Castle Minerals Limited
ABN 83 116 095 802

2010 Annual Report




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Non-Executive Director
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Non-Executive Director

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

ASX Code: CDT

CONTENTS

Castle Minerals Limited is a gold exploration Company with six project areas covering more than 12,000km^2 in Ghana West Africa.

Castle listed on the Australian Stock Exchange in May 2006 (ASX code 'CDT') with the corporate objectives of

- exploration and development of the six projects in Ghana; and
- acquisition and exploration of other mineral resource opportunities, particularly in West Africa.

Castle has acquired the rights to, or has applications over, six mineral projects in Ghana known as:

- Akoko
- Antubia
- Banso
- Bondaye
- Opon Mansi (application)
- Wa

All granted projects are 100% owned by Castle Minerals. (subject to Ghanaian Government right to a free-carried 10% interest). The country of Ghana, formerly known as the Gold Coast, has a long history of gold mining and exploration and is Africa's second largest gold producer behind South Africa.

Castle has a very active exploration program within Ghana utilising an experienced crew of local geologists and field technicians.

Dear Fellow Shareholder,

The 2010 year has seen West African gold prospectivity widely recognised as one of the best exploration addresses globally. Ghana remains central to this region and it is no accident that we hold the largest area of exploration tenure within the country. Over the previous four years we have assembled an enviable land package that remains very much underexplored. During 2010 our focus was on defining prospective exploration corridors in preparation for a substantial amount of exploration drilling representing the first ever drilling in these areas.

We recently announced a 35,000m reverse circulation and aircore drill program that will commence around early October subject to the conclusion of the wet season. This drilling will target four main gold corridors on our Wa Project that have been defined through extensive and detailed soil sampling and mapping programs completed during the year.

The four advanced regional exploration areas are known as Kandia, South Wa, Julie West – Jang and the Wa-Lawra Belt and represent very prospective areas each reporting strong geochemical responses over significant strike lengths.

A highlight for the year was the discovery of the Kandia artisanal workings and subsequently the associated strike extensive geochemical anomaly that can be traced for some +20km along strike. Kandia was discovered in April 2010 during a program of reconnaissance field mapping when a large area of previously unknown artisanal gold workings was discovered. The first RC drilling program to test these artisanal gold workings was undertaken in May 2010 and outlined a number of strike extensive zones of sediment hosted gold mineralisation. Kandia is considered highly prospective and will be a key exploration target this year.

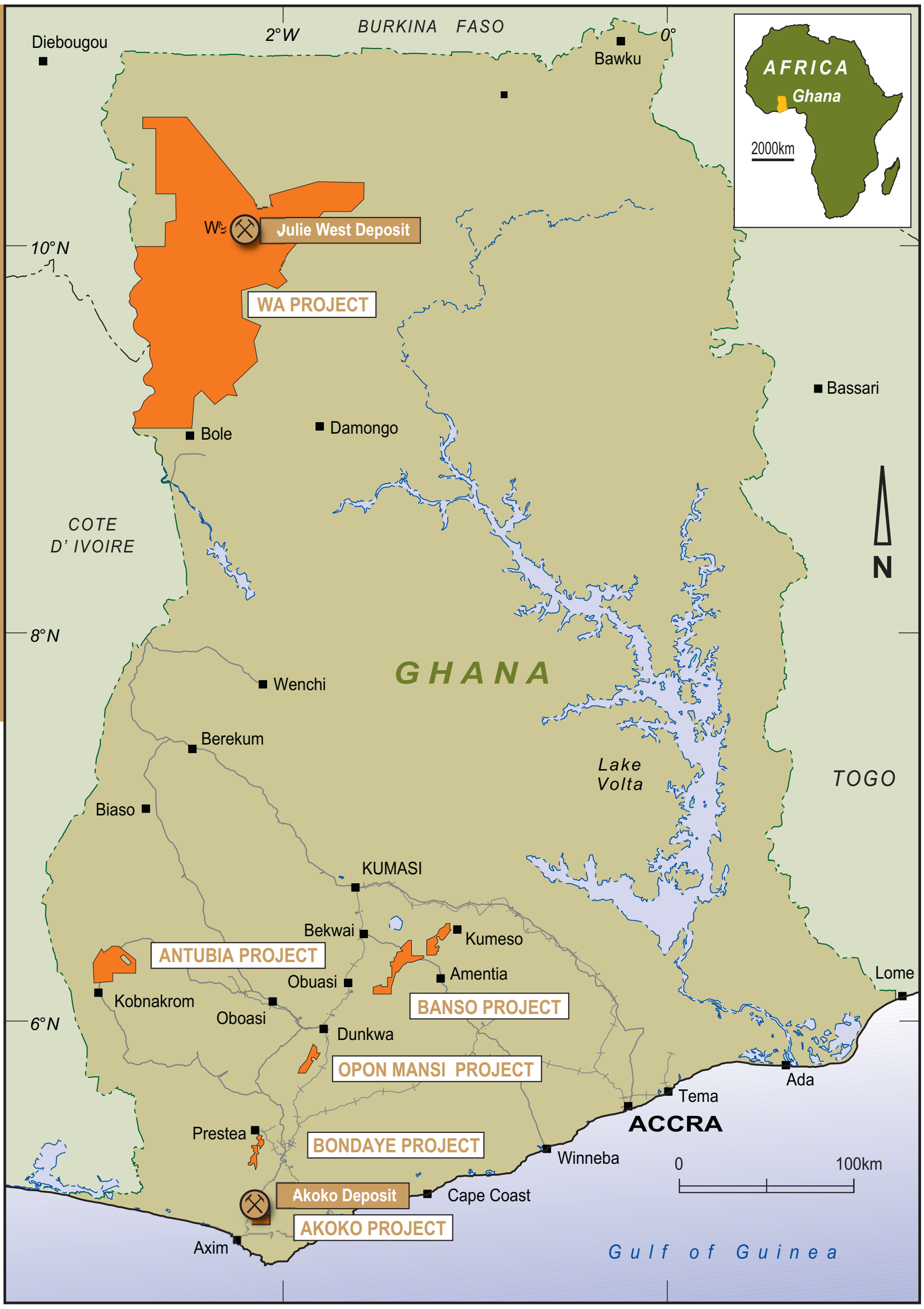
We have also just competed a 25,000 line kilometre low level airborne geophysical survey that collected detailed magnetic and raidiometric data over our Julie West – Jang and Kandia corridors. These data combined with detailed mapping and geochemical sampling should provide much improved geological and structural datasets allowing better and more discrete drill testing of our gold targets. Ultimately this will lead to more targets being tested for a similar exploration investment therefore increasing our chance of discovery. This is an important consideration as our field work is generating numerous targets often extending over many kilometres of strike.

Our field teams remain active and at the time of writing we had eight geologists and approximately fifty additional field support staff working on our Wa and Akoko Projects. All of these are Ghanaian nationals, and their untiring efforts and professional attitude is both worthy of our praise and a personal credit to each of them.

Successful capital raisings during the year have left us in a strong position with $7.7million in cash at year end. Along with my fellow directors I would like to thank our new investors and existing loyal shareholders and we look forward to keeping you informed of our progress and enjoying your ongoing support during a very busy 2011.

Sincerely

Michael Ivey
Executive Chairman



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

Ghana has a total land area of 238,537km² (92,100 square miles). Its capital city is Accra, while other major cities include Kumasi, Tema, Tamale and Sekondi-Takoradi. Ghana has a tropical climate and a population of approximately 23.8 million (2010 estimate).

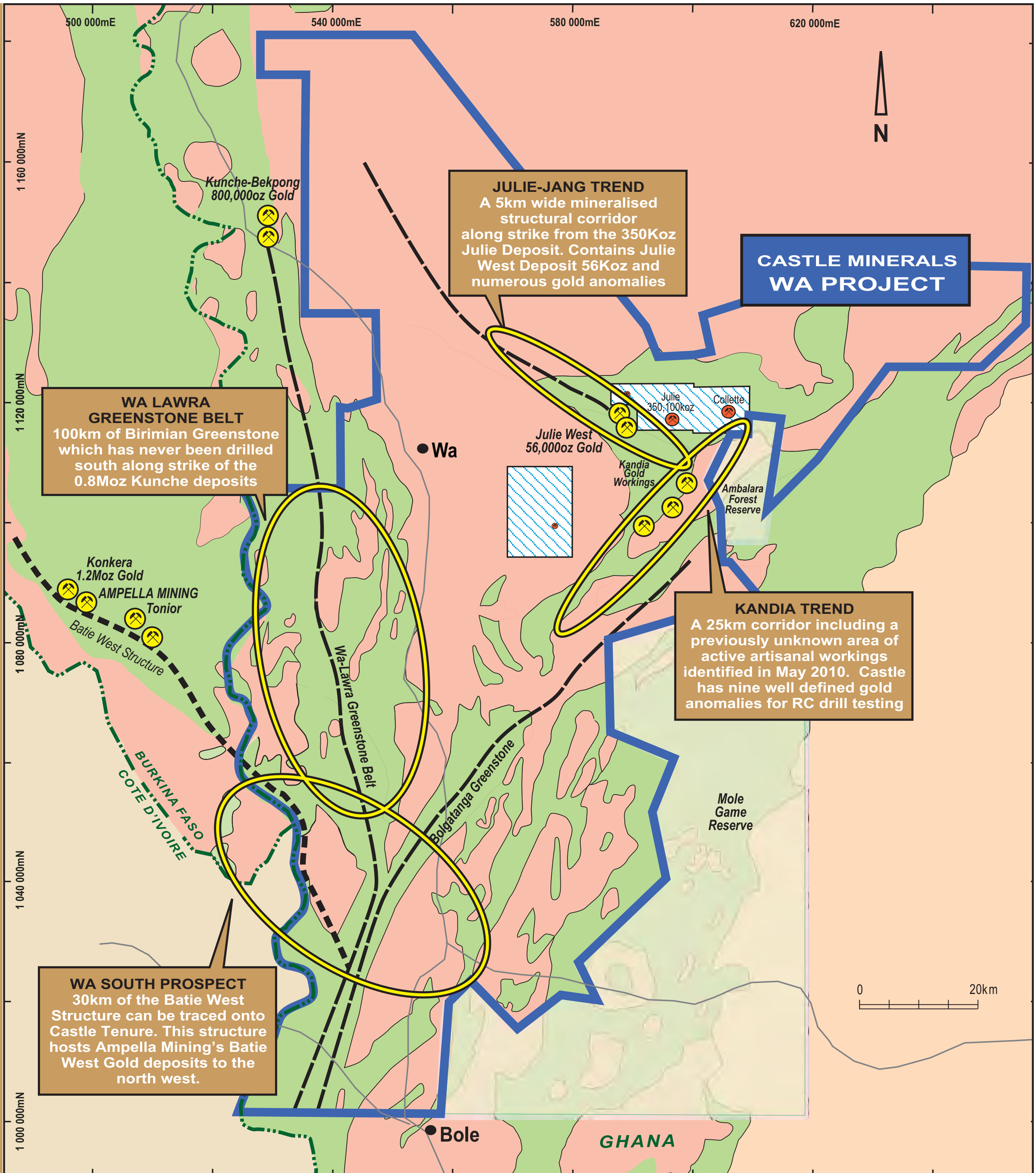
English is the official language of Ghana and is universally used in schools. Traditional religions are adhered to by more than one-fifth of the population while Christianity has been adopted by approximately three-fifths, and Muslim beliefs by about 16% of the population.

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. Recent offshore oil discoveries could see Ghana becoming an oil producer by 2011.

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 2009 production of 2.9 Moz. Proposed new production from the Ayanfuri, Akyem, Salman and Bibiani gold deposits should result in further increases to annual output.

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 AND THE 9TH LARGEST GLOBALLY



Castle Minerals Limited WA PROJECT

- 12,000km² • 180km long, 80km wide
- Julie West defined 2009, (415,000t @ 4.2g/t)
- 4 advanced regional exploration areas:
- Wa-Lawra Greenstone Belt • Wa South • Julie West – Jang • Kandia

2010 Operations Summary

Castle's concessions are located within the historic Ashanti and Sefwi gold belts of South West Ghana and in the Wa–Lawra and Bolgatanga greenstone belts in the north. Castle has six distinct projects known as, Banso, Antubia, Bondaye, Akoko, Wa and Opon Mansi. Each of these projects is considered prospective for gold mineralisation except for Opon Mansi which hosts an iron ore deposit.

Key Exploration Achievements

Four regional scale highly prospective gold corridors identified within Wa Project;

- Julie-Jang Trend 50km long trend
- Kandia new 30km corridor of anomalous gold in soils
- Wa South (Batie West trend) 60km long corridor
- Wa-Lawra Greenstone Belt 80km of untested greenstone
- 18,379 soil samples collected
- 165 RC holes drilled for 12,612m
- Over 40 specific drill targets identified
- 35,000m drill program to commence Q4 2010 to undertake first test of each target

WA PROJECT

(Castle Minerals 100%)

The Wa Project is situated in NW Ghana near the border with Burkina Faso and consists of the Wa, Jang and Wonachiyiri Reconnaissance Licences and the Julie West and Kandia Prospecting Licence applications.

The Wa Project was acquired in November 2007 and in 2009 the Jang and Wonachiyiri RL's were applied for covering a total area of more than 12,000 km^2.

The 0.3Moz Julie gold deposit is located within an excised portion of the Wa Project and the 0.7Moz Kunche and Bepkong gold deposits are located 50km north.

In 2009 Castle discovered and defined a near surface JORC Code compliant Resource Estimate of 56,000 ounces for the Julie West deposit comprising 415,000 tonnes @ 4.2g/t gold from the natural surface to 80m.

