2008 Annual Report

Castle Minerals Limited
ABN 83 116 095 802

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STOCK EXCHANGE
Castle Minerals Limited is listed on the Australian Securities Exchange.

ASX Code: CDT

CONTENTS

- Listed on the ASX in May 2006 raising $3.75m
- Ghana focused gold explorer - ASX code: **CDT**
- Largest land holder in Ghana
- 10 Exploration projects covering more than 10,000 sq km
  - 5 projects at IPO
  - 5 projects acquired since listing
- 11 drilling programs completed in first 2 years
  - 21,000 soil samples collected
  - **Two greenfield's gold discoveries in 2008**

Dear Fellow Shareholder,

I am pleased to present to you the annual report of the Company for the year ending 30 June 2008.

2008 has been a very successful year with two greenfield's gold discoveries made by our exploration team and continued project acquisitions where Castle has become the largest landholder in Ghana with over 10,000km^2 held under ten active projects.

Since listing, Castle's projects have been advanced, in the majority, from an exploration concept to one where gold mineralisation has now been identified. Our new gold discoveries at Akoko and Julie West were a direct result of our prior exploration investment that has been part of an ongoing effort since Castle's ASX listing in 2006.

In the two years since listing, field work in Ghana has comprised eleven drilling programs for 16,885m plus geochemical sampling involving the collection of over 20,070 soil samples.

Our near term goal is to establish JORC compliant resources for Akoko and Julie West. Gold mineralisation at both of these projects is open and further work is required to determine their ultimate size potential.

Akoko is a very promising discovery in the Ashanti Belt of Ghana. It is close to several operating gold mines and is characterised by near surface mineralisation that offers scope for simple and cost effective mining.

The high grade Julie West discovery on our Wa Project comprises an outcropping laminated quartz vein over 500m long and up to 20m wide. Rock chip sampling by Castle (the first known to be undertaken) has reported an average grade of 13.2 g/t gold. This vein has never been drilled and appears capable of hosting high value near surface mineralisation. Drilling is planned immediately following the end of the wet season in October 2008.

Castle also acquired the Papase gold project during the year. Papase is located 65km south west of Newmont's 'world class' Ahafo gold operation and is interpreted to contain The Kenyase shear zone, considered a major structure associated with Newmont's +16 million ounce Ahafo gold project that includes the proposed development of at least 15 open pit mines [1]. Field sampling is currently underway at Papase.

During the year Castle also made an application over the Opon Mansi iron ore deposit in south west Ghana. Opon Mansi represents an advanced project that has potential to deliver high grade direct shipping ore (DSO) to the European iron ore industry. It's near surface position and location close to rail and port facilities makes it ideally suited to low cost development. Castle's initial strategy will be to determine the potential for high grading and/or beneficiation of the iron ore. This application in no way diminishes Castle's gold focus and we remain committed to our ongoing exploration activities towards discovering a world class gold deposit.

[1] *Newmont Mining Corporation website*

Our work 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.

Our activities remain consistent with our stated objectives being the:

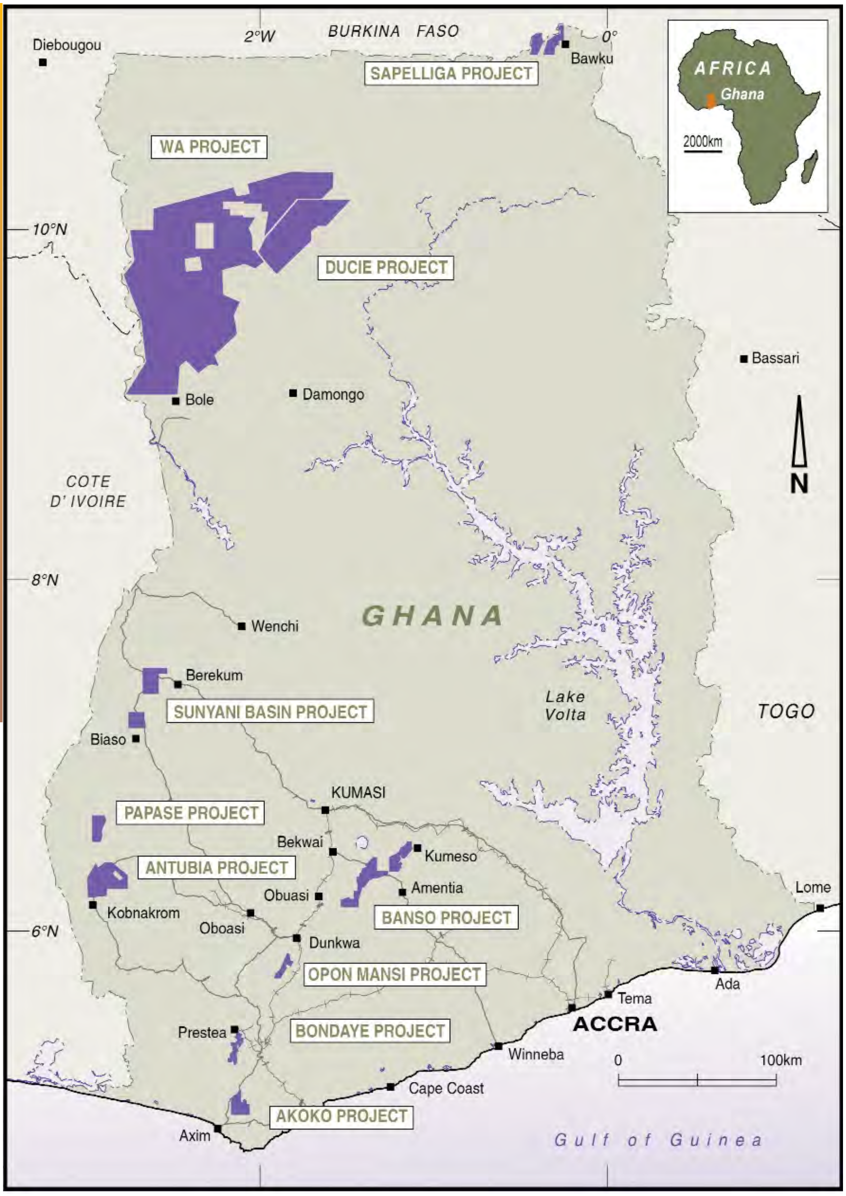
1. exploration and development our ten projects in Ghana; and
2. acquisition and exploration of other mineral resource opportunities, particularly in West Africa

The difficult market conditions experienced in the first half of 2008 reinforce our cost-conscious approach as being appropriate and we always seek to employ the most cost effective and prudent use of funds. Funds at 30 June were $1.4 million. Our projects are all in good standing with our exploration commitments met for the year leaving us in very good shape going forward. 2009 will see a continued focussed program towards our goal of discovering and delineating gold resources at Akoko and Julie West with the ultimate aim of delivering significant value to all shareholders.

I believe that Castle Minerals has established an outstanding exploration portfolio and, coupled with an excellent management and operating team, forms the necessary foundation for our future success.

Thankyou for your continued support and I look forward to keeping you informed of our progress.

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 ten projects in Ghana that it is actively exploring;

- Papase
- Wa
- Opon Mansi*
- Banso
- Antubia
- Sunyani Basin
- Bondaye*
- Akoko
- Sapelliga
- Ducie

All granted 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 (Papase, Ducie, Wa and Sapelliga). Castle's Ghana assets are held via two Ghanaian registered Company's - Carlie Mining Limited and Topago Mining Limited, which are wholly owned subsidiaries of Castle. *Opon Mansi and Bondaye licences are applications and are yet to be granted.

CASTLE IS THE LARGEST LANDHOLDER IN GHANA WITH MORE THAN 10,000 SQUARE KILOMETRES UNDER LICENCE

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 238,537km^2 (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 AFRICA'S 2ND LARGEST PRODUCER OF GOLD

2008 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 and Wa–Lawra greenstone belt in the north. Castle has ten distinct projects known as Banso, Antubia, Sunyani Basin, Bondaye, Akoko, Sapelliga, Wa, Ducie, Papase and Opon Mansi. Each of these projects is considered prospective for gold mineralisation except for Opon Mansi which hosts an iron ore deposit.

AKOKO PROJECT

(100% Castle Minerals)

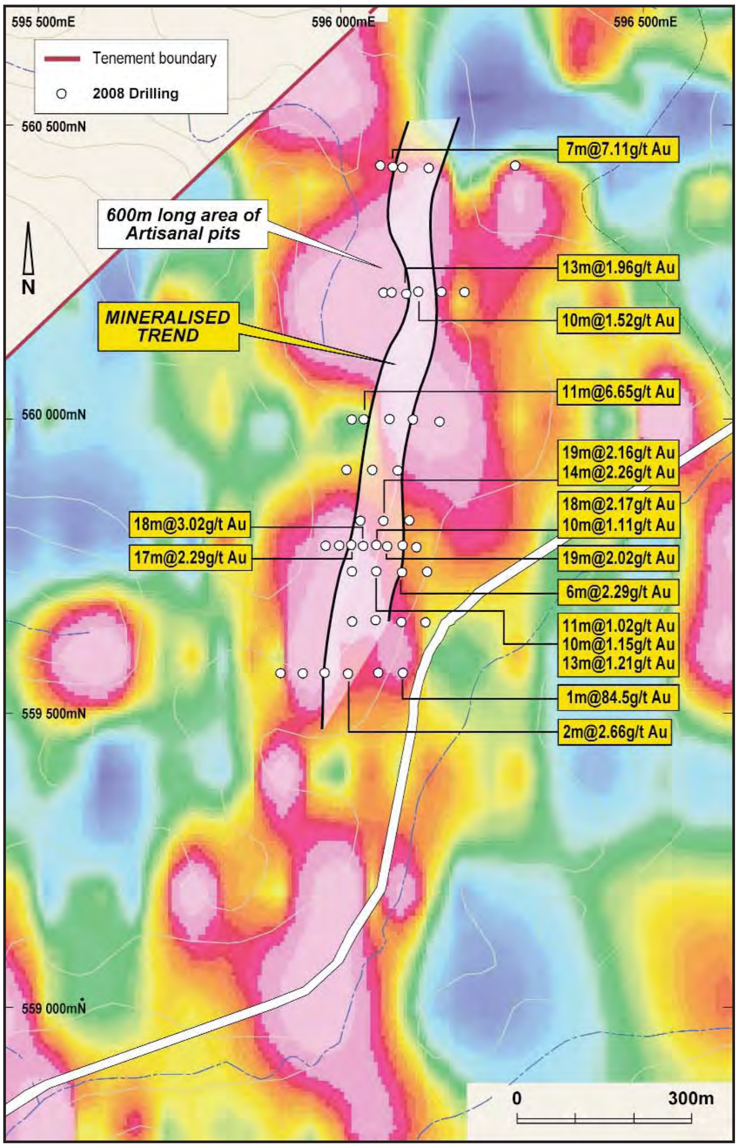
The Akoko Project consists of one granted Prospecting Licence and one Prospecting Licence application located ~10 km east of Adamus Resources' Salman gold project and 40km south of the Prestea gold mine.

The Akoko Prospecting Licence was granted in early 2007. During 2007 several phases of soil sampling were completed over the south west corner of the Licence. This work reported a very strong soil anomaly and an initial RC drilling program was completed in October 2007 to test this area. Initial results were promising with better results including:

52m @ 1.16g/t gold from surface
4m @ 4.09g/t gold from 6m
20m @ 0.89g/t gold from 57m

A further RC drill program was completed in January 2008 and reported further positive results, including:

35m @ 1.52g/t gold from 5m	(AKRC 41)
9m @ 14.9g/t gold from 59m	(AKRC 41)
7m @ 4.03g/t gold from 47m	(AKRC 39)
2m @ 12.1g/t gold from 33m	(AKRC 29)
16m @ 1.49g/t gold from surface	(AKRC 29)
72m @ 0.27g/t gold from surface	(AKRC 26), includes 9m @ 1.02g/t gold from 1m



In February 2008 soil sampling (200 x 50m spacing) was extended to cover the northern area of the Akoko Project and this work confirmed a strong 3km long surface gold anomaly at Akoko North.

Within this anomaly is a higher tenor (+250ppb gold) continuous and well defined zone 1.5km long with a peak value of 1090ppb gold. Ground inspection showed that the northern half of this zone contains numerous historic prospecting pits and shafts over a 600m x 75m area.

This high tenor zone is interpreted to overlie weathered pyritic basalt and is situated immediately west of a basalt/sediment contact, it is aligned north-south suggesting an underlying change to the regional north northeast strike.

This anomaly was drilled in March 2008 and intersected significant open ended shallow gold mineralisation over 1,000m of strike.

Five 200m-spaced drill fences were completed with significant gold mineralisation intersected on all lines.

