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A\$125m Funding Package to Recapitalise Gascoyne

Highlights

- Fully underwritten institutional placement and 2-for-1 accelerated pro rata non-renounceable entitlement offer to raise approximately A\$85 million
- New shares to be issued at A\$0.025 per share
- A\$40 million debt facility signed with Investec Bank plc
- Funding package to facilitate Gascoyne's recapitalisation and reinstatement to official quotation on ASX
- Proceeds from the equity raising and new debt facility to be applied to reducing existing debt, effectuating the Deed of Company Arrangement and enhance working capital for growth initiatives such as resource definition drilling and broader exploration activities
- With a deleveraged balance sheet and revised life of mine plan, Gascoyne is well positioned to drive sustainable operational performance, having achieved 7 consecutive months of >6Koz monthly production through to July 2020
- New Board and Management team well-placed to execute corporate strategy and deliver shareholder value
- Gascoyne expected to recommence trading on ASX on 24 September 2020

Gascoyne Resources Limited (Subject to Deed of Company Arrangement) (ASX:GCY) ("**Gascoyne**" or the "**Company**") is pleased to announce that the Company has entered into agreements that provide A\$125 million in funding to the Company. The A\$125 million funding package components are:

- An equity raising comprising a fully underwritten institutional placement and an accelerated pro rata non-renounceable entitlement offer to raise approximately A\$85 million (collectively the "**Offer**" or "**Equity Raising**");
- The Equity Raising is fully underwritten by Canaccord Genuity (Australia) Limited ("**Canaccord**"); and
- A \$40 million 3-year amortising debt facility with Investec Bank plc ("**Investec Bank**")

(together "**Funding Package**").

The Funding Package enables Gascoyne to facilitate its recapitalisation strategy and position the Company to deliver on its robust life of mine plan, announced to the ASX on 31 July 2020. Proceeds from the Funding Package will allow the Company to reduce debt to sustainable levels, effectuate the Deed of Company Arrangement and provide sufficient working capital to pursue growth initiatives. Growth initiatives include resource definition drilling at the Gilbey's and Sly Fox deposits at the Company's Dalgaranga Gold Project ("**Dalgaranga**"), exploration on the broader Dalgaranga tenements, as well as advancing the prospective Glenburgh Project.



Post completion of the recapitalisation and reinstatement, Gascoyne will have a pro-forma¹ cash position of approximately A\$30.3m. The strengthened balance sheet will enable Gascoyne to continue to drive production and operational performance at Dalgaranga. Through to July 2020, Gascoyne achieved 7 consecutive months of monthly gold production of greater than 6Koz and free cashflow for the June 2020 quarter of \$6.0m. As announced previously to the ASX, the revised Dalgaranga 7-year life of mine plan has a production rate for the first 4-years of 70-80Koz per annum in addition to 3-years of processing stockpiles with an average production rate of 25-35Koz per annum. Furthermore, the Company believes there are numerous exploration opportunities to improve and extend mine life at Dalgaranga and material exploration upside at the Glenburgh Project.

Gascoyne Chief Executive Officer, Richard Hay, commented:

“Today’s landmark funding package is the culmination of significant hard work by the Gascoyne team and its advisors over a 15-month period. It will facilitate the recapitalisation of the Company and enable Gascoyne to pursue strategic growth opportunities with an enhanced balance sheet and funding capability.

Importantly, the Equity Raising allows all existing shareholders in the Company to participate in the recapitalisation on the same terms as those participating in the placement. The Equity Raising has been structured to provide all existing shareholders with the opportunity to subscribe for the majority of the New Shares to be issued - \$50 million out of the total amount to be raised of \$85 million.

Investec Bank is a well-known and renowned provider of debt facilities to the global mining industry and we welcome them on board as our senior finance partner moving forward. Investec Bank put forward the most competitive debt solution and we are pleased to have a facility that is aligned to our recently announced updated life of mine plan.

On behalf of the Gascoyne team, I wish to thank all key stakeholders for supporting the Company’s recapitalisation strategy to date. We look forward to building a solid future as a profitable West Australian gold producing business.”

Offer Details

The fully underwritten A\$85 million Offer comprises the following:

- An institutional placement of 1,400,000,000 new fully paid ordinary shares in Gascoyne (“**New Shares**”) to raise A\$35 million (“**Placement**”); and
- A 2-for-1 accelerated pro rata non-renounceable entitlement offer of 2,009,729,910 New Shares to raise approximately A\$50 million (“**Entitlement Offer**”).

All New Shares offered under the Offer will be issued at a price of A\$0.025 per New Share, which represents a 36% discount to the last traded price of A\$0.039 on 29 May 2019.

The Entitlement Offer provides eligible shareholders the opportunity to subscribe for 2 New Shares for every existing Gascoyne fully paid ordinary share (“**Share**”) held as at 5pm Perth time on 17 August 2020 (“**Record Date**”). Furthermore, it is intended that eligible institutional shareholders that bid for up to their pro rata allocation of New Shares under the Placement will be allotted their full bid, on a best endeavours basis.

