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STOCK EXCHANGE

Castle Minerals Limited is listed on
 the Australian Securities Exchange.

ASX Code: **CDT**

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Letter To Shareholders

Dear Fellow Shareholder,

I am pleased to present to you the annual report of the Company for the year ending 30 June 2007.

Castle's first full year as a listed Company has been a very active one. Field exploration teams have been continuously and successfully exploring our gold properties in Ghana, including our two new projects acquired during the year; Sapelliga and Ducie.

Castle's projects have been advanced, in the majority, from an exploration concept to one where gold mineralisation has now been identified and for our Antubia, Akoko, Banso and Sapelliga Projects exploration has successfully identified targets capable of hosting significant bedrock gold mineralisation.

The Company has a very large land holding in Ghana with seven projects covering some 2,388 km² under licence. We are also actively pursuing several other in-country opportunities and remain keen to increase our landholdings.

Our experience to date reinforces our view that Ghana is an excellent country in which to operate. It has a friendly and willing people, a good service industry, and most importantly remains highly prospective for large gold deposits with many areas either under-explored or lacking any modern exploration effort.

During the year we conducted five separate drilling programs, 744km of line cutting, collected 16,446 soil samples and excavated 367 sample pits.

Our activities were consistent with our stated objectives being the:

1. exploration and development our five gold projects in Ghana; and
2. acquisition and exploration of other mineral resource opportunities, particularly in West Africa

We are cost-conscious and always seek to employ the most cost effective and prudent use of funds. Exploration funds are best spent in the ground and I can confidently report that over 85% of monies were spent on pure exploration activities. Our exploration investment totalled \$2.7m for the year. In June we raised \$2.8m to fund our future drilling and exploration activities.

Work to date has demonstrated the considerable potential of our projects. 2008 will see a continued focussed program towards our goal of discovering and delineating gold resources and ultimately delivering significant value to all shareholders.

I would like to make particular note of the contribution made by our in country representative Mr Paul Amoako-Atta. Paul's ongoing assistance and advice has been invaluable in progressing Castle's projects.

Thankyou for your support and I look forward to keeping you informed of our progress during the forthcoming year.

Michael Ivey
Executive Chairman





THE RIGHT PEOPLE...
THE RIGHT COUNTRY...
THE RIGHT PROSPECTS...

Castle Minerals is a Ghana focussed gold exploration Company.

Castle listed on the Australian Securities Exchange in May 2006 (ASX code: CDT).

Castle has seven projects in Ghana that it is actively exploring;

- Bansa,
- Antubia,
- Sunyani Basin,
- Bondaye
- Akoko
- Sapelliga
- Ducie

All projects are 100% owned by Castle (subject to Ghanaian Government right to a free-carried 10% interest) or Castle has the right to acquire a 100% interest in the projects (Ducie and Sapelliga). Castle's Ghana assets are held via two Ghanaian registered Company's - Carlie Mining Limited and Topago Mining Limited.

Carlie Mining Limited and Topago Mining Limited are wholly owned subsidiaries of Castle.



Exposure to seven gold projects covering more than 2,000 square kilometres in the west African country of Ghana

About Ghana

Ghana is situated in West Africa, and was formerly a British colony known as the Gold Coast. It was the first nation in sub-Saharan Africa to achieve independence from its colonial rulers in 1957.

Ghana has a total land area of 238,537km² (92,100 square miles). Its capital city is Accra, while other major cities include Kumasi, Tema, Tamale and Sekondi-Takoradi. Ghana has a tropical climate and a population of approximately 21 million (2005 estimate).

English is the official language of Ghana and is universally used in schools. Traditional religions are adhered to by more than one-fifth of the population while Christianity has been adopted by approximately three-fifths, and Muslim beliefs by about 16% of the population.

Natural resources include gold, timber, diamonds, bauxite and manganese, while agricultural products include cocoa, rubber, coconuts, coffee, pineapples, cashews, pepper and other food crops. Ghana's industries are dominated by mining, timber processing, light manufacturing, fishing, aluminium production and tourism.

The country has a long history of gold mining and exploration. Gold represents Ghana's major export commodity, providing approximately 50% of GDP. Ghana is the world's 10th and Africa's 2nd largest producer of gold, with current production estimated at in excess of 2.4Moz per annum.

Ghana has been a producer of gold since the 16th century and today boasts one of the largest and richest reserves of gold in the world. A number of the world's largest gold companies are producing and/or exploring within the country and several new multi million ounce goldmines are currently planned for development ensuring Ghana's ongoing role as one of Africa's leading gold producers.

Ghana is the world's 10th and Africa's 2nd largest producer of gold



2007 Operations Summary

Castle maintains a continuous exploration program in Ghana.

Castle's tenements are located within the historic Ashanti and Sefwi gold belts of south west Ghana and in the Bolgatanga belt in the north. Castle has seven distinct projects known as, Banso, Antubia, Sunyani Basin, Bondaye, Akoko and Sapelliga. Each of these projects is considered prospective for gold mineralisation.

ANTUBIA PROJECT (100% Castle Minerals)

Antubia is located approximately 370km west-northwest of Accra, in the Sefwi gold belt and is ~90km southwest of the 16Moz Ahafo gold mine operated by Newmont.

Detailed soil sampling completed during the year confirmed an anomalous gold corridor oriented approximately north – south 5.5km long and open to the south. Within this corridor two areas stand out as being of particular importance, named Boizan and Sumiakrom Hill.

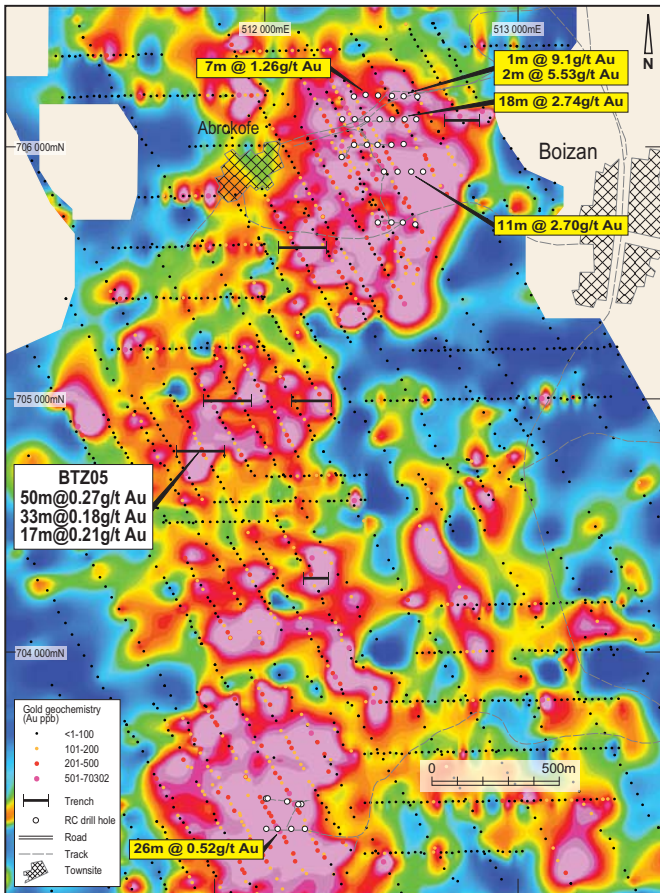
Infill sampling, pitting, trenching and geophysical interpretation was completed as well as two phases of reverse circulation drilling. Strong gold values were reported on the southern most traverse completed, highlighting the potential of the 4km long area to the south. This area will be sampled in 2007/08.

Pitting (28 pits) was completed primarily designed to obtain structural information towards defining the best drill orientation. All pits were sampled with some significant intercepts reported including 1.7m @ 1.34g/t gold (BZPT01), 0.4m @ 12.7g/t gold (BZPT007) from the Boizan area and 1.5m @ 6.9g/t gold (BZPT019) from the Sumiakrom Hill area.

The Boizan prospect is near the top of a gently sloping hill with no evidence of mining having taken place. An area of Ashanti workings is located immediately north of the Abrokofe township. Individual soil samples from the Boizan prospect included values of 70.3g/t, 8.01g/t, 1.5g/t and 1.2g/t gold.

In December 2006 thirteen RC holes were drilled at Boizan and nine RC holes were drilled at Sumiakrom Hill.

At the Boizan prospect BZRC 06 reported an intercept of 18m @ 2.74g/t gold from 24m down hole. This was the eastern most hole on the drill fence. Mineralisation is hosted within metasedimentary rocks that include narrow black shale horizons. The better zones of mineralisation are associated with quartz veining and oxidised sulphide.



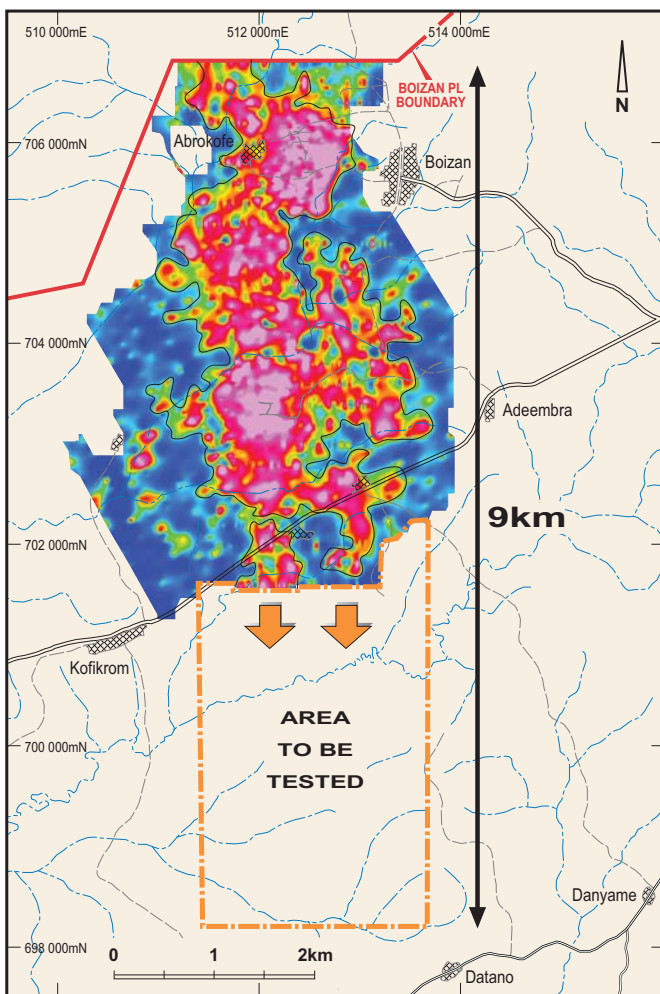
At Sumiakrom Hill high grade soil values (max. 1.2g/t gold) were reported on the north side of a small hill and extending north east for over 1,000 metres. Some old workings are evident around the Sumiakrom Hill area. Two drill fences were completed with broad zones of shallow oxide mineralisation reported including 14m @ 0.47g/t from 17m and 27m @ 0.50g/t gold from 9m. The Sumiakrom Hill mineralisation appears to form an extensive horizontal blanket. Deep weathering (+70m) is present and the primary source of the gold is yet to be established.