Exploration during 2009/10 focused on four regional scale highly prospective gold corridors known as;

- Julie-Jang Trend — 50km long trend
- Kandia — new 30km corridor of anomalous gold in soils
- Wa South (Batie West trend) — 60km long corridor
- Wa-Lawra Greenstone Belt — 80km of untested greenstone

Julie - Jang Trend

The Julie – Jang trend covers a 50km long prospective gold corridor extending from the Julie West gold deposit to the NNW striking Jang Fault. Regional scale geochemical sampling has confirmed anomalous gold values in soils and a program of detailed sampling and airborne geophysical surveys are planned in preparation for a large program of drilling to test the targets generated.

The Julie West gold deposit was discovered by Castle in June 2008 from an initial 44 rock samples that averaged 13.2g/t gold. Subsequent drilling programs delineated a continuous 500m long NW striking laminated pyritic quartz vein.

Runge Limited (Perth) undertook an independent resource estimate in April 2009 and estimated a total Indicated and Inferred Mineral Resource of 56,000 ounces calculated from surface to 80m depth comprising 415,000 tonnes @ 4.2g/t gold.

Julie West Deposit

April 2009 OK Resource Estimate 1g/t cut-off

Type	Indicated			Inferred			Total		
	Tonnes t	Au g/t	Au Ounces	Tonnes t	Au g/t	Au Ounces	Tonnes t	Au g/t	Au Ounces
Oxide Transitional	66,700	3.8	8,200	3,500	7.8	900	70,200	4.0	9,000
Fresh	316,200	4.3	43,900	28,400	3.5	3,200	344,600	4.3	47,100
Total	**382,900**	**4.2**	**52,100**	**32,000**	**4.0**	**4,100**	**414,700**	**4.2**	**56,200**

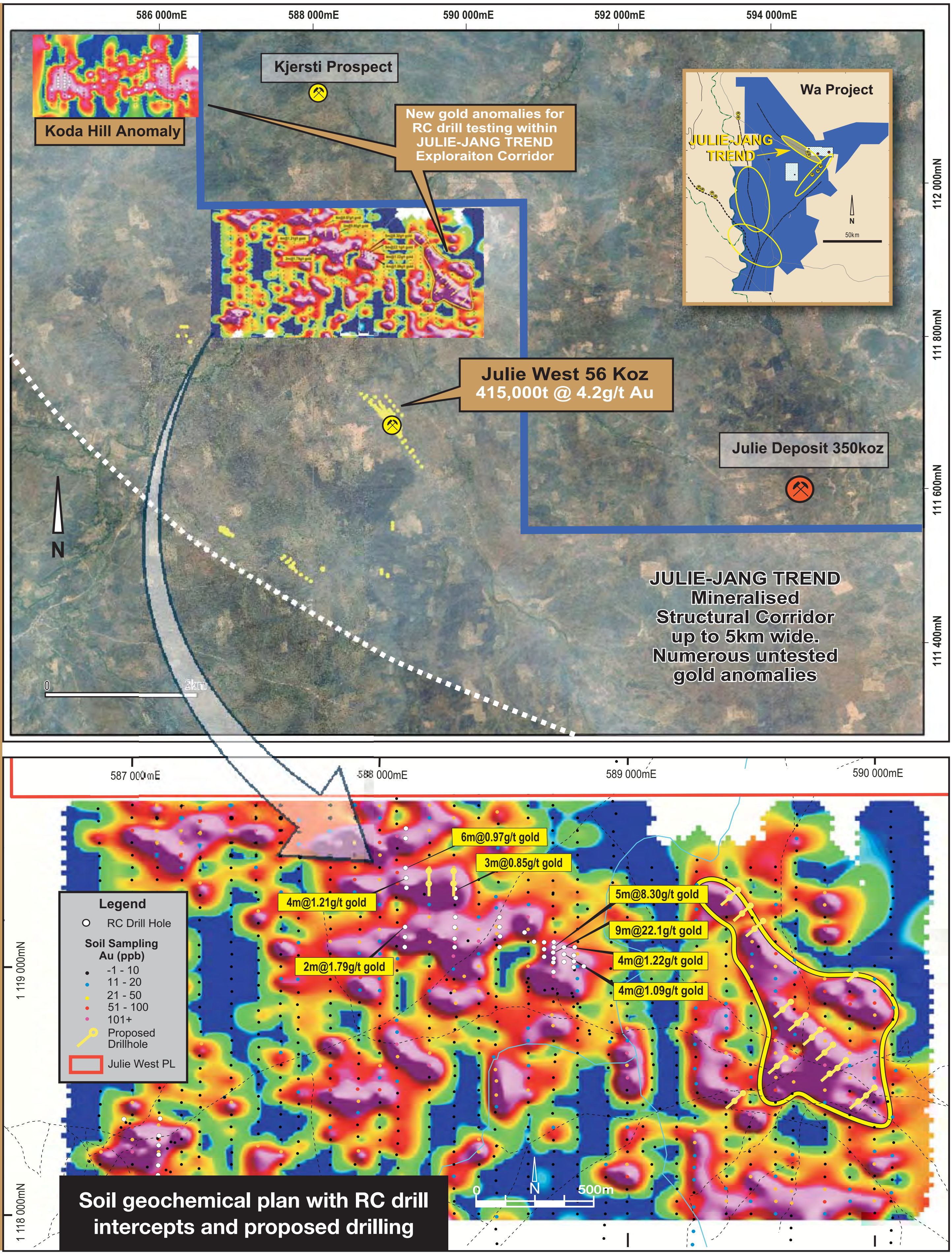
Following the resource estimate 185 RC drill samples were submitted for 1kg Bulk Leaching Extractable Gold (BLEG) analysis over 36 hours with following outcomes;

- High grade assays up to 213g/t and 199g/t gold were returned compared to previous fire assay analysis that reported 30.9g/t and 71.9g/t gold respectively
- Average cyanide recoverable gold over 36 hrs was 91% with additional leach time likely to achieve enhanced recoveries
- Excluding high grade results, 36hr BLEG analysis reported 6% higher overall grade (33% higher including high grade results) than the original fire assay
- Average tail grade of 0.33g/t gold (excluding the two high grade assays that require further leach time) was returned from the BLEG samples

Julie West Significant RC Results

5m @ 28.50g/t gold (JWRC001)	2m @ 15.59g/t gold (JWRC028)
2m @ 41.70g/t gold (JWRC002)	3m @ 14.36g/t gold (JWRC029)
3m @ 13.02g/t gold (JWRC003)	2m @ 17.15g/t gold (JWRC031)
2m @ 14.40g/t gold (JWRC007)	3m @ 14.19g/t gold (JWRC032)
3m @ 10.30g/t gold (JWRC008)	2m @ 19.21g/t gold (JWRC050)
2m @ 13.70g/t gold (JWRC010)	2m @ 12.07g/t gold (JWRC053)
2m @ 14.87g/t gold (JWRC014)	2m @ 17.55g/t gold (JWRC054)
7m @ 23.63g/t gold (JWRC026)	2m @ 11.07g/t gold (JWRC056)
3m @ 10.90g/t gold (JWRC027)	3m @ 9.94g/t gold (JWRC057)

Four deep holes were drilled to test the down dip extent of the high grade Julie West gold mineralisation. The RC holes tested the vein extensions approximately 250m down dip of the natural surface. All holes hit narrow quartz veins and/or alteration zones where predicted confirming that the vein structure is consistent and predictable down dip. Mineralisation was reported in all holes including , 1m @ 0.71g/t gold from 152m (JWRC116) and 4m @ 0.82g/t gold from 145m (JWRC117) confirming that the controlling structure is persistently mineralised and capable of hosting further high grade mineralisation.



Soil geochemical plan with RC drill intercepts and proposed drilling

Rockchip sampling along an outcropping quartz vein 1.4km south of the main Julie West vein reported surface grades up to 30 g/t gold. RC drilling of these targets and nearby soil geochemical anomalies identified the vein hosted Alpha, Bravo and Charlie gold prospects with significant results including:

- JWRC067 1m @ 7.47g/t gold from 12m
- JWRC068 5m @ 5.12g/t gold from 5m
- JWRC065 3m @ 2.33g/t gold from 1m
- JWRC069 4m @ 1.48g/t gold from 4m

During 2010 further RC drilling tested the Alpha and Bravo quartz vein mineralisation with additional shallow gold mineralisation intersected from the Alpha vein and deeper extensions to the Bravo mineralisation were also reported. Results include;

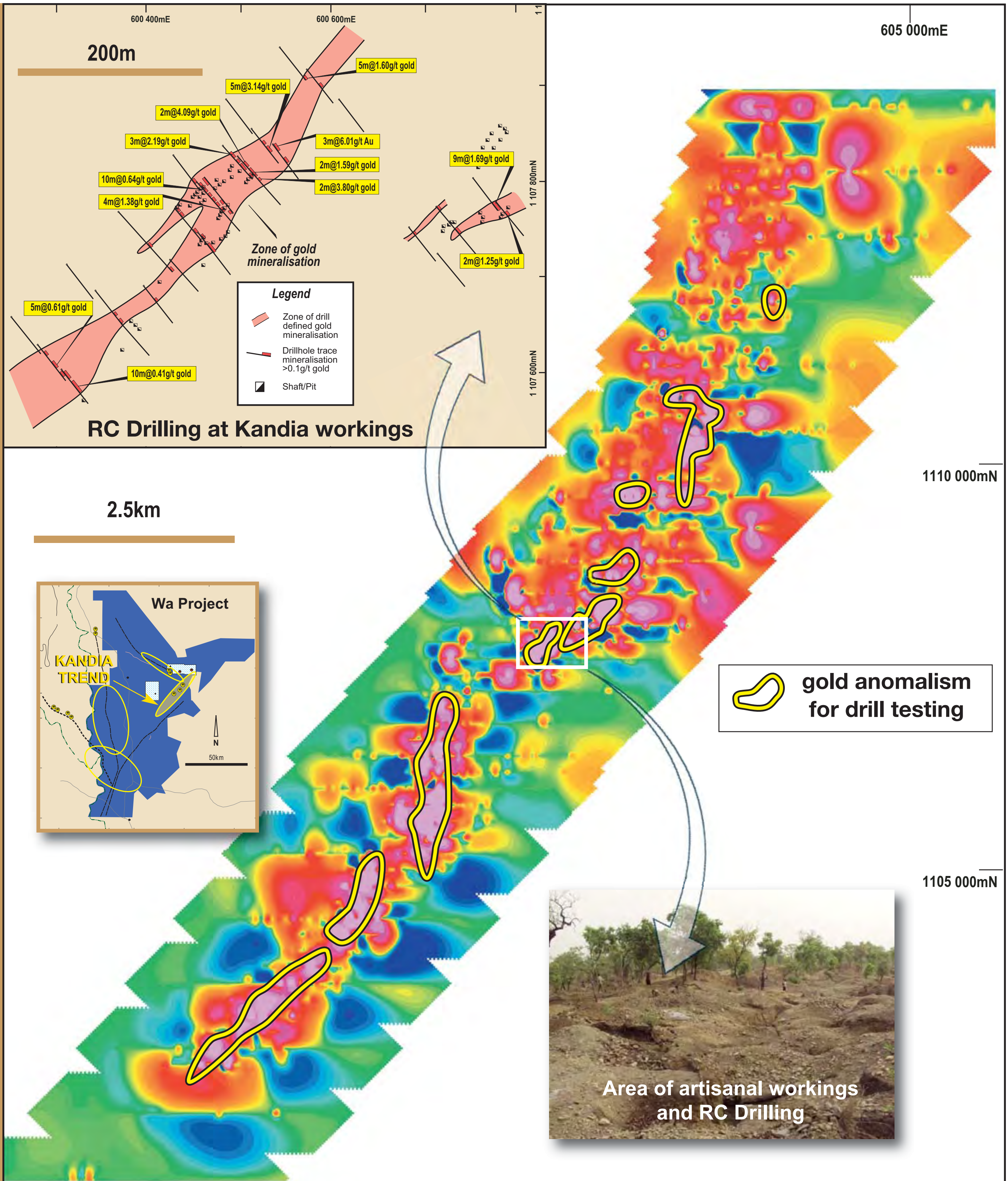
- JWRC109 - Alpha vein` 5m `@ `6.86g/t gold from 19m
- JWRC110 - Alpha vein 3m @ 7.26 g/t gold from 49m
- JWRC106 - Bravo vein 2m @ 2.09 g/t gold from 82m
- JWRC107 - Bravo vein 4m @ 2.49 g/t gold from 87m

The gold mineralisation at these zones is hosted by laterally continuous quartz veins. The veins remain open and collectively form a southern corridor of mineralisation that is expected to host additional veins systems under the thin soil cover.

In March 2010 RC drilling intersected primary gold mineralisation north of the Julie West deposit that reported 9m @ 22.1g/t gold from a zone of pyritic vein quartz. This high tenor drill result was followed up with a program of 2,828 metres of drilling testing for extensions to this mineralisation.

Drilling on 40m, 80m and 120m spaced sections intersected flat to shallow dipping zones of quartz vein mineralisation that appear to be oriented in an approximately east-west direction. This flat lying mineralisation has no surface expression and presents an intriguing exploration target. Further drilling is proposed along strike and to test other strong soil anomalies in this area. Significant drill intercepts include;

- JWRC135 5m @ 8.30g/t gold from 25m
- JWRC138 4m @ 1.22g/t gold from 30m
- JWRC141 4m @ 1.09g/t gold from 0m
- JWRC144 4m @ 1.21g/t gold from 35m
- JWRC145 2m @ 1.79g/t gold from 60m



Kandia Prospect

- Nine well defined gold anomalies over +12km strike
- 15,000m RC initial drill test proposed
- Artisanal workings identified May 2010

A new 1.2km long gold anomaly parallel to the high grade Julie West gold vein was defined by detailed soil sampling in June 2010. This anomaly is well defined at +100ppb gold and includes peak values of 490ppb and 2,255 ppb gold.

There is no recorded outcrop in the area and the anomaly may overlie high grade, vein hosted gold mineralisation.

