

Quarterly Report

December 2010

GASCOYNE RESOURCES LIMITED



CORPORATE DETAILS

Directors

Graham Riley

Non-Executive Chairman

Gordon Dunbar

Managing Director

John den Dryver

Non-Executive Director

Executive

Michael Dunbar

General Manager

Eva O'Malley

Company Secretary

Assets

Cash \$3.0M

Glenburgh Gold (100%)

360,000 oz Au

Company Information:

ASX Codes GCY

Shares 61.15M

Share Price9.0 cents

Market Capitalisation

\$5.5 Million

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Highlights

TECHNICAL

GLENBURGH

- The Glenburgh Inferred Resource increased by 77% to 7.2Mt @1.6 g/t gold for 360,000oz gold.
- RC drilling identified new gold mineralisation over 300m east of the Shelby deposit and anomalous gold between the Hurricane and Zone 102 deposits.
- Shallow geochemical drilling identified a new anomalous gold zone along Icon trend

BASSIT BORE

- Highly anomalous gold in soils returned from follow up of stream sediment sampling.

NEW PROJECTS

- Applications lodged for exploration licences at Higginsville in the Eastern Goldfield and in the Murchison.

CORPORATE

Ms Eva O'Malley appointed Company Secretary.

REVIEW OF OPERATIONS

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

Resource Estimate

During the quarter a re-estimation of the Glenburgh resource was completed. The Inferred Mineral Resource now stands at

7.2 Mt @ 1.6 g/t Au for 360,000 oz of contained gold at a 0.8g/t cutoff.

This equates to an increase in gold resource ounces of 77% and an increase of 200% in resource tonnage over the last resource estimate, which was completed in January 2009.

The resource was completed in-house by Gascoyne Resource Limited and has been reviewed and audited by Runge Limited, an external and independent global resource consultancy.

The increase comes as a result of additional drilling, revision of the modelling parameters and a lowering of the cutoff grade due of the increases in the gold price since the last resource was completed. (See Table 1).

The cutoff grade of 0.8 g/t Au (down from 1.0g/t) has been determined considering the increase in the gold price and the assumed mining and processing costs for a CIL processing plant. If a lower cost alternative processing option is identified, the cutoff grade may be reduced further.

It is worth noting that the deposits outcrop and that 98% of the resource is contained in the top 150m, with insufficient drilling at depth. The deposits are all open down dip, down plunge and along strike, and there is significant potential for future resource growth.

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

**Table 1: Glenburgh Project Inferred Resource by Individual Deposit
Compared to Previous Resource**

Area	Previous Resource - January 2009			NEW Resource - November 2010		
	1.0g/t Au Cutoff			0.8g/t Au Cutoff		
	Tonnes t	Au g/t	Au Ounces	Tonnes t	Au g/t	Au Ounces
Icon	952,000	2.3	71,300	2,480,000	1.4	113,000
Apollo	670,000	3.4	72,800	1,230,000	2.3	90,000
Mustang	190,000	1.9	11,700	630,000	1.2	24,000
Shelby	124,000	1.7	6,800	420,000	1.4	16,000
Hurricane	93,000	2.1	6,300	280,000	1.4	13,000
Zone102	185,000	3.3	19,700	720,000	2.1	49,000
Zone126	96,000	2.8	8,700	400,000	1.8	22,000
NE3	116,000	1.6	6,000	290,000	1.2	11,000
Tuxedo	included in Icon			590,000	1.1	27,000
Total	2,400,000	2.6	203,400	7,200,000	1.6	360,000

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

RC Drilling

The four metre composite sampling results from the drilling undertaken in November and December at the Glenburgh gold project have been received. A total of 2,145 metres of shallow, broad spaced reverse circulation drilling in 39 holes was completed and has successfully extended the Shelby Deposit a further 300m to the east and a broad zone of anomalous gold has been intersected along strike from the Hurricane Deposit.

