



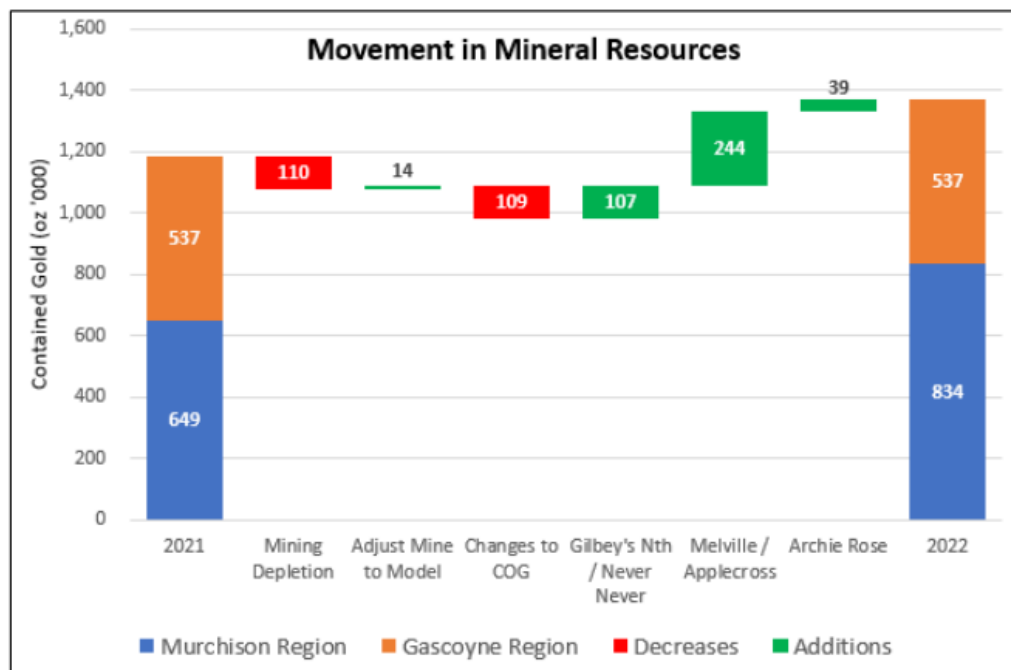
Gascoyne Resources (GCY AU, \$0.34, market cap A\$145m)

Resource Upgrade + Exceptional Never Never Lode Intercepts Continue

Resource Upgrade Confirms Potential at Gilbey's North - Never Never

- GCY has reported an initial high-grade mineral resource incorporating the significant new discovery dubbed Gilbey's North – Never Never Lode (GNNN), now totalling 1.43mt @ 2.32g/t for 107koz. In conjunction with the inclusion of the Yalgoo Gold Project (predicated upon the Melville & Applecross deposits), GCY's overall mineral resource has **increased by 15.6% to 1.37moz contained gold**, and crucially the **average resource grade has lifted by 29% to 1.16g/t**.
- The 80koz resource for the newly discovered Never Never Lode (NN Lode) was smaller than we'd thought, but as we discuss below the company has flagged the likelihood that this resource could perhaps double in size with further drilling. Infill drilling suggests the lode is wider than suggested in the current resource model. Furthermore, the deposit remains open at depth.
- News flow from GCY should be plentiful over the next few months as we see revised guidance for production and costs in the next month or so, and ongoing exploration results, especially from the NN Lode and its depth extensions.

Waterfall Chart of GCY's Upgrade in Mineral Resources:



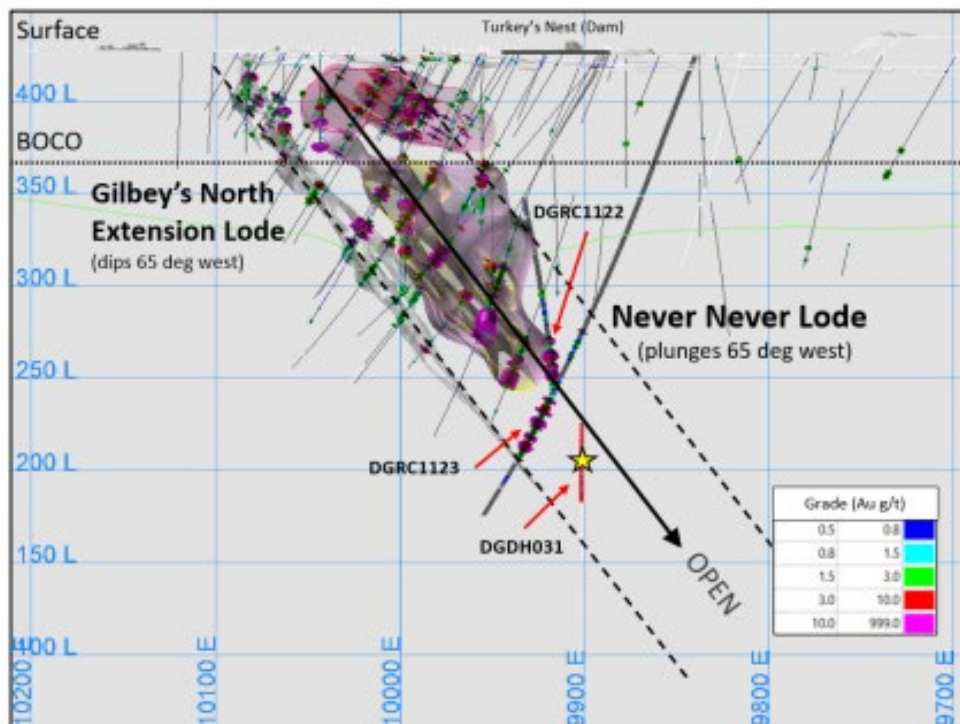
Source: Company Release

- As part of the revised mineral resource, GCY also increased the cut-off grade from 0.25g/t to 0.50g/t, removing low-grade stockpiles and high-cost/low-quality gold inventory and therefore **improving the overall quality** of GCY's life-of-mine gold inventory.

Never Never Lode: High-Grade Resource Envelope Expanding

- The NN Lode is a “game-changer” for Dalgara. It accounts for 46% of the ore added at GNNN yet 74% of contained gold added, given the very high grade of 3.78g/t (cf Gilbey’s North at 1.1g/t).
- While the NN Lode was initially regarded as a lode sitting within the Gilbey’s North deposit, GCY has now opted to separately classify NN Lode given the distinct style of mineralisation and substantially higher grades (more than triple Gilbey’s North) recorded to date.
- GNNN is situated less than 1km from the Dalgara mill and continued drilling at NN Lode has already recorded numerous high-grade RC intercepts beyond the currently defined boundary of the existing resource envelope. As such we believe the potential for further exploration success and expansion of the initial resource at GNNN looks very promising.
- The announced resource for the NN Lode was smaller than we had estimated at around 80koz. (We had suggested that the potential was closer to 200koz). Using the approximate dimensions provided by the company for the existing resource (60m x 50m x 190m) and factoring that up to the quoted upside (100m x 50m x 240m) and assuming a grade of say 4g/t, we can see the NN Lode expanding to perhaps 150-200Koz.

Cross-section (looking south) showing “Never Never” lode vs Gilbey’s North Extension Lode:



Source: Company Reports

Near-Term Mine Plan Incorporation

- Both Gilbey’s North and NN Lode are close to surface and on the recent investor call CEO Simon Lawson indicated that there would be no material capital expenditure requirements on waste pre-strip in order to access the deposit.

- As GNNN is situated on an existing granted mining lease, the time horizon to this high-value ore hitting the mill should be short, with GCY anticipating the deposit could be presenting ore to the mill before the end of the current calendar year.
- While GCY's strategy for processing GNNN ore remains in development, current indications provided by management suggest that blending mill feed to target a consistent average head grade of 1.2-1.3g/t is likely to represent a preferred base-case mine plan.
- On the call, management noted that the NN Lode is quite siliceous, suggesting that the bond work index will be higher than typical Gilbeys ore. This may see a lower mill throughput as NN ore is blended with lower grade and softer ore.
- All this this broadly aligns with our current financial modelling assumptions which target head grade of ~1.2g/t for 24 months commencing in early CY 2023 (~94kozpa). Thereafter we incorporate a modest 2.5 years of further production at 1.0g/t head grade (~78kozpa) with an expected conclusion of operations in FY27. We highlight that given the current exploration momentum these mine plan assumptions may prove to be overly conservative.
- The company stated that it will be providing revised guidance "shortly". Therefore, we have made no material revisions to our financial model, however we have updated our September quarter production forecast to 14.9koz after the production update provided by GCY in late August which noted significant rainfall and periodic staff shortages during the quarter which both contributed to the mine schedule falling behind plan during the quarter. BSCP's valuation (NPV8) remains unchanged at A\$0.49/share.
- Note we have incorporated a \$45m write down largely related to deferment of the Stage 3 cutback and capitalised waste removal. This is all 'non-cash' so has no impact on our valuation.

