

16 June 2021

Gascoyne and Firefly Agree to Merge, Unlocking Substantial Regional Value

Highlights

- Gascoyne to acquire 100% of the fully paid ordinary shares in Firefly via Scheme of Arrangement to create a leading regional gold production and development business in the Murchison Region of WA
- Firefly shareholders to receive 0.34 Gascoyne shares for each Firefly share held at the Scheme record date, representing an implied offer price of \$0.145 per share based on Gascoyne's 5-day VWAP and a 31.5% premium to the 5-day VWAP of Firefly
- Gascoyne and Firefly shareholders to benefit from the consolidation of regional Mineral Resources and the integration of Firefly's Yalgoo Project into the Dalgaranga production plan
- Higher grade, shallow ore feed from Firefly's Yalgoo anticipated to be processed at Dalgaranga in the future
- Combination of Yalgoo and Dalgaranga tenements unlocks access to ~1,200km² of highly prospective greenstone belts
- In conjunction with the Scheme, Gascoyne and Firefly to undertake demerger of their copper-gold and lithium exploration assets into a new energy metals focused exploration company, to be named Firetail Resources Limited which intends to apply to list on the ASX¹
- Merger unanimously supported by the Board of Firefly which has confirmed its intention to vote approximately 6.87%² of shares in favour of all resolutions
- Firefly's three largest shareholders representing a combined voting interest of approximately 17.17%³ have entered into voting deeds in respect of the Merger with Gascoyne
- Gascoyne and Firefly will host a joint conference call at 11:00AM WST Wednesday, 16 June 2021

Gascoyne Resources Limited (ASX:GCY) ("**Gascoyne**") and Firefly Resources Limited (ASX:FFR) ("**Firefly**") are pleased to announce that they have entered into a binding Scheme Implementation Deed ("**SID**"), pursuant to which the two companies will merge ("**Merger**") by way of Scheme of Arrangement ("**Scheme**").

The Merger will combine two gold companies with complementary assets in the Murchison region of Western Australia, unlocking a number of synergies by leveraging Gascoyne's gold mining expertise and available processing infrastructure at Dalgaranga, for the benefit of Firefly's highly prospective suite of assets including its flagship Yalgoo Gold Project ("**Yalgoo**") which is located only 110km by road from Dalgaranga.

The Merger will create a leading, regional gold production and development business ("**Combined Entity**") and unlock significant value for Gascoyne and Firefly shareholders by integrating Yalgoo's near surface

¹ Further details of the assets proposed to be included in Firetail Resources Limited are set out on pages 5-6 of this announcement. As at the date of this announcement, the final transaction documents governing the Demerger have not yet been executed but are intended to be finalised by the parties shortly.

² Further details regarding Firefly Board recommendation and voting support in respect of the Scheme are set out on page 2 of this announcement.

³ Further details regarding shareholder support in respect of the Scheme are set out on page 2 of this announcement.

higher grade deposits into the Dalgaranga production plan – providing opportunities to substantially extend and optimise the existing mining schedule, ultimately improving project economics.

The Merger is to be implemented by way of the Scheme, under which Gascoyne will acquire 100% of the fully paid ordinary shares in Firefly. Firefly shareholders will receive 0.34 Gascoyne shares for each Firefly share held at the Scheme record date, which will result in shareholders of Gascoyne and Firefly having an interest in the Combined Entity of approximately 67.4% and 32.6%, respectively.⁴

The Firefly Board unanimously recommends that Firefly shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to an independent expert opining that the Scheme is in the best interests of Firefly shareholders. The Firefly Board members, have confirmed their intention to vote in favour of the Scheme in respect of Firefly shares they hold or control, representing approximately 6.87% of Firefly's issued shares, absent a superior proposal and subject to an independent expert opining that the Scheme is in the best interests of Firefly shareholders.

Major shareholders of Firefly representing a further 17.17%⁵ of Firefly's issued shares, have entered into binding voting deeds with Gascoyne under which they agree to vote in favour of the Scheme, in the absence of a superior proposal and subject to an independent expert opining that the Scheme is in the best interests of Firefly shareholders.

Following Scheme implementation, Gascoyne will continue to be led by Managing Director and CEO, Richard Hay, with Firefly's Managing Director and CEO, Simon Lawson, joining the Board of Gascoyne as a Non-Executive Director.