Kandia

The Kandia prospect was discovered in April 2010 during a program of reconnaissance field mapping. During this program a large area of previously unknown artisanal gold workings was discovered that comprise three main groups developed over approximately 600m of strike. The largest single group of workings is developed over a 400m strike length with mineralisation exposed in workings over 40m width. Collectively the three groups of workings identify gold mineralisation in a corridor 400m wide that presents as a highly ranked target.

Gold mineralisation at Kandia is seen to occur within altered Birimian age metasediments and schists, that on a regional scale sit on a major granite/sediment contact that can be traced within Castle's licences for at least 25km.

A sampling and mapping program is underway at Kandia, and along the regional trend of the mineralisation. This work represents the first known systematic gold exploration conducted in this area.

A second group of gold workings was found at Bisakan 10km to the south west where east-west trending quartz vein hosted gold mineralisation is developed in sheared granitic rocks over a few hundred metres of strike. The mineralisation at Bisakan is a different style to that seen at Kandia and demonstrates that a number of gold mineralising events have occurred in this area.

Results received to date have defined a +15km long open ended gold anomaly.

Of particular interest is an area south of the Kandia workings that produced a stronger gold in soils response than the Kandia workings themselves. This area exhibits a continuous coherent gold anomaly approximately 300m wide over a 6km strike length with a distinct orientation change at the northern end possibly reflecting an underlying structural change.

The first RC drilling program to test the Kandia artisanal gold workings was undertaken in May 2010 and outlined a number of strike extensive zones of sediment hosted gold mineralisation.

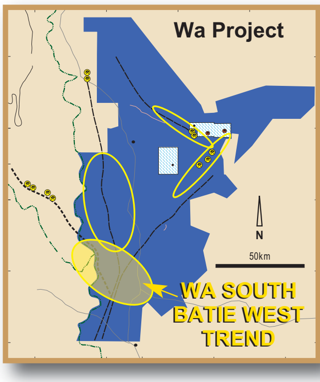
Significant results from 5m metre composite sampling of the drilling program include;

KARC002	10m@ 0.64g/t gold from 10m	KARC017	3m @ 2.19g/t gold from 31m
	4m @ 1.38g/t gold from 38m	KARC018	3m @ 6.01g/t gold from 6m
KARC016	2m @ 4.09g/t gold from 25m	KARC019	5m @ 3.14g/t gold from 36m
	2m @ 1.59g/t gold from 37m	KARC021	5m @ 1.60g/t gold from 61m
	2m @ 3.80g/t gold from 48m	KARC027	9m @ 1.69g/t gold from 53m
KARC028	2m @ 1.25g/t gold from 26m		

19 of the 28 holes drilled reported gold mineralisation defining at least two parallel zones of sediment hosted gold mineralisation over a 500m strike length that remains open along strike. Further drilling is planned for this area.

Wa South - (Batie West Trend)

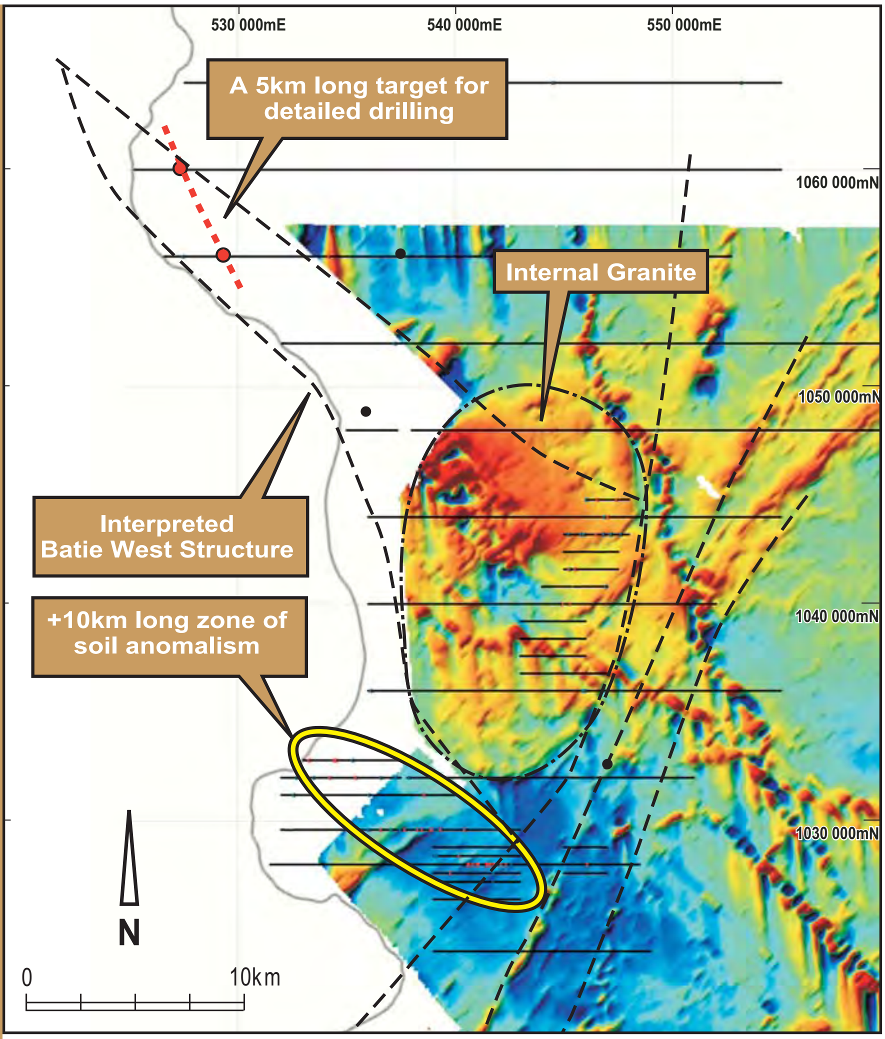
The Wa South prospect area is located at the south and southwest end of Castle's 12,000km^2 Wa Project and includes the interpreted extension of the Batie West shear zone. Soil sampling in 2010 defined at least 11 large new gold geochemical anomalies with an aggregate strike length of >60km including;



- 2km wide +100ppb gold anomalous zone south of Batie West structure
- 10km long anomaly flanking margin of internal granite
- multiple anomalies within Wa Lawra greenstone belt rocks

Regional scale first pass soil sampling was conducted on traverses spaced between one and five kilometres apart. The sample lines were oriented east-west targeting both the Wa-Lawra and Bolgatanga greenstone belts and the extension to the Batie West shear zone.

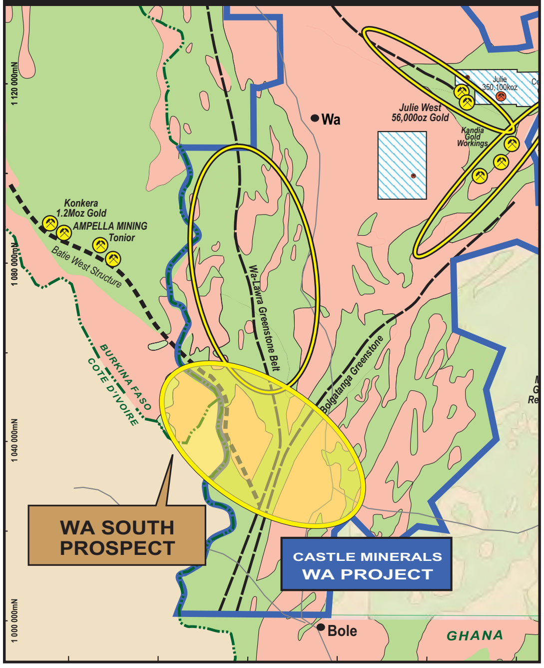
Sampling has been underway since late 2009 and to May 2010 5,403 samples were collected representing approximately 270 line kilometres of gridding and sample collection. Analytical results have now been received for the southern portion of the sampled area and have defined at least 11 regional scale gold anomalies. Collectively these anomalies highlight gold trends over 60km of strike.

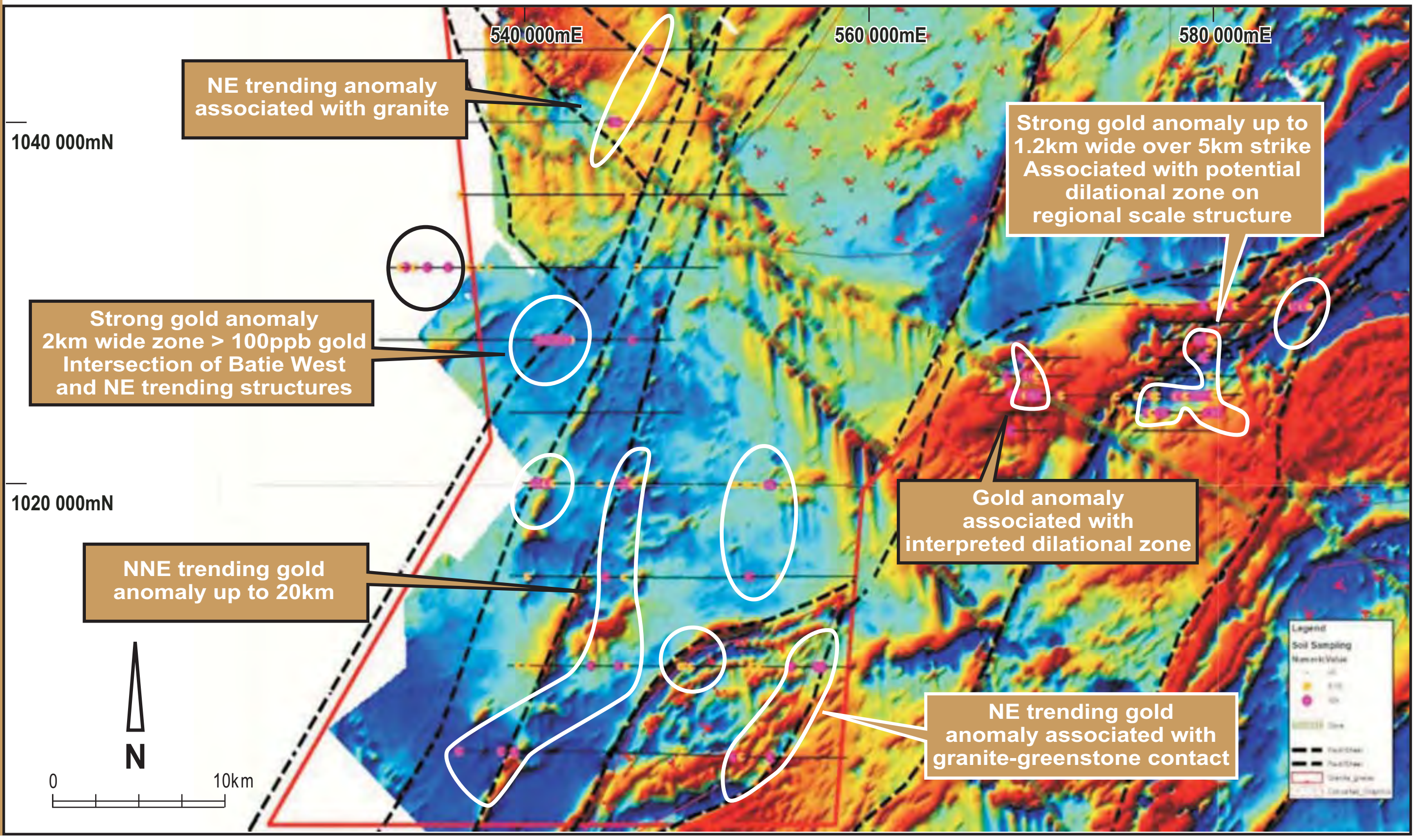


Wa South

30km of the Batie West Structure can be traced onto Castle tenure. This structure hosts Ampella Mining's Batie West Gold deposits to the north west.

- **Artisanal workings identified May 2010**





Anomalous gold in soils values were reported against very low background levels providing specific corridors for infill sampling, geological mapping and rock chip sampling. In most cases the sampling is too wide spaced to draw conclusive trends with confidence. However, nearly all anomalous areas fall on major structures and/or lithological boundaries which are considered favourable sites for gold mineralisation. Detailed sampling and mapping is required for all targets identified.

