

18 June 2020

ELIGIBLE EMPLOYEE CREDITORS

**Gascoyne Resources Ltd ACN 139 522 900 (“GCY”)
GNT Resources Pty Ltd ACN 159 772 077 (“GNT”)
(All Administrators Appointed) (Together “Companies”)**

We refer to the notice of the upcoming second meeting of creditors issued by the Administrators (“**Notice**”) (copy attached).

By the Notice, concurrent meetings of all creditors of the Companies are convened for 12pm AWST on Thursday, 25 June 2020 (“**Creditors Meetings**”).

The purpose of this circular is to provide employees with information for the purposes of meetings of **only eligible employees of GCY and GNT, which are to be held on Thursday, 25 June 2020 at 10am AWST (prior to the Creditors Meetings)**. Such meetings of only the employees are a requirement under the *Corporations Act 2001* (“**Act**”) where a Deed of Company Arrangement (“**DOCA**”) is proposed which does not give to employees the same priority which they would have received in a liquidation.

This circular explains how the proposed DOCA impacts employees’ entitlements and ongoing employment, and the alternate option of a liquidation and its impact on employees.

The full details of the future options available to the Companies, the estimated return to creditors under the available options and the Administrators’ recommendation, is provided in our report pursuant to section 75-225 of the *Insolvency Practice Rules (Corporations) 2016* (“**Report**”). The Report will be available for download from our firm’s website on Thursday, 18 June 2020 and can be accessed here:

Website: <https://www.fticonsulting-asia.com/creditors/gascoyne-resources-ltd-and-subsidiaries>

1. RECAPITALISATION PLAN

A recapitalisation plan has been formulated with the ultimate objective of the Companies, and the other entities in the GCY Group, continuing in existence under the current group structure. The plan involves a proposed equity raise to inject new equity, pay down and refinance of secured creditor debt, a DOCA proposal to facilitate a return to priority creditors (employees) and unsecured creditors, and reinstatement of GCY on the ASX.

1.1 Return under a DOCA

The DOCA proposal enables a return to priority creditors of 100 cents in the dollar as follows:

- i. **Current Employees:** Entitlements owed to currently employed staff will be preserved and met in the normal course of business under a recapitalised GCY and its subsidiaries. Current employment contracts of employees with the Companies will remain unchanged under a DOCA.
- ii. **Resigned Employees:** Employees who resigned during the voluntary administration that are owed pre-appointment entitlements, will be paid their outstanding entitlements within one month of the execution of the DOCA.

1.2 Variation to Priority Entitlements

As a result of the above, the timing of the payment of employee claims are necessarily separated into two categories. Ongoing employees will receive payment of leave and other accrued entitlements as and when they take leave or accrue the entitlement. Resigned employees will be paid their entitlements in one lump sum.

The deferment of the payment of entitlements of ongoing employees is considered to be a variation to the statutory priorities under section 556 of the Act. We therefore must hold separate meetings of eligible employee creditors to approve this aspect of the proposed DOCA, in order for the DOCA proposal to then be considered by all creditors, at the upcoming Creditors Meetings.

2. LIQUIDATION

In the alternate to a DOCA, creditors can resolve that the Companies be placed into liquidation. Under a liquidation scenario, the Liquidators would seek to affect a sale for the GCY's business as a going concern, namely the Dalgaranga Mine, and subsidiary tenements.

Depending on the terms of any sale of the business, if achieved, an unknown number of current employees would likely be transferred to a purchaser and their entitlements assumed by the purchaser. The remaining non-transferred employees would be terminated, and all outstanding entitlements not assumed by the purchaser would become subject to the Fair Entitlements Guarantee ("FEG") scheme, operated by the Federal Government, for payment.

Accordingly, a liquidation scenario provides less certainty as to ongoing employment for current employees and a potential delay in the payment of outstanding entitlements for terminated and resigned employees (i.e. payment is subject to the timeframes of the FEG scheme).

