

GASCOYNE RESOURCES LIMITED

ABN 57 139 522 900

FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2011

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Corporate Directory

Directors

| | |
|-------------------------|------------------------|
| Mr Graham Riley | Non-Executive Chairman |
| Mr Michael Dunbar | Managing Director |
| Mr Stanley Macdonald | Non-Executive Director |
| Mr Rodney Michael Joyce | Non-Executive Director |
| Mr Gordon Dunbar | Non-Executive Director |
| Mr John den Dryver | Non-Executive Director |

Company Secretary

Mrs Eva O'Malley BCom; CA

Registered Office and Business Address

Level 2, 33 Ord Street
WEST PERTH WA 6005

PO Box 1449
WEST PERTH WA 6872

Telephone: +61 8 9481 3434
Facsimile: +61 8 9481 0411
Website: www.gascoyneresources.com.au

Auditors

Grant Thornton Audit Pty Ltd
Level 1
10 Kings Park Road
WEST PERTH WA 6005

ASX Listing

ASX Code: Shares GCY

Share Registry

Advanced Share Registry
150 Stirling Highway
NEDLANDS WA 6009

Telephone: +61 8 9389 8033
Facsimile: +61 8 9481 0411

Directors' Report

The Directors present the financial report of the Group, consisting of Gascoyne Resources Ltd ["Company"] and its controlled entities, for the half-year ended 31 December 2011.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in the office for the entire period unless otherwise stated.

| | | |
|-------------------------|---|------------------------|
| Mr Graham Riley | B.Juris LLB | Non Executive Chairman |
| Mr Michael Dunbar | BSc, P Grad Dip (economic geology), MAusIMM | Managing Director |
| Mr Stanley Macdonald | | Non Executive Director |
| Mr Rodney Michael Joyce | BSc(Hons), MSc, MAusIMM | Non Executive Director |
| Mr Gordon Dunbar | BSc(Hons); MSc; FAusIMM; FAIG | Non Executive Director |
| Mr John den Dryver | BE(Mining); MSc; FAusIMM(CP) | Non Executive Director |

REVIEW OF OPERATIONS

An increase in the indicated and inferred resource to 703,000 ounces of gold, discovery of the Torino gold Prospect and a high grade plunging shoot of mineralization at Zone 126 at the Glenburgh Project coupled with the soil sampling and drill intersections of + 2 g/t gold at Bassit Bore were the exploration highlights for Gascoyne Resources Ltd during the period.

In addition to continued exploration success, a scoping study on the Glenburgh Project was completed. The study concluded that with additional exploration success, an economically viable operation could be supported by the project.

The Company holds exploration licenses and applications totaling approximately 2,000km² in the Gascoyne Province of Western Australia. Additionally during the last six months applications have been lodged for exploration tenements in the Murchison Province and Eastern Goldfield and Pilbara of Western Australia.

The exploration team was strengthened during the half year and operates using leading edge exploration methodologies and techniques under the guidance of an experienced Board and Management team to create shareholder wealth from its mineral assets.

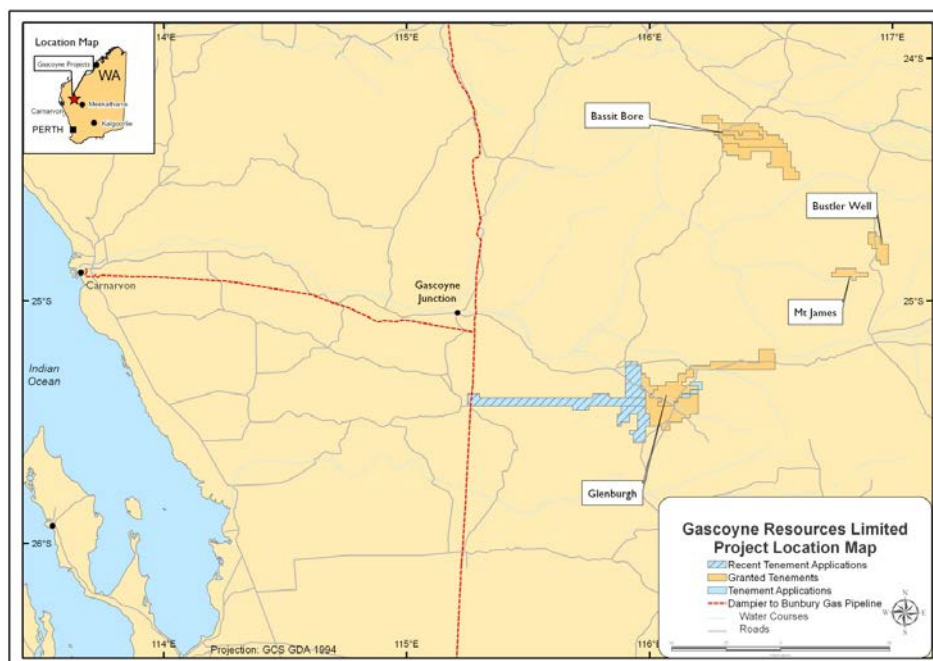


Figure One: Tenement Locations – Gascoyne Province

Directors' Report (continued)

GOLD RESERVES & RESOURCES

Glenburgh Deposits

February 2012 Mineral Resource Estimate (0.5g/t Au Cut-off)

| Type | Indicated | | | Inferred | | | Total | | |
|--------------|------------|------------|----------------|-------------|------------|----------------|-------------|------------|----------------|
| | Tonnes Mt | Au g/t | Au Ounces | Tonnes Mt | Au g/t | Au Ounces | Tonnes Mt | Au g/t | Au Ounces |
| Transitional | 0.1 | 1.6 | 7,500 | 1.7 | 1.1 | 58,600 | 1.9 | 1.1 | 66,000 |
| Fresh | 1.5 | 2.1 | 95,900 | 14.0 | 1.2 | 540,700 | 15.5 | 1.3 | 637,000 |
| Total | 1.6 | 2.0 | 103,500 | 15.8 | 1.2 | 600,000 | 17.4 | 1.3 | 703,000 |

