

Castle Minerals Limited

ABN 83 116 095 802

Annual Financial Report

for the year ended 30 June 2018

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

Email Address

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 2018.

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).

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 Global Construction Services Limited (and a director of SRG Global Limited (formerly called Structural Systems Limited) which is no longer listed on ASX following its merger with Global Construction Services Limited).

Stephen Stone, BSc (Hons) Mining Geology, MAusIMM, FAICD, (Managing Director).

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. Within the last three years Mr Stone was also a non-executive director of ASX listed public company Alto Metals Limited.

Ian Hobson, B.BUS, FCA, ACIS, MAICD (Non-Executive Director, member of Remuneration Committee), 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.

COMPANY SECRETARY

Ian Hobson

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	9,356,665	2,000,000
Stephen Stone	23,202,193	2,000,000
Ian Hobson	6,421,368	2,000,000

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.

Directors' Report continued

DIVIDENDS

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

REVIEW OF OPERATIONS

GHANA:

Exploration General:

- Undertook several low-cost reconnaissance mapping, rock chip, trenching and auger drilling programmes to generate new targets.
- Attended to tenement administration process regarding transfer of Julie West to Azumah to allow release to Castle of final cash consideration of A\$250,000.
- Continued review of the Company's project datasets with the objective of rationalising its large Ghana licence holdings around key target areas and to minimise holding costs.

Kpali Project:

- Continued efforts to secure a farm-in partner.

Sale of Carlie Mining Limited:

- Investigated the sale of the Company's Ghana licences through the sale of its wholly owned Ghana subsidiary, Carlie Mining Limited. This process remains in train but there is no certainty a sale will be concluded.

WESTERN AUSTRALIA:

Coolyia Creek and Beasley Creek:

- Acquired interests in two exploration licences (now granted) at Coolyia Creek and Beasley Creek in the Pilbara region of Western Australia. Projects are prospective for conglomerate-hosted style gold mineralisation.
- Undertook several campaigns of reconnaissance and detailed mapping, bulk sampling of drainage, rock-chip sampling and metal detecting that returned very encouraging anomalous results including the retrieval of gold nuggets from both properties.

NEW OPPORTUNITIES:

- Continued to generate and review new project opportunities spanning a range of commodities in various countries with the objective of securing a new focus for the Company.

Finance Review

The Group began the financial year with a cash reserve of \$288,516. During the year, a placement of 35,000,000 ordinary shares was completed raising \$1,225,000 cash. Funds were used to explore the Group's conglomerate gold projects located in the Kimberley region.

During the year total exploration expenditure incurred by the Group amounted to \$521,664 (2017: \$82,207). In line with the Company's accounting policies, all exploration expenditure is expensed as incurred. The Group realised a gain of \$558,845 during the 2017 financial year on the sale of a subsidiary. Net administration expenditure incurred amounted to \$1,093,829 (2017: \$467,727). The increase in administration costs is due a one-off non-cash expense of \$650,601 being recognised in respect to the issue of shares in lieu of director fees (see note 10(b)(4)). This has resulted in an operating loss after income tax for the year ended 30 June 2018 of \$1,615,493 (2017: \$8,911 profit).

At 30 June 2018 surplus funds available totalled \$685,260.

Going concern

For the year ended 30 June 2018 the entity recorded a loss of \$1,615,493 (2017: \$8,911 profit) and had net cash outflows from operating activities of \$785,595 (2017: \$530,324) and had working capital of \$572,264 (2017: \$15,651 deficiency).

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;
- The Directors note that \$87,026 of current liabilities relate to amounts owing to Azumah Resources Limited, who have agreed to defer payment until funds are available; and
- The Directors are confident that they will be in able to raise additional equity as and when required.

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.

Directors' Report continued

Operating Results for the Year

Summarised operating results are as follows:

	2018	
	Revenues	Results
	\$	\$
Consolidated entity revenues and loss before income tax expense	21,138	(1,615,493)

Shareholder Returns

	2018	2017
Basic (loss)/earnings per share (cents)	(0.8)	0.0

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 16, 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 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.

Directors' Report continued

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 who receive a salary from the Company also receive a superannuation guarantee contribution required by the government, which was 9.5% for the 2018 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.

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 issues.

Performance based remuneration

At this stage, the Group's remuneration of key management personnel does not include any performance conditions. The Board believes that at this stage of the Group's development, linking remuneration to financial performance indicators such as share price, revenue or profit for these personnel is inappropriate. This may change as the Group's operations develop.

