NEWCASTLE MINERALS LTD.
(An exploration stage company)

Financial Statements

June 30, 2011 and 2010

Index

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Independent Auditor's Report

To the Shareholders of
Newcastle Minerals Ltd.

We have audited the accompanying financial statements of Newcastle Minerals Ltd., which comprise the balance sheets as at June 30, 2011 and June 30, 2010, and the statements of operations, comprehensive loss and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Newcastle Minerals Ltd. as at June 30, 2011 and June 30, 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of Newcastle Minerals Ltd. to continue as a going concern.

"MacKay LLP"

Chartered Accountants
Vancouver, British Columbia
October 26, 2011

NEWCASTLE MINERALS LTD.
(An exploration stage company)

Balance Sheets
June 30, 2011 and 2010

	2011	2010
ASSETS		
Current		
Cash	$ 570,014	$ 394,906
Accounts receivable	16,260	876,964
Marketable securities (note 5)	260,126	58,486
Prepaid expenses	5,900	24,640
	852,300	1,354,996
Deposits (note 6)	9,151	9,092
Exploration advances	63,350	-
Equipment (note 7)	11,243	15,886
Mineral interests (note 8)	2,173,601	990,932
	$ 3,109,645	$ 2,370,906
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 36,474	$ 49,310
Due to related parties (note 11)	-	168
	36,474	49,478
SHAREHOLDERS' EQUITY		
Share capital (note 9)	11,149,259	10,295,607
Contributed surplus (note 10)	746,951	690,338
Deficit	(8,823,039)	(8,664,517)
	3,073,171	2,321,428
	$ 3,109,645	$ 2,370,906

Nature and continuance of operations (note 1)
Subsequent events (note 14)

On Behalf of the Board: *"Michael Romanik"* Michael Romanik — *"J. Jeff Smulders"* J. Jeff Smulders

The accompanying notes are an integral component of these financial statements.

NEWCASTLE MINERALS LTD.
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Statements of Operations, Comprehensive Loss and Deficit
Years Ended June 30, 2011 and 2010

		2011		2010
Operating expenses				
Amortization	$	2,556	$	3,575
Bank charges and interest		1,365		392
Consulting		120,970		185,418
Filing and transfer fees		37,116		43,756
Insurance		9,400		-
Management and administration fees (note 11)		170,400		196,300
Office		6,735		8,113
Professional fees		47,861		37,346
Promotion and travel		142,772		115,518
Rent (note 11)		-		3,000
Stock-based compensation (note 9)		42,744		526,122
Telephone		2,221		2,997
Operating loss		(584,140)		(1,122,537)
Other income (expenses)				
Interest income		134		3,367
Realized gain on marketable securities		212,539		16,505
Unrealized gain on marketable securities		22,561		42,991
Loss on disposition of equipment		(3,442)		-
Loss on disposition and writedown of mineral interests (note 8)		(32,244)		(1,027,060)
		199,548		(964,197)
Loss before income taxes		(384,592)		(2,086,734)
Income tax recovery (expense)				
Future income tax recovery (note 12)		226,070		26,000
Net and comprehensive loss for the year		(158,522)		(2,060,734)
Deficit, beginning of year		(8,664,517)		(6,603,783)
Deficit, end of year	$	(8,823,039)	$	(8,664,517)
Loss per share - basic and diluted	$	(0.00)	$	(0.04)
Weighted average number of shares outstanding		74,731,762		50,901,844

The accompanying notes are an integral component of these financial statements.

NEWCASTLE MINERALS LTD.
(An exploration stage company)

Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Operating activities		
Net loss for the year	$ (158,522)	$ (2,060,734)
Adjustments for items not involving cash:		
Amortization of equipment	2,556	3,575
Stock-based compensation	42,744	526,122
Accrued interest	(59)	(3,304)
Loss on disposition of equipment	3,442	-
Realized gain on marketable securities	(212,539)	(16,505)
Unrealized gain on marketable securities	(22,561)	(42,991)
Loss on disposition and writedown of mineral interests	32,244	1,027,060
Future income tax recovery	(226,070)	(26,000)
	(538,765)	(592,777)
Changes in non-cash working capital:		
Accounts receivable	2,204	(5,370)
Prepaid expenses	18,740	(24,640)
Accounts payable and accrued liabilities	10,604	(7,920)
Cash used in operating activities	(507,217)	(630,707)
Investing activities		
Deposits	-	11,941
Proceeds from disposition of marketable securities, net (note 5)	664,204	30,626
Purchase of equipment	(1,355)	(2,429)
Exploration advances	(63,350)	-
Proceeds from disposition of mineral interests	465,000	100,000
Acquisitions of mineral interests	(1,195,897)	(416,230)
Cash used in investing activities	(131,398)	(276,092)
Financing activities		
Advances from (to) related parties	(168)	(17,775)
Issuance of common shares for cash	879,550	1,318,550
Share issue costs	(65,659)	(39,755)
Cash provided by financing activities	813,723	1,261,020
Increase in cash	175,108	354,221
Cash, beginning of year	394,906	40,685
Cash, end of year	$ 570,014	$ 394,906

Supplemental cash flow information

	2011	2010
Interest received	$ 134	$ 63
Income taxes paid	$ -	$ -

Non-cash transactions (note 13)

The accompanying notes are an integral component of these financial statements.

1. Nature and Continuance of Operations

The Company is in the business of exploring its mineral interests and has not yet determined whether these properties contain ore reserves that are economically recoverable. The ability for the Company to continue as a going concern and the recoverability of the amounts shown for mineral interests and related deferred costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition thereof. There is significant uncertainty regarding the outcome of these matters.

These financial statements are prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. Accordingly, it does not give effect to adjustments, if any, which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

2. Significant Accounting Policies

Mineral Interests and Deferred Exploration Costs

Mineral property costs, exploration and field support costs directly relating to mineral properties are deferred until the property to which they directly relate is placed into production, sold or abandoned. The deferred costs will be amortized over the useful life of the ore body following commencement of production or written off if the property is sold or abandoned. Administration costs and other exploration costs that do not relate to any specific property are expensed as incurred. Recorded costs of mineral properties and deferred exploration costs are not intended to reflect present or future values of mineral interests.

At each reporting period, management reviews the carrying values of deferred mineral property acquisition and exploration expenditures with a view to assessing whether there has been any impairment in value. Management takes into consideration various information including, but not limited to, the stage of exploration, evaluation and development, results of exploration activities conducted to date, estimated future metal prices and reports and opinions of outside geologists, mine engineers and consultants. Whenever events or circumstances indicate that the carrying value may not be recoverable, the carrying value will be written down or written off, as appropriate. As of June 30, 2011, the Company had not established that its mineral properties have any known or proven reserves.

2. Significant Accounting Policies (continued)

Mineral Interests and Deferred Exploration Costs (continued)

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry norms for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Asset Retirement Obligations

The Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3110, "Asset Retirement Obligations," which establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs. The standards apply to legal obligations associated with the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. The standards require that a liability for an asset retirement obligation be recognized in the year in which it is incurred and when a reasonable estimate of the fair value of the liability can be made. Furthermore, a corresponding asset retirement cost should be recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value.

Property Option Agreements

From time to time, the Company may acquire or dispose of a mineral interest pursuant to the terms of an option agreement. Due to the fact that the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Loss per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method.

2. Significant Accounting Policies (continued)

Loss per Share (continued)

The treasury stock method assumes that the proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. For the years ending June 30, 2011 and 2010, diluted loss per share is the same as basic loss per share because the assumed conversion of outstanding stock options and warrants has an anti-dilutive effect.

Equipment

Office equipment is recorded at cost and is amortized on the declining balance basis at an annual rate of 20%.

Marketable Securities

Marketable securities are measured at their fair value, without deduction for transaction costs that may be incurred upon sale. Fair value is determined by reference to published price quotations in an active market. A gain or loss arising from a change in the fair value of marketable securities is reported as an unrealized gain or loss on marketable securities in the Statement of Operations, Comprehensive Loss and Deficit for the year in which it arises.

Flow-Through Shares

The Company has adopted the guidance of the CICA on the accounting treatment of Canadian flow-through shares through its Emerging Issues Committee abstract EIC 146. The Abstract recommends that upon renunciation to the shareholders, the Company will reduce share capital and record a temporary future income tax liability for the amount of the tax deduction renounced to shareholders. In instances where the Company has sufficient available tax loss carry-forwards or other deductible temporary differences available to offset the renounced tax deductions, the realization of the deductible temporary differences will be credited to income in the year of renunciation. Exploration costs renounced due to flow-through share subscription agreements remain capitalized; however, for corporate income tax purposes, the Company has no right to claim these costs as tax-deductible expenses.

2. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results may differ from those estimates.

Income Taxes

Income taxes are accounted for using the asset and liability method pursuant to Section 3465, "Income Taxes," of the CICA Handbook. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities, and loss carry-forwards. The effect on future taxes for a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment. In addition, Section 3465 allows the recognition of future tax benefits only to the extent that realization of such benefits is more likely than not.

Cash Equivalents

Cash equivalents consist of highly liquid investments which are readily convertible into a known amount of cash and are subject to an insignificant risk of change in value and have maturities of three months or less when purchased.

Share Issue Costs

Commissions paid to underwriters and finders in respect of the issue of the Company's shares are charged directly to share capital, as are other share issue costs, such as legal, auditing and printing.

