



STRICTLY CONFIDENTIAL

Gascoyne Resources Limited
(Administrators appointed)
Level 1, 41-47 Colin Street
West Perth, Western Australia 6005

Attention: Kate Warwick, Michael Ryan and Ian Francis

Dear, Kate, Michael and Ian

Hanking Australia DOCA, Recapitalisation and Relisting Plan for Gascoyne

On behalf of Hanking Australia Investment Pty Ltd (**Hanking Australia**) thank you for the invitation and opportunity to present to you our Deed of Company Arrangement (**DOCA**) and broader recapitalisation and relisting plan for Gascoyne Resources Limited and its subsidiaries (Administrators appointed) (**Gascoyne**).

As an existing shareholder of Gascoyne and as you are aware, Hanking Australia has been a long term supporter of Gascoyne and its business continuation and is now pleased to present our advantageous DOCA and recapitalisation and relisting plan for Gascoyne for the benefits of all stakeholders and for your consideration and implementation as Voluntary Administrators.

As you will recognise, Hanking Australia's DOCA and recapitalisation and relisting plan provides all stakeholders with an accelerated and enhanced repayment pathway, which also enables the ability to enhance Gascoyne's long term value to what is currently proposed as outlined below:

Accelerated & Enhanced Return to Creditors

- Hanking Australia will provide an upfront contribution of \$16 million prior to the completion of the Capital Raising and prior to Foreign Investment Review Board approval that will be distributed as follows:
 - \$6 million to Unsecured Creditors (an increase of 500%); and
 - \$10 million to NRW Holdings Limited (**NRW**) (an increase of c. 150%),
- The unsecured creditor cash pool is increased from \$1 million to \$6 million, meaning all unsecured creditors will be paid 100 cents in the dollar within 2 months of execution of the DOCA and is not subject to mine trading risk over the currently proposed 3 to 5 year repayment period.
- Further accelerated debt repayment for NRW with opportunity for debt for equity conversion to be increased from \$12 million to up to \$15 million.
- Bank debt of National Australia Bank Ltd and Commonwealth Bank of Australia (**the Banks**) to be repaid and refinanced in full, consistent with current arrangements with the Banks, but with accelerated and improved terms where possible.



Increased & Fully Underwritten Capital Raising to Strengthen Gascoyne

Hanking Australia via its strong financial capability will support the delivery of a fully underwritten Capital Raising of between \$90 million and \$100 million, a \$20 million increase to your current estimates.

The Capital Raising is proposed to be fully underwritten by either Canaccord Genuity and Argonaut as joint lead managers and book runners or Argonaut as sole lead manager and book runner.

Argonaut, as you are aware, has considerable capital raising capability and has been a long term equity capital market financier and supporter for Gascoyne and therefore is ideally positioned to execute a successful capital raising to recapitalise and relist Gascoyne.

Hanking Australia considers that by increasing the Capital Raising quantum by \$20 million, it will ensure that Gascoyne is further deleveraged and has future enhanced refinancing and operational flexibility, including the ability to undertake value adding project and exploration initiatives.

Clear Implementation Pathway & Completion Timetable Unchanged

Given Hanking Australia's proven track record of successfully owning, developing and operating Australian gold assets and our long term involvement in the process to revitalise Gascoyne, our DOCA and recapitalisation and relisting plan is not subject to any technical or project specific due diligence.

Our plan is to utilise Hanking Australia's strong financial capability and technical expertise to enhance the repayment of creditors as well as the recapitalisation and relisting of Gascoyne, which will result in Hanking Australia having a shareholding, and representation on the Gascoyne Board, and which will require Foreign Investment Review Board approval.

As you are well aware, Hanking Australia has previously received such approvals and with your support and the advice of our advisors we expect that such approval can once again be readily obtained.

Hanking Australia's DOCA and recapitalisation and listing plan does not require any other significant foreign or Australian approvals.

The completion end date remains unchanged and all other key aspects of the current proposed DOCA and recapitalisation and relisting plan will remain similar to ensure the smooth continuance of the Voluntary Administration and subsequent recapitalisation of Gascoyne.

Finally, to assist with implementation and to work with you as Voluntary Administrators and your advisors, Hanking Australia's appointed advisors are Argonaut, KPMG and Minter Ellison.

For ease of comparison, please find attached to this letter a clear comparison of the benefits of our DOCA and recapitalisation and relisting plan for Gascoyne to that currently being proposed, along with a mark-up of the current proposed DOCA term sheet and a clean version.

Next Steps

We trust that our attractive plan to deliver an enhanced DOCA for unsecured creditors, improved debt repayment for outcomes for secured creditors, a strengthened recapitalisation process and stronger Gascoyne post relisting, with improved share market trading prospects, will be well received by you and your advisors.

It is our view that this proposal is capable of being voted on by creditors at the meeting convened for Thursday, 26 June 2020 on the basis that:

- The substantive provisions relevant to the Capital Raising remain the same;
- The position of the Banks remain the same;



- The immediate cash return to unsecured creditors is improved by increasing the upfront cash payment from \$1 million to \$6 million and with significantly improved timing terms (payment in full to be received within 1-2 months and not 3-5 years from trading); and
- The immediate cash return to NRW is improved by increasing the upfront cash payment from \$4 million to \$10 million and the timing of receipt de-risked from the Capital Raising.

We look forward to further discussing our plan with you in more detail and working together with you and your advisors to quickly deliver these enhance outcomes for all of Gascoyne's stakeholders.

Yours sincerely,

Mark Qiu
Director Hanking Australia Investment Pty Limited

About Hanking Australia

Hanking Australia Pty Limited (ACN 613 858 843) (**Hanking Australia**) is a Perth based mining company with a proven track record of owning and operating gold mining assets in Australia.

In 2013, Hanking Australia acquired the South Cross Gold Operations when it was on care and maintenance from Saint Barbara for \$20 million and then through exploration, studies and development revitalised it into a significant gold mining operation up until its sale for \$330 million in 2017.

More recently, in June 2018 Hanking Australia completed the \$38 million all cash acquisition of ASX listed Primary Gold and has since obtained full environmental approval for development of the Tom's Gully gold mine in the Northern Territory as well as having progressed exploration, studies and gained full permitting for its 100% owned Coolgardie gold project in Western Australia.

