Castle Minerals Limited

ABN 83 116 095 802

Annual Financial Report

for the period ended 30 June 2006

Corporate Information

ABN 83 116 095 802

Directors
Michael Ivey (Managing Director, Executive Chairman)
Campbell Ansell (Non-Executive Director)
Michael Ashforth (Non-Executive Director)

Company Secretary
Dennis Wilkins

Registered Office
Level 1, 681 Murray Street
West Perth WA 6005
(08) 9322 7018

Solicitors
Blakiston & Crabb
1202 Hay Street
WEST PERTH WA 6005

Bankers
National Australia Bank
1232 Hay Street
WEST PERTH WA 6005

Share Register
Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

Auditors
Horwath Audit (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008

Internet Address
www.castleminerals.com.au

ASX Code
Shares CDT

Contents

Directors' Report

Your directors submit their report on the consolidated entity consisting of Castle Minerals Limited (the Company) and the entities it controlled at the end of, or during, the period 30 June 2006.

DIRECTORS

The names and details of the Company's directors in office during the period and until the date of this report are as follows. Where applicable, all directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Michael Ivey, B. App. Sc (Geol), M.Sc. (Min.Econ.) WASM, M.Aus.I.M.M., MAICD (Executive Chairman, Managing Director)

Mr Ivey has been involved in the mineral exploration industry in Western Australia for 20 years since graduating from Curtin University in 1985 with a Bachelor of Applied Science degree majoring in geology. On graduating, he worked as an Exploration Geologist exploring for gold with Forrest Gold Pty Ltd (CRA) in the Murchison and Eastern Goldfields Regions of Western Australia.

In 1986 Mr Ivey joined Croesus Mining NL as exploration and mine geologist at the Hannan South gold mine south of Kalgoorlie. Over the ensuing 18 years with Croesus, Michael held the positions of Chief Geologist, Exploration Manager and General Manager before becoming Managing Director and Chief Executive Officer in 1997. Michael was intimately involved in building Croesus into one of Australia's top 10 gold producers. He led the discovery of the suite of Binduli gold deposits (+1 million ounces) and was responsible for the acquisition and development of the 100,000 ounce per annum Davyhurst Project and the merger with Central Norseman Gold Corporation. Under his stewardship Croesus was awarded the Australian Gold Council, Gold Company of the Year in 2003. Michael was awarded the 2002 Mining Executive of the Year by Gold Mining Journal.

Michael will be responsible for the management of the Castle Minerals' strategic direction, exploration activities and ongoing project generation. Within the last three years Michael has been a former director of Croesus Mining NL.

Campbell Ansell, FCA, MAICD (Non-Executive Director, chairman of audit committee)

Campbell Ansell is a Chartered Accountant who is also a director of Universal Resources Ltd, as well as Chairman of De Grey Mining Limited and Nickel Australia Limited. He is also a non-executive director of several other successful business operations and has had a long term involvement with the resources sector and several government and semi government boards. Campbell has held the following former directorships in the last 3 years: Croesus Mining NL and Dragon Mining NL.

Michael Ashforth, (Non-Executive Director, member of audit committee)

Michael Ashforth is a Managing Director of Gresham Advisory Partners Limited, one of the leading independent corporate advisory firms in Australia. Mr Ashforth has advised on a wide range of mergers and acquisitions transactions for Australian and international clients across a wide range of industry sectors. He has extensive experience in transactions across the resources sector.

Prior to joining Gresham in early 1997, Mr Ashforth had been a partner in the Mergers & Acquisitions Group of Freehill Hollingdale & Page (now Freehills) and has been involved in local and cross border mergers and acquisitions, fundraising and corporate restructuring work.

Mr Ashforth is a member of the Takeovers Panel, a director of Heytesbury Pty Ltd and a director of various companies within the Gresham group. Mr Ashforth has not held any former directorships in the last 3 years.

COMPANY SECRETARY

Dennis Wilkins, B.Bus., AICD, ACIS

Mr Dennis Wilkins is an accountant who has been a director, Company Secretary or acted in a corporate advisory capacity to listed resource companies for over 20 years.

Mr Wilkins previously served as the Finance Director and Company Secretary for a mid tier gold producer and also spent five years working for a leading merchant bank in the United Kingdom. Resource postings to Indonesia, South Africa and New Zealand in managerial roles has broadened his international experience.

Mr Wilkins has extensive experience in capital raising specifically for the resources industry and is the principal of DWCorporate which provides advisory, funding and administrative management services to the resource sector. Mr Wilkins is a director of Marengo Mining Limited, Bonaparte Diamond Mines NL and South Boulder Mines Limited. Mr Wilkins has not held any former directorships in the last 3 years.

Directors' Report continued

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Castle Minerals Limited were:

	Ordinary Shares	Options over Ordinary Shares
Michael Ivey	4,590,000	1,250,000
Campbell Ansell	550,000	200,000
Michael Ashforth	1,600,000	400,000

DIVIDENDS

No dividends were paid or declared since the start of the period. No recommendation for payment of dividends has been made.

CORPORATE INFORMATION

Nature of operations and principal activities

The principal activities during the period of the consolidated entity were the acquisition of mineral exploration tenements, and the exploration of these tenements with the objective of identifying gold and other economic mineral deposits.

Employees

The Company had two employees as at 30 June 2006.

OPERATING AND FINANCIAL REVIEW

Finance Review

Castle Minerals Limited was incorporated on 5 September 2005. The Company raised $3.75 million through the issue of 15 million ordinary shares at initial public offer and was admitted to the official list of Australian Stock Exchange Limited on 2 May 2006. Funds raised are being used to actively pursue projects located in Ghana, West Africa.

During the period total tenement acquisition and exploration expenditure incurred by the Company amounted to $442,853. In line with the Company's accounting policies, all exploration expenditure was written off at year end. Net administration expenditure incurred amounted to $183,575. This has resulted in an operating loss after income tax for the period ended 30 June 2006 to be $576,710.

At 30 June 2006 surplus funds available totalled $3,340,637.

Operating Results for the Year

Summarised operating results are as follows:

	2006	
	Revenues $	Results $
Geographic segment		
Australia	41,768	(165,815)
Ghana	-	(418,845)
Revenues and loss from ordinary activities before income tax expense	41,768	(584,660)

Shareholder Returns

	2006
Basic loss per share (cents)	**(6.0)**

Directors' Report continued

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The group believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Castle Minerals Limited was incorporated on 5 September 2005. The Company raised $3.75 million through the issue of 15 million ordinary shares at initial public offer and was admitted to the official list of Australian Stock Exchange Limited on 2 May 2006. Funds raised are being used to actively pursue projects located in Ghana, West Africa.

ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (IFRS), the group's financial report has been prepared in accordance with those Standards. The Company was incorporated on 5 September 2005 so this is the first financial report of the Company, hence no reconciliation to previous Australian GAAP is required.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company expects to maintain the present status and level of operations and hence there are no likely developments in the entity's operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is subject to significant environmental regulation in respect to its exploration activities.

The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the period under review.

SHARE OPTIONS

Unissued shares

At the date of this report there are 6,490,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the period	-
Share options issued during the period	
Exercisable at 35 cents, on or before 31 March 2011	6,490,000
Total options issued to 30 June 2006	6,490,000
Total number of options outstanding as at 30 June 2006	6,490,000
Issued subsequent to year end	-
Total number of options outstanding at the date of this report	**6,490,000**

Directors' Report continued

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the period, the Company has paid premiums insuring all the directors of Castle Minerals Limited against costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the Corporations Act 2001,

as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid is confidential under the terms of the insurance policy. The amount has been included in the compensation amounts disclosed for key management personnel elsewhere in this report and in the notes to the financial statements.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and other key management personnel of Castle Minerals Limited.

(a) Remuneration policy (audited)

The remuneration policy of Castle Minerals Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives based on key performance areas affecting the Company's financial results. The board of Castle Minerals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Company is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes or Binomial methodologies.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $200,000). Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in employee option plans.

Performance based remuneration

The Company currently has no performance based remuneration component built into director and executive remuneration packages.

Directors' Report continued

(b) Service Agreements (audited)

Remuneration and other terms of employment for the following key management personnel are formalised in service agreements, the terms of which are set out below:

Michael Ivey, Managing Director:

- Term of agreement - 3 years commencing 2 April 2006.
- Base salary, inclusive of superannuation and non-cash benefits, of $200,000 per annum to be reviewed annually by the board.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes an amount equal to the amounts due for the balance of the term of the contract from the date of termination.

Dennis Wilkins, Company Secretary:

- Term of agreement – 12 months commencing 2 May 2006, with 3 months notice of termination required.
- Fixed fee, $50,000 (plus GST) per annum.

Michael Fowler, Exploration Manager:

- Term of agreement – 4 years commencing 8 May 2006.
- Base salary, exclusive of superannuation, of $125,000 per annum for the first 6 months of the agreement. Thereafter, base salary, inclusive of superannuation, of $200,000 per annum to be reviewed annually by the board.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct or incapacity, includes an amount equal to the amounts due for the balance of the term of the contract from the date of termination.

Paul Amoako-Atta, Ghanaian Company Representative:

- Term of agreement – monthly basis, commencing 2 May 2006, with 2 months notice of termination required by Mr Amoako-Atta.
- Fixed fee, $3,250 per month, plus a rate of $65 per hour for agreed hours in excess of fifty per month.

(c) Compensation of key management personnel for the period ended 30 June 2006 (audited)

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Company and the group, including the highest paid executives, are as follows:

	Short-Term			**Post Employment**		**Share-based Payments**	**Total**
	Salary & Fees	Cash Bonus	Non Monetary Benefits	Super-annuation	Retirement Benefits	Options	
	$	$	$	$	$	$	$
Directors							
Michael Ivey							
2006	**43,477**	**-**	**543**	**4,348**	**-**	**300**	**48,668**
Campbell Ansell							
2006	**5,000**	**-**	**543**	**450**	**-**	**-**	**5,993**
Michael Ashforth							
2006	**5,000**	**-**	**543**	**450**	**-**	**-**	**5,993**
Executives							
Dennis Wilkins (Company Secretary)							
2006	**33,333**	**-**	**-**	**-**	**-**	**-**	**33,333**
Michael Fowler (Exploration Manager – appointed 8 May 2006)							
2006	**19,071**	**-**	**-**	**1,907**	**-**	**26,979**	**47,957**
Paul Amoako-Atta (Ghanaian Company Representative – appointed 2 May 2006) (1)							
2006	**103,250**	**-**	**-**	**-**	**-**	**-**	**103,250**
Total							
2006	**209,131**	**-**	**1,629**	**7,155**	**-**	**27,279**	**245,194**

(1) In addition to the above remuneration a total of $154,160 was paid to Terrex Limited, a Ghanaian registered company of which Mr Amoako-Atta is a director and shareholder. Terrex Limited provided geochemical and other geological services to the group during the period and the amounts paid were at arms length.

Directors' Report continued

(d) Compensation options granted during the period ended 30 June 2006 (audited)

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the key management personnel of Castle Minerals Limited to increase goal congruence between executives, directors and shareholders. The following options were issued during the period to key management personnel:

	Grant date	Grant number	Vest	Expiry date	Exercise price (cents)	Value per option at grant date	Exercised Number	% of remuneration
Directors								
Michael Ivey	10/03/2006	1,000,000	10/03/2006	31/03/2011	35	0.03 cents	N/A	0.6%
Executives								
Michael Fowler	08/05/2006	500,000*	08/05/2007	31/03/2011	25	15.5 cents	N/A	27.0%
Michael Fowler	08/05/2006	500,000*	08/05/2008	31/03/2011	25	15.5 cents	N/A	13.5%
Michael Fowler	08/05/2006	500,000*	08/05/2009	31/03/2011	25	15.5 cents	N/A	9.0%
Michael Fowler	08/05/2006	500,000*	08/05/2010	31/03/2011	25	15.5 cents	N/A	6.7%

* Pursuant to the terms of Michael Fowler's service agreement dated 8 May 2006 he is entitled to a total of 2 million options. As stipulated in the agreement, these options will be issued in four equal tranches by the Company on the vesting dates as indicated. None of the options had been issued at the date of this report.

Refer to note 24 for model inputs for options granted during the year ended 30 June 2006.

There were no shares provided as a result of the exercise of remuneration options by the directors of Castle Minerals Limited and other key management personnel of the group.

(e) Performance Income as a proportion of total compensation (audited)

No performance based bonuses have been paid to key management personnel during the period. It is not the intent of the board to consider performance bonuses as part of remuneration packages at this point in time.

DIRECTORS' MEETINGS

During the year the Company held 3 meetings of directors. The attendance of directors at meetings of the board were:

	Directors Meetings		**Audit Committee Meetings**	
	A	**B**	**A**	**B**
Michael Ivey	3	3	*	*
Campbell Ansell	3	3	-	-
Michael Ashforth	3	3	-	-

Notes

A - Number of meetings attended.

B - Number of meetings held during the time the director held office during the year.

* - Not a member of the Audit Committee

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.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

AUDITOR INDEPENDENCE

The auditor's independence declaration for the period ended 30 June 2006 has been received and can be found on page 43.

Directors' Report continued

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Horwath Audit (WA) Pty Ltd or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Horwath received or are due to receive the following amounts for the provision of non-audit services:

Investigating Accountants Report	$	5,054

Signed in accordance with a resolution of the directors.

