

GASCOYNE RESOURCES LIMITED

ABN 57 139 522 900

FINANCIAL REPORT 30 JUNE 2012

Contents

Chairman's Review.....	- 2 -
Review of Operations.....	- 3 -
Corporate Governance Statement.....	- 15 -
Directors' Report	- 19 -
Auditor's Independence Declaration.....	- 25 -
Independent Auditor's Report	- 26 -
Directors' Declaration	- 29 -
Statement of Financial Position.....	- 30 -
Statement of Comprehensive Income.....	- 31 -
Statement of Cash Flows.....	- 32 -
Statement of Changes in Equity	- 33 -
Notes to the Financial Statements	- 34 -
Tenement Schedule	- 55 -
Corporate Directory	- 57 -

Chairman's Review

Dear Fellow Shareholder,

During the year we have seen significant progress on the Company's exploration projects, in particular at the company's 100% owned Glenburgh Gold Project, which remains the priority for the company, and where we have continued to make significant steps towards a potential development. A Scoping Study was completed during the year, which indicated that, with additional resource growth, an economic project could be developed. As a result of the Scoping Study outcomes and successful exploration and extensional drilling in late 2011, a Feasibility Study was commenced on the project and is scheduled for completion in February 2013.

With the additional drilling at Glenburgh completed in 2011, an updated resource estimate was completed in February of 2012. This resulted in a further resource increase to 703,000 ounces of contained gold; which represents an increase of 500,000 ounces in the last 18 months. Importantly this resource does not include results from 2012 field activities which include a major, ongoing 40,000 metre drill program.

In addition to the resource growth, significant progress has been made on other feasibility related activities including metallurgy, geotechnical, hydro geological, environmental baseline studies and permitting.

A number of other tenements have also been granted in the Murchison, Pilbara and Higginsville regions of Western Australia. These new projects have the potential to add significantly to the Company's future, while also providing some geographical diversification of our gold and base metal assets within Australia. Additionally, a number of potential projects have been assessed to see if they fit into the Company's growth strategies, and this assessment process has resulted in the announcement subsequent to year end, (refer ASX release dated 6 August 2012), that the company has entered into agreements to purchase 80% of the 380,000 ounce Dagaranga gold project and 850km² of surrounding tenements.

I would like to draw your attention to the Review of Operations which discusses our Mineral assets in detail and encourage you to visit our website at www.gascoyneresources.com.au for the latest information regarding our activities.

On behalf of all shareholders I would like to thank the exploration team for their efforts in what has been a highly productive and successful year for Gascoyne.

The Company looks forward to the coming year's exploration programs as we work towards a potential development decision at Glenburgh and I look forward to your attendance at the forthcoming Annual General Meeting.

Yours faithfully



Graham Riley
Chairman

Review of Operations

Gascoyne Resources Limited ("Gascoyne Resources" or "the Company") is a mineral exploration and development company with an experienced Board and Management team aiming to create shareholder wealth from its mineral assets, as well as examining new opportunities to add to the value proposition for our shareholders. The immediate priority remains on building on the gold resources at the Glenburgh Project using drilling to delineate meaningful extensions to the known deposits as well as carefully planned and executed exploration programs to delineate new gold deposits and hence add to the resource base. A Feasibility Study on the Glenburgh Gold Project is scheduled for completion in February 2013.

During the year a number of targeted drilling programs have been completed at Glenburgh, which have resulted in the discovery of a high grade plunging shoot of mineralization below the Zone 126 deposit as well as a very significant increase in the Indicated and Inferred resource at the Glenburgh project, to a total of 703,000 ounces of contained gold, which equates to an increase of 500,000 ounces in the last 18 months, see Table 1 for resource breakdown.

The Company holds exploration licenses and applications totaling approximately 2,350km² in the Gascoyne Province of Western Australia (see Figure 1). First pass exploration activities have been undertaken at all of the exploration projects to define target areas and in the case of the Bassit Bore project initial drill testing of the Harrier prospect that was identified from rock chip and soil sampling programs has been completed.

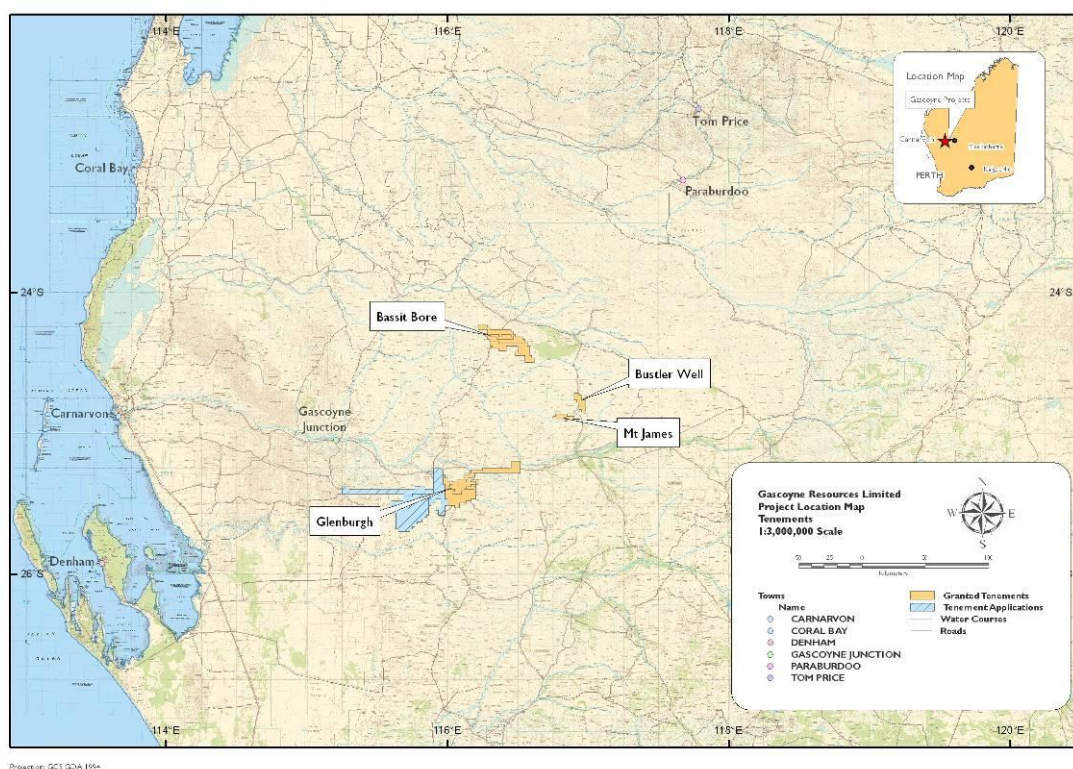


Figure 1: Gascoyne Resources, Gascoyne Province Tenement Locations

GLENBURGH GOLD PROJECT – WESTERN AUSTRALIA

Gascoyne Resources Limited 100%

EL 09/1325, 09/1764, 09/1865, 1866, ELA 09/1946, 1947 & 1988, PL09/471-474 and MLA09/148

Project Summary

1800km² tenement area located in the Southern Gascoyne region of WA

Indicated and Inferred JORC Resource of 17.4Mt @ 1.3 g/t for 703,000oz Au – (February 2012)

Project Background

The Glenburgh gold project is situated in the Southern Gascoyne Province of WA ~ 250km east of Carnarvon. The project consists of a gold mineralised shear system hosted in interpreted remnants of Archaean terrain in a Proterozoic mobile belt. Glenburgh was a grass roots discovery by Helix Resources Ltd from regional stream sampling in the 1990's. It has now progressed to be considered a Pre-Development project.

Resources

The Indicated and Inferred mineral resource for the project stands at **17.4Mt @ 1.3 g/t Au for 703,000 ounces** (see Table 1 for resource classification). This resource was estimated in February 2012 and includes drilling conducted by Gascoyne Resources up to December 2011. However it excludes exploration completed during 2012 from a major, ongoing 40,000 metre drill program, which commenced in late February 2012 designed to extend the known gold resources as well as to increase the confidence in the current resource base to underpin the current feasibility study.

See Figure 2 for the deposit locations and target overview.

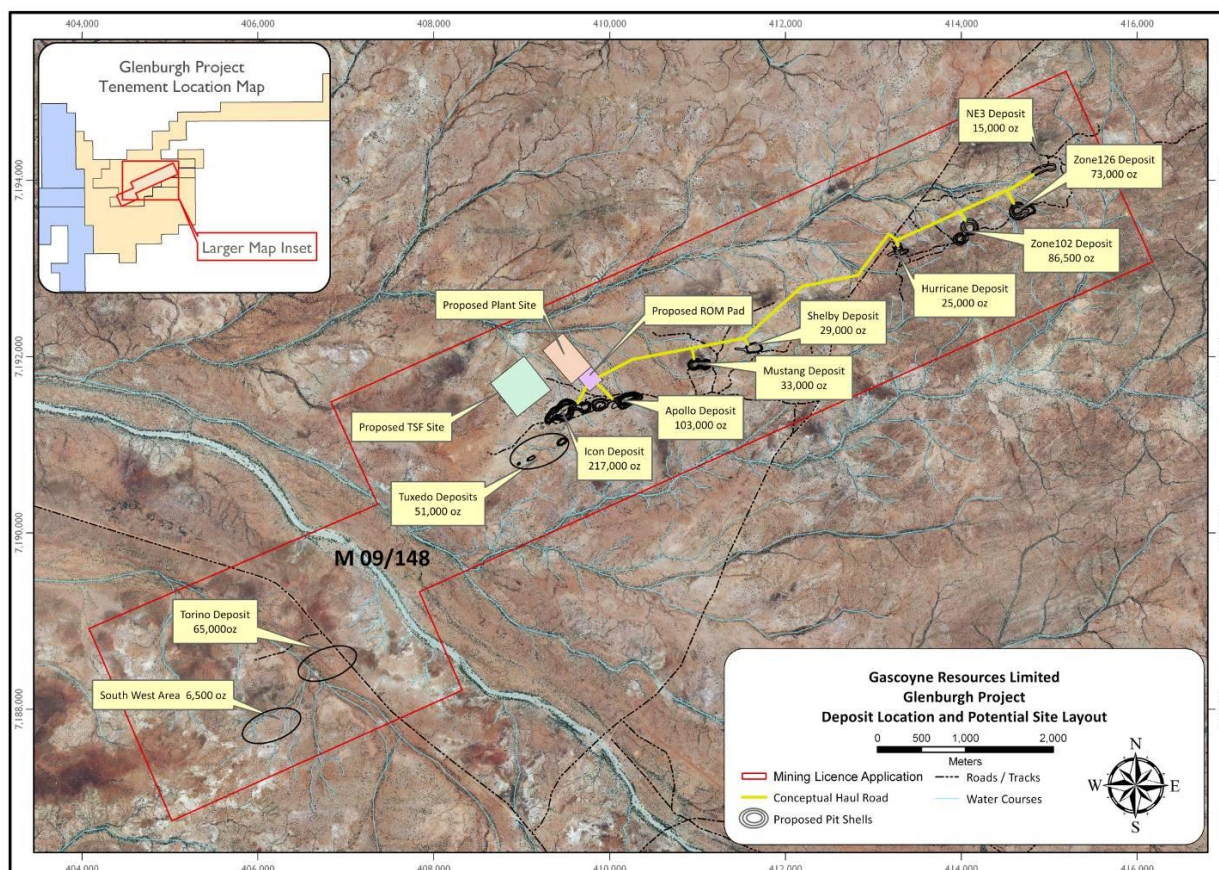


Figure 2: Glenburgh Project, Deposit Locations and Target Overview

Glenburgh February 2012 Mineral Resource									
Area	Indicated			Inferred			Total		
	Tonnes Mt	Au g/t	Au Ounces	Tonnes Mt	Au g/t	Au Ounces	Tonnes Mt	Au g/t	Au Ounces
Icon	0.8	1.3	33,500	5.6	1.0	183,200	6.4	1.1	216,700
Apollo	0.6	2.0	37,600	1.6	1.3	65,200	2.2	1.5	102,800
Tuxedo				1.8	0.9	50,900	1.8	0.9	50,900
Mustang				1.1	0.9	32,700	1.1	0.9	32,700
Shelby				0.9	1.0	29,300	0.9	1.0	29,300
Hurricane				0.6	1.3	24,800	0.6	1.3	24,800
Zone 102				1.5	1.8	86,500	1.5	1.8	86,500
Zone 126	0.2	4.5	32,300	0.8	1.6	40,500	1.0	2.2	72,800
NE3				0.5	0.9	15,000	0.5	0.9	15,000
Torino				1.3	1.5	65,000	1.3	1.5	65,000
SW Area				0.1	3.8	6,200	0.1	3.8	6,200
Total	1.6	2.0	103,500	15.8	1.2	600,000	17.4	1.3	703,000

Note: Discrepancies in totals are as a result of rounding.

Table 1: Summary of the Glenburgh Resource Estimate

Project Studies

A Scoping Study on the development options for the Glenburgh Project based on the August 2011 resource of 13.8Mt @ 1.2 g/t for 520,000 ounces, was completed in November 2011. The Study concluded that with additional exploration and resource growth, the project could support an economic project development. The Study was completed by Linton Putland and Associates as well as a number of other independent consultants and investigated several development options, including CIL / CIP treatment with diesel or gas fired power as well as a potential heap leach operation. The preferred path forward is for a 1.2mtpa CIL / CIP processing plant with gas fired power station. Following pit optimisation work, an open pit mining inventory of 6.2Mt @ 1.55 g/t gold *(at 0.7g/t gold cut-off) was used as the basis of the financial modelling, which showed that while the project is sensitive to gold price, a positive pre tax operating cash flow of between \$90 million and \$200 million could be achieved from the project at gold prices of between \$1,400 and \$1,800 oz gold price, from a 6 year open cut operation * (see Figure 3 and Table 2).