In relation to directors, the Board believes that a portion of the remuneration package for the non-executive directors should be linked to some form of financial performance indicator, such as share price, from time to time, as determined by the Board. In this regard, options over unissued shares provide a performance linked incentive component in the remuneration package for directors to motivate and reward their performance. No options were granted during the 2018 financial year.

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.

	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$
Revenue	21,138	563,827	282,339	115,444	528,810
Net (loss)/profit	(1,615,493)	8,911	(480,297)	(775,921)	(1,500,322)
(Loss)/earnings per share (cents)	(0.8)	0.0	(0.4)	(0.6)	(1.2)
Share price at year end (cents)	1.6	1.7	1.2	1.0	1.0
Total KMP compensation	230,141	238,570	210,015	369,957	293,324

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 2018.

Voting and comments made at the Company's 2017 Annual General Meeting

The Company received approximately 99.9% of "yes" votes on its remuneration report for the 2017 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

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
	Salary & Fees	Non-Cash benefits	Superannuation	Retirement benefits	Payments		Performance Related
	\$	\$	\$	\$	\$	\$	%
Directors							
Michael Atkins							
2018	43,981	3,708	3,513	-	-	51,202	-
2017	65,500	3,790	-	-	20,000	89,290	-
Stephen Stone							
2018	114,067	3,708	9,886	-	-	127,661	-
2017	69,500	3,790	-	-	20,000	93,290	-
Ian Hobson							
2018	44,137	3,708	3,433	-	-	51,278	-
2017	32,200	3,790	-	-	20,000	55,990	-
Total key management personnel compensation							
2018	202,185	11,124	16,832	-	-	230,141	
2017	167,200	11,370	-	-	60,000	238,570	

(1) For the period 1 July 2016 to 30 September 2017 Michael Atkins, Stephen Stone and Ian Hobson agreed to receive their remuneration in shares in the Company and did not receive any cash payment. Since 1 October 2017 remuneration has been paid in cash.

Resolutions were approved by shareholders at the General Meeting of the Company held on 10 August 2016 to issue shares to Directors in lieu of directors' fees for the period 18 January 2016 to 30 June 2016. Fees totalling \$100,730, as invoiced by the Directors, were satisfied by the issue of 9,180,805 ordinary shares on 15 August 2016 utilising these approvals. The closing price of \$0.019 on the date of the General meeting was the grant date fair value of the shares issued, resulting in a loss on settlement of \$73,705.

Resolutions were also approved by shareholders at the Annual General Meeting of the Company held on 22 November 2016 to issue shares to Directors in lieu of directors' fees for the period 1 July 2016 to 30 September 2016. Fees totalling \$30,400, as invoiced by the Directors, were satisfied by the issue of 1,863,844 ordinary shares on 28 November 2016 utilising these approvals. The closing price of \$0.015 on the date of the Annual General Meeting was the grant date fair value of the shares issued, resulting in a gain on settlement of \$2,442.

Resolutions were also approved by shareholders at the Annual General Meeting of the Company held on 13 November 2017 to issue shares to Directors in lieu of directors' fees for the period 1 October 2016 to 30 September 2017. Fees totalling \$189,300, as invoiced by the Directors, were satisfied by the issue of 11,829,596 ordinary shares on 14 November 2017 utilising these approvals, calculated at the 15-day VWAP at the time the fees accrued, being \$0.0151. The closing price of \$0.071 on the date of the Annual General Meeting was the grant date fair value of the shares issued, resulting in a loss on settlement of \$650,601.

Service agreements

Each of the Directors has agreed to letters of appointment with standard terms commencing from their appointments on 18 January 2016 until such time as the Director resigns or is not re-appointed by shareholders when required to stand for re-election, together with standard clauses for dismissal in the case of misconduct. There are no provisions for termination payments other than accrued fees. Effective from 1 October 2017 the remuneration for each of the Directors is as follows:

Director	Annual Salary/Fees (\$)	Time Commitment	Fees for Additional Time
Michael Atkins	50,000	3 days per month	\$1,500 per day in excess of 3 days per month
Stephen Stone	130,000	7 days per month	\$1,500 per day in excess of 7 days per month
Ian Hobson	30,000	2 days per month	\$1,500 per day in excess of 2 days per month

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.

There were no ordinary shares issued upon exercise of remuneration options to directors or other key management personnel of Castle Minerals Limited during the year.

Directors' Report continued

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.

