GASCOYNE RESOURCES LIMITED

(In Administration)

Annual financial report

for the year ended 30 June 2019

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Non-executive Director

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Stock Exchange Listing
The Company's securities are listed on the Australian Securities Exchange (ASX).
ASX Code: GCY

Contents

Review of operations

Gascoyne Resources Limited (In Administration) (Gascoyne or Company) is a gold mining and exploration company. Gascoyne and its controlled entities (together, the Group) hold assets and exploration tenements in the Gascoyne and Murchison regions of Western Australia.

The Group's current projects include:

- gold production and exploration at the Dalgaranga Gold Project; and
- gold exploration at the Glenburgh Gold Project.

Dalgaranga Gold Project

The Dalgaranga Gold Project (Dalgaranga), with a tenement area of around 1,000km^2, is located approximately 65km by road northwest of Mount Magnet in the Murchison gold mining region of Western Australia and covers the majority of the Dalgaranga greenstone belt.

Production

During the 2019 financial year, the Dalgaranga operations focused on ramping up production in the first half of the year after commencing mining in March 2018. The second half of the financial year did not see the expected improvements in ore reserve model reconciliation from ore zones peripheral to the Gilbey's Main Zone (GMZ) and consequently gold production was significantly lower than forecasted. As a result of the poor reconciliation performance, a comprehensive review of geological modelling and Mineral Resource estimation techniques was commenced in March 2019 by Cube Consulting Pty Ltd to improve the predictability of Dalgaranga models. In late May 2019, following a comprehensive evaluation of different techniques, a decision was taken to adopt a Localised Uniform Conditioning (LUC) modelling approach. As part of the work to improve predictability of the future of the GMZ, an infill, 32-hole reverse circulation (RC) drill program was completed by the end of May 2019 with all results to be included in the final LUC model. Subsequent to year end, updated Mineral Resource and Ore Reserve estimates were completed based on the new LUC models for Gilbey's and Golden Wings.

Mining was conducted at the Golden Wings, Sly Fox, Gilbey's South and Gilbey's Main pits during the year. Mining rates were adversely impacted throughout the year by slow dig rates in areas designated as "free dig" and cap rock with tighter than expected digging conditions, however by April and May, as a result of improved blasting outcomes, total material moved peaked at 1.8 and 1.9M BCM's respectively. The Sly Fox pit was completed by the end of May and was then converted to receive and store water from the Gilbey's pit lake.

Reconciliations to both the ore reserve and grade control models throughout the financial year was very poor. It was clear by year end that the depletion zone first encountered in the upper levels of Golden Wings within the oxide ore extended to full depth of the oxide material in Golden Wings, with a similar experience in the Sly Fox and Gilbey's oxide ore. As a result, reconciliation to models within the oxide ore zones continued to be very poor due to the difficulty in modelling the very short-range continuity of ore grades. Grade control methods were changed in May 2019 to Kriged Isoshell surfaces at both 0.2g/t and 0.3g/t followed on with ore blockouts, with significantly improved reconciliation results from May onwards, albeit at significantly lower grades than predicted by the Ordinary Kriged (OK) model. Subsequent to year end, the final version of the LUC model was fully adopted for Mineral Resource estimation and has performed significantly better than the previous OK model.

The processing plant was deemed fully commissioned as at 30 June 2018 and operated successfully for the full 2019 financial year achieving annualised throughput rates well in excess of nameplate (2.5Mtpa) at approximately 3.3Mtpa on 100% oxide ore feed. During June 2019, in particular, a record 275kt was processed. Only minor reliability issues were encountered throughout the year primarily related to the SAG mill discharge grate configuration restricting pebble discharge and regular issues encountered with cooling leaks on the resistors of the SAG mill Variable Speed Drive. Both issues were addressed during December 2018 and May 2019 maintenance shutdowns respectively. In general, process recoveries were as predicted, achieving an average of 90% for the financial year. Gravity gold recovery was very low throughout the year, averaging less than 5%, despite metallurgical test work indicating a range of 30-50% gravity recoverable gold in the GMZ fresh ore. Of note, subsequent to year end, gravity gold recovery increased to 10.4% in July and has continued to increase up to 13.7% in December on the introduction of fresh and transitional Gilbey's ore into the blend.

Review of operations

Voluntary appointment of Administrators

On 2 June 2019, Michael Ryan, Kathryn Warwick and Ian Francis of FTI Consulting were appointed as Joint and Several Voluntary Administrators of the Company and each of its wholly-owned subsidiaries. Since this appointment, the Administrators have allowed the operation to continue trading whilst progressing a dual track process to achieve either a sale or recapitalisation of the Group or its assets.

Dalgaranga project tenements and ownership interest

Tenements 100% owned by Gascoyne

- Mining Lease: ML59/749.
- Miscellaneous Licences: L59/141, L59/142, L59/151, L59/152, L59/153, L59/167, L59/168, L59/169 and L59/170.
- Exploration Licences: EL59/2053, EL59/2150 and EL59/2289.

Tenements 80% owned by Gascoyne

- Exploration Licences: EL21/195, EL59/1709, EL59/1904 and EL59/1906.

Refer to the 'Tenements schedule' section on page 102 for further details on tenements held by Gascoyne.

Review of operations

Key operating indicators

Key operational information is summarised as follows:

Production summary[1]	Unit	Quarter September 2018	December 2018	March 2019	June 2019	Financial year 2019	2018
Mining							
Total material movement	Kbcm	5,024	4,695	4,466	4,849	19,034	4,069
Waste	Kbcm	4,798	4,369	4,155	4,498	17,820	3,749
Ore (volume)	Kbcm	226	326	310	351	1,213	320
Ore (tonnage)	Kt	456	652	585	655	2,348	396
Mined grade	g/t Au	0.92	0.83	0.79	0.75	0.82	0.64
Processing							
Throughput	Kt	535	669	735	716	2,655	245
Feed grade	g/t Au	0.82	0.82	0.70	0.77	0.78	0.62
Recovery	%	91.3	92.1	89.7	88.7	90.45	85.9
Recovered gold	Ounces	12,952	16,245	12,414	15,787	57,397	4,093
Poured fine gold	Ounces	12,453	17,110	12,088	15,655	57,306	2,624
Revenue summary							
Production sold	Ounces	10,898	15,980	12,814	17,120	56,812	1,612
Average price	A$/oz	1,697	1,714	1,712	1,822	1,736	1,712
Gold sales revenue	A$'000	18,501	27,391	22,405	31,144	99,441	2,760
Cost summary							
Mining	A$/oz	-	-	1,011	1,034	1,024	-
Processing	A$/oz	-	-	567	455	504	-
Site support	A$/oz	-	-	193	156	172	-
Site cash cost	**A$/oz**	**-**	**-**	**1,771**	**1,645**	**1,700**	**-**
Royalties	A$/oz	-	-	45	46	46	-
Sustaining capital	A$/oz	-	-	218	93	149	-
Corporate allocation	A$/oz	-	-	40	31	35	-
AISC[2]	**A$/oz**	**-**	**-**	**2,074**	**1,816**	**1,930**	**-**
Bullion on hand	Ounces	-	3,700	2,995	1,509	8,205	-

Note: Discrepancies in totals are a result of rounding.

1 Mining commenced in March 2018 with ore processing commencing in May 2018.
2 All-in sustaining costs (AISC) 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.

Review of operations

Exploration activities

Exploration activities for the year were focused on prospects at Dalgaranga with the potential to be incorporated into the mine life within 12 to 24 months.

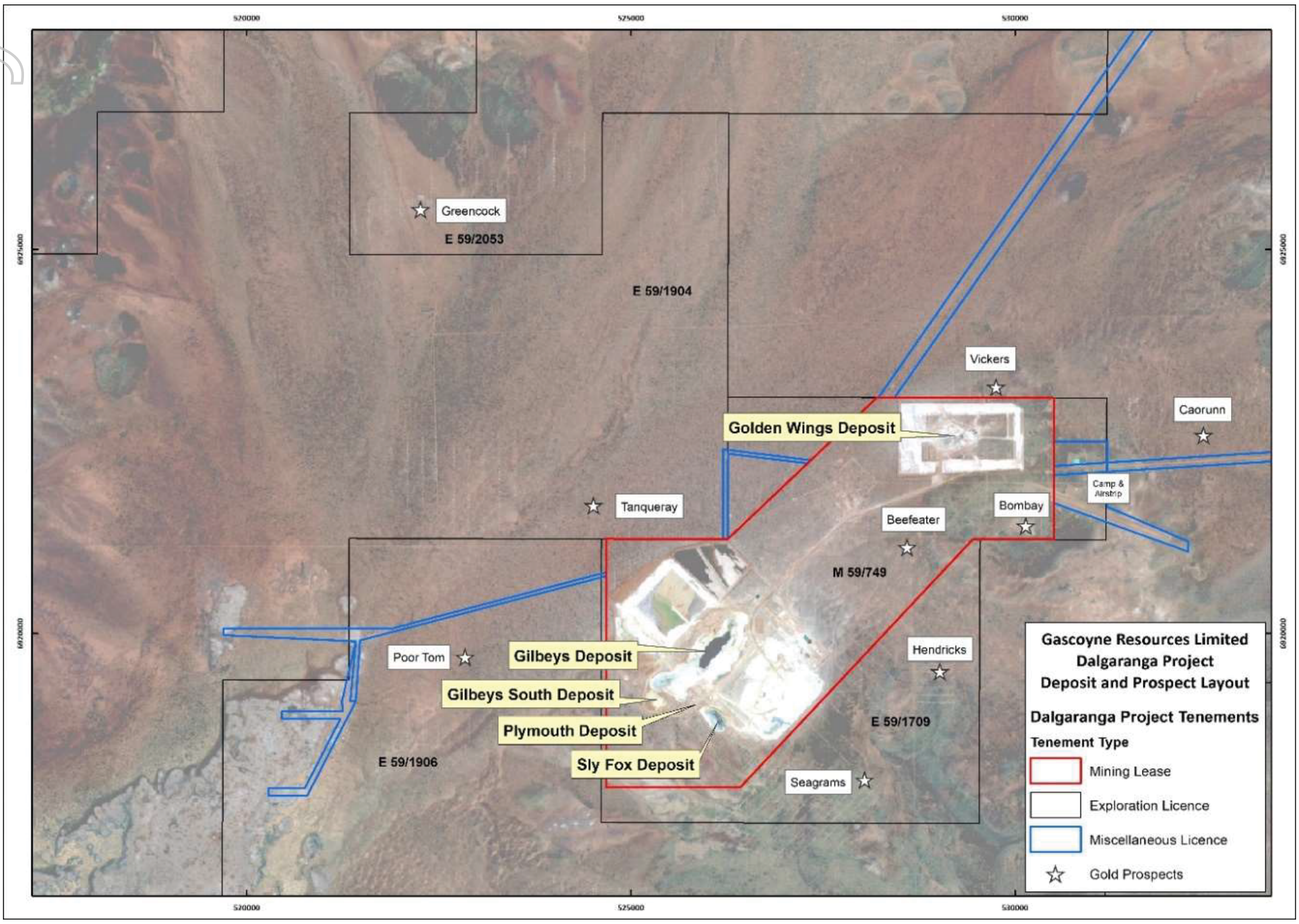

Figure 1: *Dalgaranga deposit and prospect location*

Gilbey's

A program of deep resource definition reverse circulation (RC) drilling was completed at Gilbey's in advance of the Mineral Resource and Ore Reserves update for the Gilbey's deposit, refer ASX announcement released on 31 July 2019. The drilling primarily targeted the main lodes immediately below the historic Gilbey's open pit. Drilling results confirmed width and grade continuity as defined by existing deeper diamond core and RC drilling (see Figure 3) and were incorporated into an updated Mineral Resource for the Gilbey's deposit. A total of 32 RC holes for 6,798m were drilled.

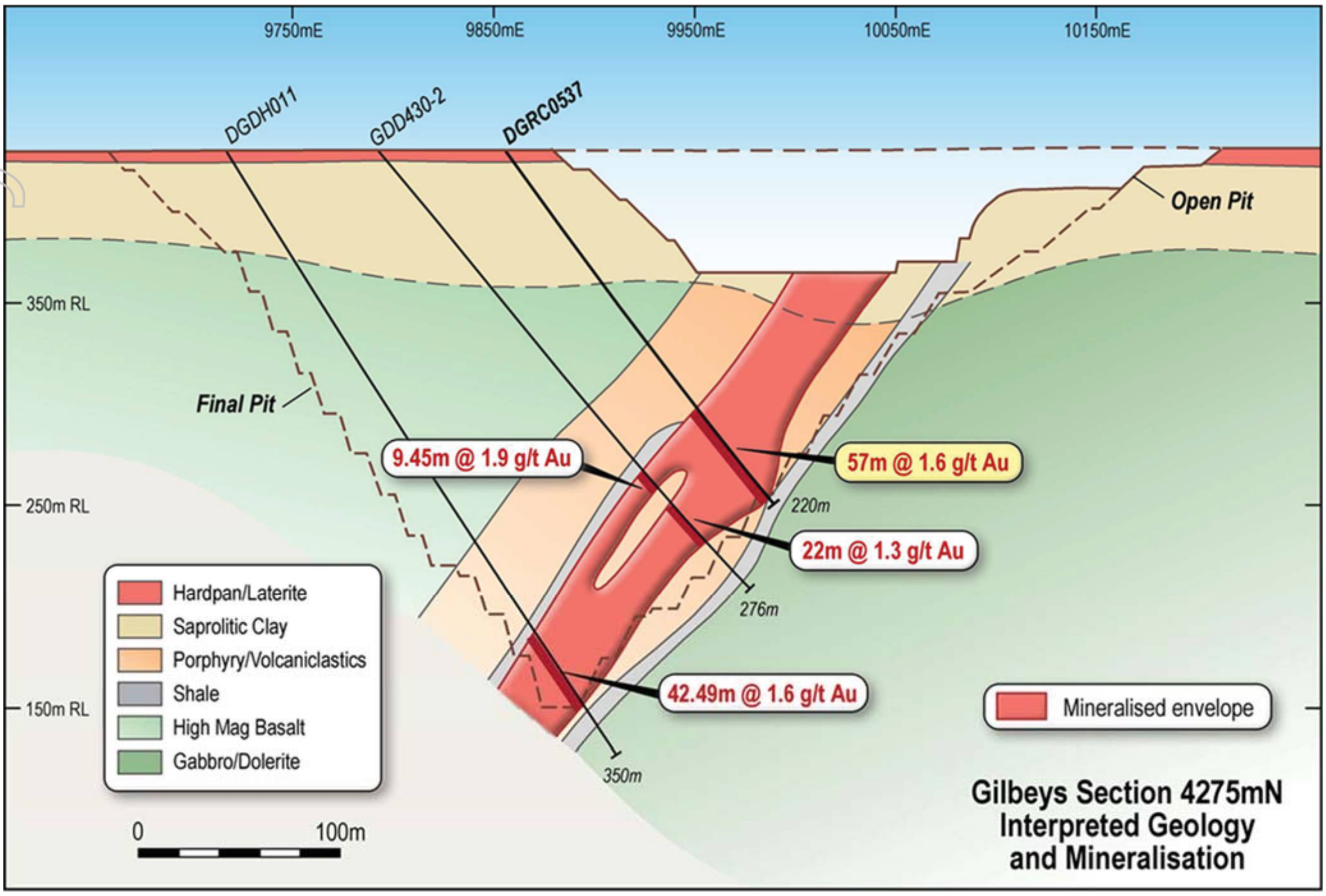

Figure 2: *Gilbey's cross section 4275N*

Review of operations

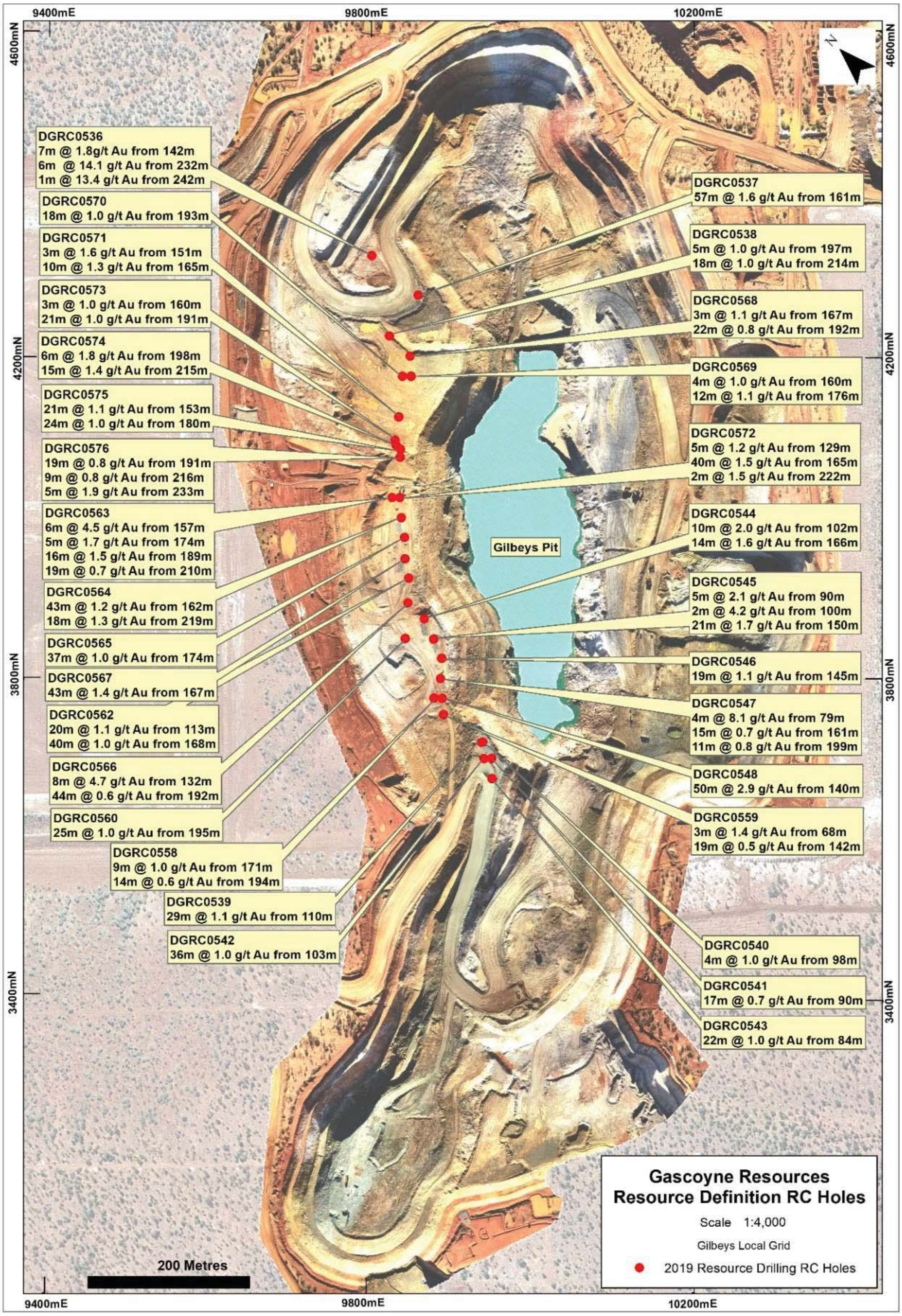

***Figure 3:** Gilbey's Resource RC drill hole location plan*

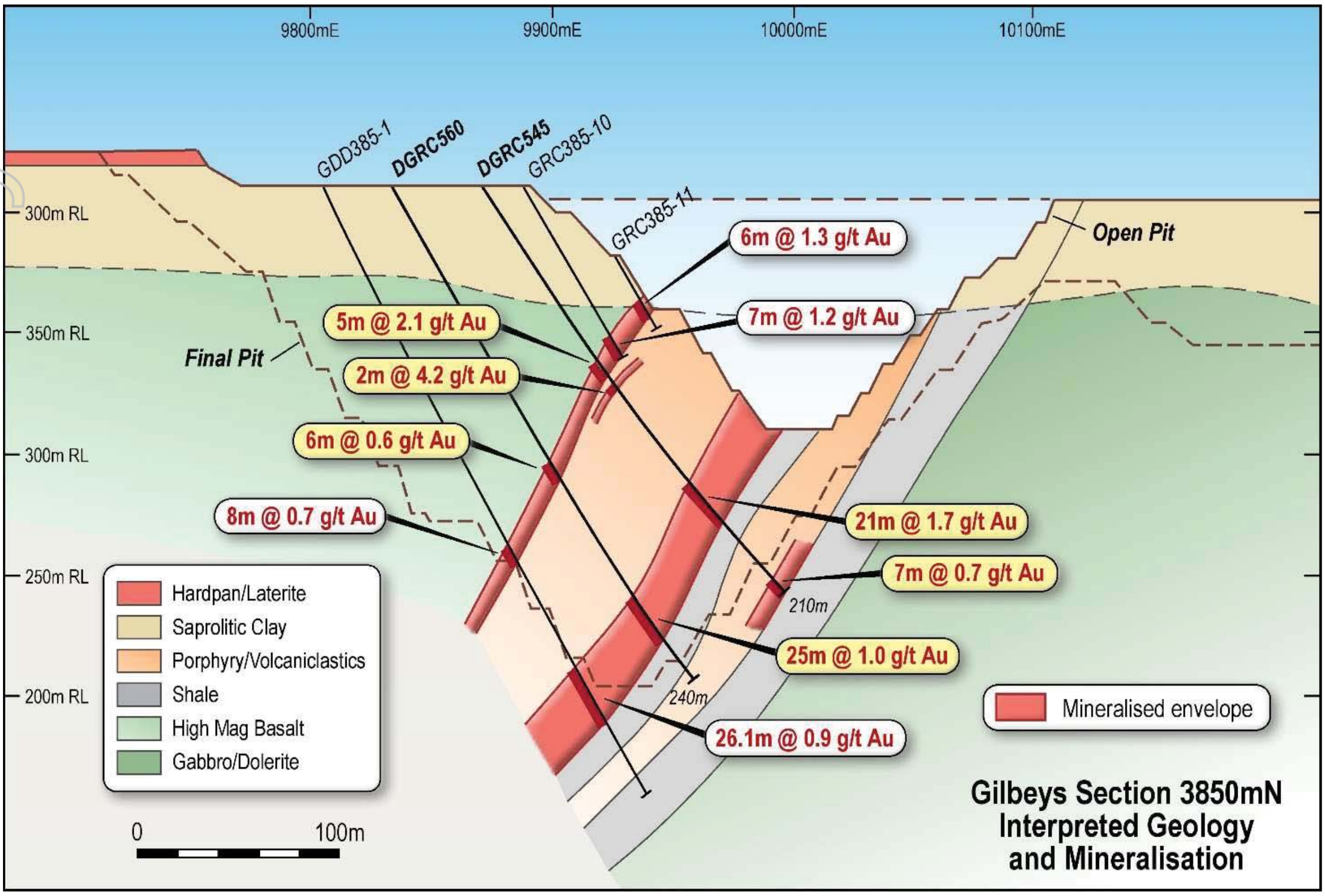

Figure 4: *Gilbey's cross section 3850N*

Tanqueray

Two RC drill holes were drilled at the Tanqueray prospect (located approximately 1.8km north-west of the Dalgaranga processing plant), to test a historical anomaly in 200m line spaced Aircore drilling, refer ASX announcement released on 19 September 2018. The shallowest RC hole (DGRC509) intersected the highest grade mineralisation ever seen at Dalgaranga with an intersection of 8m @ 373.5g/t gold from 53m downhole, including 3m @ 987 g/t gold (see Photo 1 and Figure 5). The area is interpreted to be an east-west trending geological package.

Photo 1: *Visible gold panned from high grade gold zone in drill hole DGRC509*

Eight RC holes were drilled to follow up the high grade gold mineralisation intersected in the initial RC drilling at the prospect.

The follow-up drilling was carried out on a close pattern around the discovery hole (DGRC509) with holes on a 10 metre by 10 metre spacing in order to establish the orientation of mineralisation. No visible gold zones were observed, however numerous mineralised quartz veins were intersected hosted in white kaolinitic clays, close to a weathered shale contact.

Review of operations

The best intersections returned come from the westerly line of RC holes drilled; results include 4m @ 1.4 g/t Au from 54m in DGRC518 and 5m @ 1.2 g/t Au from 59m in DGRC519.

The high grades intersected in DGRC509 are interpreted to be related to a pod of supergene gold enriched quartz veins close to a shale contact.

The Tanqueray anomaly remains significantly under explored. Anomalous gold results have been intersected over several kilometres and the prospective trend needs to be systematically assessed with closer spaced drilling. Previous Aircore drilling located 200m and 400m west of the area of recent RC drilling intersected +1g/t gold, including 2m @ 3.1g/t gold (Figure 5).

