GASCOYNE RESOURCES LIMITED

ABN 57 139 522 900

FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2010

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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
E O'MALLEY BCom; CA

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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 2010.

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	Non Executive Chairman
Mr Gordon Dunbar	Managing Director
Mr John den Dryver	Non-Executive Director

REVIEW OF OPERATIONS

A major increase in the resource base, drilling success and the recognition of the potential for multiple lodes at the Glenburgh Project coupled with the delineation, at Bassit Bore, of geochemical gold anomalies, nugget patches and gold bearing quartz veins over a 15 km strike length were the exploration highlights for Gascoyne Resources Ltd during the six months to 31 December 2010.

The Company holds exploration licenses and applications totalling 1,100km² 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 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.

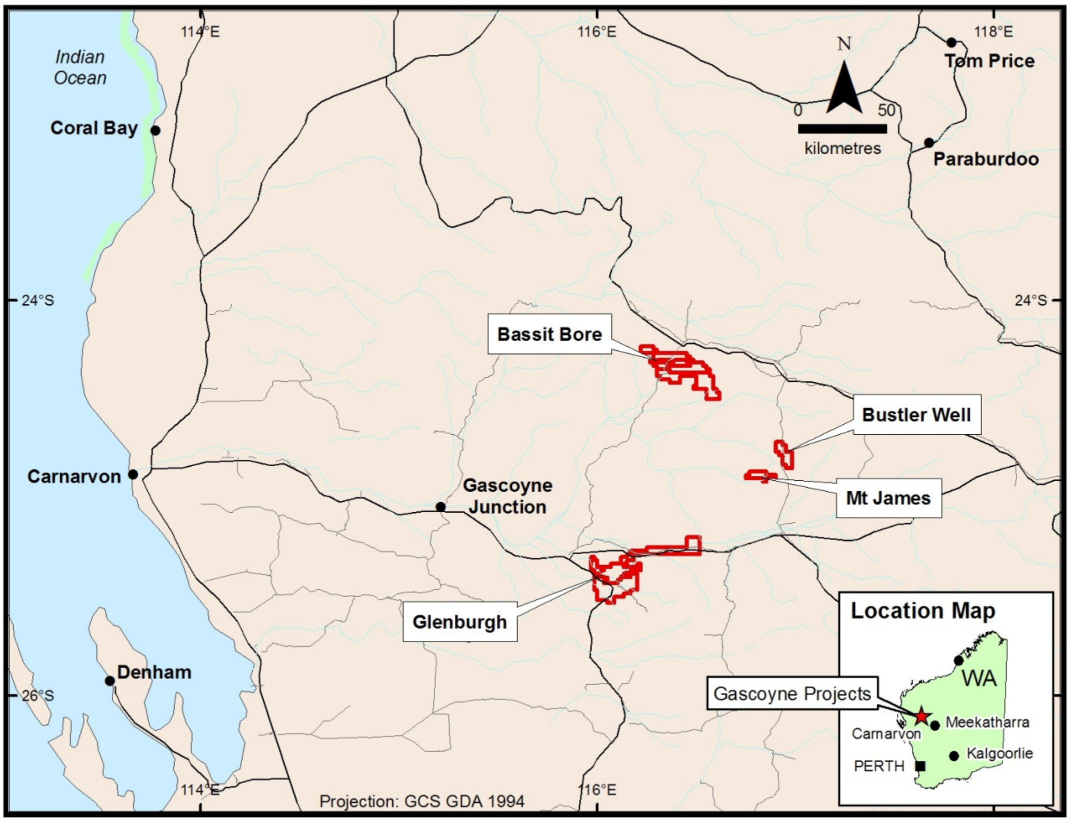

Figure One: Tenement Locations – Gascoyne Province

RESERVES & RESOURCES

Commodity	Category	Project	Interest	Resource
Gold	Inferred	**Glenburgh, WA**	100%	**7.2Mt @1.6 g/t gold for 360,000oz gold**

GLENBURGH, E09/1325, ELA09/1764 100% Gascoyne

Resource Estimate

A re-estimation of the Glenburgh resource was completed. The Inferred Mineral Resource now stands at **7.2 Mt @ 1.6 g/t Au for 360,000 oz of contained gold at a 0.8g/t cutoff.**

This equates to an increase in gold resource ounces of 77% and an increase of 200% in resource tonnage over the last resource estimate, which was completed in January 2009. The increase comes as a result of additional drilling, revision of the modelling parameters and a lowering of the cutoff grade to 0.8g/t Au.

