

CASTLE MINERALS LIMITED

ABN 83 116 095 802

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2018

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the Annual Financial Statements for the year ended 30 June 2018 and any public announcements made by Castle Minerals Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

CASTLE MINERALS LIMITED

31 DECEMBER 2018

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CASTLE MINERALS LIMITED

31 DECEMBER 2018

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity consisting of Castle Minerals Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Stephen Stone
Michael Atkins
Ian Hobson

REVIEW AND RESULTS OF OPERATIONS

A summary of consolidated revenues and results for the half-year is set out below:

	2018		2017	
	Revenues	Results	Revenues	Results
	\$	\$	\$	\$
Consolidated entity revenues and (loss)	1,026	(343,918)	22,380	(1,232,118)

During the period, the consolidated entity undertook the following activities:

WESTERN AUSTRALIA

Pilbara Conglomerate-Hosted Gold Projects:

Undertook several field-based evaluation programmes at the Coolyia Creek and Beasley Creek projects in the Pilbara region, Western Australia, which confirmed them as legitimate targets for the discovery of paleo-placer style gold mineralisation.

Beasley Creek project

- Panned gold from 21 of 39 bulk samples of stream sediments draining Hardey and Mt Roe conglomerates which, along with detailed mapping, rock chip sampling and metal detecting confirmed that the majority of the identified 16km Beasley unconformity is anomalous in free gold.
- Extended the area of interest to Beasley West where a prospector scrape was observed at the prospective unconformity contact.
- Obtained encouraging results from preliminary work on Archean basement gold targets located on historic Gold Mining Leases (GMLs).

Coolyia Creek project

- Undertook reconnaissance level evaluation, metal detecting and prospect definition along the prospective Mt Roe and Hardey Formation basal conglomerates.

GHANA

- Conducted a formal process to achieve a sale or farm-out of all or a part of its Ghana licence holdings held by its wholly owned Ghana subsidiary, Carlie Mining Limited. No bona fide offers were received.
- Assessed the Carlie licence portfolio to determine areas for retention and relinquishment.
- Progressed the process to complete the transfer of the Carlie owned Julie West prospecting licence to purchaser Azumah Resources Limited which, upon completion, will release to Castle the final cash consideration of A\$250,000.

CASTLE MINERALS LIMITED

31 DECEMBER 2018

DIRECTORS' REPORT (continued)

New Opportunities

- Generated and reviewed numerous new project opportunities spanning a range of commodities in Western Australia, Australia generally and internationally.

SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 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.

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 5.

This report is made in accordance with a resolution of directors.



Stephen Stone
Managing Director
Perth, 13 March 2019

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

As lead auditor for the review of Castle Minerals Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Castle Mineral Limited and the entity it controlled during the period.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 13 March 2019

CASTLE MINERALS LIMITED

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Note	Half-year	
		2018	2017
		\$	\$
REVENUE		1,026	1,511
Other income		-	20,869
 EXPENDITURE			
Depreciation expense		(1,396)	(1,746)
Salaries and employee benefits expense		(104,965)	(99,483)
Exploration expenses		(141,479)	(362,943)
Corporate expenses		(24,816)	(51,642)
Administration expenses		(62,700)	(88,083)
Fair value losses on financial assets		(9,588)	-
Loss on settlement of liability	3(2)	-	(650,601)
 LOSS BEFORE INCOME TAX		(343,918)	(1,232,118)
Income tax (expense)/benefit		-	-
 LOSS AFTER TAX FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF CASTLE MINERALS LIMITED		(343,918)	(1,232,118)
 OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		621	95
Other comprehensive income for the period, net of tax		621	95
 TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF CASTLE MINERALS LIMITED		(343,297)	(1,232,023)
 Basic and diluted loss per share (cents)		(0.15)	(0.66)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CASTLE MINERALS LIMITED

