GASCOYNE RESOURCES LIMITED

Interim financial report

for the half-year ended 31 December 2022

Corporate Directory

Directors

Rowan Johnston	Non-Executive Chair
Simon Lawson	Managing Director and Chief Executive Officer
David Coyne	Finance Director
Hansjoerg Plaggemars	Non-Executive Director

Company Secretary

David Coyne

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

Automic
Level 5, 126 Phillip Street
Sydney, New South Wales, 2000
PO Box 5193
Sydney, New South Wales, 2001

Telephone:	1300 288 664 (Australia)
	+61 2 9698 5414 (International)
Facsimile:	+61 2 8583 3040
Email:	hello@automic.com.au
Website:	www.automicgroup.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

Sustainability

Environmental

The Group continued to adhere to sound environmental regulatory stewardship during the half-year with no environmental harm caused at any of the Group's operations.

During the second half of May 2022, the Company submitted its latest revisions to the Dalgaranga Mining Proposal and Mine Closure Plan to the relevant regulators. The requests to amend these two key regulatory approvals were primarily required to obtain approval for open pit mining at the Gilbey's North - Never Never deposits (collectively "Never Never"), increase the height of existing waste dumps and to be able to commence construction work on the initial lift of the Golden Wings Tails Storage Facility (GWTSF Lift).

Approval of the revision to the Dalgaranga Mining Proposal and Mine Closure Plan was received in late October, allowing the commencement of open pit mining at the Never Never deposit. The approval also allowed for the commencement of construction of the GWTSF Lift, however this work was placed on hold in early November.

Safety

Total recordable injury frequency rate (TRIFR) at the end of December 2022 for Dalgaranga was 3.5, a decrease from 4.2 at the end of June 2022. The Lost Time Injury Frequency Rate (LTIFR 12-month rolling) at the end of the December 2022 was 1.7, which continues to be below the Western Australian gold mining industry average of 2.2.

Social

During the half-year, the Company participated in a number of local and regional community activities and initiatives including:

- Sponsorship of books and materials for the 2022 Indigenous Art and Writers Program at Pia Wadjari, Mullewa and Yalgoo remote schools;
- Sponsorship of a race held on Mount Magnet Cup Day; and
- Donation to the Royal Flying Doctor Service.

Directors' report

The Directors of Gascoyne Resources Limited (Gascoyne or the Company) present their report together with the condensed interim financial statements (interim financial statements) of the consolidated entity, being Gascoyne Resources Limited and its controlled entities (together, the Group), for the half-year ended 31 December 2022.

Directors

The Directors of the Company during the half-year and up to the date of this report were, unless otherwise stated:

Mr Rowan Johnston	Independent Non-Executive Chair
Mr Simon Lawson	Managing Director and Chief Executive Officer
Mr David Coyne[1]	Finance Director
Mr Hansjoerg Plaggemars	Non-Executive Director

1 On 27 February 2023, the Company announced that Mr Coyne's full time role had been made redundant and would cease by the end of March 2023. Upon cessation of Mr Coyne's full time role he will remain on the Board and become a Non-Executive Director.

Directors' report

Review of operations

During the half-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. In November 2022, gold production was suspended and Dalgaranga transitioned to a care and maintenance basis while the Company focuses on exploration and resource growth, refer to below for more information.

The Group's current projects include:

- gold exploration and evaluation at Dalgaranga including care and maintenance of the +2.5Mtpa processing plant;
- gold exploration and evaluation at the Yalgoo Gold Project (Yalgoo); and
- gold exploration and evaluation at the Glenburgh Gold Project and Mt Egerton Gold Projects.

Suspension of operations

On 8 November 2022, the Company suspended open pit mining and ore processing operations at the Dalgaranga gold mine and commenced the transition of the Dalgaranga process plant to a care and maintenance basis. The decision to suspend operations was made in light of unsustainable increases in the operating cost base and a below-par operational performance which was exacerbated by industry-wide pressures including personnel and skills shortages.

Since 8 November 2022, the Company has safely wound down its operations at Dalgaranga and transitioned the process plant to a care and maintenance state under which the plant will be able to recommence operations on relatively short notice.

Financial restructure

As part of the transition to care and maintenance and the delivery of an updated operating plan, and post the reporting date of 31 December 2023, the Company has secured binding commitments for a $50.0 million funding package for the implementation of its financial restructure. The key elements of the funding package and financial restructure include:

- A fully underwritten $26.3 million equity raising (Equity Raising), comprising the issue of approximately 263 million new fully-paid ordinary shares in the Company at an issue price of $0.10 per New Share (Offer Price). The Equity Raising comprises:
  - An underwritten institutional placement of ~86 million New Shares to raise approximately $8.6 million (Placement); and
  - An underwritten 1-for-2.42 pro-rata accelerated non-renounceable entitlement offer of ~176 million New Shares to raise approximately $17.6 million (Entitlement Offer).

- A new strategic investment by Tembo Mining Fund III (Tembo Capital), a resources focused private equity fund, of $21.3 million, structured in two tranches:
  - Tranche A: A $15.0 million secured loan mandatorily convertible to shares at an issue price of $0.10 per New Share (which is the same as the Offer Price under the Entitlement Offer and Placement);
  - Tranche B: A $6.3 million secured loan mandatorily convertible to a 1.80% gross royalty on gold produced and sold from wholly-owned Dalgaranga tenements and a 1.35% gross royalty on gold produced and sold from the remaining wholly-owned tenements for which Gascoyne retains the gold rights to; and
  - Mandatory conversion of both Tranches A and B are subject to shareholder approval at an Extraordinary General Meeting (EGM) to be held in April 2023.

As part of the strategic investment, Tembo Capital will be granted a right to nominate one person to be appointed as a non-executive director on the Board of Gascoyne and access certain information of Gascoyne, subject to Tembo Capital maintaining an agreed holding in the Company's shares.

- An investment of $8.3 million from the Company's largest existing shareholder, including Delphi Unternehmensberatung AG, and its associates Deutsche Balaton AG, Sparta AG and 2invest AG, (Delphi), comprising:
  - Up to $5.8 million committed to the $26.3 million equity raising noted above.
  - A $2.5 million unsecured loan mandatorily convertible (upon shareholder approval) to a 0.7% gross royalty on gold produced and sold from wholly-owned tenements at Dalgaranga and a 0.5% gross royalty on gold produced and sold from the remaining wholly-owned tenements for which Gascoyne retains the gold rights to.

  Mandatory conversion of the unsecured loan is subject to, among other things, shareholder approval to be sought at an EGM that is expected to be held in mid-June 2023.

- A full and final settlement of all amounts owing between Gascoyne and NRW (and their respective group members) in respect of their existing contractual arrangements via an agreement entered into between the Company, GNT Resources Pty Ltd, NRW and NRW Pty Ltd (NRW Settlement Agreement). The material terms of the settlement include:
  - Payment of $2.0 million of the funding package proceeds in cash;
  - The issue of $2.0 million worth of fully paid ordinary shares in Gascoyne at the Offer Price, subject to shareholder approval at the EGM to be held in early April 2023; and
  - If shareholder approval is not obtained, Gascoyne will be required to pay $2.0 million to NRW in cash (bringing the aggregate cash payments to NRW under this settlement to $4.0 million).

- Arrangements with certain other creditors of the Company to settle amounts, of up to $2.5 million, owed to the creditors that were incurred prior to, or as a result of, the decision to suspend operations at Dalgaranga.

Strategic operating plan

Following the decision to place the Dalgaranga mining operations on care and maintenance in November 2022, the Company has worked expeditiously to develop an updated operating plan focused on the transformational Never Never discovery, which is located immediately adjacent to the Dalgaranga mill.

Following assessment of the outstanding exploration results to date, Gascoyne has developed an 18-month exploration and strategic plan targeting:

- A +300koz Au Reserve at a grade exceeding 4.0g/t Au at Never Never;
- A +600koz Au Resource at a grade exceeding 5.0g/t Au at Never Never; and
- The development of a 5-year mine plan aimed at delivering 130-150koz per annum.

