

December 24<sup>th</sup> 2018  
Australian Securities Exchange Limited  
Via Electronic Lodgement

## OPERATIONAL UPDATE AND 2019 PRODUCTION GUIDANCE

### Dalgaranga Operational Update:

- The project remains Lost Time Incident (LTI) free.
- Final reconciled gold production for November was 5,878 ounces (compared to 4,898 ounces for the month of October). November plant throughput was 244.2 kt ore at a mill grade of 0.82 g/t Au.
- Gold production for December (to 20 December) is 4,245 ounces. This performance is inclusive of an approx. 56 hour mill shutdown to replace remaining original mill grates and replace a split conveyer belt.
- Mill grade continues to progressively improve, averaging 0.90 g/t Au over that period. Similarly, the ore processing rate has consistently exceeded nameplate rates during that period.
- Gold production for the current quarter is on track to meet guidance of 17,000 – 18,000 ounces. This compares to the 12,951 ounces produced in the September quarter.
- Ore mined for December (to 20 December) is 165 kt at 0.90 g/t Au for 4,770 contained ounces. A range of measures being implemented are expected to further improve mining rates from early 2019.
- A short program of closely spaced RC drilling was completed in early December around the high grade intersection at the Tanqueray prospect, approx. 2km north of the mill. Drilling results are anticipated in January 2019.

### Production Guidance Update for calendar year 2019:

- Mine planning process, incorporating updated Gilbeys Resource Model, completed.
- Forecast gold production guidance for calendar year 2019 (CY2019) is now 92,000 – 102,000 ounces at an All In Sustaining Cost<sup>1</sup> (AISC) of A\$1,220 – A\$1,320 per ounce.
- Forecast production has been impacted by the previously advised reduction in mineral inventory of 22,000 ounces in the updated Gilbey's resource model, with the majority of this impact felt in CY2019. The Gilbeys South and Plymouth pits have been accelerated in the new schedule to partly offset this impact.
- CY2019 sees peak waste stripping, with a forecast average strip ratio of approx. 14.0 to 1. This is expected to fall considerably to average approx. 5.5 to 1 for the remainder of the current LOM.

### Corporate:

- A\$12 million working capital facility obtained from Dalgaranga mining contractor, NRW Pty Ltd.
- First scheduled project finance repayment of A\$1.6M to be made on 31 December 2018.

Gascoyne Resources Limited ("Gascoyne" or "Company") (ASX:GKY) is pleased to provide an operational update on the Dalgaranga Gold Project.

<sup>1</sup> All in Sustaining Costs includes mining and processing costs, site administration, refining, sustaining exploration and capital, site rehabilitation, state government royalties and a share of corporate overheads. Capitalised stripping costs and non-sustaining exploration and capital costs are not included.



## **SAFETY**

The project remains Lost Time Incident (LTI) free, since the commencement of construction activities in April 2017 (629 days LTI free to the 20 December 2018).

## **MINING**

Ore mined for December to date (20 December) is 165 kt at 0.90 g/t for 4,770 contained ounces.

Mining production rates have remained constrained in December to date due to tighter mining conditions in Gilbeys and water management in both Sly Fox and Golden Wings.

A significant focus on addressing the contributing factors is underway to lift mining rates to planned maximum LOM rates over CY2019. The commencement of mining at Gilbeys South, the continued opening up of the Gilbeys East cutback, completion of mining in Sly Fox and a reduction in vertical advance rates in Golden Wings early in 2019, are all expected to significantly improve the overall mining conditions and allow a lift in monthly production rates. The revised mine plan requires production rates of approx. 1.8 MBCM per month from January to May 2019 reducing to approx. 1.5 MBCM per month for the remainder of CY2019.

ROM stocks remain relatively low in light of the constrained mining rates. They are planned to be managed carefully over the remainder of December and until expected replenishment via higher targeted mining rates from early 2019.

## **DECEMBER QUARTER PRODUCTION TO DATE**

Final November production was 5,878 ounces. This resulted from milled ore of 244.2 kt at a mill grade of 0.82 g/t and a final process recovery of 91.1%. Within the recent Dalgaranga operations update (*refer ASX Announcement "Dalgaranga Operations and Gilbeys Resource Update" dated 28 November 2018*) production to date for November (to 26 November) of 4,894 oz was provided on an unreconciled basis.