Fourteen RC holes were drilled in February at the Boizan prospect to follow up the first phase of drilling. This new drilling reported intercepts of; 11m @ 2.70g/t, 7m @ 1.26g/t, 2m @ 5.53g/t, 1m @ 9.1g/t, 10m @ 0.60g/t and 10m @ 0.80g/t gold.

This drilling has refined the geological understanding of the area and identified a 100m wide black shale rich unit as a marker horizon and a possible control on gold mineralisation at Boizan. Mineralisation is best developed on the footwall (west) side of this unit. Importantly this black shale unit is interpreted to join up to the Sumiakrom Hill prospect to the south. This footwall contact zone has a coincident soil anomaly (except where obscured by transported cover) and is considered a highly prospective target over at least 5km of strike.

The Boizan area represents a regional gold anomaly of a scale and tenor that provides strong evidence that a substantial gold deposit could be defined at Boizan.

A program of trenching was completed with six trenches excavated for a total of 1,002m. The trenches were designed to test spot high soil anomalies and to provide structural and geological information for the forthcoming drilling program. RC drill testing is being planned for September to coincide with the end of the wet season.



Top: Boizan prospect geochemistry and trenches

Bottom: Showing full area to be tested.



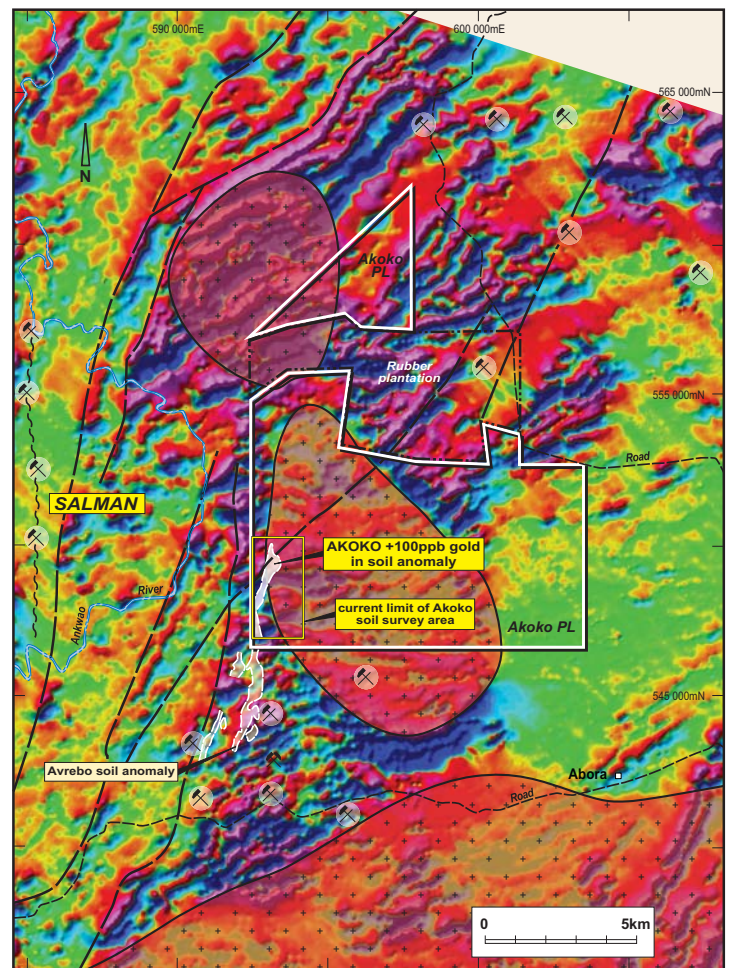
AKOKO PROJECT
(100% Castle Minerals)

The Akoko project consists of one Prospecting Licence is located ~10 km east of Adamus Resources’ Salman gold project and 40km south of the 6Moz Prestea gold mine. Adamus has reported a resource of 23mt @ 2.1g/t for 1.6 Moz for their combined Salman/Anwia resource.

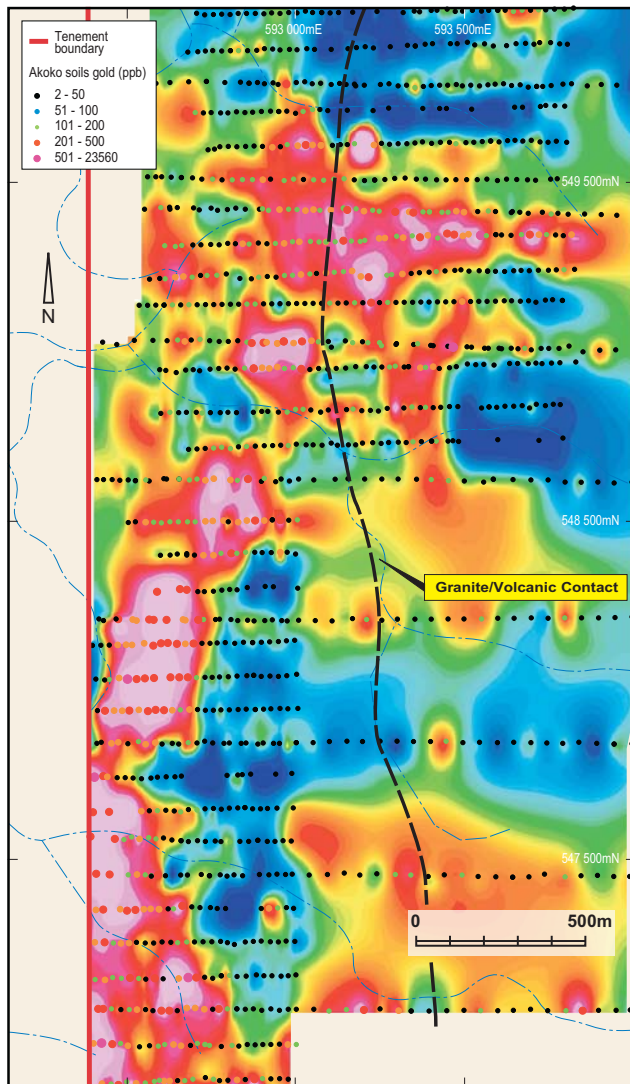
Castle completed the first ever exploration at Akoko during the year. This work comprised a program of soil sampling initially on 400m x 50m spacing and then at 100m x 25 spacing following positive results from the first program. Drilling is scheduled for September 2007.

Soil results reported a strong and continuous gold in soil anomaly over 3km’s long. Within this larger anomaly, sampling identified seven separate zones with values above 1g/t (including values of 23.5g/t, 15g/t, 2.3g/t and 1.4g/t gold). These seven zones are aligned along a 2km long corridor of very strong soils. Each zone is proposed to be drill tested in September 2007. In total the program reported 23 values above 0.5g/t gold including 10 values above 1g/t.

The anomaly overlies mafic and sedimentary rocks just west of internal granite. A major north east trending cross structure intersects the granite contact at the north end of the anomaly. This intersection point is considered highly prospective and field mapping along with the soil results indicates that gold mineralisation is likely to also extend into the granite.



Akoko location plan showing soil anomalies



Akoko project soil geochemistry

Numerous old workings (“Ashanti pits”) were observed in the south west corner of the licence. These workings were approximately 3-6m deep and developed over a 200m x 50m wide area in strongly oxidised mafic rock.

The remaining area of the Akoko licence is now considered highly prospective, particularly the margins of the internal granite and along NNE cross structures. Reconnaissance sampling is planned to be undertaken towards the end of 2007.

The old Akoko mine is located only 1.5km north of the Akoko Project boundary and the Asheba/Atinasi prospects 3km further to the north. In the period 1912 to 1928, the Akoko mine produced about 29,000oz of gold derived from 35,600 tons of ore. The quartz veins at Akoko grade between 20g/t and 30g/t gold, however the cost of mining the narrow veins was too high and the mine went bankrupt in 1926. Work in the 1930s did not apparently result in any new discoveries.

In the late 1980s, the area was held under a concession by Ghana Gold Pty Ltd which carried out soil sampling, along with the mapping and sampling of adits. That company later entered into joint venture agreement with the Glencar/Moydow group, which drilled eight holes into the Asheba Prospect to the north-northeast of Akoko. Between 2003 and 2005, Glencar drilled numerous RC holes into its Atinasi Prospect, just 2km northwest of Akoko. Results include 9m at 11.0g/t and 12m at 12.1g/t gold.

BANSO PROJECT

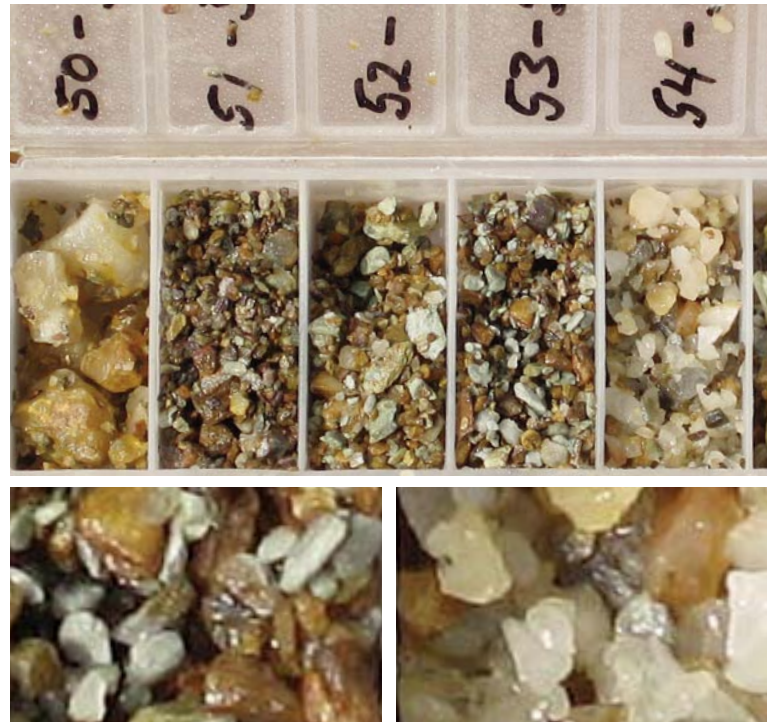
(100% Castle Minerals)

Banso is located approximately 180km northwest of Accra, in the Ashanti gold belt. It is ~20km west of Newmont's 8Moz Akyem gold mine and ~10km east of AngloGold Ashanti's 50Moz Obuasi gold mine.

The Banso project consists of four granted Prospecting Licences known as Fereso, Anweaso, Banso and Dwendwenase. It lies near the intersection of two major shear zones within the Ashanti Belt and sits between the world class Akyem and Obuasi gold deposits. The project also includes over 20km strike of the highly prospective Ashanti belt contact on its western side.

Significant historic gold intercepts were reported in surface trenches at the Banso Prospect, including; 23m @ 2.33g/t gold, 9.8m @ 9.2g/t gold, 8m @ 4.3g/t gold and 13m @ 1.6g/t gold and a substantial soil anomaly had been defined. Soil sampling by Castle confirmed and extended the Banso soil anomaly to be over 3,700 metres long and up to 1,000 metres wide.