Hanking Australia is led by Dr. Mark Qiu and his team, has the strong support of its parent company, China Hanking Holding Limited (**CHH**), which is a diversified international mining group listed on the Hong Kong Stock Exchange (HKSE: 03788) with over 25 years successful mining experience.

For the full year ended 31 December 2019 CHH generated EBITDA of approximately \$170 million. CHH has a market capitalisation of approximately \$580 million.

For further information, please refer to: www.hankingmining.com

FTI DOCA vs Hanking DOCA Creditor Returns		Nature of Return						
Creditor		Return in \$	Cash Contribution	Equity	Mine Trading	Estimated Timing	Source of Funds	
Employees- Previously Resigned	FTI DOCA	100c paid	100%	N/A	N/A	Within 2 months of execution of DOCA	Funds generated from Capital Raise	
	Hanking DOCA	100c paid	100%	N/A	N/A	1 to 2 months of execution of DOCA	Hanking Australia Advanced Contribution	
Employees- Ongoing	FTI DOCA	N/A	N/A	N/A	100%	Carried forward- No changes to employee position	Working Capital	
	Hanking DOCA	N/A	N/A	N/A	100%	Carried forward- No changes to employee position	Working Capital	
Unsecured Creditors- Less than \$10k	FTI DOCA	100c paid	100%	N/A	N/A	Within 2 months of execution of DOCA	Funds generated from Capital Raise	
	Hanking DOCA	100c paid	100%	N/A	N/A	1 to 2 months of execution of DOCA	Hanking Australia Advanced Contribution	
Unsecured Creditors- Greater than \$10k	FTI DOCA	100c paid	10,000 (\$1m)	50%	50%	3-5 years for full repayment	Funds generated from Capital Raise	
	Hanking DOCA	100c paid	100% (\$6m)	N/A	N/A	1 to 2 months of execution of DOCA	Hanking Australia Advanced Contribution	
NRW	FTI DOCA	100c paid	\$4m	\$12m	\$16.7m	As per NRW Agreement	Cash Contribution from funds generated from Capital Raise	
	Hanking DOCA	100c paid	\$10m	\$15m	\$7.7m	As per NRW Agreement	Cash Contribution from Hanking Advanced Contribution	
Banks (CBA/NAB)	FTI DOCA	100c paid	Not Disclosed	N/A	N/A	As per Banks Agreement	Cash Contribution from funds generated from Capital Raise	
	Hanking DOCA	100c paid	Not Disclosed	N/A	N/A	As per Banks Agreement	Cash Contribution from funds generated from Capital Raise	

Hanking Australia Term Sheet for DOCA Proposal for GRL Group of Companies

No.	SUBJECT	TERMS
1.	Deed Administrators	Kate Warwick, Michael Ryan and Ian Francis (Administrators) will act as deed administrators of the DOCA (Deed Administrators).
2.	Proponent	Hanking Australia Investment Pty Ltd (Proponent)
3.	Purpose	<p>3.1 The purpose of this term sheet is to record the key terms that will be set out in a Deed of Company Arrangement (DOCA) for:</p> <ul style="list-style-type: none"> (a) Gascoyne Resources Ltd (GRL); (b) GNT Resources Pty Ltd (GNT); (c) Dalgaranga Operations Pty Ltd; (d) Gascoyne Resources (WA) Pty Ltd; (e) Egerton Exploration Pty Ltd; (f) Dalgaranga Exploration Pty Ltd; and (g) Gascoyne (Ops Management) Pty Ltd, <p>(together the GRL Group).</p> <p>3.2 It is proposed that the GRL Group will undertake a restructure of its debt and equity on the following basis:</p> <ul style="list-style-type: none"> (a) GRL will raise an amount which is anticipated to be of the order of \$90M to \$100M, by way of an entitlement offer and placement of shares (the Capital Raising); (b) as a condition precedent to Completion, where there remains any residual debt owing to the Banks (as defined in clause 6.1(a)) after the Capital Raising, there will be a refinance of the debt due to the Banks; (c) as a condition precedent to Completion, NRW will agree to restructure its debt and enter into certain other arrangements that reflect the restructure with GNT and GRL; and (d) the unsecured creditors will release their debts pursuant to the DOCA in consideration for the right to participate as a beneficiary of the Creditors Trust, as contemplated at clauses 5 and 6 below.
4.	Proponent Advanced Contribution	<p>4.1 The Proponent will advance funds of \$16M to the Deed Administrators, non-recourse to the Deed Administrators personally to facilitate accelerated payments on the terms set out in the DOCA to:</p> <ul style="list-style-type: none"> (a) NRW in the amount of \$10M; and (b) The Creditors Trust in the amount of \$6M, <p>(Proponent Advanced Contribution).</p> <p>4.2 The Proponent Advanced Contribution will be conditional upon the satisfaction of the following conditions precedent:</p> <ul style="list-style-type: none"> (a) the Proponent is satisfied with the form of the Refinance Facility, Refinance Security, the Hedging Facility, the Bank Security Release; (b) the creditors of GRL Group have approved the DOCA; (c) the DOCA has been executed by the relevant parties;

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- (d) the execution by NRW, the Proponent, GNT and the other relevant GRL Entities of the NRW Agreements (as defined in clause 6.2(b)) on terms acceptable to the Proponent;
- (e) execution of the Proponent Convertible Note Deed on terms acceptable to the Proponent;
- (f) the Banks consenting to a standstill until Completion of the DOCA, on terms acceptable to the Proponent; and
- (g) the execution of an underwriting agreement in respect of the Capital Raising as described in clause 7.1, on terms acceptable to the Proponent.

(the Proponent Advanced Contribution Agreement).