2018

	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 ⁽¹⁾
Directors of Castle Minerals Limited				
Ordinary shares				
Michael Atkins	5,406,053	-	3,950,612	9,356,665
Stephen Stone	17,352,389	-	5,849,804	23,202,193
Ian Hobson	4,942,188	-	1,479,180	6,421,368

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

Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Castle Minerals Limited and other key management personnel of the Company, including their personally related parties, are set out below:

2018

	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Castle Minerals Limited							
Michael Atkins	2,000,000	-	-	-	2,000,000	2,000,000	-
Stephen Stone	2,000,000	-	-	-	2,000,000	2,000,000	-
Ian Hobson	2,000,000	-	-	-	2,000,000	2,000,000	-

All vested options are exercisable at the end of the year.

Loans to key management personnel

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

Other transactions with key management personnel

Debt settlement of Director Fees

During the year a total of \$189,300 (2017: \$202,393) in accrued director fees were settled by the issue of 11,829,596 (2017: 11,044,649) ordinary shares following the requisite shareholder approvals. The settlement of these liabilities by the issue of shares has resulted in a net loss for accounting purposes, resulting from the increase in the value of shares issued in respect to directors' fees from the time that the fees accrued to the grant date fair value at the date of issue. This net loss is recognised in the profit or loss for the year of \$650,601 (2017: \$71,263), refer to note 8(b) for further details.

Azumah expense payments

During the year Azumah Resources Limited ("AZM"), who is a related party of the Group as two of Castle's directors, Messrs Atkins and Stone, are also directors of AZM, on-charged to the Group various administration expenses including office rent and overheads, bookkeeping and office administration staff. The total of expenses on-charged by AZM during the year was \$54,547 (2017: \$47,705). The amount owed to AZM at 30 June 2018 was \$87,026 (2017: \$79,781). In accordance with the Julie West Prospecting Licence sale, AZM also reimbursed the Group \$26,344 (2017: nil) for tenement expenditure incurred in keeping the tenement on good standing. Transactions are commercial and at arms' length terms.

End of audited Remuneration Report

DIRECTORS' MEETINGS

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

	Directors Meetings	
	A	B
Michael Atkins	3	3
Stephen Stone	3	3
Ian Hobson	3	3

Notes

A - Number of meetings attended.

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

Directors' Report continued

SHARES UNDER OPTION

Unissued ordinary shares of Castle Minerals Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price (cents)	Number of options
22 November 2016	30 September 2019	3.0	6,000,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

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:

	2018	2017
	\$	\$
Tax compliance services	6,380	14,680
Total remuneration for non-audit services	6,380	14,680

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 10.

Signed in accordance with a resolution of the directors.



Stephen Stone
 Managing Director
 Perth, 27 September 2018

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF CASTLE MINERALS LIMITED

As lead auditor of Castle Minerals Limited for the year ended 30 June 2018, 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.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 27 September 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

YEAR ENDED 30 JUNE 2018	Notes	2018 \$	2017 \$
CONTINUING OPERATIONS			
Revenue		3,653	752
Other income		17,485	4,230
Gain on sale of subsidiary	15(b)	-	558,845
Depreciation expense		(3,463)	(8,234)
Salaries and employee benefits expense		(211,018)	(135,000)
Tenement acquisition and exploration expenses		(521,664)	(82,207)
Corporate expenses		(56,251)	(59,615)
Administration expenses		(193,634)	(135,977)
Finance costs		-	(2,620)
Loss on settlement of liability	8(b)(4)	(650,601)	(71,263)
Share based payment (expense)/income	19(c)	-	(60,000)
(LOSS)/PROFIT BEFORE INCOME TAX		(1,615,493)	8,911
INCOME TAX EXPENSE	5	-	-
(LOSS)/PROFIT AFTER INCOME TAX FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF CASTLE MINERALS LIMITED		(1,615,493)	8,911
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		164	339
<i>Items that have been reclassified to profit or loss</i>			
Exchange differences realised on sale of foreign operation		-	(21,287)
Other comprehensive income for the year, net of tax		164	(20,948)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF CASTLE MINERALS LIMITED		(1,615,329)	(12,037)
Basic and diluted (loss)/earnings per share attributable to the members of Castle Minerals Limited (cents per share)	18	(0.8)	0.0

