

Quarterly Report

March 2011



CORPORATE DETAILS

Directors

Graham Riley

Non-Executive Chairman

Michael Dunbar

Managing Director

Gordon Dunbar

Non-Executive Director

John den Dryver

Non-Executive Director

Mike Joyce

Non-Executive Director

Stan Macdonald

Non-Executive Director

Assets

Cash **\$2.33M***

Glenburgh Gold (100%)

360,000 oz Au

Company Information:

ASX Code GCY

Shares 61.15M*

Share Price29.0 cents

Market Capitalisation

\$18 Million*

Contact Details:

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admin@gascoyneresources.com.au

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www.gascoyneresources.com.au

* Prior to the approved placement

Highlights

TECHNICAL

Glenburgh

- A two rig 15,000 metre drill program is underway
- A Pit Optimisation study was completed on the Glenburgh gold deposits, showing the potential for the project to support a viable operation was good.
- A scoping Study on the Glenburgh gold project commenced.
- RC drilling extended the Shelby deposit 300m to the East.
- Two geochemical anomalies on the Icon trend with results of up to 700ppb Au were identified.
- A 5,000m RC drill program commenced at Glenburgh.
- RC drilling intersected high grade shallow mineralisation between the Icon and Apollo gold deposits.
- RAB drilling on regional targets commenced.

New Projects

- Exploration tenements have been applied for in the Murchison, Higginsville and Sherlock Bay regions of Western Australia

CORPORATE

- A placement of 40 Million shares was approved at the General Meeting held on the 20th of April 2011.
- Mr Mike Joyce and Mr Stan MacDonald have been appointed as Non Executive Directors of the Company.
- Mr Mike Dunbar has been appointed as Managing Director, following the resignation of Mr Gordon Dunbar, who remains on the board as a Non Executive Director.

REVIEW OF OPERATIONS

GLENBURGH E09/1325, ELA 09/1764, 1865 & 1866 100% Gascoyne

The March quarter was a particularly busy one, with a number of activities undertaken, including:

- Completion of a pit optimisation study on the Glenburgh Inferred Resources
- Commencement of a scoping study
- Results from the 2010 RC drilling program extending the Shelby deposit 300m
- Two significant geochemical anomalies defined on the Icon Trend
- Commencement of a 5,000m RC drill program and a 10,000m RAB / Aircore drill program
- High grade shallow mineralisation intersected between Icon and Apollo

Pit Optimisation Study

As a result of the updated inferred gold resource (7.2Mt @ 1.6g/t Au for 360,000oz of gold) for the Glenburgh Project announced in November 2010, it was considered prudent to undertake a conceptual pit optimisation study to determine, given certain assumptions, how much of the resource could be accessed through open pit mining. The optimisation study (as announced on the 11th of February) assessed three potential development options, which indicated that between 4.5Mt and 5.5Mt of material at a grade of 1.6 to 1.4 g/t Au could be extracted through conventional open cut mining. All of the options showed potential positive cashflows (excluding capital costs) of between \$80 and \$120 Million.

The optimisation study also highlighted a number of areas within the current pit shells which require additional drilling to either close off or delineate additional resources within the pit shells. The delineation of additional resources within the pit shells has the potential to significantly improve the potential economics of the project.

The potential of the area between the conceptual Icon and Apollo pits was also highlighted. This area has not been drill tested to depth, with the only hole between the two deposits intersecting 4m @ 1.2g/t Au from 16m depth.

The Optimisation study also concluded that the project could sustain a profitable operation and as a result a scoping study to assess the best development option for the project has commenced along with an accelerated drill program (as announced on the 16th of February).

RC Drilling

2010 Drilling:

The results from the 2010 RC drill program have been received and were announced on the 24th of January. A total of 2,145 metres of shallow, broad spaced reverse circulation drilling



in 39 holes was completed and has successfully extended the Shelby Deposit a further 300m to the east and a broad zone of anomalous gold has been intersected along strike from the Hurricane Deposit (see Figure 2).