During the year two drilling programs were completed, an initial 40 hole, (3,248m) reverse circulation drilling program and a follow up 5 hole, (570m) program.



This drilling has intersected significant oxide and primary gold mineralisation in several holes with best results including;

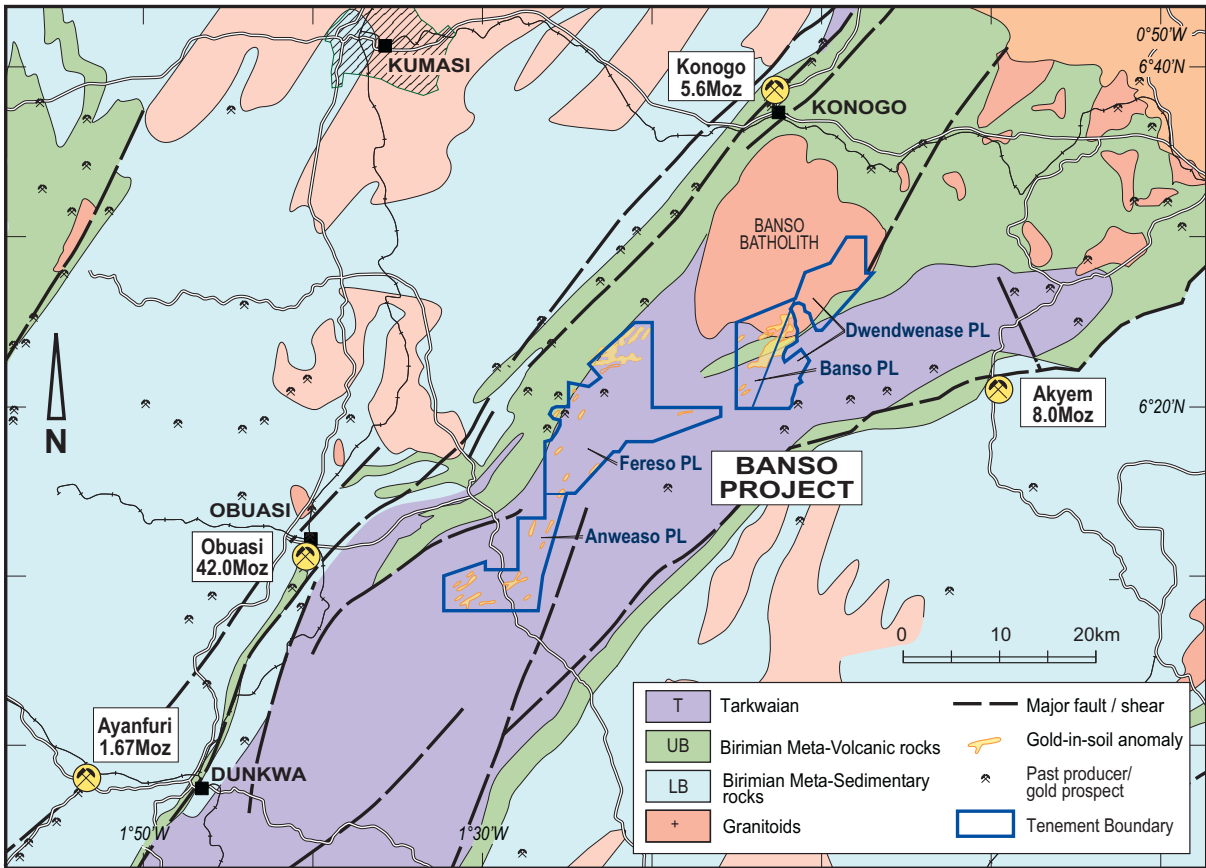
BNRC 04	5m	@	3.49g/t gold from 18m
BNRC 04	19m	@	1.27g/t gold from 61m
BNRC 11	3m	@	2.47g/t gold from 6m
BNRC 26	6m	@	3.13g/t gold from 44m
BNRC 25	10m	@	11.1g/t gold from 50m
BNRC 44	2m	@	10.8g/t gold from 26m

Gold mineralisation occurs in silicified and pyritic gabbro at the western end of the prospect and on a gabbro/sediment contact in the central portion of the prospect area.

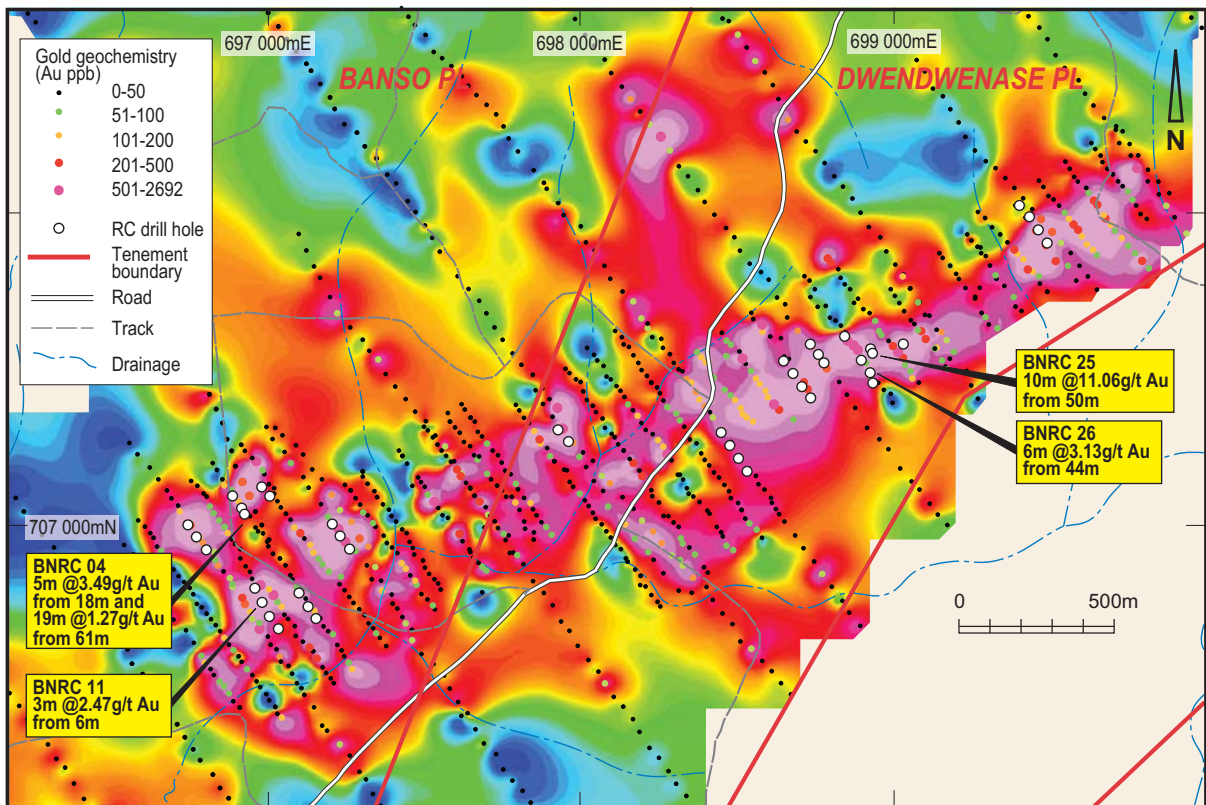
Soil sampling along the western boundary of the Bansa licences was completed during the year. This work involved the collection of 1,214 soil samples. Sampling was generally wide spaced being completed on 800m and 400m line spacing with samples collected every 100m. Results have identified three distinct gold anomalies along the western margin of the Bansa project area close to the boundary between Birimian metavolcanics and younger Tarkwaian metasediments.

Local spot highs of 445, 364 and 334 ppb gold were reported from the northern anomalies and 99, 89 and 70 ppb highs were reported from the southern anomalies within the Anweaso licence.

Infill sampling and site inspection is planned to determine the significance of these results.



Banso Project location and geology



Banso Project geochemistry



SAPELLIGA PROJECT

(Castle Minerals right to earn 100%)

The Sapelliga project consists of one granted Reconnaissance Licence situated in north east Ghana near the border with Burkina Faso. Castle has an option to acquire a 100% interest in the project from a local Ghanaian Company. The 580,000 ounce Youga Gold Deposit is being developed about 2.5km west of Sapelliga.

During the year Castle executed a formal option agreement over the Sapelliga project with a local Ghanaian company. The main area of interest at Sapelliga was defined in the late 1990's and occurs in Tarkwaian and Birimian metasedimentary rocks adjacent and along strike from the Youga project.

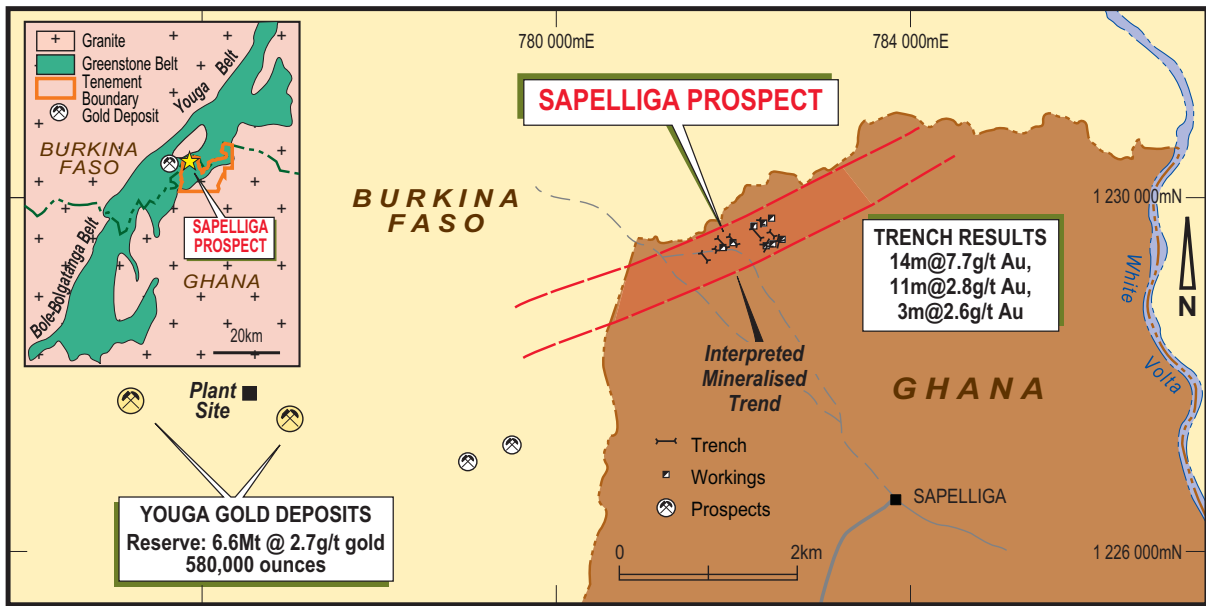
Historic trenching by previous explorers exposed quartz veined metasedimentary rocks over approximately 800m strike. Site inspection confirmed the presence numerous old workings, active artisanal mining and outcropping quartz and sulphide stringers in outcrop. Trench results reported include:

14m	@	7.72g/t gold;
11m	@	2.8g/t gold;
3m	@	3.73g/t gold; and
3m	@	2.63g/t gold.