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

AS AT 30 JUNE 2018	Notes	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	6	685,260	288,516
Trade and other receivables		-	6,175
Financial assets at fair value through profit or loss		31,585	14,101
TOTAL CURRENT ASSETS		716,845	308,792
NON-CURRENT ASSETS			
Plant and equipment		13,829	34,922
TOTAL NON-CURRENT ASSETS		13,829	34,922
TOTAL ASSETS		730,674	343,714
CURRENT LIABILITIES			
Trade and other payables	7	144,581	324,443
TOTAL CURRENT LIABILITIES		144,581	324,443
TOTAL LIABILITIES		144,581	324,443
NET ASSETS		586,093	19,271
EQUITY			
Contributed equity	8	25,878,754	23,696,603
Reserves	9	924,202	924,038
Accumulated losses		(26,216,863)	(24,601,370)
TOTAL EQUITY		586,093	19,271

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 2018

	Notes	Contributed Equity \$	Share-based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
BALANCE AT 1 JULY 2016		23,394,210	614,736	270,250	(24,610,281)	(331,085)
Profit for the year		-	-	-	8,911	8,911
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		-	-	339	-	339
Exchange differences realised on sale of foreign operation		-	-	(21,287)	-	(21,287)
TOTAL COMPREHENSIVE LOSS		-	-	(20,948)	8,911	(12,037)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	8	302,393	-	-	-	302,393
Options issued during the year	19	-	60,000	-	-	60,000
BALANCE AT 30 JUNE 2017		23,696,603	674,736	249,302	(24,601,370)	19,271
Loss for the year		-	-	-	(1,615,493)	(1,615,493)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		-	-	164	-	164
TOTAL COMPREHENSIVE LOSS		-	-	164	(1,615,493)	(1,615,329)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	8	2,225,901	-	-	-	2,225,901
Share issue transaction costs	8	(43,750)	-	-	-	(43,750)
BALANCE AT 30 JUNE 2018		25,878,754	674,736	249,466	(26,216,863)	586,093

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 2018	Notes	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(377,521)	(202,133)
Interest received		3,653	752
Expenditure on mining interests		(411,727)	(326,323)
Interest paid		-	(2,620)
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	17	(785,595)	(530,324)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of subsidiary, net of cash disposed		-	535,222
NET CASH INFLOW FROM INVESTING ACTIVITIES		-	535,222
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		1,225,000	100,000
Payment of share issue costs		(43,750)	-
Proceeds from related party borrowings		-	250,000
Repayment of related party borrowings		-	(250,000)
NET CASH INFLOW FROM FINANCING ACTIVITIES		1,181,250	100,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		395,655	104,898
Cash and cash equivalents at the beginning of the financial year		288,516	184,809
Effects of exchange rate changes on cash and cash equivalents		1,089	(1,191)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	6	685,260	288,516

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 2018

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 27 September 2018. 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 material 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 2017.

(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 2018 the entity recorded a loss of \$1,615,493 (2017: \$8,911 profit) and had net cash outflows from operating activities of \$785,595 (2017: \$530,324) and had working capital of \$572,264 (2017: \$15,651 deficiency).

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;
- The Directors note that \$87,026 of current liabilities relate to amounts owing to Azumah Resources Limited, who have agreed to defer payment until funds are available; and
- The Directors are confident that they will be in able to raise additional equity as and when required.

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 2018

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 2018

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.

(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 substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments 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 2018

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) Exploration and evaluation costs

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

(k) 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.

(l) 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.

(m) 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.

(n) 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

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.

(o) 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.

(p) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 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 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. AASB 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. Based on the Group's current operations and financial assets and liabilities currently held, the Group does not anticipate any material 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 2018).

AASB 15 will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer and establishes a five-step model to account for revenue arising from contracts with customers. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group plans to adopt the new standard on the required effective date using the full retrospective method. There will be no material impact on the Group's financial position or performance from the adoption of this new standard.

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

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The Group plans to adopt the new standard on the required effective date. The Group continues to assess the potential impact of AASB 16 on its consolidated financial statements.

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

(q) 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 19. 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.

Tenement acquisition

Judgement has been applied in determining the probability of achieving the performance milestones as part of the tenement acquisition as outlined in note 12. If the milestones were assessed as probable in being achieved, there may be an impact on the amounts reported as part of the acquisition.

Exploration expenditure

Exploration and evaluation costs are expensed as they are incurred.

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

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 values of all financial assets and liabilities of the Group approximate their fair values due to their short-term nature.

