Canaccord Genuity
Capital Markets

30 June 2021

Raising Target Price

Gascoyne Resources Limited

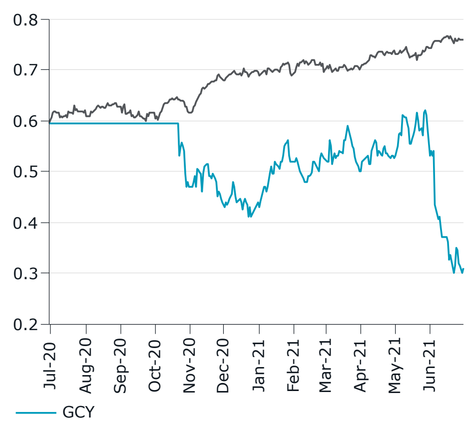
Precious Metals - Producer

Rating	Price Target
BUY *unchanged*	**A$0.75↑** *from A$0.70*
GCY-ASX	Price **A$0.31**

Market Data

52-Week Range (A$) :	0.28 - 0.68
Avg Daily Vol (000s) :	1
Market Cap (A$M) :	115.4
Shares Out. (M) :	372.3
Enterprise Value (A$M) :	125
NAV /Shr (A$) :	0.74
NAV /Shr (5%) (A$) :	0.74
Net Cash (A$M) :	9.5
P/NAV (x) (A$) :	0.41

FYE Jun	2020A	2021E	2022E	2023E
Gold Production (000oz)	73	77	75	90
All in Sustaining Cost (Gold) (US$ / oz)	1,058	975	1,209	1,242
EBITDA (A$M)	50.7	100.8↑	61.8↑	57.2↑
Previous	*-*	*99.8*	*56.9*	*38.7*
EV/EBITDA (x)	3.7	1.1	1.8	1.2
Net Income (A$M)	2.0	(25.5)↑	22.0↑	10.0↑
Previous	*-*	*(26.5)*	*17.2*	*0.0*



Source: FactSet

Priced as of close of business 29 June 2021

Gascoyne Resources (GCY) is a gold producer with its main asset, the Dalgaranga Gold Project, located in the Murchison Provence of WA.

Canaccord Genuity (Australia) Limited has received a fee as Lead Manager to the Gascoyne Resources Limited Institutional Placement and Accelerated Non-Renounceable Entitlement offer announced 13 August 2020.

Canaccord Genuity (Australia) Limited is acting as advisor to Gascoyne Resources Limited on its acquisition of Firefly Resources Limited and expects to be paid a fee for this role.

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Firefly acquisition

Proposed acquisition of Firefly Resources. GCY has announced that it intends to acquire 100% of Firefly Resources (FFR-ASX: $0.11 | Not Rated) via a Scheme of Arrangement. The FFR board (6.9%) and major shareholders (17.2%) have agreed to vote in favour of the merger and the transaction is expected to complete in October 2021. Under the proposal the FFR MD and CEO will join the GCY board as a NED, and the pro-forma entity will consist of 67.4% existing GCY shareholders and 32.6% FFR shareholders. FFR owns the Yalgoo project which hosts the Melville deposit (4.2Mt at 1.5g/t for 196koz, 80% Indicated), located 110km from the Dalgaranga plant. We are of the view that the merger is logical as it leverages the significant infrastructure in place at Dalgaranga to enable monetisation of the Melville deposit for a minimal amount of capital cost.

Melville adds higher grade feed over FY23/24. The addition of the Melville deposit improves the near-term production profile at Dalgaranga and extends the current mine life. The 196koz deposit presents as a near surface and flat lying orebody which looks to be amenable to open pit mining methods. We assume that 68% of the contained gold is extracted with a strip ratio of 4:1, over a two-year period commencing in FY23. We anticipate a minimal start-up capital cost given the orebodies proximity to surface, relatively modest infrastructure requirement and nearby existing accommodation facilities that can utilised.

Exploration potential could provide further upside. GCY will acquire an 800km^2 continuous tenement package surrounding the Melville deposit. FFR was advancing eight prospects within the tenements, with four currently awaiting assays and drilling planned at the remaining four. FFR is undertaking a 30,000m drilling campaign and management stated that they were targeting multiple updated or maiden Resource estimates from its prospects in 2021. We believe the regional exploration within the Yalgoo tenements will provide an additional source of news flow and improve the likelihood of GCY extending the mine life a Dalgaranga beyond our current model assumptions.

What this means for Dalgaranga. In addition to the increased production in FY23/23 and extended mine life at Dalgaranga (as mentioned above), we believe that the inclusion of the Melville ore will allow GCY to reduce mining volumes at Gilbeys that will delay costs and potentially reduce execution risk at the mine. In addition, the extended mine life reduces pressure on the exploration team to define new production sources for the asset to further extend the mine life. We also believe that establishing a secondary ore source provides a level of operational flexibility and de-risks mining activities (albeit limited given its distance from Dalgaranga) should one of the sources become inactive.

Model updates. We have assumed that the merger completes and have included Melville in our model assumptions for GCY (see report for specific details). We have also reduced our assumed Dalgaranga mining rates from FY23E to account for the additional inventory. We have slightly increased our corporate costs and includes the new shares to be issued as part of the merger in our pro-forma valuation.

Valuation and recommendation

Incorporating the changes noted above our target price (1x forward curve NPV$_{5\%}$) increases to $0.75 (from $0.70). The transaction is accretive on a per-share basis for Dalgaranga, with our pro-forma NAV for the asset increasing by 10% to $0.68/share (from $0.62/share). We concede that FY22E is period of reduced cash build with the planned capitalised waste stripping program and debt to repay, but we see FY23E as significant CF inflection point which further increases in FY24E (see Figure 19). We model the company to generate its current market capitalisation in cash over this period, during a time that we anticipate potential mine life extensions via exploration within its existing (and new) tenement packages. BUY recommendation maintained.

Figure 1: Financial Summary

FINANCIAL SUMMARY

Gascoyne Resources Limited **ASX:GCY**

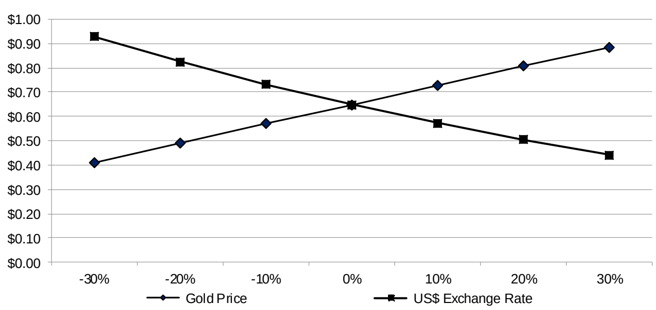
Analyst :	Henry Renshaw	Rating:	**BUY**
Date:	29/06/2021	Target Price:	**A$0.75**
Year End:	June		

Market Information - pro-forma		
Share Price	A$	0.31
Market Capitalisation	A$m	115.4
12 Month Hi	A$	0.68
12 Month Lo	A$	0.28
Issued Capital	m	372.3
Options	m	0.0
Fully Diluted	m	372.3