Michael Ivey
Managing Director

Perth, 22 September 2006

Corporate Governance Statement

The Board of Directors

The Company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any share holding qualification.

As and if the Company's activities increase in size, nature and scope the size of the board will be reviewed periodically, and as circumstances demand. The optimum number of directors required to supervise adequately the Company's constitution will be determined within the limitations imposed by the constitution.

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the Company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the Company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act 2001, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

The board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees (other than audit, remuneration and nomination committees) at this time. The board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

Role of the Board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the chairman and this will not be withheld unreasonably.

Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

ASX Principles of Good Corporate Governance

The board has reviewed its current practices in light of the ASX Principles of Good Corporate Governance and Best Practice Guidelines 2005 with a view to making amendments where applicable after considering the Company's size and the resources it has available.
As the Company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The following table sets out the Company's present position with regard to adoption of these principles.

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Formalise and disclose the functions reserved to the board and those delegated to management	**A**	
Principle 2:	**Structure the board to add value**		
2.1	A majority of board members should be independent directors	**A**	Given the Company's background, the nature and size of its business and the current stage of its development, the board comprises three directors, two of whom are non-executive. The board believes that this is both appropriate and acceptable at this stage of the Company's development.
2.2	The chairperson should be an independent director	**N/A**	The Company does not perceive any additional benefits would accrue to the Company by the appointment of an independent chairperson.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual	**N/A**	The Company does not perceive any additional benefits would accrue to the Company by separating these roles.
2.4	The board should establish a nomination committee	**A**	
2.5	Provide the information indicated in guide to reporting on Principle 2	**A (in part)**	The skills and experience of directors are set out in the Company's annual report and on its website.
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: 3.1.1 the practices necessary to maintain confidence in the Company's integrity 3.1.2 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices	**A**	The Company has formulated a code of conduct which can be viewed on the Company's website.
3.2	Disclose the policy concerning trading in Company securities by directors, officers and employees	**A**	The Company has formulated a securities trading policy which can be viewed on its website.
3.3	Provide the information indicated in guide to reporting on Principle 3	**A**	

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards	**A**	
4.2	The board should establish an audit committee	**A**	
4.3	Structure the audit committee so that it consists of:	**A (in part)**	
	• Only non-executive directors	✔	
	• A majority of independent directors	✔	
	• An independent chairperson who is not the chairperson of the board	✔	
	• At least three members	✕	The Company only has two non-executive directors.
4.4	The audit committee should have a formal charter	**A**	
4.5	Provide the information indicated in guide to reporting on Principle 4	**A**	
Principle 5:	**Make timely and balanced disclosure**		
5.1	Establish written policies and procedures designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior management level for that compliance	**A**	The Company implemented policies and procedures effective from 1 June 2006.
5.2	Provide the information indicated in guide to reporting on Principle 5	**A**	

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 6:	**Respect the rights of shareholders**		
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	**A**	In line with adherence to continuous disclosure requirements of ASX all shareholders are kept informed of major developments affecting the Company. This disclosure will be through regular shareholder communications including the Annual Report, Quarterly Reports, the Company website and the distribution of specific releases covering major transactions or events.
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content of the auditor's report	**A**	Shareholders are encouraged to exercise their right to vote, either by attending meetings, or by lodging a proxy. The Company's auditors attend all shareholders' meetings.
Principle 7:	**Recognise and manage risk**		
7.1	The board or appropriate board committee should establish policies on risk oversight and management	**N/A**	While the Company does not have formalised policies on risk management the board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged amongst employees and contractors. Determined areas of risk which are regularly considered include: • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • land access and native title considerations • compliance with government laws and regulations • safety and the environment • continuous disclosure obligations • sovereign risk
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that: 7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the polices adopted by the board 7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects	**A**	
7.3	Provide information indicated in guide to reporting on Principle 7	**A**	

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 8:	**Encourage enhanced performance**		
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives	**A**	The remuneration of executive and non-executive directors is reviewed by the board with the exclusion of the director concerned. The remuneration of management and employees is reviewed by the board and approved by the chairman. Acting in its ordinary capacity, the board from time to time will carry out the process of considering and determining performance issues including the identification of matters that may have a material effect on the price of the Company's securities. Whenever relevant, any such matters will be reported to ASX.
Principle 9:	**Remunerate fairly and responsibly**		
9.1	Provide disclosure in relation to the Company's remuneration policies and benefits to these policies and the link between remuneration paid to directors and key executives and corporate performance.	**A**	The Company discloses remuneration-related information in its annual report to shareholders in accordance with the Corporations Act 2001. Remuneration levels are determined by the board on an individual basis, the size of the Company making individual assessment more appropriate than formal remuneration policies. In doing so, the board seeks to retain professional services as it requires, at reasonable market rates, and seeks external advice and market comparisons where necessary.
9.2	The board should establish a remuneration committee	**A**	
9.3	Clearly distinguish the structure of non-executive directors remuneration from that of executives	**A**	
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	**A**	
9.5	Provide information indicated in ASX guide to reporting on Principle 9	**A (in part)**	
Principle 10:	**Recognise legitimate interests of stakeholders**		
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	**A**	The Company's code of conduct is set out in the Company's website. The board continues to review existing procedures over time to ensure adequate processes are in place. All directors, employees and contractors are expected to act with the utmost integrity and objectivity in their dealings with other parties, striving at all times to enhance the reputation and performance of the Company.

A = Adopted
N/A = Not adopted

Income Statements

PERIOD ENDED 30 JUNE 2006	Notes	Consolidated 2006 $	Parent Entity 2006 $
REVENUE FROM CONTINUING OPERATIONS	2	**41,768**	**41,768**
EXPENDITURE			
Depreciation expense	3	**(407)**	**(407)**
Salaries and employee benefits expense		**(84,871)**	**(84,871)**
Tenement acquisition and exploration expenses written off	3	**(442,853)**	**-**
Diminution and doubtful debts expense	3	**-**	**(462,003)**
Corporate expenses		**(29,327)**	**(29,327)**
Administration expenses		**(36,482)**	**(36,482)**
Share based payment expense	24	**(27,279)**	**(27,279)**
Other expenses from ordinary activities		**(5,209)**	**(5,209)**
LOSS BEFORE INCOME TAX		**(584,660)**	**(603,810)**
INCOME TAX BENEFIT	4	**7,950**	**-**
NET LOSS ATTRIBUTABLE TO MEMBERS OF CASTLE MINERALS LIMITED		**(576,710)**	**(603,810)**
Basic and diluted loss per share (cents per share)	18	**(6.0)**	

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements.