The Combined Entity is estimated to have a pro forma market capitalisation of \$159.0 million, cash and equivalents of \$33.0 million and bank debt of \$17.5 million for a net cash position of \$15.5 million as at 31 March 2021. The Combined Entity will have approximately 372.3 million fully paid ordinary shares on issue and continue to trade as Gascoyne Resources Limited under the ASX ticker GCY.

Gascoyne and Firefly also intend to undertake a demerger of their copper-gold and lithium exploration assets in the Paterson, Murchison and Forrestania regions of WA into a new energy metals focused exploration company, to be named Firetail Resources Limited, which intends to apply to list on the ASX.⁶

Richard Hay, Managing Director and Chief Executive Officer of Gascoyne, commented:

“This Merger is a very exciting opportunity for Gascoyne and its shareholders and represents a key step forward in Gascoyne's strategy of delivering value by extending mine life and increasing annual production at Dalgaranga. The integration of high-grade Yalgoo ore in our production plan moving forward has excellent potential to extend mine life, reinforcing Gascoyne's position as a key gold producer in the Murchison region.

Furthermore, the merger with Firefly will consolidate ~1,200km² of the Yalgoo and Dalgaranga greenstone belts under single ownership, significantly enhancing the exploration upside potential with over 100 high quality targets. Any discoveries can quickly be brought into production at Gascoyne's high quality, low cost Dalgaranga processing plant.”

⁴ Assuming all Firefly “in-the-money” options are exercised and converted into Gascoyne shares and assuming a pre-determined black-scholes valuation for Firefly “out-of-the-money” options.

⁵ Shareholders being Mr Tolga Kumova (currently holding a relevant interest in 19,647,654 Firefly shares representing approximately 6.39%), Mr Robert Jewson (currently holding a relevant interest in 18,147,017 Firefly shares representing approximately 5.90%), Mr Kevin Puil (currently holding a relevant interest in 15,000,000 Firefly shares representing approximately 4.88%). Voting interests calculated off 307,339,530 Firefly shares currently on issue.

⁶ As at the date of this announcement, the final transaction documents governing the Demerger have not yet been executed but are intended to be finalised by the parties shortly.

Simon Lawson, Managing Director and Chief Executive Officer of Firefly, commented:

“The combination of Gascoyne and Firefly is a compelling opportunity for value-creating, logical consolidation in the Murchison district, providing a clear pathway to accelerate and de-risk the development of the Yalgoo Gold Project by leveraging Gascoyne’s mining expertise and high-quality processing facility at Dalgaranga. Firefly shareholders will have the opportunity to be part of a larger, regional gold company with strong cash-flows, enhanced market positioning and the ability to rapidly unlock the exploration potential of a consolidated 1,200km² ground position in the Yalgoo and Dalgaranga greenstone belts.

“Firefly shareholders will hold approximately 32% of the merged entity, with the transaction providing an opportunity for immediate value realisation at an attractive premium. Through their holdings in the enlarged Gascoyne, Firefly shareholders will stand to benefit from the re-rating that we would expect to flow from the creation of a larger gold company with an increased mine life and enhanced production profile. In addition, they are intended to benefit from the proposed demerger of our copper-gold and lithium exploration assets through Firetail Resources and receive an in-specie distribution in this exciting new energy metals focused company.”

Strategic Rationale of the Merger

- **Strategic consolidation of the higher-grade Yalgoo (Melville) Mineral Resource within haulage distance of Dalgaranga**
 - Firefly’s Melville gold deposit at Yalgoo contains a shallow, from surface, Mineral Resource of 196,388oz at 1.45g/t (0.7g/t Au cut-off) and located 110km by road from the Dalgaranga production hub;
 - Approximately 80% of the Melville Mineral Resource estimate is in the Indicated category (156,753oz at 1.47g/t with a 0.7g/t Au cut-off);
 - Opportunities to optimise the Dalgaranga mine schedule given the presence of higher-grade ore at Yalgoo which will serve as valuable blending material at Dalgaranga in the future;
 - Significant potential for mine life extensions at Dalgaranga through the integration of Yalgoo ore, with enhanced potential to unlock the full value of the existing Mineral Resources at Dalgaranga and Yalgoo of 845koz; and
 - Simon Lawson (currently Managing Director and CEO of Firefly) has intimate knowledge of Yalgoo and will transition into a Non-Executive Director role with Gascoyne, maintaining continuity of Yalgoo technical knowledge within the Combined Entity.