This updated strategy is centred around an aggressive exploration programme at Never Never, comprising extensive reserve definition, resource expansion and near-mine exploration drilling targeting Never Never "look-alikes".

The Company also plans to undertake the development of an underground exploration drill drive, proposed to commence in mid-2023. Underground drill platforms will be utilised for Never Never underground reserve drilling, in addition to testing depth extensions of the deposit below the current Mineral Resource Estimate (MRE). The drill drive will also provide eventual underground mine access and ventilation infrastructure as the Company moves back into production.

Gascoyne anticipates regularly updating the MRE at Never Never approximately every six months, with the objective of ultimately delivering a maiden Never Never Ore Reserve, comprising both an open pit and underground component, in the first half of 2024.

In parallel with the Company's planned exploration program, Gascoyne is progressing permitting and evaluation of the satellite Yalgoo Gold Project, which is expected to provide an important source of ore feed to supplement the high-grade ore from Never Never.

Operating performance

Mining operations ceased on 8 November 2022 and processing of selected run-of-mine (ROM) stockpiles ceased during the second half of December 2022. In late October, prior to mining operations ceasing, open pit mining commenced at the Never Never deposit, extracting near-surface laterite ore. This ore was blended with existing Gilbey's Main and Plymouth ROM stockpiles and processed during the December quarter.

1,099Kbcm of material was mined during the half-year, primarily from Stage 2 of the Gilbey's Main Zone. 944,000 tonnes of ore were mined at an average grade of 0.78g/t Au. The grade reflected increased mining dilution experienced during the half-year due to constricted digging conditions in Stage 2 of the Gilbey's Main Zone.

Directors' report

An aggregate of 924,000 tonnes were processed during the half-year at an average feed grade of 0.79g/t Au. Gross metallurgical recovery was 84.6% which reflected the lower feed grade (due to increased mining dilution) and periodic cessation of processing between 8 November 2022 and 31 December 2022 as the plant was completing final processing runs and being prepared for a care and maintenance state.

Gold production for the half-year was 21,009oz and 22,129oz of gold were sold at an average realised price of A$2,558/oz. The Company did not have any outstanding gold hedges or forward contracts at the end of December 2022.

Due to the decision to suspend operations and transition the site to care and maintenance, reporting of unit costs has also been suspended by the Company until operations re-commence.

Low-grade stockpiles (material mined with a grade of 0.3g/t to 0.5g/t Au) are now 2,174,000 tonnes at an average grade of 0.35g/t Au, containing approximately 24,000 ounces of gold. The Company expects that these stockpiles will be useful blending material with higher-grade ore upon the future recommencement of operations at Dalgaranga.

Directors' report

Key operating metrics

Key operational information is summarised as follows:

Production summary	Unit	Quarter March 2022	June 2022	September 2022	December 2022	Financial year H1 2023	H1 2022
Mining							
Total material movement	Kbcm	1,646	879	738	362	1,099	3,887
Waste[1]	Kbcm	1,356	573	497	242	739	3,219
Ore (volume)[1]	Kbcm	290	306	241	119	360	667
Ore (tonnage)[1]	Kt	750	822	647	297	944	1,832
Mined grade[1]	g/t Au	1.11	0.80	0.82	0.71	0.78	0.77
Processing							
Throughput	Kt	635	667	619	305	924	1,348
Feed grade	g/t Au	1.20	0.89	0.81	0.75	0.79	0.89
Recovery	%	88.7	85.7	85.8	82.6	84.6	86.4
Recovered gold	Ounces	21,669	16,298	13,905	7,104	21,009	33,185
Poured gold	Ounces	21,319	16,597	13,560	7,951	21,511	33,659
Revenue summary							
Production sold	Ounces	21,260	16,882	13,950	8,180	22,129	33,337
Average price	A$/oz	2,586	2,620	2,548	2,577	2,558	2,533
Gold sales revenue	A$'000	54,987	44,227	35,538	21,076	56,613	84,441
Cost summary[2]							
Mining (net)	A$/oz	1,140	1,429	1,683			1,438
Processing	A$/oz	472	549	771			551
Site support	A$/oz	304	76	199			93
Site cash cost	**A$/oz**	**1,917**	**2,054**	**2,653**			**2,082**
Royalties	A$/oz	65	67	46			57
Accretion, sustaining capital, leases & exploration	A$/oz	112	244	395			95
Corporate allocation	A$/oz	33	32	42			23
AISC[3]	**A$/oz**	**2,127**	**2,396**	**3,135**			**2,257**
AIC[4]	**A$/oz**	**2,134**	**2,399**	**3,179**			**2,455**
Gold on hand[5]	Ounces	885	600	132	-	-	826

Note: Discrepancies in totals are a result of rounding.

1 During the September 2022 Quarter, the Company released its annual update to its Dalgaranga Mineral Resource Estimate and Ore Reserves. In this update, the cut-off grade for both the Mineral Resource Estimate and Ore Reserves were increased from 0.3g/t Au to 0.5g/t Au. "Waste", "Ore (volume)", "Ore (tonnage)" and "Mined grade" are all reported based on a 0.5g/t Au cut-off from 1 July 2022. In prior periods these items are reported based on a 0.3g/t Au cut-off and have not been restated.

2 Due to the decision on 8 November 2022 to suspend operations and commence the transition of the Dalgaranga operations to care and maintenance, reporting of unit costs has been suspended by the Company until operations recommence.

3 All-in sustaining cost (AISC) includes mining (net of deferred waste capitalisation) and processing costs, site administration, net movement in the value of site stockpiles, refining charges, 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. AISC is a non-IFRS measure.
4 All-in cost (AIC) is the AISC plus deferred waste capitalised, plus non-sustaining exploration and capital costs. AIC is a non-IFRS measure.
5 Gold on hand as at period end.

Exploration activities

During the half-year, $5.8 million was spent on exploration and evaluation activities (2021: $2.1 million). Of the amount spent during the period, $4.7 million was spent on resource definition activity at Dalgaranga predominantly on the Never Never deposit. The remainder ($1.1 million) was spent on regional exploration and evaluation activity at the Yalgoo, Glenburgh and Mt Egerton Gold Projects and was capitalised in the Exploration and Evaluation asset class.

At Dalgaranga, a total of 28,464 metres of RC and diamond drilling was completed during the half-year. Drilling during the first half of the 2022 calendar year led to the discovery of a substantial new high-grade lode system on the immediate western flank of what was originally known as the Gilbey's North prospect, located less than 1km from the 2.5Mtpa processing plant at Dalgaranga. This new high-grade lode was subsequently named the "Never Never" deposit and incorporates what was originally known as the Gilbey's North prospect.

The discovery was made following a change in drilling orientation, resulting in the discovery of a new style of mineralisation that sits roughly at right angles to the predominantly north-south orientation of most of the known deposits at Dalgaranga.

The bulk of the drilling at Dalgaranga during the half-year focused on follow-up and extensional drilling at the Never Never deposit and at the Gilbey's Eastern Footwall deposit on the eastern side of the Gilbey's Main open pit. Results from the drilling programs were progressively announced on the ASX platform during the six months ended 31 December 2022.

During the period, a total of 4,461 metres of RC drilling was also completed at the Glenburgh and Mt Egerton Gold Projects, targeting extensions to the existing Mineral Resource Estimate. Results from the drilling programs were progressively announced on the ASX platform during the six months ended 31 December 2022. Drilling from the programs completed during the half-year will assist in the development of programs currently being planned for the 2023 calendar year.

No drilling has been undertaken at Yalgoo since the Company acquired the project in November 2021 as the priority immediately post-acquisition was on progressing studies and activities required to complete the Mining Proposal and Mine Closure Plan for the Melville Gold deposit at Yalgoo. Activity at Yalgoo during the half-year centred on the progression of surveys and studies in support of permit applications for future development and mining.

