

CASTILLO COPPER

CASTILLO COPPER LIMITED

ABN 52 137 606 476

Annual Report

30 June 2014

Corporate Directory

Directors

Mr. Brian McMaster (Executive Chairman)

Dr. Nicholas Lindsay (Managing Director)

Mr. Matthew Wood (Executive Director)

Mr. Daniel Crennan (Non-Executive Director)

Company Secretary

Mr. Jack James

Registered Office and Principal Place of Business

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330 Churchill Avenue,

Subiaco, WA 6008

Australia

Telephone: + 618 9200 4491

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WEST PERTH WA 6005

Telephone: + 618 9324 2099

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Auditors

RSM Bird Cameron Partners

8 St Georges Terrace

Perth WA 6000 Australia

Stock Exchange Listing

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

ASX Code: CCZ

Contents

	Page No
Directors' Report	1
Corporate Governance Statement	11
Consolidated Statement of Comprehensive Income	15
Consolidated Statement of Financial Position	16
Consolidated Statement of Changes in Equity	17
Consolidated Statement of Cash Flows	18
Notes to the Consolidated Financial Statements	19
Directors' Declaration	42
Auditor's Independence Declaration	43
Independent Auditor's Report	44
ASX Additional Information	46
Tenement Table	47

Castillo Copper Limited – Directors’ Report

The directors of Castillo Copper Limited and its subsidiaries (“Castillo” or the “Group”) submit the financial report of the Group for the year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The names, qualifications and experience of the Group’s Directors in office during the year and until the date of this report are as follows. Directors were in office for this entire financial year unless otherwise stated.

Mr. Brian McMaster –Executive Chairman (appointed 31 August 2013)

Mr. McMaster is a Chartered Accountant and has 20 years’ experience in the area of corporate reconstruction and turnaround / performance improvement. Mr. McMaster’s experience includes numerous reorganisations and turnarounds, including being instrumental in the recapitalisation and listing of 12 Australian companies on the ASX. Mr. McMaster was a previous partner of the restructuring firm, Korda Mentha, and prior to that was a partner at Ernst & Young. His experience includes significant working periods in the United States, South America, Asia and India.

Mr. McMaster was a director of The Waterberg Coal Company (appointed 12 April 2012, resigned 17 March 2014) and Firestone Energy Limited (appointed 14 June 2013, resigned 18 March 2014). Mr. McMaster is currently a director of Lindian Resources Limited (appointed 20 June 2011), Caravel Energy Limited (appointed 2 December 2011), Black Star Petroleum Limited (appointed 9 August 2012), Paradigm Metals Limited (appointed 14 September 2012), Wolf Petroleum Limited (appointed 24 April 2012), Haranga Resources Limited (appointed 1 April 2014) and Triumph Tin Limited (appointed 1 April 2014). He has not held any other listed directorships in the past three years.

Dr. Nicholas Lindsay - Managing Director

Dr. Lindsay has over 25 years’ experience in the global mining industry, with focus on the technical and commercial assessment, and the development of new business opportunities in various commodities including copper, gold and iron ore in Australia, Former Soviet Union, South Africa and South America (Chile, Peru and Argentina). He has worked in both the major and junior mining sectors, and as an Independent Consultant based in Chile, a country with which he has a long association. He has a BSc Honours degree in Geology and an MBA from the University of Otago (New Zealand), and a PhD from the University of the Witwatersrand (South Africa).

Dr. Lindsay is a member of the Australian Institute of Geoscientists and the AusIMM. Dr. Lindsay’s key experience is the recognition, assessment and management of new business opportunities in the copper, zinc, gold, titanium mineral sands, coal and iron ore sectors; including mergers and acquisitions, portfolio restructuring and disposals. Dr. Lindsay also has extensive experience – with the commercial development of mineral properties.

Dr. Lindsay is currently a director of Voyager Resources Limited (appointed 12 June 2009) and a director of Laguna Resources Limited which has now been delisted (appointed 6 August 2009, delisted 15 February 2012).

Mr. Matthew Wood - Executive Director (appointed 1 April 2014)

Mr. Wood has over 20 years experience in the resource sector with both major and junior resource companies and has extensive experience in the technical and economic evaluation of resource projects throughout the world. Mr. Wood’s expertise is in project identification, negotiation, acquisition and corporate development. Mr. Wood has an honours degree in geology from the University of New South Wales and a graduate certificate in mineral economics from the Western Australian School of Mines and is a member of the AusIMM. Mr. Wood is a founding Director in venture capital and advisory firm Garrison Capital Pty Limited.

Mr. Wood was a director of Signature Metals Limited (appointed 19 February 2007, resigned 13 February 2012). Mr. Wood is currently a director of Avanco Resources Limited (appointed 4 July 2007), Caravel Energy Limited (appointed 29 May 2009), Voyager Resources Limited (appointed 12 June 2009), Haranga Resources Limited

Castillo Copper Limited – Directors’ Report

(appointed 2 February 2010), Lindian Resources Limited (appointed 5 May 2011), Black Star Petroleum Limited (appointed 28 February 2013), Wolf Petroleum Limited (appointed 24 April 2012) and Triumph Tin Limited (appointed 1 April 2014). He has not held any other listed directorships over the past three years.

Mr. Daniel Crennan – Non-Executive Director

Mr. Crennan completed his Articles at Griffith Hack Patent and Trade Mark Attorneys, Lawyers. He also completed a research internship at the International Criminal Tribunal for former Yugoslavia in the Hague under Judge Richard May. Daniel co-authored the Law Council of Australia submission to the Joint Standing Committee on Treaties in relation to the establishment of the International Criminal Court. Whilst undertaking his law degree, Mr. Crennan studied Public International Law at Leiden University, the Netherlands. Mr. Crennan appears primarily in major commercial disputes or prosecutions conducted by regulators.

Mr. Crennan is currently a director of ASX listed Haranga Resources Limited (appointed 28 March 2012). He was also previously a director of Hunnu Coal Limited and The Waterberg Coal Company Limited.

Mr. Scott Funston – former Executive Director (resigned 1 April 2014)

Mr. Funston is a qualified Chartered Accountant and Company Secretary with more than 10 years’ experience in the mining industry and the accounting profession. His expertise is financial management, regulatory compliance and corporate advice. Mr. Funston possesses a strong knowledge of the Australian Securities Exchange requirements and currently assists or has previously assisted a number of resources companies operating throughout Australia, South America, Asia, USA and Canada with financial accounting, stock exchange compliance and regulatory activities.

Mr. Funston is currently a Director of Avanco Resources Limited (appointed 17 March 2009). He was previously a Director of Lindian Resources Limited (appointed 5 May 2011), The Waterberg Coal Company Limited (appointed 5 April 2013) and Highfield Resources Limited (appointed 2 November 2012). He has not held any other listed Directorships over the past three years.

Mr. William Ryan – former Non-Executive Chairman (resigned 31 August 2013)

Mr Ryan holds a Masters degree in Chemical Engineering and has over 40 years’ experience in mining, metallurgy and management. His career has included 4 years in metallurgical research at Amdel in Adelaide, 11 years at Endeavour Resources Limited in Melbourne, and a brief role at Bond Resources in 1981 to 1982. Following this, Mr Ryan provided consultancy services through Rytech Pty Ltd. In 1987, Mr Ryan took control of what became Titan Resources NL and resigned from that position after 17 years in June 2004.

Mr Ryan was the President of the influential mining lobby group AMEC for 5 years (1995 – 2000), a Councillor of the WA Chamber of Minerals and Energy for 2 years and an inaugural Councillor of the Australian Gold Council. He is a Fellow of the Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Company Directors.

Castillo Copper Limited – Directors’ Report

COMPANY SECRETARY

Mr. Jack James (appointed 14 July 2014)

Mr. James has a Bachelor of Business from Queensland University of Technology and is a Chartered Accountant. Mr. James provides accounting, secretarial and advisory advice to private and public companies, government and other stakeholders. Mr. James has over 15 years’ experience in chartered accounting, specializing in corporate advisory and reconstruction.

Mr. James is currently a director on Lithex Resources Limited (appointed 12 December 2013) and Eumeralla Resources Limited (appointed 22 August 2011). Mr James was previously a director of Firestone Energy Limited (5 February 2013 to 13 June 2013). He has not held any other listed directorships over the past three years.

Mr. Scott Funston (resigned 14 July 2014)

Mr. Funston was the former Company Secretary, resigned on 14 July 2014.