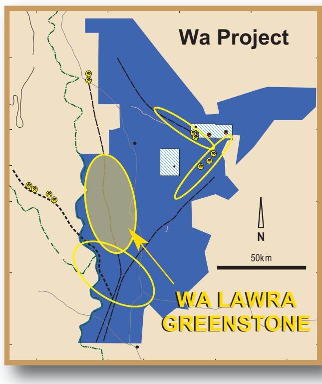
Of particular significance is

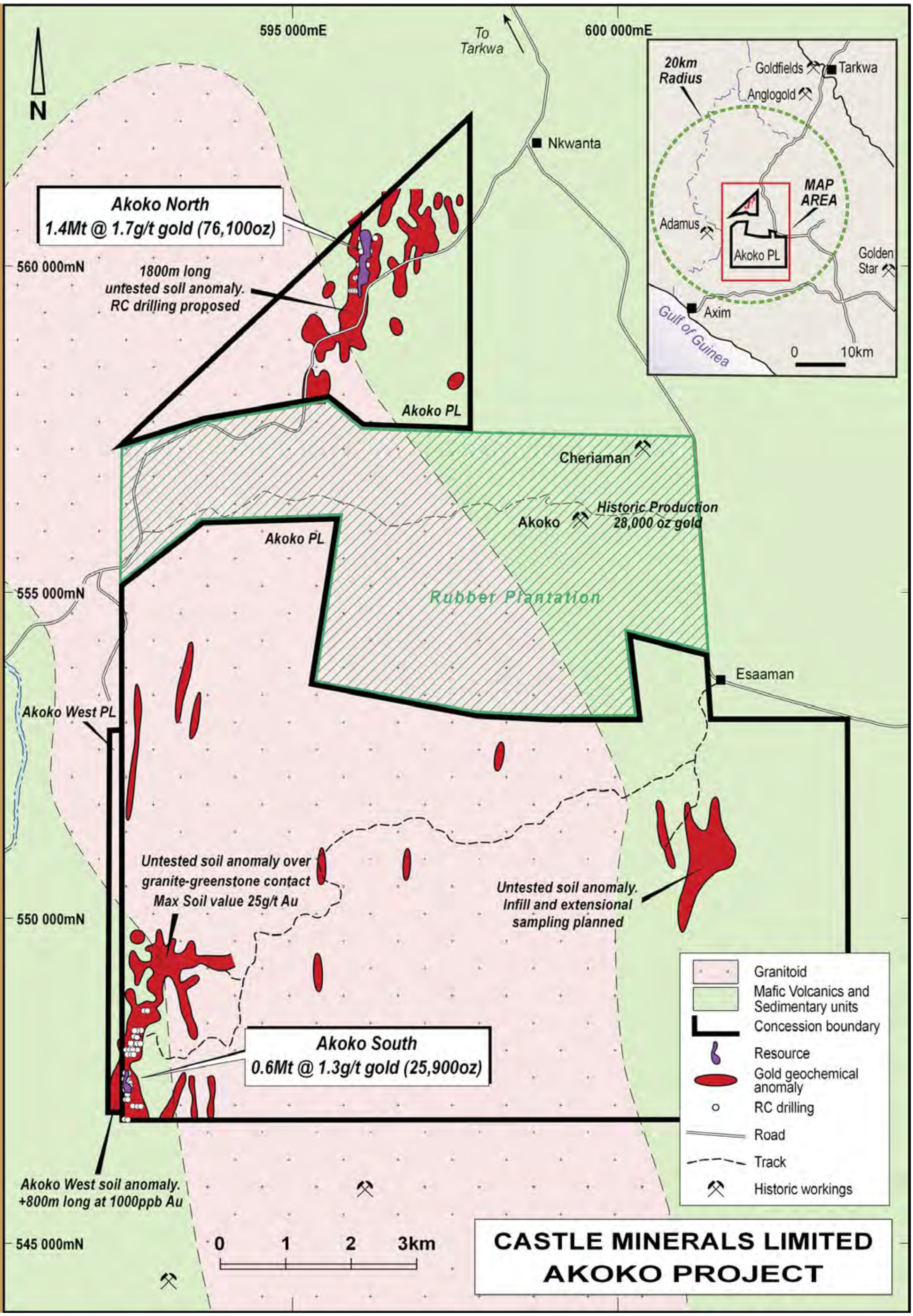
- a 2km wide zone of anomalous soils reporting above 100ppb gold. This anomaly is situated immediately south of the interpreted extension to the Batie West shear zone on the southern margin of an intrusive granite. The Batie West shear zone is related to gold mineralisation at Ampella's (ASX:AMX) 1.2 million ounce Konkera gold deposit in Burkina Faso 50km to the north west.
- a 10km long anomaly interpreted to overlie the eastern margin of an internal granite at the interpreted intersection with the Batie West structure.
- a continuous 20km long anomaly defined in the central southern portion of the project area and extends south to the historic artisanal Jantigi gold workings 15km east of the town of Bole.
- a 5km and 3km long anomaly on the east side of the project along strike from historic gold mineralisation at Senyon 20km to the SW.

Infill sampling and mapping is underway with additional sampling teams employed to quickly advance these targets in preparation for drilling.

Wa-Lawra Greenstone Belt

This exploration corridor represents the Birimian age greenstone rocks that extend south from the Kunche/Bepkong gold deposits (0.75Moz) located 25km to the north. This greenstone sequence has never been drilled and only limited and incomplete historic soil data has been collected. Systematic soil sampling is proposed to be undertaken in the latter part of 2010 in preparation for drilling of targets generated.





N
595 000mE
To Tarkwa
600 000mE
20km Radius
Goldfields
Tarkwa
Anglogold
MAP AREA
Adamus
Akoko PL
Golden Star
Axim
Gulf of Guinea
0
10km
Nkwanta
Akoko North
1.4Mt @ 1.7g/t gold (76,100oz)
560 000mN
1800m long untested soil anomaly. RC drilling proposed
Akoko PL
Cheriaman
Historic Production 28,000 oz gold
Akoko
Akoko PL
555 000mN
Rubber Plantation
Esaaman
Akoko West PL
Untested soil anomaly over granite-greenstone contact Max Soil value 25g/t Au
Untested soil anomaly. Infill and extensional sampling planned
550 000mN
Granitoid
Mafic Volcanics and Sedimentary units
Concession boundary
Resource
Gold geochemical anomaly
RC drilling
Road
Track
Historic workings
Akoko South
0.6Mt @ 1.3g/t gold (25,900oz)
Akoko West soil anomaly. +800m long at 1000ppb Au
545 000mN
0
1
2
3km
CASTLE MINERALS LIMITED
AKOKO PROJECT

AKOKO PROJECT

(100% Castle Minerals)

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

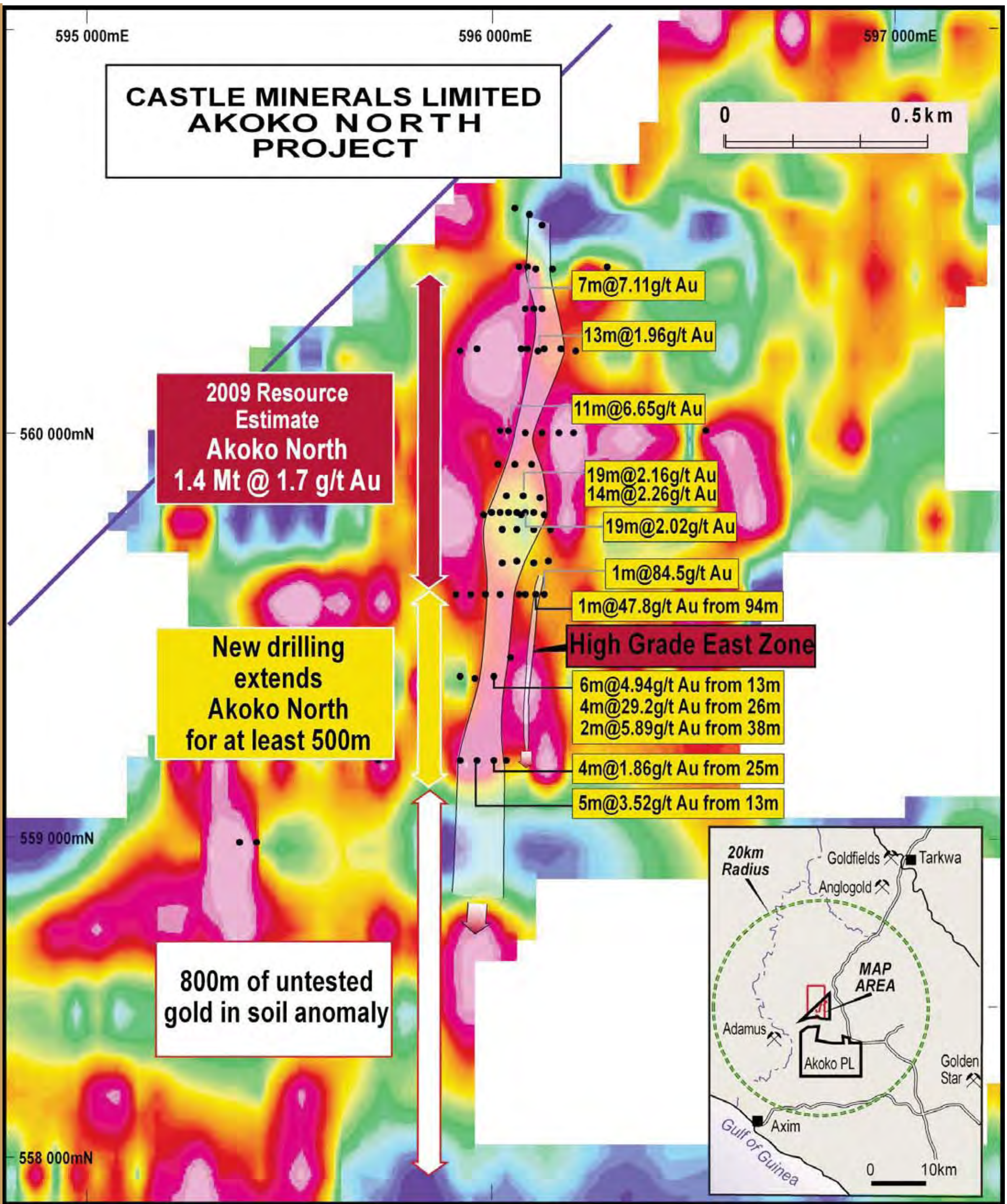
Exploration by Castle has resulted in the definition of a JORC Code compliant resource estimate for the Akoko Project totalling 2mt @ 1.6g/t gold for 102,000 ounces. This resource is made up of two separate gold deposits known as Akoko North and Akoko South.

The Akoko Project is located 25km south of Tarkwa in south west Ghana in the prolific gold producing Ashanti belt. Gold mineralisation was first discovered on this greenfields project by Castle in late 2007. Since that time Castle has undertaken seven RC drill programs and defined substantial oxide gold mineralisation. Runge Limited completed an independent resource estimate for the Akoko South and Akoko North gold deposits and estimated a total Indicated and Inferred Mineral Resource of 102,000 ounces.

The Akoko gold resources have excellent potential to be substantially increased. Potential for additional oxide mineralisation exists along strike of each deposit and testing for primary mineralisation has yet to be undertaken.

Additionally a number of soil anomalies remain untested including a significant anomaly straddling a granite greenstone contact that has reported soil values up to 25 g/t gold.

	Akoko Project Total - Akoko North and South Deposits						
	Indicated		Inferred		Total		
Deposit	Tonnes t	Au g/t	Tonnes t	Au g/t	Tonnes t	Au g/t	Au ozs
Akoko South			610,300	1.3	610,300	1.3	25,900
Akoko North	358,000	1.8	1,076,000	1.6	1,434,000	1.7	76,100
Total Akoko Gold Project	**358,000**	**1.8**	**1,686,300**	**1.5**	**2,044,300**	**1.6**	**102,000**



Akoko North

RC drilling on geochemical image

Akoko North

In 2008 Castle undertook soil sampling at Akoko North and confirmed a strong 3km long surface gold anomaly. Within the larger anomaly was a higher tenor (+250ppb gold) continuous and well defined zone 1.5km long with a peak value of 1090ppb gold. 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 be sediment hosted and is aligned north-south suggesting an underlying change to the regional north northeast strike.

Initial drilling intersected significant open ended shallow gold mineralisation over 1,000m of strike with significant gold mineralisation intersected including

- 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)*

Followup drilling intersected further strong results including;

- 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)

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 medium grained sediments and quartz veining is common.

In December 2009 wide spaced reconnaissance RC drilling was completed on 200m spaced lines south along strike of the existing Akoko North resource (1.4Mt @ 1.7g/t gold) and returned the following significant results.

- 6m @ 4.94g/t gold from 13m (ANRC 51)
- 4m @ 29.2g/t gold from 26m (ANRC 51)
- 2m @ 5.89g/t gold from 38m (ANRC 51)
- 5m @ 3.52g/t gold from 13m (ANRC 49)
- 1m @ 47.8g/t gold from 94m (ANRC 56)

The geometry and geological setting of the mineralisation appears consistent with Akoko North with drill defined gold mineralisation now continuous over 1,500m of strike. Strong soil anomalism extends a further 800m south of the current limit of drilling and remains to be tested. It is considered probable that further gold mineralisation will be discovered as this zone is drill tested.

The Akoko North resource is shallow and either outcrops or comes within a few metres of the surface and 80% is within 50m of surface. An open pit optimisation on the Akoko North deposit using the US$800/ounce shell captures an Indicated and Inferred Resource totalling 1.22Mt @ 1.58g/t gold containing 58,000 ounces with a cash cost of approximately US$650 per ounce.

New High Grade East Lode Discovered

Earlier drilling by Castle at Akoko North reported a primary intercept of 1m @ 84.5g/t gold from 40m on the then south eastern limit of drilling. A deeper hole beneath this intercept returned 1m @ 47.8 g/t gold from 94m down hole and like the earlier intercept was also hosted within a zone of silica/pyrite alteration. This new zone requires drill testing at depth and along strike to determine the continuity and extent of this very high grade mineralisation.

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ANTUBIA PROJECT

(100% Castle Minerals)

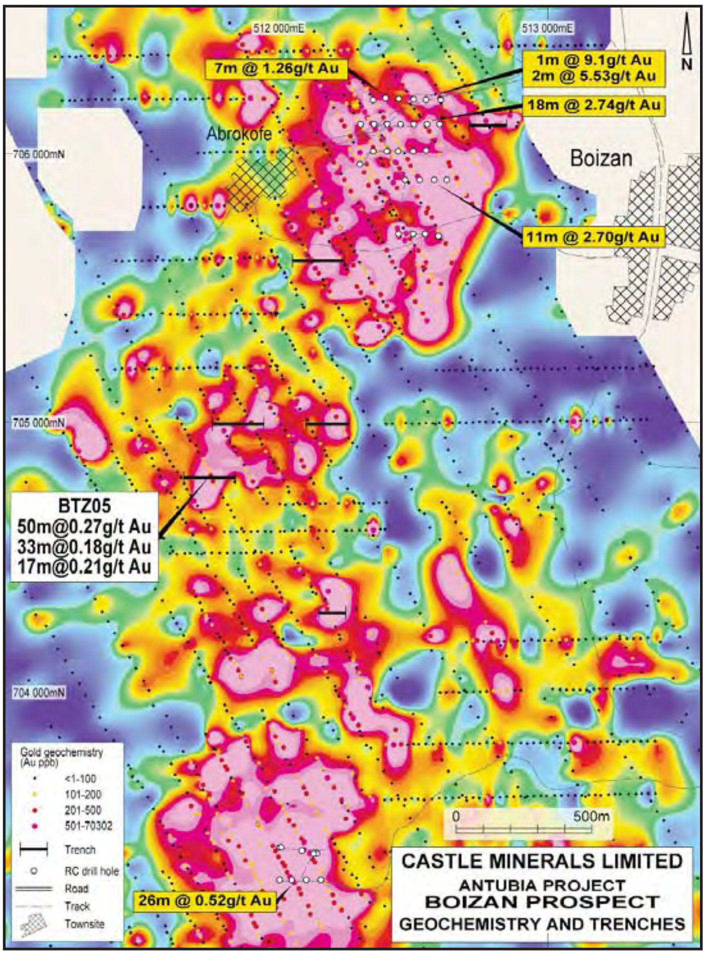
Antubia is located approximately 370km west-northwest of Accra, in the Sefwi gold belt and is ~90km southwest of the Ahafo gold mine operated by Newmont.

