

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

Notice of No Auditor Review

The accompanying unaudited condensed interim financial statements were prepared by management and approved by the Audit Committee and the Board of Directors.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Condensed Interim Statements of Financial Position

(Unaudited - Prepared by Management)

	September 30 2011	June 30 2011 (note 12)	July 1 2010 (note 12)
ASSETS			
CURRENT			
Cash	\$ 863,111	\$ 570,014	\$ 394,906
Accounts receivable	52,923	16,260	876,964
Marketable securities (note 5)	197,695	260,126	58,486
Prepaid expenses	30,150	5,900	24,640
	<u>1,143,879</u>	<u>852,300</u>	<u>1,354,996</u>
RECLAMATION DEPOSITS (note 6)	9,151	9,151	9,092
EXPLORATION ADVANCES	-	63,350	-
EQUIPMENT	10,681	11,243	15,886
EXPLORATION AND EVALUATION ASSETS (note 7)	<u>2,561,861</u>	<u>2,173,601</u>	<u>990,932</u>
	<u>\$ 3,725,572</u>	<u>\$ 3,109,645</u>	<u>\$ 2,370,906</u>
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	\$ 100,010	\$ 36,474	\$ 49,310
Due to related parties (note 9)	-	-	168
	<u>100,010</u>	<u>36,474</u>	<u>49,478</u>
SHAREHOLDERS' EQUITY			
SHARE CAPITAL (note 8)	11,860,099	11,149,259	10,295,607
SHARE-BASED PAYMENT RESERVE	746,951	746,951	690,338
DEFICIT	<u>(8,981,488)</u>	<u>(8,823,039)</u>	<u>(8,664,517)</u>
	<u>3,625,562</u>	<u>3,073,171</u>	<u>2,321,428</u>
	<u>\$ 3,725,572</u>	<u>\$ 3,109,645</u>	<u>\$ 2,370,906</u>

Nature and continuance of operations (note 1)

Approved on behalf of the Board of Directors

/s/ Michael Romanik Director

/s/ J. Jeff Smulders Director

The accompanying Notes to the Condensed Interim Financial Statements are an integral part of this statement.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Condensed Interim Statements of Operations and Comprehensive Loss

(Unaudited - Prepared by Management)

	For the Three Months Ended September 30	
	2011	2010 (note 12)
EXPENSES		
Consulting	\$ 25,422	\$ 36,033
Depreciation	562	509
Interest and bank charges	74	50
Management and administrative fees (note 9)	42,600	42,600
Office	3,023	2,388
Professional fees	5,081	12,586
Telephone	516	658
Transfer agent and filing fees	8,580	7,069
Travel and promotion	10,161	41,088
OPERATING LOSS	(96,019)	(142,981)
OTHER INCOME (EXPENSES)		
Unrealized gain (loss) on marketable securities	(62,431)	360,866
Realized gain on marketable securities	-	41,955
Interest income	1	6
Loss on disposition of equipment	-	(3,442)
Loss on disposition of exploration and evaluation assets	-	(19,751)
	(62,430)	379,634
NET AND COMPREHENSIVE INCOME (LOSS)	\$ (158,449)	\$ 236,653
Income (loss) per share – basic and fully diluted	\$ -	\$ -
Weighted average number of shares outstanding	87,375,587	67,662,000

The accompanying Notes to the Condensed Interim Financial Statements are an integral part of this statement.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Condensed Interim Statements of Changes in Equity

(Unaudited - Prepared by Management)

	Issued Share Capital		Share-based	Deficit	Total
	Number	Amount	Payment Reserve		
Balance, July 1, 2010	66,016,022	\$ 10,295,607	\$ 690,338	\$ (8,664,517)	\$ 2,321,428
Shares issued for cash	5,995,000	539,550	-	-	539,550
Share issue costs					
Finders' fees paid in cash	-	(48,860)	-	-	(48,860)
Finders' fees paid in broker warrants	-	(13,869)	13,869	-	-
Shares issued for exploration assets	1,350,000	108,000	-	-	108,000
Income (loss) for the period	-	-	-	236,653	236,653
Balance, September 30, 2010	73,361,022	10,880,428	704,207	(8,427,864)	3,156,771
Shares issued for cash	3,650,000	340,000	-	-	340,000
Share issue costs					
Finders' fees paid in cash	-	(16,799)	-	-	(16,799)
Shares issued for exploration assets	1,920,000	171,700	-	-	171,700
Future income tax on flow-through share renunciation	-	(226,070)	-	-	(226,070)
Stock-based compensation	-	-	42,744	-	42,744
Income (loss) for the period	-	-	-	(395,175)	(395,175)
Balance, June 30, 2011	78,931,022	11,149,259	746,951	(8,823,039)	3,073,171
Shares issued for cash	11,700,000	702,000	-	-	702,000
Share issue costs					
Finders' fees paid in cash	-	(51,660)	-	-	(51,660)
Shares issued for exploration assets	1,100,000	60,500	-	-	60,500
Income (loss) for the period	-	-	-	(158,449)	(158,449)
Balance, September 30, 2011	91,731,022	\$ 11,860,099	\$ 746,951	\$ (8,981,488)	\$ 3,625,562