Valuation (pro-forma assuming FFR merger)		**A$m**	**A$/sh**
Dalgaranga	NPV @ 5%	254	0.68
Corporate		(37)	-0.10
Exploration		25	0.07
Forwards		17	0.05
Cash & Bullion		27	0.07
Debt		(18)	-0.05
FRR cash		6	0.02
TOTAL NAV		**274**	**0.74**
Price:NAV			0.41 x
NAV @ Spot	Spot US$1,755/oz		0.67
TARGET PRICE			**0.75**

Assumptions	**2020a**	**2021e**	**2022e**	**2023e**
Gold Price (US$/oz)	1,563	1,846	1,731	1,749
AUD:USD	0.67	0.75	0.76	0.76
Gold Price (A$/oz)	2,328	2,476	2,271	2,304

Sensitivity



Production Metrics	**2020a**	**2021e**	**2022e**	**2023e**
Dalgaranga				
Prod'n (koz)	73	77	75	90
AISC (A$/oz)	1,576	1,307	1,586	1,636
AIC (A$/oz)	2,232	2,172	2,290	1,719

Reserves & Resources		**Mt**	**Grade**	**Moz**
Reserves				
Dalgaranga		13.5	0.8	0.34
Reserves	**TOTAL**	**13.5**	**0.8**	**0.34**
Resources				
Dalgaranga		25.0	0.8	0.65
Glenbrugh		16.3	1.0	0.51
Mt Egerton		0.3	3.1	0.03
Melville		4.2	1.5	0.2
Resources	**TOTAL**	**45.8**	**0.9**	**1.39**

Company Description

Gascoyne Resources Limited is an Australian gold producer operating the Dalgaranga project in Western Australia. The project currently entails a eight-year LOM comprising of four years of open pit mining and a subsequent three years of stockpile processing. The company are currently in the process of merging with FFR, which will provide a high grade satellite ore source.

Profit & Loss (A$m)	**2020a**	**2021e**	**2022e**	**2023e**
Revenue	171.5	203.3	180.0	207.0
Operating Costs	108.0	92.1	112.2	139.8
Corporate & O'heads	12.9	9.9	6.0	10.0
Exploration (Expensed) & Other	0.0	0.0	0.0	0.0
EBITDA	**50.7**	**100.8**	**61.8**	**57.2**
Dep'n	42.0	43.8	39.1	47.2
Net Interest	-6.5	-2.5	-0.6	-0.0
Other (non-cash)	0.0	-77.5	0.0	0.0
Tax	0.1	2.4	0.0	0.0
NPAT (statutory)	**2.0**	**-25.5**	**22.0**	**10.0**
Abnormals	0.0	77.5	0.0	0.0
NPAT	2.0	52.0	22.0	10.0
EBITDA Margin	*30%*	*50%*	*34%*	*28%*
EV/EBITDA	***3.7x***	***1.1x***	***1.8x***	***1.2x***
EPS	*$0.00*	*-$0.01*	*$0.06*	*$0.03*
EPS Growth	*nm*	*nm*	*-613%*	*-55%*
PER	*nm*	*-26.87*	*5.24*	*11.56*
Dividend Per Share	*$0.00*	*$0.00*	*$0.00*	*$0.00*
Dividend Yield	***0%***	***0%***	***0%***	***0%***

Cash Flow (A$m)	**2020a**	**2021e**	**2022e**	**2023e**
Cash Receipts	171.5	201.1	180.0	207.0
Cash paid to suppliers & employee	-119.7	-117.1	-118.2	-149.8
Tax Paid	0.0	0.0	0.0	0.0
Net Interest	-0.8	-2.5	-0.8	-0.3
Other	0.0	1.1	0.0	0.0
Operating Cash Flow	**50.9**	**82.6**	**61.0**	**56.9**
Exploration and Evaluation	-1.1	-6.3	-4.0	-4.0
Capex	-44.8	-71.3	-53.5	-7.8
Other	0.0	2.3	0.0	0.0
Investing Cash Flow	**-45.9**	**-75.3**	**-57.5**	**-11.8**
Debt Drawdown (repayment)	-15.6	-66.6	-7.0	-7.0
Share capital	0.0	85.2	0.0	0.0
Dividends	0.0	0.0	0.0	0.0
Financing/Lease Expenses	-0.5	-12.2	-3.0	-3.0
Financing Cash Flow	**-16.1**	**6.5**	**-10.0**	**-10.0**
Opening Cash	16.7	5.6	19.4	12.9
Increase / (Decrease) in cash	-11.1	13.8	-6.5	35.1
FX Impact	0.0	0.0	0.0	0.0
Closing Cash	**5.6**	**19.4**	**12.9**	**48.0**
Op. Cashflow/Share	*$0.05*	*$0.22*	*$0.16*	*$0.15*
P/CF	*6.12*	*1.40*	*1.89*	*2.03*
FCF	***5.0***	***7.4***	***3.5***	***45.1***
EV/FCF	***37.8x***	***14.9x***	***31.7x***	***1.5x***
FCF Yield	***4%***	***6%***	***3%***	***39%***

Balance Sheet (A$m)	**2020a**	**2021e**	**2022e**	**2023e**
Cash + S/Term Deposits	5.6	19.4	12.9	48.0
Other current assets	21.5	22.4	19.8	22.8
Current Assets	**27.1**	**41.8**	**32.7**	**70.8**
Property, Plant & Equip.	179.7	108.2	111.1	103.2
Exploration & Develop.	30.1	36.4	40.4	44.4
Other Non-current Assets	0.4	47.9	56.7	28.3
Payables	43.6	8.1	7.2	8.3
Short Term Debt	71.5	2.8	1.4	0.0
Long Term Debt	10.7	11.2	5.6	0.0
Other Liabilities	54.2	165.8	158.2	160.1
Net Assets	**57.4**	**46.4**	**68.4**	**78.4**
Shareholders Funds	171.6	263.6	263.6	263.6
Reserves	0.9	-76.6	-76.6	-76.6
Retained Earnings	-116.2	-141.7	-119.6	-109.7
Total Equity	57.4	46.4	68.4	78.4
Debt/Equity	*19%*	*24%*	*8%*	*0%*
Net Debt/EBITDA	*1.5x*	*-0.1x*	*-0.1x*	*-0.8x*
Net Interest Cover	*5.4x*	*15.6x*	*45.8x*	*168.5x*
ROE	*3%*	*112%*	*32%*	*13%*
ROIC	*1%*	*23%*	*9%*	*5%*
Book Value/share	*$0.15*	*$0.12*	*$0.18*	*$0.21*

Source: Company reports, Canaccord Genuity estimates

Merger overview

GCY has announced that it intends to acquire 100% of FFR via a Scheme of Arrangement, whereby FFR shareholders will receive 0.34 GCY shares for each FFR share. The transaction is subject to standard conditions (regulatory approvals, minimum 75% shareholder approval, Independent Export Report, etc.), and is expected to complete in October 2021. FFR owns the Yalgoo Project which hosts the near surface Melville deposit (4.2Mt at 1.5g/t for 196koz, 80% Indicated) which is a 110km haul from the Dalgaranga plant, more details about the project are below.

