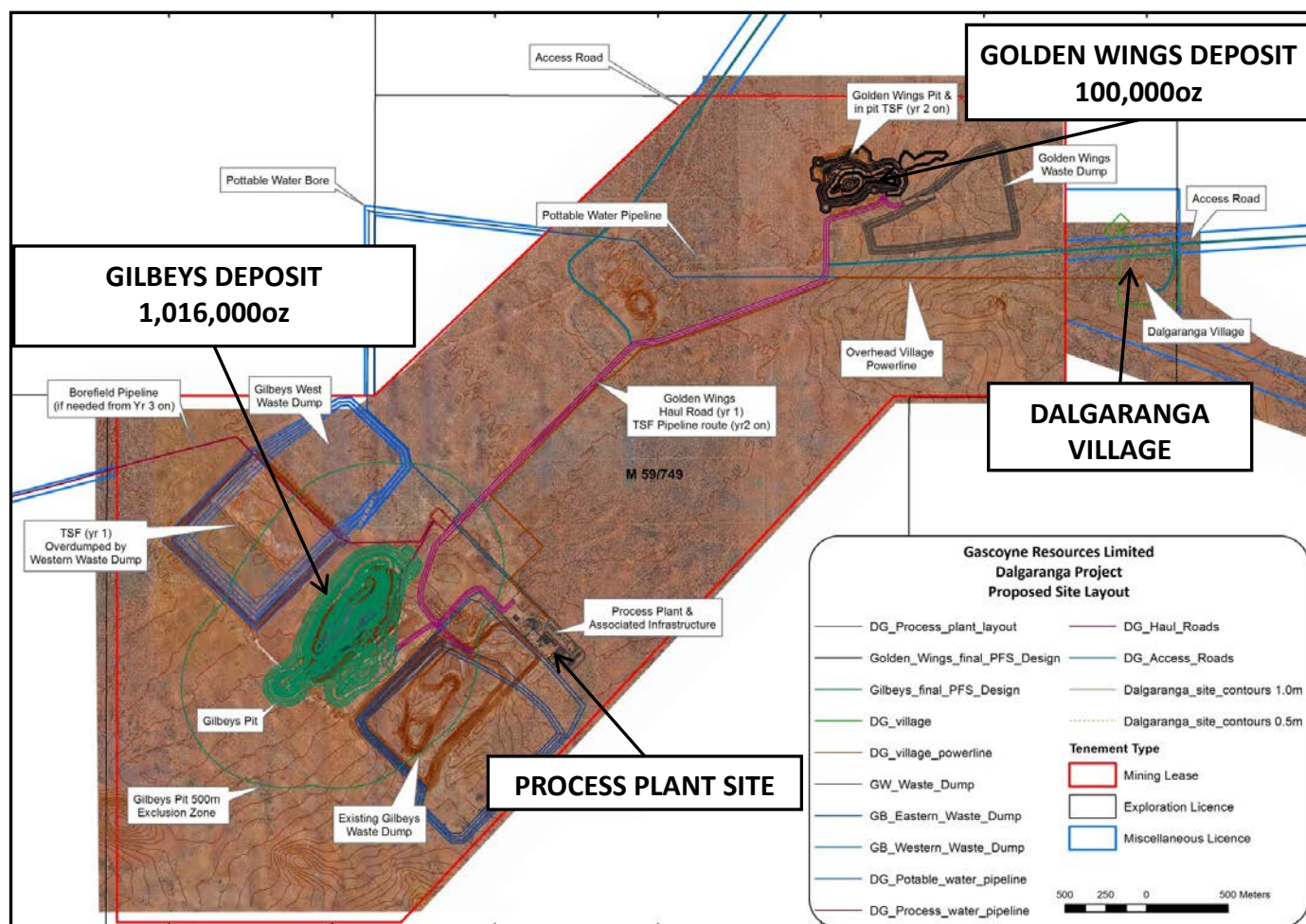


Figure 2: Dalgaranga Site Layout

The FS **excludes** the exploration potential at the project, in particular the Gilbeys South and Sly Fox Prospects (see below for a summary of recent exploration drilling) where strong gold mineralisation has been intersected, and the Company is highly confident of defining additional Resources which it expects will expand the existing 6 year life of mine of the Dalgaranga Project.

See ASX announcement 25th November 2016 titled “Feasibility Confirms Dalgaranga as a Low Cost / High Margin Project” for full details of the Feasibility Study.

Cautionary Statement:

The Company advises that while the FS is based on Proved and Probable Ore Reserves (93%), it is partly based on Inferred Mineral Resources (7%). There is a lower 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 Inferred Mineral Resources will add to the economics of the project. Currently the drill spacing in the Inferred portion of the resource is too sparse to allow the material to be classified as Indicated. There has historically been very good conversion of Inferred Resources into Indicated Resources as the structures and geological units that host the mineralisation at Dalgaranga can be traced along strike and at depth. However there is no assurance that the economic evaluation outlined above will be realised.

¹ Based on production of 541,000oz at US\$1,200 gold price, A\$/US\$ exchange rate of 75c. All amounts in A\$ unless otherwise stated

² C1 operating costs include all mining and processing costs, site administration, refining and site rehabilitation costs

³ AISC includes C1 costs + royalties, sustaining capital, but excludes head office corporate costs.

⁴ 93% of the material in the mine plan is classified as an Ore Reserve, the remaining 7% is classified as Inferred Mineral Resource.

Table 1 – Key Project Statistics

MINERAL RESOURCES		Tonnage	Grade	Ounces
Measured Resources (Gilbeys and Golden Wings)		2.9Mt	1.41 g/t	133,000
Indicated Resources (Gilbeys and Golden Wings)		13.4Mt	1.33 g/t	574,000
Inferred Resources (Gilbeys and Golden Wings)		9.3Mt	1.4 g/t	408,000
Total Resources		25.7Mt	1.4 g/t	1,116,000oz
MATERIAL IN MINE PLAN				
Proved Ore Reserve ¹		3.1Mt	1.28 g/t	129,000 (22%)
Probable Ore Reserve ¹		10.2Mt	1.3 g/t	423,500 (71%)
Inferred Resource (Gilbeys and Golden Wings)		0.8Mt	1.5 g/t	40,000 (7%)
Total (totals vary due to rounding)		14.1Mt	1.31g/t	592,500oz
CAPITAL COSTS (A\$)				Life of Mine
New 2.5 Mtpa Processing Plant				\$60.0M
Infrastructure Capital (Offices, TSF, Camp Installation and Ancillary Infrastructure)				\$14.8M
Owner's Costs, Construction Facilities, First Fills and Capital Spares				\$ 5.3M
Contingency				\$ 6.1M
Total Capital Cost				\$86.2M
PRODUCTION SUMMARY				
Key Outcome				
Life of Mine				6 yrs
Strip Ratio				7:1
Gold Production				541,000 oz
Processing Rate				2.5 Mtpa
Average LOM Metallurgical Recovery				91.3%
PROJECT ECONOMICS				
Base Case gold price (US\$)				\$1,200/oz
Exchange Rate (US\$:A\$)				75c
Revenue (A\$)				\$866M
C1 Cash Costs (A\$) ²				\$869/oz
All In Sustaining Costs (A\$) ³				\$931/oz
Operating Cash Surplus (A\$)				\$373M
NPV₈ (using A\$1,600 gold price)				\$177M
IRR (using A\$1,600 gold price)				65%
Payback (using A\$1,600 gold price)				18 months

DEVELOPMENT UPDATE

Following completion of the Feasibility Study, the board has, subject to obtaining a suitable financing arrangement, approved the project to proceed to construction. A large amount of work has already been undertaken towards development. These activities include:

Staffing

Two key management appointments have been made with appointment of a Development Manager, Mr Ian Kerr and Mr David Lim to the role of Chief Financial Controller (CFO).