Note: Discrepancies in totals are a result of rounding

GLENBURGH

MLA09/148, E09/1325, 1764, 1865 & 1866, ELA 1946 & 1947, PLA 09/471-744 - 100% Gascoyne

RESOURCE UPDATE

As announced on the 8th of February, the Glenburgh resource estimate has been updated with the new drilling completed up until the end of 2011. The Indicated and Inferred Mineral Resource now stands at

17.4 Mt @ 1.3 g/t Au for 703,000 oz of contained gold at a 0.5g/t cut off.

Highlights from this significant resource upgrade include:

- 35 % increase in total resource
- Increase in global gold grade by 8% over August 2011 resource estimate
- 26 % increase in global resource tonnes over August 2011 resource estimate
- Inclusion for first time of resource in the Indicated category of 1.6 Mt @ 2.0 g/t gold for 103,500 oz
- First Resources from the Torino deposit – 1.3 Mt @ 1.5 g/t gold for 65,000 oz
- Plunging high grade shoot at Zone 126 includes Indicated Resource of 200,000 t @ 4.5 g/t gold for 32,000 oz
- Increase of gold grade with depth

With this increase it takes the total resource growth since listing in December 2009 to 500,000 ounces of contained gold.

The resource modelling and estimation has been completed by Runge Limited, an external and independent global resource consultant. The increase comes as a result of incorporating additional drilling and revision of the modelling parameters since the last resource was completed.

Directors' Report (continued)

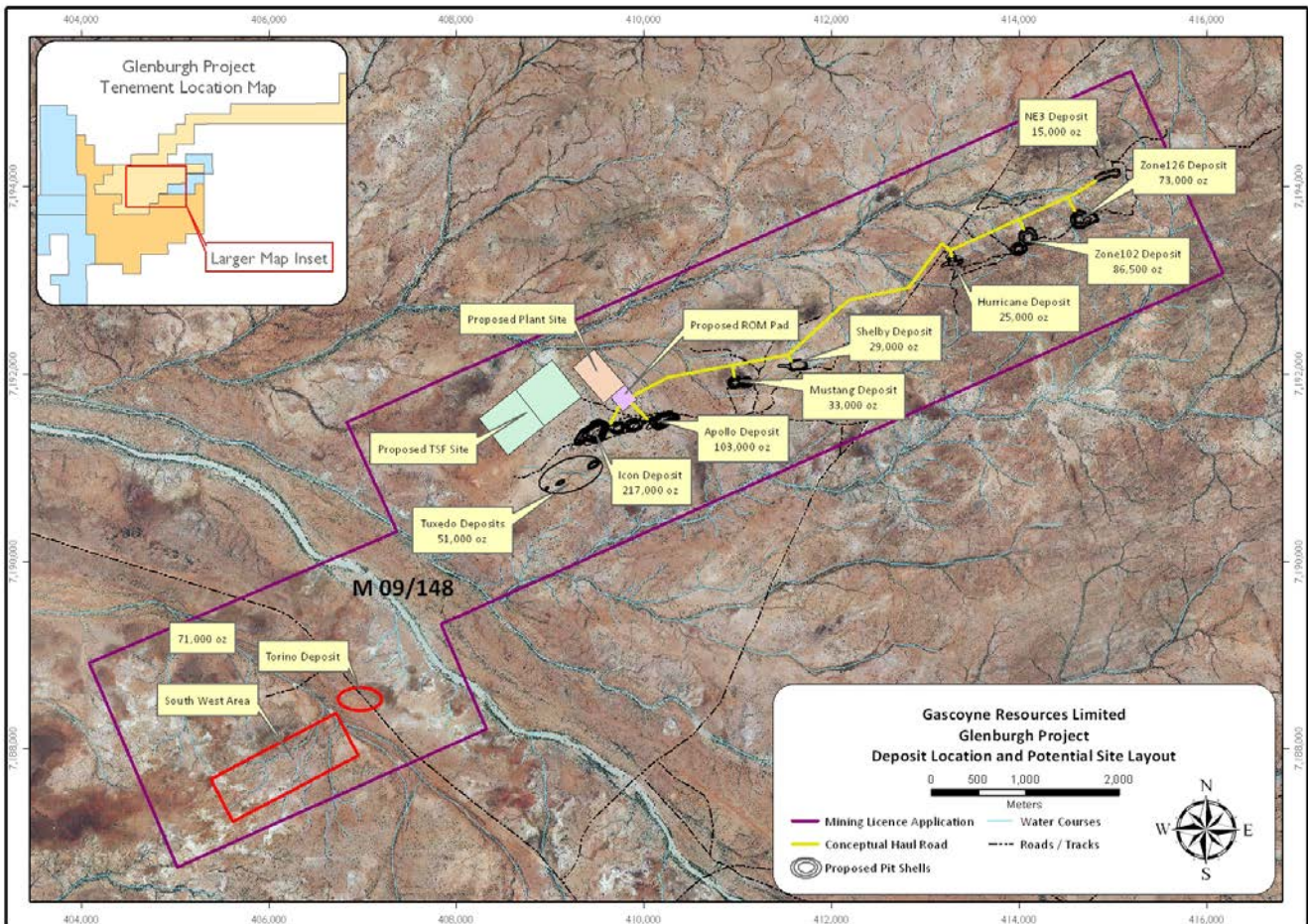


Figure Two: Glenburgh Project, Deposit and Prospect Locations and conceptual site layout