Details of the resource estimate are contained within the ASX Release dated 25 November 2010.

RC Drilling

Two RC drilling programs were undertaken in the six months to 31 December 2010.

The first program of 1,956m in 15 holes at the Icon, Apollo and Zone 102 Deposits successfully extended the Icon Deposit a further 100m east, extended one of the mineralised surfaces at the Zone 102 Deposit a further 50 metres further east and intersected the interpreted faulted offset of the Apollo deposit.

A subsequent program of 2,145m of shallow, broad spaced drilling in 39 holes extended the Shelby Deposit a further 300m to the east and a broad zone of anomalous gold was intersected along strike from the Hurricane Deposit along with a 4m @ 0.5g/t Au, that is open to the east, at structural target Area 1.

Geochemical and Geological Targeting

The geochemical data base and the regolith were reassessed to determine whether the various methods of sampling (soil, auger or vacuum drilling) had been effective or not. This has led to the identification of new drill targets while identifying areas that are inadequately tested.

A geological reconstruction of the Glenburgh area using aeromagnetic data and systematically removing the three generations of faults that have sliced through the area, to reconstruct the geology at the time that the gold mineralisation is believed to have been introduced has identified three gold mineralised trends. Some of these trends, such as the trend that hosts the Icon Deposit has had no geochemical sampling along it except in the immediate vicinity of Icon while sections of the Apollo trend that were not previously recognised are associated with robust, untested geochemical anomalies.

A geochemical drill program, designed to cover the Icon trend, was only partially completed late in the 2010 filed season. This first pass geochemical drilling of which 310 vacuum holes were completed identified an anomalous gold zone which extends for over 500m with peak results of up to 35 ppb Au co-incident with the structurally interpreted Icon trend. This trend remains untested to the east.

Forward Program

The exploration program for the next three to six months is expected to commence in early March 2011 and will include approximately 5000m of RC drilling, 10,000 metres of RAB drilling and approximately 1,000 Auger sample locations.