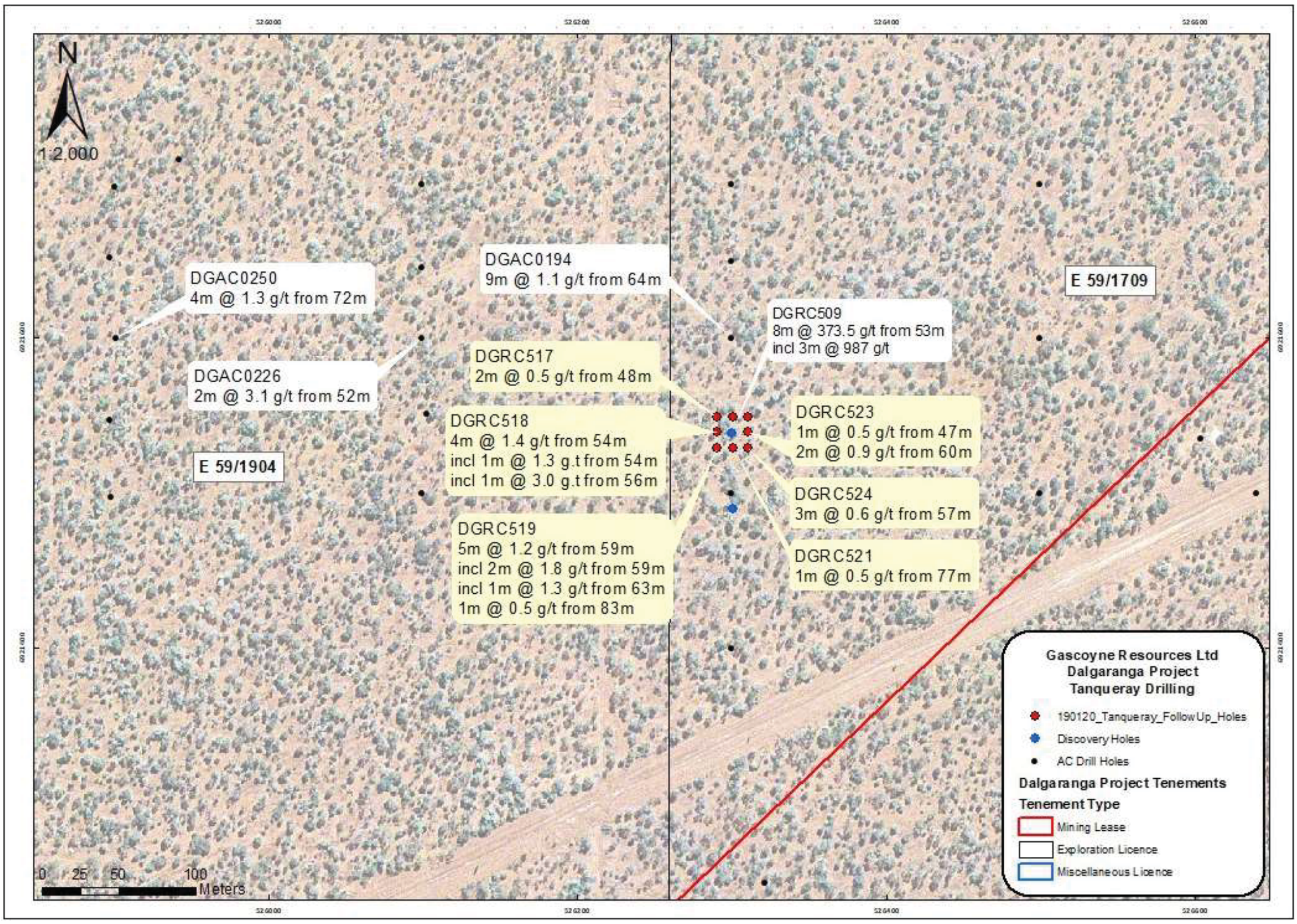

Figure 5: *Tanqueray plan RC drill hole results*

Plymouth

Further programs of infill RC drilling at Plymouth (located between the Gilbey's and Sly Fox deposits) were undertaken in the period, refer ASX announcement released on 6 August 2018. The latest drilling confirmed the north-northeast trending zone of mineralisation. The initial drilling intersected gold intervals up to 23m @ 4.1 g/t gold including a higher grade zone of 17m @ 5.0 g/t gold (in DGRC382) reported last year. The drilling direction from these early holes (angled towards 225°) was not the optimum orientation, as a result, the new drilling was undertaken drilling local grid east (135°) which is interpreted to be closer to the ideal drill direction for the structure identified. This follow-up drilling intersected consistent grades and widths of mineralisation including (see Figure 6):

- 14m @ 2.1 g/t gold from 94m, including 6m @ 3.4 g/t gold
- 19m @ 1.0 g/t gold from 60m, including 6m @ 2.2 g/t gold
- 16m @ 1.2 g/t gold from 29m, including 7m @ 1.9 g/t gold
- 4m @ 2.6 g/t gold from 11m
- 8m @ 2.4 g/t gold from 21m
- 3m @ 10.4 g/t gold from 61m
- 6m @ 1.7 g/t gold from 70m
- 3m @ 6.9 g/t gold from 30m

- 3m @ 3.5 g/t gold from 46m
- 3m @ 3.3 g/t gold from 34m

Three shallow HQ diamond holes were completed to confirm structural orientation of the gold mineralisation and to provide geotechnical information for slope analyses for open pit designs. Drilling confirmed the north-northeast trending orientation of the Plymouth mineralisation and that gold occurs in biotite, quartz-carbonate pyrite altered schists. Better intersections returned include:

- 9m @ 5.6 g/t gold from 53m; including 1m @ 44.0 g/t gold
- 21m @ 3.5 g/t gold from 81m; including 8m @ 7.2 g/t gold

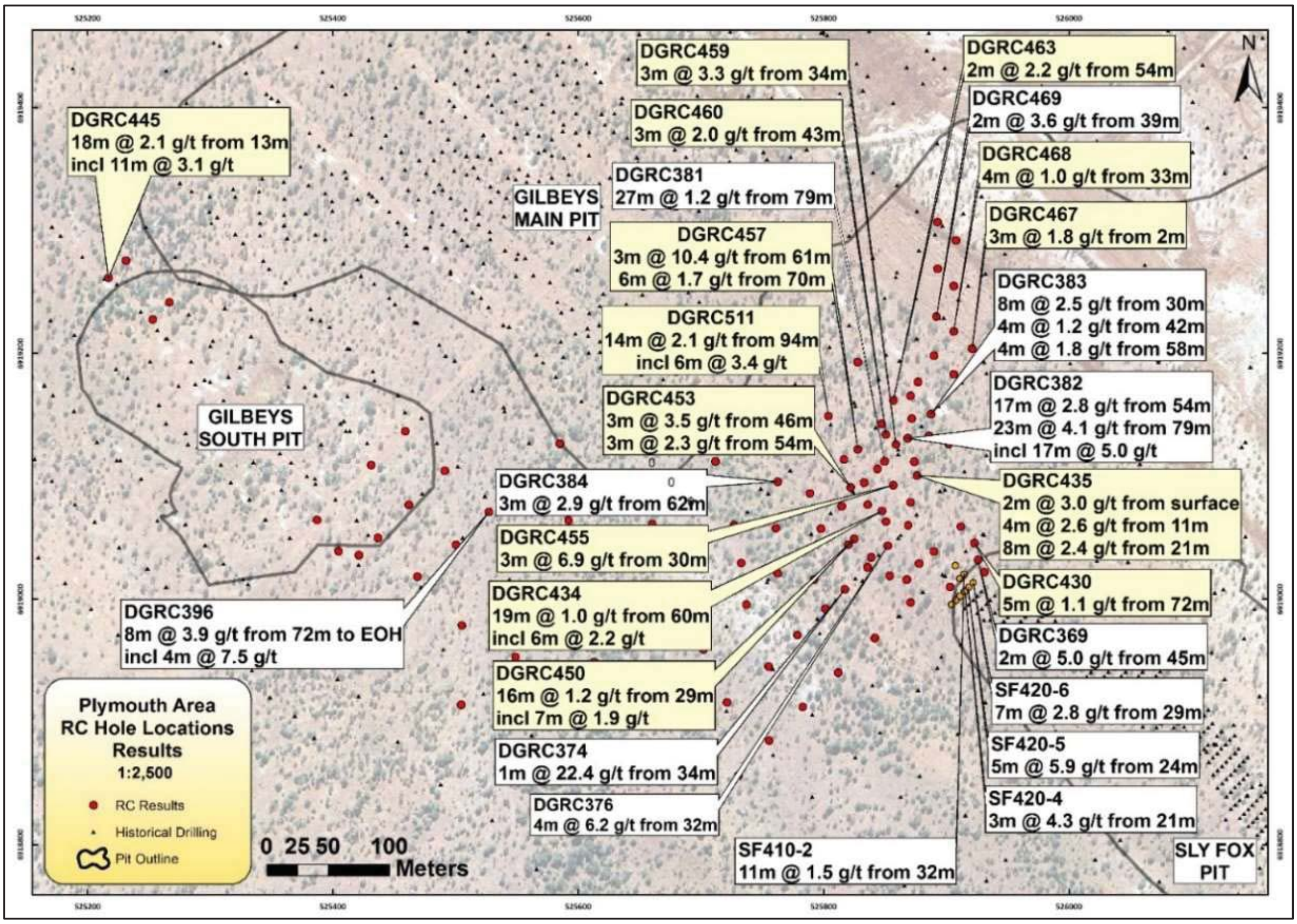

Figure 6: *Plymouth - location of recent RC drill holes and significant gold intersections*

Greencock

Further infill RC drill programmes at Greencock were successful in outlining wide and good grade zones of mineralisation over a 250m strike length (see Figures 7 to 8), refer ASX announcement released on 17 September 2018. Assay results have returned the following highly significant intersections including:

- 35m @ 1.2 g/t gold from 15m
- 31m @ 1.2 g/t gold from 18m, including 7m @ 3.0 g/t gold
- 14m @ 1.6 g/t gold from 63m
- 18m @ 1.3 g/t gold from 58m
- 4m @ 4.0 g/t gold from 14m
- 16m @ 1.7 g/t gold from 111m
- 6m @ 2.3 g/t gold from 131m

An extensive program of Aircore drilling on 200m line spacings along strike north-east and south-west from Greencock has defined gold and arsenic anomalies over several kilometres, particularly to the north-east. Initial RC drilling (four holes) returned 6m @ 1.2 g/t gold and 4m @ 0.9g/t gold from the first target tested (Figure 9) in this area.

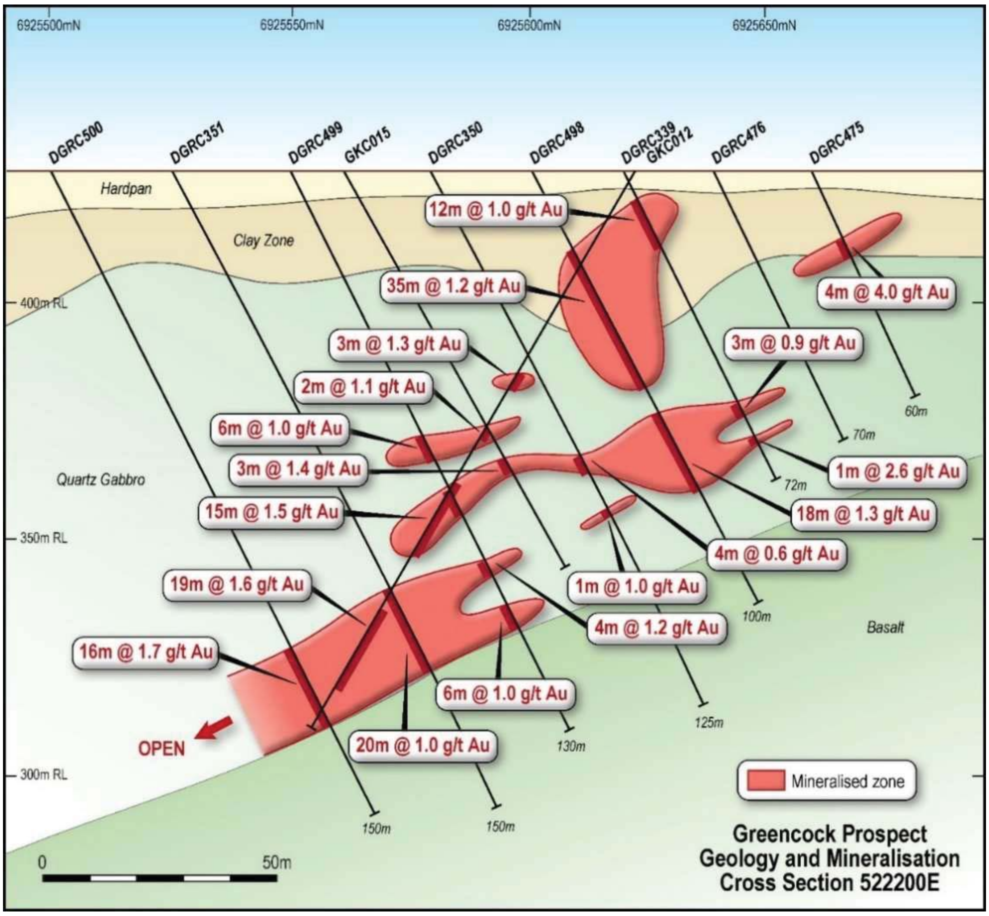

Figure 7: *Greencock cross section 522200E*

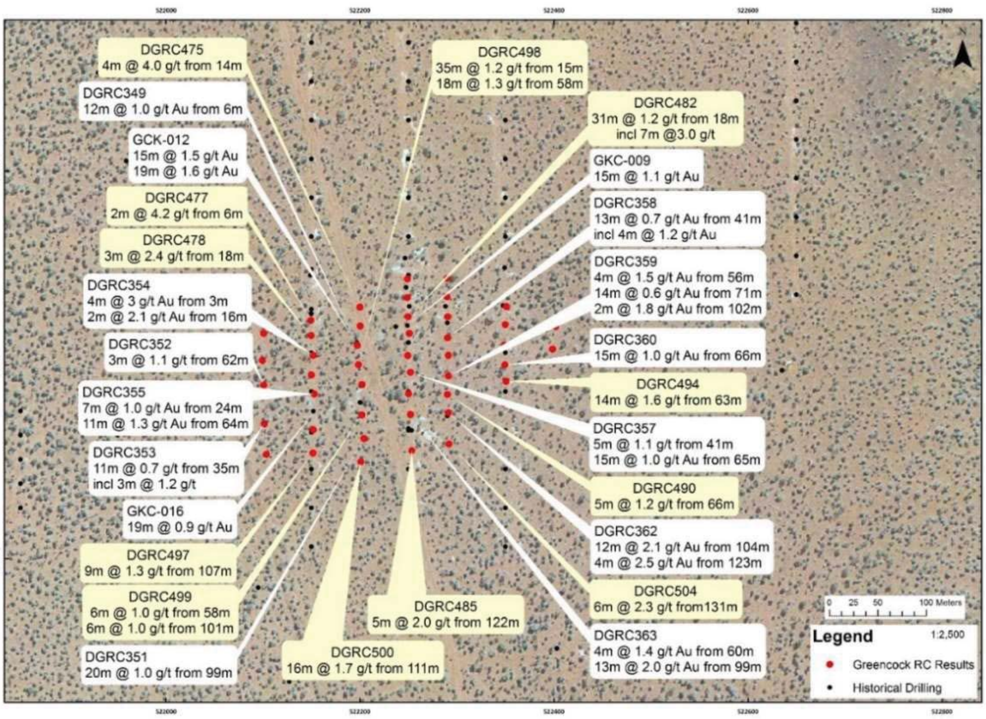

Figure 8: *Greencock - Location of recent RC drill holes and significant gold intersections*

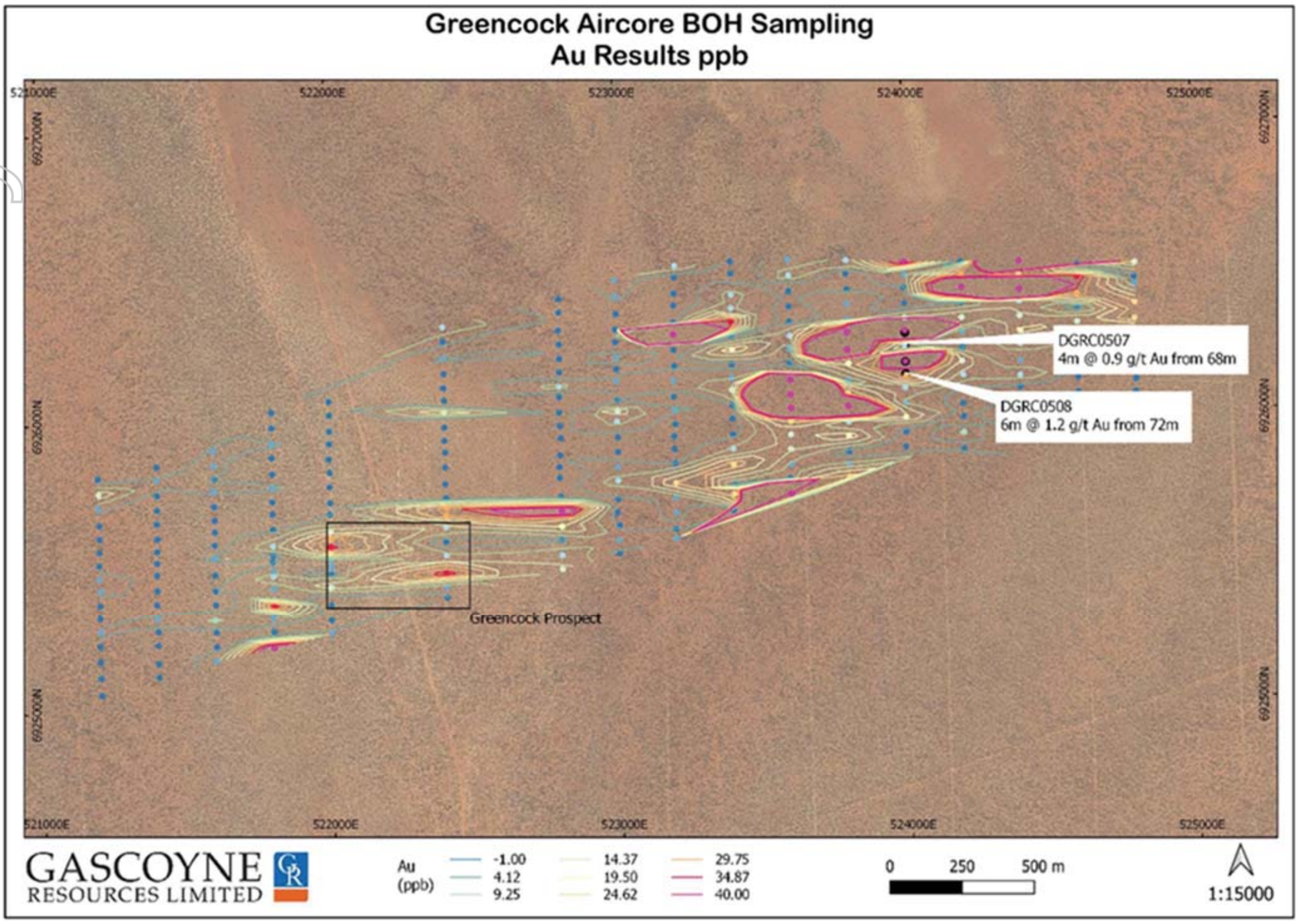

__Figure 9:__ Greencock Area – Aircore drill, BOH gold contours and significant gold intersections from RC drilling

Review of operations

Glenburgh Gold Project

The Glenburgh Gold Project (Glenburgh), with a tenement area of around 2,000km^2, is located approximately 250km east of Carnarvon in the southern Gascoyne region of Western Australia.

Glenburgh tenements and ownership interest

Tenements 100% owned by Gascoyne

- Mining Licence: ML09/148.
- Exploration Licences: EL09/1325, EL09/1764, EL09/1865, EL09/1866, EL09/2025 and EL09/2148.
- Miscellaneous Licences: L09/56 and L09/62.

Refer to the 'Tenements schedule' section on page 102 for further details on tenements held by Gascoyne.

Exploration activities

A multi-rig exploration programme at Glenburgh commenced in June 2017 and was completed in late July 2018 with final assay results received in September 2018.

The drilling program was designed to infill, extend and improve the existing shallow Inferred Resources at both the Torino and the Thunderbolt prospects and to test an area between the Mustang and Shelby deposits. The drilling was successful, resulting in the discovery of a new prospect, Cobra (Figure 10). The drilling also confirmed the continuity and confidence in the 900m long Torino deposit and the Thunderbolt deposit. Results from the Torino and Thunderbolt drilling were reported in the prior year annual report.

Cobra

High grade RC intersections indicate the discovery of a new gold prospect, Cobra, which is located between the Mustang and Shelby deposits (see Figures 10 to 12) in an area which has not been previously tested by any drilling, refer ASX announcement released on 17 September 2018. The Cobra prospect includes significant high grade mineralisation including 7m @ 7.8 g/t gold from 84m in VRC1069 (including 4m @ 12.6 g/t) and 9m @ 5.5 g/t gold from 50m in VRC1068 (including 4m @ 9.5 g/t). This new zone of mineralisation remains open up and down dip, as well as along strike.

Other significant intersections from Cobra include:

- 3m @ 4.9 g/t gold from 91m
- 5m @ 2.0 g/t gold from 105m
- 1m @ 6.9 g/t gold from 34m
- 2m @ 3.4 g/t gold from 86m

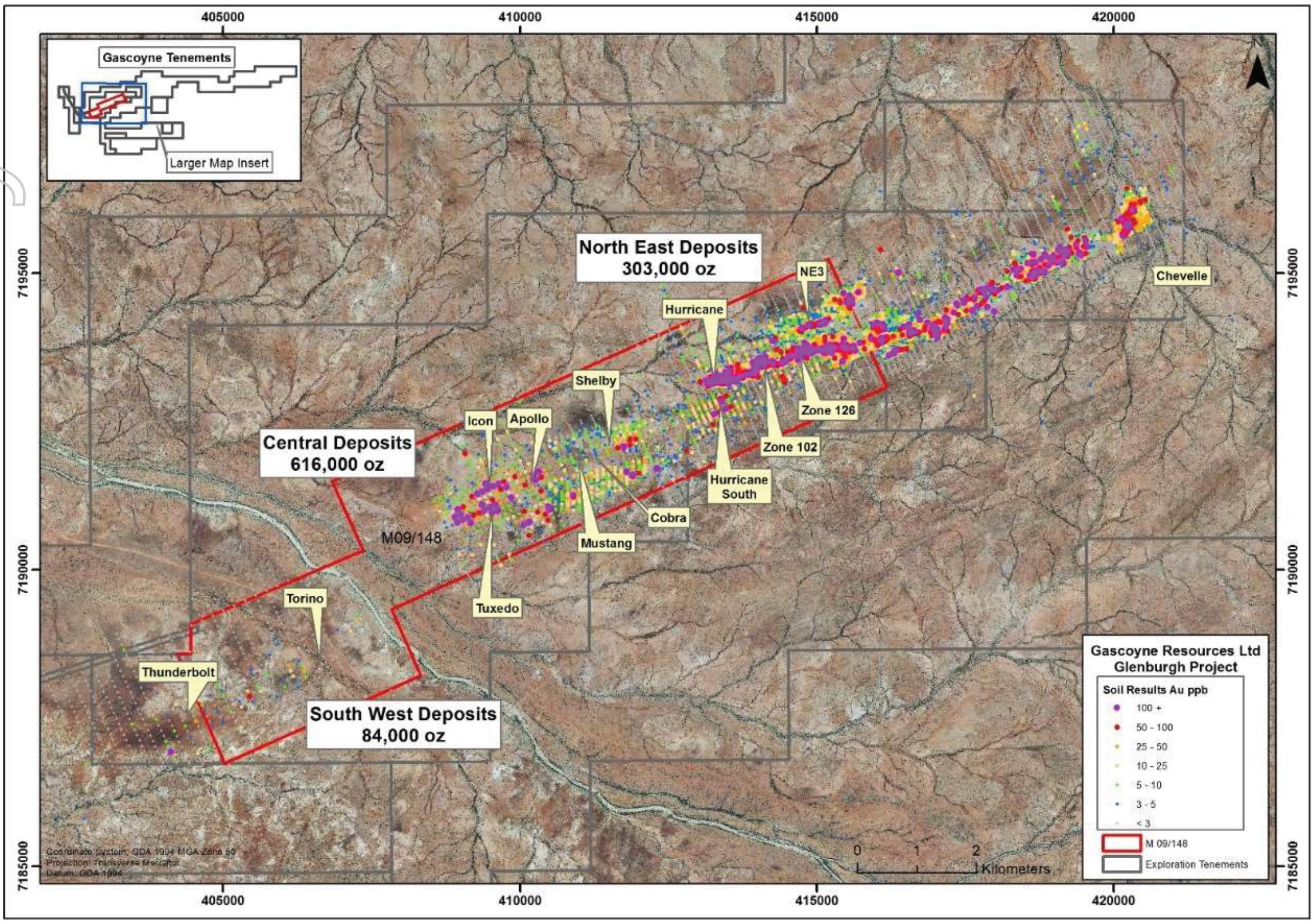

Figure 10: *Glenburgh deposit and prospect layout*

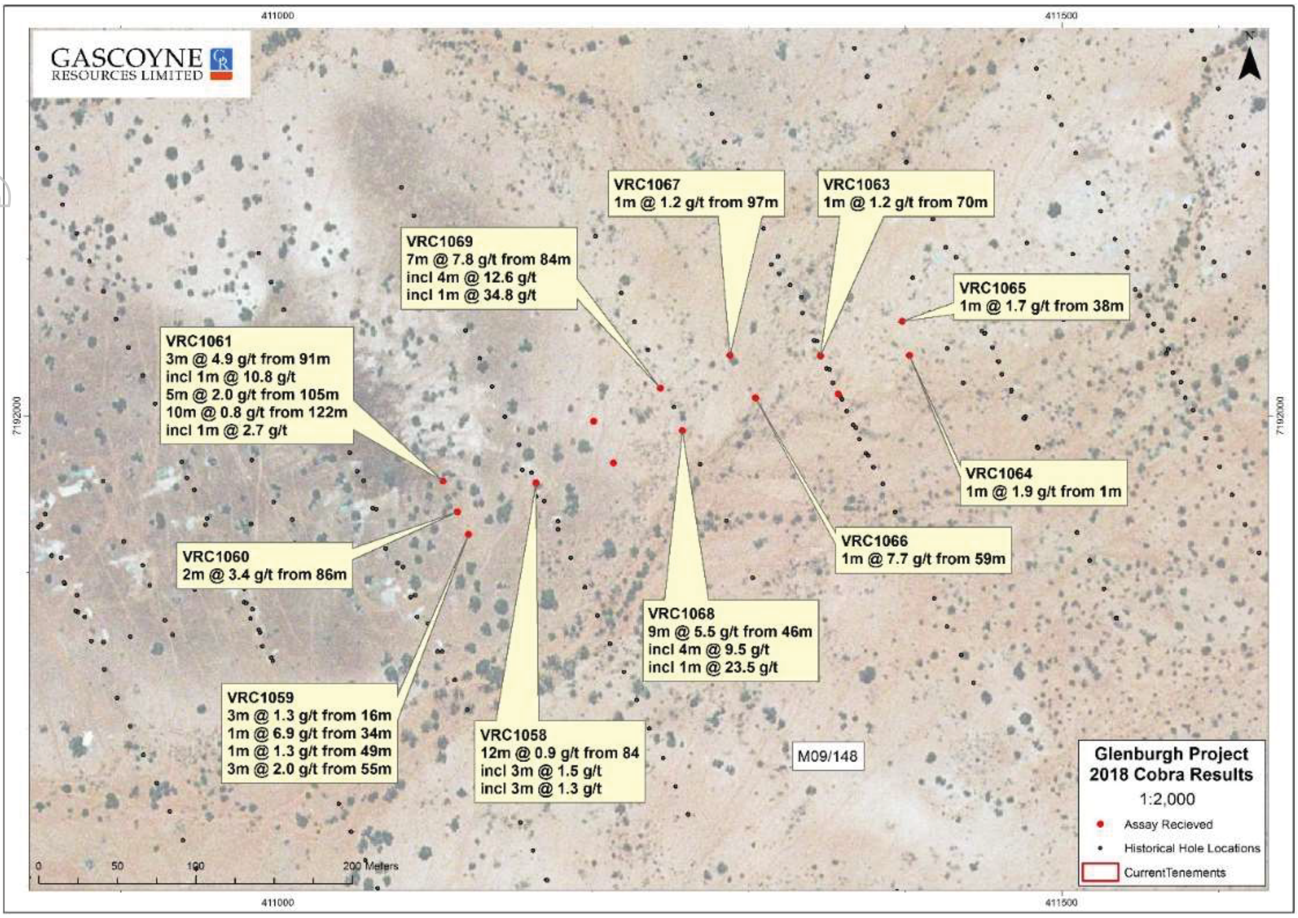

Figure 11: *Cobra prospect – location of RC drill holes and significant gold intersections*