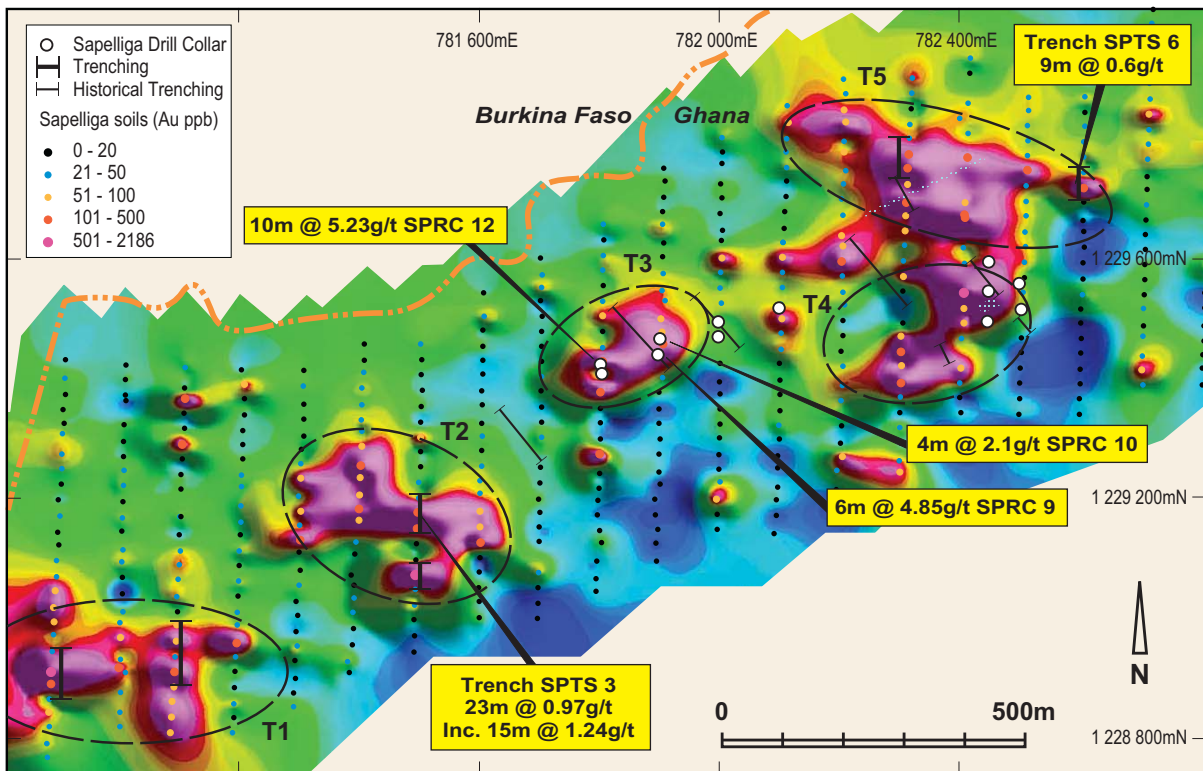
Castle completed soil sampling and the first ever RC drilling at Sapelliga during the year. Drilling intersected encouraging gold intercepts 4km along strike from the Youga gold deposit in the north west corner of the licence area.

This first drill program consisted of 13 holes and tested only two of five target areas (T1 –T5). T3 was tested with six holes over a 300m strike and reported the most encouraging results with best intercepts of 6m @ 4.85g/t gold from 20m (SPRC 09), 4m @ 2.1g/t gold from 43m (SPRC 10) and 10m @ 5.23g/t gold from 62m (SPRC 12). SPRC 12 (10m @ 5.23g/t gold) but failed to reach target depth leaving the intercept in SPRC 12 completely open. Drill spacing was nominally on 100m sections.

The T3 mineralisation outcrops at surface and remains completely open to the south west (towards Youga) and at depth. Two untested targets T1 and T2, in aggregate over 1,000m long, and defined by strongly anomalous soil results with values to 2.1g/t gold, are present immediately south west of T3 and lie along the interpreted strike of the mineralisation. In addition the largest soil anomaly defined (T5) remains to be tested.

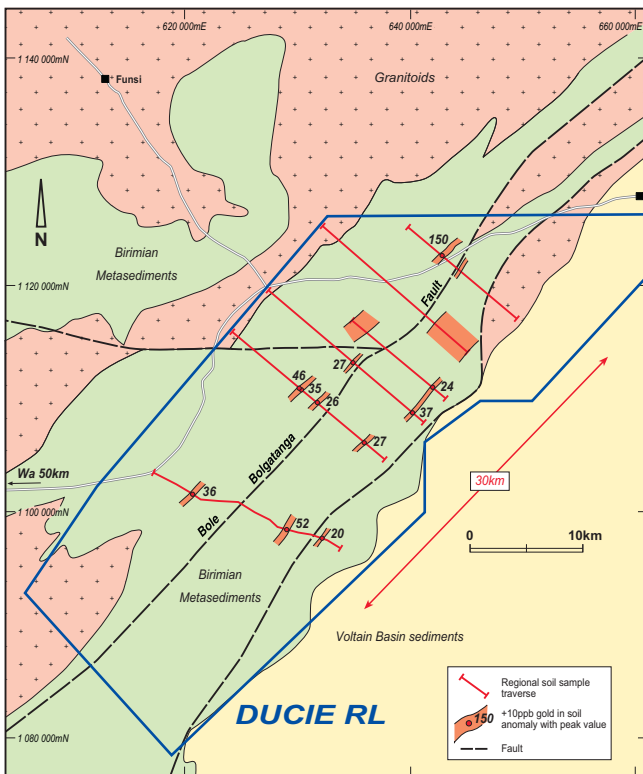
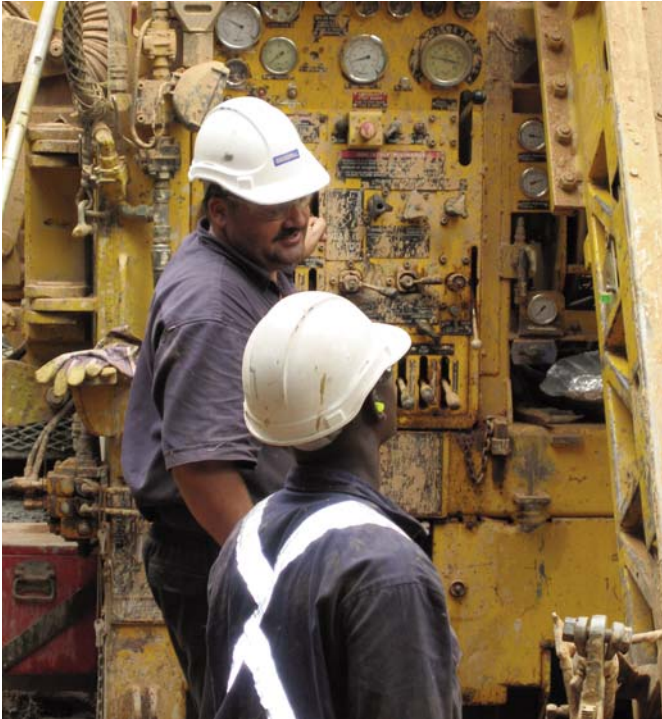


Sapelliga prospect location and geology



Sapelliga prospect geochemistry and trench results

A program of trenching was completed testing portions of the T1, T2 and T5 soil anomalies. Six trenches were excavated for a total 383m of trenching. The trenching exposed several zones of quartz veined and sheared metasediments and reported a best intercept of 23m @ 0.97g/t gold including an interval of 15m @ 1.24g/t gold from the T2 target. It is planned to drill this target in the forthcoming year.



DUCIE PROJECT

(Castle Minerals right to earn 100%)

The Ducie project consists of one large Reconnaissance Licence application situated in north west Ghana. Castle has an option to acquire a 100% interest in the project from a local Ghanaian Company.

The 1,126km² Ducie project is situated in the north eastern corner of Ghana within the Bolgatanga Belt.

The project covers 60km of strike of Birimian metasediments and volcanoclastics along the north east trending Bole-Bolgatanga Fault.

It is one of the few areas that seem to have been bypassed by modern exploration. Though limited sections have been covered by licences in the past it is not believed that any work was done. No recorded mineralisation is known on the licence. The Bole-Bolgatanga Fault which the

Licence straddles is host to significant gold mineralisation at Bolgatanga and Youga approximately 150km to the north east. Gold mineralisation was indicated by a Russian mapping project in the 1960's at Ducie and Chasia immediately south west of the licence.

The option agreement provides Castle with the opportunity to acquire a 100% interest in the project over a three year period subject to staged payments being made to the vendors. The option payments are heavily weighted towards the end of the 3 year option period.

Regional spaced soil sampling (the first known exploration on the project area) by Castle has reported anomalous gold results over 30km of strike at the Ducie project.

Sampling was conducted on six regionally spaced traverses (three to ten km apart) and reported a strongly anomalous peak value of 150 ppb gold. The samples are also being analysed for copper, lead, zinc, arsenic and silver to test the base metal potential of the area. Follow-up sampling is planned for late 2007.

SUNYANI BASIN PROJECT

(100% Castle Minerals)

The Sunyani Basin project consists of two separate granted tenements; Berekum and Bofitire. The project is located approximately 400km northwest of Accra, in the Sefwi gold belt and approximately 40km west of the Newmont’s 16Moz Ahafo mine.

Work during the year involved ground traversing and soil sampling. At Bofitire 579 soil samples were taken as part of a wide spaced reconnaissance program (800m x 100/200m sample spacing).