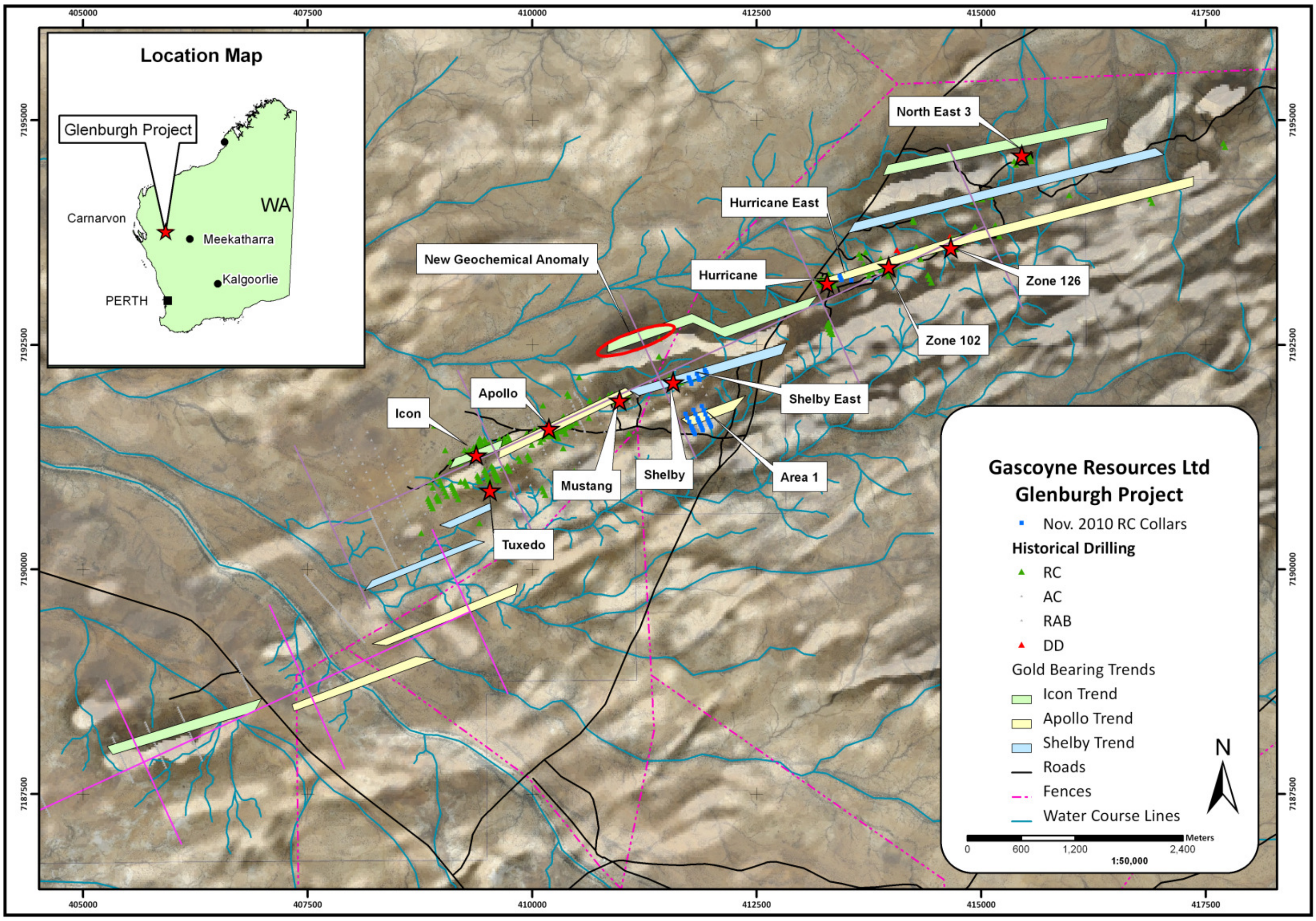

Figure Two: Glenburgh Project, Deposit and Prospect Locations

<u>BASSIT BORE</u> E09/1088, ELA09/1750, ELA 09/1751 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.

Stream Sediment and Soil sampling

A regional stream sediment sampling program undertaken during the last six months has identified a number of highly anomalous drainages, with 27 drainages returning over 5ppb Au including 4 which returned results above 20ppb with the greatest being 830ppb Au.

A soil sampling program to cover these anomalous drainages identified 4 zones of anomalous gold east of the Beagle prospect. The maximum gold value returned was 400ppb, while six other values were greater than 100ppb gold. In total 50 of the 308 samples collected returned values greater than 20ppb gold. Additional soil sampling and geological and regolith mapping is required prior to drilling these anomalous zones.

Geological Observations

Two areas of mineralised quartz veins have been identified during the last six months. In the eastern sector a quartz vein system that has returned values up to 7.8g/t gold along a strike length of 350m is located adjacent to the western boundary of ELA09/1751 while nuggets and mineralised quartz veins occur at the western end of E08/1088.

Forward Program

Drilling is planned to be undertaken to test the soil anomalies and the mineralised quartz veins during the next six to nine months.