SHELBY DEPOSIT

Exploration drilling to the east of the Shelby Deposit has intersected shallow mineralisation with the initial four metre composite sampling intersecting up to 4m @ 1.6 g/t Au from 32m in hole VRC443, 12m @ 0.5g/t Au from 44m in hole VRC447, 4m @ 0.9 g/t Au from 36m in VRC 440 and 4m @ 0.9 g/t Au from 56m to the end of hole in VRC442.

The deposit is still open to the east with additional drilling planned to test the continuation of the Shelby trend a further 1200m to the east, towards the Hurricane Deposit. See Figure One.

HURRICANE EAST

Four shallow RC holes were drilled between the Hurricane and Zone 102 Deposits before the inclement weather cut short the 2010 field program. All of the holes intersected broad zones of anomalous gold including 28m @ 0.3 g/t Au from surface in VRC449.

This broad low grade halo is an important characteristic of a number of the deposits within the Glenburgh gold project, including Icon, Apollo and Zone 102 where it surrounds the "higher grade" zones.

AREA 1

Drilling across a structural target coupled with a geochemical gold response returned a 4m @ 0.5g/t Au in VRC433 from the eastern side of the area drilled indicating that the target mineralisation is located further to the east.

Significant Intersections from Recent RC drilling at Glenburgh					
Location	Hole Number	From	To	Interval	Grade g/t Au
Area 1	VRC433	40	44	4	0.5
Shelby East	VRC440	36	40	4	0.9
	VRC442	56	60 (EOH)	4	0.9
	VRC443	28	36	8	0.9
	inc	32	36	4	1.6
	VRC444	44	48	4	0.5
	VRC447	44	56	12	0.5
	inc	44	48	4	1.2
Hurricane East	VRC449	0	28	28	0.3
	VRC450	32	44	12	0.2
	VRC451	40	48	8	0.4
	VRC452	4	28	24	0.2

Details of these drilling results are contained within the ASX Release dated 24th January 2011.