31 DECEMBER 2018

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Note	31 December 2018 \$	30 June 2018 \$
CURRENT ASSETS			
Cash and cash equivalents		369,727	685,260
Financial assets at fair value through profit or loss		21,997	31,585
TOTAL CURRENT ASSETS		391,724	716,845
NON-CURRENT ASSETS			
Plant and equipment		12,433	13,829
TOTAL NON-CURRENT ASSETS		12,433	13,829
TOTAL ASSETS		404,157	730,674
CURRENT LIABILITIES			
Trade and other payables		131,361	144,581
TOTAL CURRENT LIABILITIES		131,361	144,581
TOTAL LIABILITIES		131,361	144,581
NET ASSETS		272,796	586,093
EQUITY			
Contributed equity	3	25,908,754	25,878,754
Reserves		924,823	924,202
Accumulated losses		(26,560,781)	(26,216,863)
TOTAL EQUITY		272,796	586,093

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CASTLE MINERALS LIMITED

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Contributed Equity	Share-Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2017	23,696,603	674,736	249,302	(24,601,370)	19,271
Loss for the period	-	-	-	(1,232,118)	(1,232,118)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	95	-	95
TOTAL COMPREHENSIVE INCOME/(LOSS)	-	-	95	(1,232,118)	(1,232,023)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	2,225,901	-	-	-	2,225,901
Share-based payments expense	(43,750)	-	-	-	(43,750)
BALANCE AT 31 DECEMBER 2017	25,878,754	674,736	249,397	(25,833,488)	969,399
BALANCE AT 1 JULY 2018	25,878,754	674,736	249,466	(26,216,863)	586,093
Loss for the period	-	-	-	(343,918)	(343,918)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	621	-	621
TOTAL COMPREHENSIVE INCOME/(LOSS)	-	-	621	(343,918)	(343,297)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	30,000	-	-	-	30,000
BALANCE AT 31 DECEMBER 2018	25,908,754	674,736	250,087	(26,560,781)	272,796

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

CASTLE MINERALS LIMITED

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Half-year	
	2018	2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on mining interests	(122,144)	(216,190)
Payments to suppliers and employees	(195,654)	(154,174)
Interest received	1,026	1,511
Net cash (outflow) from operating activities	(316,772)	(368,853)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	1,225,000
Payments of share issue transaction costs	-	(43,750)
Net cash inflow from financing activities	-	1,181,250
Net (decrease)/increase in cash and cash equivalents	(316,772)	812,397
Cash and cash equivalents at the beginning of the half-year	685,260	288,516
Effects of exchange rate changes on cash and cash equivalents	1,239	(487)
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	369,727	1,100,426

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CASTLE MINERALS LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This consolidated interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Castle Minerals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period unless otherwise stated.

New and amended standards adopted by the Group

In the half-year ended 31 December 2018, the Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 *Financial Instruments and related amending Standards*;
- AASB 15 *Revenue from Contracts with Customers and related amending Standards*; and
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*.

AASB 9 Financial Instruments and related amending Standards

In the current year, the Group has applied AASB 9 *Financial Instruments* (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 July 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives however there was no material impact on adoption of the standard.

Additionally, the Group adopted consequential amendments to AASB 7 *Financial Instruments: Disclosures*.

In summary AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets; and
- General hedge accounting.

AASB 15 Revenue from Contracts with Customers and related amending Standards

In the current year, the Group has applied AASB 15 *Revenue from Contracts with Customers* (as amended) which is effective for an annual period that begins on or after 1 July 2018. AASB 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

There was no material impact on adoption of the standard and no adjustment made to current or prior period amounts.

CASTLE MINERALS LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

Impact of standards issued but not yet applied by the Group

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2018. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

Going concern

For the half-year ended 31 December 2018 the entity recorded a loss of \$343,918 (2017: \$1,232,118) and had net cash outflows from operating activities of \$316,772 (2017: \$368,853) and had working capital of \$260,363 (30 June 2018: \$572,264).

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 period end the entity expects to receive additional funds via further capital raisings and proceeds to be received.

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 \$86,623 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 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.

NOTE 2: SEGMENT INFORMATION

For management purposes, the Group has identified two reportable segments being: exploration activities undertaken in Australia; 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.

CASTLE MINERALS LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2: SEGMENT INFORMATION (continued)

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.

