

ASX ANNOUNCEMENT

20 December 2021

GASCOYNE STRENGTHENS BALANCE SHEET WITH \$20 MILLION DEBT FACILITY

Highlights:

- **\$20 million convertible note facility signed with major shareholder Deutsche Balaton AG group, with the proceeds to be used as follows:**
 - **\$10 million to repay in full the existing Investec debt and close out the Investec hedges;**
 - **Approximately \$10 million for general working capital purposes, to invest in growth opportunities including additional near-mine drilling at Dalgaranga (see separate ASX release today), resource drilling at Yalgoo and securing access to additional ore sources in the Murchison region.**
- **Tranche 1 (\$10 million) convertible at election of the Balaton Group at \$0.30 per share.**
- **Tranche 2 (\$10 million) convertible at election of Company at \$0.30 per share or at election of the Balaton Group at \$0.36 per share.**
- **Facility is unsecured and the Company is not subject to any financial ratios or covenants.**

Gascoyne Resources Limited (“**Gascoyne**” or the “**Company**”) (ASX: GCY) is pleased to advise that it has entered into a convertible note facility agreement (“**Facility**”) with its major shareholder, Deutsche Balaton AG and certain funds controlled by Deutsche Balaton AG (“**Balaton Group**”).

Gascoyne Resources Managing Director and CEO, Mr Simon Lawson, commented: *“The new debt facility provides us with the financial flexibility and balance sheet strength to progress our near-term growth strategy at Dalgaranga, Yalgoo and the broader Murchison region as a whole.*

“Securing this new facility with the Balaton Group provides us with a less restrictive set of debt terms, additional working capital and the ability to put in place gold and diesel fuel hedging on Gascoyne terms. As the Company’s largest shareholder, the Balaton Group are clearly demonstrating their support of our plans with this important debt facility allowing Gascoyne’s management team to deliver on the strategy of bringing higher grade ore to the low-cost Dalgaranga gold processing plant.

“We have separately updated the market today on some important near-mine exploration activities which demonstrate the opportunities within a 5km radius of our 2.5Mtpa processing facility. This debt facility will help us to unlock those opportunities and accelerate our near-term growth strategy.”

Convertible Note Debt Facility

The Company has entered into a convertible note debt facility with the Balaton Group for the provision of approximately \$20 million in finance, split into two tranches of \$10 million each (“**Tranche 1**” and “**Tranche 2**”). The Facility contains conversion rights which, if exercised, allow the Balaton Group to convert Tranche 1 and Tranche 2 of the debt into fully paid ordinary shares in Gascoyne. The Facility takes the form of a debt facility until such point in time that shareholders have approved the conversion rights. Gascoyne intends to call a general meeting of shareholders for this purpose by 31 March 2022.

Material terms of the Facility are detailed in Appendix 1, and key terms are summarised below:

Tranche 1 and 2

- Term of 2 years;
- Fixed interest rate of 18.0% per annum, payable 6-monthly in arrears;
- Arrangement fee of 2.0% of face value;
- The Facility is unsecured;
- No financial covenants or financial ratios apply; and
- Proceeds are to be used to repay Investec Bank, plc (“**Investec**”) in full (principal and accrued interest of approximately \$10.3 million), with the remainder to be used for general working capital purposes.

Tranche 1 Only

- Principal value \$10 million convertible at the election of the Balaton Group at \$0.30 per share; and
- Conversion price of \$0.30 is a 3.4% premium to the Company’s last closing price and the Company’s 5-day VWAP

Tranche 2 Only

- Principal value \$10 million convertible by Gascoyne at \$0.30 per share on the Maturity Date;
- Convertible by the Balaton Group at \$0.36 per share on the Maturity Date or on a change of control occurring;
- Convertible by the Balaton Group at the lower of the capital raise price or \$0.36 per share if the Company undertakes a capital raising of greater than \$3 million during the Term;
- Conversion price of \$0.30 is a 3.4% premium to the Company’s last closing price and the Company’s 5-day VWAP and exercise price of \$0.36 is a 24.1% premium to the Company’s last closing price and the Company’s 5-day VWAP

Funds from the Facility, net of the 2.0% arrangement fee, are scheduled to be received by the Company on 21 December 2021. The Company will repay the debt owing to Investec on the date that funds are received from the Balaton Group and commence the process of releasing the senior security over the Company’s assets currently held by Investec. Gold forward contracts with Investec will be closed out in full on the repayment date.

The Company has commenced the process to appoint a new hedge counterparty. A key benefit of appointing a new hedge counterparty is that the Company will be able to enter any new hedging arrangements at its own discretion and execute hedges beyond 30 June 2022, which it was unable to do under the Investec facility.