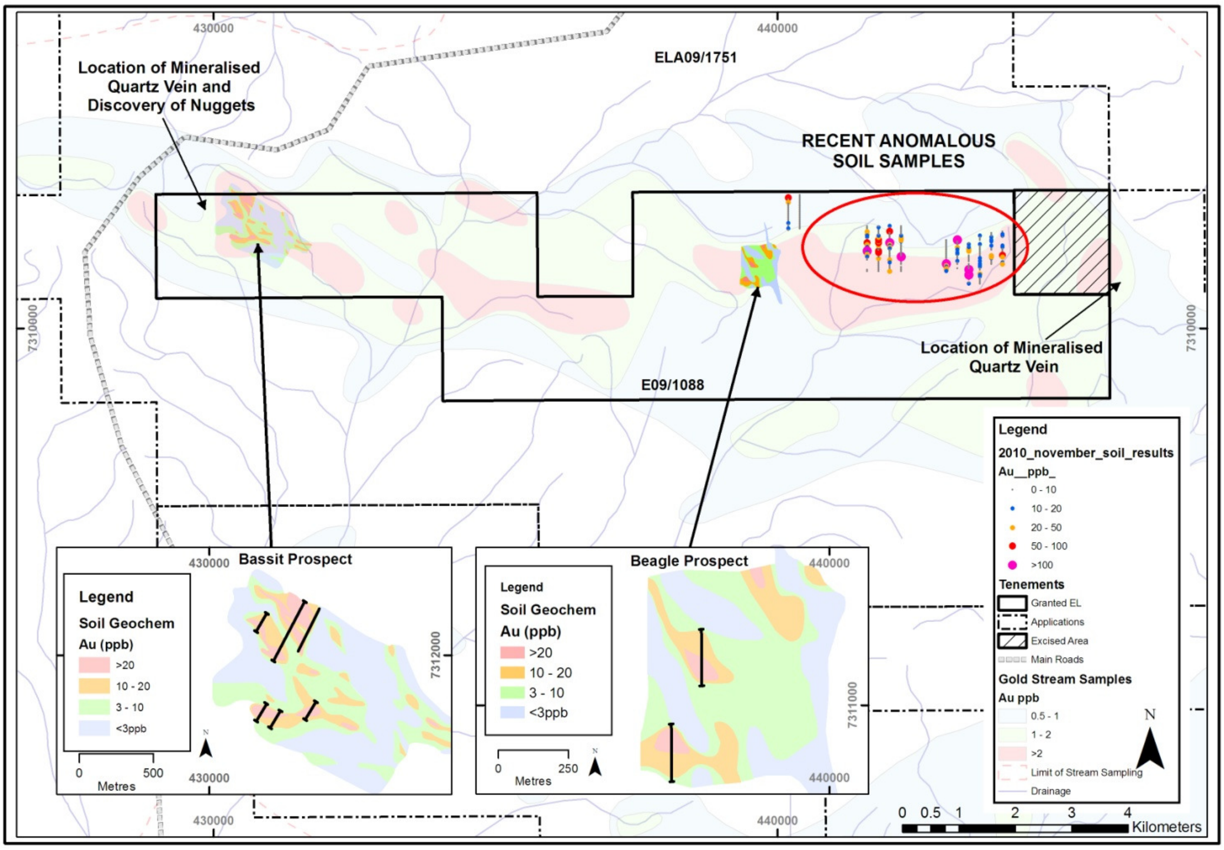

Figure Three: Location of Recent Anomalous Soil Samples and Location of Mineralised Quartz Veins

<u>BUSTLER WELL</u> 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.

During the six months to 31 December 2010 a detailed stream sediment sampling program of 124 samples collected in the southern and south western portion of the licence area returned anomalous and enhanced gold in stream sediments from the area generally to the south and west of the drilled historical pits and diggings. Soil sampling across these anomalous areas is expected to be undertaken during the next field season.

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.

Recent geological assessment of the area suggests that there is considerable transported cover that may render the soil sampling undertaken in 2007 to be unreliable. As a result additional geochemical sampling, using auger or vacuum drilling, is being planned across zones of anomalous and enhanced gold in soil values. Geological assessments are also to be conducted at the main prospects of West Point and Clever Mary prospect areas with a view to identifying higher grade positions.

NEW TENEMENT APPLICATIONS

During the six months to 31 December 2010 the Company lodged applications for exploration licences in the Murchison Region and near Higginsville in the Eastern goldfields of Western Australia.

HIGGINSVILLE

The applications E15/1265, E15/1280 and P15/5570-73 are located at the southern end of the Widgemooltha Dome that hosts extensive nickel deposits currently being mined by Mincor Resources and significant gold deposits in the area including Chalice to the south and Avoca Resources' Higginsville Operation to the east. With respect to E15/1265 & E15/1280 due to existing granted tenements and prior applications not all the area applied for is expected to be available for grant.

Of particular interest within E15/1280 is the Footes Find gold deposit that was explored by Resolute-Samantha in the late 1980s and early 1990s. Subsequently gold production was undertaken from a shallow open pit as a satellite operation to their Higginsville operation.

MURCHISON REGION

Three applications (E51/1470 & 1469 and E20/759) are located at the northern end of the Big Bell greenstone belt while further to the east application E20/773 covers the central part of the Tuckanarra gold mining centre.

Further south application E58/399 is located approximately 20 Km south of the Hill 50 gold deposits at Mount Magnet.

In the Ninghan region (south West from Paynes Find) application E59/1731 covers ground where previous explorers intersected up to 6m @ 2.9 g/t Au in a near surface quartz stockwork system.

The information in this Review of Operations 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.

RESULT

The operating result for the half-year ended 31 December 2010 for the Group was a loss after income tax of $128,943 [2009: $122,639].

EVENTS SUBSEQUENT TO REPORTING DATE

The Directors are not aware of any matter or circumstance that has arisen since 31 December 2010 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 8 of this half-year financial report.

