



CASTILLO COPPER
LIMITED

ASX Release

31 July 2017

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Issued Capital:

402 million shares
21 million options

ASX Symbol:
CCZ

JUNE 2017 QUARTERLY ACTIVITIES REPORT

Highlights

- **Post-period close, completion of acquisition of Qld Commodities which owns three copper-cobalt-zinc prospects in NSW and Queensland**
- **Completion of desktop reviews for Kungabaran Hill and Big Oxide North during the period, and Peak Hill subsequent to quarter close**
- **Proposed acquisition of Total Minerals which owns three complementary copper-cobalt-zinc prospects in NSW and Queensland**
- **Share sale agreement executed and \$500k raised, with initial consideration of \$150k paid and 10m shares issued**

During the quarter, Castillo Copper Limited (**CCZ** or **Company**) completed several key conditions precedent to complete the acquisition of Qld Commodities Pty Ltd, including receiving shareholder approval on 28 June 2017. The acquisition was completed subsequent to the end of the quarter on 5 July 2017.

CCZ now holds three highly prospective cobalt-copper-zinc project areas in NSW and Queensland, detailed briefly as follows:

- Kungabarin Hill, which is in the New England Orogen in NSW, covers 153 sq km and is prospective for cobalt/copper;
- Peak Hill, located 16km southwest of Broken Hill, NSW, is prospective for cobalt/copper/zinc and covers 57 sq km; and
- Big Oxide North covers 214 sq km in the Mt Isa region, northwest Queensland, and is prospective for copper/cobalt.

The Board's strategy is to prove up cobalt-copper-zinc JORC compliant resources as quickly as possible, engage third party ore processors within close proximity of the project areas and sell end-product on the London Metal Exchange to facilitate cashflow generation.

The Board believes this strategy provides a clear point of difference from rivals, as it can be executed relatively quickly and avoids significant CAPEX required to build plant onsite.

Three geological desktop reviews were completed, two during the period and one post, which are summarised below:

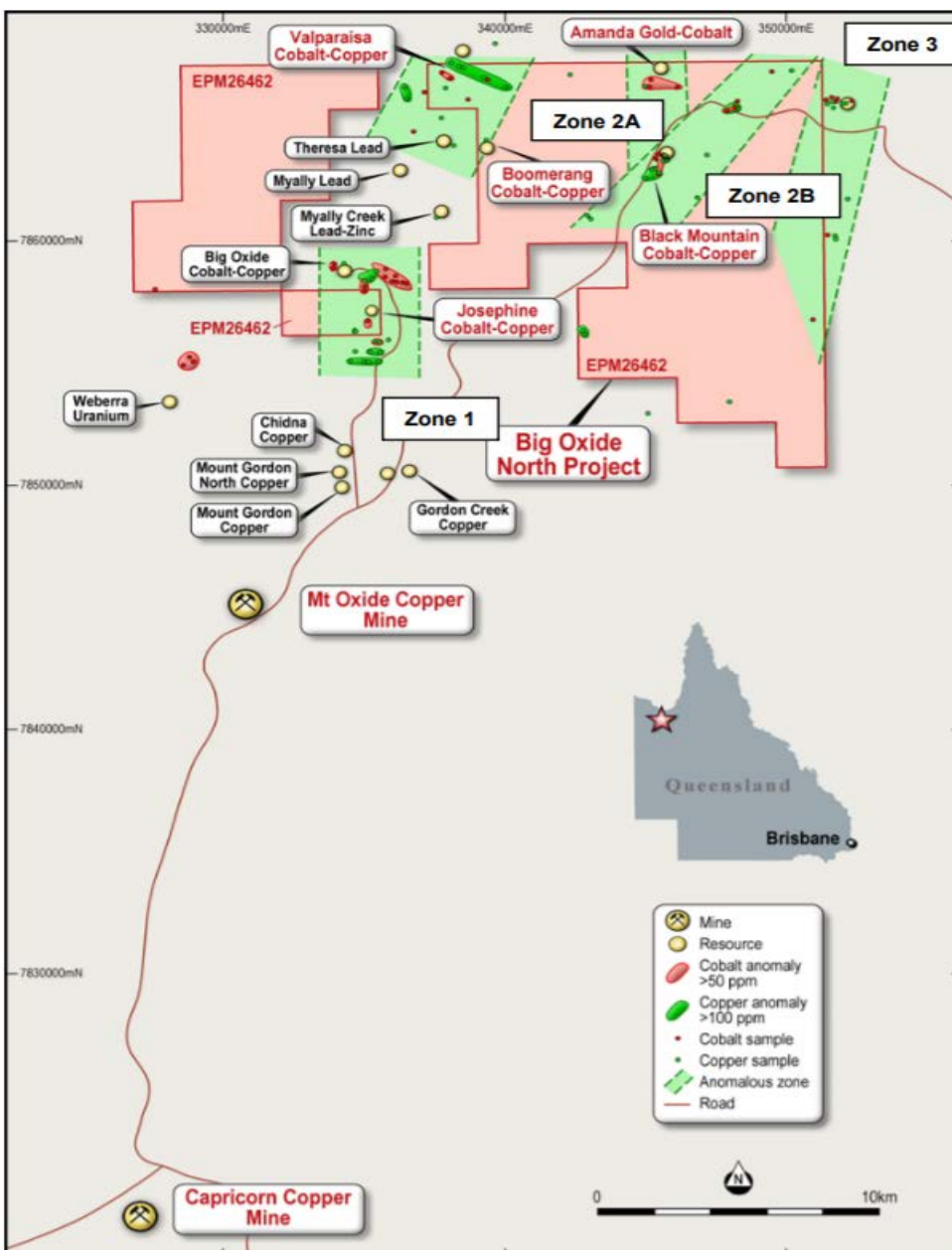
➤ **BIG OXIDE NORTH COBALT PROJECT, NSW**