Results from the initial four metre composite sampling include:

- 4m @ 1.6 g/t Au in VRC443 from 32m
- 4m @ 1.2 g/t Au in VRC447 from 44m within a zone of 12m @ 0.5 g/t Au from 44m
- 4m @ 0.9 g/t Au in VRC 442 from 56m to the end of hole.
- 4m @ 0.9 g/t Au in VRC440 from 36m
- 28m @ 0.3g/t Au in VRC449 from surface (repeated at 29m @0.5g/t Au)

The analytical results for the single metre resplits of these intersections have been received, with the initial intersections being confirmed with VRC449 repeated at 29m @ 0.5g/t Au from surface with a higher grade interval of 6m @ 1.9g/t Au from 23m.

Additional drilling has been undertaken along strike from this intersection. The results for this follow up drilling are expected in mid May.

2011 RC drilling:

An accelerated drill program commenced on the 18th of March, with an initial 5,000 metres of RC drilling in approximately 60 holes are to be drilled to provide first pass assessment of 6 targets.

Results from the first 7 holes have been received and intersected high grade shallow mineralisation between the Icon and Apollo gold deposits (see announcement 14th of April and figure 3).

The intersections include 3m @ 6.9 g/t Au from 36m down hole in VRC453 and 4m @ 4.3g/t Au from 36m down hole in VRC458. Extensional drilling east of the Icon deposit also intersected 14m @ 1.5g/t and 13m @ 1.0g/t.

These results are only from the first seven holes, with approximately another 50 holes still awaiting assay.

2011 RAB Drilling:

A 10,000 m RAB / Aircore drilling program is currently underway. This is targeting the recently discovered geochemical anomalies on the Icon trend as well as a number of regional targets.

Approximately half of the program has been completed. Initial 4m composite assay results from this regional program are expected to be received in mid to late May.

Geochemical Sampling

As mentioned in the last quarterly report, a program of shallow geochemical sampling was undertaken late in the 2010 field season. This was cut short by inclement weather and poor drill rig availability. As a result, early in the 2011 field season, the sampling recommenced on the high priority targets, along strike from the Icon deposit (Inferred resource of 2.48Mt @ 1.4g/t for 113,000 oz of gold).

This sampling defined a strong consistent anomaly that is coincident with the interpreted Icon trend that is over 800m long and has gold values up to 700PPB Au (as announced on 17th of March) from the near surface sampling (see Figure 1). The anomaly remains open along strike to the east and west as well as poorly defined to the south. Follow up sampling has been undertaken, however the samples are still in the laboratory awaiting analysis.

Preliminary RAB drilling of the target has also been undertaken, with the samples on route to the laboratory in Perth for analysis. The results are expected in mid May.

Forward Program

As mentioned above, there are currently two drill rigs on site completing the 15,000 metre drill programs.

The RC drilling is expected to be completed in early May and the RAB / Aircore program by mid May. The results of the drilling will continue being received until late May.

The scoping study is well underway, with consultants appointed for most of the key areas that are being assessed. The study is expected to be completed within the next quarter.

Further RC and diamond drilling is planned to commence in June, however this is contingent on the results of the current program and the outcomes of the scoping study.

BASSIT BORE E09/1088, ELA09/1750, ELA 09/1751 100% Gascoyne

No exploration activities were undertaken during the quarter.

Forward Program

A program of soil sampling and rock chip sampling is planned to commence as soon as the drilling at Glenburgh has been completed and on grant of E09/1750 and 1751, which is expected in May.

This program is designed to test the two mineralised quartz vein systems that have been identified on E09/1750 and near the border of E09/1750 and E09/1088.



BUSTLER WELL E52/2348 and MT JAMES E52/2343 100% Gascoyne
No exploration activities were undertaken during the quarter.

NEW PROJECTS

A number of tenements applications have been made in the Murchison, Higginsville and Sherlock Bay regions of Western Australia. These tenements are not expected to be granted until later this calendar year.

CORPORATE

The March quarter has been an extremely busy quarter for the company, with a number of changes being made to secure adequate funding and to strengthen the Board of the Company. These changes have set up the company for a period of significant growth over the medium term. A summary of the changes are summarised below.

