

## **LETTER TO SHAREHOLDERS**

**13 October 2021**

Dear shareholder,

We are writing to you on behalf of the Board and management team of Gascoyne Resources Limited (“**Gascoyne**” or the “**Company**”) (ASX:GCY) to provide an update on the current direction of the business and recent corporate interest in your Company.

As you know, Gascoyne owns a highly valuable and regionally strategic gold processing facility at Dalgaranga. The 2.5 million tonne per annum plant has consistently been operating above its design capacity and has one of the lowest per tonne operating costs for a plant of its size in Australia’s gold industry. Dalgaranga is the only gold plant west of Mt Magnet in the Murchison region with associated supporting infrastructure and we believe it has a value which is unquestionably higher than the approximately A\$100 million invested in its construction three years ago.

The Company’s senior management team has been assessing the best way to maximise the value of this cornerstone asset with our existing mining operations and other gold assets in the region. This process led us to enter into the existing agreement with Firefly Resources Limited (“**Firefly**”) (ASX:FFR) to combine our two companies and as such incorporate the Yalgoo greenstone belt with our regional project pipeline.

Firefly has done an excellent job in consolidating the Yalgoo region. Its exploration activities have also delineated a 25km corridor which we believe will yield a series of gold deposits less than 100km from Dalgaranga, starting with the 196koz Melville deposit which is currently the most advanced followed by Applecross, Don Bradman, Crescent and Brilliant. Our objective is to progressively bring these deposits online for processing at Dalgaranga to supplement ore feed from within our current leases – both from the existing mineral resource base and exploration potential.

Since the Firefly merger was announced in June this year, our management team has been working with Firefly to advance technical and economic analysis supporting the integration of the Yalgoo assets with the Dalgaranga mine plan. Work completed has included pit shell optimisation, geotechnical assessment and mine planning to support targeted declaration of a maiden Ore Reserve for Melville in the March 2022 quarter.

Today we are pleased to finally be able to talk to you about how our new Business Plan will be shaped by Melville and other regional deposits to deliver us along a pathway of increased cash flow generation and lower financial risk. This plan is obviously contingent on the Firefly merger completing which includes the approval by Firefly shareholders at an upcoming meeting.

One of the most important changes to the Business Plan is the deferral of the Stage 3 cut-back of the Gilbey’s pit at Dalgaranga which involves an investment in waste stripping of over A\$150 million over a two-year period, including approximately A\$60 million (\$45-50m as deferred waste capitalised) in the current FY2022 period. Our production guidance of 70,000 – 80,000 ounces in FY2022 does not change however we will materially lower our All-In-Cost of production to A\$2,050 – \$2,150/oz and boost operational cash flow.

This is the most tangible evidence we have been able to provide to date of the significant long-term value we see from the Firefly merger. As time progresses and we are able to progress technical studies to integrate the Yalgoo assets, we expect to be able to derive and explicitly communicate substantial further value stemming from the combination of our two companies.

This brings us to the recent announcement by Westgold Resources Limited (“**Westgold**”) (ASX:WGX) on 30 September 2021 of its intention to make an unsolicited takeover offer for Gascoyne (the “**Offer**”). If nothing else, the Offer serves to reinforce our conviction – as it should yours – of both the intrinsic and strategic value of the Company’s Dalgaranga asset and broader tenement package including our Glenburgh and Mt Egerton assets.

As a Board we have been conducting a careful assessment of the available details of the Offer with our legal and financial advisors, since it was announced. We felt it was prudent to wait until we had completed our assessment of the Offer and announced our new Business Plan before explaining our position to you, our shareholders.

On 13 October 2021 we announced our recommendation that Gascoyne shareholders **REJECT** the Offer from Westgold and **TAKE NO ACTION** in relation to any correspondence you receive from Westgold.

We provided detailed reasons for this recommendation in our ASX announcement (dated 13 October 2021) which we suggest you review in full. By way of summary, we believe the Offer from Westgold inadequately compensates Gascoyne shareholders in seeking to gain control of Gascoyne’s Mineral Resources, Ore Reserves and processing infrastructure. It is also an inferior pathway for Gascoyne shareholders when compared to the new Business Plan.

Our recommendation has been supported by the Company’s major shareholder, Deutsche Balaton AG (22.1%), which has stated that it does not intend to accept the current Offer from Westgold, in the absence of a Superior Proposal.

Westgold has made a lot of noise since it announced its intention to make an Offer for your Company and as Gascoyne shareholders you should have no doubt that Westgold is only acting in the interests of its own shareholders. We will provide more information to our shareholders in our Target’s Statement once we have received the Bidder’s Statement from Westgold which supports the Offer.

As a Board we will remain focused on executing on our Business Plan and acting in the best interest of all Gascoyne shareholders.

As a Company we have done the hard yards to steer the business into a position where we now have a clear strategy which will drive higher cashflow, repay our relatively small amount of remaining bank debt and allow us to build a growth pipeline of mining assets in the Dalgaranga and Yalgoo region. We believe it is in the best interest of Gascoyne shareholders to maintain their ownership in the Company and retain exposure to the enhanced Business Plan.

Your Board will continue to provide information to shareholders over the coming weeks in relation to developments with the proposed Firefly combination and the Offer from Westgold. Please feel free to contact either of us through the Gascoyne office should you wish to discuss the direction of the Company (phone +61 8 9481 3434 and email: [admin@gascoyneresources.com.au](mailto:admin@gascoyneresources.com.au)).

Yours faithfully



Richard Hay  
Managing Director & CEO



George Bauk  
Non-Executive Chair