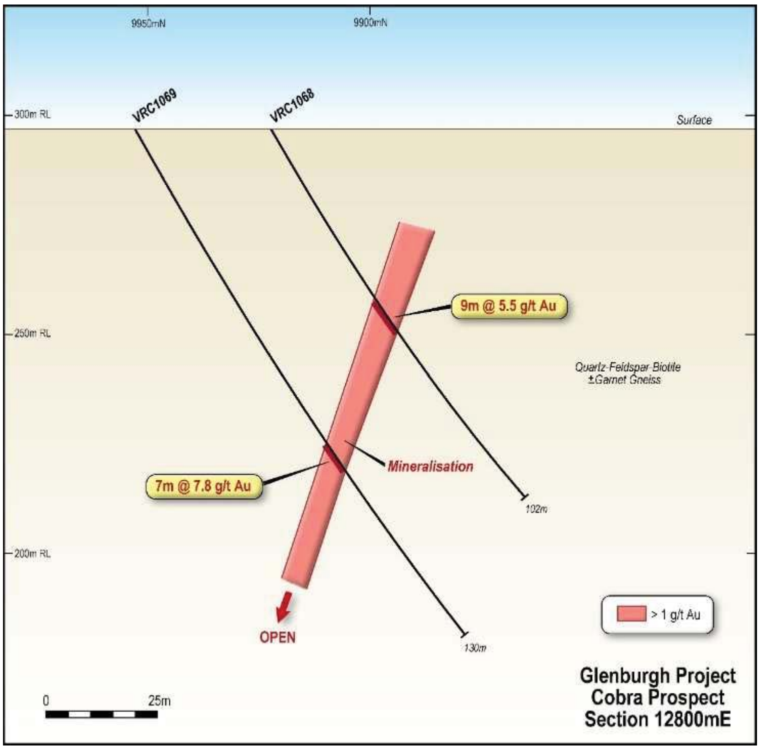

Figure 12: *Cobra cross section 12800E*

Mineral Resources and Ore Reserves

Governance

Reporting of Mineral Resources and Ore Reserves has been compiled in accordance with the 2012 Edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (the JORC Code), Chapter 5 of the ASX Listing Rules and ASX Guidance Note 31. The JORC Code is a set of minimum standards, recommendations and guidelines for public reporting of Exploration Results, Mineral Resources and Ore Reserves, as defined by the Joint Ore Reserves Committee (JORC).

Governance of Gascoyne's Mineral Resources and Ore Reserves development and the estimation process is a key responsibility of the Executive Management of the Company. The Chief Executive Officer of the Company oversees the reviews and technical evaluations of the Mineral Resource and Ore Reserve estimates.

The Company has governance processes in place to manage the Mineral Resource and Ore Reserve estimates in accordance with industry best practice.

All Mineral Resource and Ore Reserve estimates are prepared by qualified professionals in accordance with JORC Code processes that ensure representative and unbiased samples are obtained with appropriate QA/QC practices in place.

Mineral Resource and Ore Reserve estimates are then peer reviewed by both independent consultants and by the Company.

Mineral Resources

As defined in the JORC Code, a Mineral Resource is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are subdivided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

The Group's Mineral Resources represent the estimated quantities of minerals that can potentially be commercially recovered from the Group's projects but which do not have demonstrated economic viability.

The Dalgaranga Mineral Resource was updated during the year, refer ASX announcement released on 28 August 2019. This new estimate is constrained within optimised pit shells based on a gold price of A$2,400. The Gilbey's Main ore body includes 530 koz of Measured and Indicated Resources and a further 150 koz of Inferred Resources representing more than 86% of the entire Dalgaranga Mineral Resource. The Resource decreased by 517 koz gold from 1,320 koz gold as at 30 June 2018 to the current 803 koz of gold Measured, Indicated and Inferred Mineral Resource. Gold grade decreased from 1.3 g/t at 30 June 2018 to 0.89 g/t at 30 June 2019.

There has not been any change to the Glenburgh Mineral Resource since the 2018 Annual Report and it has not been updated since it was estimated by RPMGlobal during 2014. It excludes additional mineralisation defined by drilling completed since 2014 and in particular drilling completed in 2017 and 2018.

The Mineral Resource statements as at 30 June 2019 are presented below.

Dalgaranga Mineral Resource as at 30 June 2019

Classification	Tonnes Mt	Gold grade g/t	Contained gold koz
Measured	1.6	0.91	45.5
Indicated	19.4	0.90	560.1
Measured and Indicated	21.0	0.90	605.7
Inferred	7.2	0.85	196.8
Total	**28.2**	**0.89**	**802.5**

Note: Discrepancies in totals are a result of rounding.

Mineral Resources and Ore Reserves

Glenburgh Mineral Resource as at 30 June 2019

	Measured			Indicated			Inferred			Total		
Area	**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.

Ore Reserves

As defined in the JORC Code, an Ore Reserve is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level, as appropriate, that include application of Modifying Factors (considerations used to convert Mineral Resources to Ore Reserves). Such studies demonstrate that, at the time of reporting, economic extraction could reasonably be justified.

Ore reserves are sub-divided in order of increasing confidence into:

- Probable Ore Reserves, the economically mineable part of an Indicated and, in some circumstances, a Measured Mineral Resource; and
- Proved Ore Reserves, the economically mineable part of a Measured Mineral Resource.

The Dalgaranga Ore Reserve has been updated during the year, refer ASX announcement released on 3 October 2019. It represents a more than 62% conversion of the 802 koz Dalgaranga Mineral Resource with more than 90% of the Ore Reserve located within the wide and continuous Gilbey's Main Lode. The Proved and Probable Ore Reserve decreased by 110 koz gold from 612 koz gold as at 30 June 2018 to the current 502 koz of gold Proven and Probable Reserve at the date of signing this report. Gold grade decreased from 1.25 g/t at 30 June 2018 to 0.9 g/t at 30 June 2019.

The Ore Reserve statement as at 30 June 2019 is presented below.

Dalgaranga Ore Reserve as at 30 June 2019

Classification	Oxidation state	Cut-off grade g/t Au	Tonnes Mt	Gold grade g/t	Contained gold koz
Proved:	Oxide	0.25	0.1	1.1	4.1
	Transition	0.30	0.4	0.9	11.0
	Fresh	0.32	0.9	0.8	22.4
	Stockpiles	0.25	-	0.5	2.6
	Gold in circuit		-	-	1.3
	Subtotal		1.4	0.9	41.4
Probable:	Oxide	0.25	0.7	0.8	19.2
	Transition	0.30	1.1	0.9	31.9
	Fresh	0.32	13.7	0.9	409.2
	Subtotal		15.5	0.9	460.4
Total			**16.9**	**0.9**	**501.8**

Note: Discrepancies in totals are a result of rounding.

Mineral Resources and Ore Reserves

Competent Persons Statement

As defined in the JORC Code, a Competent Person is a minerals industry professional who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists (or of a 'Recognised Professional Organisation', as included in a list available on the JORC and ASX websites) and must have a minimum of five years' relevant experience in the style of mineralisation or type of deposit under consideration and in the activity that they are undertaking.

Dalgaranga

The information in this report that relates to the Dalgaranga Mineral Resource and Ore Reserve is based on information compiled by Competent Persons, as named below.

Each Competent Person named below:

- has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that was undertaken to qualify as a Competent Person as defined in the JORC Code; and
- consents to the inclusion in this financial report of the matters based on their information in the form and context in which it appears.

Accountability	Competent Person	Employer	Institute
Dalgaranga Project			
	Mr Julian Goldsworthy *Chief Geologist*	Gascoyne Resources Limited	The Australasian Institute of Mining and Metallurgy *Member*
Dalgaranga Mineral Resource			
	Mr Michael Job[1,2] *Principal Geologist/Geostatistician*	Cube Consulting Pty Ltd	The Australasian Institute of Mining and Metallurgy *Fellow*
	and		
	Mr Michael Millad[1,2] *Director and* *Principal Geologist/Geostatistician*	Cube Consulting Pty Ltd	Australian Institute of Geoscientists *Member*
	Mr Scott Dunham[3] *Consultant*	SD2 Pty Ltd	The Australasian Institute of Mining and Metallurgy *Fellow*
Dalgaranga Ore Reserve			
	Mr Neil Rauert[1,4] *Senior Mining Engineer*	Gascoyne Resources Limited	The Australasian Institute of Mining and Metallurgy *Fellow*

1 Information compiled under the supervision of named Competent Person.
2 Information relating to the Mineral Resource for the Gilbey's, Gilbey's South, Plymouth and Sly Fox deposits.
3 Information relating to the Mineral Resource for the Golden Wings deposit.
4 Information relating to the Ore Reserve for the Gilbey's, Gilbey's South, Sly Fox and Golden Wings deposits.

The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Glenburgh

The Glenburgh Mineral Resource has been estimated by RPMGlobal, an external consultancy, and is reported under the JORC Code (see ASX announcement entitled "High Grade Domains Identified Within Updated Glenburgh Gold Mineral Resource" released on 24 July 2014). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement 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 been materially modified from the original market announcements.

Corporate governance statement

The Group has adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Group's Corporate Governance Statement for the financial year ending 30 June 2019 is current as at 31 January 2020 and was approved by Michael Ryan, Kathryn Warwick and Ian Francis of FTI Consulting in their capacity as Joint and Several Voluntary Administrators of the Company and each of its wholly-owned subsidiaries on 31 January 2020. The Corporate Governance Statement is available on the Gascoyne Resources Limited website at:

https://www.gascoyneresources.com.au/company-overview/corporate-governance.

Directors' report

On 2 June 2019, Michael Ryan, Kathryn Warwick and Ian Francis of FTI Consulting were appointed as Joint and Several Voluntary Administrators of the Company and each of its wholly-owned subsidiaries.

Since this appointment, the Administrators have had control of the Company's business, property and affairs. Rodney Michael Joyce remains the only Director of the Company as at 31 January 2020. Accordingly, this Directors' report (together with the financial statements of the consolidated entity, being Gascoyne Resources Limited (In Administration) and its controlled entities (together, the Group), for the year ended 30 June 2019) are presented by the Administrators in their capacity as Joint and Several Voluntary Administrators of the Company and each of its wholly-owned subsidiaries.

Directors

The following persons were Directors of Gascoyne Resources Limited (In Administration) during the whole of the financial year and up to the date of this report unless otherwise stated:

Rodney Michael Joyce BSc (Hons), MSc, MAusIMM
Independent Non-executive Director
Appointed 20 April 2011

Mr Joyce is a geologist with over 40 years of experience in mineral exploration, following graduation with a BSc (Hons) degree from Monash University in 1979. Mr Joyce also holds an MSc from the Royal School of Mines, University of London, United Kingdom. He was the leader of a successful gold exploration team at Aberfoyle Resources Ltd, responsible for significant gold discoveries at Khartoum (Carosue Dam) and Davyhurst in Western Australia prior to joining Giralia Resources NL as the Exploration Manager. Mr Joyce was subsequently appointed Managing Director of Giralia Resources NL in 2004 and held this position until the company's takeover in 2011.

Other Gascoyne Board appointments:
Non-executive Chairman - Appointed 5 October 2012, resigned 8 October 2018

Committee memberships:
Nomination and Remuneration Committee (Chair until Committee disbanded upon voluntary appointment of Administrators on 2 June 2019).
Audit and Risk Committee (Member until Committee disbanded upon voluntary appointment of Administrators on 2 June 2019; appointed Chair 26 October 2018).

Other directorships of listed entities in the past three years:
Zenith Minerals Limited since 6 December 2006.

Michael Dunbar BSc, P Grad Dip (economic geology), MAusIMM
Managing Director
Appointed 31 March 2011, resigned 25 October 2018

Mr Dunbar is a geologist with over 25 years of experience in exploration, resource development and mining projects, both within Australia and overseas. He has been active in exploring and developing a broad range of deposit styles and commodities including Nickel Sulphide deposit development, Archean and Proterozoic Gold, IOCG copper and gold deposits and sandstone hosted uranium deposits.

Mr Dunbar was involved in the discovery, delineation and development of the +2Moz Thunderbox gold deposit, the discovery and delineation of the Waterloo and Amorac Nickel Sulphide deposits in Western Australia, the delineation of the Munali Nickel Sulphide deposit, the IOCG - Cloncurry Copper, Gold, Cobalt, Magnetite deposit, as well as a number of smaller deposits. Mr Dunbar's experience includes four years with Eagle Mining NL, six years with LionOre Mining International Limited and six years with the Mitchell River Group of companies including Albidon Limited, African Energy Resources Limited, Sally Malay Mining Limited and Exco Resources Ltd.

Directors (continued)

Ian Kerr Civil Engineer BE Honours (II), MIE Aust
Executive Director
Appointed 21 November 2017, resigned 18 April 2018, re-appointed 31 July 2018, resigned 5 July 2019

Mr Kerr is a professional engineer with 35 years of experience including 29 years in the mining industry. Mr Kerr previously worked on the Pre-Feasibility Study and the Bankable Feasibility Study for the Dalgaranga Gold Project whilst working for Mintrex Pty Ltd, an engineering consultancy. Mr Kerr was employed at Mintrex Pty Ltd for eight years where he worked on multiple studies and projects in Australia, Chile, Ghana, Burkina Faso, Mali and Senegal. Mr Kerr has worked in both project management and operations management having taken a number of mining projects from concept through to commissioning whilst working directly for several Australian and international mining companies.

Other directorships of listed entities in the past three years:
West African Resources Limited since 28 June 2018; Tiger Resources Limited from 1 April 2016 to 14 August 2018.

Sally-Anne Layman BE (Mining)(Hons), B.Com, CPA, MAICD
Independent Non-executive Chairperson
Appointed 26 October 2018, resigned 31 May 2019

Ms Layman is a mining engineer and qualified accountant with over 24 years of diverse experience as a mining professional, corporate financier and advisor with significant international and cross commodity experience. Ms Layman previously held a range of senior positions with Macquarie Group Limited, including as Division Director and Joint Head of the Perth office of the Metals, Mining and Agriculture Division. More recently she has worked as a consultant providing financial consulting services to miners and explorers, including strategy and business development.

Ms Layman holds a Bachelor of Engineering (Mining) Hons, a Bachelor of Commerce, a First Class Mine Managers Certificate of Competency WA, and is a member of CPA Australia and the Australian Institute of Company Directors.

Other Gascoyne Board appointments:
Non-executive Director - Appointed 7 June 2017, resigned 31 May 2019

Committee memberships:
Nomination and Remuneration Committee (Member, resigned 31 May 2019).
Audit and Risk Committee (Chair until 26 October 2018, continuing as Member until resignation on 31 May 2019).

Other directorships of listed entities in the past three years:
Imdex Limited since 6 February 2017; Perseus Mining Limited since 13 September 2017; Pilbara Minerals Limited since 20 April 2018; Beach Energy Limited since 25 February 2019.

Simon (Mark) Le Messurier BE (Mining Engineering), MBA
Independent Non-executive Director
Appointed 8 October 2018, resigned 31 May 2019

Mr Le Messurier is an MBA qualified mining engineer with 35 years of experience in the mining industry, including most recently seven years as Chief Operating Officer of Evolution Mining Limited, overseeing and transforming operations across Evolution's six wholly-owned gold mines in Australia. Mr Le Messurier spent his earlier career in engineering and senior operations management roles with CRA Limited, WMC Resources Limited, Barrick Gold Corporation, Sino Gold Mining Limited and Eldorado Gold Corporation.

Committee memberships:
Nomination and Remuneration Committee (Member, appointed 29 November 2018, resigned 31 May 2019).
Audit and Risk Committee (Member, appointed 29 November 2018, resigned 31 May 2019).

Directors' report

Directors (continued)

Stanley Macdonald
Independent Non-executive Director
Appointed 20 April 2011, resigned 8 October 2018

Mr Macdonald has been associated with the mining and exploration industry for many years, having been instrumental in the formation of numerous ASX listed companies, including Giralia Resources NL, where he was a director for over 20 years.

Other directorships of listed entities in the past three years:
Zenith Minerals Limited since 24 April 2006.

Ian Murray B.Com, ICAA, SAICA, MAICD
Independent Non-executive Chairman
Appointed 8 October 2018, resigned 24 October 2018

Mr Murray is a qualified Chartered Accountant, and has been involved in gold mining and exploration since 1997. He was previously at Gold Road Resources Limited, variously as Non-executive Chairman, Executive Chairman and Managing Director/CEO. Prior to that he spent eight years at DRDGOLD Limited in South Africa ultimately as Managing Director/CEO.

Other directorships of listed entities in the past three years:
Gold Road Resources Limited from 15 October 2007 to 1 January 2019; Geopacific Resources Limited from 9 September 2009; Black Rock Mining from 2 May 2019.

Graham Riley B.Juris LLB
Independent Non-executive Director
Appointed 19 October 2009, resigned 8 October 2018

Mr Riley is a qualified legal practitioner, holding Bachelor of Laws and Bachelor of Jurisprudence degrees. After ten years in legal practice as a partner of a commercial firm in Perth, he resigned to pursue private interests in the resources and exploration sector, where he continues to act in various non-executive capacities. Mr Riley was the Non-executive Chairman of Giralia Resources NL and Red Hill Iron Limited, and a director of Adelphi Energy NL prior to their takeovers.

Committee memberships:
Nomination and Remuneration Committee (Member until resignation on 8 October 2018).
Audit and Risk Committee (Member until resignation on 8 October 2018).

Other directorships of listed entities in the past three years:
Zenith Minerals Limited since 2 May 2018; Entek Energy Limited from 1 February 2011 to 1 September 2017.

Company Secretary

Eva O'Malley B.Com, CA, AGIA
Company Secretary
Appointed 12 January 2011

Ms O'Malley is a Chartered Accountant, an Associate member of the Governance Institute of Australia and holds a Commerce degree from Murdoch University in Western Australia. She has extensive experience in managing the financial obligations of ASX listed corporations across a diverse range of industries.

Principal activities

During the year, the principal activities of the Group were the production of gold from the Dalgaranga Gold Project (Dalgaranga) and the exploration and evaluation of gold projects in Western Australia.

Review of operations and financial result

For a detailed review of the Group's operations during the year, refer to the Review of operations section presented on page 1 in this financial report.

Directors' report

Review of operations and financial result (continued)

Financial performance

Commercial production was achieved at the end of July 2018 with the processing facility meeting Practical Completion according to the engineering, procurement and construction contract criteria and the processing facility achieving 91% of nameplate throughput for the month. Gold sales revenue of $95.8 million (2018: $nil) was generated from the sale of 48,075 ounces at an average gold price of A$1,991, post commencement of commercial production. Total cost of goods sold inclusive of depreciation and amortisation was $119.7 million (2018: $nil). The increase in revenue and costs compared to the prior year reflects the commencement of commercial production, with revenues derived from mining activities and associated costs no longer being capitalised.

The net consolidated loss of the Group for the financial year was $107.1 million (2018: $0.6 million). The net loss includes an impairment loss of $33.5 million (2018: $nil), refer to note 15, and a financial liability of $30.3 million (2018: $nil) arising from early termination of the hedge agreement in place with Commonwealth Bank of Australia and National Australia Bank (the Financiers) of the syndicated facility agreement (SFA), refer to note 13.

Corporate expenses for the year totalled $6.5 million (2018: $2.9 million), which included expenses related to the corporate office, refinancing of borrowings, compliance and operational support.

Depreciation and amortisation of fixed assets and capitalised mine properties expenditure totalled $33.0 million (2018: $nil) for the period. The higher depreciation and amortisation charge for the period resulted from the commencement of commercial production and first time use of project mine properties and infrastructure during the period.

The income tax expense for the period was $4.9 million with an income tax benefit recognised in the prior year (2018: $0.3 million). The prior period income tax benefit included the initial recognition of the Group's carry forward tax losses at 30 June 2018. The tax losses were subsequently derecognised at 30 June 2019, refer to note 7, resulting in the change from an income tax benefit recognised in the prior period to an income tax expense at the end of the current period.

Financial position

The Group held cash and cash equivalents of $16.7 million as at 30 June 2019 (2018: $25.1 million) and $3.0 million in unsold bullion on hand recognised in inventory at cost (1,509 ounces valued at the 30 June 2019 gold spot price of A$2,015 per ounce).

As at 30 June 2019 the Group has a working capital deficit of $108.0 million (2018: $15.0 million). The significant increase in the deficit from the prior period is driven by the reclassification of the SFA from non-current to current, the working capital facility provided by NRW Holdings Limited, refer to note 18, and the termination of the gold forward contracts, refer to note 13, following the voluntary appointment of Administrators on 2 June 2019.

The Group's net asset position at 30 June 2019, decreased to $55.8 million (2018: $116.5 million). The decrease is primarily attributable to the $11.2 million (2018: $nil) working capital facility provided by NRW Holdings Limited, refer to note 18, and the termination of the gold forward contracts of $30.3 million (2018: $nil), refer to note 13, following the voluntary appointment of Administrators on 2 June 2019.

Significant changes in the state of affairs

On 2 June 2019, the Directors determined to place the Company into Administration. Michael Ryan, Kathryn Warwick and Ian Francis of FTI Consulting were appointed as Joint and Several Voluntary Administrators of the Company and each of its wholly-owned subsidiaries. Since this appointment, the Administrators have kept the operation trading whilst progressing a dual track process to achieve either a sale or recapitalisation of the Group or its assets.

There were no significant changes to supplier contracts following the appointment of the Administrators, other than a change in payment frequency from monthly to weekly payments for various suppliers.

During the prior year, the Group entered into an SFA with the Financiers for the provision of a secured $60.0 million Project Finance Facility to fund the development of Dalgaranga, refer to note 18 for further details. The voluntary appointment of Administrators on 2 June 2019 was considered an event of default under the terms of the SFA, therefore the remaining loan balance due to the Financiers as at 2 June 2019 became due and payable in full on that date. The full amount outstanding of $58.4 million as at 30 June 2019 has therefore been classified as a current liability. The remaining finance lease liabilities and working capital facility borrowings are not considered to be in default and all required principal and interest payments have been made in accordance with the contractual commitments of these borrowings during the Administration period.

Directors' report

Significant changes in the state of affairs (continued)

During the year Gascoyne undertook equity placements raising $48.7 million before costs. Refer to note 20 for further details of equity placements during the year.

Following the voluntary appointment of Administrators on 2 June 2019, the gold forward contracts of 135,264 ounces outstanding as at 5 June 2019 were terminated, resulting in an additional liability of $30.3 million payable to the Financiers. The hedges were locked in at a rate of $1,713 per ounce.

On 21 December 2018 the Group secured a $12.0 million working capital facility from Dalgaranga mining contractor NRW Pty Ltd, a subsidiary of NRW Holdings Limited. The facility is repayable by 30 June 2020 with fees and interest rates set at commercial rates commensurate for this type of facility. The working capital facility and associated mining contract are secured by a subordinated general security agreement over the assets of GNT Resources Pty Ltd (In Administration), a Group subsidiary, until full repayment of the facility. Draw down on the facility occurred in January 2019.

As a result of operational performance being below plan an impairment loss of $33.5 million (2018: $nil) has been recorded against the property, plant and equipment of the Dalgaranga gold operations cash-generating unit. Refer to note 15 for further details on the impairment loss.

The Group completed a review of the rehabilitation and mine closure provision during the year, which resulted in an increase of $8.3 million (2018: $14.8 million) to both the provision and the corresponding rehabilitation asset recorded in mine properties.

Dividends

No dividend has been paid or recommended for the current financial year.

Events occurring after the reporting date

On 11 July 2019, the Financiers of the SFA, refer to note 18, closed the Group's bank accounts held with the Financiers prior to Administration. Funds of $12.2 million held in those accounts were offset against the outstanding amount of $58.4 million owed on the SFA (note 18) and the other financial liability of $30.3 million arising from early termination of the hedge agreement in place with the Financiers (note 13).

The Administrators purchased short-term put options to protect revenue arising from the majority of gold production over the period from 20 December 2019 to 30 April 2020 (put options for 1 October to 20 December now expired). The options have an exercise price of A$2,050 per ounce for 14,600 ounces from 20 December 2019 to 28 February 2020 (at 1,400 ounces per week) and A$2,000 per ounce for a further 12,600 ounces from 1 March 2020 to 1 May 2020 (at 1,400 ounces per week).

In September 2019, the Administrators initiated the dual track recapitalisation and sale process. The process is supported by Investec Australia who have been appointed as Corporate Advisor.

On 28 August 2019, the Group released an updated Dalgaranga Mineral Resource estimate to the market. The Resource update confirmed a Company total Mineral Resource of 1.8Moz of contained gold with the new estimate constrained within optimised pit shells based on a gold price of A$2,400 per ounce. The updated Mineral Resource for Dalgaranga is 28.2Mt @ 0.9 g/t for 803 koz of contained gold. On 3 October 2019, the Group released an updated Dalgaranga Ore Reserve to the market. The updated Dalgaranga Ore Reserve estimate of 501,800 ounces of gold represents a 62% conversion of the 803 koz Dalgaranga Mineral Resource.

Options granted under the 2016 Company's Employee Share Option Plan expired on 15 December 2019.

The Joint and Several Voluntary Administrators of the Company, being Michael Ryan, Kathryn Warwick and Ian Francis of FTI Consulting are not aware of any other matter or circumstance that has arisen since the end of the financial year which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' report

Environmental regulation

The Group is subject to significant environmental regulations under laws of the Commonwealth and State in respect of its exploration, evaluation and development activities and its mining operations. The Group aspires to the highest standard of environmental management and insists its staff and contractors maintain that standard. A significant environmental incident is considered to be one that causes a major impact or impacts to land biodiversity, ecosystem services, water resources or air, with effects lasting greater than one year. There have been no significant environmental incidents reported at any of the Group's operations.

Meetings of Directors

The number of meetings held during the year by the Board of Directors (Board) and Board committees, and the number of those meetings attended by each Director were:

	Board meetings		**Nomination and Remuneration Committee meetings**		**Audit and Risk Committee meetings**	
	Entitled to attend[1]	**Attended**	**Entitled to attend[1]**	**Attended**	**Entitled to attend[1]**	**Attended**
M Dunbar[2]	4	4	-	-	-	-
J Goldsworthy[3]	1	1	-	-	-	-
R M Joyce	32	32	6	6	6	6
I Kerr[4]	32	30	-	-	-	-
S Layman[5]	31	30	6	6	6	6
S M Le Messurier[6]	27	26	4	4	4	4
S Macdonald[7]	4	4	-	-	-	-
I Murray[8]	-	-	-	-	-	-
G Riley[9]	4	4	2	2	2	2

1 In addition to the above meetings a number of meetings were dealt with by circular resolution.
2 Mr M Dunbar resigned on 25 October 2018.
3 Mr J Goldsworthy was appointed as an Executive Director on 2 June 2019 and resigned on 2 June 2019.
4 Mr I Kerr was appointed as an Executive Director on 31 July 2018 and resigned on 5 July 2019.
5 Ms S Layman resigned on 31 May 2019.
6 Mr S M Le Messurier was appointed as a Non-executive Director on 8 October 2018 and resigned on 31 May 2019.
7 Mr S Macdonald resigned on 8 October 2018.
8 Mr I Murray was appointed as Non-executive Chairman on 8 October 2018 and resigned on 24 October 2018.
9 Mr G Riley resigned on 8 October 2018.

Remuneration report (audited)

On 2 June 2019, the Directors determined to place the Company into Administration. Michael Ryan, Kathryn Warwick and Ian Francis of FTI Consulting were appointed as Joint and Several Voluntary Administrators of the Company and each of its wholly-owned subsidiaries.

Since this appointment, the Administrators have had control of the Company's business, property and affairs. Rodney Michael Joyce remains the only Director of the Company as at 31 January 2020. Accordingly, this Remuneration report for Directors and other Key Management Personnel (KMP) prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001* is presented by the Administrators in their capacity as Joint and Several Voluntary Administrators of the Company and each of its wholly-owned subsidiaries.

This Remuneration report is presented under the following sections:

- Key management personnel
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based remuneration
- Other information

Key management personnel

The Directors and other KMP of the Group during the financial year were:

Employee	Position[1]	Term as KMP during the financial year
Directors		
M Dunbar	Managing Director	Resigned 25 October 2018
R M Joyce	Non-executive Director	Full financial year
I Kerr[2]	Executive Director	Full financial year
S Layman	Non-executive Chairperson	Resigned 31 May 2019
S M Le Messurier	Non-executive Director	Appointed 8 October 2018, resigned 31 May 2019
S Macdonald	Non-executive Director	Resigned 8 October 2018
I Murray	Non-executive Chairman	Appointed 8 October 2018, resigned 24 October 2018
G Riley	Non-executive Director	Resigned 8 October 2018
Other KMP		
M Ball[3]	Chief Financial Officer	Resigned 31 May 2019
J Goldsworthy[4]	Chief Geologist	Full financial year
R Hay[5]	Chief Executive Officer	Appointed 18 January 2019
E O'Malley	Company Secretary	Full financial year
K Weber	Exploration Manager	Resigned 14 December 2018

1 At the reporting date or on the last day of designation as KMP.
2 Mr I Kerr commenced employment as Development Manager on 5 December 2016. Mr Kerr was appointed as an Executive Director on 31 July 2018 and resigned on 5 July 2019.
3 Mr M Ball resigned as Chief Financial Officer and KMP on 31 May 2019 and continued in employment on a consultancy basis until 31 July 2019.
4 Mr J Goldsworthy was appointed as an Executive Director on 2 June 2019 and resigned on 2 June 2019.
5 After joining the Company as Executive General Manager on 18 January 2019, Mr R Hay was appointed as Chief Executive Officer on 26 April 2019. Mr Hay resigned on 31 May 2019 and was re-appointed as Chief Executive Officer on a consultancy basis on 3 June 2019.

Directors' report

Remuneration report (audited) (continued)

Principles used to determine the nature and amount of remuneration

The principles of the Group's executive remuneration policy are to ensure that remuneration packages properly reflect the duties and responsibilities of Executives and are sufficient to attract, retain and motivate personnel of the requisite capabilities and experience. The Board has established a Nomination and Remuneration Committee which operates in accordance with its Charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and the Executive team.

The remuneration structure that has been adopted by the Group consists of the following components:

- fixed remuneration being annual salary and superannuation;
- short-term incentives, including bonuses; and
- long-term incentives, including employee share option schemes.

The Nomination and Remuneration Committee is responsible for assessing the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of maximising shareholder value. The payment of bonuses, share options and other incentive payments are reviewed by the Nomination and Remuneration Committee annually having regard to performance against expectations and market conditions as part of the review of executive remuneration, and a recommendation is submitted to the Board for approval. There is no pre-determined policy regarding any relationship between the Group's performance and the remuneration of KMP.

All members of the Nomination and Remuneration Committee during the year were Independent Non-executive Directors, until the Committee was disbanded upon the voluntary appointment of Administrators on 2 June 2019.

Short-term incentives

The Group may use short-term incentives (STIs) to incentivise members of KMP that may be linked to performance measures. Performance measures involve the use of annual performance objectives, metrics, performance appraisals and Group values.

STIs may incorporate cash and/or share-based components for KMPs and other employees. Performance measures are considered on commencement of employment for new KMPs and annually for all KMPs. They are set after consultation with the Directors and KMPs and are tailored to the areas over which the KMP has a level of control and may include both financial and non-financial measures.

Performance areas

- financial: performance against budget; and
- non-financial: strategic goals dependent on KMP areas of influence.

Non-executive Director remuneration

Non-executive Directors are remunerated by fees determined by the Board within the aggregate Directors' fee pool limit as approved by shareholders, currently $450,000. The pool limit is not at present fully utilised. In setting the fees, account is taken of the responsibilities inherent in the stewardship of the Company and the demands made of Directors in the discharge of their responsibilities. Advice is taken from independent consultancy sources where appropriate, to ensure remuneration accords with market practice. The Group has largely adopted the ASX Corporate Governance Principles and decided to remunerate its Non-executive Directors on an ongoing basis with no accrual or entitlement to a retirement benefit.

Use of remuneration consultants

During the year the Nomination and Remuneration Committee engaged the services of BDO Reward (WA) Pty Ltd (BDO) to complete a remuneration review of market practice of peer companies and provide a report with recommendations with regards to remuneration packages and mix for Executives. The Nomination and Remuneration Committee then engaged the services of BDO to develop a remuneration and incentive scheme design.

BDO was engaged by, and reported directly to, the Chair of the Nomination and Remuneration Committee. The agreement for the provision of remuneration consulting services was executed by the Chair of the Nomination and Remuneration Committee under delegated authority on behalf of the Board. The report containing the remuneration recommendations was provided by BDO directly to the Chair of the Nomination and Remuneration Committee.

Under the terms of these engagements, BDO provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001* and was paid $25,580 for these services.

Remuneration report (audited) (continued)

BDO was permitted to speak to management throughout the engagement to understand Company processes, practices, business issues and obtain management perspectives, however, they were not permitted to provide any advice or recommendations to members of management. The Board is therefore satisfied that the recommendations were made free from undue influence from any members of KMP. BDO have also confirmed that the recommendations have been made free from undue influence by members of the Group's KMP.

Voting and comments made at the Company's last Annual General Meeting

At the Company's 2018 Annual General Meeting 93% of the votes cast in relation to the resolution to adopt the 2018 Remuneration report were cast in favour of the resolution. The Company did not receive any specific feedback at the AGM on its Remuneration report.

Statutory performance indicators

The Company aims to align KMP remuneration to its strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last five financial years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the specific measures in determining the variable amounts of remuneration to be awarded to KMP. As a consequence, there may not always be a direct correlation between the statutory key performance indicators and the variable remuneration awarded.

Statutory key performance indicator	**2019**	**2018**	**2017**	**2016**	**2015**
Loss per share (cents)	(18.6)	(0.1)	(0.5)	(0.4)	(1.7)
Dividends (cents per share)	-	-	-	-	-
Net loss ($'000)	(107,105)	(559)	(1,444)	(817)	(2,919)
Share price[1]	$0.039	$0.50	$0.435	$0.52	$0.08

1 Closing share price at 30 June (or the last trading day immediately before) for the relevant year, other than for financial year ended 30 June 2019, where the closing price is at the last trading day before suspension from official quotation on 3 June 2019, following the voluntary appointment of Administrators on 2 June 2019.

Directors' report

Remuneration report (audited) (continued)

Details of remuneration

Details of the nature and amount of each element of remuneration of each Director and other KMP of the Group are presented in the table below:

2019	**Short-term employee benefits**		**Long-term employee benefits**[1]		**Post-employment benefits**	**Share-based payments**[2]	**Total**	**Performance related**[3]
	Salary and fees	**STI cash bonus**	**Accrued annual leave**	**Accrued long service leave**	**Super-annuation**	**Options**		
	$	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Non-executive Directors								
R M Joyce	66,988	-	-	-	6,364	-	73,352	-
S Layman[4]	77,475	-	-	-	-	-	77,475	-
S M Le Messurier[5]	54,400	-	-	-	-	-	54,400	-
S Macdonald[6]	10,000	-	-	-	-	-	10,000	-
I Murray[7]	-	-	-	-	-	-	-	-
G Riley[8]	10,000	-	-	-	-	-	10,000	-
	218,863	-	-	-	6,364	-	225,227	
Other KMP								
M Ball[9]	320,568	-	27,412	-	24,888	67,200	440,068	-
M Dunbar[10]	549,161	50,000	(112,679)	(74,915)	10,417	-	421,984	12%
J Goldsworthy	221,005	-	3,720	(1,525)	20,995	-	244,195	-
R Hay[11]	202,761	-	12,297	-	13,063	-	228,121	-
I Kerr	364,219	50,000	33,607	2,559	20,531	-	470,916	11%
E O'Malley[12]	150,419	-	638	(694)	14,290	-	164,653	-
K Weber[13]	90,557	-	(3,676)	(3,147)	8,292	-	92,026	-
	1,898,690	100,000	(38,681)	(77,722)	112,476	67,200	2,061,963	
	2,117,553	**100,000**	**(38,681)**	**(77,722)**	**118,840**	**67,200**	**2,287,190**	

1 Long-term benefits for accrued annual and long service leave represent the movements in the leave provisions. Amounts are net of leave taken, therefore they may be negative where a KMP has taken more leave than accrued during the year or when accrued leave is paid as part of final salary payments.
2 Share-based payments represent the fair value of granted options recognised as an accounting expense during the year.
3 Calculated as 'STI cash bonus' divided by 'Total' remuneration, reflecting the percentage of performance-tested remuneration.
4 Ms S Layman resigned on 31 May 2019.
5 Mr S M Le Messurier was appointed as a Non-executive Director on 8 October 2018 and resigned on 31 May 2019.
6 Mr S Macdonald resigned on 8 October 2018.
7 Mr I Murray was appointed as Non-executive Chairman on 8 October 2018 and resigned on 24 October 2018.
8 Mr G Riley resigned on 8 October 2018.
9 Mr M Ball was appointed as Interim Chief Executive Officer on 29 October 2018, resumed the Chief Financial Officer role on 26 April 2019, and resigned as Chief Financial Officer on 31 May 2019. Mr Ball received a salary of $390,000 p.a. inclusive of superannuation during his tenure as Interim Chief Executive Officer.
10 Mr M Dunbar resigned on 25 October 2018. His salary and fees comprise a termination payment of $210,000, leave entitlement payments of $188,686 and normal earnings of $150,475.
11 Mr R Hay was appointed as Chief Executive Officer on 26 April 2019 after joining the Company as Executive General Manager on 18 January 2019.
12 Ms O'Malley is employed on a 0.4 full time equivalent basis. The amounts above include payment for hours worked in excess of contractual hours and cash payment of annual leave of $68,227.
13 Mr K Weber resigned on 14 December 2018.

Remuneration report (audited) (continued)

2018	**Short-term employee benefits**		**Long-term employee benefits**		**Post-employment benefits**	**Share-based payments**	**Total**	**Performance related**
	Salary and fees	**STI cash bonus**	**Accrued annual leave**	**Accrued long service leave**	**Super-annuation**	**Options**		
	$	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Non-executive Directors								
R M Joyce	90,000	-	-	-	-	-	90,000	-
J den Dryver[1]	45,662	-	-	-	4,338	-	50,000	-
G Dunbar[2]	30,000	-	-	-	-	-	30,000	-
S Layman	60,000	-	-	-	-	-	60,000	-
S Macdonald	60,000	-	-	-	-	-	60,000	-
G Riley	60,000	-	-	-	-	-	60,000	-
	345,662	-	-	-	4,338	-	350,000	
Other KMP								
M Ball[3]	11,539	-	1,106	-	-	-	12,645	-
M Dunbar	322,093	-	12,397	26,229	27,907	-	388,626	-
J Goldsworthy	219,178	-	(3,015)	2,418	20,822	-	239,403	-
I Kerr	303,394	-	27,444	43	26,605	-	357,486	-
D Lim[4]	227,131	-	13,215	(698)	21,577	-	261,225	-
E O’Malley[5]	66,000	-	19,792	5,158	6,270	-	97,220	-
K Weber	191,381	-	(3,319)	2,561	18,619	-	209,242	-
	1,340,716	-	67,620	35,711	121,800	-	1,565,847	
	1,686,378	**-**	**67,620**	**35,711**	**126,138**	**-**	**1,915,847**	

1 Mr J den Dryver resigned 18 April 2018.
2 Mr G Dunbar resigned 31 December 2017.
3 Mr M Ball commenced employment on 18 June 2018.
4 Mr D Lim resigned as Company Secretary and Chief Financial Officer and ceased being a Key Management Person on 15 June 2018. The balances in the table above relate to the period he was a Key Management Person. The notice period served ended 2 July 2018 after which he was paid a termination payment of $119,415 which included payment for the remainder of his notice period, payout of annual leave balances and applicable superannuation.
5 Ms E O’Malley annual leave is adjusted for additional hours worked above her contracted number.

Directors' report

Remuneration report (audited) (continued)

Service agreements

Remuneration and other terms of employment for Executive Directors and other KMP are formalised in service agreements. The major provisions of the agreements relating to remuneration at the reporting date or on the last day of designation as KMP are presented below.

Employee	Position	Base salary[1]	Term of agreement	Notice period
R Hay[2]	Chief Executive Officer	$458,160 p.a.	Unspecified	One month
M Ball[3]	Chief Financial Officer	$328,500 p.a.	Unspecified	Three months
M Dunbar[4]	Managing Director	$420,000 p.a.	Unspecified	Six months
J Goldsworthy	Chief Geologist	$246,000 p.a.	Unspecified	Three months
I Kerr[5]	Executive Director	$380,000 p.a.	Unspecified	Six months
E O'Malley[6]	Company Secretary	$90,000 p.a.	Unspecified	Three months
K Weber[7]	Exploration Manager	$210,000 p.a.	Unspecified	Three months

1 Inclusive of superannuation entitlement.
2 Mr R Hay was appointed as Chief Executive Officer on 26 April 2019. Mr Hay resigned on 31 May 2019 and was re-appointed as Chief Executive Officer on a consultancy basis on 3 June 2019. The base salary noted above for Mr Hay is an annualised value.
3 Mr M Ball resigned as Chief Financial Officer on 31 May 2019 and continued in employment on a consultancy basis until 31 July 2019. Mr Ball was not considered KMP post his resignation.
4 Mr M Dunbar resigned on 25 October 2018.
5 Mr I Kerr resigned on 5 July 2019.
6 Ms O'Malley is employed on a 0.4 full time equivalent basis and receives additional payment for hours worked in excess of contractual hours.
7 Mr K Weber resigned on 14 December 2018.

Short-term incentives

Performance bonuses

Mr M Dunbar and Mr I Kerr's service agreements included provisions for one-off $50,000 cash short-term incentives (STIs) for the year ended 30 June 2018. The STIs were payable to Mr Dunbar and Mr Kerr on the successful achievement of a number of performance measures linked to safety, budget and project delivery. Following achievement of the hurdle performance criteria, Mr Dunbar and Mr Kerr each received a $50,000 cash bonus paid during November 2018.

Other bonuses

Mr R Hay's service agreement includes a $75,000 cash retention bonus payable under two conditions:

- If the Company elects to terminate employment for convenience by providing written notice prior to 31 December 2019 or employment continues as at 31 December 2019 and is not subject to a termination notice for serious or wilful misconduct.
- If the Company is subject to a sale or recapitalisation offer by 31 December 2019 (whether completed or at an unconditional status).

The bonus vested at 31 December 2019 and was paid to Mr Hay on 23 January 2020.

Mr R Hay's service agreement includes further cash retention bonuses payable as follows:

- $50,000 cash payment payable upon the earlier of the Company exiting voluntary administration or 30 June 2019 payable if:
  - Mr Hay remains employed by the Company as at the date of sale or recapitalisation; and
  - Mr Hay's employment is not subject to a termination notice for serious or wilful misconduct.

Remuneration report (audited) (continued)

- $50,000 cash payment payable if:
  - The dual track process and/or recapitalisation results in:
    - transaction for a sale of the Company or primary assets, being GNT Resources Pty Ltd, to a third party (amount payable upon settlement of the transaction); or
    - transaction for recapitalisation of the Company (amount payable upon completion of equity raising or other funding); or
    - other transaction which results in the Company exiting voluntary administration;
  - Mr Hay remained employed by the Company as at the date the sale contract was executed by all parties or recapitalisation of the Company; and
  - Mr Hay's employment is not subject to a termination notice for serious or wilful misconduct.

- $50,000 cash payment payable if:
  - The dual track process and recapitalisation results in a transaction for a sale of the Company or primary assets, being GNT Resources Pty Ltd, to a third party;
  - Mr Hay has not agreed to an ongoing role with that party as either Chief Operating Officer or Chief Executive Officer or equivalent role at a salary greater than or equal to $445,000 per annum inclusive of superannuation at the statutory rate of 9.5%;
  - Mr Hay remains employed by the Company as at the date the sale contract was executed by all parties; and
  - Mr Hay's employment is not subject to a termination notice for serious or wilful misconduct.

  For the avoidance of doubt, this amount is not payable in the event of a recapitalisation of the Company and Mr Hay is retained as Chief Executive Officer or Managing Director.

Mr J Goldsworthy's and Ms E O'Malley's service agreements include cash retention bonuses as follows:

An initial bonus earned in the six months from 1 July 2019 to 31 December 2019, payable as follows:

- on the earlier of 31 December 2019; or
- upon a successful exit from voluntary administration through a sale of business or recapitalisation transaction.

This initial retention bonus paid on 15 January 2020 was $22,500 for Mr J Goldsworthy and $4,200 for Ms E O'Malley.

A second bonus earned in the six months from 1 January 2020 to 30 June 2020, payable as follows:

- 25% in the first pay run after 31 March 2020; and
- 75% at the earlier of:
  - exit from voluntary administration; or
  - the first pay run after 30 June 2020.

The second retention bonus payable is estimated to be between nil and $11,300 for Mr J Goldsworthy and between nil and $4,100 for Ms E O'Malley.

The bonuses payable to Mr J Goldsworthy and Ms E O'Malley are calculated based on a retention percentage, determined by the Administrators depending on the level of the employee's seniority, role and responsibilities within the business, multiplied by the total salary earned by the employee during the periods disclosed above.

Remuneration report (audited) (continued)

Share-based remuneration

Long-term incentives

Granted share options

Details of options granted as remuneration to Directors and KMP during the financial year are shown in the table below. No options were granted as remuneration to Directors and KMP during the previous financial year.

2019 KMP	Grant date	Granted No.	Vested No.	Vested %	Forfeited %	Grant date fair value $/option	Exercise price $	Expiry date	Vesting date
M Ball	5 Oct 2018	1,000,000	666,666	66.67	-	$0.084	$0.38	7 Oct 2021	7 Oct 2019

These options were granted to employees under the Company's Employee Share Option Plan (ESOP) as part of their remuneration. Options were granted at an exercise price of $0.40 and were repriced, pursuant to a pro rata non-renounceable entitlement offer on 8 May 2019, to an exercise price of $0.38 in accordance with ASX Listing Rule 6.22.

The options contain a six-month service condition expiring on 7 April 2019 and a twelve-month service condition expiring on 7 October 2019. The options vest one-third on grant, one-third after six months and one-third after twelve months, and remain exercisable until the options lapse.

Options may be exercised from the vesting date until expiry. The employee may exercise the options by paying the exercise price in cash or electing to use the cashless exercise facility available under the ESOP whereby the number of shares granted on exercise will be reduced based on the difference between the exercised price and the market price of the underlying share on the exercise date.

Options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the Company's ESOP Rules. The options were provided at no cost to the recipients. Unvested options expire on the earlier of their expiry date or within 30 days of cessation of the employee's employment. Employee incentive options that have vested but have not been exercised lapse on their expiry date. These options do not entitle the holder to participate in any share issue of the Company other than on exercise of the option.

Other than as noted above, there has been no alteration of the terms and conditions of the above options since grant date.

Exercised share options

No options granted as part of KMP remuneration were exercised in the current or previous financial years.

Directors' report

Remuneration report (audited) (continued)

Options held by KMP

The following table discloses details of options over ordinary shares in the Company held during the financial year by KMP of the Group.

2019 KMP	Balance vested at start of year No.	Granted as remuneration No.	Exercised No.	Forfeited No.	Balance at end of year No.	Balance vested at end of year No.	Vested but not exercisable[1] No.	Vested and exercisable No.	Options vested during the year No.
M Ball[2]	-	1,000,000[3]	-	-	1,000,000	666,667	666,667	-	666,667
M Dunbar[2]	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000	-	-
J Goldsworthy	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-	-
I Kerr	1,500,000	-	-	-	1,500,000	1,500,000	1,500,000	-	-
E O'Malley	200,000	-	-	-	200,000	200,000	200,000	-	-
K Weber[2]	750,000	-	-	-	750,000	750,000	750,000	-	-
	6,450,000	**1,000,000**	**-**	**-**	**7,450,000**	**7,116,667**	**7,116,667**	**-**	**666,667**

1 Options not exercisable at end of year due to the Company being in Administration at that time. Share transfers are not permitted during Administration without the consent of the Administrators or the Court.
2 Resigned as KMP during the year.
3 The granted options contain a six-month service condition expiring on 7 April 2019 and a twelve-month service condition expiring on 7 October 2019. The options vest one-third on grant, one-third after six months and one-third after twelve months, and remain exercisable until the options lapse.

Remuneration report (audited) (continued)

Other information

Shares held by KMP

The following table discloses details of ordinary shares in the Company held during the financial year by KMP of the Group.

2019	Balance at start of year No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance at end of year No.	Balance held nominally No.
Non-executive Directors						
R M Joyce	10,883,939	-	-	4,750,000	15,633,939[1]	-
S Layman[2]	-	-	-	-	-	-
S M Le Messurier[2]	-	-	-	-	-	-
S Macdonald[2]	14,565,455	-	-	(14,565,455)	-	-
I Murray[2]	-	-	-	-	-	-
G Riley[2]	7,036,536	-	-	(7,036,536)	-	-
Other KMP						
M Ball[2]	50,000	-	-	(50,000)	-	-
M Dunbar[2]	2,480,000	-	-	(2,480,000)	-	-
J Goldsworthy	4,030,000	-	-	100,000	4,130,000	-
R Hay	-	-	-	-	-	-
I Kerr	-	-	-	-	-	-
E O'Malley	250,000	-	-	50,000	300,000	-
K Weber[2]	14,000	-	-	(14,000)	-	-
	39,309,930	**-**	**-**	**(19,245,991)**	**20,063,939**	**-**

1 Director's interest in share capital at the date of this report.
2 Resigned as KMP during the year.

Transactions with Directors

During August 2018, Mr M Dunbar purchased a gold button (1.6879 ounces of gold) for $2,737 from the Group, on normal commercial terms in a Board-approved transaction.

During the prior financial year Non-executive Director Ms S Layman provided consultancy services to the Company under an arrangement based on normal commercial terms which the Company had entered into with a non-related entity. The Company did not incur any consultancy fees during the financial year in relation to this arrangement (2018: $66,689), and there was no amount payable under the arrangement at the reporting date (2018: $nil).