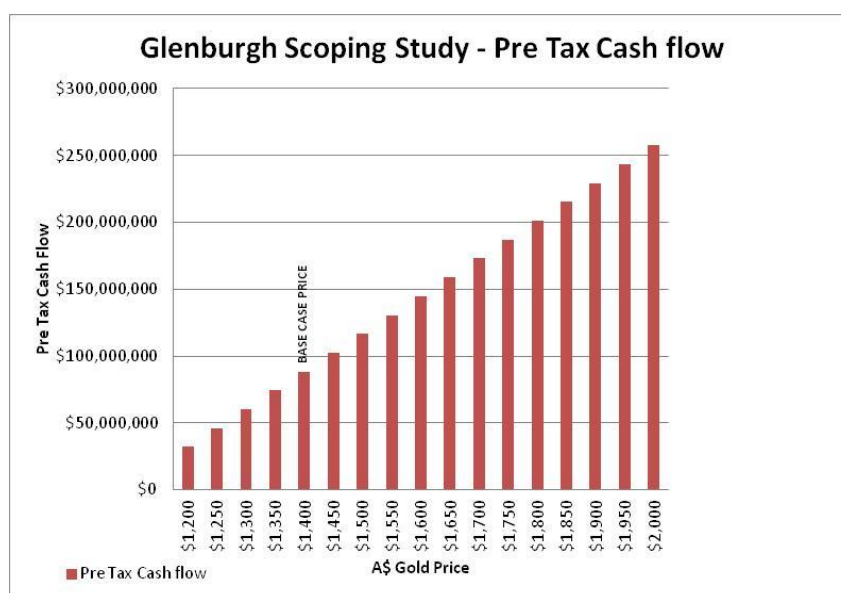


Figure 3: Glenburgh Scoping Study – Pre Tax Cash Flow Changes with Gold Price

Gascoyne Resources Limited Financial Report 2012

Gold Price (A\$ / oz)	Pre Tax Operating Cash Flow	Revenue (\$ M)	IRR	CAPEX	Payback (months)	NPV _{8%}
CIL/CIP gas power \$1400 (base case)	\$88 M	\$408	38%	\$53 M	30	\$53 M
CIL/CIP gas power \$1600	\$145 M	\$466	64%	\$53 M	27	\$97 M
CIL/CIP gas power \$1800	\$201 M	\$525	92%	\$53 M	24	\$141 M

Table 2: Summary of Glenburgh Scoping Study Financial Model

Disclaimer:

* The Glenburgh resource used in the Scoping Study was classified as Inferred and as a result, is not sufficiently defined to allow conversion to an ore reserve; the financial analysis in the Study is conceptual in nature and should not be used as a guide for investment. It is uncertain if additional exploration will allow conversion of the Inferred resource to a higher confidence resource (Indicated or Measured) and hence if a reserve could be determined for the project in the future.

With the Scoping Study suggesting that a project development would be economic, a Feasibility Study has commenced on the project.

The Feasibility Study is expected to be completed in late 2012 or early 2013. As part of the Study the following technical aspects are being assessed:

- 1 Resource confidence, with infill drilling and additional extensional drilling underway
- 2 Mining studies, including geotechnical assessment of the potential open pits
- 3 Metallurgy, the Scoping Study showed excellent recoveries of over 95% through a "standard" flow sheet
- 4 Process flow design and engineering
- 5 Hydro geology, process water exploration has been undertaken with assessment of the targets underway
- 6 Permitting and environmental baseline studies
- 7 Financial assessment and modelling

Exploration Update

During the last 12 months, a total of 317 drill holes have been completed on the Glenburgh project for approximately 33,413 metres of RC, Diamond and Aircore drilling.

This has been a substantial investment by the Company, however the commitment to drilling has proved extremely successful with 500,000 resource ounces added in the last 18 months and a discovery cost of \$7.18 per resource ounce since the company was listed on the ASX.

The commitment to continue to aggressively explore and test new targets remains, with approximately 150 drill holes planned for the first half of the 2012 – 2013 year.

Exploration and infill drilling has been undertaken at the following deposits:

ICON, APOLLO, TUXEDO and ZONE 102 DEPOSITS

During the year, a significant infill and extensional drilling program has been undertaken. The aim of the program was to add to the confidence in the resource to allow conversion from the current Inferred resource to Indicated or Measured, to enable the calculation of a reserve to underpin a project development. In general the results of the infill drilling have either matched or exceeded the expected grades and widths of mineralisation that was expected from the resource model. Results from the 2012 drilling yet to be included in the resource include:

Apollo

- 7m @ 5.6 g/t gold (VRC619)
- 31m @ 3.8 g/t gold (VRC622)
- 3m @ 10.1g/t gold (VRC628)
- 20m @ 2.7 g/t gold including 3m @ 11.5 g/t gold (VRC630)
- 10m @ 3.6 g/t gold including 3m @ 10.4 g/t gold (VRC632)

Icon

- 28m @ 3.1 g/t gold (GBD021)
- 7m @ 5.2 g/t gold (GBD021)
- 10m @ 8.6 g/t gold including 3m @ 25.8 g/t gold (VRC659)
- 30m @ 3.6 g/t gold including 9m @ 10.3 g/t gold (VRC668)
- 3m @ 5.1 g/t gold (VRC662)
- 9m @ 4.8 g/t gold (VRC673)
- 6m @ 5.9 g/t gold (VRC678)

Zone 102

- 12 @ 2.5 g/t gold inc 5m @ 5.1 g/t gold (VRC710)
- 13m @ 2.1 g/t gold (VRC724)
- 3m @ 7.5 g/t gold (VRC720)

Tuxedo

- 11m @ 3.5 g/t gold including 5m @ 7.0 g/t gold (VRC760)
- 5m @ 3.9 g/t gold including 1m @ 14.6 g/t gold (VRC761)
- 3m @ 4.8 g/t gold (VRC767)

These results are being included in an updated resource model which is expected to be completed in September 2012. Figure 3 shows a cross section through Icon deposit and Figure 4 a cross section through the Apollo deposit.

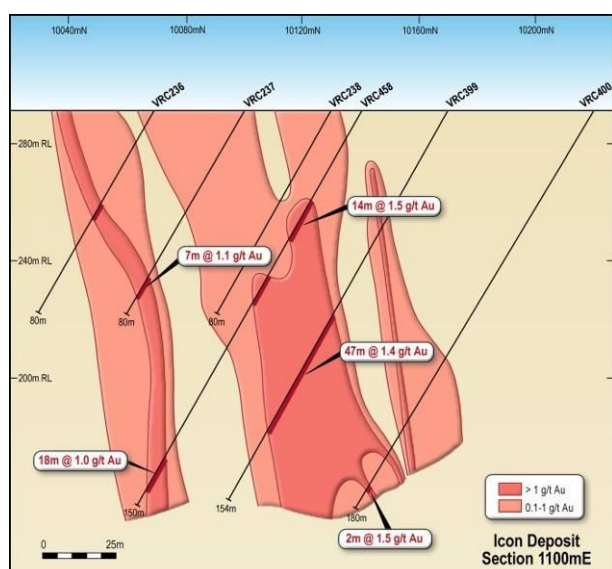


Figure 3: Cross Section through the Icon Deposit (11670mE)

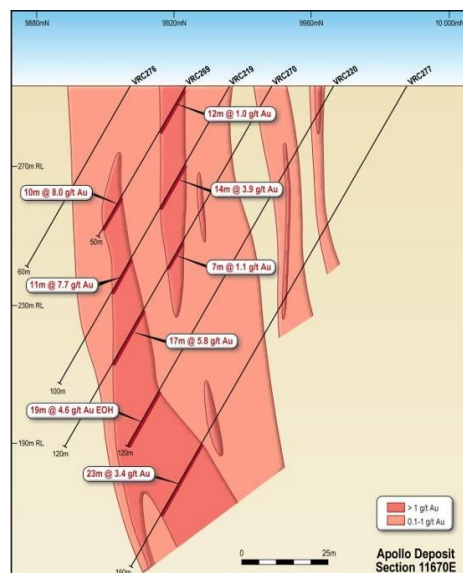


Figure 4: Cross Section through the Apollo Deposit (11000mE)

ZONE 126 DEPOSIT

A very significant infill and extensional drilling program has been completed at the Zone 126 deposit in several phases over the last 12 months. As a result, a south west plunging shoot of high grade gold mineralisation has been identified. The deposit outcrops, with a surface expression of approximately 120m long and 30m wide. It has now been drilled down plunge approximately 450m to a vertical depth of around 300m vertically (see Figure 5 and 6). The drilling results have been outstanding with some very high grades (up to 69 g/t gold) being intersected. While the resource has not been re estimated with the 2012 deep diamond drilling included, it is expected that the grade of the deposit will increase and the overall contained ounces will also increase significantly. The 2012 results include:

- 2m @ 41.6 g/t gold (GBD011)
- 4m @ 15.1 g/t gold (GBD011)
- 14m @ 5.9 g/t gold inc 6m @ 12.2 g/t gold (GBD012)
- 1.65m @ 7.0 g/t gold (GBD012)
- 6m @ 6.9 g/t gold (GBD010)
- 13m @ 5.7 g/t gold (GBD014)
- 2.5m @ 27 g/t gold (GBD014)
- 8m @ 6.1 g/t gold, including 4m @ 11.6 g/t gold (GBD016)
- 4m @ 11.7 g/t gold (GBD013)

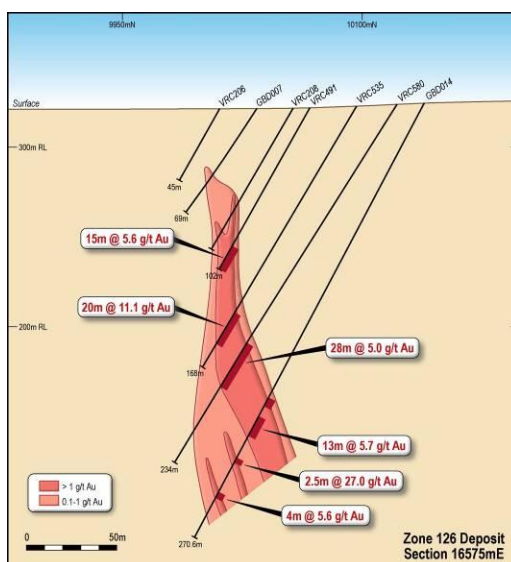


Figure 5: Cross Section through the Zone 126 Deposit (16575mE)

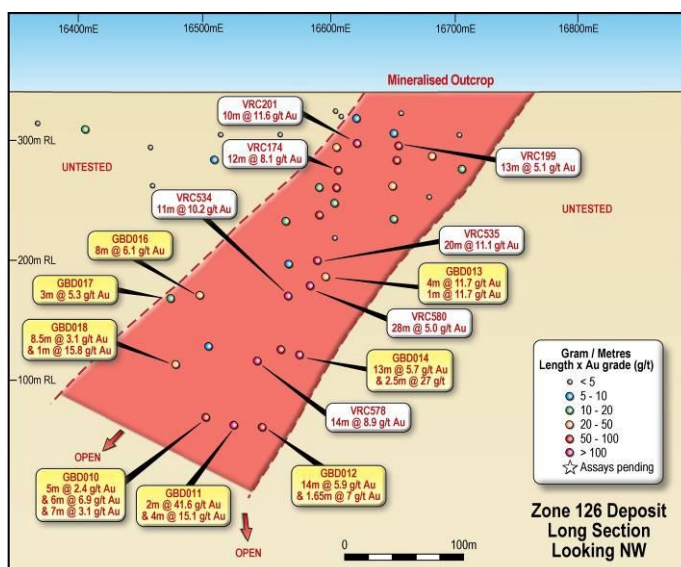


Figure 6: Cross Section through the Zone 126 Deposit (16575mE)

TORINO PROSPECT / SOUTH WEST TARGET AREA

The south western extension of the Glenburgh Shear zone has been considered to be prospective for gold for some time; however until recently, drilling was only every undertaken on very wide spaced lines across the interpreted structure. This wide spaced drilling intersected some significant anomalous, including up to 4m @ 1.1 g/t gold in GLR206. During the last year, following the discovery of the Torino deposit, a significant amount of additional exploration has been undertaken to define the size of the Torino deposit and to further explore the strike potential of the system. To date two mineralised trends have been identified, each of which extend around 3,000m along strike and remain open along strike and at depth (see Figure 7). As a result of the aggressive exploration, an initial Inferred resource has been estimated for Torino comprising 1.3 Mt @ 1.5 g/t gold for 65,000 contained gold ounces.

The region remains open along strike to the south west as well as open at depth. Further exploration has been planned in the region for the next field season, with the aim to further extend the resources defined in the region as well as to explore for additional potential further to the south west.