- **Leveraging existing low-cost processing infrastructure at Dalgaranga**
 - Opportunity to leverage significant sunk capital expenditure at Gascoyne’s low cost Dalgaranga processing facility for the benefit of regional projects such as Yalgoo; and
 - Enables a quick and efficient integration of near surface Yalgoo ore into the Dalgaranga production plan.

- **Broader exploration and development opportunities**
 - Strong cash flow from the Combined Entity to support the discovery and delineation of future production sources;
 - Advanced exploration opportunities outlined at Yalgoo to extend the existing Mineral Resource through exploration activities at 100+ gold targets including 30 targets at untested historical workings with recorded gold production;
 - Current Yalgoo Mineral Resource covers just 0.9km of the 28km regional shear zone;

- Combination of Yalgoo and Dalgaranga tenements unlocks access to ~1,200km² of highly prospective greenstone belts;
- Advanced exploration opportunities at Yalgoo complemented with broader exploration and development potential at Gascoyne's Glenburgh – Mt Egerton project and other regional projects such as Beebyn and Mumbakine Well; and
- Enhanced potential to unlock the full value of the existing Mineral Resources of the Combined Entity of 1.38Moz.

Key Benefits of the Merger for Firefly Shareholders

- Immediate value realisation for Firefly shareholders at an attractive premium, with the exchange ratio of 0.34 Gascoyne shares for every Firefly share held, representing an implied offer price of \$0.145 per share based on Gascoyne's 5-day volume weighted average price ("VWAP") of \$0.427 and a 31.5% premium to the 5-day VWAP of Firefly of \$0.11;
- The Merger immediately transforms Firefly shareholders from having an interest in a gold exploration company to having an aggregate 32.6% interest⁷ in a significant ASX-listed gold producer, whilst retaining meaningful exposure to the ongoing exploration potential at Yalgoo;
- The Combined Entity can accelerate and de-risk the development strategy of Yalgoo by utilising Gascoyne's established low cost processing infrastructure and operational expertise, which provides an immediate and significant increase in the potential value of Firefly's Mineral Resource estimate;
- Cash flow from Dalgaranga to assist funding an enhanced exploration and development pipeline of the combined asset portfolio;
- The Merger will eliminate any future dilution for Firefly shareholders connected with equity raises within Firefly that are required to continue exploration activities at Yalgoo and its other projects;
- Firefly will have access to Gascoyne's strong equity capital markets profile whereby Gascoyne's shareholders include high-quality, domestic and offshore institutional investors;
- Firefly shareholders to retain full exposure to the value and upside of the copper/gold and lithium exploration assets⁸ being included in the demerger into Firetail Resources Limited;
- The Combined Entity will have access to Gascoyne's Glenburgh – Mt Egerton, Mumbakine Well and Beebyn regional projects, the value of which is arguably not currently recognised in Gascoyne's market value; and
- As a shareholder in the Combined Entity, Firefly shareholders can expect to benefit from increased levels of trading liquidity, broader sell-side research coverage, enhanced market positioning and potential future inclusion in relevant ASX and gold indices.

⁷ Assuming all Firefly "in-the-money" options are exercised and converted into Gascoyne shares and assuming a pre-determined black-scholes valuation for Firefly "out-of-the-money" options.

⁸ Further details of the assets proposed to be included in Firetail Resources Limited are set out on pages 5-6 of this announcement.

Conditions of Merger Transaction

Key customary conditions to the implementation of the Scheme include, amongst others:

- Approval being obtained from Firefly shareholders in relation to the Scheme (requiring approval of a majority in number of Firefly shareholders voting and approval of Firefly shareholders who represent at least 75% of the total votes cast);
- Court approval in relation to the Scheme;
- An independent expert concluding that the Scheme is in the best interests of Firefly shareholders; and
- No material adverse change, or prescribed occurrences or regulated events (each as defined in the SID) occurring in relation to either Gascoyne or Firefly.

The SID includes certain exclusivity arrangements in respect of Firefly and Gascoyne (including “no shop”, and “no talk” obligations on both parties⁹, and a “notification” and “matching right” in favour of Gascoyne), and a customary break fee payable by either Gascoyne or Firefly in certain circumstances. The exclusivity arrangements are subject to customary exceptions that enable both the Firefly and Gascoyne Boards to comply with their fiduciary and / or statutory duties.

