

ANNUAL FINANCIAL REPORT - 31 DECEMBER 2008

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This financial report covers both Castlemaine Goldfields Limited as an individual entity and the consolidated entity consisting of Castlemaine Goldfields Limited and its subsidiary (collectively referred to as the group). The financial report is presented in Australian currency.

Castlemaine Goldfields Limited is a company limited by shares, incorporated and domiciled in Australia.

The address of its registered office and principle place of business appears in the corporate directory included on the inside cover of the annual report.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 2 to 17 and in the directors' report on pages 18 to 29, both of which are not part of the financial report.

The financial report was authorised for issue by the directors on 20 February 2009. The company has the power to amend and reissue the financial report.

Through the use of the internet, the company has ensured that corporate reporting is timely, complete and available globally at minimum cost to the company. All ASX, financial reports and press releases are available on the website: www.cgt.net.au.

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Interest income		234,071	190,840	219,328	181,043
Other income	5	181,290	92,711	90,381	92,711
Interest expense		(19,578)	(7,294)	(19,578)	(7,289)
Employee benefits expense		(305,183)	(300,106)	(305,183)	(300,106)
Share-based compensation options expense	17	(113,796)	(198,492)	(113,796)	(198,492)
Impairment expense joint venture freehold property	11	(121,007)	-	(121,007)	-
Depreciation	11	(85,425)	(65,872)	(85,425)	(52,638)
Provision for doubtful debts		(23,039)	-	(23,039)	-
Corporate expenses		(568,475)	(495,224)	(568,474)	(494,799)
Indirect exploration expenses	9	(25,066)	(155,135)	(20,368)	(153,031)
Loss before income tax		(846,208)	(938,572)	(947,161)	(932,601)
Income tax expense	6	-	-	-	-
Loss for the year		(846,208)	(938,572)	(947,161)	(932,601)
Loss attributable to:					
Equity holders of Castlemaine Goldfields Limited		(815,956)	(938,572)	(916,909)	(932,601)
Minority interest		(30,252)	-	(30,252)	-
		(846,208)	(938,572)	(947,161)	(932,601)

Earnings per share of loss from continuing operations attributable to the ordinary equity holders of the company

		Cents	Cents
Basic (loss) per share	29	(.55)	(.94)
Diluted (loss) per share	29	(.55)	(.94)

The above income statements should be read in conjunction with the accompanying statements.

BALANCE SHEETS AS AT THE YEAR ENDED 31 DECEMBER 2008

	Notes	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and cash equivalents	7	1,949,802	5,276,879	1,941,269	5,263,948
Other current assets	8	413,363	66,698	413,319	66,698
Total current assets		2,363,165	5,343,577	2,354,588	5,330,646
Non-current assets					
Exploration and evaluation	9	13,610,900	8,880,136	11,516,157	6,835,159
Other financial assets	10	349,000	667,125	2,079,701	2,453,367
Property, plant and equipment	11	437,685	535,617	427,001	524,933
Total non-current assets		14,397,585	10,082,878	14,022,859	9,813,459
Total assets		16,760,750	15,426,455	16,377,447	15,144,105
LIABILITIES					
Current liabilities					
Trade and other payables	13	518,050	480,999	518,050	480,999
Commercial bank bill payable	14	274,500	-	274,500	-
Total current liabilities		792,550	480,999	792,550	480,999
Non-current liabilities					
Commercial bank bill payable	14	-	274,500	-	274,500
Deferred tax liabilities	12	159,569	155,969	15,000	11,400
Rehabilitation and preservation provision	15	402,000	402,000	250,000	250,000
Total non-current liabilities		561,569	832,469	265,000	535,900
Total liabilities		1,354,119	1,313,468	1,057,550	1,016,899
Net assets		15,406,631	14,112,987	15,319,897	14,127,206
Equity					
Contributed equity	16	16,655,202	14,641,732	16,655,202	14,641,732
Reserves	17	496,530	379,284	496,530	379,284
Accumulated losses	17	(2,239,984)	(1,428,978)	(2,326,718)	(1,414,759)
Capital and reserves attributable to equity holders of Castlemaine Goldfields Limited		14,911,748	13,592,038	14,825,014	13,606,257
Minority interest	25	494,883	520,949	494,883	520,949
Total equity		15,406,631	14,112,987	15,319,897	14,127,206

The above balance sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Consolidated		Parent entity	
		2008 \$	2007 \$	2008 \$	2007 \$
Total equity at the beginning of the financial year		14,112,987	9,026,829	14,127,206	9,035,077
Loss for the year		(846,208)	(938,572)	(947,161)	(932,601)
Gain on revaluation of land and buildings, net of tax	17	8,400	26,599	8,400	26,599
Total recognised income and expense for the year		(837,808)	(911,973)	(938,761)	(906,002)
<i>Transactions with equity holders in their capacity as equity holders</i>					
Contributions of equity, net of transaction costs	16	2,013,470	5,799,370	2,013,470	5,799,370
Share option reserve unlisted options	17	113,796	198,492	113,796	198,492
Benefit of minority interest's share of impairment expense of joint venture freehold property	24	30,252	-	30,252	-
Share option costs reversed – lapsed unlisted options		4,950	-	4,950	-
Share option reserve write back – unlisted options		(4,950)	-	(4,950)	-
Share option costs reversed – lapsed listed options (31 July 2007)	17	-	201,500	-	201,500
Share option reserve write back – lapsed listed options (31 July 2007)	17	-	(201,500)	-	(201,500)
		2,157,518	5,997,862	2,157,518	5,997,862
<i>Transactions with minority interest</i>					
Increase in minority interest in joint venture	25	4,186	269	4,186	269
Decrease in minority interest in joint venture freehold property	24	(30,252)	-	(30,252)	-
		(26,066)	269	(26,066)	269
Total equity at the end of the financial year		15,406,631	14,112,987	15,319,897	14,127,206

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

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Consolidated		Parent entity	
		2008 \$	2007 \$	2008 \$	2007 \$
Cash flows from operating activities					
Payments to suppliers and employees		(910,871)	(915,248)	(906,173)	(909,697)
Interest received		223,198	190,840	208,499	181,043
Interest paid		(19,971)	(7,294)	(19,971)	(7,289)
Other income		98,833	33,268	7,925	33,268
Net cash outflow from operating activities	28	(608,811)	(698,434)	(709,720)	(702,675)
Cash flows from investing activities					
Exploration and evaluation		(4,704,079)	(3,353,800)	(4,654,313)	(2,798,999)
Contributions received from joint venture partners	25	4,186	179,460	4,186	179,460
Purchase of minority interest in joint venture	25	-	(200,000)	-	(200,000)
Net advance from (to) subsidiary		-	-	30,541	(564,680)
Purchase of property, plant and equipment	11	(109,621)	(455,277)	(109,621)	(455,277)
Proceeds from the sale of surplus plant and equipment		102,778	-	102,778	-
Security deposits with banks	10	(25,000)	(20,000)	-	(15,000)
Net cash outflow from investing activities		(4,731,736)	(3,849,617)	(4,626,429)	(3,854,496)
Cash flow from financing activities					
Proceeds from the issue of shares	16	2,190,418	5,853,996	2,190,418	5,853,996
Payments in respect of capital raising	16	(176,948)	(54,626)	(176,948)	(54,626)
Contribution by joint venture partner to property purchase		-	11,628	-	11,628
Borrowing under commercial bank bill	14	-	274,500	-	274,500
Security deposit with bank to secure commercial bank bill	10	-	(274,500)	-	(274,500)
Net cash inflow from financing activities		2,013,470	5,810,998	2,013,470	5,810,998
Net increase (decrease) in cash and cash equivalents		(3,327,077)	1,262,947	(3,322,679)	1,253,827
Cash and cash equivalents at the beginning of financial year	7	5,276,879	4,013,932	5,263,948	4,010,121
Cash and cash equivalents at the end of financial year	7	1,949,802	5,276,879	1,941,269	5,263,948

The above cash flow statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Castlemaine Goldfields Limited as an individual entity and the consolidated entity consisting of Castlemaine Goldfields Limited and its subsidiary (collectively referred to as the group).

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

(i) Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRSs).

(ii) Early adoption of standards

The company has not elected early adoption of any of the new standards set out in note 1(u) to the annual reporting period beginning 1 January 2008.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment.

(iv) Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Castlemaine Goldfields Limited ("company" or "parent entity") as at 31 December 2008 and the results of all subsidiaries for the year then ended. Castlemaine Goldfields Limited and its subsidiaries together are referred to in this financial report as the group.

Subsidiaries are all those entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the economic entity. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group (refer note 1(f)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Castlemaine Goldfields Limited.

(ii) Joint ventures

The economic entity operates two joint exploration and evaluation ventures with other parties as unincorporated joint ventures, one of which commenced during the year.

The liabilities and other assets of the joint venture activities have been incorporated in the financial statements under the appropriate headings. Details of the joint ventures are set out in note 24.

Note 1 Summary of significant accounting policies (continued)

As outlined in note 24 the group has a new joint venture partner for its Tarnagulla project. Under the terms of the agreement the partner can earn a 20% interest in the project within the first fifteen months, and can acquire up to a 75% interest, at which time the economic entity may resume funding expenditure to maintain a 25% interest. In the meantime the group's interest will remain capitalised in "Exploration and evaluation" as set out in note 9.

Minority interests in jointly incurred exploration and evaluation expenditure capitalised and jointly owned freehold land and buildings is recorded as part of equity.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised on a time proportion basis using the effective interest rate method.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Castlemaine Goldfields Limited and its wholly-owned Australian controlled entity have not elected to adopt income tax consolidation.

(f) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their fair value as at the acquisition date based on the best available evidence of the price at which the instruments could be exchanged between knowledgeable, willing parties in an arm's length transaction. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the company's share of the fair value of the identifiable net assets of the business acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value

Note 1 Summary of significant accounting policies (continued)

as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). An impairment loss of \$121,007 has been recorded, resulting from the write down of the freehold property owned by the Sebastian joint venture as set out in note 11. Non financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(i) Other current assets

Goods and services tax receivable, loan to a joint venture partner, a security deposit with bank, interest receivable and prepayments are included in other current assets. Note 2 includes details of the loan due from a joint venture partner and an amount due as a security deposit, which is security for a commercial bank bill payable of the same amount. The goods and services tax and interest receivable are realisable. Prepayments are being amortised over the term of the benefit.

(j) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. The costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of resources.

Accumulated costs in relation to an abandoned area will be written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(k) Other financial assets

As outlined in Note 10 other financial assets include an investment in subsidiary and short term deposits to support bank guarantees in favour of the Minister for Energy and Resources.

The advance to the subsidiary will be realised when the exploration and evaluation expenditure has been successfully concluded.

Investments in subsidiaries are accounted for at cost. Such investments include both investments in shares issued by the subsidiary and other parent entity interests that in substance form part of the parent entity's investment in the subsidiary. These include investments in the form of interest-free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital.

(l) Property, plant and equipment

Land and buildings are stated at historical cost or at director's valuation. In the current year, as set out in note 11, an impairment loss of \$121,007 has been recorded against the freehold property owned by the Sebastian joint venture and the freehold property at Chewton has been revalued by \$12,000. Plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the diminishing value basis to allocate their cost or revalued

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2008

Note 1 Summary of significant accounting policies (continued)

amounts, net of their residual values, over their estimated useful lives. The annual depreciation rates are as follows:

- Plant and equipment 10 – 25%
- Motor vehicles 20%
- Office equipment and furniture 25 – 40%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Commercial bank bill payable

The commercial bank bill payable is stated at its face value with the prepaid interest being amortised over the term of the bill.

(o) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

At the date of this report no provision for long service leave has been recognised. A provision will be created as and when employees become entitled to pro-rata payment of long service leave entitlements. The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

Share-based compensation benefits are provided to employees, consultants and contractors of Castlemaine Goldfields Limited via its Employees and Contractors Option Plan and other grants of unlisted options approved by the board of directors.

The fair value of options granted is recognised as an employee, consultant and contractor benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the recipient becomes unconditionally entitled to the options.

The fair value is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of options granted is adjusted to reflect market vesting conditions, but excludes the impact of non-market vesting conditions (for example, favourable assay results and increased resource estimates). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises the estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised in each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised on the income statement with a corresponding adjustment to equity.

(p) Rehabilitation and preservation provisions

Rehabilitation of new exploration sites occurs as each individual site is concluded and the cost is included in the costs of that stage. The estimated costs of future site restoration and heritage preservation associated with previous mining activity are provided for when exploration commences and are included in the costs of that stage. These costs include the dismantling and removal of any plant, equipment and building structures and rehabilitation, where such work is deemed appropriate by the relevant government authorities

Note 1 Summary of significant accounting policies (continued)

and the cost of making safe any remaining aspects of the previous mining operation.

Any changes in the estimates for the costs are accounted on a prospective basis. Such costs have been determined based on estimates of future costs, current legal requirements and technology. Given the short term nature of the exploration permits the provision is based on the costs being incurred at the expiry of the licence agreements.

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, from the proceeds.

(r) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(s) Earnings per share

(i) Basic Earnings per Share

Basic earnings per share is calculated by dividing the profit (loss) attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Where diluted earnings per share is greater than basic earnings per share, the diluted earnings per share is adjusted to equal basic earnings per share in accordance with AASB 133 Earnings per Share.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(u) New accounting standards and UIG interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will adopt AASB 8 from 1 January 2009, but it is not expected to have any impact on the group's financial statements.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

Note 1 Summary of significant accounting policies (continued)

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

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

(iv) AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 January 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(v) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in note 1(f) above. The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see note 1(b)(i). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the Group's current accounting policy. The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 January 2009.

(vi) AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009)

The amendments to AASB 5 Discontinued Operations and AASB 1 First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 January 2009.

(vii) AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements. The Group will apply the revised rules prospectively from 1 January 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

Note 2 Financial risk management

Risk management is carried out by the managing director and chief executive officer in consultation with the chief financial officer within the policy parameters set by the board.

The exploration activities are being funded by equity and do not expose the group to significant financial risks. There are no speculative or financial derivative instruments.

Financial assets include cash balances, a secured loan to a joint venture partner and security deposits with banks.

Cash balances have a modest interest rate exposure. Funds are invested with domestic banks for various short term periods to match forecast cash flow requirements.

The Sebastian joint venture purchased a freehold property in 2007. This acquisition was substantially funded by a commercial bank bill facility of \$274,500 over two years. To avoid a third party taking security over the property, the company provided a security deposit to the bank of \$274,500 and financed the joint venture partner's share of the loan amounting to \$68,625 on a fixed interest basis over two years. The joint venture partner's debt is secured by the property held in the name of Castlemaine Goldfields Limited.

NOTES TO THE FINANCIAL STATEMENTS
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Note 2 Financial risk management (continued)

The property is recorded in "Property, plant and equipment" at directors' valuation following the recognition of an impairment loss in the year. Provision of \$18,625 was made against the debt owing by the joint venture partner due to impairment in the value of the security held. Both the liability to the bank shown as "Commercial bank bill payable" and the related "Security deposit" were reclassified from non-current to current in the year as the facility expires in August 2009.

Security deposits with banks of \$349,000, classified as non-current assets comprise term bank deposits to secure bank guarantees in favour of the Minister for Energy and Resources equivalent in value to amounts prescribed as rehabilitation bonds.

Set out below is a table summarising the group's and parent entity's financial assets and financial liabilities.

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	1,949,802	5,276,879	1,941,269	5,263,948
Goods and services tax receivable	80,292	64,979	80,292	64,979
Bank and other interest receivable	10,873	-	10,829	-
Security deposit to secure bank bill payable	274,500	274,500	274,500	274,500
Secured loan to joint venture partner	50,000	68,625	50,000	68,625
Security deposits with banks (non-current)	349,000	324,000	167,000	167,000
	<u>2,714,467</u>	<u>6,008,983</u>	<u>2,523,890</u>	<u>5,839,052</u>
Financial liabilities				
Trade and other payables	405,958	378,096	405,958	378,096
Commercial bank bill payable	274,500	274,500	274,500	274,500
	<u>680,458</u>	<u>652,596</u>	<u>680,458</u>	<u>652,596</u>

The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the balance sheet and in the notes to the accounts.

(a) Market risk

The group has no foreign exchange risk exposure but has minimal interest rate risks arising from its cash and security deposits. If at 31 December 2008, interest rates had changed from +/- 50 bases points from actual rates with all other variables held constant, the post tax loss for the year would have been \$11,494 lower/higher (2007: \$28,004 lower/higher).

(b) Credit risk

The group uses two major national banks and a regional bank. Currently, deposit funds are with the one major bank, and security deposits are held with the two major banks. The regional bank is used to pay suppliers and for sundry banking purposes. When the group has significant funds on hand it looks to spread deposit risks with a number of banks provided interest rates are competitive.

The other major credit risk is the recoverability of a secured loan to the Sebastian joint venture partner written down to \$50,000 as described above.

(c) Liquidity risk

The group has cash and bank deposits of \$1,949,802. Security deposits with banks are held in addition to this amount.

The bank term deposit of \$500,000 with a major retail domestic bank matures in March 2009. Based on the group's cash flow forecast the deposit will not be required prior to maturity as the group has \$1,394,950 in a cash management "at call" account to finance current exploration activities.

Security deposits with banks of \$349,000 that secure bank guarantees in favour of the Minister for Energy and Resources cannot be liquidated until the related exploration or mining licences are satisfactorily surrendered.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

Note 2 Financial risk management (continued)

(d) Fair value estimation

The fair value of the financial assets and financial liabilities is the carrying amounts set out in the balance sheet and as summarised in the above table.

Note 3 Critical accounting estimates and judgments

The directors' evaluations, estimates and judgments incorporated into the financial report are based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Exploration and evaluation expenditure has been carried forward in accordance with policy note 1(j) on the basis that exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of resources and active and significant operations in relation to the areas are continuing. In the event that significant operations cease and/or resources are not assessed as being present, this expenditure will be expensed to the income statement.

Note 4 Segment information

The economic entity operates in the one business segment within one geographical segment, namely exploration for gold in central Victoria.

Note 5 Other income

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Fees received from Tarnagulla joint venture partner	90,909	-	-	-
Net gain on disposal of property, plant and equipment	89,657	13,636	89,657	13,636
Profit on purchase of minority interest in joint venture	-	59,443	-	59,443
Sundry income	724	19,632	724	19,632
	181,290	92,711	90,381	92,711

NOTES TO THE FINANCIAL STATEMENTS
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Note 6 Income tax expense

(a) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Loss from operations before income tax expense	(846,208)	(938,572)	(947,161)	(932,601)
Tax benefit at the Australian tax rate of 30% (2007 - 30%)	253,862	281,571	284,148	279,780
<i>Tax effect of amounts which are not assessable (deductible) in calculating taxable income:</i>				
Share-based compensation options expenses	(34,139)	(59,548)	(34,139)	(59,548)
Impairment expense joint venture property	(36,302)	-	(36,302)	-
Profit on purchase of minority interest in joint venture	-	17,833	-	17,833
	183,421	239,856	213,707	238,065
Tax benefit for allowance for share issue expenses included in equity	80,576	69,959	80,576	69,959
Future tax benefit in respect to tax losses not recognised	(294,283)	(309,815)	(294,283)	(308,024)
Benefit of income tax losses not previously recognised	30,286	-	-	-
Income tax expense	-	-	-	-
(b) Amounts recognised directly in equity	3,600	11,400	3,600	11,400
	3,600	11,400	3,600	11,400

(c) Tax losses

Unused tax losses not recognised in note 12 and for which no deferred tax asset has been recognised	3,051,912	2,167,819	3,051,912	2,179,731
Potential tax benefit @ 30%	915,574	650,346	915,574	653,919

The future income tax benefit attributable to these losses has not been brought to account because the benefit is not reasonably certain of realisation.

The potential future income tax benefits which may arise from these losses will only be realised if:

- The group derives future assessable income of a nature and sufficient amount to enable the benefit of the losses to be realised;
- The group continues to comply with the conditions of deductibility imposed by the law; and
- No changes in tax legislation adversely affect the group in realising the benefit from the deduction for the losses.

The group has not elected to implement income tax consolidation legislation.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

Note 7 Current assets - Cash and cash equivalents

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash at bank and in hand	54,852	166,404	46,319	153,473
Short-term bank deposits	1,894,950	5,110,475	1,894,950	5,110,475
Balance per statement of cashflows	1,949,802	5,276,879	1,941,269	5,263,948

Cash at bank and in hand includes working cash balances in cheque and cash management accounts.

Cash of \$500,000 (2007 - \$2,000,000) is on short-term bank deposit at an effective annual interest rate of 4.6%, maturing within three months. In addition, \$1,394,950 (2007 - \$3,110,475) is at call in a cash management account at an effective annual interest rate of 4.85%.

As set out in note 2 cash balances are invested for short terms with banks with minimal interest rate risk exposure.

Note 8 Current assets - Other

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Goods, and services tax receivable	80,292	64,979	80,292	64,979
Bank and other interest receivable	10,873	-	10,829	-
Less provision for doubtful debts	(4,414)	-	(4,414)	-
	6,459	-	6,415	-
Security deposit with bank (note 2)	274,500	-	274,500	-
Loan to joint venture partner, secured	68,625	-	68,625	-
Less provision for doubtful debt (note 2)	(18,625)	-	(18,625)	-
	50,000	-	50,000	-
Prepayments	2,112	1,719	2,112	1,719
	413,363	66,698	413,319	66,698

Note 9 Non-current assets - Exploration and evaluation

Expenditure brought forward at the beginning of the year	8,880,136	5,406,716	6,835,159	3,916,539
Expenditure during the year	4,730,764	3,473,420	4,680,998	2,918,620
Expenditure carried forward at the end of the year	13,610,900	8,880,136	11,516,157	6,835,159

Exploration and evaluation expenditure relates to the economic entity's gold exploration projects at Castlemaine, Sebastian and Tarnagulla. The Sebastian and Tarnagulla projects are the subject of joint venture arrangements, the details of which are set out in note 24. The Tarnagulla project is owned by the wholly owned subsidiary company, Ironbark Mining Pty Ltd. Tenement details for each project are set out on page 17 of this annual report.

Indirect exploration expenses of \$166,310 (2007 - \$155,135) were incurred for the year of which \$141,244 (2007 - \$nil) were allocated to tenements with the balance expensed in the Income Statement. This minor change in accounting treatment is consistent with annual tenement cost reporting to the Minister for Energy and Resources. Had the change been adopted in the prior year the tenement allocation would have been \$136,011.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

Note 10 Other non-current assets – Other financial assets

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Security deposits with banks	349,000	324,000	167,000	441,500
Security deposit with bank as security for bank bill payable	-	274,500	-	-
	<u>349,000</u>	<u>598,500</u>	<u>167,000</u>	<u>441,500</u>
Secured loan to joint venture partner	-	68,625	-	68,625
Shares in subsidiary company at cost	-	-	862,000	862,000
Amount due from subsidiary company	-	-	1,050,701	1,081,242
	<u>-</u>	<u>-</u>	<u>1,912,701</u>	<u>1,943,242</u>
	<u>349,000</u>	<u>667,125</u>	<u>2,079,701</u>	<u>2,453,367</u>

Security deposits with banks are term bank deposits to secure bank guarantees in favour of the Minister for Energy and Resources equivalent in value to amounts prescribed as rehabilitation bonds. The deposits are for periods of one to seven months with effective annual interest rates ranging from 3.85% to 8.0%. The term of future investment periods will take into account relative interest rates.

The secured loan, due by the company's minority joint venture partner in the Sebastian joint venture, is due in August 2009 and the loan for the 2008 year is classified in Current Assets-Other and is set out in note 8.

Shares in subsidiary company at cost is the parent entity's interest in its subsidiary as described in note 1(k).

The amount due from the subsidiary company relates to exploration and evaluation expenditure and minor overhead costs incurred on its behalf.

Note 2 sets out an assessment of the risk management issues relating to these financial assets.

NOTES TO THE FINANCIAL STATEMENTS
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Note 11 Non-current assets – Property, plant and equipment

	Freehold land and buildings	Plant and equipment	Motor vehicles	Office equipment	Total
	\$	\$	\$	\$	\$
Consolidated					
At 1 January 2007					
Cost	10,684	916,446	46,513	96,866	1,070,509
Accumulated depreciation	-	(902,560)	(10,237)	(49,499)	(962,296)
Net book amount	<u>10,684</u>	<u>13,886</u>	<u>36,276</u>	<u>47,367</u>	<u>108,213</u>
Year ended 31 December 2007					
Opening net book amount	10,684	13,886	36,276	47,367	108,213
Additions	321,008	90,366	18,159	25,744	455,277
Revaluation surplus	37,999	-	-	-	37,999
Depreciation charge	-	(33,173)	(9,348)	(23,351)	(65,872)
Closing net book amount	<u>369,691</u>	<u>71,079</u>	<u>45,087</u>	<u>49,760</u>	<u>535,617</u>
At 31 December 2007					
Cost	331,692	1,006,812	64,672	122,610	1,525,786
Revaluation surplus	37,999	-	-	-	37,999
Accumulated depreciation	-	(935,733)	(19,585)	(72,850)	(1,028,168)
Net book amount	<u>369,691</u>	<u>71,079</u>	<u>45,087</u>	<u>49,760</u>	<u>535,617</u>
Year ended 31 December 2008					
Opening net book amount	369,691	71,079	45,087	49,760	535,617
Additions	-	81,321	-	28,300	109,621
Disposals	-	(240,700)	(25,102)	-	(265,802)
Depreciation written back	-	240,700	11,981	-	252,681
Revaluation surplus	12,000	-	-	-	12,000
Impairment loss	(121,007)	-	-	-	(121,007)
Depreciation charge	-	(46,204)	(6,842)	(32,379)	(85,425)
Closing net book amount	<u>260,684</u>	<u>106,196</u>	<u>25,124</u>	<u>45,681</u>	<u>437,685</u>
At 31 December 2008					
Cost	331,692	847,433	39,570	150,910	1,369,605
Revaluation surplus	49,999	-	-	-	49,999
Impairment loss	(121,007)	-	-	-	(121,007)
Accumulated depreciation	-	(741,237)	(14,446)	(105,229)	(860,912)
Net book amount	<u>260,684</u>	<u>106,196</u>	<u>25,124</u>	<u>45,681</u>	<u>437,685</u>

The impairment loss of \$121,007 results from the write down of a property held by the Sebastian joint venture. The \$12,000 revaluation relates to a block of land at Chewton. The valuations were made in accordance with fair values ascribed by the directors. The impairment loss has been taken as a charge to the Income Statement. Details of the revaluation surplus of \$12,000 are set out in note 17.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

Note 11 Non-current assets – Property, plant and equipment (continued)

	Freehold land and buildings	Plant and equipment	Motor vehicles	Office equipment	Total
	\$	\$	\$	\$	\$
Parent entity					
At 1 January 2007					
Cost	-	886,985	46,513	96,866	1,030,364
Accumulated depreciation	-	(886,333)	(10,237)	(49,499)	(946,069)
Net book amount	-	652	36,276	47,367	84,295
Year ended 31 December 2007					
Opening net book amount	-	652	36,276	47,367	84,295
Additions	321,008	90,366	18,159	25,744	455,277
Revaluation surplus	37,999	-	-	-	37,999
Depreciation charge	-	(19,939)	(9,348)	(23,351)	(52,638)
Closing net book amount	359,007	71,079	45,087	49,760	524,933
At 31 December 2007					
Cost	321,008	977,351	64,672	122,610	1,485,641
Revaluation surplus	37,999	-	-	-	37,999
Accumulated depreciation	-	(906,272)	(19,585)	(72,850)	(998,707)
Net book amount	359,007	71,079	45,087	49,760	524,933
Year ended 31 December 2008					
Opening net book amount	359,007	71,079	45,087	49,760	524,933
Additions	-	81,321	-	28,300	109,621
Disposals	-	(240,700)	(25,102)	-	(265,802)
Depreciation written bank	-	240,700	11,981	-	252,681
Revaluation surplus	12,000	-	-	-	12,000
Impairment loss	(121,007)	-	-	-	(121,007)
Depreciation charge	-	(46,204)	(6,842)	(32,379)	(85,425)
Closing net book amount	250,000	106,196	25,124	45,681	427,001
At 31 December 2008					
Cost	321,008	817,972	39,570	150,910	1,329,460
Revaluation surplus	49,999	-	-	-	49,999
Impairment loss	(121,007)	-	-	-	(121,007)
Accumulated depreciation	-	(711,776)	(14,446)	(105,229)	(831,451)
Net book amount	250,000	106,196	25,124	45,681	427,001

Details of the impairment loss and revaluation surplus are set out on the previous page.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

Note 12 Deferred tax balances

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Non-current assets - Deferred tax assets				
The balance comprises temporary differences attributable to:				
Employee benefits – annual leave	33,628	30,871	33,628	30,871
Other provisions	16,611	10,408	16,611	10,408
Tax losses recognised (*)	3,579,545	2,146,483	3,198,304	1,780,171
Set – off of deferred tax balances	(3,629,784)	(2,187,762)	(3,248,543)	(1,821,450)
	-	-	-	-
(*) The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.				
Movements:				
Opening balance 1 January	-	-	-	-
Tax losses recognised	1,433,061	1,029,752	1,418,133	863,311
Employee benefits – annual leave	2,757	11,678	2,757	11,678
Other provisions	6,204	1,226	6,203	1,226
Set – off of deferred tax balances	(1,442,022)	(1,042,656)	(1,427,093)	(876,215)
Closing balance 31 December	-	-	-	-
(b) Non-current liabilities – Deferred tax liabilities				
The balance comprises temporary differences attributable to:				
Exploration and evaluation expenditure	3,772,192	2,330,225	3,246,382	1,819,344
Depreciation	2,161	2,106	2,161	2,106
Asset revaluation reserve	15,000	11,400	15,000	11,400
Set – off of deferred tax balances	(3,629,784)	(2,187,762)	(3,248,543)	(1,821,450)
	159,569	155,969	15,000	11,400
Movements:				
Opening balance 1 January	155,969	144,569	11,400	-
Exploration and evaluation expenditure	1,441,967	1,042,027	1,427,038	875,586
Depreciation	55	629	55	629
Asset revaluation reserve	3,600	11,400	3,600	11,400
Set – off of deferred tax balances	(1,442,022)	(1,042,656)	(1,427,093)	(876,215)
	159,569	155,969	15,000	11,400
Deferred tax liabilities to be settled after more than 12 months	159,569	155,969	15,000	11,400
Net deferred tax liability balance	159,569	155,969	15,000	11,400

The opening balance of \$155,969 includes \$144,569 relating to the acquisition of the subsidiary company Ironbark Mining Pty Ltd. The amount comprises the tax on the difference between the book value of the exploration and evaluation expenditure acquired and the valuation at that date, less the benefit of the tax losses acquired.

NOTES TO THE FINANCIAL STATEMENTS
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Note 13 Current Liabilities – Trade and other payables

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade payables	324,859	294,902	324,859	294,902
Other payables	81,099	83,194	81,099	83,194
Employee benefits – annual leave	112,092	102,903	112,092	102,903
	<u>518,050</u>	<u>480,999</u>	<u>518,050</u>	<u>480,999</u>

**Note 14 Commercial bill payable
Current liability**

Commercial bank bill payable	<u>274,500</u>	<u>-</u>	<u>274,500</u>	<u>-</u>
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Non-current liability

Commercial bank bill payable	<u>-</u>	<u>274,500</u>	<u>-</u>	<u>274,500</u>
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The commercial bank bill payable was drawn to finance the purchase of a property for the Sebastian joint venture.
For further details refer to note 2.

Note 15 Non-current liabilities – Provisions

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Provision for rehabilitation and preservation	<u>402,000</u>	<u>402,000</u>	<u>250,000</u>	<u>250,000</u>

The provision is to cover the likely costs of land rehabilitation and preservation as a result of past mining activities at Castlemaine and Tarnagulla. There were no movements during the year.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

Note 16 Contributed equity

	Parent entity		Parent entity	
	2008 Shares	2007 Shares	2008 \$	2007 \$
(a) Share capital				
Ordinary shares, fully paid	219,041,814	146,027,876	16,655,202	14,641,732

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price Cents	\$
31 December 2006	Opening balance	89,444,125		8,842,362
20 February 2007	Share Purchase Plan	1,940,000	20	388,000
30 July 2007	Listed options conversion	16,211	20	3,242
1 November 2007	Renounceable rights issue	40,766,540	10	4,076,654
7 November 2007	Placement of rights issue shortfall	13,861,000	10	1,386,100
	Less: Transaction costs arising on share issue			(54,626)
	Contributions of equity, net	56,583,751		5,799,370
31 December 2007	Balance	146,027,876		14,641,732
17 December 2008	Non-renounceable rights issue (i)	48,343,621	3	1,450,309
19 December 2008	Non-renounceable rights issue, underwritten shortfall (i)	24,670,317	3	740,109
	Less: Transaction costs arising on share issue (ii)			(176,948)
	Contributions of equity, net	73,013,938		2,013,470
31 December 2008	Balance	219,041,814		16,655,202

(i) In December 2008 the company made an underwritten, one for two non-renounceable rights issue, at three cents per share with a record date of 20 November, closing on 11 December 2008. The purpose of the issue was to raise additional equity to finance ongoing exploration programs, predominately at Castlemaine, working capital and corporate costs.

(ii) The cost of the rights issue has been offset against equity.

(c) Ordinary shares

Castlemaine Goldfields Limited, formerly Alexander Resources Limited listed on the ASX on 3 March 2005.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Unlisted options

Unlisted Options to acquire ordinary shares have been granted to directors, staff and contractors and consultants. No voting or other rights are attached to the options. 8,550,000 (2007 – 5,200,000) of the options are current of which 4,750,000 (2007 – 3,825,000) have vested. Details are set out in the note 30.

(e) Listed options

Listed Series A Options to acquire ordinary shares at an exercise price of 20 cents expired on 31 July 2007. No voting or other rights were attached to the options.

(f) Capital risk management

The company's equity management is determined by funds required to undertake exploration activities and meet corporate and other costs. Where joint venture partners participate in particular projects the partners contribute monthly cash calls in proportion to their respective interests.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

Note 17 Reserves and accumulated losses

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Reserves				
Property, plant and equipment revaluation reserve	34,999	26,599	34,999	26,599
Share option reserve	461,531	352,685	461,531	352,685
Balance 31 December	496,530	379,284	496,530	379,284

Movements

Property, plant and equipment revaluation reserve

Balance 1 January	26,599	-	26,599	-
Freehold land revaluation	8,400	26,599	8,400	26,599
Balance 31 December	34,999	26,599	34,999	26,599

The revaluation reserve relates to a block of land at Chewton which was acquired for one dollar under a call option at the time the company became publicly listed. The directors have revalued the land to its fair value, resulting in a revaluation surplus of \$8,400 net of income tax of \$3,600.

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Share option reserve				
Balance 1 January	352,685	355,693	352,685	355,693
Options costs including those under the Employees' and Contractors' Option Plan	113,796	198,492	113,796	198,492
Reversal of unlisted options reserve for lapsed options	(4,950)	-	(4,950)	-
Reversal of listed options reserve expired on 31 July 2007	-	(201,500)	-	(201,500)
Balance 31 December	461,531	352,685	461,531	352,685

(b) Accumulated losses

Balance 1 January	(1,428,978)	(691,906)	(1,414,759)	(683,658)
Loss for the year	(846,208)	(938,572)	(947,161)	(932,601)
Minority interest share of impairment expense of joint venture property	30,252	-	30,252	-
	(815,956)	(938,572)	(916,909)	(932,601)
Reversal of share option provision - lapsed unlisted options	4,950	-	4,950	-
Reversal of share option provision - lapsed listed options (31 July 2007)	-	201,500	-	201,500
Balance 31 December	(2,239,984)	(1,428,978)	(2,326,718)	(1,414,759)

NOTES TO THE FINANCIAL STATEMENTS
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Note 17 Reserves and accumulated losses (continued)

(c) Nature and purpose of reserves

(i) Property, plant and equipment revaluation reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets as described in note 1(l). The balance standing to the credit of the reserves may only be used to satisfy the distribution of bonus shares to shareholders and is only available to pay cash dividends in limited circumstances as permitted by Australian law.

(ii) Share option reserve

The share option reserve is used to recognise the fair value of options issued to employees, contractors and consultants but not exercised.

Note 18 Dividends

No dividends have been paid or are payable.

Note 19 Key management personnel disclosures

(a) Directors

The following persons were directors of the parent entity during the financial year:

John C. Goudie	Non-executive chairman
Gary F. P. Scanlan	Managing director and chief executive officer
Peter L. McCarthy	Non-executive director
Robert H.R. Adamson	Non-executive director, resigned 14 January 2009
Pieter W. Greeff	Non-executive director, resigned 22 April 2008

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, during the financial year.

Wessley B. Edgar	Exploration manager
Oliver A. Halliwell	Administration manager
John W. Jennings	Company secretary and chief financial officer

(c) Key management personnel and directors compensation

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employment benefits	713,718	635,953	713,718	635,953
Post-employment benefits	55,235	48,236	55,235	48,236
Share-based payments	106,887	174,353	106,887	174,353
	<u>875,840</u>	<u>858,542</u>	<u>875,840</u>	<u>858,542</u>

Detailed remuneration disclosures are provided in sections (a) to (c) of the remuneration report which forms part of the accompanying directors' report.

(d) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in sections (d) and (e) of the remuneration report which forms part of the accompanying directors' report.

NOTES TO THE FINANCIAL STATEMENTS
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Note 19 Key management personnel disclosures (continued)

(ii) *Option holdings*

The numbers of unlisted options over shares in the company held during the financial year by each director of Castlemaine Goldfields Limited and other key management personnel of the group including their personally related parties, are set out below. Listed options exercisable at 20 cents per ordinary share expired on 31 July 2007.

2008	Balance start of year	Movements during year			Balance end of year	Vested and exercisable	Unvested
		Granted	Exercised	Lapsed			
Chairman - non-executive director							
John C. Goudie	1,400,000	-	-	-	1,400,000	1,400,000	-
Managing director and chief executive officer							
Gary F. P. Scanlan	3,000,000	2,000,000	-	-	5,000,000	2,500,000	2,500,000
Other key management personnel							
Wessley B. Edgar	500,000	1,000,000	-	-	1,500,000	500,000	1,000,000
John W. Jennings	50,000	-	-	-	50,000	50,000	-
2007							
	Balance start of year	Movements during year			Balance end of year	Vested and exercisable	Unvested
		Granted	Exercised	Lapsed			
Non-executive directors							
<i>Unlisted</i>							
John C. Goudie	1,400,000	-	-	-	1,400,000	1,400,000	-
<i>Listed</i>							
John C. Goudie	600,000	-	-	(600,000)	-	-	-
Pieter W. Greeff	22,586	-	-	(22,586)	-	-	-
Peter L. McCarthy	200,000	-	-	(200,000)	-	-	-
Managing director and chief executive officer							
Gary F. P. Scanlan							
<i>Unlisted</i>	2,000,000	1,000,000	-	-	3,000,000	2,000,000	1,000,000
<i>Listed</i>	49,500	-	-	(49,500)	-	-	-
Other key management personnel							
<i>Unlisted</i>							
Wessley B. Edgar	500,000	-	-	-	500,000	125,000	375,000
John W. Jennings	50,000	-	-	-	50,000	50,000	-

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Note 19 Key management personnel disclosures (continued)

(iii) *Share holdings*

The number of shares in the company held during the financial year by each director of the company and other key management personnel of the group, including their personally related parties, are set out below. There were no shares granted during the year as compensation.

2008 Name	Balance start of year	Movements		Balance end of year
		Purchases	Other changes	
Non-executive directors				
John. C. Goudie	362,200	2,153,600	-	2,515,800
Robert H.R. Adamson	20,233,788	15,652,186	-	35,885,974
Pieter W. Greeff	148,412	-	(148,412)	-
Peter L. McCarthy	1,000,000	1,500,000	-	2,500,000
Managing director and chief executive officer				
Gary F. P. Scanlan	682,408	1,931,204	-	2,613,612
Other key management personnel				
Wessley B. Edgar	209,152	190,847	-	399,999

Purchases include on market purchases and the exercise of rights under the non-renounceable rights issue of December 2008. Robert H.R. Adamson's holding includes shares held through his interest in the RFC Group Limited, its related parties and other related parties. Pieter W. Greeff resigned as a director on 22 April 2008.

No purchases or movements are the result of the exercise of options.

2007 Name	Balance start of year	Movements		Balance end of year
		Purchases	Other changes	
Non-executive directors				
John. C. Goudie	37,500	324,700	-	362,200
Robert H.R. Adamson	-	7,587,671	12,646,117	20,233,788
Pieter W. Greeff	67,757	80,655	-	148,412
Peter L. McCarthy	600,000	400,000	-	1,000,000
Managing director and chief executive officer				
Gary F. P. Scanlan	148,500	533,908	-	682,408
Other key management personnel				
Wessley B. Edgar	21,600	187,552	-	209,152

Purchases include purchases under the Share Purchase Plan of February 2007, on market purchases and the exercise of rights under the renounceable rights issue of November 2007 including rights purchased on market which were subsequently exercised. Robert H.R. Adamson's holding includes shares held through his interest in the RFC Group Limited, its related parties and other related parties.

No purchases or movements are the result of the exercise of options.

NOTES TO THE FINANCIAL STATEMENTS
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Note 19 Key management personnel disclosures (continued)

(e) Loans to key management personnel

No loans were made to or are payable by management personnel.

(f) Other transactions with key management personnel

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Rental accommodation costs included in corporate expenses	13,200	-	13,200	-

Rental accommodation costs, on an arm's length basis, were paid to an entity in which managing director and chief executive officer, Gary F. P. Scanlan held a financial interest.

There were no other transactions with key management personnel.

Note 20 Remuneration of the auditor

During the year the following fees were paid or are payable for services provided by the auditor:

	Consolidated	
	2008	2007
	\$	\$
(a) Audit services		
Audit and review of financial reports and other audit work under the Corporations Act 2001	26,500	21,700
(b) Other assurance services		
Audit of joint venture exploration and evaluation	-	3,500
Total remuneration of the auditor	<u>26,500</u>	<u>25,200</u>

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the economic entity are important.

NOTES TO THE FINANCIAL STATEMENTS
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Note 21 Commitments

(a) Exploration and mining expenditure requirements

The group holds exploration and mining licences that have annual minimum expenditure obligations. Variation to these tenement obligations can be negotiated where circumstances allow. The terms and conditions attached to the licences are subject to variation upon renewal. The individual licence periods range from one to five years. Generally, application is made to renew the licences at renewal date throughout the entire life of the related exploration project. The licences have an annual expenditure requirement of approximately \$613,000, some \$234,000 of which is attributable to the Tarnagulla joint venture where the joint venture partner is to incur the expenditure under a “farm-in” arrangement as set out in note 24(b). Total required future expenditure for all currently held licences is approximately \$705,000.

(b) Capital commitments

The economic entity had capital commitments of \$36,600 at 31 December 2008 (2007 - \$nil).

Note 22 Related party transactions

(a) Parent entity

The parent entity within the group is Castlemaine Goldfields Limited.

(b) Subsidiary

Interest in the subsidiary is set out in note 23.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 19 (c).

(d) Transactions with related parties

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Underwriting and associated management fees included in transaction costs arising on share issue	109,521	-	109,521	-
Consultancy fees included in exploration and evaluation expenses	-	16,904	-	16,904
Exploration expenditure incurred on behalf of subsidiary	-	-	49,766	554,801
Other transactions, net of payments made by subsidiary to parent entity	-	-	(80,307)	12,879
Amount due from subsidiary	-	-	1,050,701	1,081,242

Underwriting and associated management fees were paid to RFC Corporate Finance Limited, a company in which former director, Robert H. R. Adamson held a financial interest.

In the prior year consultancy fees were paid to a company in which director, Peter L. McCarthy held a financial interest.

NOTES TO THE FINANCIAL STATEMENTS
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Note 23 Subsidiary

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in Note 1 (a):

	Country of incorporation	Percentage owned %	
		2008	2007
Ironbark Mining Pty Ltd	Australia	100	100

On 1 April 2005 the parent entity acquired 100% of the shares in Ironbark Mining Pty Ltd which owns the exploration and mining licences for the Tarnagulla project. The related exploration and evaluation expenditure is incurred and capitalised in the accounts of Ironbark Mining Pty Ltd.

Note 24 Interests in joint ventures

(a) Sebastian joint venture

The group holds a 75% interest in the unincorporated Sebastian joint venture, covering EL3105. The joint venture partner is required to fund their 25% share of expenditure by way of monthly cash calls. Expenditure to date has been capitalised in the balance sheet as "Exploration and evaluation expenditure". The joint venture partner's share of expenditure is shown as "Minority interest" as part of "Equity".

The interest of the economic entity in the joint venture is as follows:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
The economic entity's interest in assets employed are included in the Balance Sheet as follows:				
Exploration and evaluation	2,014,194	1,987,726	2,014,194	1,987,726
Less minority interest	(444,882)	(440,697)	(444,882)	(440,697)
Interest held	1,569,312	1,547,029	1,569,312	1,547,029
Freehold land and buildings	321,007	321,007	321,007	321,007
Less impairment write down (refer note 10)	(121,007)	-	(121,007)	-
Less minority interest	(50,000)	(80,252)	(50,000)	(80,252)
Interest held	150,000	240,755	150,000	240,755
Total interest held	1,719,312	1,787,784	1,719,312	1,787,784
% Interest held in joint venture	%	%	%	%
Sebastian joint venture	75	75	75	75

(b) Tarnagulla joint venture

In August 2008 the group through its wholly owned subsidiary company, Ironbark Mining Pty Ltd, entered into an unincorporated joint venture with Reef Gold Mines Limited, a wholly owned subsidiary of Victorian Gold Limited to develop and mine mineral occurrences over mining and exploration licences held by Ironbark Mining Pty Ltd. viz: ML 4756 and ELs 3640,4992,4214,4541,4542, and 5113. The general terms of the joint venture agreement are summarised hereunder.

Reef Gold Mines Limited may earn:

- (i) a 20% interest by sole funding expenditure of \$2m by 12 November 2009.
- (ii) a maximum 75% interest in the joint venture by spending a total of \$5.85m.

NOTES TO THE FINANCIAL STATEMENTS
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Note 24 Interests in joint ventures (continued)

(b) Tarnagulla joint venture (continued)

Upon Reef Gold Mines Limited perfecting a 75% interest in the joint venture, Ironbark Mining Pty Ltd has the option of selling its 25% interest to Reef Gold Mines Limited for \$3.0m or to maintain its 25% interest by continuing to fund 25% of ongoing expenditure.

Reef Gold Mines Limited is to pay Ironbark Mining Pty Ltd a 2% "net smelter return royalty" on all gold produced from the project while Reef Gold Mines Limited is the beneficial owner of all or any part of the tenements.

At any time during the term of the agreement Ironbark Mining Pty Ltd may require Reef Gold Mines Limited to purchase the "net smelter royalty" for \$500,000.

Under the agreement Ironbark Mining Pty Ltd received non-refundable fees amounting to \$90,909, exclusive of GST, as shown as part of Other Income in note 5.

Note 25 Minority interests

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(i) <i>Joint venture partners' interests in exploration and evaluation expenditure</i>				
Opening balance	440,697	520,680	440,697	520,680
Joint venture partners' contributions	4,186	179,460	4,186	179,460
Purchase of minority interest in Raywood joint venture	-	(259,443)	-	(259,443)
Closing balance	444,883	440,697	444,883	440,697
(ii) <i>Joint venture partner's interest in freehold land</i>				
Opening balance	80,252	-	80,252	-
Joint venture partner's contribution	-	11,627	-	11,627
Loan by economic entity to joint venture partner	-	68,625	-	68,625
Provision for loss	(30,252)	-	(30,252)	-
Closing balance	50,000	80,252	50,000	80,252
Closing balance total	494,883	520,949	494,883	520,949

The provision for loss against the loan follows a revaluation by the directors of the joint venture property that secures the loan. The loan relates to an advance made by the economic entity to the minority interest partner in the Sebastian joint venture and is due for repayment in August 2009.

Note 26 Events occurring after balance sheet date

No significant events have occurred since balance date.

Note 27 Ongoing exploration and evaluation

As at 31 December 2008 the group had working capital of \$1,570,615. Additional capital will be required to maintain exploration activity at its present level. Even without additional capital the directors believe that the group can continue to operate as a going concern for at least the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS
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Note 28 Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Loss for the year	(846,208)	(938,572)	(947,161)	(932,601)
Depreciation	85,425	65,872	85,425	52,638
Write down of joint venture property	121,007	-	121,007	-
Provision for doubtful debts	23,039	-	23,039	-
Non-cash employee benefits expense-share based payments	113,796	198,492	113,796	198,492
Profit on sale of property, plant and equipment	(89,657)	-	(89,657)	-
Profit on purchase of minority interest in joint venture	-	(59,443)	-	(59,443)
<i>Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:</i>				
Increase (decrease) in receivables	(26,578)	(919)	(26,534)	(3,028)
Increase in trade and other payables	37,050	155,757	37,050	160,888
Movements in exploration and evaluation creditors	(26,685)	(119,621)	(26,685)	(119,621)
Net cash outflow from operating activities	(608,811)	(698,434)	(709,720)	(702,675)

Note 29 Earnings per share

	Consolidated	
	2008	2007
	Cents	Cents
(a) Basic earnings per share		
Loss attributable to the ordinary equity holders of the company.	.55	.94
Unlisted options over ordinary shares could potentially dilute earnings per share, but have been excluded from the calculation of diluted earnings per share because of the uncertainty that the options will be exercised.		
(b) Diluted earnings per share		
Loss attributable to the ordinary equity holders of the company	.55	.94
(c) Reconciliation of earnings used in calculating earnings per share		
<i>(i) Basic earnings per share</i>	Dollars	Dollars
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share	815,957	938,572
<i>(ii) Diluted earnings per share</i>		
Loss attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	815,957	938,572
(d) Weighted average number of shares used as the denominator		
	Number of shares	
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	148,621,269	100,041,195
Adjustments for calculation of diluted earnings per share:	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	148,621,269	100,041,195

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

Note 30 Share-based payments

(a) Options

Unlisted options can be granted under the Castlemaine Goldfields Limited Employees and Contractors Option Plan of 25 February 2005 and as amended on 3 March 2006 (the plan). The company's directors have the discretion to invite full time employees, permanent part-time employees, directors, alternate directors, the company secretary and independent contractors of the company to participate in the plan. Under the plan options are granted free of consideration at strike prices and on terms and conditions specified by the directors, but carry no dividend or voting rights. When exercised each option is converted into one ordinary fully paid share. At any particular point of time the total aggregate number of options which may be on issue under the plan shall not exceed or be capable of exceeding 5% of the total number of shares on issue in the capital of the company calculated on the basis that all shares and other securities convertible into shares have been converted. In addition to options granted under the plan, subject to shareholder approval, the directors may grant other unlisted options.

Set out below are summaries of options granted.

Grant	Date	Expiry	Exercise price (cents)	Start year	Movements			Year end	
					Granted	Exercised	Expired	Balance	Exercisable
Consolidated and parent entity – 2008									
Employees and contractors option plan									
<i>Unlisted options under the Plan</i>									
1/07/05	1/07/10	25	1,400,000	-	-	-	1,400,000	1,400,000	
26/04/06	26/4/11	20	500,000	-	-	-	500,000	250,000	
22/12/06	21/12/11	20	300,000	-	-	(50,000)	250,000	250,000	
22/04/08	31/12/12	20	-	350,000	-	-	350,000	350,000	
22/04/08	31/12/12	23	-	350,000	-	-	350,000	-	
22/04/08	31/12/12	26	-	350,000	-	-	350,000	-	
22/04/08	31/12/12	30	-	350,000	-	-	350,000	-	
Total			2,200,000	1,400,000	-	(50,000)	3,550,000	2,250,000	
Weighted average price – cents			23.2	24.8	-	20.0	23.8	23.1	
<i>Other unlisted options</i>									
28/11/05	28/11/10	20	2,000,000	-	-	-	2,000,000	1,500,000	
8/05/07	19/03/09	21	500,000	-	-	-	500,000	500,000	
8/05/07	19/03/10	22	500,000	-	-	-	500,000	500,000	
22/04/08	22/04/11	30	-	500,000	-	-	500,000	-	
22/04/08	22/04/12	40	-	500,000	-	-	500,000	-	
22/04/08	22/04/13	50	-	1,000,000	-	-	1,000,000	-	
Total			3,000,000	2,000,000	-	-	5,000,000	2,500,000	
Weighted average price –cents			20.5	42.5	-	-	29.3	20.6	
Total			5,200,000	3,400,000	-	(50,000)	8,550,000	4,750,000	
Weighted average price – cents			21.6	25.2	-	20.0	27.0	21.8	

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Note 30 Share-based payments (continued)

(a) Option (continued)

Grant	Date	Expiry	Exercise price (cents)	Start year	Movements			Year end	
					Granted	Exercised	Expired	Balance	Exercisable
Consolidated and parent entity – 2007									
Employees and contractors option plan									
<i>Unlisted options under the Plan</i>									
1/07/05	1/07/10	25	1,400,000	-	-	-	1,400,000	1,400,000	
26/04/06	26/4/11	20	500,000	-	-	-	500,000	125,000	
22/12/06	21/12/11	20	300,000	-	-	-	300,000	300,000	
Total			2,200,000	-	-	-	2,200,000	1,825,000	
Weighted average price – cents			23.2	-	-	-	23.2	23.8	
<i>Other unlisted options</i>									
28/11/05	28/11/10	20	2,000,000	-	-	-	2,000,000	1,000,000	
8/05/07	19/03/09	21	-	500,000	-	-	500,000	500,000	
8/05/07	19/03/10	22	-	500,000	-	-	500,000	500,000	
Total			2,000,000	1,000,000	-	-	3,000,000	2,000,000	
Weighted average price – cents			20.0	21.5	-	-	20.5	20.8	
Total			4,200,000	1,000,000	-	-	5,200,000	3,825,000	
Weighted average price – cents			21.7	21.5	-	-	21.6	22.2	
<i>Listed options</i>									
14/02/05	31/07/07	20	4,500,000	-	-	(4,500,000)	-	-	
21/02/05	31/07/07	20	200,000	-	-	(200,000)	-	-	
Total			4,700,000	-	-	(4,700,000)	-	-	
Weighted average price – cents			20.0	-	-	20.0	-	-	
<i>Listed options subject to escrow</i>									
8/09/04	31/07/07	20	3,200,000	-	-	(3,200,000)	-	-	
Total			7,900,000	-	-	(7,900,000)	-	-	
Weighted average price - cents			20.0	-	-	20.0	-	-	
<i>Unlisted & listed options</i>									
Total			12,100,000	1,000,000	-	(7,900,000)	5,200,000	3,825,000	
Weighted average price - cents			20.6	21.5	-	20.0	21.6	22.2	

NOTES TO THE FINANCIAL STATEMENTS
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Note 30 Share-based payments (continued)

(a) Options (continued)

Fair value of options granted

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The Black-Scholes model inputs for options granted during the year ended 31 December 2008 included:

Option Tranche	Exercise price	Grant date	Expiry date	Share price at grant date	Expected price volatility	Expected dividend yield	Risk free interest rate
	cents			cents	%	%	%
500,000	30	22/04/08	22/04/11	10	80	-	5.92
500,000	40	22/04/08	22/04/12	10	80	-	5.93
1,000,000	50	22/04/08	22/04/13	10	80	-	5.78
350,000	20	22/04/08	31/12/12	10	80	-	6.15
350,000	23	22/04/08	31/12/12	10	80	-	6.15
350,000	26	22/04/08	31/12/12	10	80	-	6.15
350,000	30	22/04/08	31/12/12	10	80	-	6.15

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.

(b) Expenses arising from share-based payment transactions

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Options issued				
Under employees and contractors option plan	41,435	77,188	41,435	77,188
Other options	72,361	121,304	72,361	121,304
	113,796	198,492	113,796	198,492

Note 31 Contingencies

The economic entity has no contingent liabilities or contingent assets as at 31 December 2008.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 35 to 66 of the Financial Report of Castlemaine Goldfields Limited are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the managing director & chief executive officer and the chief financial officer required by section 295A of the *Corporations Act 2001*.

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

A handwritten signature in black ink, appearing to be 'G. Scanlan', with a long horizontal line extending to the right.

Gary F. P. Scanlan
Managing director & chief executive officer

Melbourne
20 February 2009

INDEPENDENT AUDIT REPORT



Independent auditor's report to the members of Castlemaine Goldfields Limited

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

Report on the financial report

We have audited the accompanying financial report of Castlemaine Goldfields Limited (the company), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Castlemaine Goldfields Limited and the Castlemaine Goldfields Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Liability limited by a scheme approved under Professional Standards Legislation



**Independent auditor's report to the members of
Castlemaine Goldfields Limited (continued)**

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Castlemaine Goldfields Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 27 of the directors' report for the period ended 31 December 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Castlemaine Goldfields Limited for the period ended 31 December 2008, complies with section 300A of the *Corporations Act 2001*.



PricewaterhouseCoopers



Tim Goldsmith
Partner

Melbourne
20 February 2009