The accompanying Notes to the Condensed Interim Financial Statements are an integral part of this statement.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Condensed Interim Statements of Cash Flows

(Unaudited - Prepared by Management)

For the Three Months
Ended September 30
2011 2010
(note 12)

OPERATING ACTIVITIES

Net income (loss)	\$ (158,449)	\$ 236,653
Adjustments for items not involving cash:		
Depreciation	562	509
Unrealized loss (gain) on marketable securities	62,431	(360,866)
Realized loss (gain) on marketable securities	-	(41,955)
Loss on disposition of equipment	-	3,442
Loss on disposition of exploration and evaluation assets	-	19,751
	(95,456)	(142,466)
Changes in non-cash working capital:		
Accounts receivable	(36,663)	(1,184)
Prepaid expenses	(24,250)	23,140
Accounts payable and accrued liabilities	63,536	(4,417)
Due to related parties	-	(168)
	(92,833)	(125,095)

INVESTING ACTIVITIES

Exploration advances	63,350	-
Proceeds from disposition of marketable securities, net	-	29,851
Investments in exploration and evaluation assets	(327,760)	(135,376)
Proceeds from disposition of exploration and evaluation assets	-	50,000
	(264,410)	(55,525)

FINANCING ACTIVITIES

Issuance of shares, net	650,340	490,690
-------------------------	---------	---------

NET CHANGE IN CASH

293,097 310,070

CASH, beginning of period

570,014 394,906

CASH, end of period (note 10)

\$ 863,111 \$ 704,976

SUPPLEMENTAL CASH FLOW INFORMATION

Interest received	\$	1	\$	6
Income taxes paid		-		-

Non-cash transactions (note 11)

The accompanying Notes to the Condensed Interim Financial Statements are an integral part of this statement.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

1. Nature and Continuance of Operations

The Company is in the business of exploring its mineral exploration assets 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 exploration and evaluation assets 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 condensed interim financial statements were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. As at September 30, 2011, the Company had working capital of \$1,043,869 (June 30, 2011 - \$815,826).

The recoverability of amounts shown as exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and future profitable production or disposition thereof. These condensed interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. Significant Accounting Policies

Basis of Presentation

The Canadian Institute of Chartered Accountants Handbook was revised in 2010 to incorporate International Financial Reporting Standards ("IFRS") and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. The Company has commenced reporting on this basis in these condensed interim financial statements.

These are the Company's first IFRS condensed interim financial statements for the first quarter of the period covered by the first IFRS and have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting, and IFRS 1, First-Time Adoption of International Financial Reporting Standards. Subject to certain transition elections disclosed in note 12, we have consistently applied the same accounting policies in our opening IFRS balance sheet as at July 1, 2010 and throughout all periods presented, as if the policies had always been in effect.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

2. Significant Accounting Policies (continued)

Basis of Presentation (continued)

Note 12 describes the impact of the transition from Canadian Generally Accepted Accounting Principles to IFRS on the Company's reported financial position, loss and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for year ended June 30, 2011. IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening balance sheet on the Company's transition date of July 1, 2010 and allows certain exemptions on transition to IFRS. The elections adopted by the Company are described in note 12.

The policies applied in these condensed interim financial statements are presented in this note 2 and are based on IFRS issued and outstanding as of December 20, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending June 30, 2012 could result in restatement of these condensed interim financial statements. None of these standards are expected to have a significant effect on the financial statements.

These condensed interim financial statements are presented in the Company's functional currency on a historical cost basis.