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

2018
\$

2017
\$

3. SEGMENT INFORMATION

For management purposes, the Group has identified two reportable segments being: exploration activities undertaken in Australia (new segment this reporting period); and, exploration activities undertaken in Ghana, West Africa. These segments include activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in the respective geographic location.

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

Exploration segments

Segment revenue and other income – Australia	-	-
Segment revenue and other income – Ghana	-	558,845
Segment revenue and other income – Total	-	558,845

Reconciliation of segment revenue and other income to total revenue and other income before tax:

Interest revenue	3,653	752
Other revenue and income	17,485	4,230
Total revenue and other income	21,138	563,827

Segment results – Australia	(461,058)	-
Segment results – Ghana	(60,606)	491,037
Segment results – Total	(521,664)	491,037

Reconciliation of segment result to loss before tax:

Corporate depreciation	(3,463)	(8,204)
Finance costs	-	(2,620)
Loss on settlement of liability (note 8(b))	(650,601)	(71,263)
Other corporate and administration	(439,765)	(400,039)
(Loss)/profit before tax	(1,615,493)	8,911

Segment operating assets - Australia	-	-
Segment operating assets – Ghana	-	29,364
Segment operating assets – Total	-	29,364

Reconciliation of segment operating assets to total assets:

Other corporate and administration assets	730,674	314,350
Total assets	730,674	343,714

Segment operating liabilities - Australia	11,296	-
Segment operating liabilities – Ghana	9,238	70,673
Segment operating liabilities – Total	20,534	70,673

Reconciliation of segment operating liabilities to total liabilities:

Other corporate and administration liabilities	124,047	253,770
Total liabilities	144,581	324,443

4. EXPENSES

Loss before income tax includes the following specific expenses:

Defined contribution superannuation expense	16,832	-
Depreciation	3,463	8,234
Net loss on disposal of plant and equipment	17,629	-

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

2018
\$

2017
\$

5. 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	(1,615,493)	(549,934)
(Loss)/profit from discontinued operation before income tax expense	-	558,845
	(1,615,493)	8,911

Prima facie tax (benefit)/expense at the Australian tax rate of 30% (2017: 30%)

(484,648) 2,673

Tax effect of amounts which are not deductible (taxable) in calculating taxable income:

Share-based payments
Other

- 18,000
196,257 (143,296)
(288,391) (122,623)

Movements in unrecognised temporary differences

(8,267) (166)

Tax effect of current year tax losses for which no deferred tax asset has been recognised

299,688 126,179

Foreign tax rate differential

(3,030) (3,390)

Income tax expense

- -

(c) Unrecognised temporary differences

Deferred Tax Assets (at 30%)

On Income Tax Account

Capital raising costs	10,597	194
Foreign exploration tax losses	6,214,740	4,889,038
Accruals and other provisions	8,100	8,400
Financial assets at fair value	27,834	33,080
Australian carry forward tax losses	1,120,849	851,464
	7,382,120	5,782,176

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.

6. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

Cash at bank and in hand	685,260	288,516
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	685,260	288,516

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

Notes to the Consolidated Financial Statements continued

30 JUNE 2018	2018	2017
	\$	\$
7. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Trade payables	99,374	180,821
Director's fees accruals	-	55,500
Other payables and accruals	45,207	88,122
	144,581	324,443

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

8. CONTRIBUTED EQUITY

	Notes	2018		2017	
		Number of shares	\$	Number of shares	\$
(a) Share capital					
Ordinary shares fully paid	8(b), 8(e)	221,795,976	25,878,754	170,366,380	23,696,603
Total contributed equity		221,795,976	25,878,754	170,366,380	23,696,603
(b) Movements in ordinary share capital					
Beginning of the financial year		170,366,380	23,696,603	149,321,731	23,394,210
Issued during the year:					
- Issued for cash at 1.0 cent per share		-	-	10,000,000	100,000
- Issued for cash at 3.5 cent per share		35,000,000	1,225,000	-	-
- Issued as part consideration for tenement acquisition		4,000,000	140,000	-	-
- Issued as consideration for consulting services		600,000	21,000	-	-
- Issued in lieu of director fees at 1.5 cents per share ⁽¹⁾		-	-	1,863,844	27,958
- Issued in lieu of director fees at 1.9 cents per share ⁽²⁾		-	-	9,180,805	174,435
- Issued in lieu of director fees at 7.1 cents per share ⁽³⁾		11,829,596	839,901	-	-
Transaction costs		-	(43,750)	-	-
End of the financial year		221,795,976	25,878,754	170,366,380	23,696,603

