

## SPEC BUY

Current Price **\$0.50**  
Target Price **\$0.65**

Ticker: **GCY**  
Sector: **Materials**

Shares on Issue (m): **252.6**  
Market Cap (\$m): **126.3**  
Cash Estimate: **12.7**  
Enterprise Value (\$m): **113.6**

52 wk High/Low: **\$0.70** **\$0.06**  
12m Av Daily Vol (m): **0.41**

### Resources (100% basis)

	Mt	g/t	Moz
Dalgaranga	23.7	1.4	1.1
Glenburgh	21.3	1.5	1.0

### Reserves (100% basis)

Dalgaranga	10.1	1.4	442.0
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	\$/oz
EV / Reserve	257
EV / Resource	55

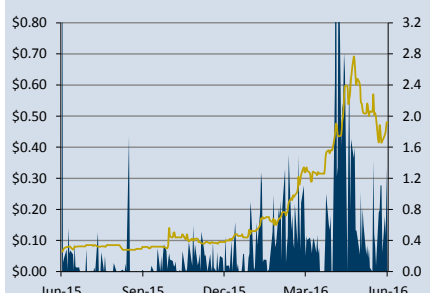
### Directors:

Mike Joyce	Non-Executive Chairman
Mike Dunbar	Managing Director
Gordon Dunbar	Non-Executive Director
John den Dryver	Non-Executive Director
Graham Riley	Non-Executive Director
Stan Macdonald	Non-Executive Director

### Substantial Shareholders:

Board and management	15.0%
1832 Asset Management	4.8%

### Share Price Graph



Thursday, 9 June 2016

## Gascoyne Resources

### Exploration update

Analysts | Patrick Chang, CFA | Matthew Keane

### Quick Read

Gascoyne's (GCY) exploration campaign at its Dalgaranga Project is gathering momentum, with recent results at Gilbeys confirming the tenor of the orebody (width and grade) and first RC results at Hendricks demonstrating the potential for a satellite deposit. The stock is newsflow rich with a pipeline of exploration targets (see below) being tested. Ongoing drilling success could translate to a Reserve update, potentially during the September Q. Argonaut remains attracted to GCY's technical simplicity, lower funding requirement, management ownership (~15%) and the potential for organic growth through Glenburgh. Speculative Buy maintained. We lift our target price to A\$0.65 (was A\$0.53) following lowered equity dilution assumption (~9% total shares) and an A\$15m increase in nominal exploration valuation (to A\$25m). The stock is one of the few trading below our target price in the gold space.

### Event & Impact | Positive

**Drilling results:** The in-fill results at Gilbeys confirm the tenor of the orebody (width and grade). Results include (downhole widths):

- 76m @ 1.1g/t from 230m, including 13m @ 2.9g/t from 293m
- 30m @ 1.1g/t from 184m
- 25m @ 1.2g/t, including 10m @ 1.7g/t

First RC drilling at Hendricks, located ~3km east of the Gilbeys open pit, returned ore grade hits including 15m @ 1.5g/t from 52m. With the deposit remaining open at depth and along strike, particularly to the south, further drilling success could translate Hendricks into a satellite deposit.

**Simple mining, superior metallurgy:** The Dalgaranga Project (80% GCY) is a technically simple open pit project with ore source from the Golden Wings and Gilbey's deposits. Attractive physical properties, including deep weathering (70m of free dig) and softness of the fresh ore (bond work index of ~10.5/kwh per ton) should facilitate low cost mining (reduced drill and blast requirements) and processing (lower crushing / milling requirements). In addition, low reagent consumption (0.2-0.6kg cyanide per ton) further reduces processing costs.

**Exploration upside:** The ongoing drilling campaign at Dalgaranga will test additional targets including Gilbeys North and South, Hendricks South, Vickers, Caorunn and Tanqueray. Every year of additional mine life extension at similar grades adds ~A\$0.13 to Argonaut's valuation. Longer term, the 1.0Moz Glenburgh gold project, which GCY floated on, could deliver substantial organic growth by delivering a larger scale project.

### Recommendation

Speculative Buy recommendation maintained with A\$0.65 (was A\$0.53) target price.

## Drilling update

### Gilbey's in-fill

#### In-fill results from Gilbeys...

The in-fill results at Gilbeys confirm the tenor of the orebody (width and grade). Results include (downhole widths):

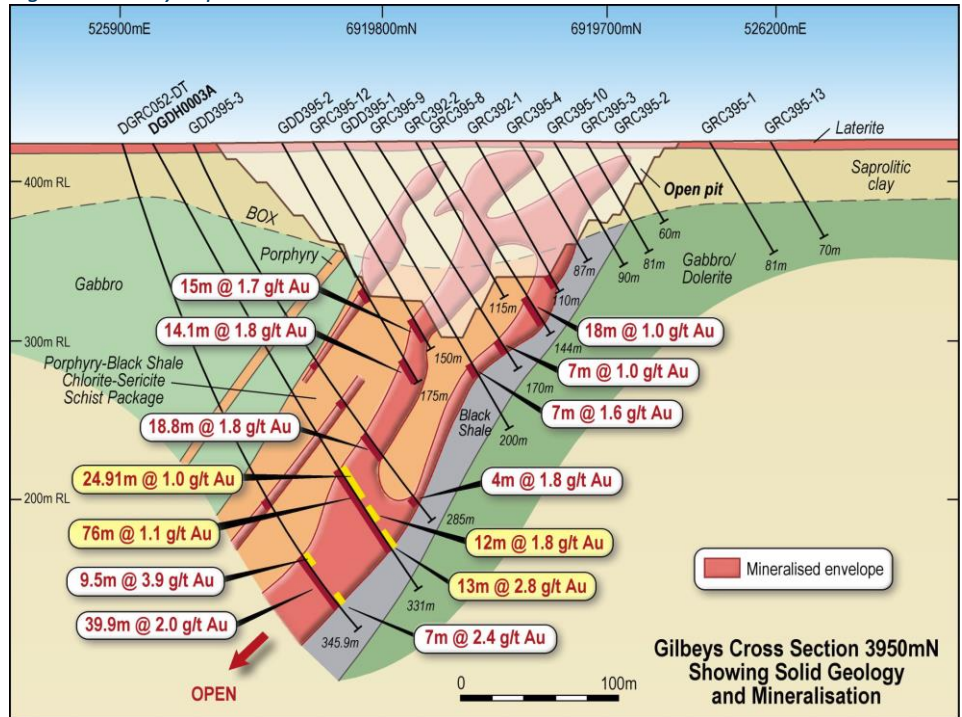
- 76m @ 1.1g/t from 230m, including 13m @ 2.9g/t from 293m
- 30m @ 1.1g/t from 184m
- 25m @ 1.2g/t, including 10m @ 1.7g/t

Additional drilling is ongoing, which will likely target the Inferred portion of the Resource and potential extensions.

...including 71m @ 1.1g/t and 30m @ 1.1g/t...

...confirmed the width and grade of the orebody...

Figure 1: Gilbeys updated cross section



Source: GCY

### First RC at Hendricks

...while first RC results from Hendricks...

First RC drilling at Hendricks, located ~3km east of the Gilbeys open pit, returned ore grade hits including 15m @ 1.5g/t from 52m. With the deposit remaining open at depth and along strike, particularly to the south, further drilling success could translate Hendricks into a satellite deposit.

...demonstrated its potential as a satellite deposit

Argonaut has not explicitly factored Hendricks into its valuation, providing further valuation upside.

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