DIRECTORS’ MEETINGS

During the financial year, in addition to regular Board discussions, the number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Mr. Brian McMaster	2	2
Mr. William Ryan	1	1
Mr. Matthew Wood	-	-
Dr. Nicholas Lindsay	3	3
Mr. Scott Funston	3	3
Mr. Daniel Crennan	3	3

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of Castillo Copper Limited in accordance with the requirements of the *Corporation Act 2001* and its Regulations. For the purpose of this report, Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any officer (whether executive or otherwise) of the Group.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Group does not link the nature and amount of the emoluments of such officers to the Group’s financial or operational performance. The expected outcome of this remuneration structure is to retain and motivate Directors.

As part of its Corporate Governance Policies and Procedures, the Board has adopted a formal Remuneration Committee Charter. Due to the current size of the Group and number of directors, the Board has elected not to create

Castillo Copper Limited – Directors’ Report

a separate Remuneration Committee but has instead decided to undertake the function of the Committee as a full Board under the guidance of the formal charter.

The rewards for Directors’ have no set or pre-determined performance conditions or key performance indicators as part of their remuneration due to the current nature of the business operations. The Board determines appropriate levels of performance rewards as and when they consider rewards are warranted. The Group has no policy on executives and directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

The table below shows the performance of the Group as measured by loss per share since incorporation in June 2010:

As at 30 June	2014	2013	2012	2011	2010
Loss per share (cents)	(0.58)	(1.78)	(5.29)	(7.71)	(2.30)

DETAILS OF REMUNERATION

Details of Key Management Personnel

Mr. Brian McMaster (Executive Chairman)
 Dr. Nicholas Lindsay (Managing Director)
 Mr. Matthew Wood (Executive Director)
 Mr. Daniel Crennan (Non-Executive Director)
 Mr. Scott Funston (former Executive Director)
 Mr. William Ryan (former Non-Executive Chairman)

Details of the nature and amount of each element of the emolument of each Director and Executive of the Group for the financial year are as follows:

	Short term			Options	Post employment	Total	Option Related %
	Base Salary	Directors’ Fees	Consulting Fees	Share based Payments	Superannuation		
2014	\$	\$	\$	\$	\$	\$	%
Director							
Mr. Brian McMaster ¹	-	80,000	-	-	-	80,000	-
Dr. Nicholas Lindsay	-	-	195,000	-	-	195,000	-
Mr. Matthew Wood ²	-	-	5,000	-	-	5,000	-
Mr. Scott Funston ²	-	-	45,000	-	-	45,000	-
Mr. Daniel Crennan	-	22,500	-	-	-	22,500	-
Mr. William Ryan ¹	-	8,596	-	-	-	8,596	-
	-	111,096	245,000	-	-	356,096	-

¹ Mr. William Ryan resigned and Mr. Brian McMaster appointed on 31 August 2013.

² Mr. Scott Funston resigned and Mr. Matthew Wood appointed on 1 April 2014.

Castillo Copper Limited – Directors’ Report

2013	Short term			Options	Post employment	Total	Option Related %
	Base Salary	Directors’ Fees	Consulting Fees	Share based Payments	Superannuation		
Director	\$	\$	\$	\$	\$	\$	%
Mr. William Ryan ¹	-	3,305	-	-	-	3,305	-
Mr. Matthew Wood ²	-	-	70,000	-	-	70,000	-
Dr. Nicholas Lindsay ¹	-	-	26,600	-	-	26,600	-
Mr. Scott Funston ²	-	-	55,000	-	-	55,000	-
Mr. Daniel Crennan ¹	-	3,305	-	-	-	3,305	-
Mr. Vernon Tidy ²	-	15,000	-	-	-	15,000	-
Mr. Mark Arundell ³	-	-	108,250	-	-	108,250	-
Mr. Anthony Polglase ³	-	6,250	-	-	-	6,250	-
	-	27,860	259,850	-	-	287,710	-

¹ Mr. William Ryan, Dr. Nicholas Lindsay and Mr. Daniel Crennan were appointed on 21 May 2013.

² Mr. Matthew Wood and Mr. Scott Funston were appointed on 19 November 2012. Mr. Wood and Mr. Vernon Tidy resigned on 21 May 2013

³Mr. Mark Arundell and Mr. Anthony Polglase resigned on 19 November 2012

There were no other key management personnel of the Group during the financial years ended 30 June 2014 and 30 June 2013. No remuneration is performance related.

Service Agreements

Executive Directors Remuneration

The Managing Director, Dr. Nicholas Lindsay is paid an annual consulting fee on a monthly basis. The agreement commenced on 20 May 2013 and is for a term of two years unless extended by both parties. Dr. Lindsay may terminate the agreement by giving three months written notice. The Group may terminate the agreement by giving three months written notice and by paying an amount equivalent to twelve months fees (based on agreed consulting fee) or without notice in the case of serious misconduct.

Mr. Brian McMaster and Mr. Matthew Wood are paid an annual consulting fee on a monthly basis. Their services may be terminated by either party at any time.

Non-Executive Director

Mr. Daniel Crennan is paid an annual consulting fee on a monthly basis. His services may be terminated by either party at any time.

The aggregate remuneration for non-executive Directors has been set at an amount not to exceed \$500,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

Share-based compensation

Issue of shares

There were no share issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014.

Castillo Copper Limited – Directors’ Report

Options

There were no grants of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years.

Additional disclosures relating to key management personnel

Key Management Personnel Options

The number of options in the company held during the financial year by key management personnel of Castillo Copper Limited, including their personally related parties, is set out below.

	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Dr. Nicholas Lindsay	-	-	-	-	-
Mr. Brian McMaster ¹	-	-	-	1,750,000	1,750,000
Mr. Matthew Wood ²	-	-	-	1,750,000	1,750,000
Mr. William Ryan ¹	-	-	-	-	-
Mr. Scott Funston ²	750,000	-	-	(750,000)	-
Mr. Daniel Crennan	-	-	-	-	-

¹ Mr. William Ryan resigned and Mr. Brian McMaster appointed on 31 August 2013

² Mr. Scott Funston resigned and Mr. Matthew Wood appointed on 1 April 2014

Key Management Personnel Share holdings

The number of shares in the company held during the financial year held by key management personnel of Castillo Copper Limited, including their personally related parties, is set out below.

	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Dr. Nicholas Lindsay	5,765,001	-	-	2,000,000	7,765,001
Mr. Brian McMaster ¹	-	-	-	3,770,000	3,770,000
Mr. Matthew Wood ²	-	-	-	27,379,001	27,379,001
Mr. William Ryan ¹	4,500,001	-	-	(4,500,001) ¹	-
Mr. Scott Funston ²	2,895,001	-	-	(2,895,001)	-
Mr. Daniel Crennan	500,000	-	-	-	500,000

¹ Mr. William Ryan resigned and Mr. Brian McMaster appointed on 31 August 2013

² Mr. Scott Funston resigned and Mr. Matthew Wood appointed on 1 April 2014

Other transactions with key management personnel

Lindsay Rueda Services Pty Ltd, a company of which Dr. Lindsay is a director, charged the Group consulting fees. \$11,000 was outstanding at year end.

Resourceful International Consulting Pty Ltd, a company in which Mr. Funston is a director, charged the Group consulting fees. \$2,750 was outstanding at year end.

Vega Funds Pty Ltd, a company of which Mr. McMaster is a director, charged the Group for his director’s fees. \$8,800 was outstanding at year end.

Castillo Copper Limited – Directors’ Report

Garrison Capital Pty Ltd, a company of which Mr. Wood and Mr. McMaster are directors and shareholders, provided the Group with a fully serviced office including administration and information technology support and charged \$120,000 for the year ended 30 June 2014 for these services, plus reimbursement of payment for corporate advisory services (\$45,000), company secretary fees (\$34,150), accounting services (\$21,177), courier and other minor expenses (\$589) were charged during the year. \$20,113 was outstanding at year end.

Transactions with key management personnel were made at arm’s length at normal market prices and normal commercial terms.

END OF REMUNERATION REPORT

INTERESTS IN THE SECURITIES OF THE GROUP

As at the date of this report, the interests of the Directors in the securities of Castillo Copper Limited were:

Director	Ordinary Shares	Options over ordinary shares exercisable at 10 cents
B. McMaster	3,770,000	1,750,000
N. Lindsay	7,765,001	-
M. Wood	27,379,001	1,750,000
D Crennan	500,000	-

RESULTS OF OPERATIONS

The net loss of the Group for the year after income tax was \$1,945,775 (2013: \$633,333) and the net assets of the Group at 30 June 2014 was \$4,186,763 (2013: \$3,171,186).

DIVIDENDS

No dividend was paid or declared by the Group in the year and up to the date of this report.

CORPORATE STRUCTURE

Castillo Copper Limited is a company limited by shares that is incorporated and domiciled in Australia.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

During the financial year, the principal activity was mineral exploration and examination of new resource opportunities. The Group currently holds copper projects in Chile and gold projects in Australia.

EMPLOYEES

The Group had no employees at 30 June 2014 (2013:Nil).

REVIEW OF OPERATIONS

During the financial period, the principal activity was mineral exploration and examination of new resource opportunities. The Group currently holds copper projects in Chile and gold projects in Australia

RESGUARDO COPPER PROJECT

The Resguardo project area (1,840 hectares) is located 95 km north east of Copiapó (northern Chile) in the Middle Tertiary porphyry copper belt, which hosts the large scale El Salvador and Potrerillos copper mines.

Geological mapping and ground magnetics showed that alteration was controlled by a north easterly trending structural corridor, which is related to regional structural elements. Geochemical sampling showed the presence of

Castillo Copper Limited – Directors' Report

high copper grades (0.45 to 7% Cu) associated with old workings in the east at the abandoned Candil mine and high gold grades in the western sector (0 to 56 g/t Au), which combined with geological mapping formed the basis for targeting drillholes .

Two reverse circulation ("RC") holes were drilled for 514 metres at the Candil mine to test extensions of the mineralisation below existing workings, based on the concept that the breccia pipe is mineralised at depth. The principal intercept of drilling results was 10 metres at 1.03% copper in RRC02 from an intercept at 106 metres, including 2 metres at 2.76% copper from 116 metres.

Consideration of the drill hole data and geological results has led to the interpretation that copper mineralisation is hosted in a series of mantos (stratabound lenses) which intercept copper-bearing fault structures. The volumetric estimation of the potential of this mineralisation was considered inadequate for further exploration, and the option was allowed to lapse.

POSADA COPPER PROJECT

The Posada copper project currently occupies 2,188 hectares of exploration concessions on the northern Chilean copper-iron belt, and is 60 km south of Copiapo. The copper-gold target is hosted within Mesozoic island arc volcanics, and comprises a 4 x 1 km geophysical (induced polarisation/low resistivity) anomaly. Known mineralisation on the property includes small artisanal gold and copper mines.

Three diamond drill holes were completed for 500 metres (total), and successfully tested the geophysical anomaly targeted, which was shown to be marked by extensive zones of hydrothermal alteration, represented by sericite and quartz in stockwork, with abundant disseminated magnetite and sulphide mineralisation, principally pyrite. This style of alteration is consistent with the presence of porphyry copper deposits of Mesozoic age in the Coastal Ranges. Further drilling is planned with the objective of intercepting significant copper mineralisation.

RIO ROCIN COPPER PROJECT

The Rio Rocin project consists of 2,200 hectares of concessions located approximately 140 km north of Santiago in the San Felipe Province of the Valparaiso Region, on the same structural trend that hosts giant porphyry copper mines such as El Teniente (Codelco), Los Bronces (Anglo American), Andina (Codelco) and Los Pelambres (Antofagasta Minerals).

The project area comprising sectors Los Bayos and El Chilon, covers a significant portion of a northerly trending quartz-sericite-clay altered, mineralised diorite porphyry known as Andrés-Amos, which intrudes the Upper Cretaceous-Lower Tertiary and Miocene volcano-sedimentary formations of central Chile.

Los Bayos sector is interpreted to be a leached cap over the copper mineralised Amos porphyry, with El Chilon connected to the system by a regional north-south trending reverse fault. The principal target for exploration is supergene copper mineralisation, which may provide a higher grade for development than might occur in the primary copper mineralisation. It is thought that the supergene, which would be generated from strong acid leaching at Los Bayos, has been deposited below it and laterally in the contiguous Chilon sector using the principal regional structure (Chilon fault) as a conduit.

Two phases of exploration have been completed. In the first phase, detailed geological mapping confirmed the identification and nature of the Andrés-Amos porphyry copper cluster and the location of Rio Rocin properties within that feature. The second phase comprised a comprehensive geophysical programme, which included ground magnetics, induced polarisation (dipole-dipole) and resistivity.

The results of the induced polarisation and resistivity work show the presence of three anomalies that require drill testing for supergene mineralisation. These coincide with the magnetic lows at Los Bayos and northern Chilon, and are high quality anomalies that are thought to provide indicators of supergene sulphide mineralisation.

Castillo Copper Limited – Directors’ Report

The identification and definition of geophysical anomalies represent high quality targets for testing by drilling. A programme of 2,000 metres of diamond drilling had been planned for the summer of 2013/14 but was postponed while important safety and logistics issues associated with remote alpine drilling were resolved.

CORPORATE

On 31 August 2013, Mr Brian McMaster was appointed to the Board as Executive Chairman following the resignation of Mr William Ryan.

On 1 April 2014, Mr Matthew Wood was appointed to the Board as Executive Director following the resignation of Mr Scott Funston.

Castillo Copper maintains an aggressive position in continuous assessment of new opportunities as they arise in Chile, and has acquired substantial areas of exploration concessions. In addition, it continues to rationalise its tenement holdings in New South Wales.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no known significant events from the end of the financial year to the date of this report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company are set out in the above review of operations. Disclosure of any further information has not been included in this report because, in the reasonable opinion of the Directors, to do so would be likely to prejudice the business activities of the Group and is dependent upon the results of future exploration and evaluation.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations of the Group are presently subject to environmental regulation under the laws of the Commonwealth of Australia and the State of New South Wales and the Republic of Chile. The Group is, to the best of its knowledge, at all times in full environmental compliance with the conditions of its licenses.

SHARE OPTIONS

As at the date of this report, there were 5,000,000 unissued ordinary shares under options (5,000,000 at the reporting date). The details of the options at the date of this report are as follows:

Number	Exercise Price \$	Expiry Date
5,000,000	0.10	30 June 2017

No option holder has any right under the options to participate in any other share issue of the Group or any other entity. No options expired or were exercised during the financial year or since the end of the financial year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group has made an agreement indemnifying all the Directors and Officers of the Group against all losses or liabilities incurred by each Director or Officer in their capacity as Directors or Officers of the Group to the extent permitted by the Corporation Act 2001. The indemnification specifically excludes wilful acts of negligence. The Group paid insurance premiums in respect of Directors’ and Officers’ Liability Insurance contracts for current officers of the Group. The liabilities insured are damages and 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 entities in the Group. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of the court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Castillo Copper Limited – Directors' Report

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Castillo Copper Limited support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Castillo Copper is in compliance with those guidelines to the extent possible, which are of importance to the commercial operation of a junior listed resources company. During the financial year, shareholders continued to receive the benefit of an efficient and cost effective corporate governance policy for the Group. The Group's Corporate Governance Statement and disclosures are contained elsewhere in the annual report.

AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the Group's auditors to provide the Directors of Castillo Copper Limited with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included within this report.

There were no non-audit services provided by the Group's auditor.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors.



Nicholas Lindsay
Managing Director

4 September 2014

The information in this report that relates to Mineral Resources and Exploration Results are based on information compiled by Dr Nicholas Lindsay who is a Member of the Australian Institute of Geoscientists and the AusIMM. Dr Lindsay is a Director of Castillo Copper Limited. Dr Lindsay has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Lindsay consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Castillo Copper Limited – Corporate Governance Statement

The Board of Directors of Castillo Copper Limited (“Castillo Copper” or “the Group”) is responsible for corporate governance of the Group. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Group has established a set of corporate governance policies and procedures. These were based on the Australian Securities Exchange Corporate Governance Council’s (the Council’s) “Principles of Good Corporate Governance and Best Practice Recommendations” (the Recommendations). In accordance with the Council’s recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the Group has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. For further information on corporate governance policies adopted by the Group, refer to our website: www.castillocopper.com.

Structure of the Board

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors’ Report. Directors of the Group are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

The Board has accepted the following definition of an Independent Director:

“An Independent Director is a Director who is not a member of management, is a Non-executive Director and who:

- is not a substantial shareholder (under the meaning of Corporations Law) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Company member, or been a Director after ceasing to hold any such employment;
- is not a principal of a professional adviser to the Company or another Company member;
- is not a significant consultant, supplier or customer of the Company or another Company member, or an officer of or otherwise associated, directly or indirectly, with a significant consultant, supplier or customer;
- has no significant contractual relationship with the Company or another Company member other than as a Director of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director’s ability to act in the best interests of the Company.”

In accordance with the definition of independence above, Mr. Daniel Crennan is considered independent. Accordingly, a majority of the board is not considered independent.

There are procedures in place, as agreed by the board, to enable Directors to seek independent professional advice on issues arising in the course of their duties at the Group’s expense. The term in office held by each Director in office at the date of this report is as follows:

Name	Term in office
Brian McMaster	10 Months
Nicholas Lindsay	1 year and 1 month
Matthew Wood	3 months
Daniel Crennan	1 year and 1 month

Castillo Copper Limited – Corporate Governance Statement

Nomination Committee

The Board has formally adopted a Nomination Committee Charter but given the present size of the Group, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the policies and procedures outlined in the Nomination Committee Charter. At such time when the Group is of sufficient size a separate Nomination Committee will be formed.

Audit and Risk Management Committee

The Board has formally adopted an Audit and Risk Management Committee Charter but given the present size of the Group, has not formed a separate Committee. Instead the function of the Committee will be undertaken by the full Board in accordance with the policies and procedures outlined in the Audit and Risk Management Committee Charter. At such time when the Group is of sufficient size a separate Audit and Risk Management Committee will be formed.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes both internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial and non-financial information. It is the Board's responsibility for the establishment and maintenance of a framework of internal control of the Group.

Performance

The Board of Castillo Copper conducts its performance review of itself on an ongoing basis throughout the year. The small size of the Group and hands on management style requires an increased level of interaction between Directors and Executives throughout the year. Board members meet amongst themselves both formally and informally. The Board considers that the current approach that it has adopted with regard to the review of its performance provides the best guidance and value to the Group.

Remuneration

It is the Group's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating Directors fairly and appropriately with reference to relevant employment market conditions. The Group does not link the nature and amount of executive and directors' emoluments to the Group's financial and operational performance.

For details of remuneration of Directors and Executives please refer to the Directors' Report.

The Board is responsible for determining and reviewing compensation arrangements for executive directors. The Board has formally adopted a Remuneration Committee Charter however given the present size of the Group, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the policies and procedures outlined in the Remuneration Committee Charter. At such time when the Group is of sufficient size a separate Remuneration Committee will be formed.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors.

Diversity Policy

The Group is committed to workplace diversity and to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees, to enhance Group performance. The Board has adopted a Diversity Policy which addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees.

Castillo Copper Limited – Corporate Governance Statement

In accordance with this policy, the Board provides the following information pertaining to the proportion of women across the organisation at the date of this report.

	Actual	
	Number	Percentage
Women in the whole organisation	-	-
Women in senior executive positions	-	-
Women on the board	-	-

Trading Policy

Under the Group's securities trading policy, an executive or director must not trade in any securities of the Group at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

Before commencing to trade, an executive must first obtain the approval of the Managing Director to do so and a Director must first obtain approval of the Chairman. Only in exceptional circumstances will approval be forthcoming inside of the period commencing on the tenth day of the month in which the Group is required to release its Quarterly Activities Report and Quarterly Cashflow Report and ending two days following the date of that release.

Assurance

The CEO and CFO (or equivalent) periodically provide formal statements to the Board that in all material aspects:

- the Group's financial statements present a true and fair view of the Group's financial condition and operational results; and
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

This assurance forms part of the process by which the Board determines the effectiveness of its risk management and internal control systems in relation to financial reporting risks.

Shareholder Communication Policy

Pursuant to Principle 6, the Group's objective is to promote effective communication with its shareholders at all times.

Castillo Copper Limited is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information;
- Complying with continuous disclosure obligations contained in the ASX listing rules and the *Corporations Act* in Australia; and
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with the Group.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX;
- Through the distribution of the annual report and notices of annual general meeting;
- Through shareholder meetings and investor relations presentations; and
- By posting relevant information on the Group's website: www.castillocopper.com

The external auditors are required to attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

Castillo Copper Limited – Corporate Governance Statement

Corporate Governance Compliance

During the financial year Castillo Copper has complied with each of the 8 Corporate Governance Principles and the corresponding Best Practice Recommendations, other than in relation to the matters specified below:

Best Practice Recommendation	Notification of Departure	Explanation of Departure
2.1	The Group does not have a majority of independent directors	The Directors consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Group.
2.2	The Chairman is not an independent director	The Directors consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Company.
2.4	The Group does not have a Nomination Committee	The role of the Nomination Committee has been assumed by the full Board operating under the Nomination Committee Charter adopted by the Board.
3.3	The Group has not disclosed in its annual report its measurable objectives for achieving gender diversity and progress towards achieving them.	The Board continues to monitor diversity across the organization. Due to the size of the Group, the Board does not consider it appropriate at this time, to formally set measurable objectives for gender diversity.
4.1 and 4.2	The Group does not have an Audit and Risk Management Committee	The role of the Audit and Risk Management Committee has been assumed by the full Board operating under the Audit and Risk Management Committee Charter adopted by the Board.
8.1	The Group does not have a Remuneration Committee	The role of the Remuneration Committee has been assumed by the full Board operating under the Remuneration Committee Charter adopted by the Board.

Consolidated Statement of Comprehensive Income *for the year ended 30 June 2014*

	Notes	2014 \$	2013 \$
REVENUE			
Interest received		32,302	20,772
TOTAL REVENUE		32,302	20,772
Listing and public company expenses		(35,941)	(33,287)
Accounting and audit expenses		(113,092)	(56,616)
Consulting and directors' fees		(269,227)	(209,688)
Impairment of exploration expenditure	6	(1,398,486)	(143,206)
Other expenses	4	(161,331)	(211,308)
LOSS BEFORE INCOME TAX EXPENSES FROM CONTINUING OPERATIONS		(1,945,775)	(633,333)
Income tax expense	5	-	-
LOSS AFTER INCOME TAX EXPENSES FOR THE YEAR		(1,945,775)	(633,333)
OTHER COMPREHENSIVE INCOME			
<i>Item that may be reclassified subsequently to operating result</i>			
Foreign currency translation		(294,504)	16,276
TOTAL OTHER COMPREHENSIVE (LOSS) / INCOME		(294,504)	16,276
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(2,240,279)	(617,057)
Loss per share attributable to owners of Castillo Copper Limited			
Basic and diluted loss per share (cents per share)	15	(0.58)	(1.78)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position as at 30 June 2014

	Notes	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents	13	812,266	145,581
Other receivables	7	105,224	133,844
TOTAL CURRENT ASSETS		917,490	279,425
NON CURRENT ASSETS			
Deferred exploration and evaluation expenditure	6	3,328,152	3,586,803
Plant and equipment		1,165	2,325
Other receivables	7	20,000	20,000
TOTAL NON CURRENT ASSETS		3,349,317	3,609,128
TOTAL ASSETS		4,266,807	3,888,553
CURRENT LIABILITIES			
Trade and other payables	8	80,044	174,524
TOTAL CURRENT LIABILITIES		80,044	174,524
NON CURRENT LIABILITIES			
Trade and other payables	8	-	342,843
Borrowings	9	-	200,000
TOTAL NON CURRENT LIABILITIES		-	542,843
TOTAL LIABILITIES		80,044	717,367
NET ASSETS		4,186,763	3,171,186
EQUITY			
Issued capital	10	8,857,634	5,601,778
Reserves	11	1,495,514	1,790,018
Accumulated losses	12	(6,166,385)	(4,220,610)
TOTAL EQUITY		4,186,763	3,171,186

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity *for the year ended 30 June 2014*

	Issued capital \$	Share based payment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2013	5,601,778	1,773,742	16,276	(4,220,610)	3,171,186
Loss for the year	-	-	-	(1,945,775)	(1,945,775)
Other comprehensive loss	-	-	(294,504)	-	(294,504)
Total comprehensive loss	-	-	(294,504)	(1,945,775)	(2,240,279)
Transactions with owners in their capacity as owners					
Shares issued during the year	3,500,000	-	-	-	3,500,000
Costs of issue	(244,144)	-	-	-	(244,144)
Balance as at 30 June 2014	8,857,634	1,773,742	(278,228)	(6,166,385)	4,186,763
Balance at 1 July 2012	3,402,780	1,627,864	-	(3,587,277)	1,443,367
Loss for the year	-	-	-	(633,333)	(633,333)
Other comprehensive income	-	-	16,276	-	16,276
Total comprehensive income/ (loss)	-	-	16,276	(633,333)	(617,057)
Transactions with owners in their capacity as owners					
Shares issued on acquisition	2,200,000	-	-	-	2,200,000
Shares issued as loan fee	8,800	-	-	-	8,800
Costs of issue	(9,802)	-	-	-	(9,802)
Share based payment	-	145,878	-	-	145,878
Balance as at 30 June 2013	5,601,778	1,773,742	16,276	(4,220,610)	3,171,186

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows *for the year ended 30 June 2014*

	Notes	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		28,454	20,772
Payments to suppliers and employees		(908,275)	(166,269)
NET CASH USED IN OPERATING ACTIVITIES	13	(879,821)	(145,497)
CASH FLOWS FROM INVESTING ACTIVITIES			
Tenement expenditure guarantees refunded		70,000	10,000
Loans repaid		(200,000)	(170,000)
Cash acquired on acquisition of subsidiary	24	-	12,212
Exploration and evaluation expenditure		(1,592,124)	(509,724)
NET CASH USED IN INVESTING ACTIVITIES		(1,722,124)	(657,512)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		3,500,000	-
Share issue costs		(250,570)	(9,802)
NET CASH FROM / (USED) IN FINANCING ACTIVITIES		3,249,430	(9,802)
Net increase / (decrease) in cash and cash equivalents		647,485	(812,811)
Cash and cash equivalents at beginning of year		145,581	958,392
Net foreign exchange differences		19,200	-
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	13	812,266	145,581

The accompanying notes form part of these financial statements.

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

1. Corporate Information

The financial report of Castillo Copper Limited and its subsidiaries ("Castillo Copper" or "the Group") for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 4 September 2014.

Castillo Copper Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and the principal activities of the Group are described in the Directors' Report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Material accounting policies adopted in preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The presentation currency is Australian dollars.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(c) New accounting standards and interpretations issued but not yet effective

The following applicable accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the year ended 30 June 2014 and no change to the Group's accounting policy is required.

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be classified based on</p> <p>(1) the objective of the entity's business model for managing the financial assets;</p> <p>(2) the characteristics of the contractual</p>	The Group has not yet determined the impact on the Group's financial statements.	1 July 2017

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		<p>cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ▶ The change attributable to changes in credit risk is presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>		

The Group has not elected to early adopt any new Standards or Interpretations.

(d) Changes in accounting policies and disclosures

In the year ended 30 June 2014, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

(e) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Castillo Cooper Limited and its subsidiaries as at 30 June each year ('the Company').

Subsidiaries are all those entities (including special purpose entities) over which the Company has control. The Company controls an entity when the company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-company transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Company and cease to be consolidated from the date on which control is transferred out of the Company.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

(f) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of Castillo Cooper Limited is Australian dollars. The functional currency of the overseas subsidiaries is Chilean Peso.

(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 the statement of comprehensive income.

(iii) Group entities

The results and financial position of all the Company 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 comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation 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 as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to foreign currency translation reserve.

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income, as part of the gain or loss on sale where applicable.

(g) Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

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. Repairs and maintenance expenditure is charged to the statement of comprehensive income during the financial period in which it is incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Furniture, Fixtures and Fittings	10%
Computer and software	20% - 35%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Derecognition

Additions of plant and equipment are derecognised upon disposal or when no further future economic benefits are expected from their use or disposal.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in the statement of comprehensive income.

(h) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Group. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(i) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Expenditure which fails to meet the conditions outlined above is impaired; furthermore, the directors regularly review the carrying value of exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 6 Exploration for and evaluation of mineral resources. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions referred to in AASB 6 is met.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered.

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the Group's rights of tenure to that area of interest are current.

(j) Trade and Other Receivables

Trade receivables, which generally have 30 – 90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term, discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade 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 comprehensive income.

(k) Cash and Cash Equivalents

Cash and short term deposits in the statement of financial position include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown as current liabilities in the statement of financial position. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as described above.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

(m) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

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 using a Black and Scholes model, using the assumptions detailed in note 23.

Functional currency translation reserve

Under the Accounting Standards, each entity within the Group is required to determine its functional currency, which is the currency of the primary economic environment in which the entity operates. Management considers the Chilean subsidiaries to be foreign operations with Chilean Peso as the functional currency. In arriving at this determination, management has given priority to the currency that influences the labour, materials and other costs of exploration activities as they consider this to be a primary indicator of the functional currency.

(n) Income Tax

Deferred income tax is provided for on all temporary differences at balance date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

No deferred income tax will be recognised from the initial recognition of goodwill or of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. No deferred income tax will be recognised in respect of temporary differences associated with investments in subsidiaries if the timing of the reversal

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the near future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance date and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained. Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

(o) Issued capital

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.

(p) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue is capable of being reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(q) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares, adjusted for any bonus elements.

Diluted earnings per share

Diluted earnings per share is calculated as net profit attributable to members of the Group, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus elements.

(r) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Tax Office is included as part of receivables or payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(s) Trade and other payables

Liabilities for trade creditors and other amounts are measured at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received that are unpaid, whether or not billed to the Group.

(t) Share based payment transactions

The Group provides benefits to individuals acting as, and providing services similar to employees (including Directors) of the Group in the form of share based payment transactions, whereby individuals render services in exchange for shares or rights over shares ('equity settled transactions').

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 using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in note 23.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Castillo Copper Limited ('market conditions').

The cost of the 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 awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

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

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

Where the terms of an equity settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of the 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, as described in the previous paragraph. The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted. The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share (see note 15).

(u) Comparative information

When required by Accounting Standards, comparative information has been reclassified to be consistent with the presentation in the current year.

(v) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(w) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

3. Segment Information

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. The entity does not have any operating segments with discrete financial information.

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the statement of comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

4. Other expenses

	2014	2013
	\$	\$
Occupancy	120,000	120,000
Travel and accommodation	25,210	4,890
Legal	3,824	44,009
Other	12,297	42,409
Total other expenses	<u>161,331</u>	<u>211,308</u>

5. Income Tax

(a) Income tax expense

Major component of tax expense for the year:

Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting result before income tax multiplied by the Group's applicable tax rate is as follows:

Loss from continuing operations before income tax expense	(1,945,775)	(633,333)
Tax at the company rate of 30%	(583,733)	(190,000)
Equity based payment expense	-	-
Income tax benefit not brought to account	583,733	190,000
Income tax expense	<u>-</u>	<u>-</u>

The following deferred tax balances have not been brought to account:

Liabilities

Total exploration and evaluation expenditure	404,958	1,032,278
Offset by deferred tax assets	(404,958)	(1,032,278)
Deferred tax liability	<u>-</u>	<u>-</u>

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

	2014	2013
Assets	\$	\$
Total losses available to offset against future taxable income	2,440,332	1,835,720
Total accrued expenses	5,505	4,893
Total share issue costs deductible over five years	114,680	40,260
Deferred tax assets offset against deferred tax liabilities	(404,959)	(1,032,278)
Deferred tax assets not brought to account as realisation is not regarded as probable	(2,155,558)	(848,595)
Deferred tax asset recognised	-	-

(d) Unused tax losses

Unused Tax Losses	7,185,193	2,828,650
Potential tax benefit not recognised at 30%	2,155,558	848,595

The benefit for tax losses will only be obtained if:

- (i) the Group derives future assessable income in Australia and Chile of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and
- (ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation in Australia and Chile and
- (iii) no changes in tax legislation in Australia and Chile, adversely affect the Group in realising the benefit from the deductions for the losses.

6. Deferred Exploration and Evaluation Expenditure

At beginning of the year	3,586,803	413,143
Exploration expenditure during the year	1,349,860	622,517
Acquisition of exploration tenements	-	2,676,987 ¹
Net exchange differences on translation	(210,025)	17,362
Impairment expense ²	(1,398,486)	(143,206)
Total exploration and evaluation	3,328,152	3,586,803

¹Acquisition of exploration tenements includes the fair value of the shares issued to vendors of Castillo Exploration Ltd. The ultimate recoupment of costs carried forward for exploration expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

²The impairment loss relates to the withdrawal from various tenements held that the Group has made a decision to not continue exploration work and accordingly wrote down the carrying value to nil.

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

7. Other Receivables	2014	2013
Current	\$	\$
GST/VAT receivable	99,340	62,139
Tenement guarantees	-	70,000
Other	5,884	1,705
	105,224	133,844
Non-Current		
Tenement guarantees	20,000	20,000

Tenement guarantees are classified as current if expected to be refunded within 12 months upon relinquishment of exploration tenement.

8. Trade and other payables

Current		
Trade creditors	61,694	158,219
Accruals	18,350	16,305
	80,044	174,524

Trade and other payables are non-interest bearing and payable on demand. Due to their short term nature, the carrying value of trade and other payables is assumed to approximate their fair value.

Non-Current

Trade creditors	-	342,843
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Non-current trade creditors are payables to related parties that are non-interest bearing.

9. Borrowings

Non-Current

Loan payable	-	200,000
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The interest free loan from Garrison Capital Pty Ltd was repaid on 10 October 2013.

10. Issued Capital

(a) Issued and paid up capital

Ordinary shares fully paid	8,857,634	5,601,778
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	2014		2013	
	Number of shares	\$	Number of shares	\$
(b) Movements in ordinary shares on issue				
Opening Balance	80,200,004	5,601,778	30,000,000	3,402,780
Acquisition of Castillo Exploration Ltd	-	-	50,000,004	2,200,000
Shares issued via placement	350,000,000	3,500,000	-	-
Shares issued as loan fee	-	-	200,000	8,800
Transaction costs on share issue	-	(244,144)	-	(9,802)
	430,200,004	8,857,634	80,200,004	5,601,778

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

(c) Ordinary shares

The Group does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Group, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Group.

(d) Share options

At 30 June 2014 there were 5,000,000 unissued ordinary shares under options (2013: 17,100,000). The details of the options are as follows:

Number	Exercise Price \$	Expiry Date
5,000,000	0.10	30 June 2017

During the year 12,100,000 unlisted options, exercisable at 20c before 30 June 2014 expired.

No other options expired during the year, no options were issued or exercised during the year and no options have been issued or exercised since the end of the financial year.

(e) Capital risk management

The Group's capital comprises share capital and reserves less accumulated losses. As at 30 June 2014, the Group has net assets of \$4,186,763 (2013: \$3,171,186). The Group manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders. Refer to note 18 for further information on the Group's financial risk management policies.

11. Reserves

	2014	2013
	\$	\$
Share based payments reserve	1,773,742	1,773,742
Foreign currency translation reserve	(278,228)	16,276
	<u>1,495,514</u>	<u>1,790,018</u>

Movements in Reserves:

Share based payment reserve

At beginning of the period	1,773,742	1,627,864
Share based payment expense	-	145,878
Balance at the end of the year	<u>1,773,742</u>	<u>1,773,742</u>

The share based payment reserve is used to record the value of equity benefits provided to directors and executives as part of their remuneration and non-employees for their services.

Foreign currency translation reserve

At beginning of the period	16,276	-
Foreign currency translation	(294,504)	16,276
Balance at the end of the year	<u>(278,228)</u>	<u>16,276</u>

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

The foreign exchange differences arising on translation of balances originally denominated in a foreign currency into the functional currency are taken to the foreign currency translation reserve. The reserve is recognised in profit and loss when the net investment is disposed of.

	2014	2013
	\$	\$
12. Accumulated losses		
Movements in accumulated losses were as follows:		
Opening balance	4,220,610	3,587,277
Loss for the year	1,945,775	633,333
As at 30 June	6,166,385	4,220,610

13. Cash and cash equivalents

Reconciliation of operating loss after tax to net the cash flows used in operations

Loss from ordinary activities after tax	(1,945,775)	(633,333)
Non-cash items		
Exploration expenditure written off	1,398,486	143,206
Foreign exchange gain	(19,200)	-
Shares issued for loan fee	-	8,800
Depreciation expense	1,161	501
Changes in assets and liabilities:		
Increase / (decrease) in trade and other creditors	(324,395)	340,392
(Increase) / decrease in trade and other receivables	9,902	(5,063)
Net cash flow used in operating activities	(879,821)	(145,497)

(b) Reconciliation of cash

Cash balance comprises:

Cash at bank	812,502	145,581
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Non-cash financing and investing activities in the current and previous financial year are as follows:

- Share-based payments (to directors, employees and suppliers) as discussed in note 23;
- Issue of shares to acquire exploration projects as discussed in note 6;
- Issue of shares for loan fee as discussed in note 10(b) and 17(d).

14. Subsequent events

There were no known significant events from the end of the financial year to the date of this report.

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

15. Loss per Share

	2014	2013
	\$	\$
Loss used in calculating basic and dilutive EPS	(1,945,775)	(633,333)
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic loss per share:	335,268,497	35,638,905
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	335,268,497	35,638,905

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

16. Auditor's Remuneration

The auditor of Castillo Copper Limited is RSM Bird Cameron Partners

Amounts received or due and receivable for:

- RSM Bird Cameron Partners for audit or review of the financial report of the entity and any other entity in the Group	24,500	24,000
- non RSM Bird Cameron Partners audit firms for audit or review of the financial report of the entity and any other entity in the Group	-	-
	<u>24,500</u>	<u>24,000</u>

17. Related party disclosures

a) Key management personnel

Compensation of key management personnel

Short term employee benefits	356,096	287,710
Post-employment benefits	-	-
Share-based payments	-	-
Total remuneration	<u>356,096</u>	<u>287,710</u>

Other transactions with key management personnel

- a) Lindsay Rueda Services Pty Ltd, a company of which Dr. Lindsay is a director, charged the Group consulting fees. \$11,000 (2013: \$26,600) was outstanding at year end.
- b) Resourceful International Consulting Pty Ltd, a company in which Mr. Funston is a director, charged the Group consulting fees. \$2,750 (2013: \$57,500) was outstanding at year end.
- c) Vega Funds Pty Ltd, a company of which Mr. McMaster is a director, charged the Group for his director's fees. \$8,800 (2013: nil) was outstanding at year end.

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

- d) Garrison Capital Pty Ltd, a company of which Mr. Wood and Mr. McMaster are directors and shareholders, provided the Group with a fully serviced office including administration and information technology support and charged \$120,000 for the year ended 30 June 2014 (2013: \$120,000) for these services, plus reimbursement of payment for corporate advisory services, company secretary fees, accounting services, courier and other minor expenses of \$123,007 (2013: \$27,521) were charged during the year. \$20,113 (2013: \$154,425) was outstanding at year end.

During the 2013 financial year, 5,000,000 unlisted options, exercisable at 10c before 30 June 2017 were issued to Garrison Capital Pty Ltd as consideration for corporate advisory services. Garrison Capital Pty Ltd loaned Castillo Exploration Limited \$200,000 pre-acquisition by the Company, with the full amount outstanding at year end as disclosed in Note 9. As part of the loan agreement, there was a loan fee paid during the year of 200,000 shares at \$0.044 per share for an issuance of capital of \$8,800 as disclosed in Note 10(b).

Transactions with key management personnel were made at arm's length at normal market prices and normal commercial terms.

b) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of Castillo Copper Limited and the following subsidiaries:

Name of Entity	Country of Incorporation	Equity Holding	
		2014	2013
Castillo Copper Chile SPA	Chile	100%	100%
Castillo Exploration Limited	Australia	100%	100%
Atlantica Holdings (Bermuda) Ltd	Bermuda	75%	75%

There were no other related party disclosures for the year ended 30 June 2014.

18. Financial Risk Management

Exposure to interest rate, liquidity, and credit risk arises in the normal course of the Group's business. The Group does not hold or use derivative financial instruments. The Group's principal financial instruments comprise mainly of deposits with banks. The totals for each category of financial instruments are as follows:

	2014	2013
	\$	\$
Financial Assets		
Cash and cash equivalents	812,266	145,581
Trade and other receivables	125,224	153,844
Financial Liabilities		
Trade and other payables	80,044	517,367
Borrowings	-	200,000

The Group uses different methods as discussed below to manage risks that arise from these financial instruments. The objective is to support the delivery of the financial targets while protecting future financial security.

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

(a) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments. The responsibility for liquidity risk management rests with the Board of Directors.

Alternatives for sourcing future capital needs include the cash position and future equity raising alternatives. These alternatives are evaluated to determine the optimal mix of capital resources for our capital needs. The Board expects that, assuming no material adverse change in a combination of our sources of liquidity, present levels of liquidity will be adequate to meet expected capital needs.

Maturity analysis for financial liabilities

Financial liabilities of the Group comprise trade and other payables. As at 30 June 2014 any financial liabilities that are contractually matured within 60 days have been disclosed as current. Trade and other payables that have a deferred payment date of greater than 12 months have been disclosed as non-current.

(b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The Group's exposure to changes to interest rate risk relates primarily to its earnings on cash and term deposits. The Group manages the risk by investing in short term deposits.

	2014	2013
	\$	\$
Cash and cash equivalents	812,266	145,581

Interest rate sensitivity

The following table demonstrates the sensitivity of the Group's statement of comprehensive income to a reasonably possible change in interest rates, with all other variables constant.

Change in Basis Points	Effect on Post Tax Loss (\$)		Effect on Equity including retained earnings (\$)	
	Increase/(Decrease)		Increase/(Decrease)	
	2014	2013	2014	2013
Increase 100 basis points	8,123	1,456	8,123	1,456
Decrease 100 basis points	(8,123)	(1,456)	(8,123)	(1,456)

A sensitivity of 100 basis points has been used as this is considered reasonable given the current level of both short term and long term Australian Dollar interest rates. This would represent two to four movements by the Reserve Bank of Australia.

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

(c) Credit Risk Exposures

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's maximum credit exposure is the carrying amounts on the statement of financial position. The Group holds financial instruments with credit worthy third parties.

At 30 June 2014, the Group held cash at bank. These were held with financial institutions with a rating from Standard & Poors of AA or above (long term). The Group has no past due or impaired debtors as at 30 June 2014.

(d) Fair Value Measurement

There were no financial assets or liabilities at 30 June 2014 requiring fair value estimation and disclosure as they are either not carried at fair value or in the case for short term assets and liabilities, their carrying values approximate fair value.

18. Parent Entity Information

(a) Parent Financial Information

The following details information related to the parent entity, Castillo Copper Limited, at 30 June 2014. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2014 \$	2013 \$
Current assets	814,249	222,260
Non-current assets	3,445,003	3,364,258
Total assets	4,259,252	3,586,518
Current liabilities	72,489	72,489
Non-current liabilities	-	342,843
Total liabilities	72,489	415,332
Net assets	4,186,763	3,171,186
Issued capital	8,857,634	5,601,778
Reserves	1,773,743	1,773,743
Accumulated losses	(6,444,613)	(4,204,335)
Total equity	4,186,763	3,171,186
Loss of the parent entity	(2,240,278)	(617,058)
Other comprehensive income for the year	-	-
Total comprehensive income of the parent entity	(2,240,278)	(617,058)

b) Guarantees

Castillo Copper Limited has not entered into any guarantees in relation to the debts of its subsidiary.

c) Other Commitments and Contingencies

Castillo Copper Limited has not entered into any commitments and does not have any known contingent liabilities at year end.

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

19. Contingent liabilities

There are no known contingent liabilities as at 30 June 2014 (2013: Nil).

20. Commitments

The Group entered a service agreement with Garrison Capital Pty Ltd for certain administrative services and office space for a term of 2 years commencing in October 2013. The Group is required to give 3 month's written notice to terminate the agreement.

Commitments at balance date but not recognised as liabilities are as follows:

	2014 \$	2013 \$
Within one year	120,000	600,072
After one year but not more than five years	30,000	70,000
Longer than five years	-	-
	<hr/> 150,000	<hr/> 670,072

Option Payments

In accordance with option agreements entered for the Posada project, Rio Rocin project and Resguardo project (discontinued in current year), the Group has option installment payments amounting to the following:

Within one year	780,857	793,506
After one year but not more than five years	6,471,482	14,534,042
Longer than five years	5,671,408	5,354,327
	<hr/> 12,923,747	<hr/> 20,681,875

The Group has the pre-emptive rights to withdraw from the contracts at any time which will release the Group from future payments. These amounts are not recognised in the statement of financial position.

21. Dividends

No dividend was paid or declared by the Group in the period since the end of the financial year, and up to the date of this report. The Directors' do not recommend that any amount be paid by way of a dividend for the financial year ended 30 June 2014.

The balance of the franking account is Nil at 30 June 2014 (2013: Nil).

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

22. Share based payments

(a) Recognised share based payment transaction

Share based payment transactions recognised either as exploration expenditure on the statement of financial position or operating expenses on the statement of comprehensive income, were as follows:

	2014	2013
	\$	\$
<i>Exploration expenditure</i>		
Share based payments to vendors	-	2,200,000
Share based payment to supplier	-	145,878
	<u>-</u>	<u>2,345,878</u>
<i>Operating expenses</i>		
Share based payments to supplier	-	8,800
	<u>-</u>	<u>8,800</u>

(b) Employee share option plan

The Group has established an employee share option plan (ESOP). The objective of the ESOP is to assist in the recruitment, reward, retention and motivation of employees of Castillo Copper Limited. Under the ESOP, the Directors may invite individuals acting in a manner similar to employees to participate in the ESOP and receive shares or options. An individual may receive the options, or shares, or nominate a relative or associate to receive the options or shares. The plan is open to executive officers, nominated consultants and employees of Castillo Copper Limited.

The fair value at grant date of options granted during the 2013 financial year was determined using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share and the risk free interest rate for the term of the option.

The table below summarises options granted under the ESOP in the previous financial years:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
* 26 June 2010	30 June 2014	\$0.20	1,500,000	-	-	(1,500,000)	-	-
* 18 October 2010	30 June 2014	\$0.20	500,000	-	-	(500,000)	-	-
# 24 February 2011	30 June 2014	\$0.20	1,100,000	-	-	(1,100,000)	-	-
			<u>3,100,000</u>	<u>-</u>	<u>-</u>	<u>(3,100,000)</u>	<u>-</u>	<u>-</u>
# Options were issued under the ESOP								
* Options were not issued under the ESOP								
Weighted remaining contractual life								
(years)			1	-	-	-	-	-
Weighted average exercise price								
			\$0.20	-	-	-	-	-

There were no employee share options granted during the 30 June 2014 or 30 June 2013 financial year.

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

(c) Share based payment to suppliers and vendors

Exploration Expenditure

During the 2013 financial year 50,000,004 shares were issued to the shareholders of Castillo Exploration Limited. The fair value of the shares of \$2,200,000 was determined by reference to the market value on the Australian Securities Exchange on the date the transaction was approved by shareholders.

During the 2013 financial year 5,000,000 options in total were issued to Garrison Capital Pty Ltd for their role as advisors to the acquisition of Castillo Exploration Limited. The fair value of the options of \$145,878 was determined using the Black Scholes option pricing model. The options are exercisable at \$0.10 on or before 30 June 2017. These options are included in the table below.

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
21 May 2013	30 June 2017	\$0.10	-	5,000,000	-	-	5,000,000	5,000,000
			-	5,000,000	-	-	5,000,000	5,000,000

Weighted remaining contractual life

(years)	-	4	-	-	3	3
Weighted average exercise price	-	\$0.10	-	-	\$0.10	\$0.10

The model inputs, not included in the table above, for options granted during the year ended 30 June 2013 included:

- (a) options are granted for no consideration and vest immediately;
- (b) Expected life of options is four years;
- (c) share price at grant date was \$0.044;
- (d) expected volatility of 113%;
- (e) expected dividend yield of Nil; and
- (f) a risk free interest rate of 2.717%

Operating expenses

During the 2013 financial year 200,000 shares were issued to Garrison Capital Pty Ltd as a loan fee on the loan acquired upon acquisition of Castillo Exploration Limited. The fair value of the shares of \$8,800 was determined by reference to the market value on the Australian Securities Exchange on the date the transaction.

There were no other share based payments made to suppliers during the 30 June 2013 and 30 June 2014 financial year.

Castillo Copper Limited

Notes to the financial statements at and for the year ended 30 June 2014

24. Acquisition of Subsidiary – Castillo Exploration Limited

During the previous financial year, the Group acquired 100% of the voting shares of Castillo Exploration Limited.

The total cost of the acquisition was \$2,200,000 and comprised an issue of equity instruments. The Group issued securities as described in note 23(c) with an issue price based on the quoted price of ordinary shares at the date the transaction was approved by shareholders.

The acquisition does not constitute a business combination and the cost of the acquisition has been allocated to exploration and evaluation assets as disclosed in note 6.

The fair value of the identifiable assets and liabilities of Castillo Exploration Limited and its subsidiary as at the date of acquisition are:

	Recognised on acquisition
	\$
Cash and cash equivalents	12,212
Trade and other receivables	45,108
Property, plant and equipment	1,430
Tenement interests, exploration and evaluation expenditure	2,676,987
Trade and other payables	(189,859)
Borrowings	(200,000)
Fair value of identifiable net assets	<u>2,345,878</u>
Cost of the acquisition:	
Securities issued, at fair value	<u>2,345,878</u>
Total cost of the acquisition	<u>2,345,878</u>

Castillo Copper Limited – Director’s Declaration

In accordance with a resolution of the Directors of Castillo Copper Limited, I state that:

1. In the opinion of the directors:
 - (a) the financial statements and notes of the Group are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Group as at 30 June 2014 and of its performance, for the year ended on that date; and
 - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
 - (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
 - (c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b).
2. This declaration has been made after receiving the declarations required to be made by the director in accordance with sections 295A of the Corporations Act 2001.

On behalf of the board



Nicholas Lindsay
Managing Director
4 September 2014

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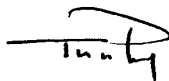
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Castillo Copper Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 4 September 2014

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CASTILLO COPPER LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Castillo Copper Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and 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 is free from material misstatement, whether due to fraud or error. In Note 2(b), 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. These Auditing 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 entity's preparation and fair presentation of the financial report 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 entity'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 Castillo Copper 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 Castillo Copper 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 2014 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 2(b).

Report on the Remuneration Report

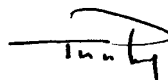
We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility 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 Castillo Copper Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 4 September 2014

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 1 September 2014.

Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	2	7
1,001 - 5,000	3	10,271
5,001 - 10,000	66	640,950
10,001 - 100,000	179	8,136,034
100,001 - and over	289	421,412,742
TOTAL	539	430,200,004

There were 2 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Share Holders

Name	No. of Shares	%
CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	25,839,371	6.01
MR JOHN DELLA BOSCA <JA & JG DELLA BOSCA FAMILY A/C>	10,750,000	2.50
MR MATTHEW GADEN WESTERN WOOD	10,000,000	2.32
MITCHELL GRASS HOLDING SINGAPORE PTE LTD	9,284,000	2.16
MR JASON PETERSON & MRS LISA PETERSON <J & L PETERSON S/F A/C>	8,915,000	2.07
RYTECH PTY LTD <RYTECH SUPER FUND>	6,750,001	1.57
6466 INVESTMENTS PTY LTD	6,450,000	1.50
MR CHRISTOPHER JAMES EDDINGTON	5,958,000	1.38
MR MICHAEL FOSTER BLACK & MRS LYNETTE ROBIN BLACK <PE SUR SUPP CO STF S/F 2 A/C>	5,850,000	1.36
MS SILVANA ALEXANDRA RUEDA SAEZ	5,500,001	1.28
KOUTO HOLDINGS PTY LTD <WOOD FAMILY SUPER FUND A/C>	5,250,000	1.22
MR JOHN ANTHONY DELLA BOSCA & MRS JONINA GUDBJORG DELLA BOSCA <JA & JG DELLA BOSCA S/F A/C>	5,000,000	1.16
MR MATTHEW GADEN WESTERN WOOD	5,000,000	1.16
FIRST INVESTMENT PARTNERS PTY LTD	5,000,000	1.16
AGENS PTY LIMITED <THE MARK COLLINS FAMILY A/C>	5,000,000	1.16
MS MOOI FAH LEE	4,900,000	1.14
NURRAGI INVESTMENTS PTY LTD	4,515,000	1.05
PERIZIA INVESTMENTS PTY LTD	4,305,014	1.00
BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	4,275,000	0.99
EMINENT HOLDINGS PTY LTD	4,250,000	0.99
TOTAL	142,791,387	33.19

Restricted Securities

There are no restricted securities.

On-Market Buy Back

There is no current on-market buy back.

Tenement Table

Australia

Tenement	Property Name	Project	Tenure Status
EL 7754	Apsley	Mullions Range	Granted
EL 7980	Wongoni	Ordovician	Granted
ELA 4639	Dunedoo	Ordovician	Application

Chile

RIO ROCIN	HECTARES	NATIONAL ROLL	YEAR GRANTED	OWNER
TRAPICHE 1/60	300	05604-0304-6	2001	SLM TRAPICHE
CONDOR 1/60	299	05604-0310-0	2001	SLM CONDOR
MOROCHA 1/60	300	05604-0307-0	2001	SLM MOROCHA
CHILON 1/60	300	05604-0303-8	2001	SLM CHILON
LEON 1/60	300	05604-0309-7	2001	SLM LEON
PEÑABLANCA 1/60	300	05604-0305-4	2001	SLM PEÑABLANCA
RINCONCILLO 1/50	230	05604-0306-2	2001	SLM RINCONCILLO
AGUILA 1/38	190	05604-0308-9	2001	SLM AGUILA
LOS BAYOS 1/904	105	05604-0163-9	1982	SLM LOS BAYOS

Note: Castillo Copper Chile SpA has a 63% interest in the property owned by SLM Los Bayos, and 100% interest in properties owned by SLM Trapiche, SLM Condor, SLM Aquila, SLM Morocha, SLM Chilon, SLM Rnconcillo, SLM Leon and SLM Penablanca.

POSADA	HECTARES	NATIONAL ROLL	YEAR GRANTED	OWNER
POSADA PRIMERA 17	200	03203-A013-9	2011	Castillo Copper Chile SpA
POSADA PRIMERA 7	200	03203-A007-4	2011	Castillo Copper Chile SpA
POSADA PRIMERA 6	200	03203-A006-6	2011	Castillo Copper Chile SpA
POSADA PRIMERA 5	300	03203-9977-7	2011	Castillo Copper Chile SpA
POSADA PRIMERA 4	300	03203-9976-9	2011	Castillo Copper Chile SpA
POSADA PRIMERA 3	300	03203-9975-0	2011	Castillo Copper Chile SpA
POSADA PRIMERA 2	100	03203-9974-2	2011	Castillo Copper Chile SpA

Note: Castillo Copper Limited has a 100% interest in properties owned by Castillo Copper Chile SpA.

CACHIYUYO (POSADA)	HECTARES	NATIONAL ROLL	YEAR GRANTED	OWNER
CACHIYUYO 10	300	03201-A394-5	2010	Castillo Copper Chile SpA
CACHIYUYO 12	100	03201-A563-8	2010	Castillo Copper Chile SpA
CACHIYUYO 1	300	03201-D782-3	2011	Castillo Copper Chile SpA
CACHIYUYO 2	300	03201-D783-1	2011	Castillo Copper Chile SpA
CACHIYUYO 3	200	03201-A095-3	2011	Castillo Copper Chile SpA
CACHIYUYO 4	200	03201-A096-1	2011	Castillo Copper Chile SpA
CACHIYUYO PRIMERA 15	300	03201-I188-1	2011	Castillo Copper Chile SpA
CACHIYUYO PRIMERA 16	300	03201-I189-1	2011	Castillo Copper Chile SpA
CACHIYUYO 2 1/20	188	03201-7760-K	2010	SCM Cachiyuyo

Note: Castillo Copper Limited has a 100% interest in properties owned by Castillo Copper Chile SpA, and an 80% interest in properties owned by SCM Cachiyuyo (80:20 joint venture with Sociedad Inversiones Gema).

Castillo Copper Limited

HUANTA (VICUÑA)	HECTARES	NATIONAL ROLL	YEAR GRANTED	OWNER
TRUENO 1	300	04015-7483-7	In process	Castillo Copper Chile SpA
TRUENO 2	300	04015-7484-5	In process	Castillo Copper Chile SpA
TRUENO 4	300	04015-7486-1	In process	Castillo Copper Chile SpA
TRUENO 5	300	04015-7487-K	In process	Castillo Copper Chile SpA
TRUENO 6	300	04015-7488-8	In process	Castillo Copper Chile SpA
TRUENO 7	300	04015-7489-6	In process	Castillo Copper Chile SpA

Note: Castillo Copper Limited has a 100% interest in properties owned by Castillo Copper Chile SpA. They were originally granted in 2011, and inscribed as El Profeta 1 to 5, Pachi 1 to 3, Camila 1 to 9 and Homero 1 to 2.