As the Company's Development Manager Mr Ian Kerr's initial focus will be on managing the development of the Dalgara Gold Project, and once this has been completed Mr Kerr will commence work on Gascoyne's 100% owned +1.0 million ounce Glenburgh Gold Project.

Prior to his appointment with Gascoyne, Mr Kerr has spent the last 8 ½ years working for Mintrex Pty Ltd, a highly respected and successful engineering group who have been instrumental in the design of a number of mineral processing facilities, including Regis Resources' three gold processing plants in Western Australia, Millennium Minerals' Nullagine gold project as well as numerous other developments around the world.

Mr Kerr has a detailed knowledge of the Dalgara Gold Project, having been the Project Manager for Mintrex on the Dalgara project for both the PFS and FS.

Mr David Lim has been appointed as Chief Financial Officer of the Company. Mr Lim has been working with Gascoyne in an interim capacity as Joint Company Secretary for the past 6 months.

Mr Lim is a company executive with over 16 years of experience in the resources sector. He spent 12 years working for Equigold NL, a successful Australian gold exploration and mining company which developed and operated several gold mines in Australia and West Africa, and was Equigold's CFO and Company Secretary at the time of the company's merger with Lihir Gold in 2008. He has worked for ASX listed companies operating in the Oil and Gas, Coal, Iron ore, Lithium and Gold sectors, and has experience with companies operating in Indonesia, Peru, USA and West Africa.

The development team will continue to grow over the coming months as required.

Engineering

The Feasibility costs were built up assuming an Engineer, Procure, Construct and Manage (EPCM) implementation approach. This is the lowest cost development option; however it comes at the risk of cost overruns. In order to mitigate the capital cost risk, the Company is also assessing the benefits of a fixed price (EPC) style of project implementation. If the Company were to implement an EPC type construction model, it is likely that this will result in an increase of between \$3 and \$5 million over the current capital cost estimate, however the benefit for the Company would be a reduction in the risk of cost overruns. Two fixed price EPC proposals have been received and are currently in the process of being evaluated. The EPC option is being carefully considered by the board as it significantly protects the Company from escalation in capital costs. It is also the preferred option for most of the financial groups the Company is in discussions with regarding funding the development.

Long Lead Items

The Company has identified several long lead items for the project and has begun to implement strategies to ensure that they do not cause delays in the construction program once the board formally approves the development of the project. To this end the Company has either commenced the tender process or placed deposits on assets. These items include:

- Tenders for the SAG Mill required for the new 2.5Mtpa Processing Plant have sought and have been closed. Assessment of the tenders is underway with the award of the preferred supplier expected in the next few weeks.
- The Company has secured a second hand 182 person accommodation village including a kitchen, messing facilities and associated infrastructure for the Dalgara village. The village will be owned by the third party on a "finance lease" arrangement. Gascoyne will be responsible for the cost of the camp installation and a series of lease payments over a 60 month period, after which ownership is transferred to Gascoyne.
- The Company has also secured a mix of second hand and new site buildings including the project administration office, maintenance offices, ablution facilities and crib rooms for the processing plant and administration complex. Securing the second hand facilities confirms the low capital costs used in the FS for the offices, and provides a considerable savings over new facilities.

Financing

The Company is currently in discussions with a number of parties to source the funds required to finance the project development. These include a number of traditional Australian and International banks, private funds, in addition to several "non-traditional" funding proposals. Initial responses from a number of groups support the Company's view that the project can support gearing of approximately 60 – 70%. Discussions are ongoing and an Independent Technical Engineer (ITE) has been engaged to review the project on behalf of the prospective lenders and investors.

The ITE is well advanced with the independent technical review and it is expected that this will be completed in the coming weeks.

Project Permitting

The Company is progressing the regulatory permits required to develop the project. The Native Vegetation Clearing Permit has been granted and other required permits and licences have been submitted to the relevant Government Departments for approval. The main approvals that are currently outstanding include the Mining Proposal, the Mine Closure Plan, Works Approval and the Water Extraction Licences.

All of these are expected to be granted in the current quarter and are not expected to delay development.

EXPLORATION UPDATE

Three drill rigs have been actively drilling at Dalgaranga for most of the quarter with the drilling designed to infill the Inferred Resources, extend the existing Resources, to test known prospects and further regional exploration and is delivering exceptional results.

As announced on the 7th of October, 15th of December and 9th and 25th of January drilling has intersected significant widths and grades of gold mineralisation at the Gilbeys South Prospect and the recently discovered Sly Fox Prospect (see Figure 3). The drilling is summarised below:

Gilbeys South:

In the quarter, additional drilling has been undertaken at the Gilbeys South prospect. RC drilling at Gilbeys South has been undertaken to test a 550 metre extension to the Gilbeys Deposit (see ASX announcements dated 7th of October and 9th and 25th of January). This drilling has intersected high grade and wide and shallow zones of mineralisation (see Figures 3 - 7).

Gilbeys South RC drill Intersections during the quarter include:

- | | |
|---|--------------------------------------|
| ○ 22m @ 5.7 g/t gold from 102m including 6m @ 18 g/t gold | ○ 11m @ 1.8 g/t gold from 20m |
| ○ 8m @ 11.5 g/t gold from 28m including 1m @ 83.7 g/t gold | ○ 7m @ 1.5 g/t gold from 52m |
| ○ 2m @ 9.0 g/t gold from 57m | ○ 14m @ 1.4 g/t gold from 14m |
| ○ 1m @ 41.7 g/t from 96m | ○ 12m @ 1.7 g/t gold from 18m |
| ○ 22m @ 2.5 g/t gold from 79m | ○ 10m @ 1.3 g/t gold from 16m |
| ○ 23m @ 1.2 g/t gold from 71m | ○ 11m @ 1.4 g/t gold from 23m |
| ○ 29m @ 1.0 g/t gold from 146m | ○ 10m @ 1.6 g/t gold from 83m |
| ○ 8m @ 2.0 g/t gold from 192m; | ○ 8m @ 1.9 g/t gold from 110m |
| ○ 5m @ 5.2 g/t gold from 40m | ○ 9m @ 1.3 g/t gold from 21m |
| ○ 10m @ 1.5 g/t gold from 65m | ○ 9m @ 1.5 g/t gold from 188m |
| ○ 19m @ 1.2 g/t gold from 19m | ○ 15m @ 1.1 g/t gold from 147m |
| ○ 13 @ 1.2 g/t gold from 11m | ○ 18m @ 1.0 g/t gold from 148m |
| | ○ 7m @ 1.4 g/t gold from 135m |
| | ○ 8m @ 1.4 g/t gold from 159 |