- (1) Resolutions were approved by shareholders at the Annual General Meeting of the Company held on 22 November 2016 to issue shares to Directors in lieu of directors' fees for the period 1 July 2016 to 30 September 2016. Fees totalling \$30,400, as invoiced by the Directors, were satisfied by the issue of 1,863,844 ordinary shares on 28 November 2016 utilising these approvals. The closing price of \$0.015 on the date of the Annual General Meeting was the grant date fair value of the shares issued.
- (2) Resolutions were approved by shareholders at the General Meeting of the Company held on 10 August 2016 to issue shares to Directors in lieu of directors' fees for the period 18 January 2016 to 30 June 2016. Fees totalling \$100,730, as invoiced by the Directors, were satisfied by the issue of 9,180,805 ordinary shares on 15 August 2016 utilising these approvals. The closing price of \$0.019 on the date of the General meeting was the grant date fair value of the shares issued.
- (3) Resolutions were approved by shareholders at the Annual General Meeting of the Company held on 13 November 2017 to issue shares to Directors in lieu of directors' fees for the period 1 October 2016 to 30 September 2017. Fees totalling \$189,300, as invoiced by the Directors, were satisfied by the issue of 11,829,596 ordinary shares on 14 November 2017 utilising these approvals, calculated at the 15-day VWAP at the time the fees accrued, being \$0.0151. The closing price of \$0.071 on the date of the Annual General Meeting was the grant date fair value of the shares issued.

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

8. CONTRIBUTED EQUITY (cont'd)

(4)	2018	2017
	\$	\$
Issue of 11,829,596 shares at \$0.071 per share (fair value)	839,901	-
Directors' fees settled	(189,300)	-
Issue of 9,180,805 shares at \$0.019 per share (fair value)	-	174,435
Directors' fees settled	-	(100,730)
Issue of 1,863,844 shares at \$0.015 per share (fair value)	-	27,958
Directors' fees settled	-	(30,400)
Loss on settlement of liability	650,601	71,263

The settlement of the above liabilities by the issue of shares has resulted in a net loss for accounting purposes, resulting from the increase in the value of shares issued in respect to directors' fees from the time that the fees accrued to the grant date fair value at the date of issue. This net loss is recognised in the profit or loss for the year of \$650,601 (2017: \$71,263), as shown in the table above.

(c) Movements in options on issue

	Number of options	
	2018	2017
Beginning of the financial year	6,000,000	1,050,000
Issued, exercisable at 3 cents, on or before 30 September 2019 ⁽¹⁾	-	6,000,000
Expired on 1 September 2016, exercisable at 40 cents	-	(1,050,000)
End of the financial year	6,000,000	6,000,000

(1) For details on the options issued, refer to note 19(a).

(d) 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.

(e) 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 2018 and 30 June 2017 are as follows:

	2018	2017
	\$	\$
Cash and cash equivalents	685,260	288,516
Trade and other receivables	-	6,175
Financial assets at fair value through profit or loss	31,585	14,101
Trade and other payables	(144,581)	(324,443)
Working capital position	572,264	(15,651)

Notes to the Consolidated Financial Statements continued

30 JUNE 2018	2018	2017
	\$	\$
9. RESERVES		
(a) Reserves		
Foreign currency translation reserve	249,466	249,302
Share-based payments reserve	674,736	674,736
	924,202	924,038

(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.

10. DIVIDENDS

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

11. 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	22,994	30,003
Non-related audit firm for the audit or review of financial reports of Group subsidiary entities	-	(2,187)
Total remuneration for audit services	22,994	27,816

(b) Non-audit services

BDO (WA) Pty Ltd - tax compliance services	6,380	14,680
Total remuneration for other services	6,380	14,680

12. CONTINGENCIES

Contingent liability

Tenement acquisition

In accordance with a tenement acquisition agreement entered during the year, the following deferred consideration may become payable in future periods:

- \$50,000 cash and the issue of 2,000,000 fully paid ordinary shares in the capital of Castle upon settlement of the acquisition following satisfaction of the conditions precedent which include:
 - The vendor being registered as the sole holder of the tenement when it is granted as an Exploration License under the Mining Act;
 - Obtaining approval and consent from the Minister pursuant to section 64 of the Mining Act to transfer an 80% interest from the vendor to Castle;
 - Procuring the withdrawal of an objection in respect of the Yinhawangka People; and
 - Obtaining all necessary approvals for the transfer in respect to all relevant native title interests; and
- 2,000,000 performance rights to vest into fully paid ordinary shares of Castle on the date that Castle submits a Form 5 (in the form specified in the Mining Act) stating that Castle has expended \$500,000 on the tenement.