Balance Sheets

AT 30 JUNE 2006	Notes	Consolidated 2006 $	Parent Entity 2006 $
CURRENT ASSETS			
Cash and cash equivalents	14(b)	**3,340,637**	**3,337,483**
Trade and other receivables	6	**84,229**	**50,872**
TOTAL CURRENT ASSETS		**3,424,866**	**3,388,355**
NON-CURRENT ASSETS			
Other financial assets	7	**-**	**-**
Plant and equipment	9	**12,478**	**12,478**
TOTAL NON-CURRENT ASSETS		**12,478**	**12,478**
TOTAL ASSETS		**3,437,344**	**3,400,833**
CURRENT LIABILITIES			
Trade and other payables	10	**270,775**	**258,683**
Provisions	11	**4,620**	**4,620**
TOTAL CURRENT LIABILITIES		**275,395**	**263,303**
TOTAL LIABILITIES		**275,395**	**263,303**
NET ASSETS		**3,161,949**	**3,137,530**
EQUITY			
Issued capital	12	**3,679,873**	**3,679,873**
Reserves	13(a)	**58,786**	**61,467**
Accumulated losses	13(b)	**(576,710)**	**(603,810)**
TOTAL EQUITY		**3,161,949**	**3,137,530**

The above Balance Sheets are to be read in conjunction with the Notes to the Financial Statements

Statements of Changes in Equity

PERIOD ENDED 30 JUNE 2006	Notes	Consolidated 2006 $	Parent Entity 2006 $
TOTAL EQUITY AT THE BEGINNING OF THE PERIOD		-	-
Exchange differences on translation of foreign operations	13	(2,681)	-
NET INCOME RECOGNISED DIRECTLY IN EQUITY		(2,681)	-
LOSS FOR THE PERIOD		(576,710)	(603,810)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF CASTLE MINERALS LIMITED		(579,391)	(603,810)
Transactions with equity holders in their capacity as equity holders:			
Shares issued during the year	12	3,885,770	3,885,770
Transaction costs	12	(205,897)	(205,897)
Employee and contractor share options	24	61,467	61,467
		3,741,340	3,741,340
TOTAL EQUITY AT THE END OF THE PERIOD		3,161,949	3,137,530

The above Statements of Changes in Equity are to be read in conjunction with the Notes to the Financial Statements.

Cash Flow Statements

PERIOD ENDED 30 JUNE 2006	Notes	Consolidated 2006 $	Parent Entity 2006 $
CASH FLOWS USED IN OPERATING ACTIVITIES			
Payments to suppliers and employees		**(98,488)**	**(98,488)**
Interest received		**27,610**	**27,610**
Expenditure on mining interests		**(287,702)**	**-**
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	14(a)	**(358,580)**	**(70,878)**
CASH FLOWS USED IN INVESTING ACTIVITIES			
Payments for plant and equipment		**(5,965)**	**(5,965)**
Loans to related parties		**-**	**(287,735)**
Payment for subsidiary, net of cash acquired	14(c)	**3,121**	**-**
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		**(2,844)**	**(293,700)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		**3,873,770**	**3,873,770**
Payment of share issue costs		**(171,709)**	**(171,709)**
NET CASH FLOWS FROM FINANCING ACTIVITIES		**3,702,061**	**3,702,061**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,340,637**	**3,337,483**
Add opening cash and cash equivalents brought forward		**-**	**-**
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD	14(b)	**3,340,637**	**3,337,483**

The above Cash Flow Statements are to be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

30 JUNE 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the financial statements of Castle Minerals Limited as an individual entity and the consolidated entity consisting of Castle Minerals Limited and its subsidiaries. Castle Minerals Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on Australian Stock Exchange Limited.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRSs). Compliance with AIFRSs ensures that the financial report, comprising the group's financial statements and notes and the parent entity financial statements and notes of Castle Minerals Limited, comply with IFRSs.

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2006. There are no anticipated changes to Castle Minerals Limited's accounting policies in future periods as a result of these changes. Below is a summary of recently amended or issued Accounting Standards relevant to Castle Minerals Limited:

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for Group
2005-1	AASB 139: *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-4	AASB 139: *Financial Instruments: Recognition and Measurement*, AASB 132: *Financial Instruments: Disclosure and Presentation*, AASB 1: *First-time adoption of AIFRS*, AASB 1023: *General Insurance Contracts*, AASB 1028: *Life Insurance Contracts*	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-5	AASB 1: *First-time adoption of AIFRS*, AASB 139: *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-6	AASB 3: *Business Combinations*	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-10	AASB 132: *Financial Instruments: Disclosure and Presentation*, AASB 101: *Presentation of Financial Statements*, AASB 114: *Segment Reporting*, AASB 117: *Leases*, AASB 133: *Earnings Per Share*, AASB 139: *Financial Instruments: Recognition and Measurement*, AASB 1: *First-time adoption of AIFRS*	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
2006-1	AASB 121: *The Effects of Changes in Foreign Exchange Rates*	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
New standard	AASB 7: *Financial Instruments: Disclosures*	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Castle Minerals Limited financial statements, and have been prepared in accordance with AIFRSs. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Notes to the Financial Statements continued

30 JUNE 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified 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.

(b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Castle Minerals Limited (the parent entity) and all entities which Castle Minerals Limited controlled from time to time during the period and at balance date. A controlled entity is any entity Castle Minerals Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. A list of controlled entities is contained in note 8.

Information from the financial statements of subsidiaries is included from the date the parent entity obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent entity has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Investments in subsidiaries are accounted for at cost in the individual financial statements of parent entity.

(c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

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 which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts. The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Depreciation of plant and equipment is calculated on a reducing balance basis so as to write off the net costs of each asset over the expected useful life. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

Notes to the Financial Statements continued

30 JUNE 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(e) Exploration and evaluation costs

Exploration and evaluation costs are written off in the period they are incurred.

(f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, that are transferred to entities in the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(g) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(h) Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

The group’s transactions in Ghana are subject to VAT administered by the Value Added Tax Service of the Republic of Ghana. Revenues, expenses and assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable from the Value Added Tax Service. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of VAT.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST and VAT components of investing and financing activities, which are disclosed as operating cash flows.

Notes to the Financial Statements continued

30 JUNE 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Foreign currency translation

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(j) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount.

(k) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Notes to the Financial Statements continued

30 JUNE 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based payments

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(l) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(m) Issued capital

Ordinary shares are classified as equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(n) Earnings per share (EPS)

Basic earnings per share

Basic EPS is calculated as the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the period, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(o) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(p) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(q) Comparative figures

Castle Minerals Limited was incorporated on 5 September 2005. These are the first financial statements prepared by the Company, hence there is no comparative information included in these statements.

Notes to the Financial Statements continued

30 JUNE 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

(s) Investments and other financial assets

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(t) Business combinations

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after reassessment of the identification and measurement of the net assets acquired.