SCOPING STUDY

As announced on the 16th of November 2011, a scoping study on the viability of the Glenburgh Gold project has been completed. This study concluded that given ongoing exploration success the project can support a viable development under a range of scenarios. The study looked at a number of different gold price assumptions of between \$1,400 and \$1,800 per ounce. The study outcomes were:

- Pre Tax Operating Surplus of between \$90 and \$200 million
- Life of mine revenue of between \$410 and \$525 million
- Projected cash operating costs of ~\$890/oz
- Capital costs of ~\$53 million
- IRR of between 38% and 92%
- Payback of between 24 and 30 months
- 1.2Mtpa throughput
- Production of 292,000 oz over 6 years

Directors' Report (continued)

The Scoping Study examined the key inputs for project development. These include metallurgy, resource and exploration potential, pit optimisations, conceptual pit designs, process flow designs, conceptual mining and milling schedules, hydro geology for both dewatering and process supply, environmental and permitting investigations. These inputs were then incorporated in financial modelling of several development options.

The inputs are discussed briefly below:

Metallurgy:

For the Scoping Study, two composite samples have been used for testwork. These are both from the largest resource – the Icon deposit. They are both primary sulphide samples and have both returned excellent results with recoveries of ~ 95%. Geologically and mineralogically, these samples are considered to be representative of the primary sulphide mineralisation at Glenburgh. Approximately 90 % of the resource is classified as primary sulphide.

The metallurgical samples returned a recovery using a “standard” flow sheet of ~ 95%, with between 45 and 50% being recovered by gravity separation.

Pit optimisations and conceptual pit designs:

A number of pit optimisations have been completed on the resource at a variety of gold price assumptions. These resulted in mineral inventories of between 180,000 oz of gold (at A\$1,200 oz gold price) and 325,000 oz of contained gold (at A\$1,800 oz gold price). The base case gold price that has been used is A\$1,400. This result resulted in 13 conceptual pits being designed.

The pit design parameters were based on those used in the pit optimisations, the assumed scale of mining equipment anticipated to be used on the project, and statutory requirements relating to open pits in Western Australia.

Potential Mining Inventories:

Based on the pit designs conceptual mining inventories were calculated using the Glenburgh resource model. A total mining inventory of 6.2Mt @ 1.55 g/t gold for 307,000 oz gold at an overall waste to ore ratio of 7.3:1 was used for the financial modelling.

The mining inventories were estimated using a lower cut-off grade of 0.7g/t Au in all cases. This was approximately the cut-off grade determined by the optimisations. The current global JORC Inferred resource at a 0.7g/t cut off is 9.9Mt @ 1.4g/t gold (440,000 oz contained).

Consistent with the optimisation a 95% mining recovery factor was applied and a dilution factor of 10% of ore tonnes was applied in the mining inventory.

Mining Schedules:

In addition to the mining inventories, volumes were calculated for each of the pit designs using Surpac mining software. These volumes were used to develop mining schedules for each of the pit designs.

A combination of 80 and 120 tonne diesel hydraulic excavators and 40 to 85 tonne dump trucks were assumed for the schedule.

Hydrogeology:

The access to a reliable process water supply and pit dewatering requirements were assessed as part of the study. A desk top review of all available data suggests that dewatering the pits will not result in significant water being available for mineral processing, however a number of process water supplies have been identified within the Carnarvon Basin, approximately 15km to the west of the proposed processing facility.

Directors' Report (continued)

Environmental / Permitting Investigations:

Environmental base line studies have already commenced on the project. To date no significant issues have been identified from the field or desktop reviews for the project.

Processing Flow Sheet:

From the metallurgical testwork, a "standard" three stage crush with a single ball mill has been used for the process flow sheet. Given 50% of the gold reported to a gravity concentrate in test work, a gravity circuit has been incorporated into the flow sheet

Process Schedule:

The processing schedules were designed to commence processing ore at a rate of 1.2 million tonnes per annum.

Capital Cost Estimate:

The capital cost estimate has been developed from first principles and includes a "fit for purpose" process plant and associated infrastructure and allowances for ancillary equipment. The capital costs range from \$68 Million for a new plant to \$53 million for a second hand facility. The study assumed that a second hand plant is used.

Exploration Activities

The last six months has been an extremely busy period with one RC and one aircore drill rig on site. As a result, significant progress has been made with two significant discoveries at the Torino Prospect and down plunge of Zone 126, where a high grade plunging shoot of mineralisation has been discovered. (see company announcements dated July 18th, August 18th, September 8th & 15th, October 12th & 27th, November 4th & 28th for more details)

Intersections include:

Torino Prospect:

- **18m @ 2.1 g/t gold inc. 7m @ 3.1g/t gold**
- **43m @ 2.3 g/t gold, inc 16m @ 3.8 g/t gold**

South West Target Area:

- **5m @ 9.9 g/t Au, inc. 2m @ 22g/t Au**
- **8m @ 6.0 g/t gold**
- 2m @ 2.0 g/t gold to end of hole ("EOH")
- 12m @ 0.7 g/t gold to EOH, including 4m @ 1.3 g/t gold
- 16m @ 0.6 g/t gold to EOH, including 4m @ 1.1 g/t gold
- 28m @ 0.8 g/t gold, including 12m @ 1.5 g/t gold
- 8m @ 1.2 g/t gold
- 6m @ 1 g/t gold

Zone 126:

- **20m @ 11.1 g/t gold**
- **17m @ 6.8 g/t gold**
- **28m @ 5.0 g/t gold, inc. 5m @ 12.0 g/t gold**
- **14m @ 8.9 g/t gold, inc. 4m @ 26.4 g/t gold**
- **21m @ 3.0 g/t gold, inc. 5m @ 6.9 g/t gold**

Directors' Report (continued)

Zone 102:

- **14m @ 5.3 g/t gold, inc. 5m @ 13.9g/t gold**
- 13m @ 1.9 g/t gold
- 12m @ 1.5 g/t gold
- **5m @ 3.3 g/t**

Apollo:

- **5m @ 3.1 g/t gold**
- **8m @ 2.2 g/t gold**
- **7m @ 2.3 g/t gold**

Icon:

- 12m @ 1.5 g/t gold
- 18m @ 0.7 g/t gold
- **3m @ 2.1 g/t gold**

Tuxedo:

- **14m @ 2.4 g/t gold to EOH, inc. 4m @ 5.9 g/t gold**
- **4m @ 2.3 g/t gold,**
- 5m @ 0.9 g/t gold
- **2m @ 4.0 g/t gold**

Mustang:

- 8m @ 1.9 g/t gold
- 18m @ 1.0g/t gold
- 12m @ 0.7 g/t gold

The drilling has highlighted the potential of the Glenburgh gold system and identified a number of targets that will be followed up in the 2012 field season.

Forward Program

With the positive completion of the scoping study, a 12 month long feasibility study has commenced. This will build on the existing data collected in the scoping study and include additional geological, metallurgical, mining engineering studies as well as process design and engineering as well as commencing the approvals process for the project.

In addition to the feasibility studies, the exploration program for the next six months is expected to commence in mid February 2012 and will include over 25,000m of RC drilling, 3,000m of Diamond drilling and 10,000 metres of aircore drilling.

BASSIT BORE

E09/1088, 1750 & 1751 100% Gascoyne

Located approximately 120km north of Glenburgh, the Bassit Bore Project hosts anomalous gold and copper geochemistry in stream sediments, soils and quartz veins along a 15km east west trend across the tenement.

Drilling

A drilling program completed late in the previous financial year returned a number of low grade gold intersections associated with the anomalous soil results.

Directors' Report (continued)

Harrier

Results from the first RC holes to be drilled at the Harrier prospect were received. This initial drilling targeted a quartz vein which outcrops intermittently over 500m and returned rock chip values up to 73g/t gold. A total of 11 RC holes were drilled for 790m. Better results include 4m @ 2.1 g/t gold, 0.8% copper and 10.8 g/t silver from 68m in HRC006 and 8m @ 0.4 g/t gold from 12m in HRC010. Gold – copper and silver mineralisation is associated with a steeply southwest dipping quartz vein hosted in Proterozoic aged granite. A programme of soil sampling and rock-chip sampling was undertaken in the wider Harrier area. Results from this sampling highlight anomalous gold trends east and south-east of the Harrier quartz vein (Figure Three). Soil values up to 1550ppb (1.5 g/t) gold were returned and anomalous rock chip samples associated with quartz veining assayed up to 0.9 g/t gold and 0.5% copper; of note was the presence of high tellurium (Te) values in the samples with assays up to **417ppm Te** – elevated tellurium is a feature of some major gold deposits. The soil sampling anomalies remain open especially to the southeast – further soil sampling is proposed to extend coverage in the wider Harrier area and define further drill targets for 2012.

Jim's Patch

A program of soil sampling at Jim's Patch has extended the soil anomaly further to the northwest from the original soil sampling grid. Results warrant RAB follow up and further more extensive soil sampling which will be conducted during the 2012 field season

Forward Program

Further soil sampling and stream sediment sampling is planned for the second half of 2012.