2. Significant Accounting Policies (continued)

Stock-Based Compensation

CICA Handbook Section 3870, “Stock-Based Compensation and Other Stock-Based Payments,” established standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. Section 3870 sets out a fair value based method of accounting that is required for all stock-based transactions. Under the recommendation, stock options and direct awards of stock granted to employees and directors are recorded at fair value on the date of grant using the Black-Scholes option pricing model, and the associated expense is amortized over the vesting period, with an offsetting credit to contributed surplus. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. If the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest; rather, the Company accounts for actual forfeitures as they occur.

Valuation of warrants

The Company utilizes the residual value method with respect to the valuation of warrants issued as part of a private placement unit. Under this method, the Company allocates the net proceeds to the common shares up to their fair value, as determined by the current quoted trading price on the announcement date, and the balance, if any, to the attached warrants.

Measurement Uncertainty

The amounts recorded for the future recovery of the recorded cost of the properties and the provision for a future asset retirement obligation are based on estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be significant.

Financial Instruments

Under Section 3251, “Equity,” Section 3855, “Financial Instruments - Recognition and Measurement” and Sections 3862 and 3863, “Financial Instruments - Disclosure and Presentation,” all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions.

2. Significant Accounting Policies (continued)

Financial Instruments (continued)

Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in operations in the year in which they arise. Available-for-sale financial assets are measured at fair value with revaluation gains and losses included in other comprehensive loss until the asset is removed from the balance sheet or an other than temporary impairment is recognized. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses on inception, de-recognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to financial instruments are expensed in the year incurred.

The Company has designated its cash, marketable securities and deposits as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, and amounts due to related parties are classified as other financial liabilities, which are measured at amortized cost.

New Accounting Standards – Not Yet Adopted

International financial reporting standards (“IFRS”)
In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011.

The Company is in the process of completing a detailed assessment of the requirements of the transition to IFRS, with the intention of identifying the timing of the implementation of the transition, major differences from existing accounting policies, new accounting policies which are appropriate for the Company, the appropriate disclosures in its financial statements prepared under IFRS, and refinement of its implementation plan. While the Company has begun assessing the adoption of IFRS, the financial reporting impact of the transition to IFRS has not been estimated at this time.

3. Capital Management

The Company manages its capital to continue as a going concern largely through issuances of shares. These share issues depend on several factors, including a positive mineral exploration environment, positive stock market conditions, a company's track record and the experience of management. The capital structure of the Company consists of shareholders' equity, comprising share capital, contributed surplus and deficit. The Company is not subject to any external capital requirements.

There were no changes to the Company's approach to capital management during the year ended June 30, 2011.

4. Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, marketable securities, deposits, accounts payable and accrued liabilities, and due to related parties. The fair value of these financial instruments approximates their carrying value due to the short-term nature of these statements unless otherwise noted. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

It is not practical to determine the fair value of the amounts due to and from related parties with sufficient reliability due to the nature of the financial instruments.

The Company monitors and manages the risks relating to its financial instruments through analysis of exposures by degree and magnitude of risks. These risks include credit risk, market risk and liquidity risk.

Credit risk
Credit risk refers to the risk that another entity will default on its contractual obligations resulting in financial loss to the Company. As of June 30, 2011, such contractual obligations comprised cash held with high-creditworthy financial institutions in the amount of $570,014 (June 30, 2010 – $394,906); accounts receivable in the amount of $16,260 (June 30, 2010 – $876,964); and deposits with or pledged to the Province of British Columbia in the amount of $9,151 (June 30, 2010 – $9,092). Management considers this risk to be negligible.

4. Financial Instruments (continued)

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The Company does not currently hold any financial instruments that mitigate this risk with respect to its cash, which as of June 30, 2011 totaled $570,014 (June 30, 2010 – $394,906), nor its marketable securities, which had a fair value at June 30, 2011 of $260,126 (June 30, 2010 – $58,486). Based on the marketable securities balance as at June 30, 2011, a 10% change in share price would have affected the Company's net loss by $26,000.

Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. As of June 30, 2011, the Company had working capital of $815,826 (June 30, 2010 – $1,305,518). Management anticipates that the Company will be able to meet its obligations as they become due.

Fair Value Hierarchy

Financial instruments recorded at fair value on the balance sheets are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – valuation techniques based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following tables present the financial instruments recorded at fair value in the balance sheets, classified using the fair value hierarchy described above:

Assets as at June 30, 2011	Level 1	Level 2	Level 3
Cash	$ 570,014	$ -	$ -
Marketable securities	$ 260,126	$ -	$ -

4. Financial Instruments (continued)

Fair Value Hierarchy (continued)

Assets as at June 30, 2010	Level 1	Level 2	Level 3
Cash	$ 394,906	$ -	$ -
Marketable securities	$ 58,486	$ -	$ -

5. Marketable Securities

The Company's marketable securities represent the following securities, which are designated as held-for-trading and measured at fair value based on the quoted market price. Changes in fair value are recorded as an unrealized gain or loss in the Statements of Operations, Comprehensive Loss and Deficit. The quoted market value does not necessarily reflect the long-term net recoverable value of the marketable securities due to the lack of liquidity often found in securities of this nature. There is uncertainty that the future realized value of the marketable securities may not exceed the current carrying value, such that a writedown of the value would be required, the extent of which is undeterminable at this time.

	Skyline Gold Corporation shares		Skyline Gold Corporation warrants		First Lithium Resources Inc. shares		SGX Resources Inc. shares		
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Total
Balance, June 30, 2009	-	$ -	-	$ -	-	$ -	-	$ -	$ -
Acquisition upon settlement of debt	393,691	29,616	393,691	-	-		-	-	29,616
Proceeds from sale	(200,000)	(30,626)	-	-	-		-	-	(30,626)
Realized gain	-	16,505	-	-	-		-	-	16,505
Unrealized gain	-	19,369	-	23,622	-		-	-	42,991
Balance, June 30, 2010	193,691	34,864	393,691	23,622	-		-	-	58,486
Acquisition upon sale of mineral interests	1,938,502	362,500	-	-	1,700,000	146,000	288,462	75,000	583,500
Exercise of warrants to purchase shares	393,691	70,865	(393,691)	(23,622)	-	-	-	-	47,243
Proceeds from sale	(1,485,382)	(412,627)	-	-	(1,700,000)	(169,100)	(288,462)	(82,477)	(664,204)
Realized gain	-	181,963	-	-	-	23,100	-	7,477	212,540
Unrealized gain	-	22,561	-	-	-	-	-	-	22,561
Balance, June 30, 2011	1,040,502	$ 260,126	-	$ -	-	$ -	-	$ -	$ 260,126

6. Deposits

Bank term deposits totalling $9,151 (2010 – $9,092) have been posted as reclamation bonds with the Province of British Columbia, Canada. The term deposits bear interest at a weighted average rate of 0.97% per annum (2010 – 0.82%).

7. Equipment

		Cost		Accumulated Amortization		June 30, 2011 Net Book Value
Office equipment	$	25,502	$	14,259	$	11,243

		Cost		Accumulated Amortization		June 30, 2010 Net Book Value
Office equipment	$	57,148	$	41,262	$	15,886

8. Mineral Interests

Carscallen
The Company acquired an option to purchase a 100% interest in nine property patents covering approximately 120 hectares in Carscallen Township, 21 kilometres southwest of Timmins, Ontario. The Company agreed to pay $325,000 (of which $150,000 has been paid), issue 3,750,000 shares (of which 750,000 shares were issued with a value of $77,500) in four stages over three years, and grant the optionor a 2% net smelter returns royalty, of which the Company may repurchase half for $1,000,000. In addition, the Company will issue the optionor up to an additional 900,000 shares based on future exploration results. The optionor will retain the property's timber rights. The Company also agreed to pay a finders' fee in respect of the option of up to $30,000 (of which $15,000 has been paid) and 377,596 shares of the Company (of which 75,000 shares were issued with a value of $7,750).

In May 2010, the Company granted an option to SGX Resources Inc. ("SGX") to purchase a 50% interest in the Company's Carscallen Township Patents. To exercise the option, SGX paid the Company $100,000, and agreed to issue $75,000 of SGX shares (all of which were received) and agreed to assume or reimburse all remaining payment obligations under the Company's head option agreement (of which $50,000 was reimbursed), except for the issuance of up to 900,000 Company shares. SGX terminated its option on November 30, 2010.

8. Mineral Interests (continued)

Pickle Lake
The Company owns interests ranging from 60% to 100% in 58 mineral claims covering approximately 10,208 hectares in the Patricia Mining Division of northwestern Ontario and holds two options to purchase a 100% interest in 13 additional mineral claims and patents covering approximately 915 hectares. Under the terms of the options and purchase agreements, the Company agreed to pay the optionors and vendor $419,500 (of which $147,500 has been paid), issue 5,320,000 shares (of which 3,420,000 shares have been issued with a weighted average value of $0.10 per share) over four years, issue warrants to purchase a further 350,000 shares exercisable for two years at a price equal to 110% of the then-current market price, incur not less than $550,000 of exploration costs over two and one-half years, and grant the optionors net smelter returns royalties ranging from 2% to 3%. The Company may repurchase approximately one-half of the royalties for a total of $8,000,000.

Mollie River
The Company owns a 100% interest in three mineral claims covering 592 hectares located in Benneweis Township in northwestern Ontario. The Company paid $15,000 cash, issued 2,000,000 common shares with a value of $0.10 per share and granted a 3% net smelter returns royalty to the vendor. The Company may repurchase one-third of the royalty for $1,000,000.

