CASTLE MINERALS LIMITED

ABN 83 116 095 802

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED
31 DECEMBER 2010

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the Annual Financial Statements for the year ended 30 June 2010 and any public announcements made by Castle Minerals Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity consisting of Castle Minerals Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2010.

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Michael Ivey

Campbell Ansell

Michael Ashforth

REVIEW AND RESULTS OF OPERATIONS

A summary of consolidated revenues and results for the half-year is set out below:

	2010	
	Revenues	**Results**
	$	**$**
Consolidated entity revenues and loss	176,949	(1,864,720)

Castle's corporate objectives are:

1. Exploration and development of its gold projects in Ghana; and
2. Acquisition and exploration of other mineral resource opportunities, particularly in West Africa.

Castle's activities during the half year were consistent with its defined objectives. Gold exploration focussed on Castle's Akoko and Wa projects where gold resources were identified on both these projects.

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 4.

This report is made in accordance with a resolution of directors.

Michael Ivey
Managing Director

Perth, 11 March 2011

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

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

11th March 2011

Castle Minerals Limited
The Board of Directors
Unit 6
1 Clive 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 half-year ended 31 December 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 review; and
- any applicable code of professional conduct in relation to the review.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Half-year	
	2010	2009
	$	$
REVENUE	**176,949**	29,113
EXPENDITURE		
Depreciation expense	**(6,722)**	(4,662)
Salaries and employee benefits expense	**(47,986)**	(23,197)
Exploration expenses	**(1,546,048)**	(242,756)
Doubtful debts	**(181,766)**	(11,421)
Corporate expenses	**(61,847)**	(54,968)
Administration expenses	**(188,184)**	(288,075)
Share based payment expense	**(9,116)**	(12,487)
LOSS BEFORE INCOME TAX	**(1,864,720)**	(608,453)
Income tax benefit / (expense)	**-**	-
LOSS FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF CASTLE MINERALS LIMITED	**(1,864,720)**	(608,453)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**53,867**	3,980
Other comprehensive income for the period, net of tax	**53,867**	3,980
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF CASTLE MINERALS LIMITED	**(1,810,853)**	(604,473)
Basic loss per share (cents)	**(1.9)**	(0.9)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	31 December 2010 $	30 June 2010 $
CURRENT ASSETS			
Cash and cash equivalents		**5,869,795**	7,752,962
Trade and other receivables		**109,606**	94,254
TOTAL CURRENT ASSETS		**5,979,401**	7,847,216
NON-CURRENT ASSETS			
Plant and equipment		**38,748**	24,506
TOTAL NON-CURRENT ASSSETS		**38,748**	24,506
TOTAL ASSETS		**6,018,149**	7,871,722
CURRENT LIABILITIES			
Trade and other payables		**547,704**	918,513
TOTAL CURRENT LIABILITIES		**547,704**	918,513
TOTAL LIABILITIES		**547,704**	918,513
NET ASSETS		**5,470,445**	6,953,209
EQUITY			
Contributed equity	3	**17,035,698**	16,716,725
Reserves		**461,850**	398,867
Accumulated losses		**(12,027,103)**	(10,162,383)
TOTAL EQUITY		**5,470,445**	6,953,209

