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DALGARANGA OPERATIONS UPDATE – TWO SUCCESSIVE MONTHS >6KOZ

- July reconciled monthly gold production of 6,012 ounces recovered (second consecutive month above 6koz);
- Record average spot gold price of \$2,023/oz received in July for 5,127oz gold sold;
- Record of 12 days averaging c.1.0g/t Au daily feed grade to mill in second half of July;
- July reconciled monthly gold production derived from processing of 241kt at 0.85 g/t Au at 90.9% recovery, (June 275kt at 0.84 g/t Au at 88.7% recovery);
- Record gravity metal recovery of 11.4% in July (up from 3.4% in June), primarily from second half of month when treating higher component of transitional and fresh ore - bodes well for future increases in gravity gold component;
- Effective recovery from wet pit floors by mining team in second half of July to achieve c.0.9M BCM total movement whilst still delivering 273kt of ore at 0.8 g/t Au to the ROM pad;
- Excellent July reconciliation results against the modified Localised Uniform Conditioning (LUC)¹ geological model of 105% tonnes, 100% grade and 105% metal; and
- Positive 2% grade mine call factor for July continues improved predictability against new isoshell grade control models.

Long Term Planning

- Updated Mineral Resource using optimised pit shells progressing, with final results expected in late August;
- A new Life of Mine Plan (LOMP) is being developed, based on the new LUC models, focussing on sequencing mining and processing schedules to maximise value;
- It is intended that the interim mine plan (IMP), (designed to maintain plant capacity ore supply, whilst minimising waste mining and NOT “high-grading” the deposit), will eventually be superseded by the new LOMP; and
- An updated Mineral Reserve is expected in early September.

Voluntary Administration

- Progressing towards the commencement of dual track process for sale or recapitalisation in September.

Gascoyne Resources Limited (Administrators Appointed) (“Gascoyne” or “Company”)(ASX:GCY) provides the following update on recent operational activities for the month of July.

July Production

Final reconciled production for the full month of July was 6,012 ounces recovered, with 5,346 fine ounces poured. This is the second successive month where production has exceeded 6koz. Production was derived from 241kt of ore processed at an average grade of 0.85 g/t Au with metallurgical recoveries of 90.9%, highlighting the continued improvements seen in June and July compared with April and May (Table 1).

1. Recoverable LUC model includes 10% ore loss on metal as recommended by Cube consultants.



Table 1

	Unit	Apr-19	May-19	Jun-19	June 19 Qtr	Jul-19
Mill throughput	kt	229	212	275	716	241
Daily Average	t	7,632	7,057	9,169	7,865	7,774
Dry t per operating hour	t	375	410	396	393	357
Plant Availability	%	85.3	69.4	96.6	84.0	90.9
Mill feed grade	g/t	0.73	0.73	0.84	0.77	0.85
Recovery	%	90.6	86.7	88.7	88.7	90.9
Recovered gold	oz	4,893	4,332	6,561	15,787	6,012
Poured gold	oz	5,107	3,634	6,914	15,655	5,346

These July results were achieved despite some 18kt (~13%) of the monthly plant feed being sourced from low grade stocks early in the month as a result of wet floors in the pit (post 3 significant rainfall events) slowing mining rates before a solid recovery in the second half of July.

Gravity gold recovery increased to 11.4% in July, up from a historically low average of 3-4% over the project life to date. The original feasibility report indicated gravity recoveries of up to 40% could be achieved on the Gilbey's Main zone fresh ore, based on metallurgical testwork carried out on drill core. The jump in gravity recovery coincides with an increase in Gilbey's transitional (25%) and fresh (5%) ore in the plant feed blend in July. As the mine deepens in coming months, the relative proportions of transitional and fresh ore tonnages produced are projected to increase significantly, indicating that gravity recovery should continue to increase over time.

Mining

Total Material Movement (TMM) of 0.9M BCM was achieved in July, lower than the forecast 1.1 – 1.2M BCM. This was mainly due to wet floors in the Gilbey's pit which impacted production in the first half of the month, before key mitigating actions had a positive effect on pit floor water management.

Reconciliation

Reconciliation of actual mining results for July against the prediction per the finalised LUC recoverable geological model (as at 30 June 2019) returned excellent results. Reconciled July actual ore mined of 273kt compared favourably against the LUC model predicted volume from the same mining area of 260kt (105%), whilst actual reconciled grade achieved was 0.81 g/t vs predicted 0.81 g/t (100%) for an overall 7,081 oz vs 6,746 oz (105%). Dig Blocks mined (which equates to diluted isoshell grade control models) continued the trend commenced in June, showing excellent results in July (see table below).

July 2019 Reconciliation Results									
	LUC Model (Recoverable)*			Digblock (Diluted Grade Control Isoshell)			Reconciled Mined		
	Tonnes	Grade	Gold	Tonnes	Grade	Gold	Tonnes	Grade	Gold
	t (dry)	g/t	oz	t (dry)	g/t	oz	t (dry)	g/t	oz
TOTAL	259,674	0.81	6,746	252,161	0.83	6,734	272,978	0.81	7,081
Rec Mined VS	105%	100%	105%	108%	97%	105%			

*Recoverable LUC model includes 10% ore loss component

The July reconciliation reinforces the Company's decision to adopt the new LUC geological model to underpin its mine planning, as recommended by CUBE Consulting. The LUC model clearly indicates improving grades as the wide and continuous deeper portions of the Gilbey's main zone are progressively exposed by mining.

A trial of high precision GPS blast balls was completed in July as forecast in the June production update (see ASX release on 15 July 2019). The trial was successful in providing greater accuracy of blast induced movement of ore/waste boundaries with an estimate of the effective benefits from 3 blasts of circa \$115k due to avoided dilution and ore loss. A decision was made in July to continue with the GPS blast balls on a permanent basis, with planning underway to integrate the process into our business as usual mining cycle.

Long Term Planning

Geological models for Gilbey's and Golden Wings utilising the LUC approach were completed in late June. Good progress has been made on the final updated Mineral Resource and Mineral Reserve estimates with a suite of optimised pit shells at different gold prices generated. These are currently being applied to complete new open pit designs and staging. A final selection of the gold price and associated optimised pit shell to be applied to constrain the Mineral Resource estimates is being evaluated, giving due consideration to the recent strong gold price appreciation. Final results for the Mineral Resource estimate are expected to be reported in late August, with the Mineral Reserves estimate to follow shortly thereafter.

Mining One consultants, the Voluntary Administrator's appointed technical experts, continue to be closely involved with monitoring and agreeing the inputs and assumptions used throughout the Mineral Resource and Mineral Reserve re-estimation work, prior to the final results being signed off by the respective Competent Persons.

Interim Mine Plan

To ensure short term viability of the Dalgaranga operations under Voluntary Administration and to allow the business to continue trading, a short-term IMP was developed in June. The IMP does **NOT** focus on "high-grading" the mine, rather it has reduced waste movement to ensure ongoing mining costs can be met whilst accessing ore zones that were previously due to be mined over the six months of June – December 2019. Mining continues to follow the interim mine plan in August, however it is intended that as soon as the updated LOMP designs are finalised and appropriate funding is available, the interim mine plan will be superseded by the new LOMP.

Administration Update

The updated LOMP completion date is key to the commencement date of the dual track sale or recapitalisation process. At this stage the LOMP is expected in early September.

On behalf of
Gascoyne Resources Limited

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