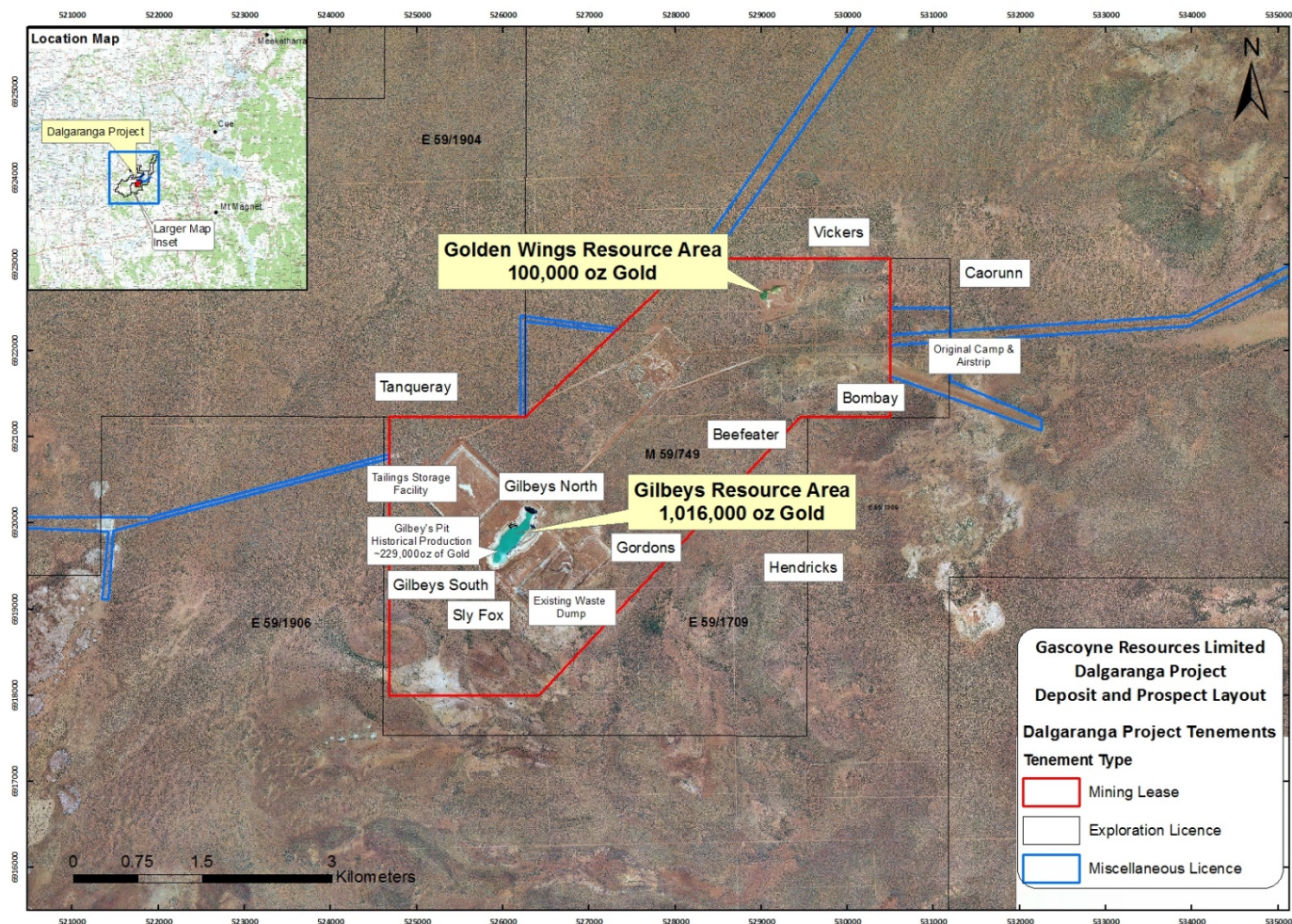


Figure 3: Dalgara Gold Project Deposit and Prospect Layout

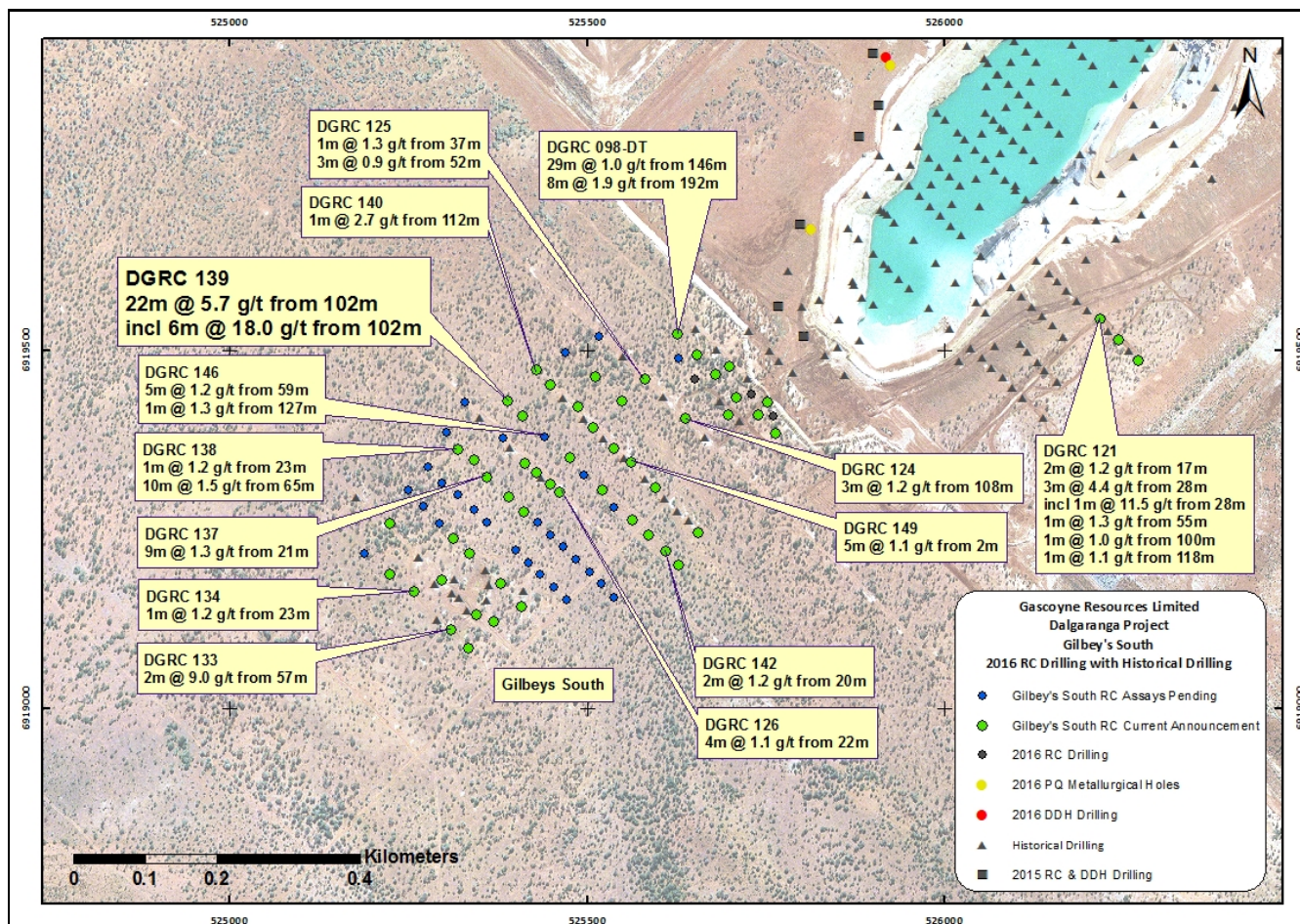


Figure 4: Dalgara Gold Project, Gilbeys South – October 2016 Drill Intersections

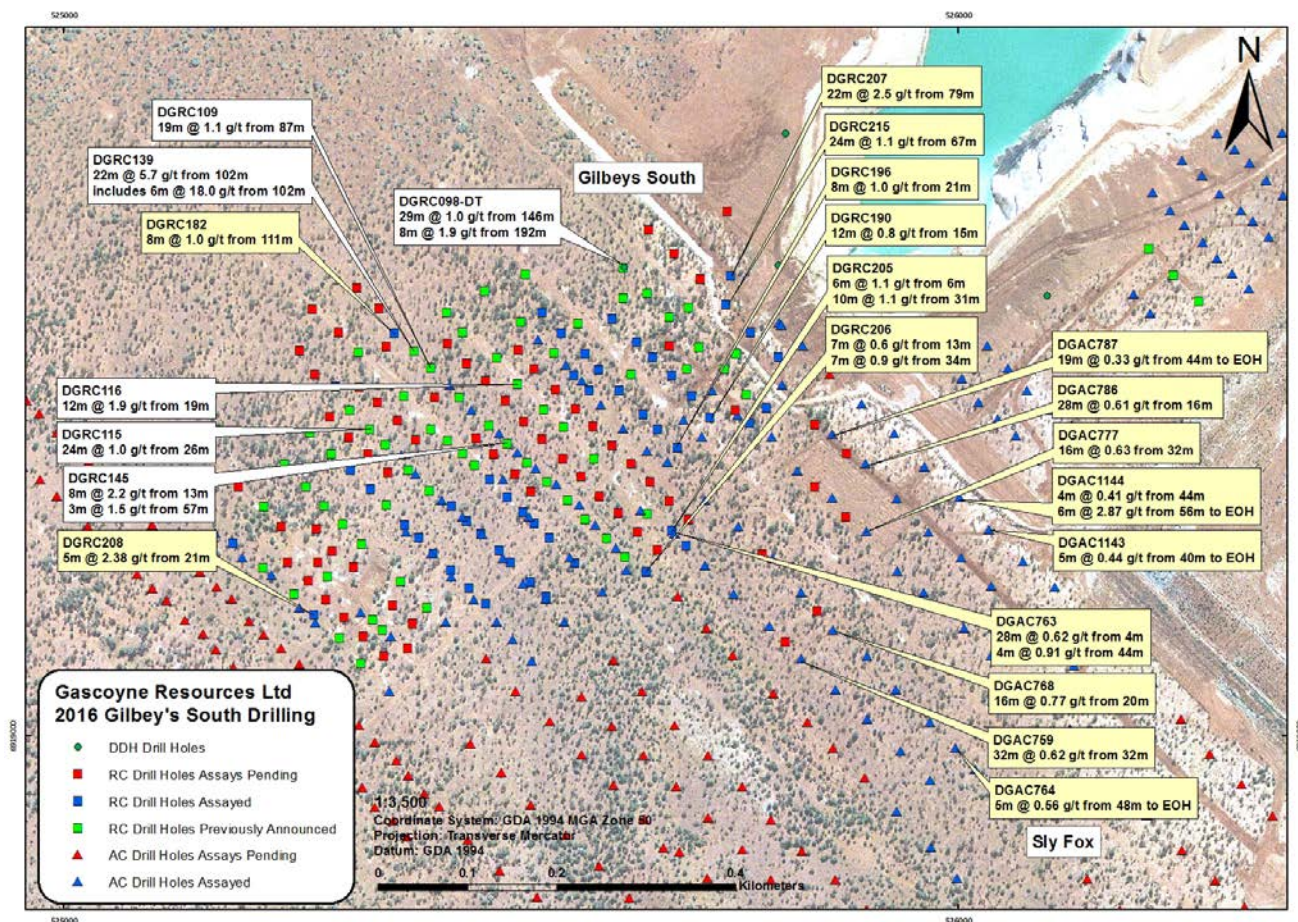