On 8 June 2017, CCZ announced encouraging initial desktop results for the Big Oxide North cobalt project in the Mt Isa region in north-west Queensland, which covers an area of 214 sq km.

Key results and progress

This first stage of the desktop study undertaken by consultant ROM Resources Pty Ltd (**ROM Resources**), was to combine all the previous recorded geochemical data then grid and plot any anomalous concentrations to identify associated mineralised structures. This resulted in the identification of several outstanding cobalt and copper anomalies (Figure 1) within zones that vary in strike length from >12km to 6km in length.

Figure 1: Big Oxide North Cobalt Project, NSW



For cobalt, the best results were 380ppm (vs 50ppm background), with 924ppm just to the north-east of CCZ's project area, while for copper it was 3.1% inside the tenure and 18.4% just outside in Zone 3 (vs 1% background). Work on the second stage, which is ongoing, will comprehensively identify priority areas for conducting ground magnetic and EM Surveys that will enable greater understanding of the anomalous mineralised systems and outline target areas.

Results so far identified multiple anomalous cobalt mineralised zones within the project area including one standout anomalous cobalt zone in the centre of the project area with a circa 12km strike length which contains the Big Oxide Copper deposit. This priority zone trends to the north of the project area and continues into untenured ground.

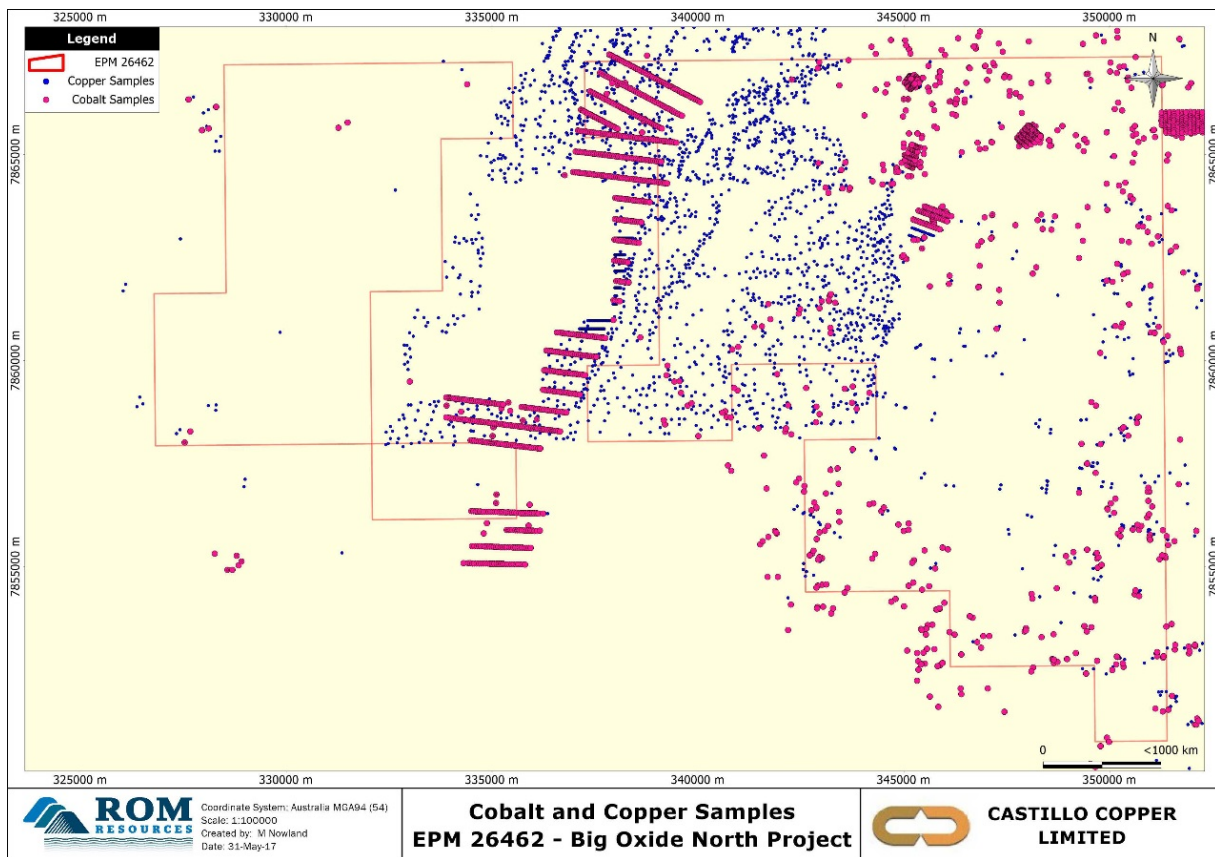
The identification of cobalt mineralised zones is encouraging as the potential for cobalt zones in the project area was previously unknown as the ground has not historically been tested for cobalt.