In November 2010, the Company granted an option to First Lithium Resources Inc. to earn up to a 75% interest in the claims by paying and issuing to the Company $15,000 (all of which has been received) and 1,750,000 shares (of which 500,000 shares with a fair value of $0.10 per share have been received) and incurring $1,000,000 of exploration over three years.

Chester Township
The Company owns a 100% interest in one mineral claim covering 29 hectares located in Chester Township in northwestern Ontario. The Company paid $12,000 cash, issued 400,000 shares with a value of $0.12 per share and granted a 3% net smelter returns royalty to the vendor. The Company may repurchase one-third of the net smelter returns royalty for $1,000,000. The Company also paid a finder’s fee in respect of the purchase of $1,200 and 40,000 shares with a value of $0.12 per share.

Potier and Neville Townships
The Company owns a 100% interest in 26 mineral claims covering 6,000 hectares located in Potier Township and Neville Township in northwestern Ontario. The Company paid $60,000 cash, issued 2,700,000 shares with an average value of $0.135 per share, and granted a 3% net smelter returns royalty to the vendor. The Company may repurchase one-half of the royalty for $1,000,000.

8. Mineral Interests (continued)

Strike
The Company owned a 100% interest in 25 mineral claims covering 522 hectares located near the Yukon River approximately 100 kilometres south of Dawson City, Yukon. The Company paid $75,000 cash, issued 3,000,000 common shares with a value of $0.04 per share and granted a 3% net smelter returns royalty to the vendor.

In June 2010, the Company sold all of its interest in the Strike Claims for 1,200,000 shares in the capital of First Lithium Resources Inc. with a value of $0.08 per share.

Waratah
The Company owned a 100% interest in mineral claims covering 500 hectares in the Iskut River area of the Liard Mining Division of northwestern British Columbia. The Company granted to each of Skyline Gold Corporation and Nickelodeon Minerals Inc. a 1% net smelter returns royalty on all future production.

Snip North and Bug
The Company owned a 100% interest in mineral claims covering 3,650 hectares located in the Iskut River area of northwestern British Columbia, subject to a 1% net smelter returns royalty.

Phiz
The Company owned a 100% interest in one mineral claim covering 450 hectares in the Iskut River area of northwestern British Columbia.

In June 2010, the Company sold all of its interest in the Waratah, Snip North, Bug and Phiz claims for 2,139,037 shares in the capital of Skyline Gold Corporation at an agreed value of $0.187 per share (received by the Company in July 2010) and $400,000 cash (received by the Company in June 2011). The Company paid a finder's fee of 200,535 Skyline shares with a value $0.187 per share and $30,000 cash in respect of the sale.

Goodenough Lake
The Company owned a 100% interest in 13 mineral claims covering 5,109 hectares located near 70 Mile House, British Columbia. The Company paid $50,000 cash, issued 3,000,000 common shares with a value of $0.09 per share and granted a 2% net smelter returns royalty to the vendor. The Company permitted these claims to lapse in August 2010.

9. Share Capital

Authorized

An unlimited number of common shares without par value

Issued and fully paid

	Number of Shares		Amount
Balance, June 30, 2009	31,447,690	$	7,824,426
Private placements	10,278,332		575,050
Less share issue costs paid in cash	-		(39,755)
Less share issue costs paid in broker warrants	-		(15,983)
Less future income tax on flow-through share renunciation	-		(26,000)
Purchase of, and option payments on, mineral interests	12,050,000		1,158,000
Finders' fees on property option payments	65,000		7,550
Exercise of warrants	11,275,000		653,500
Exercise of stock options	900,000		158,819
Balance, June 30, 2010	66,016,022		10,295,607
Purchase of mineral interests	3,270,000		279,700
Private placements	9,645,000		879,550
Less share issue costs paid in cash	-		(65,659)
Less share issue costs paid in broker warrants	-		(13,869)
Less future income tax on flow-through share renunciation	-		(226,070)
Balance, June 30, 2011	78,931,022	$	11,149,259

Common shares

In July 2009, the Company completed a private placement of 6,000,000 units at a price of $0.03 per unit for gross proceeds of $180,000. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase an additional common share at a price of $0.07 until July 20, 2010 and $0.10 until July 20, 2011. A finder's fee of $6,000 cash was paid in respect of the offering.

In July 2009, the Company issued 3,000,000 common shares with a value of $0.04 per share for the purchase of mineral claims.

In September 2009, the Company issued 3,000,000 common shares with a value of $0.09 per share for the purchase of mineral claims.

9. Share Capital (continued)

Common shares (continued)

In October 2009, the Company completed a private placement of 3,278,332 non-flow-through units at a price of $0.09 per unit for gross proceeds of $295,050, and 1,000,000 flow-through units at a price of $0.10 per unit for gross proceeds of $100,000. Each non-flow-through unit consisted of one common share and one warrant, which entitles the holder to purchase an additional non-flow-through common share at a price of $0.12 until October 16, 2011. Each flow-through unit consisted of one common share and one-half of one warrant. Each full warrant entitles the holder to purchase an additional non-flow-through common share at a price of $0.15 until October 16, 2011. Finders' fees of $33,755 and broker warrants exercisable for up to 274,500 non-flow-through common shares at a price of $0.15 per share until October 16, 2011 and with a fair value of $15,983 were paid and issued in respect of the offering.

In January 2010, the Company issued 7,050,000 common shares in respect of the exercise of share purchase warrants at $0.05 per share, and 600,000 common shares in respect of the exercise of share purchase warrants at $0.07 per share.

In January 2010, the Company issued 250,000 common shares with a value of $0.11 per share pursuant to an option to purchase mineral claims, and 25,000 common shares with a value of $0.11 per share in respect of a finder's fee relating to the option.

In February 2010, the Company issued 500,000 common shares in respect of the exercise of share purchase warrants at $0.05 per share.

In March 2010, the Company issued 1,000,000 common shares with a value of $0.12 per share pursuant to an option to purchase mineral claims.

In March 2010, the Company issued 2,000,000 common shares with a value of $0.10 per share to purchase mineral claims.

In April 2010, the Company issued 400,000 common shares with a value of $0.12 per share to purchase mineral claims, and 40,000 common shares with a value of $0.12 per share in respect of a finder's fee relating to the purchase.

In April 2010, the Company issued 1,350,000 common shares with a value of $0.19 per share to purchase mineral claims.

In April 2010, the Company issued 2,700,000 common shares in respect of the exercise of share purchase warrants at $0.07 per share, 200,000 common shares in respect of the exercise of share purchase warrants at $0.10 per share, and 125,000 common shares in respect of the exercise of share purchase warrants at $0.12 per share.

9. Share Capital (continued)

Common shares (continued)

In April 2010, the Company issued 300,000 common shares in respect of the exercise of stock options at $0.10 per share.

In May 2010, the Company issued 600,000 common shares in respect of the exercise of stock options at $0.10 per share.

In June 2010, the Company issued 50,000 common shares with a value of $0.12 per share pursuant to an option to purchase mineral claims.

In June 2010, the Company issued 100,000 common shares in respect of the exercise of share purchase warrants at $0.10 per share.

In June 2010, the Company issued 1,000,000 common shares with a value of $0.11 per share pursuant to an option to purchase mineral claims.

In August 2010, the Company issued 1,350,000 common shares with a value of $0.08 per share to purchase mineral claims.

In September 2010, the Company completed a private placement of 5,995,000 flow-through common shares at a price of $0.09 per share for gross proceeds of $539,550. A finder's fee of $48,859 and broker warrants exercisable for up to 539,550 non-flow-through common shares at a price of $0.09 per share until March 16, 2012 and with a fair value of $13,869 were paid and issued in respect of the offering.

In October 2010, the Company issued 200,000 common shares with a value of $0.11 per share to purchase mineral claims, and 20,000 common shares with a value of $0.11 per share in respect of a finder's fee relating to the purchase.

In October 2010, the Company issued 500,000 common shares with a value of $0.08 per share pursuant to an option to purchase mineral claims.

In December 2010, the Company issued 50,000 common shares with a value of $0.09 per share pursuant to an option to purchase mineral claims.

In December 2010, the Company completed a private placement of 2,400,000 flow-through common shares at a price of $0.10 per share for gross proceeds of $240,000. Finders' fees of $8,800 were paid in respect of the offering.

In January 2011, the Company issued 550,000 common shares with a value of $0.10 per share pursuant to an option to purchase mineral claims.

9. Share Capital (continued)

Common shares (continued)

In January 2011, the Company completed a private placement of 1,250,000 units at a price of $0.08 per unit for gross proceeds of $100,000. Each unit consisted of one common share and one-half of one warrant, each of which entitles the holder to purchase an additional common share at a price of $0.12 until January 25, 2012.

In February 2011, the Company issued 600,000 common shares with a value of $0.08 per share pursuant to an option to purchase mineral claims.

Warrants

As of June 30, 2011, the Company had outstanding warrants issued pursuant to private placements, which may be exercised to purchase a total of 7,792,382 shares (June 30, 2010 – 6,627,832). Of this total, 2,700,000 warrants may be exercised at $0.10 per share until July 20, 2011, 3,153,332 warrants may be exercised at $0.12 per share until October 16, 2011, 500,000 warrants may be exercised at $0.15 per share until October 16, 2011, 274,500 broker warrants may be exercised at $0.15 per share until October 16, 2011, 539,550 broker warrants may be exercised at $0.09 per share until March 16, 2012, and 625,000 warrants may be exercised at $0.12 per share until January 25, 2012. Details of warrants outstanding are as follows:

	2011		2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	6,627,832	$0.12	13,564,284	$0.15
Issued pursuant to private placements	625,000	0.12	9,778,332	0.10
Broker warrants issued pursuant to a private placement	539,550	0.09	274,500	0.15
Exercised	-	-	(11,275,000)	0.06
Expired	-	-	(5,714,284)	0.29
Balance, end of year	7,792,382	$0.11	6,627,832	$0.12

Subsequent to the end of the year, warrants to purchase a total of 6,627,832 shares at prices ranging from $0.10 to $0.15 expired unexercised.

