30 September 2020

Australian Securities Exchange Limited
Via ASX Market Announcements Platform

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Gascoyne Resources Limited unaudited condensed annual report

The Deed Administrators* of Gascoyne Resources Ltd and each of its wholly owned subsidiaries (All Subject to Deed of Company Arrangement) ("Gascoyne", ASX: GCY) are pleased to announce the release of Gascoyne's unaudited condensed annual report. Gascoyne is relying on the relief provided under ASIC instrument CI 2020/451 to extend the lodgement due date for listed entities of the audited annual report for financial year ended 30 June 2020, from 30 September 2020 to 31 October 2020.

Gascoyne will immediately announce to the market if there is a material difference between its unaudited condensed annual report and its audited annual report.

The following unaudited condensed annual report is based on the consolidated financial statements for the financial year ended 30 June 2020, which are in the process of being audited.

*Michael Ryan, Kathryn Warwick and Ian Francis all Senior Managing Directors of FTI Consulting were appointed as Deed Administrators of Gascoyne on 26 June 2020.

This announcement has been authorised for release to the ASX by the Deed Administrators of Gascoyne.

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For all further enquiries please contact:

Media enquiries:
Cameron Morse
Strategic Communications
FTI Consulting
T: +61 8 9321 8533 / 0433 886 871
E: cameron.morse@fticonsulting.com

Creditor & Shareholder enquiries:
Gascoyne_enquiries@fticonsulting.com

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GASCOYNE RESOURCES LIMITED

(Subject to Deed of Company Arrangement)

Unaudited condensed annual financial report

for the year ended 30 June 2020

Corporate Directory

Directors

George Bauk	Non-executive Chairman
Richard Hay	Executive Director, Chief Executive Officer
Rowan Johnston	Non-executive Director

Administrators

Michael Ryan, Kathryn Warwick and Ian Francis
FTI Consulting
Level 47
Central Park
152-158 St Georges Terrace
Perth, Western Australia, 6000
Telephone: +61 8 9321 8533
Facsimile: +61 8 9321 8544

Company Secretary

Shane McBride

Australian Business Number

57 139 522 900

Head and Registered Office

Level 1
41-47 Colin Street
West Perth, Western Australia, 6005
PO Box 1449
West Perth, Western Australia, 6872
Telephone: +61 8 9481 3434
Facsimile: +61 8 9481 0411
Email: admin@gascoyneresources.com.au
Website: www.gascoyneresources.com.au

Share Registry

Advanced Share Registry
110 Stirling Highway
Nedlands, Western Australia, 6009
Telephone: +61 8 9389 8033
Facsimile: +61 8 9262 3723
Email: admin@advancedshare.com.au
Website: www.advancedshare.com.au

Auditor

Grant Thornton Audit Pty Ltd
Level 43
Central Park
152-158 St Georges Terrace
Perth, Western Australia, 6000
Telephone: +61 8 9480 2000
Facsimile: +61 8 9480 2050

Stock Exchange Listing

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

Contents

ASIC relief for lodgement date of financial reports

On 20 May 2020, ASIC issued *ASIC Corporations (Extended Reporting and Lodgment Deadlines-Listed Entities) Instrument 2020/451* (ASIC-CI 2020/451), which provides relief by extending the lodgement due date for listed entities. Under this relief, the due date for lodgement of financial reports with ASIC, under section 319 of the *Corporations Act 2001,* is extended from three months to four months after year end. ASIC-CI 2020/451 applies to annual reports for a financial year that ends between 21 February 2020 and 7 July 2020 (both inclusive).

Accordingly, Gascoyne Resources Limited (Subject to Deed of Company Arrangement) (Gascoyne or the Company) is relying on the relief provided under ASIC-CI 2020/451 to extend the lodgement date for the audited annual report for financial year ended 30 June 2020 from 30 September 2020 to 31 October 2020.

The Company will immediately announce to the market if there is a material difference between its unaudited condensed annual report and its audited annual report.

This unaudited condensed annual financial report is based on the consolidated financial statements for the financial year ended 30 June 2020, which are in the process of being audited.

Review of operations and financial results

Overview

Gascoyne Resources Limited (Subject to Deed of Company Arrangement) (Gascoyne or the 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 (Dalgaranga);
- gold exploration at the Glenburgh Gold Project; and
- regional exploration.