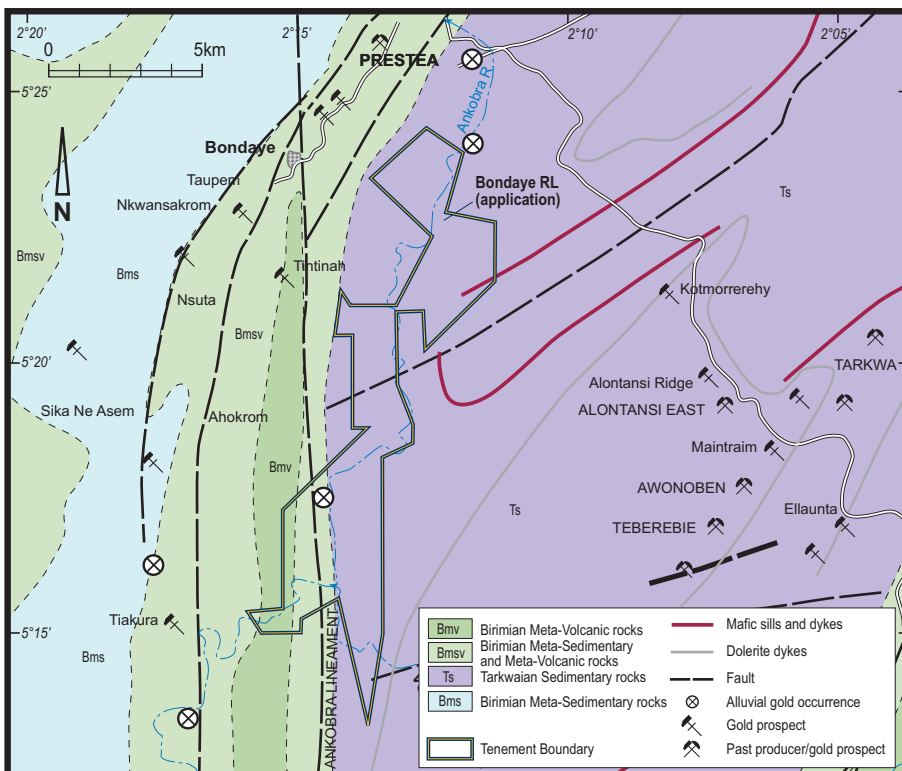
Results have defined a broad area of anomalism in the central portion of the project approximately over a 2,000m x 800m area. A maximum soil value of 369ppb gold was reported. Infill sampling and mapping is proposed to follow-up these results.

The Koraso prospect lies close to the northern boundary of the Berekum licence and consists of numerous artisanal pits on terraced and recent alluvial gravels. A short adit and a small open pit have been excavated on quartz veins that contain low gold values and underlie the terraced gravels.

Previous work by Castle over part of the Berekum tenement near the village of Koraso reported a strong soil anomaly north of Koraso village including two soil values above 1g/t gold. Field inspection of this area revealed extensive widths (+20m) of quartz veining in this area. A program of infill sampling is planned.

BONDAYE PROJECT

The Bondaye project is located 265km west of Accra, centred about 12km south of the Prestea mine-site and 75km northwest of Takoradi, the capital of the Western Region. The Bondaye project consists of one Reconnaissance Licence application. Castle has progressed the grant of the application and is now in the final stages of receiving approval and is in discussion with a local group of landholders.



The area covers part of the south-western portion of the Ashanti Belt, just south of its change in strike from northeast, between Prestea and Obuasi, to north-south on the southernmost section, from Prestea to Axim.

The Bondaye project has been the subject of only very limited exploration.



In past centuries the region was the site of substantial artisanal gold production. The Ankobra River bisects the project area and has long been a significant source of alluvial gold for local inhabitants. Portions of the river continue to be worked by artisanal miners in the dry season, when the river gravels can be more easily accessed. In addition, many of the riverbank areas and older terraces have also been worked in the past.

Europeans showed interest in the alluvial potential at the end of the 1800's. Various groups tried to establish dredging operations. Numerous small dredges were sited along various sections of the river between the Bonsa and the Awudua tributaries, within the proposed licence area, in the period 1904 to 1919. Production of 41,500oz of gold is recorded. In addition, dredging was carried out along the lower reaches of the Fure River, also partly within in the licence area, where 456oz was produced. Dredging was mostly confined to the area between the Bonsa and Huni Rivers.

A quite extensive Banka drilling program was carried out in 1975 to 1976. Most of this work was completed on the western bank of the Ankobra River. The work indicated substantial low grade resources potentially suitable for large scale dredging.

Part of the Bondaye project covers a regional fault that may represent a southerly extension to that which controls mineralisation at Prestea. Upon granting of the licence, Castle proposes to commence reconnaissance soil sampling and/or drilling on an 800m by 100m pattern, initially over the western portion of the tenement.

Castle Minerals Limited

ABN 83 116 095 802

Annual Financial Report

for the year ended 30 June 2007

Corporate Information

Directors

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Campbell Ansell (*Non Executive Director*)

Michael Ashforth (*Non Executive Director*)

Company Secretary

Dennis Wilkins

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Stock Exchange Listing

Castle Minerals Limited shares are listed on the Australian Stock Exchange.

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Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Castle Minerals Limited and the entities it controlled at the end of, or during, the year ended 30 June 2007.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former 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)*

Michael Ivey has been involved in the mineral exploration industry in Western Australia for over 20 years. He graduated from Curtin University with a Bachelor of Applied Science degree majoring in geology and has a Master of Science (Mineral Economics) from the WA School of Mines.

After graduating Mr Ivey initially worked as an exploration geologist exploring for gold in the Murchison and Eastern Goldfields Regions of Western Australia. In 1986, Mr Ivey joined Croesus Mining NL and over the ensuing 18 years held the positions of Chief Geologist, Exploration Manager and General Manager before becoming Managing Director and Chief Executive Officer in 1997. 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. He was awarded the 2002 Mining Executive of the Year by Gold Mining Journal.

Mr Ivey is also Non Executive Director of Azumah Resources Limited, Non Executive Chairman of Buxton Resources Limited and is Principal of MetalsEx Capital. Within the last three years Mr Ivey has been a former director of Croesus Mining NL.

Campbell Ansell, *FCA, MAICD (Non Executive Director, chairman of audit committee, member of remuneration 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. 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, Dragon Mining NL and Azure Minerals Limited.

Michael Ashforth, *(Non Executive Director, chairman of remuneration committee, 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 had 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 Bonaparte Diamond Mines NL, Key Petroleum Limited, Minemakers Limited, Marengo Mining Limited and South Boulder Mines Limited. Mr Wilkins has not held any former directorships in the last 3 years.

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	4,835,000	1,250,000
Campbell Ansell	550,000	200,000
Michael Ashforth	1,600,000	400,000

PRINCIPAL ACTIVITIES

During the year the Group carried out exploration on its tenements and applied for or acquired additional tenements with the objective of identifying gold and other economic mineral deposits.

There was no significant change in the nature of the Group's activities during the year.

DIVIDENDS

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

REVIEW OF OPERATIONS

An Exploration Review, including the business strategies and prospects of the Group, and the Directors Review are contained in the previous sections of the annual report.

Finance Review

The Group began the financial year with a cash reserve of \$3,340,637. In June 2007 the Company issued 5 million ordinary shares to institutions and sophisticated investors to raise \$1.4 million. Funds were used to actively advance the Group's projects located in Ghana, West Africa.

During the year total exploration expenditure incurred by the Group amounted to \$1,755,876. In line with the Company's accounting policies, all exploration expenditure was written off at year end. Net administration expenditure incurred amounted to \$627,459. This has resulted in an operating loss after income tax for the year ended 30 June 2007 of \$2,383,335 (2006: \$576,710).

At 30 June 2007 surplus funds available totalled \$2,370,855.

Operating Results for the Year

Summarised operating results are as follows:

	2007	
	Revenues \$	Results \$
<i>Geographic segments</i>		
Australia	129,686	(2,326,829)
Ghana	-	(1,974,082)
Consolidation eliminations	-	1,917,576
Consolidated entity revenues and loss from ordinary activities before income tax expense	129,686	(2,383,335)
Shareholder Returns	2007	2006
Basic loss per share (cents)	(6.2)	(6.0)

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 Company 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

Other than as disclosed in this Annual Report no significant changes in the state of affairs of the Group occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 23, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

The Group 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 Group are not aware of any breach of environmental legislation for the year under review.

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 1024 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 which have not been audited.

A Principles used to determine the nature and amount of remuneration (audited)

Remuneration Policy

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 Group'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 Group.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group 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 Group'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 and retain 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 Group 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 either 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 Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee option plan.

Performance based remuneration

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

B Details of remuneration (audited)

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Castle Minerals Limited and the Castle Minerals Group are set out in the following table.

The key management personnel of Castle Minerals Limited and the Group include the directors, and the company secretary, as per page 3 above and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the Group:

- Michael Fowler – *Exploration Manager*
- Paul Amoako-Atta – *Ghanaian Company Representative*

Given the size and nature of operations of Castle Minerals Limited and the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the Corporations Act 2001.

Key management personnel and other executives of Castle Minerals Limited and the Group

	-----Short-Term-----		----Post Employment----		Share-based	Total
	Salary	Non-Cash	Super-	Retirement	Payments	
	& Fees	benefits	annuation	benefits	Options	
	\$	\$	\$	\$	\$	\$
Directors						
Michael Ivey						
2007	205,017	6,427	1,205	-	-	212,649
2006	43,477	543	4,348	-	300	48,668
Campbell Ansell						
2007	21,350	6,427	450	-	-	28,227
2006	5,000	543	450	-	-	5,993
Michael Ashforth						
2007	21,800	6,427	-	-	-	28,227
2006	5,000	543	450	-	-	5,993
Other key management personnel						
Dennis Wilkins						
2007	44,539	-	-	-	-	44,539
2006	33,333	-	-	-	-	33,333
Michael Fowler						
2007	161,803	-	16,180	-	148,925	326,908
2006	19,071	-	1,907	-	26,979	47,957
Paul Amoako-Atta⁽¹⁾						
2007	54,297	-	-	-	-	54,297
2006	103,250	-	-	-	-	103,250
Total key management personnel compensation						
2007	508,806	19,281	17,835	-	148,925	694,847
2006	209,131	1,629	7,155	-	27,279	245,194

(1) In addition to the above remuneration a total of \$614,127 (2006: \$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 year and the amounts paid were at arms length.

C Service agreements (audited)

The details of service agreements of the key management personnel of Castle Minerals Limited and the Group are as follows:

Michael Ivey, Managing Director:

- Term of agreement 3 years commencing 1 July 2006.
- Annual consultancy fees of \$200,000 (plus GST) are paid to M Ivey Pty Ltd, a company controlled by Mr Ivey.
- 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.
- Mr Wilkins' firm, DWCorporate, is engaged to provide book keeping, accounting and company secretarial services. A fixed fee of \$25,000 was paid during the period 1 July 2006 to 31 December 2006. From 1 January 2007 the services have been billed at an hourly rate with the fee totalling \$19,539 for the six months to 30 June 2007.

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 of \$3,250 per month, plus a rate of \$65 per hour for agreed hours in excess of fifty per month.

D Share-based compensation (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 majority of directors and executives of Castle Minerals Limited to increase goal congruence between executives, directors and shareholders. There were no options granted to key management personnel during the year however, the following options granted in a prior year are vesting as shown below:

	Grant Date	Granted Number	Vesting Date	Expiry Date	Exercise Price (cents)	Value per option at grant date	Exercised Number	% of Remuneration
Other key management personnel								
Michael Fowler	08/05/2006	500,000	08/05/2007	31/03/2011	25	15.5 cents	N/A	19.8
Michael Fowler	08/05/2006	500,000*	08/05/2008	31/03/2011	25	15.5 cents	N/A	11.9
Michael Fowler	08/05/2006	500,000*	08/05/2009	31/03/2011	25	15.5 cents	N/A	7.9
Michael Fowler	08/05/2006	500,000*	08/05/2010	31/03/2011	25	15.5 cents	N/A	5.9

* 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. These options have not been issued at the date of this report.