During the half-year, the Company reported an updated Annual Mineral Resource Statement for 2022, comprising 36.74Mt @ 1.16g/t Au for 1,370,800 ounces of contained gold. The updated MRE included maiden Resource estimates for the newly discovered Never Never deposit.

On 23 January 2023, the Company released an updated Mineral Resource Estimate in accordance with JORC Code 2012 for Dalgaranga, including a significant update to the MRE for the Never Never Gold deposit to 2.03Mt @ 4.64g/t Au for 303,100 ounces of contained gold, increasing the average resource grade and reportable ounces for Dalgaranga by 30%.

Financial results

Financial performance

Revenue generated from the sale of 22,129 ounces of gold was $56.6 million (2021: 33,337 ounces, $84.4 million) resulting in an average realised price of A$2,558 per ounce (2021: A$2,533 per ounce). Revenue from the sale of 14,117 ounces of silver was $0.4 million (2021: $0.5 million; 15,667 ounces). The decrease in revenue compared to the prior half-year is primarily driven by a reduction in gold production partially offset by an increase in the realised gold price between the two periods.

Cost of sales inclusive of depreciation and amortisation was $61.3 million (2021: $112.6 million). The significant decrease in cost of sales is primarily driven by the cessation of mining and processing operations at Dalgaranga on 8 November 2022, a decrease in depreciation and amortisation expense due to the impairment of all mineral properties at 30 June 2022 and the write-off of the remaining unamortised capitalised deferred waste stripping costs related to Gilbey's Stage 3 in the prior year.

Directors' report

During the half-year, the Company also incurred $26.4 million (2021: $nil) of costs related to the financial restructure of the Company and transition of the Dalgaranga process plant and associated infrastructure to a care and maintenance state. Refer to note 5 of the interim financial statements for details of the costs incurred. These costs are excluded from cost of sales referred to above as they were incurred following, or as a result of, the decision to suspend operations and transition Dalgaranga to care and maintenance.

Corporate expenses for the half-year totalled $2.8 million (2021: $3.1 million) slightly lower than the corresponding period.

The net consolidated loss after tax of the Group for the half-year was $36.0 million (2021: $31.0 million loss). The change from the prior half-year period is driven by a range of factors including costs incurred as part of the financial restructure of the Company and transition of the process plant at Dalgaranga to a care and maintenance state, lower ounces of gold produced, no mining costs capitalised to deferred waste during the current half-year partially offset by the suspension of mining and processing operations at Dalgaranga in November 2022 and a higher average realised gold price for gold ounces sold.

Gold price risk management

In July, the Group entered into gold forward contracts with MKS PAMP, to partially insulate the Group from increasing volatility in commodity markets until the higher-grade Gilbey's North deposit could be incorporated into the mine plan. A total of 11,000 ounces of gold were hedged for delivery between July and December 2022 at an average price of A$2,555 per ounce.

On the announcement of the transition of the Dalgaranga operations to care and maintenance in November 2022, the then remaining gold forwards were closed out as per the contractual requirements for an immaterial close-out cost.

At the reporting date the Group had no contractual sale commitments for gold (30 June 2022: nil ounces).

Financial position

The Group held cash and cash equivalents of $11.9 million as at 31 December 2022 (30 June 2022: $30.9 million). Market value of unsold gold on hand at 31 December 2022 was nil (30 June 2022: $1.6 million). The Group's free cashflow generation reduced during the half-year as a result of lower ounces sold, ongoing cost escalation within the Western Australian mining industry and transition of operations at Dalgaranga to a care and maintenance basis.

The Group recorded cash outflows from operations of $10.4 million and from investing activities of $6.9 million, resulting in cash outflow of $17.3 million for the half-year before financing activities (2021: $1.1 million outflow), reflecting lower production following the suspension of operations at Dalgaranga in November 2022, partly offset by the deferral of certain creditor payments that were subject to settlement negotiations. Financing activities resulted in an outflow of $1.6 million (2021: $3.9 million inflow) which reflected lease liability repayments in the ordinary course of business.

As at 31 December 2022 the Group has a working capital deficit of $13.9 million (30 June 2022: $26.2 million surplus) which includes a cash balance of $11.9 million. The significant decrease from 30 June 2022 is driven by the factors described above and transition of operations at Dalgaranga to a care and maintenance basis. The working capital deficit also reflects the recognition of a creditor settlement provision of $16.1 million for amounts owing or claimed by creditors that may need to be paid if the funding portion of the financial restructure does not complete by 31 March 2023.

Following the successful completion of the financial restructure of the Company and fulfilment of obligations under each binding agreement with certain creditors in early March, the provision will be reversed in full subsequent to the reporting date.

Significant changes in the state of affairs

On 8 September 2022, the Company released an updated Group Mineral Resource Estimate of 36.74Mt @ 1.16g/t Au for 1,370,800 ounces of contained gold including an initial Mineral Resource Estimate for the Never Never deposit at Dalgaranga of 1.43Mt @ 2.32g/t Au for 107,200 ounces of contained gold.

On 21 September 2022, the Company released an updated Dalgaranga Ore Reserve Estimate of 2.04Mt @ 1.10g/t Au for 72,100 ounces of contained gold.

On 25 October 2022 final regulatory approval was obtained for commencement of open pit mining at the Never Never deposit, the increase in the height of existing waste dumps and additional storage capacity for potentially acid forming waste rock.

On 8 November 2022, the Company announced the immediate suspension of mining operations at Dalgaranga, with the mill to be transitioned to operating on a temporary care and maintenance basis. The transition was completed in January 2023 with the mill to be maintained in a state ready for rapid resumption of production. Refer to note 5 for more information on restructure costs.

Events occurring after the reporting date

On 23 January 2023, the Company released an updated Mineral Resource Estimate in accordance with JORC Code 2012 for Dalgaranga, including a significant update to the MRE for the Never Never Gold deposit to 2.03Mt @ 4.64g/t Au for 303,100 ounces of contained gold with the Group MRE increasing to 37.71Mt @ 1.3g/t Au for 1,545,800 ounces of contained gold. In this same release, the Company withdrew its Ore Reserve in its entirety.

On 27 February 2023, the Company announced it had entered into binding commitments for a $50.0 million funding package to complete its financial restructure and provide sufficient funds to support the Company's planned exploration activities, care and maintenance costs and working capital through to mid-2024. The funding package comprises a fully underwritten $26.3 million equity raising, a $21.3 million strategic investment from Tembo Capital and a $2.5 million unsecured loan from the Company's largest existing shareholder Delphi.

On 27 February 2023, the Company also launched the institutional component of the pro-rata accelerated, non-renounceable Entitlement Offer and Placement to sophisticated and professional investors.

On 1 March 2023 the Company confirmed successful completion of the Placement and Institutional Entitlement Offer with $17.8 million in firm commitments received. The Placement comprises the issue of approximately 86 million New Shares, to raise gross proceeds of approximately $8.6 million, and the Institutional Entitlement Offer comprises the issue of approximately 91 million New Shares, to raise gross proceeds of approximately $9.1 million.

On 1 March 2023, following the satisfaction of the conditions precedent, the Company also announced submission of the utilisation request to draw down funds from the $21.3 million Tembo Capital Investment. The Company also submitted its utilisation request to drawdown the full amount of the $2.5m unsecured loan provided by Delphi. Funds drawn under both facilities were received by the Company on 3 March 2023.

On 7 March 2023, the Group remitted approximately $4 million to creditors in accordance with binding agreements to settle the cash component of all known claims and costs associated with the November 2022 decision to suspend operations and transition Dalgaranga to care and maintenance.

On 8 March 2023, the Company issued approximately 177.3 million new shares pursuant to the Placement and Accelerated Institutional Entitlement Offer and received gross proceeds of approximately $17.8 million.

On 9 March 2023, shares in the Company were reinstated to trading on ASX following a period of trading suspension of approximately four months.

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 Instrument (Rounding in Financial/Directors' Report) 2016/191*, and therefore the amounts contained in the Directors' report and 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 Directors.