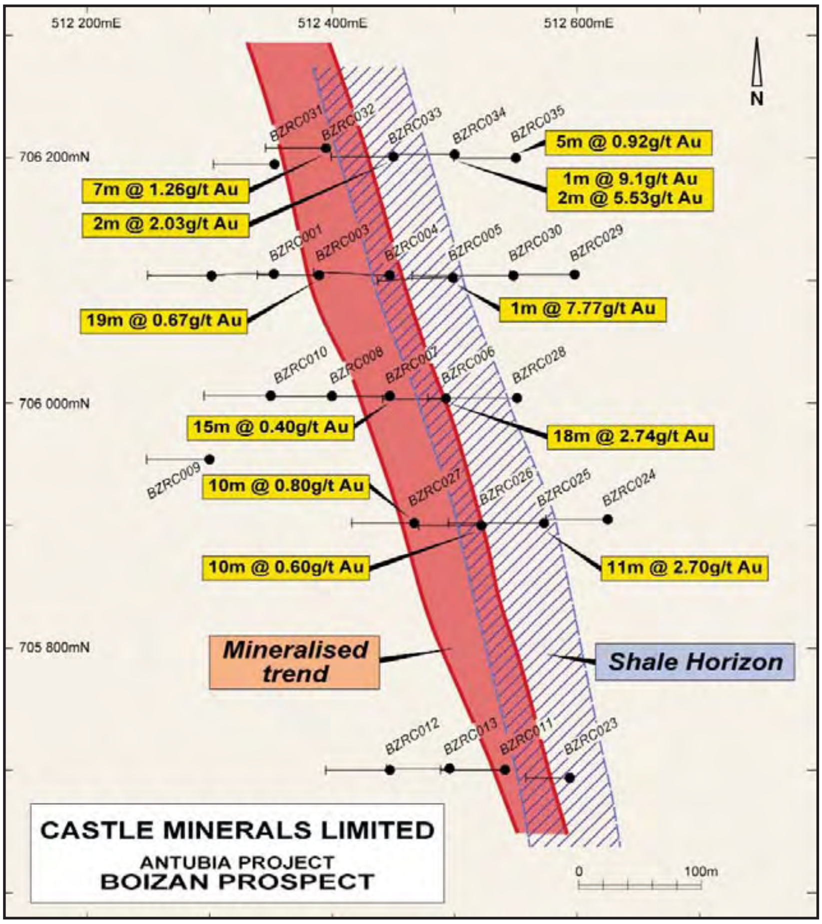
A number of RC drilling programs has tested a large anomalous gold corridor at Antubia. This very large geochemical anomaly is oriented approximately north – south and is some 5.5 kilometres long. Within this corridor two areas stand out as being of particular importance, named Boizan and Sumiakrom Hill.

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.

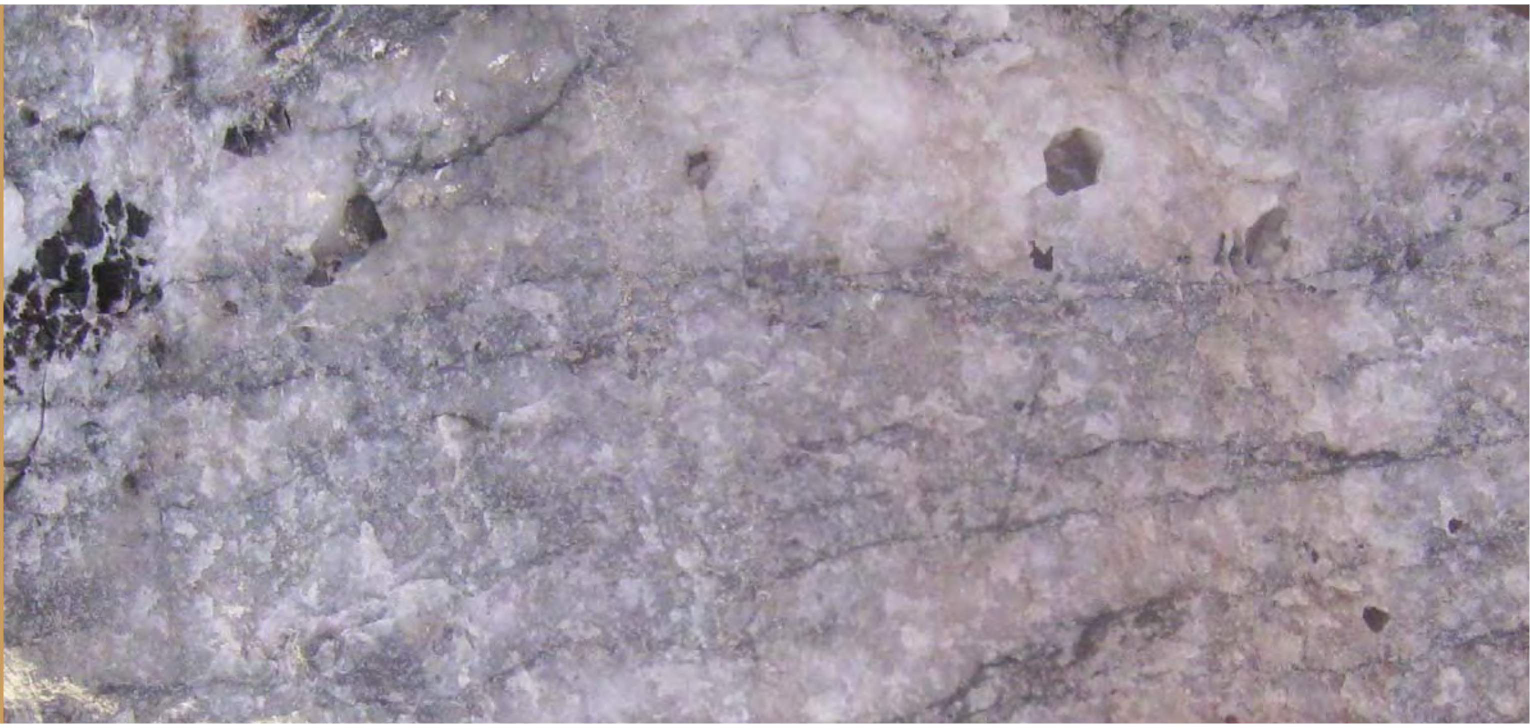
The Boizan prospect is near the top of a gently sloping hill with no evidence of mining having taken place. An area of Ashanti workings is located immediately north of the Abrokofe township.





Individual soil samples from the Boizan Prospect included values of 70.3g/t, 8.01g/t, 1.5g/t and 1.2g/t gold. 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 2007 at the Boizan prospect to follow up the first phase of drilling. This new drilling reported intercepts of; 11m @ 2.70 g/t gold, 7m @ 1.26g/t gold, 2m @ 5.53g/t gold, 1m @ 9.1g/t gold, 10m @ 0.60g/t gold 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 in 2008 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 gold, 33m @ 0.18g/t gold, 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 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; RC drilling programs have tested only a very small portion of the geochemical anomaly.

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 @ 4.3g/t gold and 13m @ 1.6g/t gold and a substantial soil anomaly had been defined. Soil sampling by Castle confirmed and extended the Banso soil anomaly to be over 3,700 metres long and up to 1,000 metres wide.

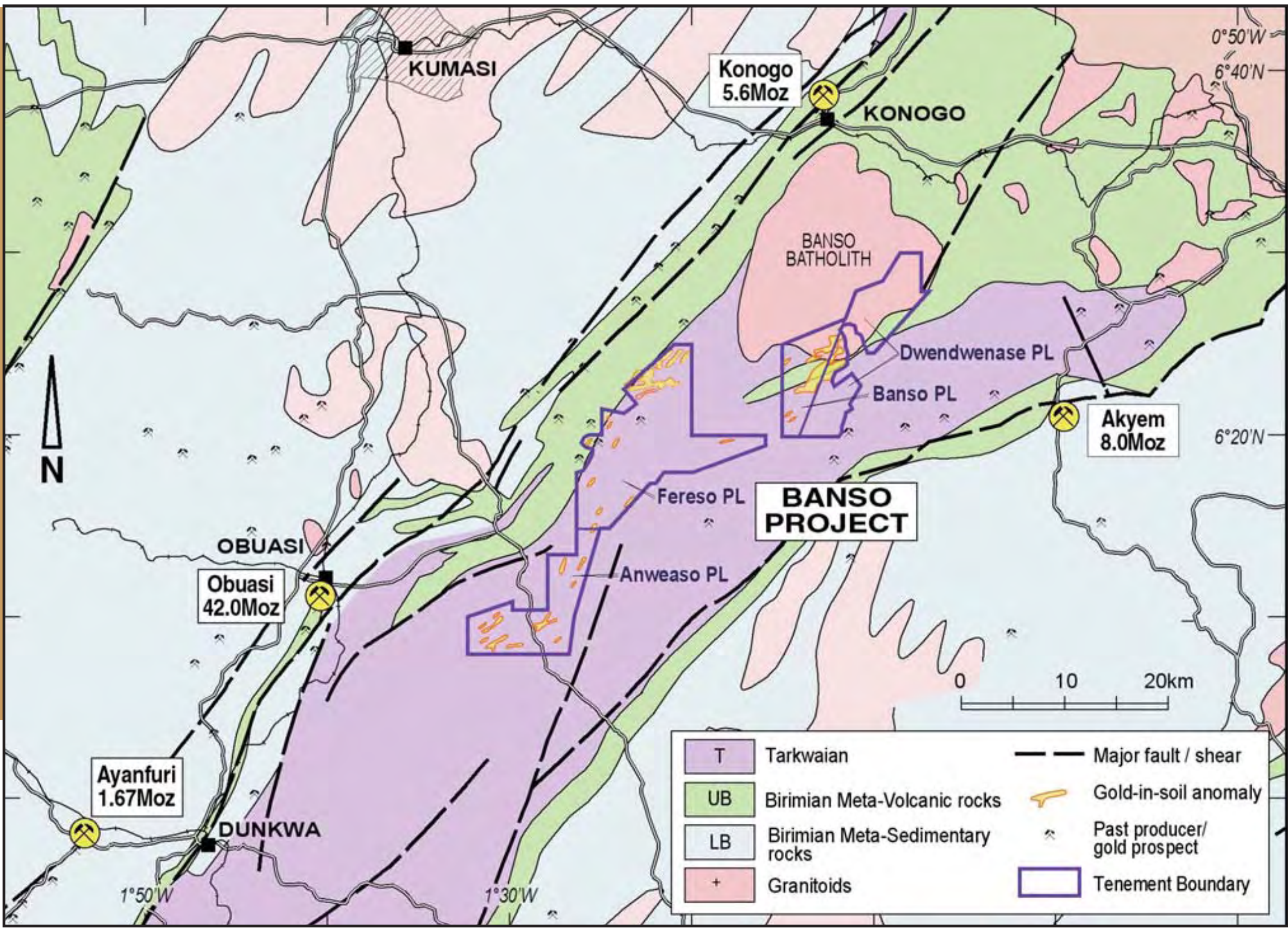
Castle has completed two drilling programs so far, an initial 40 hole, (3,248m) reverse circulation drilling program and a follow up 5 hole, (570m) program. This drilling has intersected significant oxide and primary gold mineralisation in several holes with best results including;