Stock-Based Compensation

The Company adopted, and its shareholders approved, a stock option plan whereby up to a maximum of 10% of the outstanding shares of the Company as of the date of grant are reserved for the grant and issuance of incentive stock options.

9. Share Capital (continued)

Stock-Based Compensation (continued)

Under the plan, the exercise price of an option may not be set at less than the minimum price permitted by the TSX Venture Exchange, and the options may be exercisable for a period of up to 10 years. The aggregate number of options granted to any one individual during any twelve-month period may not exceed 5% of the issued shares of the Company, or 2% in the case of consultants and investor relations representatives. Stock options granted to investor relations representatives vest in four equal quarterly amounts following the date of the grant.

In January 2010, the Company granted stock options to eight directors, officers, employees and consultants to purchase up to a total of 2,600,000 shares of the Company at a price of $0.10 per share exercisable until January 12, 2015.

In March 2010, the Company granted stock options to one consultant to purchase up to 500,000 shares of the Company at a price of $0.10 per share exercisable until March 5, 2015.

In May 2010, the Company granted stock options to one consultant to purchase up to 500,000 shares of the Company at a price of $0.10 per share exercisable until their expiration on May 30, 2011.

In May 2010, the Company granted stock options to one officer to purchase up to 1,000,000 shares of the Company at a price of $0.105 per share exercisable until May 31, 2015.

In March 2011, the Company granted stock options to one consultant to purchase up to 750,000 shares of the Company at a price of $0.10 per share exercisable until August 5, 2011. Subsequent to the end of the year, these options expired unexercised.

9. Share Capital (continued)

Stock-Based Compensation (continued)

The fair value of each grant of stock options during the year ended June 30, 2011 was estimated using the Black-Scholes option valuation model with the following assumptions:

Date of grant	March 17, 2011	Total or Weighted Average
Number of options	750,000	750,000
Estimated life	2.8 years	2.8 years
Share price at date of vesting	$0.06	$0.06
Option exercise price	$0.10	$0.10
Risk-free interest rate	1.56%	1.56%
Estimated annual volatility	245%	245%
Option fair value	$0.06	$0.06
Compensation cost	$42,744	$42,744

The fair value of each grant of stock options during the year ended June 30, 2010 was estimated using the Black-Scholes option valuation model with the following assumptions:

Date of grant	January 12, 2010	March 5, 2010	May 10, 2010	May 31, 2010	Total or Weighted Average
Number of options	2,600,000	500,000	500,000	1,000,000	4,600,000
Estimated life	5 years	5 years	1.9 years	5 years	4.7 years
Share price at date of vesting	$0.11	$0.11	$0.15	$0.14	$0.12
Option exercise price	$0.10	$0.10	$0.10	$0.105	$0.10
Risk-free interest rate	2.37%	2.41%	1.93%	2.75%	2.41%
Estimated annual volatility	129%	128%	157%	130%	132%
Option fair value	$0.10	$0.09	$0.12	$0.12	$0.11
Options granted	$247,338	$47,488	$58,389	$123,569	$476,784
Options vested					49,338
Compensation cost					$526,122

As of June 30, 2011, the Company had outstanding stock options, which may be exercised to purchase a total of 4,750,000 shares (June 30, 2010 – 5,150,000). A summary of the Company’s stock options as of June 30, 2011 and 2010, and the changes for the years ending on those dates are as follows:

9. Share Capital (continued)

Stock-Based Compensation (continued)

	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Number Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Balances, June 30, 2009	2,100,000	$ 0.10	2.6	1,500,000	$ 0.10	1.7
Options granted/vested	4,600,000	0.10				
Option exercised	(900,000)	0.10				
Options cancelled or expired	(650,000)	0.10				
Balances, June 30, 2010	5,150,000	0.10	3.9	5,150,000	0.10	3.9
Options granted/vested	750,000	0.10				
Options exercised	-	-				
Options cancelled or expired	(1,150,000)	0.10				
Balances, June 30, 2011	4,750,000	$ 0.10	3.1	4,750,000	$ 0.10	3.1

10. Contributed Surplus

	June 30, 2011	June 30, 2010
Balance beginning of year	$ 690,338	$ 217,052
Options granted or vested	42,744	526,122
Broker warrants issued	13,869	15,983
Options exercised	-	(68,819)
Balance, end of year	$ 746,951	$ 690,338

11. Related Party Transactions

During the year, the Company entered into transactions with related parties as follows:

	2011	2010
Management fees paid to companies controlled by officers	$ 90,000	$ 145,000
Management fees paid to an officer	18,000	4,500
Fees for administrative services paid to an officer	62,400	46,800
Rent paid to a director	-	3,000

These transactions have been measured at the exchange amount, being the amount of consideration agreed to by the parties.

11. Related Party Transactions (continued)

As of June 30, 2011, no amounts were owed to officers or directors of the Company (June 30, 2010 – $168). Amounts due to related parties are without interest, unsecured and without stated terms of repayment; accordingly, fair value cannot be readily determined.

12. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2011	2010
Loss before income taxes	$ (384,592)	$ (2,068,734)
Income tax recovery at statutory rates	(106,000)	(610,000)
Adjustments to benefit resulting from:		
Non-deductible items for tax purposes	(21,000)	156,000
Expiry of non-capital loss carryforwards	-	38,000
Effect of change in tax rates	(10,000)	54,000
Tax benefits not recognized (recognized)	(89,070)	336,000
Future income taxes recovery	$ (226,070)	$ (26,000)

The components of the future income tax assets are as follows:

	2011	2010
Future income tax assets:		
Non-capital loss carryforwards	$ 618,000	$ 500,000
Capital loss carryforwards	22,000	23,000
Unused cumulative Canadian development and exploration expenses	384,000	570,000
Unamortized capital cost of equipment over its net book value	27,000	25,000
Share issue costs	24,000	16,000
Historical cost of marketable securities in excess of book value	(8,000)	(11,000)
	1,067,000	1,123,000
Less valuation allowance	(1,067,000)	(1,123,000)
	$ -	$ -

The valuation allowance reflects the Company's estimate that it is not more likely than not that these future income tax assets will be realized.

12. Income Taxes (continued)

The Company has non-capital losses of approximately $2,472,000 available to reduce future years' income for tax purposes, the tax effect of which has not been recorded in the accounts. If unused, the losses will expire as follows:

2014	$	132,000
2015		174,000
2026		190,000
2027		319,000
2028		298,000
2029		264,000
2030		623,000
2031		472,000
	$	2,472,000

The Company has capital losses totalling approximately $180,000 which are available indefinitely to offset capital gains in future years.

The Company also has approximately $3,708,000 in exploration and development expenses which are available indefinitely to reduce future years' income for tax purposes.

13. Non-Cash Transactions

During the year ended June 30, 2011, the Company issued 3,270,000 common shares with a deemed value of $279,700 for the purchase of, and option payments relating to, mineral interests and 539,550 broker warrants with an aggregate value of $13,868 as a share issue cost. The Company received 1,938,502 shares in the capital of Skyline Gold Corporation with a historical recorded value of $362,500, 1,700,000 shares in the capital of First Lithium Resources Inc. with a historical recorded value of $146,000 and 288,462 shares in the capital of SGX Resources Inc. with a historical recorded value of $75,000 in payment of accounts receivable and in respect of the option of mineral interests.

During the year ended June 30, 2010, the Company issued 12,115,000 common shares with a deemed value of $1,165,550 for the option and purchase of mineral properties and 274,500 broker warrants with an aggregate fair value of $15,983 as a share issue cost, received 393,691 shares and warrants to purchase an additional 393,691 shares in the capital of Skyline Gold Corporation in settlement of a $29,616 account receivable, and recorded $858,500 receivable relating to the value of 1,200,000 shares in the capital of First Lithium Resources Inc., 1,938,502 shares in the capital of Skyline Gold Corporation and cash receivable in respect of the sale of mineral interests.

14. Subsequent events

In July and August 2011, the Company completed a private placement of 7,100,000 flow-through common shares at a price of $0.06 per share and 4,600,000 non-flow-through units at a price of $0.06 per unit for gross proceeds of $702,000. Each non-flow-through unit consisted of one common share and one warrant. Each warrant, in turn, entitles the holder to purchase an additional common share at a price of $0.10 until July 24, 2013. Finders' fees totalling $51,360 were paid in respect of the offering.

In July 2011 and October 2011, warrants to purchase a total of 6,627,832 shares at prices ranging from $0.10 to $0.15 expired unexercised.

In August 2011, options to purchase 750,000 shares at $0.10 per share expired unexercised.

In October 2011, the Company issued 1,100,000 shares pursuant to two options to purchase minerals claims in the Pickle Lake area of northwestern Ontario.