All outstanding Firefly options are intended to be exercised or cancelled prior to the Scheme implementation date. Subject to the terms and conditions of each option cancellation deed, each Firefly option holder will receive Gascoyne shares in consideration for the cancellation of their Firefly options.

Full details of the terms and conditions of the Scheme are set out in the Scheme Implementation Deed, a copy of which has been released to the ASX in a separate announcement.

Demerger of Copper-Gold and Lithium Exploration Assets

In conjunction with the Merger, Gascoyne and Firefly have agreed the terms of a demerger of the lithium rights over the Yalgoo project area as well as the Paterson Copper-Gold Project and Forrestania Gold-Lithium Project which is intended to be acquired by a newly incorporated wholly owned subsidiary of Firefly to be named Firetail Resources Limited (“**Firetail**”), along with the lithium rights over certain tenements at the Dalgarranga Project (“**Demerger**”).¹⁰ The Demerger is currently intended to be conducted by way of an equal capital reduction in Firefly and an in-specie distribution of shares in Firetail to Firefly shareholders. Under the Demerger Firefly shareholders are currently anticipated to receive one (1) share in Firetail for every 12.6 Firefly shares they hold. The capital reduction to effect the Demerger will require Firefly shareholder approval, and any other requisite matters related to Firetail’s application to list on the ASX.

The key details of Firetail are summarised below:

- A new exploration focused company;
- Up to A\$1.5 million in cash on completion of the Demerger; and
- Ownership of the following Firefly and Gascoyne assets:
 - Paterson Copper/Gold Project;
 - Forrestania Gold Project;
 - Lithium mineral rights over Yalgoo, except for Mining Lease 59/0358;

⁹ Subject to fiduciary exemptions and in the case of Gascoyne Competing Proposals only applicable if the competing proposal prevents Gascoyne from proceeding with the Merger.

¹⁰ As at the date of this announcement, the final transaction documents governing the Demerger have not yet been executed but are intended to be finalised by the parties shortly.

- Mining Lease 59/0358, comprising the Holland exploration camp and associated infrastructure (gold rights to remain with the Combined Entity); and
- Lithium mineral rights over certain wholly owned tenements at Dalgara, excluding Mining Lease 59/749, related various Miscellaneous Licences and any known gold deposits.

It is currently envisaged that Firetail will initially be a public unlisted company with an intention to seek an ASX listing at a later date, following implementation of the Scheme. Upon completion of the Demerger, it is estimated that existing Firefly shareholders and Gascoyne will have an approximate 90.1% and 9.9% interest in Firetail, respectively.

Up to an amount of \$1.5 million, subject to available cash, will be transferred from Firefly to Firetail as part of the Demerger to capitalise Firetail and fund its future working capital requirements.

Investors are cautioned that although the application for admission of Firetail to the official list of ASX is intended to occur after the implementation of the Scheme, there can be no certainty as to the timing of when such application will be made or that any such application will be successful. Any application by Firetail to admission of the official list of ASX will be subject to satisfying the requirements of ASX.

Indicative Timetable

Shareholders of Firefly will be asked to approve the Scheme and the Demerger at separate shareholder meetings which are expected to be held in September 2021. The Scheme and Demerger are not inter-conditional.

Full particulars of the Scheme and the Demerger, transaction terms and recommendations will be provided to Firefly shareholders through the Scheme Booklet which will include an Independent Expert Report and an explanatory statement in respect of the Demerger. It is expected that these booklets will be dispatched to Firefly shareholders in August 2021.

Firefly shareholders are not required to take any action at this stage in relation to either the Scheme or the Demerger.

Advisers and Counsel

Canaccord Genuity (Australia) Limited is acting as financial adviser and Herbert Smith Freehills is acting as legal adviser to Gascoyne in relation to the Merger.

Azure Capital Pty Ltd is acting as financial adviser and HWL Ebsworth Lawyers is acting as legal adviser to Firefly in relation to the Merger.

Conference Call

Gascoyne Managing Director and CEO (Mr Richard Hay) and Firefly Managing Director and CEO (Mr Simon Lawson) shall hold a joint investor conference call at 11:00am WST on Wednesday 16 June 2021. Individuals wishing to attend the conference call can register at the following web address:

<https://s1.c-conf.com/diamondpass/10014517-co4lch19.html>

This announcement is the announcement referred to by Gascoyne and Firefly respectively when requesting trading halts on Friday 11 June 2021.