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- 5. Creditors Trust**
- 5.1 A creditors trust will be established for the purposes of the DOCA, named the 'GRL Group Creditors Trust' (**Creditors' Trust**).
 - 5.2 The Administrators will become the trustees of the Creditors Trust (**Trustees**).
 - 5.3 The purpose of the Creditors Trust will be to enable certain tasks ordinarily undertaken by deed administrators (including, but not limited to, the calling for and adjudication upon the claims of unsecured creditors and the distribution of funds to the unsecured creditors) to be performed by the Trustees, in order to:
 - (a) facilitate the early termination of the DOCA, so that the GRL Group avoids having to trade 'Subject to DOCA', which may adversely impact upon its ability to acquire goods and services and to obtain credit; and
 - (b) facilitate the Capital Raising.
 - 5.4 The assets of the Creditors Trust will comprise:
 - (a) the sum of \$6M pursuant to the Proponent Advanced Contribution Agreement;**(Trust Fund)**.
 - 5.5 No other assets will be available to meet the claims of the unsecured creditors of the GRL Group.
 - 5.6 The Trustees will be remunerated at the usual rates charged by FTI Consulting, as approved by the beneficiaries of the Trust from time to time.

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- 6. Position of Creditors**
- 6.1 **Banks**
 - (a) National Australia Bank Ltd (**NAB**) and Commonwealth Bank of Australia (**CBA**) (together **the Banks**) hold first ranking security over all of the assets of the GRL Group to secure a debt of the order of \$80M (**Original Debt**).
 - (b) As a condition precedent to Completion, the GRL Group will enter into an arrangement to refinance any unpaid balance of the Original Debt after the Capital Raising (**Refinance Debt**). The facility made available by the Banks to the Administrators will be repaid in full prior to Completion, or out of the Capital Raising.
 - 6.2 **NRW**
 - (a) NRW Pty Ltd in its own right and as trustee of the NRW Unit Trust (**NRW**) is:
 - (1) the second ranking secured creditor behind the Banks, for a debt of approximately \$32.7M (**NRW Debt**); and
 - (2) the mining contractor to GNT pursuant to the open pit mining contract dated 13 December 2017, as amended from time to

time (**Mining Contract**).

- (b) As a condition precedent to Completion, NRW, GNT and the other relevant members of the GRL Group will enter into one or more agreements to:
- (1) repay \$10M of the NRW Debt pursuant to the terms of the Proponent Advanced Contribution Agreement, issue equity of \$12M to \$15M to satisfy part of the NRW Debt and release the balance;
 - (2) enter into an agreement for the payment of an amount representing the balance which has been released (**NRW Contingent Debt**) upon the satisfaction of certain contingencies; and
 - (3) enter into a new binding mining contract on commercial terms acceptable to the Proponent and NRW,
- (together, the **NRW Agreements**).

6.3 Unsecured Creditors

The Trust Fund will be distributed (and unsecured creditors will be paid) in the following order of priority:

(a) **Employees**

To the extent that there are any arrears or other amounts due and payable to Employees with respect to wages and other employee entitlements, which are due to Employees who are not retained by the GRL Group, the debts due to such Employees will be paid in full.

(b) **Costs of Conduct of Administration/DOCA**

To the extent that the remuneration and costs incurred by the Administrators (including as Deed Administrators) in the conduct of the administration and DOCA are not paid out prior to the Completion of the DOCA, those amounts will be satisfied out of the Trust Fund.

(c) **Costs of Trustee of Creditors Trust**

The Trustees fees and remuneration will be paid out of the Trust Fund.

(d) **Unsecured Creditors**

An Unsecured Creditor Fund will consist of \$6M, to pay the amount referred to at 6.3(a) above and unsecured creditors:

- (1) with debts of less than \$50,000, 100 cents in the dollar; and
- (2) with debts greater than \$50,000, with respect to the first \$50,000 of their debts, 100 cents in the dollar and the balance split pro-rata by creditor according to the quantum of the balance of their debts, but currently estimated at 100 cents in the dollar.

(e) **Shareholder Claimants**

To the extent that shareholders have a claim against GRL, those shareholders will be entitled to the benefit of any insurance policy which responds to such claims.

(f) **PPSR claimants /Equipment Financiers**

Debts due to PPSR claimants and equipment financiers will not be released pursuant to the DOCA and will continue to be serviced in ordinary course.

(g) **Intercompany Debts**

Intercompany debts will not be released pursuant to the DOCA, but a GRL Group company cannot make demand for the repayment of an intercompany debt unless and until the debtor company has sufficient

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funds to repay that debt and all of the other debts which are then due and owing by it.

7. Capital Raising

7.1 The Capital Raising will:

- (a) be undertaken by Cannacord and Argonaut Securities Pty Limited (**Argonaut**) as the joint lead manager and bookrunner or Argonaut as the sole lead manager and bookrunner (**Lead Manager(s)**);
- (b) be structured as a non-renounceable, fully underwritten entitlement offer of GRL shares, and a fully underwritten placement of shares to new and/or existing shareholders, in each case at an issue price to be determined by the Deed Administrators and the Lead Manager(s);
- (c) be subject to requisite shareholder approvals for the purposes of ASX Listing Rules and the *Corporations Act 2001* (Cth); and
- (d) raise an amount which is anticipated to be of the order of \$90M to \$100M, such proceeds to be used for the purposes contemplated by the DOCA including the repayment of part of the Original Debt, the Administrators Facility, part of the NRW Debt, and for working capital purposes.

For the avoidance of doubt, the Proponent Advanced Contribution of \$16M will form part of the Capital Raising amount.

8. Documentation

8.1 The key documents will be:

- (a) the DOCA, under which creditors of each of the entities in the GRL Group will be paid from a single pool;
- (b) the Creditors Trust deed;
- (c) a facility pursuant to which the Refinance Debt is made available to the GRL Group (**Refinance Facility**) and the grant of first ranking security over the assets of the GRL Group to secure the Refinance Debt (**Refinance Security**);
- (d) an agreement to release the security held by the Banks (**Bank Security Release**);
- (e) the NRW Agreements;
- (f) a hedging facility with the financier who provided the Refinance Facility (**Hedging Facility**);
- (g) the Proponent Advance Contribution Agreement, including the Convertible Note Deed; and
- (h) in relation to the Capital Raising:
 - (1) a prospectus issued by GRL for the purposes of the entitlement offer;
 - (2) a placement letter and/or subscription agreement for each person participating in the placement of GRL shares; and
 - (3) a notice of meeting and explanatory statement issued by GRL seeking shareholder approval for the issue of new GRL shares (amongst other matters); and
 - (4) an underwriting agreement in respect of the Capital Raising as described in clause 7.1, on terms acceptable to the Proponent