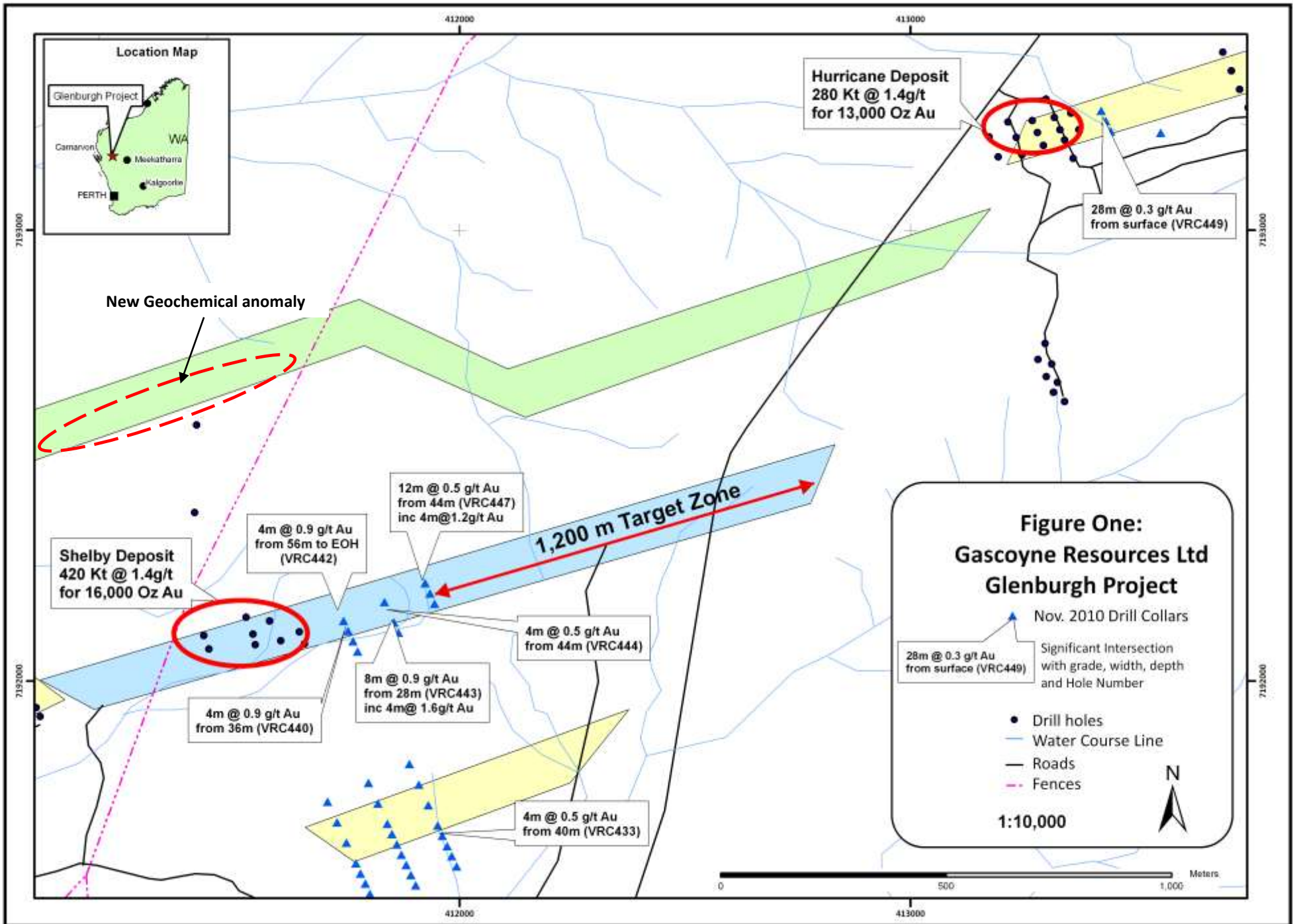


Figure One:
Gascoyne Resources Ltd
Glenburgh Project

- Nov. 2010 Drill Collars
- Significant Intersection with grade, width, depth and Hole Number
- Drill holes
- Water Course Line
- Roads
- Fences

1:10,000

Geochemical Drilling

The recent structural re-interpretation identified a number of trends that host the gold deposits within the Glenburgh project. Of these trends the Icon Trend was identified as a high priority target because of the lack of historical geochemical sampling over the recently recognised position of the trend and the fact that the trend hosts approximately 30% of the Inferred Resources of the project, within one single deposit - Icon deposit.

As a result, a geochemical drill program was designed to cover this trend and was only partially completed late in the 2010 filed season. A total of 310 vacuum holes, or ~25% of the original 1400 hole program was completed prior to the end of the 2010 field season which was cut short by inclement weather and poor drill rig availability.

This first pass geochemical drilling that was designed to test the interface between the transported cover and the residual bedrock, identified an anomalous gold zone which extends for over 500m with peak results of up to 35 ppb Au. This anomaly is co incident with the structurally interpreted Icon trend and highlights the potential for the Icon trend further to the east, into an area which has yet to be tested. See Figure One.

Details of this geochemical drilling are contained within the ASX Release dated 12 January 2011.

Forward Program

Review of historical and new data has highlighted a number of new targets additional to those untested from the 2010 program that was cut short by inclement weather that require drill testing early in the 2011 field season. An RC drilling contractor has been appointed to complete the program and mobilisation will commence late in February, to allow for the 1st of March start date.

A detailed breakdown of the exploration program for the next three to six months is being developed and will be released as soon as possible.

The program is expected to commence in early March and will include approximately 5000m of RC drilling, 10,000 metres of RAB drilling and approximately 1,000 Auger sample locations.

Around 60% of the proposed drill area has had heritage surveys completed and all government approvals completed. Approvals are underway for the remaining areas.

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

Soil Sampling

The 200m line spaced soil sampling to cover the anomalous gold drainages, east of the Beagle prospect, as reported in the September quarterly report returned results identifying 4 zones of anomalous gold. The maximum gold value returned was 400ppb, while six other values were greater than 100ppb gold. In total 50 of the 308 samples collected returned values greater than 20ppb gold. (See Figure Two).