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Contributed Equity	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$
BALANCE AT 1 JULY 2009	7,571,552	346,402	33,116	(7,184,792)	766,278
Loss for the period	-	-	-	(608,453)	(608,453)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	3,980	-	3,980
TOTAL COMPREHENSIVE INCOME	-	-	3,980	(608,453)	(604,473)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	4,000,000	-	-	-	4,000,000
Share issue transaction costs	(192,187)	-	-	-	(192,187)
Employee share options	-	12,487	-	-	12,487
BALANCE AT 31 DECEMBER 2009	11,379,365	358,889	37,096	(7,793,245)	3,982,105
BALANCE AT 1 JULY 2010	**16,716,725**	**365,530**	**33,337**	**(10,162,383)**	**6,953,209**
Loss for the period	**-**	**-**	**-**	**(1,864,720)**	**(1,864,720)**
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	**-**	**-**	**53,867**	**-**	**53,867**
TOTAL COMPREHENSIVE INCOME	**-**	**-**	**53,867**	**(1,864,720)**	**(1,810,853)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	**325,000**	**-**	**-**	**-**	**325,000**
Share issue transaction costs	**(6,027)**	**-**	**-**	**-**	**(6,027)**
Employee share options	**-**	**9,116**	**-**	**-**	**9,116**
BALANCE AT 31 DECEMBER 2010	**17,035,698**	**374,646**	**87,204**	**(12,027,103)**	**5,470,445**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Half-year	
	2010	**2009**
	$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on mining interests	**(1,887,994)**	(170,072)
Payments to suppliers and employees	**(484,777)**	(210,899)
Interest received	**186,292**	18,288
Net cash (outflow) from operating activities	**(2,186,479)**	(362,683)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	**(15,441)**	(7,191)
Net cash (outflow) from investing activities	**(15,441)**	(7,191)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	**325,000**	4,000,000
Payment of share issue costs	**(6,027)**	(192,187)
Net cash inflow from financing activities	**318,973**	3,807,813
Net increase/(decrease) in cash and cash equivalents	**(1,882,947)**	3,437,939
Cash and cash equivalents at the beginning of the half-year	**7,752,962**	794,641
Effects of exchange rate changes on cash and cash equivalents	**(220)**	(147)
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	**5,869,795**	4,232,433

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2010 and any public announcements made by Castle Minerals Limited during the half-year period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2010, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2010.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2010. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2: SEGMENT INFORMATION

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.

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.

	Half-year	
	2010	**2009**
Exploration Segment	**$**	**$**
Segment revenue	**-**	-
Reconciliation of segment revenue to total revenue before tax:		
Interest revenue	**176,949**	29,113
Total revenue	**176,949**	29,113
Segment results	**(1,727,814)**	(254,177)
Reconciliation of segment result to net loss before tax:		
Other corporate and administration	**(136,906)**	(354,276)
Net loss before tax	**(1,864,720)**	(608,453)

	31 December 2010	**30 June 2010**
	$	**$**
Segment operating assets	**50,381**	1,395
Reconciliation of segment operating assets to total assets:		
Other corporate and administration assets	**5,967,768**	7,870,327
Total assets	**6,018,149**	7,871,722
Segment operating liabilities	**415,654**	580,715
Reconciliation of segment operating liabilities to total liabilities:		
Other corporate and administration liabilities	**132,050**	337,798
Total liabilities	**547,704**	918,513

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: EQUITY SECURITIES ISSUED

	2010 Shares	2010 $	2009 Shares	2009 $
Issues of ordinary shares during the half-year				
Issued for cash @ 25 cents per share	**1,300,000**	**325,000**	7,000,000	1,750,000
Issued for cash @ 15 cents per share	**-**	**-**	15,000,000	2,250,000
Transaction costs	**-**	**(6,027)**	-	(192,187)
	1,300,000	**318,973**	22,000,000	3,807,813

	Number of options 2010	Number of options 2009
Movements of options during the half-year		
Options exercised at 25 cents, expiring 31 March 2011	**(1,300,000)**	-
Options issued, exercisable at 25 cents, on or before 31 March 2011	**500,000**	-
Options issued, exercisable at 30 cents, on or before 20 August 2012	**-**	75,000
Options issued, exercisable at 35 cents, on or before 21 December 2011	**-**	3,500,000
	(800,000)	3,575,000

NOTE 4: CONTINGENCIES

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

NOTE 5: RELATED PARTY TRANSACTIONS

During the half-year the Company entered into a lease agreement with Henmik Pty Ltd, a company of which Mr Ivey is sole director. The lease is for office premises with a three year term commencing 1 December 2010, with an option to renew for a further three year term. The rent has been set on normal commercial rates, commencing with annual base rent of $54,280, plus annual outgoings of $10,000, with the base rent subject to an annual fixed increase of 5%.

NOTE 6: SUBSEQUENT EVENTS

During February 2011 a total of 1,304,000 ordinary shares were issued upon conversion of 35 cent options.

No other matter or circumstance has arisen since 31 December 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.

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 5 to 11 are in accordance with the *Corporations Act 2001*, including:
   (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*; and
   (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Castle Minerals Limited will be able to pay its debts as and when they become due and payable.

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

Michael Ivey
Managing Director

Perth, 11 March 2011

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

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

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Castle Minerals Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Castle Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Castle Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Castle Minerals Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO Audit

C Burton

Chris Burton
Director

Perth, Western Australia
Dated this 11th day of March 2011