	Half-year	
	2018	2017
	\$	\$
Exploration Segments		
Segment revenue – Australia	-	-
Segment revenue – Ghana	-	-
Segment revenue – Total	-	-
Reconciliation of segment revenue to total revenue before tax:		
Interest revenue	1,026	1,511
Other revenue and income	-	20,869
Total revenue and other income	1,026	22,380
Segment results – Australia	(135,967)	(356,242)
Segment results – Ghana	(5,511)	(6,699)
Segment results – Total	(141,478)	(362,941)
Reconciliation of segment result to loss before tax:		
Corporate depreciation	(1,396)	(1,746)
Loss on settlement of liability (refer note 3(2))	-	(650,601)
Other corporate and administration	(201,044)	(216,830)
Loss before tax	(343,918)	(1,232,118)
	31 December	30 June 2018
	2018	2018
	\$	\$
Segment operating assets – Australia	-	-
Segment operating assets – Ghana	-	-
Segment operating assets – Total	-	-
Reconciliation of segment operating assets to total assets:		
Other corporate and administration assets	404,157	730,674
Total assets	404,157	730,674
Segment operating liabilities – Australia	781	11,296
Segment operating liabilities – Ghana	9,705	9,238
Segment operating liabilities – Total	10,486	20,534
Reconciliation of Ghana segment operating liabilities to total liabilities:		
Other corporate and administration liabilities	120,875	124,047
Total liabilities	131,361	144,581

CASTLE MINERALS LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: MOVEMENTS OF EQUITY SECURITIES

Ordinary Share Capital	2018 Shares	2018 \$	2017 Shares	2017 \$
As at 1 July	221,795,976	25,878,754	170,366,380	23,696,603
Issued during the half-year				
Issued for cash at 3.5 cents per share	-	-	35,000,000	1,225,000
Issued as part consideration for tenement acquisitions ⁽¹⁾	2,000,000	30,000	4,000,000	140,000
Issued as consideration for consulting services	-	-	600,000	21,000
Issued in lieu of Directors' fees at 7.1 cents per share ⁽²⁾	-	-	11,829,596	839,901
Transaction costs	-	-	-	(43,750)
As at 31 December	<u>223,795,976</u>	<u>25,908,754</u>	<u>221,795,976</u>	<u>25,878,754</u>

- (1) Due to the nature of the asset acquired, the fair value of the transaction has been determined by reference to the fair value of the equity instruments issued. The fair value of the shares issued was determined by reference to the closing price of \$0.015 on the grant date (settlement date of the acquisition) of 13 July 2018.
- (2) 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.

The settlement of the above liabilities by the issue of shares during the 2017 half-year 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 2017 half-year of \$650,601 as shown in the table below:

	Half-year	
	2018 \$	2017 \$
Issue of 11,829,596 shares at \$0.071 per share (fair value)	-	839,901
Directors' fees settled	-	(189,300)
Loss on settlement of liability	-	650,601

Options

	Number of options	
	2018	2017
As at 1 July	6,000,000	6,000,000
As at 31 December	<u>6,000,000</u>	<u>6,000,000</u>

CASTLE MINERALS LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4: CONTINGENCIES

During the half-year the Group settled the acquisition of a tenement that was contracted in a prior period and paid the requisite deferred consideration of \$50,000 cash and 2,000,000 fully paid ordinary shares in the capital of Castle. In accordance with the acquisition agreement the following deferred consideration may also become payable in future periods:

- 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.

NOTE 5: DIVIDENDS

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

NOTE 6: RELATED PARTY TRANSACTIONS

There has been no material change to related party transactions in the half-year ended 31 December 2018.

NOTE 7: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 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.

CASTLE MINERALS LIMITED

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DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 6 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Castle Minerals Limited will be able to pay its debts as and when they become due and payable.

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



Stephen Stone
Managing Director

Perth, 13 March 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Castle Minerals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Castle Minerals Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 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 conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

BDO Audit (WA) Pty Ltd

BDO


Phillip Murdoch

Director

Perth, 13 March 2019