Figure 5: Dalganga Gold Project, Gilbey's South – November & December 2016 Drill Intersections

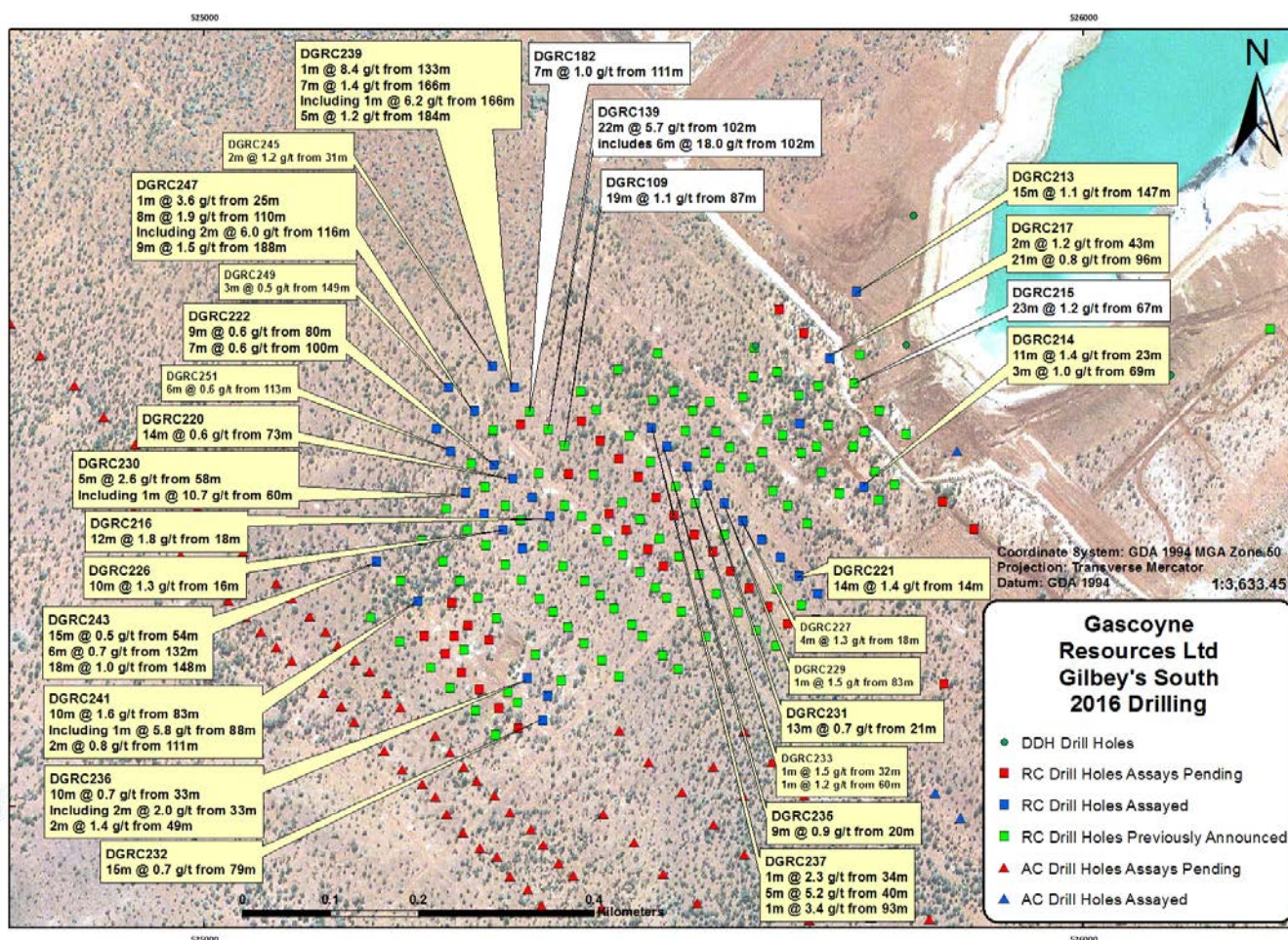


Figure 6: Dalganga Gold Project, Gilbey's South – Early January 2017 RC Drill Intersections