Current Work

The closed Big Oxide Copper mine has demonstrated occurrences of Cu, Pb, Zn, U, Ag, Mn and Co. One of the focus areas is the digitising of structural features marked on the hand-drawn maps as many of these have not been included in the government-released surface geology sheets.

All legacy reports and assay data have been compiled for the Big Oxide North project area from the Department of Natural Resources and Mines (DNRM). With over 35 previous exploration tenures transecting the Big Oxide North project area, the sheer volume of surface sampling (stream sediment, soil and rock chip) available within the tenure (circa 5,000 samples) has taken time to compile and compare to the DNRM's dataset for copper and cobalt (Figure 2).

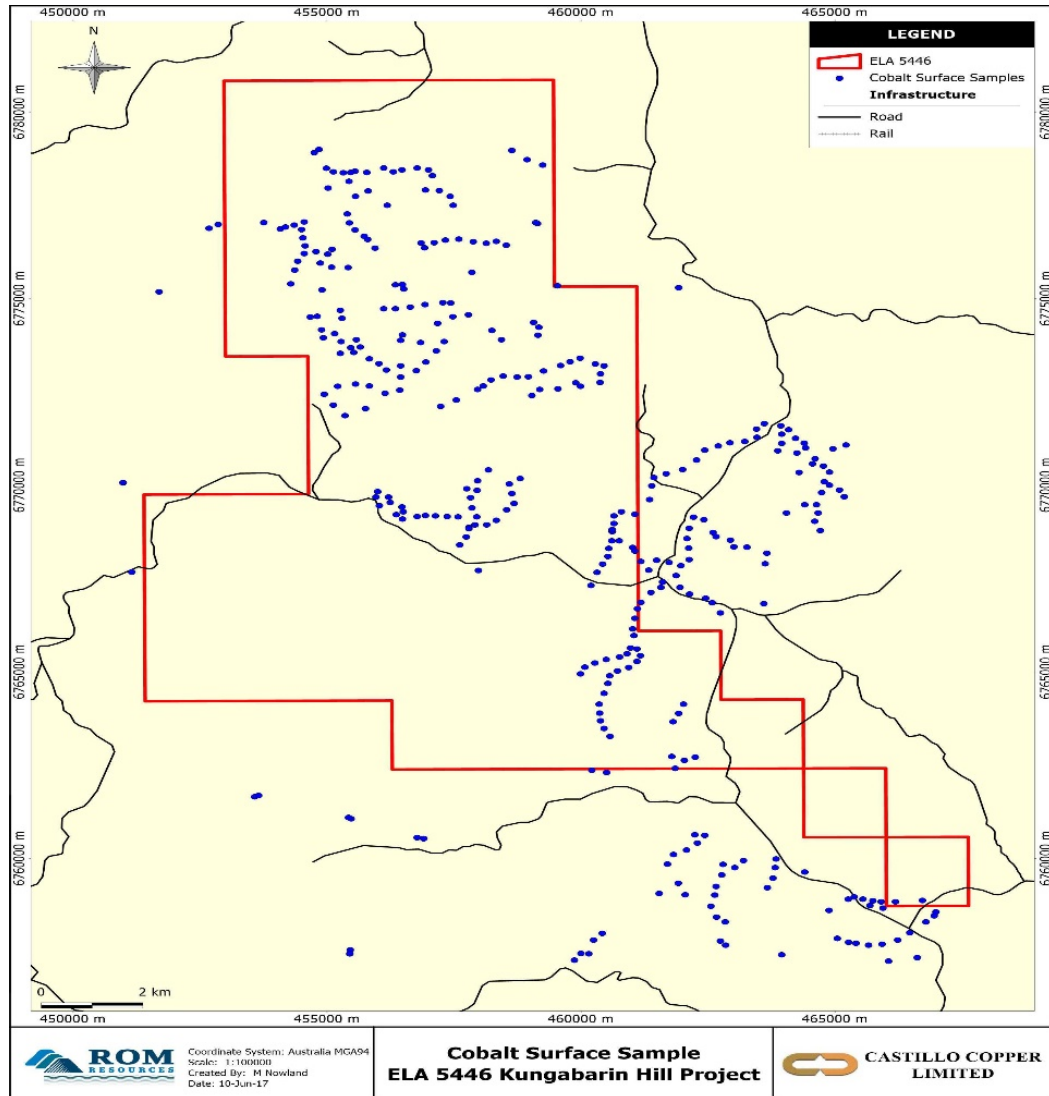
Figure 2: Big Oxide North - Digitised copper and cobalt sample locations



➤ KUNGABARIN HILL COBALT PROJECT, NSW

On 14 June 2017, a desktop review by ROM Resources identified extensive cobalt surface mineralisation at Kungabarín Hill in NSW (Figure 3).