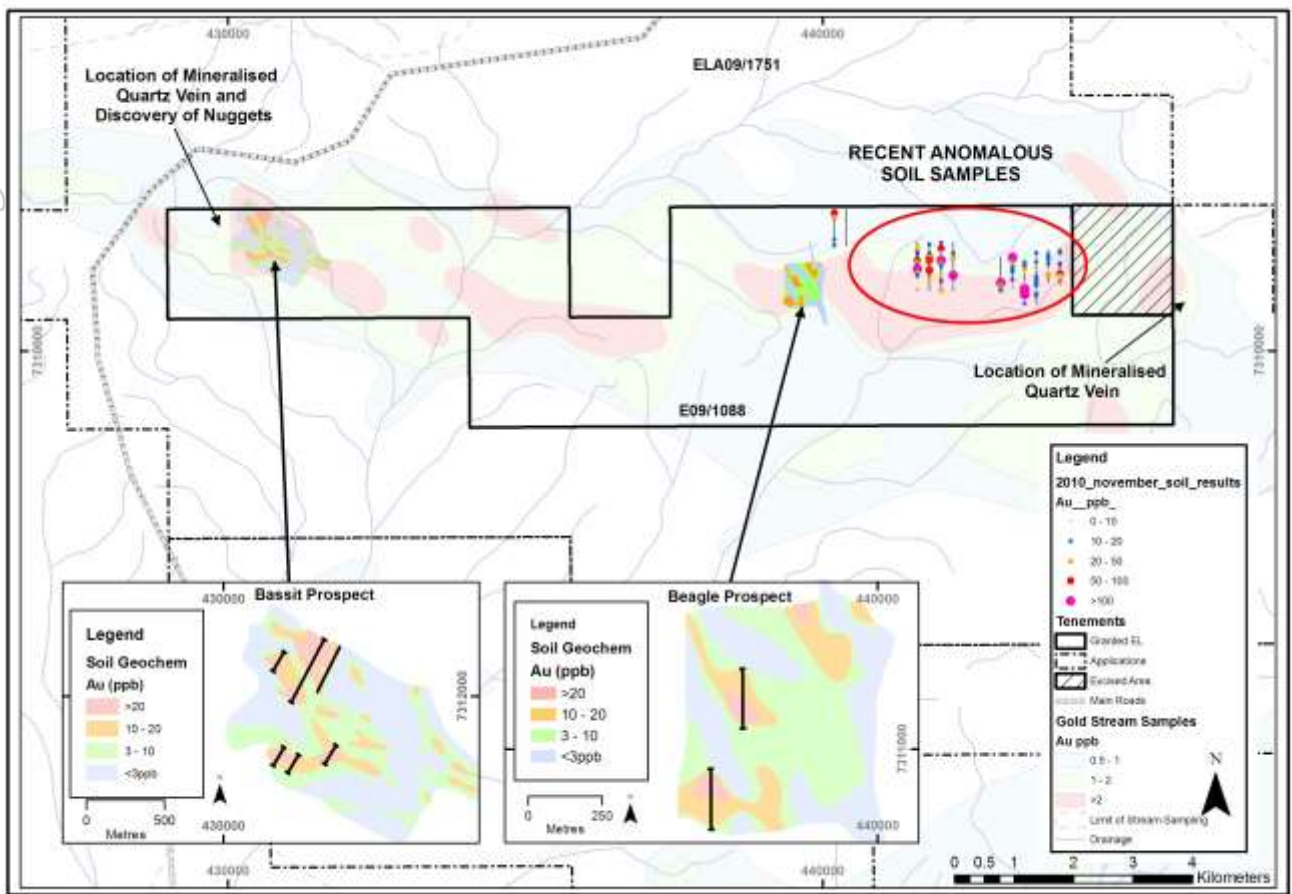


Figure Two: Location of Recent Anomalous Soil Samples and Location of Mineralised Quartz Veins

Additional soil sampling and geological and regolith mapping is required prior to drilling these anomalous zones.