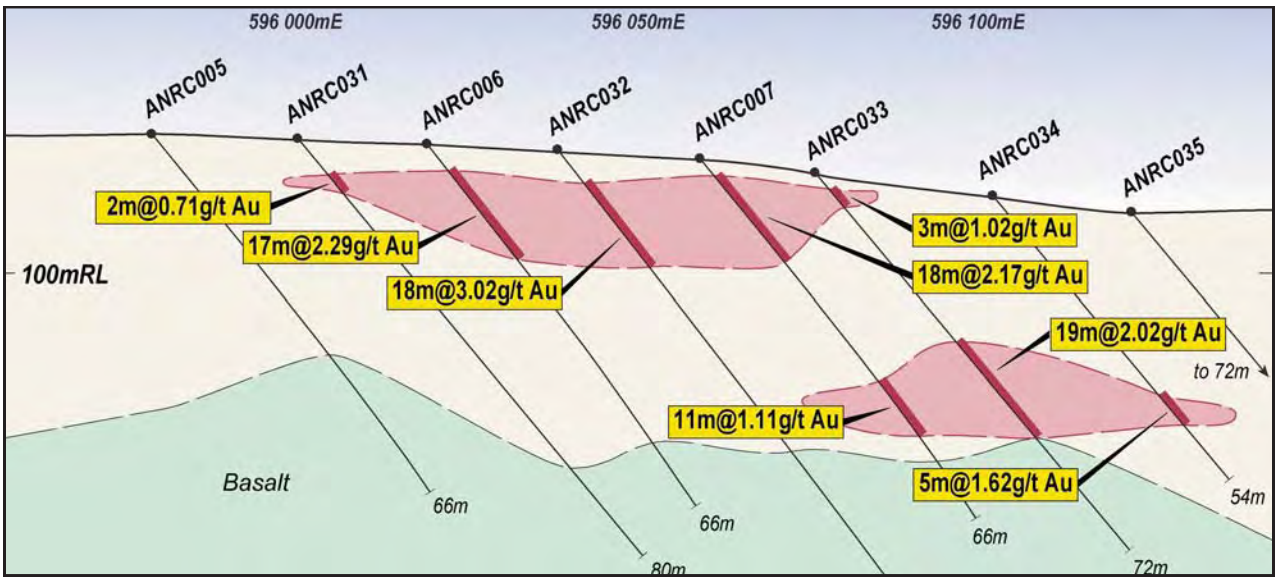
Akoko soil geochemistry and RC results.

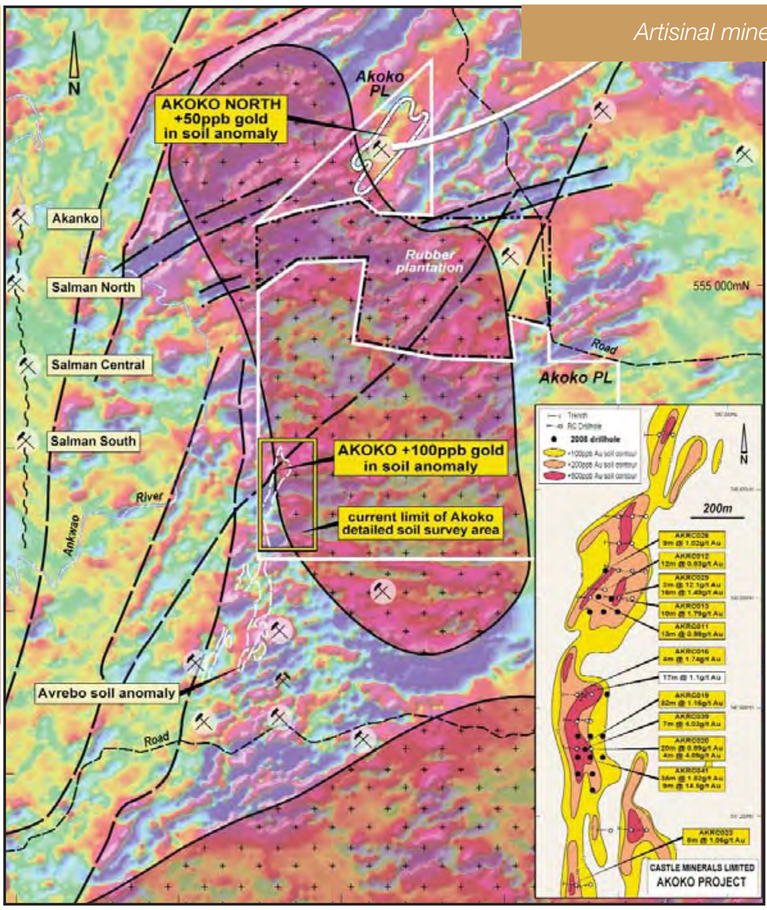
The mineralised zone is open in all directions.

2m @ 2.66g/t gold from 15m	(ANRC 04)
17m @ 2.29g/t gold from 5m	(ANRC 06)
18m @ 2.17g/t gold from 3m	(ANRC 07)
10m @ 1.11g/t gold from 42m	(ANRC 07)
11m @ 6.65g/t gold from 50m	(ANRC 08)
10m @ 1.50g/t gold from 40m	(ANRC 13)
20m @ 0.80g/t gold from 30m	(ANRC 18)

A second phase of drilling was completed at Akoko North in June 2008 and this work confirmed the presence of significant open ended shallow gold mineralisation.

Twenty four drill holes were completed with significant gold mineralisation intersected in most holes. The mineralised zone remains open along strike and at depth.





Artisinal miners

Gold mineralisation occurs within near surface horizontal zones up to 150m wide. These zones are laterally continuous and can be traced along strike for at least one kilometre. The mineralised zones are typically hosted within weathered basalt and quartz veining is common.

These results confirm a significant near surface gold discovery at Akoko North.

Intercepts of note include:

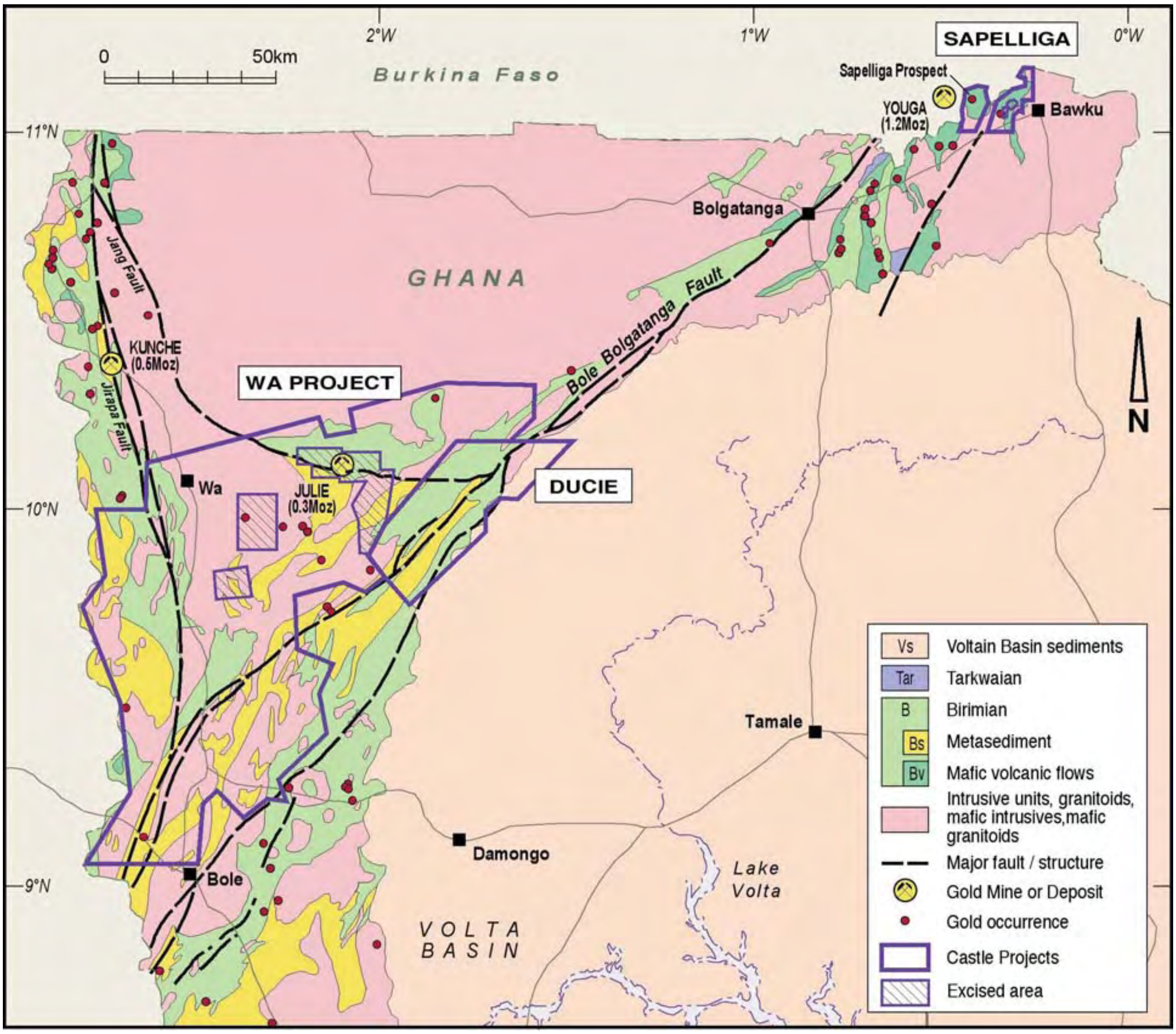
1m @ 84.5g/t gold from 40m	(ANRC 22)
18m @ 3.02g/t gold from 7m	(ANRC 32)
19m @ 2.02g/t gold from 32m	(ANRC 33)
19m @ 2.16g/t gold from 6m	(ANRC 37)
14m @ 2.26g/t gold from 41m	(ANRC 37)
13m @ 1.96g/t gold from 22m	(ANRC 43)
7m @ 7.11g/t gold from 43m	(ANRC 44)
11m @ 1.02g/t gold from 3m	(ANRC 28)
10m @ 1.15g/t gold from 21m	(ANRC 28)
13m @ 1.21g/t gold from 36m	(ANRC 28)
6m @ 2.29g/t gold from 28m	(ANRC 29)

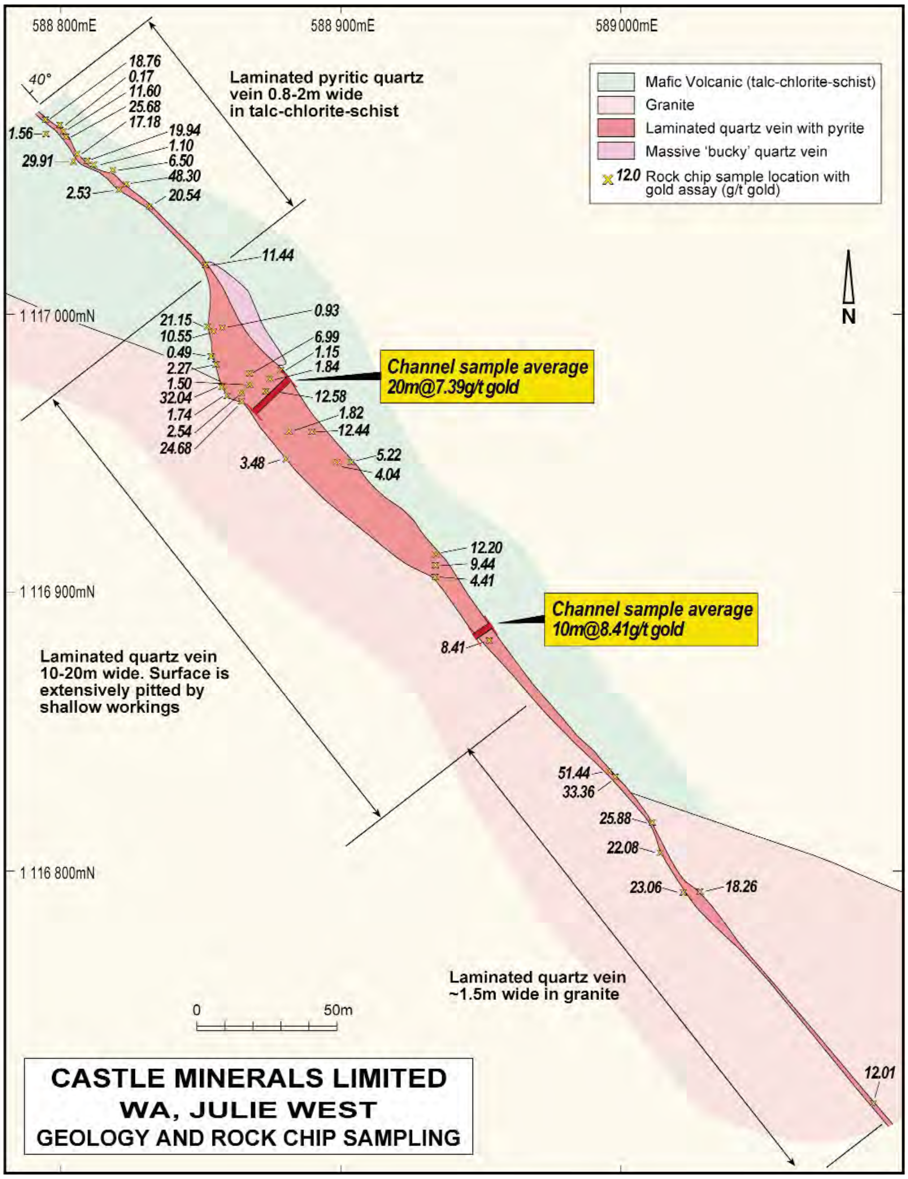
Akoko North is a greenfield discovery resulting from Castle's commitment to grassroots exploration in Ghana over the previous two and a half years.