Administration period

On 2 June 2019, Michael Ryan, Kathryn Warwick and Ian Francis of FTI Consulting were appointed as Joint and Several Voluntary Administrators (Administrators) of the Company and each of its wholly-owned subsidiaries. The Administrators determined that the best option to preserve value of the Group's assets was to continue trading the operations on a 'business as usual' basis, rather than placing the mine on care and maintenance. With the support of the Group's secured creditors, employees and key suppliers, the Administrators stabilised the business, implemented workstreams to complete mining technical work necessary to optimise the mine and its operations, and initiated a dual track process to achieve either a sale of its assets or recapitalisation of the Group.

On 18 June 2020, pursuant to their Report to Creditors, the Administrators recommended that the Group's creditors approve a Deed of Company Arrangement (DOCA) as part of a broader recapitalisation and relisting plan. This recommendation came after a significant operational turnaround was achieved by the Group during the previous 13 months.

On 25 June 2020, at a second meeting of creditors, the Group's creditors passed a resolution approving entry into the DOCA. The purpose of the DOCA is to restructure the Group's debts and facilitate the recapitalisation of the Company. The Group entered into the DOCA on 26 June 2020. Under the DOCA, the Administrators were appointed as Joint and Several Deed Administrators (Deed Administrators).

The recapitalisation of the Company is currently progressing and the DOCA is scheduled to be effectuated on or about 20 October 2020.

Operations

Dalgaranga Gold Project

Production

Over the past 12 months, the Company has focussed on transforming into a profitable gold mining operation which has now been demonstrated by consistent and improved monthly production results. The Company exceeded 73,000 ounces of gold production for the year. Furthermore, after six consecutive months of more than 6,000 ounces of gold produced to 30 June 2020, the Company achieved the upper end of guidance for the June 2020 quarter (18-21,000 ounces) with 20,550 ounces of gold produced for the quarter.

This achievement directly reflects the higher grades of ore accessed from the Gilbey's Main Zone (GMZ) at Dalgaranga, supported by high-grade ore from the base of the Golden Wings pit. This was made possible by the decision to reinvest approximately $10.0 million into a short cutback acceleration of the western wall of the main Gilbey's pit from November 2019 to February 2020 with 4.1 million BCM of the total 9.3 million BCM of waste for the year mined during this period. The cutback acceleration focussed on progressively exposing more of the entire 800m length of the GMZ. It was designed to de-risk the mine's access to sustainable quantities of GMZ ore to keep the processing plant at maximum capacity.

Review of operations and financial results

Mining in Golden Wings was completed in August 2020 and all mining operations are now occurring within the Gilbey's pit. Importantly, the vast majority of the ore to be mined and processed in the future will be sourced from the deeper, wider, more continuous high-grade ore from the GMZ transitional and fresh rock ore zones, versus the historically poorly reconciling peripheral, shallow, narrow and discontinuous depleted oxide zones. In addition, approximately $4.5 million has also been reinvested into long term infrastructure and other improvements during the year.

It is important to note that even though the short accelerated cutback resulted in considerable waste movements to access the GMZ, waste of 9.3 million BCM mined in the current year was significantly less than the 17.8 million BCM mined in the prior year. The difference of 8.5 million BCM is primarily driven by significant waste movement at Golden Wings and Gilbey's Starter Pit in the prior year to access the main ore bodies, completion of mining at the Sly Fox pit and poor reconciliation to the Mineral Resource and Ore Reserve models in the prior year which made it difficult to plan total material movements.

Average plant feed grade improved from 0.78g/t Au in the prior year to 0.86g/t Au in the current year. During the year, plant feed grade fluctuated from quarter to quarter primarily due to the source of ore feed for that quarter. In the December 2019 quarter plant feed grade was particularly low due to most of the ore feed being sourced from lower grade zones as the cutback acceleration continued to progress to expose further length of the higher grade GMZ. The year ended with record plant feed grade of 1.03g/t Au in the June quarter, driven primarily by ore feed being sourced primarily from the GMZ.

Processing plant throughput was excellent in both the March 2020 and June 2020 quarters compared to prior quarters within the year, with annualised run rates on predominantly transitional and oxide ore of approximately 2.8-3.0Mtpa, exceeding fresh rock nameplate design of 2.5Mtpa. It is anticipated that annualised throughput rates will reduce towards 2.5Mtpa as higher percentages of fresh ore are processed. Processing plant recoveries have stabilised above 90%, with operational strategies implemented to ensure the highest recoveries possible are maintained. To help improve plant recoveries, an automated cyanide and oxygen dosing system was installed and commissioned in the March 2020 quarter, which is progressively optimising cyanide usage whilst maintaining plant recoveries.