End of audited Remuneration report.

Directors' report

Shares under option

Unissued ordinary shares of the Group under options at the date of this report are:

Date options granted	Expiry date	Exercise price	Number under option
5 October 2018	7 October 2021	$0.38[1]	3,800,000

1 Options outstanding on 8 May 2019 were repriced in accordance with ASX listing rule 6.22, on issue of shares pursuant to a pro rata non-renounceable entitlement offer. The option exercise price was reduced from $0.40 to $0.38.

Unvested employee incentive options expire on the earlier of their expiry date or within 30 days of cessation of the employee's employment. These options do not entitle the holder to participate in any share issue of the Company, other than on exercise of the option.

Details of options granted to Directors and other KMP during the financial year are disclosed in the Remuneration report.

There were no fully paid ordinary shares issued upon the exercise of options during and since the end of the financial year (2018: nil shares).

Indemnification and insurance of Officers

During the year the Group paid an insurance premium to insure all of the Directors and Officers of the Company and related bodies corporate.

The liabilities insured include legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as Officers of the Group, and any other payments arising from liabilities incurred by the Officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the Officers or the improper use by the Officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the insurance contract. The insurance policies expired on 31 May 2019 and were not renewed following the voluntary appointment of Administrators on 2 June 2019.

The Group has agreements with the Directors and Officers to indemnify them against any claim and related expenses which arise as a result of work completed in their respective capacities. The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an Officer or auditor of the Group or of any related body corporate against a liability incurred by such an Officer or auditor.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. No non-audit services were provided to the Group by the Group's auditor for the year ended 30 June 2019 (2018: $nil). Details of the amounts paid or payable to the auditor for audit services provided during the year are disclosed in note 29.

Directors' report

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached to and forms part of this Directors' report.

Rounding of amounts

The Company has relied on the relief provided by the *ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191*, and therefore the amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the Administrators (acting in their capacity as Joint and Several Voluntary Administrators of the Company and each of its wholly-owned subsidiaries).

Michael Ryan
Joint and Several Voluntary Administrator
Perth
31 January 2020

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Auditor's Independence Declaration

To the Directors of Gascoyne Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Gascoyne Resources Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

L A Stella
Partner – Audit & Assurance

Perth, 31 January 2020

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Independent Auditor's Report

To the Members of Gascoyne Resources Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Gascoyne Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of $107.1 million during the year ended 30 June 2019, and as of that date, the Group's current liabilities exceeded its current assets by $108.0 million. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Valuation of property, Plant and equipment – Note 14 and 15	

The Group has recorded Property, plant and equipment totalling \$167.598 million at 30 June 2019 relating to the construction and development of the company's Dalgarana Gold Project (DGP) cash generating unit (CGU). Management as prescribed in AASB 136 "*Impairment of Assets"* is required to undertake annual impairment testing.
 	
Management test the CGU for impairment by comparing their carrying amounts against their recoverable amounts determined by either, the greater of its fair value less costs to dispose and its value in use.
 	
This value of property, plant and equipment was considered a key audit matter due to the size of property, plant and equipment asset recorded and the level of estimates and judgements used by management within the assumptions in determining a value in use calculation. These assumptions included:
• forecast mining production and gold sale schedules;
• forecast gold price;
• forecast production costs;
• life of mine reserves underpinning production schedules; and
• discount rate.
 	
These estimates and judgements required specific valuation expertise and analysis.
	Our procedures included, amongst others:
	• enquiring with management to obtain and document an understanding of management's process relating to the assessment of impairment, including management's consideration of valuation techniques required by the accounting standards for determining the recoverable amount for the CGU;
	• obtaining management's reconciliation of capitalised mine properties and agreeing to the general ledger;
	• evaluating the value-in-use models against the requirements of AASB 136 "*Impairment of Assets"*, including consultation with our valuations experts:
	  o Apply professional scepticism to management's life-of-mine production schedules;
	  o Test the mathematical accuracy of the calculation formulas;
	  o Evaluate management's ability to perform accurate estimates;
	  o Test forecast cash inflows and outflows to be derived by the CGU's assets; and
	  o Scrutinising discount rates, forecasted gold and foreign exchange rates applied to forecast future cash flows.
	• evaluating the competence and objectivity of the experts used by management;
	• engaging an independent auditors' expert to evaluate management's assessment of mineral resources including compliance with the JORC 2012;
	• performing sensitivity analysis on the significant inputs and assumptions made by auditor's expert in preparing its calculation; and
	• assessing the adequacy of financial report disclosures.

Grant Thornton

Provision for rehabilitation – Note 19

The Group held a rehabilitation provision of $23.864 million as at 30 June 2019 relating to the Dalgaranga Gold Project (DGP).

The Group reviews its rehabilitation calculations annually or as new information becomes available. Changes in estimates and underlying assumptions are reviewed annually including changes to the mining operations, local regulations and rehabilitation requirements.

The process for determining the rehabilitation provision involves significant management judgement and subjectivity with regard to the underlying assumptions in determining the expected significant increase in rehabilitation provision.

The ability for the Group to determine an appropriate rehabilitation provision based on the expected life of mine is dependent on readily available information to support the estimates and judgements used within the calculation in determining the rehabilitation provision.

This area is a key audit matter due to the judgemental nature of the estimates and assumptions used in the rehabilitation provision assessment.

Our procedures included, amongst others:

- Obtaining an understanding of management's process for determining the rehabilitation provision;
- Evaluating the reasonableness of management's estimates and judgements to available supporting documentation, including assessing estimates and judgements determined by management's experts;
- Assessing the competencies of management's experts in accordance with ASA 500;
- Evaluating the rehabilitation cost models against industry benchmarks including consultation with our valuations experts;
    - Apply professional scepticism to management's cost allocation to stages of rehabilitation and mine closure; and
    - Considered the timing of the Group's rehabilitation activities against the life of mine schedules.
- Assessing the Group's legal obligations with respect to the rehabilitation requirements in accordance with the Mining Rehabilitation Fund 2012 and the associated effect on the estimated costs;
- Checking the rehabilitation provision for mathematical accuracy; and
- Reviewing the appropriateness of the related disclosures within the financial statements.

Exploration and evaluation assets Note 16

At 30 June 2019 the carrying value of Exploration and Evaluation Assets was $28.971 million.

The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.

This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.

Our procedures included, amongst others:

- obtaining management's reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;
- reviewing management's area of interest considerations against AASB 6;
- conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including;
    - tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed;
    - enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure;
    - understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale;
- assessing the appropriateness of the related financial statement disclosures.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 25 to 34 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Gascoyne Resources Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

L A Stella
Partner – Audit & Assurance

Perth, 31 January 2020

Directors' declaration

1 In the Administrators' opinion:

(a) the consolidated financial statements and notes of Gascoyne Resources Limited (In Administration) and its controlled entities are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date, and

(b) subject to the matters disclosed in note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 Note 2 confirms that the consolidated financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration has been made after receiving the declaration required to be made in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

This declaration is made in accordance with a resolution of the Administrators (acting in their capacity as Joint and Several Voluntary Administrators of the Company and each of its wholly-owned subsidiaries).

Michael Ryan
Joint and Several Voluntary Administrator
Perth
31 January 2020

Consolidated statement of comprehensive income

For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Revenue	4	95,777	54
Cost of sales	5	(119,676)	-
Gross (loss)/profit		**(23,899)**	**54**
Other income	4	1,168	1,793
Impairment loss	15	(33,494)	-
Other expenses	5	(8,137)	(2,956)
Operating loss		**(64,362)**	**(1,109)**
Finance income	6	189	480
Finance costs	6	(38,040)	(274)
Loss before tax		**(102,213)**	**(903)**
Income tax (expense)/benefit	7	(4,892)	344
Loss after tax for the year		**(107,105)**	**(559)**
Total other comprehensive income		-	-
Total comprehensive loss for the year		**(107,105)**	**(559)**
Loss after tax attributable to:			
Owners of the Company		(107,105)	(559)
Non-controlling interests		-	-
		(107,105)	**(559)**
Total comprehensive loss attributable to:			
Owners of the Company		(107,105)	(559)
Non-controlling interests		-	-
		(107,105)	**(559)**
Loss per share			
Basic (cents per share)	8	(18.6)	(0.1)
Diluted (cents per share)	8	(18.6)	(0.1)

This statement should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	9	16,729	25,145
Trade and other receivables	10	3,793	2,690
Inventories	11	8,139	1,439
Derivative financial instruments	12	-	703
Other financial assets	13	633	-
		29,294	**29,977**
Non-current assets			
Derivative financial instruments	12	-	1,090
Property, plant and equipment	14	167,598	174,589
Exploration and evaluation	16	28,971	28,062
Other financial assets	13	379	209
Deferred tax assets	7	-	3,820
		196,948	**207,770**
Total assets		**226,242**	**237,747**
Current liabilities			
Trade and other payables	17	32,956	33,047
Borrowings	18	71,938	11,313
Provisions	19	2,052	597
Other financial liabilities	13	30,326	-
		137,272	**44,957**
Non-current liabilities			
Borrowings	18	9,335	61,125
Provisions	19	23,882	15,143
		33,217	**76,268**
Total liabilities		**170,489**	**121,225**
Net assets		**55,753**	**116,522**
Equity			
Share capital	20	171,931	125,847
Non-controlling interests	20	1,129	1,076
Reserves	20	882	683
Accumulated losses		(118,189)	(11,084)
Total equity		**55,753**	**116,522**

This statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2019

	Share capital	Share-based payments reserve	Exploration asset reserve	Accumulated losses	Attributable to owners of the parent	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2017	104,881	1,447	(512)	(10,525)	95,291	824	96,115
Loss for the year	-	-	-	(559)	(559)	-	(559)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(559)	(559)	-	(559)
Movement in non-controlling interests' share of net assets	-	-	(252)	-	(252)	252	-
Shares issued during the year	21,898	-	-	-	21,898	-	21,898
Share issue costs (net of tax)	(932)	-	-	-	(932)	-	(932)
At 30 June 2018	**125,847**	**1,447**	**(764)**	**(11,084)**	**115,446**	**1,076**	**116,522**
Loss for the year	-	-	-	(107,105)	(107,105)	-	(107,105)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(107,105)	(107,105)	-	(107,105)
Movement in non-controlling interests' share of net assets	-	-	(53)	-	(53)	53	-
Shares issued during the year	48,662	-	-	-	48,662	-	48,662
Share issue costs (net of tax)	(2,578)	-	-	-	(2,578)	-	(2,578)
Share-based payments	-	252	-	-	252	-	252
At 30 June 2019	**171,931**	**1,699**	**(817)**	**(118,189)**	**54,624**	**1,129**	**55,753**

This statement should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		95,777	-
Payments to suppliers and employees		(85,965)	(2,906)
Other revenue received		1,163	54
Finance charges paid		(123)	(1,080)
Interest received		189	324
Interest paid		(2,754)	-
Income tax refund - research and development		264	-
Net cash flows from/(used in) operating activities	9	**8,551**	**(3,608)**
Cash flows from investing activities			
Payments for exploration and evaluation		(2,579)	(3,525)
Payments for property, plant and equipment		(67,788)	(92,109)
Proceeds from the sale of pre-production inventories		4,239	2,760
Transfer to security deposits		(170)	(1)
Net cash flows used in investing activities		**(66,298)**	**(92,875)**
Cash flows from financing activities			
Proceeds from issue of shares		48,662	21,499
Share issue costs		(3,683)	(1,331)
Proceeds from borrowings		10,352	61,109
Repayment of borrowings		(4,916)	(250)
Payments for borrowings transaction costs		(1,084)	(1,329)
Net cash flows from financing activities		**49,331**	**79,698**
Net change in cash and cash equivalents		(8,416)	(16,785)
Effects of exchange rate changes on cash and cash equivalents		-	156
Cash and cash equivalents at 1 July		25,145	41,774
Cash and cash equivalents at 30 June	9	**16,729**	**25,145**

This statement should be read in conjunction with the accompanying notes.

Notes to the financial statements

Notes to the financial statements

This section includes the accounting policies, accounting estimates and judgements relating to the consolidated financial statements of Gascoyne Resources Limited (In Administration) (Gascoyne or Company) and its controlled entities (together, the Group). The recognition and measurement principles of each accounting policy and the critical accounting estimates and judgements are contained within the note for the financial item to which they relate. Accounting policies which are not specifically related to individual financial items are described in note 31.

The financial report for the Group for the year ended 30 June 2019 was approved and authorised for issue by the Administrators (acting in their capacity as Joint and Several Voluntary Administrators of the Company and each of its wholly-owned subsidiaries) on 31 January 2020.

Basis of preparation

1 Reporting entity

Gascoyne Resources Limited (In Administration) is a listed public company, incorporated and operating in Australia. The address of its registered office and its principal place of business is Level 1, 41 - 47 Colin Street, West Perth, Australia.

2 Basis of preparation

The financial report is a general-purpose financial report that has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

Gascoyne Resources Limited (In Administration) is a for-profit entity for the purpose of preparing financial statements.

Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are described in the notes to the financial statements. These policies have been applied consistently to all financial years presented, unless otherwise stated.

Compliance with IFRS

The financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) which are measured at fair value.

Transition from development to production

The Group achieved operating status on 1 August 2018, reaching production for accounting purposes. Accordingly, for the period 1 August 2018 to 30 June 2019, revenues derived from mining activities and associated costs were no longer capitalised and have been recognised in profit or loss, and depreciation and amortisation of mine assets commenced on 1 August 2018.

Accounting estimates and judgements

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events that affect the carrying amounts disclosed in these financial statements. Estimates and underlying assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and judgements are reviewed on an ongoing basis and are based on the latest available information. Revisions to estimates are recognised in the period in which the estimate is revised and in any future period affected.

2 Basis of preparation (continued)

Accounting estimates and judgements which are material to the financial report are contained in the following notes:

Note		Item subject to estimates and judgement
7	Income tax	Income tax provisions and recognition of deferred tax assets
11	Inventories	Inventory valuation; Net realisable value and classification of inventory
14	Property, plant and equipment	Mine properties under development; Mine properties; Deferred stripping costs; Depreciation and amortisation; Units of production method; Commencement of production; Mineral resources and ore reserves estimates
15	Impairment of non-current assets	Assessment of indicators of impairment; Assessment of cash-generating unit recoverable amounts
16	Exploration and evaluation	Recovery of capitalised exploration and evaluation expenditure
19	Provisions	Rehabilitation and mine closure provision
21	Financial risk management	Fair value measurement of financial assets and liabilities
28	Share-based payments	Valuation methodology

Going concern

The financial statements have been prepared on a going concern basis, which assumes the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2019 the Group recorded a net loss after tax of $107.1 million (2018: $0.6 million), operating cash inflow of $8.6 million (2018: $3.6 million outflow) and a deficiency of current assets to current liabilities of $108.0 million (2018: $15.0 million).

The deficiency of current assets to current liabilities is primarily due to the reclassification of non-current borrowings of $47.5 million to current borrowings on Administration, refer to note 18, and a balance due of $30.3 million arising on termination of gold forward contracts following Administration, refer to note 13.

As outlined in both the Review of operations and Directors' report, on 2 June 2019 the Directors determined to place the Company and each of its wholly-owned subsidiaries into voluntary administration. Michael Ryan, Kathryn Warwick and Ian Francis of FTI Consulting were appointed as Joint and Several Voluntary Administrators of the Company and each of its wholly-owned subsidiaries. The appointment of the Administrators occurred due to the identification of a material short-term cash flow shortage, particularly, in the six months ending 30 November 2019.

The ability of the Group to continue as a going concern is primarily dependent upon either or both:

- a recapitalisation of the Group through a capital raising or merger. Such a recapitalisation would be aimed at providing sufficient funding to enable the Dalgaranga Gold Project (Dalgaranga) to revise its operational plan and to fully meet its financial obligations; and
- the sale of Dalgaranga and other assets of the Group.

Subsequent to the reporting date, the Administrators initiated the dual track process to either recapitalise or sell the Group, with Investec Australia appointed as Corporate Advisor.

Based on the above, the Administrators have reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable and the Administrators consider that the going concern basis of preparation to be appropriate for these financial statements.

If a suitable bidder cannot be selected or a recapitalisation effected, the Group may be unable to continue as a going concern and it may be required to realise its assets and/or settle its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report.

The financial report does not include adjustments to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Group not continue as a going concern.

2 Basis of preparation (continued)

Functional and presentation currency

The financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

Rounding of amounts

The Company has relied on the relief provided by the *ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191*, and therefore the amounts contained in this financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

Notes to the financial statements

Financial performance

This section of the notes to the financial statements provides information relevant to the financial results and performance of the Group during the year, including the resultant tax position.

3 Operating segments

The Group's operating segments are based on the internal management reports that are reviewed and used by the Chief Executive Officer, the Executive team and the Administrators, identified together as the chief operating decision makers, in assessing performance. The Group's business is organised into two operating segments, being gold operations and the exploration, evaluation and development of gold projects, all conducted within Western Australia.

The evaluation of each segment performance is based on revenue, costs and earnings before tax.

Corporate expenditures supporting the business during the period, adjustments and eliminations processed on consolidation and other items that cannot be directly attributed to the reportable operating segments are identified as 'Other' balances. The Group has formed a tax consolidation group and therefore tax balances have been included in the 'Other' grouping.

During the year to 30 June 2019, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

The revenues and results generated by each of the Group's operating segments are summarised as follows:

2019	**Gold operations $'000**	**Exploration, evaluation and development $'000**	**Total operations $'000**	**Other $'000**	**Total $'000**
External revenue	95,777	-	95,777	-	**95,777**
Segment loss before income tax	(96,282)	(151)	(96,433)	(5,780)	**(102,213)**
Segment loss includes the following adjustments:					
Depreciation and amortisation	(32,894)	-	(32,894)	(77)	**(32,971)**
Impairment loss	(33,494)	-	(33,494)	-	**(33,494)**
Deferred stripping costs capitalised	35,770	-	35,770	-	**35,770**
Exploration and evaluation expenditure write-off	-	(145)	(145)	-	**(145)**
Inventory product movement and provision	5,263	-	5,263	-	**5,263**
	(25,355)	(145)	(25,500)	(77)	**(25,577)**
At 30 June 2019					
Segment assets	188,859	28,658	217,517	8,725	**226,242**
Segment liabilities	261,838	16,944	278,782	(108,293)	**170,489**

3 Operating segments (continued)

2018	Gold operations $'000	Exploration, evaluation and development $'000	Total operations $'000	Other $'000	Total $'000
External revenue	-	54	54	-	**54**
Segment profit/(loss) before income tax	-	1,700	1,700	(2,603)	**(903)**
Segment profit/(loss) includes the following adjustments:					
Depreciation and amortisation	-	-	-	(29)	**(29)**
Exploration and evaluation expenditure write-off	-	(54)	(54)	-	**(54)**
	-	(54)	(54)	(29)	**(83)**
At 30 June 2018					
Segment assets	-	221,943	221,943	15,804	**237,747**
Segment liabilities	-	205,332	205,332	(84,107)	**121,225**

4 Revenue and other income

Revenue

	2019 $'000	2018 $'000
Gold sales	95,702	-
Silver sales	75	-
Other revenue	-	54
	95,777	**54**

The Group sells gold and silver in the form of bullion to customers, which are all major financial institutions.

Recognition and measurement

Sales revenue is recognised when:

- control of the goods has been transferred to the customer, which occurs when goods are delivered to the customer;
- the customer has the significant risks and rewards of ownership through the ability to direct the use of and obtain substantially all of the remaining benefits from the goods;
- there is no unfulfilled obligation that could affect the customer's acceptance of the goods; and
- payment is due from the customer.

The amount of revenue recognised reflects the consideration to which the Group is, or expects to be, entitled in exchange for the goods. Revenue is measured at the transaction price agreed under a sales contract.

Gold bullion and silver sales

Revenue from gold bullion and silver sales is recognised at the time of physical delivery on the settlement date, when control of the goods passes to the customer, satisfying the sole performance obligation to deliver gold bullion and silver. For gold bullion and silver sales, the transfer of control is generally at the point in time when gold bullion and silver is credited to the metal account of the customer on the settlement date.

4 Revenue and other income (continued)

During the year, the Group used gold forward contracts to manage the price risk associated with a portion of its estimated future gold sales. The sale price of gold bullion not sold into forward contracts is fixed on the date of sale, based on the gold spot price.

Other income

	2019 $'000	2018 $'000
Fair value movement in derivative financial instruments[1]	-	1,793
Gain on settlement of derivative financial instruments[1]	1,168	-
	1,168	**1,793**

1 Relating to diesel swap contracts measured at fair value through profit or loss, refer to note 12.

5 Expenses

Cost of sales

	2019 $'000	2018 $'000
Cash costs of production	125,401	-
Deferred stripping costs capitalised	(35,770)	-
Inventory product movement	(5,804)	-
Inventory product net realisable value provision	541	-
Depreciation and amortisation[1]	32,894	-
Royalties and selling costs	2,414	-
	119,676	**-**

1 Refer to note 14 for details on the Group's accounting policy for depreciation and amortisation.

The Group achieved operating status on 1 August 2018, reaching production for accounting purposes. Accordingly, for the period 1 August 2018 to 30 June 2019, revenues derived from mining activities and associated costs were no longer capitalised and have been recognised in profit or loss, and depreciation and amortisation of mine assets commenced on 1 August 2018.

Cash costs of production

Cash costs of production includes ore and waste mining costs, processing costs and site administration and support costs. Cash costs of production includes employee benefits expense of $8.3 million (2018: $nil).

Deferred stripping costs capitalised

Deferred stripping costs capitalised represents costs incurred in the development and production phase of a mine and are capitalised as part of the cost of constructing the mine and subsequently amortised over the useful life of the ore body that access is provided to on a units-of-production basis. Refer to note 14 for further details on the Group's accounting policy for deferred stripping costs.

Inventory product movement

Inventory product movement represents the movement in inventory ore stockpiles, gold in circuit and bullion on hand. Refer to note 11 for further details on the Group's accounting policy for inventory.

5 Expenses (continued)

Inventory product net realisable value provision

Inventory must be carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs to complete processing and to make a sale. The net realisable value provision equals the decrement between the net realisable value and the carrying amount before provision. Refer to note 11 for further details on the Group's accounting policy for inventory.

Royalties

Royalties are payable based on the amount of gold produced from a mining tenement and are payable quarterly at a fixed rate of 2.5% (2018: 2.5%) of the royalty value of gold sold. The royalty value of gold is the amount of gold produced during the month multiplied by the average gold spot price for the month.

Other expenses

	2019 $'000	2018 $'000
Corporate expenses	6,503	2,873
Fair value movement in derivative financial instruments[1]	1,160	-
Exploration and evaluation expenditure write-off	145	54
Depreciation and amortisation	77	29
Share-based payments	252	-
	8,137	**2,956**

1 Relating to diesel swap contracts measured at fair value through profit or loss, refer to note 12.

Employee benefits expense

	2019 $'000	2018 $'000
Salaries and wages	11,345	5,137
Superannuation	1,015	453
Share-based payments	252	-
Other employment costs	450	800
	13,062	**6,390**
Amounts capitalised	(653)	(4,540)
	12,409	**1,850**

6 Finance income and costs

	2019 $'000	2018 $'000
Finance income		
Interest income	189	324
Foreign exchange gains	-	156
	189	**480**
Finance costs		
Interest expense on borrowings	7,058	-
Borrowing costs	250	274
Unwinding of discount	400	-
Loss on closure of commodity swap and forward contracts[1]	30,332	-
	38,040	**274**

1 Refer to note 13.

Recognition and measurement

Interest income is accrued using the effective interest rate method.

Finance costs are expensed as incurred, except where costs relate to the financing of construction or development of qualifying assets. Refer to the Group's accounting policy on capitalised borrowing costs in note 14.

7 Income tax

The major components of income tax expense/(benefit) are:

	2019 $'000	2018 $'000
Current income tax		
Research and development tax offset	(33)	(231)
Deferred income tax		
Relating to origination and reversal of temporary differences	(9,193)	2,881
Deferred tax liability offset by deferred tax asset losses	27	(2,994)
Derecognition of previously recognised deferred tax asset losses	14,091	-
Income tax expense/(benefit)	**4,892**	**(344)**

Income tax expense

The current income tax expense of $4.9 million recorded for the year arises as a result of the derecognition of deferred tax asset losses for accounting purposes. The Group is not liable to pay income tax to the Australian Tax Authority and remains in a tax loss position for income tax purposes.

7 Income tax (continued)

Reconciliation of income tax expense/(benefit) to prima facie tax

	2019 $'000	2018 $'000
Accounting loss before income tax	(102,213)	(903)
Tax at the Australian tax rate of 30% (2018: 30%)	(30,664)	(271)
Tax effect of expenses not deductible for tax purposes		
Share-based payments	75	-
Entertainment expenditure	4	3
Tax effect of tax deductions not recognised as an expense		
Research and development tax offset	(33)	(231)
Research and development expenditure	23	159
Under/(over) provision in prior year	4	(4)
Derecognition of previously recognised deferred tax asset losses	14,091	-
Income tax benefit not recognised	21,392	-
Income tax expense/(benefit)	**4,892**	**(344)**

Deferred tax

Recognised deferred tax balances

The movement for the year in the Group's net deferred tax position is as follows:

2019	Opening balance $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Over/(under) provision $'000	Unrecognised $'000	Closing balance $'000
Deferred tax assets						
Tax losses	14,686	21,392	-	(31)	(35,483)	564
Capital raising costs	1,034	(564)	1,105	-	-	1,575
Provisions	230	195	-	-	-	425
Borrowing costs	42	768	-	4	-	814
Derivative financial instruments	-	8,907	-	-	-	8,907
	15,992	30,698	1,105	(27)	(35,483)	12,285
Deferred tax liabilities						
Exploration and evaluation	(8,030)	(305)	-	-	-	(8,335)
Property, plant and equipment	(3,557)	(393)	-	-	-	(3,950)
Derivative financial instruments	(538)	538	-	-	-	-
Foreign exchange movements	(47)	47	-	-	-	-
	(12,172)	(113)	-	-	-	(12,285)
Net deferred tax assets	**3,820**	**30,585**	**1,105**	**(27)**	**(35,483)**	**-**

7 Income tax (continued)

2018	Opening balance $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Over/(under) provision $'000	Unrecognised $'000	Closing balance $'000
Deferred tax assets						
Tax losses	11,693	2,989	-	4	-	14,686
Capital raising costs	978	(343)	399	-	-	1,034
Provisions	99	131	-	-	-	230
Borrowing costs	85	(43)	-	-	-	42
	12,855	2,734	399	4	-	15,992
Deferred tax liabilities						
Exploration and evaluation	(6,671)	(1,359)	-	-	-	(8,030)
Property, plant and equipment	(2,876)	(681)	-	-	-	(3,557)
Derivative financial instruments	-	(538)	-	-	-	(538)
Foreign exchange movements	-	(47)	-	-	-	(47)
	(9,547)	(2,625)	-	-	-	(12,172)
Net deferred tax assets	**3,308**	**109**	**399**	**4**	**-**	**3,820**

Gascoyne Resources Limited (In Administration) and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Therefore, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities have been offset in the consolidated financial statements.