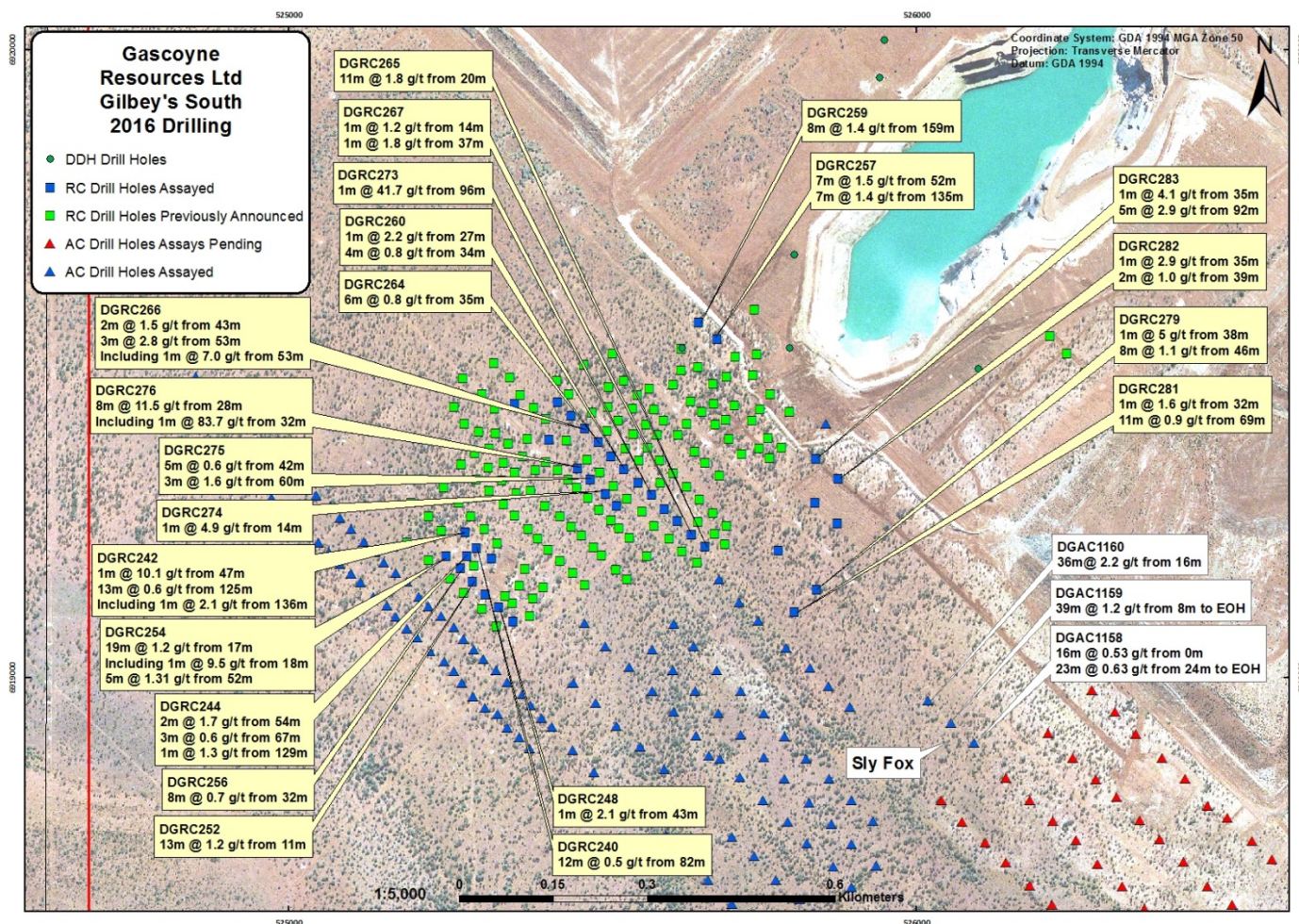


Figure 7: Dalgaranga Gold Project, Gilbeys South – Mid January 2017 RC Drill Intersections

In addition to the exploration and resource drilling at Gilbeys South, initial metallurgical testwork has been completed (see ASX announcement 23rd January titled “Excellent Metallurgical Testwork Results from Gilbeys South at the Dalgaranga Gold Project”).

The metallurgical samples were composited from the RC drilling that has been completed at the prospect and the results confirm excellent total recovery not only in the oxide but also from the transitional and fresh mineralisation.

The tests have demonstrated very rapid leaching kinetics for each of the samples, and overall recovery of between 90.1% and 95.1% (average of 93.3%) after 24 hours, and very high gravity gold recovery of between 24% and 45% (average of 36.5%). These recoveries and leaching kinetics are comparable to the Gilbeys Deposit (see Table 2 and Figure 8 below).

Another favourable outcome of the testwork is confirmation of very low reagent consumption required to achieve the high recoveries. The cyanide consumption from the tests ranged from 0.26kg/t to 0.39kg/t (average consumption of 0.34kg/t). This consumption rate is slightly lower than historically used in the original process plant and adopted in the recently completed Feasibility Study, which assumed 0.4kg/t would be required. Cyanide is one of the highest reagent costs in the process plant, so confirmation of low cyanide consumption from the Gilbeys South prospect is expected to have a positive impact on processing costs for the Gilbeys South prospect.

Table 2: Gilbeys South Metallurgical Composite Sample Results at 90µm

Composite #	Sample Type	Gold Grade (g/t)	Gravity Gold Recovery	Gold Recovery after 12hrs	Gold Recovery after 24hrs	Gold Tail Grade (g/t)	Cyanide Consumption kg/t	Lime Consumption kg/t
WH7324	Transitional	1.52	45.5%	94.8%	94.8%	0.08	0.37	1.97
WH7325	Fresh	1.11	43.1%	88.9%	90.1%	0.11	0.39	0.52
WH7326	Oxide	1.83	33.6%	93.6%	95.1%	0.09	0.26	2.48
WH7327	Oxide	1.47	23.7%	90.0%	93.2%	0.10	0.33	2.82

