GASCOYNE RESOURCES LIMITED

ABN 57 139 522 900

FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2009

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Corporate Directory

Directors

G D RILEY	B.Juris LLB	Non Executive Chairman
G DUNBAR	BSc(Hons); MSc; FAusIMM; FAIG	Managing Director
J DEN DRYVER	BE(Mining); MSc; FAusIMM(CP)	Non Executive Director

Company Secretary
J McNAMARA BBus; ACIS

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Auditors
Grant Thornton Audit Pty Ltd
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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 9389 7871

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 2009.

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.

		Period
Mr Graham Riley	Non Executive Chairman	19 October 2009 to date
Mr Gordon Dunbar	Managing Director	25 September 2009 to date
Mr John den Dryver	Non-Executive Director	25 September 2009 to date
Mr Greg J Wheeler	Non-Executive Director	25 September 2009 to 19 October 2009

REVIEW OF OPERATIONS

The Company was incorporated on 25 September 2009, issued a Prospectus dated 26 October 2009 and successfully raised $5.2 million via an Initial Public Offering ["IPO"] and was listed on the ASX on 11th December 2009.

The Consolidated entities activities are contained in releases to the ASX and contained on our website at www.gascoyneresources.com.au.

RESULT

The operating result for the half-year ended 31 December 2009 for the Group was a loss after income tax of $122,639.

EVENTS SUBSEQUENT TO REPORTING DATE

The Directors are not aware of any matter or circumstance that has arisen since 31 December 2009 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 6 to the accounts.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under s 307C of the Corporations Act 2001 is presented on page 3 of this half-year financial report.

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

Gordon Dunbar
Managing Director

Dated this 9th day of February 2010

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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 2009, 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

J W Vibert
Director – Audit & Assurance Services

Perth, 9th February 2010

Consolidated Statement of Comprehensive Income

HALF-YEAR ENDED 31 DECEMBER 2009

	Notes	Consolidated 31 December 2009 $
Revenue from Continuing Operations		
Interest income		16,970
Employment Costs		(114,400)
Premises costs		(8,600)
Other expenses from ordinary activities		(16,609)
LOSS BEFORE INCOME TAX		**(122,639)**
INCOME TAX EXPENSE		-
LOSS FOR THE PERIOD		**(122,639)**
Other Comprehensive Income		
Other Comprehensive Income		**-**
Income tax relating to comprehensive income		**-**
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF GASCOYNE RESOURCES LIMITED		**(122,639)**
Basic earnings / (loss) per share (cents)		(0.2)
Diluted earnings / (loss) per share (cents)		(0.2)

The consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2009

	Notes	Consolidated 31 December 2009 $
CURRENT ASSETS		
Cash and cash equivalents		4,828,844
Trade and Other Receivables		58,419
TOTAL CURRENT ASSETS		**4,887,263**
NON-CURRENT ASSETS		
Mineral Asset Exploration and Evaluation		5,600,000
TOTAL NON-CURRENT ASSETS		**5,600,000**
TOTAL ASSETS		**10,487,263**
CURRENT LIABILITIES		
Trade and Other Payables		26,996
TOTAL CURRENT LIABILITIES		**26,996**
NET ASSETS		**10,460,267**
EQUITY		
Share Capital	2	10,468,506
Reserves		114,400
Accumulated losses		(122,639)
TOTAL EQUITY		**10,460,267**

The consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

HALF-YEAR ENDED 31 DECEMBER 2009

	$	$	$	$
	Share Capital			**Total**
	Ordinary	**Options Reserve**	**Accumulated Losses**	
Balance at 1.7.2009	-	-	-	-
Shares issued during the year	11,004,920	-	-	11,004,920
Share Issue Costs	(536,414)	-	-	(536,414)
Employee Incentive Options issued	-	114,400	-	114,400
Loss attributable to members of parent entity	-	-	(122,639)	(122,639)
Balance at 31.12.2009	10,468,506	114,400	(122,639)	10,460,267

The consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Notes	Consolidated 2009 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees		(49,590)
Interest received		9,928
Other		-
NET CASH PROVIDED BY(USED IN) OPERATING ACTIVITIES		**(39,662)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue		5,404,920
Share and option issue transaction costs		(536,414)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		**4,868,506**
NET INCREASE IN CASH HELD		4,828,844
CASH AT BEGINNING OF PERIOD		-
CASH AT END OF PERIOD		**4,828,844**

The consolidated financial statements should be read in conjunction with the accompanying notes.

Notes to the Half-Year Financial Statements
31 DECEMBER 2009

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL STATEMENTS
These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures 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 any public announcements made by Gascoyne Resources Limited during the half-year.