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- 9.1 Completion of the DOCA will be conditional upon the satisfaction of the following Conditions Precedent:
- (a) execution by the Banks, GNT, GRL and the other relevant entities in the GRL Group of the Bank Security Release;
 - (b) the execution by the parties thereto of the Refinance Facility and the Refinance Security;
 - (c) the repayment of the Original Debt and debt due under the facility made available to the Administrators in full;
 - (d) execution by the parties thereto of the Hedging Facility;
 - (e) if required by the NRW Agreements, the release of the NRW security;
 - (f) the appointment of a managing director and two or more non-executive directors to the board of GRL, of which, subject to satisfaction of the condition at item (i), one non-executive director will be nominated by the Proponent;
 - (g) completion of the Capital Raising;
 - (h) execution of the Creditors Trust Deed; and
 - (i) Foreign Investment Review Board Approval.
- 9.2 The Conditions Precedent may only be waived by the Deed Administrators and Proponent, on notice to the creditors, in writing.

10. Completion

- 10.1 The Creditors' Trust will be created once each of the following events has been completed:
- (a) the creditors of GRL Group have approved the DOCA;
 - (b) the DOCA has been executed by the relevant parties;
 - (c) the execution by NRW, the Proponent, GNT and the other relevant GRL Entities of the NRW Agreements; and
 - (d) the Proponent Advanced Contribution has been paid to the Trustee of the Creditors' Trust.
- Upon creation of the Creditors' Trust, the claims of all creditors, except for the Banks, NRW, PPSR claimants /Equipment Financiers and Intercompany Loans, have against the GRL Group will be extinguished in full, and such creditors will only be entitled to participate as beneficiaries under the Creditors' Trust.
- 10.2 On Completion of the DOCA:
- (a) the DOCA will terminate;
 - (b) if not already appointed, the New Directors (as defined in clause 13.2) will become directors of GRL;
 - (c) the Banks will be paid in full from the Refinance Debt and an agreed amount will be paid to the Banks out of the Capital Raising;
 - (d) the Refinance Facility, Refinance Security and Hedging Facility will become operative;
 - (e) subject to the Proponent Advanced Contribution Agreement, the NRW Agreements will become unconditional and if required by the NRW Agreements, NRW will release its security;
 - (f) shares in GRL will be issued to:
 - (1) NRW in further partial satisfaction of the NRW Debt; and
 - (2) the Proponent, in full satisfaction of the Proponent Advanced Contribution pursuant to the terms of the Proponent Advanced

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Contribution Agreement; and

- (g) the claims of all unsecured creditors (including shareholder claimants, except to the extent that such claims must remain valid to enable those shareholder claimants to access any insurance policy which responds to such claims) will be released to the extent they have not already been extinguished and transferred to the Creditors Trust.

11. Non-participating Claims

- 11.1 Claims against GRL that will not transfer to the Creditor's Trust and will not be extinguished by the DOCA will be limited to:
- (a) the Banks;
 - (b) NRW;
 - (c) claims by PPSR claimants and equipment financiers;
 - (d) liabilities in respect of continuing employees (as described in clause 12);
 - (e) intercompany debts; and
 - (f) insured claims (as described in clause 14).

12. Employees

- 12.1 All of the existing employees of GRL and GNT will continue to be employed post Completion of the DOCA and will be paid their entitlements in the ordinary course of their employment.

13. Directors

- 13.1 The Deed Administrators will have the power to appoint directors and/or remove directors of GRL and the other companies in the GRL Group, but subject to the consent of the Proponent.
- 13.2 Subject to appropriate limitations, any new directors appointed (**New Directors**) will be authorised to approve, issue and execute (where required) all documents associated with the Capital Raising on behalf of the relevant member of the GRL Group.
- 13.3 Upon effectuation of the DOCA, one director nominated by the Proponent will be appointed to GRL by the Deed Administrators in addition the directors appointed pursuant to satisfaction of the condition at clause 9.1(f).

14. Insured Claims

- 14.1 Insured claims will be non-participating in the DOCA as described in clause 11.
- An insured claim is a claim which a creditor has against GRL (or another entity in the GRL Group) which would have been entitled to the benefit of the priority contemplated by section 562 of the *Corporations Act 2001* (Cth), being a claim where:
- (a) GRL (or another entity in the GRL Group) is insured against the claim under a contract of insurance entered into before the date of appointment of the Administrators; and
 - (b) an amount in respect of that claim would be payable by the insurer to the GRL (or another entity in the GRL Group) under the contract of insurance,
- but only to the extent of such part of the claim as would be discharged by the payment from the insurer, and provided the creditor indemnifies GRL (or the other entity in the GRL Group in respect of all costs and expenses incurred by GRL (or the other entity in the GRL Group) in connection with such claim.

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15.	Other provisions of DOCA	<p>15.1 Under the DOCA:</p> <ul style="list-style-type: none"> (a) the Administrators will become the Deed Administrators; (b) the Deed Administrators and the New Directors will, subject to the limits of their powers and authority under the DOCA, be obliged to: <ul style="list-style-type: none"> (1) give effect to the terms of the DOCA; (2) use their best endeavours to ensure that the Conditions Precedent are satisfied; and (3) do all acts, matters and things, and sign all necessary documents as may be reasonably necessary for the purposes of the DOCA and the satisfaction of the Conditions Precedent; (c) the claims of all unsecured creditors will be released to the fullest extent possible; and (d) the Creditors Trust will be created and the creditors of the GRL Group will only be entitled to participate as beneficiaries of the Creditors Trust. <p>15.2 During the period of the operation of the DOCA, any officer or member of the GRL Group or any creditor bound by the provisions of the DOCA must not make any application to wind up any entity in the GRL Group, continue such application or commence or continue any enforcement process in relation to the property of the GRL Group.</p> <p>15.3 The DOCA will terminate upon Completion, at which time control of GRL (and the GRL Group) will revert to the New Directors.</p> <p>15.4 The DOCA will have those other provisions which are usual in a DOCA of this nature.</p>
16.	Distribution of Trust Fund	<p>16.1 The Trust Fund will be distributed as soon as reasonably practicable after the receipt of funds.</p> <p>16.2 The terms of section 556, 560 and 561 of the Corporations Act shall apply as if the references to 'liquidator' were references to the 'Trustee', references to 'winding up' were references to the 'Creditors Trust' and with such other modifications as are necessary to give effect to the terms of this Term Sheet.</p> <p>16.3 Sections 444DA and 444DB of the Act will apply to the DOCA.</p>
17.	Committee of Inspection	There will not be a committee of inspection under the DOCA.
18.	Administrators' / Trustees' lien and remuneration	<p>18.1 The Administrators (and Deed Administrators) of the GRL Group are entitled to be indemnified out of, and will have a lien over, the cash held by the GRL Group at Completion, for their remuneration, costs, fees and expenses for work done in the performance of their duties as Administrators and Deed Administrators of the GRL Group.</p> <p>18.2 The Trustees of the Creditors Trust, the Administrators and Deed Administrators will be entitled to be indemnified out of and will have a lien over the funds in Creditors Trust for their remuneration, costs, fees and expenses incurred in adjudicating upon proofs of debt of creditors and distributing the funds in the Creditors Trust.</p>
19.	Termination of DOCA	<p>19.1 In the event that the Completion of the DOCA does not occur by 30 November 2020 or such other date as may be specified in a written notice issued by the Deed Administrators to the creditors, then the Deed Administrators may:</p>