The rationale behind the merger is to leverage the significant infrastructure that is in place at Dalgaranga (~3-year old processing plant and supporting infrastructure) to enable monetisation of the Melville deposit for a significantly reduced capital cost. The addition of the higher-grade feed to the base case at Dalgaranga both improves the near-term production profile and extends the mine life at Dalgaranga, which we believe will take the pressure of the exploration campaign to define additional Resources in close proximity to the operating plant.

The FFR board (6.9% ownership) and major shareholders (17.2% ownership) have agreed to vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert Report. A Scheme Booklet and Independent Expert Report is expected to be dispatched in August 2021, with the vote expected to occur in September. The pro-forma entity will comprise approximately 67.4% existing GCY shareholders and 32.6% FFR shareholders. FFR also currently owns Copper-Gold and Lithium exploration assets which will be demerged via an in-specie distribution, it expects this will occur following implementation of the Scheme.

Under the proposal, FFR's Managing Director and CEO, Simon Lawson, will join the GCY board as a Non-Executive Director. Mr Lawson is an experienced geologist that has over 15 years of experience in exploration, production and management within gold and base metals companies. Mr Lawson previously help senior geology roles with Northern Star where he was Chief Geologist – Paulsons and then group Principal Mine Geologist.

Figure 2: Overview of pro-forma GCY

	Unit	Gascoyne	Firefly	Pro Forma Combined Group
5-Day VWAP / Implied Offer Pricing	$	0.427	0.145	**0.427**
No. of Ordinary Shares	M	250.9	307.3	**372.3[1]**
Market Capitalisation	$M	107.1	48.9[1]	**159.0**
Ordinary shareholding in Combined Entity	%	67.4%	32.6%	**100%**
Cash and Equivalents (31 March 2021)	$M	27.0	6.0	**33.0**
Debt (31 March 2021)	$M	17.5	-	**17.5**
Net Cash / (Debt) (31 March 2021)[2]	$M	9.5	6.0	**15.5**
Enterprise Value	$M	97.6	42.9	**143.5**
Mineral Resources				
Tonnes	Mt	41.6	4.2	**45.8**
Grade	g/t	0.9	1.5	**1.0**
Contained Gold	koz	1,186	196	**1,382**
Ore Reserves				
Tonnes	Mt	13.5	-	**13.5**
Grade	g/t	0.8	-	**0.8**
Contained Gold	koz	339	-	**339**

1. Assumes vesting of approximately 34.2 million performance rights, conversion of approximately 11.3 million in-the-money unlisted options and a nominal Black-Scholes valuation for approximately 16.4 million out-of-the money unlisted options on issue
2. Rounding errors may apply

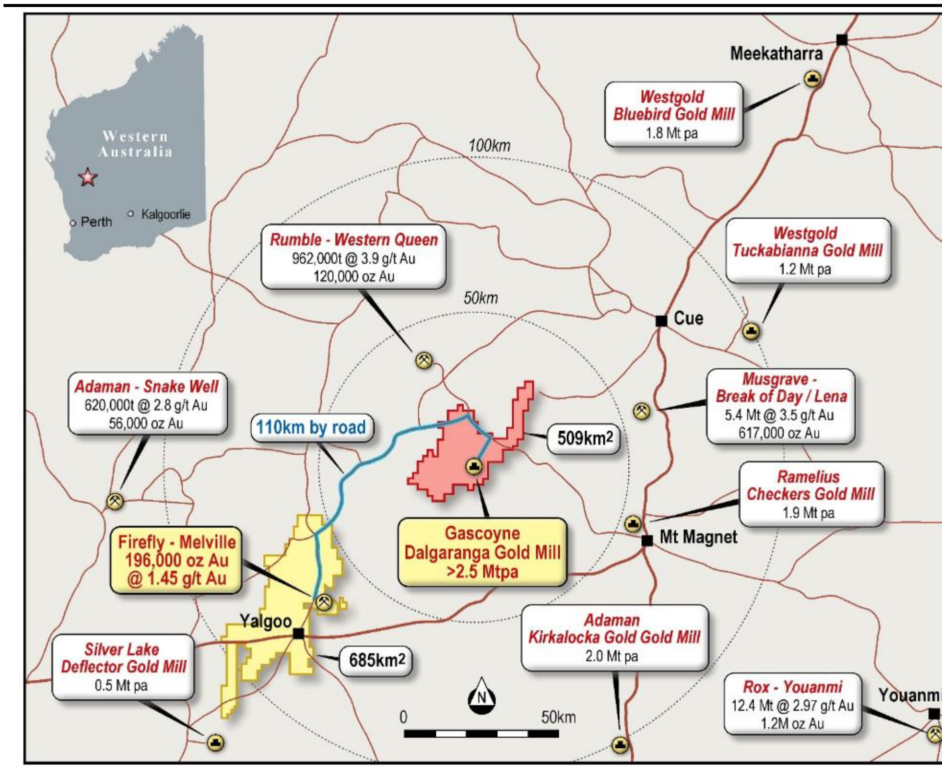
Source: Company reports

Melville project

The Melville project is located south-west of Dalgaranga and can be accessed by road (110kms). FFR acquired the project in June 2020 and at the time it hosted a non-2012 JORC Resource of 140koz. Following the acquisition, FFR consolidated the ground within the current tenement package and conducted exploration campaigns which resulted in the development of the existing 2012 JORC Resource (196koz). A total of 16,200m have been drilled since acquisition (part of a 30,000m campaign), and the Melville deposit remains open along strike and to depth.

Melville is a greenfield deposit (no previous mining) and is mineralised at surface. The deposit consists of an Archaean lode-gold system intersecting an extensive structurally modified Banded-Iron-Formation (BIF) which has resulted in broad mineralisation at surface. The geometry of mineralisation is north-striking BIF lodes that vary from flat-lying to steeply west-dipping. Infill drilling that was used to generate the JORC 196koz Resource targeted intercept spacing of 20-25m or better, which enabled the high degree of geological confidence that resulted in the large proportion (80%) classified as Indicated. The Resource extends over a 900m strike, 400m width and extends to a depth of ~220m below the surface.