Eligible institutional shareholders will be invited to participate in the accelerated institutional component of the Entitlement Offer (“**Institutional Entitlement Offer**”), which is being conducted today, 13 August 2020, along with the Placement.

The retail component of the Entitlement Offer (“**Retail Entitlement Offer**”) is currently scheduled to be open from 20 August 2020 to 10 September 2020, to eligible retail shareholders with a registered address in Australia or New Zealand as at the Record Date. Eligible retail shareholders will also be invited to

¹ Proforma cash position is based on the Interim Financial Report for the 6 months ending 31 December 2019



subscribe for shares in addition to their entitlement, up to a maximum of 50% of their entitlement, subject to the overall level of participation in the Entitlement Offer and the discretion of the Board.

The Entitlement Offer is non-renounceable and entitlements will not be tradeable or otherwise transferable. Each New Share issued under the Offer will rank equally with the existing Shares on issue. The Company will, upon issue of the New Shares under the Offer, seek quotation of the New Shares on the ASX and the reinstatement of trading on the ASX. The conditions required to be met for the reinstatement of trading of the Company's shares on the ASX are contained in the Prospectus.

Canaccord is acting as sole lead manager, underwriter and bookrunner to the Offer. Foster Stockbroking and Bridge Street Capital are acting as co-managers to the Offer.

Equity Raising Use of Funds

Funds raised under the Placement and Entitlement Offer will be used for the following purposes:

- repayment of the Company's existing secured banking facilities, including accrued but unpaid interest, of approximately \$40 million (the remaining \$40 million of the existing secured banking facilities will be repaid from proceeds received from the Investec Bank finance facility ("**Finance Facility**"));
- establishment of a \$10 million minimum cash reserve to meet the requirements of the Finance Facility;
- upfront cash payment of \$7 million to NRW as part repayment of amounts owed to NRW;
- exploration and evaluation activities of \$3 million to be undertaken over the next 12 months;
- payment to the Creditor's Trust of approximately \$1 million;²
- costs of the Placement and Entitlement Offer of an estimated \$7.4 million; and
- general working capital purposes of approximately \$16.6 million.

² In accordance with the Deed of Company Arrangement, the remaining 50% of debt owed to large unsecured creditors will be paid into the Creditors' Trust in due course.



Offer Timetable

An indicative timetable of key dates in relation to the Offer is detailed below. Please refer to the Prospectus for further information.

Event	Time (Perth time) / Date
Announcement of Entitlement Offer and Placement	13 August 2020
Lodgement of Prospectus with ASIC and ASX	13 August 2020
Institutional Entitlement Offer and Placement opens	13 August 2020
Institutional Entitlement Offer and Placement closes	17 August 2020
Announcement of results of Institutional Entitlement Offer and Placement	17 August 2020
Record Date for the Entitlement Offer	5pm (Perth time), 17 August 2020
Despatch of the Prospectus and Entitlement and Acceptance Form to Eligible Retail Shareholders	20 August 2020
Retail Entitlement Offer opens	20 August 2020
Closing Date for Retail Entitlement Offer	5pm (Perth time), 10 September 2020
ASX notified of under subscriptions under the Retail Entitlement Offer	11 September 2020
Settlement Date for Institutional Entitlement Offer, Placement and Retail Entitlement Offer	15 September 2020
Issue Date of New Shares under Institutional Entitlement Offer, Placement & Retail Entitlement Offer	16 September 2020
Effective date of Share consolidation	21 September 2020
Record date in relation to the Share consolidation	22 September 2020
Deed of Company Arrangement (DOCA) effectuated. Company ceased to be subject to DOCA	23 September 2020
Satisfaction of ASX reinstatement conditions	23 September 2020
Expected date for Shares to recommence trading on ASX	24 September 2020
Despatch of holding statements	24 September 2020



Note:

This timetable is indicative only and eligible retail shareholders are encouraged to submit their applications as early as possible.

The Company, in consultation with the lead manager, reserves the right, subject to the Corporations Act and the ASX Listing Rules, to vary these dates without prior notice, including to close the Offer early, extend the closing date, accept late applications, or to delay or withdraw the Offer. Any extension of the closing date will have a consequential effect on the issue date of New Shares. If withdrawn, all application monies for New Shares which have not been issued will be refunded (without interest) as soon as practicable.

The Company, in consultation with the lead manager, reserves the right, subject to the Corporations Act, the ASX Listing Rules and the giving of at least 5 business days' notice to Shareholders, to close the Offer (including the Retail Entitlement Offer) early.

The Federal Court of Australia has currently listed the Habrok proceedings (details of which are set out in the Prospectus) for an urgent hearing on 25 and 26 August 2020 and made consequent orders programming the interlocutory steps towards such a hearing date. This is on the basis of an undertaking by the Company and the Deed Administrators to the effect that the Company would not issue the New Shares before 1 September 2020 (or such later date as may be agreed or ordered).