Gravity gold recovery improved significantly during the year, with the June 2020 quarter averaging 16.7% compared to 2.3% in the June 2019 quarter. The gravity gold recovery result continues to build confidence in the original feasibility study metallurgical test work, which identified a range of 30-50% gravity recoverable gold in the GMZ fresh ore. Investigations are ongoing into options to increase the proportion of mill throughput that passes through the gravity circuit, which is currently less than 20%.

Reconciliation between Declared Ore Mined and the 2019 Localised Uniform Conditioning (LUC) Mineral Resource model has improved due to the increasing quantities of GMZ ore mined and processed over the six months ended 30 June 2020, with two GMZ batch trials, completed in the first half of the 2020 calendar year, exceeding expectations against the 2019 LUC model. The combined outcome from these two batch trials was that 18% more tonnes at a 6% higher grade were achieved versus the LUC model, yielding 25% more ounces than estimated in the LUC model. It is important however to exercise caution by not extrapolating these results across the remainder of the Mineral Resource as local geological variations may not be reflective of the entire Mineral Resource.

All-in sustaining cost (AISC) of $1,576 per ounce has significantly improved from the prior year AISC of $1,930 per ounce. The marked improvement was primarily driven by the considerably increased ounces of gold poured of 73,283 ounces this year compared to 57,306 ounces in the prior year. Increase in gold ounces poured is as a result of the combination of factors discussed above.

A program of Resource definition drilling consisting of ten Reverse Circulation (RC) holes targeting the southern GMZ down dip extensions successfully delineated wide, high-grade intersections in nine of the ten holes.

The annual update to the Dalgaranga Mineral Resource and Ore Reserve estimates was completed as at 30 April 2020.

Financial results

Financial performance

Gold sales revenue of $170.9 million (2019: $95.7 million) was generated from the sale of 72,848 ounces at an average gold price of A$2,346 (2019: 48,075 ounces at an average price of A$1,991). Revenue from the sale of 22,390 ounces of silver was $0.5 million (2019: $0.1 million; 3,507 ounces). Total cost of goods sold inclusive of depreciation and amortisation was $149.9 million (2019: $119.7 million).

Review of operations and financial results

The increase in revenue compared to the prior year is driven by an improvement in operating performance as well as the Group being in an unhedged position since the start of the year therefore being able to benefit from the increase in gold spot price. Increased cost of goods sold is primarily driven by an amendment to mining contractor rates at the start of the year, increased contractor and casual employee costs due to being in Administration, implementation of COVID-19 safety measures and increased gold royalties as a result of increased revenue.

The net consolidated profit of the Group for the year was $2.0 million (2019: $107.1 million loss). The significant turnaround from 30 June 2019 is primarily driven by the increased gold spot price, no impairment loss, investment to expose a significant length of the GMZ thereby securing a sustainable quantity of high-grade ore and improved process plant recoveries and efficiencies.

Corporate expenses for the year totalled $11.9 million (2019: $6.5 million). The increase is partly driven by Administrator, corporate advisory and legal costs related to the dual track recapitalisation and sale process.

Depreciation and amortisation of fixed assets and capitalised mine properties expenditure totalled $42.2 million (2019: $33.0 million) for the year. The higher charge for the year is due to an increased level of production for assets depreciated on a units of production basis, and depreciation following initial recognition of right-of-use assets on adoption of AASB 16 *Leases*.

Financial position

The Group held cash and cash equivalents of $5.6 million as at 30 June 2020 (2019: $16.7 million) and $3.5 million in unsold bullion on hand was recognised in inventory at cost (2019: $2.5 million at net realisable value). Market value of unsold bullion on hand at 30 June 2020 was $5.1 million (2019: $3.0 million). The Group's free cashflow generation continued to improve from quarter to quarter during the year as a result of the increasing gold spot price as well as improved operating performance. The Group generated cash from operations of $50.9 million for the year offset by investing activities of $45.9 million, resulting in free cashflow generation of $5.0 million for the year. Free cashflow generation in the first half of the year was negative $7.3 million and the second half of the year has seen a strong turnaround to achieve positive free cash generation of $12.3 million, for the net positive $5.0 million for the year.