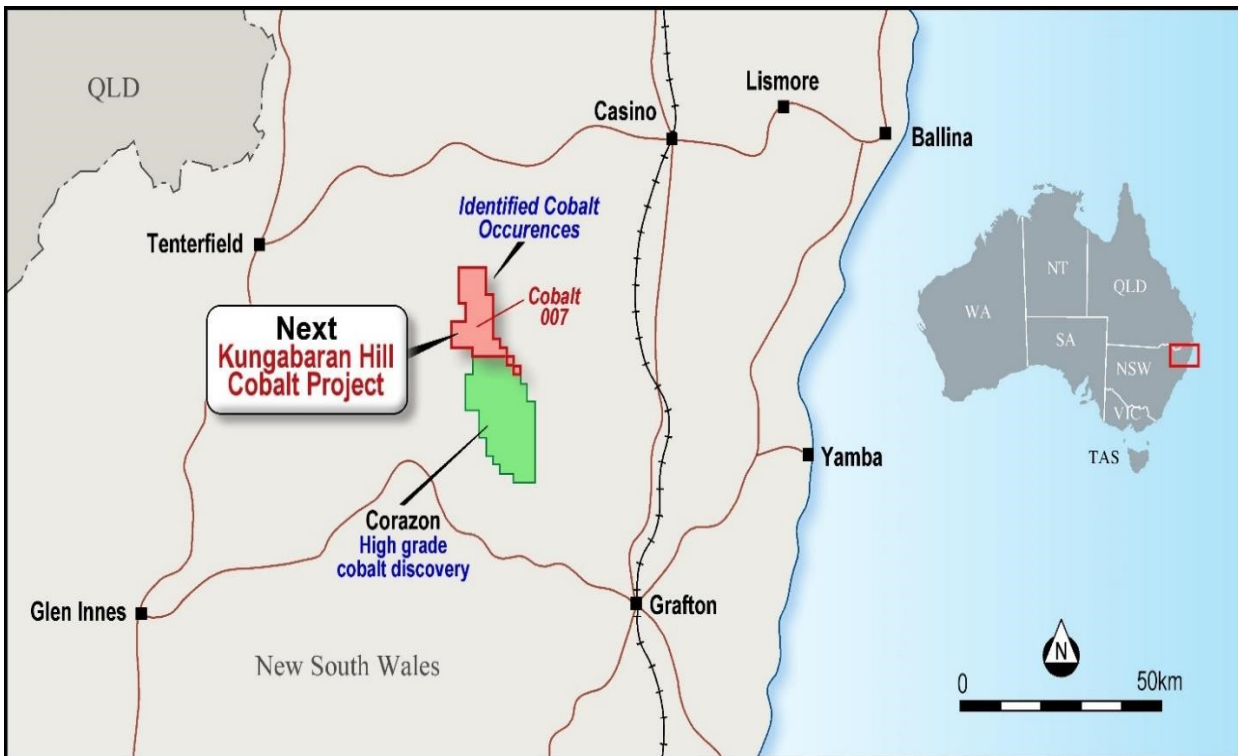
Figure 3: Cobalt Surface Mineralisation at Kungabarín Hill



The detailed study was a very encouraging start to the exploration process for Kungabarín Hill. This project area is 153 sq km and located in the New England Orogen of New South Wales (Figure 4), which is a significant mineral province for cobalt and copper-gold deposits.

Exploration for cobalt in these systems has been successfully drill-tested by Corazon Mining (ASX: **CZN**), which currently owns 51% equity in the neighbouring tenure to the south. On 9 June 2016, CZN announced (refer ASX release “New cobalt zones identified at Cobalt Ridge”) that recent soil sampling results confirmed it had “Extensions defined to one of the highest-grade cobalt deposits in Australia.” This was a positive development for CCZ as the Kungabarín Hill project area is on the same ultramafic system.

Figure 4: Kungabarín Hill Cobalt Project, NSW



ROM Resources divided the desktop review into two phases to identify target drill areas:

- An initial assessment of legacy geochemical sample data (stream-sediment, soil and rock chip) and contouring for anomalous values of cobalt, nickel and rare earths; and
- Follow up work on the anomalous zones (which have been digitalised) that are likely to be priority targets for geological mapping, ground magnetic and EM surveys.