Financial Instruments

Financial assets

The Company classifies its financial assets in the following categories: held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Fair Value Through Profit and Loss Financial Assets

Fair Value Through Profit and Loss ("FVTPL") financial assets are financial assets that are acquired principally for the purpose of selling or repurchasing in the near term. FVTPL financial assets are measured at fair value at least quarterly and any changes in such value are recognized in profit or loss. The Company's marketable securities have been designated as FVTPL.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

2. Significant Accounting Policies (continued)

Financial Instruments (continued)

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Loans and receivables comprise cash and cash equivalents, accounts receivable and reclamation deposits.

Financial liabilities

The Company classifies its financial liabilities as other financial liabilities. Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include trade accounts payable, other payables and due to related parties.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and cashable highly liquid investments with limited interest and credit risk. The remaining maturities at point of purchase are at three months or less, with no penalties on early retirement. The Company places its cash and cash investments with institutions of high-credit worthiness.

Marketable Securities

The Company designated its marketable securities as FVTPL and measures them at fair value based on the quoted market price with changes in such value recognized in profit or loss. The quoted market value does not necessarily reflect the 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 cost, such that a write-down of the value would be required, the extent of which is undeterminable at this time.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

2. Significant Accounting Policies (continued)

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, along with the future cost of dismantling and removing the asset. Equipment is amortized using the declining-balance method at a rate of 20% per annum.

Exploration and Evaluation Assets

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs and pre-exploration expenses, are expensed in the period in which they occur.

The Company may occasionally enter into option arrangements, whereby the Company will transfer part of a mineral interest as consideration for an agreement by the transferee to meet certain exploration and evaluation expenditures, which would otherwise be undertaken by the Company. The Company does not record and expenditures made by the optionee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess consideration accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation costs, in excess of estimated recoveries, are written off to the statements of operations and comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

2. Significant Accounting Policies (continued)

Exploration and Evaluation Assets (continued)

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets. Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as loans and receivables.

Decommissioning Provision

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation liabilities is estimated using expected cash flows, based on engineering and environmental reports prepared by third party industry specialists, discounted at a pre-tax rate specific to the liability. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgements and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost.

Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of mine.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

2. Significant Accounting Policies (continued)

Loss per Share

The Company uses the treasury stock method of calculating diluted per share amounts whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding common share options and warrants has an anti-dilutive impact in 2011 and 2010.

Basic loss per share is calculated using the weighted-average number of shares outstanding during the period.

Share Capital

The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

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

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrants.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

2. Significant Accounting Policies (continued)

Income Taxes

The Company uses the balance sheet method of accounting for income taxes. Under the balance sheet method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Stock-based Compensation

The Company accounts for stock options granted to directors, officers, employees and non-employees at fair value. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations, with an offsetting credit to Share-based Payment Reserve, over the vesting periods. 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. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

If the stock options are exercised, the applicable amounts of reserve are transferred to share capital. Charges for options that are forfeited before vesting are reversed from Share-based Payment Reserve.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

2. Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next financial year are discussed below:

Rehabilitation provisions

Rehabilitation provisions have been created based on internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirement. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs, which will reflect the market condition at the time of rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

2. Significant Accounting Policies (continued)

Estimates (continued)

Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Title of mineral property interests

Although the Company has taken steps to verify title to mineral exploration assets in which it has an interest, these procedures do not guarantee the Company's title. Such assets may be subject to prior agreements or transfers and title may be affected by undetected defects.

Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probably that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes it has adequately provided for the probable outcome of these matters; however, the final outcome may result in the materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extents there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

2. Significant Accounting Policies (continued)

Estimates (continued)

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for the share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value of share-based payment transactions are disclosed in note 8.

Flow-Through Shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. Upon issuance, the Company bifurcates the flow-through share into: (i) a flow-through share premium equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability; and (ii) share capital. Upon expenses being renounced, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the investors. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the period is disclosed separately as flow-through share proceeds in note 10.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

2. Significant Accounting Policies (continued)

Impairment of long-lived assets

Management evaluates non-current assets at least annually for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in income to the extent that the carrying amount exceeds the recoverable amount.

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, share-based payment reserve 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 period ended September 30, 2011.

4. Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, marketable securities, reclamation 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 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 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.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

4. Financial Instruments (continued)

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 September 30, 2011, such contractual obligations comprised cash held with high-creditworthy financial institutions in the amount of \$863,111 (June 30, 2011 – \$570,014); accounts receivable in the amount of \$52,923 (June 30, 2011 – \$16,260); and deposits with or pledged to the Province of British Columbia in the amount of \$9,151 (June 30, 2011 – \$9,151). Management considers this risk to be negligible.

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 September 30, 2011 totaled \$863,111 (June 30, 2011 – \$570,014), nor its marketable securities, which had a fair value at September 30, 2011 of \$197,695 (June 30, 2011 – \$260,126). Based on the marketable securities balance as at September 30, 2011, a 10% change in share price would have affected the Company's net loss by \$19,800.

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 September 30, 2011, the Company had working capital of \$1,043,869 (June 30, 2011 – \$815,826). 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 statements of financial position 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).

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

4. Financial Instruments (continued)

Fair Value Hierarchy (continued)

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 September 30, 2011	Level 1	Level 2	Level 3
Cash	\$ 863,111	\$ -	\$ -
Marketable securities	\$ 197,695	\$ -	\$ -

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

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

5. Marketable Securities

As at September 30, 2011, the Company held shares in the following public companies:

	Skyline Gold Corporation shares		Skyline Gold Corporation warrants		First Lithium Resources Inc. shares		SGX Resources Inc. shares		Total
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	
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
Unrealized loss	-	(62,431)	-	-	-	-	-	-	(62,431)
Balance, September 30, 2011	1,040,502	\$ 197,695	-	\$ -	-	\$ -	-	\$ -	\$ 197,695

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

6. Reclamation Deposits

Bank term deposits totaling \$9,151 (June 30, 2011 – \$9,151) have been posted as reclamation bonds with the Province of British Columbia, Canada. The term deposits bear interest at a weighted average rate of 1.44% per annum (June 30, 2011 – 0.97%). Reclamation deposits are classified as loans and receivables.

7. Exploration and Evaluation Assets

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.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

7. Exploration and Evaluation Assets (continued)

Pickle Lake

The Company owns interests ranging from 80% 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 \$262,500 has been paid), issue 5,320,000 shares (of which 4,520,000 shares have been issued with a weighted average value of \$0.09 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, 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. First Lithium Resources terminated its option subsequent to the end of the period.

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.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

7. Exploration and Evaluation Assets (continued)

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. Share Capital

Authorized

An unlimited number of common shares without par value

Common shares

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.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

8. 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.

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 unit consisted of one common share and one warrant, each of which entitles the holder to purchase an additional common share at a price of \$0.10 until July 24, 2013. Finders' fees and expenses of \$51,660 were paid in respect of the offering.

In September 2011, the Company issued 1,100,000 common shares with a value of \$0.055 per share pursuant to two options to purchase mineral claims.

Warrants

As of September 30, 2011, the Company had outstanding warrants issued pursuant to private placements, which may be exercised to purchase a total of 9,692,382 shares (June 30, 2011 – 7,792,382). Of this total, 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, 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. Details of warrants outstanding are as follows:

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

8. Share Capital (continued)

Warrants (continued)

	September 30, 2011		June 30, 2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	7,792,382	\$0.11	6,627,832	\$0.12
Issued pursuant to private placements	4,600,000	0.10	625,000	0.12
Broker warrants issued pursuant to a private placement	-	-	539,550	0.09
Exercised	-	-	-	-
Expired	(2,700,000)	(0.10)	-	-
Balance, end of period	9,692,382	\$0.11	7,792,382	\$0.11

Subsequent to the end of the period, warrants to purchase a total of 3,927,832 shares at prices ranging from \$0.12 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. 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 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. In August 2011, these options expired unexercised.

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

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

8. 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, 2010	5,150,000	\$ 0.10	3.9	5,150,000	0.10	3.9
Options granted/vested	750,000	0.10				
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
Options cancelled or expired	(750,000)	0.10				
Balances, September 30, 2011	4,000,000	\$ 0.10	3.4	4,000,000	\$ 0.10	3.4

9. Related Party Transactions

The following transactions with related parties have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the parties:

- During the period ended September 30, 2011, the Company paid management fees of \$22,500 (2010 - \$22,500) to a company controlled by the Company's Chief Executive Officer;
- During the period ended September 30, 2011, the Company paid management fees of \$4,500 (2010 - \$4,500) to the Company's Chief Financial Officer; and
- During the period ended September 30, 2011, the Company paid administrative fees of \$15,600 (2010 - \$15,600) to the Company's Secretary.