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 Additional information - unaudited

Performance income as a proportion of total compensation

No performance based bonuses have been paid to key management personnel during the financial year. It is the intent of the board to include performance bonuses as part of remuneration packages when mine production commences.

DIRECTORS' MEETINGS

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

	Directors Meetings		Committee Meetings			
			Audit		Remuneration	
	A	B	A	B	A	B
Michael Ivey	7	7	*	*	*	*
Campbell Ansell	7	7	1	1	1	1
Michael Ashforth	7	7	1	1	1	1

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 relevant Committee.

SHARES UNDER OPTION

At the date of this report there are 6,990,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	6,490,000
Movements of share options during the year	
Issued, exercisable at 25 cents, on or before 31 March 2011	500,000
Total number of options outstanding as at 30 June 2007 and the date of this report	<u>6,990,000</u>

The balance is comprised of the following:

Date options issued	Expiry date	Exercise price (cents)	Number of options
26 April 2006	2 May 2008	35.0	440,000
22 May 2007	31 March 2011	25.0	500,000
9 March 2006	31 March 2011	35.0	6,050,000
Total number of options outstanding at the date of this report			<u>6,990,000</u>

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.

INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, 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.

NON AUDIT SERVICES

The following non audit services were provided by the entity's auditor, BDO Kendalls Audit & Assurance (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 APES 110 Code of Ethics for Professional Accountants, 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.

BDO Kendalls (WA) Pty Ltd received or are due to receive the following amounts for the provision of non audit services:

	2007	2006
	\$	\$
Tax compliance services	6,810	-
Investigating Accountants Report	-	5,054
Total remuneration for non-audit services	<u>6,810</u>	<u>5,054</u>

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 24.

Signed in accordance with a resolution of the directors.



Michael Ivey
Managing Director

Perth, 24 September 2007

Audit Independence Declaration



BDO Kendalls

BDO Kendalls Audit & Assurance (W,
128 Hay St
Subiaco WA 6008
PO Box 700 West Perth WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

24 September 2007

The Directors
Castle Minerals Ltd
Level 3, 10 Outram Street
WEST PERTH WA 6005

Dear Sirs

RE: DECLARATION OF INDEPENDENCE BY BDO KENDALLS TO THE
DIRECTORS OF CASTLE MINERALS LTD

As lead auditor of Castle Minerals Ltd for the year ended 30 June 2007, 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 the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Castle Minerals Ltd and the entities it controlled during the period.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

A handwritten signature in black ink that reads 'C Burton'. The signature is written in a cursive, slightly stylized font.

Chris Burton
Director

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 nominations 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 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.

	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 and 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 and 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

	ASX Principle	Status	Reference/comment
Principle 4:	Safeguard integrity in financial reporting	A	
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		
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	y	
	• A majority of independent directors	y	
	• An independent chairperson who is not the chairperson of the board	y	
	• At least three members	n	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	
5.2	Provide the information indicated in Guide to Reporting on Principle 5	A	
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 is 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.

A = Adopted
N/A = Not adopted

	ASX Principle	Status	Reference/comment
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: <ul style="list-style-type: none"> • 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 policies 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	
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 are reported to ASX.

A = Adopted
N/A = Not adopted

	ASX Principle	Status	Reference/comment
Principle 9: Remunerate fairly and responsibly			
9.1	Provide disclosure in relation to the company's remuneration policies and benefits to these policies and (ii) 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

YEAR ENDED 30 JUNE 2007

	Notes	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
REVENUE FROM CONTINUING OPERATIONS	4	129,686	41,768	129,686	41,768
EXPENDITURE					
Depreciation expense	5	(14,220)	(407)	(14,220)	(407)
Salaries and employee benefits expense		(65,341)	(84,871)	(65,341)	(84,871)
Tenement acquisition and exploration expenses written off	5	(1,755,876)	(442,853)	-	-
Doubtful debts and impairment expense	5	(211,484)	-	(1,917,576)	(462,003)
Corporate expenses		(68,545)	(29,327)	(68,545)	(29,327)
Administration expenses		(243,306)	(36,482)	(236,584)	(36,482)
Share based payment expense	26	(148,925)	(27,279)	(148,925)	(27,279)
Other expenses from ordinary activities		(5,324)	(5,209)	(5,324)	(5,209)
LOSS BEFORE INCOME TAX		(2,383,335)	(584,660)	(2,326,829)	(603,810)
INCOME TAX BENEFIT	6	-	7,950	-	-
NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF CASTLE MINERALS LIMITED		(2,383,335)	(576,710)	(2,326,829)	(603,810)
		2007	2006		
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	25	(6.2)	(6.0)		

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

Balance Sheets

AT 30 JUNE 2007

	Notes	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	7	2,370,855	3,340,637	2,369,447	3,337,483
Trade and other receivables	8	50,447	84,229	50,447	50,872
TOTAL CURRENT ASSETS		2,421,302	3,424,866	2,419,894	3,388,355
NON CURRENT ASSETS					
Other financial assets	9	-	-	-	-
Plant and equipment	10	38,816	12,478	38,816	12,478
TOTAL NON CURRENT ASSETS		38,816	12,478	38,816	12,478
TOTAL ASSETS		2,460,118	3,437,344	2,458,710	3,400,833
CURRENT LIABILITIES					
Trade and other payables	11	123,733	270,775	85,341	258,683
Provisions	12	13,743	4,620	13,743	4,620
TOTAL CURRENT LIABILITIES		137,476	275,395	99,084	263,303
TOTAL LIABILITIES		137,476	275,395	99,084	263,303
NET ASSETS		2,322,642	3,161,949	2,359,626	3,137,530
EQUITY					
Contributed equity	13	5,079,873	3,679,873	5,079,873	3,679,873
Reserves	14(a)	202,814	58,786	210,392	61,467
Accumulated losses	14(b)	(2,960,045)	(576,710)	(2,930,639)	(603,810)
TOTAL EQUITY		2,322,642	3,161,949	2,359,626	3,137,530

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

Statements of Changes in Equity

YEAR ENDED 30 JUNE 2007

	Notes	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR		3,161,949	-	3,137,530	-
Exchange differences on translation of foreign operations	14	(4,897)	(2,681)	-	-
NET INCOME RECOGNISED DIRECTLY IN EQUITY LOSS FOR THE YEAR		(4,897)	(2,681)	-	-
		(2,383,335)	(576,710)	(2,326,829)	(603,810)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF CASTLE MINERALS LIMITED		(2,388,232)	(579,391)	(2,326,829)	(603,810)
Transactions with equity holders in their capacity as equity holders:					
Shares issued during the year	13	1,400,000	3,885,770	1,400,000	3,885,770
Transaction costs	13	-	(205,897)	-	(205,897)
Employees and contractors share options	14	148,925	61,467	148,925	61,467
		1,548,925	3,741,340	1,548,925	3,741,340
TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR		2,322,642	3,161,949	2,359,626	3,137,530

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

Cash Flow Statements

YEAR ENDED 30 JUNE 2007

	Notes	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(368,406)	(98,488)	(368,705)	(98,488)
Interest received		143,844	27,610	143,844	27,610
Expenditure on mining interests		(2,081,617)	(287,702)	-	-
NET CASH (OUTFLOW)					
FROM OPERATING ACTIVITIES	24	(2,306,179)	(358,580)	(224,861)	(70,878)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for plant and equipment		(47,478)	(5,965)	(47,478)	(5,965)
Loans to related parties		-	-	(2,080,013)	(287,735)
Payment for security deposit		(15,684)	-	(15,684)	-
Payment for subsidiary, net of cash acquired	21(a)(ii)	-	3,121	-	-
NET CASH (OUTFLOW)					
FROM INVESTING ACTIVITIES		(63,162)	(2,844)	(2,143,175)	(293,700)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of ordinary shares		1,400,000	3,873,770	1,400,000	3,873,770
Payment of share issue costs		-	(171,709)	-	(171,709)
NET CASH INFLOW FROM FINANCING ACTIVITIES		1,400,000	3,702,061	1,400,000	3,702,061
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at the beginning of the financial year		3,340,637	-	3,337,483	-
Effects of exchange rate changes on cash and cash equivalents		(441)	-	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	<u>2,370,855</u>	<u>3,340,637</u>	<u>2,369,447</u>	<u>3,337,483</u>

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

Notes to the Financial Statements

30 JUNE 2007

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 separate financial statements for Castle Minerals Limited as an individual entity and the consolidated entity consisting of Castle Minerals Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Interpretations and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes of Castle Minerals Limited comply with IFRS except that it has elected to apply the relief provided by AASB 132: Financial Instruments Disclosure and Presentation (in respect of certain disclosure requirements).

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

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Castle Minerals Limited ("Company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Castle Minerals Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

Subsidiaries are all of those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer note 1(h)).

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Castle Minerals Limited.

(c) Segment reporting

A business segment is identified for 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 identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial

statements are presented in Australian dollars, which is Castle Minerals Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition

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

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 20). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(h) 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, equity instruments 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. Transaction 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 (refer to note 22). 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 a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(l) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Fair value

The fair values of quoted investments are based on last trade prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the last trade price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

(n) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost, net of their residual values, over their estimated useful lives. 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 (note 1(i)).

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 Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(o) Exploration and evaluation costs

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

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are paid on normal commercial terms.

(q) Employee benefits

(i) Wages and salaries, annual leave and other 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.

(ii) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 26.

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 options that, in the opinion of the directors of the Group, 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.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

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.

(r) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(s) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share 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.

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

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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 on a gross basis. The GST and VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the respective taxation authorities, are presented as operating cash flow.

(u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent entity's financial instruments.

(ii) AASB-I 10 Interim Financial Reporting and Impairment

AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Group's or the parent entity's financial statements.

(v) Critical accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 26.

2. SEGMENT INFORMATION

Description of segments

The Group'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.