The New Shares issued pursuant to the Offer will be issued prior to the Shares being reinstated to trading on ASX. Whilst the New Shares pursuant to the Offers will be admitted to quotation following close of the Offer, there is no guarantee that the Shares will be reinstated to trading on ASX.

A\$40 million Finance Facility

Material terms of the A\$40 million Finance Facility signed with Investec Bank are:

Limit and Utilisation	A\$40 million facility available for a single drawdown within 14 days of satisfaction of conditions precedent to be used towards the refinancing of the amounts owed to the Senior Lenders.
Term	3 years.
Repayment	Balance drawn is repaid in quarterly instalments with the first repayment to be made on 31 December 2020.
Interest and fees	Australian Bank Bill Swap Bid Rate plus a margin of 5.25% per annum. Fees standard for a facility of this nature.
Hedging	On a rolling 18-month basis during the term, at least 40% of gold production is to be hedged (and for the first 18-month period at a price of not less than A\$2,400/oz).
Cash sweep	On a quarterly basis, 20% of surplus cash flow available for debt service less the financing costs for the quarter, is to be swept and applied to reduce the outstanding debt balance (such payments are in addition to scheduled principal repayments). This 20% sweep increases to 30% if there is a failure to meet minimum performance targets relating to production and costs associated with the project for two consecutive quarters.
Mandatory prepayment	If certain levels are not met in respect of the financial covenants and ratios, a lock up event will occur. On the occurrence of a lock up event, the Company must make a mandatory additional principal prepayment up to an amount to ensure that on re-calculation of the financial covenant or ratio, the relevant levels are met.
Security and guarantees	Investec Bank will have senior security over the assets of the Company and certain subsidiaries (" Group "), subject to agreed carve-outs that are customary for a facility of this nature. The Group will be guarantors under the Finance Facility.



Conditions precedent	<p>Conditions precedent to drawdown are customary for a facility of this nature and include:</p> <ul style="list-style-type: none"> • entry into the Hedging arrangements described above and entry into a refinance co-ordination deed with, amongst others, the existing Senior Lenders; • conditions relating to completion of the re-listing on the ASX; • conditions relating to completion under the deed of company arrangement; and • the Company raising at least \$50 million from the proposed capital raising.
Events of default and review events	<p>The Finance Facility contains events of default which are customary for a facility of this nature.</p> <p>On and from financial close it will be a review event if a person acquires voting power in excess of 35% of the Company or the Company fails to meet certain minimum performance targets. If a review event occurs, the Finance Facility may be restructured or cancelled with the outstanding balance, together with all accrued interest due and payable within 90 days.</p>
Representations, warranties and undertakings	<p>The Finance Facility contains certain representations and undertakings that are customary for a facility of this nature and having regard to the nature of the Group, the project and its business. The Company specifically notes:</p> <ul style="list-style-type: none"> • The Company is required to maintain a proceeds account and debt service reserve and account, and the Company must have at least \$15.0 million in a designated proceeds account on the date that the conditions precedent are satisfied. On the date following the date of draw down, the Company must then maintain a minimum available cash balance of \$10 million at all times thereafter (inclusive of an amount of \$7.5 million in a designated proceeds account). • Financial covenants and ratios customary for a facility of this nature are to be complied with on a quarterly basis. • The Company is prevented from making distributions to its Shareholders unless (amongst other things) the principal outstanding is less than \$25 million, the debt service reserve account and proceeds account meet minimum cash balance requirements and the financial covenants are met.

Habrok proceedings

In relation to the Habrok proceedings and further to the ASX release dated 5 August 2020, it is noted that the Federal Court of Australia has currently listed the Habrok proceedings for an urgent hearing on 25 and 26 August 2020 and made consequent orders programming the interlocutory steps towards such a hearing date. This is on the basis of an undertaking by the Company and the Deed Administrators to the effect that the Company would not issue the New Shares before 1 September 2020 (or such later date as may be agreed or ordered).

Further Information

Further details of the Offer are set out in the Prospectus that was lodged with the Australian Securities and Investments Commission and made available on the ASX today. The Prospectus will be sent to eligible shareholders. The Prospectus contains important information including key risks and foreign selling restrictions with respect to the Offer and all prospective participants in Offer are encouraged to read the Prospectus in its entirety.

If you have any questions in relation to the Offer, please contact Advanced Share Registry Limited on 1 300 113 258 (within Australia) or (+61 8) 9389 8033 (outside Australia) at any time between 8.30am and



5.00pm (Perth time), Monday to Friday. For other questions, you should consult your broker, accountant or other professional adviser.



George Bauk
Non-Executive Chairman

This announcement has been authorised to be released to the ASX by the Board.

– ENDS –

Forward looking statements

This announcement contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and certainties and other factors which are beyond the control of Gascoyne, its directors and management. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumption on which these statements are based. These statements may assume the success of Gascoyne's business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19, and except as required by law or regulation, none of Gascoyne, its representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward looking statements are based on information available to Gascoyne as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of Gascoyne, its representatives or advisers undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events, or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.

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