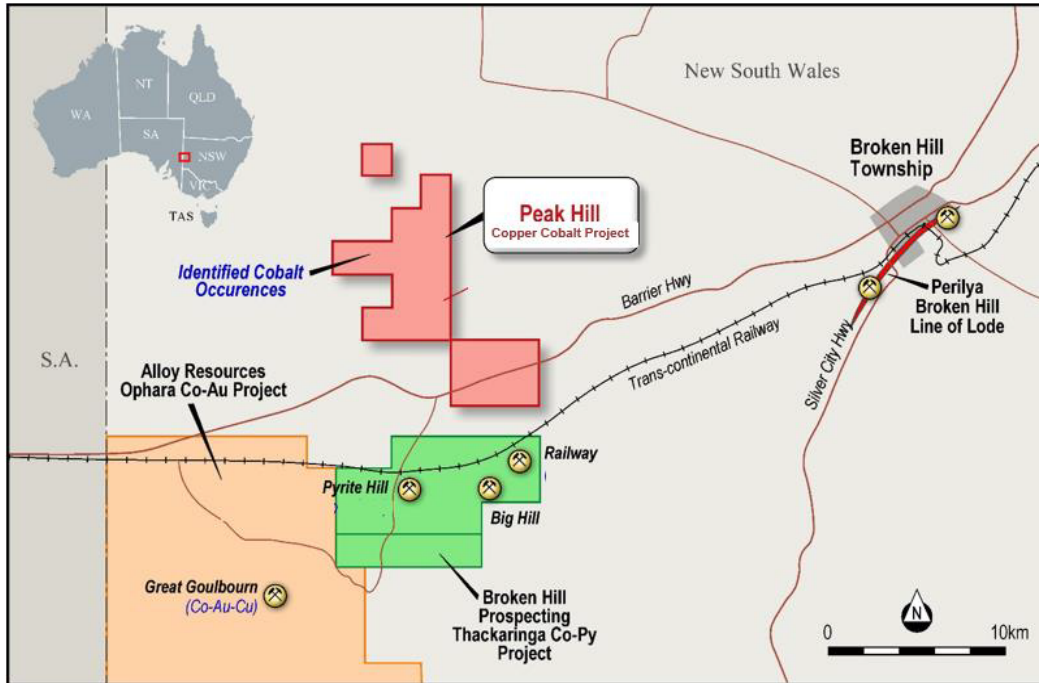
The initial results are very encouraging as anomalous cobalt (max 430ppm) and nickel (max 0.52%) were found in zones trending north-northwest. Notably, the extensive anomalous cobalt-nickel areas appear to follow the underlying serpentinite bedrock and, moreover, occur along the boundary with the Monzo-granite pluton. All previous exploration on Kungabarín Hill has focused on gold, chromite and magnetite.

Anomalous zones for ten rare earth elements combined identified a maximum of 341ppm. The rare earth anomalies are displaced west-ward from the cobalt-nickel anomalies and broadly follow the strike of the underlying Monzo-granite pluton.

➤ PEAK HILL MINERALS PROJECT, NSW

On 11 July 2017, CCZ announced excellent mineralisation at Peak Hill as it had sufficient preliminary data to prove up a JORC compliant resource for zinc-cobalt (Figure 5).

Figure 5: Peak Hill Minerals Project, NSW



The first phase of evaluation was to combine all the geochemical data, generate grids by element, plot any anomalous concentrations, and look for trends and structural associations. Many cobalt (max 1,150ppm), copper (max 120,000ppm), lead (max 819,000ppm) and zinc (max 177,000ppm) anomalous zones in the tenure neighbourhood and trends were identified, but were not always coincident.

Several north to north-east trending zones of greater than 50ppm cobalt, greater than 100ppm copper, greater than 80,000ppm lead and greater than 170,000ppm zinc were identified and appear to be related to the underlying structural features such as fault intersections. The most anomalous areas for all four elements (Co, Cu, Pb, Zn) is related to sampling along two intersecting structural zones: the east-west trending Thackaringa-Pinnacles Shear Zone and an unnamed north-east trending zone that traverses the project area. Within the tenure, the highest analysed results are 170ppm for cobalt, 2,900ppm for copper, 15,700ppm for lead and 9,200ppm for zinc.

There are circa 1,414 drill holes completed within and around the tenement and many of these confirmed cobalt occurrences. Numerous holes were not analysed for Cobalt and can be re assayed for Cobalt grade.

As a database of the historical borehole sampling has not yet been compiled and validated, it is uncertain if there is a relationship between the surface sample anomalies to any subsurface anomalous intersections. No existing geological 3D models exist but preliminary investigation has shown that sufficient data may be available to generate a modest JORC compliant resource

Drilling plans and next steps

Undoubtedly, these initial desktop results are outstanding, especially the potential to generate a JORC compliant Inferred resource. ROM Resources has advised the Board that to identify more anomalies and priority drill zones within the Peak Hill project area, the following tasks need to be undertaken:

- The non-sampled zone in the centre of the tenure be defined and sampled;
- A more detailed study of historical drill holes should be conducted to determine if enough data exists to estimate a JORC resource; and
- A program of field mapping, ground magnetic or EM surveys progressed.

CHILEAN COPPER PROJECTS

CCZ did not perform any material exploration work on these projects.

PROPOSED TOTAL MINERALS ACQUISITION

On 21 July 2017, subsequent to the end of the quarter, the Board was delighted to announce that it had signed a binding Heads of Agreement with Total Minerals Pty Ltd (**Total**), which owns three cobalt & copper assets in NSW and Queensland (including the historic Cangai Copper Cobalt Mine in northeast NSW), to acquire all its outstanding issued shares (**Proposed Acquisition**).

Total owns three assets, with two granted tenements (Jackadgery North and Total Minerals Projects) located in NSW and one in Queensland (Hill of Grace), which is moving towards grant status.