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

12. CONTINGENCIES (cont'd)

Contingent assets

Julie West tenement sale

Under the terms of the sale agreement for the Julie West Prospecting Licence ("tenement"), the Group is entitled to a final payment of \$250,000 upon completion. Completion is dependent upon obtaining the consent of the Minister in Ghana responsible for the administration of the *Minerals and Mining Act, (2006)* Ghana to the transfer of all of the legal and beneficial interest in the tenement to the Group.

Topago sale

Under the terms of the sale agreement for the disposal of the Group's subsidiary Topago Mining Ltd ("Topago"), refer note 15, the sale consideration includes a cash payment of US\$100,000 upon commencement of mining at the Akoko Gold Project, a gross royalty of US\$25 per ounce on the first 50,000 ounces of gold produced, and a 1% gross royalty on any additional production over 50,000 ounces of gold. The amounts (in AUD) and the timing of receipt are not able to be determined at the period end and accordingly, no asset has been recognised for the contingent asset.

13. 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 14.

(c) Key management personnel compensation

	2018	2017
	\$	\$
Short-term benefits	213,309	178,570
Post-employment benefits	16,832	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	60,000
	230,141	238,570

Detailed remuneration disclosures are provided in the remuneration report on pages 5 to 8.

(d) Transactions and balances with other related parties

Debt settlement of Director Fees

During the year a total of \$189,300 (2017: \$202,393) in accrued director fees were settled by the issue of 11,829,596 (2017: 11,044,649) ordinary shares following the requisite shareholder approvals. The settlement of these liabilities by the issue of shares has resulted in a net loss for accounting purposes, resulting from the increase in the value of shares issued in respect to directors' fees from the time that the fees accrued to the grant date fair value at the date of issue. This net loss is recognised in the profit or loss for the year of \$650,601 (2017: \$71,263), refer to note 8(b) for further details.

Azumah expense payments

During the year AZM on-charged to the Group various administration expenses including office rent and overheads, bookkeeping and office administration staff. The total of expenses on-charged by AZM during the year was \$54,547 (2017: \$47,705). The amount owed to AZM at 30 June 2018 was \$87,026 (2017: \$79,781). In accordance with the Julie West Prospecting Licence sale, AZM also reimbursed the Group \$26,344 (2017: nil) for tenement expenditure incurred in keeping the tenement on good standing.

14. 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*	
			2018	2017
			%	%
Carlie Mining Ltd	Ghana	Ordinary	100	100

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

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

2018
\$

2017
\$

15. GAIN ON SALE OF SUBSIDIARY

(a) Description

On 26 October 2016, the Group announced that it had executed a sale agreement for the Akoko Gold Project in south west Ghana, to be facilitated by the sale of the Group's 100% owned Ghanaian subsidiary Topago Mining Ltd ("Topago").

Under the terms of the sale agreement, Castle received an initial non-refundable cash payment of US\$150,000 upon execution of the agreement, and a second cash payment of US\$250,000 upon completion of the agreement, which occurred on 6 January 2017.

Sale consideration also includes a cash payment of US\$100,000 upon commencement of mining at the Akoko Gold Project, a gross royalty of US\$25 per ounce on the first 50,000 ounces of gold produced, and a 1% gross royalty on any additional production over 50,000 ounces of gold. Due to the uncertainty of timing of these components of the consideration, at the time of the sale their fair value has been assessed as nil. They are noted as contingent assets of the Group, refer to note 12.

(b) Details of the sale of the subsidiary

Consideration received:

Cash	-	536,191
Total disposal consideration	-	536,191
Carrying amount of net liabilities sold	-	729
Gain on sale before income tax and reclassification of foreign currency translation reserve	-	536,920
Reclassification of foreign currency translation reserve	-	21,287
Income tax	-	-

The carrying amounts of assets and liabilities as at the date of sale (6 January 2017) were:

	6 January 2017
	\$
Cash	969
Total assets	969
Trade and other payables	(1,698)
Total liabilities	(1,698)
Net assets	(729)

16. EVENTS OCCURRING AFTER THE REPORTING DATE

No matter or circumstance has arisen since 30 June 2018, 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 2018

19. SHARE-BASED PAYMENTS

(a) Employees and contractors' options

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 and on issue at 30 June 2018 is 3 cents per option, with an expiry date of 30 September 2019.