Castle now aim's to proceed to resource definition drilling towards establishing a JORC compliant resource as soon as possible.

WA PROJECT

(Castle Minerals right to earn 100%)





The Wa Project consists of one large Reconnaissance Licence situated in NW Ghana near the border with Burkina Faso.

During the year Castle executed an option agreement to acquire a 100% interest in the Wa Project from Newmont Ghana Gold Limited. The 8,200 km² Wa project is a highly prospective grassroots exploration property with known gold resources identified outside the project boundary. The Julie gold deposit is located within an excised portion of the Wa Project and Azumah Resources Kunche and Bepkong gold deposits are located 50km north.

Prior work by Newmont included very wide spaced stream sediment and soil geochemistry that was successful in identifying several areas deemed worthy for follow up sampling.

In February and March 2008 an extensive sampling and mapping program was undertaken by Castle with 2,269 samples collected from a variety of areas. This work was successful in identifying a number of areas for follow-up including a strongly anomalous 2,000m long x 1000m wide area west along strike of the Julie gold deposit.

Soil samples from this area reported values up to 3,096ppb gold (3.09g/t gold) in an area hosted by sedimentary rocks flanked by granites to the north and south.

In May and June 2008 Castle completed two phases of rock chip sampling in this area and identified a high-grade zone of laminated quartz vein hosted gold mineralisation over 500m long. In total forty four rock chip samples of the laminated quartz vein were collected and reported an average grade of 13.2g/t gold.

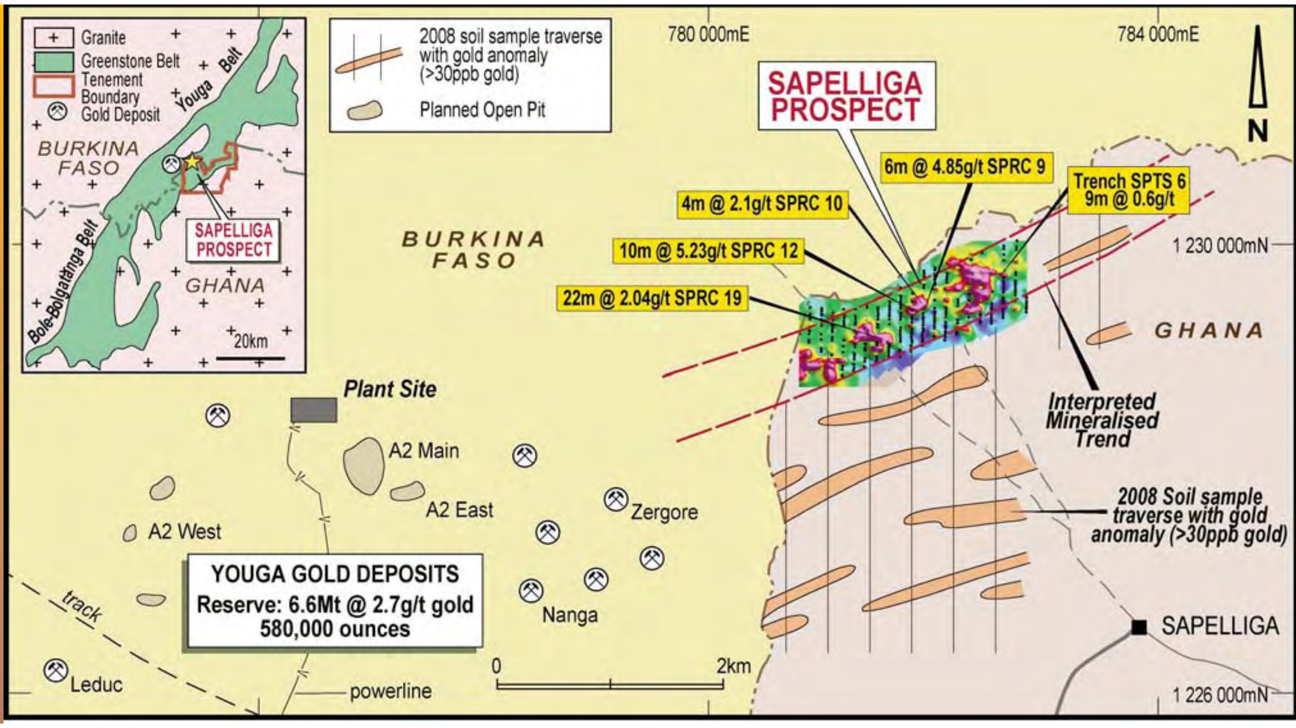
The sampling included two channel samples across the interpreted true width of the vein that averaged

20m @ 7.39g/t gold and
10m @ 8.41g/t gold.

The vein outcrops (or is exposed in shallow workings) for over 500m.

The vein reports as a single continuous laminated pyritic quartz vein. Vein contacts are well defined and true width generally varies from ~0.8-2m, however in the central part of the exposure a 200m section along a granite/mafic volcanic contact exposes vein widths up to 20m. This area hosts extensive shallow pits from recent artisanal mining activity; however the physically hard nature of the quartz has prevented development beyond a few metres depth.

The Wa prospect offers excellent potential for high value near surface mineralisation. Drill testing to confirm the grade and vein continuity at depth is now a priority and is planned to commence at the end of the wet season as soon as site conditions allow vehicle access. Likely timing is October 2008.



SAPELLIGA PROJECT

(Castle Minerals right to earn 100%)

The Sapelliga Project consists of one granted Prospecting Licence situated in NE 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 Youga Gold mine is being developed about 2.5km west of Sapelliga.

In 2006 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. Drilling intersected encouraging gold intercepts 4km along strike from the Youga gold deposit in the NW corner of the licence area.

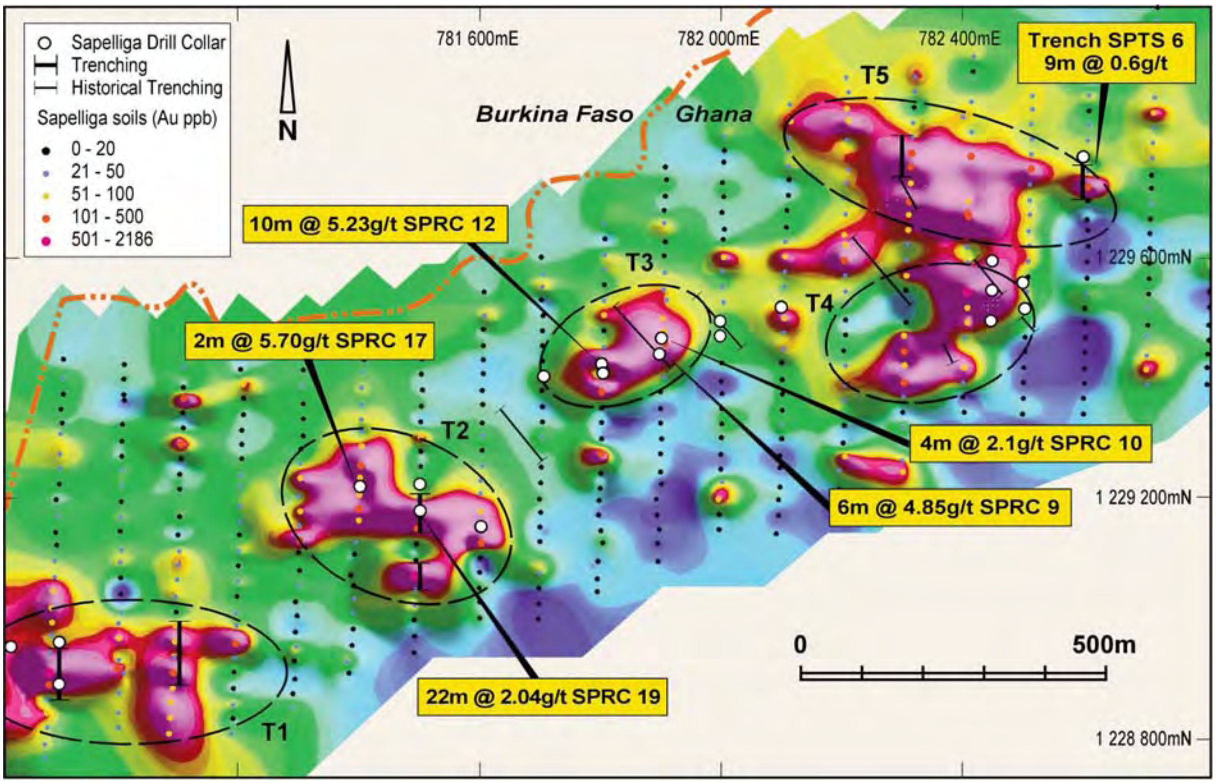
This drill program consisted of 13 holes and tested only two of five target areas (T1 –T5). T3 was tested with six holes over a 300m strike and reported the most encouraging results with best intercepts of 6m @ 4.85g/t from 20m (SPRC 09), 4m @ 2.1g/t gold from 43m (SPRC 10) and 10m @ 5.23g/t from 62m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

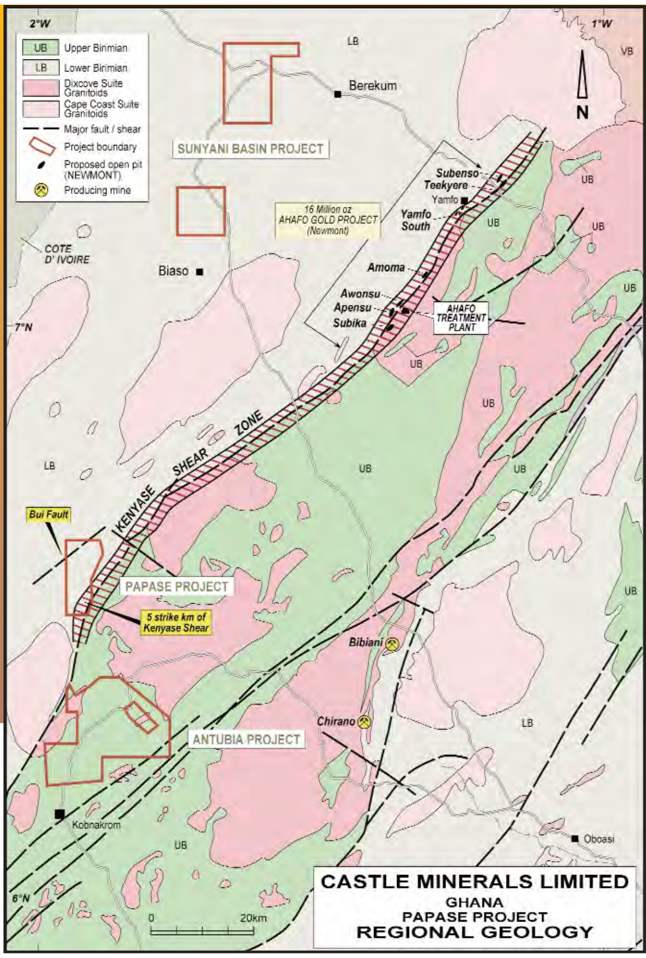
A program of trenching was completed testing portions of the T1, T2 and T5 soil anomalies. Six trenches were excavated for a total 383m of trenching. The trenching exposed several zones of quartz veined and sheared metasediments and reported a best intercept of 23m @ 0.97g/t gold including an interval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

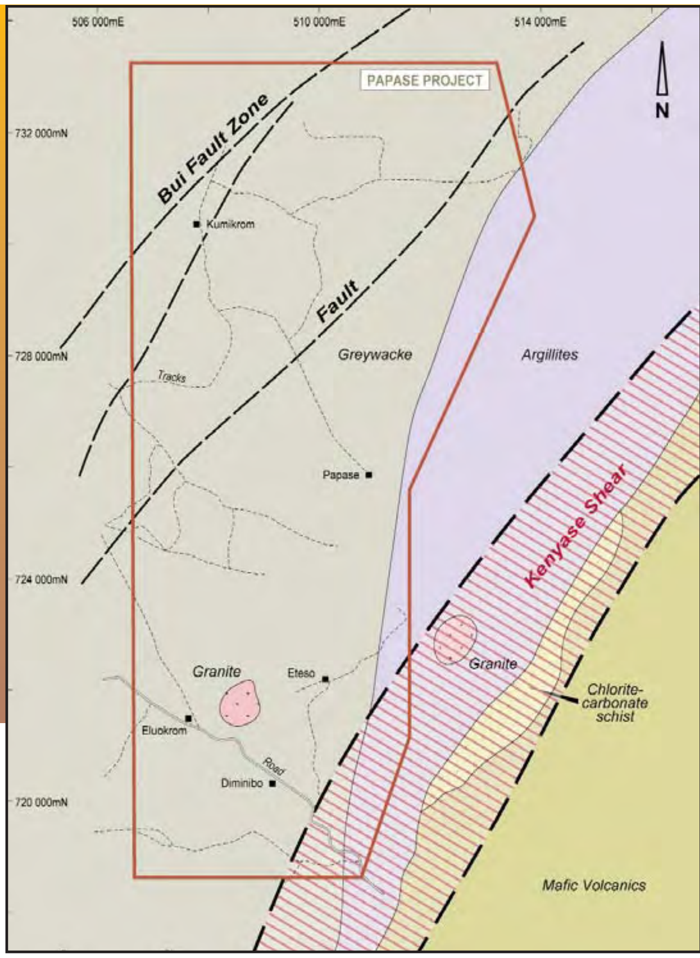
During the year nine reverse circulation holes were drilled (SPRC 13-21) to test the T1, T2 and T5 targets previously defined through soil sampling and trenching.