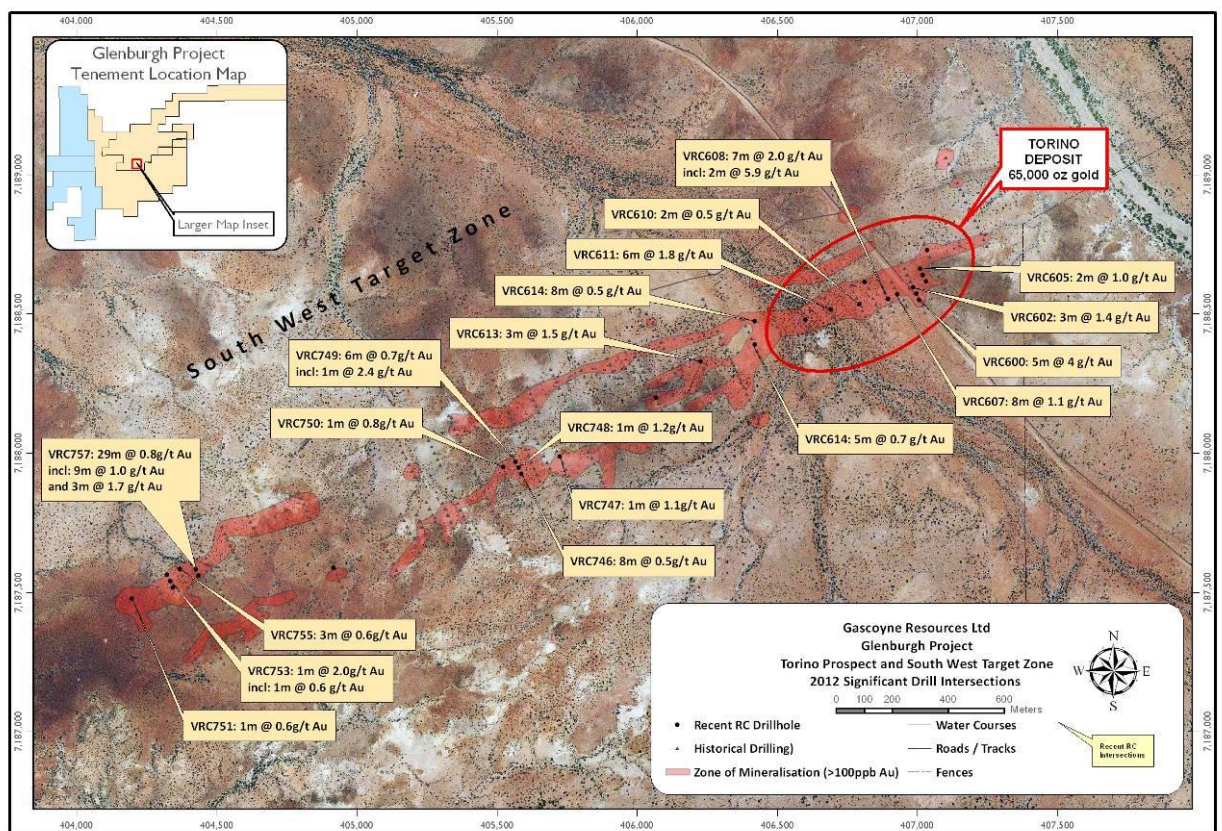


Figure 7: Torino Prospect and South West Target Drill Intersections

BASSIT BORE GOLD PROJECT - WESTERN AUSTRALIA

Gascoyne Resources Limited 100%

EL09/1088, 1750 & 1751 - 445km²

Project Background

Located approximately 120km north of Glenburgh and straddling the Dairy Creek to Cobra Road the central tenement of the Bassit Bore project, EL09/1088 hosts anomalous gold and copper geochemistry in stream sediments and in soils along a 15km long east west trend across the tenement. Surrounding this central tenement are two additional exploration licenses (E09/1750, 1751) that were granted during the year.

Previous Exploration

The central tenement covers an almost east west striking linear belt of the Morrissey Metamorphics, bounded to the north and south by granitic rocks of the Moorarie Supersuite. The schist belt at Bassit Bore is up to 3 kilometres wide, and generally steeply dipping. Aeromagnetic data shows this to be part of a splay fault off a regional shear system.

Extensive stream sediment and soil geochemistry was conducted in the area during the 1990's. This work delineated a 15 kilometre long, easterly trending zone of anomalous gold and copper. The results of this work are summarised in Figure 8.

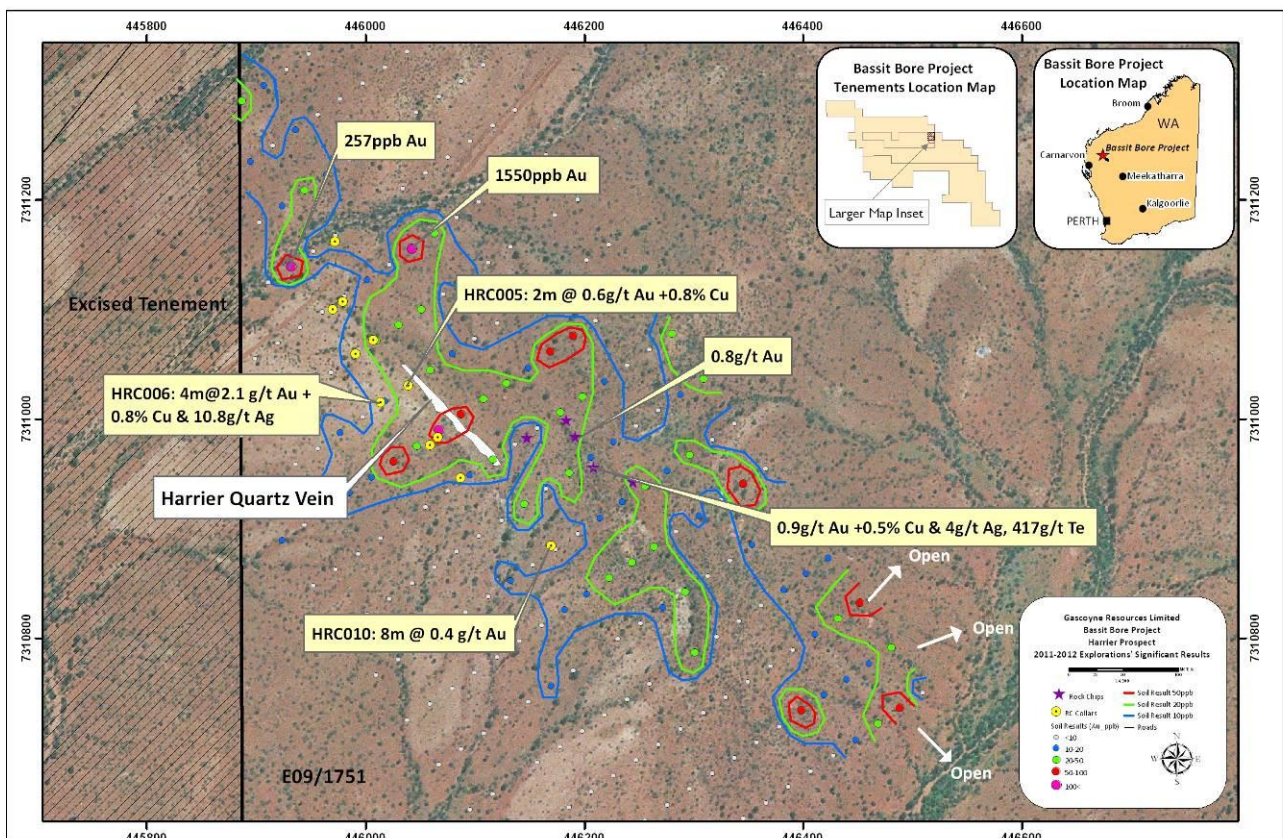


Figure 8: Harrier Prospect Location of Soil Sampling and Summary of Rock Chips and Drilling Results

Current Exploration

During the year initial drilling of the Harrier quartz vein system was undertaken. The potential of the vein was highlighted by very significant soil and rock chip sample results including grades in excess of 70 g/t gold from rock chip samples. A small RC drill program was undertaken as a first pass evaluation of the prospect. The drilling identified significant gold, copper, silver and tellurium results (see Figure 8).

Significant potential in the area remains with limited exploration having been undertaken. Further surface geochemical sampling has been planned and is expected to be undertaken in the coming year, with the aim to identify new exploration targets.

MT JAMES GOLD PROJECT—WESTERN AUSTRALIA

Gascoyne Resources Limited 100%

EL52/2343 - 46km²

Project Background

The Mt James project is located in the southern part of the Gascoyne Complex. It is 85 km north east of Glenburgh and approximately 75 km south of Mt Augustus to the west of the Landor-Mt Augustus Road. Gold mineralisation was identified at several locations in 1988 as a result of RAB drilling that followed up stream sediment and subsequent soil sampling. 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 @ 1.6 g/t gold and 4m @ 8 g/t gold. Similar results were returned at the Clever Mary Prospect 5km to the east.

The tenement area is underlain with quartz-mica schists with subordinate mafic schist and minor BIF/chert, gneiss and quartzite and granitoids in a similar setting to the Glenburgh gold deposits. North West trending shear directions are evident in the aeromagnetic data.

Previous Exploration

At the West Point grid area RAB drilling to a maximum depth of 40m was conducted on 14 lines across a 3km strike to test gold in soil anomalies. Subsequently 10 RC holes were drilled to a maximum hole length of 90m to evaluate some of the RAB drilling results. In 2007 a soil sampling program on 400m spaced lines with sample interval of 40m was conducted across the licence, excluding the western portion where transported soils and overburden preclude the usefulness of this technique. This program identified the previously recognised prospect areas and additionally a zone of enhanced and anomalous gold to the south of and sub-parallel to the West Point grid in an area of transported overburden. It also identified anomalous gold in soils at West Point that do not appear to have been subject to drilling.

Current Exploration

During the year the entire project was covered by a detailed aeromagnetic survey, while the data is still being processed, it is expected that this survey will identify new targets under the shallow transported cover that has until now masked the surface geochemistry for approximately 50% of the project.

Detailed interpretation of the magnetic data will be undertaken in the coming months, with the aim to identify new structural targets underneath the shallow transported cover.

BUSTLER WELL GOLD PROJECT—WESTERN AUSTRALIA

Gascoyne Resources Limited 100%

EL52/2348 - 71km²

Project Background

The Bustler Well project is located 65 kilometres south of Mt Augustus on the Landor-Mt Augustus Road, and only 15 km north east of the Mt James project in the southern part of the Gascoyne Complex. At a location referred to as the "Old Pit Area" minor historical gold workings based on quartz-veined schistose arkose were drilled in 1988 and 1989 with high grade gold values returned from surface and drill sampling. This provides the main exploration focus for the project.

Regional aeromagnetic data shows the Bustler Well project area to be located on a major regional shear system.

Previous Exploration

Sampling of the minor historical gold workings at the Old Pit Area returned assay results up to 81.1 g/t gold along with channel samples from pits returning numerous significant results including a channel sample result of 10m @ 2.6 g/t gold within a narrow quartz vein/shear. Subsequent RC drilling at the Old Pit Area returned several narrow high grade gold intersections including;

- 1m @ 37.4 g/t gold from 20 metres (BR1)
- 2m @ 9.1 g/t gold from 10 metres (BR2)
- 3m @ 7.6 g/t gold from 17 metres (BR3).
- 3m @ 7.2 g/t gold from 47 metres (BR15)
- 2m @ 4.3 g/t gold from 72 metres (BR15)

Gascoyne Resources Limited Financial Report 2012

The mineralised system is open to the south east.

Current Exploration

During the year the entire project was covered by a detailed aeromagnetic survey, while the data is still being processed, it is expected that this survey will identify new targets, which have not been identified from the previous geochemical surveys.

Detailed interpretation of the magnetic data will be undertaken in the coming months, with the aim to identify new structural targets, which will then be field checked and additional geochemical sampling undertaken to fully evaluate the prospects.

DALGARANGA GOLD PROJECT - WESTERN AUSTRALIA

Gascoyne Resources Limited 80%

EL59/1709, ELA 59/1772, 1883,1904,1905,1906 ELA 21/165, 173 & 174 - 850km²

Subsequent to the end of the 2011 – 2012 financial year (refer ASX announcement dated 6 August 2012), the company entered into an agreement to purchase 80% of the Dalgaranga gold project from a group of private tenement holders, who own the 380,000 ounce Dalgaranga gold project and 850km² of surrounding tenements.

Project Background

The Dalgaranga project is located approximately 70km by road NW of Mt Magnet in the Murchison gold mining region of Western Australia (Figure 9) and covers the majority of the Dalgaranga greenstone belt. After discovery in the early 1990's, the project was developed and from 1996 to 2000 Equigold NL in JV with Western Reefs NL produced 229,000 oz's of gold from primarily the Gilbeys deposit (4.4Mt @ 1.5 g/t gold) with reported cash costs of less than \$350/oz. A small amount of gold was also mined from gold-rich laterites at the Golden Wings-Vickers areas.

There has been very limited exploration conducted in the Dalgaranga Greenstone Belt in the last 12 or more years since mining ceased. Historic prospects nearby the Gilbeys deposit show excellent potential for discovery and resource growth. At the Golden Wings and Vickers prospect a number of significant high grade gold intersections occur below partly mined gold rich laterites. Results include 22m @ 6g/t gold (including 6m @ 19g/t gold) and 6m @ 10.2 g/t gold, however these results have not been followed up and are not included in the current resource. Additionally directly along strike of the Gilbeys open pit, the Gilbeys North prospect contains intersections up to 7m @ 10.8 g/t gold that have not been followed up and are yet to be included in the resource.

The tenements acquired are unencumbered by rehabilitation liabilities related to past mining activity, and the project provides an excellent opportunity for near-term production either on a standalone basis or as a satellite deposit supplying mill feed for existing or planned processing facilities in the resurgent Murchison Gold district.

Resources

The Indicated and Measured mineral resource for the project stands at **7.5Mt @ 1.58 g/t Au for 380,000 ounces** (see Table 3 for resource classification). This resource estimate has been sourced from Equigold NL annual reports, and other publicly available reports which have undergone a number of peer reviews by qualified consultants, that conclude that the resources comply with the JORC code and are suitable for public reporting.