As at 30 June 2020 the Group has a working capital deficit of $116.0 million (2019: $108.0 million). The slight increase in the deficit from the prior period is driven in part by accrued but unpaid interest incurred during the year on the syndicated facility agreement (SFA) with Commonwealth Bank of Australia and National Australia Bank.

Consolidated statement of comprehensive income

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Revenue	4	171,489	95,777
Cost of sales	5	(149,940)	(119,676)
Gross profit/(loss)		**21,549**	**(23,899)**
Other income	4	3	1,168
Impairment loss	12	-	(33,494)
Other expenses	5	(12,873)	(8,137)
Operating profit/(loss)		**8,679**	**(64,362)**
Finance income	6	15	189
Finance costs	6	(6,556)	(38,040)
Profit/(loss) before income tax		**2,138**	**(102,213)**
Income tax expense	7	(149)	(4,892)
Profit/(loss) for the year after income tax		**1,989**	**(107,105)**
Total other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**1,989**	**(107,105)**
Profit/(loss) for the year after income tax attributable to:			
Owners of the Company		1,989	(107,105)
Non-controlling interests		-	-
		1,989	**(107,105)**
Total comprehensive profit/(loss) for the year attributable to:			
Owners of the Company		1,989	(107,105)
Non-controlling interests		-	-
		1,989	**(107,105)**
Profit/(loss) per share			
Basic (cents per share)	8	0.2	(18.6)
Diluted (cents per share)	8	0.2	(18.6)

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

Consolidated statement of financial position

As at 30 June 2020

	Note	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents		5,640	16,729
Inventories	9	15,255	8,139
Other financial assets	10	633	633
Other assets		5,571	3,793
		27,099	**29,294**
Non-current assets			
Mine properties, property, plant and equipment	11	179,747	167,598
Exploration and evaluation	13	30,114	28,971
Other financial assets	10	380	379
		210,241	**196,948**
Total assets		**237,340**	**226,242**
Current liabilities			
Trade and other payables	14	43,608	32,956
Borrowings and lease liabilities	15	71,532	71,938
Provisions	16	2,958	2,052
Other financial liabilities	10	24,995	30,326
		143,093	**137,272**
Non-current liabilities			
Borrowings and lease liabilities	15	10,678	9,335
Provisions	16	26,200	23,882
		36,878	**33,217**
Total liabilities		**179,971**	**170,489**
Net assets		**57,369**	**55,753**
Equity			
Share capital	17	171,583	171,931
Non-controlling interests		1,125	1,129
Reserves	17	861	882
Accumulated losses		(116,200)	(118,189)
Total equity		**57,369**	**55,753**

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

Consolidated statement of changes in equity

For the year ended 30 June 2020

	Share capital $'000	Share-based payments reserve $'000	Exploration asset reserve $'000	Accumulated losses $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total $'000
At 1 July 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**
Profit for the year	-	-	-	1,989	1,989	-	1,989
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive profit for the year	-	-	-	1,989	1,989	-	1,989
Movement in non-controlling interests' share of net assets	-	-	4	-	4	(4)	-
Share issue costs (net of tax)	(348)	-	-	-	(348)	-	(348)
Share-based payments	-	(25)	-	-	(25)	-	(25)
At 30 June 2020	**171,583**	**1,674**	**(813)**	**(116,200)**	**56,244**	**1,125**	**57,369**

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

Consolidated statement of cash flows
For the year ended 30 June 2020

	2020 $'000	2019 $'000
Cash flows from operating activities		
Receipts from customers	171,489	95,777
Payments to suppliers and employees	(119,742)	(85,965)
Other revenue received	3	1,163
Finance charges paid	(146)	(123)
Interest received	14	189
Interest paid	(695)	(2,754)
Income tax refund - research and development	-	264
Net cash flows from operating activities	**50,923**	**8,551**
Cash flows from investing activities		
Payments for exploration and evaluation	(1,147)	(2,579)
Payments for mine properties, property, plant and equipment	(44,763)	(67,788)
Proceeds from the sale of pre-production inventories	-	4,239
Transfer to security deposits	-	(170)
Net cash flows used in investing activities	**(45,910)**	**(66,298)**
Cash flows from financing activities		
Proceeds from issue of shares	-	48,662
Share issue costs	(497)	(3,683)
Proceeds from borrowings and lease liabilities	-	10,352
Repayment of borrowings	(12,245)	(2,633)
Repayment of lease liabilities	(3,360)	(2,283)
Payments for borrowings transaction costs	-	(1,084)
Net cash flows (used in)/from financing activities	**(16,102)**	**49,331**
Net change in cash and cash equivalents	(11,089)	(8,416)
Cash and cash equivalents at 1 July	16,729	25,145
Cash and cash equivalents at 30 June	**5,640**	**16,729**

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

Notes to the financial statements

Notes to the financial statements

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

Basis of preparation

1 Reporting entity

Gascoyne Resources Limited (Subject to Deed of Company Arrangement) 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 unaudited condensed 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).