David Coyne
Finance Director & Company Secretary
Perth
15 March 2023

Grant Thornton

Grant Thornton Audit Pty Ltd
Level 43 Central Park
152-158 St Georges Terrace
Perth WA 6000
PO Box 7757
Cloisters Square
Perth WA 6850

T +61 8 9480 2000

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 review of Gascoyne Resources Limited for the half-year ended 31 December 2022. 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 review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B P Steedman
Partner – Audit & Assurance

Perth, 15 March 2023

Grant Thornton Audit Pty Ltd
Level 43 Central Park
152-158 St Georges Terrace
Perth WA 6000
PO Box 7757
Cloisters Square
Perth WA 6850

T +61 8 9480 2000

Independent Auditor's Review Report

To the Members of Gascoyne Resources Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Gascoyne Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Gascoyne Resources Limited does not comply with the *Corporations Act 2001* including:

a giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and

b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of $36.0 million, an operating cash outflow of $10.4 million and net cash outflow (before financing activities) of $17.3 million during the half year ended 31 December 2022 and, as of that date, the Group’s current liabilities exceeded its current assets by $13.9 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 significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors’ responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group’s financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B P Steedman
Partner – Audit & Assurance

Perth, 15 March 2023

Directors' declaration

1 In the Directors' opinion:

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

(i) complying with Australian Accounting Standards, including AASB 134 *Interim Financial Reporting*, 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 31 December 2022 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

David Coyne
Finance Director & Company Secretary
Perth
15 March 2023

Consolidated statement of comprehensive income

For the half-year ended 31 December 2022

	Note	31 December 2022 $'000	31 December 2021 $'000
Revenue	4	57,142	84,952
Cost of sales	4	(61,265)	(112,634)
Gross loss		**(4,123)**	**(27,682)**
Other income	4	387	2,206
Restructure and transition to care and maintenance	5	(26,435)	-
Other expenses	4	(4,701)	(3,963)
Operating loss		**(34,872)**	**(29,439)**
Finance income	4	66	7
Finance costs	4	(1,234)	(1,557)
Loss before income tax		**(36,040)**	**(30,989)**
Income tax expense	6	-	(23)
Loss for the half-year after income tax		**(36,040)**	**(31,012)**
Other comprehensive loss			
Items that will not be reclassified to profit or loss:			
Changes in fair value of equity investments		(429)	-
Total other comprehensive loss		(429)	-
Total comprehensive loss for the half-year		**(36,469)**	**(31,012)**
Loss for the half-year after income tax attributable to:			
Owners of the Company		(36,040)	(31,012)
Non-controlling interests		-	-
		(36,040)	**(31,012)**
Total comprehensive loss for the half-year attributable to:			
Owners of the Company		(36,469)	(31,012)
Non-controlling interests		-	-
		(36,469)	**(31,012)**
Loss per share			
Basic (cents per share)		(8.5)	(10.9)
Diluted (cents per share)		(8.5)	(10.9)

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

Consolidated statement of financial position

As at 31 December 2022

	Note	31 December 2022 $'000	30 June 2022 $'000
Current assets			
Cash and cash equivalents		11,935	30,862
Trade and other receivables		216	1,509
Inventories	7	5,258	15,985
Prepayments		674	1,874
		18,083	**50,230**
Non-current assets			
Mine properties, property, plant and equipment	9	30,597	31,803
Exploration and evaluation	11	88,519	84,782
Other financial assets	8	1,548	3,127
		120,664	**119,712**
Total assets		**138,747**	**169,942**
Current liabilities			
Trade and other payables	12	10,420	12,366
Borrowings and lease liabilities	13	2,680	3,228
Current tax liabilities		28	28
Provisions	14	18,841	3,695
Other financial liabilities	8	-	4,718
		31,969	**24,035**
Non-current liabilities			
Borrowings and lease liabilities	13	7,441	8,309
Provisions	14	48,046	47,309
Other financial liabilities	8	-	4,833
		55,487	**60,451**
Total liabilities		**87,456**	**84,486**
Net assets		**51,291**	**85,456**
Equity			
Share capital	15	324,527	324,496
Non-controlling interests		1,493	1,479
Reserves		3,900	2,076
Accumulated losses		(278,629)	(242,595)
Total equity		**51,291**	**85,456**

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

Consolidated statement of changes in equity

For the half-year ended 31 December 2022

	Share capital	Convertible note	Other reserves	Accumulated losses	Attributable to owners of the parent	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2021	266,196	-	672	(160,330)	106,538	1,352	107,890
Loss for the half-year	-	-	-	(31,012)	(31,012)	-	(31,012)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the half-year	-	-	-	(31,012)	(31,012)	-	(31,012)
Convertible notes issue (net of tax)	-	607	-	-	607	-	607
Movement in non-controlling interests' share of net assets	-	-	(97)	-	(97)	97	-
Shares issued during the half-year	42,267	-	-	-	42,267	-	42,267
Share issue costs (net of tax)	(39)	-	-	-	(39)	-	(39)
Share-based payments	-	-	554	-	554	-	554
At 31 December 2021	**308,424**	**607**	**1,129**	**(191,342)**	**118,818**	**1,449**	**120,267**
At 1 July 2022	324,496	-	2,076	(242,595)	83,977	1,479	85,456
Loss for the half-year	-	-	-	(36,040)	(36,040)	-	(36,040)
Other comprehensive loss	-	-	(429)	-	(429)	-	(429)
Total comprehensive loss for the half-year	-	-	(429)	(36,040)	(36,469)	-	(36,469)
Movement in non-controlling interests' share of net assets	-	-	(14)	-	(14)	14	-
Share issue costs (net of tax)	(2)	-	-	-	(2)	-	(2)
Performance rights exercised	33	-	(39)	6	-	-	-
Share-based payments	-	-	2,306	-	2,306	-	2,306
At 31 December 2022	**324,527**	**-**	**3,900**	**(278,629)**	**49,798**	**1,493**	**51,291**

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

Consolidated statement of cash flows

For the half-year ended 31 December 2022

	31 December 2022 $'000	31 December 2021 $'000
Cash flows from operating activities		
Receipts from customers	57,142	88,275
Payments to suppliers and employees	(67,214)	(78,913)
Other revenue received	40	142
Finance charges paid	-	(50)
Interest received	66	1
Interest paid	(456)	(760)
Net cash flows (used in)/from operating activities	**(10,422)**	**8,695**
Cash flows from investing activities		
Payments for exploration and evaluation	(5,861)	(2,121)
Payments for mine properties, property, plant and equipment	(1,842)	(7,285)
Payments for acquisition of assets, net of cash acquired	(716)	(382)
Proceeds from sale of property, plant and equipment	25	-
Proceeds from sale of mineral rights	50	-
Proceeds from sale of equity investments	1,420	-
Net cash flows used in investing activities	**(6,924)**	**(9,788)**
Cash flows from financing activities		
Share issue costs	-	(56)
Proceeds from borrowings	-	20,000
Repayment of borrowings	-	(13,998)
Repayment of lease liabilities	(1,388)	(1,615)
Payments for borrowing transaction costs	(193)	(400)
Net cash flows (used in)/from financing activities	**(1,581)**	**3,931**
Net change in cash and cash equivalents	(18,927)	2,838
Cash and cash equivalents at 1 July	30,862	23,448
Cash and cash equivalents at 31 December	**11,935**	**26,286**

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

Notes to the financial statements

Notes to the financial statements

The interim financial report for Gascoyne Resources Limited (Gascoyne or the Company) and its controlled entities (together, the Group) for the half-year ended 31 December 2022 was approved and authorised for issue in accordance with a resolution of the Directors on 15 March 2023.

Basis of preparation

1 Reporting entity

Gascoyne Resources Limited 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

These interim condensed consolidated financial statements (interim financial statements) for the half-year ended 31 December 2022 have been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all the notes required in annual financial statements, and should be read in conjunction with the Group's annual report for the year ended 30 June 2022 and any public announcements made by Gascoyne Resources Limited during the half-year.