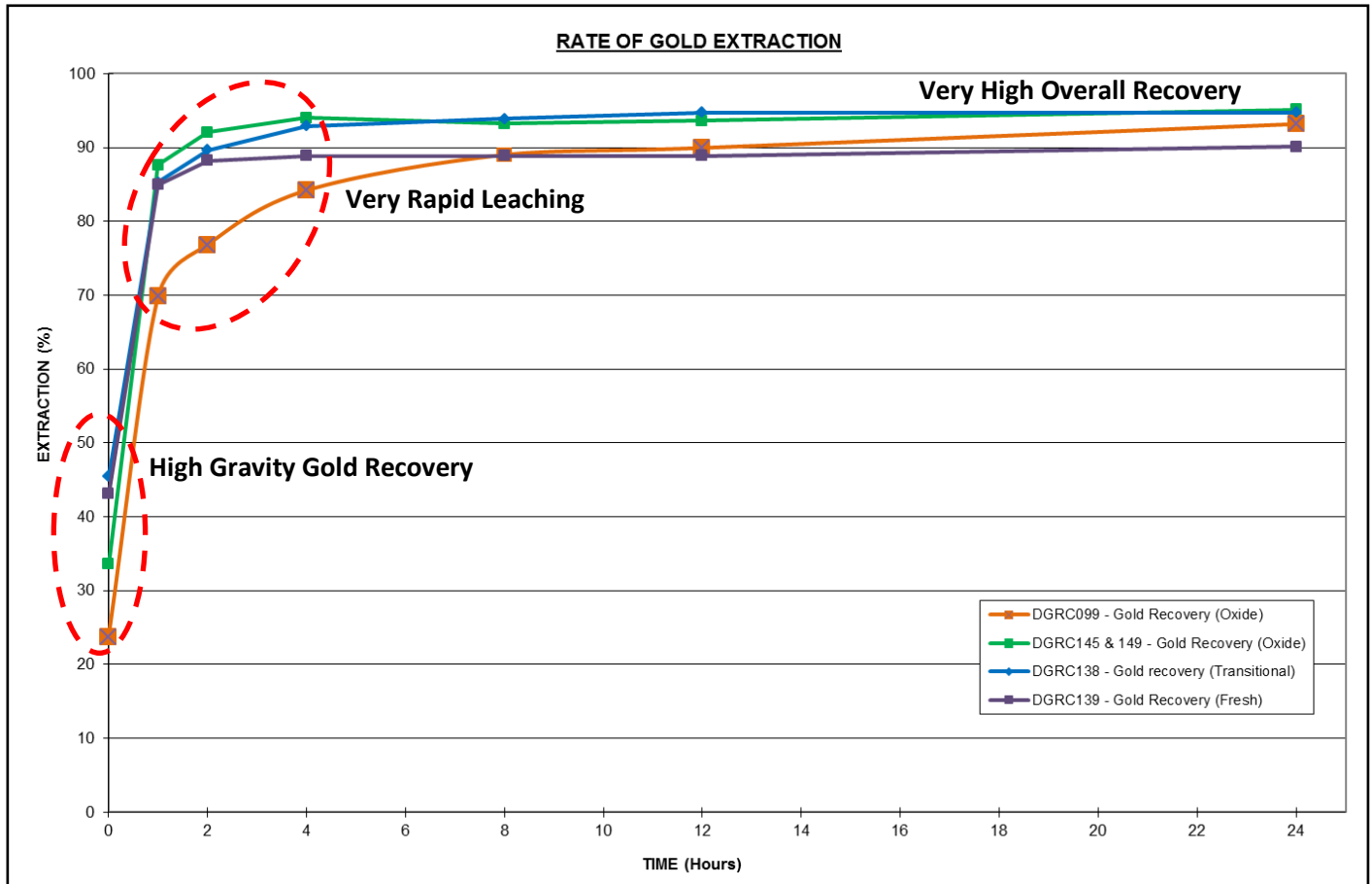


Figure 8: Gilbeys South Metallurgical Extraction Over time

Sly Fox Discovery:

As announced on the 12 of December, Aircore drilling focused on testing structural targets has resulted in a new discovery, **Sly Fox**, where very near surface and significant downhole thicknesses of gold mineralisation were intersected some 600m south of the Gilbeys deposit.

Lengthy zones of gold mineralisation have been intersected in 3 consecutive Aircore holes on a single line, with holes approximately 50m apart. Results from 4m composite sampling include **36m @ 2.3 g/t gold from 16m in DGAC1160 including 16m @ 4.4g/t gold, 39m @ 1.1g/t gold from 8m to EOH in DGAC1159 and 47m @ 0.5g/t gold from surface to EOH in DGAC1158**. Mineralisation is hosted in saprolitic clays – with the clays interpreted to be altered porphyry-volcanic schists and shales similar to the stratigraphic package that hosts the Gilbeys and Gilbeys South gold deposits to the north west (Figure 9 and 10). At this stage the trend of the mineralised zone is unknown, and the true thickness of the mineralised zones is not understood. It is possible that the drilling maybe oblique to the strike trend of the mineralisation in what is interpreted from aeromagnetism as a structurally complex area. A significant number of results from Aircore drilling immediately south and east of this zone are pending, once they have been assessed a better understanding of the orientation of this potentially significant mineralised zone will be known. Planning is underway for follow up RC testing of this exciting new discovery early in Q1 2017.