The unaudited condensed financial report does not include all notes and disclosures required in an annual report and should be read in conjunction with the Group's annual financial report for the financial year ended 30 June 2019, the Group's interim report for the half-year ended 31 December 2019 and any public announcements made by the Company during the year ended 30 June 2020.

Gascoyne Resources Limited (Subject to Deed of Company Arrangement) 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 have been applied consistently to all financial years presented, unless otherwise stated. The Group adopted new accounting standard AASB 16 *Leases* on 1 July 2019, and amended the lease accounting policy for contracts entered into, or changed, on or after 1 July 2019. Refer to note 18 for details of the transition approach and impact on adoption of AASB 16.

Functional and presentation currency

The financial statements are presented in Australian dollars which is the Group'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 the unaudited condensed 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 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 2020, 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:

2020	**Gold operations**	**Exploration, evaluation and development**	**Total operations**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
External revenue	171,489	-	171,489	-	**171,489**
Segment profit/(loss) before income tax	9,772	(2)	9,770	(7,632)	**2,138**
Segment profit/(loss) includes the following adjustments:					
Depreciation and amortisation	(41,987)	-	(41,987)	(202)	**(42,189)**
Deferred stripping costs capitalised	43,220	-	43,220	-	**43,220**
Exploration and evaluation expenditure write-off	-	(1)	(1)	-	**(1)**
Inventory product movement and provision	6,607	-	6,607	-	**6,607**
	7,840	(1)	7,839	(202)	**7,637**
At 30 June 2020					
Segment assets	205,848	29,801	235,649	1,691	**237,340**
Segment liabilities	264,243	16,961	281,204	(101,233)	**179,971**

3 Operating segments (continued)

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**

4 Revenue and other income

Revenue

	2020 $'000	2019 $'000
Gold sales	170,925	95,702
Silver sales	564	75
	171,489	**95,777**

The Group sells gold and silver in the form of bullion to The Perth Mint which is wholly-owned by the Government of Western Australia.

Other income

	2020 $'000	2019 $'000
Gain on settlement of derivative financial instruments[1]	-	1,168
Other income	3	-
	3	**1,168**

1 Relating to diesel swap contracts measured at fair value through profit or loss.

5 Expenses

Cost of sales

	2020 $'000	2019 $'000
Cash costs of production	153,557	125,401
Deferred stripping costs capitalised	(43,220)	(35,770)
Inventory product movement	(6,067)	(5,804)
Inventory product net realisable value provision	(540)	541
Depreciation and amortisation	41,987	32,894
Royalties	4,223	2,414
	149,940	**119,676**

Other expenses

	2020 $'000	2019 $'000
Corporate expenses	11,946	6,503
Fair value movement in derivative financial instruments	-	1,160
Put option expense	749	-
Exploration and evaluation expenditure write-off	1	145
Depreciation and amortisation	202	77
Share-based payments	(25)	252
	12,873	**8,137**

Employee benefits expense

	2020 $'000	2019 $'000
Salaries and wages	13,320	11,345
Superannuation	1,190	1,015
Share-based payments	(25)	252
Other employment costs	886	450
	15,371	**13,062**
Amounts capitalised	(674)	(653)
	14,697	**12,409**

6 Finance income and costs

	2020 $'000	2019 $'000
Finance income		
Interest income	15	189
	15	**189**
Finance costs		
Interest expense on borrowings	5,420	6,554
Interest expense on lease liabilities	677	504
Borrowing costs	146	250
Unwinding of discount	313	400
Loss on closure of commodity swap and forward contracts	-	30,332
	6,556	**38,040**

7 Income tax

The major components of income tax expense are:

	2020 $'000	2019 $'000
Current income tax		
Research and development tax offset	-	(33)
Deferred income tax		
Relating to origination and reversal of temporary differences	8,525	(9,193)
Deferred tax liability offset by deferred tax asset losses	(7,890)	27
Derecognition of previously recognised deferred tax asset losses	(486)	14,091
Income tax expense	**149**	**4,892**

Income tax expense

The current income tax expense of $0.1 million recorded for the year arises as a result of the recognition of a deferred tax credit directly in equity. The current income tax expense of $4.9 million recorded for the previous year arose 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 Taxation Office and remains in a tax loss position for income tax purposes.