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

Accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's latest annual financial statements for the year ended 30 June 2022.

These policies have been applied consistently to all financial periods presented, unless otherwise stated.

Historical cost convention

The interim 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.

Accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates, judgements and assumptions that affect the application of accounting policies and the reported net assets and financial results. Actual results may differ from these estimates. Estimates, judgements and underlying assumptions are continually reviewed based on historical experience and reasonable expectations of future events.

The accounting estimates, judgements and assumptions applied in these interim financial statements are in accordance with those that were applied and disclosed in the annual financial statements for the year ended 30 June 2022, unless otherwise stated.

New standards not yet 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.

There are no new standards and interpretations in issue which are mandatory for 31 December 2022 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.

Going concern

The interim 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.

Notes to the financial statements

2 Basis of preparation (continued)

For the half-year ended 31 December 2022 the Group recorded a net loss after tax of $36.0 million (2021: $31.0 million loss), an operating cash outflow of $10.4 million (2021: $8.7 million inflow) and net cash outflow (before financing activities) of $17.3 million (2021: $1.1 million outflow).

The Group has a working capital deficit of $13.9 million as at 31 December 2022 (30 June 2022: $26.2 million surplus) which includes a cash balance of $11.9 million. The decrease in working capital from 30 June 2022 to 31 December 2022 is driven by operating losses incurred during the period as a result of reduced gold production, labour shortages, increased production costs and the decision on 8 November 2022 to suspend operations and transition the Dalgaranga Gold Project to care and maintenance. The Group had investments in listed companies with a market value of approximately $1.1 million at 31 December 2022.

In February 2023, the Company announced that it had entered into binding agreements in support of its financial restructure, which involved the following key elements:

- A fully underwritten $26.3 million equity raising at $0.10 per share consisting of:
  - An institutional placement (Placement) to raise approximately $8.6 million.
  - A 1-for-2.42 pro-rata accelerated non-renounceable entitlement offer (Entitlement Offer) to eligible shareholders to raise approximately $17.6 million.
- A new strategic investment by Tembo Capital, a leading private equity fund, of $21.3 million, structured in two tranches:
  - Tranche A: A $15.0 million secured loan mandatorily convertible (upon shareholder approval) to shares at a conversion price of $0.10 per share.
  - Tranche B: A $6.3 million secured loan mandatorily convertible (upon shareholder approval to convert Tranche A to shares) to a 1.8% gross royalty on gold produced and sold from wholly-owned tenements at Dalgaranga and a 1.35% gross royalty on gold produced and sold from the remaining wholly-owned tenements for which Gascoyne retains the gold rights to. Tranche B shall only convert to a gold production royalty if Tranche A converts to shares.
- An investment of $8.3 million from the Company's largest existing shareholder, including Delphi Unternehmensberatung AG, and its associates Deutsche Balaton AG, Sparta AG and 2invest AG, (Delphi), comprising:
  - Up to $5.8 million committed to the $26.3 million equity raising noted above.
  - A $2.5 million unsecured loan mandatorily convertible (upon shareholder approval) to a 0.7% gross royalty on gold produced and sold from wholly-owned tenements at Dalgaranga and a 0.5% gross royalty on gold produced and sold from the remaining wholly-owned tenements for which Gascoyne retains the gold rights to.
  - A full and final settlement of all amounts owing between Gascoyne and NRW in respect of their existing arrangements. If the Equity Raising has not occurred by 31 March 2023 or an insolvency event occurs, the NRW Settlement Agreement will terminate. In addition, if, prior to the Placement and Entitlement Offer completing, Gascoyne is subject to a recommended transaction pursuant to which 50% or more of the shares in Gascoyne are proposed to be acquired, Gascoyne has entered into a binding agreement to sell 50% or more of the shares in GNT, or Gascoyne or GNT have entered into a binding agreement to sell substantially all of the assets comprising the Dalgaranga Gold Project, then NRW may terminate the NRW Settlement Agreement, resulting in termination charges becoming payable by Gascoyne.
- In addition to the NRW Settlement Agreement, arrangements have been agreed with certain other creditors of Gascoyne in relation to amounts owing to those creditors and the treatment of certain contracts in light of the suspension of operations at Dalgaranga. These binding agreements settle all known claims and amounts owing resulting from the decision to suspend operations and transition Dalgaranga to care and maintenance.

As at the date of this report, the Company had received gross proceeds of $41.6 million of the total $50.0 million funding package. Receipt of the remaining $8.4 million in proceeds is expected on or about 28 March 2023.

On completion of the financial restructure, the Directors believe that the Company will have sufficient funds to satisfy short and medium term working capital requirements. It is the objective of the Entitlement Offer, Placement, transactions with Tembo Capital and Delphi to provide sufficient funds for the Company for an approximate period of 18-24 months to continue its exploration and technical / financial study efforts to support a future decision to recommence mining. Should exploration results not be achieved as envisaged, costs increase or approvals be delayed, the Company may need additional funds to achieve this objective.

At the end of the 18-24 month period, the Company is expected to require further financing to continue exploration activities and/or to recommence operations at Dalgaranga.

2 Basis of preparation (continued)

Based on the factors discussed above, the Directors are satisfied that the going concern basis of preparation for the financial statements is appropriate.

If the Group is unable to continue as a going concern, 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 interim financial report.

The interim 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.

Functional and presentation currency

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

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Notes to the financial statements

Financial performance

3 Operating segments

The Group's operating segments are based on the internal management reports that are reviewed and used by the Managing Director and Chief Executive Officer and the Executive team, 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's 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 half-year to 31 December 2022, 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:

Half-year ended 31 December 2022	**Gold operations**	**Exploration, evaluation and development**	**Total operations**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
External revenue	57,142	-	57,142	-	**57,142**
Segment loss before income tax	(30,256)	(58)	(30,314)	(5,726)	**(36,040)**
Segment loss includes the following adjustments:					
Depreciation and amortisation	(2,902)	(20)	(2,922)	(69)	**(2,991)**
Impairment expense[1]	(1,750)	-	(1,750)	-	**(1,750)**
Exploration and evaluation expenditure write-off	(495)	(38)	(533)	-	**(533)**
Inventory movement and provision	(3,700)	-	(3,700)	-	**(3,700)**
Inventory write-off[1]	(8,142)	-	(8,142)	-	**(8,142)**
Creditor settlement provision[1]	(16,142)	-	(16,142)	-	**(16,142)**
Net gain on settlement of NRW LPA[2]	7,070	-	7,070	-	**7,070**
Employee redundancy payments[1]	(3,521)	-	(3,521)	(1,420)	**(4,941)**
Settlement of key creditors and other transition costs[1]	(1,728)	-	(1,728)	-	**(1,728)**
Legal and consultancy fees[1]	(374)	-	(374)	(308)	**(682)**
	(31,684)	(58)	(31,742)	(1,797)	**(33,539)**
At 31 December 2022					
Segment assets	44,521	81,322	125,843	12,904	**138,747**
Segment liabilities	246,863	19,913	266,776	(179,320)	**87,456**

1 Costs related to the financial restructure and the transition of the Dalgaranga operations to a care and maintenance basis, refer note 5.

2 Related to the full and final settlement of all amounts owing between Gascoyne and NRW in respect of their existing arrangements comprising the liability payment arrangement (LPA) to settle pre-Administration debt. The LPA was reclassified to other provisions as a result of the negotiated settlement with NRW as part of the financial restructure, refer to notes 5 and 8.