BUSTLER WELL E52/2348 100% Gascoyne

No exploration activities were undertaken during the quarter.

MT JAMES E52/2343 100% Gascoyne

No exploration activities were undertaken during the quarter.

NEW TENEMENT APPLICATIONS

During the quarter the company lodged applications for exploration licences in the Murchison Region and near Higginsville in the Eastern goldfields of Western Australia. Details of the applications released to the ASX on 20 January 2011 and are summarised below.

HIGGINSVILLE

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

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

Avoca Resource's Higginsville operation is located approximately 7 km to the north east of this prospect.

MURCHISON REGION

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

Further south application E 58/399 is located approximately 20 Km south of the Hill 50 gold deposits at Mount Magnet.

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

These applications are expected to be granted in the latter half of this year.

CORPORATE

Subsequent to the end of the quarter Ms Eva O'Malley was appointed Company Secretary following the resignation of Ms Joneen McNamara from that position.

Competent Persons Statements

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.

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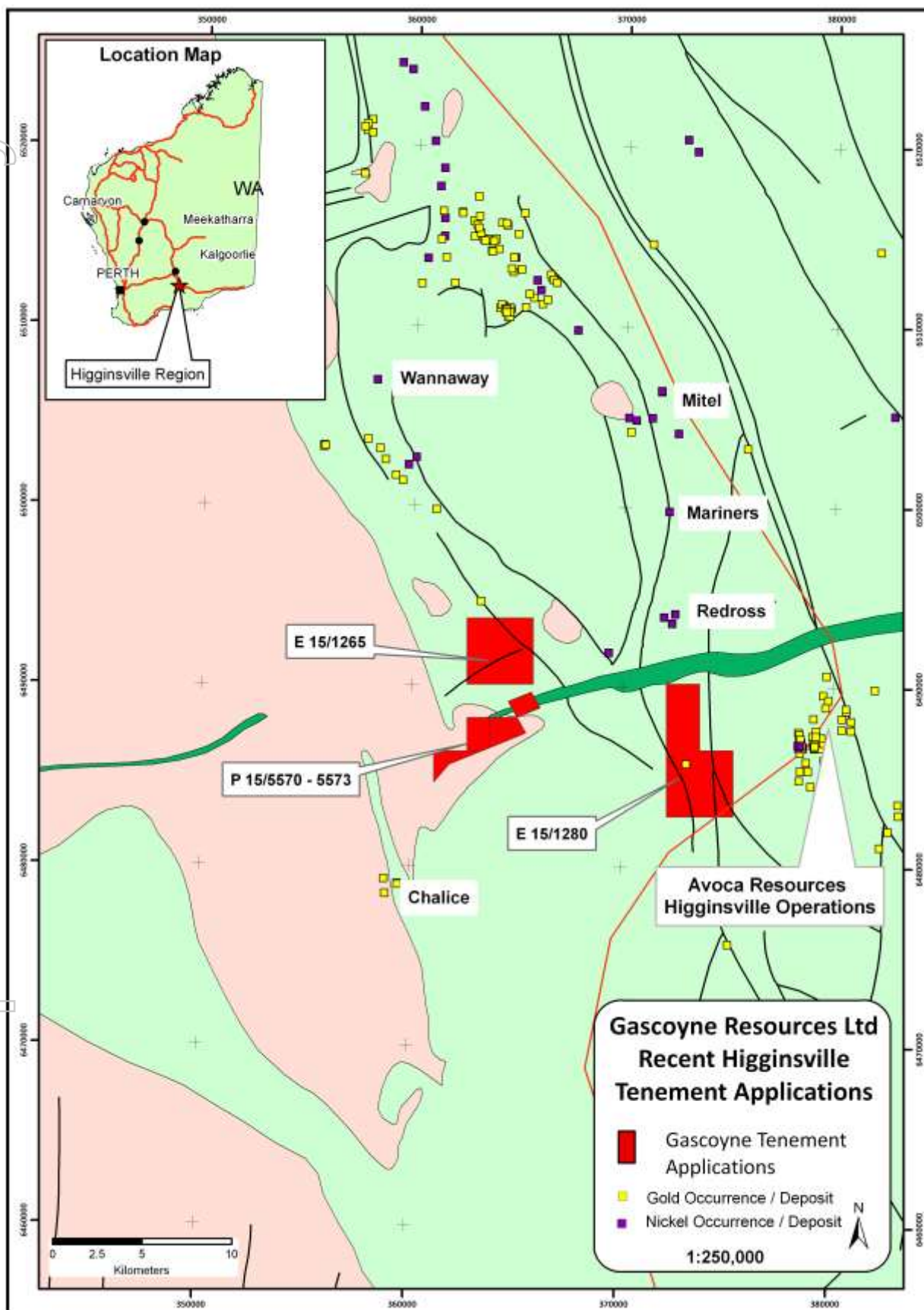