Hole SPRC 19 returned the best result of 22m @ 2.04g/t gold from 25m down hole and SPRC 17 drilled 100m to the west reported 2m @ 5.7g/t gold. The Sapelliga prospect is considered to have good potential to host shallow gold resources.

The area south and east of the Sapelliga prospect was subject to a soil sampling program that defined multiple soil anomalies that are interpreted to reflect extensions to mineralised horizons reported west of the Ghanaian border at the Youga gold deposit. Ground inspection and infill sampling is proposed to test these areas.







PAPASE PROJECT

(Castle Minerals right to earn 100%)

The Papase Project is located approximately 390km west-northwest of Accra, in the Sefwi gold belt and is ~65km southwest of the Ahafo gold mine operated by Newmont. In 2008 an agreement was executed with a local private mining company giving Castle the right to earn a 100% interest in the Papase Reconnaissance Licence.

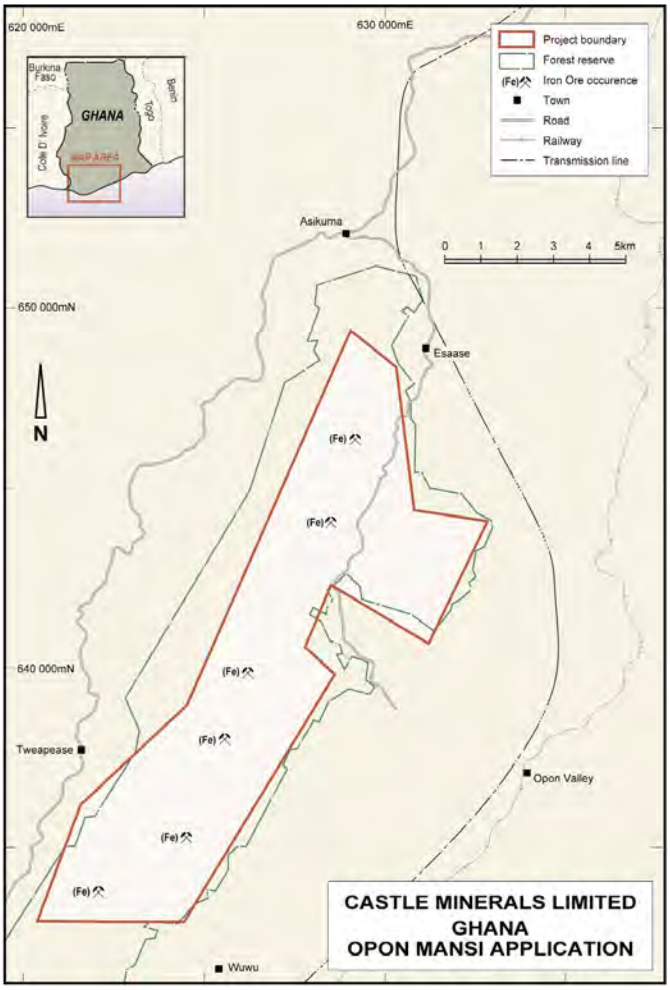
The Papase Project is located 65km south west of Newmont's world class Ahafo gold operation and is interpreted to contain the Kenyase shear zone and the Bui fault. The Kenyase shear zone is a major structure that is associated with Newmont's +16 million ounce Ahafo gold project that includes the proposed development of at least 15 open pit mines.

The Kenyase shear zone is one of the most prospective and sought after exploration areas in Ghana and no sampling or drilling is known to have been conducted over the area. The concession sits over a change in orientation of the Sefwi belt/basin contact that offers a potentially important structural setting for gold mineralisation. The regional scale Bui Fault crosses the north-west portion of the licence and represents another obvious target.

Castle plans to undertake on ground exploration at Papase involving, regolith mapping and soil sampling.

OPON MANSI PROJECT

The Opon Mansi Project is located 260km west of Accra, centred about 40km north of Tarkwa. The project consists of one Prospecting Licence application contained wholly within the Opon Mansi forest reserve. Castle is pursuing permission to enter the reserve to undertake sampling for metallurgical testwork.



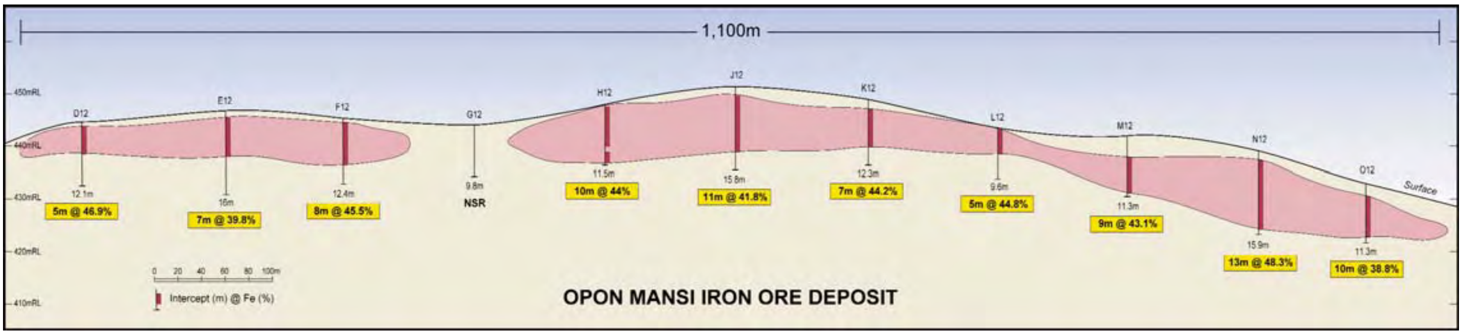
The project application contains the Opon Mansi iron ore deposit that was discovered in the 1960's by the Ghana Geological Survey.

The deposit features include:

- Iron ore located on 15 hills over 24km strike
- Ghana Geological Survey exploration in 1963-64 consisted of pitting, trenching and drilling
- Hematite and goethite mineralisation defined from surface to 27m depth
- Ghana Geological Survey reported a mineralised estimate to 10m depth, of approximately 150 million long tons with an iron content between 43-56% Fe
- Located 8km from Takoradi-Kumasi railway line
- Located 120km from Takoradi port
- Potential for high grading and/or beneficiation to produce high grade DSO product

The Opon Mansi iron ore deposit represents an advanced project that has potential to deliver high grade direct shipping ore (DSO). Its near surface position and location close to rail and port facilities makes it ideally suited to low cost development.

Castle's initial strategy will be to determine the potential for high grading and/or beneficiation of the iron ore, as historic literature makes reference to higher grade sections and upgrading of product through screening. The recent rise in iron ore prices along with significant metallurgical advances in materials beneficiation (since the 1970's) provides an opportunity to develop further industry and diversified mining in Ghana.



Project Background

The Opon Mansi iron ore deposits are located on the top of a range of hills that extend over a distance of 24km from Opon Valley in the south towards Dunkwa in the north. Castle's application covers approximately 85% of the prospective hills of the Opon Mansi range. The hills on which the iron occurs have an average height of 400m above sea level.

The lateritic iron deposits were discovered in 1963 by the Ghana Geological Survey during a field mapping program.

After the discovery the Survey conducted a prospecting program (1963-64) that consisted of "Winkie" drilling, pitting and trenching and the collection of large quantities of ore samples for chemical analysis from the 15 hills along the range.

These preliminary investigations revealed iron ore capping ranging from 10 to 30 metres thick on top of most of the hills in the range. About 13 of the 15 hills were found, at that time, to contain ores of commercial quantities.

The Ghana Geological Survey calculated an estimate of the deposit using an average thickness of 9m and calculated that approximately 150 million long tons of iron ore were indicated in an area of about 4km^2. The iron content of this ore was found to range between 43-56% Fe.

The estimate presented here is a conceptual target that may result from the completion of a JORC-compliant resource calculation. It should not be understood as indicating the existence of a resource in the sense implied by the JORC Code as a JORC-compliant resource is yet to be calculated. There has been insufficient or unverified exploration data to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

The iron deposits overlie folded Tarkwaian and Birimian sedimentary and metavolcanic rocks. The lateritic profile has been divided into different ore categories from surface to a depth of 10m; pebble ore, conglomeritic ore, yellow-cavern ore, porous ore, soft ore and hard ore. Bauxite was found throughout the profile assaying between 15-25% Al_2O_3.

In 1975 the government established the "Integrated Iron & Steel Commission" that investigated the feasibility of an Iron and Steel Project based on the Opon Mansi mineralisation. German group Fried Krupp GmbH undertook the feasibility study and focussed on one hill (Wuowuo Hill) where 100m x 100m spaced drilling was completed.

In 1979 Krupp presented a five volume report to the Commission that included the production, via three electric furnaces, of pig iron, liquid steel, billets, rolled finished product and alumina.

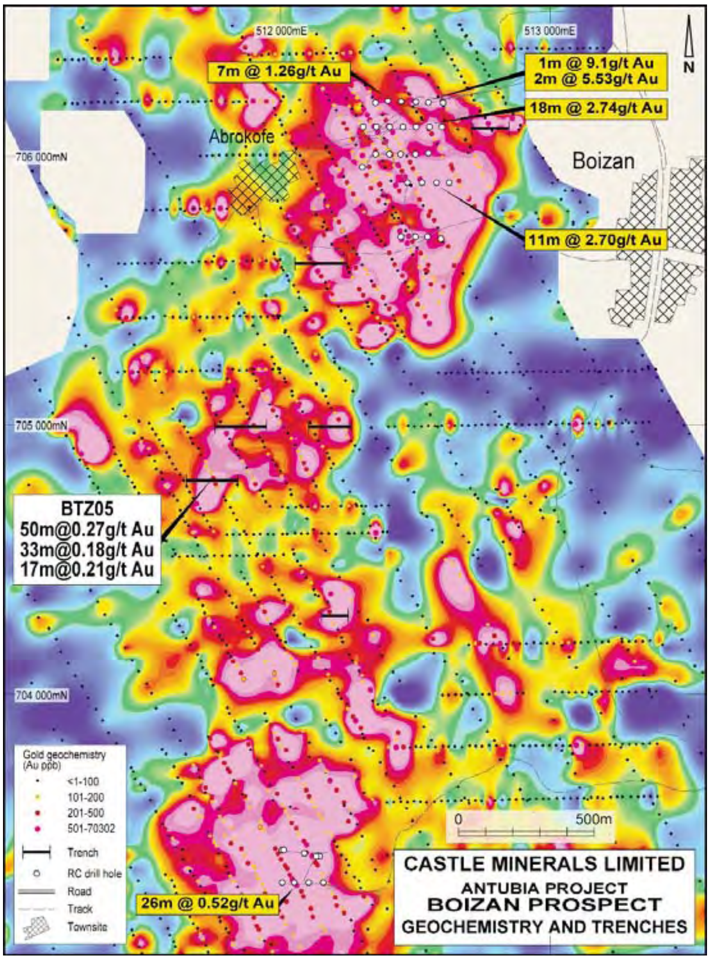
No further work is known following the completion of the 1979 Krupp study.

Castle intends to actively work with the Ghana Minerals Commission, Forestry Department, Geological Survey and other relevant authorities towards the quick and successful grant of the application.

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 Ahafo gold mine operated by Newmont.



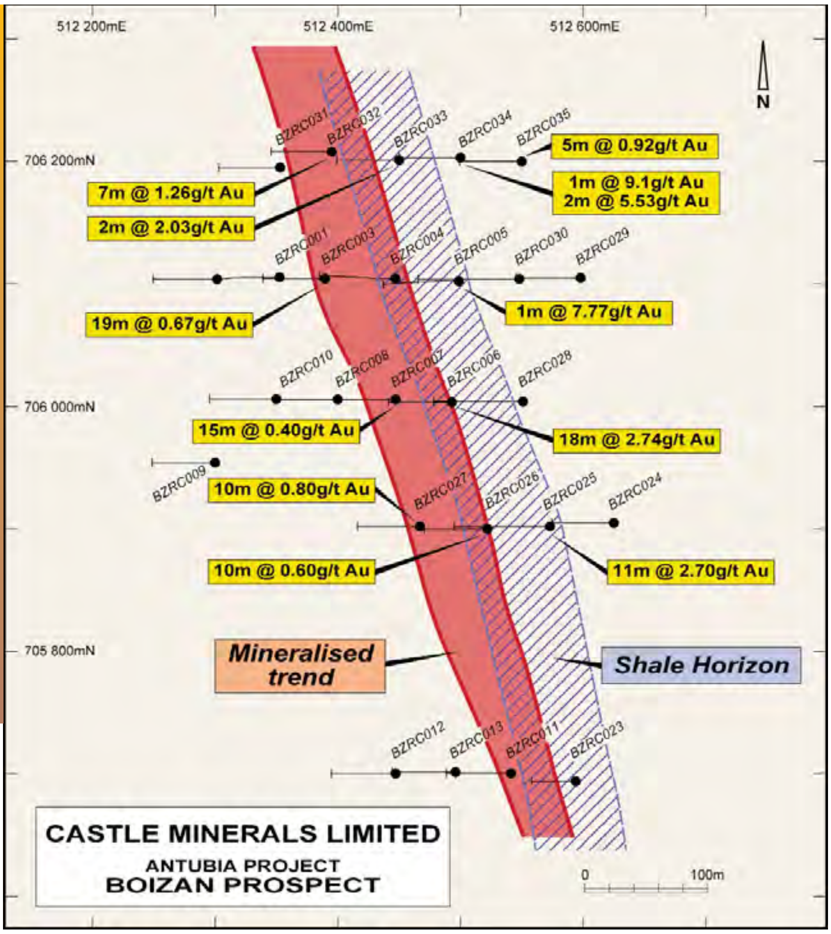
RC drilling during the year was completed to further test the previously defined anomalous gold corridor at Antubia. This very large geochemical anomaly is oriented approximately north – south and is some 5.5 kilometres long. Within this corridor two areas stand out as being of particular importance, named Boizan and Sumiakrom Hill.