Primary reporting format – geographical segments

	Australia		Ghana		Consolidated	
	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$
Segment revenue						
Other revenue	129,686	41,768	-	-	129,686	41,768
Total segment revenue	129,686	41,768	-	-	129,686	41,768
Intersegment elimination					-	-
Consolidated revenue					129,686	41,768
Segment result						
Segment result	(2,326,829)	(603,810)	(1,974,082)	(418,845)	(4,300,911)	(1,022,655)
Intersegment elimination					1,917,576	437,995
Profit before income tax					(2,383,335)	(584,660)
Income tax benefit					-	7,950
Loss for the year					(2,383,335)	(576,710)
Segment assets and liabilities						
Segment assets	2,458,710	3,400,833	124,510	179,639	2,583,220	3,580,472
Intersegment elimination					(123,102)	(143,128)
Total assets					2,460,118	3,437,344
Segment liabilities	99,084	258,683	2,364,714	469,264	2,463,798	727,947
Intersegment elimination					(2,326,322)	(457,172)
Total liabilities					137,476	270,775
Other segment information						
Acquisitions of property, plant and equipment, intangibles and other non current segment assets	47,477	12,885	-	-	47,477	12,885
Depreciation expense	14,220	407	-	-	14,220	407
Doubtful debts and impairment expense	1,917,576	462,003	211,484	-	2,129,060	462,003
Intersegment elimination					(1,917,576)	(462,003)
Total doubtful debts and impairment expense					211,484	-

3. FINANCIAL RISK MANAGEMENT

(a) Interest rate risk

The Group is exposed to movements in market interest rates on short-term deposits. The 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 Group'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			Non-interest bearing \$	Total carrying amount as per the balance sheet \$	Weighted average effective interest rate %
		1 year or less \$	Over 1 to 5 years \$	More than 5 years \$			
2007							
Financial assets							
Cash and cash equivalents	209,031	2,154,576	-	-	7,248	2,370,855	5.9
Trade and other receivables	-	-	-	-	50,447	50,447	-
Total financial assets	209,031	2,154,576	-	-	57,695	2,421,302	
Financial liabilities							
Trade creditors	-	-	-	-	(86,789)	(86,789)	-
Other creditors and accruals	-	-	-	-	(36,944)	(36,944)	-
Total financial liabilities	-	-	-	-	(123,733)	(123,733)	
2006							
Financial assets							
Cash and cash equivalents	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	
Financial liabilities							
Trade creditors	-	-	-	-	(245,875)	(245,875)	-
Other creditors and accruals	-	-	-	-	(24,900)	(24,900)	-
Total financial liabilities	-	-	-	-	(270,775)	(270,775)	

(b) Net fair values

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

(c) Credit risk exposures

The Group 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 Group 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 exploration commitments 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.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$

4. REVENUE

From continuing operations

Other revenue

Interest	129,686	41,768	129,686	41,768
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5. EXPENSES

Loss before income tax includes the following specific expenses:

Depreciation of plant and equipment	14,220	407	14,220	407
Tenement acquisition and exploration costs	1,755,876	442,853	-	-
Impairment of investment in subsidiaries	-	-	-	12,000
Net foreign exchange (gains)	(1,474)	(3,097)	(1,474)	(3,097)
Doubtful debts				
Controlled entities	-	-	1,917,576	450,003
Trade and other receivables	211,484	-	-	-
Total doubtful debts	211,484	-	1,917,576	450,003

6. INCOME TAX

(a) Income tax expense/(benefit)

Current tax	-	(7,950)	-	-
Deferred tax	-	-	-	-
	-	(7,950)	-	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Loss from continuing operations before income tax expense	(2,383,335)	(584,660)	(2,326,829)	(603,810)
Prima facie tax benefit at the Australian tax rate of 30% (2006: 30%)	(715,001)	(175,398)	(698,049)	(181,143)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share-based payments	44,678	8,184	44,678	8,184
Sundry items	7,935	427	7,935	427
	(662,388)	(166,787)	(645,436)	(172,532)
Movements in unrecognised temporary differences	579,259	118,468	569,128	130,856
Tax effect of current year tax losses for which no deferred tax asset has been recognised	83,129	40,369	76,308	41,676
Income tax expense/(benefit)	-	(7,950)	-	-

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
(c) Unrecognised temporary differences				
Deferred Tax Assets (at 30%)				
On Income Tax Account				
Capital raising costs	39,557	49,415	39,557	49,415
Foreign exploration tax losses	652,976	126,213	-	-
Provision for doubtful debts	58,641	-	710,274	135,001
Provision for impairment	-	-	3,600	3,600
Accruals and provision for employee entitlements	8,323	8,856	8,323	8,856
Carry forward tax losses	123,498	40,369	118,874	41,676
	<u>882,995</u>	<u>224,853</u>	<u>880,628</u>	<u>238,548</u>
Deferred Tax Liabilities (at 30%)				
On Income Tax Account				
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.

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank and in hand	216,279	340,637	214,871	337,483
Short-term deposits	2,154,576	3,000,000	2,154,576	3,000,000
Cash and cash equivalents as shown in the balance sheet and the statement of cash flows	<u>2,370,855</u>	<u>3,340,637</u>	<u>2,369,447</u>	<u>3,337,483</u>

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.

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Government taxes receivable	204,816	33,357	9,344	-
Provision for doubtful debts	(195,472)	-	-	-
Other receivables	41,103	50,872	41,103	50,872
	<u>50,447</u>	<u>84,229</u>	<u>50,447</u>	<u>50,872</u>

The VAT receivable from the Group's operations in Ghana has been provided for in full. The VAT will only be recoverable once the Group's operations are producing revenue in Ghana.

9. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

Shares in subsidiary – at cost	22	-	-	12,000	12,000
Provision for impairment		-	-	(12,000)	(12,000)
Loans to controlled entities	20	-	-	2,367,579	450,003
Provision for doubtful debts	20	-	-	(2,367,579)	(450,003)
	-	-	-	-	-

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$

10. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

Plant and equipment

Cost	53,442	12,885	53,442	12,885
Accumulated depreciation	(14,626)	(407)	(14,626)	(407)
Net book amount	<u>38,816</u>	<u>12,478</u>	<u>38,816</u>	<u>12,478</u>

Plant and equipment

Opening net book amount	12,478	-	12,478	-
Additions	40,558	12,885	40,558	12,885
Depreciation charge	(14,220)	(407)	(14,220)	(407)
Closing net book amount	<u>38,816</u>	<u>12,478</u>	<u>38,816</u>	<u>12,478</u>

11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	86,789	245,875	56,801	233,783
Other payables and accruals	36,944	24,900	28,540	24,900
	<u>123,733</u>	<u>270,775</u>	<u>85,341</u>	<u>258,683</u>

12. CURRENT LIABILITIES - PROVISIONS

Employee benefits	<u>13,743</u>	<u>4,620</u>	<u>13,743</u>	<u>4,620</u>
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13. CONTRIBUTED EQUITY

(a) Share capital

		2007		2006	
		Number of shares	\$	Number of shares	\$
Ordinary shares fully paid	13(b), 13(d)	43,335,005	5,079,873	38,335,005	3,679,873
Total contributed equity		<u>43,335,005</u>	<u>5,079,873</u>	<u>38,335,005</u>	<u>3,679,873</u>

(b) Movements in ordinary share capital

Beginning of the financial year	38,335,005	3,679,873	-	-
Issued during the year:				
- Issued for cash at 28 cents	5,000,000	1,400,000	-	-
- Issued to incorporate the Company	-	-	5	5
- Issued for cash at 0.0001 cents	-	-	15,260,000	15
- Issued for cash at 0.91 cents	-	-	4,400,000	40,000
- Issued for cash at 1.36 cents	-	-	2,475,000	33,750
- Issued to acquire subsidiaries at 1.5 cents	-	-	800,000	12,000
- Issued for cash at 12.5 cents	-	-	400,000	50,000
- Issued for cash at IPO for 25 cents	-	-	15,000,000	3,750,000
Less: Transaction costs	-	-	-	(205,897)
End of the financial year	<u>43,335,005</u>	<u>5,079,873</u>	<u>38,335,005</u>	<u>3,679,873</u>

(c) Movements in options on issue

	Number of options	
	2007	2006
Beginning of the financial year	6,490,000	-
Issued during the year:		
– Exercisable at 25 cents, on or before 31 Mar 2011	500,000	-
– Exercisable at 35 cents, on or before 2 May 2008	-	400,000
– Exercisable at 35 cents, on or before 31 Mar 2011	-	6,050,000
End of the financial year	<u>6,990,000</u>	<u>6,490,000</u>

(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.

14. RESERVES AND ACCUMULATED LOSSES

(a) Reserves

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Foreign currency translation reserve	(7,578)	(2,681)	-	-
Share-based payments reserve	210,392	61,467	210,392	61,467
	<u>202,814</u>	<u>58,786</u>	<u>210,392</u>	<u>61,467</u>

Movements:*Foreign currency translation reserve*

Balance at beginning of year	(2,681)	-	-	-
Currency translation differences arising during the year	(4,897)	(2,681)	-	-
Balance at end of year	<u>(7,578)</u>	<u>(2,681)</u>	-	-

Share-based payments reserve

Balance at beginning of year	61,467	-	61,467	-
Option expense	148,925	61,467	148,925	61,467
Balance at end of year	<u>210,392</u>	<u>61,467</u>	<u>210,392</u>	<u>61,467</u>

(b) Accumulated losses

Balance at beginning of year	(576,710)	-	(603,810)	-
Net loss for the year	(2,383,335)	(576,710)	(2,326,829)	(603,810)
Balance at end of year	<u>(2,960,045)</u>	<u>(576,710)</u>	<u>(2,930,639)</u>	<u>(603,810)</u>

(c) Nature and purpose of reserves

(i) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(d). 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.

15. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

16. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel

(i) Directors

The following persons were directors of Castle Minerals Limited during the financial year:

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

(ii) Other Key Management Personnel

The following person also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Dennis Wilkins	Company Secretary
Michael Fowler	Exploration Manager
Paul Amoako-Atta	Ghanaian Company Representative

(b) Key management personnel compensation

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term benefits	528,087	210,760	528,087	210,760
Post employment benefits	17,835	7,155	17,835	7,155
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	148,925	27,279	148,925	27,279
	<u>694,847</u>	<u>245,194</u>	<u>694,847</u>	<u>245,194</u>

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report on pages 18 to 21.

(c) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on page 21.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Castle Minerals Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2007	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Castle Minerals Limited							
Michael Ivey	1,250,000	-	-	-	1,250,000	1,250,000	-
Campbell Ansell	200,000	-	-	-	200,000	200,000	-
Michael Ashforth	400,000	-	-	-	400,000	400,000	-
Other key management personnel of the Group							
Dennis Wilkins	200,000	-	-	-	200,000	200,000	-
Michael Fowler	-	500,000	-	-	500,000	500,000	-
Paul Amoako-Atta	-	-	-	-	-	-	-

All vested options are exercisable at the end of the year.

2006	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Castle Minerals Limited							
Michael Ivey	-	1,000,000	-	250,000	1,250,000	1,250,000	-
Campbell Ansell	-	-	-	200,000	200,000	200,000	-
Michael Ashforth	-	-	-	400,000	400,000	400,000	-
Other key management personnel of the Group							
Dennis Wilkins	-	-	-	200,000	200,000	200,000	-
Michael Fowler	-	-	-	-	-	-	-
Paul Amoako-Atta	-	-	-	-	-	-	-

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Castle Minerals Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2007	Balance at start of the year	Received during the year on the exercise of options	Other changes	Balance at end of the year
Directors of Castle Minerals Limited				
Ordinary shares				
Michael Ivey	4,590,000	-	245,000	4,835,000
Campbell Ansell	550,000	-	-	550,000
Michael Ashforth	1,600,000	-	-	1,600,000
Other key management personnel of the Group				
Ordinary shares				
Dennis Wilkins	550,000	-	-	550,000
Michael Fowler	20,000	-	-	20,000
Paul Amoako-Atta	4,714,644	-	-	4,714,644
2006	Balance at start of the year	Received during the year on the exercise of options	Other changes	Balance at end of the year
Directors of Castle Minerals Limited				
Ordinary shares				
Michael Ivey	-	-	4,590,000	4,590,000
Campbell Ansell	-	-	550,000	550,000
Michael Ashforth	-	-	1,600,000	1,600,000
Other key management personnel of the Group				
Ordinary shares				
Dennis Wilkins	-	-	550,000	550,000
Michael Fowler	-	-	20,000	20,000
Paul Amoako-Atta	-	-	4,714,644	4,714,644

(d) Loans to key management personnel

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

(e) Other transactions 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 year. The amounts paid were at arms length and form 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 year totalling \$614,127 (2006: \$154,160). The amounts paid were at arms length.