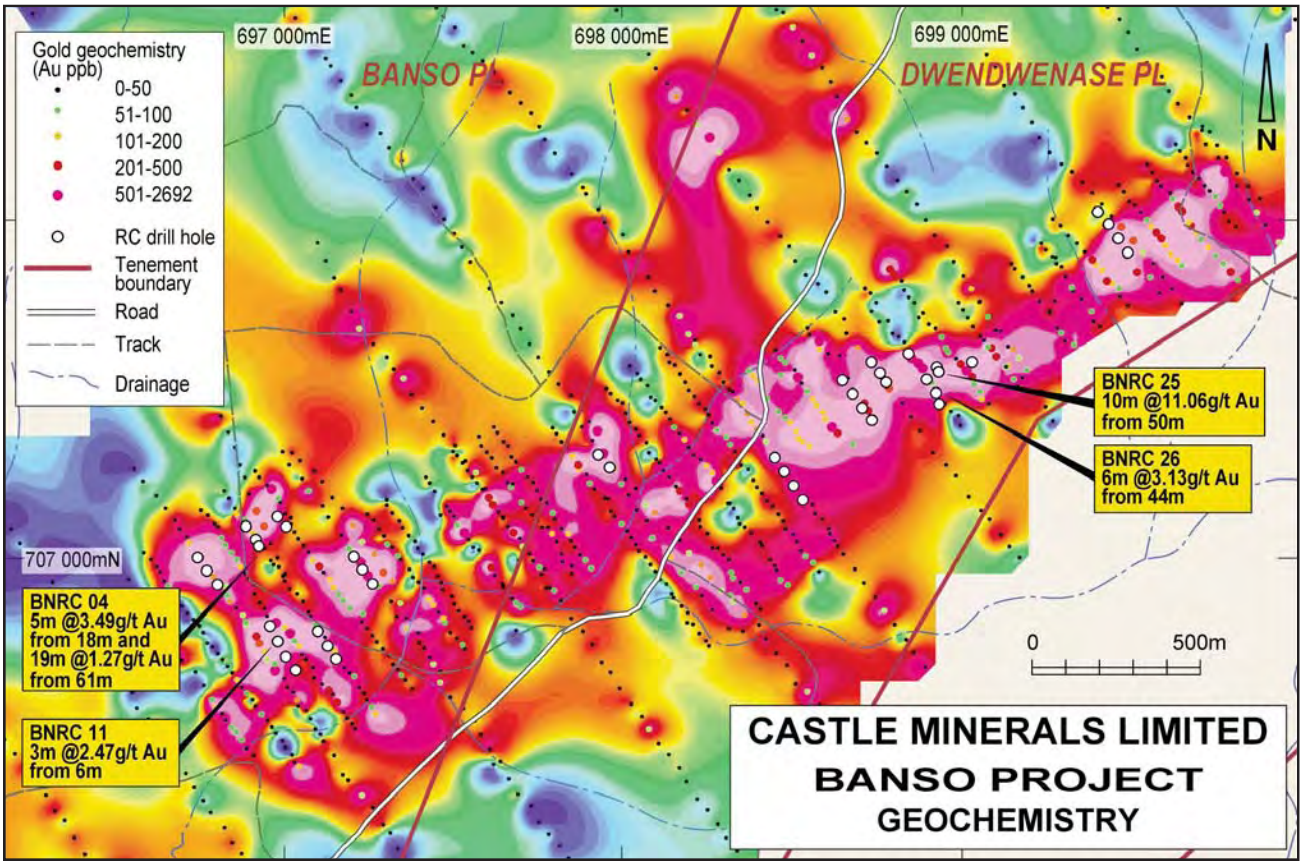
- BNRC 04 5m @ 3.49g/t from 18m
- BNRC 04 19m @ 1.27g/t from 61m
- BNRC 11 3m @ 2.47g/t from 6m
- BNRC 26 6m @ 3.13g/t from 44m
- BNRC 25 10m @ 11.1g/t from 50m
- BNRC 44 2 m @ 10.8g/t from 26m

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.


KUMASI
Konogo
5.6Moz
KONOGO
BANSO
BATHOLITH
Dwendwenase PL
Banso PL
Akyem
8.0Moz
N
Fereso PL
BANSO
PROJECT
OBUASI
Obuasi
42.0Moz
Anweaso PL
0 10 20km
Ayanfuri
1.67Moz
DUNKWA
1°50'W
1°30'W
0°50'W
6°40'N
6°20'N
Tarkwaian
Birimian Meta-Volcanic rocks
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

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 re-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.

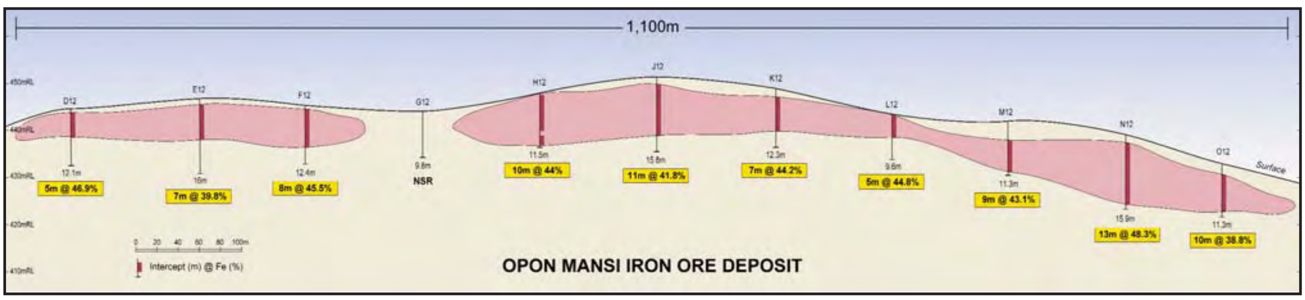
After the discovery the Survey conducted a prospecting program (1963-64) that consisted of “Winkie” drilling, pitting and trenching and the collection of large quantities of ore samples for chemical analysis from the 15 hills along the range.

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 4km2. 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 collect a bulk metallurgical sample (upon receipt of an entry permit) to determine if the iron mineralisation is capable of being upgraded to a commercial product.

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.


Elmina Town, Ghana

Castle Minerals Limited
ABN 83 116 095 802

Annual Financial Report

for the year ended 30 June 2010

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
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38 Station Street
SUBIACO WA 6008

Internet Address
www.castleminerals.com

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 2010.

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 Chairman of Buxton Resources Limited and is Principal of MetalsEx Capital. Mr Ivey is a former director of Azumah Resources Limited within the last 3 years.

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 is a former director of Universal Resources Ltd within the last 3 years.

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

Michael Ashforth is Executive Director of Macquarie Capital Advisers in Perth. Mr Ashforth has more than 20 years experience in mergers and acquisitions and corporate finance.

Michael has advised on a wide range of mergers and acquisitions transactions for Australian and international clients across a wide range of industry sectors and has extensive experience in transactions across the resources sector.

Prior to joining Macquarie in 2010, Mr Ashforth was head of Gresham Advisory Partners, Perth operations for 13 years and previously 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. Mr Ashforth has not held any former public company 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 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.

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	5,215,000	1,250,000
Campbell Ansell	709,250	200,000
Michael Ashforth	2,080,000	400,000

Directors' Report continued

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 $794,641. In November 2009 the Company completed the issue of 15 million ordinary shares to institutional and sophisticated investors to raise $2,250,000, and during December 2009 the Company issued 7 million ordinary shares to two US based resource funds raising $1,750,000. A further $5,000,000 was raised from the issue of 13,157,895 ordinary shares to institutional and sophisticated investors during May and June 2010. 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 $2,171,179. In line with the Company's accounting policies, all exploration expenditure was written off at year end. Net administration expenditure incurred amounted to $806,412. This has resulted in an operating loss after income tax for the year ended 30 June 2010 of $2,977,591 (2009: $1,762,038).

At 30 June 2010 surplus funds available totalled $7,752,962.

Operating Results for the Year

Summarised operating results are as follows:

	2010	
	Revenues	Results
	$	$
Consolidated entity revenues and loss before income tax expense	141,712	(2,977,591)

Shareholder Returns

	2010	2009
Basic loss per share (cents)	**(4.0)**	(3.3)

Risk Management

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

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

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- An increase in contributed equity of $2,250,000 as a result of the issue of 15 million ordinary shares to institutional and sophisticated investors.
- An increase in contributed equity of $1,750,000 as a result of the issue of 7 million ordinary shares and 3.5 million options exercisable at 35 cents on or before 21 December 2011 to two US based resource funds.
- An increase in contributed equity of $5,000,000 as a result of the issue of 13,157,895 ordinary shares to institutional and sophisticated investors.
- An increase in contributed equity of $187,500 as a result of the issue of 750,000 ordinary shares as consideration for consulting services.
- An increase in contributed equity of $345,000 as a result of the issue of 1,150,000 ordinary shares on conversion of unlisted options.

Directors' Report continued

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 20, 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.

The directors have considered the recently enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the Group for the current, nor subsequent, financial year. The directors will reassess this position as and when the need arises.

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

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.

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.

Directors' Report continued

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 last five years for the listed entity.

	2010	2009	2008	2007	2006
	$	$	$	$	$
Revenue	141,712	53,285	168,887	129,686	41,768
Net loss	(2,977,591)	(1,762,038)	(2,462,709)	(2,383,335)	(576,710)
Loss per share (cents)	(4.0)	(3.3)	(5.1)	(6.2)	(6.0)
Share price at year end (cents)	40.0	9.0	26.0	30.0	31.0

No dividends have been paid.

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 and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the Group:

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

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

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

	Short-Term		**Post Employment**		**Share-based Payments**	**Total**	**Percentage Relevant to Options**
	Salary & Fees	Non-Cash benefits	Superannuation	Retirement benefits	Options		
	$	$	$	$	$	$	%
Directors							
Michael Ivey							
2010	**225,000**	**3,418**	**-**	**-**	**-**	**228,418**	**-**
2009	150,000	4,745	-	-	-	154,745	-
Campbell Ansell							
2010	**20,000**	**3,418**	**1,800**	**-**	**-**	**25,218**	**-**
2009	20,000	4,745	1,800	-	-	26,545	-
Michael Ashforth							
2010	**21,800**	**3,418**	**-**	**-**	**-**	**25,218**	**-**
2009	21,800	4,745	-	-	-	26,545	-
Other key management personnel							
Dennis Wilkins							
2010	**34,082**	**-**	**-**	**-**	**-**	**34,082**	**-**
2009	30,742	-	-	-	-	30,742	-
Michael Fowler							
2010	**144,924**	**-**	**7,617**	**-**	**16,188**	**168,729**	**9.6**
2009	85,227	-	8,523	-	41,008	134,758	30.4
Paul Amoako-Atta(1)							
2010	**30,000**	**-**	**-**	**-**	**-**	**30,000**	**-**
2009	36,000	-	-	-	-	36,000	-
Total key management personnel compensation							
2010	**475,806**	**10,254**	**9,417**	**-**	**16,188**	**511,665**	
2009	343,769	14,235	10,323	-	41,008	409,335	

(1) In addition to the above remuneration a total of $233,196 (2009: $329,756) 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.

Directors' Report continued

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 – 4 years commencing 1 July 2010.

Annual consultancy fees of $200,000 (plus GST) are paid to M Ivey Pty Ltd, a company controlled by Mr Ivey.

The agreement may be terminated by the Company, without reason, by giving the consultant 12 months written notice. The consultant may terminate the agreement, without reason, by giving the Company 3 months written notice.

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 1 July 2010.

Annual base salary, inclusive of 10% superannuation, of $137,500.

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.

None of the other directors or key management personnel have service agreements in place.

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 vested 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	08/05/2010	31/03/2011	25	15.5	N/A	9.6

There no ordinary shares issued upon exercise or remuneration options to directors or key management personnel of Castle Minerals Limited during the year.

DIRECTORS' MEETINGS

During the year the Company held six 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	6	6	*	*	*	*
Campbell Ansell	6	6	2	2	2	2
Michael Ashforth	5	6	2	2	2	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.

Directors' Report continued

SHARES UNDER OPTION

At the date of this report there are 10,550,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	8,225,000
Movements of share options during the year:	
Issued, exercisable at 30 cents, on or before 20 August 2012	75,000
Issued, exercisable at 35 cents, on or before 21 December 2011	3,500,000
Exercised at 25 cents, on or before 31 March 2011	(200,000)
Exercised at 30 cents, on or before 9 April 2010	(600,000)
Exercised at 30 cents, on or before 20 August 2010	(150,000)
Exercised at 35 cents, on or before 31 March 2011	(200,000)
Total number of options outstanding as at 30 June 2010	**10,650,000**
Movements of share options subsequent to the reporting date:	
Issued, exercisable at 25 cents, on or before 31 March 2011	500,000
Exercised at 25 cents, on or before 31 March 2011	(600,000)
Total number of options outstanding at the date of this report	**10,550,000**

The balance is comprised of the following:

Date options issued	Expiry date	Exercise price (cents)	Number of options
14 July 2008	31 March 2011	25	200,000
8 May 2009	31 March 2011	25	500,000
8 September 2010	31 March 2011	25	500,000
9 March 2006	31 March 2011	35	5,850,000
21 December 2009	21 December 2011	35	3,500,000
Total number of options outstanding at the date of this report			**10,550,000**

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.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of Castle Minerals Limited were issued during the year ended 30 June 2010, and up to the date of this report, on the exercise of options. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
8 May 2006	25 cents	800,000
20 August 2007	30 cents	150,000
9 April 2009	30 cents	600,000
9 March 2006	35 cents	200,000
		1,750,000

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.

Directors' Report continued

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, BDO Audit (WA) Pty Ltd or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 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 Audit (WA) Pty Ltd received or are due to receive the following amounts for the provision of non-audit services:

	2010 $	2009 $
Tax compliance services	**14,413**	5,650
Total remuneration for non-audit services	**14,413**	5,650

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, 30 September 2010

Directors' Report continued

BDO

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

30th September 2010

Board of Directors
Castle Minerals Limited
Level 3, 10 Outram Street
WEST PERTH WA 6005

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 2010, 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 period.