Unrecognised tax losses

	2019 $'000	2018 $'000
Unrecognised tax losses	119,495	-
Derecognised tax losses	48,957	-
	168,452	**-**
Potential tax benefit at 30% (2018: 30%)	**50,536**	**-**

In accordance with the Group's policies for deferred taxes, a deferred tax asset is recognised only if it is probable that sufficient future taxable income will be generated to offset against the asset.

Determination of future taxable profits requires estimates and assumptions as to future events and circumstances including commodity prices, ore reserves, exchange rates, future capital requirements, future operational performance, the timing of estimated cash flows and the ability to successfully develop and commercially exploit resources.

Tax legislation prescribes the rate at which tax losses transferred from entities joining a tax consolidation group can be applied to taxable incomes and this rate is diluted by changes in ownership, including capital raisings.

A deferred tax asset has not been recognised for tax losses at the reporting date due to the uncertainty of their recoverability in future periods, because the period over which the losses can be applied to future taxable incomes and the period of time over which it is forecast that these losses may be utilised has extended beyond that which management considers prudent to support their continued recognition for accounting purposes. Due to the uncertainty of future taxable income as well as being in voluntary administration, at 30 June 2019, management have derecognised tax losses recognised in prior periods to the extent deferred tax liabilities are available. These tax losses do not expire and can be used to reduce future profits.

7 Income tax (continued)

Deferred tax recognised directly in equity

	2019 $'000	2018 $'000
Deferred tax credit relating to share issue costs	**1,105**	**399**

Tax consolidation legislation

Gascoyne Resources Limited (In Administration) and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation and are therefore taxed as a single entity. The head entity, Gascoyne Resources Limited (In Administration) (the Company), and the wholly-owned controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from wholly-owned controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement, under which the wholly-owned controlled entities:

- fully compensate the Company for any current tax payable assumed; and
- are compensated by the Company for any:
  - current tax receivable; and
  - deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Company under the tax consolidation legislation.

The funding amounts are determined by reference to the amounts recognised in the wholly-owned controlled entities' financial statements.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Recognition and measurement

The income tax expense or credit recognised in profit or loss for the period comprises the tax payable on the current period's taxable income based on the applicable tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in other comprehensive income or directly in equity, respectively.

Current and deferred tax assets and liabilities are offset:

- when the Group has a legally enforceable right to offset; and
- when the tax balances are related to taxes levied by the same tax authority and the Group intends to settle on a net basis, or realise the asset and settle the liability simultaneously.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, including any adjustment to tax payable in respect of previous years.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Any research and development tax offset due to the Company, from the Australian Taxation Office, will be recognised in current income tax expense when the amount to be received is known.

7 Income tax (continued)

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences. Deferred tax liabilities are always provided for in full.

Accounting estimates and judgements

The Group is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate taxation determination is uncertain. The Group estimates its tax liabilities based on its understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such a determination is made.

The Group recognises deferred tax assets, relating to carry forward tax losses and other unused tax credits, to the extent that it is probable that there are sufficient taxable temporary differences (deferred tax liabilities), relating to the same taxation authority, against which the losses and other unused tax credits can be utilised. Utilisation of the tax losses also depends upon the ability of the Group to satisfy certain tests at the time the losses are recouped. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and amount of future taxable income, together with future tax planning strategies.

8 Earnings per share

	2019	**2018**
	Cents per share	**Cents per share**
Basic loss per share	(18.6)	(0.1)
Diluted loss per share	(18.6)	(0.1)

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:

	$'000	**$'000**
Earnings used in calculating earnings per share		
Loss after tax attributable to the owners of the Company	(107,105)	(559)

	No. of shares	**No. of shares**
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	577,379,441	410,656,635

Earnings per share is the amount of post-tax profit attributable to each share.

The exercise price of employee share options was higher than the average market price of the Company's shares for the year and are therefore not considered to be dilutive.

8 Earnings per share (continued)

Recognition and measurement

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by
- the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings by allowing for:

- the post-tax effect of interest and other financing costs associated with dilutive ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the financial statements

Capital management

This section of the notes to the financial statements provides information on the assets used to generate the Group's trading performance and the resultant liabilities incurred, including working capital, long-term assets, liabilities arising from finance activities, and equity.

9 Cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank and on hand	**16,729**	**25,145**

Recognition and measurement

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Reconciliation of cash flows

Reconciliation of cash flows from operating activities

	2019 $'000	2018 $'000
Loss after income tax	(107,105)	(559)
Adjustments		
Depreciation and amortisation	32,971	29
Exploration and evaluation expenditure write-off	145	54
Impairment loss	33,494	-
Unwinding of discount	400	-
Share-based payments	252	-
Fair value movement in derivative financial instruments	1,160	(1,793)
Finance costs	32,007	-
Foreign exchange gains	-	(156)
Income tax expense/(benefit)	4,925	(344)
Net changes in operating assets and liabilities		
Increase in trade and other receivables	(1,906)	(126)
Increase in inventories	(6,248)	-
Increase/(decrease) in trade and other payables	16,929	(861)
Increase in provisions	1,527	148
Net cash flows from/(used in) operating activities	**8,551**	**(3,608)**

Non-cash transactions

During the prior year the Company issued 950,000 shares with a market value of $0.42 per share as part consideration for the acquisition of a 100% interest in mineral tenements comprising Dalgaranga.

9 Cash and cash equivalents (continued)

Property, plant and equipment of $0.4 million (2018: $14.0 million) was acquired under finance leases during the year. Of the $14.0 million acquired in the prior year, $12.9 million was acquired on a non-cash basis.

Reconciliation of liabilities arising from cash flows from financing activities

	Secured bank loan facility $'000	Finance lease liabilities $'000	Working capital facility $'000	Total $'000
At 1 July 2017	-	-	-	-
Cash flows				
Proceeds	60,000	1,109	-	61,109
Repayments	-	(250)	-	(250)
Interest and transaction costs paid	(2,315)	(93)	-	(2,408)
Non-cash movements				
Non-cash borrowings	-	12,865	-	12,865
Interest and fees expense[1]	1,029	93	-	1,122
At 30 June 2018	**58,714**	**13,724**	**-**	**72,438**
Cash flows				
Proceeds	-	352	10,000	10,352
Repayments	(2,633)	(2,283)	-	(4,916)
Interest and transaction costs paid	(2,846)	(504)	(500)	(3,850)
Non-cash movements				
Interest and fees expense[1]	5,143	504	1,681	7,328
Other changes	-	(79)	-	(79)
At 30 June 2019	**58,378**	**11,714**	**11,181**	**81,273**

1 Interest costs incurred on borrowings that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset (2019: $0.3 million; 2018: $1.0 million).

10 Trade and other receivables

	2019 $'000	2018 $'000
Prepayments	822	112
GST and fuel tax receivables	2,967	2,342
Research and development tax refund receivable	-	231
Other receivables	4	5
	3,793	**2,690**

Recognition and measurement

Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

10 Trade and other receivables (continued)

The Group applies a simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables classified at amortised cost. The expected credit loss on trade receivables is estimated by reference to past default experience and credit rating, adjusted as appropriate for current observable data.

11 Inventories

	2019 $'000	2018 $'000
Ore stockpiles	1,304	-
Gold in circuit	2,072	-
Bullion on hand	2,470	-
Consumable stores	2,293	1,439
	8,139	**1,439**

Ore stockpiles represents material that, at the time of extraction, is expected to be processed into a saleable form and sold at a profit. Gold in circuit represents gold in the processing circuit that has not completed the production process, and is not yet in a saleable form. Bullion on hand represents the saleable product.

Consumable stores include diesel, grinding media, reagents and other consumables held for use in the production process or maintenance of the operating plant and equipment.

Inventories are valued at the lower of cost and net realisable value. At reporting date, ore stockpiles, gold in circuit and bullion on hand are valued at net realisable value, consumable stores are valued at cost (2018: all inventories valued at cost).

A provision of $0.5 million was recorded at 30 June 2019 to write down all inventories except consumable stores to their recoverable value (2018: $nil).

Recognition and measurement

Ore stockpiles, gold in circuit and bullion on hand are physically measured or estimated and valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Consumable stores are valued at weighted average cost, after appropriate provision for redundant and slow-moving items.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Accounting estimates and judgements

Inventory valuation

Accounting for inventory involves the use of judgements and estimates, particularly related to the measurement and valuation of inventory on hand within the production process. Certain estimates, including expected metal recoveries and work in progress volumes, are calculated by engineers using available industry, engineering and scientific data. Estimates used are periodically reassessed by the Group after considering technical analysis and historical performance. Changes in estimates are adjusted for on a prospective basis.

Net realisable value and classification of inventory

The assessment of the net realisable value and classification of inventory involves significant judgements and estimates in relation to timing and cost of processing, commodity prices, recoveries and the likely timing of sale of the bullion produced. A change in any of these assumptions will alter the estimated net realisable value and may therefore impact the carrying amount of inventory.

12 Derivative financial instruments

	2019 $'000	2018 $'000
Current assets		
Commodity swap contracts	**-**	**703**
Non-current assets		
Commodity swap contracts	**-**	**1,090**

Commodity swap contracts

During the prior year the Group entered into a fixed price Singapore Gasoil 10ppm cash-settled swap transaction contract with Commonwealth Bank of Australia (CBA) for a total of 13.74 million litres of diesel (86,431.39 barrels), effective 1 May 2018 until 30 April 2021 at a fixed forward price of A$94.5077 per barrel. Refer to note 13 for details of the gain on termination of the contract following Administration.

These commodity swap contracts are measured at fair value through profit or loss. They were not designated as hedges for accounting purposes as they were part of an open hedgebook portfolio.

Recognition and measurement

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as held for trading for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

13 Other financial assets and liabilities

	2019 $'000	2018 $'000
Current assets		
Commodity swap contracts	**633**	**-**
Non-current assets		
Term deposits	**379**	**209**
Current liabilities		
Commodity forward contracts	**30,326**	**-**

Commodity swap contracts

Following the voluntary appointment of Administrators on 2 June 2019, CBA terminated the Singapore Gasoil diesel swap contract (note 12) of 58,879 barrels outstanding as at 5 June 2019, resulting in a gain of $0.6 million due from CBA.

13 Other financial assets and liabilities (continued)

Term deposits

The Group holds cash in term deposits used as bank guarantees provided by the Company in favour of service providers for leased premises and road maintenance responsibilities. These bank guarantees are secured by blocked deposits held by the grantor of the guarantee.

Commodity forward contracts

During the prior year the Group entered into gold forward contracts with Commonwealth Bank of Australia and National Bank of Australia (the Financiers) for 176,500 ounces of gold at an average forward price of A$1,717 per ounce. Following the voluntary appointment of Administrators on 2 June 2019, the gold forward contracts of 135,264 ounces outstanding as at 5 June 2019 were terminated, resulting in an additional liability of $30.3 million payable to the Financiers. The hedges were locked in at a rate of $1,713 per ounce.

Recognition and measurement

The Group classifies financial assets at amortised cost if the asset is held within a business model whose objective is to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest.

Other financial liabilities, which are not measured at fair value through profit or loss, are measured at amortised cost using the effective interest method.

Refer to note 21 for further details on accounting for financial assets and liabilities.

14 Property, plant and equipment

	Plant and equipment $'000	Mine properties under development $'000	Capital work in progress $'000	Mine properties $'000	Total $'000
Cost					
At 1 July 2017	512	34,097	-	-	34,609
Additions	207	140,358	-	-	140,565
At 30 June 2018	719	174,455	-	-	175,174
Accumulated depreciation, amortisation and impairment					
At 1 July 2017	456	-	-	-	456
Depreciation	29	-	-	-	29
Depreciation capitalised as exploration cost	100	-	-	-	100
At 30 June 2018	585	-	-	-	585
Net book value	**134**	**174,455**	**-**	**-**	**174,589**
Cost					
At 1 July 2018	719	174,455	-	-	175,174
Additions	148	8,272	6,659	45,919	60,998
Transfers between classes	83,016	(182,727)	(270)	99,981	-
Transfers to inventory	-	-	-	(1,524)	(1,524)
At 30 June 2019	83,883	-	6,389	144,376	234,648
Accumulated depreciation, amortisation and impairment					
At 1 July 2018	585	-	-	-	585
Depreciation and amortisation	8,137	-	-	24,834	32,971
Impairment loss	15,224	-	-	18,270	33,494
At 30 June 2019	23,946	-	-	43,104	67,050
Net book value	**59,937**	**-**	**6,389**	**101,272**	**167,598**

Following the transition to production for accounting purposes at Dalgaranga on 1 August 2018, mine properties under development were transferred to mine properties and plant and equipment, as appropriate. Revenues of $4.2 million derived during commissioning were offset against mine properties under development.

Mine properties include $0.4 million (2018: $14.0 million) of plant and equipment acquired under finance leases during the year, including $12.9 million of power generation facilities acquired during the prior financial year, and $19.4 million (2018: $15.1 million) relating to the rehabilitation asset. Following the review of the rehabilitation and mine closure provision, refer to note 19, the rehabilitation asset was increased by $8.3 million (2018: $nil) at the reporting date.

Borrowing costs of $0.3 million (2018: $1.0 million) relating to qualifying assets were capitalised during the year.

14 Property, plant and equipment (continued)

Recognition and measurement

Property, plant and equipment is stated at cost less accumulated depreciation and amortisation and accumulated impairment losses.

Items of property, plant and equipment are initially recognised at cost at the date of acquisition when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be reliably measured. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in profit or loss.

Mine properties under development

Mine properties under development represents the costs incurred in preparing mines for production and includes plant and equipment under construction and operating costs incurred before production commences.

Pre-production revenues are offset against capitalised pre-production costs.

Once production commences, these costs are transferred to property, plant and equipment and mine properties as appropriate, and are depreciated and amortised using the units of production method based on the estimated economically recoverable resource contained in the mine plan to be extracted to which they relate, or are written off if the mine property is abandoned.

Mine properties

Mine properties represent the accumulation of all pre-production expenditure incurred in relation to areas of interest for which the technical feasibility and commercial viability of the extraction of mineral resources are demonstrable.

Production is deemed to commence when the mine assets are installed and ready for use in the location and condition necessary for them to be capable of operating in the manner intended by management. These costs are capitalised to the extent they are expected to be recouped through the successful exploitation of the related mining leases.

Mine properties include:

- Capitalised expenditure in relation to exploration, evaluation, feasibility and acquisition costs incurred on projects for which the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.
- The cost of rehabilitation and mine closure relating to assets reflected in mine properties.
- Pre-production operating costs, net of pre-production revenue, previously accumulated and carried forward in mine properties under development, transferred to mine properties in relation to areas of interest in which mining has now commenced.
- Associated mine infrastructure including access roads, evaporation ponds, tailings facility and the airstrip.
- Mining contractor mobilisation costs.

Mine properties are amortised on a units of production basis over the economically recoverable resource contained in the relevant mine plan.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when it is probable that the additional future economic benefits associated with the expenditure will flow to the Group. Otherwise such expenditure is classified as part of the cost of production.

Capital work in progress

Capital work in progress represents expenditure incurred on mine asset enhancement and sustainment projects which are incomplete at the reporting date, and are therefore not yet depreciated or amortised.

14 Property, plant and equipment (continued)

Deferred stripping costs

Stripping costs are incurred in both development and production phases during the removal of overburden and waste materials in order to access the ore.

Development stripping costs

Overburden and other mine waste materials removed during the initial development of an open pit mine in order to access the mineral deposit is referred to as development stripping. Costs directly attributable to development stripping, inclusive of an allocation of relevant overhead expenditure, are capitalised in mine properties under development when future economic benefits are probable.

Capitalisation of development stripping costs cease at the time that ore begins to be extracted from the mine. Development stripping costs are amortised over the useful life of the ore body that access has been provided to on a units of production basis, based on the estimated economically recoverable resource contained in the mine plan to be extracted.

Production stripping costs

Production stripping commences when ore begins to be extracted from the mine and normally continues throughout the life of a mine. The costs of production stripping are recognised as operating costs in profit or loss, when the current ratio of waste material to ore extracted for a component of the ore body is below the expected stripping ratio of that component.

When the ratio of waste to ore is not expected to be constant, production stripping costs are accounted for as follows:

- All costs are initially charged to profit or loss as operating costs.
- When the current ratio of waste to ore is greater than the estimated ratio of a component of the ore body, a portion of the stripping costs, inclusive of an allocation of relevant overhead expenditure, is capitalised to mine properties.
- The capitalised stripping asset is amortised over the useful life of the identified component of the ore body to which access has been improved.

The amount of production stripping costs capitalised or charged in a reporting period is determined so that the stripping expense for the period reflects the estimated strip ratio of the ore component. Changes to the estimated waste to ore ratio of a component of the ore body are accounted for prospectively from the date of change.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use.

Depreciation and amortisation

Depreciation commences when an asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of assets is calculated using either the straight-line method or units of production method to allocate the assets' cost, net of residual values, over the estimated useful lives of the assets.

Mine-related plant and equipment is depreciated on a units of production basis, except for assets with a useful life less than the life of mine, for which the straight-line method is applied. Non-mine-related plant and equipment is depreciated on a straight-line basis. The depreciation rates used when applying the straight-line method vary between 10% to 33% per annum.

Mine properties are amortised on a units of production basis over the life of the estimated proven and probable reserve of the mine.

Units of production method

Where the useful life of an asset is directly linked to the extraction of ore from a mine, the asset is depreciated using the units of production method. The units of production method results in depreciation and amortisation charges proportional to the depletion of the estimated proven and probable reserve of the mine. The unit of account used in the calculation is ounces fine gold poured.

Commencement of production

Pre-production revenues derived from mining activities and operating costs are capitalised. On reaching production for accounting purposes revenues derived from mining activities and associated costs are no longer capitalised and are recognised in profit or loss, and depreciation and amortisation of mine assets commences.

14 Property, plant and equipment (continued)

Accounting estimates and judgements

Mine properties under development

Development activities commence after a project is considered economically viable. In determining economic viability, significant judgement is required in the estimates and assumptions made, including future reserve estimates, existence of an accessible market, forecast prices and cash flows. These estimates and assumptions may be subject to change.

Mine properties

The future recoverability of mine properties is dependent on the generation of sufficient future cash flows from operations or through sale of the respective mine assets. Factors that could impact the future recoverability of mine properties include resource and reserve estimates, future technological changes, costs of drilling and production, production rates, future legal changes, including changes to environmental restoration obligations, and changes to commodity prices and exchange rates.

Deferred stripping costs

Significant accounting judgements and estimates are required when identifying components of an ore body and estimating stripping ratios and mineral reserves by component. Changes to estimates related to life-of-component waste-to-ore strip ratios and the expected ore production from identified components are accounted for prospectively and may affect depreciation rates and asset values.

Depreciation and amortisation

The estimation of useful lives, residual values and depreciation methods requires judgement and is reviewed annually, based on the expected utilisation of the assets. Any changes to current estimations may affect prospective depreciation rates and asset values.

Units of production method

The Group uses the units of production method when amortising mine properties and depreciating other mine-related assets, which results in an amortisation or depreciation charge proportional to the depletion of the anticipated remaining life of mine production. The annual assessment of an asset's economic life includes evaluation of its physical life limitations and current assessments of economically recoverable reserves of the mine property at which it is located. These calculations require the use of estimates and assumptions.

Commencement of production

Significant judgement is required in assessing the timing of the commencement of production activities. Determining when development ends and production starts requires assessment of a number of factors associated with operational performance of a project. Production is deemed to commence when the mine assets are installed and ready for use in the location and condition necessary for them to be capable of operating in the manner intended by management.

In determining whether mine properties under development are considered available for commercial use, the criteria considered include, but are not limited to, the following:

- satisfactory completion of a reasonable period of commissioning of mine plant and equipment;
- ability to produce minerals in saleable form, within specifications; and
- ability to sustain ongoing production of minerals.

Mineral resources and ore reserves estimates

Estimates of economically recoverable quantities of mineral resources and ore reserves also include assumptions requiring significant judgement as detailed in mineral resources and ore reserves statements. The Group estimates its mineral resources and ore reserves in accordance with the 2012 edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (the JORC Code). The information on mineral resources and ore reserves was prepared by Competent Persons as defined in the JORC Code.

14 Property, plant and equipment (continued)

There are numerous uncertainties inherent in estimating mineral resources and ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information is available. Information obtained through infill drilling, changes in the forecast prices of commodities, exchange rates, operating costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated. Changes in reported reserves estimates can impact the carrying amount of mine properties under development and related amortisation, exploration and evaluation expenditure, the rehabilitation and mine closure provision, and the recognition of deferred tax assets.

15 Impairment of non-current assets

	2019 $'000	2018 $'000
Dalgaranga gold operations cash-generating unit	**33,494**	-

Management have undertaken a review of the carrying amount of the non-current assets relating to the Dalgaranga gold operations cash-generating unit (Dalgaranga CGU), as a result of operational performance being below plan with significant negative reconciliation to Mineral Resource models.

Additional indicators of impairment include market capitalisation of the Group remaining below net assets for most of the year and the Group being placed into voluntary administration by the Directors on 2 June 2019.

Impairment testing

Methodology

Impairment is recognised when the carrying amount exceeds the recoverable amount. The recoverable amount, being the value in use (VIU) of the Dalgaranga CGU, has been estimated using the discounted cashflows method based on the Group's recoverable gold minerals.

VIU is estimated based on discounted cash flows using market-based commodity price, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements.

The estimates in the VIU calculation are considered to be level 3 measurements as they are derived from calculation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by similar market participants.

Estimates of recoverable minerals, production levels, operating costs and capital requirements are sourced from the Group's Life of Mine planning process including mill capacity levels. The current Life of Mine Plan (LOMP) was developed in the context of the current gold price environment.

Key assumptions used in calculations

The table below summarises the key assumptions used in the 30 June 2019 carrying value assessments.

Key assumption	Unit	2019
Gold price	A$/oz	2,003
Pre-tax discount rate	%	15
Probable reserves	Ounces	501,800
Production capacity per annum	Ounces	70,000 - 80,000

15 Impairment of non-current assets (continued)

Commodity prices

Commodity prices are estimated with reference to external market forecasts and reviewed at least annually. The price applied has considered observable market data.

Discount rate

A pre-tax discount rate of 15% was used, which equated to a post-tax rate of 10%, reflecting the time value of money, the price for bearing the uncertainty inherent in the asset and other relevant factors.

Production activity and operating and capital costs

Life of mine production activity and operating and capital cost assumptions are based on the Group's latest LOMP. Discounted cash flows include expected cost improvements and sustaining capital requirements. Estimated production is assumed to be consistent with the capacity constraint of the Dalgaranga mill considered while assuming a constant recovery rate.

Resources and reserves

Mineral Resource and Ore Reserve ounces were based on the Group's JORC Code compliant Mineral Resource and Ore Reserve updates announced to the market on 28 August 2019 and 3 October 2019, respectively.

Impact

As a result of the impairment indicators referred to above, an impairment loss of $33.5 million (2018: $nil) has been recorded against the property, plant and equipment of the Dalgaranga CGU.

The deferred tax asset relating to the impairment loss has not been recorded as at this time it is not probable that sufficient future taxable profits will be available to utilise all of the Group's available deferred tax assets. The Group will reassess at each reporting date whether the unrecognised deferred tax asset can subsequently be recognised. Refer to note 7 for details.

		2019	
Asset	**Carrying amount $'000**	**Impairment $'000**	**Recoverable amount $'000**
Plant and equipment	**201,092**	**(33,494)**	**167,598**

Sensitivity analysis

Variation in movements in any key assumptions may result in a change to the estimated recoverable amount which may indicate an additional impairment, or a reduction in impairment, of non-current assets.

The assumptions most sensitive to change include, in order of sensitivity:

- Assumptions related to the generation of revenue estimates including:
  - Estimates of commercially recoverable mineral inventories and associated recoveries.
  - Commodity prices and foreign exchange rates are estimated with reference to external market forecasts and are updated at least bi-annually. The rates applied to the valuation have regard to observable market data, including spot and forward values.
- Life of mine operating cost assumptions based on the Group's latest life of mine plans.
- The Group's estimated real post-tax weighted average cost of capital.

15 Impairment of non-current assets (continued)

Recognition and measurement

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have been subject to an impairment loss, or reversal of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent if any, of the impairment loss or reversal. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGUs).

If the recoverable amount of an asset or CGU is estimated to be less than it's carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

The recoverable amount of a CGU is the higher of its fair value less costs of disposal (FVLCD) and its value in use (VIU). FVLCD is the best estimate of the amount obtainable from the sale of a CGU in an arm's length transaction between knowledgeable willing parties, less the costs of disposal. This estimate is determined on the basis of best available market information taking into account specific conditions. VIU is the present value of the future cash flows expected to be derived from the CGU or group of CGUs. Cash flow projections are based on economic and regulatory assumptions and forecast trading conditions prepared by management.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Accounting estimates and judgements

Assessment of indicators of impairment

The assessment of indicators of impairment or impairment reversal requires significant management judgement. Indicators of impairment may include unfavourable changes in market rates, indication of a decline in asset value, the anticipation of lower than expected asset performance and significant adverse market, technological, economic or legal changes.