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.

Fair value of options granted

There were no options granted during the 2018 financial year. The weighted average fair value of the options granted during the 2017 financial year was 1.0 cent. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2018	2017
Weighted average exercise price (cents)	-	3.0
Weighted average life of the option (years)	-	2.9
Weighted average underlying share price (cents)	-	1.5
Expected share price volatility	-	137.0%
Risk free interest rate	-	1.9%

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

Set out below is a summary of the share-based payment options granted:

	2018		2017	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	6,000,000	3.0	1,050,000	40.0
Granted	-	-	6,000,000	3.0
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	(1,050,000)	40.0
Outstanding at year-end	<u>6,000,000</u>	<u>3.0</u>	6,000,000	3.0
Exercisable at year-end	<u>6,000,000</u>	<u>3.0</u>	6,000,000	3.0

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.25 years (2017: 2.25 years), and the exercise price is 3 cents. Option expiry date is 30 September 2019.

(b) Shares issued to suppliers

During the year, 4,000,000 ordinary shares were issued at a deemed cost of \$140,000 as part consideration for tenement acquisitions. This amount is included in 'tenement acquisition and exploration expenses' on the statement of profit or loss and other comprehensive income of the Group.

During the year, 600,000 ordinary shares were issued in satisfaction of consulting services totalling \$21,000. This amount is included in 'administration expenses' on the statement of profit or loss and other comprehensive income of the Group.

(c) Expenses arising from share-based payment transactions

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

	Notes	2018 \$	2017 \$
Options granted to employees		-	60,000
Shares issued to suppliers ('tenement acquisition and exploration expenses')	8	140,000	-
Shares issued to suppliers ('administration expenses')	8	21,000	-
		<u>161,000</u>	<u>60,000</u>

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

2018
\$

2017
\$

20. COMMITMENTS

Exploration commitments

The Group has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

within one year	58,010	-
later than one year but not later than five years	232,040	-
	<u>290,050</u>	<u>-</u>

21. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Castle Minerals Limited, at 30 June 2018. The information presented here has been prepared using accounting policies consistent with those presented in note 1.

Current assets	692,308	279,428
Non-current assets	13,829	34,922
Total assets	<u>706,137</u>	<u>314,350</u>
Current liabilities	135,344	301,770
Total liabilities	<u>135,344</u>	<u>301,770</u>
Contributed equity	25,878,754	23,696,603
Share-based payments reserve	674,736	674,736
Accumulated losses	(25,982,697)	(24,358,759)
Total equity	<u>570,793</u>	<u>12,580</u>
Loss for the year	(1,623,938)	(71,448)
Total comprehensive loss for the year	<u>(1,623,938)</u>	<u>(71,448)</u>

As detailed in note 12, there are contingent liabilities in respect to tenement acquisition agreements that the parent entity has entered or co-signed with a subsidiary entity, and contingent assets of the parent entity resulting from sale of a subsidiary.

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 11 to 30 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 2018 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 2018, 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, 27 September 2018

INDEPENDENT AUDITOR'S REPORT

To the members of Castle Minerals Limited,

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Castle Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 1(a)(v) in the financial report which describes the events and/or conditions which give rise to 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. Our opinion is not modified in respect of this matter.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for Debt Settlement Expense

Key Audit Matter Description	How the matter was addressed in our audit
<p>At the Annual General Meeting of the Company held on 13 November 2017, resolutions were approved by shareholders to issue shares to Directors in lieu of directors' fees for the period 1 October 2016 to 30 September 2017. Refer to note 8(b) for details.</p> <p>Due to the significance of the loss recorded in the consolidated statement of profit or loss and other comprehensive income and the judgment used in applying the relevant accounting standards, we consider this to be a key audit matter.</p>	<p>Our audit procedures in respect of this area included but were not limited to the following:</p> <ul style="list-style-type: none">• Confirming the share price and number of shares issued as part of settlement by agreeing details of the issue to ASX and 3B announcements;• recalculating the loss on settlement;• checking the reasonableness of directors' fees accruals; and• Assessing the adequacy of the disclosure in the financial report (refer Note 8(b)).

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 8 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Castle Minerals Limited, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

BDO Australia Ltd

BDO

A handwritten signature in black ink, appearing to read 'P Murdoch', written over a horizontal line.

Phillip Murdoch

Director

Perth, 27 September 2018