Dalgaranga Deposits

Mineral Resource Estimate (0.7g/t Au Cut-off)

Deposit	Measured			Indicated			Total		
	Tonnes Mt	Au g/t	Au Ounces	Tonnes Mt	Au g/t	Au Ounces	Tonnes Mt	Au g/t	Au Ounces
Gilbeys	0.598	1.4	26,700	6.888	1.6	354,000	7.486	1.58	380,700
Golden Wings Laterite	0.039	0.8	1,000				0.039	0.8	1,000
Vickers Laterite	0.016	1.2	600				0.016	1.2	600
Total	0.653	1.3	28,300	6.888	1.6	354,000	7.541	1.58	382,300

Table 3: Summary of the Dalgaranga Resource Estimate

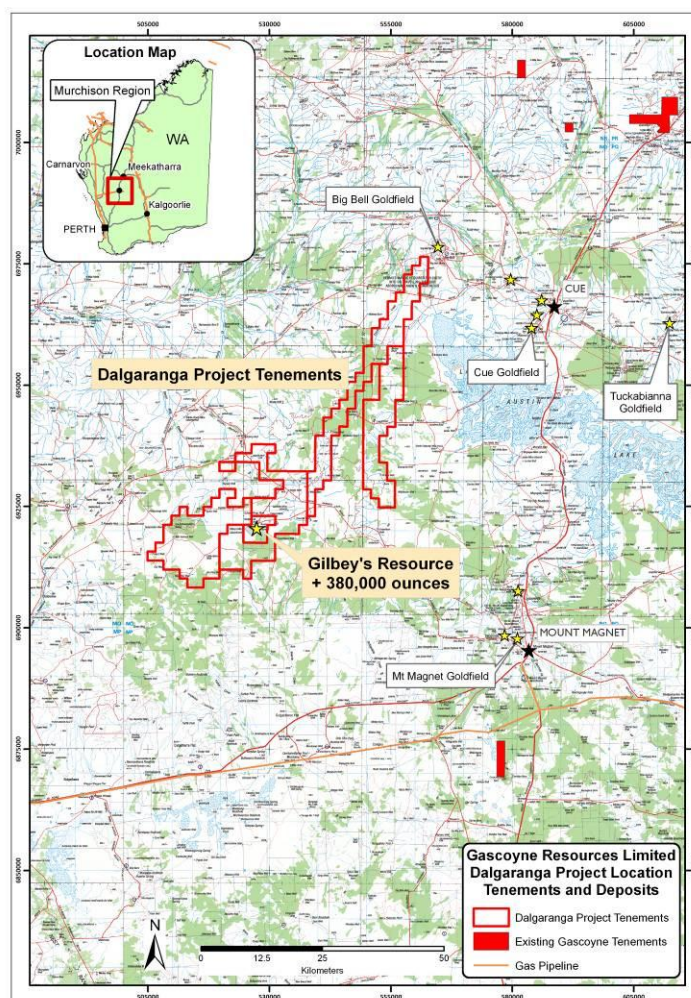


Figure 9: Dalgaranga Project Location

NEW PROJECTS—WESTERN AUSTRALIA

Gascoyne Resources Limited 100%

EL 51/1469, 51/1470, 15/1265, 15/1280, 15/1297, 20/759, 20/773, 58/0399, 59/1731, 47/2483, P15/5570-5573, ELA47/2620, ELA20/0799, PLA20/2209 and ELA70/4106 & 4399 - 1050km²

A number of tenement applications have been made in the Murchison, Pilbara, Higginsville and Mullewa regions of Western Australia. While the Gascoyne region remains the focus for the Company, these new projects have the potential to add significantly to the Company's future, while also providing some geographical diversification of our gold and base metal assets within Western Australia.

A brief outline of the targets is provided below:

- The Murchison Region: A total of six tenements have been granted in the Murchison region of Western Australia. The tenements extend from the northern end of the Big Bell greenstone belt in the north to the Ninghan region south of Paynes Find in the south. These tenements areas have been selected based on the underlying Archaean greenstone geology and are considered prospective for gold and a range of base metals.
- The Higginsville Region: A total of seven tenements have been granted in the area, which is located on the southern end of the Widgemooltha Dome. The area is considered to be prospective for gold and nickel, with operating gold and nickel mines within close proximity to the tenements. Of particular interest is the area around the Footes Find gold deposit which lies within one of the tenements. The deposit was mined in the late 1980's and early 1990's and trucked to the nearby Higginsville operation.

Gascoyne Resources Limited Financial Report 2012

- The Sherlock Bay Area: One tenement has been granted, which covers the strike extensions of the Sherlock Bay disseminated nickel sulphide deposit (25Mt @ 0.4% Ni for 101,300t of contained nickel). The tenement contains a number of reported historical nickel and copper occurrences that have not been fully evaluated.
- The Mullewa Region: Two tenements have been applied for which cover the interpreted northern extensions of the Irwin River Coal Measures, an area that has had very little historical exploration. The area is very close to the proposed Oakajee port and rail infrastructure, which if built could solve the infrastructure constraints that have, to date, limited the development of potential deposits in the region.

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.

Corporate Governance Statement

The Directors of Gascoyne Resources Limited believe that effective corporate governance improves company performance, enhances corporate social responsibility and benefits all stakeholders. Governance practices are not a static set of principles and the Company assesses its governance practices on an ongoing basis. Changes and improvements are made in a substance over form manner, which appropriately reflect the changing circumstances of the Company as it grows and evolves. Accordingly, the Board has established a number of practices and policies to ensure that these intentions are met and that all shareholders are fully informed about the affairs of the Company.

The Company has a corporate governance section on the website at www.gascoyneresources.com.au. The section includes details on the company's governance arrangements and copies of relevant policies and charters.

The Group complies with the Corporate Governance Principles and Recommendations with 2010 Amendments ("the ASX Principles"). For ease of comparison to the recommendations, the Corporate Governance statement addresses each of the 8 principles in turn. Where the Company has not followed a recommendation this is identified with the reasons for not following the recommendation. This disclosure is in accordance with ASX listing rule 4.10.3.

The following table outlines which of the ASX recommendations the Company has not complied with. Reasons for non-compliance are explained in this report.

ASX Recommendation	Description
2.1	A majority of the board should be independent directors
2.2	The Chair should be an independent Chair
2.4	The board should establish a separate nomination committee
3.2	The Company should establish a diversity policy and disclose the policy
3.3	The Company should disclose the measurable objectives for achieving gender diversity as set by the board and progress towards achieving them
4.1	The board should establish a separate audit committee
4.2	The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent director, who is not chair of the board • has at least 3 members
8.1	The board should establish a separate remuneration committee

PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT BY THE BOARD

The Board operates in accordance with broad principles set out in its Charter which is available from the corporate governance section of the Company's website.

Broadly the key responsibilities of the Board are:

1. Setting the strategic direction of the Company with management and monitoring management implementation of that strategy;
2. Evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions;
3. Approving the annual operating budget, annual shareholders report and annual financial accounts;
4. Appointing, monitoring, managing the performance of, and if necessary terminating the employment of the Managing Director;
5. Approving and monitoring the Company's risk management framework;
6. Ensuring compliance with the Corporations Act 2001, ASX listing rules and other relevant regulations.

All Directors and senior executives reporting to the Managing Director of the Company have been given formal letters of appointment outlining key terms and conditions of their appointment.

Performance evaluations for senior executives are carried out annually by either the Managing Director or the Board. Performance during the previous 12 months is assessed against relevant performance indicators, and role expectations and goals are set for the following year. Performance evaluations have been completed for all executives during the reporting period in accordance with approved processes.

Gascoyne Resources Limited Financial Report 2012

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Board Members

Details of Board members, their experience, expertise, qualifications, term in office and independence status are set-out in the Directors' Report. The Board comprises six members of which only Mr John den Dryver is considered to be independent within the ASX's definition. Accordingly, the Company did not comply with ASX recommendation 2.1 for the year as the majority of the Board were not independent Directors.

Mr Graham Riley, the Company's Chairman, is also a substantial shareholder. Accordingly, the Company did not comply with ASX recommendation 2.2 for the year as the Chair of the Company was not considered to be independent within the ASX's definition.

The Board charter is available from the Company's website. The Board has formalised various policies on securities trading, disclosure and codes of conduct, which assist in providing a stronger governance framework for the Company. These are in addition to the Company's requirements under the Corporations Act 2001 and ASX Listing Rules.

Board structure and composition will be reviewed as and when the Company's strategic directions and activities change. The Company will only recommend the appointment of additional Directors to your Board where it believes the expertise and value added outweighs the additional cost.

A copy of the Director Nomination and Induction Policy is available from the corporate governance section of the Company's website.

Nomination Committee

The Company does not comply with ASX recommendation 2.4 in that there was no separate nomination committee throughout the year. The current Board members carried out the roles that would otherwise be undertaken by a nomination committee and each Director excluded himself from matters in which he has a personal interest. A Nomination and Remuneration Committee was established by the Board subsequent to the end of the financial year.

Each Director completes an annual formal evaluation of the Board's performance including the Managing Director. The Chairman conducts an informal evaluation of the Board members at least once per annum.

Further information on the performance assessment process for the Board and senior executives can be found in the Directors' Report. Details of Director's attendance at board, audit committee and remuneration committee meetings are detailed in the Directors' Report.

A copy of the Nomination Committee Charter is available from the corporate governance section of the Company's website.

Independent Advice

A Director of the Company is entitled to seek independent professional advice (including but not limited to legal, accounting and financial advice) at the Company's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures and subject to the conditions set out in the Board's Charter.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

The Board has adopted a Code of Business Conduct. A copy of the Code is made available to all employees of the Company.

This code expresses certain basic principles that the Company and employees should follow in all dealings related to the Company. They should show the highest business integrity in their dealings with others, including preserving the confidentiality of other peoples' information and should conduct the Company's business in accordance with law and principles of good business practice.

A copy of the Code of Conduct is available from the corporate governance section of the company's website.

Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Group recognises the benefits arising from employee and board diversity. A draft Diversity Policy has been prepared and is undergoing review prior to Board approval. The Policy will be available on the Company's website when formally approved.

Measurable objectives for achieving gender diversity have not yet been set by the Board as the Diversity Policy has not yet been finalised and approved by the Board.

	2012	
	No.	%
Women on the Board	0	0
Women in senior management roles	2	67
Women employees in the company	3	27

Gascoyne Resources Limited Financial Report 2012

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Managing Director and Chief Financial Officer have made the following certifications to the Board;

- That the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards; and
- That the reports were founded on a sound system of financial risk management and internal compliance and control.

Audit Committee

The Company does not comply with ASX recommendations 4.1 and 4.2 in that there was no separate audit committee throughout the financial year, and it was not comprised only of non-executive Directors. The current Board members carried out the roles that would otherwise be undertaken by an audit committee. Subsequent to the end of the financial year the Board established an Audit Committee comprising only non-executive Directors.

The charter sets out the roles and responsibilities of the audit committee and contains information on the procedures for the selection and rotation of the external auditor. A full copy of the Audit Committee Charter is available from the corporate governance section of the Company's website.

The Board believes the audit committee structure is appropriate given the Company's size. The composition of the audit committee will be assessed on an ongoing basis in light of the Company's overall board structure and strategic direction.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Continuous Disclosure

The Board has a formal disclosure policy outlining procedures for compliance with ASX continuous disclosure requirements. The policy is based upon the Company's desire to promote fair markets, honest management and full and fair disclosure. The disclosure requirements must be complied with in accordance with their spirit, intention and purpose.

The purpose of the policy is to:

- summarise the Company's disclosure obligations;
- explain what type of information needs to be disclosed;
- identify who is responsible for disclosure; and
- explain how individuals at the Company can contribute.

The Company Secretary is responsible for ensuring disclosure of information to the ASX.

A copy of the Disclosure Policy is available from the corporate governance section of the Company's website.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Shareholder Communication Strategy

The Board has adopted a formal Shareholder Communication Guidelines Policy.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website. Procedures are in place to determine where price sensitive information has been inadvertently disclosed, and if so, this information is released to the ASX.

The external auditor attends the annual general meeting and is available to respond to questions about the conduct of the audit and content of the independent audit report.

A full copy of the Shareholder Communication Policy is available from the corporate governance section of the Company's website.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Risk assessment and management

The Company does not have a separate Risk Management committee. Given the size of the Company, the Directors believe there are no efficiencies in forming a separate committee and the Board as a whole performs this role.

The Company does not have a single specific risk management policy, but rather, financial and operating risks are addressed through individual approved policies and procedures covering financial, contract management, safety and environmental activities of the Company. In addition to financial audits, the Company's operations in Australia are subjected to annual Risk Management reviews in accordance with the relevant Risk Management Standard. The Company engages an insurance brokering firm as part of the Company's annual assessment of the coverage for insured assets and risks. The results of all the various reviews and insurances are reported to the Board at least annually.

Gascoyne Resources Limited Financial Report 2012

The integrity of Gascoyne Resource's financial reporting relies upon a sound system of risk management and control. Accordingly, the Managing Director and Chief Financial Officer, to ensure management accountability, are required to provide a statement in writing to the Board that the financial reports of Gascoyne Resources are based upon a sound risk management policy.

The Board believes that it has a thorough understanding of the Company's key risks and is managing them appropriately. A copy of the Company's Risk Management Committee Charter is available from the corporate governance section of the Company's website.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration committee

The Company did not comply with ASX recommendation 8.1 in that it had not established a separate remuneration committee and the Board as a whole performed this role. The Board of Directors reviews and approves recommendations in terms of compensation and incentive plan arrangements for directors and senior executives, having regard to market conditions and the performance of individuals and the group. Subsequent to the end of the financial year a separate nomination and remuneration committee was formed.

Remuneration Policies

The Company's remuneration policies are detailed in the Remuneration report in the Directors' Report.

Non-Executive Director Remuneration

Non-executive directors are remunerated by way of director's fees. Apart from compulsory superannuation entitlements, non-executive directors are not eligible to receive retirement benefits.

A copy of the Remuneration Policy is available from the corporate governance section of the Company's website.

Directors' Report

In respect of the financial year ended 30 June 2012, the Directors of Gascoyne Resources Limited, (the Group), submit the financial report. In order to comply with the provisions of the Corporations Act 2001, the Director's report as follows:

DIRECTORS

The following persons held office as Directors of Gascoyne Resources Limited during or since the end of the financial year and up to the date of this report:

Graham Riley B.Juris LLB

Non Executive Chairman - Appointed 19 October 2009

Mr Riley is a qualified legal practitioner, having gained his Bachelor of Laws and Bachelor of Jurisprudence Degrees. After 10 years legal practice as a partner of a commercial firm in Perth, he resigned to pursue private interests in the resources and exploration sector, where he continues to act in various non-executive capacities. Graham was the Non-Executive Chairman of Giralia Resources NL and Red Hill Iron Limited and a Director of Adelphi Energy NL prior to their takeovers. He was also a Director of Arc Energy Limited. He is currently the Non-Executive Chairman of Buru Energy Limited and Entek Energy Limited and sits as a Non-Executive on the board of Target Energy Limited.