Figure 3: Project locations



Source: Company reports

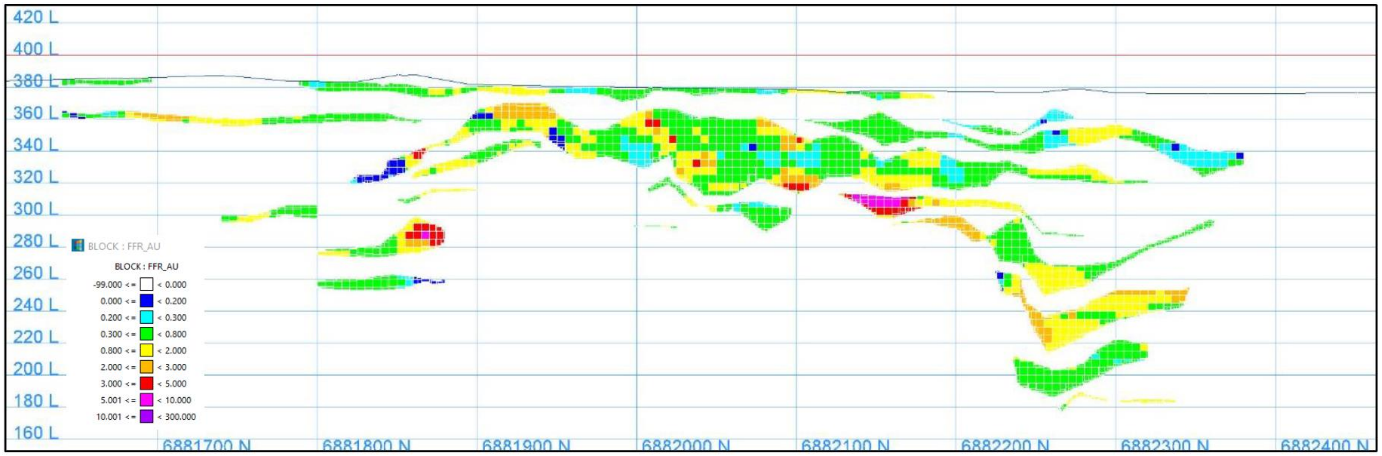
Figure 4: Melville Mineral Resource

Category	Tonnes (Mt)	Grade (g/t)	Contained Metal (koz Au)
Indicated	3.31	1.5	156.8
Inferred	0.89	1.4	39.6
TOTAL	**4.20**	**1.5**	**196.4**

Source: Company reports

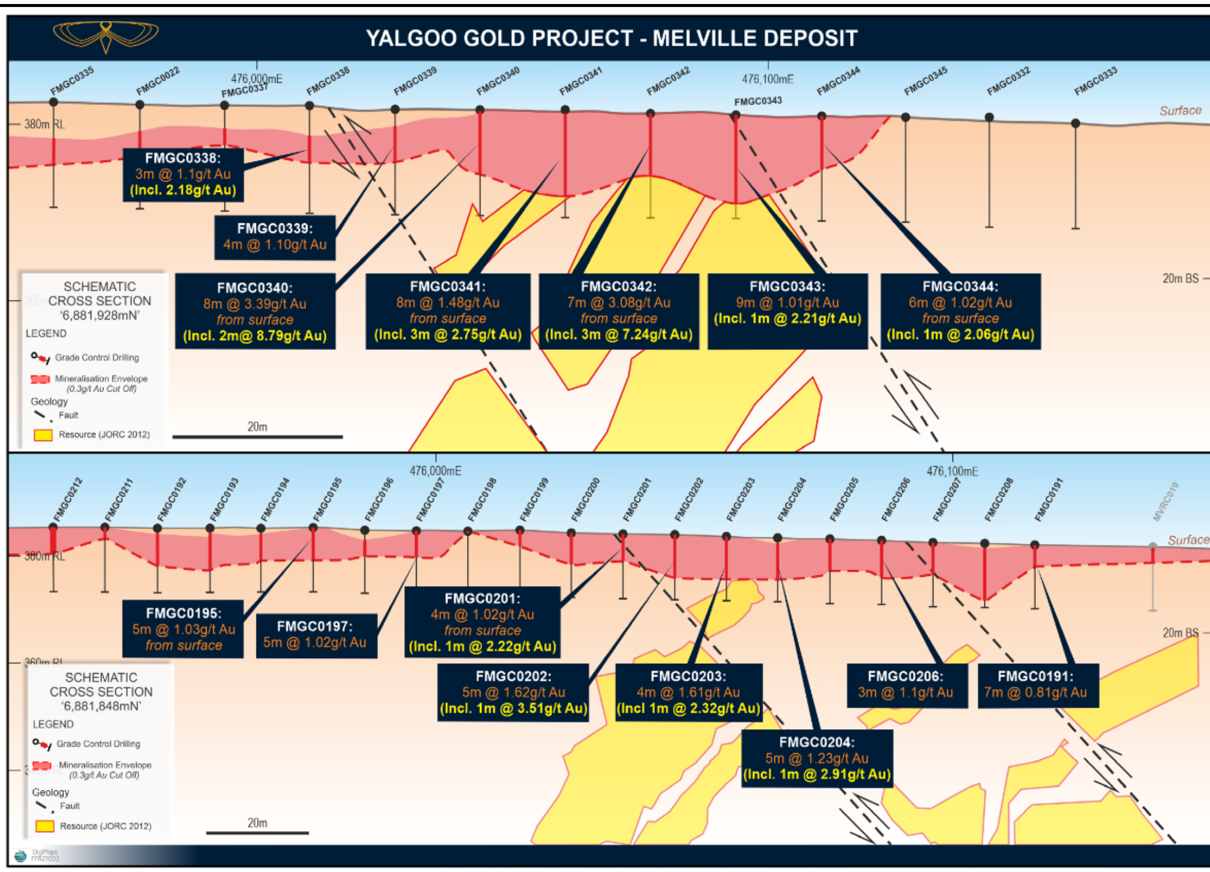
The nature of the orebody appears to be flat lying and is close to surface which is amenable to open pit mining methods, with potentially very little pre-stripping required. In addition, FFR recently completed grade control drilling at 10m spacing which confirmed the flat lying oxide mineralisation (shown in red in Figure 6) that occurs at surface and is 10-12m in width.

Figure 5: Long section of Melville Resource showing grade distribution



Source: Company reports

Figure 6: Cross sections of Melville deposit



Source: Company reports

Mining

Given Melville is essentially a satellite open pit ore feed for Dalgaranga, we are of the view that minimal infrastructure will be required before production can occur, which will result in a low capital requirement. The Yalgoo township is located 15km to the south and has accommodation facilities that could be utilised when the operations are underway, supporting the low capital requirement. We assume that mining activities would utilise a contractor (similar to Dalgaranga) which would remove the requirement to purchase a fleet and would likely alleviate some site establishment costs (workshop, etc.). It was noted on the conference call that the capital requirement will likely be between A$2-5m and we have assumed A$5m in our model (expended in 2H'FY22E).

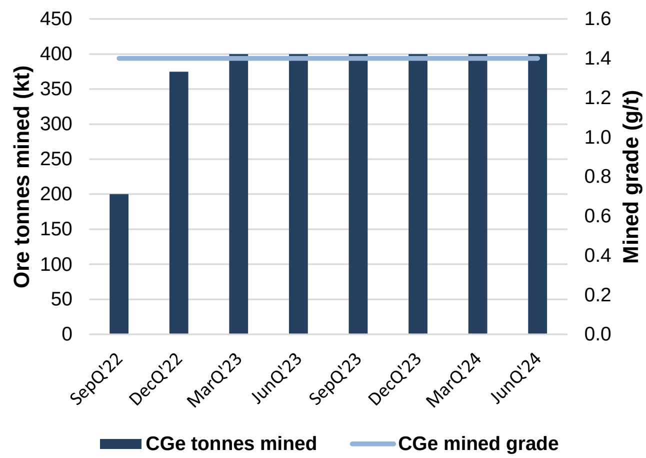
We assume that 71% of the existing Resource tonnage is converted at a slightly lower grade, to account of mining dilution (1.4g/t vs Resource 1.5g/t). Given the favourable mining geometry we have assumed a strip ratio of 4:1 and a pit life of two years.