C Burton

Chris Burton
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

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 regular 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

Consolidated Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2010	Notes	Consolidated	
		2010 $	2009 $
REVENUE	4	**141,712**	53,285
EXPENDITURE			
Depreciation expense		**(10,871)**	(13,398)
Salaries and employee benefits expense		**(65,335)**	(58,462)
Tenement acquisition and exploration expenses		**(2,171,179)**	(1,023,986)
Impairment expense	5	**(173,933)**	(74,370)
Corporate expenses		**(104,412)**	(64,812)
Administration expenses		**(574,445)**	(529,725)
Share based payment expense	23	**(19,128)**	(50,570)
LOSS BEFORE INCOME TAX		**(2,977,591)**	(1,762,038)
INCOME TAX BENEFIT	6	**-**	-
LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF CASTLE MINERALS LIMITED		**(2,977,591)**	(1,762,038)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**221**	29,669
Other comprehensive income for the year, net of tax		**221**	29,669
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF CASTLE MINERALS LIMITED		**(2,977,370)**	(1,732,369)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	22	**(4.0)**	(3.3)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position

AT 30 JUNE 2010

	Notes	Consolidated 2010 $	Consolidated 2009 $
CURRENT ASSETS			
Cash and cash equivalents	7	**7,752,962**	794,641
Trade and other receivables	8	**94,254**	52,916
TOTAL CURRENT ASSETS		**7,847,216**	847,557
NON-CURRENT ASSETS			
Plant and equipment	9	**24,506**	22,102
TOTAL NON-CURRENT ASSETS		**24,506**	22,102
TOTAL ASSETS		**7,871,722**	869,659
CURRENT LIABILITIES			
Trade and other payables	10	**918,513**	103,381
TOTAL CURRENT LIABILITIES		**918,513**	103,381
TOTAL LIABILITIES		**918,513**	103,381
NET ASSETS		**6,953,209**	766,278
EQUITY			
Contributed equity	11	**16,716,725**	7,571,552
Reserves	12(a)	**398,867**	379,518
Accumulated losses	12(b)	**(10,162,383)**	(7,184,792)
TOTAL EQUITY		**6,953,209**	766,278

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2010

Consolidated	Notes	Contributed Equity $	Options Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
BALANCE AT 1 JULY 2008		6,516,372	288,092	3,447	(5,422,754)	1,385,157
Loss for the year	12(b)	-	-	-	(1,762,038)	(1,762,038)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations	12(a)	-	-	29,669	-	29,669
TOTAL COMPREHENSIVE INCOME		-	-	29,669	(1,762,038)	(1,732,369)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	11	1,055,180	-	-	-	1,055,180
Options issued to employees and contractors	12(a)	-	50,570	-	-	50,570
Options issued to suppliers	12(a)	-	7,740	-	-	7,740
BALANCE AT 30 JUNE 2009		7,571,552	346,402	33,116	(7,184,792)	766,278
Loss for the year	12(b)	**-**	**-**	**-**	**(2,977,591)**	**(2,977,591)**
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations	12(a)	**-**	**-**	**221**	**-**	**221**
TOTAL COMPREHENSIVE INCOME		**-**	**-**	**221**	**(2,977,591)**	**(2,977,370)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	11	**9,532,500**	**-**	**-**	**-**	**9,532,500**
Share issue transaction costs	11	**(387,327)**	**-**	**-**	**-**	**(387,327)**
Options issued to employees and contractors	12(a)	**-**	**19,128**	**-**	**-**	**19,128**
BALANCE AT 30 JUNE 2010		**16,716,725**	**365,530**	**33,337**	**(10,162,383)**	**6,953,209**

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

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2010	Notes	Consolidated	
		2010	2009
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(324,604)**	(297,513)
Interest received		**105,211**	53,285
Expenditure on mining interests		**(1,767,812)**	(1,069,845)
Other income received		**1,218**	-
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	21	**(1,985,987)**	(1,314,073)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**(13,275)**	-
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		**(13,275)**	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		**9,345,000**	703,000
Payment of share issue costs		**(387,327)**	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		**8,957,673**	703,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**6,958,411**	(611,073)
Cash and cash equivalents at the beginning of the financial year		**794,641**	1,405,470
Effects of exchange rate changes on cash and cash equivalents		**(90)**	244
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	**7,752,962**	794,641

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Castle Minerals Limited and its subsidiaries. The financial statements are presented in the Australian currency. Castle Minerals Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 30 September 2010. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The consolidated financial statements of the Castle Minerals Limited Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

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

Financial statement presentation

The Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(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 2010 and the results of all subsidiaries for the year then ended. Castle Minerals Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all 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 acquisition method of accounting is used to account for business combinations by the Group (refer note 1(h)).

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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

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

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Castle Minerals Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

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

(iii) Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 *Consolidated and Separate Financial Statements* became operative. The revisions to AASB 127 contained consequential amendments to AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously when the Group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity of financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

Change in accounting policy

The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. For management purposes, the Group has identified only one reportable segment as exploration activities undertaken in Ghana, West Africa. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in this geographic location. This represents a decrease in the number of reportable segments presented with comparatives for 2009 having been restated.

(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 profit or loss.

(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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income 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 in other comprehensive income.

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 recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

(e) Revenue recognition

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

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

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

(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 applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(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 profit or loss 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 17). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Business combinations

The acquisition 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. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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 similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

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

Change in accounting policy

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method of business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the Group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will decrease the Group's net loss after tax.

(i) Impairment of assets

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

(j) Cash and cash equivalents

For statement of cash flows 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 statement of financial position.

(k) Trade and other receivables

Receivables are recognised initially at fair value and subsequently at amortised cost. 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) Financial assets

Classification

The Group classifies all of its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

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 reporting date which are classified as non-current assets.

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 statement of comprehensive income 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 statement of comprehensive income.

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 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

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

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

(m) Plant and equipment

All plant and equipment is stated at historical cost less depreciation and impairment. 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income 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 reporting 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 statement of comprehensive income.

(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. They are recognised initially at fair value and subsequently at amortised cost. The amounts are unsecured and are paid on normal commercial terms.

(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 reporting date are recognised in other payables in respect of employees' services up to the reporting 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 23.

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.

Options over ordinary shares have also been issued as consideration for services and the acquisition of interests in tenements. These options have been treated in the same manner as employee options described above, with the expense being included as part of exploration expenditure.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

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

(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 owners 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 statement of financial position.

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 statement of financial position 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.

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group'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.

AASB 2009-5 Amendments to Australian Accounting Standards – Equity Settled Liabilities [AASB 101] (effective from 1 January 2010)

Clarifies that terms of a liability that could, at the option of the counterparty, result in the liability being settled by the issue of equity instruments, do not affect its classification. This means that unless the terms of such liabilities require a transfer of cash or other assets within 12 months, they do not necessarily have to be classified as current liabilities. Initial adoption of this amendment will have no impact as the Group does not have any current liabilities where the counterparty has the option to have the liabilities settled by the issue of equity instruments.

AASB 2009-5 Amendments to Australian Accounting Standards – Clarification of Cash Flows Classification [AASB 107] (effective from 1 January 2010)

Clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities. Initial adoption of this amendment will have no impact as the Group only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.

AASB 2009-5 Amendments to Australian Accounting Standards – Clarification of Goodwill Allocations [AASB 136] (effective from 1 January 2010)

Clarifies that CGUs to which goodwill is allocated cannot be larger than an operating segment as defined in AASB 8 *Operating Segments* before aggregation. There will be no impact as these requirements are only required to be applied prospectively to goodwill impairment calculations for periods commencing on or after 1 July 2010.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

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

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a Group share-based payment arrangement must recognise or expense for those goods or services regardless of which entity in the Group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Group share-based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. The Group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the Group's financial statements.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for addresses for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Group will apply the amended standard from 1 July 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's financial statements.

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until1 January 2013 but is available for early adoption. The group is yet to assess its full impact. The Group has not yet decided when to adopt AASB 9.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. The amendments are not expected to have a significant impact on the financial statements of the Group.

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the entity issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 July 2010, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

AASB 2010-3 Amendments to Australian Accounting Standards – Contingent Consideration in Business Combinations [AASB 3] (effective from 1 July 2010)

Confirms that any balances of contingent consideration that relate to acquisitions under the superseded AASB 3 must be accounted for under the superseded standard, i.e. not via profit or loss. There will be no impact on initial adoption as the Group did not have any contingent consideration on acquisitions prior to 1 July 2009.

AASB 2010-4 Amendments to Australian Accounting Standards – Financial Instrument Disclosures [AASB 7] (effective from 1 January 2011)

Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held. There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures only.

AASB 2010-4 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 101] (effective from 1 January 2011)

A detailed reconciliation of each item of other comprehensive income may be included in the statement of changes in equity or in the notes to the financial statements. There will be no impact on initial adoption of this amendment as a detailed reconciliation of each item of other comprehensive income has always been included in the statement of changes in equity.

None of the other amendments or Interpretations are expected to affect the accounting policies of the Group.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

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

(u) Critical accounting judgements, estimates and assumptions

The preparation of these financial statements 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 23. If any of these assumptions were to change, there may be an impact on the amounts reported.

Exploration expenditure

Exploration and evaluation costs are expensed as they are incurred.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate 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 operates 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. 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 functional currency of the subsidiary companies is the US dollar. All parent entity balances are in Australian dollars and all Group balances are in either Australian or US dollars, so the Group does not have any exposure to foreign currency risk at the reporting date (2009: Nil exposure).

(ii) Price risk

Given the current level of operations, the Group is not currently exposed to price risk.

(iii) Interest rate risk

The Group is 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 2010, if interest rates had changed by -/+ 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been $33,000 lower/higher (2009: $10,500 lower/higher) as a result of lower/higher interest income from cash and cash equivalents. The directors believe that in the current economic environment a 1% increase in interest rates is reasonable given comments made by the Reserve Bank of Australia.

(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 statement of financial position and notes to the financial statements. The only significant concentration of credit risk for the Group 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 trade receivables, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

2. FINANCIAL RISK MANAGEMENT (cont'd)

(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 are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting 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 at the balance date are recorded at amounts approximating their carrying amount due to their short term nature.

3. SEGMENT INFORMATION

For management purposes, the Group has identified only one reportable segment being exploration activities undertaken in Ghana, West Africa. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in this geographic location.

Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Group's accounting policies.

	Consolidated	
	2010	2009
	$	$
Exploration segment		
Segment revenue	**-**	-
Reconciliation of segment revenue to total revenue before tax:		
Interest revenue	**140,494**	53,285
Other revenue	**1,218**	-
Total revenue	**141,712**	53,285
Segment results	**(2,345,112)**	(1,103,001)
Reconciliation of segment result to net loss before tax:		
Other coporate and administration	**(632,479)**	(659,037)
Net loss before tax	**(2,977,591)**	(1,762,038)
Segment operating assets	**1,395**	1,485
Reconciliation of segment operating assets to total assets:		
Other coporate and administration assets	**7,870,327**	868,174
Total assets	**7,871,722**	869,659

4. REVENUE

Other revenue		
Interest	**140,494**	53,285
Other	**1,218**	-
	141,712	53,285

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

	Consolidated 2010 $	Consolidated 2009 $
5. EXPENSES		
Loss before income tax includes the following specific expenses:		
Defined contribution superannuation expense	**12,146**	13,023
Minimum lease payments relating to operating leases	**35,169**	32,645
Impairment of trade and other receivables	**173,933**	74,370
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	**(2,977,591)**	(1,762,038)
Prima facie tax benefit at the Australian tax rate of 30% (2009: 30%)	**(893,277)**	(528,611)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**5,738**	15,171
	(887,539)	(513,440)
Movements in unrecognised temporary differences	**651,589**	322,882
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**235,950**	190,558
Income tax expense/(benefit)	**-**	-
(c) Unrecognised temporary differences		
Deferred Tax Assets (at 30%)		
On Income Tax Account		
Capital raising costs	**111,753**	42,164
Foreign exploration tax losses	**2,216,318**	1,564,965
Provision for impairment	**188,095**	143,139
Accruals and prepayments	**9,535**	7,646
Carry forward tax losses	**655,964**	403,393
	3,181,665	2,161,307
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.

The Group's ability to use losses in the future is subject to the companies in the Group satisfying the relevant tax authority's criteria for using these losses.

Foreign exploration tax losses are incurred in Ghana and are arrived at after adjusting losses reported in financial statements in line with tax principles. Mining concerns are allowed to deduct the losses over a five-year period subsequent to the year in which the loss was incurred.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

	Consolidated 2010 $	Consolidated 2009 $
7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**446,686**	44,641
Short-term deposits	**7,306,276**	750,000
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**7,752,962**	794,641

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

	2010 $	2009 $
Government taxes receivable	**649,270**	486,220
Allowance for impairment (note (a))	**(626,983)**	(477,129)
Other receivables	**71,967**	43,825
	94,254	52,916

Other receivables are not past due nor impaired, and based on history are expected to be fully recoverable.

(a) Impaired receivables

As at 30 June 2010 the VAT receivable from the Group's operations in Ghana, with a nominal value of $626,983 (2009: $477,129), has been provided for in full. The VAT may only be recoverable once the Group's operations are producing revenue in Ghana.

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

	2010 $	2009 $
Balance at the beginning of the year	**477,129**	342,712
Allowance for impairment recognised during the year	**173,933**	74,370
Foreign exchange movements	**(24,079)**	60,047
	626,983	477,129

9. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	2010 $	2009 $
Plant and equipment		
Cost	**83,390**	70,115
Accumulated depreciation	**(58,884)**	(48,013)
Net book amount	**24,506**	22,102

	2010 $	2009 $
Plant and equipment		
Opening net book amount	**22,102**	35,500
Additions	**13,275**	-
Depreciation charge	**(10,871)**	(13,398)
Closing net book amount	**24,506**	22,102

10. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2010 $	2009 $
Trade payables	**249,785**	37,668
Other payables and accruals	**668,728**	65,713
	918,513	103,381

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

	Notes	2010 Number of shares	2010 $	2009 Number of shares	2009 $
11. CONTRIBUTED EQUITY					
(a) Share capital					
Ordinary shares fully paid	11(b), 11(d)	**95,962,963**	**16,716,725**	58,905,068	7,571,552
Total contributed equity		**95,962,963**	**16,716,725**	58,905,068	7,571,552
(b) Movements in ordinary share capital					
Beginning of the financial year		**58,905,068**	**7,571,552**	48,735,005	6,516,372
Issued during the year:					
– Issued for cash at 10 cents		**-**	**-**	7,030,000	703,000
– Issued for cash at 15 cents		**15,000,000**	**2,250,000**	-	-
– Issued for cash at 25 cents		**7,000,000**	**1,750,000**	-	-
– Issued on conversion of 25 cents options		**200,000**	**50,000**	-	-
– Issued on conversion of 30 cents options		**750,000**	**225,000**	-	-
– Issued on conversion of 35 cents options		**200,000**	**70,000**	-	-
– Issued for cash at 38 cents		**13,157,895**	**5,000,000**	-	-
– Issued as consideration for consulting services		**750,000**	**187,500**	3,027,663	335,320
– Issued as consideration for tenement rights		**-**	**-**	112,400	16,860
Less: Transaction costs		**-**	**(387,327)**	-	-
End of the financial year		**95,962,963**	**16,716,725**	58,905,068	7,571,552