Gold production for December (to 20 December, unreconciled) is 4,245 ounces. This sees total gold production for the December quarter to date of 15,020 ounces.

A planned mill shutdown occurred in mid-December to replace the remaining 18 original pegged mill grates. This was extended to approx. 56 hours in duration (from the planned 30 hours) in order to also replace a split conveyor belt.

The planned lift to the tailings storage facility commenced during the month and is approximately 40% complete.

## **MILL THROUGHPUT OPTIMISATION**

Throughput continues at or above nameplate capacity rates with an approx. 3.0 Mtpa average run rate since the start of November. For December (to 20 December) mill throughput has averaged 390 dry tonnes per operating hour which is in excess of 3.25 Mtpa using a 95% annual plant availability.

## **CALENDAR YEAR 2019 PRODUCTION AND COST GUIDANCE**

The recently concluded mine planning process incorporating the latest Gilbeys Resource model has informed production and cost guidance for calendar year 2019 (CY2019).

The Gilbeys deposit contains around 85% of total Dalgaranga mining inventory. Although mining has only recently commenced in this pit (309kt mined to end November from 13.2 Mt of reserves, representing approx. 2.3%) the focus has been on understanding the reasons for variance to Resource model seen to date, and to improve confidence in the oxide and transitional portions of the resource that are set to be mined in the coming months.

Whilst the revised Resource model for Gilbeys provides greater ore body definition and confidence in the ore tonnes and grade to be released from this pit, production for CY2019 has been impacted by the previously advised reduction in Gilbeys inventory in oxide and transition ore (*refer ASX Announcement "Dalgaranga Operations and Gilbeys Resource Update" dated 28 November 2018*). The oxide and transitional ore is expected to be mined and milled over the next 18 months, with approx. 80% of the remaining oxide and transitional ore in Gilbeys mined during CY2019.

The forecast contribution to production from the underperforming Golden Wings pit has also been reduced in CY2019, with priority placed on Gilbeys, to allow for time to review alternate interpretation and modelling techniques for the Golden Wings deposit targeting improvement in production forecasting and gold grade recovery from this pit.

Both the Gilbeys South and Plymouth pits will also commence mining in 2019 with Sly Fox scheduled for completion in Q1 CY2019.

As a result, production guidance for CY2019 has been revised to 92,000 – 102,000 ounces at an AISC of between A\$1,220 and A\$1,320 per ounce. This compares with previous guidance of 105,000 to 115,000 ounces at an average AISC of A\$1,200 to A\$1,300 per ounce (refer to ASX release, 16 August 2018).

CY2019 sees peak mining material movements with significant waste removal planned for the year (as consistent with the 2016 feasibility study and the mine plan update released to ASX on 16 November 2017, “Dalgara Gold Project-Mine Plan Increased to over 650,000oz”). The average stripping ratio for CY2019 of 14.0 to 1 is first half weighted, and reduces to a life of mine average of 5.5 to 1 post CY2019 as the majority of the stripping of the Gilbeys pit is completed.

Non-sustaining development costs of between A\$250 – A\$300 per ounce are therefore expected in relation to the capitalised component of waste stripping of the Gilbeys pit during CY2019.

While forecast mining and processing costs on a per tonne basis are expected to be similar to those previously reported (see ASX Announcement, 16 November 2017), the revised Gilbeys resource model and consequent lower attendant production volumes are expected to see higher life-of-mine average AISC than previously forecast.

Post production stabilisation at Dalgara, exploration will target near mine, low stripping, oxide ore sources. This has the potential to both improve production in the next 24 months and extend the mine life.

#### **CORPORATE AND FUNDING**

Gascoyne subsidiary GNT Resources Pty Ltd (GNT) has secured an A\$12 million working capital facility from Dalgara mining contractor NRW Pty Ltd (NRW). The facility is repayable by the end of calendar year 2019 with fees and interest set at commercial rates commensurate for this type of facility. The new working capital facility and associated mining contract are secured by a subordinated general security agreement over the assets of GNT until full repayment of the facility. The Company appreciates the strong relationship it has with NRW, further evidenced by the support provided by NRW through the provision of this facility as Dalgara stabilises production.

