





## Corporate Directory

### DIRECTORS

Michael Ashforth  
*Non-Executive Chairman*  
Michael Ivey  
*Managing Director & CEO*  
Campbell Ansell  
*Non-Executive Director*

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Des Kelly

### EXPLORATION MANAGER

Haydn Hadlow

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38 Station Street,  
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WEST PERTH WA

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1202 Hay Street  
WEST PERTH WA 6005

### GHANAIAN SOLICITORS

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### STOCK EXCHANGE

Castle Minerals Limited is listed on  
the Australian Securities Exchange

ASX Code: **CDT**

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## LETTER TO SHAREHOLDERS

Dear Fellow Shareholder,

I am pleased to report that the 2013 year was one of exploration success for Castle with the Bundi and Kpali prospects confirmed as new gold discoveries that will be the focus of detailed drilling in the 2013/14 field season. In addition, a new gold resource was defined at the Danyawu prospect increasing Castle's total gold inventory to 280,000 ounces.

Bundi and Kpali were originally identified as low to medium ranked gold targets based upon wide spaced soil and auger geochemistry. Subsequent infill sampling and RAB drilling using Castle's own rig led to the definition of significant oxide gold anomalism that was confirmed by RC drilling.

In addition, Bundi has reported up to 4% zinc mineralisation, providing an unusual and unexpected sulphide zinc exploration target along with the gold. A detailed airborne geophysical survey has been recently completed and upon receipt of this data both prospects will be prepared for extensive RC and/or diamond drilling in the latter part of 2013.

The geophysical survey is the first of this type in the area and is designed to identify structures, magnetic and geological units associated with the Bundi and Kpali gold mineralisation. The VTEM component is testing for massive sulphide conductors that may be associated with the Bundi zinc sulphide mineralisation observed in RC drilling. Both prospects represent exciting new gold discoveries for the Company with a strong expectation that significant gold resources will be defined following further drilling.

Property holdings in Ghana were rationalised during the year with the Banso Project relinquished and option agreements signed with Merah Resources Limited, to acquire 100% interest in the Antubia and Kong gold projects. Under the key terms of the agreement, Castle is to receive 6 million Merah shares for each project and to make staged cash payment totalling \$270,000 and commit to spending a minimum of \$350,000 per annum on exploration.

Our owner operated drill rig performed very well with 43,056m completed during the 2012/13 field season without a lost time injury and at a drill cost of approximately \$5/m. Ownership of this rig provides flexibility and low cost drilling and allows continuous and rapid drill testing of the many targets and anomalies generated. The discoveries at Bundi and Kpali discoveries are a direct result of Castle being able to cheaply test lower ranked targets by RAB drilling.

Gold equities for junior companies are at historic lows and access to capital remains difficult however a capital raising completed in June 2013 that was partially underwritten by the board allowed us to continue our exploration programs and saw us with cash of \$1.7m at year end. I remain optimistic about Castle's future and I look forward to keeping you informed of our progress in particular the results of our recent geophysical survey and the next phase of drilling at Bundi and Kpali.

Sincerely

Michael Ivey Managing Director and CEO



## 2013 Operations Summary

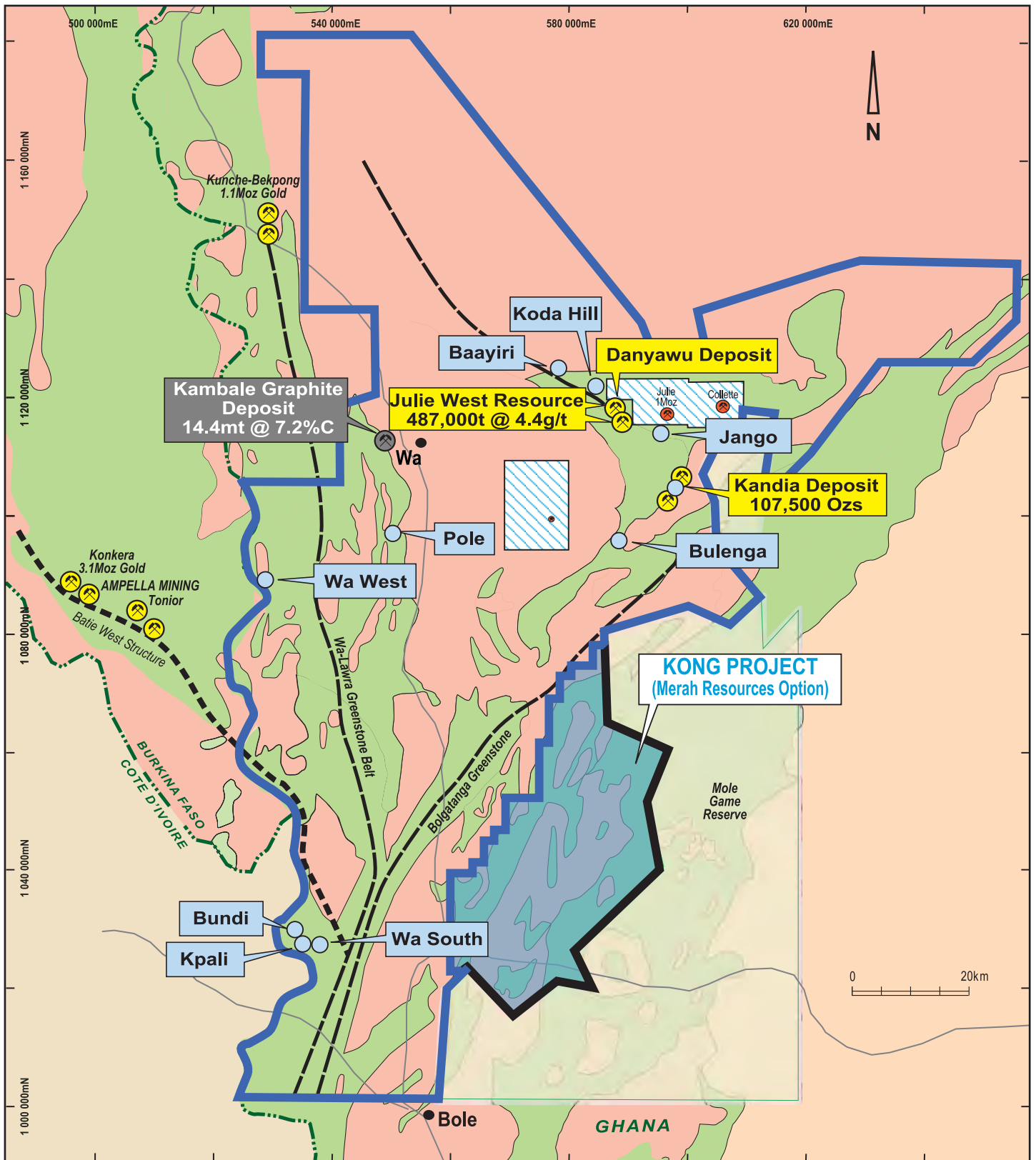
Castle continued to focus its efforts on its 100% owned gold projects in Ghana. Castle's concessions are located within the historic Ashanti and Sefwi gold belts of South West Ghana and in the Wa–Lawra and Bolgatanga greenstone belts in the north. Castle has five distinct projects known as Antubia, Bondaye, Akoko, Wa and Opon Mansi. During the year the Bansa Project was relinquished and sale/option agreements were signed for the Antubia and Kong Projects (Kong Project is a group of tenements along the east side of the Wa Project).

### Key Exploration Physicals

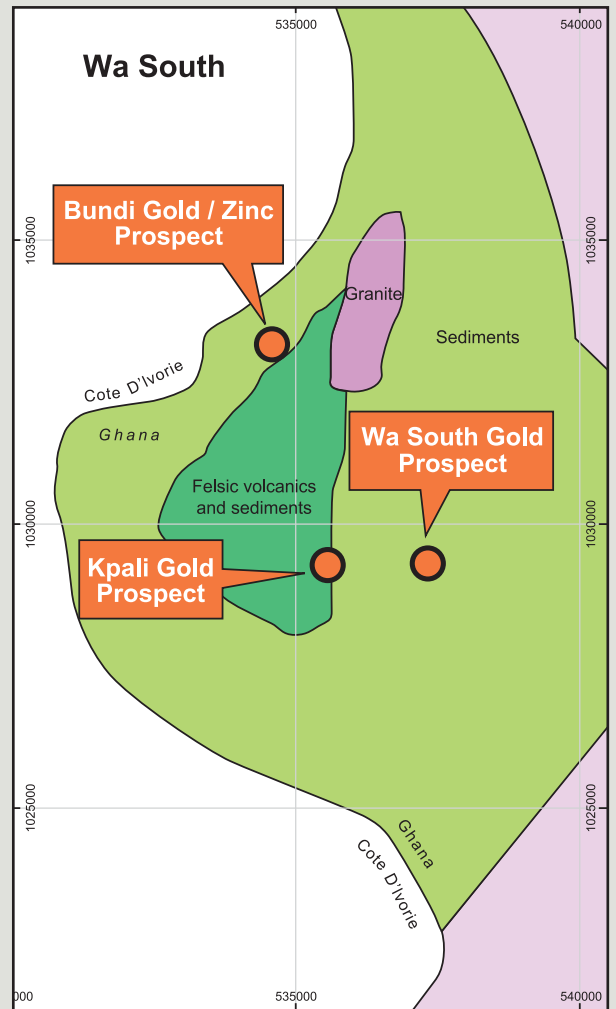
Field activities included:

- 2,501 exploration drill holes completed for 45,542 metres, comprising
  - 32 RC holes for 2,486 metres
  - 2,469 RAB holes for 43,056 metres
- 546 geochemical samples collected

Castle owns and operates its own drill rig that completed 43,056m during the year at a cost ~\$5/m. Our Ghanaian exploration team performed exceptionally well out of our exploration base in northwest Ghana and achieved an incident free year of operations.



*The 2013 year was one of exploration success for Castle with the Discovery of the Bundi and Kpali Prospects*



## Wa PROJECT

(Castle Minerals 100%)

The Wa Project covers approximately 10,000km<sup>2</sup> in NW Ghana near the border with Burkina Faso and consists of five large Reconnaissance Licences and seventeen Prospecting Licences.

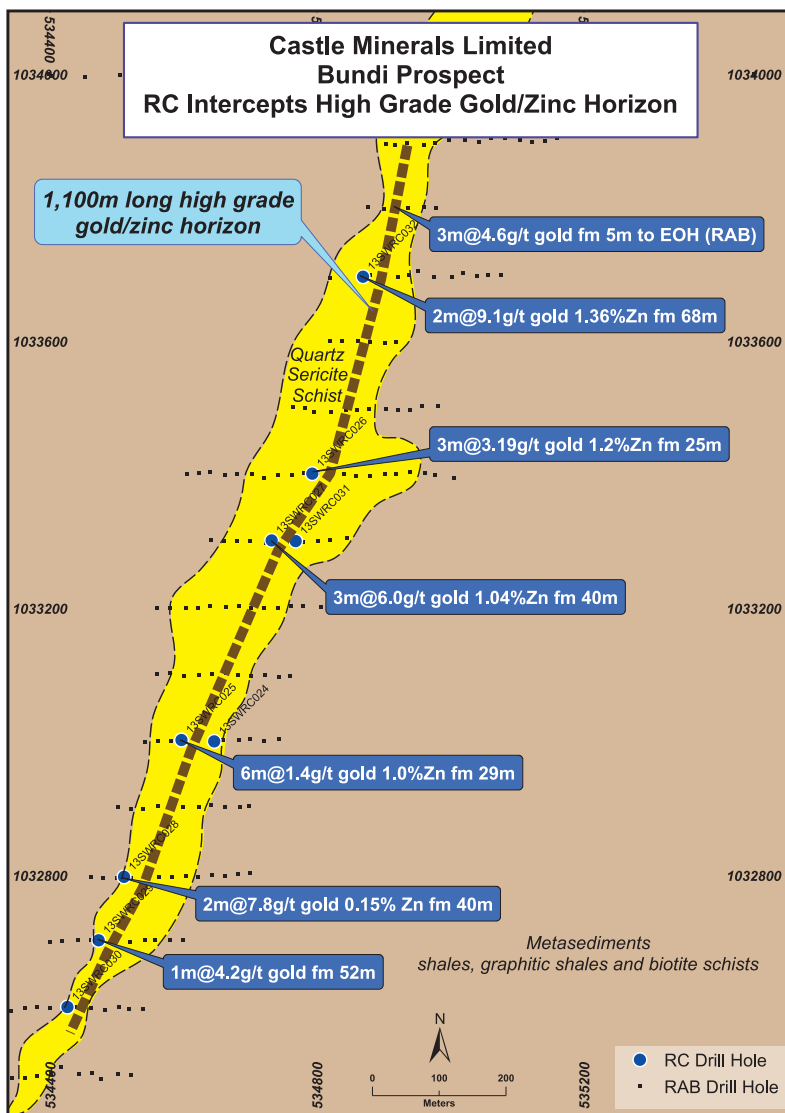
Exploration is focused on four regional scale highly prospective gold corridors known as;

- **Julie-Jang Trend** 50km long trend (contains Julie West, Koda Hill, Baayiri and Danyawu prospects)
- **Kandia** 30km corridor of anomalous gold in soils
- **Wa South (Batie West trend)** 60km long corridor – includes new Kpali and Bundi discoveries
- **Wa Lawra Trend** 90km of Wa-Lawra greenstone belt stratigraphy that to the north contains the Kunche and Bepkong gold deposits. Hosts the Pole gold prospect and the Kambale graphite resource

The 1.0Moz Julie gold deposit is located within an excised portion of the Wa Project and the 1.0Moz Kunche and Bepkong gold deposits are located 50km to the north.

## Bundi Gold and Zinc Discovery

Soil sampling followed by auger and RAB drilling defined a coherent zone of gold and zinc mineralization at the Bundi prospect. One phase of RC drilling was completed before the onset of the wet season and defined a high grade gold and zinc horizon over at least 1100m of strike. This mineralized zone may represent the distal portion of a VMS (volcanogenic massive sulphide) horizon and provides considerable scope for the definition of a high grade gold and or zinc deposit.