(c) Movements in options on issue

	Number of options 2010	Number of options 2009
Beginning of the financial year	**8,225,000**	6,550,000
Issued during the year:		
– Exercisable at 25 cents, on or before 31 March 2011	**-**	1,000,000
– Exercisable at 30 cents, on or before 9 April 2010	**-**	600,000
– Exercisable at 30 cents, on or before 20 August 2012	**75,000**	75,000
– Exercisable at 35 cents, on or before 21 December 2011	**3,500,000**	-
Exercised during the year:		
– 25 cents, on or before 31 March 2011	**(200,000)**	-
– 30 cents, on or before 9 April 2010	**(600,000)**	-
– 30 cents, on or before 20 August 2012	**(150,000)**	-
– 35 cents, on or before 31 March 2011	**(200,000)**	-
End of the financial year	**10,650,000**	8,225,000

(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.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

	Consolidated 2010 $	Consolidated 2009 $

11. CONTRIBUTED EQUITY (cont'd)

(e) Capital risk management

The Group'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 at 30 June 2010 and 30 June 2009 are as follows:

	2010 $	2009 $
Cash and cash equivalents	**7,752,962**	794,641
Trade and other receivables	**94,254**	52,916
Trade and other payables	**(918,513)**	(103,381)
Working capital position	**6,928,703**	744,176

12. RESERVES AND ACCUMULATED LOSSES

(a) Reserves

	2010 $	2009 $
Foreign currency translation reserve	**33,337**	33,116
Share-based payments reserve	**365,530**	346,402
	398,867	379,518

Movements:

	2010 $	2009 $
Foreign currency translation reserve		
Balance at beginning of year	**33,116**	3,447
Currency translation differences arising during the year	**221**	29,669
Balance at end of year	**33,337**	33,116
Share-based payments reserve		
Balance at beginning of year	**346,402**	288,092
Options issued to employees and contractors	**19,128**	50,570
Options issued to suppliers	**-**	7,740
Balance at end of year	**365,530**	346,402

(b) Accumulated losses

	2010 $	2009 $
Balance at beginning of year	**(7,184,792)**	(5,422,754)
Net loss for the year	**(2,977,591)**	(1,762,038)
Balance at end of year	**(10,162,383)**	(7,184,792)

(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 not exercised.

13. DIVIDENDS

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

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

	Consolidated 2010 $	Consolidated 2009 $
14. KEY MANAGEMENT PERSONNEL DISCLOSURES		
(a) Key management personnel compensation		
Short-term benefits	**486,060**	358,004
Post employment benefits	**9,417**	10,323
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**16,188**	41,008
	511,665	409,335

(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 the remuneration report on page 7.

(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:

2010	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	**1,500,000**	**-**	**-**	**(500,000)**	**1,000,000**	**1,000,000**	**-**
Paul Amoako-Atta	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

2009	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	1,000,000	-	-	1,500,000	1,500,000	-
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.

Notes to the Consolidated Financial Statements continued

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14. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

2010	**Balance at start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at end of the year[1]**
Directors of Castle Minerals Limited				
Ordinary shares				
Michael Ivey	**4,885,000**	**-**	**330,000**	**5,215,000**
Campbell Ansell	**600,000**	**-**	**109,250**	**709,250**
Michael Ashforth	**1,750,000**	**-**	**330,000**	**2,080,000**
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**

2009	**Balance at start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at end of the year[1]**
Directors of Castle Minerals Limited				
Ordinary shares				
Michael Ivey	4,835,000	-	50,000	4,885,000
Campbell Ansell	550,000	-	50,000	600,000
Michael Ashforth	1,600,000	-	150,000	1,750,000
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.

(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 $233,196 (2009: $329,756). 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 prior year a payment of US$25,000 was made in accordance with this agreement. Refer to note 16, a further US$230,000 is payable in accordance with this agreement to complete the acquisition of the tenement.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

	Consolidated 2010 $	Consolidated 2009 $
15. REMUNERATION OF AUDITORS		
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:		
(a) Audit services		
BDO Audit (WA) Pty Ltd - audit and review of financial reports	**27,822**	25,246
Non-related audit firm for the audit or review of financial reports of any entity in the Group	**-**	3,472
Total remuneration for audit services	**27,822**	28,718
(b) Non-audit services		
BDO (WA) Pty Ltd - tax compliance services	**14,413**	5,650
Total remuneration for other services	**14,413**	5,650

16. CONTINGENCIES

Newmont Option Agreement

During the 2009 financial year the Group completed the acquisition of the Wa Reconnaissance Licence from Newmont Ghana Gold Limited. Newmont Ghana Gold Limited will be entitled to a 1% net smelter royalty on any minerals produced by the Group from the licence.

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.

17. 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:

	2010 $	2009 $
within one year	**1,882,200**	621,500
later than one year but not later than five years	**-**	-
	1,882,200	621,500

(b) Lease commitments: Group as lessee

Operating leases (non-cancellable):

	2010 $	2009 $
Minimum lease payments		
within one year	**28,920**	19,766
later than one year but not later than five years	**-**	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**28,920**	19,766

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 the remuneration report on page 7 that are not recognised as liabilities and are not included in the key management personnel compensation.

	2010 $	2009 $
within one year	**337,500**	152,083
later than one year but not later than five years	**412,500**	-
	750,000	152,083

Notes to the Consolidated Financial Statements continued

30 JUNE 2010	Consolidated 2010 $	2009 $
18. 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 19.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 14.

(d) Transactions and balances with related parties

	2010 $	2009 $
Purchases of goods and services		
Purchase of drilling and consulting services from a significant shareholder	**758,510**	543,089

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

Castle Minerals Limited has provided unsecured, interest free loans to its wholly owned subsidiaries Carlie Mining Limited and Topago Mining Limited totalling $7,430,781 (2009: $5,653,474). 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.

19. 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* 2010 %	2009 %
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.

20. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

A total of 600,000 ordinary shares have been issued upon exercise of unlisted options during September 2010, raising $150,000.

No other matter or circumstance has arisen since 30 June 2010, 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

	Consolidated 2010 $	Consolidated 2009 $
21. STATEMENT OF CASH FLOWS		
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(2,977,591)**	(1,762,038)
Non-Cash Items		
Depreciation of non-current assets	**10,871**	13,398
Net exchange differences	**(427)**	34,873
Share based payment expense	**19,128**	50,570
Shares and options issued as consideration for tenement acquisition or services received	**187,500**	359,920
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
(Increase)/decrease in trade and other receivables	**(41,338)**	4,852
(Decrease)/increase in trade and other payables	**815,870**	(15,648)
Net cash outflow from operating activities	**(1,985,987)**	(1,314,073)

22. LOSS PER SHARE

	2010 $	2009 $
(a) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	**(2,977,591)**	(1,762,038)

	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	**74,155,068**	52,709,951

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2010, 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 Consolidated Financial Statements continued

30 JUNE 2010

23. SHARE-BASED PAYMENTS

(a) 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 50 cents per option, with expiry dates ranging from 31 March 2011 to 23 August 2014.

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			
	2010		2009	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	**2,575,000**	**29.0**	1,500,000	31.7
Granted	**225,000**	**43.3**	1,075,000	25.3
Forfeited	**-**	**-**	-	-
Exercised	**(350,000)**	**27.1**	-	-
Expired	**-**	**-**	-	-
Outstanding at year-end	**2,450,000**	**30.6**	2,575,000	29.0
Exercisable at year-end	**2,300,000**	**29.3**	2,575,000	29.0

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.96 years (2009: 1.79 years), and the exercise prices range from 25 to 50 cents.

The weighted average fair value of the options granted during the year was 18.87 cents (2009: 12.75). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2010	2009
Weighted average exercise price (cents)	43.3	30.0
Weighted average life of the option (years)	3.8	4.0
Weighted average underlying share price (cents)	32.7	24.0
Expected share price volatility	80.7%	70.0%
Risk free interest rate	4.00%	7.25%

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.

(b) Options Issued to Suppliers

The Group issued options during the 2009 financial year as consideration for the acquisition of an interest in exploration tenements. The options granted had an exercise price of 30 cents and an expiry date of 9 April 2010. These options were all converted to ordinary shares during the 2010 financial year.

The options granted carried no dividend or voting rights. When exercised, each option was converted into one ordinary share in the capital of the Company with full dividend and voting rights.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

23. SHARE-BASED PAYMENTS (cont'd)

Set out below are summaries of granted options:

	Consolidated			
	2010		2009	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	**600,000**	**30.0**	-	-
Granted	**-**	**-**	600,000	30.0
Forfeited	**-**	**-**	-	-
Exercised	**(600,000)**	**30.0**	-	-
Expired	**-**	**-**	-	-
Outstanding at year-end	**-**	**-**	600,000	30.0
Exercisable at year-end	**-**	**-**	600,000	30.0

The weighted average remaining contractual life of share options outstanding at the end of the 2009 year was 0.78 years.

The weighted average fair value of the options granted during the 2009 year was 1.29 cents. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2009
Weighted average exercise price (cents)	30.0
Weighted average life of the option (years)	1.0
Weighted average underlying share price (cents)	15.0
Expected share price volatility	70.0%
Risk free interest rate	3.00%

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.

(c) Shares issued to suppliers

During the 2010 financial year 750,000 ordinary shares were issued at a deemed cost of $187,500 (2009: 3,027,663 ordinary shares were issued at a deemed cost of $335,320) as consideration for consulting services and have been included as part of the 'Administration expenses' on the statement of comprehensive income of the Group. Additionally, during the 2009 financial year, 112,400 ordinary shares were issued at a deemed cost of $16,860 as additional consideration pursuant to a Deed of Option Agreement. This amount is included in 'Tenement acquisition and exploration expenses' on the Statement of comprehensive income of the Group.

(d) Expenses arising from share-based payment transactions

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

	Consolidated	
	2010 $	2009 $
Options issued to employees and contractors	**19,128**	50,570
Options issued to suppliers	**-**	7,740
Shares issued to suppliers	**187,500**	352,180
	206,628	410,490

Notes to the Consolidated Financial Statements continued

30 JUNE 2010	2010	2009
	$	$

24. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Castle Minerals Limited, at 30 June 2010. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2010	2009
Current assets	**7,845,821**	846,072
Non-current assets	**24,506**	22,102
Total assets	**7,870,327**	868,174
Current liabilities	**338,829**	91,189
Total liabilities	**338,829**	91,189
Contributed equity	**16,716,725**	7,571,552
Share-based payments reserve	**365,530**	346,402
Accumulated losses	**(9,550,757)**	(7,140,969)
Total equity	**7,531,498**	776,985
Loss for the year	**(2,409,788)**	(1,748,513)
Total comprehensive loss for the year	**(2,409,788)**	(1,748,513)

As detailed in note 16, there are contingent liabilities in respect to tenement acquisition agreements that the parent entity has co-signed with subsidiary entities.

Directors' Declaration

In the directors' opinion:

(a) the financial statements comprising the statement of comprehensive incomes, statement of financial positions, statements of changes in equity, statement of cash flows and accompanying notes set out on pages 15 to 39 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 consolidated entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date;

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

(c) the remuneration disclosures included in the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2010, comply with Section 300A of the *Corporations Act 2001*; and

(d) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

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, 30 September 2010

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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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply 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*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

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 consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
   - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Castle Minerals Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO Audit

C Burton

Chris Burton
Director

Perth, Western Australia
Dated this 30th day of September 2010

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 20 September 2010.

(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	8	2,216
1,001	-	5,000	101	303,986
5,001	-	10,000	119	1,028,475
10,001	-	100,000	275	9,975,538
100,001		and over	89	85,252,748
			592	96,562,963
The number of shareholders holding less than a marketable parcel of shares are:			9	3,241

(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	HSBC Custody Nominees Australia Ltd	6,699,481	6.94
2	Yandal Investments Pty Ltd	6,600,000	6.83
3	Lujeta Pty Ltd	6,500,000	6.73
4	Wiechecki Henry	5,149,100	5.33
5	Bridgelane Pty Ltd	5,000,000	5.18
6	M Ivey Pty Ltd	4,400,000	4.56
7	Bluestar Resources Ltd	3,834,644	3.97
8	Kingston Management Isle of Man <Harper Family Account>	3,027,663	3.14
9	ANZ Nominees Ltd <Cash Income A/C>	2,972,519	3.08
10	Stanley Ross Francis	2,800,000	2.90
11	Twynam Agricultural Group Pty Ltd	2,576,670	2.67
12	Trailstar Ltd	1,870,000	1.94
13	Computer Visions Pty Ltd <Visionary Investments A/C>	1,750,000	1.81
14	Laguna Bay Cap Pty Ltd	1,750,000	1.81
15	Redstar Resources Ltd	1,568,256	1.62
16	Ivoryrose Holdings Pty Ltd	1,515,000	1.57
17	HSBC Custody Nominees Australia Ltd <A/C 3>	1,500,000	1.55
18	UBS Nominees Pty Ltd	1,422,000	1.47
19	Greenslade Holdings Pty Ltd	1,250,000	1.29
20	HSBC Custody Nominees Australia Ltd <A/C 2>	1,250,000	1.29
		63,435,333	65.68

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
HSBC Custody Nominees Australia Ltd	6,699,481
Yandal Investments Pty Ltd	6,600,000
Lujeta Pty Ltd	6,500,000
Wiechecki Henry	5,149,100
Bridgelane Pty Ltd	5,000,000

(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 8/2009	100
Banso, Ghana	PL 71/2009	100
Banso, Ghana	PL 149/2006	100
Banso, Ghana	PL 188/2006	100
Banso, Ghana	PL 1727/2005	100
Bondaye, Ghana	Application	100
Akoko, Ghana	Prospecting Licence	100
Akoko, Ghana	PL 42/2009	100
Wa, Ghana	LVB 11256/07	100
Opon Mansi, Ghana	Application	100
Jang Fault, Ghana	Reconnaissance Licence	100
Wonachiyiri, Ghana	Application	100