Assessment of CGU recoverable amounts

The assessment of the recoverable amount of non-current assets involves significant judgements and estimates in relation to the determination of estimated future cash flows expected to be derived from the assets' use and the associated discounting of those cash flows to the estimated present value. CGU recoverable amounts are subject to variability in key estimates and assumptions which include ore reserves, commodity prices, currency exchange rates, discount rates, production profiles, operating and sustaining capital costs and operating performance. The inputs to models used in these assessments are taken from observable markets where possible, but where this is not feasible, management uses the best information available and a degree of judgement is required in establishing recoverable amounts. Changes in assumptions used to estimate VIU or FVLCD could affect the reported recoverable amounts of assets.

16 Exploration and evaluation

	2019 $'000	2018 $'000
At 1 July	28,062	23,124
Acquisition cost	-	499
Expenditure incurred during the year	1,360	4,493
Expenditure reclassified to mine properties under development	(306)	-
Exploration and evaluation expenditure write-off	(145)	(54)
At 30 June	**28,971**	**28,062**

Exploration expenditure is incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing identified mineral deposits.

There may exist, on the Group's exploration properties, areas subject to claim under native title or containing sacred sites or sites of significance to Aboriginal people. As a result, exploration properties or areas within tenements may be subject to exploration or mining restrictions.

Recognition and measurement

Exploration and evaluation expenditure is expensed as incurred in profit or loss unless it is determined that probable future economic benefits will be generated as a result of the expenditures.

Exploration and evaluation expenditure is capitalised and carried forward on an area of interest basis to the extent that rights to tenure of the area of interest are current and either:

- the expenditure is expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant exploration and evaluation activities in, or in relation to, the area of interest are continuing.

No amortisation is charged during the exploration and evaluation phase.

Reclassification to mine properties under development

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine properties under development.

Impairment

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation or through sale of the respective areas of interest.

Exploration and evaluation assets are tested for impairment when reclassified to mine properties under development, or whenever facts or circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs of disposal and their value in use.

Accounting estimates and judgements

The Group has capitalised significant exploration and evaluation expenditure on the basis that such expenditure is expected to be recouped through future successful development or through sale of the areas of interest concerned, or on the basis that it is not yet possible to assess whether it will be recouped and activities are planned to enable that determination.

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the area of interest itself, or if not, whether it successfully recovers the asset through sale.

17 Trade and other payables

	2019 $'000	2018 $'000
Trade payables	32,476	28,432
Deferred contractor mobilisation payables	372	4,416
Employee benefits	108	199
	32,956	**33,047**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition or in accordance with the payment terms agreed with the supplier.

Deferred contractor mobilisation payables represent costs relating to the mobilisation and site establishment for the mining contractor equipment and infrastructure for Dalgaranga that have been deferred with settlement to occur within 12 months from the reporting date.

Recognition and measurement

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Trade and other payables are presented in current liabilities unless payment is not due within 12 months after the reporting date.

18 Borrowings

	2019 $'000	2018 $'000
Current		
Secured bank loan facility	58,378	9,089
Finance lease liabilities	2,379	2,224
Working capital facility	11,181	-
	71,938	**11,313**
Non-current		
Secured bank loan facility	-	49,625
Finance lease liabilities	9,335	11,500
	9,335	**61,125**

Secured bank loan facility

During the prior year, the Group entered into a syndicated facility agreement (SFA) with Commonwealth Bank of Australia and National Australia Bank (the Financiers) for the provision of a secured $60.0 million Project Finance Facility to fund the development of Dalgaranga. The loan is interest-bearing with a variable interest rate based on the BBSY rate plus a margin of:

- 2.75% prior to the Project Completion Date;
- 4.50% thereafter to 1 June 2019; and
- 6.50% from 2 June 2019, incorporating an additional overdue rate of 2.00%, on commencement of Administration.

18 Borrowings (continued)

The loan was fully drawn in the year ended 30 June 2018 and was originally repayable by June 2022. Principal repayments of $2.6 million (2018: $nil) were made in accordance with agreed repayment terms during the year in addition to the scheduled interest payments.

During the year facility amendment and waiver letters were executed with the Financiers which reduced the quarterly scheduled principal repayments through to December 2019 to $1.0 million per quarter. The letters also provided for waivers on certain quarterly ratio tests through to March 2020.

The voluntary appointment of Administrators on 2 June 2019 was considered an event of default under the terms of the SFA, therefore the remaining loan balance due to the Financiers as at 2 June 2019 became due and payable in full on that date. The full amount outstanding has therefore been classified as current.

The loan is secured by the following:

- a general security agreement over all of the assets of GNT Resources Pty Ltd (In Administration) and holding company Dalgaranga Operations Pty Ltd (In Administration);
- a featherweight and share security agreement over the shares and featherweight property of Gascoyne Resources (WA) Pty Ltd (In Administration);
- a first ranking mining mortgage over the mining lease and certain other miscellaneous licences relating to Dalgaranga in accordance with the *Mining Act 1978 (WA)*;
- a guarantee provided by Gascoyne Resources Limited (In Administration) until project completion has been reached; and
- a guarantee provided by Dalgaranga Operations Pty Ltd (In Administration).

Refer to the table below in this note for details of assets of the Group pledged as security for the secured bank loan facility borrowings.

Finance lease liabilities

Finance lease liabilities relate to items of plant and equipment and power generating facilities and associated infrastructure at Dalgaranga.

Finance lease commitments are payable as follows:

2019	Within one year $'000	Between one year and five years $'000	Later than five years $'000	Total $'000
Lease expenditure commitments	2,793	10,042	-	12,835
Future finance charges	(414)	(707)	-	(1,121)
Finance lease liabilities	**2,379**	**9,335**	**-**	**11,714**
2018				
Lease expenditure commitments	2,719	10,482	2,124	15,325
Future finance charges	(495)	(1,067)	(39)	(1,601)
Finance lease liabilities	**2,224**	**9,415**	**2,085**	**13,724**

Lease liabilities are secured with the rights to leased assets recognised in the financial statements reverting to the lessor in the event of default.

18 Borrowings (continued)

Working capital facility

On 21 December 2018 the Group secured a $12.0 million working capital facility from Dalgaranga mining contractor NRW Pty Ltd. The facility was repayable by 31 December 2019 with fees and interest rates set at commercial rates commensurate for this type of facility. Draw down on the facility occurred in January 2019. Subsequently, repayment of the facility was extended by six months to 30 June 2020, with repayments to commence in January 2020.

The facility and associated mining contract are secured by a subordinated general security agreement over the assets of GNT Resources Pty Ltd (In Administration) until full repayment of both the facility and the associated mining contract.

Refer to the table below for details of assets of the Group pledged as security for the working capital facility borrowings.

Refer to note 9 for reconciliation of changes in borrowings with cash flows arising from financing activities.

Assets pledged as security

The carrying amounts of assets pledged as security for the secured bank loan facility and working capital facility are:

	2019 $'000	2018 $'000
Current		
Cash and cash equivalents	9,064	14,163
Trade and other receivables	3,320	2,343
Inventories	8,139	1,439
Derivative financial instruments	-	703
Other financial assets	633	-
	21,156	**18,648**
Non-current		
Derivative financial instruments	-	1,090
Property, plant and equipment	167,453	174,455
Exploration and evaluation	19,253	-
Other financial assets	250	-
	186,956	**175,545**
Total assets pledged as security	**208,112**	**194,193**

Recognition and measurement

Borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are derecognised when the contractual obligations are discharged, cancelled or expire. Any difference between the carrying amount of a derecognised liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Finance leases

Finance lease liabilities, which transfer substantially all of the risks and rewards incidental to ownership of the leased item to the Group, are initially recognised at the fair value of the underlying assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to reflect a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in profit or loss.

18 Borrowings (continued)

Assets acquired under finance leases are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

AASB 16 Leases

The Company will apply the new lease accounting standard, AASB 16 *Leases* (AASB 16), on its effective date of 1 July 2019, refer to note 31. Under AASB 16, current finance leases will continue to be accounted for using the effective interest method, with the measurement principles of AASB 16 applied to these leases from the date of initial application.

Borrowing costs

Borrowing costs, which do not meet the criteria for capitalisation, are expensed in the period in which they are incurred and reported as finance costs in profit or loss.

19 Provisions

	2019 $'000	2018 $'000
Current		
Employee benefits	1,326	597
Royalty payments	726	-
	2,052	**597**
Non-current		
Employee benefits	18	6
Rehabilitation and mine closure	23,864	15,137
	23,882	**15,143**

Movements in the rehabilitation and mine closure provision during the financial year are as follows:

	2019 $'000	2018 $'000
At 1 July	15,137	303
Additional provisions recognised	8,327	14,834
Unwinding of discount	400	-
At 30 June	**23,864**	**15,137**

The Group completed a review of the rehabilitation and mine closure provision during the year, which resulted in an increase of $8.3 million (2018: $nil) to both the provision and the corresponding rehabilitation asset recorded in mine properties.

Recognition and measurement

Provisions are recognised when the Group has a present legal or constructive obligation, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost in profit or loss.

19 Provisions (continued)

Employee benefits

The provision for employee benefits relates to the Group's liabilities for annual leave and long service leave.

The current provision represents amounts for annual leave that are expected to be settled within 12 months of the end of the period in which the employees render the service and is measured at the amounts expected to be paid when the liabilities are settled.

The liability for long service leave not expected to vest within 12 months after the end of the period in which the employees render the service is recognised in the non-current provision for employee benefits and is measured at the present value of expected future payments to be made in respect of services provided up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields on high quality corporate bonds at the reporting date with terms and currencies that match the estimated future cash outflows as closely as possible.

Where the Group does not have an unconditional right to defer settlement for any annual or long service leave owed, it is classified as a current provision regardless of when the Group expects to realise the provision.

Rehabilitation and mine closure

The Group has obligations to dismantle and remove certain items of property, plant and equipment and to restore and rehabilitate the land on which they sit.

A provision is recognised for the estimated cost of settling the rehabilitation and restoration obligations existing at the reporting date, discounted to present value using high quality corporate bond market yields at the reporting date, that match the timing of the estimated future cash outflows as closely as possible.

Where the obligation is related to an item of property, plant and equipment, its cost includes the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located. The related rehabilitation asset for Dalgaranga is included in mine properties. Costs that relate to obligations arising from waste created by the production process are recognised as operating costs in the period in which they arise.

The discounted value reflects a combination of management's assessment of the nature and extent of the work required, the future cost of performing the work required, the timing of cash flows and the discount rate. Over time, the discounted value is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. This increase in the provision, being the periodic unwinding of the discount due to the passage of time, is recognised as a finance cost in profit or loss.

The provision is reassessed at least annually. A change in any of the assumptions used to determine the provisions could have a material impact on the carrying amount of the provision. Any change in the provision is reflected as an addition to, or deduction from, the related rehabilitation asset in mine properties and amortised as appropriate.

Accounting estimates and judgements

Rehabilitation and mine closure

The provision recognised for rehabilitation and mine closure costs relating to Dalgaranga represents the discounted value of the present obligation to restore, dismantle and rehabilitate certain items of property, plant and equipment and to rehabilitate the site.

As the discounted value reflects a combination of management's assessment of the nature and extent of the work required, the future cost of performing the work required, the timing of cash flows and the discount rate, then changes to one or more of these assumptions is likely to result in changes to the carrying amount of the provision and the related rehabilitation asset and costs and may result in future actual expenditure differing from the amounts currently provided.

20 Equity

Share capital

	2019		2018	
	No. of shares	$'000	No. of shares	$'000
Fully paid ordinary shares				
At 1 July	434,702,028	125,847	377,175,677	104,881
Issue of shares[1]	68,323,334	20,497	-	-
Share purchase plan[2]	12,290,000	3,687	-	-
Issue of shares[3]	77,297,304	3,865	-	-
Issue of shares[4]	412,252,289	20,613	-	-
Issue of shares[5]	-	-	56,576,351	21,499
Issue of shares[6]	-	-	950,000	399
Share issue costs	-	(3,683)	-	(1,331)
Deferred tax credit relating to share issue costs	-	1,105	-	399
At 30 June	**1,004,864,955**	**171,931**	**434,702,028**	**125,847**

1 Private placement at $0.30 per share on 28 August 2018 (63,966,667 shares) and 8 October 2018 (4,356,667 shares).
2 Share purchase plan at $0.30 per share on 28 September 2018.
3 Private placement at $0.05 per share on 12 April 2019.
4 Entitlement offer at $0.05 per share on 8 May 2019.
5 Private placement at $0.38 per share on 29 November 2017 (45,994,777 shares) and 1 December 2017 (10,581,574 shares).
6 Share-based payment - Acquisition cost of tenement at $0.42 per share on 11 December 2017.

Fully paid ordinary shares have no par value and entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

Every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value.

Non-controlling interests (NCI)

	2019 $'000	2018 $'000
At 1 July	1,076	824
NCIs' share of current year exploration expenditure	53	252
At 30 June	**1,129**	**1,076**

Under the contractual joint venture agreements giving rise to the non-controlling interests (NCIs), the Company is required to free carry the NCIs by sole funding the joint venture operations until the earlier of, the completion of a bankable feasibility study, a decision to commence mining operations, or an election by the non-controlling joint venture partner to convert their respective 20% participation interest to a 2% net smelter return royalty.

20 Equity (continued)

Reserves

	Share-based payments reserve $'000	Exploration asset reserve $'000	Total $'000
At 1 July 2017	1,447	(512)	935
NCIs' share of current year exploration expenditure	-	(252)	(252)
At 30 June 2018	**1,447**	**(764)**	**683**
Share-based payments	252	-	252
NCIs' share of current year exploration expenditure	-	(53)	(53)
At 30 June 2019	**1,699**	**(817)**	**882**

Share-based payments reserve

The share-based payments reserve recognises the fair value of outstanding share options, including options issued under the Company's Employee Share Option Plan.

Exploration asset reserve

The exploration asset reserve recognises exploration expenditure incurred on contractual joint venture tenements in proportion to any non-controlling interest in the joint venture during the free carry/sole funding period.

Notes to the financial statements

Risk management

This section of the notes to the financial statements provides information about the Group's exposure to various risks, how these risks could affect the Group's financial position and performance, and how the Group manages these risks.

21 Financial risk management

The Group's activities expose it to financial risks including market risk, liquidity risk and credit risk, arising from the financial instruments held by the Group. The Board has overall responsibility for the establishment and oversight of a risk management framework, through the Audit and Risk Committee, to ensure that financial activities are governed by policies and procedures and that financial risks are identified, measured and managed in accordance with policies, to support the delivery of financial targets while protecting future financial security. The Audit and Risk Committee is responsible for developing and monitoring the Group's risk management policies.

On commencement of Administration on 2 June 2019, the responsibilities of the Board as outlined in the Board Charter were assumed by the Administrators pursuant to section 437A of the *Corporations Act 2001*.

Financial assets and liabilities

The Group's financial instruments are as below:

2019	**Interest bearing - variable $'000**	**Interest bearing - fixed $'000**	**Non-interest bearing $'000**	**Total $'000**
Financial assets at amortised cost				
Other receivables[1]	-	-	4	4
Cash and cash equivalents	12,233	-	4,496	16,729
Term deposits	-	379	-	379
Other financial assets	-	-	633	633
Total financial assets	**12,233**	**379**	**5,133**	**17,745**
Financial liabilities at amortised cost				
Trade and other payables[1]	-	-	32,368	32,368
Secured bank loan facility	58,378	-	-	58,378
Finance lease liabilities	-	11,714	-	11,714
Working capital facility	-	11,181	-	11,181
Other financial liabilities	-	-	30,326	30,326
Total financial liabilities	**58,378**	**22,895**	**62,694**	**143,967**

1 Excludes balances which do not meet the definition of financial instruments.

21 Financial risk management (continued)

2018	Interest bearing - variable $'000	Interest bearing - fixed $'000	Non-interest bearing $'000	Total $'000
Financial assets at amortised cost				
Other receivables[1]	-	-	5	5
Cash and cash equivalents	22,471	-	2,674	25,145
Term deposits	-	209	-	209
Financial assets at fair value through profit or loss				
Derivative financial instruments	-	-	1,793	1,793
Total financial assets	**22,471**	**209**	**4,472**	**27,152**
Financial liabilities at amortised cost				
Trade and other payables[1]	-	-	32,848	32,848
Secured bank loan facility	58,714	-	-	58,714
Finance lease liabilities	-	13,724	-	13,724
Total financial liabilities	**58,714**	**13,724**	**32,848**	**105,286**

1 Excludes balances which do not meet the definition of financial instruments.

Recognition and measurement

Initial measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value.

Classification and subsequent measurement

Financial assets

Classification and measurement of financial assets are based on the business model in which they are managed and their contractual cash flow characteristics. On initial recognition, financial assets, other than those designated and effective as hedging instruments, are classified as measured at amortised cost using the effective interest method, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI).

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

For financial assets subsequently measured at amortised cost, any interest income, impairment losses, foreign exchange gains and losses are recognised in profit or loss.

Financial assets at FVTPL

Financial assets whose contractual cash flows are not solely payments of principal and interest, or are not classified as measured at amortised cost or FVOCI, are measured at FVTPL. Derivative financial assets are measured at FVTPL.

For financial assets subsequently measured at FVTPL, net gains and losses, including any interest or dividend income, are recognised in profit or loss.

21 Financial risk management (continued)

Impairment of financial assets

The Group assesses, on a forward-looking basis, the expected credit losses associated with debt instruments measured at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as measured at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards of ownership are transferred.

Financial liabilities are derecognised when they are extinguished, discharged, cancelled or expire.

Any gain or loss on derecognition is recognised in profit or loss.

Accounting estimates and judgements

Fair value measurement

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets, they are measured using valuation techniques including discounted cash flows (DCF). The inputs to DCF models are taken from observable markets where possible, but where this is not feasible, management uses the best information available and a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and arises from the Group's exposure to movements in commodity prices, interest rates and foreign currency. At the reporting date, the Group has minimal exposure to foreign currency risk as the Group's operations are all located within Australia and material transactions are denominated in Australian dollars, the Group's functional currency.

The Group manages market risk through the use of derivatives, within the guidelines set by the Audit and Risk Committee.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The Group is exposed to interest rate risk on its outstanding borrowings and short-term cash deposits, as profiled in the 'Financial assets and liabilities' analysis above. The Group's main interest rate risk arises from the variable rates payable on the secured bank loan facility, which exposes the Group to cash flow interest rate risk.

Interest rate sensitivity

The analyses below illustrate the sensitivity of profit and other equity to a change in interest rates of +/- 1% (2018: +/- 1%), representing management's assessment of the reasonably possible change in interest rates. This analysis assumes that all other factors remain constant.

21 Financial risk management (continued)

	Profit for the year		Other equity	
	+1% $'000	-1% $'000	+1% $'000	-1% $'000
Cash and cash equivalents	122	(122)	-	-
Borrowings	(574)	574	-	-
At 30 June 2019	**(452)**	**452**	**-**	**-**
Cash and cash equivalents	225	(225)	-	-
Borrowings	(600)	600	-	-
At 30 June 2018	**(375)**	**375**	**-**	**-**

Commodity price risk

The Group uses derivative commodity contracts to manage its exposure to commodity price fluctuations.

Gold price risk

The Group's exposure to gold price fluctuations is managed by executing derivative gold contracts such as gold forward sales commitments, denominated in Australian dollars.

Following the voluntary appointment of Administrators on 2 June 2019, gold forward contracts outstanding as at 5 June 2019 were terminated, refer to note 13.

Oil price risk

The Group's diesel fuel costs are exposed to the volatility in crude oil prices. To mitigate the risk of adverse movements in the diesel fuel price, the Group enters into diesel swap transaction contracts.

Following the voluntary appointment of Administrators on 2 June 2019, diesel swap contracts outstanding as at 5 June 2019 were terminated, refer to note 13.

Liquidity risk

Liquidity risk is the risk that that the Group might be unable to meet its financial obligations as they fall due.

The Group manages liquidity risk by monitoring cash flows and ensuring that adequate levels of working capital are maintained.

Contractual maturities of financial liabilities, including estimated interest payments are as follows:

2019	Within one year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Later than 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Trade and other payables	32,368	-	-	-	32,368	32,368
Secured bank loan facility	65,555	-	-	-	65,555	58,378
Finance lease liabilities	2,793	2,793	7,249	-	12,835	11,714
Working capital facility	11,858	-	-	-	11,858	11,181
Other financial liabilities	30,326	-	-	-	30,326	30,326
	142,900	**2,793**	**7,249**	**-**	**152,942**	**143,967**

21 Financial risk management (continued)

2018	Within one year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Later than 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Trade and other payables	32,848	-	-	-	32,848	32,848
Secured bank loan facility	12,501	28,036	25,426	-	65,963	58,714
Finance lease liabilities	2,719	2,719	7,763	2,124	15,325	13,724
	48,068	**30,755**	**33,189**	**2,124**	**114,136**	**105,286**

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

The Group limits its exposure to credit risk in relation to cash and cash equivalents and other financial assets by only dealing with banks and financial institutions with acceptable credit ratings.

The carrying amount of financial assets represents the maximum credit exposure.

Fair value measurement

Fair value hierarchy

As prescribed under AASB 13 *Fair Value Measurement*, financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value.

The valuation inputs are categorised as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).

Level 3: Unobservable inputs for the asset or liability - inputs for the asset or liability that are not based on observable market data.

Level 3 inputs therefore include the highest level of estimation uncertainty.

The Group's financial assets measured and recognised at fair value on a recurring basis in the prior year are as follows, there were no balances measured on this basis outstanding as at 30 June 2019:

2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Derivative financial instruments				
Commodity swap contracts - current	-	703	-	703
Commodity swap contracts - non-current	-	1,090	-	1,090
	-	**1,793**	**-**	**1,793**

The fair value of financial instruments that are not traded in active market (for example, over-the-counter derivatives) is determined using valuation techniques.

21 Financial risk management (continued)

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Commodity swap contracts

The Group's commodity swap contracts refer to the Singapore Gasoil swap commitments, as discussed above. These are not traded in active markets. They have been valued using observable market prices and rates corresponding to the maturity of the contract. The effects of unobservable inputs are not significant for commodity swap contracts.

Following the voluntary appointment of Administrators on 2 June 2019, the commodity swap contracts outstanding as at 5 June 2019 were terminated, refer to note 13.

22 Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, pay dividends to shareholders, issue new shares or sell assets.

The Group monitors the adequacy of capital by analysing cash flow forecasts.

The Group manages and adjusts the capital structure when funding is required.

Unrecognised items

This section of the notes to the financial statements provides information about items not recognised in the financial statements, as they do not satisfy recognition criteria, but which could affect the Group's financial position and performance in future.

23 Commitments

Non-cancellable operating leases

	2019 $'000	2018 $'000
Minimum lease payments due:		
Within one year	1,373	1,241
Between one year and five years	4,348	4,185
Later than five years	198	938
	5,919	**6,364**

The Group's operating lease commitments comprise leases of LNG supply tanks at Dalgaranga, including the provision of associated infrastructure and services, land at Dalgaranga and the corporate office lease expiring 31 May 2020.

Exploration expenditure

In order to maintain current rights of tenure to exploration tenements, the Group is required to meet minimum expenditure commitments required under the lease conditions. Minimum expenditure commitments for the 12 months following the reporting date total $1.9 million (2018: $1.5 million). These expenditure obligations can be reduced by selective relinquishment of exploration tenure or application for expenditure exemptions.

Capital expenditure

Subsidiary GNT Resources Pty Ltd (In Administration) had commitments for capital expenditures relating to Dalgaranga at the end of the reporting date that were not recognised as liabilities amounting to $1.8 million (2018: $2.9 million).

Gold delivery commitments

During the prior year the Group entered into gold forward sale contracts with Commonwealth Bank of Australia and National Bank of Australia for 176,500 ounces of gold at an average forward price of A$1,717 per ounce. The first gold delivery into the forward sale contracts was in June 2018 with the last delivery date being June 2022.

There were no gold delivery commitments outstanding at the reporting date, as following the voluntary appointment of Administrators on 2 June 2019, the gold forward contracts outstanding as at 5 June 2019 were terminated, refer to note 13.

Singapore Gasoil swap commitments

As part of its risk management policy, the Group may enter into diesel swap contracts to manage the price of a proportion of anticipated diesel consumption. During the prior year the Group entered into a fixed price Singapore Gasoil 10ppm cash-settled swap transaction contract with Commonwealth Bank of Australia for a total of 13.74 million litres of diesel (86,431.39 barrels), effective 1 May 2018 until 30 April 2021 at a fixed forward price of A$94.5077 per barrel.

There were no contractual diesel swap commitments outstanding at the reporting date, as following the voluntary appointment of Administrators on 2 June 2019, diesel swap contracts outstanding as at 5 June 2019 were terminated, refer to note 13.

23 Commitments (continued)

Recognition and measurement

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

AASB 16 Leases

The Company will apply the new lease accounting standard, AASB 16 *Leases* (AASB 16), on its effective date of 1 July 2019, refer to note 31. Operating leases commitments are expected to be recognised on the consolidated statement of financial position as of 1 July 2019 under AASB 16.

Gold delivery commitments

The gold forward contracts are settled by the physical delivery of gold as per contract terms. These physical gold forward contracts are considered a contract to sell a non-financial item and therefore do not fall within the scope of AASB 9 *Financial Instruments*. Accordingly, no derivatives are recognised and the gold forward contracts are accounted for as sale contracts with revenue recognised at the agreed price when the contractual commitment is met through physical delivery of gold.

The market value of the outstanding gold forward contracts varies over time as a result of changes in the market price of gold. At each reporting date the Group calculates the fair value of outstanding gold forward contracts and discloses the fair value as either a contingent asset or liability in the notes to the financial statements. The fair value represents the amount which would be received (asset) or paid (liability) if the outstanding obligations were settled on the valuation date, in the event the gold forward contracts were not settled by the physical delivery of gold.

