CASTLE MINERALS LIMITED

ABN 83 116 095 802

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED
31 DECEMBER 2016

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the Annual Financial Statements for the year ended 30 June 2016 and any public announcements made by Castle Minerals Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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DIRECTORS' REPORT

Your directors submit their report on the consolidated entity consisting of Castle Minerals Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

DIRECTORS

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

Stephen Stone

Michael Atkins

Ian Hobson

REVIEW AND RESULTS OF OPERATIONS

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

	2016		2015	
	Revenues	**Results**	**Revenues**	**Results**
	$	**$**	**$**	**$**
Consolidated entity revenues and (loss)	**204,207**	**(126,822)**	285,136	(39,583)

Castle's corporate objectives are:

1. Exploration and development of its gold projects in Ghana; and
2. Acquisition and exploration of other mineral resource opportunities.

Castle's activities during the half year were consistent with its defined objectives. Gold exploration focussed on Castle's Wa licences and in particular its Kpali licence. It also sold its Akoko project via the sale of subsidiary, Topago Limited. A number of new opprtunities were generated and evaluated but as yet none are at an advanced stage of acquisition.

SUBSEQUENT EVENTS

During January 2017, the Group received the second cash payment of US$250,000 due from the sale of the Group's Akoko Gold Project in south west Ghana.

No other matter or circumstance has arisen since 31 December 2016, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

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 4.

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

Stephen Stone
Managing Director
Perth, 1 March 2017

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

As lead auditor for the review of Castle Minerals Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 1 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Half-year	
	2016	**2015**
	$	**$**
REVENUE	**301**	35,136
Other income	**203,906**	250,000
EXPENDITURE		
Depreciation expense	**(4,166)**	(64,242)
Salaries and employee benefits expense	**(69,800)**	(56,945)
Exploration expenses	**(44,733)**	(163,489)
Corporate expenses	**(26,170)**	(36,796)
Administration expenses	**(52,347)**	(77,150)
Finance costs	**(2,550)**	-
Loss on settlement of liability	**(71,263)**	-
Share based payment expense	**(60,000)**	73,903
LOSS BEFORE INCOME TAX	**(126,822)**	(39,583)
Income tax (expense)/benefit	**-**	-
LOSS AFTER TAX FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF CASTLE MINERALS LIMITED	**(126,822)**	(39,583)
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**1,608**	7,458
Other comprehensive income for the period, net of tax	**1,608**	7,458
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF CASTLE MINERALS LIMITED	**(125,214)**	(32,125)
Basic and diluted loss per share (cents)	**(0.08)**	(0.03)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	31 December 2016 $	30 June 2016 $
CURRENT ASSETS			
Cash and cash equivalents		**84,211**	184,809
Trade and other receivables		**8,529**	7,625
Financial assets at fair value through profit or loss		**16,921**	9,870
Assets classified as held for sale	4	**975**	-
TOTAL CURRENT ASSETS		**110,636**	202,304
NON-CURRENT ASSETS			
Plant and equipment		**38,991**	43,157
TOTAL NON-CURRENT ASSSETS		**38,991**	43,157
TOTAL ASSETS		**149,627**	245,461
CURRENT LIABILITIES			
Trade and other payables		**186,124**	576,546
Borrowings		**55,694**	-
Liabilities directly associated with assets classified as held for sale	4	**1,715**	-
TOTAL CURRENT LIABILITIES		**243,533**	576,546
TOTAL LIABILITIES		**243,533**	576,546
NET LIABILITIES		**(93,906)**	(331,085)
EQUITY			
Contributed equity	3	**23,696,603**	23,394,20
Reserves		**946,594**	884,986
Accumulated losses		**(24,737,103)**	(24,610,281)
DEFICIENCY IN EQUITY		**(93,906)**	(331,085)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Contributed Equity	Share-Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$
BALANCE AT 1 JULY 2015	23,222,885	688,639	262,076	(24,129,984)	43,616
Loss for the period	-	-	-	(39,583)	(39,583)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	7,458	-	7,458
TOTAL COMPREHENSIVE INCOME/(LOSS)	-	-	7,458	(39,583)	(32,125)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Share-based payments expense	-	(73,903)	-	-	(73,903)
BALANCE AT 31 DECEMBER 2015	23,222,885	614,736	269,534	(24,169,567)	(62,412)
BALANCE AT 1 JULY 2016	**23,394,210**	**614,736**	**270,250**	**(24,610,281)**	**(331,085)**
Loss for the period	**-**	**-**	**-**	**(126,822)**	**(126,822)**
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	**-**	**-**	**1,608**	**-**	**1,608**
TOTAL COMPREHENSIVE INCOME/(LOSS)	**-**	**-**	**1,608**	**(126,822)**	**(125,214)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	**302,393**	**-**	**-**	**-**	**302,393**
Share-based payments expense	**-**	**60,000**	**-**	**-**	**60,000**
BALANCE AT 31 DECEMBER 2016	**23,696,603**	**674,736**	**271,858**	**(24,737,103)**	**(93,906)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Half-year 2016 $	Half-year 2015 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on mining interests	**(288,616)**	(49,803)
Payments to suppliers and employees	**(162,300)**	(134,124)
Interest received	**301**	1,801
Other revenue	**-**	23,135
Proceeds on sale of mining interests	**-**	250,000
Net cash (outflow)/inflow from operating activities	**(450,615)**	91,009
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of financial assets	**-**	30,422
Deposit received on sale of subsidiary, net of cash classified as held for sale	**195,881**	-
Net cash inflow from investing activities	**195,881**	30,422
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**100,000**	-
Proceeds from related party borrowings	**250,000**	-
Repayment of related party borrowings	**(196,856)**	-
Net cash inflow from financing activities	**153,144**	-
Net (decrease)/increase in cash and cash equivalents	**(101,590)**	121,431
Cash and cash equivalents at the beginning of the half-year	**184,809**	182,518
Effects of exchange rate changes on cash and cash equivalents	**992**	585
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	**84,211**	304,534

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

This consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Castle Minerals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

New and amended standards adopted by the Group

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

Impact of standards issued but not yet applied by the Group

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

Going concern

During the half-year the Group recorded a net loss of $126,822 and incurred net cash outflows from operating activities of $450,615.

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

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

Management believe there are sufficient funds to meet the entity's working capital requirements as at the date of this report. Subsequent to period end the entity expects to receive additional funds via further capital raisings, proceeds to be received from the second instalment from sale of the Akoko Gold Project and proceeds to be received from the second instalment from sale of the Julia West Project.

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

- The second instalment from the sale of the Akoko Gold Project of US$250,000 was received subsequent to period end.
- The Directors note that $250,000 is due from the second instalment from sale of the Julia West Project, pending Ministerial consent in Ghana.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

NOTE 2: SEGMENT INFORMATION

For management purposes, the Group has identified only one reportable segment as 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 or loss and cash flows and is measured in accordance with the Group's accounting policies.

	Half-year	
	2016	**2015**
Ghana Exploration Segment	**$**	**$**
Ghana segment revenue	**196,856**	252,164
Reconciliation of Ghana segment revenue to total revenue before tax:		
Interest revenue	**301**	1,801
Other revenue	**7,050**	31,171
Total revenue	**204,207**	285,136
Ghana segment results	**152,587**	191,770
Reconciliation of Ghana segment result to loss before tax:		
Corporate depreciation	**(4,136)**	(5,293)
Finance costs	**(2,550)**	-
Loss on settlement of liability	**(71,263)**	-
Other corporate and administration	**(201,460)**	(226,060)
Loss before tax	**(126,822)**	(39,583)

	31 December 2016	**30 June 2016**
	$	**$**
Ghana segment operating assets	**22,620**	36,246
Reconciliation of Ghana segment operating assets to total assets:		
Other corporate and administration assets	**127,007**	209,215
Total assets	**149,627**	245,461
Ghana segment operating liabilities	**74,156**	318,655
Reconciliation of Ghana segment operating liabilities to total liabilities:		
Other corporate and administration liabilities	**169,377**	257,891
Total liabilities	**243,533**	576,546

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: MOVEMENTS OF EQUITY SECURITIES

Ordinary Share Capital	2016 Shares	2016 $	2015 Shares	2015 $
As at 1 July	**149,321,731**	**23,394,210**	130,992,519	23,222,885
Issued during the half-year				
Issued for cash @ 1.0 cents per share	**10,000,000**	**100,000**	-	-
Issued in lieu of Directors' fees @ 1.9 cents per share(1)	**9,180,805**	**174,435**	-	-
Issued in lieu of Directors' fees @ 1.5 cents per share(2)	**1,863,844**	**27,958**	-	-
As at 31 December	**170,366,380**	**23,696,603**	130,992,519	23,222,885

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

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

(3) The settlement of the above liabilities by the issue of shares has resulted in a net loss (grant date fair value of the shares being greater than the invoice value of the services received) being recognised in the profit or loss for the half-year of $71,263.

Options	Number of options 2016	2015
As at 1 July	**1,050,000**	1,050,000
Expired 1 September 2016, exercisable at $0.40	**(1,050,000)**	-
Issued, expiring 30 September 2019, exercisable at $0.03	**6,000,000**	-
As at 31 December	**6,000,000**	1,050,000

During the 2016 half-year, 6,000,000 options with an exercise price of 3 cents and expiring on 30 September 2019 were issued to Directors after approval at the 2016 annual general meeting. These options vested on the date of issue. The fair value of the options granted during the half-year was 1.0 cent. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2016
Exercise price (cents)	3.0
Life of the options (years)	2.8
Underlying share price (cents)	1.5
Expected share price volatility	137%
Risk free interest rate	1.86%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4: ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

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

Under the terms of the sale agreement, Castle received an initial non-refundable cash payment of US$150,000 upon execution of the agreement. This amount has been included in other income for the half-year ended 31 December 2016. A second cash payment of US$250,000 was due upon completion of the agreement, which occurred during January 2017, refer to note 9. Sale consideration also includes a cash payment of US$100,000 upon commencement of mining at the Akoko Gold Project, a gross royalty of US$25 per ounce on the first 50,000 ounces of gold produced, and a 1% gross royalty on any additional production over 50,000 ounces of gold.

The following assets and liabilities of Topago have been presented as a disposal group classified as held for sale at 31 December 2016:

	31 December 2016 $	30 June 2016 $
Assets classified as held for sale		
Cash	**975**	-
Total assets of disposal group held for sale	**975**	-
Liabilities directly associated with assets classified as held for sale		
Trade and other creditors	**1,715**	-
Total liabilities of disposal group held for sale	**1,715**	-

Topago forms part of the reported Ghana Exploration segment disclosed in note 2.

NOTE 5: CONTINGENCIES

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

NOTE 6: DIVIDENDS

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

NOTE 7: FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The market value of all equity investments represent the fair value based on quoted prices on active markets (ASX) as at the reporting date without any deduction for transaction costs. These investments are classified as Level 1 financial instruments. There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of these financial instruments, or changes in its classification as a result of a change in the purpose or use of these assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 8: RELATED PARTY TRANSACTIONS

During the half-year the Group received short-term funding by way of a loan facility of $250,000 from Azumah Resources Limited ("AZM"). AZM is a related party of the Group as two of Castle's directors, Messrs Atkins and Stone, are also Directors of AZM. The key terms and conditions of the loan are as follows:

- The loan is unsecured.
- Interest charged at the rate of 8% per annum.
- The loan is to be repaid on the earlier of:
  - a) The date Castle receives any funding relating to the sale of equity;
  - b) The date on which Castle receives the proceeds from the sale of any of its assets;
  - c) The date upon which the obligation of AZM, pursuant to the assignment of the Julie West Agreement, becomes due and payable: and
  - d) 30 September 2017.

An amount of $196,856 was repaid during the half-year from the initial proceeds of the sale of the Akoko Gold Project, with the balance outstanding at the reporting date being $55,694. This balance was repaid during January 2017 from the second cash payment received from the sale of the Akoko Gold Project.

NOTE 9: SUBSEQUENT EVENTS

During January 2017, the Group received the second cash payment of US$250,000 due from the sale of the Group's Akoko Gold Project in south west Ghana.

No other matter or circumstance has arisen since 31 December 2016, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:
   (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Castle Minerals Limited will be able to pay its debts as and when they become due and payable.

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

Stephen Stone
Managing Director

Perth, 1 March 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Castle Minerals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Castle Minerals Limited, which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2016and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Castle Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(i) Giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch
Director

Perth, 1 March 2017