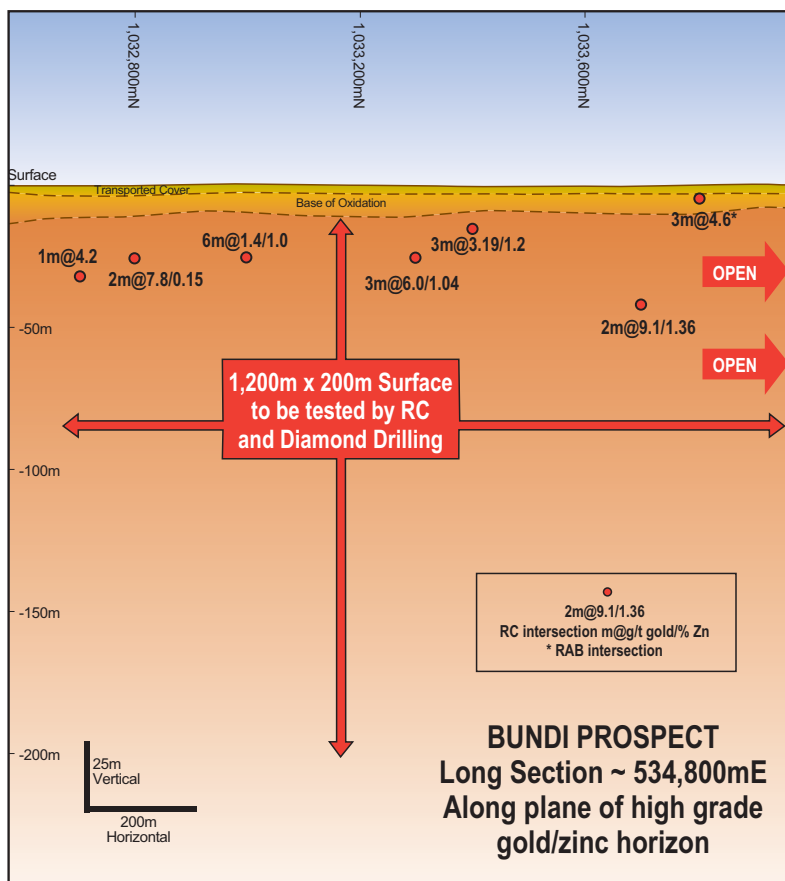


Significant intercepts from the gold/zinc horizon at Bundi include;

- 2m @ 7.87g/t gold and 0.15% Zn from 40m 13SWRC028
- 3m @ 6.01g/t gold and 1.04% Zn from 40m 13SWRC027
- 3m @ 3.19g/t gold and 1.20% Zn from 25m 13SWRC026
- 2m @ 9.11g/t gold and 1.36% Zn from 68m 13SWRC032

Key observations from the mineralisation intersected to date include:

- Host rock is a quartz-sericite schist (metamorphosed felsic volcanic?) within a sequence of Birimian metasediments
- Linear, continuous vertically dipping zone that may represent the distal portion of a volcanogenic massive sulphide horizon
- Sulphide assemblage is represented by fine to coarse grained disseminated and banded pyrite-pyrrhotite-sphalerite. Pyrrhotite is magnetic providing a useful exploration targeting tool
- Strong gold zinc correlation. Low in copper and arsenic
- The mineralisation may represent a new style of gold/zinc sulphide deposit for the Birimian of West Africa
- Bundi is a greenfields discovery made by Castle in an area concealed by a thin veneer of transported sediments



**High grade gold and zinc horizon over at least 1100m of strike**



## Kpali Gold Prospect

In May 2013, RAB drilling 4km south of Bundi reported strong gold intercepts from RAB drilling defining a new zone of continuous oxide gold mineralisation. This zone was been named Kpali after a nearby village. Kpali is a grassroots gold discovery in a previously unexplored area.

Subsequent RAB drilling and three RC holes were successful in defining a 650m long continuous zone of near surface gold mineralisation. Significant RAB drill results and RC splits from this work include;

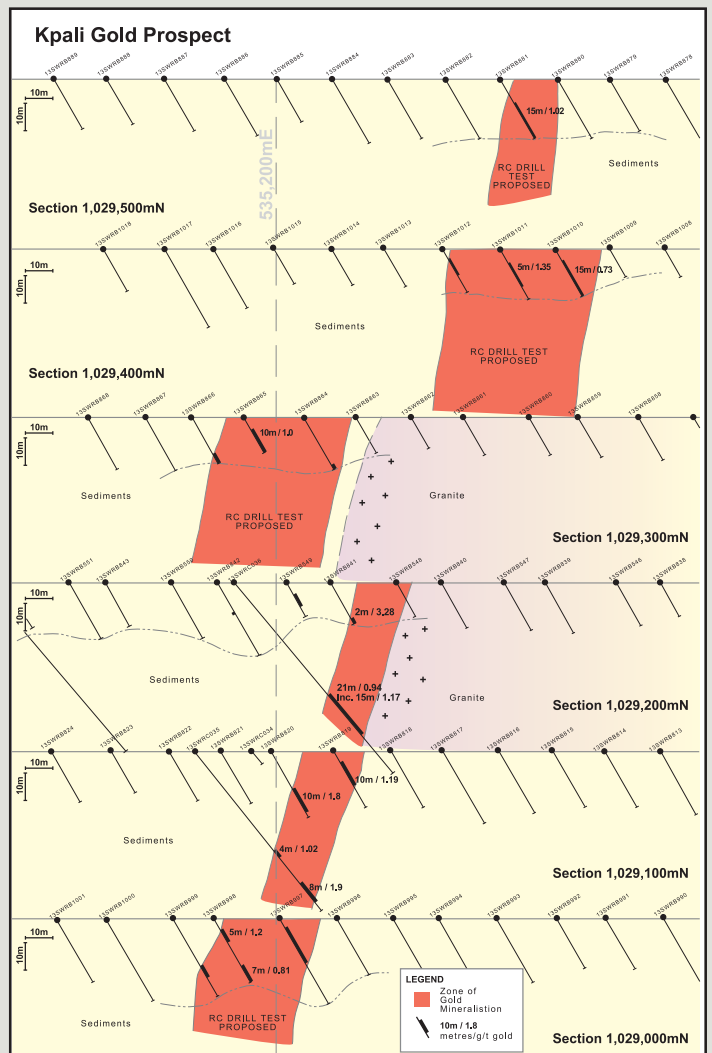
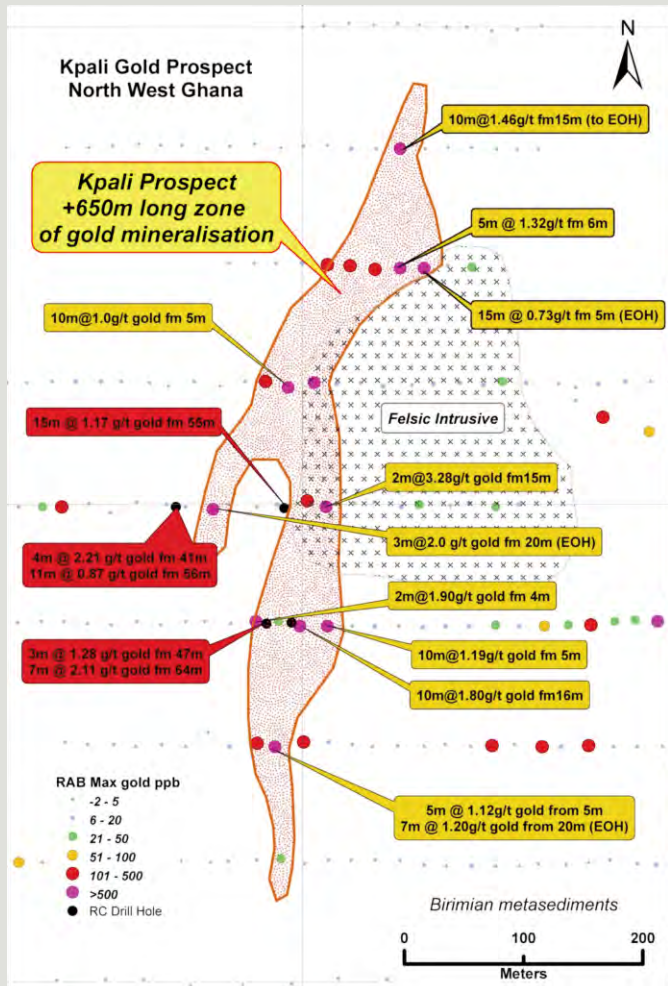
13SWRB998	5m @ 1.12g/t gold from 5m
and	7m @ 1.20g/t gold from 20m (EOH) includes
	2m @ 2.13g/t gold from 25 (EOH)
13SWRB1010	15m @ 0.73g/t gold from 5m (EOH)
13SWRB1011	5m @ 1.32g/t gold from 6m
13SWRC033	4m @ 2.21g/t gold from 41m
	11m @ 0.87g/t gold from 56m
13SWRC035	3m @ 1.28g/t gold from 47m
	7m @ 2.11g/t gold from 64m
13SWRC036	15m @ 1.17g/t gold from 55m

RC drilling only tested the southern 200m of the 650m long anomaly, as the RC rig left site before the majority of the RAB results were received. Kpali as an exciting new gold discovery for the Company with a strong expectation that a significant gold resource will be defined following further drilling.

Kpali is hosted within similar host rocks as those seen at Bundi but does not display the high zinc and base metals association. Alteration at Kpali is observed as predominantly pyrite-silica-sericite.

Kpali will be subject to extensive RC drill testing in the 2013/14 field season.





*Kpali is a grassroots gold discovery in a previously unexplored area.*





### **Julie West Prospect – Danyawu Deposit**

During the year the total gold resource for the Julie West Prospect in NW Ghana was increased by 24% to 487,100t @ 4.4 g/t gold for 69,000 ounces.

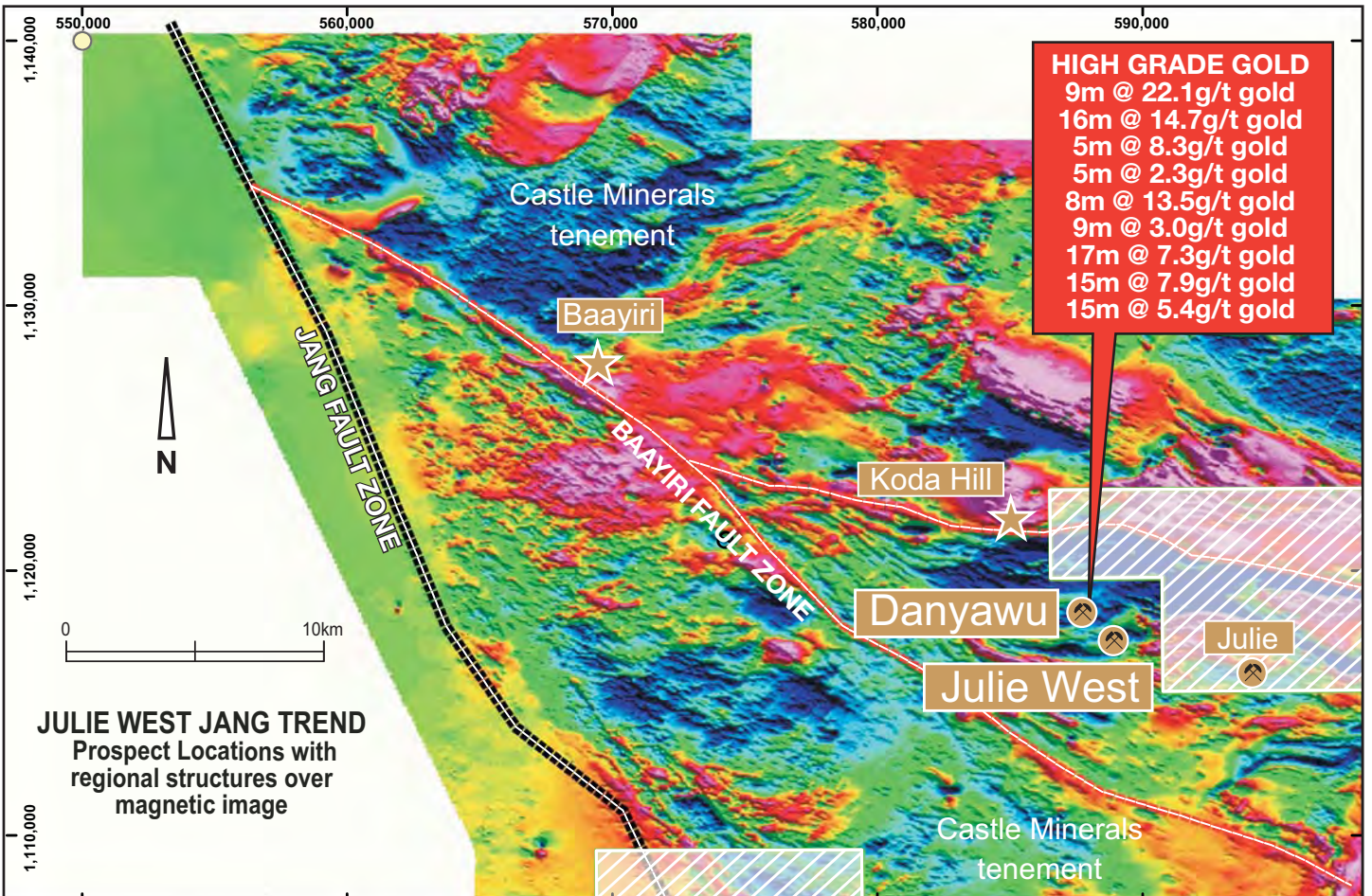
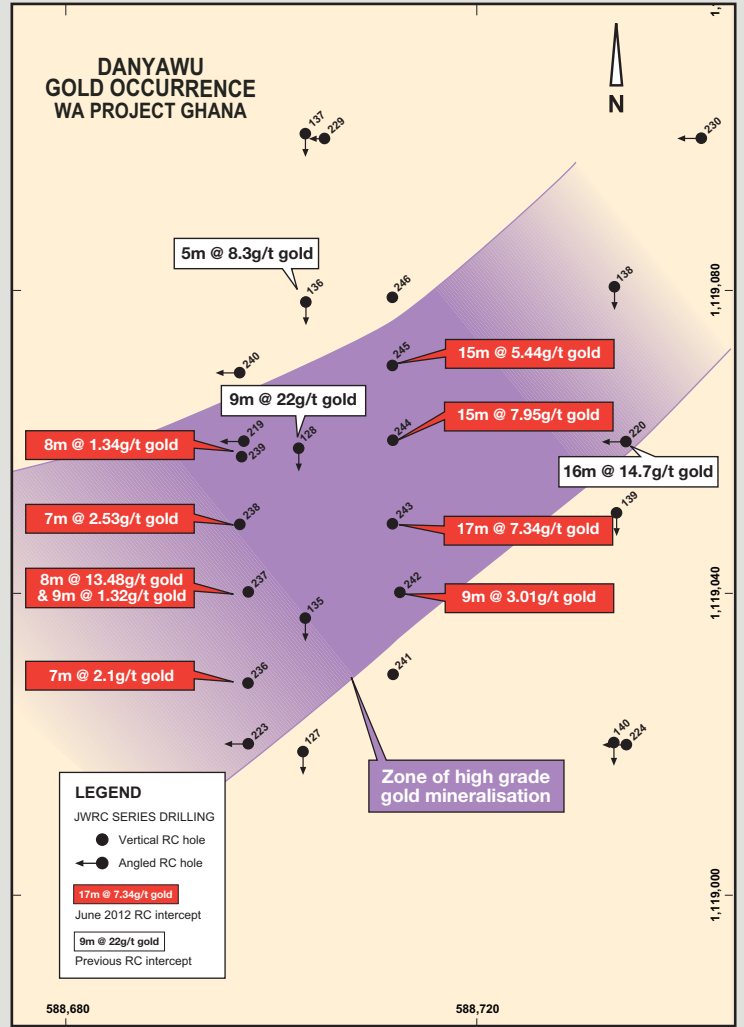
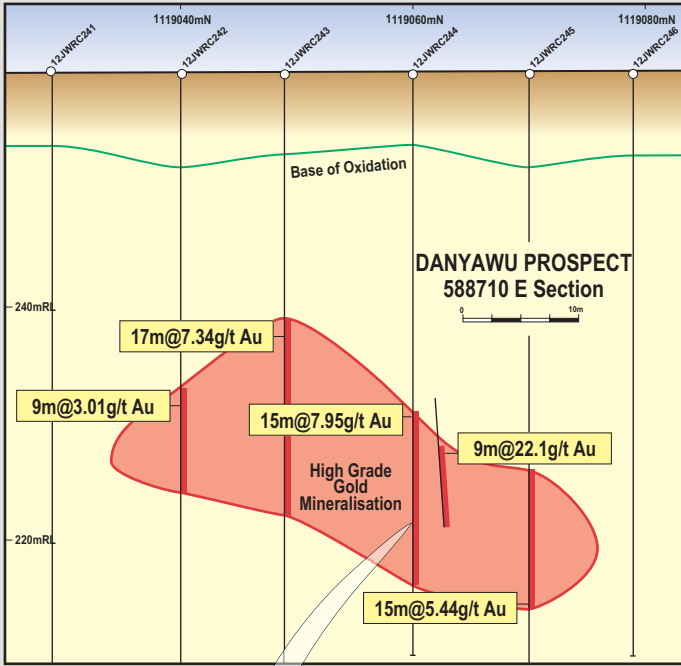
The increase came from the completion of a maiden resource estimate for the high grade Danyawu deposit that contains 72,100t @ 5.5g/t gold with 85% of these high grade ounces contained within 50m of the surface.