NEWCASTLE MINERALS LTD.
(An exploration stage company)

Schedule of Mineral Interests
Year Ended June 30, 2011

	Carscallen	Pickle Lake	Mollie River	Chester Township	Potier and Neville Townships	Strike and Other	Snip North and Bug	Totals
Acquisition costs								
Option payments, cash	$ 100,000	$ 71,000	$ -	$ -	$ 30,000	$ -	$ -	$ 201,000
Option payments, shares	50,000	116,700	-	-	108,000	-	-	274,700
Finders' fees, cash	10,000	-	-	-	-	-	-	10,000
Finders' fees, shares	5,000	-	-	-	-	-	-	5,000
Staking, renewal and other	-	767	-	-	-	-	-	767
	165,000	188,467	-	-	138,000	-	-	491,467
Opening balance	-	312,500	215,036	66,000	286,500	-	-	880,036
	165,000	500,967	215,036	66,000	424,500	-	-	1,371,503
Deferred exploration expenditures								
Drilling	408,331	314,410	-	-	-	-	-	722,741
Geophysics	-	74,305	58,000	13,730	-	1,027	-	147,062
Reporting and analysis	-	824	326	-	-	12,493	-	13,643
	408,331	389,539	58,326	13,730	-	13,520	-	883,446
Opening balance	58,724	27,884	24,288	-	-	-	-	110,896
	467,055	417,423	82,614	13,730	-	13,520	-	994,342
Sale and option proceeds								
Option proceeds, cash	(50,000)	-	(15,000)	-	-	-	-	(65,000)
Sale proceeds, shares	(75,000)	-	(50,000)	-	-	-	-	(125,000)
Finder's fee, shares	-	-	-	-	-	-	30,000	30,000
	(125,000)	-	(65,000)	-	-	-	30,000	(160,000)
Gain (loss) on disposition	11,276	-	-	-	-	(13,520)	(30,000)	(32,244)
Balance, end of year	$ 518,331	$ 918,390	$ 232,650	$ 79,730	$ 424,500	$ -	$ -	$ 2,173,601

The accompanying notes are an integral component of these financial statements

NEWCASTLE MINERALS LTD.
(An exploration stage company)

Schedule of Mineral Interests
Year Ended June 30, 2010

	Carscallen	Pickle Lake	Mollie River	Chester Township	Potier and Neville Townships	Strike	Waratah	Snip North and Bug	Phiz	Goodenough Lake	Totals
Acquisition costs											
Option payments, cash	$ 50,000	$ 72,000	$ 15,000	$ 12,000	$ 30,000	$ 37,500	$ -	$ -	$ -	$ 50,000	$ 266,500
Option payments, shares	27,500	236,000	200,000	48,000	256,500	120,000	-	-	-	270,000	1,158,000
Finders' fees, cash	5,000	-	-	1,200	-	-	-	-	-	-	6,200
Finders' fees, shares	2,750	-	-	4,800	-	-	-	-	-	-	7,550
Staking, renewal and other	-	4,500	36	-	-	500	-	14,465	-	130	19,631
	85,250	312,500	215,036	66,000	286,500	158,000	-	14,465	-	320,130	1,457,881
Opening balance	-	-	-	-	-	37,500	11,300	98,719	6,096	-	153,615
	85,250	312,500	215,036	66,000	286,500	195,500	11,300	113,184	6,096	320,130	1,611,496
Deferred exploration expenditures											
Drilling	37,440	-	-	-	-	-	-	-	-	-	37,440
Geophysics	35,665	-	23,916	-	-	12,437	-	-	-	-	72,018
Reporting and analysis	369	27,884	372	-	-	-	-	12,256	-	-	40,881
Transportation	-	-	-	-	-	-	-	(26,312)	-	-	(26,312)
	73,474	27,884	24,288	-	-	12,437	-	(14,056)	-	-	124,027
Opening balance	-	-	-	-	-	-	200	1,240,769	-	-	1,240,969
	73,474	27,884	24,288	-	-	12,437	200	1,226,713	-	-	1,364,996
Sale and option proceeds											
Option proceeds, cash	(100,000)	-	-	-	-	-	-		-	-	(100,000)
Sale proceeds, shares receivable	-	-	-	-	-	(96,000)	-	(762,500)	-	-	(858,500)
	(100,000)	-	-	-	-	(96,000)	-	(762,500)	-	-	(958,500)
Loss on disposition or writedown	-	-	-	-	-	(111,937)	(11,500)	(577,397)	(6,096)	(320,130)	(1,027,060)
Balance, end of year	$ 58,724	$ 340,384	$ 239,324	$ 66,000	$ 286,500	$ -	$ -	$ -	$ -	$ -	$ 990,932

The accompanying notes are an integral component of these financial statements.

NEWCASTLE MINERALS LTD.

Management's Discussion and Analysis

Year ended June 30, 2011

Containing information as of October 26, 2011

Caution Regarding Forward-Looking Information

Certain of the statements made and information contained herein and in the financial statements as of and for the year ended June 30, 2011 (incorporated herein by reference) is “forward-looking information” within the meaning of the *Securities Act* (British Columbia) and the *Securities Act* (Alberta). This includes statements by Newcastle Minerals Ltd. (the “Company” or “Newcastle”) concerning exploration results, including deposit size, quantities, grades and contained metals, which are generally made on the basis of estimations and extrapolations from a limited number of samples, drill holes and assays. These estimations and extrapolations are subject to uncertainties, which include but are not limited to uncertainties in connection with evaluating a deposit until the deposit has been extensively drilled on closely spaced centres. Should one or more of these underlying estimations or extrapolations prove incorrect, actual results may vary materially from those described in forward-looking statements.

Forward-looking statements contained herein also include the Company’s future operating costs and exploration plans at its mineral properties. These involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking information, including, without limitation, the ability of the Company to continue to be able to access the capital markets for funding necessary for operating costs, to acquire and maintain exploration properties and to carry out its desired exploration programs; difficulties in executing exploration programs on the Company’s proposed schedules and within its cost estimates, whether due to weather conditions in the areas where it operates, increasingly stringent environmental regulations and other permitting restrictions, or the availability of essential supplies and services; and factors beyond the capacity of the Company to anticipate and control, such as the marketability of minerals, government regulations relating to health, safety and the environment, and the scale and scope of royalties and taxes on production. Should one or more of these risks or uncertainties materialize, actual results may vary materially from those described in forward-looking statements.

Accordingly, readers are advised not to place undue reliance on forward-looking information. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking information, whether as a result of new information, future events or otherwise.

Description of Business

The Company is a junior exploration company listed on the TSX Venture Exchange. It is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The Company has optioned and acquired the 11,100-hectare Pickle Lake property, a gold prospect spanning Ponsford Township, Connell Township, McCullagh Township and Dona Lake Township, Ontario; and optioned the 120-hectare Carscallen Township property patents, a gold prospect located 21 kilometres southwest of Timmins, Ontario. The Company also owns three claim blocks totalling 6,600-hectare in the Swayze greenstone belt area of northwestern Ontario.

Overall Performance and Results of Operations
During the financial year ended June 30, 2011, the Company experienced a loss of $158,522 – a $1,902,212 improvement from the preceding year's net loss of $2,060,734. Operating expenses for the year decreased by $538,397 from the preceding year. This decrease was caused primarily by the $483,378 reduction in the non-cash value of stock options granted and vested during the year; and a $64,448 decrease in consulting fees for consultants engaged to identify, investigate and, if appropriate, negotiate property acquisitions and to assist with operations.

Also contributing to the improvement was a $994,816 decrease in the loss on disposition and writedown of mineral interests. In 2010, the Company sold or wrote down the value of several mineral properties, which was largely not repeated during the current year. In addition, with the general rise in the stock market over the last year, Newcastle's gain on marketable securities increased $175,604 and non-cash recovery of future income taxes increased $200,070 from the 2010 financial year.

During the fourth quarter of its 2011 fiscal year, the Company had a net loss of $96,523 – an improvement of $156,581 from the preceding quarter's $253,104 net loss. This improvement was primarily the result of a $73,250 improvement in realized and unrealized gains on marketable securities, a $42,744 decrease in non-cash stock-based compensation and a $25,478 decrease in travel and promotion expense following the completion of an investor relations program. This was offset somewhat by a $19,721 increase in professional fees as the Company prepared for its year-end audit.

The Company's gains and losses on its marketable securities are the result of changes in the fair value and eventual sale price of the securities it received as consideration from the sale and option of certain of its mineral interests. Fluctuations in the fair value of those securities are outside the control of management, and the Company may experience significant volatility in these values.

As of the June 30, 2011 financial year-end, the Company had working capital of $815,826, as compared with working capital of $1,305,518 at the end of the preceding fiscal year – a decrease of $489,692. During the year, the Company used $984,130 of cash for the exploration of its Ontario mineral properties and $211,767 for the purchase of claims. In addition, $507,217 of cash was used for operations. The Company received $879,550 cash from private placements and $664,204 from the sale of marketable securities. Following is a breakdown of exploration expenditures for the two most recently completed financial years on a property-by-property basis:

Year ended June 30, 2011

	Carscallen	Pickle Lake	Mollie River	Chester	Strike and Other	Totals
Drilling	408,331	314,410	-	-	-	722,741
Geophysics	-	74,305	58,000	13,730	1,027	147,062
Reporting and analysis	-	824	326	-	12,493	13,643
Total	408,331	389,539	58,326	13,730	13,520	883,446

Year ended June 30, 2010

	Carscallen	Pickle Lake	Mollie River	Chester	Strike and Other	Totals
Drilling	37,440	-	-	-	-	37,440
Geophysics	35,665	-	23,916	-	12,437	72,018
Reporting and analysis	369	27,884	372	-	12,256	40,881
Transportation	-	-	-	-	(26,312)	(26,312)
Total	73,474	27,884	24,288	-	(1,619)	124,027

For additional information concerning capitalized exploration and development costs, refer to the Schedules of Mineral Interests included with the Company's June 30, 2011 financial statements, which financial statements are incorporated by reference.