Accounting policies
Material accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified where applicable by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property. A summary of the Group's significant accounting policies is set out below.

a) Principles of Consolidation
The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Company (the parent entity) and its subsidiaries as defined in accounting standards. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the Group are eliminated in full.

b) Cash and Cash Equivalents
Cash on hand and in banks and short term deposits are stated at nominal value. For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 90 days, net of outstanding bank overdrafts.

c) Income Tax
The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

d) Exploration and evaluation expenditure

Exploration and evaluation costs related to areas of interest are carried forward to the extent that:

(i) the rights to tenure of the areas of interest are current and the Group controls the area of interest in which the expenditure has been incurred; and

(ii) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or

(iii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets will be assessed annually for impairment and where impairment indicators exist, recoverable amounts of these assets will be estimated based on discounted cash flows from their associated cash generating units.

The income statement will recognise expenses arising from the excess of the carrying values of exploration and evaluation assets over the recoverable amounts of these assets. Expenditure capitalised under the above policy is amortised over the life of the area of interest from the date that commercial production of the related mineral occurs. In the event that an area of interest is abandoned or if the directors consider the expenditure to be of no value, accumulated costs carried forward are written off in the year in which that assessment is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

e) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

g) Employee Benefits
Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Provision is made in respect of wages and salaries, annual leave and other employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provision made in respect of long service leave which is not expected to be settled within 12 months is measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by the employees up to reporting date.

<u>Share-based payments</u>
Share-based compensation benefits are provided to employees via various Share Option Plans. The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.
The fair value at grant date is determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital. The market value of shares issued to employees for no cash consideration under the Share Plans is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

h) Goods and Services Tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(i) 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 and value of incentive options issued to Directors and employees.

(j) Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which is the Board of Directors. In this regard, such information provided may use different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position.

2. EQUITY SECURITIES ISSUED

	2009 No.	2009 $
Issue of ordinary shares during the half-year		
Issuance of shares on incorporation	100	20
Issuance of to Helix at 2.5 cents each to raise seed capital	4,000,000	100,000
Issuance of shares to Giralia at 2.5 cents each to raise seed capital	3,000,000	75,000
Issuance of shares at 20 cents each per the Prospectus	26,149,500	5,229,900
Issuance of shares to Helix to acquire Glenburgh tenement assets	16,000,000	3,200,000
Issuance of shares to Giralia to acquire their Gascoyne regional tenements	12,000,000	2,400,000
Settlement of costs associated with the ASX listing		(536,414)
	61,149,600	**10,468,506**
Issue of employee incentive options during the half-year		
Issue of 2,200,000 Employee Incentive Options @ $0.25 exerciseable on or before 30 November 2011	2,200,000	114,400
	2,200,000	**114,400**

Employee Options

2,200,000 employee options were issued in November 2009 as detailed in section 7.6 of the Prospectus.

Value at Grant Date 20th October 2009 [Issuance Date20th November 2009]

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 $0.14. This has been determined after considering the previous issue of shares at 2.5 cents, the net assets of the Company and the risk attached to ASX listing of GCY at the IPO issue price of 20 cents per share;
c. a volatility factor of 90% based on similar industry participants given GCY was unlisted at option grant date;
d. an interest rate of 5%;
e. no discount factor has been applied for the ASX escrow conditions and restrictive attaching conditions;
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 20th October 2009.

The notional value for each Incentive Option is $0.052

3. OPERATING SEGMENTS

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 or joint venture are considered one business segment and the mineral currently being targeted is gold in Western Australia.

4. COMMITMENTS

Gascoyne will have expenditure commitments for granted tenement licences of $177,000 per annum which are expected to be met in the ordinary course of business from the Funds raised by the Prospectus.

5. CONTINGENT ASSETS OR LIABILITIES

There are no contingent assets or liabilities as at the reporting date.

6. EVENTS SUBSEQUENT TO REPORTING DATE

The Directors are not aware of any matter or circumstance that has arisen since 31 December 2009 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 the following:-

Proposed Distribution in-specie of Gascoyne Resources Ltd shares by Helix and Giralia

Helix and Giralia currently hold 38.2 million shares in the Company or 62%. Both Helix and Giralia have called a shareholder meeting for February 2010 to consider the proposal to distribute 'in-specie' 30.6 million Gascoyne shares to their respective shareholders on a pro-rata basis.

Should the proposed distribution be approved by shareholders, the Helix and Giralia holding in the Company will reduce to 12%.

7. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Any applicable standards that may have been issued subsequent to 1st July 2009 have not been early adopted and will be considered when preparing the next reporting period financial statements.

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 2009 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.

Gordon Dunbar
Managing Director

Dated this 9th day of February 2010

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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 (the Company) which comprises the consolidated financial statements being the statement of financial position as at 31 December 2009, 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 Auditing Standard on Review Engagement ASRE 2410: Review of Interim and Other Financial Reports 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 2009 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:

1 giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

2 complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Director – Audit and Assurance Services

Perth, 9th February 2010