8 Earnings per share

	2020	2019
	Cents per share	Cents per share
Basic profit/(loss) per share	0.2	(18.6)
Diluted profit/(loss) per share	0.2	(18.6)

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

	$'000	$'000
Earnings used in calculating earnings per share		
Profit/(loss) after tax attributable to the owners of the Company	**1,989**	**(107,105)**

	No. of shares	No. of shares
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	**1,004,864,955**	**577,379,441**

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.

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 Inventories

	2020 $'000	2019 $'000
Ore stockpiles	6,794	1,304
Gold in circuit	2,120	2,072
Bullion on hand	3,540	2,470
Consumable stores	2,801	2,293
	15,255	**8,139**

Inventories are valued at the lower of cost and net realisable value. At the reporting date, all inventory on hand is valued at cost (2019: ore stockpiles, gold in circuit and bullion on hand at net realisable value, consumable stores at cost).

No provision was required to write down inventories to their recoverable value at 30 June 2020 (2019: $0.5 million, all inventories except consumable stores).

10 Other financial assets and liabilities

	2020 $'000	2019 $'000
Current assets		
Receivable on close out of commodity swap contracts	**633**	**633**
Non-current assets		
Term deposits	**380**	**379**
Current liabilities		
Payable on close out of commodity forward contracts	**24,995**	**30,326**

11 Mine properties, property, plant and equipment

	Right-of-use assets							
	Plant and equipment $'000	Property $'000	Mine properties $'000	Plant and equipment $'000	Mine properties under develop-ment $'000	Capital work in progress $'000	Mine properties $'000	Total $'000
Cost								
At 1 July 2018	-	-	-	719	174,455	-	-	175,174
Additions	-	-	-	148	8,272	6,659	45,919	60,998
Transfers between classes[1]	-	-	-	95,802	(182,727)	(270)	87,195	-
Transfers to inventory	-	-	-	-	-	-	(1,524)	(1,524)
At 30 June 2019	-	-	-	96,669	-	6,389	131,590	234,648
Accumulated depreciation, amortisation and impairment								
At 1 July 2018	-	-	-	585	-	-	-	585
Depreciation and amortisation[1]	-	-	-	9,235	-	-	23,736	32,971
Impairment loss[1]	-	-	-	17,579	-	-	15,915	33,494
At 30 June 2019	-	-	-	27,399	-	-	39,651	67,050
Net book value	-	-	-	69,270	-	6,389	91,939	167,598
Cost								
At 1 July 2019	-	-	-	96,669	-	6,389	131,590	234,648
Recognised on adoption of AASB 16[2]	5,198	172	394	-	-	-	-	5,764
Reclassified on adoption of AASB 16[3]	14,278	-	-	(14,278)	-	-	-	-
Restated at 1 July 2019	19,476	172	394	82,391	-	6,389	131,590	240,412
Additions	-	-	-	9	-	3,286	45,670	48,965
Disposals	-	-	-	(585)	-	-	-	(585)
Remeasurement[4]	-	82	-	-	-	-	-	82
Transfers between classes	-	-	-	2,672	-	(7,874)	5,202	-
Transfers to inventory	-	-	-	-	-	(473)	-	(473)
At 30 June 2020	19,476	254	394	84,487	-	1,328	182,462	288,401
Accumulated depreciation, amortisation and impairment								
At 1 July 2019	-	-	-	27,399	-	-	39,651	67,050
Reclassified on adoption of AASB 16[3]	4,045	-	-	(4,045)	-	-	-	-
Restated at 1 July 2019	4,045	-	-	23,354	-	-	39,651	67,050
Depreciation and amortisation	2,721	147	54	9,505	-	-	29,762	42,189
Disposals	-	-	-	(585)	-	-	-	(585)
At 30 June 2020	6,766	147	54	32,274	-	-	69,413	108,654
Net book value	**12,710**	**107**	**340**	**52,213**	**-**	**1,328**	**113,049**	**179,747**

11 Mine properties, property, plant and equipment (continued)

1 Item of mine properties reclassified as plant and equipment.
2 Recognition of right-of-use assets on adoption of AASB 16 *Leases* on 1 July 2019, refer to note 15.
3 Finance lease arrangements previously presented within plant and equipment and mine properties have been reclassified to the right-of-use asset class. There was no change in the amounts recognised.
4 Remeasurement arising from a change in the lease term.