Notes to the Financial Statements continued

30 JUNE 2006	Notes	Consolidated 2006 $	Parent Entity 2006 $
2. REVENUE FROM CONTINUING OPERATIONS			
Other revenue			
Interest			
Bank interest		**41,768**	**41,768**
Total revenues from continuing operations		**41,768**	**41,768**
3. EXPENSES AND (GAINS)			
(a) Expenses			
Depreciation of non-current assets		**407**	**407**
Tenement acquisition and exploration costs		**442,853**	**-**
Doubtful debts - controlled entities		**-**	**450,003**
Diminution of investments in subsidiaries		**-**	**12,000**
(b) (Gains)			
Net foreign currency translation gain		**(3,097)**	**(3,097)**
4. INCOME TAX			
(a) Income tax expense/(benefit)			
Current tax		**(7,950)**	**-**
Deferred tax		**-**	**-**
Under (over) provided in prior years		**-**	**-**
		(7,950)	**-**
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
Loss from ordinary activities before income tax expense		**(584,660)**	**(603,810)**
Prima facie tax benefit on loss from ordinary activities at 30%		**(175,398)**	**(181,143)**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Share-based payments		**8,184**	**8,184**
Sundry items		**427**	**427**
		(166,787)	**(172,532)**
Movements in unrecognised temporary differences		**118,468**	**130,856**
Tax effect of current year tax losses for which no deferred tax asset has been recognised		**40,369**	**41,676**
Income tax expense/(benefit)		**(7,950)**	**-**

Notes to the Financial Statements continued

30 JUNE 2006	Notes	Consolidated 2006 $	Parent Entity 2006 $

4. INCOME TAX (cont'd)

(c) Unrecognised temporary differences

Deferred Tax Assets (at 30%)			
On Income Tax Account			
Capital raising costs		**49,415**	**49,415**
Foreign exploration tax losses		**126,213**	**-**
Provision for doubtful debts		**-**	**135,001**
Provision for diminution		**-**	**3,600**
Accruals and provisions for employee entitlements		**8,856**	**8,856**
Carry forward tax losses		**40,369**	**41,676**
		224,853	**238,548**
Deferred Tax Liabilities (at 30%)			
Interest accrued		**4,248**	**4,248**

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends were paid or declared since the start of the period. No recommendation for payment of dividends has been made.

6. TRADE AND OTHER RECEIVABLES (CURRENT)

Government taxes receivable		**33,357**	**-**
Other receivables		**50,872**	**50,872**
		84,229	**50,872**

7. OTHER FINANCIAL ASSETS (NON-CURRENT)

Shares in subsidiaries – at cost	8	**-**	**12,000**
Provision for diminution		**-**	**(12,000)**
Loans to controlled entities – at cost		**-**	**450,003**
Provision for doubtful debts		**-**	**(450,003)**
		-	**-**

8. INTERESTS IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of incorporation	Class of shares	Equity Holding* 2006 %
Carlie Mining Ltd	Ghana	Ordinary	**100**
Topago Mining Ltd	Ghana	Ordinary	**100**

*Percentage of voting power is in proportion to ownership

Notes to the Financial Statements continued

30 JUNE 2006	Notes	Consolidated 2006 $	Parent Entity 2006 $
9. PLANT AND EQUIPMENT			
Plant & equipment			
At cost		**12,885**	**12,885**
Accumulated depreciation		**(407)**	**(407)**
Total plant and equipment	9(a)	**12,478**	**12,478**

(a) Movements in carrying amounts
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current period

Plant & equipment			
Carrying amount at beginning of period		**-**	**-**
Additions		**12,885**	**12,885**
Depreciation expense		**(407)**	**(407)**
Carrying amount at end of period		**12,478**	**12,478**

10. TRADE AND OTHER PAYABLES (CURRENT)

Trade creditors		**245,875**	**233,783**
Other creditors and accruals		**24,900**	**24,900**
		270,775	**258,683**

11. PROVISIONS (CURRENT)

Employee benefits	11(a)	**4,620**	**4,620**
		4,620	**4,620**

(a) Movements in provisions
Movement in each class of provision during the financial year is set out below:

Employee benefits			
Carrying amount at beginning of period		**-**	**-**
Additional provisions recognised		**4,620**	**4,620**
Carrying amount at end of period		**4,620**	**4,620**

12. ISSUED CAPITAL

(a) Issued and paid up capital

		2006 Number of shares	**2006 $**
Ordinary shares fully paid	12(b), 12(d)	**38,335,005**	**3,679,873**
		38,335,005	**3,679,873**

Notes to the Financial Statements continued

30 JUNE 2006

12. ISSUED CAPITAL (cont'd)

(b) Movements in shares on issue

	2006 Number of shares	2006 $
Beginning of the period	-	-
– Shares issued to incorporate the Company	5	5
– Shares issued for cash at 0.0001 cents	15,260,000	15
– Shares issued for cash at 0.91 cents	4,400,000	40,000
– Shares issued for cash at 1.36 cents	2,475,000	33,750
– Shares issued to acquire subsidiaries at 1.5 cents	800,000	12,000
– Shares issued for cash at 12.5 cents	400,000	50,000
– Shares issued for cash at 25 cents	15,000,000	3,750,000
less transaction costs	-	(205,897)
End of the period	38,335,005	3,679,873

(c) Movements in options on issue

	2006 Number of options
Beginning of the period	-
Issued during the year	
– Exercisable at 35 cents, on or before 31 March 2011	6,490,000
End of the period	6,490,000

Information relating to employee and contractor options is set out in note 24.

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	Notes	Consolidated 2006 $	Parent Entity 2006 $
13. RESERVES AND ACCUMULATED LOSSES			
(a) Reserves			
Foreign currency translation reserve	13(c)	(2,681)	-
Share-based payments reserve	13(c)	61,467	61,467
		58,786	61,467
Movements:			
Foreign currency translation reserve			
Balance at beginning of period		-	-
Currency translation differences arising during the period		(2,681)	-
Balance at end of period		(2,681)	-
Share-based payments reserve			
Balance at beginning of period		-	-
Option expense		61,467	61,467
Balance at end of year		61,467	61,467

Notes to the Financial Statements continued

30 JUNE 2006	Notes	Consolidated 2006 $	Parent Entity 2006 $

13. RESERVES AND ACCUMULATED LOSSES (cont'd)

(b) Accumulated losses

Balance at beginning of period		-	-
Net loss attributable to members of Castle Minerals Limited		**(576,710)**	**(603,810)**
Balance at end of period		**(576,710)**	**(603,810)**

(c) Nature and purpose of reserves

(i) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(i). The reserve is recognised in profit and loss when the net investment is disposed of.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

14. STATEMENT OF CASH FLOWS

(a) Reconciliation of the net loss after income tax to the net cash flows from operating activities