In consideration for the Proposed Acquisition, CCZ will, at completion:

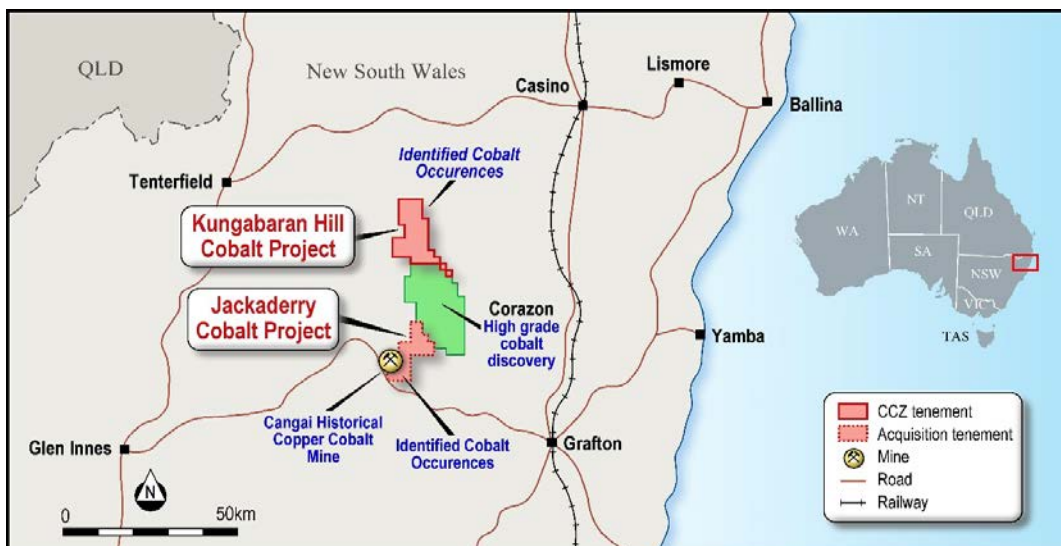
- a) issue 55,000,000 CCZ shares (**consideration shares**) to the holders of Total shares (**vendors**); and
- b) enter into a royalty agreement pursuant to which the vendors will be entitled to a net smelter return royalty of 3% in respect of the tenements (**royalty agreement**).

A summary of Total's three assets follows:

➤ Jackadgery North Cobalt Project, NSW

The Jackadgery North Project (Figure 6) is located in the New England Oregon, which is a significant east Australian mineral province that hosts significant Cu-Au-Co deposits. ASX-listed Corazon's (CZN) 51%-owned Mt Gilmore tenement and CCZ's 100% owned Kungabarar Hill project area are within a 50km radius to the north of the Jackadgery North Cobalt Project.

Figure 6: Jackadgery North Cobalt Project, NSW



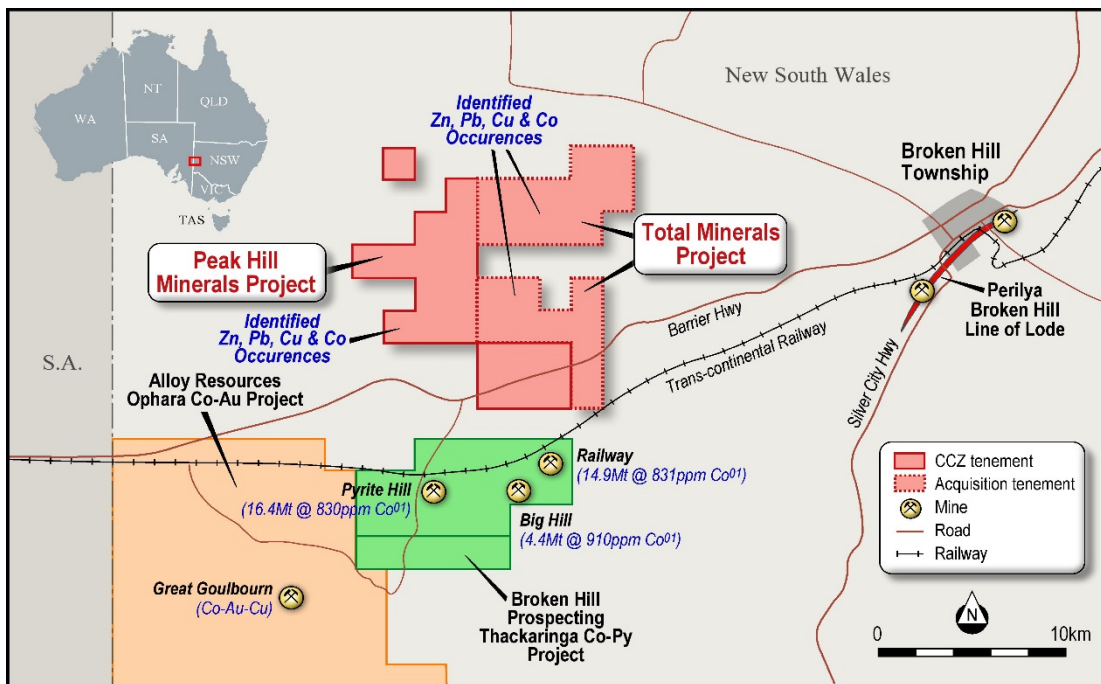
Total took out the license to explore for cobalt and copper, focusing specifically on the historic Cangai Copper Cobalt Mine and surrounding area.