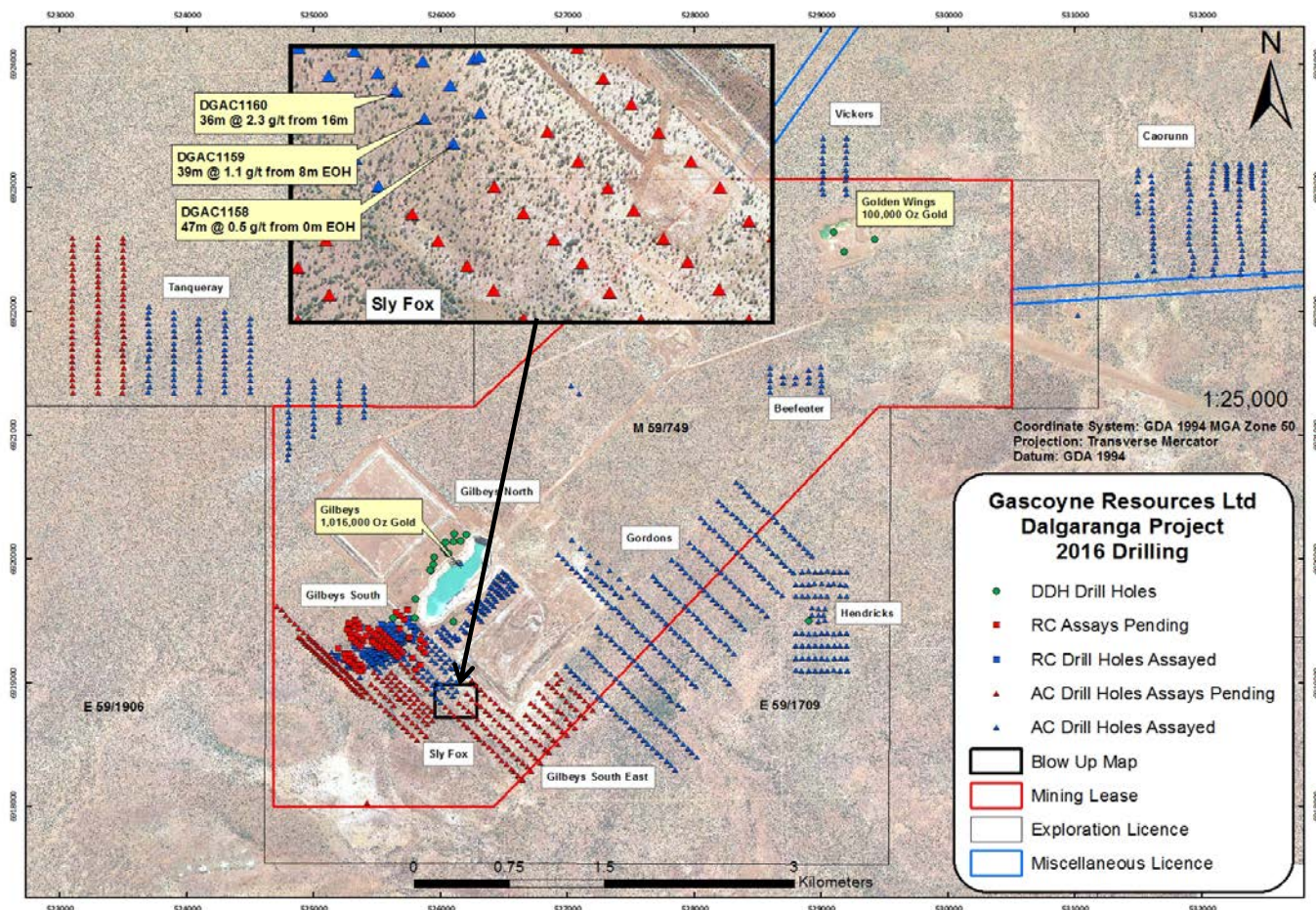


Figure 9: Sly Fox Prospect Location

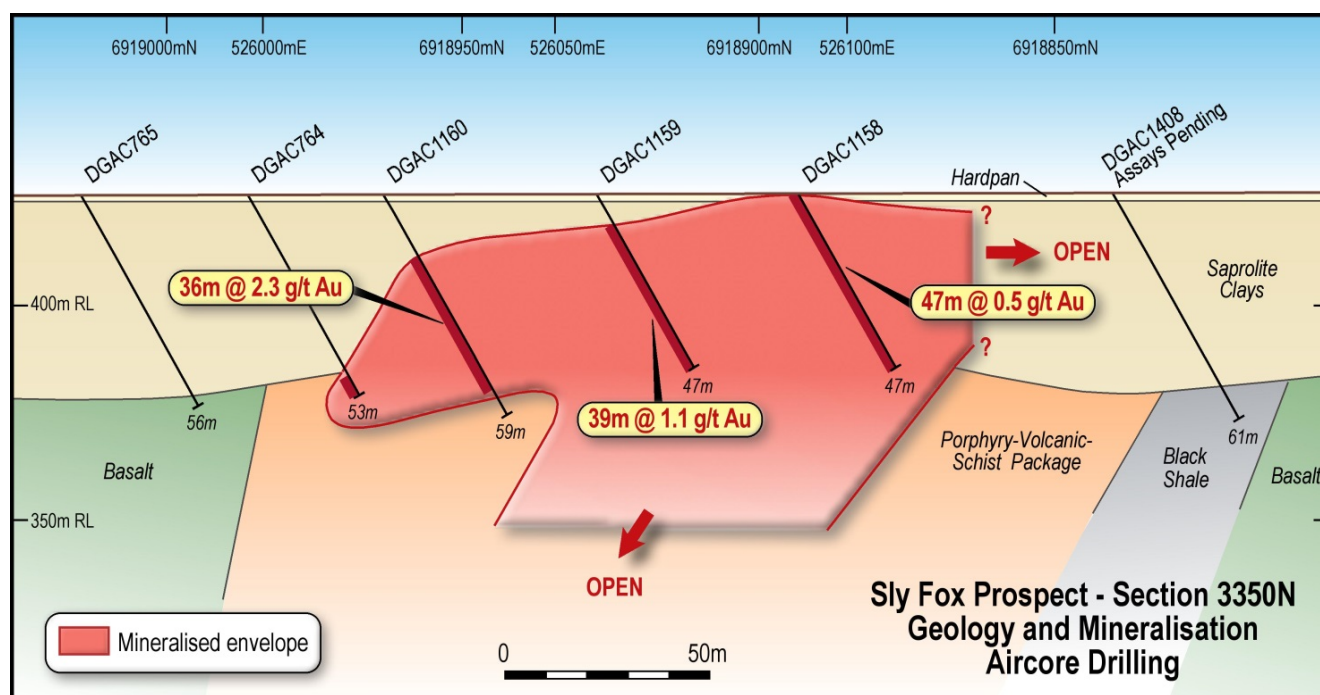


Figure 10: Sly Fox Prospect Discovery Aircore Drill Intersections

GLENBURGH PROJECT

M 09/148, E09/1325, 1764, 1865, 1866, 2025 & 2148, L09/56 & 62 -100% Gascoyne

An initial review of previous exploration completed over the project has highlighted a number of regional +1.0 g/t gold soil anomalies which require further investigation. Ground truthing and confirmation sampling has been completed. The results of the sampling are currently being assessed and reviewed. This sampling is expecting to result in a number of new drill targets being identified with a view to undertaking a drilling programme in the current field season.

In addition to the soil anomalies, a number of stream sediment gold anomalies have been identified which are yet to be followed up. Some of these anomalies are larger than the original stream sediment anomaly that resulted in the discovery of the +1.0 million ounce Glenburgh system. Follow up stream sediment sampling and soil sampling is ongoing on these targets and it is anticipated that these exploration activities will lead to identifying drill targets for testing in the 2017 field season.

CORPORATE

During the quarter 2.8 million unlisted options were exercised and an additional 7.85 million options granted to employees under the Company's ESOP.

In addition to the options exercised during the quarter, the Company issued 11 million shares (escrowed for 12 months) as part of the consideration for the purchase of the remaining 20% of the Dalgaranga Gold Project, which was owned by the minority JV partner, resulting in Gascoyne now owning 100% of the Dalgaranga Gold Project.

As a result, the Company currently has 267 million shares on issue.

The Company's cash reserves were \$5.9 million at the end of December, which funds the Company towards development of the Dalgaranga Gold Project, as well as run aggressive exploration campaigns at each of the +1.0 million ounce 100% owned Dalgaranga and Glenburgh Projects.

Mining Tenements held at 31th December 2016

All the company's tenements are within Western Australia

Tenement	Location	Name	Ownership
ELA09/2142	Gascoyne Region	Bassit Bore	100% Gascoyne Resources
EL21/195	Murchison Region	Dalgaranga	80% Gascoyne Resources
EL59/1709	Murchison Region	Dalgaranga	80% Gascoyne Resources
EL59/1904	Murchison Region	Dalgaranga	80% Gascoyne Resources
EL59/1905	Murchison Region	Dalgaranga	80% Gascoyne Resources
EL59/1906	Murchison Region	Dalgaranga	80% Gascoyne Resources
L59/141	Murchison Region	Dalgaranga	100% Gascoyne Resources
L59/142	Murchison Region	Dalgaranga	100% Gascoyne Resources
L59/151	Murchison Region	Dalgaranga	100% Gascoyne Resources
LA59/152	Murchison Region	Dalgaranga	100% Gascoyne Resources
L59/153	Murchison Region	Dalgaranga	100% Gascoyne Resources
ML59/749	Murchison Region	Dalgaranga	100% Gascoyne Resources
EL59/2150	Murchison Region	Dalgaranga	100% Gascoyne Resources
ELA52/3400	Pilbara Region	Elphin Bore	100% Gascoyne Resources
EL09/1325	Gascoyne Region	Glenburgh	100% Gascoyne Resources
EL09/1764	Gascoyne Region	Glenburgh	100% Gascoyne Resources
EL09/1865	Gascoyne Region	Glenburgh	100% Gascoyne Resources
EL09/1866	Gascoyne Region	Glenburgh	100% Gascoyne Resources
EL09/2025	Gascoyne Region	Glenburgh	100% Gascoyne Resources
EL09/2148	Gascoyne Region	Glenburgh	100% Gascoyne Resources
L09/62	Gascoyne Region	Glenburgh	100% Gascoyne Resources
L09/56	Gascoyne Region	Glenburgh	100% Gascoyne Resources
ML09/148	Gascoyne Region	Glenburgh	100% Gascoyne Resources
EL51/1648	Murchison Region	Murchison	100% Gascoyne Resources
EL52/2117	Gascoyne Region	Mt Egerton	100% Gascoyne Resources
EL52/2515	Gascoyne Region	Mt Egerton	100% Gascoyne Resources
ML52/343	Gascoyne Region	Mt Egerton	100% Gascoyne Resources
ML52/567	Gascoyne Region	Mt Egerton	100% Gascoyne Resources
ELA52/3394	Gascoyne Region	Mt James	100% Gascoyne Resources
EL20/799	Murchison Region	Murchison	100% Gascoyne Resources
EL51/1681	Murchison Region	Murchison	100% Gascoyne Resources