RC drilling at Danyawu during the year intersected further high grade gold extending the zone of known mineralisation. Significant gold results from this work included; 13m @ 4.48g/t (JWRC253) including 8m@ 6.8g/t from 49m, 3m @ 5.35g/t from 57m (JWRC254), 9m@ 1.87g/t from 50m (JWRC252), 9m @ 1.58g/t from 49m (JWRC251) and 9m @ 1.24g/t from 68m (JWRC260).

Definition of the Danyawu shallow resource was achieved within three months of the RC drilling work being completed. Initial bottle roll leach tests on RC samples indicate that the mineralisation is likely to be free milling with high recoveries via conventional crushing and cyanidation.

Danyawu is the second high grade vein deposit discovered at Julie West by Castle. These are high value ounces being so close to surface and other vein targets are currently being investigated in the area.

Gold mineralisation at Danyawu remains open down plunge and occurs within a laminated quartz reef that has intruded granodiorite and mafic host rocks. It is considered geologically similar to Castle's Julie West Gold deposit (415,000t @ 4.2g/t gold) located 2km to the south.





**Danyawu Resource Estimate**  
**February 2013 Indicated Mineral Resource (1.0g/t Au cut-off)**

Type	INDICATED		INFERRED		TOTAL		
	Tonnes t	Au g/t	Tonnes t	Au g/t	Tonnes t	Au g/t	Au Ounces
Oxide	700	2.5	0	0.0	700	2.5	100
Transitional	4,600	3.6	0	0.0	4,600	3.6	500
Fresh	66,800	5.7	0	0.0	66,800	5.7	12,200
<b>Total</b>	<b>72,100</b>	<b>5.5</b>	<b>0</b>	<b>0.0</b>	<b>72,100</b>	<b>5.5</b>	<b>12,800</b>

**Mineral Resources Summary for the Julie West Prospect**

Type	INDICATED		INFERRED		TOTAL		
	Tonnes t	Au g/t	Tonnes t	Au g/t	Tonnes t	Au g/t	Au Ounces
Julie West	383,000	4.2	32,000	4.0	415,00	4.2	56,200
Danyawu	72,100	5.5	0	0.0	72,100	5.5	12,800
<b>Total</b>	<b>455,100</b>	<b>4.4</b>	<b>32,000</b>	<b>4.0</b>	<b>487,100</b>	<b>4.4</b>	<b>69,000</b>



## Antubia and Kong Projects

Option agreements were executed during the quarter with Merah Resources Limited (ASX:MEH) to acquire Castle's 100% interest in the Antubia and Kong gold Projects located in Ghana.

Under the key terms of the agreements, Merah must (subject to statutory approvals) issue up to 6 million Merah shares to Castle for each project in three equal tranches based on (i) tenement grant and/or ministerial consent; (ii) definition of a JORC resource and (iii) completion of a PFS and mining lease grant.

Merah must also make staged cash payments to Castle totalling \$270,000 and commit to spending a minimum \$350,000 per annum on exploration.

The agreements with Merah will allow renewed exploration activity over the Antubia and Kong Projects whilst providing significant upside for Castle shareholders through a substantial equity position in Merah.





## Jango Prospect

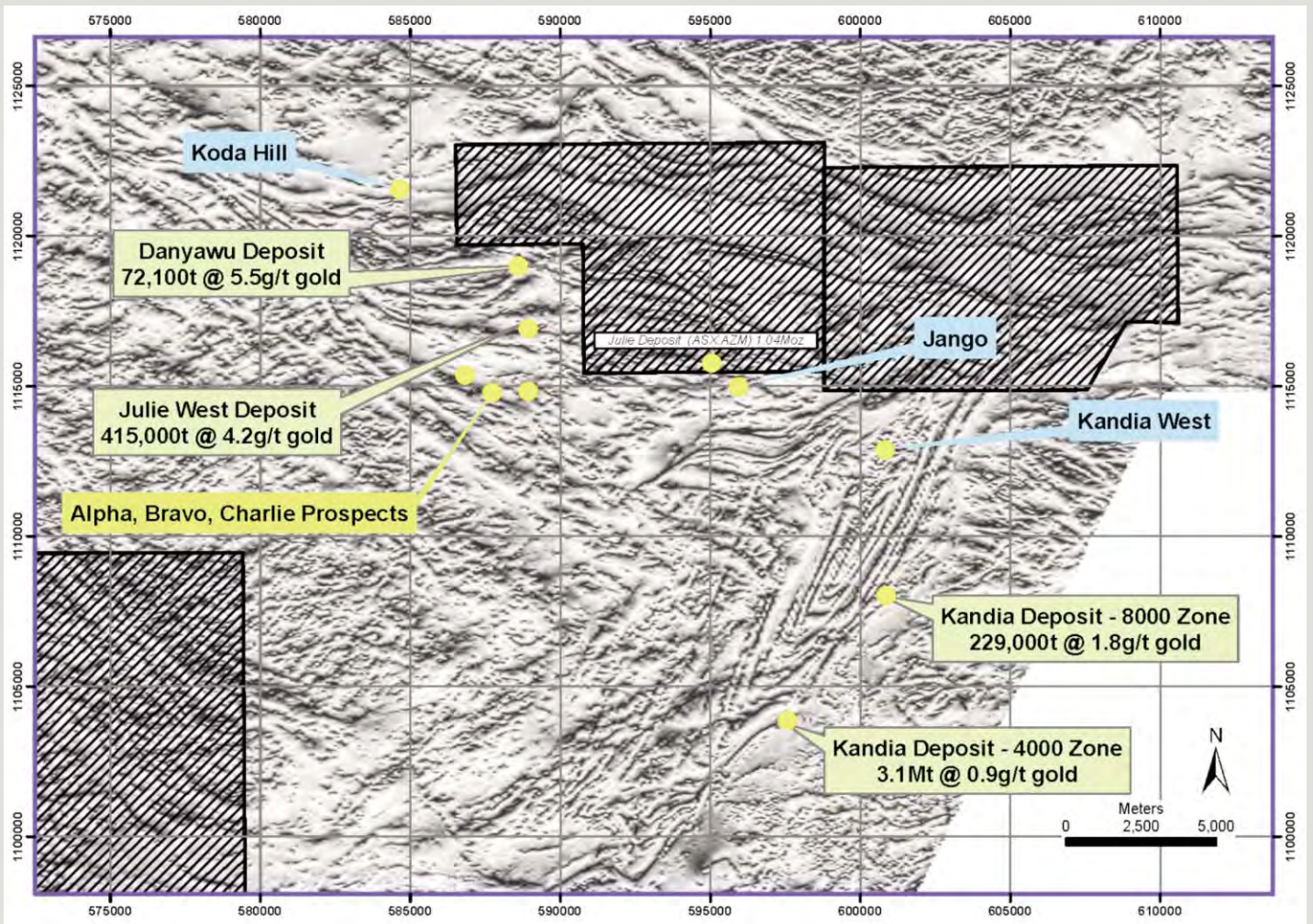
RC drilling tested a 300m long north-east trending zone of quartz veining with coincident artisanal workings that had reported strong rock chip gold results up to 61g/t gold on the Company's Wa Project in north-west Ghana. The RC drilling intersected predominantly granodiorite with minor quartz veining. No significant results were returned.

## Wa West

RAB drilling 30km south-west of Wa was completed testing the western sequence of the Wa-Lawra greenstone belt coincident with a historic BLEG gold anomaly. Low order granodiorite hosted gold mineralisation was intersected in three consecutive RAB lines defining an anomalous zone approximately 40m wide over 200m strike. This zone will be evaluated and ranked against other targets, and prioritised for ongoing work next season. Significant results from 5m composite samples are reported below. Gold was determined by 50 gram aqua regia analysis by Intertek Laboratories, Tarkwa, Ghana.

### Wa West RAB Intercepts

12WWRB025	6m	@	0.205g/t gold from 15m
12WWRB026	2m	@	0.196g/t gold from 10m
13WWRB533	5m	@	0.27g/t gold from 4m
13WWRB535	10m	@	0.14g/t gold from 3m
13WWRB536	4m	@	0.31g/t gold from 9m

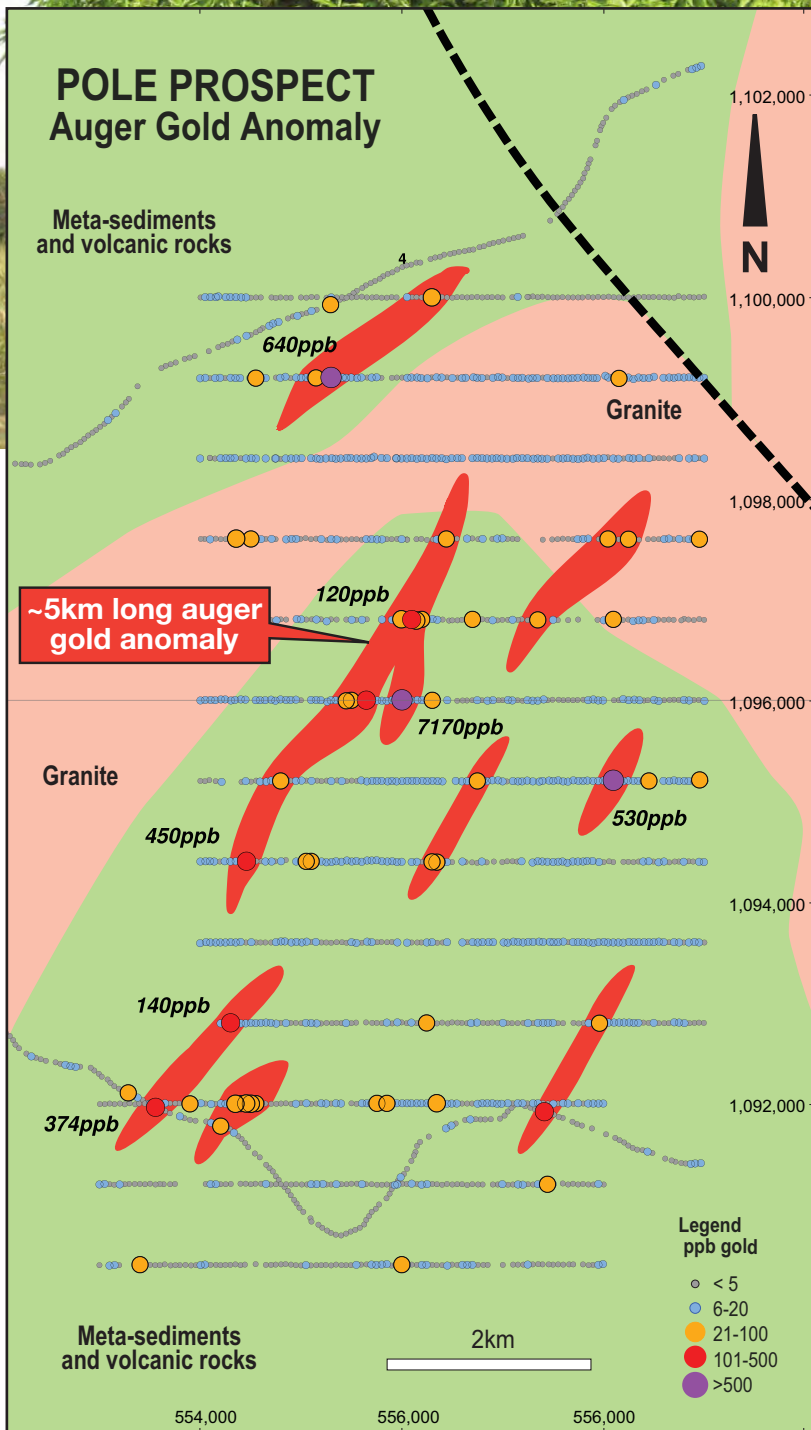
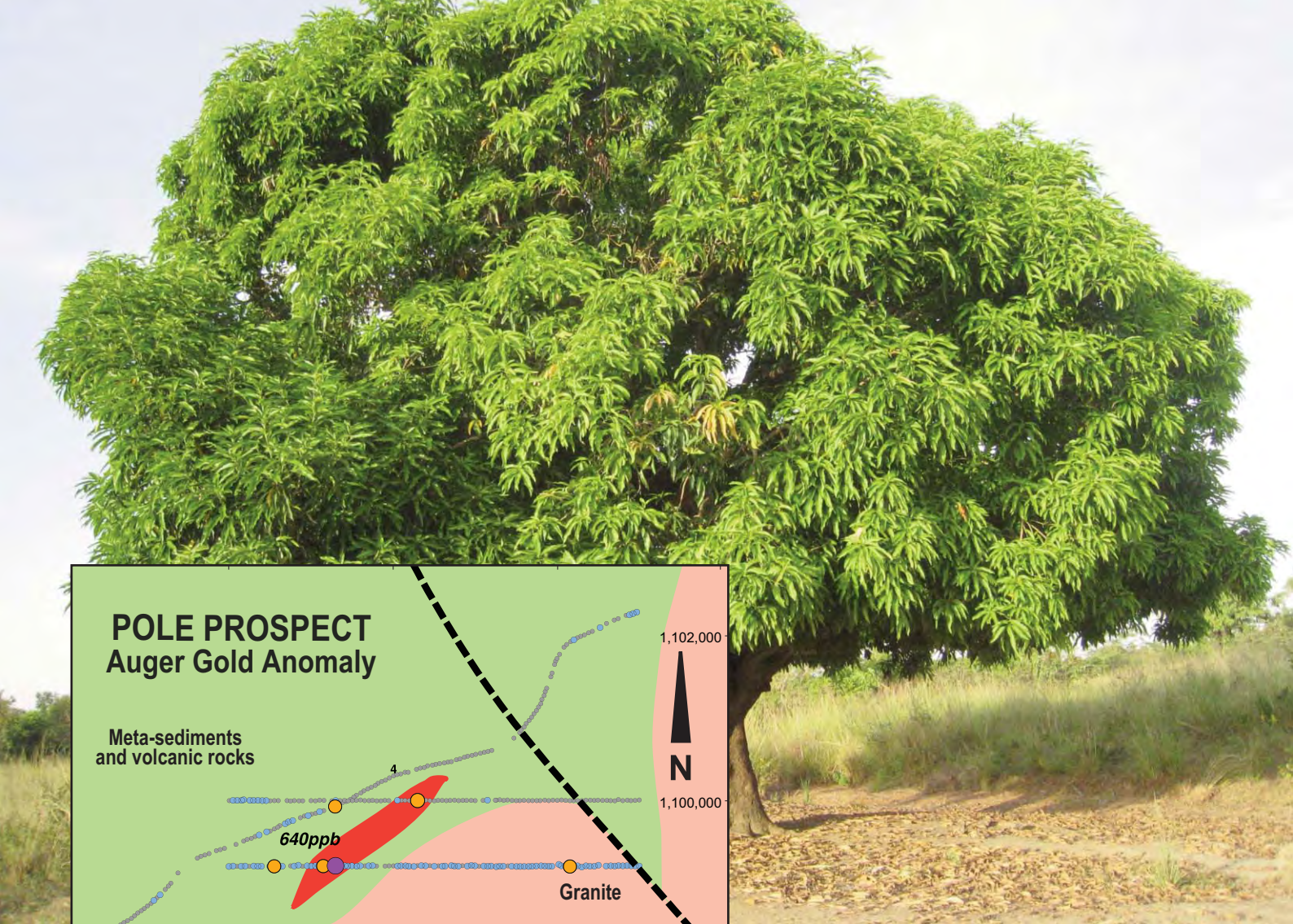


### Julie West Prospect (Alpha Bravo Charlie)

RAB drilling was completed over the Alpha, Bravo and Charlie gold targets 2km south of Castle's Julie West gold deposit. The area is characterised by a series of NW trending quartz veins, some of which outcrop forming prominent ridges. The area is underlain by granodiorite with the quartz veins varying in width and continuity. Most veins are narrow (<2m) however quartz blows up to 50m down hole have been intersected in RC drilling. Drilling was aimed at defining high grade targets for subsequent RC testing. A number of anomalous gold zones were defined that will be evaluated as part of the 2013/14 field season. Significant results from 5m composite samples are reported below. Gold was determined by 50 gram aqua regia analysis by Intertek Laboratories, Tarkwa, Ghana.