Conclusion: Significant Leverage to Exploration Success + M&A Appeal

- FY23 represents a transitional year at Dalgaranga with the anticipated commencement of mining operations at recent new high-grade, shallow, near-mine discoveries, most notably Gilbey's North and the NN Lode. In the first half FY23 GCY has provided production guidance of 30-35koz at AISC of A\$2700-2800/oz (incorporating \$6m capex in relation to a TSF lift). However in the second half we anticipate this could materially improve with higher grade feed as GNNN feed starts to present at the process plant.
- We caution that significant work remains to be completed in order to provide any certainty surrounding the potential of additional mineral resources which are capable of being economically processed at Dalgaranga. However GCY provides significant leverage to both the gold price and exploration success, and could also become an attractive acquisition target given the significant consolidation taking place in the WA gold sector at present, and the discount which the stock currently trades to our NPV of 49¢/share.



FINANCIAL SUMMARY

Gascoyne Resources Limited (GCY.AX / GCY AU)

Share Price	A\$/sh	0.34
Shares on Issue	m	426
Market Cap (A\$m), post merger	A\$m	145
Net Cash / (Debt) (A\$m)	A\$m	31
Enterprise Value (A\$m)	A\$m	114

Valuation	0.49
Upside / (Downside)	42.9%
Dividend Yield	0.0%
Total Return Forecast	42.9%

Profit & Loss	Units	Jun-20	Jun-21	Jun-22e	Jun-23e	Jun-24e
Sales	A\$m	171	205	186	185	228
Expenses	A\$m	(121)	(110)	(176)	(164)	(176)
EBITDA	A\$m	51	94	10	20	52
D&A	A\$m	(42)	(52)	(32)	(15)	(19)
<i>D&A, per ounce of gold production</i>	A\$/m ³ oz	577	673	444	200	200
EBIT	A\$m	9	42	(22)	5	33
Net Interest	A\$m	(7)	(4)	(3)	(1)	(1)
Tax (provision)	A\$m	(0)	(2)	(0)	-	-
Underlying NPAT	A\$m	2	36	(24)	5	33
Exceptionals/Abnormals	A\$m	0	(80)	(45)	-	-
Reported Profit	A\$m	2	(44)	(69)	5	33

Per Share Data (¢)	Jun-20	Jun-21	Jun-22e	Jun-23e	Jun-24e
Shares Out (m)	50	251	426	426	426
EPS (¢)	4.0¢	(22.8¢)	(20.5¢)	1.1¢	7.7¢
Growth (%)	n/a	n/a	-10%	-105%	626%
Dividend (¢)	-	-	-	-	-
Payout Ratio (%)	0%	0%	0%	0%	0%
Book Value (A\$)	1.14	0.43	0.23	0.27	0.37
Free Cash Flow (A\$)	0.10	0.04	0.02	(0.03)	0.07

Cashflow	Units	Jun-20	Jun-21	Jun-22	Jun-23e	Jun-24e
Cash From Operations	A\$m	52	79	27	20	52
Interest	A\$m	(1)	(3)	(2)	(1)	(1)
Tax	A\$m	-	-	-	-	-
Net Cash From Operations	A\$m	51	75	25	20	52
Capex	A\$m	(45)	(61)	(8)	(21)	(11)
Exploration	A\$m	(1)	(3)	(7)	(10)	(10)
Net Investments	A\$m	-	(0)	(1)	-	-
Free Cash Flow	A\$m	5	11	9	(11)	31
Equity	A\$m	(0)	77	16	-	-
Borrowings	A\$m	(16)	(70)	(18)	-	-
Dividend	A\$m	-	-	-	-	-
Net Increase / (Decrease) in Cash	A\$m	(11)	18	7	(11)	31