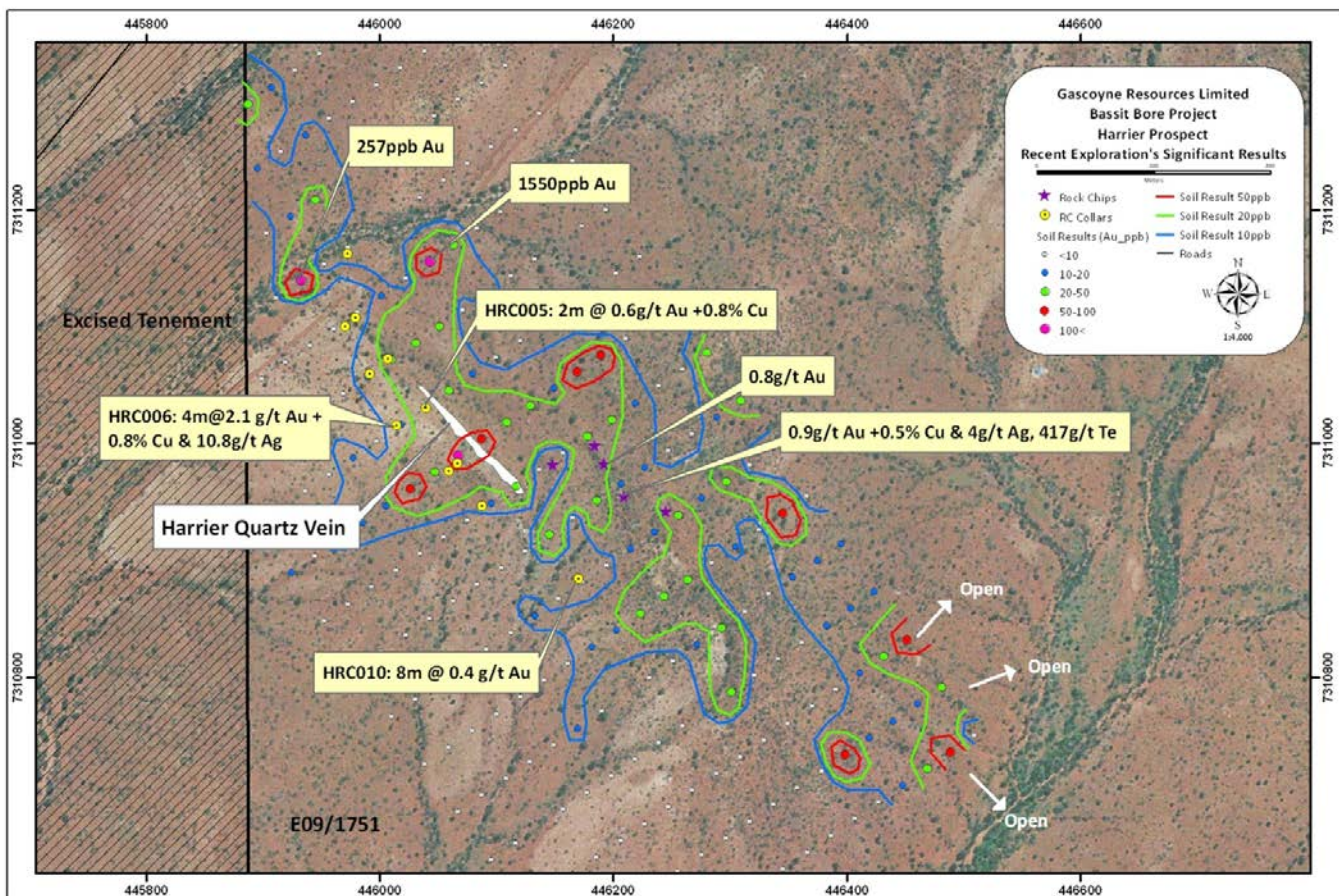


Figure Three: Location of Recent Anomalous Soil Samples and Location of Mineralised Quartz Veins at the Harrier Prospect

Directors' Report (continued)

BUSTLER WELL

E52/2348 100% Gascoyne

This licence covers historical pits and diggings that were RC drilled in the late 1980's with several holes returning narrow widths of high grade gold.

No on ground exploration was conducted during the last 6 months, however planning for an aero magnetic survey was completed. The survey is expected to be flown in the first quarter of 2012.

MT JAMES

E52/2343 100% Gascoyne

The Mt James project is located 85 km north east of Glenburgh. The main prospect is the West Point grid area where low-grade gold mineralisation was identified over a strike extent of 3.6km within which RAB drilling returned values 14m @ 1.6g/t gold and 4m @ 8g/t gold. Similar results were returned at the Clever Mary Prospect 5km to the east.

No on ground exploration was conducted during the last 6 months, however planning for an aero magnetic survey was completed. The survey is expected to be flown in the first quarter of 2012.

NEW PROJECTS

During the half year the company lodged applications for exploration licences in the Murchison Region and near Higginsville in the Eastern goldfields of Western Australia

HIGGINSVILLE

Five tenements have been granted in the Higginsville area during the last six months. Compilation of the historical exploration data has commenced, with field activities planned for late 2012.

MURCHISON REGION

Four tenements have been granted in the Murchison area during the past six months. Historical exploration data compilation on these projects has commenced, with field evaluation expected in late 2012. In addition to the recently granted tenements, a new tenement application has been made in the Beebyn area. This tenement is not expected to be granted until late 2012.

The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr M Dunbar who is a full time employee of Gascoyne Resources Limited and a Member of The Australasian Institute of Mining and Metallurgy. Mr Dunbar has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Dunbar consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Directors' Report (continued)

RESULT

The operating result for the half-year ended 31 December 2011 for the Group was a loss after income tax of \$642,437 [2010: \$128,943].

EVENTS SUBSEQUENT TO REPORTING DATE

The Directors are not aware of any matter or circumstance that has arisen since 31 December 2011 which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years other than that outlined in Note 7 to the accounts.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under s 307C of the Corporations Act 2001 is presented on page 11 of this half-year financial report.

Signed in accordance with a resolution of the Board of Directors.



Graham Riley
Chairman

Dated this 9th day of February 2012

Grant Thornton Audit Pty Ltd
ABN 94 269 609 023

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

**Auditor's Independence Declaration
To The Directors of Gascoyne Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Gascoyne Resources Limited for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C A Becker
Partner – Audit & Assurance

Perth, 9 February 2012

Statement of Financial Position

As at 31 December 2011

| | | | Consolidated | |
|----------------------------------|------|---------------------------|--------------------------|--|
| | Note | 31 December 2011 \$ | 30 June 2011 \$ | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | | 2,708,818 | 4,956,851 | |
| Trade and other receivables | | 123,049 | 202,394 | |
| TOTAL CURRENT ASSETS | | <u>2,831,867</u> | <u>5,159,245</u> | |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | | 132,917 | 144,193 | |
| Exploration and evaluation | | 8,997,933 | 6,560,184 | |
| Other | | 60,000 | 50,000 | |
| TOTAL NON-CURRENT ASSETS | | <u>9,190,850</u> | <u>6,754,377</u> | |
| TOTAL ASSETS | | <u>12,022,717</u> | <u>11,913,622</u> | |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | | 177,264 | 311,435 | |
| Employee benefits | | 52,254 | 43,831 | |
| TOTAL CURRENT LIABILITIES | | <u>229,518</u> | <u>355,266</u> | |
| NET ASSETS | | <u>11,793,199</u> | <u>11,558,356</u> | |
| EQUITY | | | | |
| Share Capital | 3 | 15,230,670 | 14,432,070 | |
| Other components of equity | | 202,280 | 123,600 | |
| Accumulated losses | | <u>(3,639,751)</u> | <u>(2,997,314)</u> | |
| TOTAL EQUITY | | <u>11,793,199</u> | <u>11,558,356</u> | |

This statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

For the half-year ended 31 December 2011

| | Consolidated | | |
|---|--------------|---------------------------|---------------------------|
| | Note | 31 December 2011 \$ | 31 December 2010 \$ |
| Revenue from Continuing Operations | | | |
| Interest income | | 113,254 | 102,657 |
| Other income | | 1,452 | - |
| Employment Costs | | (528,706) | (120,368) |
| Audit and accountancy | | (4,618) | (3,614) |
| Corporate marketing | | (82,938) | (10,184) |
| Depreciation | | (25,456) | (13,007) |
| IT costs | | (13,478) | (8,174) |
| Overhead allocation to exploration | | 79,567 | 48,903 |
| Premises costs | | (84,134) | (60,299) |
| Travel expenses | | (20,924) | (1,257) |
| Other general and admin expenses | | (76,456) | (63,600) |
| LOSS BEFORE TAX | | (642,437) | (128,943) |
| INCOME TAX EXPENSE | | - | - |
| LOSS FOR THE PERIOD | | (642,437) | (128,943) |
| Other Comprehensive Income | | | |
| Other comprehensive income | | - | - |
| Tax relating to comprehensive income | | - | - |
| TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF GASCOYNE RESOURCES LIMITED | | (642,437) | (128,943) |
| Loss per share | | | |
| Basic (cents per share) | | (0.6) | (0.2) |
| Diluted (cents per share) | | (0.6) | (0.2) |

This statement should be read in conjunction with the accompanying notes.

Statement of Cash Flows
For the half-year ended 31 December 2011

| | Consolidated | |
|---|--------------------------------|--------------------------------|
| | 2011 | 2010 |
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Payments to suppliers and employees | (490,934) | (184,427) |
| Interest received | 162,031 | 103,216 |
| Other income | 1,039 | - |
| Net cash used in operating activities | <u>(327,864)</u> | <u>(81,211)</u> |
| INVESTING ACTIVITIES | | |
| Payments for capitalised exploration and evaluation expenditure | (2,550,672) | (1,029,734) |
| Stamp duty paid | - | (282,315) |
| Purchase of property, plant and equipment | (34,497) | (39,953) |
| Payments for security deposits | (10,000) | - |
| Net cash used in investing activities | <u>(2,595,169)</u> | <u>(1,352,002)</u> |
| FINANCING ACTIVITIES | | |
| Proceeds from issue of shares / options | 675,000 | - |
| Net cash provided by financing activities | <u>675,000</u> | <u>-</u> |
| Net change in cash and cash equivalents | (2,248,033) | (1,433,213) |
| Cash and cash equivalents at beginning of period | <u>4,956,851</u> | <u>4,379,664</u> |
| Cash and cash equivalents at end of period | <u><u>2,708,818</u></u> | <u><u>2,946,451</u></u> |

This statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the half-year ended 31 December 2011

| | \$ | \$ | \$ | \$ |
|---|----------------------|-----------------|--------------------|------------|
| | <u>Share Capital</u> | | | |
| | Ordinary | Options Reserve | Accumulated Losses | Total |
| Balance at 1.7.2010 | 10,465,305 | 114,400 | (2,614,967) | 7,964,738 |
| Shares issued during the year | - | - | - | - |
| Share issue costs | - | - | - | - |
| Employee incentive options issued | - | 9,200 | - | 9,200 |
| Total other comprehensive income | - | - | - | - |
| Loss attributable to members of parent entity | - | - | (128,943) | (128,943) |
| Balance at 31.12.2010 | 10,465,305 | 123,600 | (2,743,910) | 7,844,995 |
| Balance at 1.7.2011 | 14,432,070 | 123,600 | (2,997,314) | 11,558,356 |
| Shares issued during the year | 798,600 | (123,600) | - | 675,000 |
| Share issue costs | - | - | - | - |
| Employee incentive options issued | - | 202,280 | - | 202,280 |
| Total other comprehensive income | - | - | - | - |
| Loss attributable to members of parent entity | - | - | (642,437) | (642,437) |
| Balance at 31.12.2011 | 15,230,670 | 202,280 | (3,639,751) | 11,793,199 |

This statement should be read in conjunction with the accompanying notes.

Notes to the Half-Year Financial Statements

31 December 2011

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL STATEMENTS

These general purpose financial statements for the interim reporting period ended 31 December 2011 have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Australian Accounting Interpretations including AASB 134: Interim Financial Reporting, other authoritative pronouncements of the Australian Accounting Standards Board and complies with other requirements of the law.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

It is recommended the interim financial statements should be read in conjunction with the Annual Financial Report for the year ended 30 June 2011 together with any public announcements made by Gascoyne Resources Limited during the half-year.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 9th February 2012.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

Accounting Standards not Previously Applied

| New/revised pronouncement | Superseded pronouncement | Explanation of amendments | Effective date (i.e annual reporting periods beginning) | Example disclosure impact of new standard on the financial report (if standard is not adopted early) |
|---|--|--|---|--|
| AASB 9 Financial Instruments | AASB 139 Financial Instruments: Recognition and Measurement (part) | AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. | 31 December 2013 | AASB 9 amends the classification and measurement of financial assets; the effect on the entity will be that more assets are held at fair value and the need for impairment testing has been limited to assets held at amortised cost only. |
| AASB 1054 Australian Additional Disclosures | None | AASB 1054 relocates all Australian specific disclosures from other standards to one place and revises disclosures in some areas. | 30 June 2012 | AASB 1054 sets out the Australian specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are additional to IFRSs. |