Consolidated		Parent Entity	
2007	2006	2007	2006
\$	\$	\$	\$

17. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(a) Audit services

BDO Kendalls Audit & Assurance (WA) Pty Ltd - audit and review of financial reports	15,684	14,000	15,684	14,000
Non-related audit firm for the audit or review of financial reports of any entity in the Group	3,824	-	-	-
Total remuneration for audit services	<u>19,508</u>	<u>14,000</u>	<u>15,684</u>	<u>14,000</u>

(b) Non-audit services

BDO Kendalls (WA) Pty Ltd - tax compliance services	6,810	-	6,810	-
BDO Kendalls (WA) Pty Ltd - investigating accountant's report	-	5,054	-	5,054
Total remuneration for other services	<u>6,810</u>	<u>5,054</u>	<u>6,810</u>	<u>5,054</u>

18. CONTINGENCIES

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

19. 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:

within one year	1,963,702	886,648	-	-
later than one year but not later than five years	1,319,263	54,880	-	-
	<u>3,282,965</u>	<u>941,528</u>	<u>-</u>	<u>-</u>

(b) Lease commitments: Group as lessee

Operating leases (non cancellable):

Minimum lease payments				
within one year	44,578	-	44,578	-
later than one year but not later than five years	66,350	-	66,350	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	<u>110,928</u>	<u>-</u>	<u>110,928</u>	<u>-</u>

The property lease is a non-cancellable lease with a three-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by 5% per annum. An option exists to renew the lease at the end of the three-year term for an additional term of three years. The lease allows for subletting of all lease areas.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$

(c) Remuneration commitments

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

within one year	409,000	420,417	409,000	420,417
later than one year but not later than five years	716,667	916,667	716,667	916,667
	<u>1,125,667</u>	<u>1,337,084</u>	<u>1,125,667</u>	<u>1,337,084</u>

20. RELATED PARTY TRANSACTIONS

(a) Parent entity

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 22.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 16.

(d) Transactions and balances with related parties

Purchases of goods and services

Purchase of drilling services from a significant shareholder	<u>510,564</u>	-	-	-
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There were no balances outstanding at balance date in relation to the above transactions, and the transactions were made on normal commercial terms and conditions and at market rates.

(e) Loans to related parties

Loans to subsidiaries

Beginning of the year	-	-	-	-
Loans advanced	-	-	1,755,876	450,003
Loan repayments received	-	-	-	-
Provision for doubtful debts	-	-	(1,755,876)	(450,003)
End of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Castle Minerals Limited has provided unsecured, interest free loans to its wholly owned subsidiaries Carlie Mining Limited and Topago Mining Limited. An impairment assessment is undertaken each financial year by examining the financial position of each subsidiary and the market in which the respective subsidiary operates to determine whether there is objective evidence that the subsidiary is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss.

21. BUSINESS COMBINATION

Prior Period

(a)(i) 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 2006 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:

	\$
Purchase consideration (refer to (a)(ii) below):	
Issues of 400,000 ordinary shares at 1.5 cents each	6,000
Total purchase consideration	<u>6,000</u>
Fair value of net identifiable assets acquired (refer to (a)(iii) below)	<u>6,000</u>
Goodwill	<u>-</u>

(a)(ii) Purchase consideration

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Inflow of cash on acquisition of subsidiary				
Cash consideration	-	-	-	-
Balances acquired:				
Cash	-	3,121	-	-
Net inflow of cash	<u>-</u>	<u>3,121</u>	<u>-</u>	<u>-</u>

(a)(iii) 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	<u>(4,887)</u>	<u>6,000</u>

(b)(i) 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 2006 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:

	\$
Purchase consideration:	
Issues of 400,000 ordinary shares at 1.5 cents each	6,000
Total purchase consideration	<u>6,000</u>
Fair value of net identifiable assets acquired (refer to (b)(ii) below)	<u>6,000</u>
Goodwill	<u>-</u>

(b)(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	<u>(1,662)</u>	<u>6,000</u>

22. SUBSIDIARIES

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*	
			2007	2006
			%	%
Carlie Mining Ltd	Ghana	Ordinary	100	100
Topago Mining Ltd	Ghana	Ordinary	100	100

*The proportion of ownership interest is equal to the proportion of voting power held.

23. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

As approved by shareholders at a General Meeting of the Company in July 2007, the second tranche of the placement to institutional and sophisticated investors was completed in August 2007. The second tranche raised a gross amount of \$1.4 million from the placement of 5 million ordinary shares.

No other matter or circumstance has arisen since 30 June 2007, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
24. CASH FLOW STATEMENT				
Reconciliation of net loss after income tax to net cash outflow from operating activities				
Net loss for the year	(2,383,335)	(576,710)	(2,326,829)	(603,810)
Non Cash Items				
Depreciation of non current assets	14,220	407	14,220	407
Income tax benefit	-	(7,950)	-	-
Net exchange differences	(17,494)	(2,681)	-	-
Share based payment expense	148,925	27,279	148,925	27,279
Impairment of investment in subsidiaries	-	-	-	12,000
Doubtful debts expense	211,484	-	1,917,576	450,003
Tenement acquisition costs written off	-	26,499	-	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity				
(Increase)/decrease in trade and other receivables	(150,672)	(84,229)	16,110	(50,872)
(Decrease)/increase in trade and other payables	(138,430)	254,185	(3,986)	89,495
Increase in employee entitlement provisions	9,123	4,620	9,123	4,620
Net cash outflow from operating activities	<u>(2,306,179)</u>	<u>(358,580)</u>	<u>(224,861)</u>	<u>(70,878)</u>

25. LOSS PER SHARE

	Consolidated	
	2007	2006
	\$	\$
(a) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share	<u>(2,383,335)</u>	<u>(576,710)</u>
(b) Weighted average number of shares used as the denominator		
	Number of shares	Number of shares
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<u>38,348,704</u>	<u>53,732,944</u>

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2007, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

26. SHARE-BASED PAYMENTS

Employees and Contractors Option Plan

The Group provides benefits to employees (including directors) and contractors of the Group in the form of share-based payment transactions, whereby employees or consultants render services in exchange for options to acquire ordinary shares. The exercise prices of the options granted under the plan range from 25 to 35 cents per option. Options granted to contractors have an exercise date of 2 May 2008, and the exercise date of options granted to employees is 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. These options are being issued in four equal tranches of which only the first tranche had been granted at 30 June 2007. However, as the entitlement is from the date of the service agreement Accounting Standards require the Group 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 in the capital of the Company with full dividend and voting rights.

Set out below are summaries of granted options:

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	Number of Options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	1,440,000	35.0	-	-
Granted	500,000	25.0	1,440,000	35.0
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	1,940,000	32.4	1,440,000	35.0
Exercisable at year-end	1,940,000	32.4	1,440,000	35.0

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.1 years (2006: 3.8 years), and the exercise prices range from 20 cents to 30 cents.

Expenses arising from share-based payment transactions

The weighted average fair value of the options granted during the year was 15.5 cents (2006: 10.4 cents). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2007	2006
Weighted average exercise price (cents)	25.0	28.3
Weighted average life of the option (years)	4.92	4.90
Weighted average underlying share price (cents)	25.0	17.0
Expected share price volatility	70%	70%
Risk free interest rate	5.75%	5.67%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future trends, 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	
	2007	2006	2007	2006
	\$	\$	\$	\$
Options issued to employees and contractors	148,925	27,279	148,925	27,279

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 30 to 53 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 the consolidated entity's financial position as at 30 June 2007 and of their performance for the financial year 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 18 to 21 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.

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal tail extending to the right.

Michael Ivey
Managing Director

Perth, 24 September 2007

INDEPENDENT AUDIT REPORT



BDO Kendalls

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To the members of Castle Minerals Limited

Report on the Financial Report and AASB 124 Remuneration Disclosures Contained in the Directors' Report

We have audited the accompanying financial report of Castle Minerals Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 Related Party Disclosures, under the heading "Remuneration Report" in pages 18 to 21 of the directors' report and in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal 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.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing 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. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Castle Minerals Limited on 21 September 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion the financial report of Castle Minerals Limited is in accordance with the Corporations Act 2001, including:


- (a) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Auditor's Opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in pages 18 to 21 of the directors' report comply with Accounting Standard AASB 124.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls



C Burton

Director

Perth

Dated this 24th day of September 2007

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 20 September 2007.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Ordinary shares	
	Number of holders	Number of shares
1 - 1,000	2	983
1,001 - 5,000	48	161,215
5,001 - 10,000	90	781,160
10,001 - 100,000	233	8,135,835
100,001 - and over	62	39,255,812
	435	48,335,005
The number of shareholders holding less than a marketable parcel of shares are:	8	8,886

(b) Twenty largest shareholders

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

	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
1 M Ivey Pty Ltd	4,400,000	9.10
2 Bluestar Resources Ltd	3,834,644	7.93
3 Bluesky Resources Ltd	1,870,000	3.87
4 Trailstar Ltd	1,870,000	3.87
5 Falconsand Ltd	1,827,100	3.78
6 Investec Bank Aust Ltd	1,750,000	3.62
7 Redstar Resources Ltd	1,568,256	3.24
8 Wiechecki Henry	1,542,000	3.19
9 Ivoryrose Holdings Pty Ltd	1,300,200	2.69
10 Burling Terrance F	1,220,000	2.52
11 Harper David	1,100,000	2.28
12 ANZ Nominees Ltd <Cash Income A/C>	1,000,000	2.07
13 Wiechecki Barbara	880,000	1.82
14 Amoako-Atta Paul	880,000	1.82
15 Clodene Pty Ltd	840,970	1.74
16 Wiechecki Barbara	840,000	1.74
17 Computer Visions Pty Ltd <Visionary Investments>	700,000	1.45
18 Twynam Agricultural Group Pty Ltd	650,000	1.34
19 Gurravembi Inv Pty Ltd <S/F A/C>	600,000	1.24
20 Mannwest Group Pty Ltd	575,000	1.19
	29,248,170	60.50

(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 Ltd	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	PL 1728/2005	100
Antubia, Ghana	PL 8/2007	100
Banso, Ghana	RL 410/2005	100
Banso, Ghana	PL 149/2006	100
Banso, Ghana	PL 408/2005	100
Banso, Ghana	PL 1727/2005	100
Sunyani Basin, Ghana	PL 9/2007	100
Sunyani Basin, Ghana	PL 1729/2005	100
Akoko, Ghana	PL 42/2007	100
Sapelliga, Ghana	RL 133/2006	Right to earn 100
Ducie, Ghana	RL 710/2006	Right to earn 100