Valuation Metrics	Jun-20	Jun-21	Jun-22e	Jun-23e	Jun-24e
EV / Sales	0.7x	0.6x	0.6x	0.6x	0.5x
EV / EBITDA	2.2x	1.2x	11.3x	5.6x	2.2x
EV / EBIT	13.1x	2.7x	(5.3)x	22.1x	3.4x
P/E (x)	8.6x	(1.5)x	(1.7)x	32.1x	4.4x
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%

Balance Sheet	Units	Jun-20	Jun-21	Jun-22e	Jun-23e	Jun-24e
Cash	A\$m	6	23	31	20	50
Receivables	A\$m	4	6	3	3	3
Inventory	A\$m	15	13	17	19	19
PP&E	A\$m	180	113	34	49	52
Exploration	A\$m	30	33	81	92	102
Other	A\$m	2	2	3	3	3
Assets	A\$m	237	190	168	185	228
Creditors	A\$m	44	10	14	16	16
Debt + leases	A\$m	82	28	13	13	13
Provisions	A\$m	29	31	31	31	31
Other	A\$m	25	13	10	10	10
Liabilities	A\$m	180	82	69	70	71
Net Assets	A\$m	57	108	99	115	158

Operating Metrics (%)	Jun-20	Jun-21	Jun-22e	Jun-23e	Jun-24e
EBITDA Margin	30%	46%	5%	11%	23%
EBIT Margin	5%	21%	-12%	3%	15%
Net Profit Margin	1%	18%	-13%	2%	14%
ROIC	6%	38%	-26%	5%	28%
Return on Assets	1%	19%	-14%	2%	14%
Return on Equity	3%	33%	-24%	4%	21%
Effective Tax Rate	7%	6%	0%	0%	0%

Key Assumptions	Jun-20	Jun-21	Jun-22e	Jun-23e	Jun-24e
Gold (US\$/oz)	1,564	1,855	1,837	1,700	1,700
AUDUSD	0.67	0.74	0.72	0.70	0.70
Gold price achieved (A\$/oz)*	2,331	2,571	2,568	2,429	2,429

* Incorporating hedge book

Production	Jun-20	Jun-21	Jun-22e	Jun-23e	Jun-24e
Gold (koz)	73	77	71	76	94
AISC (A\$/oz sold)	1,572	1,304	2,259	2,323	1,844
AIC (A\$/oz sold)	2,206	2,067	2,361	2,323	1,844

Valuation Summary	A\$m	Equity	Risk	A\$m	A\$/share
Dalgaranga	165	100%	100%	165	0.37
Glenburgh	98	100%	25%	24	0.05
Exploration and Investments	30	100%	100%	30	0.07
Corporate	(31)	100%	100%	(31)	(0.07)
Net Cash (Debt)	31	100%	100%	31	0.07
Total	292			219	0.49

Liquidity & Leverage	Units	Jun-20	Jun-21	Jun-22e	Jun-23e	Jun-24e
Net Debt / (Cash)	A\$m	77	5	(18)	(7)	(37)
Net Debt / EBITDA	x	1.5x	0.1x	(1.8)x	(0.3)x	(0.7)x
EBIT Interest Cover	x	1.3x	11.0x	(7.9)x	7.9x	51.3x
Net Debt / Equity	%	133%	4%	-18%	-6%	-23%

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Dr Chris Baker, an authorised representative of BSCP, certifies that the advice in this report reflects his honest view of the company. He has 29 years investment experience in wholesale capital markets. He worked as a mining analyst for brokers BZW and UBS for 11 years and has a further 16 years' experience as a mining analyst and portfolio manager with Colonial First State and Caledonia Investments. He now provides independent financial advice on a part time basis. He may own securities in companies he recommends but will declare this when providing advice. He currently owns shares in GCY. He is remunerated by BSCP but is not paid a specific fee for providing this report. BSCP, its directors and consultants may own shares and options in GCY and may, from time to time, buy and sell the securities of GCY. Co-author Daniel Seeney is also an authorised representative of BSCP and does not own shares in GCY.

Bridge Street Capital Partners was a Co-Manager of the last two placements by GCY, provides advice to the Company and is paid a fee for those services.

Appendix 1

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