Figure 7: CG key assumptions

Item	Unit	Value
CG assumed tonnes mined	kt	2,975
CG assumed grade	g/t	1.40
CG assumed ounces mined	koz	134
Resource tonnes	kt	4,200
Resource grade	g/t	1.50
Resource ounces	koz	196
CG assumed conversed tonnes	kt	71%
CG assumed converted ounces	koz	68%
CG assumed strip ratio	w:o	4:1
CG assumed Pit life	years	2
CG assumed steady state mining rate	ktpa	1,600
CG assumed ramp up	months	6
CG assumed haulage cost	tkm	0.10
CG assumed start-up capex	A$m	5

Source: Canaccord Genuity estimates

Figure 8: CG assumed mining physicals

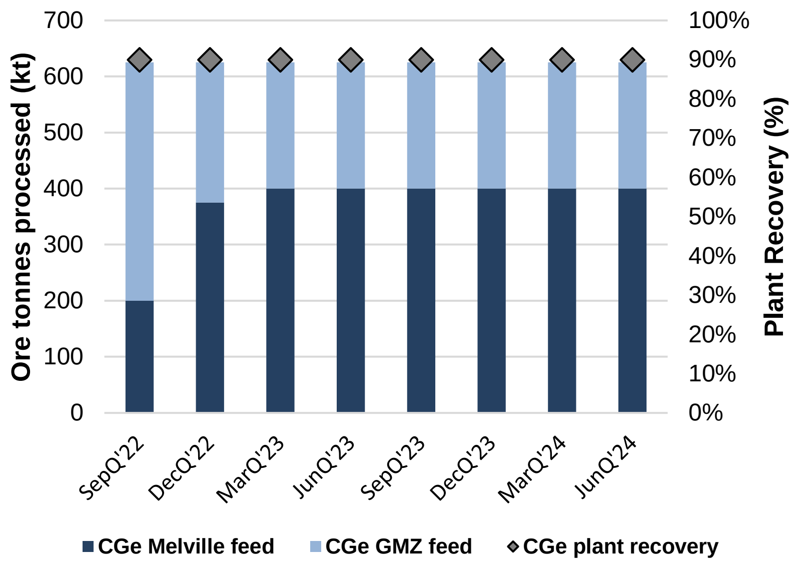


Source: Canaccord Genuity estimates

Processing

GCY stated that it has completed initial independent metallurgical testwork and results suggested that the ore at Melville is treatable using leaching methods with recoveries north of 90%. We assume that GCY will preferentially treat the Melville ore given the higher grade. At steady state we assume Melville provides 64% of the plant feed (supplemented with Dalgaranga GMZ) and model an overall recovery of 90% during the period that it is processed (GMZ averaged ~92% over the last 12 months).

Figure 9: CGe plant metrics during Melville operation



Source: Canaccord Genuity estimates

Exploration potential

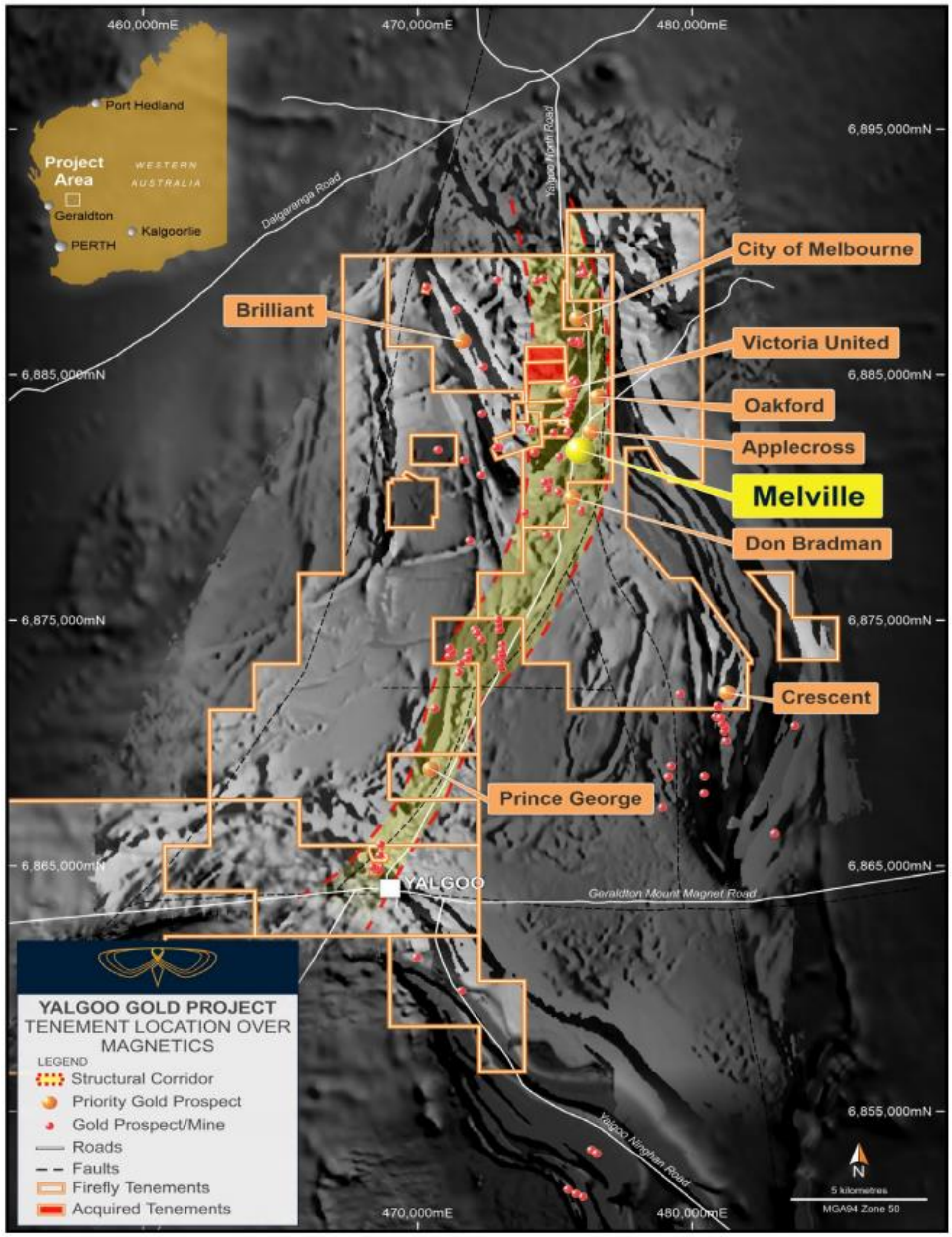
GCY will acquire an 800km^2, 100%-owned continuous tenement package surrounding the Melville deposit. Currently there are eight advanced gold and copper prospects with assays pending at four (Applecross, Don Bradman, Crescent and Olive Queen) and drilling underway at the remaining four (City of Melbourne, Brilliant, Lady Lydia and Prince George). The Don Bradman prospect is located 2km to the south of Melville and currently has a known strike length of 300m. The style of mineralisation is considered to be identical to the Melville deposit and recent drilling has intercepted gold in close proximity to the surface, headline results include:

- 5m at 5.11g/t from 85m (inc. 2m at 9.32g/t)
- 4m at 2.08g/t from 126m
- 9m at 1.69g/t from 35m (inc. 2m at 4.56g/t)
- 5m at 1.99g/t from 57m (inc. 2m at 3.49g/t)
- 2m at 3.43g/t from 64m
- 2m at 2.80g/t from 47m (inc. 1m at 5.32g/t)
- 8m at 1.26g/t from 105m (inc. 1m at 3.72g/t)

In addition to the prospects noted above, there is 2km strike of historic high-grade narrow-vein gold workings (mined 1895 to 1945) at Victoria United. FFR is planning to drill the first holes across the ~30 historic shafts and stope workings along the trend.