Notes to the financial statements

3 Operating segments (continued)

Half-year ended 31 December 2021	**Gold operations $'000**	**Exploration, evaluation and development $'000**	**Total operations $'000**	**Other $'000**	**Total $'000**
External revenue	84,952	-	84,952	-	**84,952**
Segment loss before income tax	(27,037)	(55)	(27,092)	(3,897)	**(30,989)**
Segment loss includes the following adjustments:					
Depreciation and amortisation	(23,904)	(4)	(23,908)	(74)	**(23,982)**
Deferred stripping costs capitalised	6,049	-	6,049	-	**6,049**
Inventory movement and provision	1,774	-	1,774	-	**1,774**
	(16,081)	(4)	(16,085)	(74)	**(16,159)**
At 31 December 2021					
Segment assets	113,556	79,721	193,277	12,899	**206,176**
Segment liabilities	236,995	19,581	256,576	(170,667)	**85,909**

Notes to the financial statements

4 Revenue and expenses

	31 December 2022 $'000	31 December 2021 $'000
Gold sales	56,734	84,442
Silver sales	408	510
Revenue	**57,142**	**84,952**
Cash costs of production	(53,191)	(79,432)
Deferred stripping costs capitalised	-	6,049
Inventory movement	2,932	2,848
Inventory net realisable value provision	(6,632)	(1,074)
Depreciation and amortisation[1]	(2,902)	(23,904)
Royalties[2]	(1,273)	(1,904)
Deferred stripping costs write-off[3]	-	(15,217)
Share-based payments	(199)	-
Cost of sales	**(61,265)**	**(112,634)**
Gain on sale of equity investments	170	-
Fair value gain on remeasurement of NRW liability[4]	-	1,407
Gain on termination of lease	208	-
Other income	9	799
Other income	**387**	**2,206**
Restructure and transition to care and maintenance[5]	**(26,435)**	**-**
Corporate expenses	(2,827)	(3,147)
Put option expense	-	(266)
Loss on disposal of property, plant and equipment	-	(11)
Loss on sale of mineral rights[6]	(456)	-
Exploration and evaluation expenditure write-off[7]	(533)	-
Depreciation and amortisation	(89)	(78)
Share-based payments	(796)	(461)
Other expenses	**(4,701)**	**(3,963)**
Interest income	66	7
Finance income	**66**	**7**
Interest expense on borrowings	(24)	(904)
Interest expense on lease liabilities	(321)	(417)
Borrowing costs	-	(23)
Unwinding of discount	(889)	(213)
Finance costs	**(1,234)**	**(1,557)**
Loss before tax	**(36,040)**	**(30,989)**

4 Revenue and expenses (continued)

1 Depreciation and amortisation includes amortisation of previously capitalised deferred waste stripping costs.
2 State government royalties are payable quarterly at a fixed rate of 2.5% (2021: 2.5%) of the royalty value of gold sold.
3 Prior year balance is related to the write-off of the remaining unamortised capitalised deferred waste stripping costs due to the deferral of mining activities at Gilbey's Stage 3.
4 Related to the fair value remeasurement of the NRW liability payment arrangement (LPA) to settle pre-Administration debt. The LPA was reclassified to other provisions as a result of the negotiated settlement with NRW as part of the financial restructure, refer to notes 5 and 8.
5 Refer to note 5 for details of costs incurred on transition of the Dalgaranga operations to care and maintenance and completion of the financial restructure.
6 Sale of Beebyn mineral rights to E79 Gold Mines Limited, refer to note 11.
7 Relates to capitalised expenditure on a discontinued resource definition programme at Dalgaranga written down to $nil.

Revenue

Management of gold price risk

During the half-year, the Group entered into and utilised gold forward contracts to assist in managing the price risk associated with a portion of its estimated future gold sales, refer note 16. The sale price of gold bullion not sold into forward contracts is fixed on the date of sale, based on the Australian dollar denominated gold spot price.

Cost of sales

Cash costs of production

Cash costs of production include ore and waste mining costs, processing costs and site administration and support costs. Cash costs of production include employee benefits expense of $6.0 million (2021: $6.8 million).

5 Restructure and transition to care and maintenance

The net financial impact of the gains and costs incurred during the half-year in relation to the restructure and the transition of the Dalgaranga operations to a care and maintenance basis, is reflected in the table below:

	31 December 2022 $'000
Expenses:	
Employee redundancy payments[1]	4,941
Inventory write-off	8,142
Creditor settlement provision	16,142
Impairment expense[2]	1,750
Legal and consultancy fees	682
Settlement of key creditors and other transition costs	1,728
Loss on settlement of gold forwards	120
Offset by:	
Net gain on settlement of NRW LPA	(7,070)
Net financial impact	**26,435**

1 Employee redundancy payments include share-based payments expense of $1.3 million that relates to vesting of existing performance rights for employees who were made redundant as part of the Company's decision to transition the Dalgaranga operations to care and maintenance.
2 Write-down of right-of-use assets identified during the half-year impairment assessment. Refer to note 10 for more information.

5 Restructure and transition to care and maintenance (continued)

Inventory write-off

Following the decision to transition the Dalgaranga operations to a care and maintenance basis in November 2022, processing operations at Dalgaranga were wound down. At this time the remaining ore stockpiles that represented material with a grade greater than 0.5g/t Au were written off as it was determined that the stockpiles are unlikely to be processed into a saleable form and sold at a profit in the medium term.

Creditor settlement provision

Amounts relating to creditor claims or payments that may need to be made if the funding portion of the financial restructure does not complete by 31 March 2023.

As part of the key creditor negotiations completed during the transition of Dalgaranga operations to care and maintenance, the Group executed various binding agreements with key creditors to settle outstanding amounts owed to, and claimed by, certain creditors.

As part of these negotiated settlements, if the funding portion of the financial restructure does not complete by 31 March 2023, certain implications may arise under the arrangements such as termination of the underlying agreement and termination charges becoming payable by the Group. Accordingly, the provision as at 31 December 2022 reflects the additional amount payable or claimed by certain creditors that may only become due if the funding portion of the financial restructure does not complete by 31 March 2023.

Following the successful completion of the financial restructure of the Company and fulfilment of the cash settlement obligations under each binding agreement in early March, the provision will be reversed in full.

Settlement of key creditors and other transition costs

Costs associated with the transition to care and maintenance include settlement of key creditors relating to final payment obligations arising from key creditor negotiations that were not contingent upon the outcome and completion of the financial restructure and other transition costs directly related to the transition of the Dalgaranga processing plant to a care and maintenance basis.

6 Income tax

Income tax expense

The current income tax expense recorded for the half-year is $nil (2021: $0.02 million expense). The prior year income tax expense of $0.02 million arose as a result of the recognition of a deferred tax credit relating to share issue costs and convertible note expenses recognised directly in equity. The Group remains in a cumulative tax loss position for income tax purposes.

Unrecognised tax losses

	31 December 2022 $'000	31 December 2021 $'000
Unrecognised tax losses	**193,784**	**209,318**
Potential tax benefit at 30% (2021: 30%)	**58,135**	**62,795**

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.

6 Income tax (continued)

At 31 December 2022 the Group has $193.8 million of tax losses available to be offset against future taxable income. A deferred tax asset has not been recognised for these tax losses at the reporting date as the Group considers it prudent to allow a further period of trading improvement prior to assessing the recoverability of previously derecognised and unrecognised tax losses. These tax losses do not expire and can be used to reduce future tax profits subject to relevant tax legislation associated with recoupment including the same business test and continuity of ownership test.

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Notes to the financial statements

Capital management

7 Inventories

	31 December 2022 $'000	30 June 2022 $'000
Ore stockpiles	-	8,314
Gold in circuit	-	1,997
Gold on hand	11	1,543
Consumable stores	5,247	4,131
	5,258	**15,985**

Following the decision to transition the Dalgaranga operations to a care and maintenance basis in November 2022, processing operations at Dalgaranga were wound down. At this time the remaining ore stockpiles that represented material with a grade greater than 0.5g/t Au were written off as it was determined that the stockpiles are unlikely to be processed into a saleable form and sold at a profit in the medium term.

Consumable stores at 31 December 2022 represent items purchased to maintain normal production levels prior to the decision to place the Dalgaranga operations on care and maintenance. These items will either be utilised or sold in the short term.