The first principal repayment for the Dalgara Project Finance Facility (A\$1.6 million) is planned to be made as scheduled on 31 December 2018. The Company has made all interest payments required to date on schedule and continues to work closely with its Financiers National Australia Bank and Commonwealth Bank of Australia to review the facility repayment profile in advance of the next scheduled repayment on 31 March 2019.

On behalf of the board of  
**Gascoyne Resources Limited**

Eva O’Malley  
**Company Secretary**

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## BACKGROUND ON GASCOYNE RESOURCES

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

The Company's 100% owned gold projects combined have over **2 million ounces of contained gold on granted Mining Leases**:

### DALGARANGA:

The Dalgaranga Gold Project (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 Feasibility Study (FS) completed on the DGP in November 2016 highlighted a robust development case for the Project based on the development of two open pits feeding a 2.5 Mtpa processing facility resulting in production of around 100,000 ozpa for 6 years. As a result of the FS, the Company has progressed through the funding, development and construction phases for the Project. Construction was completed ahead of schedule and under budget, with first gold poured in late May 2018.

The Project contained a pre-mining JORC Measured, Indicated and Inferred Resource of **31.1 Mt @ 1.3 g/t Au for 1,320,000 ounces** of contained gold, and a **Proved and Probable Ore Reserve of 612,000 ounces of gold** (refer to ASX announcement 16<sup>th</sup> November 2017 titled "Dalgaranga Gold Project – Mine Plan Increased to Over 650,000 Oz"- available on the Company's website [www.gascoyneresources.com.au](http://www.gascoyneresources.com.au)). The Ore Reserves were included in the Mineral Resource.

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

**Tables 1 to 3; Dalgaranga Mineral Resource Estimates (0.5 g/t Cut-off)**

Table 1 - Gilbeys November 2018 Mineral Resource Estimate (0.5g/t Au Cut-off, Depleted for mining EOM Oct 18)												
Type	Measured			Indicated			Inferred			Total		
	Tonnes	Au	Au	Tonnes	Au	Au	Tonnes	Au	Au	Tonnes	Au	Au
	Mt	g/t	Ounces	Mt	g/t	Ounces	Mt	g/t	Ounces	Mt	g/t	Ounces
Oxide	0.4	1.4	17,000	0.8	1.3	32,000	0.3	1.2	12,000	1.4	1.3	61,000
Transitional	0.5	1.9	30,000	0.8	1.3	33,000	0.2	1.6	12,000	1.6	1.5	75,000
Fresh	2.2	1.4	95,000	11.8	1.2	463,000	10.2	1.2	403,000	24.1	1.2	960,000
<b>Total</b>	<b>3.0</b>	<b>1.5</b>	<b>142,000</b>	<b>13.3</b>	<b>1.2</b>	<b>528,000</b>	<b>10.8</b>	<b>1.2</b>	<b>426,000</b>	<b>27.1</b>	<b>1.3</b>	<b>1,096,000</b>
reference ASX release 28 November 2018 -Dalgaranga gold mine operations and Gilbeys resource update												
Table 2 – Golden Wings September 2016 Mineral Resource Estimate (0.5 g/t Cut-off)-pre-mining												
Type	Measured			Indicated			Inferred			Total		
	Tonnes	Au	Au	Tonnes	Au	Au	Tonnes	Au	Au	Tonnes	Au	Au
	Mt	g/t	Ounces	Mt	g/t	Ounces	Mt	g/t	Ounces	Mt	g/t	Ounces
Laterite	-	-	-	0.5	1.14	17,000	0.1	0.8	3,000	0.6	1.1	21,000
Oxide	-	-	-	0.6	1.77	35,000	0.2	1.7	10,000	0.8	1.8	45,000
Transitional	-	-	-	0.2	2.25	12,000	0.1	1.6	7,000	0.3	2.0	19,000
Fresh	-	-	-	0.1	2.41	6,000	0.2	1.5	10,000	0.3	1.7	15,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.3</b>	<b>1.64</b>	<b>70,000</b>	<b>0.6</b>	<b>1.4</b>	<b>30,000</b>	<b>2.0</b>	<b>1.6</b>	<b>100,000</b>
reference ASX release 7 September 2016 40% Increase in Gilbeys Measured and Indicated Mineral Resource at Dalgaranga												
Table 3– Sly Fox August 2017 Mineral Resource Estimate (0.5 g/t Au Cut-off) - pre-mining												
Type	Measured			Indicated			Inferred			Total		
	Tonnes	Au	Au	Tonnage	Au	Au	Tonnage	Au	Au	Tonnage	Au	Au
	Mt	g/t	Ounces	Mt	g/t	Ounces	Mt	g/t	Ounces	Mt	g/t	Ounces
Oxide	-	-	-	0.2	2	12,000	0.01	1.7	1,000	0.2	2	12,000
Transitional	-	-	-	0.2	1.1	9,000	0.01	0.8	200	0.3	1.1	9,000
Fresh	-	-	-	0.7	1.4	30,000	0.6	1.7	32,000	1.3	1.5	62,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.1</b>	<b>1.4</b>	<b>50,000</b>	<b>0.6</b>	<b>1.7</b>	<b>33,000</b>	<b>1.7</b>	<b>1.5</b>	<b>83,000</b>
reference ASX release 7 August 2017 -Dalgaranga Gold Project-Sly Fox Resource and Exploration Update												