Notes to the Half-Year Financial Statements

31 December 2011

Accounting Standards not Previously Applied (continued)

| New/revised pronouncement | Superseded pronouncement | Explanation of amendments | Effective date (i.e annual reporting periods beginning) | Example disclosure impact of new standard on the financial report (if standard is not adopted early) |
|--|--------------------------|--|---|--|
| AASB 2010-6 Amendments to Australian Accounting Standards – Disclosure on Transfers of Financial Assets (AASB 1 & AASB 7) | None | The Standard amends the disclosures required, to help users of financial statements evaluate the risk exposures relating to more complex transfer of financial assets and the effect of those risks on an entity's financial position. | 30 June 2012 | The Amendments will introduce more extensive and onerous quantitative and qualitative disclosure requirements for derecognition of financial assets. |
| AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124) | None | The standard makes amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements. | 30 June 2014 | The standard makes amendments to remove the individual key management personnel disclosure requirements, as these are considered to be more in the nature of corporate governance and are generally covered in the Corporations Act and disclosed within the Directors and/or Remuneration Report. |
| AASB 13 Fair Value Measurement | None | AASB 13 provides guidance on how to determine fair value under AASB when fair value is required or permitted by AASB. It also expands the disclosure requirements for all assets or liabilities carried at fair value. | 31 December 2013 | AASB 13 has been created to establish a single source of all guidance for all fair value measurements, clarify the definition of fair value and related guidance and enhance disclosures about fair value measurements. |

Notes to the Half-Year Financial Statements

31 December 2011

Critical Accounting Estimates and Other Accounting Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company is of the view that there are no critical accounting estimates and judgements in this financial report, other than accounting estimates and judgements in relation to the carrying value of mineral exploration expenditure.

2. IMPAIRMENT OF MINERAL ASSETS CARRYING VALUE

During the financial period the Group conducted an assessment of the carrying value of its exploration assets pursuant to its accounting policy. As a result of the assessment of the economic recoverability of certain tenements, the Group made no provision for impairment against the carrying value of its exploration and evaluation expenditure.

3. EQUITY SECURITIES ISSUED

| | 2011 No. | 2010 No. | 2011 \$ | 2010 \$ |
|--|--------------------|-------------------|-------------------|-------------------|
| Fully paid ordinary shares issued during the half-year | | | | |
| Balance at beginning of financial year | 101,149,600 | 61,149,600 | 14,432,070 | 10,465,305 |
| Conversion of employee incentive options @ \$0.25 | 2,700,000 | - | 798,600 | - |
| Balance at end of half-year | 103,849,600 | 61,149,600 | 15,230,670 | 10,465,305 |
| Employee incentive options issued during the half-year | | | | |
| Balance at beginning of financial year | 2,700,000 | 2,200,000 | 123,600 | 114,400 |
| Issue of options @ \$0.25 exercisable on or before 30 November 2011 | - | 500,000 | - | 9,200 |
| Conversion of options @ \$0.25 exercisable on or before 30 November 2011 | (2,700,000) | - | (123,600) | - |
| Issue of options @ \$0.40 exercisable on or before 16 November 2013 | 1,800,000 | - | 119,880 | - |
| Issue of options @ \$0.40 exercisable on or before 31 August 2014 | 1,000,000 | - | 82,400 | - |
| Balance at end of half-year | 2,800,000 | 2,700,000 | 202,280 | 123,600 |

Notes to the Half-Year Financial Statements

31 December 2011

3. EQUITY SECURITIES ISSUED (CONTINUED)

Employee Incentive Options

1,800,000 employee options were issued in November 2011

Value at Grant Date 16th November 2011 [Issuance Date 16th November 2011]

A Black & Scholes calculation of the notional value of the Incentive Options is outlined below based on the following assumptions:

- a. the Incentive Options expire on 16 November 2013 and are exercisable at \$0.40 each;
- b. 50% of the Incentive Options vest immediately and 50% in 12 months' time;
- c. a share price of \$0.29. This has been based on the share price at grant date;
- d. a volatility factor of 100% based on historical share price information;
- e. an interest rate of 3.31%;
- f. the valuations ascribed to the Incentive Options may not necessarily represent the market price of the Incentive Options at the date of the valuation; and
- g. the valuation date for the Incentive Options was 16th November 2011.

The notional value for each Incentive Option is \$0.1332

1,000,000 employee options were issued in September 2011

Value at Grant Date 12th September 2011 [Issuance Date 15th September 2011]

A Black & Scholes calculation of the notional value of the Incentive Options is outlined below based on the following assumptions:

- a. the Incentive Options expire on 31 August 2014 and are exercisable at \$0.40 each;
- b. 50% of the Incentive Options vest immediately and 50% in 12 months' time;
- c. a share price of \$0.29. This has been based on the share price at grant date;
- d. a volatility factor of 100% based on historical share price information;
- e. an interest rate of 3.52%;
- f. the valuations ascribed to the Incentive Options may not necessarily represent the market price of the Incentive Options at the date of the valuation; and
- g. the valuation date for the Incentive Options was 12th September 2011.