Prior work by Castle has included soil sampling, pitting, trenching and geophysical interpretation as well as reverses circulation drilling.

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) 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 2007 at the Boizan prospect to follow up the first phase of drilling. This new drilling reported intercepts of; 11m @ 2.70 g/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 5 kilometres 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 completed 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. The trenches reported wide zones of gold mineralisation including 50m @ 0.27g/t, 33m @ 0.18g/t, 17m @ 0.21g/t gold within the very large 5x2km Boizan soil anomaly.

The trench intercepts also identified a number of parallel zones additional to the two mineralized zones at Boizan and Sumiakrom Hill.

Fifteen RC holes were drilled late in the September 2007 quarter to test the trench results and a number of other soil anomalies throughout the project area. These results were somewhat disappointing with only low order gold intercepts returned.

The Antubia Project hosts a regional scale geochemical anomaly along the western margin of the Sunyani Belt and remains a highly quality exploration target

DUCIE PROJECT

(Castle Minerals right to earn 100%)

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

The 1,126km^2 Ducie project is situated in the north eastern corner of Ghana within the Bolgatanga Belt.

The project covers 60 kilometres of strike of Birimian metasediments and volcaniclastics along the NE 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 NE. Gold mineralisation was indicated by a Russian mapping project in the 1960's at Ducie and Chasia immediately SW 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.

A follow-up sampling program was completed during the dry season in early 2008 with a total 768 samples. This program tested four previously defined targets plus two regionally spaced lines were sampled at the south west end of the licence. A peak value of 924 ppb gold was reported from an area 6km east of the town of Chawuli and this area warrants further investigation. An attempt was made to visit this area in June 2008 however flood waters prevented access.

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 Akyem gold mine and ~10km east of AngloGold Ashanti's 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 20 strike kilometres 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 @ 4.3 g/t gold and 13m @ 1.6 g/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.

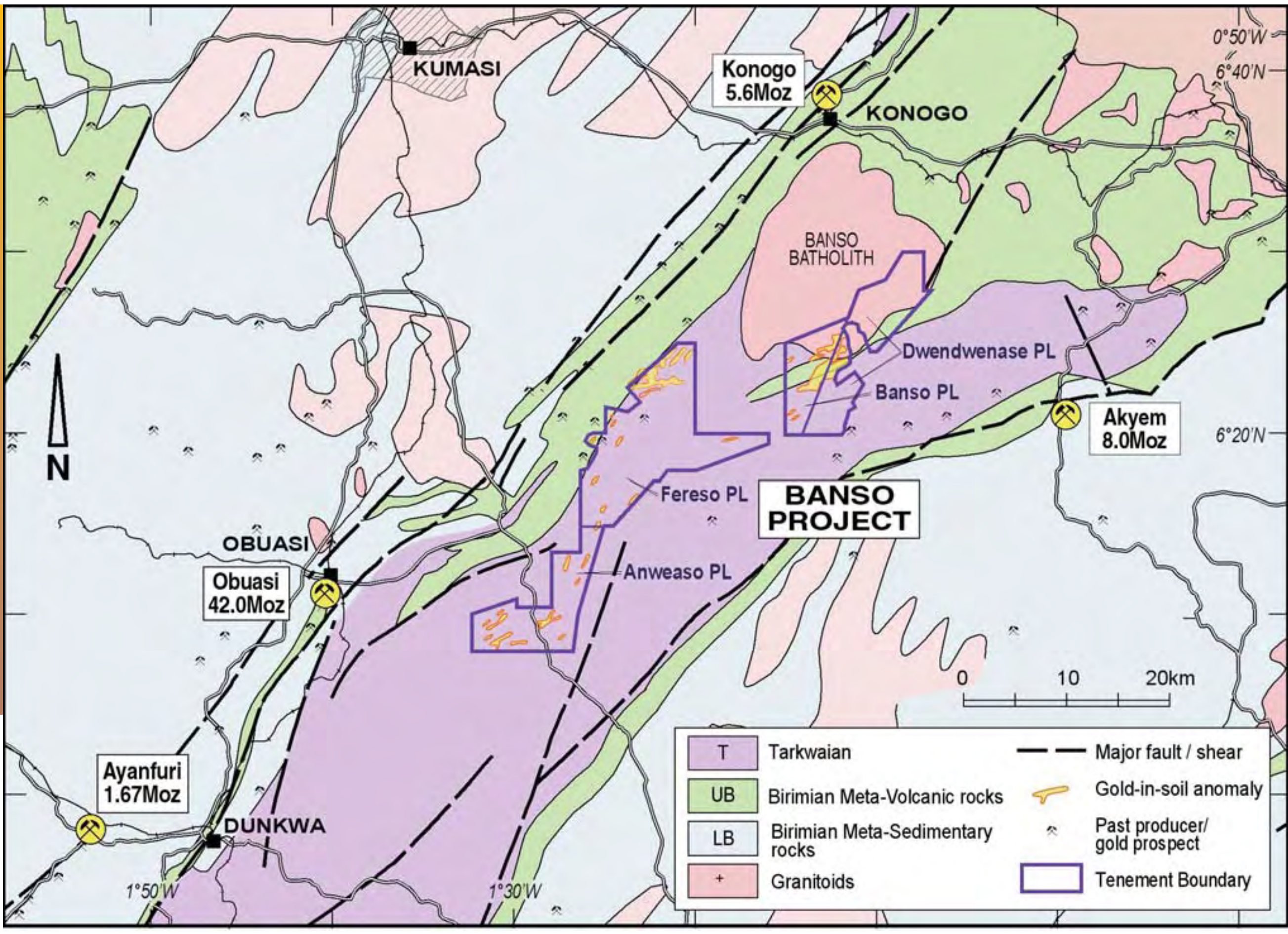
Castle has completed two drilling programs so far, an initial 40 hole, (3,248m) reverse circulation drilling program and a follow up 5 hole, (570m) program. This drilling has intersected significant oxide and primary gold mineralisation in several holes with best results including;

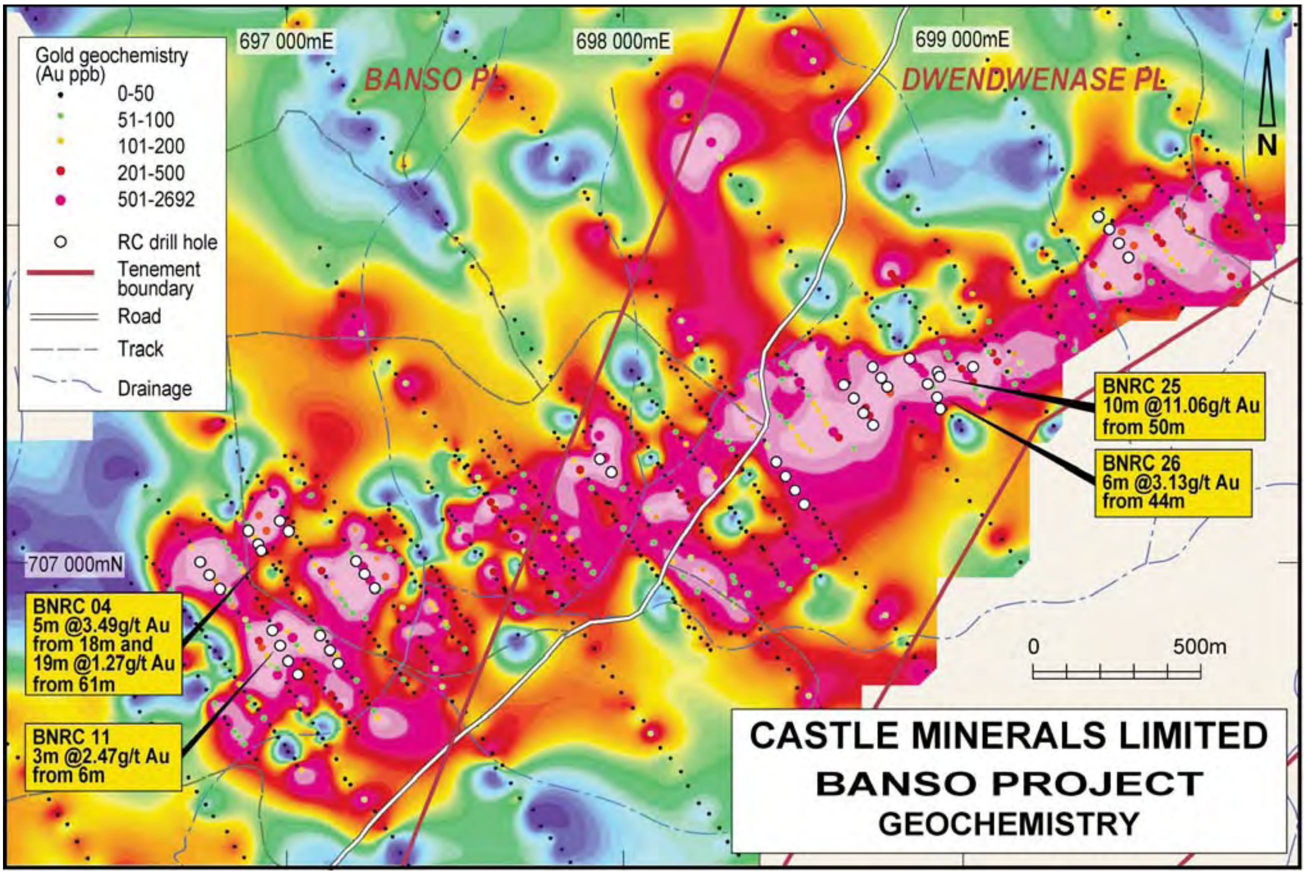
BNRC 04 5m @ 3.49g/t from 18m
BNRC 04 19m @ 1.27g/t from 61m
BNRC 11 3m @ 2.47g/t from 6m
BNRC 26 6m @ 3.13g/t from 44m
BNRC 25 10m @ 11.1g/t from 50m
BNRC 44 2m @ 10.8g/t from 26m

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 Banso licences has identified three distinct gold anomalies along the western margin of the Banso 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 proposed to determine the significance of these results.


0°50'W
6°40'N
6°20'N
1°50'W
1°30'W
KUMASI
Konogo
5.6Moz
KONOGO
BANSO
BATHOLITH
Dwendwenase PL
Banso PL
Akyem
8.0Moz
Fereso PL
BANSO
PROJECT
Anweaso PL
OBUASI
Obuasi
42.0Moz
Ayanfuri
1.67Moz
DUNKWA
N
0
10
20km
T Tarkwaian
UB Birimian Meta-Volcanic rocks
LB Birimian Meta-Sedimentary rocks
Granitoids
Major fault / shear
Gold-in-soil anomaly
Past producer/ gold prospect
Tenement Boundary


Gold geochemistry
(Au ppb)
0-50
51-100
101-200
201-500
501-2692
RC drill hole
Tenement boundary
Road
Track
Drainage
697 000mE
698 000mE
699 000mE
BANSO PL
DWENDWENASE PL
N
707 000mN
BNRC 25
10m @11.06g/t Au
from 50m
BNRC 26
6m @3.13g/t Au
from 44m
BNRC 04
5m @3.49g/t Au
from 18m and
19m @1.27g/t Au
from 61m
BNRC 11
3m @2.47g/t Au
from 6m
0
500m
CASTLE MINERALS LIMITED
BANSO PROJECT
GEOCHEMISTRY

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.

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 tenement 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 proposed.

The information in this report that relates to Exploration Results is based on information compiled by Michael Fowler, Castle Minerals Limited Exploration Manager, who is a Member of The Australasian Institute of Mining and Metallurgy. Michael Fowler is a permanent employee of Castle Minerals Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 JORC Code. Michael Fowler consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Castle Minerals Limited
ABN 83 116 095 802

Annual Financial Report
for the year ended 30 June 2008

Corporate Information

ABN 83 116 095 802

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

Company Secretary
Dennis Wilkins

Registered Office
Level 3, 10 Outram Street
WEST PERTH WA 6005
Telephone: (08) 9322 7018
Facsimile: (08) 9481 2335

Postal Address
PO Box 437
WEST PERTH WA 6872

Solicitors
Blakiston & Crabb
1202 Hay Street
WEST PERTH WA 6005

Bankers
National Australia Bank Limited
1232 Hay Street
WEST PERTH WA 6005

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

Auditors
BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008

Internet Address
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Email Address
info@castleminerals.com

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

Contents

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 2008.

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 the 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, Azure Minerals Limited and Universal Resources Ltd.

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 and Minemakers Limited. Mr Wilkins is a former director of Marengo Mining Limited and South Boulder Mines Limited within the last 3 years.