24 Contingent liabilities

Bank guarantees

The Company has provided bank guarantees in favour of service providers for leased premises and road maintenance responsibilities. The total of these guarantees at the reporting date was $0.4 million (2018: $0.2 million). The bank guarantees are secured by blocked deposits held by the grantor of the guarantee. The deposit accounts are recognised as other financial assets in the consolidated statement of financial position.

Demobilisation costs

The Group has entered into certain contracts relating to Dalgaranga that provide for the payment of demobilisation costs upon termination of the contract. The amount to be paid is contingent upon the timing and basis of contract termination. The Group estimates that the maximum amount payable is not greater than $1.3 million (2018: $1.3 million).

Transfer duty assessment

In December 2016, the Group acquired a joint venture partner's 20% interest in the mineral tenements comprising the Group's Dalgaranga Gold Project. The transfer of tenements is subject to Transfer Duty in Western Australia. At the request of the Office of State Revenue (OSR) the Group commissioned an independent valuation of the tenements transferred in the transaction. At the reporting date the OSR had not yet finalised the duty assessment process. As such it is uncertain whether the Group is entitled to a refund on the amount of duty previously paid to the OSR, or if an additional amount of duty will be levied.

25 Events occurring after the reporting date

On 11 July 2019, the Financiers of the SFA, refer to note 18, closed the Group's bank accounts held with the Financiers prior to Administration. Funds of $12.2 million held in those accounts were offset against the outstanding amount of $58.4 million owed on the SFA (note 18) and the other financial liability of $30.3 million arising from early termination of the hedge agreement in place with the Financiers (note 13).

25 Events occurring after the reporting date (continued)

The Administrators purchased short-term put options to protect revenue arising from the majority of gold production over the period from 20 December 2019 to 30 April 2020 (put options for 1 October to 20 December now expired). The options have an exercise price of A$2,050 per ounce for 14,600 ounces from 20 December 2019 to 28 February 2020 (at 1,400 ounces per week) and A$2,000 per ounce for a further 12,600 ounces from 1 March 2020 to 1 May 2020 (at 1,400 ounces per week).

In September 2019, the Administrators initiated the dual track recapitalisation and sale process. The process is supported by Investec Australia who have been appointed as Corporate Advisor.

On 28 August 2019, the Group released an updated Dalgaranga Mineral Resource estimate to the market. The Resource update confirmed a Company total Mineral Resource of 1.8Moz of contained gold with the new estimate constrained within optimised pit shells based on a gold price of A$2,400 per ounce. The updated Mineral Resource for Dalgaranga is 28.2Mt @ 0.9 g/t for 803 koz of contained gold. On 3 October 2019, the Group released an updated Dalgaranga Ore Reserve to the market. The updated Dalgaranga Ore Reserve estimate of 501,800 ounces of gold represents a 62% conversion of the 803 koz Dalgaranga Mineral Resource.

Options granted under the 2016 Company's Employee Share Option Plan expired on 15 December 2019.

The Joint and Several Voluntary Administrators of the Company, being Michael Ryan, Kathryn Warwick and Ian Francis of FTI Consulting are not aware of any other matter or circumstance that has arisen since the end of the financial year which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Notes to the financial statements

Other information

This section of the notes to the financial statements provides additional financial information, including information which is not specifically related to individual financial items, and other disclosures which are required to comply with Australian Accounting Standards and other regulatory pronouncements.

26 Interests in other entities

Interests in subsidiaries

Subsidiary	Country of incorporation	Ownership interest %	Ownership interest %
Gascoyne Resources (WA) Pty Ltd[1]	Australia	100	100
Dalgaranga Operations Pty Ltd[1]	Australia	100	100
GNT Resources Pty Ltd[1]	Australia	100	100
Egerton Exploration Pty Ltd[1]	Australia	100	100
Dalgaranga Exploration Pty Ltd[1]	Australia	100	100
Gascoyne (Ops Management) Pty Ltd[1]	Australia	100	100
Dalgaranga Joint Ventures[2]	Unincorporated	80	80

1 All Administrators Appointed.
2 Principal place of business is Perth, Western Australia.

Gascoyne is party to two contractual joint ventures to undertake mineral exploration on tenements that form part of Dalgaranga. The joint venture entities are classified as subsidiaries of the Group in accordance with AASB 10 *Consolidated Financial Statements*.

The Dalgaranga Joint Ventures' activities include the exploration of the joint venture tenements for minerals and if successful, to develop and mine minerals within the joint venture tenements. Under the terms of the agreements Gascoyne is required to free carry the vendors' participating interest in the joint ventures by sole funding the joint venture costs until the earlier of, the completion of a bankable feasibility study, a decision to commence mining operations, or an election by the non-controlling joint venture partner to convert their respective 20% participation interest to a 2% net smelter return royalty. If an election is made to convert the 20% participation interest to a net smelter royalty the Group's ownership interest in the respective joint ventures' net assets will increase to 100%.

27 Related party transactions

Transactions with key management personnel

During August 2018, Mr M Dunbar purchased a gold button (1.6879 ounces of gold) for $2,737 from the Group, on normal commercial terms in a Board-approved transaction.

During the prior financial year Non-executive Director Ms S Layman provided consultancy services to the Company under an arrangement based on normal commercial terms which the Company had entered into with a non-related entity. The Company did not incur any consultancy fees during the financial year in relation to this arrangement (2018: $66,689), and there was no amount payable under the arrangement at the reporting date (2018: $nil).

27 Related party transactions (continued)

Key management personnel remuneration

	2019 $	2018 $
Short-term employee benefits	2,217,553	1,686,378
Long-term employee benefits	(116,403)	103,331
Post-employment benefits	118,840	126,138
Share-based payments	67,200	-
	2,287,190	**1,915,847**

Detailed key management personnel remuneration disclosures are provided in the Remuneration report section of the Directors' report.

28 Share-based payments

	2019 No. of options	2019 Weighted average exercise price[1]	2018 No. of options	2018 Weighted average exercise price
Employee share options				
Outstanding at 1 July	7,850,000	$0.55	7,850,000	$0.55
Granted during the year	4,180,000	$0.40	-	-
Forfeited during the year	(380,000)	$0.40	-	-
Outstanding at 30 June	**11,650,000**	**$0.48**	**7,850,000**	**$0.55**
Exercisable at 30 June[2]	**-**	**-**	**7,850,000**	**$0.55**

1 Options outstanding on 8 May 2019 were repriced in accordance with ASX listing rule 6.22, on issue of shares pursuant to a pro rata non-renounceable entitlement offer. Option exercise prices were reduced from $0.40 to $0.38 and from $0.55 to $0.53.

2 Options not exercisable at end of year due to the Company being in Administration at that time. Share transfers are not permitted during Administration without the consent of the Administrators or the Court.

Share-based compensation benefits are provided to employees via the Group's incentive plans. The total of share-based payments recognised in profit or loss during the year as part of employee benefits expense was $250,824 (2018: $nil).

Employee share option plan

Eligible employees are entitled to purchase shares in the Company, under the Company's Employee Share Option Plan (ESOP). All options are equity-settled, by physical delivery of shares.

Employee share options carry no rights to dividends and no voting rights. In accordance with the terms of the ESOP, options may be exercised at any time from the vesting date to the date of their expiry. Unvested options expire on the earlier of their expiry date or within 30 days of cessation of the employee's employment.

28 Share-based payments (continued)

Details of options outstanding at the reporting date are as follows:

	2018 Grant	2016 Grant
Number granted	4,180,000	7,850,000
Vested	2,596,668[1]	7,850,000
Unvested	1,203,332[1]	-
Forfeited	380,000	-
Vesting conditions	Service condition[2]	No vesting conditions
Weighted average remaining contractual life	2.25 years	0.5 years
Grant date	5 October 2018	16 December 2016
Expiry date	7 October 2021	15 December 2019
Exercise price at grant date	$0.40	$0.55
Exercise price at reporting date[3]	$0.38	$0.53
Fair value at grant date	$0.084	$0.184

1 Number of options outstanding at the reporting date is 3,800,000.
2 The options contain a six-month service condition expiring on 7 April 2019 and a twelve-month service condition expiring on 7 October 2019. The options vest one-third on grant, one-third after six months and one-third after twelve months, and remain exercisable until the options lapse.
3 Options outstanding on 8 May 2019 were repriced in accordance with ASX listing rule 6.22, on issue of shares pursuant to a pro rata non-renounceable entitlement offer.

Fair value of options granted

The fair value of services received in return for share options granted is based on the fair value of the share options granted. The following principal assumptions were applied in the valuations of outstanding options:

Valuation assumptions	2018 Grant	2016 Grant
Grant date (Valuation date)	5 October 2018	16 December 2016
Vesting period end date	7 October 2019	Vested on grant date
Expiry date	7 October 2021	15 December 2019
Exercise price at grant date	$0.40	$0.55
Share price at grant date	$0.28	$0.38
Expected volatility based on historical share price information	60.00%	89.23%
Risk-free interest rate	2.06%	1.96%
Valuation model employed	Black Scholes	Black Scholes

Valuations of options may not necessarily represent the market price of the options at the date of valuation.

Recognition and measurement

Fair value of options

The fair value at grant date is determined using a Black Scholes option pricing model that takes into account the exercise price, term of the option, share price at grant date of the underlying share, expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option.

28 Share-based payments (continued)

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options (the vesting period), ending on the date on which the relevant employees become fully entitled to the option (the vesting date). The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions, for example, profitability and sales growth targets.

At each reporting date, the Company revises its estimate of the number of options that are expected to become exercisable. The employee benefits expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

Accounting estimates and judgements

Management and external specialists use a Black Scholes option pricing model to determine the fair values of options granted. Both the selection of the valuation methodology and various inputs to models are subject to judgement.

29 Auditor's remuneration

	2019 $	2018 $
Audit and review of financial statements	**110,000**	**55,500**

The auditor of the parent entity Gascoyne Resources Limited (In Administration) is Grant Thornton Audit Pty Ltd.

30 Parent entity financial information

Summary financial information

The individual financial statements of Gascoyne Resources Limited (In Administration), the parent entity, are summarised below:

	2019 $'000	2018 $'000
Current assets	8,137	11,330
Non-current assets	115,776	105,992
Total assets	**123,913**	**117,322**
Current liabilities	1,552	2,312
Non-current liabilities	7	6
Total liabilities	**1,559**	**2,318**
Net assets	**122,354**	**115,004**
Issued capital	171,931	125,848
Share-based payments reserve	1,699	1,447
Accumulated losses	(51,276)	(12,291)
Total equity	**122,354**	**115,004**
Financial performance		
Loss for the year	**(38,985)**	**(1,791)**

30 Parent entity financial information (continued)

Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except for tax consolidation legislation as referred to in note 7.

Guarantees in relation to debts of subsidiaries

The parent entity has provided a guarantee in relation to the secured bank loan facility, refer to note 18.

Contingent liabilities

Refer to note 24 for details of bank guarantees given by the parent entity.

Contractual commitments for the acquisition of property, plant and equipment

The parent entity had no contractual commitments for the acquisition of property, plant and equipment as at 30 June 2019 or 30 June 2018.

31 Summary of significant accounting policies

The Group's accounting policies referred to in this financial report are consistent in all material respects with those applied in the previous year except for the changes arising from the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* on 1 July 2018, as described below.

Principles of consolidation

Subsidiaries

The Group financial statements consolidate those of the parent company and all of its subsidiaries as at the reporting date. A subsidiary is an entity that is controlled by the parent. The parent controls an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consolidated financial statements are prepared using uniform accounting policies for each Group member and all Group members have a 30 June reporting date.

The Group consolidates the assets, liabilities and results of a subsidiary from the date on which it first controls the entity. On loss of control of a subsidiary the Group de-recognises the assets and liabilities of the former subsidiary, and recognises any investment it retains in its former subsidiary in accordance with the relevant accounting standard(s).

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group entities. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

A non-controlling interest is recognised in the consolidated statement of financial position within equity where an entity outside of the Group has an ownership interest in a subsidiary or its net assets.

Joint ventures

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement in which the parties have rights to the net assets of the arrangement. Investments in joint ventures are recognised as an investment and are typically accounted for using the equity method of accounting. The Dalgaranga Joint Ventures, refer to note 26, are classified as subsidiaries of the Group, based on the Group's controlling interest in the joint ventures.

31 Summary of significant accounting policies (continued)

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing transactions which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

New standards adopted by the Group

The Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of new and revised standards and interpretations has had no effect on the amounts reported for the current or prior periods.

The Group applied the following standards from the initial date of application, 1 July 2018:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*

The Group's accounting policies have been amended as required.

There are no other new standards and interpretations in issue which are mandatory for 30 June 2019 reporting periods that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* (AASB 9) replaces the requirements of AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) and is effective for financial periods beginning on or after 1 January 2018.

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Notes to the financial statements Other information

31 Summary of significant accounting policies (continued)

Impact of AASB 9 on the Group

Classification and measurement of the Group's financial instruments as at 1 July 2018:

Financial instrument	Original classification under AASB 139	Classification under AASB 9	Original carrying amount under AASB 139 $'000	Carrying amount under AASB 9 $'000
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	5	5
Cash and cash equivalents	Loans and receivables	Amortised cost	25,145	25,145
Term deposits	Held-to-maturity	Amortised cost	209	209
Derivative financial instruments	Fair value through profit or loss	Fair value through profit or loss	1,793	1,793
Financial liabilities				
Trade and other payables	Amortised cost	Amortised cost	(32,848)	(32,848)
Borrowings	Amortised cost	Amortised cost	(72,438)	(72,438)

Impairment of financial assets

The incurred credit loss model under AASB 139 has been replaced by a forward-looking expected credit loss model under AASB 9, where anticipated rather than impending credit losses will be recognised, resulting in the likely earlier recognition of impairment. This does not significantly impact the measurement of the Group's trade receivables given the Group sells exclusively to large international financial institutions and other organisations with strong credit ratings, the historically low risk of customer default and the short-term nature of the Group's trade receivables.

Hedge accounting

AASB 9 introduces a more principles-based approach to hedge accounting, providing the ability to hedge risk exposures which were not able to be hedged previously, aligning hedge accounting more closely with common risk management practices. The Group did not designate commodity swap contracts in existence as at 1 July 2018 as hedges for accounting purposes as they were part of an open hedgebook portfolio.

AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* (AASB 15) replaces the requirements of AASB 118 *Revenue*, AASB 111 *Construction contracts* and related interpretations and is effective for financial periods beginning on or after 1 January 2018.

AASB 15 establishes a new revenue recognition framework for determining how much revenue is to be recognised and when, requiring entities to recognise revenue arising from contracts with customers when control of the goods or services transfers to the customer. Control of goods or services refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the goods or services.

In determining revenue recognition, a contract-based five-step analysis of transactions is to be applied before revenue can be recognised: identify contracts with customers, identify the separate performance obligations, determine the transaction price of the contract, allocate the transaction price to each of the separate performance obligations, and recognise the revenue as each performance obligation is satisfied, either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to customers.

Impact of AASB 15 on the Group

Revenue is currently recognised by the Group at the point of physical delivery, which is also when title passes to the customer, therefore there is no change in the timing of revenue recognition on the settlement date.

The new recognition requirements for variable consideration arising from provisional pricing in relation to non-market related factors such as final assay results are not currently applicable to the Group.

31 Summary of significant accounting policies (continued)

AASB 15 requires entities to apportion the transaction price into distinct performance obligations on a relative stand-alone selling price basis, for example, onward freight services to the customer following the transfer of control of the product. Where material, revenue from these freight services is to be deferred and recognised over time as the obligation is fulfilled. The Group's current contracts with customers only contain the sole performance obligation to transfer product to the local customer.

New standards not yet adopted by the Group

The Group has not elected to early adopt any issued standards and interpretations which are not mandatory for 30 June 2019 reporting periods. AASB 16 *Leases* will be adopted from 1 July 2019. The Group's assessment of the impact of AASB 16 *Leases* is presented below.

There are no other standards and interpretations that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

AASB 16 Leases

AASB 16 *Leases* (AASB 16) replaces AASB 117 *Leases* (AASB 117) and related interpretations, and is effective for financial periods beginning on or after 1 January 2019. AASB 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. Control is considered to exist if the customer has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset throughout the period of use.

AASB 16 eliminates the current distinction between operating and financing leases and requires recognition of a right-of-use asset (ROU asset) and a lease liability, similar to current finance lease accounting, for most lease contracts with a lease term of more than 12 months, unless the underlying asset is of low value. AASB 16 will primarily affect accounting by lessees and will result in the recognition of assets and liabilities for almost all leases on the consolidated statement of financial position.

The effects on financial statements from recognising lease-related assets and liabilities on transition to AASB 16 are summarised as follows:

- Operating lease rentals previously expensed in profit or loss will be replaced by separate ROU asset depreciation and lease interest expenses.
- The recognition of ROU assets and lease liabilities for leases previously accounted for as operating leases will increase asset and liability balances on the consolidated statement of financial position.
- A decrease in financing cash flows and an increase in operating cash flows can be expected as cash payments for the principal portion of the lease liability will be reclassified from operating activities to financing activities in the consolidated statement of cash flows.

Impact of AASB 16 on the Group

Following adoption of AASB 16 the Group will need to assess at the inception of a contract whether the contract is, or contains, a lease.

At the lease commencement date, the ROU asset, representing the Group's right to use the underlying leased asset for the lease term, will be initially measured at cost, and the lease liability, representing the Group's obligations to make lease payments, will be initially measured at the present value of the remaining future lease payments for the lease term.

ROU assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The lease liability is subsequently measured at amortised cost using the effective interest method over the term of the lease.

Impact of transition to AASB 16 on the Group

The Group will adopt AASB 16 on 1 July 2019 and will apply the modified retrospective transition approach, based on modelling of transition options. Under this approach, ROU assets and lease liabilities will be calculated as at 1 July 2019 for existing operating leases at 30 June 2019, with the cumulative effect recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019, with no restatement of comparative information.

31 Summary of significant accounting policies (continued)

The Group intends to apply the following practical expedients available under the modified retrospective approach:

- For contracts existing at 1 July 2019, the Group will continue to apply its existing definition of leases under current accounting standards and related interpretations, instead of reassessing whether these existing contracts are, or contain, a lease at 1 July 2019.
- Leases with a lease term of 12 months or less as at 1 July 2019 will not be recognised on the consolidated statement of financial position. The lease payments for these short-term leases will continue to be recognised as an expense on a straight-line basis over the remaining lease term.
- The Group can elect to initially measure ROU assets either at the amount of the lease liability on adoption or as if AASB 16 had always applied to the contract, on a lease-by-lease basis.

The carrying amounts of existing finance leases as at 30 June 2019, as measured under AASB 117, will be carried forward as the ROU asset and lease liability values on 1 July 2019. The measurement principles of AASB 16 are applied to these leases from the date of initial application.

Based on an analysis of current contracts and information currently available, ROU assets and lease liabilities with indicative values of approximately $3.0 to $4.0 million would be recognised on 1 July 2019 on adoption of AASB 16. Indicative values are based on the operating lease commitments outstanding at 30 June 2019 less commitments considered to be non-lease components. The cumulative effect on retained earnings from recognising these ROU assets and lease liabilities is expected to be immaterial. Final values for ROU assets and lease liabilities to be recognised on transition are expected to be subject to the outcome of Administration.

ASX additional information

The following information as required by the Australian Exchange Securities Limited Listing Rules was applicable as at 31 January 2020.

Voting rights

Fully paid ordinary shares

On a show of hands, every holder of fully paid ordinary shares present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote in accordance with the Company's Constitution.

Options

Options hold no voting rights.

Distribution of shareholdings – ordinary fully paid shares (ASX: GCY)

Size of holding	Number of shareholders	Number of shares	% of Issued capital
1 - 1,000	469	139,427	0.01
1,001 - 5,000	393	1,145,546	0.11
5,001 - 10,000	346	2,763,053	0.28
10,001 - 100,000	1,182	46,340,762	4.61
100,001 and over	542	954,476,167	94.99
	2,932	**1,004,864,955**	**100.00**

The Company's shares are suspended from trading while the Company is in Administration. Accordingly, all holdings are unmarketable at this time.

Distribution of unquoted equity securities – employee incentive options

Size of holding	Number of option holders	Number of options	% of Outstanding options
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	6	310,000	8.16
100,001 and over	11	3,490,000	91.84
	17	**3,800,000**	**100.00**

Substantial shareholders[1]

Shareholder	Number of shares	% of Issued capital
DELPHI Unternehmensberatung Aktiengesellschaft	185,316,417	18.44
NRW Holdings Limited	86,238,410	8.58
Mitsubishi UFJ Financial Group, Inc.	83,181,701	8.28

1 As notified in substantial shareholder notices received by the Company.

ASX additional information

Twenty largest shareholders

Rank	Shareholder	Number of shares	% of Issued capital
1	DELPHI Unternehmensberatung Aktiengesellschaft	185,316,417	18.44
2	Citicorp Nominees Pty Limited	101,330,283	10.08
3	HSBC Custody Nominees (Australia) Limited	90,357,873	8.99
4	NRW Holdings Limited	86,238,410	8.58
5	J P Morgan Nominees Australia Pty Limited	65,527,446	6.52
6	BNP Paribas Nominees Pty Limited	39,277,354	3.91
7	Lim Advisors Ltd	32,133,334	3.20
8	Mr Jaime Anthony McDowell	18,200,000	1.81
9	Mr Rodney Michael Joyce and associated entities	15,633,939	1.56
10	Mr Stanley Macdonald and associated entities	14,595,455	1.45
11	CS Fourth Nominees Pty Limited	12,196,801	1.21
12	Argonaut Securities Pty Limited <ASPL Client No 2 A/C>	10,944,416	1.09
13	Gold Elegant (HK) Investment Limited	9,000,000	0.90
14	Argonaut Securities (Nominees) Pty Limited <ASPL Client No 6 A/C>	8,750,000	0.87
15	Mr Graham Riley and associated entities	8,500,000	0.85
16	Troca Enterprises Pty Ltd <Coulson Super Fund A/C>	8,226,267	0.82
17	CS Third Nominees Pty Limited	7,717,473	0.77
18	AM Riley <A M Riley Super Fund A/C>	6,237,916	0.62
19	Vingo Holdings Ltd	5,767,880	0.57
20	Jamax Holdings Pty Ltd	5,300,000	0.53
		731,251,264	**72.77**

Tenement schedule

Tenement	Tenement name	Mineral targeted	Location	Ownership interest
ELA09/2352	Bassit Bore	Gold	Gascoyne Region	100% Gascoyne Resources
EL21/195	Dalgaranga	Gold	Murchison Region	80% Gascoyne Resources
EL59/1709	Dalgaranga	Gold	Murchison Region	80% Gascoyne Resources
EL59/1904	Dalgaranga	Gold	Murchison Region	80% Gascoyne Resources
EL59/1906	Dalgaranga	Gold	Murchison Region	80% Gascoyne Resources
L59/141	Dalgaranga	Gold	Murchison Region	100% Gascoyne Resources
L59/142	Dalgaranga	Gold	Murchison Region	100% Gascoyne Resources
L59/151	Dalgaranga	Gold	Murchison Region	100% Gascoyne Resources
L59/152	Dalgaranga	Gold	Murchison Region	100% Gascoyne Resources
L59/153	Dalgaranga	Gold	Murchison Region	100% Gascoyne Resources
L59/167	Dalgaranga	Gold	Murchison Region	100% Gascoyne Resources
L59/168	Dalgaranga	Gold	Murchison Region	100% Gascoyne Resources
L59/169	Dalgaranga	Gold	Murchison Region	100% Gascoyne Resources
L59/170	Dalgaranga	Gold	Murchison Region	100% Gascoyne Resources
ML59/749	Dalgaranga	Gold	Murchison Region	100% Gascoyne Resources
EL59/2150	Dalgaranga	Gold	Murchison Region	100% Gascoyne Resources
EL59/2053	Dalgaranga	Gold	Murchison Region	100% Gascoyne Resources
EL59/2289	Dalgaranga	Gold	Murchison Region	100% Gascoyne Resources
EL52/3531	Mumbakine Well	Gold	Pilbara Region	100% Gascoyne Resources
EL09/1325	Glenburgh	Gold	Gascoyne Region	100% Gascoyne Resources
EL09/1764	Glenburgh	Gold	Gascoyne Region	100% Gascoyne Resources
EL09/1865	Glenburgh	Gold	Gascoyne Region	100% Gascoyne Resources
EL09/1866	Glenburgh	Gold	Gascoyne Region	100% Gascoyne Resources
EL09/2025	Glenburgh	Gold	Gascoyne Region	100% Gascoyne Resources
EL09/2148	Glenburgh	Gold	Gascoyne Region	100% Gascoyne Resources
L09/56	Glenburgh	Gold	Gascoyne Region	100% Gascoyne Resources
L09/62	Glenburgh	Gold	Gascoyne Region	100% Gascoyne Resources
ML09/148	Glenburgh	Gold	Gascoyne Region	100% Gascoyne Resources
EL51/1648[1]	Murchison	Gold	Murchison Region	100% Gascoyne Resources
EL51/1681	Murchison	Gold	Murchison Region	100% Gascoyne Resources
EL52/2117	Mt Egerton	Gold	Gascoyne Region	100% Gascoyne Resources
EL52/2515	Mt Egerton	Gold	Gascoyne Region	100% Gascoyne Resources
EL52/3574	Mt Egerton	Gold	Gascoyne Region	100% Gascoyne Resources
ML52/343	Mt Egerton	Gold	Gascoyne Region	100% Gascoyne Resources
ML52/567	Mt Egerton	Gold	Gascoyne Region	100% Gascoyne Resources
EL52/3490	Mt James	Gold	Gascoyne Region	100% Gascoyne Resources

1 Doray Minerals Limited (ASX: DRM) earning into the project.

Abbreviations used in Tenement Schedule:

EL Exploration Licence
ELA Exploration Licence Application
L Miscellaneous Licence
ML Mining Lease