Mike Dunbar BSc, P Grad Dip (economic geology), MAusIMM

Managing Director - Appointed 31 March 2011

Mr Mike Dunbar is a geologist with over 17 years experience in exploration, resource development and mining projects, both within Australia and overseas. Mike has been active in exploring and developing a broad range of deposit styles and commodities from Nickel Sulphide deposit development, Archaen and Proterozoic Gold, IOCG copper and gold deposits and sandstone hosted uranium deposits.

Mike was involved in the discovery, delineation and development of the +2Moz Thunderbox gold deposit, the discovery and delineation of the Waterloo and Amorac Nickel Sulphide deposits in Western Australia, the delineation of the Munali Nickel Sulphide deposit, the Mirabella Nickel Sulphide deposit, the IOCG - Cloncurry Copper, Gold, Cobalt, Magnetite as well as a number of smaller deposits. Mike's experience includes 4 years with Eagle Mining NL, 6 years with LionOre (now Norilsk Nickel) and 6 years with the Mitchell River group of companies including Albion Limited, Mirabela Nickel, African Energy, Sally Malay Mining (now Panoramic) and Exco Resources.

Stan Macdonald

Non Executive Director - Appointed 20 April 2011

Mr Macdonald has been associated with the mining and exploration industry for many years, having been instrumental in the formation of numerous ASX listed companies, including Giralia Resources NL, where he was a Director for over 20 years. Mr Macdonald is Director of Zenith Minerals Limited and Avocet Resources Ltd (previously U308 Limited).

Mike Joyce BSc (Hons), MSc, MAusIMM

Non Executive Director - Appointed 20 April 2011

Mr Joyce is a geologist with around 30 years experience in mineral exploration, following graduation in 1979 with a BSc (Hons) degree from Monash University. He also holds a MSc from the Royal School of Mines, University of London, UK. He was the leader of a successful gold exploration team at Aberfoyle Resources Ltd responsible for significant gold discoveries at Khartoum (Carosue Dam) and Davyhurst in Western Australia prior to joining Giralia Resources NL initially as the Exploration Manager and then as Managing Director. Mr Joyce is also a Director of Zenith Minerals Limited.

Gordon Dunbar BSc (Hons), MSc, FAusIMM, FAIG

Non Executive Director - Appointed 31 March 2011

Managing Director - Appointed 25 September 2009, Resigned 31 March 2011

Mr Dunbar is a consulting geologist with 40 years experience in the Australian minerals industry managing project development, mineral exploration and evaluation programs, mine geology, financial studies, production assessment and monitoring joint venture projects. Gordon's experience includes exploration and mining geology roles at Kambalda with WMC, the evaluation of the Golden Grove base metal deposit in WA, the Chief Geologist at Rosebery Mine in Tasmania and management roles with BP Australia undertaking financial studies, monitoring the evaluation of the Olympic Dam deposit and as Exploration Manager for BP Minerals.

Gordon formed his own consulting group in 1990 to provide advice on exploration, evaluation, mining geology, project assessment and pre-feasibility studies, particularly those involving gold, base metals and nickel. He has worked on projects within Australia and Internationally. Mr Dunbar is a Non-Executive Director of Helix Resources Limited and Rubianna Resources Limited.

Gascoyne Resources Limited Financial Report 2012

John den Dryver BE (Mining) MSc FAusIMM (CP)

Non-Executive Director - Appointed 25 September 2009

Mr den Dryver is a mining engineer with over 30 years mining experience in operational and corporate management. John joined Mount Isa Mines in 1973. In 1982, John joined North Flinders Mines as the Company Mining Engineer. He became the Operations Manager for North Flinders after the mine was commissioned in 1986 and over the next 10 years managed the operations as well as developing the further discoveries in this region including the Callie Mine. In 1987 he was invited to join the Board of North Flinders to become Executive Director-Operations. In 1997 after Normandy Mining took over North Flinders, John was appointed Executive General Manager-Technical leading a team of specialist geologists, mining engineers and metallurgists in operational support, technical review and due-diligence activities. In 2003, after the takeover of Normandy by Newmont Corporation, John set up his own mining consultancy business. Mr den Dryver is a Director of Adelaide Resources Limited, Centrex Metals Limited and Helix Resources Limited.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by Directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
John den Dryver	Adelaide Resources Limited	18 April 2005 – current
	Centrex Metals Limited	1 March 2011 - current
	Helix Resources Limited	25 October 2004 - current
Gordon Dunbar	Helix Resources Limited	18 July 2006 – current
	Rubianna Resources Limited	13 September 2011 - current
Mike Joyce	Giralia Resources NL	10 May 2000 - 2 March 2011
	Pacmag Metals Limited	18 November 2005 – 31 October 2010
	Zenith Minerals Limited	6 December 2006 - current
Stan Macdonald	Carpentaria Exploration Limited	10 April 2007 – 3 February 2012
	Giralia Resources NL	12 April 1991 - 2 March 2011
	Avocet Resources Limited (previously U308 Limited)	6 October 2005 - current
	Zenith Minerals Limited	24 April 2006 - current
Graham Riley	Adelphi Energy NL	10 January 2005 – 16 July 2010
	Buru Energy NL	22 May 2008 – current
	Entek Energy Limited	1 February 2011 - current
	Giralia Resources NL	30 June 1998 – 2 March 2011
Michael Dunbar	Target Energy Limited	1 January 2011 – current
	None	

COMPANY SECRETARY

Eva O'Malley B.Com, CA, ACSA, ICSA

Ms O'Malley was appointed to the position of Company Secretary on 12th January 2011. She has extensive experience in managing the financial obligations of ASX listed corporations across a diverse range of industries.

PRINCIPAL ACTIVITIES

The principal activity of the Group constituted by Gascoyne Resources Limited and the entities it controlled during the period consisted of gold and base metal mineral exploration. There has been no significant change in the nature of these activities during the year.

FINANCIAL RESULTS

The net consolidated loss of the Group for the financial period, after provision for income tax was \$1,109,772 (2011: \$382,347).

DIVIDENDS

No dividend has been paid or is recommended for the current period.

REVIEW OF OPERATIONS

The Group's activities are contained in releases to the ASX on a quarterly basis and contained on our website at www.gascoyneresources.com.au.

The Company's strategy continues to be corporate and geological expertise to target and secure mineral assets, and then create and extract value for the benefit of our shareholders.

Mineral Asset Project Highlights include:-

The summary of the years activities is contained in the review of operations above.

The year has been an extremely busy one with significant progress towards development having been made. The most significant highlight was the inclusion of the 2011 drilling into an updated resource estimate that was completed in February 2012. As a result of the additional drilling the Indicated and Inferred resource now stands at 17.4Mt @ 1.3 g/t gold for 703,000 ounces of contained gold. This represents an increase of 500,000 ounces since the company listed on the Australian Stock Exchange in December of 2009.

Subsequent to the end of year, another significant step was made by the company with the purchase of 80% of the Dalgara gold project, which contains 380,000 ounces of gold and 850km² of surrounding exploration tenements.

Gascoyne Resources Limited Financial Report 2012

Corporate

The Group has no debt and has cash at bank of \$5,788,995 (2011: \$4,956,851).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Group issued 2,700,000 ordinary shares during November 2011 upon the exercise of 2,700,000 employee options at 25 cents each to raise \$675,000.

The Group issued 10,000,000 ordinary shares on 11 April 2012 at 21 cents each to raise \$2,100,000 under a private placement. This was followed by a rights issue whereby shareholders were offered 1 share for every 5 existing shares held at 20 cents each. The rights issue was fully subscribed and 22,769,920 ordinary shares were issued on 16 May 2012 to raise \$4,553,984.

In the opinion of the Directors, other than disclosed elsewhere in this Report, there were no significant changes in the state of affairs of the Group that occurred during the period under review.

SUBSEQUENT EVENTS

On 6 August 2012 the Group entered into a binding agreement to purchase the Dalgaranga gold project and surrounding exploration tenements from private tenement holders. The Group will acquire an 80% interest in the Dalgaranga gold project by issuing a total of 7 million Gascoyne Resources Limited fully paid ordinary shares and a cash payment of \$150,000 upon formal documentation. Gascoyne may move to 100% ownership of the project at development should the vendors elect to exchange their 20% interest for a 2% net smelter return royalty.

The Directors are not aware of any other matter or circumstance that has arisen since the end of the financial year 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.

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

MEETINGS OF DIRECTORS

The number of meetings held during the year by Company Directors (including meetings of committees of Directors) and the number of those meetings attended by each Director was:

	Board of Directors' Meetings	
	Entitled to Attend	Attended
G Riley	4	4
M Dunbar	4	4
J den Dryver	4	4
G Dunbar	4	4
M Joyce	4	4
S Macdonald	4	4

Gascoyne Resources Limited Financial Report 2012

DIRECTORS SHARE AND OPTION HOLDINGS

Director	*Fully Paid Ordinary Shares	*Staff Options
G Riley	14,073,071	-
M Dunbar	1,650,000	1,800,000
J den Dryver	240,000	-
G Dunbar	1,063,655	-
M Joyce	8,906,392	-
S Macdonald	14,565,455	-

* Directors' interests in ordinary shares and options of the Company are shown at the date of this Directors' Report.

UNISSUED SHARES UNDER OPTION

Unissued ordinary shares of the Group under option at the date of this report are:

Options Series	No.	Expiry Date	Exercise Price \$
Issued 15 Sep 2011	1,000,000	31/08/14	\$0.40
Issued 16 Nov 2011	1,800,000	16/11/13	\$0.40
	2,800,000		

All options expire on the earlier of their expiry date or within 30 days of termination of the employee's employment. These options do not entitle the holder to participate in any share issue of the Company.

REMUNERATION REPORT (AUDITED)

The Directors of the Group present the Remuneration Report for non-executive directors, executive directors and other key management personnel prepared in accordance with the Corporations Act 2001 and Corporations Regulations 2001.

a) Principles used to determine the nature and amount of remuneration

The Company's Executive Officers' remuneration policy is set to ensure that remuneration packages properly reflect the duties and responsibilities of the senior executives and are sufficient to attract, retain and motivate personnel of the requisite quality. The policy is administered by the Remuneration Committee, which is comprised of all board members.

Remuneration packages contain the following key elements:

- a) Primary benefits – salary / fees and performance based bonuses;
- b) Post employment benefits – prescribed retirement benefit; and
- c) Equity – share options granted under the executive share option plan as disclosed in note [17](#) to the financial statements.

The Remuneration Committee assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum shareholder benefit. Whilst the level of remuneration is not dependent on the satisfaction of any performance condition, the performance of Executives is reviewed on an annual basis. The payment of bonuses, share options and other incentives are reviewed as part of executive remuneration and is approved by the Board.

Non-executive director remuneration

Non-executive Directors are remunerated by fees determined by the Board within the aggregate Directors' fee pool limit of \$250,000. The pool limit is not at present fully utilised. In setting the fees, account is taken of the responsibilities inherent in the stewardship of the Company and the demands made of Directors in the discharge of their responsibilities. Advice is taken from independent consultancy sources where appropriate to ensure remuneration accords with market practice.

The Company has largely adopted the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* and decided to remunerate its non-executive directors on an ongoing basis with no accrual or entitlement to a retirement benefit.

Use of remuneration consultants

The Group did not employ the services of any remuneration consultants during the year.

Gascoyne Resources Limited Financial Report 2012

Voting and comments made at the company's 2011 Annual General Meeting

Gascoyne Resources Limited received more than 98% of "yes" votes on its remuneration report for the 2011 financial year. The company did not receive any specific feedback at the AGM on its remuneration report.

b) Details of remuneration

The following table discloses the remuneration of the Directors and senior executives of the Company:

	Primary		Post Employment				Equity			Total
	Salary & Fees	Performance Based Payment	Non Monetary	Super-annuation	Pre-scribed Benefits	Other Retirement Benefits	Options	% of Remuneration	Other Benefits	
	\$	\$	\$	\$	\$	\$	\$	%	\$	\$
Key Management Personnel 2012										
G Riley	50,000	-	-	-	-	-	-	-	-	50,000
M Dunbar	256,307	-	-	23,968	-	-	119,880	30	-	400,155
J den Dryver	32,109	-	-	2,891	-	-	-	-	-	35,000
G Dunbar	35,000	-	-	-	-	-	-	-	-	35,000
M Joyce	35,000	-	-	-	-	-	-	-	-	35,000
S Macdonald	35,000	-	-	-	-	-	-	-	-	35,000
J Goldsworthy	214,537	-	-	19,308	-	-	41,200	15	-	275,045
E O'Malley	63,473	-	-	5,713	-	-	12,360	15	-	81,546
Total Key Management Personnel 2012	721,426	-	-	51,880	-	-	173,440		-	946,746
Key Management Personnel 2011										
G Riley	46,903	-	-	3,097	-	-	-	-	-	50,000
M Dunbar	189,793	10,000	-	17,081	-	-	9,200	4.1%	-	226,074
J den Dryver	32,110	-	-	2,890	-	-	-	-	-	35,000
G Dunbar	57,652	-	-	39,236	-	-	-	-	-	96,888
M Joyce	6,923	-	-	-	-	-	-	-	-	6,923
S Macdonald	6,923	-	-	-	-	-	-	-	-	6,923
J McNamara	21,770	-	-	-	-	-	-	-	-	21,770
E O'Malley	30,230	-	-	2,721	-	-	-	-	-	32,951
Total Key Management Personnel 2011	392,304	10,000	-	65,025	-	-	9,200		-	476,529

c) Service agreements

Mr Michael Dunbar was appointed to the role of Managing Director on 31 March 2011. His Executive Service Agreement is ongoing and provides for a salary of \$300,000 pa inclusive of superannuation and the provision of six months' notice for termination or resignation without cause.

Mr Julian Goldsworthy was appointed to the role of General Manager – Business Development on 4 July 2011. His Executive Service Agreement is ongoing and provides for a salary of \$240,000 pa inclusive of superannuation and the provision of three months' notice for termination or resignation without cause.

Ms Eva O'Malley was appointed to the role of Company Secretary on 12th January 2011. Her Employment Agreement is ongoing and provides for a salary of \$71,940 pa inclusive of superannuation for 15 hours per week and the provision of one months' notice for termination or resignation without cause.