Directors' Report continued

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

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

	Ordinary Shares	Options over Ordinary Shares
Michael Ivey	4,835,000	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 $2,370,855. In August 2007 the Company issued 5 million ordinary shares to institutional 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 $2,011,331. In line with the Company's accounting policies, all exploration expenditure was written off at year end. Net administration expenditure incurred amounted to $451,378. This has resulted in an operating loss after income tax for the year ended 30 June 2008 of $2,462,709 (2007: $2,383,335).

At 30 June 2008 surplus funds available totalled $1,405,470.

Operating Results for the Year

Summarised operating results are as follows:

	2008	
	Revenues $	Results $
Geographic segments		
Australia	168,887	(265,397)
Ghana	-	(2,197,312)
Consolidated entity revenues and loss from ordinary activities before income tax expense	168,887	(2,462,709)

Shareholder Returns

	2008	2007
Basic loss per share (cents)	(5.1)	(6.2)

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.

Directors' Report continued

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

A significant change in the state of affairs of the Group during the financial year was as follows:

- An increase in contributed equity of $1.4 million as a result of the issue of 5 million ordinary shares to institutional and sophisticated investors.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 21, 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 in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A Principles used to determine the nature and amount of remuneration

Remuneration Policy

The Remuneration Committee is comprised of the two non-executive directors. 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.

Directors' Report continued

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.

Company performance, shareholder wealth and directors' and executives' remuneration

No relationship exists between shareholder wealth, director and executive remuneration and Company performance.

The table below shows the gross revenue, losses and earnings per share for the periods since incorporation of the listed entity.

	2008	**2007**	**2006**
	$	**$**	**$**
Revenue	168,887	129,686	41,768
Net loss	(2,462,709)	(2,383,335)	(576,710)
Loss per share (cents)	(5.1)	(6.2)	(6.0)

B Details of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and specified executives 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*.

Directors' Report continued

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

	Short-Term		**Post Employment**		**Share-based Payments**	**Total**
	Salary & Fees	Non-Cash benefits	Superannuation	Retirement benefits	Options	
	$	$	$	$	$	$
Directors						
Michael Ivey						
2008	**200,000**	**3,217**	**-**	**-**	**-**	**203,217**
2007	205,017	6,427	1,205	-	-	212,649
Campbell Ansell						
2008	**20,000**	**3,217**	**1,800**	**-**	**-**	**25,017**
2007	21,350	6,427	450	-	-	28,227
Michael Ashforth						
2008	**21,800**	**3,217**	**-**	**-**	**-**	**25,017**
2007	21,800	6,427	-	-	-	28,227
Other key management personnel						
Dennis Wilkins						
2008	**29,255**	**-**	**-**	**-**	**-**	**29,255**
2007	44,539	-	-	-	-	44,539
Michael Fowler						
2008	**119,318**	**-**	**11,932**	**-**	**77,700**	**208,950**
2007	161,803	-	16,180	-	148,925	326,908
Paul Amoako-Atta (1)						
2008	**48,080**	**-**	**-**	**-**	**-**	**48,080**
2007	54,297	-	-	-	-	54,297
Total key management personnel compensation						
2008	**438,453**	**9,651**	**13,732**	**-**	**77,700**	**539,536**
2007	508,806	19,281	17,835	-	148,925	694,847

(1) In addition to the above remuneration a total of $890,944 (2007: $614,127) 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

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 – 3 months notice of termination required.
- Mr Wilkins' firm, DWCorporate, is engaged to provide accounting and company secretarial services. Fees are charged on an hourly basis, and all amounts are included in Mr Wilkins’ remuneration.

Michael Fowler, Exploration Manager:

- Term of agreement – 4 years commencing 8 May 2006.
- Base salary, exclusive of superannuation, of $125,000 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 $4,000 per month, plus a rate of $65 per hour for agreed hours in excess of fifty hours per month.

Directors' Report continued

D Share-based compensation

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. The Company does not have a formal policy in relation to the key management personnel limiting their exposure to risk in relation to the securities, but the Board actively discourages key personnel management from obtaining mortgages in securities held in the Company. 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	Vested Number	Date vesting or vested and exercisable	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Exercised Number	% of Remuneration
Other key management personnel									
Michael Fowler	08/05/2006	500,000	500,000	08/05/2008	31/03/2011	25	15.5	N/A	15.5
Michael Fowler	08/05/2006	500,000	*	08/05/2009	31/03/2011	25	15.5	N/A	12.4
Michael Fowler	08/05/2006	500,000	*	08/05/2010	31/03/2011	25	15.5	N/A	12.4

* 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. The options shown above either vested during the year or are still vesting on the dates as indicated. The asterisked 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

Performance income as a proportion of total compensation

No performance based bonuses have been paid to key management personnel during the financial year.

DIRECTORS' MEETINGS

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

	Directors Meetings		Committee Meetings: Audit		Committee Meetings: Remuneration	
	A	**B**	**A**	**B**	**A**	**B**
Michael Ivey	4	4	*	*	*	*
Campbell Ansell	4	4	2	2	-	-
Michael Ashforth	4	4	1	2	-	-

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 7,050,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	6,990,000
Movements of share options during the year	
Expired, exercisable at 35 cents, on 2 May 2008	(440,000)
Total number of options outstanding as at 30 June 2008	**6,550,000**
Movements subsequent to year end:	
Issued, exercisable at 25 cents, on or before 31 March 2011	500,000
Total number of options outstanding as at the date of this report	**7,050,000**

Directors' Report continued

The balance is comprised of the following:

Date options issued	Expiry date	Exercise price (cents)	Number of options
22 May 2007	31 March 2011	25	500,000
14 July 2008	31 March 2011	25	500,000
9 March 2006	31 March 2011	35	6,050,000
Total number of options outstanding at the date of this report			**7,050,000**

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 2001*. 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.*

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

	2008 $	2007 $
Tax compliance services	**4,700**	6,810
Total remuneration for non-audit services	**4,700**	6,810

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 10.

Signed in accordance with a resolution of the directors.

Michael Ivey
Managing Director

Perth, 10 September 2008

BDO Kendalls

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ABN 79 112 284 787

10 September 2008

The Directors
Castle Minerals
PO Box 437
WEST PERTH WA 6872

Dear Sirs

DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF CASTLE MINERALS LIMITED

As lead auditor of Castle Minerals Limited for the year ended 30 June 2008, 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 Limited and the entities it controlled during the year.

C Burton

Chris Burton
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, WA

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.

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	**A**	Matters reserved for the Board can be viewed on the Company website.
1.2	Companies should disclose the process for evaluating the performance of senior executives	**N/A**	Acting in its ordinary capacity, the Board from time to time carries out the process of considering and determining performance issues. The remuneration of executive and non executive Directors is reviewed by the Board with the exclusion of the Director concerned. The remuneration of executive management is reviewed and approved by the Board.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	**A (in part)**	
Principle 2:	**Structure the board to add value**		
2.1	A majority of the board 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 chair should be an independent director	**N/A**	The Company does not perceive any additional benefits would accrue to the Company by the appointment of an independent chairperson.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	**N/A**	The Company does not perceive any additional benefits would accrue to the Company by separating these roles.
2.4	The board should establish a nomination committee	**A**	The full Board carries out the duties that would normally fall to the nomination committee.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	**N/A**	The remuneration of executive and non executive directors is reviewed by the Board with the exclusion of the director concerned. 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 in the price of the Company's securities. Whenever relevant, any such matters are reported to ASX.
2.6	Companies should provide the information indicated in the 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	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	**A**	The Company has established a Code of Conduct which can be viewed on the Company's website.

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	**A**	The Company has formulated a securities trading policy, which can be viewed on its website.
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3	**A**	
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The board should establish an audit committee	**A**	The Company has established an audit committee which comprises only non-executive directors. The charter for this committee is disclosed on the Company's website.
4.2	The audit committee should be structured so that it:	**A (in part)**	
	• consists only of non-executive directors	**A**	
	• consists of a majority of independent directors	**A**	
	• is chaired by an independent chair, who is not chair of the board	**A**	
	• has at least three members	**N/A**	The Company only has two non executive directors.
4.3	The audit committee should have a formal charter	**A**	
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	**A**	
Principle 5:	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	**A**	
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	**A**	The Board receive monthly reports on the status of the Company's activities and any new proposed activities. Disclosure is reviewed as a routine agenda item at each Board meeting.
Principle 6:	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	**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 distributions of specific releases covering major transactions or events.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	**A**	The Company has formulated a Communication Policy which can be viewed on the Company website.

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 7:	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	**A**	While the Company does not have formalised policies on risk management the Board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at Board meetings and risk management culture is encouraged amongst employees and contractors. Determined areas of risk which are regularly considered include: • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • compliance with government laws and regulations • safety and the environment • continuous disclosure obligations • sovereign risk
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	**N/A**	While the Company does not have formalised risk management policies it recognises its responsibility for identifying areas of significant business risk and ensuring that arrangements are in place to adequately manage these risks. This issue is regularly reviewed at Board meetings and a risk management culture is encouraged amongst employees and contractors.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	**A**	
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	**N/A**	
Principle 8:	**Remunerate fairly and responsibly**		
8.1	The board should establish a remuneration committee	**A**	
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	**A**	
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8	**A**	Refer to the Annual Report and the Corporate Governance section of the Company's website.

A = Adopted
N/A = Not adopted

Income Statements

YEAR ENDED 30 JUNE 2008	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
REVENUE FROM CONTINUING OPERATIONS	4	**168,887**	129,686	**168,887**	129,686
EXPENDITURE					
Depreciation expense	5	**(19,989)**	(14,220)	**(19,989)**	(14,220)
Salaries and employee benefits expense		**(61,729)**	(65,341)	**(61,729)**	(65,341)
Tenement acquisition and exploration expenses	5	**(2,011,331)**	(1,755,876)	**-**	-
Impairment expense	5	**(182,626)**	(211,484)	**(2,196,419)**	(1,917,576)
Corporate expenses		**(74,889)**	(68,545)	**(71,535)**	(68,545)
Administration expenses		**(200,919)**	(243,306)	**(200,919)**	(236,584)
Share based payment expense	24	**(77,700)**	(148,925)	**(77,700)**	(148,925)
Other expenses from ordinary activities		**(2,413)**	(5,324)	**(2,413)**	(5,324)
LOSS BEFORE INCOME TAX		**(2,462,709)**	(2,383,335)	**(2,461,817)**	(2,326,829)
INCOME TAX BENEFIT	6	**-**	-	**-**	-
NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF CASTLE MINERALS LIMITED		**(2,462,709)**	(2,383,335)	**(2,461,817)**	(2,326,829)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	23	**(5.1)**	(6.2)		

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

Balance Sheets

AT 30 JUNE 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
CURRENT ASSETS					
Cash and cash equivalents	7	**1,405,470**	2,370,855	**1,404,226**	2,369,447
Trade and other receivables	8	**57,768**	50,447	**57,768**	50,447
TOTAL CURRENT ASSETS		**1,463,238**	2,421,302	**1,461,994**	2,419,894
NON-CURRENT ASSETS					
Other financial assets	9	**-**	-	**-**	-
Plant and equipment	10	**35,500**	38,816	**35,500**	38,816
TOTAL NON-CURRENT ASSETS		**35,500**	38,816	**35,500**	38,816
TOTAL ASSETS		**1,498,738**	2,460,118	**1,497,494**	2,458,710
CURRENT LIABILITIES					
Trade and other payables	11	**113,581**	137,476	**85,486**	99,084
TOTAL CURRENT LIABILITIES		**113,581**	137,476	**85,486**	99,084
TOTAL LIABILITIES		**113,581**	137,476	**85,486**	99,084
NET ASSETS		**1,385,157**	2,322,642	**1,412,008**	2,359,626
EQUITY					
Contributed equity	12	**6,516,372**	5,079,873	**6,516,372**	5,079,873
Reserves	13(a)	**291,539**	202,814	**288,092**	210,392
Accumulated losses	13(b)	**(5,422,754)**	(2,960,045)	**(5,392,456)**	(2,930,639)
TOTAL EQUITY		**1,385,157**	2,322,642	**1,412,008**	2,359,626

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 2008	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR		**2,322,642**	3,161,949	**2,359,626**	3,137,530
Exchange differences on translation of foreign operations	13	**11,025**	(4,897)	**-**	-
NET INCOME RECOGNISED DIRECTLY IN EQUITY		**11,025**	(4,897)	**-**	-
LOSS FOR THE YEAR		**(2,462,709)**	(2,383,335)	**(2,461,817)**	(2,326,829)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF CASTLE MINERALS LIMITED		**(2,451,684)**	(2,388,232)	**(2,461,817)**	(2,326,829)
Transactions with equity holders in their capacity as equity holders:					
Shares issued during the year	12	**1,580,000**	1,400,000	**1,580,000**	1,400,000
Transaction costs	12	**(143,501)**	-	**(143,501)**	-
Employees and contractors share options	13	**77,700**	148,925	**77,700**	148,925
		1,514,199	1,548,925	**1,514,199**	1,548,925
TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR		**1,385,157**	2,322,642	**1,412,008**	2,359,626

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 2008	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		**(359,952)**	(368,406)	**(356,596)**	(368,705)
Interest received		**162,198**	143,844	**162,198**	143,844
Expenditure on mining interests		**(2,013,982)**	(2,081,617)	**-**	-
Other income received		**6,689**	-	**6,689**	-
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	22	**(2,205,047)**	(2,306,179)	**(187,709)**	(224,861)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for plant and equipment		**(16,673)**	(47,478)	**(16,673)**	(47,478)
Loans to related parties		**-**	-	**(2,017,338)**	(2,080,013)
Payment for security deposit		**-**	(15,684)	**-**	(15,684)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		**(16,673)**	(63,162)	**(2,034,011)**	(2,143,175)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of ordinary shares		**1,400,000**	1,400,000	**1,400,000**	1,400,000
Payment of share issue costs		**(143,501)**	-	**(143,501)**	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		**1,256,499**	1,400,000	**1,256,499**	1,400,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(965,221)**	(969,341)	**(965,221)**	(968,036)
Cash and cash equivalents at the beginning of the financial year		**2,370,855**	3,340,637	**2,369,447**	3,337,483
Effects of exchange rate changes on cash and cash equivalents		**(164)**	(441)	**-**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	**1,405,470**	2,370,855	**1,404,226**	2,369,447

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

Notes to the Financial Statements

30 JUNE 2008

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. The financial report is presented in the Australian currency. Castle Minerals Limited is a company limited by shares, domiciled and incorporated in Australia. The financial report was authorised for issue by the directors on 10 September 2008. The directors have the power to amend and reissue the financial report.