Figure Three: Recent Tenement Applications - Higginsville

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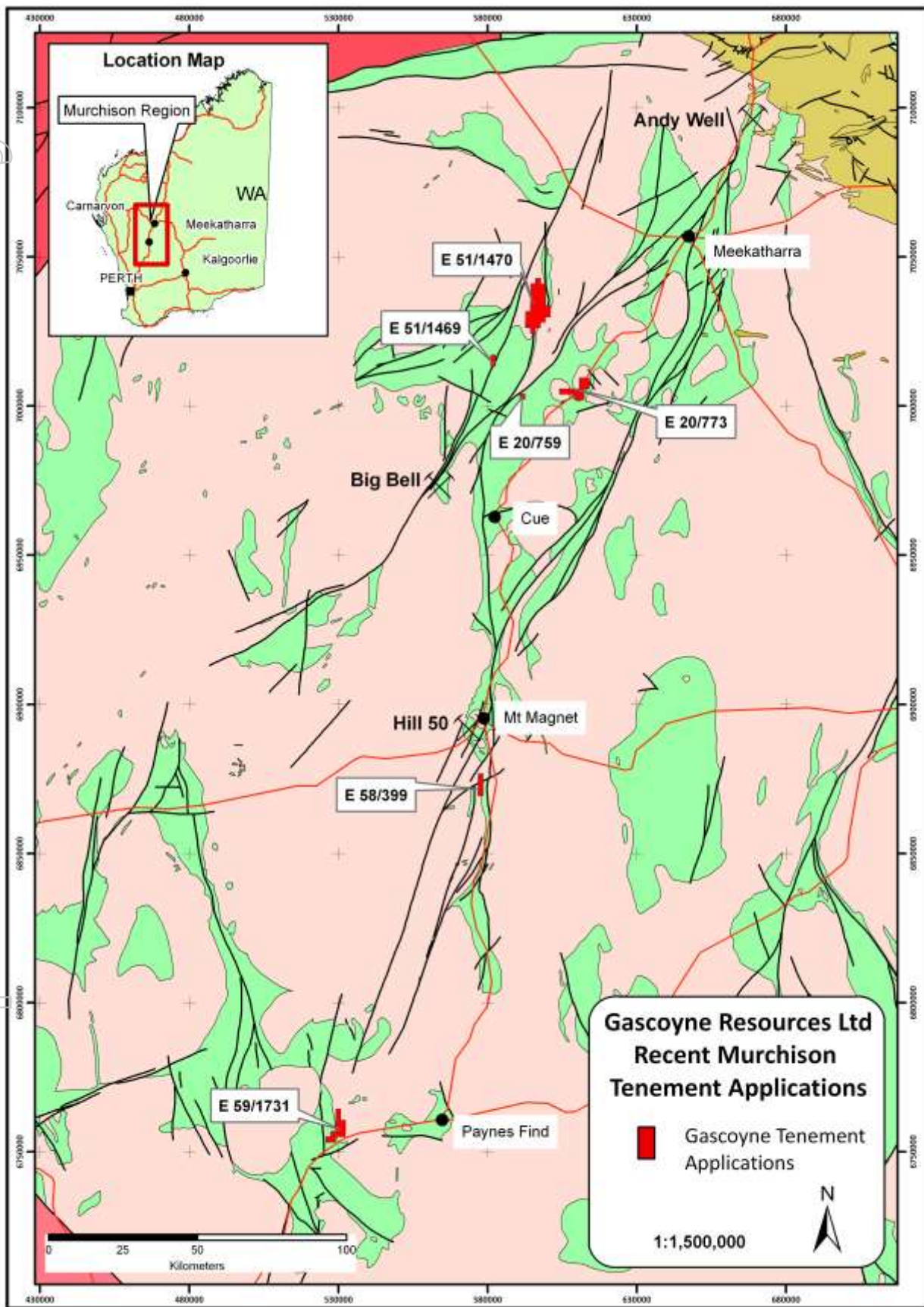