Net loss		**(576,710)**	**(603,810)**
Non-Cash Items			
Depreciation of non-current assets		**407**	**407**
Income tax benefit		**(7,950)**	**-**
Net exchange differences		**(2,681)**	**-**
Share-based payment expense		**27,279**	**27,279**
Impairment of investments in subsidiaries		**-**	**12,000**
Doubtful debts expense		**-**	**450,003**
Tenement acquisition costs written off		**26,499**	**-**
Changes in assets and liabilities			
(Increase) in trade and other receivables		**(84,229)**	**(50,872)**
Increase in trade and other creditors (net of amounts loaned to subsidiaries)		**254,185**	**89,495**
Increase in provisions		**4,620**	**4,620**
Net cash outflow from operating activities		**(358,580)**	**(70,878)**

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents comprises:			
– cash at bank and in hand		**340,637**	**337,483**
– short-term deposits		**3,000,000**	**3,000,000**
Closing cash and cash equivalents balance		**3,340,637**	**3,337,483**

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(c) Purchase consideration

Outflow of cash to acquire subsidiary, net of cash acquired			
Cash consideration		-	-
Less: Balances acquired			
Cash		**(3,121)**	-
Outflow/(inflow) of cash		**(3,121)**	-

Notes to the Financial Statements continued

30 JUNE 2006	Notes	Consolidated 2006 $	Parent Entity 2006 $

14. STATEMENT OF CASH FLOWS (cont'd)

(d) Non-cash financing and investing activities

Details of equity issues as consideration for the acquisition of subsidiaries are provided in note 25.

Options issued to employees and consultants for no consideration or as settlement for expenses are shown in note 24.

15. EXPENDITURE COMMITMENTS

(a) Exploration commitments

The Company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

	Consolidated 2006 $	Parent Entity 2006 $
not later than one year	**886,648**	-
later than one year and not later than five years	**54,880**	-
	941,528	-

(b) Employment contract commitments

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in section (b) of the remuneration report on page 7 that are not recognised as liabilities and are not included in the key management personnel compensation.

	Consolidated 2006 $	Parent Entity 2006 $
not later than one year	**420,417**	**420,417**
later than one year and not later than five years	**916,667**	**916,667**
	1,337,084	**1,337,084**

16. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no material contingent liabilities or contingent assets of the Company at balance date.

17. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 30 June 2006, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

18. LOSS PER SHARE

	Consolidated 2006 $
(a) Reconciliation of earnings to profit or loss	
Net loss	**(576,710)**
Loss used in calculating basic and diluted loss per share	**(576,710)**

	Number of shares
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share	
Weighted average number of ordinary shares used in calculating basic loss per share	**9,594,401**

Effect of dilutive securities:

Options on issue at balance date could potentially dilute basic earnings per share in the future. The effect in the current year is to decrease the loss per share hence they are considered antidilutive. Accordingly basic and diluted loss per share are the same.

Notes to the Financial Statements continued

30 JUNE 2006	Notes	Consolidated 2006 $	Parent Entity 2006 $
19. AUDITORS' REMUNERATION			
Amounts received or due and receivable by Horwath Audit (WA) Pty Ltd for:			
– an audit or review of the financial report of the consolidated entity		**14,000**	**14,000**
– other services in relation to the consolidated entity			
- Investigating accountant's report		**5,054**	**5,054**
		19,054	**19,054**

20. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel

(i) Directors

Michael Ivey	Executive Chairman and Managing Director	
Campbell Ansell	Non-Executive Director	
Michael Ashforth	Non-Executive Director	

(ii) Executives

Dennis Wilkins	Company Secretary	
Michael Fowler	Exploration Manager	*Appointed 8 May 2006*
Paul Amoako-Atta	Ghanaian Company Representative	*Appointed 2 May 2006*

(b) Compensation of key management personnel by category

	Consolidated 2006 $	Parent Entity 2006 $
Short-term	**210,760**	**210,760**
Post employment	**7,155**	**7,155**
Other long-term	-	-
Termination benefits	-	-
Share-based payment	**27,279**	**27,279**
	245,194	**245,194**

The Company has taken advantage of the relief provided by ASIC Class Order 06/05 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections (a) to (c) of the remuneration report on pages 6 and 7.

(c) Compensation options granted and vested during the year

Details of options provided as remuneration to key management personnel are included in section (d) of the remuneration report on page 8.

(d) Shares issued on exercise of compensation options

There were no shares issued on exercise of compensation options during the period.

Notes to the Financial Statements continued

30 JUNE 2006

20. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(e) Option holdings of key management personnel

	Balance at beginning of period 5 September 2005	Granted	Options Exercised	Net Change Other	Balance at end of period 30 June 2006	Vested at 30 June 2006 Total	Not Exercisable	Exercisable
Directors								
Michael Ivey	-	1,000,000	-	250,000	1,250,000	1,250,000	-	1,250,000
Campbell Ansell	-	-	-	200,000	200,000	200,000	-	200,000
Michael Ashforth	-	-	-	400,000	400,000	400,000	-	400,000
Executives								
Dennis Wilkins	-	-	-	200,000	200,000	200,000	-	200,000
Michael Fowler	-	-	-	-	-	-	-	-
Paul Amoako-Atta	-	-	-	-	-	-	-	-
Total	**-**	**1,000,000**	**-**	**1,050,000**	**2,050,000**	**2,050,000**	**-**	**2,050,000**

(f) Shareholdings of key management personnel

	Balance 5 September 2005		Granted		On Exercise of Options		Net Change Other		Balance 30 June 2006	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Directors										
Michael Ivey	-	-	-	-	-	-	4,590,000	-	4,590,000	-
Campbell Ansell	-	-	-	-	-	-	550,000	-	550,000	-
Michael Ashforth	-	-	-	-	-	-	1,600,000	-	1,600,000	-
Executives										
Dennis Wilkins	-	-	-	-	-	-	550,000	-	550,000	-
Michael Fowler	-	-	-	-	-	-	20,000	-	20,000	-
Paul Amoako-Atta	-	-	-	-	-	-	880,000	-	880,000	-
Total	-	-	-	-	-	-	8,190,000	-	8,190,000	-

(g) Loans to key management personnel

There were no loans to key management personnel during the period.

(h) Other transactions and balances with key management personnel

Services

DWCorporate, a business of which Mr Wilkins is principal, provided Company Secretarial and other corporate services to Castle Minerals Limited during the period. The amounts paid were at arms length and are disclosed in sections (b) and (c) of the remuneration report on page 7 as part of Mr Wilkins' compensation.

Terrex Limited, a Ghanaian registered company of which Mr Amoako-Atta is a director and shareholder, provided geochemical and other geological services to the group during the period totalling $154,160. The amounts paid were at arms length.