Placement of Shares

(Announced on 22nd of February 2011)

During the quarter, the Company was approached by a group of investors including Mr Graham Riley the Chairman of the Company, Mr Michael Dunbar the Company's Managing Director, Mr Stan Macdonald and Mr Mike Joyce with an offer of a placement of 40 million shares at 10 cents per share for a total capital raising of \$4,000,000. Those Directors of the Company, Mr Gordon Dunbar and Mr John den Dryver being independent in respect of this matter considered and agreed to accept the offer (subject to shareholders' approval), noting that the offer price per share exceeded the 7 day volume weighted average share price (V-WAP) of GCY prior to the announcement of the placement and that there are no fees payable on this placement.

The funds raised by this placement will be applied to the scoping study and accelerated drilling program at the Glenburgh gold project as well as working capital to enable GCY to pursue additional opportunities.

A general meeting was held on the 20th of April and approved the placement. It is expected that the shares will be issued by the 6th of May 2011.

Appointment of Non Executive Directors

(Announced on 20th of April)

As a condition of the placement mentioned above, Mr Stan Macdonald and Mr Mike Joyce have been appointed to the Board of Directors of the Company, in non executive roles. Both Stan and Mike bring a wealth of knowledge and industry experience to the company, and have a track record of significant shareholder value creation, particularly during their time as



the executive team at Giralia Resources NL, where they played integral roles in building a multi commodity asset suite through discovery and acquisition, prior to the recent \$828 million takeover of Giralia by Atlas Iron Limited.

Retirement and Appointment of Managing Director

(Announced on 7th of March)

Effective from the 31st of March Mr Michael Dunbar formerly the Company's General Manager has been appointed Managing Director following Mr Gordon Dunbar's resignation from that position.

Fortunately, Gordon has agreed to continue his involvement with the company in a non executive role. His experience of approximately 45 years in the mining and exploration industry provides a wealth of knowledge to the board in project evaluation and development.

BACKGROUND ON GASCOYNE RESOURCES

Gascoyne Resources Limited was listed on the ASX in December 2009 following the amalgamation of the gold assets of Helix Resources Limited and Giralia Resources NL in the Gascoyne Region and a capital raising.