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		<ul style="list-style-type: none"> (a) cause the entities in the GRL Group to be placed into liquidation; and/or (b) convene a meeting of creditors to vary or terminate the DOCA.
20.	Other terms	<p data-bbox="472 450 1390 533">20.1 Except for regulations 3(c) and 11, and except to the extent inconsistent with the terms of this Term Sheet, the terms and conditions contained in Schedule 8A of the Corporations Regulations will be incorporated into the DOCA.</p> <p data-bbox="472 551 1209 573">20.2 Section 440D of the Act will apply while the DOCA is effective.</p>
21.	Governing law	Western Australia.

Hanking Australia Term Sheet for DOCA Proposal for GRL Group of Companies

No. SUBJECTSUBJECT	TERMS
1. Deed Administrators	Kate Warwick, Michael Ryan and Ian Francis (Administrators) will act as deed administrators of the DOCA (Deed Administrators).
<u>2. Proponent</u>	<u>Hanking Australia Investment Pty Ltd (Proponent)</u>
<u>2.3. Purpose</u>	<p><u>2.3.1</u> The purpose of this term sheet is to record the key terms that will be set out in a Deed of Company Arrangement (DOCA) for:</p> <ul style="list-style-type: none"> (a) Gascoyne Resources Ltd (GRL); (b) GNT Resources Pty Ltd (GNT); (c) Dalgaranga Operations Pty Ltd (DOPL); (d) Gascoyne Resources (WA) Pty Ltd; (e) Egerton Exploration Pty Ltd; (f) Dalgaranga Exploration Pty Ltd; and (g) Gascoyne (Ops Management) Pty Ltd, (together the GRL Group). <p><u>2.3.2</u> It is proposed that the GRL Group will undertake a restructure of its debt and equity on the following basis:</p> <ul style="list-style-type: none"> (a) GRL will raise an amount which is anticipated to be of the order of \$70M - \$80M <u>\$90M to \$100M</u>, by way of an entitlement offer and placement of shares (the Capital Raising); (b) as a condition precedent to Completion, <u>where there remains any residual debt owing to the Banks (as defined in clause 6.1(a)) after the Capital Raising</u>, there will be a refinance of the debt due to the Banks; (c) as a condition precedent to Completion, NRW will agree to restructure its debt and enter into certain other arrangements <u>that reflect the restructure</u> with GNT and GRL; and (d) the unsecured creditors will release their debts pursuant to the DOCA in consideration for the right to participate as a beneficiary of the Creditors Trust, as contemplated at clauses 35 and 46 below.
<u>4. Proponent Advanced Contribution</u>	<p><u>4.1</u> <u>The Proponent will advance funds of \$16M to the Deed Administrators, non-recourse to the Deed Administrators personally to facilitate accelerated payments on the terms set out in the DOCA to:</u></p> <ul style="list-style-type: none"> (a) <u>NRW in the amount of \$10M; and</u> (b) <u>The Creditors Trust in the amount of \$6M, (Proponent Advanced Contribution).</u> <p><u>4.2</u> <u>The Proponent Advanced Contribution will be conditional upon the satisfaction of the following conditions precedent:</u></p> <ul style="list-style-type: none"> (a) <u>the Proponent is satisfied with the form of the Refinance Facility,</u>

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Refinance Security, the Hedging Facility, the Bank Security Release;

- (b) the creditors of GRL Group have approved the DOCA;
- (c) the DOCA has been executed by the relevant parties;
- (d) the execution by NRW, the Proponent, GNT and the other relevant GRL Entities of the NRW Agreements (as defined in clause 6.2(b)) on terms acceptable to the Proponent;
- (e) execution of the Proponent Convertible Note Deed on terms acceptable to the Proponent;
- (f) the Banks consenting to a standstill until Completion of the DOCA, on terms acceptable to the Proponent; and
- (g) the execution of an underwriting agreement in respect of the Capital Raising as described in clause 7.1, on terms acceptable to the Proponent.

(the Proponent Advanced Contribution Agreement).

3.5. Creditors' Creditors Trust

3-45.1 A creditors trust will be established for the purposes of the DOCA, named the 'GRL Group Creditors Trust' (**Creditors Creditors' Trust**).

3-25.2 The Administrators will become the trustees of the Creditors Trust (**Trustees**).

3-35.3 The purpose of the Creditors Trust will be to enable certain tasks ordinarily undertaken by deed administrators (including, but not limited to, the calling for and adjudication upon the claims of unsecured creditors and the distribution of funds to the unsecured creditors) to be performed by the Trustees, in order to:

- (a) facilitate the early termination of the DOCA, so that the GRL Group avoids having to trade 'Subject to DOCA', which may adversely impact upon its ability to acquire goods and services and to obtain credit; and
- (b) facilitate the Capital Raising.