21. RELATED PARTY DISCLOSURES

(a) Parent entity

The ultimate parent entity within the Group is Castle Minerals Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 8.

Notes to the Financial Statements continued

30 JUNE 2006

21. RELATED PARTY DISCLOSURES (cont'd)

(c) Wholly-owned group transactions

Loans

Castle Minerals Limited has provided unsecured and interest free loans to its wholly owned subsidiaries, Carlie Mining Ltd totalling $132,944 and Topago Mining Ltd totalling $317,059 at balance date. There were no repayments made during the year. A provision for doubtful debts of $450,003 has been raised in relation to these outstanding balances.

(d) Key management personnel

Disclosures relating to key management personnel are set out in note 20 and the Directors Report.

22. SEGMENT INFORMATION

Segment products and locations

The consolidated entity's operations are in the mining industry. Geographically, the group operates in two predominant segments, being Australia and Ghana. The head office and investment activities of the group take place in Australia.

Notes continued

30 JUNE 2006

22. SEGMENT INFORMATION - PRIMARY SEGMENT

Geographic segments	Australia	Ghana	Eliminations	Consolidated
	2006 $	2006 $	2006 $	2006 $
Revenue				
Sales to customers outside the consolidated entity	-	-	-	-
Other revenues from customers outside the consolidated entity	**41,768**	-	-	**41,768**
Intersegment revenues	-	-	-	-
Share of net profit of equity accounted investments	-	-	-	-
Total segment revenue	**41,768**	-	-	**41,768**
Non-segment revenues				
Unallocated revenue				-
Total consolidated revenue				**41,768**
Results				
Segment result	**(603,810)**	**(418,845)**	**437,995**	**(584,660)**
Non-segment expenses				
Unallocated expenses				-
Consolidated entity loss from ordinary activities before income tax expense				**(584,660)**
Income tax (expense)/benefit				**7,950**
Consolidated entity loss from ordinary activities after income tax expense				**(576,710)**
Extraordinary item				-
Net loss				**(576,710)**

Notes continued

30 JUNE 2006

22. SEGMENT INFORMATION - PRIMARY SEGMENT (cont'd)

Geographic segments	Australia	Ghana	Eliminations	Consolidated
	2006 $	2006 $	2006 $	2006 $
Assets				
Segment assets	**3,400,833**	**179,639**	**(143,128)**	**3,437,344**
Non-segment assets				
Unallocated assets				**-**
Total assets				**3,437,344**
Liabilities				
Segment liabilities	**263,303**	**469,264**	**(457,172)**	**275,395**
Non-segment liabilities:				
Non-allocated liabilities				**-**
Total liabilities				**275,395**
Other segment information:				
Equity accounted investments included in segment assets	**-**	**-**	**-**	**-**
Acquisition of property, plant and equipment, intangible assets and other non-current assets	**12,885**	**-**	**-**	**12,885**
Depreciation	**407**	**-**	**-**	**407**
Non-cash expenses other than depreciation and amortisation	**489,282**	**442,853**	**(462,003)**	**470,132**

Notes to the Financial Statements continued

30 JUNE 2006

23. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Interest rate risk

The Company is exposed to movements in market interest rates on short-term deposits. Group policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.

The Company's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
	2006 $	2006 $	2006 $	2006 $	2006 $	2006 $	2006 %
(i) Financial assets							
Cash	**340,637**	**3,000,000**	-	-	-	**3,340,637**	**6.1**
Trade and other receivables	-	-	-	-	**84,229**	**84,229**	-
Total financial assets	**340,637**	**3,000,000**	-	-	**84,229**	**3,424,866**	
(ii) Financial liabilities							
Trade creditors	-	-	-	-	**(245,875)**	**(245,875)**	-
Other creditors and accruals	-	-	-	-	**(24,900)**	**(24,900)**	-
Total financial liabilities	-	-	-	-	**(270,775)**	**(270,775)**	

Notes to the Financial Statements continued

30 JUNE 2006

23. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Net fair values

All financial assets and liabilities have been recognised at the balance date at amounts approximating their fair value.

(c) Credit risk exposures

The Company has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the balance sheet and notes to the financial statements.

As the Company does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(d) Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the United States Dollar, the functional currency of the operations in Ghana.

The Group has not formalised a foreign currency risk management policy, however it monitors its foreign currency expenditure in light of exchange rate movements.

24. SHARE-BASED PAYMENTS

Employees and Contractors Option Plan

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby options to acquire ordinary shares are issued as an incentive to improve employee and shareholder goal congruence. As part consideration for the underwriting fee on the Initial Public Offering, a contractor was issued 440,000 options with an exercise price of 35 cents and an expiry date of 2 May 2008. The value of these options has been recognised directly in equity.

In accordance with his service agreement, the Managing Director was granted 1,000,000 options with an exercise price of 35 cents and an expiry date of 31 March 2011.

Based on the terms of his service agreement the Exploration Manager is entitled to 2,000,000 options with an exercise price of 25 cents and an expiry date of 31 March 2011. None of these options had been issued at 30 June 2006 however, as the entitlement is from the date of the service agreement Accounting Standards require the Company to recognise an expense from that date.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Set out below are summaries of the options granted:

	The Company 2006	
	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	-	-
Granted	**1,440,000**	**35.0**
Forfeited	-	-
Exercised	-	-
Expired	-	-
Outstanding at year-end	**1,440,000**	**35.0**
Exercisable at year-end	**1,440,000**	**35.0**

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.8 years.

Notes to the Financial Statements continued

30 JUNE 2006

24. SHARE-BASED PAYMENTS (cont'd)

Expenses arising from share-based payment transactions

The weighted average fair value of the options granted during the year was 10.4 cents. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

Weighted average exercise price (cents)	28.3
Weighted average life of the option (years)	4.9
Weighted average underlying share price (cents)	17.0
Expected dividend rate	Nil
Expected share price volatility	70%
Risk free interest rate	5.67%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated	Parent Entity
	2006	2006
	$	$
Options issued to employees	**27,279**	**27,279**

25. BUSINESS COMBINATION

(a) Carlie Mining Ltd acquisition

On 24 November 2005 the parent entity acquired 100% of the issued share capital of Carlie Mining Ltd, a company registered in Ghana.

The acquired business contributed nil revenue and a loss of $123,054 to the Group for the period from 24 November 2005 to 30 June 2006. If the acquisition had occurred at the beginning of the reporting period for the parent entity, consolidated revenue and consolidated loss for the period 5 September 2005 to 30 June 2006 would have been $68,096 and $576,335 respectively.