➤ **Total Minerals Project, NSW**

The Total Minerals Project is adjacent to CCZ’s Peak Hill Minerals Project (Figure 7) and within a 20km radius of Broken Hill. Moreover, it is 10km northeast of Alloy Resources Ophara Project while large Cu-Au-Co deposits have been identified 3km to the south by Broken Hill Prospecting.

Given the Total Minerals project area is contiguous to Peak Hill, there is potentially material upside to expanding the size of any Inferred Resource.

Figure 7: Total Minerals Project, NSW



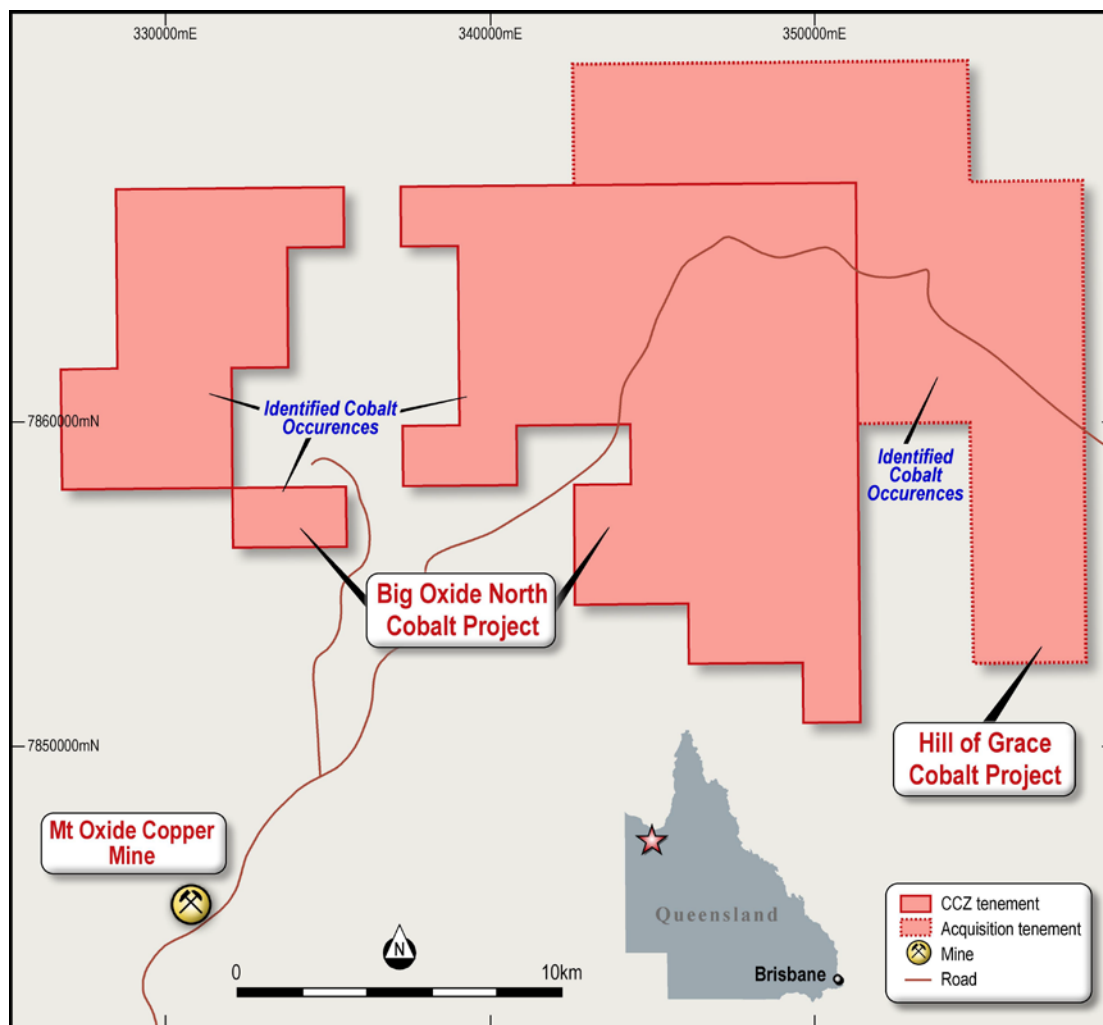
The Total Minerals Project occurs in an area which is known to have significant cobalt mineralisation in the southern Curnamona Craton, with large resources defined at the Pyrite Hill and Thackaringa deposits. This prospect has similarities to both these cobalt occurrences. However, it is unique in having low-copper and high-gold mineralisation associated with the cobalt surface gossans.

➤ **Hill of Grace Cobalt Project, QLD**

The Hill of Grace Project (Figure 8) is an exciting prospect located in the Mt Isa region, northwest Queensland and is west of CCZ’s Big Oxide North Project. The project area has not been granted as yet as native title issues are still in the process of being finalised.