Shareholder Approval

The ability to convert the Facility is subject to shareholder approval and the Company intends to call a general meeting of shareholders by 31 March 2022 to vote on resolutions associated with the Facility (Balaton Group will not be able to vote on the resolutions). An independent expert is being appointed by the Company to opine on the fairness and reasonableness of the conversion to non-Balaton Group shareholders.

An independent expert report will be included with the notice of meeting to be despatched to shareholders in the first quarter of 2022.

Authorisation

This announcement has been authorised for release by the Board of Gascoyne Resources Limited.

END

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BACKGROUND ON GASCOYNE RESOURCES

Gascoyne was reinstated on the ASX in October 2020 and is focused on production, development and exploration of a number of gold projects in Western Australia underpinned by positive cash flow generated from the Dalgaranga Operation. In financial year 2021, Dalgaranga produced in excess of 77,000 ounces of gold. The acquisition of Firefly Resources Limited which held the Yalgoo project approximately 70km southwest of Dalgaranga completed on 10 November 2021. The Melville deposit at Yalgoo has the potential to be mined and hauled 110km by road and integrated into the Dalgaranga production plan.

APPENDIX 1

Convertible Notes – Material Terms and Conditions

Lenders / Noteholders	Deutsche Balaton AG and funds controlled by the Deutsche Balaton AG group
Principal Amount	Tranche 1 A\$10 million. Tranche 2 A\$10 million.
Face Value of each Note	A\$1.00 per Note.
Notes	Tranche 1: 10 million Notes. Tranche 2: 10 million Notes.
Term & Maturity Date	Term of 2 years; Maturity Date is 17 December 2023.
Establishment Fee	2.0% of the Principal Amount.
Interest	Fixed rate of 18.0% per annum, payable 6-monthly in arrears, calculated using the simple interest method.
Tranche 1 Conversion Rights	Subject to shareholder approval being obtained, convertible at the election of the Balaton Group at \$0.30 per share at any time up to the Maturity Date.
Tranche 2 Conversion Rights	Subject to shareholder approval being obtained: <ul style="list-style-type: none"> a) Convertible at the election of the Company at \$0.30 per share on the Maturity Date; or b) Convertible at the election of the Balaton Group at the lower of the capital raise price or \$0.36 per share if the Company undertakes an equity raise with greater than \$3 million in proceeds raised prior to the Maturity Date and the Tranche 2 Principal Amount remains outstanding at the time of the capital raise; or c) Convertible at the election of the Balaton Group at \$0.36 per share if a person (other than the Lenders or any of their associates) acquires control of the Company; or d) If a), b) or c) have not occurred prior to the Maturity Date, the Balaton Group can elect to convert at \$0.36 per share on the Maturity Date.

Application of Funds	Repayment in full of the debt and hedging facility with Investec Bank, plc and general working capital.
Repayment	<p>To the extent that the Facility has not been converted into shares (or a conversion notice has not been received), the principal sum (including any unpaid accrued interest) must be repaid on the earlier of:</p> <ul style="list-style-type: none"> a) the Maturity Date; and b) the date of receipt by the Company of a written notice from the Balaton Group that an event of default has occurred. The events of default are customary for a facility of this nature, including failure to pay an amount when due and payable and default in performance of any undertaking, condition or obligation of the Company under the Facility (subject to cure periods in certain circumstances).
Security	Nil – the Notes are unsecured.
Financial Covenants	Nil – there are no financial covenants or financial ratios.
Other Covenants	Customary for a Facility of this nature (including in relation to debt capital raisings, granting security over the Company’s assets or Shares, disposing of any assets or changing the nature of the Company’s business in a material respect).
Shareholder Approval	<p>The conversion rights under the Facility are subject to shareholder approval being obtained.</p> <p>If shareholder approval is not obtained, the Balaton Group may require the Company to repay the principal sum (including any unpaid accrued interest) by a specified date which must be no earlier than 6 months from date of such notice. If a capital raising of at least \$3 million is planned prior to this repayment, the Company is required to negotiate in good faith with the Balaton Group, consistent with applicable law and Takeovers Panel guidelines, to determine if the Balaton Group are able to participate in the capital raising as if the Facility had been converted into Shares.</p>
Change of Control	<p>If a person (other than the Lenders or any of their associates) acquires control of the Company, then the Noteholders may:</p> <ul style="list-style-type: none"> a) Declare the outstanding amount immediately due and payable and the Company must pay such amount within 3 months; or b) Subject to shareholder approval being obtained, exercise a right to convert the Tranche 2 Notes at \$0.36 per share.