At the date of acquisition, the acquired entity was involved in mineral exploration in Ghana.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

(i) Summary of acquisition

	$
Purchase consideration:	
Issues of 400,000 ordinary shares at 1.5 cents each	**6,000**
Total purchase consideration	**6,000**
Fair value of net identifiable assets acquired	**6,000**
Goodwill	**-**

Notes to the Financial Statements continued

30 JUNE 2006

25. BUSINESS COMBINATION (cont'd)

(ii) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value
	$	$
Cash	**3,121**	**3,121**
Exploration and evaluation costs	**-**	**15,553**
Payables	**(8,008)**	**(8,008)**
Deferred tax liability	**-**	**(4,666)**
Net identifiable assets acquired	**(4,887)**	**6,000**

The acquired exploration and evaluation costs have been written off in accordance with Company accounting policy as stated at Note 1(e). The deferred tax liability related to these costs has consequently been written off giving rise to the income tax benefit recorded in the Income Statement.

(b) Topago Mining Ltd acquisition

On 24 November 2005 the parent entity acquired 100% of the issued share capital of Topago Mining Ltd, a company registered in Ghana.

The acquired business contributed nil revenue and a loss of $295,791 to the Group for the period from 24 November 2005 to 30 June 2006. If the acquisition had occurred at the beginning of the reporting period for the parent entity, consolidated revenue and consolidated profit for the period 5 September 2005 to 30 June 2006 would have been $41,768 and $610,066 respectively.

At the date of acquisition, the acquired entity was involved in mineral exploration in Ghana.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

(i) Summary of acquisition

	$
Purchase consideration:	
Issues of 400,000 ordinary shares at 1.5 cents each	**6,000**
Total purchase consideration	**6,000**
Fair value of net identifiable assets acquired	**6,000**
Goodwill	**-**

(ii) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value
	$	$
Exploration and evaluation costs	**-**	**10,946**
Payables	**(1,662)**	**(1,662)**
Deferred tax liability	**-**	**(3,284)**
Net identifiable assets acquired	**(1,662)**	**6,000**

The acquired exploration and evaluation costs have been written off in accordance with Company accounting policy as stated at Note 1(e). The deferred tax liability related to these costs has consequently been written off giving rise to the income tax benefit recorded in the Income Statement.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes of the Company and of the consolidated entity and the additional disclosures included in the directors' report designated as audited, are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial period ended on that date ; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out on pages 6 to 8 of the directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.

On behalf of the board

Michael Ivey
Managing Director

Perth, 22 September 2006

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Independent audit report on the financial report to members of Castle Minerals Limited

We have audited the accompanying financial report of Castle Minerals Limited (the company) and the consolidated entity for the year ended 30 June 2006. The financial report comprises the balance sheet at 30 June 2006, and the income statement, statement of changes in equity, cash flow statement, summary of significant accounting policies and other explanatory notes, and the directors' declaration for the year then ended.

We have also audited the information about the remuneration of directors and executives ("remuneration disclosures"), the company has disclosed in accordance with Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" in pages 6 to 8 of the directors' report, as permitted by the Corporations Regulations 2001.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Accounting Standards in Australia and the *Corporations Act 2001*. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report and the remuneration disclosure based on our audit. We conducted our audit in accordance with Auditing Standards in Australia. Those standards require that we 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.

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 judgment, 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 entity'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 entity'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.

Horwath

Independence

We are independent of the company and group, and have complied with the independence requirements of the *Corporations Act 2001*. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. The financial reports of Castle Minerals Limited and the consolidated entity are in accordance with the Corporations Act 2001, including:
   - (a) giving a true and fair view of the company's and the group's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
   - (b) complying with Accounting Standards in Australia and the Corporations Regulations 2001.
2. The remuneration disclosures that are contained in pages 6 to 8 of the directors' report comply with Accounting Standard AASB 124 and the Corporations Regulations 2001.

Dated the 22nd day of September 2006.

HORWATH AUDIT (WA) PTY LTD

HORWATH.
GLYN O'BRIEN

GLYN O'BRIEN
Director

Horwath Audit (WA) Pty Ltd
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22nd September 2006

Private and Confidential

The Board of Directors
Castle Minerals Limited
Level 3, 46 Ord Street
WEST PERTH WA 6006

AUDITOR'S INDEPENDENCE DECLARATION

This declaration is made in connection with my audit of the financial report of Castle Minerals Limited for the year ended 30 June 2006 and in accordance with the provisions of the Corporations Act 2001.

As lead auditor I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to this audit;
- No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to this audit.

Yours sincerely
HORWATH AUDIT (WA) PTY LTD

HORWATH.
GLYN O'BRIEN

GLYN O'BRIEN
Director

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 21 September 2006.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

			Ordinary shares	
			Number of holders	**Number of shares**
1	-	1,000	**1**	**80**
1,001	-	5,000	**26**	**85,752**
5,001	-	10,000	**94**	**843,710**
10,001	-	100,000	**279**	**8,815,183**
100,001		and over	**39**	**28,590,280**
			439	**38,335,005**

The number of shareholders holding less than a marketable parcel of shares are:	**2**	**1,105**

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

		Listed ordinary shares	
		Number of shares	**Percentage of ordinary shares**
1	M Ivey Pty Ltd	4,400,000	11.48
2	Bluestar Resources Limited	3,834,644	10.00
3	Bluesky Resources Limited	1,870,000	4.88
4	Trailstar Limited	1,870,000	4.88
5	Falconsand Limited	1,827,100	4.77
6	Redstar Resources Limited	1,568,256	4.09
7	Wiechecki, Henry	1,430,000	3.73
8	Ivoryrose Holdings Pty Ltd	1,300,200	3.39
9	Harper, David	1,100,000	2.87
10	Burling, Terrance Frederick	920,000	2.40
11	Wiechecki, Barbara	880,000	2.30
12	Atta-Amoako, Paul	880,000	2.30
13	Wiechecki, Barbara	840,000	2.19
14	Amponsah, Yaw Benneh	800,000	2.09
15	Garbutt-Wilins, Natalie	520,080	1.36
16	Ansell, Campbell Theodore	440,000	1.15
17	Zelman Pty Ltd	400,000	1.04
18	Mannwest Group Pty Ltd	300,000	0.78
19	Sierra Bay Pty Ltd	269,200	0.70
20	Lomacott Pty Ltd	250,000	0.65
		25,699,480	67.05

ASX Additional Information continued

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares
M Ivey Pty Ltd	4,400,000
Bluestar Resources Limited	3,834,644

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(e) Schedule of interests in mining tenements

Location	Tenement	Percentage held
Antubia, Ghana	RL 1730/2005	100
Antubia, Ghana	PL 1728/2005	100
Banso, Ghana	RL 410/2005	100
Banso, Ghana	PL 149/2006	100
Banso, Ghana	PL 188/2006	100
Banso, Ghana	PL 1727/2005	100
Sunyani Basin, Ghana	RL 1731/2005	100
Sunyani Basin, Ghana	PL 1729/2005	100