12 Impairment of non-current assets

	2020 $'000	2019 $'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 the identification of impairment indicators, being the placement of the Group into voluntary administration by the Board of Directors on 2 June 2019 and subsequent suspension from trading on the ASX.

The impairment review conducted indicated a recoverable amount in excess of the current carrying amount of the Dalgaranga CGU and therefore no impairment loss has been recognised at 30 June 2020 (2019: $33.5 million).

Plant and equipment	2020 $'000	2019 $'000
Carrying amount	179,747	201,092
Impairment	-	(33,494)
Recoverable amount	**179,747**	**167,598**

13 Exploration and evaluation

	2020 $'000	2019 $'000
At 1 July	28,971	28,062
Expenditure incurred during the year	1,604	1,360
Expenditure reclassified to mine properties	(460)	-
Expenditure reclassified to mine properties under development	-	(306)
Exploration and evaluation expenditure write-off	(1)	(145)
At 30 June	**30,114**	**28,971**

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.

14 Trade and other payables

	2020 $'000	2019 $'000
Trade payables	43,409	32,476
Deferred contractor mobilisation payables	-	372
Employee benefits	199	108
	43,608	**32,956**

Trade payables at 30 June 2020 included pre-Administration unsecured creditor debts of $6.8 million and secured creditor debt owed to NRW Pty Ltd under the mining services contract of $20.7 million. On 25 August 2020, $2.9 million was paid to a trust account held by FTI Consulting. Upon effectuation of the DOCA, FTI Consulting shall transfer the amount from their trust account to the Creditors' Trust in order to cash settle a portion of the unsecured creditor claims in accordance with the DOCA terms.

15 Borrowings and lease liabilities

	2020 $'000	2019 $'000
Current		
Secured bank loan facility	56,049	58,378
Lease liabilities	3,483	2,379
Working capital facility	12,000	11,181
	71,532	**71,938**
Non-current		
Lease liabilities	**10,678**	**9,335**

Secured bank loan facility

In December 2017, the Group entered into a syndicated facility agreement (SFA) with Commonwealth Bank of Australia and National Australia Bank (Original Banks) for the provision of a secured $60.0 million Project Finance Facility to fund the development of Dalgaranga. The loan facility is interest-bearing with a variable interest rate based on the BBSY rate plus a margin of 6.50% from 2 June 2019, incorporating an additional overdue rate of 2.00%, on commencement of Administration.

The SFA was originally repayable by June 2022, however, voluntary appointment of Administrators on 2 June 2019 was an event of default under the terms of the SFA, therefore the remaining loan balance due to the Original Banks as at 2 June 2019 became due and payable in full on that date. Principal repayments of $6.1 million (2019: $2.6 million) were made during the year.

Monthly payments to the Original Banks of $1.0 million per month commenced on 1 July 2020 and will continue until the earlier of repayment of the SFA in full or 8 October 2020.

As part of the Recapitalisation of the Group, on 13 August 2020, the Group entered into a finance facility agreement with Investec Bank plc (the Financier) intended to refinance $40.0 million of the SFA debt with the balance to be repaid from the capital raising proceeds.

15 Borrowings and lease liabilities (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 30 June 2020, however, voluntary appointment of Administrators on 2 June 2019 resulted in a suspension of repayments. Fees and interest rates are set at commercial rates commensurate for this type of facility.

The facility and associated mining contract are secured by a subordinated general security agreement over the assets of GNT Resources Pty Ltd (Subject to Deed of Company Arrangement), a Group subsidiary, until full repayment of both the facility and the associated mining contract.

Lease liabilities

The Group leases power generating and storage facilities, plant and equipment, and property, for which contracts are typically entered into for fixed periods and may include extension options.

AASB 16 Leases

The Group adopted the new lease accounting standard, AASB 16 *Leases* (AASB 16), on its effective date of 1 July 2019, refer to note 18. Additional lease liabilities of $5.8 million (current: $1.0 million; non-current: $4.8 million) were recognised on 1 July 2019. Additional lease interest expense of $0.3 million and lease principal repayments of $1.0 million were incurred during the year.