Gascoyne Resources Limited Financial Report 2012

d) Key management personnel's share options

Pursuant to approval at Shareholders' meetings, executives and employees are entitled to subscribe for ordinary shares on the terms agreed to by the Shareholders. At the date of this report Directors and senior executives are entitled to purchase an aggregate of 2,450,000 ordinary shares of Gascoyne Resources Limited according to the following terms:

Key Management Personnel	Number of Executive Options Held	Issuing Entity	Exercise Price	Expiry Date	Number of ordinary shares under option
M Dunbar	1,800,000	Gascoyne Resources	\$0.40	16.11.2013	1,800,000
E O'Malley	150,000	Gascoyne Resources	\$0.40	31.08.2014	150,000
J Goldsworthy	500,000	Gascoyne Resources	\$0.40	31.08.2014	500,000
Total	2,450,000				2,450,000

All options expire on the earlier of their expiry date or within 30 days of termination of the employee's employment. These options do not entitle the holder to participate in any share issue of the Company.

End of audited remuneration report.

OFFICERS' INDEMNITY AND INSURANCE

During the year the Company paid an insurance premium to insure the Directors and Officers of the Company and related bodies corporate. The Officers of the Company covered by the insurance policy include the Directors named in this report.

The Directors' and Officers' Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company or a related body corporate. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Company has entered into an agreement with the Directors and Officers to indemnify them against any claim and related expenses, which arise as a result of work completed in their respective capacities.

The Company has not otherwise, during or since the financial year indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

ENVIRONMENTAL REGULATIONS

The Group is subject to environmental regulations under laws of the Commonwealth and State. The Group has a policy of complying with its environmental performance obligations and at the date of this report, is not aware of any breach of such regulations.

NON-AUDIT SERVICES

No non-audit services were provided to the Company for the year ended 30 June 2012.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 25 of the financial report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Dated at Perth this 24th day of August 2012.

This report is made and signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors.



G Riley
Chairman

Auditor's Independence Declaration



Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
ACN 130 913 594

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 audit of Gascoyne Resources Limited for the year ended 30 June 2012, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink, appearing to read "C A Becker".

C A Becker
Partner - Audit & Assurance

Perth, 24 August 2012

Independent Auditor's Report



Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
ACN 130 913 594

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 Report To the Members of Gascoyne Resources Limited

Report on the financial report

We have audited the accompanying financial report of Gascoyne Resources Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

- a the financial report of Gascoyne Resources Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 22 to 24 of the directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Gascoyne Resources Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink, appearing to read "C A Becker".

C A Becker
Partner - Audit & Assurance

Perth, 24 August 2012

Directors' Declaration

1. In the opinion of the Directors of Gascoyne Resources Limited:
 - a. the consolidated financial statements and notes of Gascoyne Resources Limited are in accordance with the Corporations Act 2001, including
 - i. giving a true and fair view of its financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b. there are reasonable grounds to believe that Gascoyne Resources Limited will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Finance Officer for the financial year ended 30 June 2012.
3. The consolidated financial statements comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



G Riley
Chairman

Dated at Perth this 24th day of August 2012

Statement of Financial Position

As of 30 June 2012

	Notes	CONSOLIDATED	
		2012	2011
		\$	\$
Assets			
Current			
Cash and cash equivalents	2	5,788,995	4,956,851
Trade and other receivables	3	379,410	202,394
Total Current Assets		6,168,405	5,159,245
Non-Current Assets			
Property, plant & equipment	6	198,304	144,193
Exploration and evaluation expenditure	7	13,372,876	6,560,184
Other Assets	5	85,000	50,000
Total Non-Current Assets		13,656,180	6,754,377
Total Assets		19,824,585	11,913,622
Liabilities			
Current Liabilities			
Trade and other payables	8	1,966,260	311,435
Employee benefits	9	77,117	43,831
Total Liabilities		2,043,377	355,266
Net Assets		17,781,208	11,558,356
Equity			
Share capital	10	21,686,014	14,432,070
Other components of equity	11	202,280	123,600
Accumulated losses	12	(4,107,086)	(2,997,314)
Total Equity		17,781,208	11,558,356

This statement should be read in conjunction with the notes to the financial statements.

Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	CONSOLIDATED	
		2012	2011
		\$	\$
Revenue from continuing operations	13	207,308	209,427
Employment costs		(881,109)	(364,290)
Audit and accountancy		(27,748)	(25,674)
Corporate marketing		(114,694)	(40,195)
Depreciation	14	(61,429)	(34,392)
Impairment of exploration and evaluation assets	7	(4,481)	(6,902)
I T costs		(26,208)	(21,245)
Overhead allocation to exploration		160,265	93,825
Premises costs		(171,571)	(96,255)
Professional services		(9,684)	(8,280)
Travel expenses		(39,246)	(2,900)
Other general and admin expenses		(141,175)	(85,466)
Loss before tax		(1,109,772)	(382,347)
Tax expense	19	-	-
Loss for the year		(1,109,772)	(382,347)
Other Comprehensive Income			
Other comprehensive income		-	-
Tax relating to comprehensive income		-	-
Other comprehensive income, after tax		-	-
Total Comprehensive Loss attributable to members of Gascoyne Resources Limited		(1,109,772)	(382,347)
Loss per share			
Basic (cents per share)	21	(1.03)	(0.57)
Diluted (cents per share)	21	(1.03)	(0.57)

This statement should be read in conjunction with the notes to the financial statements.

Statement of Cash Flows

For the year ended 30 June 2012

Note	CONSOLIDATED	
	2012 \$	2011 \$
Operating Activities		
Payments to suppliers and employees	(971,498)	(534,744)
Interest received	244,617	159,094
Other revenue received	3,630	-
Net cash used in operating activities 2(b)	(723,251)	(375,650)
Investing Activities		
Payments for capitalised exploration & evaluation expenditure	(5,403,500)	(2,659,569)
Stamp duty paid	-	(282,315)
Purchase of property, plant & equipment	(136,449)	(72,044)
Payments for security deposits	(35,000)	-
Net cash used in investing activities	(5,574,948)	(3,013,928)
Financing Activities		
Proceeds from issue of shares/options	7,328,984	4,000,000
Share issue costs paid	(198,640)	(33,235)
Net cash provided by financing activities	7,130,344	3,966,765
Net change in cash and cash equivalents	832,144	577,187
Cash and cash equivalents, beginning of year	4,956,851	4,379,664
Cash and cash equivalents, end of year 2(a)	5,788,995	4,956,851

This statement should be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity

For the year ended 30 June 2012

CONSOLIDATED	Share Capital		Accumulated Losses	Total
	Ordinary	Options Reserve		
	\$	\$	\$	\$
2012				
Balance at the beginning of the financial year	14,432,070	123,600	(2,997,314)	11,558,356
Shares issued during the financial year	7,328,984	-	-	7,328,984
Share Issue Costs	(198,640)	-	-	(198,640)
Issue of Employee Incentive Options	-	202,280	-	202,280
Exercise of options	123,600	(123,600)	-	-
Loss attributable to members of the parent entity	-	-	(1,109,772)	(1,109,772)
Balance at the end of the financial year	21,686,014	202,280	(4,107,086)	17,781,208

CONSOLIDATED	Share Capital		Accumulated Losses	Total
	Ordinary	Options Reserve		
	\$	\$	\$	\$
2011				
Balance at the beginning of the financial year	10,465,305	114,400	(2,614,967)	7,964,738
Shares issued during the financial year	4,000,000	-	-	4,000,000
Share Issue Costs	(33,235)	-	-	(33,235)
Issue of Employee Incentive Options	-	9,200	-	9,200
Loss attributable to members of the parent entity	-	-	(382,347)	(382,347)
Balance at the end of the financial year	14,432,070	123,600	(2,997,314)	11,558,356

This statement should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2012

1. SUMMARY OF ACCOUNTING POLICIES

Financial reporting framework

The financial report is a general-purpose financial report that has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and complies with other requirements of the law. The financial report includes financial statements for the Consolidated Entity (Group) consisting of Gascoyne Resources Limited and its subsidiaries.

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.

Gascoyne Resources Limited is a listed public company, incorporated and operating in Australia.

Statement of compliance

The financial report for Gascoyne Resources Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 17 August 2012.

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.

e) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Gascoyne Resources Limited at the end of the reporting period. A controlled entity is any entity over which Gascoyne Resources Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 4 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the Company.

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 Statement of Cash Flows, 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.

Gascoyne Resources Limited Financial Report 2012

Tax consolidation

Gascoyne Resources Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 1 July 2009. The tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

d) Property, plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment	Straight line 9% to 40%
Motor Vehicles	Straight line 22.2%

e) Exploration and evaluation

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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.

f) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

Gascoyne Resources Limited Financial Report 2012

g) Impairment of non-financial assets

Non-financial 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).

h) Non-derivative financial instruments

Financial instruments are initially measured at cost on trade date, which includes transaction costs. Subsequent to initial recognition, these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Consolidated entity provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

i) 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.

Share-based payments

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 independently determined using a Black-Scholes 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.

j) Revenue recognition

Revenue from the disposal of assets is recognised when the Group has passed control of the goods or other assets to the buyer. Interest on bank deposits is recognised as income as it accrues.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument and is net of GST.

k) Accounts payable

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

l) Receivables

Other receivables are recorded at amounts due less any specific provision for doubtful debts.

Gascoyne Resources Limited Financial Report 2012

m) 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 statement of cash flows 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.

n) Fair Value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

o) Provisions

Mine restoration and rehabilitation costs are provided for at the present value of future expected expenditures required to settle the Group's obligations on commencement of commercial production, discounted using a rate specified to the liability. When this provision is recognised a corresponding asset is also recognised as part of the development costs of the mine to the extent that it is considered that the provision gives access to future economic benefits. On an ongoing basis, the rehabilitation liability is re-measured at each reporting period in line with the changes in the time value of money (recognised as an expense in the statement of comprehensive income and an increase in the provision), and additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability.

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

p) 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 Group 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.

Exploration and Evaluation Expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of resources or reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$13.373m.

q) Adoption of new and revised accounting standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Gascoyne Resources Limited.

Gascoyne Resources Limited Financial Report 2012

Adoption of AASBs and improvements to AASBs 2011 – AASB 1054 and AASB 2011-1

The AASB has issued AASB 1054 *Australian Additional Disclosures* and AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* and made several minor amendments to a number of AASBs. These standards eliminate a large portion of the differences between the Australian and New Zealand accounting standards and IFRS and retain only additional disclosures considered necessary. These changes also simplify some current disclosures for Australian entities and removes others.

r) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

AASB 9 Financial Instruments (effective from 1 January 2013)

The AASB aims to replace AASB 139 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

Consolidation Standards

A package of consolidation standards encompassing AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Venture Arrangements*, AASB 12 *Disclosure of Interests in Other Entities* and consequential amendments to AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*, are effective for annual periods beginning or after 1 January 2013. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

AASB 13 Fair Value Measurement

AASB 13 is applicable for annual periods beginning on or after 1 January 2013. The standard clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The Group's management have yet to assess the impact of this new standards.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)

AASB 2011-4 makes amendments to AASB 124 *Related Party Disclosures* to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of key management personnel compensation) and remove duplication with the Corporations Act 2011. The amendments are applicable for annual periods beginning on or after 1 July 2013. The Group's management have yet to assess the impact of these amendments.

Gascoyne Resources Limited Financial Report 2012

2. CASH AND CASH EQUIVALENTS

a) Reconciliation of Cash

Cash and cash equivalents include the following components:

	CONSOLIDATED	
	2012	2011
	\$	\$
Cash at bank	3,288,995	56,851
Cash on deposit	2,500,000	4,900,000
Total Cash	5,788,995	4,956,851

b) Reconciliation of cash flows from operating activities

	CONSOLIDATED	
	2012	2011
	\$	\$
Loss after income tax	(1,109,772)	(382,347)
Non-cash flows in loss		
Depreciation	61,429	34,392
Impairment of exploration and evaluation assets	4,481	6,902
Issuance of employee options	202,280	9,200
Changes in Net Assets and Liabilities		
(Increase)/Decrease in Assets		
(Increase) in trade and other receivables	(105,764)	(135,193)
Increase/(Decrease) in Liabilities		
Increase in trade and other payables	190,809	52,790
Increase in provisions	33,286	38,606
Net cash used in operations	(723,251)	(375,650)

c) Non-cash Transactions

Nil.

3. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2012	2011
	\$	\$
Prepayments	32,403	33,861
Interest Receivable	17,868	58,807
Other	329,139	109,726
Total Current Receivables	379,410	202,394

There are no unimpaired trade receivables that are past due (2011: nil).

Gascoyne Resources Limited Financial Report 2012

4. FINANCIAL ASSETS

Shares in subsidiaries

Name	Country of Incorporation	Percentage Held	Percentage Held
		2012	2011
Gascoyne Resources (WA) Pty Ltd	Australia	100%	100%

5. OTHER ASSETS

	CONSOLIDATED	
	2012	2011
	\$	\$
Non-Current		
Security Deposits	85,000	50,000
Total Other Assets – Non-Current	85,000	50,000

6. PROPERTY, PLANT AND EQUIPMENT

2012	Plant & Equipment	Motor Vehicles	CONSOLIDATED Total
	\$	\$	\$
Gross Carrying Amount			
Balance at 1 July 2011	68,537	114,103	182,640
Additions	59,595	55,945	115,540
Disposals	-	-	-
Balance at 30 June 2012	128,132	170,048	298,180
Accumulated Depreciation			
Balance at 1 July 2011	14,923	23,524	38,447
Depreciation	30,594	30,835	61,429
Balance at 30 June 2012	45,517	54,359	99,876
Net Book Value			
30 June 2012	82,615	115,689	198,304

Gascoyne Resources Limited Financial Report 2012

2011	Plant & Equipment	Motor Vehicles	CONSOLIDATED
	\$	\$	Total
			\$
Gross Carrying Amount			
Balance at 1 July 2010	5,455	84,232	89,687
Additions	63,082	29,871	92,953
Disposals	-	-	-
Balance at 30 June 2011	68,537	114,103	182,640
Accumulated Depreciation			
Balance at 1 July 2010	497	3,558	4,055
Depreciation	14,426	19,966	34,392
Balance at 30 June 2011	14,923	23,524	38,447
Net Book Value			
30 June 2011	53,614	90,579	144,193

7. EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED	
	2012	2011
	\$	\$
Non-Current		
Balance at beginning of the financial year	6,560,184	3,800,001
Expenditure incurred during the year	6,817,173	2,767,085
Impairment losses	(4,481)	(6,902)
Balance at the end of the financial year	13,372,876	6,560,184

The Directors' assessment of carrying amount was after consideration of prevailing market conditions; previous expenditure carried out on the tenements; and the potential for mineralisation based on both the entity's and independent geological reports. The ultimate value of these assets is dependent upon recoupment by commercial development or the sale of the whole, or part, of the Group's interests in those areas for an amount at least equal to the carrying value. There may exist, on the Group's exploration properties, areas subject to claim under native title or containing sacred sites or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration and mining restrictions.

8. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2012	2011
	\$	\$
Current		
Trade payables	1,966,260	311,435
Total Trade and Other Payables - Current	1,966,260	311,435

Gascoyne Resources Limited Financial Report 2012

9. EMPLOYEE BENEFITS

	CONSOLIDATED	
	2012	2011
	\$	\$
Current		
Annual leave	77,117	43,831
Total Employee Benefits - Current	77,117	43,831

10. SHARE CAPITAL

	CONSOLIDATED	
	2012	2011
	\$	\$
136,619,520 Fully Paid Ordinary Shares (2011: 101,149,600 Fully Paid Ordinary Shares)	21,686,014	14,432,070
Balance at end of financial year	21,686,014	14,432,070

Fully paid ordinary shares have no par value, carry one vote per share and carry the right to dividends.

	2012		2011	
	No.	\$	No.	\$
Fully Paid Ordinary Shares				
Balance at beginning of financial year	101,149,600	14,432,070	61,149,600	10,465,305
Exercise of options at 25 cents each	2,700,000	675,000	-	-
Issue of shares at 21 cents each (i)	10,000,000	2,100,000	-	-
Issue of shares at 20 cents each (ii)	22,769,920	4,553,984	-	-
Issue of shares at 10 cents each (i)	-	-	40,000,000	4,000,000
Transfer from Options Reserve		123,600		-
Share Issue Costs		(198,640)		(33,235)
Balance at end of financial year	136,619,520	21,686,014	101,149,600	14,432,070

(i) Private Placement.

(ii) Rights Issue - 1 for every 5 existing shares held.

Capital Management

Management controls the capital of the Group in order to maximise the return to shareholders and ensure that the Group can fund its operations and continue as a going concern.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels, distributions to shareholders and share and option issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

Gascoyne Resources Limited Financial Report 2012

11. OTHER RESERVES

	CONSOLIDATED	
	2012	2011
	\$	\$
Options Reserve		
Balance at beginning of financial year	123,600	114,400
Issue of Employee Incentive Options	202,280	9,200
Transfer to Share Capital	(123,600)	-
Balance at end of financial year	202,280	123,600

The Options Reserve records items recognised as expenses on valuation of employee incentive options.

12. ACCUMULATED LOSSES

	CONSOLIDATED	
	2012	2011
	\$	\$
Balance at beginning of financial year	(2,997,314)	(2,614,967)
Net Loss attributable to members of the parent entity	(1,109,772)	(382,347)
Balance at end of financial year	(4,107,086)	(2,997,314)

13. REVENUE

Loss before Income Tax includes the following items of revenue:

	CONSOLIDATED	
	2012	2011
	\$	\$
Operating Activities		
Interest Revenue	203,678	209,427
Other Revenue	3,630	-
Total Operating Revenue	207,308	209,427

14. LOSS FOR THE YEAR Expenses

	CONSOLIDATED	
	2012	2011
	\$	\$
Depreciation of non-current assets: Property, plant and equipment	61,429	34,392
Impairment of exploration and evaluation expenditure	4,481	6,902
Operating lease rental expenses: Minimum lease payments	123,606	75,180
Loss for the year	1,109,772	382,347

Gascoyne Resources Limited Financial Report 2012

15. COMMITMENTS

a) Operating Lease Commitments

	CONSOLIDATED	
	2012	2011
	\$	\$
Not later than 1 year	95,088	51,709
Later than 1 year but not later than 2 years	4,128	15,509
Later than 2 years but not later than 5 years	1,376	-
	100,592	67,218

The Group has an eighteen month lease for office premises that commenced on 1 September 2011 and a twelve month lease for storage that commenced on 1 April 2012. Prior to this it had a two year lease that commenced on 18 October 2010. This lease was assigned to another party effective from 18 October 2011. Prior to this it had an office arrangement with Helix Resources Limited on normal terms & conditions requiring 3 months' notice. The Group also has an operating lease for rental of a photocopier that expires on 20 October 2014.

b) Exploration Expenditure Commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the requirements specified by various State governments. These obligations can be reduced by selective relinquishment of exploration tenure or application for expenditure exemptions. Due to the nature of the Company and Group's operations in exploring and evaluating areas of interest, it is very difficult to forecast the nature and amount of future expenditure. It is anticipated that expenditure commitments for the next twelve months will be tenement rentals of \$84,640 and exploration expenditure of \$739,440.

16. KEY MANAGEMENT PERSONNELS' REMUNERATION

Please refer to the disclosures contained in the Remuneration Report section of the Directors' Report.

The totals of remuneration paid to key management personnel of the Group during the year are as follows:

	CONSOLIDATED	
	2012	2011
	\$	\$
Short term employment benefits	721,426	402,304
Post-employment benefits	51,880	65,025
Other long-term benefits	-	-
Termination benefits	-	-
Share based payments	173,440	9,200
	946,746	476,529

17. EXECUTIVE SHARE OPTION PLAN

There are 2,800,000 employee options outstanding at 30 June 2012, 1,000,000 employee options were issued to staff in September 2011 and 1,800,000 employee options were issued to the Managing Director in November 2011. There were 2,700,000 employee options outstanding at 30 June 2011. All employee options outstanding at 30 June 2011 were exercised prior to their expiry on 30 November 2011.

Share options carry no rights to dividends and no voting rights. The difference between the total market value of options issued during the financial year, at the date of issue, and the total amount received from executives and employees is not recognised in the financial statements except for the purposes of determining key management personnels' remuneration in respect of that financial year. The amounts are disclosed in remuneration in respect of the financial year in which the entitlement was earned. All options expire on the earlier of their expiry date or within 30 days of termination of the employee's employment. These options do not entitle the holder to participate in any share issue of the Company.

Gascoyne Resources Limited Financial Report 2012

1,800,000 employee options issued on 16 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 expired 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 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 the grant date of 16th November 2011.

The notional value determined for each Incentive Option was \$0.1332.

1,000,000 employee options issued on 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 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 the grant date of 12th September 2011.

The notional value determined for each Incentive Option was \$0.1648.

500,000 employee options issued on 8th 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 expired on 30 November 2011 and were exercisable at \$0.25 each;
- b. a share price of \$0.12. This was determined after considering the share price range of \$0.10 to \$0.14 in the two months prior to issue;
- c. a volatility factor of 90% as used in previous issue;
- d. an interest rate of 4.75%;
- e. no discount factor was applied notwithstanding the options lack of marketability and their inherent 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 the grant date of 2nd December 2010.

The notional value determined for each Incentive Option was \$0.0184.

Further details are disclosed below:

	2012		2011	
	No.	Weighted average exercise price	No.	Weighted average exercise price
Balance at beginning of financial year	2,700,000	\$0.25	2,200,000	\$0.25
Cancelled during the financial year	-	-	-	-
Expired during the financial year	-	-	-	-
Granted during the financial year (i)	2,800,000	\$0.40	500,000	\$0.25
Exercised during the financial year (ii)	(2,700,000)	\$0.25	-	-
Balance at end of financial year (iii)	2,800,000	\$0.40	2,700,000	\$0.25

Gascoyne Resources Limited Financial Report 2012

(i) Granted during the financial year

Granted during the year ended 30 June 2012

Options Series	No.	Grant Date	Expiry Date	Exercise Price \$	Fair Value Received \$
Issued 16 Nov 2011	1,800,000	16/11/11	16/11/13	\$0.40	-
Issued 15 Sept 2011	1,000,000	12/9/11	31/8/14	\$0.40	-
	2,800,000				

Granted during the year ended 30 June 2011

Options Series	No.	Grant Date	Expiry Date	Exercise Price \$	Fair Value Received \$
Issued 8 Dec 2010	500,000	2/12/10	30/11/11	\$0.25	-
	500,000				

(ii) Exercised during the financial year

Exercised during the year ended 30 June 2012

Options Series	No.	Vested	Unvested	Grant Date	Expiry Date	Exercise Price \$	Fair value at grant date
Issued 8 Dec 2010	500,000	500,000	-	2/12/10	30/11/11	\$0.25	\$0.1332 per option
Issued 20 Oct 2009	2,200,000	2,200,000	-	20/10/09	30/11/11	\$0.25	\$0.052 per option
	2,700,000	2,700,000	-				

No options were exercised during the year ended 30 June 2011.

(ii) Balance at end of the financial year

Options Series	No.	Vested	Unvested	Grant Date	Expiry Date	Exercise Price \$	Fair value at grant date
Issued 16 Nov 2011	1,800,000	900,000	900,000	16/11/11	16/11/13	\$0.40	\$0.0184 per option
Issued 15 Sept 2011	1,000,000	500,000	500,000	12/9/11	31/8/14	\$0.40	\$0.1648 per option
	2,800,000	1,400,000	1,400,000				

Fair value of consideration received is measured as the nominal value of cash receipts on conversion. The fair value of shares at the date of their issue is measured as the market value at close of trade on the date of their issue. Employee share options carry no rights to dividends and no voting rights. In accordance with the terms of the executive share option plan, options may be exercised at any time from the date the vesting period ends to the date of their expiry.

The difference between the total market value of options issued during a financial year, at the date of issue, and the total amount received from executives and employees is not recognised in the financial statements except for the purposes of determining key management personnel's remunerations in respect of that financial year as disclosed in note 16 to the financial statements. The amounts are disclosed in remuneration in respect of the financial years over which the entitlement was earned.

Consideration received on the exercise of executive options is recognised in contributed equity. During the financial year 2,700,000 options were exercised, hence an amount of \$123,600 (2011: nil) was recognised in contributed equity arising from the exercise of executive options.

Gascoyne Resources Limited Financial Report 2012

18. RELATED PARTY AND DIRECTORS' DISCLOSURES

a) Transactions with related parties

The loss from ordinary activities before income tax includes the following items of expenses that resulted from transactions other than remuneration with related parties. Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

Helix Resources Ltd provided shared use of a storage facility totaling \$11,618. During the previous financial year Helix Resources Ltd provided professional services to the value of \$92,687. Invoices are payable within 30 days from date of invoice (net of GST). There was no balance outstanding at 30 June 2012 and 30 June 2011.

During the financial year the Company raised capital through a rights issue to existing shareholders whereby 1 share was offered for every 5 shares held at an issue price of 20 cents per share.

Related parties that acquired shares under this rights issue were:

- Mr G Riley acquired 2,345,512 shares upon payment of \$469,102 to the Company;
- Mr M Dunbar acquired 150,000 shares upon payment of \$30,000 to the Company;
- Mr M Joyce acquired 1,484,399 shares upon payment of \$296,880 to the Company;
- Mr S Macdonald acquired 2,427,577 shares upon payment of \$485,515 to the Company.
- Mr G Dunbar acquired 177,276 shares upon payment of \$35,455 to the Company; and
- Mr J den Dryver acquired 40,000 shares upon payment of \$8,000 to the Company.

Also during the financial year a number of related parties exercised their employee options.

Related parties that acquired shares upon exercise of their employee options were:

- Mr G Riley acquired 400,000 shares upon payment of \$100,000 to the Company for the exercise of 400,000 options at 25 cents each;
- Mr M Dunbar acquired 500,000 shares upon payment of \$125,000 to the Company for the exercise of 500,000 options at 25 cents each;
- Mr G Dunbar acquired 750,000 shares upon payment of \$187,500 to the Company for the exercise of 750,000 options at 25 cents each; and
- Mr J den Dryver acquired 400,000 shares upon payment of \$100,000 to the Company for the exercise of 400,000 options at 25 cents each.

During the previous financial year the Company raised capital through a share issue to related and other parties that was approved by shareholders at general meeting. The price paid per share was ten cents which was in excess of the seven day volume weighted average price of the Company's shares prior to the announcement of the placement on 22 February 2011.

Related parties that acquired shares under this placement were:

- Mr G Riley acquired 13,650,000 shares upon payment of \$1,365,000 to the Company;
- Mr M Dunbar acquired 1,000,000 shares upon payment of \$100,000 to the Company;
- Mr M Joyce acquired 7,200,000 shares upon payment of \$720,000 to the Company; and
- Mr S Macdonald acquired 10,250,000 shares upon payment of \$1,025,000 to the Company.