(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 financial report of Castle Minerals Limited complies with International Financial Reporting Standards (IFRS).

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.

Going concern

The Group incurred a loss of $2,462,709 (2007: $2,383,335) for the year ended 30 June 2008 and at that date the Group had net current assets of $1,349,657 (2007: $2,283,826). The Group is continuing to undertake discretionary exploration activity on its tenements and will incur exploration expenditure subject to results. The Group has budgeted for anticipated capital raisings within the next 12 months. The directors consider that financial support from shareholders and other investors is likely to be forthcoming should further equity be required. As a result of this the financial statements have been prepared on the going concern basis as the directors consider that the Group will be able to pay its debts as and when they become due and payable.

(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 2008 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.

Notes to the Financial Statements continued

30 JUNE 2008

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

(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 financial assets and liabilities carried at fair value 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 or 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.

Notes to the Financial Statements continued

30 JUNE 2008

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

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 18). 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. 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.

Notes to the Financial Statements continued

30 JUNE 2008

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

(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.

Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables or in an otherwise timely manner. The amount of the impairment allowance is the difference between the asset's carrying amount and the estimated future cash flows. None of the Group's loans and receivables has an applicable interest rate hence the cash flows are not discounted.

The amount of the impairment loss is recognised in the income statement within impairment expenses. When a loan or receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(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. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

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.

Notes to the Financial Statements continued

30 JUNE 2008

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

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.

Details on how the fair value of financial investments is determined are disclosed in note 2.

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) 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.

(n) Exploration and evaluation costs

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

(o) 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.

Notes to the Financial Statements continued

30 JUNE 2008

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

(p) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the balance sheet date are recognised in other payables in respect of employees' services up to the balance sheet date and are measured at the amounts expected to be paid when the liabilities are settled.

(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 24.

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.

(q) 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.

(r) 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.

(s) 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 flows.

Notes to the Financial Statements continued

30 JUNE 2008

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

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Group and parent entity.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Adoption of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

(u) 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 24.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all board members to be involved in this process. The executive chairman, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

(a) Market risk

(i) Foreign exchange risk

The Group and the parent entity operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

The Group's and the parent entity's exposure to foreign currency risk at the reporting date was as follows:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	USD	USD	USD	USD
Cash and cash equivalents	**1,195**	1,195	-	-
Trade and other payables	**(26,985)**	(32,579)	-	-

Notes to the Financial Statements continued

30 JUNE 2008

2. FINANCIAL RISK MANAGEMENT (cont'd)

Sensitivity analysis

Due to the nature of the financial instruments held at 30 June 2008, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, there would have been nil impact on the Group's post-tax loss for the year (2007 – Nil) and immaterial movements to the Group's equity for both years presented. As shown in the table above, the parent entity does not have any exposure to foreign currency risk.

(ii) Price risk

Given the current level of operations, neither the Group nor the parent entity are exposed to price risk.

(iii) Interest rate risk

The Group and the parent entity are exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.

Sensitivity analysis

At 30 June 2008, if interest rates had changed by -/+ 80 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for both the Group and the parent entity would have been $18,700 lower/higher (2007 - $17,700 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the balance sheet and notes to the financial statements. The only significant concentration of credit risk for the Group and the parent entity is the cash and cash equivalents held with financial institutions. All material deposits are held with the major Australian banks for which the Board evaluate credit risk to be minimal.

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.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group and the parent entity are confined to trade and other payables as disclosed in the Balance Sheet. All trade and other payables are non-interest bearing and due within 12 months of the balance sheet date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group and the parent entity at the balance date are recorded at amounts approximating their carrying amount.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid 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.

Notes to the Financial Statements continued

30 JUNE 2008

3. 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	
	2008 $	2007 $	2008 $	2007 $	2008 $	2007 $
Segment revenue						
Other revenue	**168,887**	129,686	**-**	-	**168,887**	129,686
Total segment revenue	**168,887**	129,686	**-**	-	**168,887**	129,686
Intersegment elimination					**-**	-
Consolidated revenue					**168,887**	129,686
Segment result						
Segment result	**(2,461,817)**	(2,326,829)	**(2,197,311)**	(1,974,082)	**(4,659,128)**	(4,300,911)
Intersegment elimination					**2,196,419**	1,917,576
Profit before income tax					**(2,462,709)**	(2,383,335)
Income tax benefit					**-**	-
Loss for the year					**(2,462,709)**	(2,383,335)
Segment assets and liabilities						
Segment assets	**1,497,494**	2,458,710	**1,244**	124,510	**1,498,738**	2,583,220
Intersegment elimination					**-**	(123,102)
Total assets					**1,498,738**	2,460,118
Segment liabilities	**85,486**	99,084	**4,134,779**	2,364,714	**4,220,265**	2,463,798
Intersegment elimination					**(4,106,684)**	(2,326,322)
Total liabilities					**113,581**	137,476
Other segment information						
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	**16,673**	47,477	**-**	-	**16,673**	47,477
Depreciation expense	**19,989**	14,220	**-**	-	**19,989**	14,220
Impairment expense	**2,196,419**	1,917,576	**182,626**	211,484	**2,379,045**	2,129,060
Intersegment elimination					**(2,196,419)**	(1,917,576)
Total impairment expense					**182,626**	211,484

Notes to the Financial Statements continued

30 JUNE 2008	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
4. REVENUE					
From continuing operations					
Other revenue					
Interest		**162,198**	129,686	**162,198**	129,686
Other		**6,689**	-	**6,689**	-
		168,887	129,686	**168,887**	129,686
5. EXPENSES					
Loss before income tax includes the following specific expenses:					
Minimum lease payments relating to operating leases		**29,907**	33,460	**29,907**	33,460
Net foreign exchange loss/(gain)		**500**	(1,474)	**500**	(1,474)
Impairment expense					
Loans to controlled entities		**-**	-	**2,196,419**	1,917,576
Trade and other receivables		**182,626**	211,484	**-**	-
Total impairment expense		**182,626**	211,484	**2,196,419**	1,917,576
6. INCOME TAX					
(a) Income tax expense/(benefit)					
Current tax		-	-	-	-
Deferred tax		-	-	-	-
		-	-	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable					
Loss from continuing operations before income tax expense		**(2,462,709)**	(2,383,335)	**(2,461,817)**	(2,326,829)
Prima facie tax benefit at the Australian tax rate of 30% (2007: 30%)		**(738,813)**	(715,001)	**(738,545)**	(698,049)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:					
Share-based payments		**23,310**	44,678	**23,310**	44,678
Sundry items		**-**	7,935	**-**	7,935
		(715,503)	(662,388)	**(715,235)**	(645,436)
Movements in unrecognised temporary differences		**614,396**	579,259	**622,150**	569,128
Tax effect of current year tax losses for which no deferred tax asset has been recognised		**101,107**	83,129	**93,085**	76,308
Income tax expense/(benefit)		-	-	-	-
(c) Unrecognised temporary differences					
Deferred Tax Assets (at 30%)					
On Income Tax Account					
Capital raising costs		**65,534**	39,557	**65,534**	39,557
Foreign exploration tax losses		**1,256,375**	652,976	**-**	-
Provision for impairment		**102,814**	58,641	**1,369,199**	713,874
Accruals and prepayments		**10,308**	8,323	**10,308**	8,323
Carry forward tax losses		**221,863**	123,498	**217,165**	118,874
		1,656,894	882,995	**1,662,206**	880,628
Deferred Tax Liabilities (at 30%)		-	-	-	-

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.

Notes to the Financial Statements continued

30 JUNE 2008	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS					
Cash at bank and in hand		**305,470**	216,279	**304,226**	214,871
Short-term deposits		**1,100,000**	2,154,576	**1,100,000**	2,154,576
Cash and cash equivalents as shown in the balance sheet and the statement of cash flows		**1,405,470**	2,370,855	**1,404,226**	2,369,447

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	**356,434**	204,816	**13,722**	9,344
Provision for impairment (note (a))	**(342,712)**	(195,472)	**-**	-
Other receivables	**44,046**	41,103	**44,046**	41,103
	57,768	50,447	**57,768**	50,447

(a) Impaired receivables

As at 30 June 2008 the VAT receivable from the Group's operations in Ghana, with a nominal value of $342,712 (2007 - $195,472), has been provided for in full. The VAT may only be recoverable once the Group's operations are producing revenue in Ghana. There were no impaired receivables for the parent in 2008 or 2007.

Movements in the provision for impairment of receivables are as follows:

	Consolidated 2008 $	Consolidated 2007 $
Balance at the beginning of the year	**195,472**	-
Provision for impairment recognised during the year	**182,626**	211,484
Foreign exchange movements	**(35,386)**	(16,012)
	342,712	195,472

9. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	Notes	Consolidated 2008	Consolidated 2007	Parent Entity 2008	Parent Entity 2007
Shares in subsidiaries – at cost	20	**-**	-	**12,000**	12,000
Provision for impairment (note (a))		**-**	-	**(12,000)**	(12,000)
Loans to controlled entities	19	**-**	-	**4,563,998**	2,367,579
Provision for impairment (note (b))	19	**-**	-	**(4,563,998)**	(2,367,579)
		-	-	**-**	-

(a) Impaired investment

As at 30 June 2008 the investments in subsidiaries carried at cost by the parent entity, with a nominal value of $12,000 (2007 - $12,000), has been provided for in full. An impairment assessment is undertaken each financial year by examining the financial position of the subsidiaries and the markets in which the subsidiaries operate to determine whether there is objective evidence that the subsidiaries are impaired. When such objective evidence exists, the Company recognises an allowance for the impairment.

Movements in the provision for impairment of investments are as follows:

	Parent Entity 2008 $	Parent Entity 2007 $
Balance at the beginning of the year	**12,000**	12,000
Provision for diminution recognised during the year	**-**	-
	12,000	12,000

Notes to the Financial Statements continued

30 JUNE 2008

9. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS (cont'd)

(b) Impaired receivables

As at 30 June 2008 the parent entity's loans to subsidiaries with a nominal value of $4,563,998 (2007 - $2,367,579) had been provided for in full. Refer to note 19 for further information on the loans to subsidiaries.

Movements in the provision for impairment of receivables are as follows:

	Parent Entity	
	2008	2007
	$	$
Balance at the beginning of the year	**2,367,579**	450,003
Provision for impairment recognised during the year	**2,196,419**	1,917,576
	4,563,998	2,367,579

10. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
Plant and equipment					
Cost		**70,115**	53,442	**70,115**	53,442
Accumulated depreciation		**(34,615)**	(14,626)	**(34,615)**	(14,626)
Net book amount		**35,500**	38,816	**35,500**	38,816
Plant and equipment					
Opening net book amount		**38,816**	12,478	**38,816**	12,478
Additions		**16,673**	40,558	**16,673**	40,558
Depreciation charge		**(19,989)**	(14,220)	**(19,989)**	(14,220)
Closing net book amount		**35,500**	38,816	**35,500**	38,816

11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	**53,806**	86,789	**33,135**	56,801
Other payables and accruals	**59,775**	50,687	**52,351**	42,283
	113,581	137,476	**85,486**	99,084

12. CONTRIBUTED EQUITY

(a) Share capital

		2008		2007	
		Number of shares	$	Number of shares	$
Ordinary shares fully paid	12(b), 12(d)	**48,735,005**	**6,516,372**	43,335,005	5,079,873
Total contributed equity		**48,735,005**	**6,516,372**	43,335,005	5,079,873
(b) Movements in ordinary share capital					
Beginning of the financial year		**43,335,005**	**5,079,873**	38,335,005	3,679,873
Issued during the year:					
– Issued for cash at 28 cents		**5,000,000**	**1,400,000**	5,000,000	1,400,000
– Issued as consideration for tenement rights		**400,000**	**180,000**	-	-
Less: Transaction costs		**-**	**(143,501)**	-	-
End of the financial year		**48,735,005**	**6,516,372**	43,335,005	5,079,873

Notes to the Financial Statements continued

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12. CONTRIBUTED EQUITY (cont'd)

(c) Movements in options on issue

	Number of options	
	2008	2007
Beginning of the financial year	**6,990,000**	6,490,000
Issued during the year:		
– Exercisable at 25 cents, on or before 31 Mar 2011	**-**	500,000
Expired during the year:		
– Exercisable at 35 cents, on 2 May 2008	**(440,000)**	-
End of the financial year	**6,550,000**	6,990,000

(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.

(e) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group and the parent entity at 30 June 2008 and 30 June 2007 are as follows:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Cash and cash equivalents	**1,405,470**	2,370,855	**1,404,226**	2,369,447
Trade and other receivables	**57,768**	50,447	**57,768**	50,447
Trade and other payables	**(113,581)**	(137,476)	**(85,486)**	(99,084)
Working capital position	**1,349,657**	2,283,826	**1,376,508**	2,320,810

13. RESERVES AND ACCUMULATED LOSSES

	Consolidated		Parent Entity	
(a) Reserves				
Foreign currency translation reserve	**3,447**	(7,578)	**-**	-
Share-based payments reserve	**288,092**	210,392	**288,092**	210,392
	291,539	202,814	**288,092**	210,392
Movements:				
Foreign currency translation reserve				
Balance at beginning of year	**(7,578)**	(2,681)	**-**	-
Currency translation differences arising during the year	**11,025**	(4,897)	**-**	-
Balance at end of year	**3,447**	(7,578)	**-**	-
Share-based payments reserve				
Balance at beginning of year	**210,392**	61,467	**210,392**	61,467
Option expense	**77,700**	148,925	**77,700**	148,925
Balance at end of year	**288,092**	210,392	**288,092**	210,392

Notes to the Financial Statements continued

30 JUNE 2008

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$

13. RESERVES AND ACCUMULATED LOSSES (cont'd)

(b) Accumulated losses

Balance at beginning of year	**(2,960,045)**	(576,710)	**(2,930,639)**	(603,810)
Net loss for the year	**(2,462,709)**	(2,383,335)	**(2,461,817)**	(2,326,829)
Balance at end of year	**(5,422,754)**	(2,960,045)	**(5,392,456)**	(2,930,639)

(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.

14. DIVIDENDS

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

15. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

Short-term benefits	**448,104**	528,087	**448,104**	528,087
Post employment benefits	**13,732**	17,835	**13,732**	17,835
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	**77,700**	148,925	**77,700**	148,925
	539,536	694,847	**539,536**	694,847

(b) 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 8.

(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:

2008	**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.

Notes to the Financial Statements continued

30 JUNE 2008

15. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

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	-	-	-	-	-	-	-

(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.

2008	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year(1)	Balance at end of the year
Directors of Castle Minerals Limited				
Ordinary shares				
Michael Ivey	**4,835,000**	**-**	**-**	**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**

2007	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year(1)	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

(1) At year end there are no nominally held shares.

(c) Loans to key management personnel

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

Notes to the Financial Statements continued

30 JUNE 2008

15. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(d) Other transactions with key management personnel

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 $890,944 (2007: $614,127). The amounts paid were at arms length.

The Group has entered into an Option and Sale Agreement with Cyclone Resources Limited, a Ghanaian registered company of which Mr Amoako-Atta is a director, to purchase a tenement in Ghana. During the current year a payment of US$25,000 was made in accordance with this agreement. Refer to note 17, a further US$230,000 is payable in accordance with this agreement to complete the acquisition of the tenement.

16. REMUNERATION OF AUDITORS

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
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	**25,680**	15,684	**25,680**	15,684
Non-related audit firm for the audit or review of financial reports of any entity in the Group	**3,354**	3,824	**-**	-
Total remuneration for audit services	**29,034**	19,508	**25,680**	15,684
(b) Non-audit services				
BDO Kendalls (WA) Pty Ltd - tax compliance services	**4,700**	6,810	**4,700**	6,810
Total remuneration for other services	**4,700**	6,810	**4,700**	6,810

17. CONTINGENCIES

Newmont Option Agreement

The Group has entered into a Deed of Option Agreement with Newmont Ghana Gold Limited, a Ghanaian registered company, to purchase the Wa Reconnaissance Licence. An initial payment, being the issue of 400,000 ordinary shares in Castle Minerals Limited, has been made. At the earlier of approval of the Minister of Mines in Ghana to transfer the licence, or the Group completing work expenditures totalling USD $300,000, a further payment being the issue of 600,000 options to purchase Castle Minerals Limited ordinary shares at an exercise price of 30 cents will be required. If the acquisition is completed Newmont Ghana Gold Limited will be entitled to a 1% net smelter royalty on any minerals produced by the Group from the licence. Additionally, if the acquisition is completed and a JORC compliant gold resource is announced within five years, Newmont Ghana Gold Limited will be entitled to an additional payment consisting of two ordinary shares in Castle Minerals Limited for each ounce of gold reflected in the resource estimate.

Papase Option Agreement

The Group has entered into an Option and Sale Agreement with Cyclone Resources Limited, a Ghanaian registered company, to purchase the Papase Prospecting Licence. An initial payment of US$25,000 has been made, with a further total of US$230,000 in staged payments required over the next five years to complete the acquisition. Further payments are contingent on the approval of the Minister of Mines in Ghana to transfer the licence and the Group exercising their option to purchase. If the acquisition is completed Cyclone Resources Limited will be entitled to a 2% net smelter royalty on any gold produced by the Group from the licence.

18. COMMITMENTS

(a) Exploration commitments

The Group 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	**2,164,913**	1,963,702	-	-
later than one year but not later than five years	**-**	1,319,263	-	-
	2,164,913	3,282,965	-	-

Notes to the Financial Statements continued

30 JUNE 2008

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$

18. COMMITMENTS (cont'd)

(b) Lease commitments: Group as lessee

Operating leases (non-cancellable):				
Minimum lease payments				
within one year	**46,584**	44,578	**46,584**	44,578
later than one year but not later than five years	**19,766**	66,350	**19,766**	66,350
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**66,350**	110,928	**66,350**	110,928

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.

(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	**275,000**	409,000	**275,000**	409,000
later than one year but not later than five years	**104,167**	716,667	**104,167**	716,667
	379,167	1,125,667	**379,167**	1,125,667

19. 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 20.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 15.

(d) Transactions and balances with related parties

Purchases of goods and services				
Purchase of drilling services from a significant shareholder	**483,591**	510,564	**-**	-

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	**-**	-	**2,196,419**	1,755,876
Loan repayments received	**-**	-	**-**	-
Provision for impairment	**-**	-	**(2,196,419)**	(1,755,876)
End of year	**-**	-	**-**	-

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.

Notes to the Financial Statements continued

30 JUNE 2008

20. 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*	
			2008	2007
			%	%
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.

21. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2008, 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.

22. CASH FLOW STATEMENT

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Reconciliation of net loss after income tax to net cash outflow from operating activities				
Net loss for the year	**(2,462,709)**	(2,383,335)	**(2,461,817)**	(2,326,829)
Non-Cash Items				
Depreciation of non-current assets	**19,989**	14,220	**19,989**	14,220
Net exchange differences	**6,716**	(17,494)	**-**	-
Share based payment expense	**77,700**	148,925	**77,700**	148,925
Impairment expense	**-**	211,484	**2,196,419**	1,917,576
Shares issued as consideration for tenements	**180,000**	-	**-**	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity				
(Increase)/decrease in trade and other receivables	**(7,321)**	(150,672)	**(7,321)**	16,110
(Decrease)/increase in trade and other payables	**(19,422)**	(129,307)	**(12,679)**	5,137
Net cash outflow from operating activities	**(2,205,047)**	(2,306,179)	**(187,709)**	(224,861)

23. LOSS PER SHARE

	Consolidated	
	2008	2007
	$	$
(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	**(2,462,709)**	(2,383,335)

	Number of shares	Number of shares
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**48,260,306**	38,348,704

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2008, 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.

Notes to the Financial Statements continued

30 JUNE 2008

24. 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 price of the options granted under the plan range from 25 to 35 cents per option, with an expiry date of 31 March 2011.

Based on the terms of his service agreement the Exploration Manager is entitled to 2,000,000 options with an exercise price of 25 cents and an expiry date of 31 March 2011. These options are being issued in four equal tranches of which only the first tranche had been granted at 30 June 2008. 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 and Parent Entity			
	2008		2007	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	**1,940,000**	**32.4**	1,440,000	35.0
Granted	**-**	**-**	500,000	25.0
Forfeited	**-**	**-**	-	-
Exercised	**-**	**-**	-	-
Expired	**(440,000)**	**35.0**	-	-
Outstanding at year-end	**1,500,000**	**31.7**	1,940,000	32.4
Exercisable at year-end	**1,500,000**	**31.7**	1,940,000	32.4

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.75 years (2007: 3.1 years), and the exercise prices range from 25 to 35 cents.

There were no options granted during the year. The weighted average fair value of the options granted during the prior year was 15.5 cents. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2008	2007
Weighted average exercise price (cents)	N/A	25.0
Weighted average life of the option (years)	N/A	4.92
Weighted average underlying share price (cents)	N/A	25.0
Expected share price volatility	N/A	70%
Risk free interest rate	N/A	5.75%

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.

Shares issued to suppliers

During the year 400,000 ordinary shares were issued at a deemed cost of $180,000 (2007: Nil) as consideration for the acquisition of interest in tenements. This amount is included in ‘Tenement acquisition and exploration expenses’ on the Income Statement of the Group, and forms part of the parent entity’s loans to subsidiaries which have been fully impaired.

Notes to the Financial Statements continued

30 JUNE 2008

24. SHARE-BASED PAYMENTS (cont'd)

Expenses arising from share-based payment transactions

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

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Options issued to employees and contractors	**77,700**	148,925	**77,700**	148,925
Shares issued to suppliers	**180,000**	**-**	**180,000**	-
	257,700	148,925	**257,700**	148,925

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 15 to 38 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 2008 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 remuneration disclosures set out on pages 5 to 8 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2008, comply with section 300A of the *Corporations Act 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.

Michael Ivey
Managing Director

Perth, 10 September 2008

BDO Kendalls

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASTLE MINERALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Castle Minerals Limited, which comprises the balance sheet as at 30 June 2008, 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 at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation 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 controls 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

BDO Kendalls

Auditor's Opinion

In our opinion:

(a) the financial report of Castle Minerals Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Going concern assumption appropriate but an uncertainty that is material exists

Without qualifying our opinion, we draw attention to Note 1(a) in the financial report which indicates that the Group incurred a net loss of $2,462,709 during the year ended 30 June 2008 (2007: $2,383,335). This condition along with the matter set forth in Note 1(a), indicate the existence of an significant uncertainty which may, should the event not occur, have a material affect on the financial statements and may cast doubt about the company's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2008. The directors of the company and the consolidated entity are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Castle Minerals Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001.*

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

C Burton

Chris Burton
Director

Dated this 10th day of September 2008
Perth, Western Australia

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 9 September 2008.

(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	4	1,937
1,001	-	5,000	38	119,298
5,001	-	10,000	96	836,946
10,001	-	100,000	209	7,208,318
100,001		and over	54	40,568,506
			401	48,735,005
The number of shareholders holding less than a marketable parcel of shares are:			15	19,435

(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	9.03
2	Bluestar Resources Ltd	3,834,644	7.87
3	Darley Pty Ltd	1,900,000	3.90
4	Bluesky Resources Ltd	1,870,000	3.84
5	Trailstar Ltd	1,870,000	3.84
6	Falconsand Ltd	1,827,100	3.75
7	Investec Bank Aust Ltd	1,750,000	3.59
8	Wiechecki Barbara	1,705,000	3.50
9	Redstar Resources Ltd	1,568,256	3.22
10	Wiechecki Henry	1,542,000	3.16
11	Ivoryrose Holdings Pty Ltd	1,465,000	3.01
12	Twynam Agricultural Group Pty Ltd	1,365,970	2.80
13	M Brott Pty Ltd <M Brott Pty Ltd S/F A/C>	1,221,993	2.51
14	Burling Terrance F	1,020,000	2.09
15	Harper David	1,000,000	2.05
16	Computer Visions Pty Ltd <Visionary Investments>	1,000,000	2.05
17	Coast Equity Pty Ltd <Coast Trading A/C>	1,000,000	2.05
18	UBS Nominees Pty Ltd	942,000	1.93
19	Amoako-Atta Paul	880,000	1.81
20	Zadar Holdings Pty Ltd	500,000	1.03
		32,661,963	67.03

ASX Additional Information continued

(c) Substantial shareholders

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

	Number of Shares
M Ivey Pty Ltd	4,400,000
Bluestar Resources 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	PL 71/2007	100
Banso, Ghana	PL 149/2006	100
Banso, Ghana	PL 188/2006	100
Banso, Ghana	PL 1727/2005	100
Sunyani Basin, Ghana	PL 9/2007	100
Sunyani Basin, Ghana	PL 1729/2005	100
Bondaye, Ghana	Application	100
Akoko, Ghana	Application	100
Akoko, Ghana	PL 42/2007	100
Sapelliga, Ghana	PL 71/2008	Right to earn 100
Ducie, Ghana	RL 710/2006	Right to earn 100
Wa, Ghana	LVB 11256/07	Right to earn 100
Opon Mansi, Ghana	Application	100
Papase, Ghana	LVB 8647/08	Right to earn 100