

23 June 2020

## CIRCULAR TO CREDITORS AND EMPLOYEES

**Gascoyne Resources Ltd ACN 139 522 900**

**GNT Resources Pty Ltd ACN 159 772 077**

**Gascoyne Resources (WA) Pty Ltd ACN 139 823 822**

**Dalgaranga Operations Pty Ltd ACN 616 858 550**

**Egerton Exploration Pty Ltd ACN 163 614 551**

**Dalgaranga Exploration Pty Ltd ACN 623 055 550**

**Gascoyne (Ops Management) Pty Ltd ACN 619 342 979**

**(All Administrators Appointed) (Together “GCY Group”)**

We refer to our Report dated 18 June 2020 and our recommendation that creditors vote in favour of a Deed of Company Arrangement the terms of which are included in the abovementioned Report (**GCY Proposal**).

FTI received an alternative proposal from Hanking Australia Investment Pty Ltd (**Hanking**) on 22 June 2020, which should be considered by creditors (**Hanking Proposal**). The purpose of this Circular is to outline the terms of the Hanking Proposal, the key differences between the GCY Proposal and the Hanking Proposal, and our recommendation in relation to voting at the forthcoming creditors’ meetings based on the information available at this stage.

### Comparison of Hanking Proposal with Current Proposal

	<b>GCY Proposal</b>	<b>Hanking Proposal</b>
Employees	Paid in the ordinary course	Paid in the ordinary course
Unsecured Creditors owed less than \$10k	Paid in full from the capital raising	Paid in full ahead of the capital raising
Unsecured Creditors owed more than \$10k	Paid up to 100c/\$ in 3 tranches (cash, equity and deferred cash)	Paid in full ahead of the capital raising
NRW	\$4m in cash (approx.), \$12m in equity with balance paid over time from operational cash flows subject to certain conditions being met	\$10m in cash, \$12-15m in equity with balance paid over time from operational cash flows subject to certain conditions being met
Banks	Repaid in full from the recapitalisation transaction	Repaid in full from the recapitalisation transaction

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	<b>GCY Proposal</b>	<b>Hanking Proposal</b>
Conditions to completion	<ul style="list-style-type: none"> <li>■ Completion of capital raising of \$70-80m</li> <li>■ Bank debt repaid in full</li> <li>■ New bank debt and hedging arranged</li> <li>■ Appointment of 3 directors</li> <li>■ Agreement with NRW (this has already been completed)</li> <li>■ Execution of a new mining contract with NRW</li> <li>■ Execution of creditors trust</li> </ul>	<ul style="list-style-type: none"> <li>■ Completion of capital raising of \$90-100m</li> <li>■ Bank debt repaid in full</li> <li>■ New bank debt and hedging approved by Hanking</li> <li>■ Appointment of director(s) appointed by Hanking</li> <li>■ Agreement with NRW on the revised terms</li> <li>■ Approval of new NRW mining contract by Hanking</li> <li>■ Execution of creditors trust</li> <li>■ Foreign Investment Review Board (<b>FIRB</b>) approval</li> <li>■ Standstill agreed with the banks until completion of the DOCA</li> <li>■ Underwriting agreement entered into for the capital raising under terms acceptable to Hanking</li> <li>■ Terms agreed for a proposed convertible note to be issued to Hanking</li> </ul>

Clarification being sought:

We have written to Hanking today to obtain clarification in relation to a number of matters in regards to its proposal. These include:

- Details of the basis on which Hanking is seeking FIRB approval and the expected timing for receipt of this approval;
- Details of the proposed convertible note to be issued to Hanking, including coupon, strike price and any security;
- Source of funding for the pre-capital raising payments to the large unsecured creditors;
- Details of Hanking’s proposed board member(s); and
- Details of Hanking’s participation in the capital raising and expected final shareholding.

We will update creditors on any responses we receive before or at the forthcoming meeting.

Risks associated with the Hanking Proposal:

- Delay to the overall recapitalisation timeline due to the requirement for FIRB approval, negotiation with, or approval by, Hanking of other agreements (see further below), as well as an adjournment of the creditor meeting to better understand the Hanking offer;
- Increased transaction risk due to the requirement for FIRB approval and the potential for adverse market conditions during the extended timeline;
- Requires shareholder approval for the issue of the convertible note to Hanking, in addition to the capital raising;
- Transaction is conditional, requiring Hanking approval of debt facilities, NRW mining contract and underwriting agreement, as well as a standstill from the banks until completion of the DOCA; and
- New debt and hedging provider will need to agree with the terms of the proposed transaction.

In circumstances where our report to creditors (and the relevant proxy forms) did not contemplate the Hanking Proposal, and creditors have had limited time to consider the Hanking Proposal (and there is, and will likely still be at the time of the meetings, uncertainty as to its terms), we do not consider that creditors can approve the Hanking Proposal at the forthcoming creditors' meeting.

Creditors have the option of adjourning the forthcoming creditors' meetings to facilitate further investigation and consideration of the Hanking Proposal.

Alternatively creditors can vote in favour of the DOCA proposal sent with our Report of 18 June 2020 at the forthcoming meetings in which case there would be no need for an adjournment and the current planned course of preparing for the capital raising can be continued without delay.

Our recommendation set out in our Report dated 18 June 2020 that "we consider that it would be in the creditors' interests for each GCY Group company to execute a DOCA on the terms proposed" remains given the uncertainty and probable delays associated with the Hanking proposal.

We therefore ask that you consider the contents of this Circular and respond in writing if you wish to amend your vote (if you have submitted one already). Otherwise please proceed to submit your vote including whether you require an adjournment.

Please contact Matt Chivers or Damon Brankstone at FTI if you have any questions in relation to this matter.

We thank you for your attention to this matter.

  
Michael Ryan

**Joint and Several Administrator**