Note: Discrepancies in totals are a result of rounding

**Table 4: Ore Reserve Statement - Dalgaranga Project November 2017 (pre-mining)**

Ore Reserves	Tonnes (M tonnes)	Gold Grade (g/t)	Contained ounces (oz)
Proven	2.8	1.4	122,500
Probable	12.4	1.2	490,000
<b>Ore Reserves Total</b>	<b>15.3</b>	<b>1.3</b>	<b>612,000</b>

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 preliminary feasibility study on the project has been completed (see announcement 5<sup>th</sup> of 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, 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**

### **Mineral Resource Estimate (0.5 g/t Au Cut-off)**

Area	Measured			Indicated			Inferred			Total		
	Tonnes	Au	Au	Tonnes	Au	Au	Tonnes	Au	Au	Tonnes	Au	Au
	Mt	g/t	Ounces	Mt	g/t	Ounces	Mt	g/t	Ounces	Mt	g/t	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
<b>Total</b>	<b>2.9</b>	<b>2.0</b>	<b>181,000</b>	<b>4.6</b>	<b>1.6</b>	<b>231,000</b>	<b>13.9</b>	<b>1.3</b>	<b>591,000</b>	<b>21.3</b>	<b>1.5</b>	<b>1,003,000</b>

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 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 continuing to ramp up production of the 100% owned Dalgaranga Gold Project which is expected to achieve commercial production in the December quarter, while continuing to evaluate the near term 100% owned Glenburgh Gold deposits 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](http://www.gascoyneresources.com.au)

### **Competent Persons Statement**

Information in this announcement relating to the Dalgaranga project is based on data compiled by Gascoyne's Chief Geologist Mr Julian Goldsworthy who is a member of The Australasian Institute of Mining and Metallurgy. Mr Goldsworthy 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 Goldsworthy consents to the inclusion of the data in the form and context in which it appears.

The November 2018 Mineral Resources for the Gilbeys deposit at Dalgaranga have been estimated by Mr Shaun Searle who is a Member of the Australasian Institute of Geoscientists and an employee of Ashmore Advisory 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 28<sup>th</sup> November 2018 titled "Dalgaranga Gold Mine Operations and Gilbeys Resource Update". The pre-mining Mineral Resources for the Sly Fox and Golden Wings deposits at Dalgaranga 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 7<sup>th</sup> August 2017 titled "Dalgaranga Gold Project – Sly Fox Resource and Exploration Update" and GCY-ASX announcement 7<sup>th</sup> September 2016 titled "40% Increase in Gilbeys Measured and Indicated Mineral Resource at Dalgaranga"). The Company confirms that other than depletion by mining to date, 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 2017 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 16<sup>th</sup> 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 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 24<sup>th</sup> 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 Glenburgh 2004 JORC resource (released to the ASX on April 29<sup>th</sup> 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 Chief Geologist Mr Julian Goldsworthy who is a member of The Australasian Institute of Mining and Metallurgy. Mr Goldsworthy 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 Goldsworthy consents to the inclusion of the data in the form and context in which it appears.*