Abbreviations and Definitions used in Tenement Schedule:

EL	Exploration Licence	ELA	Exploration Licence Application
PL	Prospecting Licence	PLA	Prospecting Licence Application
LA	Miscellaneous Licence Application	L	Miscellaneous Licence
ML	Mining Lease		

Competent Persons Statement

Information in this announcement relating to exploration results for the projects 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 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 Gilbeys and Golden Wings Mineral Resources at the Dalgara and Glenburgh Projects have been estimated by RungePincokMinarco 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 September 2016 titled: 40% Increase in Gilbeys Measured and Indicated Mineral Resource at Dalgara and ASX announcement 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 Dalgara Ore Reserve has been estimated by CSA Global 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 (see GCY-ASX announcement 24th November 2016 titled: Feasibility confirms Dalgara as a low cost/high margin project). 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 Ore Reserves 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 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 Egerton Resource estimate and Gaffney's Find prospect historical exploration results have been sourced from Exterra Resources annual reports and other publicly available reports which have undergone a number of peer reviews by qualified consultants, who conclude that the resources comply with the JORC code and are suitable for public reporting. This information was prepared and first disclosed under the JORC Code 2004. It has 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.

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 **2.1 million ounces of contained gold on granted Mining Leases**:

DALGARANGA:

The Dalgara project 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 Dalgara 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 Resources of **25.7 Mt @ 1.4g/t Au for 1,116,000 ounces** of contained gold (Table 3). The Dalgara project has a **Proved and Probable Ore Reserve of 552,000 ounces of gold** (Table 4).

The FS study that has been completed has highlighted a robust development case for the project.

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

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

Table 3 – Dalgara September 2016 Mineral Resource Estimate
(0.5 g/t Cut-off Above 120 mRL, 1.0 g/t Cut-off Below 120 mRL)

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				0.5	1.11	17,000	0.1	0.8	3,000	0.6	1.1	21,000
Oxide	0.4	1.69	22,000	1.0	1.65	55,000	0.6	1.7	31,000	2.0	1.7	108,000
Transitional	0.3	1.83	17,000	0.8	1.69	42,000	0.3	1.5	14,000	1.4	1.7	74,000
Fresh	2.2	1.31	94,000	11.2	1.28	460,000	8.3	1.3	360,000	21.7	1.3	913,000
Total	2.9	1.41	133,000	13.4	1.33	574,000	9.3	1.4	408,000	25.7	1.4	1,116,000

Table 4 Ore Reserve Statement - Dalgara Project November 2016

Ore Reserves	Tonnes (M tonnes)	Gold Grade (g/t)	Contained ounces (oz)
Proven	3.1	1.28	129,000
Probable	10.2	1.29	423,000
Ore Reserves Total	13.3	1.29	552,000

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: **21.3 Mt @ 1.5g/t Au for 1.0 million oz gold** from several prospects within a 20km long shear zone (see Table 5)

A preliminary feasibility study on the project has been completed (see announcement 5th of August 2013) that showed a viable project exists, with a production target of 4.9mt @ 2.0g/t for 316,000oz (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, hydro geological 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
2014 Mineral Resource Estimate (0.5g/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 which contains a resource of **116,400 tonnes @ 6.4 g/t gold for 24,000 ounces** in the Measured, Indicated and Inferred JORC categories (Table 6). The deposit lies on a granted mining lease and previous drilling includes high grade intercepts, **2m @ 147.0 g/t gold, 5m @ 96.7 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 current JORC Resource with drilling testing deeper extensions to known shoots and targeting new shoot positions.

Table 6: Egerton Project: Hibernian Deposit Mineral Resource (2.0g/t Au Cut-off)

Classification	Tonnes	Au g/t	Au Ounces
Measured Resource	32,100	9.5	9,801
Indicated Resource	46,400	5.3	7,841
Inferred Resource	37,800	5.1	6,169
Total	116,400	6.4	23,811

Gascoyne is continuing to evaluate the Glenburgh gold deposits to delineate meaningful increases in the resource base and progress project permitting, while also continuing to explore the Dalgara project with the view to moving towards a low capital cost development as rapidly as possible. The Company also has 100% ownership of the 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

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Gascoyne Resources Limited

ABN

57 139 522 900

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers	-	-	-
1.2 Payments for			
(a) exploration & evaluation	-	-	-
(b) development	-	-	-
(c) production	-	-	-
(d) staff costs	(29)	(191)	
(e) administration and corporate costs	(359)	(651)	
1.3 Dividends received (see note 3)	-	-	-
1.4 Interest received	18	46	
1.5 Interest and other costs of finance paid			
1.6 Income taxes paid	-	-	-
1.7 Research and development refunds	-	-	-
1.8 Other – Income	10	29	
Other - GST	(34)	(74)	
1.9 Net cash from / (used in) operating activities	(394)	(841)	

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(506)	(594)
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)		
	- Exploration and Evaluation expenditure	(2,258)	(4,777)
	- Acquisition of mineral tenements	(3,640)	(3,640)
2.6	Net cash from / (used in) investing activities	(6,404)	(9,011)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options	728	910
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(7)	(23)
3.10	Net cash from / (used in) financing activities	721	887

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	11,992	14,880
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(394)	(841)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,404)	(9,011)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	721	887
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,915	5,915

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,915	11,992
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,915	11,992

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
187
-

Paid to directors: \$183k.

Paid to associates of directors: \$4k (vehicle hire paid to an ASX listed company with common directors)

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other – Credit Card facility	30	11
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Credit card facility held with Westpac bank which is secured by a right of setoff and “blocked” term deposit account.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	2,996
9.2 Development	50
9.3 Production	-
9.4 Staff costs	337
9.5 Administration and corporate costs	519
9.6 Other (provide details if material)	28
9.7 Total estimated cash outflows	3,930

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased	L59/151	Tenement holder	20%	100%
		L59/153	Tenement holder	20%	100%
		L59/141	Tenement holder	20%	100%
		L59/142	Tenement holder	20%	100%
		M59/749	Tenement holder	20%	100%
		E21/195	Tenement holder	0%	80%
		E59/2150	Tenement holder	0%	100%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Company secretary

Date: 31 January 2017

Print name: David Lim

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.