Amounts due to related parties are without interest, unsecured and without stated terms of repayment; accordingly fair value cannot be readily determined.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

10. Cash

Cash consists of bank balances and short-term deposits with banks. Cash included in the Statements of Cash Flows comprise the following amounts:

	September 30, 2011	June 30, 2011
Bank balances	\$ 295,472	\$ 570,014
Bank balances restricted for exploration	567,639	-
Balance, end of period	\$ 863,111	\$ 570,014

11. Non-Cash Transactions

During the three month period ended September 30, 2011, the Company issued 1,100,000 common shares with a deemed value of \$60,500 for the purchase of exploration assets.

During the three month period ended September 30, 2010, the Company issued 1,350,000 common shares with a deemed value of \$108,000 for the purchase of explorations assets and 539,550 broker warrants with an aggregate value of \$13,869 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 \$362,501, 1,200,000 shares in the capital of First Lithium Resources Inc. with a historical recorded value of \$96,000 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 exploration assets.

12. Transition to International Financial Reporting Standards

As stated in note 2, these are the Company's first condensed interim financial statements for the period covered by the first annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). An explanation of how the transition from previous Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS has affected the Company's financial position and comprehensive loss is set out in this note.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

12. Transition to International Financial Reporting Standards (continued)

The accounting policies set out in note 2 have been applied in preparing the financial statements for the period ended September 30, 2011, the comparative information presented in these financial statements for the period ended September 30, 2010 and in the preparation of the comparative statement of financial position at June 30, 2011 and the opening IFRS statement of financial position at July 1, 2010 (the Company's date of transition).

First Time Adoption of IFRS (IFRS 1)

The Company adopted IFRS on July 1, 2011 with a transition date of July 1, 2010. Under IFRS 1 *First time adoption of International Financial Reporting Standards* (IFRS 1), the IFRS standards are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to deficit, with IFRS 1 providing for certain optional and mandatory exemptions to this principle. The Company elected to apply the following optional exemptions:

Share-based Payments

IFRS 1 allows that full retrospective application may be avoided for certain share-based instruments depending on the grant date, vesting terms and settlement of any real liabilities. A first-time adopter can elect to not apply IFRS 2 to share-based payments granted after November 7, 2002 that vested before the later of: (a) the date of transition to IFRS, and (b) January 1, 2005. The Company has elected this exemption and will apply IFRS 2 only to unvested stock options as at the July 1, 2010 transition date, of which there were none.

Business Combinations

IFRS 1 allows that a first-time adopter may elect not to apply IFRS 3 *Business Combinations* (IFRS 3) retrospectively to business combinations prior to the date of transition avoiding the requirement to restate prior business combinations. The Company has elected to apply IFRS 3 to business combinations that occur on or after July 1, 2010, of which there were none.

Asset Retirement Obligation

IFRS requires specified changes in a decommissioning or similar liability to be added or deducted from the cost of the asset to which it relates. The adjusted depreciable amount is then depreciated prospectively over its remaining useful life. IFRS 1 allows a first time adopter to not comply fully with these accounting requirements for changes in such liabilities that occurred before the date of transition, and instead apply a simplified method which is set out in IFRS 1. The Company has elected this exemption.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Notes to the Condensed Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2011

12. Transition to International Financial Reporting Standards (continued)

Fair Value as Deemed Cost

The Company may elect among two options when measuring the value of its assets under IFRS. It may elect, on an asset by asset basis, to use either historical cost as measured under retrospective application of IFRS or fair value of an asset at the opening balance sheet date. The Company elected to use historical cost for its assets.

The Company applied the following mandatory exceptions:

Derecognition of Financial Assets and Liabilities

The Company has applied the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement prospectively from its July 1, 2010 transition date. As a result, any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the transition date in accordance with pre-changeover GAAP have not been reviewed for compliance with IAS 39.

Estimates

The estimates previously made by the Company under pre-changeover GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the Company has not used hindsight to revise estimates.

Reconciliation to Previously Reported Financial Statements

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. As no material adjustments have been made to the statements of financial position, statements of operations and comprehensive loss and statements of cash flows, no such reconciliations have been prepared.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Condensed Interim Schedule of Exploration and Evaluation Assets

(Unaudited - Prepared by Management)

Three Month Period Ended September 30, 2011

	Carscallen	Pickle Lake	Mollie River	Chester Township	Potier and Neville Townships	Totals
Acquisition costs						
Option payments, cash	\$ -	\$ 115,000	\$ -	\$ -	\$ -	\$ 115,000
Option payments, shares	-	60,500	-	-	-	60,500
	-	175,500	-	-	-	175,500
Opening balance	110,000	500,967	150,036	66,000	424,500	1,251,503
	110,000	676,467	150,036	66,000	424,500	1,427,003
Deferred exploration expenditures						
Drilling	-	-	-	164,772	-	164,772
Prospecting and sampling	-	-	-	-	46,804	46,804
Reporting and analysis	-	-	1,184	-	-	1,184
	-	-	1,184	164,772	46,804	212,760
Opening balance	408,331	417,423	82,614	13,730	-	922,098
	408,331	417,423	83,798	178,502	46,804	1,134,858
Balance, end of period	\$ 518,331	\$1,093,890	\$ 233,834	\$ 244,502	\$ 471,304	\$2,561,861

The accompanying Notes to the Condensed Interim Financial Statements are an integral part of this statement.

NEWCASTLE MINERALS LTD.

(An exploration stage company)

Condensed Interim Schedule of Exploration and Evaluation Assets

(Unaudited - Prepared by Management)

Three Month Period Ended September 30, 2010

	Carscallen	Pickle Lake	Mollie River	Chester Township	Potier and Neville Townships	Strike	Snip North and Bug	Totals
Acquisition costs								
Option payments, cash	\$ 50,000	\$ -	\$ -	\$ -	\$ 30,000	\$ -	\$ -	\$ 80,000
Option payments, shares	-	-	-	-	108,000	-	-	108,000
Finders' fees, cash	5,000	-	-	-	-	-	-	5,000
	55,000	-	-	-	138,000	-	-	193,000
Opening balance	-	312,500	215,036	66,000	286,500	-	-	880,036
	55,000	312,500	215,036	66,000	424,500	-	-	1,073,036
Deferred exploration expenditures								
Geophysics	-	-	48,900	-	-	1,027	-	49,927
Reporting and analysis	-	217	232	-	-	-	-	449
	-	217	49,132	-	-	1,027	-	50,376
Opening balance	58,724	27,884	24,288	-	-	-	-	110,896
	58,724	28,101	73,420	-	-	1,027	-	161,272
Sale and option proceeds								
Option proceeds, cash	(50,000)	-	-	-	-	-	-	(50,000)
Option proceeds, shares	(75,000)	-	-	-	-	-	-	(75,000)
Finder's fee, shares	-	-	-	-	-	-	30,000	30,000
	(125,000)	-	-	-	-	-	30,000	(95,000)
Gain (loss) on disposition	11,276	-	-	-	-	(1,027)	(30,000)	(19,751)
Balance, end of period	\$ -	\$ 340,601	\$ 288,456	\$ 66,000	\$ 424,500	\$ -	\$ -	\$ 1,119,557

The accompanying Notes to the Condensed Interim Financial Statements are an integral part of this statement.

NEWCASTLE MINERALS LTD.
Management's Discussion and Analysis
Period ended September 30, 2011
Containing information as of December 16, 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 period ended September 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 first quarter of its 2012 fiscal year, the Company had a net loss of \$158,449 – an increase of \$61,926 from the preceding quarter's \$96,523 net loss. This increase was primarily the result of an \$81,425 worsening of realized and unrealized losses on marketable securities. This was offset somewhat by an \$18,515 reduction in professional fees following completion of the Company's annual audit during the preceding quarter and a \$15,642 decrease in travel and promotion expenses.

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 September 30, 2011 quarter-end, the Company had working capital of \$1,043,869, as compared with working capital of \$815,826 at the end of the preceding quarter – an improvement of \$228,043. During its first fiscal quarter, the Company received \$650,340 of cash from a private placement of flow-through shares and non-flow-through units, net of related issuance costs. The Company used \$92,833 of cash for its operating activities and \$212,760 for the exploration of its mineral interests. Following is a breakdown of exploration expenditures for the financial year to date on a property-by-property basis, as well as for the comparative period last year:

Three Month Period Ended September 30, 2011

	Carscallen	Pickle Lake	Mollie River	Chester	Potier and Neville Townships	Totals
Drilling	\$ -	\$ -	\$ -	\$ 164,772	\$ -	\$ 164,772
Prospecting and sampling	-	-	-	-	46,804	46,804
Reporting and analysis	-	-	1,184	-	-	1,184
Total	\$ -	\$ -	\$ 1,184	\$ 164,772	\$ 46,804	\$ 212,760

Three Month Period Ended September 30, 2010

	Carscallen	Pickle Lake	Mollie River	Chester	Other	Totals
Geophysics	\$ -	\$ -	\$ 48,900	\$ -	\$ 1,027	\$ 49,927
Reporting and analysis	-	217	232	-	-	449
Total	\$ -	\$ 217	\$ 49,132	\$ -	\$ 1,027	\$ 50,376

For additional information concerning exploration and evaluation costs, refer to the Condensed Interim Schedules of Exploration and Evaluation Assets included with the Company's September 30, 2011 interim financial statements, which financial statements are incorporated by reference.

As of September 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.

Summary of Unaudited Quarterly Results

	2012		2011				2010	
	1 st Quarter	4 th Quarter	3 rd Quarter	2 nd Quarter	1 st Quarter	4 th Quarter	3 rd Quarter	2 nd Quarter
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating loss	(96,019)	(114,505)	(197,427)	(129,227)	(142,981)	(411,479)	(437,693)	(109,682)
Net income (loss)	(158,449)	(95,398)	(253,104)	(46,673)	236,653	(1,382,917)	(441,630)	(72,504)
Net income per share	(0.002)	(0.001)	(0.003)	(0.001)	0.003	(0.022)	(0.008)	(0.001)

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, while a loss on marketable securities of \$62,431 caused a larger loss for the first quarter of 2012. 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 September 30, 2011 quarter-end, management believed the Company was adequately funded for the short term, with cash resources of approximately \$863,000 and marketable securities valued at approximately \$197,000.

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 interim financial statements for the period ended September 30, 2011, which financial statements are incorporated by reference. Management believes it has sufficient working capital to fund operating costs through at least June 2012.

Mineral Exploration Activities

Carscallen Township Property

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 December 2011, the Company granted an option to NY85 Capital Inc. to purchase a 60% interest in the Carscallen property. To exercise the option, NY85 will pay the Company \$85,000, issue 750,000 NY85 shares and incur \$900,000 of exploration on the property, all over a three-year period.

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 a joint venture partner 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 80% 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

Hole #	Description	Sample #	From	To	Length (ft.)	g/T
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

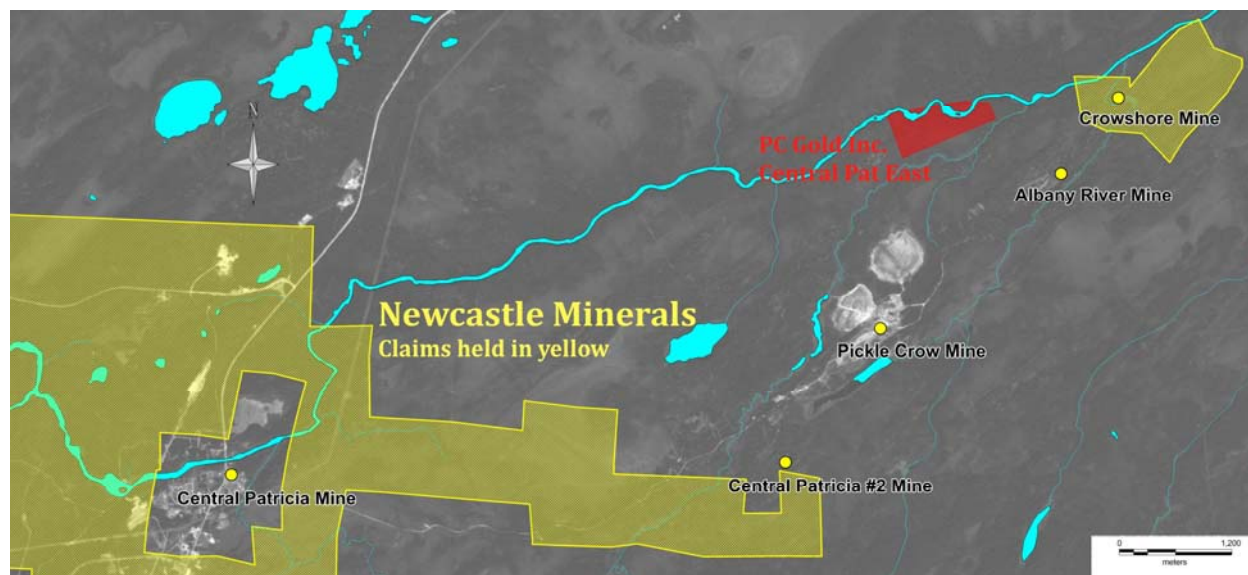
regarding this area, an extensive system of silicified and brecciated veining was uncovered, and a potential offset of the mineralization seen on PC Gold Inc.'s property. This information reveals a structurally complex mineralized system of quartz veined, silicified and brecciated material requiring 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.

Mollie River Property

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 February and April 2011, a joint venture partner 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.

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 91,781,022 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 quarter ended September 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 9 to the Company's September 30, 2011 interim financial statements, which financial statements are incorporated by reference.

Changes in Accounting Policies Including Initial Adoption

The Company's financial statements for the period ended September 30, 2011 are its first interim financial statements for the period covered by the first annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Following is an explanation of how the transition from previous Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS has affected the Company's financial position and comprehensive loss.

The accounting policies set out in note 2 to the financial statements, which are incorporated herein by reference, have been applied in preparing the financial statements for the period ended September 30, 2011, the comparative information presented in the financial statements for the period ended September 30, 2010, and in the preparation of the comparative statement of financial position at June 30, 2011 and the opening IFRS statement of financial position at July 1, 2010 (the Company's date of transition).

First Time Adoption of IFRS (IFRS 1)

The Company adopted IFRS on July 1, 2011 with a transition date of July 1, 2010. Under IFRS 1 *First time adoption of International Financial Reporting Standards* (IFRS 1), the IFRS standards are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to deficit, with IFRS 1 providing for certain optional and mandatory exemptions to this principle. The Company elected to apply the following optional exemptions:

Share-based Payments

IFRS 1 allows that full retrospective application may be avoided for certain share-based instruments depending on the grant date, vesting terms and settlement of any real liabilities. A first-time adopter can elect to not apply IFRS 2 to share-based payments granted after November 7, 2002 that vested before the later of: (a) the date of transition to IFRS, and (b) January 1, 2005. The Company has elected this exemption and will apply IFRS 2 to only unvested stock options as at the July 1, 2010 transition date, of which there were none.

Business Combinations

IFRS 1 allows that a first-time adopter may elect not to apply IFRS 3 *Business Combinations* (IFRS 3) retrospectively to business combinations prior to the date of transition avoiding the requirement to restate prior business combinations. The Company has elected to apply IFRS 3 to business combinations that occur on or after July 1, 2010, of which there were none.

Asset Retirement Obligation

IFRS requires specified changes in a decommissioning or similar liability to be added or deducted from the cost of the asset to which it relates. The adjusted depreciable amount is then depreciated prospectively over its remaining useful life. IFRS 1 allows a first time adopter to not comply fully with these accounting requirements for changes in such liabilities that occurred before the date of transition, and instead apply a simplified method which is set out in IFRS 1. The Company has elected this exemption.

Fair Value as Deemed Cost

The Company may elect among two options when measuring the value of its assets under IFRS. It may elect, on an asset by asset basis, to use either historical cost as measured under retrospective application of IFRS or fair value of an asset at the opening balance sheet date. The Company elected to use historical cost for its assets.

The Company applied the following mandatory exceptions:

Derecognition of Financial Assets and Liabilities

The Company has applied the derecognition requirements in IAS 39 *Financial Instruments: Recognition and Measurement* prospectively from its July 1, 2010 transition date. As a result, any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the transition date in accordance with pre-changeover GAAP have not been reviewed for compliance with IAS 39.

Estimates

The estimates previously made by the Company under pre-changeover GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the Company has not used hindsight to revise estimates.

Reconciliation to Previously Reported Financial Statements

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. As no material adjustments have been made to the statements of financial position, statements of operations and comprehensive loss and statements of cash flows, no such reconciliations have been prepared.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, accounts receivable, marketable securities, reclamation 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 the Company's 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