FFR was undertaking a significant exploration campaign with 30,000m budgeted that was largely targeted outside of the Melville deposit. The company stated in February 2020 that it was planning to deliver at least seven updated or maiden Mineral Resource Estimates from its prospects during 2021.

Figure 10: Surrounding prospects at Yalgoo



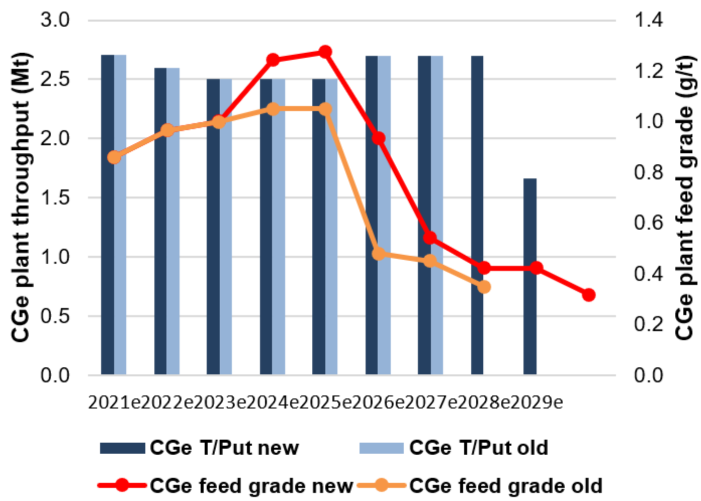
Source: Company reports

What Melville means for Dalgaranga

We see clear benefits associated with the inclusion of the Melville deposit within the Dalgaranga LOMP, outside of the simple fact that it provides additional inventory and cash flows over the LOM. Benefits are as follows:

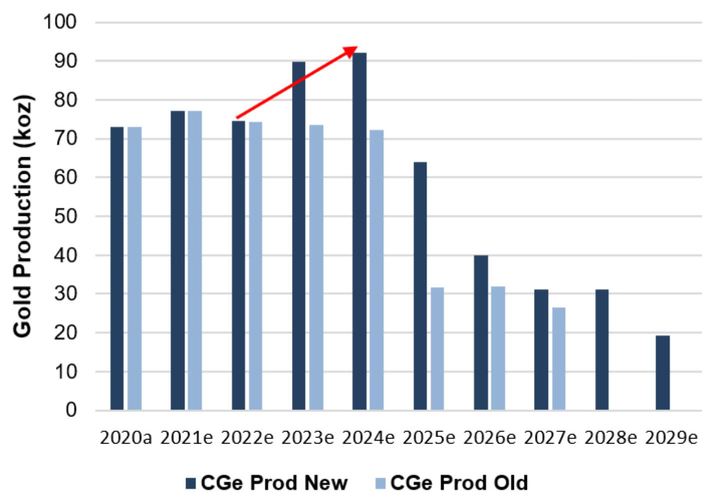
- **Production growth:** Our previous base case (derived from the Jul'20 LOMP and subsequent Jun'21 update) assumed a slightly declining production profile (grade driven) over FY21E-24E (from 77koz to 72koz), output then reduced to ~30kozpa for the final three-years of LG stockpile processing. The addition of the higher-grade Melville ore (1.4g/t feed vs base case ~1.0g/t during mining years) provides GCY with an expanding production profile over FY23E/24E when we expect the overall feed grade to average 1.26g/t. We now model production exceeding 90koz in FY23E and FY24E.

Figure 11: CGe plant throughput and grade – old vs new



Source: Canaccord Genuity estimates

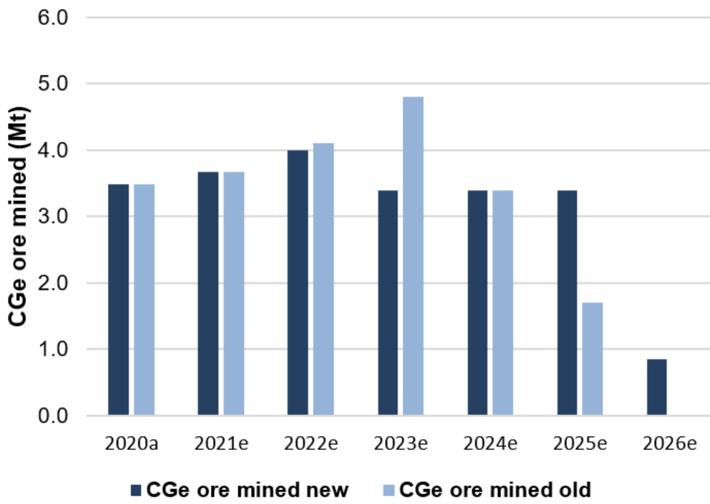
Figure 12: CGe gold production – old vs new



Source: Canaccord Genuity estimates

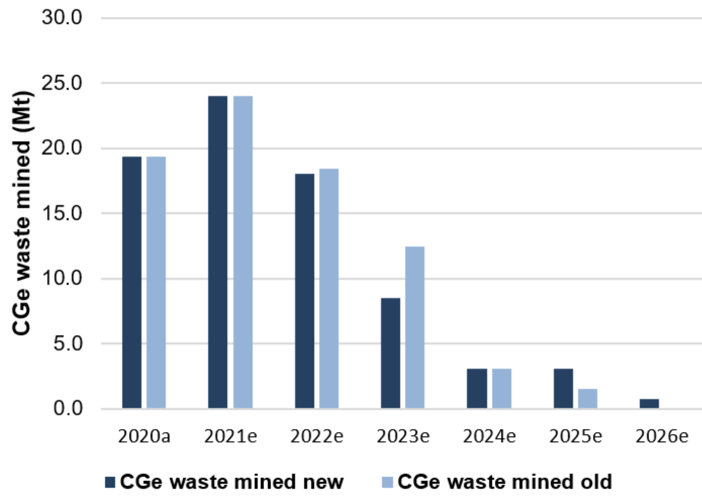
- **Mining volumes at Gilbey's can potentially be reduced:** We assume that mining volumes at Dalgaranga are reduced to a rate of 3.4Mtpa (of ore) once Melville is in production. This will enable GCY to delay the mining costs associated with that material and potentially reduce execution risk at Dalgaranga. We note the high capex requirement in FY22E associated with waste stripping (guidance A$45-50m) and see potential for some of this expense to be delayed during 2H'FY22E, once this transaction completes and GCY is confident on timelines for Melville to commence production.