As of June 30, 2011, the Company had no contractual obligations, such as long term debt, capital lease obligations, operating leases or purchase obligations, nor did it have commitments for capital expenditures.

In general, with continuing high gold prices, the Company has witnessed greater interest for its mineral properties. Many analysts expect gold prices to remain high, at least in the near term, so the Company plans to continue its strategy of advancing its mineral properties and acquiring additional properties that would be expected to add shareholder value.

Selected Annual Information

	Financial Years Ended June 30		
	2011	2010	2009
Revenue	$ -	$ -	$ -
Operating loss	(584,140)	(1,122,537)	(236,573)
Net loss	(158,522)	(2,060,734)	(231,433)
Net loss per share	(0.00)	(0.04)	(0.01)
Total assets	3,109,645	2,370,906	1,489,428
Total long-term financial liabilities	-	-	-
Cash dividends declared	-	-	-

Summary of Unaudited Quarterly Results

	2011				2010			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operating loss	(114,505)	(197,427)	(129,227)	(142,981)	(411,479)	(437,693)	(109,682)	(163,683)
Net income (loss)	(95,398)	(253,104)	(46,673)	236,653	(1,382,917)	(441,630)	(72,504)	(163,683)
Net income per share	(0.001)	(0.003)	(0.001)	0.003	(0.022)	(0.008)	(0.001)	(0.004)

Variations in operating loss from quarter to quarter typically result from increases or decreases in exploration and property acquisition activity. During periods of greater activity, professional fees, consulting fees, costs relating to regulatory approvals and travel costs will typically increase.

During the first quarter of 2011, gains on marketable securities of $402,821 resulted in an overall net profit for the quarter. The net losses in the second quarters of 2011 and 2010 were reduced by non-cash recoveries of future income taxes of $226,069 and $26,000, respectively.

During the third and fourth quarters of 2010, non-cash stock-based compensation expense increased the operating loss by $307,011 and $207,889, respectively. During the fourth quarter of 2010, net loss increased when management deemed it prudent to sell or write down the value of three mineral properties.

Liquidity and Capital Resources

The Company does not yet generate positive cash flow from operations, and is therefore reliant upon the sale of its marketable securities and the issuance of its own common shares to fund its operations. As of the June 30, 2011 financial year-end, management believed the Company was adequately funded for the short term, with cash resources of approximately $570,000 and marketable securities valued at approximately $260,000.

In addition, in July and August 2011, the Company completed a private placement of 7,100,000 flow-through common shares at a price of $0.06 per share and 4,600,000 non-flow-through units at a price of $0.06 per unit for gross proceeds of $702,000.

The Company is able to meet its ongoing financial obligations as they become due. It has no debt obligations and no commitments other than as described herein and in its financial statements for the year ended June 30, 2011, which financial statements are incorporated by reference. Management believes it has sufficient working capital to fund operating costs through at least March 2012.

Mineral Exploration Activities

<u>Carscallen Township Property</u>

The Company holds an option to purchase a 100% interest in nine property patents covering approximately 120 hectares in Carscallen Township adjacent to Highway 101, 21 kilometres southwest of Timmins, Ontario.

The property is located in the West Timmins district, which is the western extension of the Timmins gold camp, and is bisected by the Bristol Fault. The Timmins gold camp has been in production since 1909 and has produced over 70 million ounces of gold. There are several active mines and advanced exploration and development projects currently underway in the Timmins camp.

The property is surrounded by Lake Shore Gold Corp.'s 130-square kilometre Timmins West Gold Mine Complex, which includes its Thunder Creek project and its Timmins Mine, with reported probable reserves of 3.4 million tonnes bearing 7.52 grams of gold per tonne. The property is also approximately three kilometres east of Melkior Resources' Carscallen project which reported drilling results of 60.27 grams of gold per tonne over 1.8 metres and 19.8 grams of gold per tonne over 3.3 metres, and approximately 4.5 kilometres northeast of Nebu Resources' West Timmins project which reported 98.4 grams of gold per tonne over 4.7 metres, according to their respective websites. There is no certainty that similar results will be obtained from the Company's property.

In April 2010, the Company completed a geophysical survey of the property. The survey indicated the presence of several strong, well-defined induced polarization and linear magnetic anomalies.

In May 2010, the Company granted an option to SGX Resources Inc. to purchase a 50% interest in the Company's property. To exercise the option, SGX paid the Company $100,000 and issued $75,000 of SGX shares (all of which were received), and assumed the remaining payment obligations under the Company's head option agreement (of which $50,000 was reimbursed), except for the issuance of up to 900,000 Company shares. SGX terminated its option in November 2010.

Upon review and interpretation of all the data accumulated by the Company, a significant through-going structure – the Bristol Fault Zone – indicated by ground magnetics was identified. Drilling in 2010 by SGX Resources Inc. did not test the Bristol Fault Zone, but successfully identified a parallel, strongly anomalous gold-bearing zone in drill holes NC-10-07 and NC-10-01 approximately 300 metres north of the interpreted Bristol Fault Zone.

In March 2011, the Company completed a nine-hole, 2,000-metre diamond drill program targeting untested induced polarization (IP) anomalies, the Bristol Fault and an interpreted splay to the Bristol Fault. The drill holes did not exceed 300 metres, testing the property at less than 200 metres below surface.

A single inclined (-45°) diamond drill hole – NC-11-04 – tested an IP anomaly with an associated high magnetic response located in the north of the property. Drilling intersected a graphite- and pyrite-bearing unit, explaining the IP anomaly. A 0.5 metre quartz vein located at 146 metres down the hole returned 279 ppb gold over 1.0 metres.

The Company drilled a series of five holes, totaling approximately 1,150 metres, to define the general trend of the Bristol Fault for a strike length of 800 metres. The trend of the fault has now been determined, although the Company encountered no significant gold values.

The Company drilled two holes – NC-11-06 and NC-11-03 – in the area of Holes NC-10-01 and NC-10-07. The 2010 holes intersected a 50-metre-wide subvertical zone of weak to moderate shearing with values of up to 500 ppb gold over 0.60 metres. The drill hole under this intercept reported an assay of 240 ppb gold over 2.0 metres within a zone of weakly anomalous gold values.

A comprehensive technical report completed by A.C.A. Howe International Limited in September 2011 recommended additional work on the property, including a GIS geoscientific compilation of assessment file data pertaining to surrounding mineral claims, relogging of 2010 and 2011 drill core for the presence of mafic volcanic units that were previously misidentified, a volcanological / structural study and, depending on the results of that work, a 2,000 metre follow-up drilling program.

Pickle Lake Property

The Company owns interests ranging from 60% to 100% in 58 mineral claims covering approximately 10,208 hectares in the Patricia Mining Division of northwestern Ontario and holds two options to purchase a 100% interest in 13 additional mineral claims and patents covering approximately 915 hectares. The property is located in the Pickle Lake Greenstone Belt where over 2.2 million ounces of gold were extracted from three mines between 1934 and 1996.

Aeromagnetic Gradient VLF-EM Survey

In October 2010, the Company carried out a helicopter-towed aeromagnetic gradient and VLF-EM survey over its Pickle Lake Property. A total of 1,110 line kilometres of data were collected. The lines were flown at an azimuth of 137 degrees over a 75-metre line spacing. The survey was undertaken to provide detailed information on the complex structures on the property. The iron formation is highly magnetic and easily traced by the survey; crosscutting offsets, folds and other structures are apparent. These types of structures provide an optimum environment for the emplacement of mineralization, as the brittle nature of the rock causes brecciation and other less catastrophic fracturing providing conduits for the flow of mineralizing fluids.

Historical Data Compilation
A first-time compilation of available historical records was also undertaken in late 2010 to assist management in focusing its exploration efforts. The area encompassed by the Pickle Lake Property has seen significant activity over the years, most recently in 2004. Sufficient detailed information was available for parts of the property to model the mineralization, which will assist management's ongoing planning. Compilation work to date has identified the following assay values in the area of current drilling:

Hole #	Description	Sample #	From	To	Length (ft.)	g/T
PL-07	Southwest Powderhouse Zone	701150	345	350	5	5.778
PL-08	Southwest Powderhouse Zone		111	119	8	6.97
Incl.		6414	111	113	2	2.88
Incl.	Sample 6433 never released	6433	113	115	1.5	22.389
Incl.		6434	115	115.5	0.5	6.96
Incl.		6409	115.5	117.5	2	6.343
Incl.		6410	117.5	119	1.5	0.206
PL-14	Southwest Powderhouse Zone	701512	23	25	2	4.903
PL-14	Southwest Powderhouse Zone	701537	243	245	2	6
PL-17	Southwest Powderhouse Zone		247	253	6	3.52
PL-17		701676	247	249	2	9.394
PL-17		701677	249	251	2	0.103
PL-17		701678	251	253	2	1.063
PL-22	Southwest Powderhouse Zone		140	158	18	3.825
incl.		701352	140	142.5	2.5	3.429
incl.		701353	142.5	145	2.5	3.943
incl.		701354	145	147.5	2.5	3.36
incl.	New sampling	C365567	147.5	153	5.5	5.96
incl.	New sampling	C365568	153	158	5	1.85
PL-22	Southwest Powderhouse Zone		500	529	29	5.48
PL-22	New sampling	C365622	500	505	5	2.59
PL-22	New sampling	C365623	505	510	5	1.39
PL-22	New sampling	C365624	510	515	5	18.2
PL-22	New sampling	C365625	515	519.5	4.5	0.05
PL-22	New sampling	C365626	519.5	524	4.5	5.24
PL-22	New sampling	C365627	524	529	5	4.86

The data identified in the table as “never released” and “new sampling” were not previously reported, while the other data were extracted from 2004 press releases of King’s Bay Gold Corporation and verified by crosscheck of drill logs and assay certificates. The “new sampling” was obtained in the field by Billiken Management Services Inc., bagged, tagged and delivered to ALS Chemex in Thunder Bay. The samples underwent ME ICP 41 and Au-ICP21 for gold and multi-element.