The notional value for each Incentive Option is \$0.1648

500,000 employee options were issued in December 2010

Value at Grant Date 1st December 2010 [Issuance Date 2nd December 2010]

A Black & Scholes calculation of the notional value of the Incentive Options is outlined below based on the following assumptions:

- a. the Incentive Options expire on 30 November 2011 and are exercisable at \$0.25 each;
- b. a share price of \$0.12. This has been based on the share price at grant date;
- c. a volatility factor of 90% based on similar industry participants;
- d. an interest rate of 4.75%;
- e. the valuations ascribed to the Incentive Options may not necessarily represent the market price of the Incentive Options at the date of the valuation; and
- f. the valuation date for the Incentive Options was 1st December 2010.

The notional value for each Incentive Option was \$0.0184 and was recorded in the previous financial year. These options expired during the current financial year.

Notes to the Half-Year Financial Statements

31 December 2011

4. OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed on the basis it is a mineral exploration company operating in the geographical region of Australia. The mineral assets held via outright ownership are considered one business segment and the minerals currently being targeted include gold and base metals in Western Australia.

5. COMMITMENTS

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the requirements as specified by various State governments. These obligations can be reduced by selective relinquishment of exploration tenure or application for expenditure exemptions. It is anticipated the Company will have exploration expenditure commitments for granted tenement licences of \$606,440 for the next twelve months which are expected to be met in the ordinary course of business.

6. CONTINGENT ASSETS OR LIABILITIES

The Company may be required to issue bank guarantees to secure tenement holdings. The Company currently has bank guarantees to the value of \$43,001 to secure a credit card facility.

7. EVENTS SUBSEQUENT TO REPORTING DATE

The Directors are not aware of any matter or circumstance that has arisen since 31 December 2011 which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' Declaration

In accordance with a resolution of the Board of Directors of Gascoyne Resources Limited, we state that:

In the opinion of the directors:

1. The financial statements and notes of the Group comply with the Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting and give a true and fair view of the financial position as at 31 December 2011 and the performance for the half-year ended on that date; and
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Graham Riley
Chairman

Dated this 9th day of February 2012

Grant Thornton Audit Pty Ltd
ABN 94 269 609 023

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report To the Members of Gascoyne Resources Limited

We have reviewed the accompanying half-year financial report of Gascoyne Resources Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the

auditor of Gascoyne Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

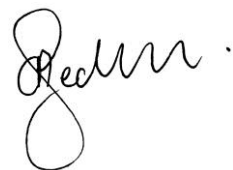
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gascoyne Resources Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C A Becker
Partner – Audit & Assurance

Perth, 9 February 2012

Tenement Schedule

| Tenement | Name | Mineral | Ownership |
|------------|-----------------|---------|-------------------------|
| EL09/1088 | Bassit Bore | Gold | 100% Gascoyne Resources |
| EL09/1750 | Bassit Bore | Gold | 100% Gascoyne Resources |
| EL09/1751 | Bassit Bore | Gold | 100% Gascoyne Resources |
| ELA51/1469 | Beebyn West | Gold | 100% Gascoyne Resources |
| EL52/2348 | Bustler Well | Gold | 100% Gascoyne Resources |
| ELA47/2620 | Cathedral Gorge | Gold | 100% Gascoyne Resources |
| EL09/1325 | Glenburgh | Gold | 100% Gascoyne Resources |
| EL09/1764 | Glenburgh | Gold | 100% Gascoyne Resources |
| EL09/1865 | Glenburgh | Gold | 100% Gascoyne Resources |
| EL09/1866 | Glenburgh | Gold | 100% Gascoyne Resources |
| ELA09/1946 | Glenburgh | Gold | 100% Gascoyne Resources |
| ELA09/1947 | Glenburgh | Gold | 100% Gascoyne Resources |
| PLA09/471 | Glenburgh | Gold | 100% Gascoyne Resources |
| PLA09/472 | Glenburgh | Gold | 100% Gascoyne Resources |
| PLA09/473 | Glenburgh | Gold | 100% Gascoyne Resources |
| PLA09/474 | Glenburgh | Gold | 100% Gascoyne Resources |
| EL15/1265 | Higginsville | Gold | 100% Gascoyne Resources |
| ELA15/1280 | Higginsville | Gold | 100% Gascoyne Resources |
| ELA15/1297 | Higginsville | Gold | 100% Gascoyne Resources |
| P15/5570 | Higginsville | Gold | 100% Gascoyne Resources |
| P15/5571 | Higginsville | Gold | 100% Gascoyne Resources |
| P15/5572 | Higginsville | Gold | 100% Gascoyne Resources |
| P15/5573 | Higginsville | Gold | 100% Gascoyne Resources |
| EL51/1470 | Illagalara Pool | Gold | 100% Gascoyne Resources |
| ELA20/759 | Limestone Well | Gold | 100% Gascoyne Resources |
| EL52/2343 | Mt James | Gold | 100% Gascoyne Resources |
| EL58/399 | Mt Magnet South | Gold | 100% Gascoyne Resources |
| ELA70/4106 | Mullewa | Coal | 100% Gascoyne Resources |
| EL59/1731 | Ningham | Gold | 100% Gascoyne Resources |
| ELA47/2483 | Sherlock Bay | Nickel | 100% Gascoyne Resources |
| ELA20/799 | South Pool Bore | Gold | 100% Gascoyne Resources |
| EL20/773 | Tuckanarra | Gold | 100% Gascoyne Resources |
| MLA09/148 | Victoria Bore | Gold | 100% Gascoyne Resources |

Abbreviations and Definitions used in Schedule:

| | | | |
|----|---------------------|-----|---------------------------------|
| EL | Exploration Licence | ELA | Exploration Licence Application |
| P | Prospecting Licence | PLA | Prospecting Licence Application |
| | | MLA | Mining Licence Application |