However, the project area is close to active Cu-Au explorers, Mt Oxide Pty Ltd and Capricorn Copper Pty Ltd; the latter is in the process of restarting the Mt Gordon/Gunpowder copper mine. The Queensland Department of Natural Resources and Mines has reported that cobalt is associated with copper in brecciated sediment-hosted base metal deposits in northwest Queensland including Mount Isa, Mammoth and Mount Cobalt.

Figure 7: Hill of Grace Cobalt Project, Queensland



Pro forma capital structure

The indicative capital structure of the Company post-acquisition of Total is set out in the table below.

Name	Shares	Options	% interest in issued capital (if all performance rights vest)
Current CCZ shareholders	402,498,887		87.98%
Consideration shares	55,000,000		12.02%
Existing options on issue		21,000,000	
Total securities	457,498,887	21,000,000	100%

Indicative Timetable

An indicative timetable for completion of the Proposed Acquisition is set out below:

Event	Date (week ending)
Finalise share sale agreement	4 August 2017
Completion	18 August 2017

Please note that this timetable is indicative only and the Company reserves the right to amend the timetable as required.

CORPORATE

Conditions precedent completed to date

Under the heads of agreement (HoA) between CCZ and QComm, the proposed acquisition is subject to key conditions precedent being completed. The Board is pleased to confirm the following have been completed within the agreed time frame in the HoA:

- **Due diligence:** both parties conducted thorough investigations into all materially relevant issues and have agreed this is complete. Notably, legacy work on the Kungabaran Hill tenement revealed excellent mineralisation for copper and chromite following historical desktop review (refer below).
- **Placement to raise \$500,000 complete:** CCZ issued 33,333,333 shares at \$0.015 to sophisticated investors on 11 April 2017.
- **Share sale agreement executed:** On 13 April 2017, the shareholders of QComm signed off on the share sale agreement and confirmed receipt of the initial consideration of \$150,000 and 10,000,000 shares.
- **Shareholder approval:** CCZ held a general meeting of shareholders to
- **Completion:** Subsequent to the end of the quarter, on 5 July 2017, CCZ issued:
 - 66,666,667 shares at \$0.015 under its public share offer pursuant to its prospectus dated 22 June 2017;
 - 81,000,002 shares and 15,000,000 unlisted options upon completion of Share Sale; and
 - 6,000,000 unlisted options to the directors as approved by shareholders on 28 June 2017.

Following the completion of the QComm acquisition, CCZ announced that Mr Neil Hutchison has been appointed Technical Executive Director and will take up the position officially from 1 August 2017.

For and on behalf of Castillo Copper

David Wheeler

Chairman

Competent Persons Statement

Regarding both the Castillo Copper Ltd and Total Minerals Pty Ltd exploration tenures, the information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mark Biggs, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mark Biggs is employed by ROM Resources Pty Ltd.

Mark Biggs has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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'. Mark Biggs consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

ABOUT CASTILLO COPPER

Castillo Copper Limited (ASX: CCZ) is an ASX-listed explorer that has assets in eastern Australia and Chile. The Australian assets, which were acquired outright in July 2017, comprise three highly prospective cobalt-copper-nickel project areas in New South Wales and Queensland, detailed briefly as follows:

- Kungabaran Hill, which is in the New England Orogen in NSW, covers 153 sq km and is prospective for cobalt/copper/nickel;
- Peak Hill, located 16km southwest of Broken Hill, NSW, is prospective for cobalt/copper and covers 57 sq km; and
- Mt Oxide North covers 214 sq km in the Mt Isa region, northwest Queensland, and is prospective for copper/cobalt.

The Board is looking to prove up JORC compliant resources across the Australian project areas then utilise third party processors to fast track product to market.

The wholly-owned Chilean assets comprise of six exploration concessions across a total area of 1,800 hectares that are well known for high grade copper-gold projects.

APPENDIX 1: INTEREST IN MINING TENEMENTS HELD

HUANTA (VICUÑA)	HECTARES	NATIONAL ROLL	INTEREST AT THE BEGINNING OF THE QUARTER %	INTEREST AT THE END OF THE QUARTER %	YEAR GRANTED	OWNER
TRUENO 1	300	04015-7483-7	100%	100%	In process	Castillo Copper Chile SpA
TRUENO 2	300	04015-7484-5	100%	100%	In process	Castillo Copper Chile SpA
TRUENO 4	300	04015-7486-1	100%	100%	In process	Castillo Copper Chile SpA
TRUENO 5	300	04015-7487-K	100%	100%	In process	Castillo Copper Chile SpA
TRUENO 6	300	04015-7488-8	100%	100%	In process	Castillo Copper Chile SpA
TRUENO 7	300	04015-7489-6	100%	100%	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.

APPENDIX 2: SUMMARY OF EXPLORATION EXPENDITURE INCURRED PER PROJECT

Project	Quarter Cash Spend \$A'000
Kungabaran Hill	52
Peak Hill	52
Mt Oxide North	50
Huanta (Vicuna)	
Total	4

Note: The exploration expenditure for the Australian exploration projects relates to expenditure directly related to the acquisition of rights to explore. The acquisition was completed subsequent to quarter end.