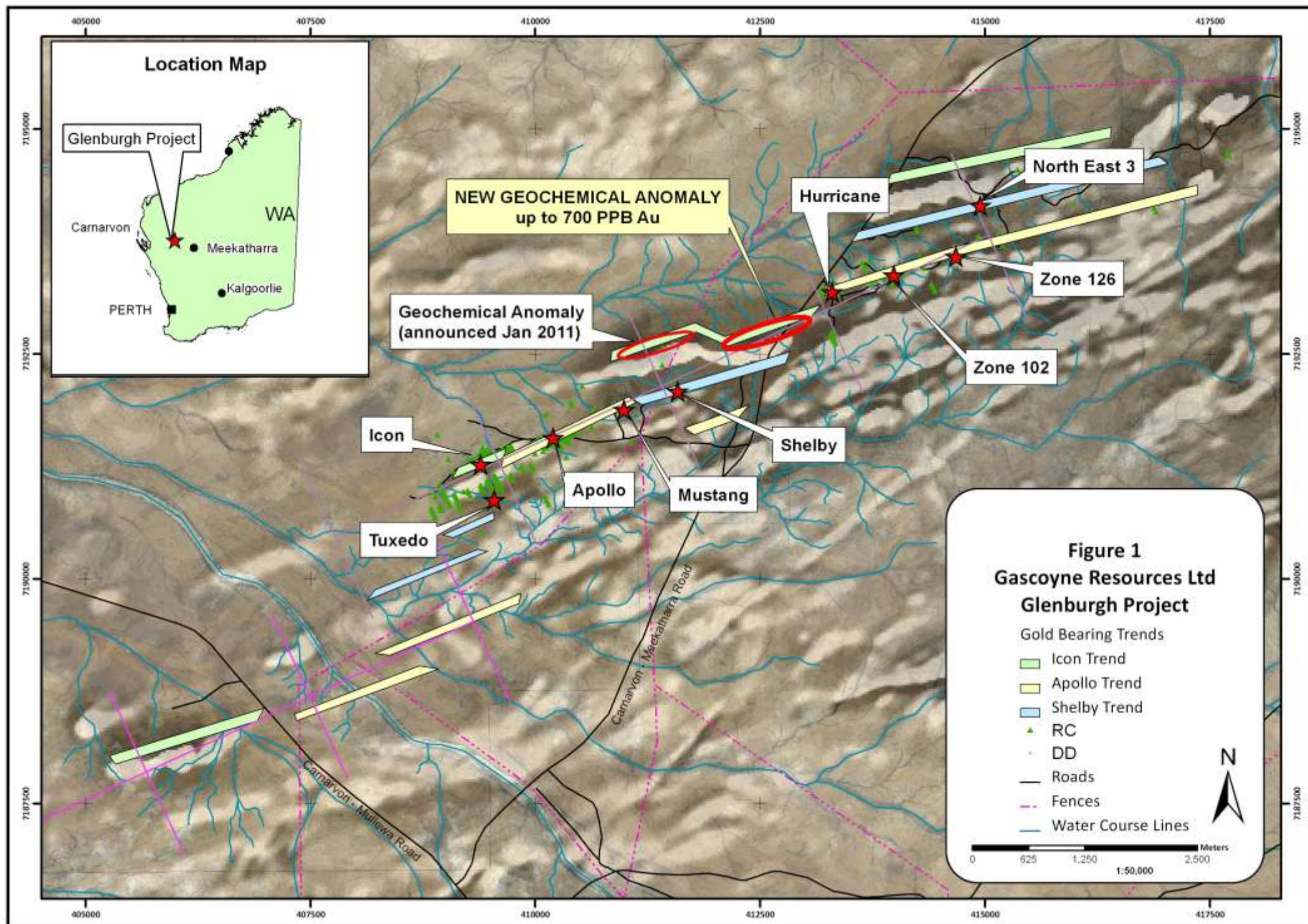
Gascoyne Resources is endowed with

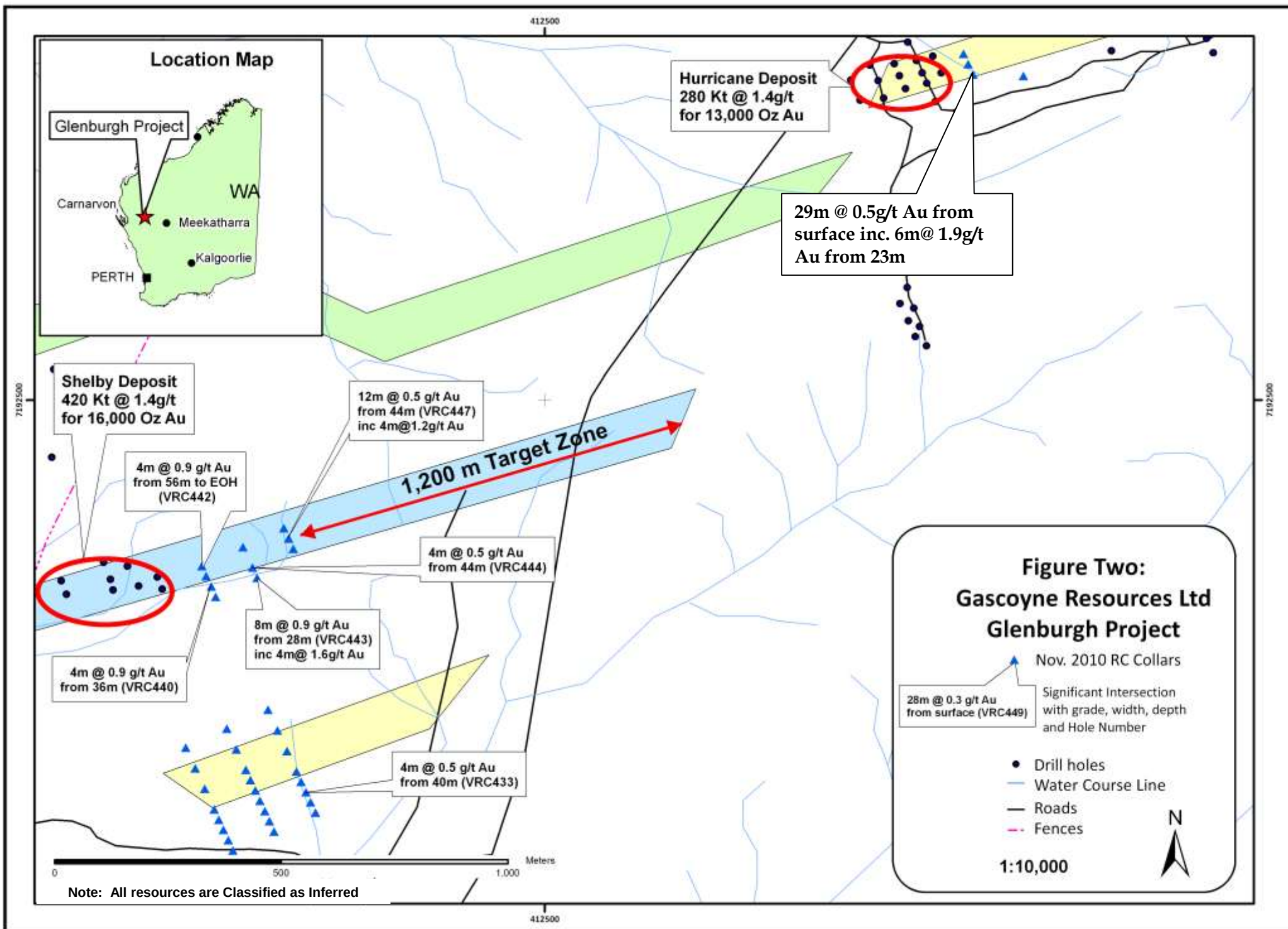
- The Glenburgh Project that has an inferred resource estimate of: 7.2Mt @ 1.6g/t Au for 360,000oz gold from several prospects within a 20km long shear zone.
- Untested soil geochemical anomalies and number of mineralised quartz veins at Bassit Bore ready to be drilled.
- Advanced exploration projects at Mt James and at Bustler Well.
- A number of exploration tenements that are expected to be granted during 2011