Diamond Drilling Program
In January 2011, the Company completed a nine-hole diamond drilling program on the northeast portion of its primary claim block concentrated on the Field Zone, which borders PC Gold Inc.’s property near its No. 20 Vein discovery, and the Southwest Powderhouse Zone, explored most recently in 2004 by the former holder of the property with incomplete historical disclosure. Highlights of the drilling include:

Hole Number	From (feet)	To (feet)	Length (feet)	Gold (grams per tonne)
NCM-10-01	367	387	20	0.66
including	377	382	5	1.51
NCM-10-06	39	54	15	2.63
including	44	49	5	6.50
NCM-10-07	99	189	90	0.52
including	119	124	5	4.28
and including	174	189	15	1.39

Samples were selected in the field under the supervision of Brian H. Newton P.Geo, transported by bonded courier to the facilities of Activation Laboratories Ltd. in Thunder Bay, and assayed using Fire Assay ICPOES for gold and Total Digestion ICP (total) for other metals.

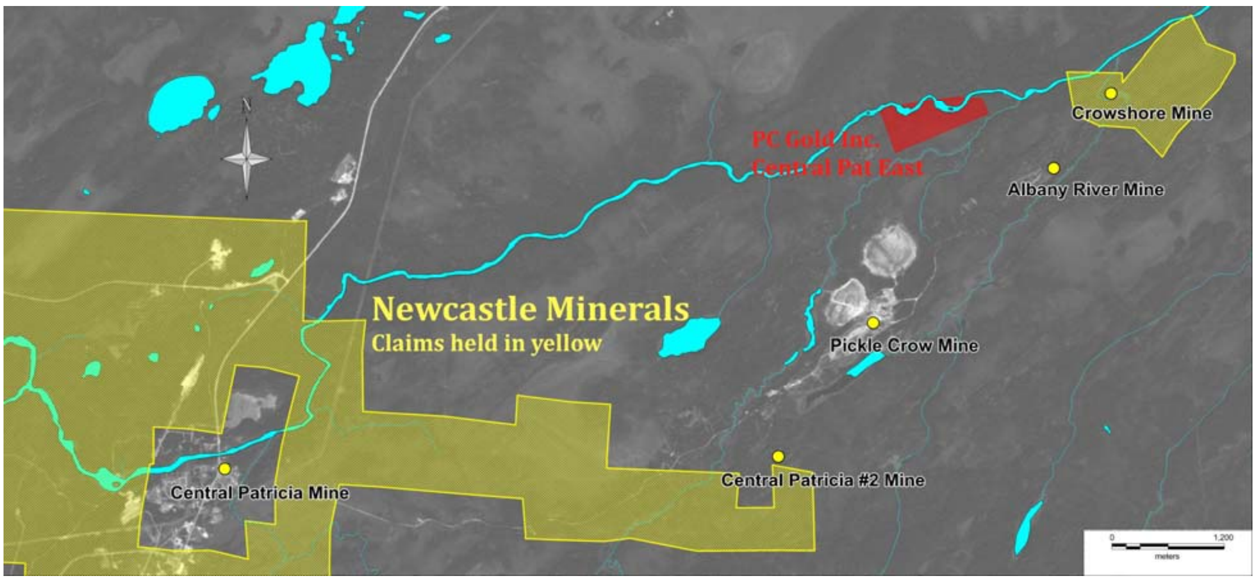
The holes drilled in this program are summarized as follows:

Field Zone
Holes NCM-10-01 through NCM-10-04 were exploration holes planned to determine an extension of the No. 20 Vein discovery adjacent to PC Gold Inc.’s property to the east. Each hole reported some level of gold mineralization; in particular NCM-10-01 intersected 1.51 grams of gold per tonne over five feet from 377 feet to 382 feet down the hole as stated above. In addition to the gold results, these holes provide valuable structural and geological information regarding this area, an extensive system of silicified and brecciated veining was uncovered, and a potential offset of the mineralization seen on PC Gold Inc.’s property. This information reveals a structurally complex mineralized system of quartz veined, silicified and brecciated material requiring further exploration to assess fully the potential of the Field Zone.

Southwest Powderhouse Zone
Holes NCM-10-05 through NCM-10-09 were collared in the area of the Southwest Powderhouse Zone. Historically, there was a significant amount of drilling in this area by different operators, but it lacked a consistent approach and comprehensive modeling of the area. This drill program successfully intersected numerous gold occurrences, including a 15-foot section in Hole NCM-10-06, which averaged 2.63 grams of gold per tonne, including five feet of 6.5 grams of gold per tonne. The program targeted VLF anomalies in contact with mag highs that exhibited offsets, and the results of the program suggest to management that the occurrence of better gold grades is coincident with the silicified and often brecciated contact zone between the Banded

Iron Formation and the surrounding mafic volcanics. This interpretation requires follow-up exploration, as the Banded Iron Formation is known to be extensive in this area.

Future Exploration
The Field Zone requires further drilling to better define the system and further explore the gold intercept found in Hole NCM-10-01 over five feet. In the Southwest Powderhouse Zone, management commenced a compilation study to target further exploration drilling to test the relationship between the Banded Iron Formation and the silicified zone.



In addition, the Company will focus on the Central Pat project area located west of the Southwest Powderhouse Zone. The historic Central Patricia Gold Mine, located approximately eight kilometres southwest of the project area, operated from 1934 to 1949 and produced 621,000 ounces of gold from 1.7 million tons with an average grade of 0.36 ounces per ton. The mineralization is hosted in Iron Formation which contains stringers and discontinuous lenses of quartz with sulphides in both the quartz and Iron Formation. The mineralized zones appear to plunge to the east-southeast and are interpreted to move onto Newcastle's claims at a depth of approximately 1,000 meters below surface. The property package assembled by the Company hosts several gold showings, as well as having approximately 30,000 ounces of historical production reported as coming from the Company's claims adjoining the Central Patricia Mine. The Company is planning a program to test the possible extensions of Iron Formation-hosted gold zones interpreted to lie below the limits of the Central Patricia Mine workings. Based on the recent discovery by PC Gold Inc. of a shallow-lying, large-scale gold arsenic system at their Central Pat East project, the Company plans to conduct appropriate exploration to examine the extensive land package held between the historical Central Patricia Mine and the PC Gold Inc. discovery to identify similar mineralization.

<u>Mollie River Property</u>
The Company owns a 100% interest in three mineral claims covering 592 hectares located in Benneweis Township in the Swayze greenstone belt area of northwestern Ontario. In April 2010, the Company completed a geophysical survey of the property. Vision Exploration of Timmins, Ontario undertook line cutting and followed up immediately with a 30-line-kilometre magnetometer and induced polarization survey.

In November 2010, the Company granted an option to First Lithium Resources Inc. to earn up to a 75% interest in the property. First Lithium may earn a 60% undivided interest in the property by paying and issuing to Newcastle $15,000 cash (received) and 500,000 First Lithium shares (received), issuing an additional 500,000 shares and incurring $250,000 of exploration expenditures within one year, and incurring an additional $250,000 of exploration expenditures within two years. First Lithium may acquire an additional 15% undivided interest by issuing to Newcastle an additional 750,000 First Lithium shares within two years and incurring an additional $500,000 of exploration expenditures within three years. In August 2011, First Lithium Resources dropped its option on one of the three claims and returned it to Newcastle after having completed no exploration work on the particular claim.

In February and April 2011, First Lithium tested geophysical anomalies with 10 drill holes totalling approximately 2,100 metres. They reported intersecting a nine metre zone between 185 metres and the bottom of Hole MR-10-10 at 194 metres with gold values ranging from <5 ppb to 1,830 ppb (1.8 grams per tonne), including single sample analyses of 346 ppb and 96 ppb. This zone is encapsulated by a broader zone of elevated copper with concentrations ranging from 92 ppm to 1510 ppm (0.15%). Mineralization is present as one-millimetre blebs, wisps and fracture fillings of pyrrhotite, chalcopyrite and pyrite hosted by chloritic and silicified gabbro. First Lithium reported that they expect to undertake no further work on the claims. If First Lithium terminates its option, the Company intends to undertake a program of mapping and prospecting on the property.

Chester Property

The Company owns a 100% interest in one mineral claim covering 29 hectares located in Chester Township in northwestern Ontario.

The property is located approximately one kilometre north of Trelawney Resources' (TRR-TSXV) Cote Lake deposit and is surrounded by Augen Gold Corp (GLD-TSXV) and Sanatana Diamonds Inc.'s Watershed Project. Trelawney continues its successful exploration in the Cote Lake area, recently announcing large intersections of low-grade gold, including 1.18 grams per tonne gold over 285.80 metres, 1.26 grams per tonne gold over 275 metres and 1.65 grams per tonne gold over 304 metres. Recent deep drilling by Augen Gold has returned anomalous gold over short intervals.