3-45.4 The assets of the Creditors Trust will comprise:

- ~~(a) the sum of \$1 million, or if that sum is insufficient to pay all required amounts contemplated by clause 4.3(d)(1) below, such increased amounts as it necessary to pay the amount contemplated by clause 4.3(d)(1) (**Pool A Fund**), being part of the proceeds of the Capital Raising;~~
- ~~(b) the shares in GRL contemplated by clause 4.3(d)(2) below;~~
- ~~(c) funds paid into the Creditors Trust by GNT over time, as contemplated by clause 6;~~
- (a) the sum of \$6M pursuant to the Proponent Advanced Contribution Agreement;

(Trust Fund).

3-55.5 No other assets will be available to meet the claims of the unsecured creditors of the GRL Group.

3-65.6 The Trustees will be remunerated at the usual rates charged by FTI Consulting, as approved by the beneficiaries of the Trust from time to time.

4.6. Position of Creditors

4-46.1 **Banks**

- (a) National Australia Bank Ltd (**NAB**) and Commonwealth Bank of Australia (**CBA**) (together **the Banks**) hold first ranking security over all of the assets of the GRL Group to secure a debt of the order of \$80M

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~~(Original Debt)~~.

- (b) As a condition precedent to Completion, the GRL Group will enter into an arrangement to refinance ~~part of the Original Debt (Refinance Debt), and the any unpaid~~ balance of the Original Debt ~~will be repaid out of~~ after the Capital Raising. ~~(Refinance Debt)~~. The facility made available by the Banks to the Administrators will be repaid in full prior to Completion, or out of the Capital Raising.

4.26.2 NRW

- (a) NRW Pty Ltd in its own right and as trustee of the NRW Unit Trust (NRW) is:
- (1) the second ranking secured creditor behind the Banks, for a debt of approximately \$32.7M (NRW Debt); and
 - (2) the mining contractor to GNT pursuant to the open pit mining contract dated 13 December 2017, as amended from time to time (Mining Contract).
- (b) As a condition precedent to Completion, NRW, GNT and the other relevant members of the GRL Group will enter into ~~an agreement~~ one or more agreements to:
- (1) repay ~~part~~ \$10M of the NRW Debt pursuant to the terms of the Proponent Advanced Contribution Agreement, issue equity of \$12M to \$15M to satisfy part of the NRW Debt and release the balance;
 - (2) enter into an agreement for the payment of an amount representing the balance which has been released (NRW Contingent Debt) upon the satisfaction of certain contingencies ~~(NRW Agreement); and~~
 - (3) enter into a new binding mining contract on commercial terms acceptable to the Proponent and NRW,
- (together, the NRW Agreements).

4.36.3 Unsecured Creditors

The Trust Fund will be distributed (and unsecured creditors will be paid) in the following order of priority:

(a) **Employees**

To the extent that there are arrears or other amounts due and payable to Employees with respect to wages and other employee entitlements, which are due to Employees who are not retained by the GRL Group, the debts due to such Employees will be paid in full.

(b) **Costs of Conduct of Administration/DOCA**

To the extent that the remuneration and costs incurred by the Administrators (including as Deed Administrators) in the conduct of the administration and DOCA are not paid out prior to the Completion of the DOCA, those amounts will be satisfied out of the Trust Fund.;

(c) **Costs of Trustee of Creditors Trust**

The Trustees fees and remuneration will be paid out of the Trust Fund.

(d) **Unsecured Creditors**

~~Pool A: An~~ Unsecured ~~creditors: The Pool A Creditor~~ Fund will consist of ~~\$1m, or such greater amount as is necessary~~ 6M, to pay the amount referred to at ~~46.3(a)~~ 46.3(a) above and unsecured creditors:

- (1) with debts of less than ~~\$4050,000~~, 100 cents in the dollar; and

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~~a.~~ with debts greater than \$~~1050~~,000, with respect to the first \$~~4050~~,000 of their debts, 100 cents in the dollar.

~~(2) Unsecured Creditors greater than \$10,000: In relation to unsecured creditors with debt of greater than \$10,000 (Large Creditors):~~

~~a.~~ at the time of Completion under the DOCA, the Trustees will be issued with shares in GRL, with a value (calculated at the price at which the GRL shares are issued pursuant to the Capital Raising (Issue Price)) equivalent to 50% of the amount due to Large Creditors, less the amount paid to the Large Creditors pursuant to clause 4.3(d)(1)b above;

~~b.~~ the Large Creditors will be given the option (to be elected prior to Completion) of either:

~~• OPTION 1: the transfer to them of shares in GRL with a value representing 50% of the debt due to them (calculated at the Issue Price) in two tranches, namely:~~

~~— half of the shares on the date which is one month after Completion; and~~

~~— half of the shares on the date which is two months after Completion; or~~

~~• OPTION 2: to direct the Trustees to sell the shares in GRL with a value representing 50% of the debt due to them, and remit the proceeds to the Large Creditor on the date which is 3 months after Completion. The payment of the Large Creditors who elect this option will reflect the average price achieved by the Trustee upon the sale of all shares in GRL of all Large Creditors who elect this option.~~

~~If no election is made by the Large Creditors with 21 days of receipt of the shares by the Trustee then the Trustee will act as if the Option 1 had been elected.~~

~~c.~~ as to the balance due to Large Creditors, commencing on the date which is one month after the repayment of the Refinance Debt plus the NRW Contingent Debt (**Trigger Date**), cash instalments reflecting the payments made to the Creditors Trust in accordance with clause 6 below, until, having regard to:

~~• the payment referred to at 4.3(d)(1)b;~~

~~• the Issue Price of the shares referred to in clause 4.1(d)(2)b (ignoring the actual price of the GRL shares at the time of transfer pursuant to OPTION 1 under clause 4.3(d)(2)b or the amount actually receiving pursuant to OPTION 2 under clause 4.3(d)(2)b),~~

~~(3)(2) they are paid 100c split pro-rata by creditor according to the quantum of the balance of their debts, but currently estimated at 100 cents in the dollar.~~

(e) **Shareholder Claimants**

To the extent that shareholders have a claim against GRL, those shareholders will be entitled to the benefit of any insurance policy which responds to such claims.

(f) **PPSR claimants /Equipment Financiers**

Debts due to PPSR claimants and equipment financiers will not be released pursuant to the DOCA and will continue to be serviced in

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ordinary course.