Richard Hay
Managing Director & CEO
Gascoyne Resources Limited

Simon Lawson
Managing Director & CEO
Firefly Resources Limited

This announcement has been authorised to be released to the ASX by the Boards of Gascoyne Resources Limited and Firefly Resources Limited.

– ENDS –

Forward-looking statements

This announcement contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and certainties and other factors which are beyond the control of Gascoyne and Firefly and their respective directors and management. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumption on which these statements are based. These statements may assume the success of Gascoyne and/or Firefly's business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19, and except as required by law or regulation, none of Gascoyne and Firefly and their respective representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward-looking statements are based on information available to Gascoyne as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of Gascoyne and Firefly and their respective representatives or advisers undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events, or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.

Unless otherwise stated, all dollar values in this announcement are in Australian dollars.

Compliance Statements

Gascoyne

Mineral Resource and Ore Reserve: This announcement contains references to Gascoyne's Mineral Resource and Ore Reserve estimates, which have been extracted from the ASX announcement titled "2021 Mineral Resource and Ore Reserve Statements" dated 31 May 2021.

Production targets and forecast financial information: This announcement contains production targets and forecast financial information derived from production targets which were first disclosed in the ASX announcement titled "FY21 and FY22 Guidance Update" dated 4 June 2021.

Gascoyne confirms that it is not aware of any new information or data that materially affects the information included in the previous market announcements referred to above. In the case of the Mineral Resource and Ore Reserve estimates, all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. In the case of the production targets and forecast financial information, all the material assumptions underpinning the production targets and forecast financial information in the announcements dated 31 May 2021 and 4 June 2021 continue to apply and have not materially changed.

Dalgaranga Gold Project Summary Mineral Resource Statement as at 31 March 2021¹

Classification	Mt	Au g/t	Au koz
Measured	1.38	0.69	30.6
Indicated	20.04	0.83	533.1
Measured + Indicated	21.43	0.82	563.8
Inferred	3.56	0.74	85.1
TOTAL	24.99	0.81	648.9

1) Cut-off grade 0.25 g/t Au outside black shales and 0.30 g/t Au inside black shales

Note: Discrepancies in totals are a result of rounding.

Dalgaranga Gold Project Summary Ore Reserve Statement as at 31 March 2021

Classification	Oxidation state	COG (g/t Au)	Mt	Au g/t	Au Koz
Proved	Oxide	0.30	0.002	1.1	0.1
	Transition	0.30	0.62	0.7	13.5
	Fresh	0.30	0.45	0.8	10.0
	Stockpiles	0.30	1.84	0.4	24.4
	Gold In circuit				1.7
	SUBTOTAL			2.91	0.5
Probable	Oxide	0.30	0.36	0.9	9.0
	Transition	0.30	0.36	0.9	9.2
	Fresh	0.30	9.90	0.9	271.0
	SUBTOTAL		10.62	0.8	289.2
Total			13.53	0.8	339.0

Note: Discrepancies in totals are a result of rounding.

Glenburgh Gold Project – MRE Total Summary for All Deposits, as at 15 December 2020

Classification	Mt	Au g/t	Au koz
Indicated	13.5	1.0	430.7
Inferred	2.8	0.9	79.4
TOTAL	16.3	1.0	510.1

Mt Egerton Project (Hibernian Deposit) – MRE Total, above 0.7 g/t Au, as at 31 May 2021

Category	Tonnes (Mt)	Grade (g/t)	Metal (koz)
Indicated	0.23	3.4	25
Inferred	0.04	1.5	2
TOTAL	0.28	3.1	27

Firefly

This announcement includes information that relates to Firefly's mineral resources. This information was prepared by and is the responsibility of Firefly only. It is extracted from Firefly's ASX announcement dated 17 March 2021 which is available to review at <https://www.fireflyresources.com.au/>, and sets out the key assumptions and methods used to prepare the estimates. Firefly confirms that it is not aware of any new information or data that materially affect the information in that market release and that all material assumptions underpinning those estimates, continue to apply and have not materially changed.

Melville JORC 2012 Mineral Resource Estimate¹

Indicated			Inferred			Total		
Tonnes	Au (g/t)	Ounces	Tonnes	Au (g/t)	Ounces	Tonnes	Au (g/t)	Ounces
3,314,900	1.47	156,753	887,547	1.39	39,635	4,202,447	1.45	196,388

¹Calculated using a 0.7g/t cut-off grade