Figure Four: Recent Tenement Applications - Murchison

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

Gascoyne Resources Limited

ABN

57 139 522 900

Quarter ended ("current quarter")

31 December 2010

CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(504)	(1,030)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	45	103
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (Stamp Duty)	-	(282)
Net Operating Cash Flows	(511)	(1,394)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(40)	(40)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(40)	(40)
1.13 Total operating and investing cash flows (carried forward)	(551)	(1,434)

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1.13	Total operating and investing cash flows (brought forward)	(551)	(1,434)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (Share issue costs)		
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(551)	(1,434)
1.20	Cash at beginning of quarter/year to date	3,497	4,380
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,946	2,946

PAYMENTS TO DIRECTORS OF THE ENTITY AND ASSOCIATES OF THE DIRECTORS

PAYMENTS TO RELATED ENTITIES OF THE ENTITY AND ASSOCIATES OF THE RELATED ENTITIES

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	49
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

NON-CASH FINANCING AND INVESTING ACTIVITIES

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Issue of 500,000 employee incentive options on 8 December 2010

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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FINANCING FACILITIES AVAILABLE

Add notes as necessary for an understanding of the position.

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

ESTIMATED CASH OUTFLOWS FOR NEXT QUARTER

	\$A'000
4.1 Exploration and evaluation	240
4.2 Development	
4.3 Production	
4.4 Administration	170
Total	410

RECONCILIATION OF CASH

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	946	997
5.2 Deposits at call	2,000	2,500
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,946	3,497

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CHANGES IN INTERESTS IN MINING TENEMENTS

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	
6.1	Interests in mining tenements relinquished, reduced or lapsed	E09/1079	Lapsed	100%	0%
6.2	Interests in mining tenements acquired or increased	E15/1265	Application	0%	100%
		E15/1266	Application	0%	100%
		E15/1280	Application	0%	100%
		E20/0759	Application	0%	100%
		E51/1469	Application	0%	100%
		E51/1470	Application	0%	100%
		E58/0399	Application	0%	100%
		E59/1731	Application	0%	100%
		P15/5570	Application	0%	100%
		P15/5571	Application	0%	100%
		P15/5572	Application	0%	100%
		P15/5573	Application	0%	100%

ISSUED AND QUOTED SECURITIES AT END OF CURRENT QUARTER

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

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

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	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.5	+Convertible debt securities <i>(description)</i>			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted			
7.7	Options <i>(description and conversion factor)</i>	2,200,000	Nil	<i>Exercise price</i> \$0.25 <i>Expiry date</i> 30 November 2011
7.8	Issued during quarter	500,000	Nil	<i>Exercise price</i> \$0.25 <i>Expiry date</i> 30 November 2011
7.9	Exercised during quarter			
7.10	Expired during quarter			
7.11	Debentures <i>(totals only)</i>			
7.12	Unsecured notes <i>(totals only)</i>			

COMPLIANCE STATEMENT

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.



Sign here:
Company secretary

Date: 28 January 2011

Print name: Eva O'Malley

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NOTES

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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