Trelawney's project area is host to at least 12 known mineralized structures characterized by wide zones of low to moderate grade gold +/- copper associated with brecciated intermediate to felsic (locally mafic) intrusive rocks. Newcastle's Chester Township Property comprises felsic intrusive and felsic metavolcanic rocks. Mineralization in Trelawney's project area consists of disseminated and fracture controlled sulphides that generally correlate to gold values. The Cote Lake deposit has now been intersected on seven sections spaced 100 metres apart and traced to depths of up to 500 metres. It is open along strike and to depth on all sections.

Ontario Geological Survey mapping from 1980 recorded both felsic-intermediate metavolcanics with quartz veins/pods and "migmatitic" (or intermediate-felsic intrusive) rocks listed as massive hornblende diorite also with quartz veins. The possible extension of the mineralized zone from Trelawney's property appears to align itself with a coincidental Mag-VLF anomaly on Newcastle's property, which appears prospective.

Beginning in January 2011, the Company undertook line cutting and a three line–kilometre induced polarization (IP) survey on its Chester Township Property. This IP survey followed up on a June 2010 VLF-EM and Magnetics survey that was successful in outlining several prospective areas that warrant further exploration. The IP survey assisted in identifying potential extensions of mineralized structures trending from Trelawney's ground onto Newcastle's property.

In June and July 2011, the Company undertook a preliminary four-hole, 1,050-metre diamond drilling program focusing on targets on the eastern portion of the property. While no significant gold assays were returned, anomalous gold was encountered and was dominantly associated with variable degrees of sulfide mineralization, alteration and fracturing in intermediate intrusive (primarily hornblende diorite) and occasionally intermediate-to-mafic metavolcanic rocks. The alteration and fracturing encountered during drilling may be associated with the "Ridout Deformation Zone," which is an important structural element in the area described in Trelawney Mining and Exploration Inc.'s National Instrument 43-101 Technical Report on the nearby Cote Lake Deposit.

Newcastle has begun a prospecting, mapping and sampling program on the project to identify potential targets for a follow-up drill program this winter.

Neville-Potier Project

Newcastle's Neville-Potier Project is a large, contiguous 26-claim block consisting of approximately 6,000 hectares in Neville and Potier Townships. The claim block straddles the contact between the prospective Swayze Greenstone Belt and intermediate to felsic intrusive rocks to the north.

Public databases of topographic lineaments, magnetic interpretations and Soil Gas Hydrocarbon (SGH) anomalies (Augen Gold 2011) indicate the Neville-Potier Project could host significant gold potential. A comprehensive prospecting, mapping and sampling program focusing on north-northwest structures, SGH anomalies (that trend towards the southern border of the property) and a government documented historical gold showing has commenced on the project.

Outstanding Share Data

As of the date hereof, the Company has 91,731,022 common shares issued and outstanding.

The Company has, as of the date hereof, outstanding warrants issued pursuant to private placements, which may be exercised to purchase a total of 5,764,550 shares. Of this total, 539,550 broker warrants may be exercised at $0.09 per share until March 16, 2012, 625,000 warrants may be exercised at $0.12 per share until January 25, 2012, and 4,600,000 warrants may be exercised at $0.10 per share until July 24, 2013.

In addition, the Company has outstanding options which may be exercised to purchase a total of 4,000,000 shares as of the date hereof. Of this total, 2,500,000 options may be exercised at $0.10 per share until January 12, 2015, 500,000 options may be exercised at $0.10 per share until March 5, 2015, and 1,000,000 options may be exercised at $0.105 per share until May 31, 2015.

Transactions With Related Parties

During the year ended June 30, 2011, the Company made certain payments to officers and a corporation controlled by an officer in respect of the management of the company. Refer to note

11 to the Company's June 30, 2011 financial statements, which financial statements are incorporated by reference.

Changes in Accounting Policies Including Initial Adoption

The Company expects to adopt the following accounting standards updates during its financial year commencing July 1, 2011.

<u>International Financial Reporting Standards ("IFRS")</u>

The Canadian Accounting Standards Board has confirmed that effective on January 1, 2011, IFRS will replace Canadian Generally Accepted Accounting Policies (GAAP) as the basis for accounting for publicly accountable enterprises. The first period reported under IFRS by the Company will be the three month period ended September 30, 2011 and the Company's first fiscal year end date under IFRS will be the fiscal year ending June 30, 2012.

The change from Canadian GAAP to IFRS will be a significant undertaking and may have significant effects on the Company's accounting, internal controls, disclosure controls and financial statement presentation.

Design and planning

The Company commenced transition plan development during its financial year ended June 30, 2011. Management has determined its preliminary IFRS policy decisions and significant expected accounting differences, based on an analysis of the current IFRS standards, and the following section outlines each of these. The Company has identified key accounting policy differences, and the impact of these differences to its financial statements has been determined by the Company to be minimal. However, as the conversion work continues, additional differences between Canadian GAAP and IFRS may be identified. Decisions with respect to accounting policy changes, outlined below, may change once management has quantified and thoroughly analyzed the effects of such changes and has presented them for final review and approval by the Company's Audit Committee.

First-time Adoption of IFRS (IFRS 1)

In the first year of transition to IFRS, a company is allowed to elect certain exceptions from IFRS in order not to apply each IFRS on a retrospective basis. IFRS 1 has certain mandatory exemptions as well as limited optional exemptions. Based on analysis to date, the Company expects to apply the following optional exemptions under IFRS 1 that will be significant in preparing the financial statements under IFRS:

Business Combinations

A company may elect, on transition to IFRS, to either restate all past business combinations in accordance with IFRS 3 "*Business Combinations*" or to apply an optional exemption from applying IFRS 3 to past business combinations. The Company will elect, on transition to IFRS, to apply the optional exemption such that transactions entered into prior to the transition date of July 1, 2010 will not be restated.

Share-Based Payments

A company may elect not to apply IFRS 2 "*Share-Based Payments*" to equity instruments which vested before the transition date to IFRS. The Company will elect, on transition to IFRS, to apply the optional exemption such that equity instruments which vested prior to the transition date of July 1, 2010, will not be restated.

Accounting policies
The Company has determined that the main impact of IFRS on the Company will involve a significant increase in note disclosure as well as certain presentation differences.

Property, plant and equipment
The Company may elect not to apply the fair value method to determine the deemed opening cost under IFRS which is one of the significant IFRS 1 exemptions.

The accounting policy of the Company will be amended to:
- Review useful life, residual value and method of depreciation on an annual basis.
- Identify all significant components and their respective useful lives.
- Capitalize major maintenance and replacement of significant parts and derecognize the carrying value of the replaced parts.
- Include constructive obligations for significant dismantling and removal costs.

Mineral properties
No change in current measurement or accounting policies on transition to IFRS.

Financial instruments
The accounting policy of the Company will be amended to:
- Include changes to impairments of financial assets and their possible reversal.
- Detail the conditions that need to be met for the designation of a financial instrument as “fair value through profit and loss.”

Impairment of assets
The accounting policy of the Company will be amended to change the assessment method of whether impairment exists. The two-step approach allowed under Canadian GAAP is not acceptable under IFRS. Therefore, the discounted cash flows are taken as an indication to determine impairment.

Share-based payments
Canadian GAAP allows certain policy choices in the calculation of stock based compensation. The Company currently amortizes grants in their entirety on a straight-line basis over the vesting term. IFRS standards require each tranche in the grant to be amortized over its respective vesting period. As a result of these changes, share-based compensation expense will be accelerated under IFRS. In addition, unvested options at July 1, 2010 will be re-valued under IFRS, with consequent adjustments to opening retained earnings.

Provisions & Contingencies (including Asset Retirement Obligation)
The accounting policy of the Company will be amended to:
- Include constructive obligations. Under IFRS, a provision is recognized if it is probable, which is further defined in the standard as more likely than not, that an outflow of economic resources will be required to settle a legal obligation (e.g. a legal claim) or a constructive obligation (i.e. an obligation which arises when an entity, by past practice or public statement, has created an expectation in other parties that it will carry out an action).
- Adjust for discount rate, and timing of cash flow, changes at each reporting period.

This list should not be regarded as a complete list of changes that will result from the Company’s transition to IFRS. It is intended to highlight those areas management believes to be most significant; however, its analysis of possible changes is still in process and not all decisions have been made where choices of accounting policies are available. Until the

Company's transition balance sheet is finalized, it is not able to reliably quantify the impacts expected on its consolidated financial statements for these differences.

Presentation and disclosure
IFRS will require more in-depth disclosure. The Company has taken the necessary steps to adjust the system requirements to ensure appropriate data collection for disclosure purposes.

Post implementation
During this stage, management will perform a review of the IFRS transition and ensure the preparation of financial statements in compliance with IFRS. Management will stay informed of upcoming changes to IFRS based on the projects in place or to be initiated by the International Accounting Standards Board and will adjust its plan accordingly to include all key elements to ensure its compliance during the year.

Financial Instruments and Other Instruments
The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, deposits, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to the short-term nature of these financial statements. It is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The Company does not use instruments settled by the delivery of non-financial assets.

Other Information
Additional information relating to the Company is available from the Company's website at www.newcastleminerals.com and on SEDAR at www.sedar.com.

ON BEHALF OF THE BOARD

Signed *"Michael Romanik"*
Michael Romanik, President