8 Other financial assets and liabilities

	31 December 2022 $'000	30 June 2022 $'000
Non-current assets		
Term deposits	407	407
Equity investments	1,141	2,720
	1,548	**3,127**
Current liabilities		
NRW liability payment arrangement	**-**	**4,718**
Non-current liabilities		
NRW liability payment arrangement	**-**	**4,833**

Equity investments

E79 Gold Mines Limited

On 17 October 2022 the Company acquired 925,925 shares in E79 Gold Mines Limited as partial consideration for the sale of gold and other mineral rights (excluding iron ore and ferrous minerals).

The equity investment was irrevocably designated at fair value through other comprehensive income (FVOCI) as it is not held for trading as the Group intends to hold the investment long-term for strategic purposes.

The fair value of the equity investment was categorised as level 1 at 17 October 2022 as the shares are listed.

8 Other financial assets and liabilities (continued)

Capricorn Metals Limited

In November 2022 the Company disposed of its holding in Capricorn Metals Limited.

NRW liability payment arrangement

As a result of the key creditor settlements negotiated during the transition of Dalgaranga operations to care and maintenance, the Group has reclassified the NRW LPA in full to current provisions. At 31 December 2022 this amount is included within the creditor settlement provision as the Company may have an obligation to pay the full amount owing to NRW if the initial funding portion of the financial restructure is not complete by 31 March 2023 or other certain change of control or sale of substantial asset events occur or are publicly announced (refer to note 5 for more information). If the NRW Settlement Agreement becomes null and void, the Company has reserved its rights to make claims against NRW.

Fair value measurement

Other than the equity investments referred to in this note, there were no financial assets and financial liabilities measured and recognised at fair value on a recurring basis as at 31 December 2022 or 30 June 2022. The carrying values of financial assets and liabilities recognised in the interim financial statements approximate their fair values.

9 Mine properties, property, plant and equipment

	Right-of-use assets			Owned assets			
	Plant and equipment $'000	Property $'000	Mine properties $'000	Plant and equipment $'000	Capital work in progress $'000	Mine properties $'000	Total $'000
Cost							
At 1 July 2022	22,057	415	436	86,048	51	254,395	363,402
Additions	522	-	21	-	1,625	1,462	3,630
Disposals	(298)	-	-	(25)	-	-	(323)
Remeasurement[1]	(70)	-	-	-	-	-	(70)
Transfers between classes	-	-	-	123	(1,675)	1,552	-
At 31 December 2022	22,211	415	457	86,146	1	257,409	366,639
Accumulated depreciation, amortisation and impairment							
At 1 July 2022	12,915	157	190	65,669	-	252,668	331,599
Depreciation and amortisation[2]	2,827	52	76	36	-	-	2,991
Impairment expense	1,750	-	-	-	-	-	1,750
Disposals	(298)	-	-	-	-	-	(298)
At 31 December 2022	17,194	209	266	65,705	-	252,668	336,042
Net book value	**5,017**	**206**	**191**	**20,441**	**1**	**4,741**	**30,597**
At 30 June 2022							
Cost	22,057	415	436	86,048	51	254,395	363,402
Accumulated depreciation, amortisation and impairment	12,915	157	190	65,669	-	252,668	331,599
Net book value	**9,142**	**258**	**246**	**20,379**	**51**	**1,727**	**31,803**

1 Remeasurements arising from a change in the lease term and/or revised contractual payments.
2 No depreciation and amortisation was recognised for owned assets related to the Dalgaranga plant and associated mining infrastructure during the half-year as the recovery value was in excess of the carrying value.

10 Impairment of non-current assets

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the cash-generating unit by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value.

The Group completed its assessment of external and internal sources of information at 31 December 2022. The Group identified the transition of the Dalgaranga operations to care and maintenance to be an indicator for impairment at this date.

The review identified that certain right-of-use assets at Dalgaranga were required to be impaired at this date. While the Group would still have the assets on site and the lease liabilities would still exist, the Group would no longer obtain benefit from and make no use of the assets during the care and maintenance period. As at 31 December 2022, the identified right-of-use assets were impaired in full ($1.8 million).

At 31 December 2022, the Group determined that no impairment is required for the Dalgaranga processing plant and associated infrastructure as it considers the impairment testing completed by the Group at 30 June 2022, based on relevant market transactions to still be relevant for the current reporting period. The recoverable amount of the processing plant and associated infrastructure at 30 June 2022 was estimated to be in the range of $23.0 million to $80.0 million based on the market transactions evaluated at that time. The Group considers this range to still be applicable at 31 December 2022 given the absence of any similar material market transactions during the reporting period. The recoverable amount range noted above continues to be on the lower end of the industry and market range, therefore no further impairment of these assets is required at 31 December 2022.

11 Exploration and evaluation

	31 December 2022 $'000	30 June 2022 $'000
At 1 July	84,782	32,881
Expenditure incurred during the period	6,363	8,386
Acquisition of exploration asset	-	44,742
Sale of exploration interest	-	(446)
Sale of mineral rights	(631)	-
Expenditure reclassified to mine properties	(1,462)	(761)
Exploration and evaluation expenditure write-off	(533)	(20)
At 31 December / 30 June	**88,519**	**84,782**

Sale of mineral rights

On 17 October 2022 the Company sold the gold and other mineral rights (excluding iron ore and ferrous mineral rights) of the Beebyn tenement to E79 Gold Mines Limited (E79) for cash proceeds of $0.05 million and $0.1 million worth of E79 shares.

As E79 is now required to satisfy the annual commitments for the gold and other non-ferrous mineral rights for the three years following the sale, it was determined that the Group has effectively discontinued gold exploration activities at Beebyn and would not be able to recover the carrying value of the tenement. Accordingly, the capitalised expenditure related to the Beebyn tenement was written off in full.

Notes to the financial statements

12 Trade and other payables

	31 December 2022 $'000	30 June 2022 $'000
Trade payables	10,356	12,363
Employee benefits	64	3
	10,420	**12,366**

As part of the key creditor negotiations completed during the transition of Dalgaranga operations to care and maintenance, the Group executed various binding agreements with key creditors to settle outstanding amounts owed to, and claimed by, certain creditors prior to, or as a result of, the decision to suspend operations at Dalgaranga.

At 31 December 2022, trade payables includes $6.4 million related to agreed amounts payable per the binding agreements entered into with key creditors as a result of the decision to suspend operations at Dalgaranga, noted above.

On 27 February 2023, the financial restructure was announced. Agreed cash settlement amounts within trade payables were be paid on 7 March 2023.

13 Borrowings and lease liabilities

	31 December 2022 $'000	30 June 2022 $'000
Current		
Lease liabilities	**2,680**	**3,228**
Non-current		
Lease liabilities	**7,441**	**8,309**

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.

Principal repayments of $1.4 million (2021: $1.6 million) for equipment and infrastructure held under lease arrangements were made in accordance with agreed repayment terms during the half-year in addition to scheduled interest payments.

Lease liability remeasurement

As part of the settlement of key creditors during the transition of the Dalgaranga operations to care and maintenance, the Group negotiated changes to key supply contracts. The changes include reduced repayments during the care and maintenance period to enable the Group to keep the assets at site to enable recommencement of operations at Dalgaranga at relatively short notice.

Following remeasurement of the lease liabilities, lease liabilities decreased by $0.07 million as at the reporting date, with a corresponding adjustment recognised in the right-of-use asset, prior to its full impairment, refer to note 9.

14 Provisions

	31 December 2022 $'000	30 June 2022 $'000
Current		
Employee benefits	2,053	2,584
Royalty payments	646	1,111
Creditor settlement provision	16,142	-
	18,841	**3,695**
Non-current		
Employee benefits	72	115
Rehabilitation and mine closure	47,974	47,194
	48,046	**47,309**

Employee benefits

At 31 December 2022, the current employee benefits provision includes $1.2 million related to the settlement of employee entitlements owing to those employees whose roles were made redundant as a result of the decision to suspend operations at Dalgaranga.