3. ADMINISTRATORS' RECOMMENDATION

In these circumstances, the Administrators consider that it is in the interests of the eligible employee creditors for the Companies to enter into the DOCA, and therefore, the Administrators recommend employee creditors approve the Companies executing the proposed DOCA, as this provides greater certainty as to the ongoing employment for current employees than would result under a liquidation, and all employees are estimated to receive 100 cents in the dollar under the DOCA.

4. MEETING OF ELIGIBLE EMPLOYEE CREDITORS

Please find enclosed a notice of meeting of eligible employee creditors to be held on **Thursday, 25 June 2020 at 10am AWST**. The purpose of the meeting is to:

- i. Discuss any queries regarding the various options available to the Companies to be voted on at the second meeting of creditors; and
- ii. Obtain approval from eligible employee creditors to vary statutory priorities under section 556 of the Act, being a requirement of the DOCA proposal.

If you cannot attend the meeting via teleconference, you can attend via proxy electing a person to represent you at the meeting. In that regard, please find enclosed a proxy form for the upcoming meeting.

CLOSING

The Administrators appreciate the ongoing support of employees during the voluntary administration. If you have any queries regarding this circular please do not hesitate to contact the Administrators' office via email at gascoyne_enquiries@fticonsulting.com or telephone on (08) 9321 8533.



Michael Ryan
Joint and Several Administrator

Encs.

**Gascoyne Resources Ltd ACN 139 522 900
GNT Resources Pty Ltd ACN 159 772 077
(Both Administrators Appointed) (Together "the Companies")**

NOTICE OF MEETING OF ELIGIBLE EMPLOYEE CREDITORS

NOTICE IS HEREBY GIVEN that a meeting of eligible employee creditors of the Companies will be held on Thursday, 25 June 2020 via telephone conference, commencing at 10am AWST.

AGENDA

The purpose of the meeting is:

1. to discuss any queries regarding the various options available to the Companies to be voted on at the second meeting of creditors;
2. obtain approval from eligible employee creditors to vary statutory priorities under section 556 of the *Corporations Act 2001* ("**Act**"), being a requirement under section 444DA(2)(a) of the Act, in order for the Deed of Company Arrangement to be approved by all of the creditors of the Companies;
3. any other business.

Creditors wishing to vote at the meeting, who will not be attending in person via telephone, must complete and return an appointment of Proxy Form (attached) by **no later than 5pm AWST on Wednesday, 24 June 2020**. Documents can be sent via post to FTI Consulting, PO Box Z5486, PERTH WA 6831 or email to gascoyne_enquiries@fticonsulting.com.

Dated this 17th day of June 2020



Michael Ryan
Joint and Several Administrator

APPOINTMENT OF PROXY

I/We (name)..... of

(address).....

a creditor of Gascoyne Resources Limited (Administrators Appointed)

GNT Resources Pty Ltd (Administrators Appointed)

appoint (add name and address of proxy)

.....
or in his/her absence (add alternate proxy)

.....
as my / our proxy, to vote at the concurrent eligible employee creditors meeting to be held on Thursday, 25 June 2020 at 10am AWST (12pm AEST) or at any adjournment of that meeting.

Option 1: If appointed as a general proxy, as he/she determines on my/our behalf. **AND/OR**

Option 2: If appointed as a special proxy for some or all resolutions, specifically in the manner set out below.

	Resolution (please specify the particular resolution)	For	Against	Abstain
1	<i>Eligible employee creditors agree to the non-inclusion of a provision in the proposed Deed of Company Arrangement, which, absent this resolution, would be required by section 444DA(1) of the Corporations Act 2001.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Dated:

.....
Name and signature of authorised person

CERTIFICATE OF WITNESS – only complete if the person given the proxy is blind or incapable of writing.

I, of
certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him before he attached his signature or mark to the instrument.

Dated:

Signature of witness:

Description:

Place of residence:

Dated: