



ABN 83 116 095 802

2016 ANNUAL REPORT

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## CORPORATE DIRECTORY

### DIRECTORS

Michael Atkins  
Non-Executive Chairman  
Stephen Stone  
Managing Director  
Ian Hobson  
Non-Executive Director

### SECRETARY

Ian Hobson

### STOCK EXCHANGE

Castle Minerals Limited is listed  
on the Australian Securities  
Exchange.

### PRINCIPAL OFFICE

Suite 2/11 Ventnor Avenue  
West Perth WA 6005

Tel: +618 9322 7018  
ABN 83 116 095 802  
[www.castleminerals.com](http://www.castleminerals.com)  
Email: [info@castleminerals.com](mailto:info@castleminerals.com)

### REGISTERED OFFICE

Suite 5, 95 Hay Street  
SUBIACO WA 6008

### GHANA OFFICE

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PO Box CT9 East Cantonments,  
Near NAFTI  
Accra, Ghana  
Tel: +233 21 771 889

### SHARE REGISTRY

Security Transfer Registrars  
PO Box 535  
Applecross WA 6953  
Tel: (08) 9315 2333  
Fax: (08) 9315 2233  
[www.securitytransfer.com.au](http://www.securitytransfer.com.au)

### AUDITORS

BDO Audit (WA) Pty Ltd,  
38 Station Street  
Subiaco, WA 6008  
AUSTRALIA

### BANKERS

National Australia Bank  
Hay St  
WEST PERTH WA

ASX Code: **CDT**

# LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

In January 2016, there was a change of the board which led to the appointments of Stephen Stone, Michael Atkins and Ian Hobson replacing the existing board members. A full review of the Group's projects and activities took place as follows:

## **Julie West project:**

Castle consented to an assignment by Bunda Resources Pty Ltd to Azumah Resources Limited of Bunda's September 2015 Put Option and Sale Deed to acquire the Julie West project. The assignment is more likely to see the Julie West prospecting licence formally transferred to the purchaser and therefore the payment to Castle of the \$250,000 cash second payment. The incorporation of the Julie West resources into Azumah's Wa Gold Project development plans is also more likely to see higher overall receipts from the royalty.

## **Akoko project:**

Castle advised the purchaser, Goldcrest plc, that it had not met its obligations pursuant to the Akoko sale agreement and especially that it had not met a key condition precedent being its listing of its shares on the UK AIM trading exchange. A renegotiation of the agreement was unable to provide terms satisfactory to Castle. Castle has since entered into discussions with third parties interested in a farm-in or an outright purchase.

## **Kpali project:**

A field visit was undertaken to familiarise new technical management with the project. The Information Memorandum was circulated to several interested parties with a view to securing a farm-out arrangement.

## **Exploration:**

Management commenced a review of the extensive Castle project datasets to enable a rationalisation of its large Ghana licence holdings around key target areas and to minimise holding costs.

## **New Opportunities:**

Management reviewed a number of project opportunities it generated or has been offered with the objective of securing a new focus for the Company.

Sincerely



Michael Atkins  
Chairman

# RESOURCES

## ANNUAL REVIEW

The total gold inventory for Castle's Ghana Projects is 362,000 ounces with no changes being made to the statement made in the 2015 Annual Report. If the Julie West/Danyawu and Akoko sale transactions proceed then at that time those respective resource totals will be removed from Castle gold inventory.

Resource summaries for all Mineral Resource Estimates are presented below in Table 2 (Some totals may not add exactly due to rounding). Full resource parameters can be found in CDT ASX Release of 2/7/2014.

### Mineral Resource Estimates for the Wa and Akoko Gold Projects

| Wa Project              | Indicated        |            |                | Inferred         |            |                | Total            |            |                | Lower Cutoff |
|-------------------------|------------------|------------|----------------|------------------|------------|----------------|------------------|------------|----------------|--------------|
|                         | Tonnes<br>t      | Au<br>g/t  | Au<br>Ounces   | Tonnes<br>t      | Au<br>g/t  | Au<br>Ounces   | Tonnes<br>t      | Au<br>g/t  | Au<br>Ounces   |              |
| Julie West              | 383,000          | 4.2        | 52,100         | 32,000           | 4.0        | 4,100          | 415,000          | 4.2        | 56,200         | 1.0          |
| Danyawu                 | 72,000           | 5.5        | 12,800         |                  |            |                | 72,000           | 5.5        | 12,800         | 1.0          |
| Kandia 8000 Zone        |                  |            |                | 229,000          | 1.8        | 13,400         | 229,000          | 1.8        | 13,400         | 1.0          |
| Kandia 4000 Zone        | 1,772,000        | 1.0        | 57,700         | 777,000          | 0.9        | 21,500         | 2,549,000        | 1.0        | 79,200         | 0.5          |
| Kpali                   |                  |            |                | 2,914,000        | 1.1        | 107,200        | 2,914,000        | 1.1        | 107,200        | 0.5          |
| <b>Wa Project Total</b> | <b>2,227,000</b> | <b>1.7</b> | <b>122,600</b> | <b>3,952,000</b> | <b>1.2</b> | <b>146,200</b> | <b>6,178,000</b> | <b>1.4</b> | <b>268,900</b> |              |

| Akoko Project | Indicated      |            |               | Inferred         |            |               | Total            |            |               | Lower Cutoff |
|---------------|----------------|------------|---------------|------------------|------------|---------------|------------------|------------|---------------|--------------|
|               | Tonnes<br>t    | Au<br>g/t  | Au<br>Ounces  | Tonnes<br>t      | Au<br>g/t  | Au<br>Ounces  | Tonnes<br>t      | Au<br>g/t  | Au<br>Ounces  |              |
| Akoko North   | 448,000        | 1.6        | 22,500        | 517,000          | 2.8        | 45,900        | 965,000          | 2.2        | 68,400        | 0.8          |
| Akoko South   |                |            |               | 575,000          | 1.3        | 24,400        | 575,000          | 1.3        | 24,400        | 0.8          |
| <b>Total</b>  | <b>448,000</b> | <b>1.6</b> | <b>22,500</b> | <b>1,092,000</b> | <b>2.0</b> | <b>70,300</b> | <b>1,540,000</b> | <b>1.9</b> | <b>92,800</b> |              |

| Total Ghana Projects | Indicated        |            |                | Inferred         |            |                | Total            |            |                |
|----------------------|------------------|------------|----------------|------------------|------------|----------------|------------------|------------|----------------|
| Wa Project           | 2,227,000        | 1.7        | 122,600        | 3,952,000        | 1.2        | 146,200        | 6,178,000        | 1.4        | 268,900        |
| Akoko Project        | 448,000          | 1.6        | 22,500         | 1,092,000        | 2.0        | 70,300         | 1,540,000        | 1.9        | 92,800         |
| <b>Total</b>         | <b>2,675,000</b> | <b>1.7</b> | <b>145,100</b> | <b>5,044,000</b> | <b>1.3</b> | <b>216,500</b> | <b>7,718,000</b> | <b>1.5</b> | <b>361,700</b> |

## Kambale Graphite Deposit

In 2012 Castle announced a maiden resource estimate for its Kambale Graphite of 14.4mt @ 7.2% C (graphitic carbon) for 1.03mt contained graphite (Inferred Resource).

### Kambale Deposit July 2012 Inferred Mineral Resource Estimate (5% C cut-off grade)

| Type         | Tonnes<br>Mt | Carbon (C)<br>% | Contained C<br>t |
|--------------|--------------|-----------------|------------------|
| Oxide        | 3.4          | 7.1             | 243,000          |
| Fresh        | 11.0         | 7.2             | 793,000          |
| <b>Total</b> | <b>14.4</b>  | <b>7.2</b>      | <b>1,030,000</b> |

# RESOURCES

## COMPETENT PERSONS STATEMENT

Information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Stephen Stone, Castle Minerals Limited Managing Director, who is a Member of The Australasian Institute of Mining and Metallurgy. Stephen Stone is a director of Castle Minerals Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 JORC Code. Stephen Stone consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

# **Castle Minerals Limited**

**ABN 83 116 095 802**

## **Annual Financial Report**

**for the year ended 30 June 2016**

## Corporate Information

**ABN 83 116 095 802**

### **Directors**

Michael Atkins (Non-Executive Chairman)

Stephen Stone (Managing Director)

Ian Hobson (Non-Executive Director)

### **Company Secretary**

Ian Hobson

### **Principal Place of Business**

Suite 2, 11 Ventnor Avenue

WEST PERTH WA 6005

Telephone: (08) 9322 7018

### **Registered Office**

Suite 5, 95 Hay Street

SUBIACO WA 6008

Telephone: (08) 9388 8290

### **Postal Address**

PO Box 226

SUBIACO WA 6904

### **Bankers**

National Australia Bank Limited

1232 Hay Street

WEST PERTH WA 6005

### **Share Register**

Security Transfer Registrars Pty Ltd

770 Canning Highway

APPLECROSS WA 6153

Telephone: (08) 9315 2333

Facsimile: (08) 9315 2233

### **Auditors**

BDO Audit (WA) Pty Ltd

38 Station Street

SUBIACO WA 6008

### **Internet Address**

[www.castleminerals.com](http://www.castleminerals.com)

### **Email Address**

[info@castleminerals.com](mailto:info@castleminerals.com)

### **Stock Exchange Listing**

Castle Minerals Limited shares are listed on the Australian Securities Exchange (ASX code CDT).

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## Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Castle Minerals Limited and the entities it controlled at the end of, or during, the year ended 30 June 2016.

### DIRECTORS

The names and details of the Group's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

#### Names, qualifications, experience and special responsibilities

**Michael Atkins**, B.Comm, (Non-Executive Chairman, member of Remuneration Committee, appointed 18 January 2016).

Mr Atkins is a Fellow of the Australian Institute of Company Directors.

He was a founding partner of a national Chartered Accounting practice from 1979 to 1987 and was a Fellow of the Institute of Chartered Accountants in Australia until resigning in June 2011.

Between 1987 and 1998 he was a director of, and involved in the executive management of, several publicly listed resource companies with operations in Australia, USA, South East Asia and Africa. From 1990 to 1995 he was Managing Director and later a non-executive director of Claremont Petroleum NL and Beach Petroleum NL during their reconstruction, and then remained as a Non-Executive Director until 1995. He was also founding Executive Chairman of Gallery Gold Ltd until 1998, and remained a Non-Executive Director until 2000.

Since February 2009 Mr Atkins has been a Director - Corporate Finance at Patersons Securities Limited where he advises on the formation of, and capital raising for, emerging companies in the Australian resources sector.

He is currently non-executive Chairman of ASX listed public companies Azumah Resources Limited and Legend Mining Limited, and a non-executive director of Structural Systems Limited. During the previous three years he was also non-executive director of Enterprise Uranium Limited (resigned 31 March 2014).

**Stephen Stone**, BSc (Hons) Mining Geology, MAusIMM, FAICD, (Managing Director, appointed 18 January 2016).

Mr Stone graduated with honours in Mining Geology from University of Wales, Cardiff and has since gained more than 30 years' operating, project evaluation, executive management and corporate development experience in the international mining and exploration industry.

Mr Stone worked for several years at the large open pit and underground copper mines of the Zambian Copperbelt. He came to Australia in 1986 and since then has been involved in the formation and management of several junior ASX listed exploration companies.

Mr Stone is a Member of the Australasian Institute of Mining and Metallurgy, a Fellow of the Australian Institute of Company Directors and a member of the Editorial Board of International Mining Magazine. He is currently also Managing Director of ASX listed public company Azumah Resources Limited and non-executive director of Alto Metals Limited.

**Ian Hobson**, B.BUS, FCA, ACIS, MAICD (Non-Executive Director, member of Remuneration Committee, appointed 18 January 2016), Independent Director.

Ian is a fellow chartered accountant and chartered company secretary with over 30 years' experience. Ian spent 20 years in the chartered accounting profession, most of which was at PricewaterhouseCoopers. Over the past 10 years, Ian has acted as non-executive director and company secretary for public companies, aboriginal corporations and charitable enterprises. Ian currently acts as company secretary for 8 ASX listed companies and is experienced in many industries including mining exploration, technology, biomedical, manufacturing and retail. Ian's governance experience includes facilitating training courses for AICD in finance and governance for the Company Director Course for over 20 years.

**Michael Ashforth** was Non-Executive Chairman from the beginning of the financial year until his resignation on 18 January 2016.

**Michael Ivey** was Managing Director from the beginning of the financial year until his resignation on 18 January 2016.

**Campbell Ansell** was Non-Executive Director from the beginning of the financial year until his resignation on 18 January 2016.

### COMPANY SECRETARY

**Ian Hobson**, appointed 18 January 2016.

**Desmond Kelly** was Company Secretary from the beginning of the financial year until his resignation on 18 January 2016.

#### Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Castle Minerals Limited were:

|                | Ordinary Shares | Options over Ordinary Shares |
|----------------|-----------------|------------------------------|
| Michael Atkins | 4,137,615       | -                            |
| Stephen Stone  | 16,740,382      | -                            |
| Ian Hobson     | 4,302,808       | -                            |

## Directors' Report continued

### PRINCIPAL ACTIVITIES

During the year the Group carried out exploration on its tenements and applied for or acquired additional tenements with the objective of identifying gold and other economic mineral deposits.

There was no significant change in the nature of the Group's activities during the year.

### DIVIDENDS

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

### REVIEW OF OPERATIONS

In January 2016, there was a change of the board which led to the appointments of Stephen Stone, Michael Atkins and Ian Hobson replacing the existing board members. A full review of the Group's projects and activities took place as follows:

#### Julie West project:

Castle consented to an assignment by Bunda Resources Pty Ltd to Azumah Resources Limited of Bunda's September 2015 Put Option and Sale Deed to acquire the Julie West project. The assignment is more likely to see the Julie West prospecting licence formally transferred to the purchaser and therefore the payment to Castle of the \$250,000 cash second payment. The incorporation of the Julie West resources into Azumah's Wa Gold Project development plans is also more likely to see higher overall receipts from the royalty.

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#### New Opportunities:

Management reviewed a number of project opportunities it generated or has been offered with the objective of securing a new focus for the Company.

### Finance Review

The Group began the financial year with a cash reserve of \$182,518. During the year, two placements for a total of 18,329,212 ordinary shares were completed raising \$174,963. Funds were used to actively advance the Group's projects located in Ghana, West Africa.

During the year total exploration expenditure incurred by the Group amounted to \$249,460 (2015: \$328,426). In line with the Company's accounting policies, all exploration expenditure is expensed as incurred. Net administration expenditure incurred amounted to \$230,837 (2015: \$447,495). This has resulted in an operating loss after income tax for the year ended 30 June 2016 of \$480,297 (2015: \$775,921).

At 30 June 2016 surplus funds available totalled \$184,809.

### Operating Results for the Year

Summarised operating results are as follows:

|   | 2016        |             |
|---|-------------|-------------|
|   | Revenues    | Results     |
|   | \$          | \$          |
| Consolidated entity revenues and loss before income tax expense | 282,339     | (480,297)   |
| <b>Shareholder Returns</b>                                      |             |             |
|   | <b>2016</b> | <b>2015</b> |
| Basic loss per share (cents)                                    | (0.4)       | (0.6)       |

## Directors' Report continued

### Risk Management

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

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

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

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

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this Annual Report no significant changes in the state of affairs of the Group occurred during the financial year.

### SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No matters or circumstances, besides those disclosed at note 17, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the entity's operations.

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

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

### REMUNERATION REPORT (AUDITED)

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

#### Principles used to determine the nature and amount of remuneration

##### *Remuneration Policy*

The Remuneration Committee is comprised of the two non-executive directors. The remuneration policy of Castle Minerals Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. All short term incentives are decided at Board level. The board of Castle Minerals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which was 9.5% for the 2016 financial year, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

## Directors' Report continued

All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using either the Black-Scholes or Binomial methodologies.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$200,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee option plan.

### **Performance based remuneration**

The Group currently has performance based remuneration components built into director and executive remuneration packages.

#### *Performance Rights*

Michael Ivey was issued 2,000,000 performance rights for nil consideration on the 7 December 2011 following shareholder approval granted at the Annual General Meeting held on 22 November 2011. The Performance Rights were to vest only if a total Gold Resource (Measured, Indicated or Inferred) equal to or exceeding 1,000,000oz of gold, or gold equivalent for other precious or base metals, in accordance with the JORC Code, was obtained, provided that the total Resource must contain at least 80% of the ounces within the Measured and Indicated categories as defined by the JORC Code.

The rights were relinquished on cessation of Mr Ivey's service agreement on 18 January 2016.

### **Company performance, shareholder wealth and directors' and executives' remuneration**

No relationship exists between shareholder wealth, director and executive remuneration and Company performance due to the Group still being in the exploration phase.

The table below shows the gross revenue, losses and earnings per share for the last five years for the listed entity.

|                                 | 2016      | 2015      | 2013        | 2012        | 2011        |
|---------------------------------|-----------|-----------|-------------|-------------|-------------|
|                                 | \$        | \$        | \$          | \$          | \$          |
| Revenue                         | 282,339   | 115,444   | 528,810     | 320,125     | 434,268     |
| Net loss                        | (480,297) | (775,921) | (1,500,322) | (2,099,816) | (4,538,103) |
| Loss per share (cents)          | (0.4)     | (0.6)     | (1.2)       | (1.8)       | (4.0)       |
| Share price at year end (cents) | 1.2       | 1.0       | 1.0         | 2.9         | 26.0        |

No dividends have been paid.

#### *Use of remuneration consultants*

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2016.

#### *Voting and comments made at the Company's 2015 Annual General Meeting*

Following a first strike (more than 25% of votes cast against a non-binding resolution calling for approval of the remuneration report) at the Company's 2014 Annual General Meeting (AGM), a second strike was also received at the Company's 2015 AGM. As a result of the second strike being received, a Board Spill Motion was required (calling for the Company to convene another meeting (Spill Meeting) to consider whether all Directors who were in office when the Directors' Report was approved, except the Managing Director, would cease to hold office immediately before the Spill Meeting and elections for directors would be held) to be put before shareholders for consideration, which was carried with the requisite majority. However, prior to the convening of the required Spill Meeting, all of the Directors who were in office at the time the 2015 Directors' Report was approved, including the Managing Director, resigned from office, and new Directors were appointed. This relieved the Company from the obligation to call the Spill Meeting.

### **Details of remuneration**

Details of the remuneration of the directors and the key management personnel of the Group are set out in the following table.

The key management personnel of the Group include only the directors as per page 3.

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

## Directors' Report continued

### Key management personnel of the Group

|  | Short-Term       |                      | Post-Employment |                        | Share-Based             | Total   | Percentage<br>Performance<br>Related |
|--|------------------|----------------------|-----------------|------------------------|-------------------------|---------|--------------------------------------|
|  | Salary<br>& Fees | Non-Cash<br>benefits | Superannuation  | Retirement<br>benefits | Performance rights      |         |                                      |
|  | \$               | \$                   | \$              | \$                     | \$                      | \$      | %                                    |
| <b>Directors</b>                                   |                  |                      |                 |                        |                         |         |                                      |
| Michael Atkins (appointed 18 January 2016)         |                  |                      |                 |                        |                         |         |                                      |
| 2016   | 18,065           | 1,358                | -               | -                      | -                       | 19,423  | -                                    |
| Stephen Stone (appointed 18 January 2016)          |                  |                      |                 |                        |                         |         |                                      |
| 2016   | 63,565           | 1,358                | -               | -                      | -                       | 64,923  | -                                    |
| Ian Hobson (appointed 18 January 2016)             |                  |                      |                 |                        |                         |         |                                      |
| 2016   | 19,600           | 1,358                | -               | -                      | -                       | 20,958  | -                                    |
| Michael Ashforth (resigned 18 January 2016)        |                  |                      |                 |                        |                         |         |                                      |
| 2016   | 20,000           | 1,605                | 1,900           | -                      | -                       | 23,505  | -                                    |
| 2015   | 50,000           | 3,953                | 4,750           | -                      | -                       | 58,703  | -                                    |
| Michael Ivey (resigned 18 January 2016)            |                  |                      |                 |                        |                         |         |                                      |
| 2016   | 129,999          | 1,605                | -               | -                      | <sup>(1)</sup> (73,903) | 57,701  | -                                    |
| 2015   | 250,000          | 3,953                | -               | -                      | 20,498                  | 274,451 | 7.5                                  |
| Campbell Ansell (resigned 18 January 2016)         |                  |                      |                 |                        |                         |         |                                      |
| 2016   | 20,000           | 1,605                | 1,900           | -                      | -                       | 23,505  | -                                    |
| 2015   | 30,000           | 3,953                | 2,850           | -                      | -                       | 36,803  | -                                    |
| <b>Total key management personnel compensation</b> |                  |                      |                 |                        |                         |         |                                      |
| 2016   | 271,229          | 8,889                | 3,800           | -                      | (73,903)                | 210,015 |                                      |
| 2015   | 330,000          | 11,859               | 7,600           | -                      | 20,498                  | 369,957 |                                      |

(1) Mr Ivey's performance rights were relinquished on cessation of Mr Ivey's service agreement on 18 January 2016. Therefore, as no rights have ultimately vested due to failure to satisfy the vesting conditions, the previously expensed amount has been reversed during the current period.

### Service agreements

The details of service agreements of the key management personnel of Castle Minerals Limited and the Group are as follows:

Michael Ivey, Managing Director (resigned 18 January 2016):

- Term of agreement – 4 years commencing 1 July 2010. The agreement had been extended to 30 June 2016, but was terminated by mutual agreement effective 18 January 2016.
- Annual consultancy fees of \$250,000 were paid to M Ivey Pty Ltd, a company controlled by Mr Ivey.
- There were no benefits payable on termination other than entitlements accrued to the date of termination.

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

Each of the Directors that resigned during the year entered into a Deed of Release ("Deeds") with the Company that stipulated the obligations of the Company and the Director upon resignation, including payment of salary and fees accrued at the time of resignation. In accordance with the Deeds, cash payments were made within five days of resignation to Messrs Ivey (\$131,153), Ashforth (\$30,072) and Ansell (\$20,819) for a portion of the accrued salary and fees due to each Director at the time of resignation. The balance of the accrued salary and fees, which is included within trade and other payables at 30 June 2016, payable to Messrs Ivey (\$179,263), Ashforth (\$41,103) and Ansell (\$28,456) are payable not later than 30 September 2016 in cash, or in lieu of cash, by the issue of ordinary shares in the Company at a price equal to the volume weighted average price of the Company's shares for the month of September 2016.

### Share-based compensation

#### Options

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Castle Minerals Limited to increase goal congruence between executives, directors and shareholders. The Company does not have a formal policy in relation to the key management personnel limiting their exposure to risk in relation to the securities, but the Board actively discourages key personnel management from obtaining mortgages in securities held in the Company. There were no options granted to or vesting with key management personnel during the year.

#### Ordinary Shares

No ordinary shares in the Company have been provided as a result of the exercise of remuneration options to each director of Castle Minerals Limited and other key management personnel of the Group during the year.

## Directors' Report continued

### Performance Rights

Performance rights are issued to directors and executives as part of their remuneration, following the approval by shareholders of the Company's Performance Rights Plan at the 2011 Annual General Meeting. The Company does not have a formal policy in relation to the key management personnel limiting their exposure to risk in relation to the securities, but the Board actively discourages key personnel from obtaining mortgages in securities held in the Company.

The terms and conditions of each grant of performance rights affecting remuneration in the current or a future reporting period are as follows:

|                  | Grant Date | Granted Number | Vested Number | Forfeited % | Date Vesting and Exercisable | Expiry Date | Value per right at grant date (cents) <sup>(1)</sup> | % of Remuneration |
|------------------|------------|----------------|---------------|-------------|------------------------------|-------------|--|-------------------|
| <b>Directors</b> |            |                |               |             |                              |             |  |                   |
| Michael Ivey     | 22/11/2011 | 2,000,000      | Nil           | 100         | (2)                          | 22/11/2016  | 27.0   | -                 |

(1) The value at grant date in accordance with AASB 2: Share Based Payments of performance rights granted during the year as part of remuneration. The value is the closing share price on grant date.

(2) The performance condition for these rights was:

“The Company achieving a total Gold Resource (Measured, Indicated or Inferred) equal to or exceeding 1,000,000oz of gold, or gold equivalent for other precious or base metals, in accordance with the JORC Code, provided that the total Resource must contain at least 80% of the ounces within the Measured and Indicated categories as defined by the JORC code.”

The rights were relinquished on cessation of Mr Ivey's service agreement on 18 January 2016.

### Equity instruments held by key management personnel

#### Share holdings

The numbers of shares in the Company held during the financial year by each director of Castle Minerals Limited and other key management personnel of the Group, including their personally related parties, and any nominally held, are set out below. There were no shares granted during the reporting period as compensation.

2016

|   | Balance at start of the year | Received during the year on the exercise of options | Other changes during the year | Balance at end of the year <sup>(1)</sup> |
|---|------------------------------|---|-------------------------------|---|
| <b>Directors of Castle Minerals Limited</b> |                              |   |                               |   |
| <b>Ordinary shares</b>                      |                              |   |                               |   |
| Michael Atkins (appointed 18 January 2016)  | -(2)                         | -   | -                             | -   |
| Stephen Stone (appointed 18 January 2016)   | -(2)                         | -   | 6,000,000                     | 6,000,000                                 |
| Ian Hobson (appointed 18 January 2016)      | -(2)                         | -   | -                             | -   |
| Michael Ashforth (resigned 18 January 2016) | 5,980,000                    | -   | (5,980,000) <sup>(3)</sup>    | -   |
| Michael Ivey (resigned 18 January 2016)     | 7,378,498                    | -   | (7,378,498) <sup>(3)</sup>    | -   |
| Campbell Ansell (resigned 18 January 2016)  | 1,759,250                    | -   | (1,759,250) <sup>(3)</sup>    | -   |

(1) At year end there are no nominally held shares.

(2) Balance held at the date of appointment.

(3) Balance held at the date of resignation.

#### Performance right holdings

Michael Ivey was issued 2,000,000 performance rights for nil consideration on the 7 December 2011 following shareholder approval granted at the Annual General Meeting held on 22 November 2011. The Performance Rights will vest only if a total Gold Resource (Measured, Indicated or Inferred) equal to or exceeding 1,000,000oz of gold, or gold equivalent for other precious or base metals, in accordance with the JORC Code, is obtained, provided that the total Resource must contain at least 80% of the ounces within the Measured and Indicated categories as defined by the JORC Code. The rights had an expiry date of 22 November 2016. The rights were relinquished on cessation of Mr Ivey's service agreement on 18 January 2016.

No other member of the key management personnel holds options or performance rights in the Company.

### Loans to key management personnel

There were no loans to key management personnel during the year.



## Directors' Report continued

### Other transactions with key management personnel

During the year, the Group leased office accommodation from Henmik Pty Ltd ("Henmik"), a company associated with Mr Ivey. The lease terms are set at normal commercial rates, with amounts paid during the year totalling \$43,484 (2015: \$74,544). Castle sublet office space during the year to third parties and during the year recouped a total of \$9,318 (2015: \$36,083) for office accommodation. There are no amounts outstanding at the reporting date.

### End of audited Remuneration Report

#### DIRECTORS' MEETINGS

During the year the Company held six meetings of directors. The attendance of directors at meetings of the board were:

|   | Directors Meetings |   |
|---|--------------------|---|
|   | A                  | B |
| Michael Atkins (appointed 18 January 2016)  | 2                  | 2 |
| Stephen Stone (appointed 18 January 2016)   | 2                  | 2 |
| Ian Hobson (appointed 18 January 2016)      | 2                  | 2 |
| Michael Ashforth (resigned 18 January 2016) | 4                  | 4 |
| Michael Ivey (resigned 18 January 2016)     | 4                  | 4 |
| Campbell Ansell (resigned 18 January 2016)  | 4                  | 4 |

#### Notes

A - Number of meetings attended.

B - Number of meetings held during the time the director held office during the year.

#### SHARES UNDER OPTION

1,050,000 options with an exercise price of \$0.40 expired on 1 September 2016. There are no unissued ordinary shares of Castle Minerals Limited under option at the date of this report.

#### INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Castle Minerals Limited paid a premium to insure the directors and secretary of the Company. The total amount of insurance contract premiums paid is confidential under the terms of the insurance policy. The amount has been included in the compensation amounts disclosed for key management personnel elsewhere in this report and in the notes to the financial statements.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

#### NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, BDO Audit (WA) Pty Ltd or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

BDO Audit (WA) Pty Ltd or associated entities received or are due to receive the following amounts for the provision of non-audit services:

|  | 2016         | 2015          |
|--|--------------|---------------|
|  | \$           | \$            |
| Tax compliance services                          | 5,630        | 10,589        |
| <b>Total remuneration for non-audit services</b> | <b>5,630</b> | <b>10,589</b> |

## Directors' Report continued

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

Signed in accordance with a resolution of the directors.



Stephen Stone  
Managing Director  
Perth, 23 September 2016



DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF CASTLE MINERALS LIMITED

As lead auditor of Castle Minerals Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Castle Minerals Limited and the entities it controlled during the period.



Glyn O'Brien  
Director

BDO Audit (WA) Pty Ltd  
Perth, 23 September 2016

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

YEAR ENDED 30 JUNE 2016

|   | Notes | Consolidated     |            |
|---|-------|------------------|------------|
|   |       | 2016<br>\$       | 2015<br>\$ |
| <b>REVENUE</b>  | 4(a)  | <b>2,599</b>     | 5,396      |
| Other income  | 4(b)  | <b>279,740</b>   | 110,048    |
| <b>EXPENDITURE</b>  |       |                  |            |
| Depreciation expense  |       | <b>(126,811)</b> | (144,689)  |
| Salaries and employee benefits expense  |       | <b>(143,574)</b> | (145,017)  |
| Tenement acquisition and exploration expenses   |       | <b>(249,460)</b> | (328,426)  |
| Corporate expenses  |       | <b>(61,886)</b>  | (61,212)   |
| Administration expenses   |       | <b>(177,290)</b> | (149,523)  |
| Fair value loss on investments held for trading   | 5     | -                | (42,000)   |
| Impairment expense  | 8     | <b>(77,518)</b>  | -          |
| Share based payment income/(expense)  | 20(c) | <b>73,903</b>    | (20,498)   |
| <b>LOSS BEFORE INCOME TAX</b>   |       | <b>(480,297)</b> | (775,921)  |
| <b>INCOME TAX EXPENSE</b>   | 6     | -                | -          |
| <b>LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF CASTLE MINERALS LIMITED</b>                               |       | <b>(480,297)</b> | (775,921)  |
| <b>OTHER COMPREHENSIVE INCOME</b>   |       |                  |            |
| <i>Items that may be reclassified to profit or loss</i>   |       |                  |            |
| Exchange differences on translation of foreign operations   |       | <b>8,174</b>     | 45,493     |
| Other comprehensive income for the year, net of tax   |       | <b>8,174</b>     | 45,493     |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF CASTLE MINERALS LIMITED</b>           |       | <b>(472,123)</b> | (730,428)  |
| Basic and diluted loss per share attributable to the members of Castle Minerals Limited (cents per share) | 19    | <b>(0.4)</b>     | (0.6)      |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

## Consolidated Statement of Financial Position

AT 30 JUNE 2016

|   | Notes | Consolidated     |              |
|---|-------|------------------|--------------|
|   |       | 2016<br>\$       | 2015<br>\$   |
| <b>CURRENT ASSETS</b>                                 |       |                  |              |
| Cash and cash equivalents                             | 7     | 184,809          | 182,518      |
| Trade and other receivables                           |       | 7,625            | 18,719       |
| Financial assets at fair value through profit or loss |       | 9,870            | 34,000       |
| <b>TOTAL CURRENT ASSETS</b>                           |       | <b>202,304</b>   | 235,237      |
| <b>NON-CURRENT ASSETS</b>                             |       |                  |              |
| Plant and equipment                                   | 8     | 43,157           | 237,929      |
| <b>TOTAL NON-CURRENT ASSETS</b>                       |       | <b>43,157</b>    | 237,929      |
| <b>TOTAL ASSETS</b>                                   |       | <b>245,461</b>   | 473,166      |
| <b>CURRENT LIABILITIES</b>                            |       |                  |              |
| Trade and other payables                              | 9     | 576,546          | 429,550      |
| <b>TOTAL CURRENT LIABILITIES</b>                      |       | <b>576,546</b>   | 429,550      |
| <b>TOTAL LIABILITIES</b>                              |       | <b>576,546</b>   | 429,550      |
| <b>NET (LIABILITIES)/ASSETS</b>                       |       | <b>(331,085)</b> | 43,616       |
| <b>EQUITY</b>   |       |                  |              |
| Contributed equity                                    | 10    | 23,394,210       | 23,222,885   |
| Reserves  | 11    | 884,986          | 950,715      |
| Accumulated losses                                    |       | (24,610,281)     | (24,129,984) |
| <b>TOTAL EQUITY</b>                                   |       | <b>(331,085)</b> | 43,616       |

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

## Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2016

|   | Notes | Contributed<br>Equity<br>\$ | Share-based<br>Payments<br>Reserve<br>\$ | Foreign<br>Currency<br>Translation<br>Reserve<br>\$ | Accumulated<br>Losses<br>\$ | Total<br>\$ |
|---|-------|-----------------------------|--|---|-----------------------------|-------------|
| <b>Consolidated</b>   |       |                             |  |   |                             |             |
| <b>BALANCE AT 1 JULY 2014</b>                                   |       | 23,192,885                  | 668,141                                  | 216,583   | (23,354,063)                | 723,546     |
| Loss for the year   |       | -                           | -  | -   | (775,921)                   | (775,921)   |
| <b>OTHER COMPREHENSIVE INCOME</b>                               |       |                             |  |   |                             |             |
| Exchange differences on translation of<br>foreign operations    |       | -                           | -  | 45,493  | -                           | 45,493      |
| <b>TOTAL COMPREHENSIVE INCOME</b>                               |       | -                           | -  | 45,493  | (775,921)                   | (730,428)   |
| <b>TRANSACTIONS WITH OWNERS IN THEIR<br/>CAPACITY AS OWNERS</b> |       |                             |  |   |                             |             |
| Shares issued during the year                                   | 10    | 30,000                      | -  | -   | -                           | 30,000      |
| Performance rights vesting with<br>employees                    | 20    | -                           | 20,498                                   | -   | -                           | 20,498      |
| <b>BALANCE AT 30 JUNE 2015</b>                                  |       | 23,222,885                  | 688,639                                  | 262,076   | (24,129,984)                | 43,616      |
| Loss for the year   |       | -                           | -  | -   | (480,297)                   | (480,297)   |
| <b>OTHER COMPREHENSIVE INCOME</b>                               |       |                             |  |   |                             |             |
| Exchange differences on translation of<br>foreign operations    |       | -                           | -  | 8,174   | -                           | 8,174       |
| <b>TOTAL COMPREHENSIVE INCOME</b>                               |       | -                           | -  | 8,174   | (480,297)                   | (472,123)   |
| <b>TRANSACTIONS WITH OWNERS IN THEIR<br/>CAPACITY AS OWNERS</b> |       |                             |  |   |                             |             |
| Shares issued during the year                                   | 10    | 174,963                     | -  | -   | -                           | 174,963     |
| Transaction costs   | 10    | (3,638)                     | -  | -   | -                           | (3,638)     |
| Performance rights relinquished during the<br>year              | 20    | -                           | (73,903)                                 | -   | -                           | (73,903)    |
| <b>BALANCE AT 30 JUNE 2016</b>                                  |       | 23,394,210                  | 614,736                                  | 270,250   | (24,610,281)                | (331,085)   |

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

## Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2016

|   | Notes | Consolidated     |                  |
|---|-------|------------------|------------------|
|   |       | 2016<br>\$       | 2015<br>\$       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                               |       |                  |                  |
| Payments to suppliers and employees                                       |       | (277,833)        | (258,680)        |
| Interest received   |       | 2,599            | 6,671            |
| Expenditure on mining interests   |       | (199,731)        | (164,245)        |
| Proceeds on sale of mining interests                                      |       | 250,000          | -                |
| Research and development incentive grant received                         |       | -                | 171,428          |
| Other income received   |       | 25,135           | 58,264           |
| Proceeds on sale of financial assets at fair value through profit or loss |       | 30,422           | -                |
| <b>NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES</b>                       | 18    | <b>(169,408)</b> | <b>(186,562)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                               |       |                  |                  |
| Proceed on disposal of plant and equipment                                |       | -                | 28,383           |
| Payments for plant and equipment  |       | -                | (1,138)          |
| <b>NET CASH INFLOW FROM INVESTING ACTIVITIES</b>                          |       | <b>-</b>         | <b>27,245</b>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                               |       |                  |                  |
| Proceeds from issues of ordinary shares                                   |       | 174,963          | 30,000           |
| Payment of share issue costs  |       | (3,638)          | -                |
| <b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>                          |       | <b>171,325</b>   | <b>30,000</b>    |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>               |       | <b>1,917</b>     | <b>(129,317)</b> |
| Cash and cash equivalents at the beginning of the financial year          |       | 182,518          | 310,480          |
| Effects of exchange rate changes on cash and cash equivalents             |       | 374              | 1,355            |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>         | 7     | <b>184,809</b>   | <b>182,518</b>   |

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

## Notes to the Consolidated Financial Statements

30 JUNE 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Castle Minerals Limited and its subsidiaries. The financial statements are presented in the Australian currency. Castle Minerals Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 23 September 2016. The directors have the power to amend and reissue the financial statements.

#### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Castle Minerals Limited is a for-profit entity for the purpose of preparing the financial statements.

##### (i) Compliance with IFRS

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

##### (ii) New and amended standards adopted by the Group

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year.

##### (iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015.

##### (iv) 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, which have been measured at fair value.

##### (v) Going concern

For the year ended 30 June 2016 the entity recorded a loss of \$480,297 and had net cash outflows from operating activities of \$169,408 and had a working capital deficiency of \$374,242.

The ability of the entity to continue as a going concern is dependent on securing additional funding through capital raisings and/or sale of interests in projects to continue to fund its operational and marketing activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management believe there are sufficient funds to meet the entity's working capital requirements as at the date of this report. Subsequent to year end the entity expects to receive additional funds via further capital raisings and proceeds to be received as set out in the Review of Operations.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Directors note that \$250,000 is due from the second instalment from sale of the Julia West Project, pending Ministerial consent in Ghana.
- \$100,000 cash was raised subsequent to year end via a capital raising. These funds will be used for working capital purposes.
- The Directors note that \$349,552 of current liabilities relate to amounts owed to current Directors and former Directors. The amount owing to the current Directors of \$100,730 was settled by the issue of ordinary shares on 15 August 2016 as approved by shareholders at the General Meeting of the Company held on 10 August 2016, refer to note 17.
- The amounts owing to the former Directors totalling \$248,822, per respective Deeds of Release, are payable not later than 30 September 2016 in cash, or in lieu of cash, by the issue of ordinary shares in the Company at a price equal to the volume weighted average price of the Company's shares for the month of September 2016.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2016

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

#### (b) Principles of consolidation

##### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

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 transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

##### (ii) Changes in ownership interests

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

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

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

#### (c) Segment reporting

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

#### (d) Foreign currency translation

##### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Castle Minerals Limited's functional and presentation currency.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

##### (iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2016

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

#### (e) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets. Rent revenue is recognised upon receipt of payment.

#### (f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

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

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

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

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

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

#### (g) Impairment of assets

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

#### (h) Cash and cash equivalents

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

#### (i) Financial assets

##### *Classification*

The Group classifies its financial assets in the following categories: loans and receivables; and financial assets at fair value through profit or loss. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition.

##### *(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables or in an otherwise timely manner. The amount of the impairment allowance is the difference between the asset's carrying amount and the estimated future cash flows. None of the Group's loans and receivables has an applicable interest rate hence the cash flows are not discounted.



## Notes to the Consolidated Financial Statements continued

30 JUNE 2016

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

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within impairment expenses. When a loan or receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

#### *(ii) Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

#### **Recognition and derecognition**

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### **Measurement**

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Details on how the fair value of financial investments is determined are disclosed in note 2.

#### **Impairment**

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

#### **(j) Plant and equipment**

All plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using either the reducing balance or straight line methods to allocate their cost, net of their residual values, over their estimated useful lives. The rates vary between 20% and 40% per annum.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

#### **(k) Exploration and evaluation costs**

Exploration and evaluation costs are expensed (and not capitalised) in the year they are incurred.

#### **(l) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are recognised initially at fair value and subsequently at amortised cost. The amounts are unsecured and are paid on normal commercial terms.

#### **(m) Employee benefits**

##### *(i) Wages and salaries and annual leave*

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

## Notes to the Consolidated Financial Statements continued

30 JUNE 2016

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

#### (ii) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 20.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using an appropriate option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

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

#### (n) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

#### (o) Earnings per share

##### (i) Basic earnings per share

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

##### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### (p) Goods and Services Tax (GST) and Value Added Tax (VAT)

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

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

The Group's transactions in Ghana are subject to VAT administered by the Value Added Tax Service of the Republic of Ghana. VAT may only be recoverable once the Group's operations are producing revenue in Ghana. Hence, at the Group's current level of activity, being exploration, VAT is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of VAT.

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

#### (q) Share-based payments

The Group granted benefits to suppliers and consultants in the form of share-based payment transactions.

The share-based payments are measured at fair value equal to the value of goods and services received.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2016

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

#### (r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Group.

#### **AASB 9 Financial Instruments (applicable for annual reporting periods commencing on or after 1 January 2018).**

AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis.

Amendments to AASB 9 (December 2009 & 2010 editions) (AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The main changes are described below.

- a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
- b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
  - The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
  - The remaining change is presented in profit or loss

AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in December 2014.

AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on or after 1 January 2015.

Based on the financial assets and liabilities currently held, the Group does not anticipate any impact on the financial statements upon adoption of this standard. The Group does not presently engage in hedge accounting.

#### **AASB 15 Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2017).**

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations (IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue-Barter Transactions Involving Advertising Services*). The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- a) Step 1: Identify the contract(s) with a customer
- b) Step 2: Identify the performance obligations in the contract
- c) Step 3: Determine the transaction price
- d) Step 4: Allocate the transaction price to the performance obligations in the contract
- e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

## Notes to the Consolidated Financial Statements continued

30 JUNE 2016

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

Early application of this standard is permitted. AASB 2014-5 incorporates the consequential amendments to a number of Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.

There will be no impact on the Group's financial position or performance.

#### **AASB 16 Leases (applicable for annual reporting periods commencing on or after 1 January 2019).**

The key features of AASB 16 are as follows:

##### *Lessee accounting*

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonable certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

IFRS 16 contains disclosure requirements for lessees.

##### *Lessor accounting*

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted, provided the new revenue standard, AASB 15 *Revenue from Contracts with Customers*, has been applied, or is applied at the same date as AASB 16.

The effect of this amendment on the Group's financial statements has yet to be determined.

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

### **(s) Critical accounting judgements, estimates and assumptions**

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

#### *Share based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using an appropriate option pricing model or quoted active market price, using the assumptions detailed in note 20. If any of these assumptions, including the probability of achieving the performance hurdle were to change, there may be an impact on the amounts reported.

#### *Exploration expenditure*

Exploration and evaluation costs are expensed as they are incurred.

#### *VAT Recoverability*

The Group pays VAT on invoices from Ghana which is expensed as incurred until such time as the Group goes into production and can recover the past 12 months' expense incurred prior to production commencing.

#### *Impairment of plant and equipment*

The Group has made a significant judgement about the impairment of its plant and equipment. To determine if items of plant and equipment are impaired, the Group evaluates any changes in circumstances that indicate the carrying amount may not be recoverable. Impairment has been recognised during the current period, refer to note 8.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2016

### 2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all board members to be involved in this process. The executive chairman, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

#### (a) Market risk

##### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

The risk is not material and sensitivity analysis does not result in a material effect on Group results or financial position.

##### (ii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the statement of financial position as at fair value through profit or loss. Given the current level of operations, the Group is not currently exposed to commodity price risk.

To minimise the risk, the Group's investments are of high quality and are publicly traded on the ASX. The investments are managed on a day to day basis so as to pick up any significant adjustments to market prices.

The risk is not material and sensitivity analysis does not result in a material effect on Group results or financial position.

##### (iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.

The risk is not material and sensitivity analysis does not result in a material effect on Group results or financial position.

#### (b) Credit risk

The maximum exposure to credit risk at reporting date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements. The only significant concentration of credit risk for the Group is the cash and cash equivalents held with financial institutions. All material deposits are held with the major Australian banks for which the Board evaluate credit risk to be minimal.

As the Group does not presently have any trade receivables, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

#### (c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

#### (d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The equity investments held by the Group are classified as available-for-sale. The market value of all equity investments represents the fair value based on quoted prices on active markets (ASX) as at the reporting date without any deduction for transaction costs. These investments are classified as level 1 financial instruments.

The carrying amounts and estimated fair values of financial assets and financial liabilities are as follows:

## Notes to the Consolidated Financial Statements continued

30 JUNE 2016

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2016           | 2015           |
|  | \$             | \$             |
| <b>2. FINANCIAL RISK MANAGEMENT (cont'd)</b> |                |                |
| <b>Financial Assets</b>                      |                |                |
| Cash and cash equivalents                    | 184,809        | 182,518        |
| Trade and other receivables                  | 7,625          | 18,719         |
| Available-for-sale financial assets          | 9,870          | 34,000         |
| <b>Total Financial Assets</b>                | <b>202,304</b> | <b>235,237</b> |
| <b>Financial Liabilities</b>                 |                |                |
| Trade and other payables                     | 576,546        | 429,550        |
| <b>Total Financial Liabilities</b>           | <b>576,546</b> | <b>429,550</b> |

The methods and assumptions used to estimate the fair value of financial instruments are outlined below:

### *Cash*

The carrying amount is fair value due to the liquid nature of these assets.

### *Receivables/Payables*

Due to the short term nature of these financial rights and obligations, their carrying amounts are estimated to represent their fair values.

### *Fair value measurements of financial assets*

The carrying values of financial assets and liabilities of the Group approximate their fair values. Fair values of financial assets and liabilities have been determined for measurement and / or disclosure purposes.

### *Fair value hierarchy*

The Group classifies assets and liabilities carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in determining that value. The following table analyses financial instruments carried at fair value by the valuation method. The different levels in the hierarchy have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

|                                    | Level 1       | Level 2  | Level 3  | Total         |
|------------------------------------|---------------|----------|----------|---------------|
|                                    | \$            | \$       | \$       | \$            |
| <b>30 June 2016</b>                |               |          |          |               |
| Available-for-sale financial asset | 9,870         | -        | -        | 9,870         |
| <b>Total as at 30 June 2016</b>    | <b>9,870</b>  | <b>-</b> | <b>-</b> | <b>9,870</b>  |
| <b>30 June 2015</b>                |               |          |          |               |
| Available-for-sale financial asset | 34,000        | -        | -        | 34,000        |
| <b>Total as at 30 June 2015</b>    | <b>34,000</b> | <b>-</b> | <b>-</b> | <b>34,000</b> |

Due to their short term nature, the carrying amount of the current receivables and current payables is assumed to approximate their fair value.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2016

Consolidated

2016  
\$

2015  
\$

### 3. SEGMENT INFORMATION

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

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

#### Ghana exploration segment

|  |                  |                  |
|--|------------------|------------------|
| Ghana segment income   | 252,505          | 26,203           |
| Reconciliation of Ghana segment revenue to total revenue before tax: |                  |                  |
| Interest revenue   | 2,599            | 5,396            |
| Research and development incentive grant                             | -                | 34,987           |
| Other income   | 27,235           | 48,858           |
| <b>Total revenue and other income</b>                                | <b>282,339</b>   | <b>115,444</b>   |
| Ghana segment results  | (9,153)          | (170,901)        |
| Reconciliation of Ghana segment result to net loss before tax:       |                  |                  |
| Corporate depreciation   | (10,528)         | (14,699)         |
| Other corporate and administration                                   | (460,616)        | (590,321)        |
| <b>Net loss before tax</b>   | <b>(480,297)</b> | <b>(775,921)</b> |
| Ghana segment operating assets                                       | 36,246           | 196,207          |
| Reconciliation of Ghana segment operating assets to total assets:    |                  |                  |
| Other corporate and administration assets                            | 209,215          | 276,959          |
| <b>Total assets</b>  | <b>245,461</b>   | <b>473,166</b>   |
| Total assets includes additions to plant and equipment:              |                  |                  |
| Other corporate and administration                                   | -                | 1,138            |

### 4. REVENUE AND OTHER INCOME

#### (a) Revenue

Other revenue

|          |       |       |
|----------|-------|-------|
| Interest | 2,599 | 5,396 |
|----------|-------|-------|

#### (b) Other income

|   |                |                |
|---|----------------|----------------|
| Profit on sale of mining interests              | 250,000        | 9,483          |
| Fair value gain on investments held for trading | 6,292          | -              |
| Net gain on disposal of plant and equipment     | -              | 14,882         |
| Research and development incentive grant        | -              | 34,987         |
| Net foreign exchange gains                      | 2,505          | -              |
| Other   | 20,943         | 50,696         |
|   | <b>279,740</b> | <b>110,048</b> |

### 5. EXPENSES

Loss before income tax includes the following specific expenses:

|   |         |         |
|---|---------|---------|
| Defined contribution superannuation expense     | 31,623  | 6,916   |
| Depreciation                                    | 126,811 | 144,689 |
| Fair value loss on investments held for trading | -       | 42,000  |



## Notes to the Consolidated Financial Statements continued

30 JUNE 2016

Consolidated

2016  
\$

2015  
\$

### 6. INCOME TAX

#### (a) Income tax benefit

|              |   |   |
|--------------|---|---|
| Current tax  | - | - |
| Deferred tax | - | - |
|              | - | - |

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

|   |           |           |
|---|-----------|-----------|
| Loss from continuing operations before income tax expense                                 | (480,297) | (775,921) |
| Prima facie tax benefit at the Australian tax rate of 30% (2015: 30%)                     | (144,089) | (232,776) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income:   |           |           |
| Share-based payments  | (22,171)  | 6,149     |
| Research and development incentive grant  | -         | (10,496)  |
| Other   | 59,109    | 78,723    |
|   | (107,151) | (158,400) |
| Movements in unrecognised temporary differences   | (5,462)   | 8,813     |
| Tax effect of current year tax losses for which no deferred tax asset has been recognised | 124,875   | 158,605   |
| Foreign tax rate differential   | (12,262)  | (9,018)   |
| Income tax expense  | -         | -         |

#### (c) Unrecognised temporary differences

##### Deferred Tax Assets (at 30%)

###### On Income Tax Account

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| Capital raising costs               | 1,164     | -         |
| Foreign exploration tax losses      | 6,440,321 | 6,354,485 |
| Accruals and other provisions       | 7,200     | 8,387     |
| Financial assets at fair value      | 48,840    | 65,400    |
| Australian carry forward tax losses | 692,177   | 658,579   |
|                                     | 7,189,702 | 7,086,851 |

##### Deferred Tax Liabilities (at 30%)

|  |   |   |
|--|---|---|
|  | - | - |
|--|---|---|

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

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

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

### 7. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

|   |         |         |
|---|---------|---------|
| Cash at bank and in hand  | 184,809 | 81,975  |
| Short-term deposits   | -       | 100,543 |
| Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows | 184,809 | 182,518 |

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates, refer to note 2(a)(iii).



## Notes to the Consolidated Financial Statements continued

30 JUNE 2016

### 8. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

| <b>Consolidated</b>                     | <b>Plant and Equipment</b> | <b>Motor Vehicles</b> | <b>Computer Equipment</b> | <b>Total</b>         |
|---|----------------------------|-----------------------|---------------------------|----------------------|
|   | \$                         | \$                    | \$                        | \$                   |
| <b>At 1 July 2014</b>                   |                            |                       |                           |                      |
| Cost                                    | 563,199                    | 147,710               | 72,841                    | 783,750              |
| Accumulated depreciation                | (268,426)                  | (112,954)             | (58,257)                  | (439,637)            |
| Net book amount                         | <u>294,773</u>             | <u>34,756</u>         | <u>14,584</u>             | <u>344,113</u>       |
| <b>Year ended 30 June 2015</b>          |                            |                       |                           |                      |
| Opening net book amount                 | 294,773                    | 34,756                | 14,584                    | 344,113              |
| Exchange differences                    | 46,380                     | 4,553                 | 39                        | 50,972               |
| Additions                               | -                          | -                     | 1,138                     | 1,138                |
| Disposals                               | (2,607)                    | (10,411)              | (587)                     | (13,605)             |
| Depreciation charge                     | (110,886)                  | (28,898)              | (4,905)                   | (144,689)            |
| Closing net book amount                 | <u>227,660</u>             | <u>-</u>              | <u>10,269</u>             | <u>237,929</u>       |
| <b>At 30 June 2015</b>                  |                            |                       |                           |                      |
| Cost                                    | 640,947                    | 126,304               | 57,457                    | 824,708              |
| Accumulated depreciation                | (413,287)                  | (126,304)             | (47,188)                  | (586,779)            |
| Net book amount                         | <u>227,660</u>             | <u>-</u>              | <u>10,269</u>             | <u>237,929</u>       |
| <b>Year ended 30 June 2016</b>          |                            |                       |                           |                      |
| Opening net book amount                 | <b>227,660</b>             | -                     | <b>10,269</b>             | <b>237,929</b>       |
| Exchange differences                    | <b>9,557</b>               | -                     | -                         | <b>9,557</b>         |
| Depreciation charge                     | <b>(124,135)</b>           | -                     | <b>(2,676)</b>            | <b>(126,811)</b>     |
| Impairment expense <sup>(1)</sup>       | <b>(77,518)</b>            | -                     | -                         | <b>(77,518)</b>      |
| Closing net book amount                 | <u><b>35,564</b></u>       | <u>-</u>              | <u><b>7,593</b></u>       | <u><b>43,157</b></u> |
| <b>At 30 June 2016</b>                  |                            |                       |                           |                      |
| Cost                                    | <b>658,299</b>             | <b>130,260</b>        | <b>57,793</b>             | <b>846,352</b>       |
| Accumulated depreciation and impairment | <b>(622,735)</b>           | <b>(130,260)</b>      | <b>(50,200)</b>           | <b>(803,195)</b>     |
| Net book Amount                         | <u><b>35,564</b></u>       | <u>-</u>              | <u><b>7,593</b></u>       | <u><b>43,157</b></u> |

- (1) During the year, the Directors reviewed the carrying value of the Group's drill rig, which is included within plant and equipment, and determined it should be impaired in full as its value-in-use was assessed as nil. The drill rig has not been used for some time, and the Group has no firm plans to use it in the near term.

### 9. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

|                             | <b>Consolidated</b>   |                |
|-----------------------------|-----------------------|----------------|
|                             | <b>2016</b>           | <b>2015</b>    |
|                             | \$                    | \$             |
| Trade payables              | <b>180,219</b>        | 57,667         |
| Director's fees accruals    | <b>284,952</b>        | 261,350        |
| Other payables and accruals | <b>111,375</b>        | 110,533        |
|                             | <u><b>576,546</b></u> | <u>429,550</u> |

Information about the Group's exposure to foreign exchange and liquidity risk is provided in note 2.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2016

### 10. CONTRIBUTED EQUITY

|  | Notes        | 2016             |            | 2015             |            |
|--|--------------|------------------|------------|------------------|------------|
|  |              | Number of shares | \$         | Number of shares | \$         |
| <b>(a) Share capital</b>                       |              |                  |            |                  |            |
| Ordinary shares fully paid                     | 10(b), 10(e) | 149,321,731      | 23,394,210 | 130,992,519      | 23,222,885 |
| Total contributed equity                       |              | 149,321,731      | 23,394,210 | 130,992,519      | 23,222,885 |
| <b>(b) Movements in ordinary share capital</b> |              |                  |            |                  |            |
| Beginning of the financial year                |              | 130,992,519      | 23,222,885 | 128,492,519      | 23,192,885 |
| Issued during the year:                        |              |                  |            |                  |            |
| – Issued for cash at 0.9 cents per share       |              | 8,329,212        | 74,963     | -                | -          |
| – Issued for cash at 1.0 cent per share        |              | 10,000,000       | 100,000    | -                | -          |
| – Issued for cash at 1.2 cents per share       |              | -                | -          | 2,500,000        | 30,000     |
| Transaction costs                              |              | -                | (3,638)    | -                | -          |
| End of the financial year                      |              | 149,321,731      | 23,394,210 | 130,992,519      | 23,222,885 |

### (c) Movements in options on issue

|                                 | Number of options |           |
|---------------------------------|-------------------|-----------|
|                                 | 2016              | 2015      |
| Beginning of the financial year | 1,050,000         | 1,050,000 |
| End of the financial year       | 1,050,000         | 1,050,000 |

### (d) Movements in performance rights on issue

|   | Number of performance rights |           |
|---|------------------------------|-----------|
|   | 2016                         | 2015      |
| Beginning of the financial year                         | 2,000,000                    | 2,000,000 |
| Relinquished during the year, expiring 22 November 2016 | (2,000,000)                  | -         |
| End of the financial year                               | -                            | 2,000,000 |

### (e) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

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

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

### (f) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2016 and 30 June 2015 are as follows:

|   | Consolidated |           |
|---|--------------|-----------|
|   | 2016         | 2015      |
|   | \$           | \$        |
| Cash and cash equivalents                             | 184,809      | 182,518   |
| Trade and other receivables                           | 7,625        | 18,719    |
| Financial assets at fair value through profit or loss | 9,870        | 34,000    |
| Trade and other payables                              | (576,546)    | (429,550) |
| Working capital position                              | (374,242)    | (194,313) |

## Notes to the Consolidated Financial Statements continued

30 JUNE 2016

### 10. CONTRIBUTED EQUITY (cont'd)

The Directors believe that they will be able to raise additional capital as required to meet ongoing exploration commitments and for working capital and are in the process of evaluating the Group's available options. The Directors believe that the Group will continue as a going concern. The Directors note that \$349,552 of current liabilities relate to amounts owed to current Directors and former Directors. The amount owing to the current Directors of \$100,730 was settled by the issue of ordinary shares on 15 August 2016 as approved by shareholders at the General Meeting of the Company held on 10 August 2016, refer to note 17. The amounts owing to the former Directors totalling \$248,822, per respective Deeds of Release, are payable not later than 30 September 2016 in cash, or in lieu of cash, by the issue of ordinary shares in the Company at a price equal to the volume weighted average price of the Company's shares for the month of September 2016.

### 11. RESERVES

|                                      | Consolidated |         |
|--------------------------------------|--------------|---------|
|                                      | 2016         | 2015    |
|                                      | \$           | \$      |
| <b>(a) Reserves</b>                  |              |         |
| Foreign currency translation reserve | 270,250      | 262,076 |
| Share-based payments reserve         | 614,736      | 688,639 |
|                                      | 884,986      | 950,715 |

#### (b) Nature and purpose of reserves

##### (i) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated within a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

##### (ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options and performance rights granted.

### 12. DIVIDENDS

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

### 13. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

#### (a) Audit services

|  |        |        |
|--|--------|--------|
| BDO Audit (WA) Pty Ltd - audit and review of financial reports                                   | 34,082 | 31,328 |
| Non-related audit firm for the audit or review of financial reports of Group subsidiary entities | 19,062 | 7,462  |
| Total remuneration for audit services  | 53,144 | 38,790 |

#### (b) Non-audit services

|  |       |        |
|--|-------|--------|
| BDO (WA) Pty Ltd - tax compliance services | 5,630 | 10,589 |
| Total remuneration for other services      | 5,630 | 10,589 |

### 14. CONTINGENCIES

The Group holds exploration areas of interest in Ghana for which various prospecting license, administration fees, reconnaissance licences, annual mineral rights fees and other fees are periodically levied to the Group. At 30 June 2016, all invoices received for the fees from the Ghanaian authorities have been paid or accrued as liabilities, however due to the timeframes in receiving some invoices from local authorities, there may be amounts which the Group may be required to settle in the future which have not been taken up as liabilities at 30 June 2016. The amounts and the timing of payment are not able to be determined at the period end and accordingly, no liability has been recognised for the contingent liability.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2016

Consolidated

2016  
\$

2015  
\$

### 15. RELATED PARTY TRANSACTIONS

#### (a) Parent entity

The ultimate parent entity within the Group is Castle Minerals Limited.

#### (b) Subsidiaries

Interests in subsidiaries are set out in note 16.

#### (c) Key management personnel compensation

|                          |                |                |
|--------------------------|----------------|----------------|
| Short-term benefits      | 280,118        | 341,859        |
| Post-employment benefits | 3,800          | 7,600          |
| Other long-term benefits | -              | -              |
| Termination benefits     | -              | -              |
| Share-based payments     | (73,903)       | 20,498         |
|                          | <b>210,015</b> | <b>369,957</b> |

Detailed remuneration disclosures are provided in the remuneration report on pages 5 to 9.

#### (d) Transactions and balances with other related parties

During the year, the Group leased office accommodation from Henmik Pty Ltd ("Henmik"), a company associated with Mr Ivey. The lease terms are set at normal commercial rates, with amounts paid during the year totalling \$43,484 (2015: \$74,544). Castle sublet office space during the year to third parties and during the year recouped a total of \$9,318 (2015: \$36,083) for office accommodation. There are no amounts outstanding at the reporting date.

#### (e) Loans to related parties

Castle Minerals Limited has provided unsecured, interest free loans to its wholly owned subsidiaries Carlie Mining Limited and Topago Mining Limited totalling \$18,036,416 (2015: \$17,984,286). An impairment assessment is undertaken each financial year by examining the financial position of each subsidiary and the market in which the respective subsidiary operates to determine whether there is objective evidence that the subsidiary is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss.

### 16. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

| Name              | Country of incorporation | Class of shares | Equity Holding* |           |
|-------------------|--------------------------|-----------------|-----------------|-----------|
|                   |                          |                 | 2016<br>%       | 2015<br>% |
| Carlie Mining Ltd | Ghana                    | Ordinary        | 100             | 100       |
| Topago Mining Ltd | Ghana                    | Ordinary        | 100             | 100       |

\*The proportion of ownership interest is equal to the proportion of voting power held.

### 17. EVENTS OCCURRING AFTER THE REPORTING DATE

At a General Meeting of the Company held on 10 August 2016, shareholders approved the issue of a total of 9,180,805 ordinary shares to the current Directors as settlement for \$100,730 in fees owing as at 30 June 2016. Additionally, shareholders approved the issue of 10,000,000 ordinary shares to the current Directors, at a price of \$0.01 per share, to raise a total of \$100,000. The shares were issued on 15 August 2016.

No other matter or circumstance has arisen since 30 June 2016, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2016

Consolidated

2016  
\$

2015  
\$

### 18. CASH FLOW INFORMATION

#### Reconciliation of net loss after income tax to net cash outflow from operating activities

|   |                  |                  |
|---|------------------|------------------|
| Net loss for the year   | (480,297)        | (775,921)        |
| <b>Non-Cash Items</b>   |                  |                  |
| Depreciation of non-current assets                                | 126,811          | 144,689          |
| Impairment of plant and equipment                                 | 77,518           | -                |
| Net gain on disposal of plant and equipment                       | -                | (14,882)         |
| Net exchange differences  | (189)            | 2,834            |
| Share based payment (income)/expense                              | (73,903)         | 20,498           |
| <b>Change in operating assets and liabilities</b>                 |                  |                  |
| Decrease in trade and other receivables                           | 11,094           | 138,614          |
| Decrease in financial assets at fair value through profit or loss | 24,130           | 42,000           |
| Increase/(decrease) in trade and other payables                   | 145,428          | 255,606          |
| Net cash outflow from operating activities                        | <u>(169,408)</u> | <u>(186,562)</u> |

As at 30 June 2016 the Group had no non-cash investing and financing activities.

### 19. LOSS PER SHARE

#### (a) Reconciliation of earnings used in calculating loss per share

Loss attributable to the owners of the Company used in calculating basic and diluted loss per share

(480,297) (775,921)

Number of shares Number of shares

#### (b) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share

134,729,367 125,747,763

#### (c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2016, all options on issue are considered anti-dilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

### 20. SHARE-BASED PAYMENTS

#### (a) Employees and Contractors Option Plan

The Group provides benefits to employees (including directors) and contractors of the Group in the form of share-based payment transactions, whereby employees or consultants render services in exchange for options to acquire ordinary shares. The exercise price of the options granted under the plan is 40 cents per option, with an expiry date of 1 September 2016.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share in the capital of the Company with full dividend and voting rights.

Set out following are summaries of granted options:

## Notes to the Consolidated Financial Statements continued

30 JUNE 2016

### 20. SHARE-BASED PAYMENTS (cont'd)

|  | Consolidated      |                                       |                   |                                       |
|--|-------------------|---------------------------------------|-------------------|---------------------------------------|
|  | 2016              |                                       | 2015              |                                       |
|  | Number of options | Weighted average exercise price cents | Number of options | Weighted average exercise price cents |
| Outstanding at the beginning of the year | 1,050,000         | 40.0                                  | 1,050,000         | 40.0                                  |
| Granted                                  | -                 | -                                     | -                 | -                                     |
| Forfeited                                | -                 | -                                     | -                 | -                                     |
| Exercised                                | -                 | -                                     | -                 | -                                     |
| Expired                                  | -                 | -                                     | -                 | -                                     |
| Outstanding at year-end                  | 1,050,000         | 40.0                                  | 1,050,000         | 40.0                                  |
| Exercisable at year-end                  | 1,050,000         | 40.0                                  | 1,050,000         | 40.0                                  |

The weighted average remaining contractual life of share options outstanding at the end of the year was 0.17 years (2015: 1.17 years), and the exercise price is 40 cents. Option expiry date is 1 September 2016.

There were no options granted during the 2016 or 2015 financial years.

#### (b) Employees and contractors performance rights

The Group has previously provided benefits to employees (including directors) and contractors of the Group in the form of share-based payment transactions, whereby performance rights over ordinary shares are issued as an incentive to improve employee and shareholder goal congruence. Performance rights granted to the previous Managing Director had an expiry date of 22 November 2016 but were relinquished on cessation of Mr Ivey's service agreement on 18 January 2016.

Performance rights granted carry no dividend or voting rights. When each performance condition is satisfied, each performance right is converted into one ordinary share of the Company with full dividend and voting rights.

Set out below are summaries of the performance rights granted:

|  | 2016        | 2015      |
|--|-------------|-----------|
| Outstanding at the beginning of the year | 2,000,000   | 2,000,000 |
| Granted                                  | -           | -         |
| Forfeited/cancelled                      | (2,000,000) | -         |
| Exercised                                | -           | -         |
| Expired                                  | -           | -         |
| Outstanding at year-end                  | -           | 2,000,000 |

There were no performance rights granted during the 2016 or 2015 financial years. The performance rights previously granted to Mr Ivey were relinquished on cessation of Mr Ivey's service agreement on 18 January 2016. Therefore, as no rights ultimately vested due to failure to satisfy the vesting conditions, the previously expensed amount (\$73,903) was reversed during the 2016 financial year.

#### (c) Expenses arising from share-based payment transactions

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

|  | Consolidated |        |
|--|--------------|--------|
|  | 2016         | 2015   |
|  | \$           | \$     |
| Performance rights (cancelled)/granted to and vesting with employees | (73,903)     | 20,498 |
|  | (73,903)     | 20,498 |

## Notes to the Consolidated Financial Statements continued

30 JUNE 2016

2016

2015

\$

\$

### 21. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Castle Minerals Limited, at 30 June 2016. The information presented here has been prepared using accounting policies consistent with those presented in note 1.

|  |                  |                  |
|--|------------------|------------------|
| Current assets                               | 166,090          | 223,305          |
| Non-current assets                           | 43,126           | 53,654           |
| <b>Total assets</b>                          | <b>209,216</b>   | <b>276,959</b>   |
| Current liabilities                          | 487,581          | 379,473          |
| <b>Total liabilities</b>                     | <b>487,581</b>   | <b>379,473</b>   |
| Contributed equity                           | 23,394,210       | 23,222,885       |
| Share-based payments reserve                 | 614,736          | 688,639          |
| Accumulated losses                           | (24,287,311)     | (24,014,038)     |
| <b>Total equity</b>                          | <b>(278,365)</b> | <b>(102,514)</b> |
| Loss for the year                            | (273,273)        | (637,185)        |
| <b>Total comprehensive loss for the year</b> | <b>(273,273)</b> | <b>(637,185)</b> |

As detailed in note 14, there are contingent liabilities in respect to tenement acquisition agreements that the parent entity has co-signed with subsidiary entities.

## Directors' Declaration

In the directors' opinion:

- (a) the financial statements comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and accompanying notes set out on pages 12 to 33 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable;
- (c) the remuneration disclosures included in the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2016, comply with Section 300A of the *Corporations Act 2001*; and
- (d) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

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

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



Stephen Stone  
Managing Director  
Perth, 23 September 2016



## INDEPENDENT AUDITOR'S REPORT

To the members of Castle Minerals Limited

### Report on the Financial Report

We have audited the accompanying financial report of Castle Minerals Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### Independence

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

## Opinion

In our opinion:

- (a) the financial report of Castle Minerals Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

## Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(a)(v) in the financial report, which indicates that the ability of the Group to continue as a going concern is dependent upon the Group being able to raise additional funds through the sale of tenements and/or non-core assets, or through equity, as required. These conditions, along with other matters as set out in Note 1(a)(v), indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore, the group may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 8 of the directors' report for the year ended 30 June 2016. 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.

## Opinion

In our opinion, the Remuneration Report of Castle Minerals Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd



Glyn O'Brien

Director

Perth, 23 September 2016

## Additional Shareholder Information

The following additional information is current as at 6 October 2016.

### CORPORATE GOVERNANCE:

The Company's Corporate Governance Statement is available on the company's website at [www.castleminerals.com.au/](http://www.castleminerals.com.au/)

### SUBSTANTIAL SHAREHOLDERS:

| Rank | Holder Name    | Securities | %      |
|------|----------------|------------|--------|
| 1    | AZUMAH RES LTD | 27,725,024 | 16.45% |
| 2    | STEPSTONE PL   | 16,740,382 | 9.93%  |

| Range of Holdings | Holders | Securities  | % of Issued Capital |
|-------------------|---------|-------------|---------------------|
| NIL holding       | 0       | 0           | 0.00%               |
| 1 - 1,000         | 28      | 3,329       | 0.00%               |
| 1,001 - 5,000     | 75      | 218,367     | 0.13%               |
| 5,001 - 10,000    | 101     | 841,001     | 0.50%               |
| 10,001 - 100,000  | 254     | 10,529,417  | 6.25%               |
| Over 100,000      | 116     | 156,910,422 | 93.12%              |
| TOTAL ON REGISTER | 574     | 168,502,536 |                     |

There are 338 shareholders with less than a marketable parcel.

### VOTING RIGHTS

Each fully paid ordinary share carries voting rights of one vote per share.

### THE TOP 20 HOLDERS OF ORDINARY SHARES ARE:

| Rank | Holder Name               | Securities | %      |
|------|---------------------------|------------|--------|
| 1    | AZUMAH RES LTD            | 27,725,024 | 16.45% |
| 2    | STEPSTONE PL              | 16,740,382 | 9.93%  |
| 3    | WIECHECKI HENRY           | 7,279,100  | 4.32%  |
| 4    | LUJETA PL                 | 7,195,000  | 4.27%  |
| 5    | BILL BROOKS PL            | 5,817,344  | 3.45%  |
| 6    | BUNDA HLDGS PL            | 4,833,000  | 2.87%  |
| 7    | REDSTAR RES LTD           | 4,702,256  | 2.79%  |
| 8    | M IVEY PL                 | 4,453,179  | 2.64%  |
| 9    | AUSDRILL INTNL PL         | 4,245,067  | 2.52%  |
| 10   | ATKINS MICHAEL WILLIAM    | 4,137,615  | 2.46%  |
| 11   | ASHFORTH MICHAEL FILAN    | 3,830,000  | 2.27%  |
| 12   | AMOAKO-ATTTA PAUL         | 3,784,644  | 2.25%  |
| 13   | KINGSTON MGNT ISLE OF MAN | 3,777,663  | 2.24%  |
| 14   | CONTINENTAL GLOBAL INV LT | 3,413,999  | 2.03%  |
| 15   | M IVEY PL                 | 2,893,319  | 1.72%  |
| 16   | MNR INV PL                | 2,500,000  | 1.48%  |

|    |                     |             |        |
|----|---------------------|-------------|--------|
| 17 | GECKO RES PL        | 2,500,000   | 1.48%  |
| 18 | COMPUTER VISIONS PL | 2,335,000   | 1.39%  |
| 19 | FIRST INV PTNRS PL  | 2,100,000   | 1.25%  |
| 20 | NATIONAL ENERGY PL  | 2,000,000   | 1.19%  |
|    |                     | 116,262,592 | 69.00% |

**THERE ARE NO UNQUOTED EQUITY SECURITIES**

**THERE IS NO CURRENT ON-MARKET BUY-BACK**

**THERE ARE NO EQUITY SECURITIES SUBJECT TO ESCROW**

**LICENCES:**

| Licence                      | Name       | Interest end of Quarter |
|------------------------------|------------|-------------------------|
| <b>TOPAGO MINING LIMITED</b> |            |                         |
| PL. 2/398                    | Antubia    | 100%                    |
| PL. 2/400                    | Boizan     | 100%                    |
| PL. 2/399                    | Akoko      | 100%                    |
| PL. 2/425                    | Akoko West | 100%                    |
| <b>CARLIE MINING LIMITED</b> |            |                         |
| RLA                          | Chache     | Application             |
| RLA                          | Jewoyeli   | Application             |
| RLA                          | Takariyili | Application             |
| RLA                          | Tuole      | Application             |
| RL. 10/23                    | Jang       | 100%                    |
| RL. 10/13                    | Wa         | 100%                    |
| PL. 10/13                    | Julie West | 0%^                     |
| ML. 10/13                    | Julie West | Application             |
| PL. 10/26                    | Degbiwu    | 100%                    |
| PL. 10/23                    | Bulenga    | 100%                    |
| PL. 10/25                    | Charingu   | 100%                    |
| PLA                          | Kandia     | Application             |
| PL. 10/24                    | Baayiri    | 100%                    |
| RL. 8/27                     | Gbinyiri   | 100%                    |
| RL. 8/28                     | Gurungu    | 100%                    |
| RL. 8/31                     | Jumo       | 100%                    |
| RL. 8/30                     | Chasia     | 100%                    |
| RL. 8/29                     | Perisi     | 100%                    |
| RLA                          | Funsi      | Application             |
| PL. 10/47                    | Kambale    | 100%                    |

^ Put Option to sell the Julie West PL to Bunda Resources Limited was exercised in October 2015. Bunda's rights were assigned to Phoenix Resources Limited (Azumah Resources Limited) in April 2016.