16 Provisions

	2020 $'000	2019 $'000
Current		
Employee benefits	1,528	1,326
Royalty payments	1,430	726
	2,958	**2,052**
Non-current		
Employee benefits	676	18
Rehabilitation and mine closure	25,524	23,864
	26,200	**23,882**

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

	2020 $'000	2019 $'000
At 1 July	23,864	15,137
Additional provisions recognised	1,347	8,327
Unwinding of discount	313	400
At 30 June	**25,524**	**23,864**

The Group completed a review of the rehabilitation and mine closure provision during the year, which resulted in an increase of $1.3 million (2019: $8.3 million) to both the provision and the corresponding rehabilitation asset recorded in mine properties.

17 Equity

Share capital

	2020		2019	
	No. of shares	$'000	No. of shares	$'000
Fully paid ordinary shares				
At 1 July	1,004,864,955	171,931	434,702,028	125,847
Issue of shares	-	-	68,323,334	20,497
Share purchase plan	-	-	12,290,000	3,687
Issue of shares	-	-	77,297,304	3,865
Issue of shares	-	-	412,252,289	20,613
Share issue costs	-	(497)	-	(3,683)
Deferred tax credit relating to share issue costs	-	149	-	1,105
At 30 June	**1,004,864,955**	**171,583**	**1,004,864,955**	**171,931**

As part of the planned recapitalisation, costs were incurred during the year for the planned issue of new shares under the $85.2 million capital raise announced on 13 August 2020. New shares under this capital raise are expected to be issued in October 2020.

Reserves

	Share-based payments reserve $'000	Exploration asset reserve $'000	Total $'000
At 1 July 2018	1,447	(764)	683
Share-based payments	252	-	252
Non-controlling interests' share of current year exploration expenditure	-	(53)	(53)
At 30 June 2019	**1,699**	**(817)**	**882**
Share-based payments	(25)	-	(25)
Non-controlling interests' share of current year exploration expenditure	-	4	4
At 30 June 2020	**1,674**	**(813)**	**861**

Notes to the financial statements

Significant accounting policies

This section of the notes to the financial statements provides information on significant accounting policies and the impact of changes in accounting policies.

18 Summary of significant accounting policies

The Group's accounting policies referred to in this unaudited condensed 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 16 *Leases* (AASB 16) on 1 July 2019, 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 are classified as subsidiaries of the Group, based on the Group's controlling interest in the joint ventures.

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 prior periods.

The Group applied AASB 16 from the initial date of application, 1 July 2019. AASB 16 replaces AASB 117 *Leases* (AASB 117) and related interpretations, and is effective for financial periods beginning on or after 1 January 2019. 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 2020 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.

18 Summary of significant accounting policies (continued)

AASB 16 Leases

AASB 16 introduces a single lessee on-balance sheet accounting model, eliminating the distinction between operating and financing leases under AASB 117, and requires recognition of a right-of-use (ROU) asset and a lease liability for most lease contracts with a lease term of more than 12 months, unless the underlying asset is of low value.

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.

Transition approach on adoption of AASB 16

The Group adopted AASB 16 on the date of initial application, 1 July 2019, applying the modified retrospective approach permitted by the standard. Under this approach, ROU assets and lease liabilities are calculated as at 1 July 2019 for operating leases existing at 30 June 2019 and comparative information is not restated, with any cumulative effect of initially applying AASB 16 recognised as an adjustment to the opening balance of retained earnings on 1 July 2019. The comparative information continues to be reported under AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

Recognition of ROU assets and lease liabilities on the date of initial application

On adoption of AASB 16 on 1 July 2019, ROU assets of $5.8 million were recognised in mine properties, property, plant and equipment and lease liabilities of $5.8 million were recognised in borrowings and lease liabilities, with no cumulative effect recognised in accumulated losses.

For leases previously classified as operating leases, lease liabilities were measured at the present value of the remaining lease payments, discounted using asset and company-specific incremental borrowing rates at the date of initial application, 1 July 2019. The weighted average incremental borrowing rate applied was 5.53%.

The related ROU assets recognised were measured at an amount equal to the related lease liability recognised on 1 July 2019.

For leases previously classified as finance leases, the carrying amounts of the lease assets and lease liabilities immediately before transition on 30 June 2019, as measured under AASB 117, were carried forward as the carrying amounts of the ROU asset and lease liability at the date of initial application, 1 July 2019. The measurement principles of AASB 16 are applied to these leases from the date of initial application.

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 2020 reporting periods. There are no other standards and interpretations that are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.