Creditor settlement provision

The creditor settlement provision relates to creditor payments that may need to be made if the funding portion of the financial restructure does not complete by 31 March 2023, refer to note 5.

Following the successful completion of the financial restructure of the Company and fulfilment of obligations under each binding agreement, the provision will be reversed in full.

15 Equity

Share capital

	2022		2021	
	No. of shares	$'000	No. of shares	$'000
Fully paid ordinary shares				
At 1 July	425,924,050	324,496	250,858,128	266,196
Performance rights exercised[1]	141,999	33	-	-
Issue of shares[2]	-	-	184,836	59
Issue of shares[3]	-	-	118,895,126	42,208
Share issue costs	-	(2)	-	(56)
Deferred tax credit relating to share issue costs	-	-	-	17
At 31 December	**426,066,049**	**324,527**	**369,938,090**	**308,424**

1 Shares issued on exercise of vested employee performance rights.
2 Shares issued under Employee Share Scheme on 10 September 2021.
3 Shares issued as purchase consideration for acquisition of Firefly Resources Limited on 10 November 2021.

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.

Notes to the financial statements

15 Equity (continued)

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.

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Notes to the financial statements

Unrecognised items

16 Commitments

Exploration expenditure

	31 December 2022 $'000	30 June 2022 $'000
Minimum exploration expenditure commitments due:		
Within one year	2,061	2,328
Between one year and five years	4,571	5,701
Later than five years	2,869	3,066
	9,501	**11,095**

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. These expenditure obligations can be reduced by selective relinquishment of exploration tenure, transfer or sale of a portion of mineral rights or application for expenditure exemptions.

Capital expenditure

Group subsidiary GNT Resources Pty Ltd had no commitments for capital expenditures relating to Dalgaranga at the reporting date (30 June 2022: $0.1 million).

Gold delivery commitments

In July 2022 the Group entered into gold forward contracts with MKS PAMP, to partially insulate the Group from increasing volatility in commodity markets. A total of 11,000 ounces of gold were hedged for delivery between July and December 2022 at an average price of A$2,555 per ounce.

On the announcement of the transition of the Dalgaranga operations to care and maintenance in November 2022, the gold forwards were closed out as per the contractual requirements for an immaterial amount.

At the reporting date the Group had no contractual sale commitments for gold (30 June 2022: nil ounces).

17 Contingent assets and liabilities

Bank guarantees

The Group has provided bank guarantees in favour of service providers for credit card facilities, leased premises and road maintenance responsibilities. The total of these guarantees at the reporting date was $0.4 million (30 June 2022: $0.4 million). The bank guarantees are secured by blocked deposits held by the grantor of the guarantee. The deposit accounts are recognised as other non-current financial assets in the consolidated statement of financial position.

Demobilisation costs

The Group entered into certain contracts relating to Dalgaranga that provided for the payment of demobilisation costs upon termination of the contract. The amount to be paid was contingent upon the timing and basis of contract termination. At 31 December 2022, as part of agreed settlements with certain creditors, the Group recognised the remaining contingent demobilisation costs not yet settled as part of current provisions in the consolidated statement of financial position (30 June 2022: $3.1 million), refer note 5 for more information.

17 Contingent assets and liabilities (continued)

Early termination payment

The Group entered into a contract relating to Dalgaranga that provided for a payment to the contractor in the event of early termination of that contract. The amount to be paid was dependent on the period of time remaining under the contract at the time of termination. At 31 December 2022, as part of agreed settlements with creditors, the Group recognised these contingent early termination charges not yet settled, as part of current provisions in the consolidated statement of financial position, refer note 5 for more information.

18 Events occurring after the reporting date

On 27 February 2023, the Company announced it had entered into binding commitments for a $50.0 million funding package to complete its financial restructure and provide sufficient funds to support the Company's planned exploration activities, care and maintenance costs and working capital through to mid-2024. The funding package comprises a fully underwritten $26.3 million equity raising, a $21.3 million strategic investment from Tembo Capital and a $2.5 million unsecured loan from the Company's largest existing shareholder Delphi.

On 27 February 2023, the Company also launched the institutional component of the pro-rata accelerated, non-renounceable Entitlement Offer and Placement to sophisticated and professional investors.

On 1 March 2023 the Company confirmed successful completion of the Placement and Institutional Entitlement Offer with $17.8 million in firm commitments received. The Placement comprises the issue of approximately 86 million New Shares, to raise gross proceeds of approximately $8.6 million, and the Institutional Entitlement Offer comprises the issue of approximately 91 million New Shares, to raise gross proceeds of approximately $9.1 million.

On 1 March 2023, following the satisfaction of the conditions precedent, the Company also announced submission of the utilisation request to draw down funds from the $21.3 million Tembo Capital Investment. The Company also submitted its utilisation request to drawdown the full amount of the $2.5m unsecured loan provided by Delphi. Funds drawn under both facilities were received by the Company on 3 March 2023.

On 7 March 2023, the Group remitted approximately $4 million to creditors in accordance with binding agreements to settle the cash component of all known claims and costs associated with the November 2022 decision to suspend operations and transition Dalgaranga to care and maintenance.

On 8 March 2023, the Company issued approximately 177.3 million new shares pursuant to the Placement and Accelerated Institutional Entitlement Offer and received gross proceeds of approximately $17.8 million.

On 9 March 2023, shares in the Company were reinstated to trading on ASX following a period of trading suspension of approximately four months.

The Directors are not aware of any other matter or circumstance that has arisen since the end of the half-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 years.

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Notes to the financial statements

Other information

19 Share-based payments

Employee performance rights

	2022 No. of rights	2021 No. of rights
Employee performance rights		
Outstanding at 1 July	22,811,340	400,000
Granted during the half-year[1]	3,100,000	22,081,492
Exercised during the half-year	(141,999)	-
Cancelled during the half-year	(475,663)	-
Outstanding at 31 December	**25,293,678**	**22,481,492**
Exercisable at 31 December[2]	**8,023,144**	**-**

1 Includes performance rights (rights) granted and issued on 11 July 2022, following reallocation of 1,600,000 forfeited Class D, E and F rights to new and existing employees as permitted by the shareholder-approved 'GCY Equity Incentive Plan Rules' (Incentive plan). A grant date weighted average fair value of $0.228 was assigned to the reallocated rights. The vesting date and the terms and conditions of the reallocated rights remain the same as for the forfeited rights.
2 Performance rights held by employees made redundant, following the Company's decision to place the Dalgaranga operations on care and maintenance, automatically vested as per the terms and conditions of the Incentive plan.

Details of performance rights granted during the half-year, under the Company's Incentive plan are as follows:

	July 2022	August 2022
Number granted	1,600,000	1,500,000
Vesting conditions	Performance[1]	Performance[1]
Vesting period end date	12 November 2024	12 November 2024
Weighted average remaining contractual life	10.5 years	10.5 years
Grant date	11 July 2022	12 August 2022
Expiry date	30 June 2033	30 June 2033
Weighted average fair value at grant date[2]	$0.228	$0.232

1 The rights comprise three tranches. Tranches 1 and 2 contain non-market performance conditions, based on the delivery of a minimum ore grade and total gold ounce production target at Dalgaranga over a rolling 12 month period. Tranche 3 contains a market condition based on a 30-day VWAP share price target of $0.550.
2 Refer to the 'Fair value of rights granted' section in this note.

Fair value of rights granted

July and August 2022 awards

The fair value of rights at grant date was independently determined using a combination of the Black Scholes (Tranches 1 and 2 non-market vesting conditions) and Monte Carlo simulation (Tranche 3 market based vesting condition) models.

19 Share-based payments (continued)

The following model inputs were used in the measurement of the fair values at grant date:

	July 2022	August 2022
Share price at grant date	$0.265	$0.270
Exercise price	nil	nil
Expected volatility	65%	65%
Risk-free interest rate	3.169%	3.174%
Expected life	2.3 years	2.3 years
VWAP hurdle	$0.55	$0.55