Gascoyne Resources Limited Financial Report 2012

b) Key Management Personnels' Equity Holdings

(i) Fully paid ordinary shares issued by Gascoyne Resources Limited

Year ended 30 June 2012

	Balance @ 1/7/11	Granted as remuneration	Received on exercise of options	Net other change	Balance @ 30/6/12	Balance held nominally
	No.	No.	No.	No.	No.	No.
Key Management Personnel						
G Riley	13,977,559	-	400,000	(304,488)	14,073,071	-
M Dunbar	1,000,000	-	500,000	150,000	1,650,000	-
J den Dryver	-	-	400,000	(160,000)	240,000	-
G Dunbar	136,379	-	750,000	177,276	1,063,655	-
M Joyce	7,421,993	-	-	1,484,399	8,906,392	-
S Macdonald	12,137,878	-	-	2,427,577	14,565,455	-
J Goldsworthy (appointed 4 July 2011)	-	-	-	3,200,000	3,200,000	-
E O'Malley	-	-	-	50,000	50,000	-
Total	34,673,809	-	2,050,000	7,024,764	43,748,573	-

Year ended 30 June 2011

	Balance @ 1/7/10	Granted as remuneration	Received on exercise of options	Net other change	Balance @ 30/6/11	Balance held nominally
	No.	No.	No.	No.	No.	No.
Key Management Personnel						
G Riley	327,559	-	-	13,650,000	13,977,559	-
M Dunbar (appointed 31 Mar 2011)	-	-	-	1,000,000	1,000,000	-
J den Dryver	-	-	-	-	-	-
G Dunbar	136,379	-	-	-	136,379	-
M Joyce (appointed 20 Apr 2011)	-	-	-	7,421,993	7,421,993	-
S Macdonald (appointed 20 Apr 2011)	-	-	-	12,137,878	12,137,878	-
E O'Malley (appointed 12 Jan 2011)	-	-	-	-	-	-
J McNamara (resigned 12 Jan 2011)	31,500	-	-	(31,500)	-	-
Total	495,438	-	-	34,178,371	34,673,809	-

Gascoyne Resources Limited Financial Report 2012

(ii) Executive Share Options issued by Gascoyne Resources Limited

Year ended 30 June 2012

	Bal @ 1/7/11	Granted as remuneration	Exercised	Other change	Bal @ 30/6/12	Bal vested @ 30/6/12	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Key Management Personnel									
G Riley	400,000	-	(400,000)	-	-	-	-	-	-
M Dunbar	500,000	1,800,000	(500,000)	-	1,800,000	900,000	-	900,000	900,000
J den Dryver	400,000	-	(400,000)	-	-	-	-	-	-
G Dunbar	750,000	-	(750,000)	-	-	-	-	-	-
M Joyce	-	-	-	-	-	-	-	-	-
S Macdonald	-	-	-	-	-	-	-	-	-
J Goldsworthy (appointed 4 July 2011)	-	500,000	-	-	500,000	250,000	-	250,000	250,000
E O'Malley	-	150,000	-	-	150,000	75,000	-	75,000	75,000
Total	2,050,000	2,450,000	(2,050,000)	-	2,450,000	1,225,000	-	1,225,000	1,225,000

Year ended 30 June 2011

	Bal @ 1/7/10	Granted as remuneration	Exercised	Other change	Bal @ 30/6/11	Bal vested @ 30/6/11	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Key Management Personnel									
G Riley	400,000	-	-	-	400,000	400,000	400,000	-	-
M Dunbar (appointed 31 Mar 2011)	-	500,000	-	-	500,000	500,000	-	500,000	-
J den Dryver	400,000	-	-	-	400,000	400,000	400,000	-	-
G Dunbar	750,000	-	-	-	750,000	750,000	750,000	-	-
M Joyce (appointed 20 Apr 2011)	-	-	-	-	-	-	-	-	-
S Macdonald (appointed 20 Apr 2011)	-	-	-	-	-	-	-	-	-
E O'Malley (appointed 12 Jan 2011)	-	-	-	-	-	-	-	-	-
J McNamara (resigned 12 Jan 2011)	250,000	-	(250,000)	-	-	-	-	-	-
Total	1,800,000	500,000	-	(250,000)	2,050,000	2,050,000	1,550,000	500,000	-

Each executive share option converts into 1 ordinary share of Gascoyne Resources Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option.

Further details of the options granted during the year are contained in note [16](#) and [17](#) to the financial statements.

Gascoyne Resources Limited Financial Report 2012

19. INCOME TAX

	CONSOLIDATED	
	2012	2011
	\$	\$
Accounting loss before tax from continuing operations	(1,109,772)	(382,347)
Accounting loss before tax from discontinuing operations	-	-
Accounting loss before tax	(1,109,772)	(382,347)
Reconciliation of Income Tax Expense / (Benefit) to Accounting Loss		
Prima facie tax (benefit) at Australian income tax rate of 30%	(332,932)	(114,704)
Adjusted for tax effect of following:		
- employee incentive options	60,684	2,760
- entertainment	625	1,016
- capital raising costs put to equity	(46,386)	(34,371)
- current year tax losses not recognised in current period	318,009	145,299
Income tax expense / (benefit)	-	-
Statement of Comprehensive Income		
Current income tax charge	-	-
<u>Deferred income tax</u>		
Relating to origination and reversal of temporary differences	(2,019,859)	(824,123)
Current year tax losses not recognised in the current period	2,019,859	824,123
Income tax expense / (benefit) reported in statement of comprehensive income	-	-
Unrecognised Deferred Tax Balances:		
Deferred tax asset losses	5,225,620	2,887,752
Deferred tax assets other	37,458	25,791
Deferred tax liabilities	(4,017,223)	(1,985,697)
Net Unrecognised deferred tax assets	1,245,855	927,846

Gascoyne Resources Limited Financial Report 2012

20. SEGMENT INFORMATION

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 are considered one business segment and the minerals currently being targeted include gold and base metals in Western Australia.

21. EARNINGS PER SHARE

	CONSOLIDATED	
	2012 Cents Per share	2011 Cents Per share
Basic loss per share	(1.03)	(0.57)
Diluted loss per share	(1.03)	(0.57)
Basic and Diluted Loss per Share		
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:		
	2012	2011
	\$	\$
Earnings / (loss) (a)	(1,109,772)	(382,347)
	2012	2011
	No.	No.
Weighted average number of ordinary shares (b)	107,724,248	67,286,586
(a) Earnings used in the calculation of basic and diluted loss per share is net loss after tax of \$1,109,772 (2011: \$382,347).		
(b) The executive share options are not considered to be potential ordinary shares and are therefore excluded from the weighted average number of shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share (refer (c) below).		
(c) The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:		
	2012	2011
	No.	No.
Executive options	2,800,000	2,700,000

22. INTEREST IN JOINT VENTURES

The parent entity has not entered into any unincorporated joint ventures.

23. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Gascoyne Resources Limited Financial Report 2012

The Group's exposure to interest rate risk and effective weighted average interest rate for classes of financial assets is set out below:

	Floating Interest Rate Maturity					Total \$
	Average Interest Rate	Fixed Interest Rate	Less than 1 year	More than 1 Year	Non Interest Bearing	
	%	\$	\$	\$	\$	
2012						
Financial Assets						
Other Receivables		-	-	-	379,410	379,410
Cash and cash equivalent assets	4.42%	3,213,656	2,500,000	-	75,339	5,788,995
Security deposits and deposits at financial institutions	5.58%	-	85,000	-	-	85,000
		3,213,656	2,585,000	-	454,749	6,253,405
Financial Liabilities						
Trade Payables (all payable within 30 days)		-	-	-	1,966,260	1,966,260
		-	-	-	1,966,260	1,966,260
2011						
Financial Assets						
Other Receivables		-	-	-	202,394	202,394
Cash and cash equivalent assets	6.17%	56,799	4,900,000	-	52	4,956,851
Security deposits and deposits at financial institutions	6.00%	-	50,000	-	-	50,000
		56,799	4,950,000	-	202,446	5,209,245
Financial Liabilities						
Trade Payables (all payable within 30 days)		-	-	-	311,435	311,435
		-	-	-	311,435	311,435

None of the classes of financial assets and liabilities are readily traded on organised markets in standardised form.

Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk. The Board is responsible for financial risk management.

Interest Rate Risk

Interest rate risk is managed by investing cash with major financial institutions in both cash on deposit and term deposit accounts.

Interest Rate Risk Sensitivity Analysis

At 30 June 2012, the effect on loss and equity as a result of a 2% increase in the interest rate, with all other variables remaining constant would be a decrease in loss by \$117,480 (2011: \$99,146) and an increase in equity by \$117,480 (2011: \$99,146). The effect on loss and equity as a result of a 2% decrease in the interest rate, with all other variables remaining constant would be an increase in loss by \$117,480 (2011: \$99,146) and a decrease in equity by \$117,480 (2011: \$99,146).

Liquidity Risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The Group's operations require it to raise capital on an on-going basis to fund its planned exploration program and to commercialise its tenement assets. If the Group does not raise capital in the short term, it can continue as a going concern by reducing planned but not committed exploration expenditure until funding is available and/or entering into joint venture arrangements where exploration is funded by the joint venture partner.

Gascoyne Resources Limited Financial Report 2012

Credit Risk

Credit Risk refers to the risk that counterparty will default on, its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures risk on a fair value basis.

The maximum credit risk on financial assets of the Group which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

24. EMPLOYEE ENTITLEMENTS

The aggregate employee entitlement liability recognised and included in the financial statements is as follows:

	CONSOLIDATED	
	2012	2011
	\$	\$
Provision for employee entitlements:		
Current (Note 9)	77,117	43,831
	No	No
Number of employees at end of financial year	11	11

25. CONTINGENT LIABILITIES

The Company currently has bank guarantees to the value of \$25,000 to secure tenement holdings and \$60,000 to secure a credit card facility.

On 10 July 2011, the Commonwealth Government announced the "Securing a Clean Energy Future – the Australian Government's Climate Change Plan". Whilst the announcement provides further details of the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanism on the Group as legislation must be voted on and passed by both houses of Parliament. In addition, as the Group will not fall within the "Top 500 Australian Polluters", the impact of the Carbon Scheme will be through indirect effects of increased prices on general business expenses as suppliers subject to the carbon pricing mechanism are likely to pass on their carbon price burden to their customers in the form of increased prices. Directors expect that this will not have a significant impact upon the operation costs within the business, and therefore will not have an impact upon the valuation of assets and/or going concern of the business.

26. REMUNERATION OF AUDITORS

	CONSOLIDATED	
	2012	2011
	\$	\$
Auditor of the Parent Entity		
Audit and review of financial report	23,045	21,935
	23,045	21,935

The auditor of Gascoyne Resources Limited is Grant Thornton Audit Pty Ltd.

Gascoyne Resources Limited Financial Report 2012

27. GASCOYNE RESOURCES LIMITED PARENT COMPANY INFORMATION

	CONSOLIDATED	
	2012	2011
	\$	\$
Assets		
Current Assets	6,168,405	5,159,245
Non-current Assets	13,656,180	6,754,377
Total Assets	19,824,585	11,913,622
Liabilities		
Current Liabilities	2,043,377	355,266
Non-current Liabilities	-	-
Total Liabilities	2,043,377	355,266
Equity		
Issued Capital	21,686,014	14,432,070
Accumulated Losses	(4,107,086)	(2,997,314)
Reserves		
Options Reserve	202,280	123,600
Total Equity	17,781,208	11,558,356
Financial Performance		
Loss for the year	(1,109,772)	(382,347)
Other comprehensive income	-	-
Total Comprehensive Income	(1,109,772)	(382,347)

28. SUBSEQUENT EVENTS

On 6 August 2012 the Group entered into a binding agreement to purchase the Dalgara gold project and surrounding exploration tenements from private tenement holders. The Group will acquire an 80% interest in the Dalgara gold project by issuing a total of 7 million Gascoyne Resources Limited fully paid ordinary shares and a cash payment of \$150,000 upon formal documentation. Gascoyne may move to 100% ownership of the project at development should the vendors elect to exchange their 20% interest for a 2% net smelter return royalty.

The Directors are not aware of any other matter or circumstance that has arisen since 30 June 2012 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.

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
ELA47/2620	Beebyn	Gold	100% Gascoyne Resources
EL51/1469	Beebyn West	Gold	100% Gascoyne Resources
EL52/2348	Bustler Well	Gold	100% Gascoyne Resources
EL59/1709	Dalgaranga	Gold	80% Gascoyne Resources
EL59/1709	Dalgaranga	Gold	80% Gascoyne Resources
ELA59/1772	Dalgaranga	Gold	80% Gascoyne Resources
ELA59/1883	Dalgaranga	Gold	80% Gascoyne Resources
ELA59/1904	Dalgaranga	Gold	80% Gascoyne Resources
ELA59/1905	Dalgaranga	Gold	80% Gascoyne Resources
EL59/1906	Dalgaranga	Gold	80% Gascoyne Resources
ELA21/165	Dalgaranga	Gold	80% Gascoyne Resources
ELA21/173	Dalgaranga	Gold	80% Gascoyne Resources
ELA21/174	Dalgaranga	Gold	80% Gascoyne Resources
MLA09/148	Glenburgh	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
ELA09/1988	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
EL15/1280	Higginsville	Gold	100% Gascoyne Resources
EL15/1297	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
EL20/759	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
ELA70/4399	Mullewa South	Coal	100% Gascoyne Resources
ELA20/799	Murchison	Gold	100% Gascoyne Resources
PLA20/2209	Murchison	Gold	100% Gascoyne Resources
EL59/1731	Ningham	Gold	100% Gascoyne Resources
EL47/2483	Sherlock Bay	Nickel	100% Gascoyne Resources
EL20/773	Tuckanarra	Gold	100% Gascoyne Resources

Gascoyne Resources Limited Financial Report 2012

Abbreviations and Definitions used in Schedule:

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

Corporate Directory

Directors

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

Australian Business Number

57 139 522 900

Head and Registered Office

Level 2, 33 Ord Street

West Perth Western Australia 6005

PO Box 1449 West Perth Western Australia 6872

Telephone: +61 8 9481 3434

Facsimile: +61 8 9481 0411

Email: admin@gascoyneresources.com.au Website: www.gascoyneresources.com.au

Share Registry

Advanced Share Registry

150 Stirling Highway

Nedlands Western Australia 6009

PO Box 1156 Nedlands Western Australia 6909

Telephone: +61 8 9389 8033

Facsimile: +61 8 9389 7871

Auditor

Grant Thornton Audit Pty Ltd

Level 1, 10 Kings Park Road

West Perth Western Australia 6005

Telephone: +61 8 9480 2000

Facsimile: +61 8 9322 7787

Stock Exchange

The Company Securities are quoted on the Australian Stock Exchange Limited

CODE: GCY