(g) **Intercompany Debts**

Intercompany debts will not be released pursuant to the DOCA, but a GRL Group company cannot make demand for the repayment of an intercompany debt unless and until the debtor company has sufficient funds to repay that debt and all of the other debts which are then due and owing by it.

5.7. Capital Raising

5.7.1 The Capital Raising will:

(a) be undertaken by Cannacord and Argonaut Securities Pty Limited (Argonaut) as the joint lead manager and bookrunner or Argonaut as the sole lead manager and bookrunner (Lead Manager(s));

~~(a)~~(b) be structured as a non-renounceable, fully underwritten entitlement offer of GRL shares, and a fully underwritten placement of shares to new and/or existing shareholders, in each case at an issue price to be determined by the Deed Administrators; and the Lead Manager(s);

~~(b)~~(c) be subject to requisite shareholder approvals for the purposes of ASX Listing Rules; and the Corporations Act 2001 (Cth); and

(d) raise an amount which is anticipated to be of the order of \$70M- \$80M90M to \$100M, such proceeds to be used for the purposes contemplated by the DOCA including the repayment of part of the Original Debt, the Administrators Facility and, part of the NRW Debt, and for working capital purposes.

For the avoidance of doubt, the Proponent Advanced Contribution of \$16M will form part of the Capital Raising amount.

~~6. Contribution Obligation~~

~~GNT will pay to the Creditors Trust an amount sufficient to pay the Large Creditors the amount contemplated by clause 4.3(d)(2)c, as follows:~~

~~(a) payment to the Creditors Trust will commence upon the Trigger Date; and~~

~~(b) payment will be by way of a single lump sum payment or up to 12 equal monthly instalments.~~

7.8. Documentation

7.8.1 The key documents will be:

(a) the DOCA, under which creditors of each of the entities in the GRL Group will be paid from a single pool;

(b) the Creditors Trust deed;

(c) a facility pursuant to which the Refinance Debt is made available to the GRL Group (**Refinance Facility**) and the grant of first ranking security over the assets of the GRL Group to secure the Refinance Debt (**Refinance Security**);

(d) an agreement to release the security held by the Banks (**Bank Security Release**);

(e) the NRW ~~Agreement~~Agreements;

~~(f)~~ a hedging facility with the financier who provided the Refinance Facility (**Hedging Facility**);

~~(f)~~(g) the Proponent Advance Contribution Agreement, including the Convertible Note Deed; and

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~~(g)~~(h) in relation to the Capital Raising:

- (1) a prospectus issued by GRL for the purposes of the entitlement offer;
- (2) a placement letter and/or subscription agreement for each person participating in the placement of GRL shares; and
- ~~(3)~~ a notice of meeting and explanatory statement issued by GRL seeking shareholder approval for the issue of new GRL shares (amongst other matters~~); and~~
- ~~(3)~~(4) an underwriting agreement in respect of the Capital Raising as described in clause 7.1, on terms acceptable to the Proponent

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**8-9. Conditions
Precedent to
Completion of the
DOCA**

- ~~8-49.1~~ Completion of the DOCA will be conditional upon the satisfaction of the following Conditions Precedent:
- (a) execution by the Banks, GNT, GRL and the other relevant entities in the GRL Group of the Bank Security Release;
 - (b) the execution by the parties thereto of the Refinance Facility and the Refinance Security;
 - (c) the ~~payment~~repayment of the Original Debt and debt due under the facility made available to the Administrators in full;
 - (d) execution by the parties thereto of the Hedging Facility;
 - ~~(e) the execution by NRW, GNT and the other relevant GRL Entities of the NRW Agreement;~~
 - ~~(f)~~(e) ~~the~~ if required by the NRW ~~Agreement~~Agreements, the release of the NRW security;
 - ~~(g)~~(f) the appointment of a managing director and two or more non- executive directors to the board of GRL; ~~of which, subject to satisfaction of the condition at item (i), one non-executive director will be nominated by the Proponent;~~
 - ~~(h)~~(g) completion of the Capital Raising; ~~and~~
 - ~~(i)~~(h) execution of the Creditors Trust Deed; ~~and~~
 - ~~(j)~~ (i) ~~Foreign Investment Review Board Approval.~~

~~8-29.2~~ The Conditions Precedent may only be waived by the Deed Administrators and Proponent, on notice to the creditors, in writing.

9-10. Completion

10.1 The Creditors' Trust will be created once each of the following events has been completed:

- (a) the creditors of GRL Group have approved the DOCA;
- (b) the DOCA has been executed by the relevant parties;
- (c) the execution by NRW, the Proponent, GNT and the other relevant GRL Entities of the NRW Agreements; and
- (d) the Proponent Advanced Contribution has been paid to the Trustee of the Creditors' Trust.

Upon creation of the Creditors' Trust, the claims of all creditors, except for the Banks, NRW, PPSR claimants /Equipment Financiers and Intercompany Loans, have against the GRL Group will be extinguished in full, and such creditors will only be entitled to participate as beneficiaries under the Creditors' Trust.

~~9-410.2~~ On Completion of the DOCA:

- (a) the DOCA will terminate;
- (b) if not already appointed, the New Directors (as defined in clause 13.2) will become directors of GRL;
- (c) the Banks will be paid in full from the Refinance Debt and an agreed amount will be paid to the Banks out of the Capital Raising;
- ~~(d) an agreed amount will be paid to NRW in partial satisfaction of the NRW Debt;~~
- ~~(e)~~(d) the Refinance Facility, Refinance Security and Hedging Facility will become operative;
- ~~(f)~~(e) ~~the NRW~~subject to the Proponent Advanced Contribution Agreement,

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~~the NRW Agreements~~ will become ~~operative~~unconditional and if required by the NRW ~~Agreement~~Agreements, NRW will release its security;

~~(g) the Pool A Fund will be paid to the Creditors Trust out of the Capital Raising;~~

~~(h)~~(f) shares in GRL will be issued to:

(1) NRW in further partial satisfaction of the NRW Debt; and

~~(2) the Trustees, in accordance with clause 4.3(d)(2) above; and~~

(2) the Proponent, in full satisfaction of the Proponent Advanced Contribution pursuant to the terms of the Proponent Advanced Contribution Agreement; and

~~(i)~~(g) the claims of all unsecured creditors (including shareholder claimants, except to the extent that such claims must remain valid to enable those shareholder claimants to access any insurance policy which responds to such claims) will be released ~~to the extent they have not already been extinguished and transferred to the Creditors Trust.~~

~~10-11.~~ Excluded~~No~~
n-participating
Claims

~~10-11.1~~ Claims against GRL that will not ~~be transfer to~~ the subject of Creditor's Trust and will not be extinguished by the DOCA will be limited to:

~~(a)~~ (a) the Banks;

~~(b)~~ (b) NRW;

~~(c)~~(c) claims by PPSR claimants and equipment financiers;

~~(d)~~(d) liabilities in respect of continuing employees (as described in ~~clause 11~~);clause 12);

~~(e)~~(e) intercompany debts; and

~~(f)~~(f) insured claims (as described in clause ~~13~~);14).