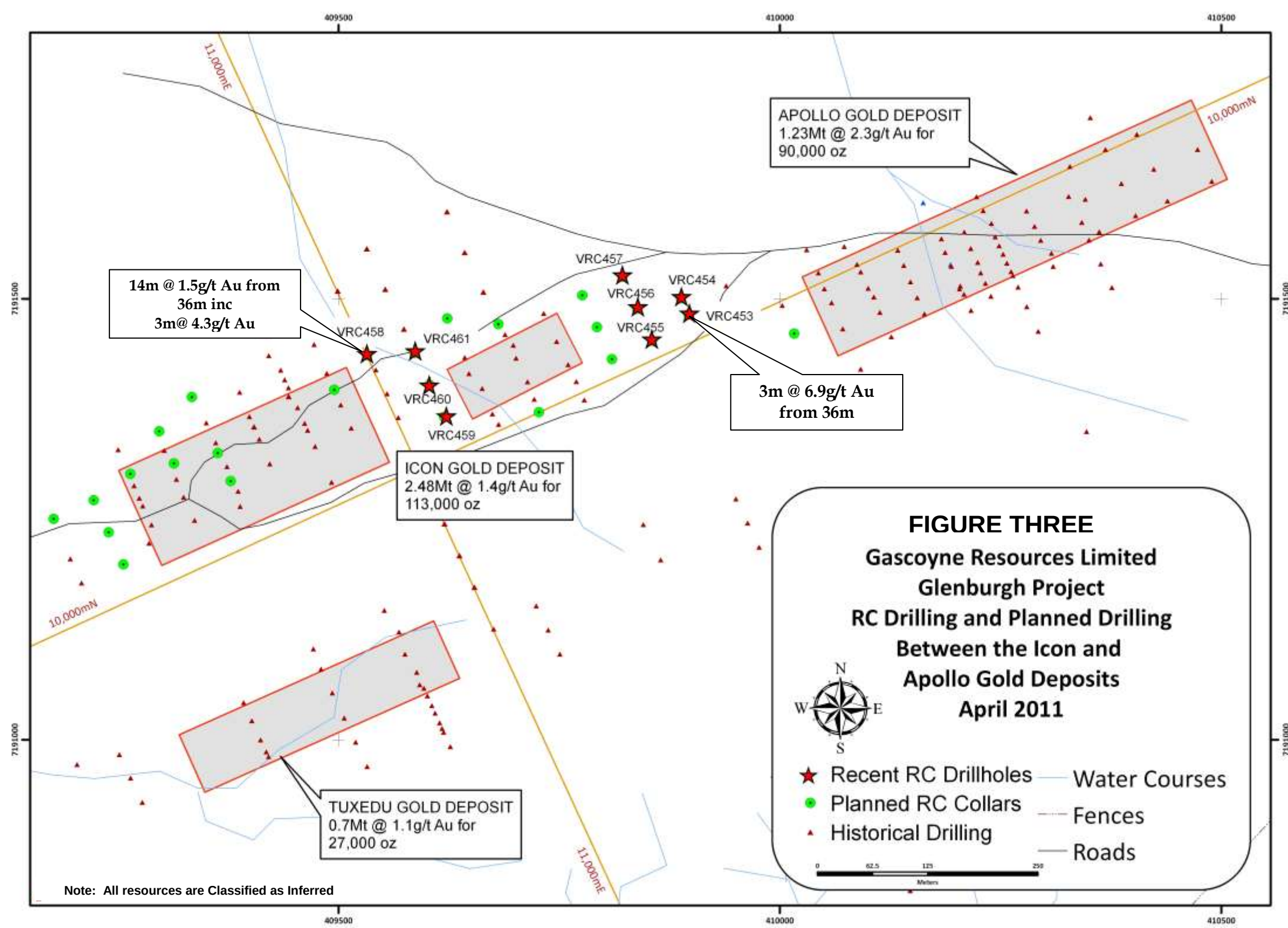
Gascoyne Resources' immediate focus is to continue the evaluation of the Glenburgh gold deposits to delineate meaningful increases in the resource base and to identify and test additional targets in the Glenburgh mineralised system and to explore for additional gold resources on the exploration properties. Success in these activities could lead to the development of a gold project based on the Glenburgh gold deposits.

Competent Persons Statements

The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by the company's Managing Director Mr M Dunbar who is 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.







Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Gascoyne Resources Limited

ABN

57 139 522 900

Quarter ended ("current quarter")

31 March 2011

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(474) (155)	(1,504) (340)
1.3	Dividends received	37	140
1.4	Interest and other items of a similar nature received		
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (Stamp Duty)	-	(282)
	Net Operating Cash Flows	(592)	(1,986)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(23)	(63)
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	(23)	(63)
1.13	Total operating and investing cash flows (carried forward)	(615)	(2,049)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(615)	(2,049)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (Share issue costs)		
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(615)	(2,049)
1.20	Cash at beginning of quarter/year to date	2,946	4,380
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,331	2,331

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	56
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25	Explanation necessary for an understanding of the transactions
	Director fees

Non-cash financing and investing activities

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	710
4.2 Development	
4.3 Production	
4.4 Administration	160
Total	870

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	331	946
5.2 Deposits at call	2,000	2,000
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,331	2,946

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased	E20/0773 E47/2483 E09/1865 E09/1866 E15/1297	Application Application Application Application Application	0% 0% 0% 0% 0%
				100% 100% 100% 100% 100%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	*Ordinary securities	61,149,600	53,126,898	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.5	+Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	2,700,000	Nil	<i>Exercise price</i> \$0.25	<i>Expiry date</i> 30 November 2011
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 4\)](#).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
Company secretary

Date: 29 April 2011

Print name: Eva O'Malley

+ See chapter 19 for defined terms.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.