Figure 13: CGe ore mined at Dalgaranga (ex-Melville) – old vs new



Source: Canaccord Genuity estimates

Figure 14: CGe waste mined at Dalgaranga (ex-Melville) – old vs new



Source: Canaccord Genuity estimates

- **Reduces exploration pressure:** The addition of the Melville ore inventory essentially provides GCY with an 'extended runway' to define and develop new sources of production. We are of the view that GCY will be aiming to bring additional sources online prior to the commencement of processing LG stocks. Our updated mine plan now has the commencement of LG processing in the DecQ'25, ~12 months after our previous assumption. If we consider an arbitrary 12-month timeframe to design, permit and develop a new ore source, GCY now have ~3.5 years to discover the next deposit. We believe this additional time significantly reduces the pressure on the exploration team, notwithstanding the fact that Yalgoo provides a number of additional advanced targets.
- **Operational flexibility:** The addition of a separate working front provides operational flexibility and theoretically de-risks mining activities. In the event that one source is inaccessible, volumes from the secondary source can potentially be increased to reduce the impact of lost productivity. This benefit is somewhat limited given the distance to Melville (fleet cannot be redirected easily), but we still consider it to be a positive aspect of the combined production plan.

Valuation

We assume that the merger completes and have updated our model to include the Melville deposit and modified our production plan for Dalgaranga (as outlined above). We now model an eight-year LOM (from FY22E) producing a total of 442koz at an LOM average AISC of A$1,530/oz. FY22E-24E is a period of higher production given we expect higher grade material to be preferentially treated with production averaging 85kozpa, with annual production reducing to an average rate of 37kozpa thereafter.

The $NPV_{5\%}$ for Dalgaranga increases by A$99m to A$254m (64%) and it's nominally accretive compared to the transaction value of A$37m (implied at time of writing). The transaction is also accretive on a per-share basis, with the valuation of Dalgaranga increasing by 10% to A$0.68/share (from A$0.62/share). We have diluted our valuation to account for the additional shares to be issued as part of the transaction and have slightly increased corporate costs. We have not increased our A$25m nominal exploration value at this stage but highlight the increased potential given the pro-forma GCY will have ownership of the Yalgoo tenements. Our target price ($NPV_{5\%}$) for GCY increases to A$0.75 (from A$0.70), see below for breakdown. We model GCY generating a net cash position of A$117m by the end of FY24E, which is greater than the current pro-forma market capitalised of the company at time of writing (A$115m).

Figure 15: Net asset valuation for GCY

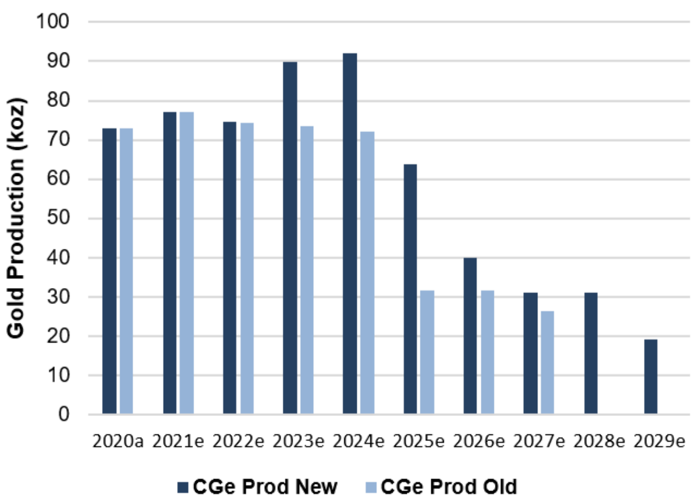
NET ASSET VALUATION

Shares	372.286
ITM Options	0.00
Full Diluted	372.286

	A$m	EQUITY	A$M	PER SHARE
Dalgaranga	254	100%	254	0.68
Corporate	-37		-37	-0.10
Exploration	25		25	0.07
Forwards	17		17	0.05
Cash & Bullion	27		27	0.07
Debt	-18		-18	-0.05
FRR cash	6		6	0.02
TOTAL	**274**		**274**	**0.74**
			Target (Rounded)	A$0.75
			P/NAV	**0.41x**