#### Julie West Alpha Bravo Charlie RAB Intercepts

12JWRB156	5m	@	0.76g/t gold from 0m
12JWRB161	5m	@	0.68g/t gold from 5m
12JWRB186	5m	@	0.61g/t gold from 10m
12JWRB195	5m	@	0.88g/t gold from 10m
12JWRB235	4m	@	0.75g/t gold from 10m, to EOH
12JWRB295	4m	@	0.56g/t gold from 5m, to EOH
13JWRB486	10m	@	0.54g/t gold from 15m
13JWRB519	5m	@	0.63g/t gold from 15m
13JWRB521	4m	@	1.62g/t gold from 25m, to EOH
13JWRB531	5m	@	1.48g/t gold from 20m
13JWRB536	5m	@	0.84g/t gold from 0m



## Pole Prospect

The Pole prospect is located 15km south of Wa on the eastern margin of the Wa-Lawra greenstone belt. In 2012 auger drilling by Castle on 800m x 50m centres was completed testing a 10km long area with a number of substantial gold anomalies generated from this work. The largest anomaly generated was +5km long (+50 ppb gold) that included a peak auger sample reporting 7,170ppb gold.

Fifteen RAB fences were completed testing the Pole auger targets (three lines were not completed due to wet ground/access issues). The RAB drilling did not support the earlier auger results with the only significant result being 5m @ 0.35 g/t gold from 5m in hole 13PORB086, related to quartz veining in phyllitic sediments.

It is proposed to follow up the result from 13PORB086 and complete the remaining three RAB fences in the 2013/14 season.



## Kambale Graphite Deposit

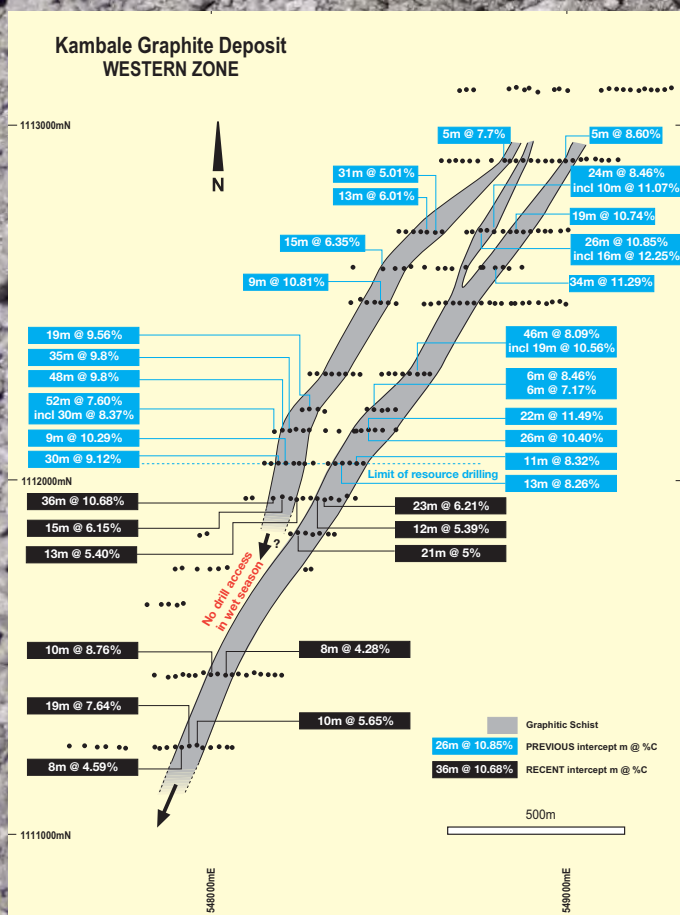
In 2012 Castle announced a maiden resource estimate for its Kambale Graphite of 14.4mt @ 7.2% C (graphitic carbon) for 1.03mt contained graphite (Inferred Resource). Flotation testwork was completed during the quarter from samples conducted on fresh and weathered graphitic schist from the Kambale deposit. Microscopic examination of some flotation concentrates indicated that the graphite flakes were up to 250 microns long.

Rougher flotation tests on the fresh and weathered ore samples gave a maximum concentrate grade of over 50% graphite but at low recoveries. In the size fractions coarser than 150 microns, a high proportion of graphite loss to the scavenger tailings was observed. The -150+75 micron size fraction, concentrates 1 and 2 combined, gave a 50% graphite grade at 40% recovery with 30% lost to the final tails. The -75 micron fraction gave the highest recovery (>90%), as expected from a greater degree of graphite liberation from the gangue but grades of less than 30% were achieved. Cleaner and recleaner flotation tests on the -180+75 micron size range failed to improve on these initial rougher tests. A small degree of regrinding of the rougher tail, from 180 to 150 micron top size, improved recovery but did not achieve any significant improvement in graphite grade from the rougher tail.

In order to achieve a high grade of product from the samples supplied, a grind size below 75 microns is recommended. The softness and smearing effect of the graphite on the gangue minerals, drives the need to take small size reduction steps followed by multistage flotation. The sample supplied for testing was RC chips and the RC drilling process itself may increase the smearing effect of graphite over the gangue minerals and any further testwork should be carried out on diamond drill core.

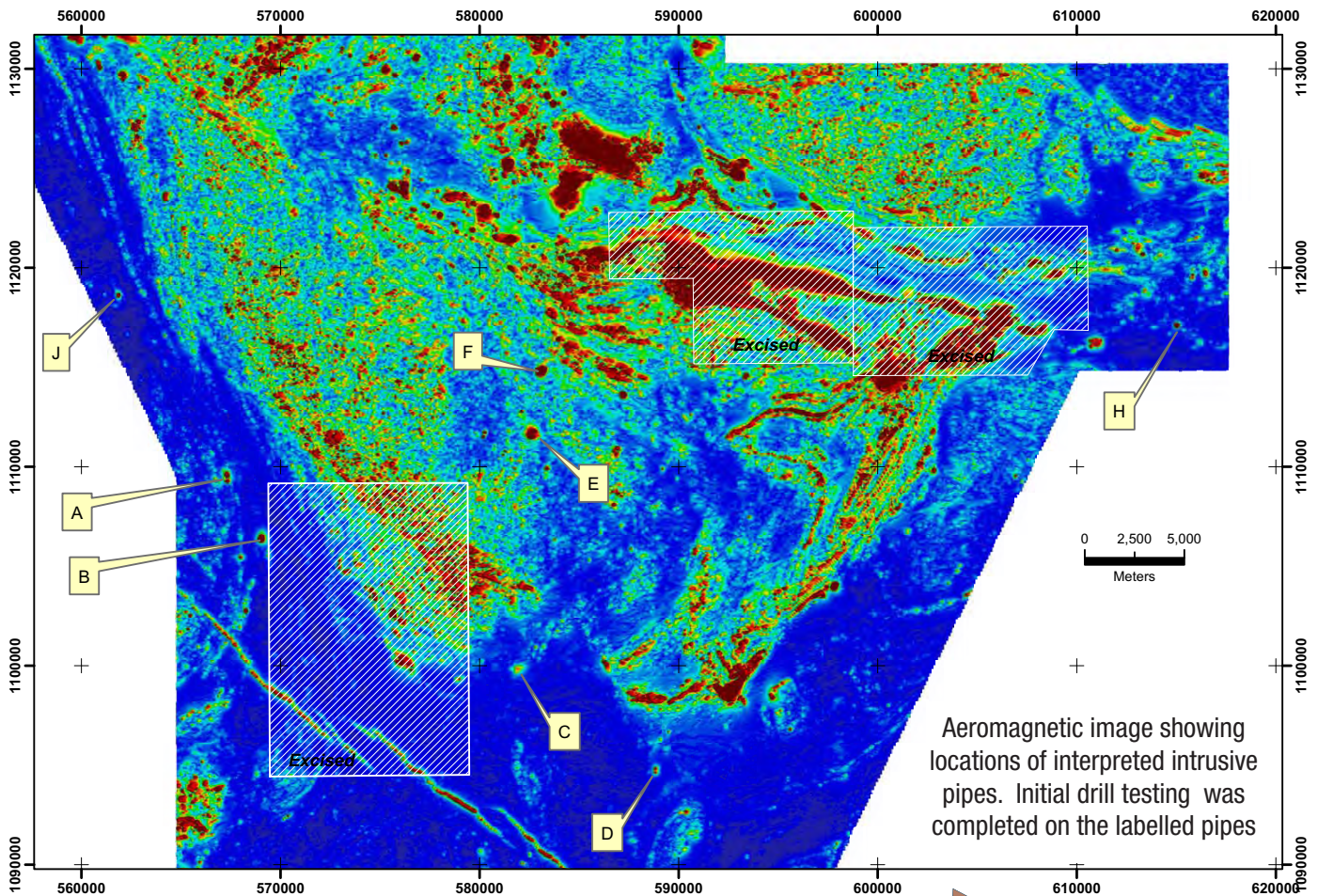
The testwork results from this initial study have shown that an upgrade to just over 50% graphite can be achieved in 1-2 stages of flotation. Further test work would be needed to determine if additional grind-flotation and/or gravity stages could increase the grade to produce a high grade graphite product.

Castle is currently seeking end user/industry participation to advance project development.



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

Type	Tonnes Mt	C %	Contained C t
Oxide	3.4	7.1	243,000
Fresh	11.0	7.2	793,000
<b>Total</b>	<b>14.5</b>	<b>7.2</b>	<b>1,036,000</b>

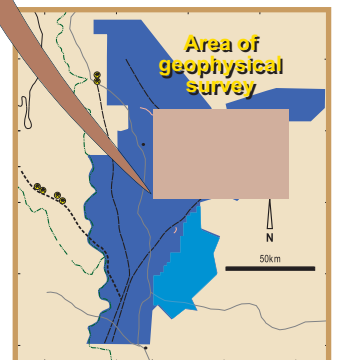


## Wa Project Circular Magnetic Anomalies

Initial drilling of eight out of ten highly magnetic circular geophysical targets intersected magnetic zones which explained the magnetic anomalies. Assay results for multi element analysis were received during the quarter with the outcomes tabled below. Of these, two of the target zones (D and F) were found to be of ultramafic composition, and further work is being undertaken to determine if they could be of kimberlitic affinity.

### Magnetic Feature

- A Equigranular magnetic mafic rock, high 17.5% MgO, but high 52.4% SiO<sub>2</sub> suggests not of ultramafic/kimberlitic affinity
- B Fine grained moderately magnetic intermediate to mafic schist within a granitic host, geochemistry confirms it is not an ultramafic/kimberlitic rock
- B1 Fine grained moderately magnetic intermediate to mafic schist within a granitic host, geochemistry confirms it is not an ultramafic/kimberlitic rock
- B2 Not drilled due to location within an active farming area
- C Strongly sheared and magnetic schistose zone within granodiorite host – geochemistry confirms it is not an ultramafic/kimberlitic rock
- D Medium to coarse grained and magnetic ultramafic schist, low in Si, and high in Mg. It has values of Cr, Ni, Co, Al, K, and several other elements that are within the published ranges for kimberlites – possibly of kimberlitic affinity, further analysis to be undertaken
- E Strongly magnetic coarse grained intermediate intrusive - geochemistry confirms it is not an ultramafic/kimberlitic rock
- F Medium to coarse grained ultramafic intrusive rock, low in Si, and high in Mg. It has values of Cr, Ni, Co, Al, and several other elements that are within the published ranges for kimberlites – possibly of kimberlitic affinity, further analysis is being undertaken
- H Not drilled due to difficulty of remote access
- J Coarse grained, magnetic, hornblende-rich meta-mafic rock, 14.5% MgO, and 50.3% SiO<sub>2</sub> suggests not of ultramafic/kimberlitic affinity





**AKOKO PROJECT**  
(100% Castle Minerals)

The Akoko Project is located in the Ashanti Gold Belt 25km south of Tarkwa.

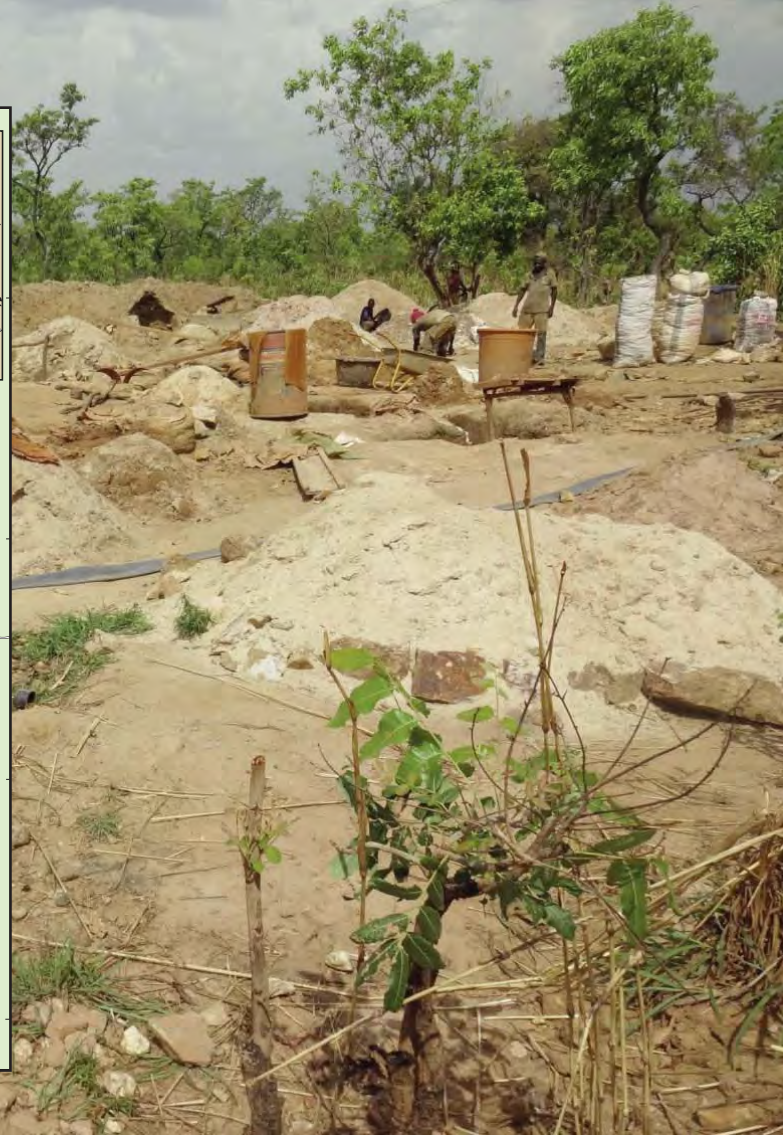
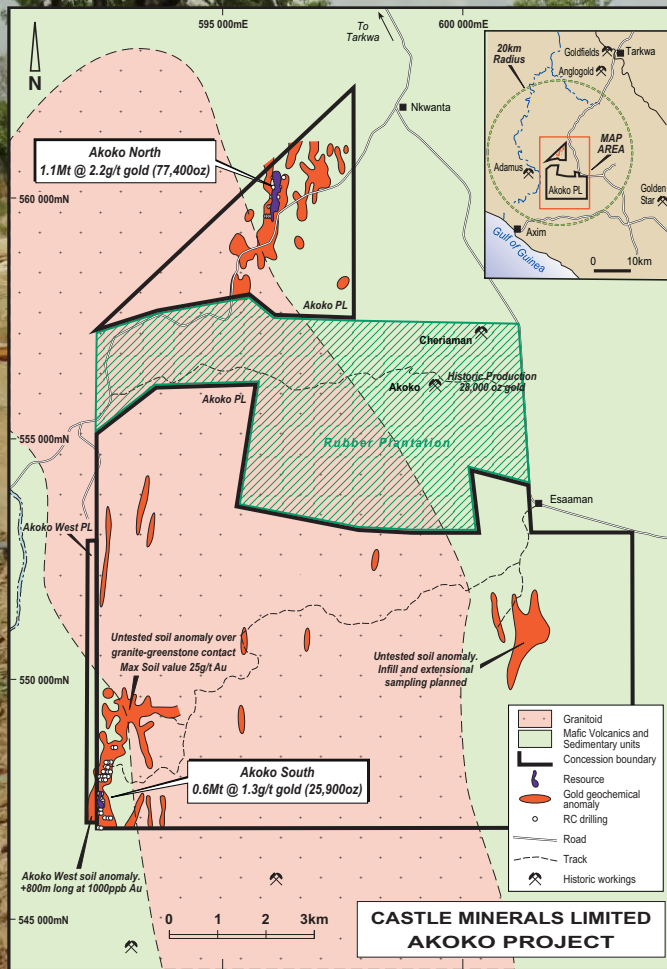
Gold resources at Akoko comprise two separate deposits discovered by Castle named Akoko South and Akoko North.

Oxide gold mineralisation at Akoko North is part of a flat lying supergene enriched zone. The mineralised zones are strongly weathered offering excellent physical mining characteristics and low cost, high recovery processing options.

The JORC Mineral Resource estimate for the Akoko North deposit totals 1.1mt @ 2.2g/t gold for 77,400 ounces. The combined JORC Mineral Resource estimate for Akoko North and Akoko South deposits totals 1.7mt @ 1.9g/t gold for 103,300 ounces.

Pit optimisation scoping studies at Akoko North suggest that the deposit could be mined cheaply offering the potential for strong cash flows. The diamond drilling showed the main ore horizons to be quite soft and amenable to mining without the requirement for blasting. The free dig and shallow nature of the deposit makes it a very low cost production option for a number of gold processing plants in the area.





### Akoko North Deposit – 2011 Mineral Resource Estimate 0.8g/t cut-off

Type	INDICATED		INFERRED		TOTAL		
	Tonnes t	Au g/t	Tonnes t	Au g/t	Tonnes t	Au g/t	Au Ounces
Laterite	1,200	2.0	700	1.9	1,900	1.9	120
Oxide	515,700	1.6	351,000	2.1	866,700	1.8	50,200
Transition	8,400	1.2	44,000	1.4	52,000	1.4	2,300
Fresh			183,000	4.2	183,000	4.2	24,700
<b>Total</b>	<b>525,000</b>	<b>1.6</b>	<b>578,000</b>	<b>2.7</b>	<b>1,103,000</b>	<b>2.2</b>	<b>77,400</b>

### Akoko Project Total – Akoko North and South Deposits

Type	INDICATED		INFERRED		TOTAL		
	Tonnes t	Au g/t	Tonnes t	Au g/t	Tonnes t	Au g/t	Au Ounces
Akoko South			610,300	1.3	610,300	1.3	25,900
Akoko North	525,000	1.6	578,000	2.7	1,103,000	2.2	77,400
<b>Total</b>	<b>525,000</b>	<b>1.6</b>	<b>1,188,300</b>	<b>2.0</b>	<b>1,713,300</b>	<b>1.9</b>	<b>103,300</b>



## Castle Minerals Resource Statement

### Wa Project – Gold

Type	INDICATED			INFERRED			TOTAL		
	Tonnes t	Au g/t	Au Ounces	Tonnes t	Au g/t	Au Ounces	Tonnes t	Au g/t	Au Ounces
Julie West	383,000	4.2	52,100	32,000	4.0	4,100	415,000	4.2	56,200
Danyawu	72,100	5.5	12,800				72,100	5.5	12,800
Kandia:									
4000 Zone	1,973,000	1.0	62,900	1,150,000	0.8	31,200	3,123,000	0.9	94,100
8000 Zone				229,000	1.8	13,400	229,000	1.8	13,400
<b>Total</b>	<b>2,428,100</b>	<b>1.6</b>	<b>127,800</b>	<b>1,411,000</b>	<b>1.1</b>	<b>48,700</b>	<b>3,839,100</b>	<b>1.4</b>	<b>176,500</b>

### Akoko Project – Gold

Type	INDICATED			INFERRED			TOTAL		
	Tonnes t	Au g/t	Au Ounces	Tonnes t	Au g/t	Au Ounces	Tonnes t	Au g/t	Au Ounces
Akoko South				610,300	1.3	25,900	610,300	1.3	25,900
Akoko North	525,000	1.6	27,007	578,000	2.7	50,174	1,103,000	2.2	77,400
<b>Total</b>	<b>525,000</b>	<b>1.6</b>	<b>27,007</b>	<b>1,188,300</b>	<b>2.0</b>	<b>76,074</b>	<b>1,713,300</b>	<b>1.9</b>	<b>103,300</b>

### Total – Gold

Type	INDICATED			INFERRED			TOTAL		
	Tonnes t	Au g/t	Au Ounces	Tonnes t	Au g/t	Au Ounces	Tonnes t	Au g/t	Au Ounces
Wa Project	2,428,100	1.6	127,800	1,411,000	1.1	48,700	3,839,100	1.4	176,500
Akoko Project	525,000	1.6	27,007	1,188,300	2.0	76,074	1,713,300	1.9	103,300
<b>Total</b>	<b>2,953,100</b>	<b>1.6</b>	<b>154,807</b>	<b>2,599,300</b>	<b>1.5</b>	<b>124,774</b>	<b>5,552,400</b>	<b>1.6</b>	<b>279,800</b>

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

Type	Tonnes Mt	C %	Contained C t
Oxide	3.4	7.1	243,000
Fresh	11.0	7.2	793,000
<b>Total</b>	<b>14.5</b>	<b>7.2</b>	<b>1,036,000</b>

Notes:

\*Errors may occur due to rounding

A 0.5g/t Au cut-off has been used for the Kandia 4000 Zone, and a 10g/t Au cut-off has been used for the Kandia 8000 Zone



### **Competent Person Statement**

*Information in this announcement that relates to Exploration Results is based on information compiled by Haydn Hadlow, Castle Minerals Limited Exploration Manager, who is a Member of The Australasian Institute of Mining and Metallurgy. Haydn Hadlow is a permanent employee of Castle Minerals Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 JORC Code. Haydn Hadlow consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*Information in this announcement that relates to the Kambale Mineral Resource Estimate is based on information compiled by Aaron Green, Operations Manager WA, Runge Limited. Aaron Green is a full time employee of Runge Limited, a Member of the Australian Institute of Geoscientists (AIG), and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for the Reporting of Mineral Resources and Ore Reserves. Aaron Green consents to the inclusion in the announcement of the matters based on the information in the form and context in which it appears.*

*Information in this announcement that relates to the Gold Mineral Resources is based on information compiled by Michael Ivey, Castle Minerals Limited Managing Director, who is a Member of The Australasian Institute of Mining and Metallurgy. Michael Ivey is a permanent employee of Castle Minerals Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 JORC Code. Michael Ivey consents to the inclusion in the announcement of the matters based on the information in the form and context in which it appears.*



**Castle Minerals Limited**

ABN 83 116 095 802

## **Annual Financial Report**

for the year ended 30 June 2013

# **Castle Minerals Limited**

**ABN 83 116 095 802**

## **Annual Financial Report**

**for the year ended 30 June 2013**



## Corporate Information

**ABN 83 116 095 802**

### **Directors**

Michael Ashforth (Non-Executive Chairman)

Michael Ivey (Managing Director)

Campbell Ansell (Non-Executive Director)

### **Company Secretary**

Desmond Kelly

### **Registered Office**

Unit 6, 1 Clive Street

WEST PERTH WA 6005

Telephone: (08) 9322 7018

Facsimile: (08) 9284 5413

### **Postal Address**

PO Box 437

WEST PERTH WA 6872

### **Solicitors**

Gilbert + Tobin

1202 Hay Street

WEST PERTH WA 6005

### **Bankers**

National Australia Bank Limited

1232 Hay Street

WEST PERTH WA 6005

### **Share Register**

Security Transfer Registrars Pty Ltd

770 Canning Highway

APPLECROSS WA 6153

Telephone: (08) 9315 2333

Facsimile: (08) 9315 2233

### **Auditors**

BDO Audit (WA) Pty Ltd

38 Station Street

SUBIACO WA 6008

### **Internet Address**

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

### **Email Address**

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

### **Stock Exchange Listing**

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

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## Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Castle Minerals Limited and the entities it controlled at the end of, or during, the year ended 30 June 2013.

### 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 Ashforth**, JD, LLB (Non-Executive Chairman, chairman of remuneration committee, member of audit committee), Independent Director.

Michael Ashforth is an Executive Director of Macquarie Capital. He was formerly a Managing Director of Gresham Advisory Partners. Mr Ashforth has advised on a wide range of mergers and acquisitions transactions for Australian and international clients across a wide range of industry sectors. He has extensive experience in transactions across the resources sector.

Mr Ashforth was appointed as a director of Castle Minerals on 5 September 2005. Mr Ashforth is a former Chairman of Cradle Resources Limited. Mr Ashforth has not held an other public company directorships in the last 3 years.

**Michael Ivey**, B. App. Sc (Geol), M.Sc. (Min.Econ.) WASM, M.Aus.I.M.M., MAICD (Managing Director)

Michael Ivey has been involved in the mineral exploration industry in Western Australia for over 25 years and has held a number of senior public company roles in the gold industry. He graduated from Curtin University with a Bachelor of Applied Science degree majoring in geology and has a Master of Science (Mineral Economics) from the WA School of Mines.

Mr Ivey is also Principal of MetalsEx Capital. Mr Ivey is a former director of Buxton Resources Limited within the last 3 years.

**Campbell Ansell**, FCA, MAICD (Non-Executive Director, chairman of audit committee, member of remuneration committee), Independent Director.

Campbell Ansell is a Chartered Accountant who is also a nonexecutive director of several other successful business operations and has had a long term involvement with the resources sector and several government and semi government boards. Campbell is a former director of De Grey Mining Limited within the last 3 years.

### COMPANY SECRETARY

#### Desmond Kelly

Mr Kelly has more than 30 years financial and corporate management experience focussed mainly in the resources sector and has acquired extensive financial, audit and company secretarial skills during his career.

#### 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	Performance Rights
Michael Ashforth	5,980,000	-	-
Michael Ivey	7,378,498	-	2,000,000
Campbell Ansell	1,759,250	-	-

### PRINCIPAL ACTIVITIES

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

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

### DIVIDENDS

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

### REVIEW OF OPERATIONS

An Exploration Review, including the business strategies and prospects of the Group, and the Directors Review are contained in the previous sections of the annual report.

## Directors' Report continued

### Finance Review

The Group began the financial year with a cash reserve of \$3,443,660. Funds were used to actively advance the Group's projects located in Ghana, West Africa.

During the year total exploration expenditure incurred by the Group amounted to \$1,649,761 (2012: \$3,767,480). In line with the Company's accounting policies, all exploration expenditure is expensed as incurred. Net administration expenditure incurred amounted to \$450,055 (2012: \$770,623). This has resulted in an operating loss after income tax for the year ended 30 June 2013 of \$2,099,816 (2012: \$4,538,103).

At 30 June 2013 surplus funds available totalled \$1,636,882.

### Operating Results for the Year

Summarised operating results are as follows:

	2013	
	Revenues	Results
	\$	\$
Consolidated entity revenues and loss before income tax expense	145,539	(2,099,816)

### Shareholder Returns

	2013	2012
Basic loss per share (cents)	(1.8)	(4.0)

### 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

A significant change in the state of affairs of the Group during the financial year was as follows:

- An increase in contributed equity of \$513,021 (net of costs) as a result of the issue of 10,529,775 ordinary shares through an Entitlement Issue during June 2013.

### SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No matters or circumstances, besides those disclosed at note 20, 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.

## Directors' Report continued

### REMUNERATION REPORT (AUDITED)

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

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

##### *Remuneration Policy*

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

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

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

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

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

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, 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 plan.

##### *Performance based remuneration*

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

##### *Performance Rights*

Michael Ivey was issued 2,000,000 performance rights for nil consideration on the 7 December 2011 ( held no prior performance rights) following shareholder approval granted at the Annual General Meeting held on 22 November 2011. The Performance Rights will vest only if a total Gold Resource (Measured, Indicated or Inferred) equal to or exceeding 1,000,000oz of gold, or gold equivalent for other precious or base metals, in accordance with the JORC Code, provided that the total Resource must contain at least 80% of the ounces within the Measured and Indicated categories as defined by the JORC Code. The rights expire on the 22 November 2016.

As part of Mr Haydn Hadlow's employment agreement he will be entitled to be issued with 1,000,000 fully paid ordinary shares upon achieving performance hurdles, (subject to any required shareholder approvals). The Hurdle will be achieved only if a total Gold Resource for the Company (Measured, Indicated or Inferred) is equal to or exceeds 1,000,000oz of gold, or gold equivalent for other precious or base metals, in accordance with the JORC Code is obtained. These rights have no expiration date. Haydn does not hold any other rights.

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

No relationship exists between shareholder wealth, director and executive remuneration and Company performance given the infant stage of the Group's operations.

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

	2013	2012	2011	2010	2009
	\$	\$	\$	\$	\$
Revenue	145,539	329,520	418,744	141,712	53,285
Net loss	(2,099,816)	(4,538,103)	(5,053,439)	(2,977,591)	(1,762,038)
Loss per share (cents)	(1.8)	(4.0)	(5.2)	(4.0)	(3.3)
Share price at year end (cents)	2.9	26.0	35.0	40.0	9.0

No dividends have been paid.

##### *Use of remuneration consultants*

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2013.

## Directors' Report continued

### Voting and comments made at the Company's 2012 Annual General Meeting

The Company received approximately 99.9% of "yes" votes on its remuneration report for the 2012 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 the directors and the following executive officer who has authority and responsibility for planning, directing and controlling the activities of the Group:

- Haydn Hadlow – *Exploration Manager*

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*.

### Key management personnel of the Group

	Short-Term		Post Employment		Share-Based	Total	Percentage Relevant to Share-Based Payments	Percentage Performance Related
	Salary & Fees	Non-Cash benefits	Superannuation	Retirement benefits	Payments			
	\$	\$	\$	\$	\$	\$	%	%
<b>Directors</b>								
Michael Ashforth								
2013	50,000	4,964	4,500	-	-	59,464	-	-
2012	44,166	4,819	3,975	-	-	52,960	-	-
Michael Ivey <sup>(1)</sup>								
2013	300,000	4,964	-	-	21,346	326,310	6.5	6.5
2012	300,000	4,819	-	-	11,561	316,380	3.6	3.6
Campbell Ansell								
2013	30,000	4,964	2,700	-	-	37,664	-	-
2012	30,000	4,819	2,700	-	-	37,519	-	-
<b>Other key management personnel</b>								
Haydn Hadlow (appointed 1 September 2011)								
2013	195,833	-	17,625	-	30,690	244,148	12.6	12.6
2012	146,529	-	13,188	-	58,410	218,127	26.8	26.8
Michael Fowler (resigned 31 August 2011)								
2012	53,385	-	5,338	-	-	58,723	-	-
Dennis Wilkins (resigned 4 July 2011)								
2012	2,745	-	-	-	-	2,745	-	-
<b>Total key management personnel compensation</b>								
2013	575,833	14,892	24,825	-	52,036	667,586		
2012	576,825	14,457	25,201	-	69,971	686,454		

(1) In addition to the above remuneration, the Group leased office accommodation from Henmik Pty Ltd ("Henmik"), a company associated with Mr Ivey. The lease terms are set at normal commercial rates, with amounts paid during the year totalling \$73,065 (2012: \$68,193). An amount of \$nil (2012: \$569) was also paid to Henmik for repairs and maintenance on the rented premises, and \$nil (2012: \$3,816) for leasehold improvements.

### Service agreements

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

Michael Ivey, Managing Director:

- Term of agreement – 4 years commencing 1 July 2010.
- Annual consultancy fees of \$300,000 (plus GST) are paid to M Ivey Pty Ltd, a company controlled by Mr Ivey.
- The agreement may be terminated by the Company, without reason, by giving the consultant 12 months written notice. The consultant may terminate the agreement, without reason, by giving the Company 3 months' written notice. There are no benefits payable on termination other than entitlements accrued to the date of termination.

## Directors' Report continued

Haydn Hadlow, Exploration Manager:

- Term of agreement – indefinite, from 1 September 2011, with 2 months' notice of termination required by either party.
- Annual base salary, inclusive of 9% superannuation, of \$218,000.
- Under Mr Hadlow's employment agreement he will be entitled to be issued with 1,000,000 fully paid ordinary shares upon achieving performance hurdles, (subject to any required shareholder approvals). The Hurdle will be achieved only if a total Gold Resource for the Company (Measured, Indicated or Inferred) is equal to or exceeds 1,000,000oz of gold, or gold equivalent for other precious or base metals, in accordance with the JORC Code is obtained.

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

### Share-based compensation

#### Options

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

#### Ordinary Shares

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

#### Performance Rights

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

The following performance rights were granted to or vesting with key management personnel during the year, there were no performance rights forfeited during the year:

	Grant Date	Granted Number	Vested Number	Date Vesting and Exercisable	Expiry Date	Value per right at grant date (cents) <sup>(1)</sup>	% of Remuneration
<b>Directors</b>							
Michael Ivey	22/11/2011	2,000,000	Nil	(2)	22/11/2016	27.0	6.5
<b>Other Key Management Personnel</b>							
Haydn Hadlow	05/07/2011	1,000,000	Nil	(3)	N/A	33.0	12.6

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

(2) The performance condition for these rights is:

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

At the reporting date, the Board has determined that the probability of this performance condition being met is 17%.

(3) The performance condition for these rights is:

“The Company achieving a total Gold Resource (Measured, Indicated or Inferred) equal to or exceeding 1,000,000oz of gold, or gold equivalent for other precious or base metals, in accordance with the JORC Code.”

At the reporting date, the Board has determined that the probability of this performance condition being met is 17%.

### End of audited Remuneration Report

## Directors' Report continued

### DIRECTORS' MEETINGS

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

	Committee Meetings					
	Directors Meetings		Audit		Remuneration	
	A	B	A	B	A	B
Michael Ashforth	6	6	2	2	2	2
Michael Ivey	6	6	*	*	*	*
Campbell Ansell	6	6	2	2	2	2

#### Notes

A - Number of meetings attended.

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

\* - Not a member of the relevant Committee.

### SHARES UNDER OPTION

At the date of this report there are 1,050,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	1,050,000
<b>Total number of options outstanding as at 30 June 2013 and the date of this report</b>	<b>1,050,000</b>

The balance is comprised of the following:

Date options issued	Expiry date	Exercise price (cents)	Number of options
30 May 2011	1 September 2016	40	1,050,000
<b>Total number of options outstanding at the date of this report</b>			<b>1,050,000</b>

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

### 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:

	2013	2012
	\$	\$
Tax compliance services	8,640	6,630
Consulting services	-	4,928
<b>Total remuneration for non-audit services</b>	<b>8,640</b>	<b>11,558</b>



## Directors' Report continued

### 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.

A handwritten signature in black ink, appearing to be 'Michael Ivey', written over a light grey rectangular background.

Michael Ivey  
Managing Director  
Perth, 19 September 2013



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Fax: +8 6382 4601  
www.bdo.com.au

38 Station Street  
Subiaco, WA 6008  
PO Box 700 West Perth WA 6872  
Australia

19 September 2013

Castle Minerals Limited  
The Board of Directors  
Unit 6  
1 Clive Street  
WEST PERTH WA 6005

Dear Sirs,

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

As lead auditor of Castle Minerals Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit;  
and
- any applicable code of professional conduct in relation to the audit.

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

GLYN O'BRIEN  
Director

BDO Audit (WA) Pty Ltd  
Perth, Western Australia

## Corporate Governance Statement

### *The Board of Directors*

The Company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any share holding qualification.

As and if the Company's activities increase in size, nature and scope the size of the board will be reviewed periodically, and as circumstances demand. The optimum number of directors required to supervise adequately the Company's constitution will be determined within the limitations imposed by the constitution.

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the Company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the Company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the *Corporations Act 2001*, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

The board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees (other than audit, remuneration and nominations committees) at this time. The board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

### *Role of the Board*

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

### *Appointments to Other Boards*

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

### *Independent Professional Advice*

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

### *Continuous Review of Corporate Governance*

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

### *ASX Principles of Good Corporate Governance*

The board has reviewed its current practices in light of the ASX Principles of Good Corporate Governance and Best Practice Guidelines with a view to making amendments where applicable after considering the Company's size and the resources it has available.

As the Company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The following table sets out the Company's present position with regard to adoption of these Principles.

	ASX Principle	Status	Reference/comment
<b>Principle 1: Lay solid foundations for management and oversight</b>			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	A	Matters reserved for the Board can be viewed on the Company website.
1.2	Companies should disclose the process for evaluating the performance of senior executives	A	The Company's goals and objectives are set out in the Annual Report and these are used among other measures, including key objectives consistent with the company's annual business plan, as the basis for evaluating performance of senior executives. Performance evaluations are undertaken annually, by the Managing Director.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	A	Performance hurdles have been put in place for senior executives and performance against these hurdles are ongoing. The Company has a Board Charter disclosed on the web site under Matters Reserved for the Board.
<b>Principle 2: Structure the board to add value</b>			
2.1	A majority of the board should be independent directors	A	Given the Company's background, the nature and size of its business and the current stage of its development, the Board comprises three directors, two of whom are non executive and independent. The Board believes that this is both appropriate and acceptable at this stage of the Company's development. The mix of skills and diversity is considered adequate at the stage of development of the Company.
2.2	The chair should be an independent director	A	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	A	
2.4	The board should establish a nomination committee	A	The full Board carries out the duties that would normally fall to the nomination committee. This includes the selection of new directors and re-election of incumbent directors. The Board's policy on appointment of Directors is based on the qualifications, experience and industry relevance.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	A	The Company's board is responsible for overseeing the process for evaluating the performance of the Board, Board Committees and individual Directors. Evaluations are conducted in the current year using a performance survey to: <ul style="list-style-type: none"> <li>• review the respective roles of the Board and management;</li> <li>• review the mix of experience and skills required by the Board;</li> <li>• assess the performance of the Board as a whole over the previous 12 months</li> <li>• assess the effectiveness of Board processes; and</li> <li>• examine ways of assisting the Board in performing its duties more effectively and efficiently.</li> </ul> <p>The Board performance surveys are collated by the Company Secretary and discussed at a subsequent Board meeting where the implementation of recommendations is agreed.</p> <p>The Managing Director's performance evaluation is also undertaken annually by the Board. The performance of non-executive Directors is reviewed by the Board with the exclusion of the Director concerned.</p> <p>Independent Directors are those whom hold less than 5% of the total shares on issue and have not been employed or acted under a consultancy agreement in the last 5 years.</p>
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	A (in part)	The skills and experience of Directors are set out in the Company's Annual Report and on its website. Directors may take independent professional advice at the expense of the entity by agreement through the Chairman.

A = Adopted

N/A = Not adopted

	<b>ASX Principle</b>	<b>Status</b>	<b>Reference/comment</b>
	<b>Principle 3: Promote ethical and responsible decision-making</b>		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>the practices necessary to maintain confidence in the company's integrity</li> <li>the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>the responsibility and accountability of individuals for reporting and investigating reports of unethical practices</li> </ul>	A	The Company has established a Code of Conduct which can be viewed on the Company's website.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy.	A (in part)	The Company is committed to providing a workplace that promotes diversity. Diversity includes, gender, age, ethnicity, cultural background or disability. Due to the size and nature of the company it does not propose to implement a formal code or policy with measurable objectives.  The Company has employed three female employees part time, nil in executive or Board positions. Proportion of females is 42% of employees.
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3	A	
	<b>Principle 4: Safeguard integrity in financial reporting</b>		
4.1	The board should establish an audit committee	A	The Company has established an audit committee which comprises only non-executive directors. The charter for this committee is disclosed on the Company's website.
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>consists only of non-executive directors</li> <li>consists of a majority of independent directors</li> <li>is chaired by an independent chair, who is not chair of the board</li> <li>has at least three members</li> </ul>	A A A N/A	
4.3	The audit committee should have a formal charter	A	The Company only has two non-executive directors.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	A	BDO Audit (WA) Pty Ltd is the currently appointed Auditor. Their appointment will be reviewed periodically. The Company believes in the ongoing assessment of its audit requirements and complies with any regulatory requirements to rotate its external audit partner.
	<b>Principle 5: Make timely and balanced disclosure</b>		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	A	
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	A	The Board receive regular reports on the status of the Company's activities and any new proposed activities. Disclosure is reviewed as a routine agenda item at each Board meeting.

A = Adopted

N/A = Not adopted

	<b>ASX Principle</b>	<b>Status</b>	<b>Reference/comment</b>
	<b>Principle 6: Respect the rights of shareholders</b>		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	A	In line with adherence to continuous disclosure requirements of ASX all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Report, Quarterly Reports, the Company website and the distributions of specific releases covering major transactions or events.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	A	The Company has formulated a Communication Policy which can be viewed on the Company website.
	<b>Principle 7: Recognise and manage risk</b>		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	A	<p>While the Company does not have formalised policies on risk management the Board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at Board meetings and risk management culture is encouraged amongst employees and contractors.</p> <p>Determined areas of risk which are regularly considered include:</p> <ul style="list-style-type: none"> <li>• performance and funding of exploration activities</li> <li>• budget control and asset protection</li> <li>• status of mineral tenements</li> <li>• compliance with government laws and regulations</li> <li>• safety and the environment</li> <li>• continuous disclosure obligations</li> <li>• sovereign risk</li> </ul>
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	A	<p>The Board is responsible for ensuring the Company establishes and maintains policies for risk oversight and management. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This also includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations.</p> <p>The Audit Committee is responsible for monitoring the development and annual review of the Company's risk profile and system of risk management. The Audit Committee also provides the board with additional assurance regarding the reliability of the financial information for the inclusion in the financial reports.</p> <p>The Board requires management to establish appropriate systems and procedures to manage the Company's material business risks and to report on the effective management of those risks.</p>
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	A	The board has received such assurance.

A = Adopted

N/A = Not adopted

	<b>ASX Principle</b>	<b>Status</b>	<b>Reference/comment</b>
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	A	The Risk Management Policy is available on the Castle Minerals website at <a href="http://www.castleminerals.com">www.castleminerals.com</a> . Due to the size of the Company and number of employees it does not have a formal policy for the oversight and management of material business risks. This responsibility lies with the Managing Director.
	<b>Principle 8: Remunerate fairly and responsibly</b>		
8.1	The board should establish a remuneration committee	A	
8.2	The Remuneration committee should be structured so that it: consists of a majority of independent directors, is chaired by an independent chair, has at least three members	A (in part)	Due to the size of the Board the Remuneration committee consists of only two directors. There is no formal charter or policy on prohibiting the entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity based remuneration schemes.
8.3	The entity clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives.	A	
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8	A	Refer to the Annual Report and the Corporate Governance section of the Company's website.

*A = Adopted*

*N/A = Not adopted*

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

YEAR ENDED 30 JUNE 2013

	Notes	Consolidated	
		2013 \$	2012 \$
<b>REVENUE</b>	4(a)	<b>93,739</b>	329,520
Other income	4(b)	<b>51,800</b>	-
<b>EXPENDITURE</b>			
Depreciation expense		<b>(144,099)</b>	(80,943)
Salaries and employee benefits expense		<b>(140,148)</b>	(159,082)
Tenement acquisition and exploration expenses		<b>(1,649,761)</b>	(3,767,480)
Impairment expense	5	<b>(31,729)</b>	(255,614)
Corporate expenses		<b>(77,621)</b>	(78,790)
Administration expenses		<b>(277,610)</b>	(406,328)
Share based payment expense	23	<b>(98,973)</b>	(224,134)
<b>LOSS BEFORE INCOME TAX</b>		<b>(2,274,402)</b>	(4,642,851)
<b>INCOME TAX BENEFIT</b>	6	<b>174,586</b>	104,748
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF CASTLE MINERALS LIMITED</b>		<b>(2,099,816)</b>	(4,538,103)
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		<b>32,608</b>	(28,609)
Other comprehensive income/(loss) for the year, net of tax		<b>32,608</b>	(28,609)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF CASTLE MINERALS LIMITED</b>		<b>(2,067,208)</b>	(4,566,712)
Basic and diluted loss per share for loss attributable to the members of Castle Minerals Limited (cents per share)	22	<b>(1.8)</b>	(4.0)

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

AT 30 JUNE 2013

	Notes	Consolidated	
		2013 \$	2012 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	1,636,882	3,443,660
Trade and other receivables	8	211,696	166,478
<b>TOTAL CURRENT ASSETS</b>		<b>1,848,578</b>	<b>3,610,138</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	9	469,007	567,455
<b>TOTAL NON-CURRENT ASSETS</b>		<b>469,007</b>	<b>567,455</b>
<b>TOTAL ASSETS</b>		<b>2,317,585</b>	<b>4,177,593</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	181,808	586,602
<b>TOTAL CURRENT LIABILITIES</b>		<b>181,808</b>	<b>586,602</b>
<b>TOTAL LIABILITIES</b>		<b>181,808</b>	<b>586,602</b>
<b>NET ASSETS</b>		<b>2,135,777</b>	<b>3,590,991</b>
<b>EQUITY</b>			
Contributed equity	11	23,044,308	22,531,287
Reserves	12	945,210	813,629
Accumulated losses		(21,853,741)	(19,753,925)
<b>TOTAL EQUITY</b>		<b>2,135,777</b>	<b>3,590,991</b>

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 2013

	Notes	Contributed Equity \$	Share-based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
<b>Consolidated</b>						
<b>BALANCE AT 1 JULY 2011</b>		22,479,687	410,749	207,355	(15,215,822)	7,881,969
Loss for the year		-	-	-	(4,538,103)	(4,538,103)
<b>OTHER COMPREHENSIVE INCOME</b>						
Exchange differences on translation of foreign operations		-	-	(28,609)	-	(28,609)
<b>TOTAL COMPREHENSIVE INCOME</b>		-	-	(28,609)	(4,538,103)	(4,566,712)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>						
Shares issued during the year	11	51,600	-	-	-	51,600
Options vesting with employees and contractors		-	154,163	-	-	154,163
Performance rights issued to employees		-	69,971	-	-	69,971
<b>BALANCE AT 30 JUNE 2012</b>		22,531,287	634,883	178,746	(19,753,925)	3,590,991
Loss for the year		-	-	-	(2,099,816)	(2,099,816)
<b>OTHER COMPREHENSIVE INCOME</b>						
Exchange differences on translation of foreign operations		-	-	32,608	-	32,608
<b>TOTAL COMPREHENSIVE INCOME</b>		-	-	32,608	(2,099,816)	(2,067,208)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>						
Shares issued during the year	11	526,489	-	-	-	526,489
Share issue transaction costs	11	(13,468)	-	-	-	(13,468)
Options vesting with employees and contractors		-	46,937	-	-	46,937
Performance rights issued to employees		-	52,036	-	-	52,036
<b>BALANCE AT 30 JUNE 2013</b>		23,044,308	733,856	211,354	(21,853,741)	2,135,777

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 2013

	Notes	Consolidated	
		2013 \$	2012 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(486,062)	(703,631)
Interest received		108,537	332,187
Expenditure on mining interests		(2,100,400)	(4,353,680)
Proceeds on sale of mining interests		40,000	-
Income tax refund		104,748	-
Other income received		10,000	-
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	21	(2,323,177)	(4,725,124)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for plant and equipment		(3,903)	(585,078)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(3,903)	(585,078)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of ordinary shares		526,489	-
Payment of share issue costs		(13,083)	(17,890)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		513,406	(17,890)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,813,674)	(5,328,092)
Cash and cash equivalents at the beginning of the financial year		3,443,660	8,771,704
Effects of exchange rate changes on cash and cash equivalents		6,896	48
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	7	<b>1,636,882</b>	<b>3,443,660</b>

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

## Notes to the Consolidated Financial Statements

30 JUNE 2013

### 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 19 September 2013. 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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

##### (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 2012.

##### (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.

#### (b) Principles of consolidation

##### (i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Castle Minerals Limited (“Company” or “parent entity”) as at 30 June 2013 and the results of all subsidiaries for the year then ended. Castle Minerals Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the 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 (refer note 1(h)).

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

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.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Castle Minerals Limited.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2013

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

#### (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, joint control or significant influence, 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.

##### (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.

#### (e) Revenue recognition

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

#### (f) Income tax

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

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

## Notes to the Consolidated Financial Statements continued

30 JUNE 2013

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

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.

#### (i) Investment allowances and similar tax incentives

The Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (eg the Research and Development Tax Incentive regime in Australia or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense or creates an income tax receivable and current tax benefit.

#### (g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 17). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

#### (h) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2013

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

#### (i) 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 other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### (j) 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.

#### (k) Trade and other receivables

Receivables are recognised initially at fair value and subsequently at amortised cost. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

#### (l) Financial assets

##### *Classification*

The Group classifies all of its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

##### *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.

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.

##### *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.

##### *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.

#### (m) Plant and equipment

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

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

## Notes to the Consolidated Financial Statements continued

30 JUNE 2013

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

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

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

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

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

#### (n) Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred.

#### (o) 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.

#### (p) Employee benefits

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

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

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

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 23.

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

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

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

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

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

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

#### (q) 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.

#### (r) 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.



## Notes to the Consolidated Financial Statements continued

30 JUNE 2013

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

#### (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.

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

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

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

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

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. 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, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)*

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

*AASB 10: Consolidated Financial Statements (applies to periods beginning on or after 1 January 2013)*

This Standard establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and Interpretation 112 *Consolidation – Special Purpose Entities*.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This Standard is not expected to impact the Group.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2013

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

*AASB 11: Joint Arrangements (applies to periods beginning on or after 1 January 2013)*

This Standard replaces AASB 131 *Interests in Joint Ventures* and Interpretation 113 *Jointly-Controlled Entities – Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition, AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the Group.

*AASB 12: Disclosures of Interests in Other Entities (applies to periods beginning on or after 1 January 2013)*

This Standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The Group has not yet determined any potential impact on the financial statements.

*AASB 13: Fair Value Measurement (applies to periods beginning on or after 1 January 2013)*

This Standard establishes a single source of guidance under AASB for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under AASB when fair value is required or permitted by AASB. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The Group has not yet determined any potential impact on the financial statements.

*AASB 119: Employee Benefits (applicable for annual reporting periods commencing on or after 1 January 2013)*

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The definition of short-term benefits has been revised, meaning some annual leave entitlements may become long-term in nature with a revised measurement. Similarly the timing for recognising a provision for termination benefits has been revised, such that provisions can only be recognised when the offer cannot be withdrawn.

Consequential amendments were also made to other standards via AASB 2011-10. The Group has not yet determined any potential impact on the financial statements.

*Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine (applicable for annual reporting periods commencing on or after 1 January 2013)*

This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset".

The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.

#### (u) 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 23. If any of these assumptions were to change, there may be an impact on the amounts reported.

##### *Exploration expenditure*

Exploration and evaluation costs are expensed as they are incurred.

##### *VAT Recoverability*

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

## Notes to the Consolidated Financial Statements continued

30 JUNE 2013

### 2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency 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 are 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 functional currency of the subsidiary companies is the US dollar. All parent entity balances are in Australian dollars and all Group balances are in either Australian or US dollars, so the Group does not have any exposure to foreign currency risk at the reporting date (2012: Nil exposure).

##### *(ii) Price risk*

Given the current level of operations, the Group is not currently exposed to price risk.

##### *(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.

##### *Sensitivity analysis*

At 30 June 2013, if interest rates had changed by +/- 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been \$22,500 lower/higher (2012: \$58,900 lower/higher) as a result of lower/higher interest income from cash and cash equivalents. The directors believe that in the current economic environment a 1% increase in interest rates is reasonable given comments made by the Reserve Bank of Australia. Weighted average interest rate for the year was 4.2%.

#### (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. All financial assets and financial liabilities of the Group at the reporting date are recorded at amounts approximating their carrying amount due to their short term nature.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2013

### 3. SEGMENT INFORMATION

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

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

	Consolidated	
	2013	2012
	\$	\$
<b>Ghana exploration segment</b>		
Ghana segment revenue	40,000	-
Reconciliation of Ghana segment revenue to total revenue before tax:		
Interest revenue	93,739	329,520
Other revenue	11,800	-
<b>Total revenue</b>	<b>145,539</b>	<b>329,520</b>
Ghana segment results	(865,412)	(3,543,366)
Reconciliation of Ghana segment result to net loss before tax:		
Corporate depreciation	(18,418)	(28,167)
Other corporate and administration	(1,390,572)	(1,071,318)
<b>Net loss before tax</b>	<b>(2,274,402)</b>	<b>(4,642,851)</b>
Ghana segment operating assets	468,047	569,850
Reconciliation of Ghana segment operating assets to total assets:		
Other corporate and administration assets	1,849,538	3,607,743
<b>Total assets</b>	<b>2,317,585</b>	<b>4,177,593</b>
Total assets includes additions to plant and equipment:		
Ghana exploration segment	538	553,771
Other corporate and administration	3,365	31,307
	<b>3,903</b>	<b>585,078</b>
<b>4. REVENUE AND OTHER INCOME</b>		
<b>(a) Revenue</b>		
<i>Other revenue</i>		
Interest	93,739	329,520
<b>(b) Other income</b>		
Profit on sale of mining interests	40,000	-
Other	11,800	-
	<b>51,800</b>	<b>-</b>

## Notes to the Consolidated Financial Statements continued

30 JUNE 2013

	Consolidated	
	2013	2012
	\$	\$
<b>5. EXPENSES</b>		
<b>Loss before income tax includes the following specific expenses:</b>		
Defined contribution superannuation expense	29,700	30,620
Minimum lease payments relating to operating leases	36,532	34,098
Impairment of trade and other receivables (see note 8(a))	31,729	255,614
Depreciation	144,099	80,943
<b>6. INCOME TAX</b>		
<b>(a) Income tax benefit</b>		
Current tax	-	-
Deferred tax	-	-
Research and Development refund	(174,586)	(104,748)
	<u>(174,586)</u>	<u>(104,748)</u>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss from continuing operations before income tax expense	(2,274,402)	(4,642,851)
Prima facie tax benefit at the Australian tax rate of 30% (2012: 30%)	(682,321)	(1,392,855)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	29,692	67,240
Other	284,526	181,237
	<u>(368,103)</u>	<u>(1,144,378)</u>
Movements in unrecognised temporary differences	7,311	34,230
Tax effect of current year tax losses for which no deferred tax asset has been recognised	404,476	1,274,536
Foreign tax rate differential	(43,684)	(164,388)
Research and Development refund	(174,586)	(104,748)
Income tax benefit	<u>(174,586)</u>	<u>(104,748)</u>
<b>(c) Unrecognised temporary differences</b>		
<b>Deferred Tax Assets (at 30%)</b>		
<i>On Income Tax Account</i>		
Capital raising costs	25,170	39,089
Foreign exploration tax losses	6,043,878	4,674,495
Accruals, prepayments and other provisions	27,764	83,217
Australian carry forward tax losses	602,743	504,057
	<u>6,699,555</u>	<u>5,300,858</u>
<b>Deferred Tax Liabilities (at 30%)</b>		
	-	-

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.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2013

	Consolidated	
	2013	2012
	\$	\$
<b>7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	454,494	727,232
Short-term deposits	1,182,388	2,716,428
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	<u>1,636,882</u>	<u>3,443,660</u>

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

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

### 8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Government taxes receivable	185,521	1,261,509
Allowance for impairment (note (a))	-	(1,253,419)
Other receivables	26,175	158,388
	<u>211,696</u>	<u>166,478</u>

Other receivables are not past due nor impaired, and based on history are expected to be fully recoverable. Refer below for details on Government taxes receivable. Information about the Group's exposure to credit risk is provided in note 2.

#### (a) Impaired receivables

During the year the VAT receivable from the Group's operations in Ghana was written off as uncollectible, and the accounting procedures have been changed to expense VAT as incurred. In prior periods the VAT was recognised as a receivable but provided for in full as a doubtful debt. The VAT may only be recoverable once the Group's operations are producing revenue in Ghana.

Movements in the allowance for impairment of receivables are as follows:

Balance at the beginning of the year	1,253,419	953,061
Allowance for impairment recognised during the year	31,729	255,614
Foreign exchange movements	(12,213)	44,744
Receivables written off during the year as uncollectible	(1,272,935)	-
	<u>-</u>	<u>1,253,419</u>

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

Consolidated	Plant and Equipment	Motor Vehicles	Computer Equipment	Total
	\$	\$	\$	\$
<b>At 1 July 2011</b>				
Cost	73,184	-	61,325	134,509
Accumulated depreciation	(36,768)	-	(41,960)	(78,728)
Net book amount	<u>36,416</u>	<u>-</u>	<u>19,365</u>	<u>55,781</u>
<b>Year ended 30 June 2012</b>				
Opening net book amount	36,416	-	19,365	55,781
Exchange differences	5,774	1,678	87	7,539
Additions	415,083	134,912	35,083	585,078
Depreciation charge	(39,568)	(23,372)	(18,003)	(80,943)
Closing net book amount	<u>417,705</u>	<u>113,218</u>	<u>36,532</u>	<u>567,455</u>
<b>At 30 June 2012</b>				
Cost	494,456	136,942	96,522	727,920
Accumulated depreciation	(76,751)	(23,724)	(59,990)	(160,465)
Net book amount	<u>417,705</u>	<u>113,218</u>	<u>36,532</u>	<u>567,455</u>

## Notes to the Consolidated Financial Statements continued

30 JUNE 2013

### 9. NON-CURRENT ASSETS – PLANT AND EQUIPMENT (cont'd)

	Plant and Equipment	Motor Vehicles	Computer Equipment	Total
Consolidated	\$	\$	\$	\$
<b>Year ended 30 June 2013</b>				
Opening net book amount	417,705	113,218	36,532	567,455
Exchange differences	33,618	7,811	319	41,748
Additions	176	-	3,727	3,903
Depreciation charge	(88,147)	(39,877)	(16,075)	(144,099)
Closing net book amount	<u>363,352</u>	<u>81,152</u>	<u>24,503</u>	<u>469,007</u>
<b>At 30 June 2013</b>				
Cost	541,601	152,343	101,162	795,106
Accumulated depreciation	(178,249)	(71,191)	(76,659)	(326,099)
Net book amount	<u>363,352</u>	<u>81,152</u>	<u>24,503</u>	<u>469,007</u>

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

	Consolidated	
	2013	2012
	\$	\$
Trade payables	74,847	424,437
Other payables and accruals	106,961	162,165
	<u>181,808</u>	<u>586,602</u>

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

### 11. CONTRIBUTED EQUITY

	Notes	2013		2012	
		Number of shares	\$	Number of shares	\$
<b>(a) Share capital</b>					
Ordinary shares fully paid	11(b), 11(d)	124,247,452	23,044,308	113,717,677	22,531,287
Total contributed equity		<u>124,247,452</u>	<u>23,044,308</u>	<u>113,717,677</u>	<u>22,531,287</u>
<b>(b) Movements in ordinary share capital</b>					
Beginning of the financial year		113,717,677	22,531,287	113,502,677	22,479,687
Issued during the year:					
– Issued for cash at 5 cents		10,529,775	526,489	-	-
– Issued as consideration for tenement acquisition		-	-	215,000	51,600
Less: Transaction costs		-	(13,468)	-	-
End of the financial year		<u>124,247,452</u>	<u>23,044,308</u>	<u>113,717,677</u>	<u>22,531,287</u>

### (c) Movements in options on issue

	Number of options	
	2013	2012
Beginning of the financial year	1,050,000	4,550,000
Exercised/expired during the year:		
– 35 cents, on or before 21 December 2011	-	(3,500,000)
End of the financial year	<u>1,050,000</u>	<u>1,050,000</u>

## Notes to the Consolidated Financial Statements continued

30 JUNE 2013

Consolidated

2013                      2012  
\$                              \$

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

#### (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 2013 and 30 June 2012 are as follows:

Cash and cash equivalents	1,636,882	3,443,660
Trade and other receivables	211,696	166,478
Trade and other payables	(181,808)	(586,602)
Working capital position	<u>1,666,770</u>	<u>3,023,536</u>

### 12. RESERVES AND ACCUMULATED LOSSES

#### (a) Reserves

Foreign currency translation reserve	211,354	178,746
Share-based payments reserve	733,856	634,883
	<u>945,210</u>	<u>813,629</u>

#### (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.

### 13. DIVIDENDS

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

### 14. KEY MANAGEMENT PERSONNEL DISCLOSURES

#### (a) Key management personnel compensation

Short-term benefits	590,725	591,282
Post employment benefits	24,825	25,201
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	52,036	69,971
	<u>667,586</u>	<u>686,454</u>



## Notes to the Consolidated Financial Statements continued

30 JUNE 2013

### 14. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

#### (b) Equity instrument disclosures relating to key management personnel

##### (i) 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.

2013

	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year <sup>(1)</sup>
<b>Directors of Castle Minerals Limited</b>				
<b>Ordinary shares</b>				
Michael Ashforth	2,980,000	-	3,000,000	5,980,000
Michael Ivey	5,378,498	-	2,000,000	7,378,498
Campbell Ansell	759,250	-	1,000,000	1,759,250
<b>Other key management personnel of the Group</b>				
<b>Ordinary shares</b>				
Haydn Hadlow	-	-	-	-

2012

	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year <sup>(1)</sup>
<b>Directors of Castle Minerals Limited</b>				
<b>Ordinary shares</b>				
Michael Ivey	5,215,000	-	163,498	5,378,498
Campbell Ansell	609,250	-	150,000	759,250
Michael Ashforth	2,980,000	-	-	2,980,000
<b>Other key management personnel of the Group</b>				
<b>Ordinary shares</b>				
Haydn Hadlow (appointed 1 September 2011)	-( <sup>2</sup> )	-	-	-
Michael Fowler (resigned 31 August 2011)	272,900	-	(272,900) <sup>(2)</sup>	-
Dennis Wilkins (resigned 4 July 2011)	160,000	-	(160,000) <sup>(2)</sup>	-

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

(2) Balance held at date of appointment or resignation.

##### (ii) Performance Right holdings

Michael Ivey was issued 2,000,000 performance rights for nil consideration on the 7 December 2011 ( held no prior performance rights) following shareholder approval granted at the Annual General Meeting held on 22 November 2011. The Performance Rights will vest only if a total Gold Resource (Measured, Indicated or Inferred) equal to or exceeding 1,000,000oz of gold, or gold equivalent for other precious or base metals, in accordance with the JORC Code, provided that the total Resource must contain at least 80% of the ounces within the Measured and Indicated categories as defined by the JORC Code.

The rights expire on the 22 November 2016.

As part of Mr Haydn Hadlow's employment agreement he will be entitled to be issued with 1,000,000 fully paid ordinary shares upon achieving performance hurdles, (subject to any required shareholder approvals). The hurdle will be achieved only if a total Gold Resource for the Company (Measured, Indicated or Inferred) is equal to or exceeds 1,000,000oz of gold, or gold equivalent for other precious or base metals, in accordance with the JORC Code is obtained. These rights have no expiration date. Haydn does not hold any other rights.

#### (c) Loans to key management personnel

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

## Notes to the Consolidated Financial Statements continued

30 JUNE 2013

### 14. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

#### (d) Other transactions with key management personnel

During the year, the Group leased office accommodation from Henmik Pty Ltd ("Henmik"), a company associated with Mr Ivey. The lease terms are set at normal commercial rates, with amounts paid during the year totalling \$73,065 (2012: \$68,196). An amount of \$nil (2012: \$569) was also paid to Henmik for repairs and maintenance on the rented premises, and \$nil (2012: \$3,816) for leasehold improvements. There are no amounts outstanding at the reporting date. Refer to note 17 for details of the lease commitments.

### 15. REMUNERATION OF AUDITORS

	Consolidated	
	2013	2012
	\$	\$
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:		
<b>(a) Audit services</b>		
BDO Audit (WA) Pty Ltd - audit and review of financial reports	25,041	35,139
Non-related audit firm for the audit or review of financial reports of Group subsidiary entities	13,110	13,058
Total remuneration for audit services	38,151	48,197
<b>(b) Non-audit services</b>		
BDO (WA) Pty Ltd - tax compliance services	8,640	6,630
BDO (WA) Pty Ltd - consulting services	-	4,928
Total remuneration for other services	8,640	11,558

### 16. CONTINGENCIES

#### Newmont Option Agreement

During the 2009 financial year the Group completed the acquisition of the Wa Reconnaissance Licence from Newmont Ghana Gold Limited ("NGGL"). NGGL will be entitled to a 1% net smelter royalty on any minerals produced from the licence area if the Group relinquishes control of the licence within 5 years of the Approval Date.

All granted projects are 100% owned by Castle Minerals (subject to Ghanaian Government right to a free-carried 10% interest). Castle's corporate objectives are exploration and development of its six projects in Ghana and the acquisition and exploration of other mineral resource opportunities, particularly in West Africa. The country of Ghana has a long history of gold mining and exploration and is Africa's second largest gold producer behind South Africa.

### 17. COMMITMENTS

#### Lease commitments: Group as lessee

##### Operating leases (non-cancellable):

Minimum lease payments		
within one year	29,102	68,656
later than one year but not later than five years	-	29,102
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	29,102	97,758

The property lease is a non-cancellable lease with a three-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by 5% per annum. An option exists to renew the lease at the end of the three-year term for an additional term of three years. The lease allows for subletting of all lease areas.

### 18. 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 19.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2013

### 18. RELATED PARTY TRANSACTIONS (cont'd)

#### (c) Key management personnel

Disclosures relating to key management personnel are set out in note 14.

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

Transactions with related parties are disclosed in the Directors' Report.

#### (e) Loans to related parties

Castle Minerals Limited has provided unsecured, interest free loans to its wholly owned subsidiaries Carlie Mining Limited and Topago Mining Limited totalling \$17,211,410 (2012: \$16,049,889). An impairment assessment is undertaken each financial year by examining the financial position of each subsidiary and the market in which the respective subsidiary operates to determine whether there is objective evidence that the subsidiary is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss.

### 19. 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*	
			2013 %	2012 %
Carlie Mining Ltd	Ghana	Ordinary	100	100
Topago Mining Ltd	Ghana	Ordinary	100	100

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

### 20. EVENTS OCCURRING AFTER THE REPORTING DATE

No matter or circumstance has arisen since 30 June 2013, 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.

### 21. STATEMENT OF CASH FLOWS

	Consolidated	
	2013 \$	2012 \$
<b>Reconciliation of net loss after income tax to net cash outflow from operating activities</b>		
Net loss for the year	(2,099,816)	(4,538,103)
<b>Non-Cash Items</b>		
Depreciation of non-current assets	144,099	80,943
Net exchange differences	32,129	(768)
Share based payment expense	98,973	224,134
Shares issued as consideration for tenement acquisition*	-	51,600
<b>Change in operating assets and liabilities, net of effects from purchase of controlled entity</b>		
(Increase) in trade and other receivables	(45,218)	(110,851)
(Decrease) in trade and other payables	(453,344)	(432,079)
Net cash outflow from operating activities	(2,323,177)	(4,725,124)

As at 30 June 2013 the Group had no non-cash investing and financing activities.

\* Shares issued as consideration for tenement acquisition is mentioned in note 23(c).

## Notes to the Consolidated Financial Statements continued

30 JUNE 2013

Consolidated

2013  
\$

2012  
\$

### 22. LOSS PER SHARE

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

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

(2,099,816) (4,538,103)

Number of shares Number of shares

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

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

114,265,802 113,623,688

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

As the Group has made a loss for the year ended 30 June 2013, all options on issue are considered anti-dilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

### 23. SHARE-BASED PAYMENTS

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

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

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

Set out below are summaries of granted options:

	Consolidated			
	2013		2012	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	1,050,000	40.0	1,050,000	40.0
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	1,050,000	40.0	1,050,000	40.0
Exercisable at year-end	700,000	40.0	350,000	40.0

The weighted average remaining contractual life of share options outstanding at the end of the year was 3.17 years (2012: 4.17 years), and the exercise price is 40 cents. Option expiry date is 1 September 2016

There were no options granted during the 2013 or 2012 financial years.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2013

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

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

The Group provides benefits to employees (including directors) and contractors of the Group in the form of share-based payment transactions, whereby performance rights over ordinary shares are issued as an incentive to improve employee and shareholder goal congruence. Performance rights granted to the Managing Director have an expiry date of 22 November 2016 whilst rights granted to an employee have no expiration date.

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

Set out below are summaries of the performance rights granted:

	2013	2012
Outstanding at the beginning of the year	3,000,000	-
Granted	-	3,000,000
Forfeited/cancelled	-	-
Exercised	-	-
Expired	-	-
Outstanding at year-end	<u>3,000,000</u>	<u>3,000,000</u>

There were no performance rights granted during the 2013 financial year. The weighted average fair value of performance rights granted during the 2012 financial year was 29.0 cents. The fair value was calculated by reference to the closing share price on the date of each grant of performance rights.

#### (c) Shares issued to suppliers

On 7 December 2011, 215,000 ordinary shares were issued at a deemed cost of \$51,600 as consideration for tenement acquisition and are included as part of the 'Tenement acquisition and exploration expenses' on the statement of profit or loss and other comprehensive income of the Group for the 2012 financial year.

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

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

	Consolidated	
	2013	2012
	\$	\$
Options granted to and vesting with employees and contractors	46,937	154,163
Performance rights granted to and vesting with employees	52,036	69,971
Shares issued to a supplier	-	51,600
	<u>98,973</u>	<u>275,734</u>

## Notes to the Consolidated Financial Statements continued

30 JUNE 2013

2013

2012

\$

\$

### 24. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Castle Minerals Limited, at 30 June 2013. The information presented here has been prepared using accounting policies consistent with those presented in note 1.

Current assets	1,805,670	3,548,821
Non-current assets	43,869	58,922
<b>Total assets</b>	<b>1,849,539</b>	<b>3,607,743</b>
Current liabilities	144,061	158,336
<b>Total liabilities</b>	<b>144,061</b>	<b>158,336</b>
Contributed equity	23,044,308	22,531,287
Share-based payments reserve	733,856	634,883
Accumulated losses	(22,072,686)	(19,716,763)
<b>Total equity</b>	<b>1,705,478</b>	<b>3,449,407</b>
Loss for the year	(2,355,923)	(5,532,762)
<b>Total comprehensive loss for the year</b>	<b>(2,355,923)</b>	<b>(5,532,762)</b>

As detailed in note 16, there are contingent liabilities in respect to tenement acquisition agreements that the parent entity has co-signed with subsidiary entities.

## Directors' Declaration

In the directors' opinion:

- (a) the financial statements comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and accompanying notes set out on pages 16 to 38 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 2013 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 2013, 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.



Michael Ivey  
Managing Director  
Perth, 19 September 2013



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASTLE MINERALS LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Castle Minerals Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

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

### Auditor's Responsibility

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

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

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

### Independence

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





## Opinion

In our opinion:

- (a) the financial report of Castle Minerals Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a)(i).

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Castle Minerals Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', with the BDO logo above it.

Glyn O'Brien  
Director

Perth Western Australia  
Dated this 19<sup>th</sup> day of September 2013

## ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 18 September 2013.

### (a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

		Ordinary shares	
		Number of holders	Number of shares
1	- 1,000	30	4,379
1,001	- 5,000	90	267,577
5,001	- 10,000	118	986,362
10,001	- 100,000	305	10,900,080
100,001	and over	85	112,089,054
		628	124,247,452
The number of shareholders holding less than a marketable parcel of shares are:		278	1,722,075

### (b) Equity Security Holders

*Twenty largest quoted equity security holders*

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	Azumah Resources Ltd	19,315,812	15.55%
2	Lujeta Pty Ltd	10,220,000	8.23%
3	Bridgelane Capital Pty Ltd	7,550,000	6.08%
4	Henry Wiechecki	7,279,100	5.86%
5	Trailstar Ltd	4,702,256	3.78%
6	HSBC Custody Nom Aust Ltd	4,497,158	3.62%
7	M Ivey Pty Ltd	4,453,179	3.58%
8	Merrill Lynch Aust Nom Pty Ltd	4,285,714	3.45%
9	Ashforth Michael Filan	3,830,000	3.08%
10	Bluestar Resources Ltd	3,784,644	3.05%
11	Kingston Mgmnt Isle of Man	3,777,663	3.04%
12	M Ivey Pty Ltd Super Account	2,893,319	2.33%
13	ABN Amro Clearing Sydney	2,303,851	1.85%
14	Bunda Holdings Pty Ltd	2,258,000	1.82%
15	Twynam Agricultural Grp Pty Ltd	2,076,670	1.67%
16	Computer Visions Pty Ltd	2,035,000	1.64%
17	Ivoryrose Holdings Pty Ltd	1,915,000	1.54%
18	Grizzley Holdings Pty Ltd	1,810,807	1.46%
19	Zadar Holdings Pty Ltd	1,496,100	1.20%
20	Foxtom Nominees Pty Ltd	1,310,000	1.05%
		91,794,273	73.88%

### *Unquoted equity securities*

	Number on issue	Number of holders
Options issued under the Castle Minerals Limited Employees and Contractors Option Plan to take up ordinary shares	1,050,000	1
Performance Rights issued under the Castle Minerals Limited Performance Rights Plan to take up ordinary shares	2,000,000	1

## ASX Additional Information continued

### (c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares
Azumah Resources Limited	19,315,812
Lujeta Pty Ltd	10,135,000
Bridgeline Capital Pty Ltd	7,550,000
David Harper	8,527,919
Henry Wiechecki	7,279,100
Michael Ivey	7,378,498

### (d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(e) There are no restricted securities or securities subject to voluntary escrow on issue

(f) There is no current on market buy back

### (g) Schedule of interests in mining tenements

Location	Tenement Name	Tenement Reference	Percentage held
Antubia, Ghana	Boizan	PL2/400	100*
Antubia, Ghana	Antubia (Juabeso)	PL2/399	100*
Bondaye, Ghana	Bondaye	Application	100
Akoko, Ghana	Akoko	PL. 2/398	100
Akoko, Ghana	Akoko West	PL. 2/425	100
Opon Mansi, Ghana	Opon Mansi	Application	100
Wa, Ghana	Wonachiyiri	Application	100
Wa, Ghana	Jang	RL. 10/23	100
Wa, Ghana	Julie West	PL. 10/13	100
Wa, Ghana	Wa	RL. 10/13	100
Wa, Ghana	Degbiwu	PL 10/26	100
Wa, Ghana	Bulenga	PL 10/23	100
Wa, Ghana	Charingu	PL 10/25	100
Wa, Ghana	Kandia	Application	100
Wa, Ghana	Baayiri	PL 10/24	100
Wa, Ghana	Kunche Trend 1	Application	100
Wa, Ghana	Kunche Trend 2	Application	100
Wa, Ghana	Sawla	PL.10/34	100*
Wa, Ghana	Sawla East	PL.10/32	100*
Wa, Ghana	Sawla South	PL.10/29	100*
Wa, Ghana	Jandra	PL.10/33	100*
Wa, Ghana	Jandra North	PL 10/28	100*
Wa, Ghana	Tuna	PL.10/31	100*
Wa, Ghana	Jang North	PL.10/30	100*
Wa, Ghana	Jang North West	PL.10/27	100*
Wa, Ghana	Gbinyiri	RL. 8/27	100
Wa, Ghana	Gurungu	RL. 8/28	100
Wa, Ghana	Jumo	RL. 8/31	100
Wa, Ghana	Chasia	RL. 8/30	100
Wa, Ghana	Perisi	RL. 8/29	100
Wa, Ghana	Funsi	Application	100
Wa, Ghana	Kambale	PL10/47	100

\*Tenements under Option/Sale Agreement to Merah Resources Limited (ASX: MEH) where MEH may acquire a 100% interest. Government of Ghana has the right to acquire a 10% free carried interest in all tenements.