~~11-12.~~ Employees

~~11-12.1~~ All of the existing employees of GRL and GNT will continue to be employed post Completion of the DOCA and will be paid their entitlements in the ordinary course of their employment.

~~12-13.~~ Directors

~~12-13.1~~ The Deed Administrators will have the power to appoint directors and/or remove directors of GRL and the other companies in the GRL Group, but subject to the consent of the Proponent.

13.2 Subject to appropriate limitations, any new directors appointed (**New Directors**) will be authorised to approve, issue and execute (where required) all documents associated with the Capital Raising on behalf of the relevant member of the GRL Group.

~~12-13.3~~ Upon effectuation of the DOCA, one director nominated by the Proponent will be appointed to GRL by the Deed Administrators in addition the directors appointed pursuant to satisfaction of the condition at clause 9.1(f).

~~13-14.~~ Insured
Claims

~~13-14.1~~ Insured claims will be ~~excluded from non-participating in~~ the DOCA as described in clause 11.

An insured claim is a claim which a creditor has against GRL (or another entity in the GRL Group) which would have been entitled to the benefit of the priority contemplated by section 562 of the *Corporations Act 2001* (Cth), being a claim

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where:

- (a) GRL (or another entity in the GRL Group) is insured against the claim under a contract of insurance entered into before the date of appointment of the Administrators; and
- (b) an amount in respect of that claim would be payable by the insurer to the GRL (or another entity in the GRL Group) under the contract of insurance,

but only to the extent of such part of the claim as would be discharged by the payment from the insurer, and provided the creditor indemnifies GRL (or the other entity in the GRL Group in respect of all costs and expenses incurred by GRL (or the other entity in the GRL Group) in connection with such claim.

~~14-15.~~ Other provisions of DOCA

~~14-415.1~~ Under the DOCA:

- (a) the Administrators will become the Deed Administrators;
- (b) the Deed Administrators and the New Directors will, subject to the limits of their powers and authority under the DOCA, be obliged to:
 - (1) give effect to the terms of the DOCA;
 - (2) use their best endeavours to ensure that the Conditions Precedent are satisfied; and
 - (3) do all acts, matters and things, and sign all necessary documents as may be reasonably necessary for the purposes of the DOCA and the satisfaction of the Conditions Precedent;
- (c) the claims of all unsecured creditors will be released to the fullest extent possible; and
- (d) the Creditors Trust will be created and the creditors of the GRL Group will only be entitled to participate as beneficiaries of the Creditors Trust.

~~14-215.2~~ During the period of the operation of the DOCA, any officer or member of the GRL Group or any creditor bound by the provisions of the DOCA must not make any application to wind up any entity in the GRL Group, continue such application or commence or continue any enforcement process in relation to the property of the GRL Group.

~~14-315.3~~ The DOCA will terminate upon Completion, at which time control of GRL (and the GRL Group) will revert to the New Directors.

~~14-415.4~~ The DOCA will have those other provisions which are usual in a DOCA of this nature.

~~15-16.~~ Distribution of Trust Fund

~~15-416.1~~ The Trust Fund will be distributed ~~from time to time by the Trustees~~ as soon as reasonably practicable after the receipt of funds ~~save that the amounts received by the Trustees pursuant to the clause 6 will be distributed no later than 12 months after the Trigger Date.~~

~~15-216.2~~ The terms of section 556, 560 and 561 of the Corporations Act shall apply as if the references to 'liquidator' were references to the 'Trustee', references to 'winding up' were references to the 'Creditors Trust' and with such other modifications as are necessary to give effect to the terms of this Term Sheet.

~~15-316.3~~ Sections 444DA and 444DB of the Act will apply to the DOCA.

~~16-17.~~ Creditors Committee of

There will not be a ~~creditors~~ committee of inspection under the DOCA.

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Inspection

~~17-18.~~ Administrators/ Trustees Administrators' / Trustees' lien and remuneration

~~17-18.1~~ 17-18.1 The Administrators (and Deed Administrators) of the GRL Group are entitled to be indemnified out of, and will have a lien over, the cash held by the GRL Group at Completion, for their remuneration, costs, fees and expenses for work done in the performance of their duties as Administrators and Deed Administrators of the GRL Group.

~~17-218.2~~ 17-218.2 The Trustees of the Creditors Trust, the Administrators and Deed Administrators will be entitled to be indemnified out of and will have a lien over the funds in Creditors Trust for their remuneration, costs, fees and expenses incurred in adjudicating upon proofs of debt of creditors and distributing the funds in the Creditors Trust.

~~18-19.~~ Termination of DOCA

~~18-19.1~~ 18-19.1 In the event that the Completion of the DOCA does not occur by 30 November 2020 or such other date as may be specified in a written notice issued by the Deed Administrators to the creditors, then the Deed Administrators may:

- (a) cause the entities in the GRL Group to be placed into liquidation; and/or
- (b) convene a meeting of creditors to vary or terminate the DOCA.

~~19-20.~~ Other terms

~~19-20.1~~ 19-20.1 Except for regulations 3(c) and 11, and except to the extent inconsistent with the terms of this Term Sheet, the terms and conditions contained in Schedule 8A of the Corporations Regulations will be incorporated into the DOCA.

~~19-220.2~~ 19-220.2 Section 440D of the Act will apply while the DOCA is ~~on foot~~effective.

~~20-21.~~ Governing law

Western Australia.