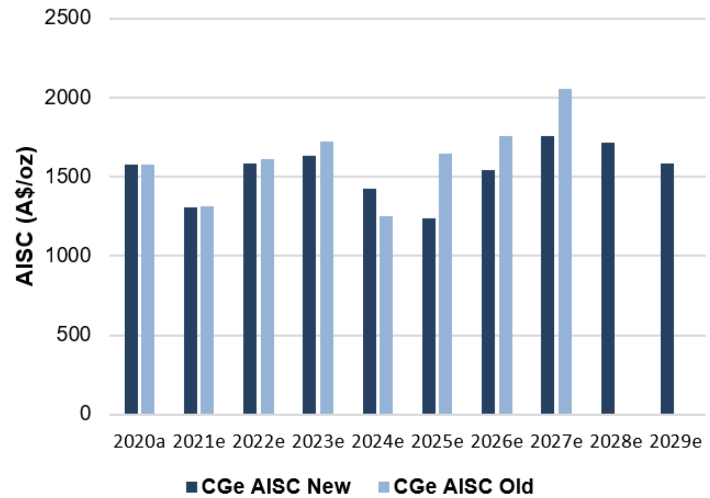
Source: Canaccord Genuity estimates

Figure 16: CGe Gold production – old vs new



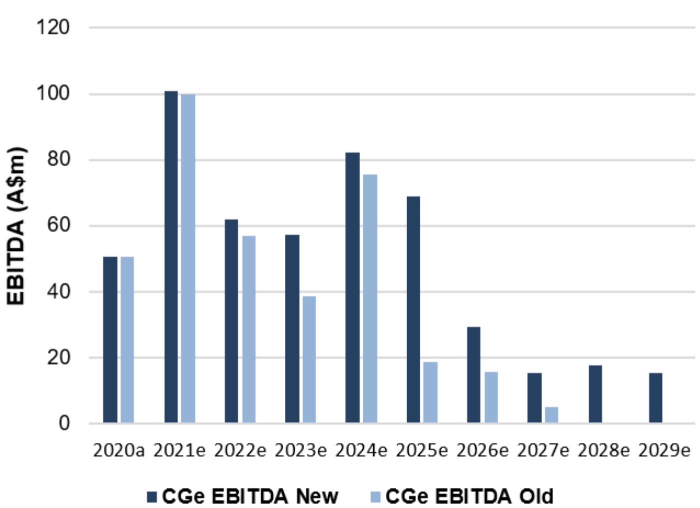
Source: Canaccord Genuity estimates

Figure 17: CGe AISC – old vs new



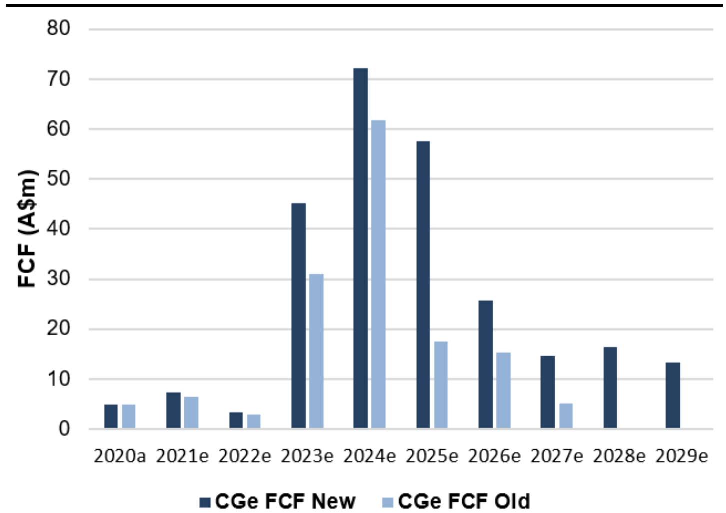
Source: Canaccord Genuity estimates

Figure 18: CGe EBITDA – old vs new



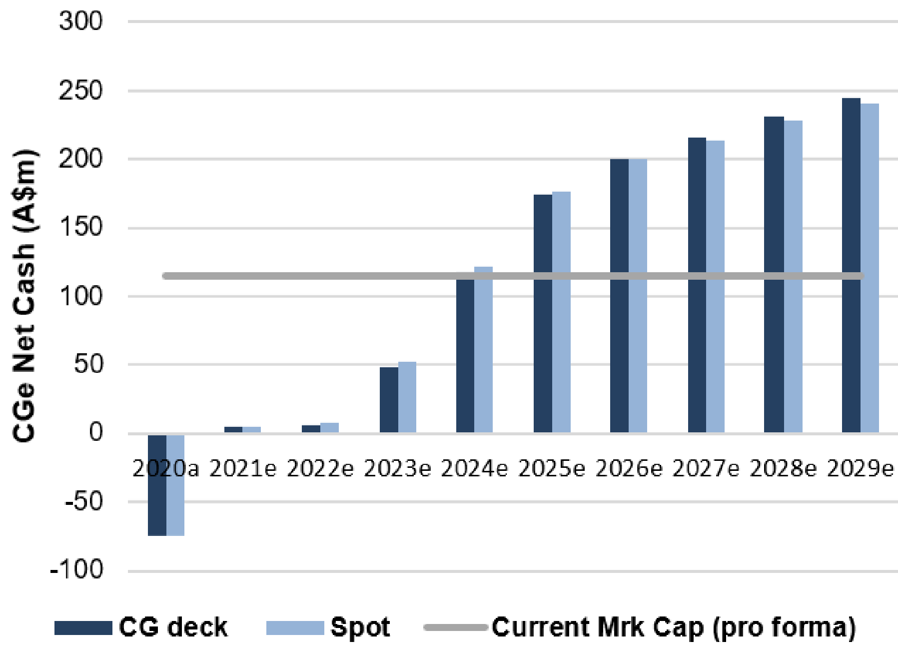
Source: Canaccord Genuity estimates

Figure 19: CGe FCF – old vs new



Source: Canaccord Genuity estimates

Figure 20: CGe net cash (CG deck and spot) vs pro-forma market capitalisation



Source: FactSet, Canaccord Genuity estimates

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Investment Recommendation

Date and time of first dissemination: June 30, 2021, 00:41 ET

Date and time of production: June 30, 2021, 00:41 ET

Target Price / Valuation Methodology:

Gascoyne Resources Limited - GCY

Our valuation is derived using DCF analysis (1.0x forward curve $NPV_{5\%}$) of the Dalgaranga gold project and is adjusted for corporate costs, net debt, hedge book and a nominal exploration value.

Risks to achieving Target Price / Valuation:

Gascoyne Resources Limited - GCY

Financing risks

As a company in production with income influenced by operating performance, commodity prices and exchange rates, GCY may be reliant on equity and debt markets to fund feasibility studies, expansions and development of new projects. We can make no assurances that accessing these markets will be done without further dilution to shareholders.

Exploration risks

Exploration is subject to a number of risks and can require a high rate of expenditure. Risks can also be associated with conversion of inferred Resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurances can be given that exploration will delineate Mineral Resources nor that the company will be able to convert the any Mineral Resource into Ore Reserves.

Operating risks

The company is subject to risks such as plant/equipment breakdowns, metallurgical (meeting design recoveries within a complex flowsheet), materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations which can also materially impact forecast production from original expectations.

Commodity price and currency fluctuations

As with any mining company, GCY is directly exposed to commodity price and currency fluctuations. Commodity price fluctuations are driven by many macroeconomic forces including inflationary pressures, interest rates and supply and demand factors. These factors could reduce the profitability, costing and prospective outlook for the business.

Distribution of Ratings:

Global Stock Ratings (as of 06/30/21)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	621	64.49%	41.55%
Hold	168	17.45%	25.00%
Sell	10	1.04%	30.00%
Speculative Buy	153	15.89%	66.67%
	963*	100.0%	

*Total includes stocks that are Under Review

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HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

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12-Month Recommendation History (as of date same as the **Global Stock Ratings** table)

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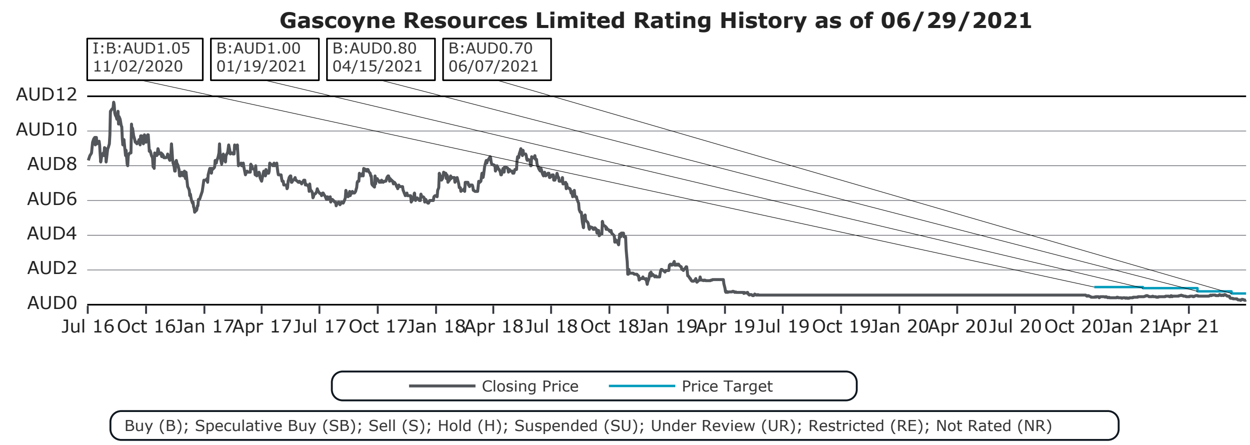

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