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

Graham Riley
Chairman

Dated this 10th day of February 2011

Grant Thornton

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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 2010, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Director - Audit & Assurance

Perth, 10 February 2011

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Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2010

	Consolidated	
	31 December 2010 $	**31 December 2009 $**
Revenue from Continuing Operations		
Interest income	102,657	16,970
Employment Costs	(120,368)	(114,400)
Premises costs	(60,299)	(8,600)
Other expenses from ordinary activities	(50,933)	(16,609)
LOSS BEFORE INCOME TAX	**(128,943)**	**(122,639)**
INCOME TAX EXPENSE	-	-
LOSS FOR THE PERIOD	**(128,943)**	**(122,639)**
Other Comprehensive Income		
Other Comprehensive Income	**-**	**-**
Income tax relating to comprehensive income	**-**	**-**
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF GASCOYNE RESOURCES LIMITED	**(128,943)**	**(122,639)**
Basic earnings / (loss) per share (cents)	(0.2)	(0.2)
Diluted earnings / (loss) per share (cents)	(0.2)	(0.2)

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

Consolidated Statement of Financial Position

As at 31 December 2010

	Note	Consolidated 31 December 2010 $	Consolidated 30 June 2010 $
CURRENT ASSETS			
Cash and cash equivalents		2,946,451	4,379,664
Trade and Other Receivables		49,836	50,595
TOTAL CURRENT ASSETS		**2,996,287**	**4,430,259**
NON-CURRENT ASSETS			
Property, Plant and Equipment		117,182	85,632
Mineral Asset Exploration and Evaluation		4,831,385	3,800,001
Other		50,000	50,000
TOTAL NON-CURRENT ASSETS		**4,998,567**	**3,935,633**
TOTAL ASSETS		**7,994,854**	**8,365,892**
CURRENT LIABILITIES			
Trade and Other Payables		138,464	395,929
Provisions		11,395	5,225
TOTAL CURRENT LIABILITIES		**149,859**	**401,154**
NET ASSETS		**7,844,995**	**7,964,738**
EQUITY			
Share Capital	3	10,465,305	10,465,305
Reserves		123,600	114,400
Accumulated losses		(2,743,910)	(2,614,967)
TOTAL EQUITY		**7,844,995**	**7,964,738**

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

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2010

	$	$	$	$
	Share Capital			
	Ordinary	**Options Reserve**	**Accumulated Losses**	**Total**
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
Total Other Comprehensive Income	-	-	-	-
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

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

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 2010

	Consolidated	
	2010	**2009**
	$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,496,476)	(49,590)
Interest received	103,216	9,928
NET CASH PROVIDED BY(USED IN) OPERATING ACTIVITIES	**(1,393,260)**	**(39,662)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for fixed assets	(39,953)	-
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	**(39,953)**	**-**
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 / (DECREASE) IN CASH HELD	(1,433,213)	4,828,844
CASH AT BEGINNING OF PERIOD	4,379,664	-
CASH AT END OF PERIOD	**2,946,451**	**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 2010

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 2010 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 the Annual Financial Report for the year ended 30 June 2010 together with any public announcements made by Gascoyne Resources Limited during the half-year.

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 ending on or after)	Example disclosure impact of new standard on the financial report (if standard is not adopted early)
AASB 7 Financial Instruments: Disclosures (Transfers of Financial Assets)	AASB 7	The Standard amends the disclosures required, to help users of financial statements evaluate the risk exposures relating to more complex transfers of financial assets (eg securitisations) 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 de-recognition of financial assets.

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

	2010 No.	2009 No.	2010 $	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 Employee Incentive Options @ $0.25 exerciseable on or before 30 November 2011	500,000	2,200,000	9,200	114,400
	500,000	**2,200,000**	**9,200**	**114,400**

Employee Options

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 given GCY was unlisted at option grant date;
d. an interest rate of 4.75%;
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 1st December 2010.

The notional value for each Incentive Option is $0.0184

3. EQUITY SECURITIES ISSUED (CONTINUED)

2,200,000 employee options were issued in November 2009

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

4. 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.

5. COMMITMENTS

Gascoyne will have expenditure commitments for granted tenement licences of $169,000 per annum which are expected to be met in the ordinary course of business from the Funds raised by the Prospectus.

6. CONTINGENT ASSETS OR LIABILITIES

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

7. EVENTS SUBSEQUENT TO REPORTING DATE

The Directors are not aware of any matter or circumstance that has arisen since 31 December 2010 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 2010 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 10th day of February 2011

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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 ('Company'), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, 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 2010 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.

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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.

Electronic presentation of reviewed financial report

This auditor's review report relates to the financial report of Gascoyne Resources Limited and its controlled entities for the half-year ended 31 December 2010 included on the Company's web site. The Company's directors are responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Company's web site. The auditor's review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

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:

c giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Director - Audit & Assurance

Perth, 10 February 2011