



CASTILLO COPPER
LIMITED

ASX Release

31 January 2018

CASTILLO COPPER
LIMITED
ACN 137 606 476

Level 6
105 St Georges Terrace
Perth WA, 6000
Australia

Tel: +61 8 6558 0886
Fax: +61 8 6316 3337

Contact:

David Wheeler
Chairman

E-mail:

info@castillocopper.com

For the latest news:

www.castillocopper.com

Directors / Officers:

David Wheeler
Alan Armstrong
Neil Hutchison

Issued Capital:

579.7 million shares
67.5 million options

ASX Symbol:

CCZ

DEC 2017 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- 1. CCZ's geology team conducted an extensive site visit to the high-priority Cangai Copper Mine to assess all necessary attributes to potentially re-open the mine**
- 2. The inaugural drilling programme commenced in December with the core objectives of proving the integrity of the current JORC compliant resource and extent of resource expansion upside**
- 3. The geology team spent some time assessing Jackaderry North's potential for cobalt mineralisation, given it is extensive at surface**
- 4. At Broken Hill, the geology team uncovered more extensive cobalt mineralisation at surface than previously envisaged**
- 5. In addition, a review of updated geophysical imagery highlighted new aeromagnetic anomalies trending south-west across the Broken Hill tenure that have not been tested – this is a priority target for incremental exploration in 2018**
- 6. CCZ raised \$3.4m from a heavily oversubscribed placement during October and now have ample funds for the current exploration programs**
- 7. During November and early December, CCZ's executive team undertook comprehensive roadshows across Australia and to Hong Kong to visit key investors**

Castillo Copper Limited ("CCZ" or "The Company") is pleased to present its latest quarterly report for the period 1 October to 31 December 2017.

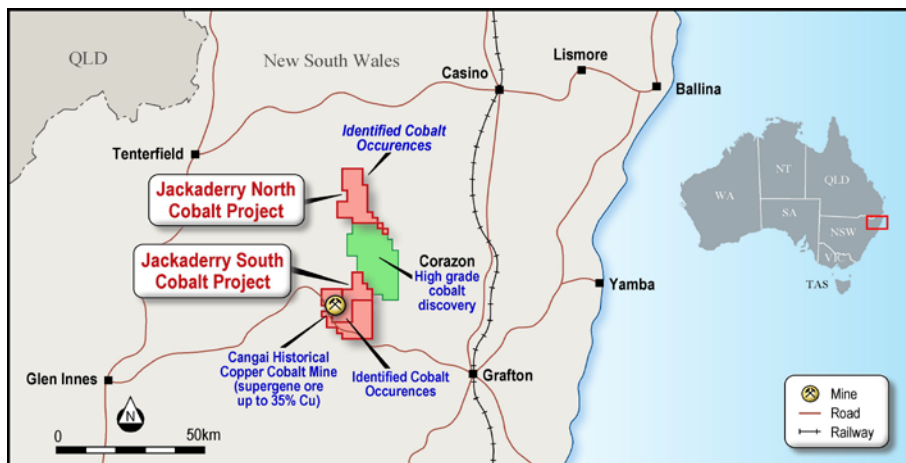
There were significant operational and corporate activities during the period, which are detailed below:

PROGRESS AT NSW PROJECTS

CANGAI COPPER MINE AND JACKADERRY PROJECT

CCZ's geology team began the quarter with an extended site visit to the historic Cangai Copper Mine (Cangai) in northern NSW (Figure 1), which has a JORC compliant Inferred Resource of 3.2Mt @ 3.35% copper – one of the highest in Australia.

FIGURE 1: MAP HIGHLIGHTING CANGAI COPPER MINE



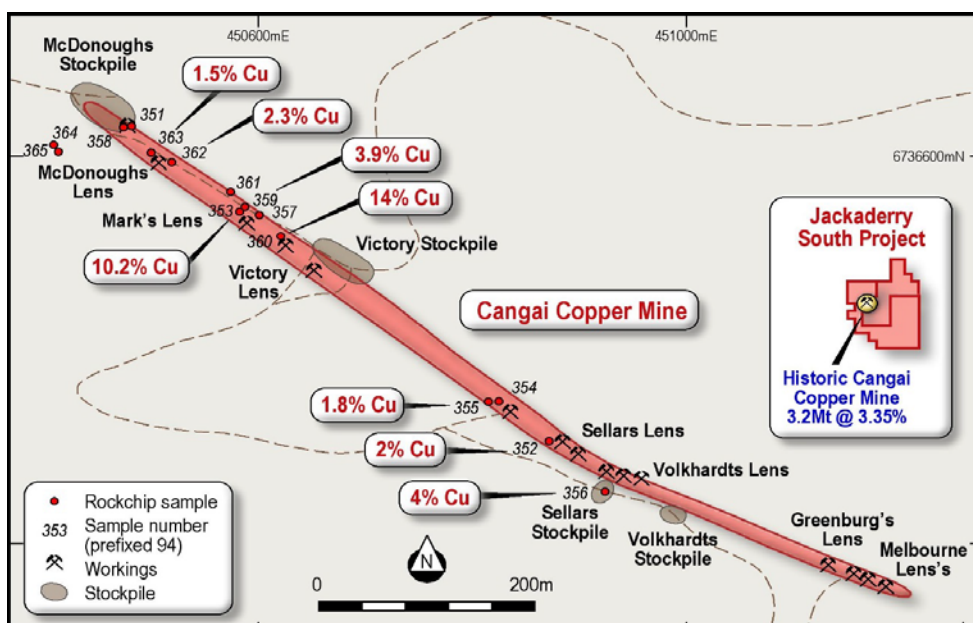
Source: CCZ's geology team

The focus of the visit was two-fold:

- 1) Assess transportation infrastructure and logistics to support mining operations in the event of the Cangai re-opening;
- 2) Undertake incremental key geological work and square away soft objectives comprising:
 - Mapping and photographing the area around the mine;
 - Collecting samples for assay analysis;
 - Gather empirical evidence using the pXRF to assess the extent of copper mineralisation within and external to JORC modelled boundaries;
 - Identify priority drill targets; and
 - Establishing a rapport with local stakeholders.

Multiple rock-chip samples were taken from within and external to the JORC modelled boundary at Cangai¹ during the field trip. Figure 2 highlights where the samples were collected along the line of lode at the historic mine site – stockpiles and unmined working sections – and the copper grades returned from the assay results, which ranged from 1.5% up to 14%.

FIGURE 2: MAP HIGHLIGHTING NEW ASSAY RESULTS AT CANGAI COPPER MINE¹



Source: CCZ's geology team; ALS (assay results)

Meanwhile, Figure 3 provides more detail on the sample locations and readings for silver, zinc and lead.

FIGURE 3: SIGNIFICANT ASSAY RESULTS FROM CANGAI MINE SAMPLES (>1% Cu)¹

Sample Number	Location Description	Cu	Ag	Pb	Zn
		%	g/t	ppm	ppm
352	Surface gossan	2.01	2.83	2150	161
353	Ore stockpile	10.15	17.55	667	215
355	Discovery outcrop-mineralised	1.80	1.61	68.1	93
356	Ore stockpile	4.01	10.75	1070	8510
359	Shaft-unmined ore	3.92	13.75	1410	5040
360	Ore stockpile	13.95	34.7	1630	12000
362	Ore stockpile in creek	2.34	3.43	196	7300
363	Unmined wall rock	1.46	3.89	149.5	2000

Source: ALS

Key findings

The assay results clearly support the JORC compliant Inferred Resource (3.2Mt @ 3.35%) that was 3D modelled using legacy data and indicative readings from pXRF analysis² undertaken during the field trip. In addition, the assay results confirmed solid readings for silver (maximum 34.7g/t), zinc (12,000ppm) and lead (2,150ppm) within the JORC modelled boundary.

CCZ's geology team also took numerous photographs to document observations and used pXRF analysis to determine the extent of copper mineralisation within and external to the JORC modelled boundary.

Incrementally, within the JORC modelled boundary, an estimated 900m strike length was identified, which included pXRF readings of 1-5% copper. To determine the presence and extent of a mineralisation halo, a priority drilling target was identified for testing between the lodes.

An interesting focus from the trip was the discovery of five extensive historic stockpiles around the main working sections that had pXRF readings of 10-30% copper from various samples – this is consistent with early desktop findings showing up to 35% copper in supergene ore². In addition, the team reviewed waste dump samples from near where the former smelter was located. Samples from these areas have been dispatched to the metallurgical laboratory for priority assay analysis.

Outside the JORC modelled boundary, the team found extensive examples of outcrops exhibiting copper mineralisation with pXRF readings up to 1.5% copper (Figure 4), which is economic grade ore. These are indicative of satellite deposits, which were identified during the desktop review process which now feature in CCZ's fully integrated mining plan.

¹ ASX announcement 31 October 2017

² ASX Announcement 7 August 2017

FIGURE 4: EXTENSIVE OUTCROPS AT SURFACE SHOWING COPPER MINERALISATION³



Although copper mineralisation was predominant across the areas reviewed, pXRF readings confirmed the presence of silver, gold and zinc.

Following the positive results, CCZ appointed Gnostic Exploration Services (Gnostic) to oversee and expedite the inaugural drilling program, which focuses on Cangai. The scope of work under the Gnostic mandate comprises of the following:

1. Project manage the drilling program, including logging, sampling and data collection.
2. Ensure a proper program of work is lodged with the appropriate authorities;
3. Liaise with the regulators to progress approval as quickly as possible so drilling can commence as soon as practical;
4. Oversee clean up and rehabilitation post the drilling program;
5. Optimise the three-phase drill program along the following lines:
 - o The initial phase focuses on confirming supergene ore along the unmined working sections. Drilling will test the along strike and width extensions of the modelled lodes as well as the mineralisation halo between the lodes. This is to determine the extent of high-grade copper mineralisation within the JORC modelled boundary as well as the lower grade (1-3% Cu) mineralisation along the shear zone and between the high grade lodes as identified in the field;
 - o Phase 2 will focus on infill resource drilling aiming to upgrade a majority of the resource to the indicated category.
 - o The closing phase of the drilling program will utilise deeper core holes to target deeper sulphide anomalies determined by the EM survey.

The Board announced its road-map to roll out the inaugural drilling program at Cangai has been finalised, with the following now in place:

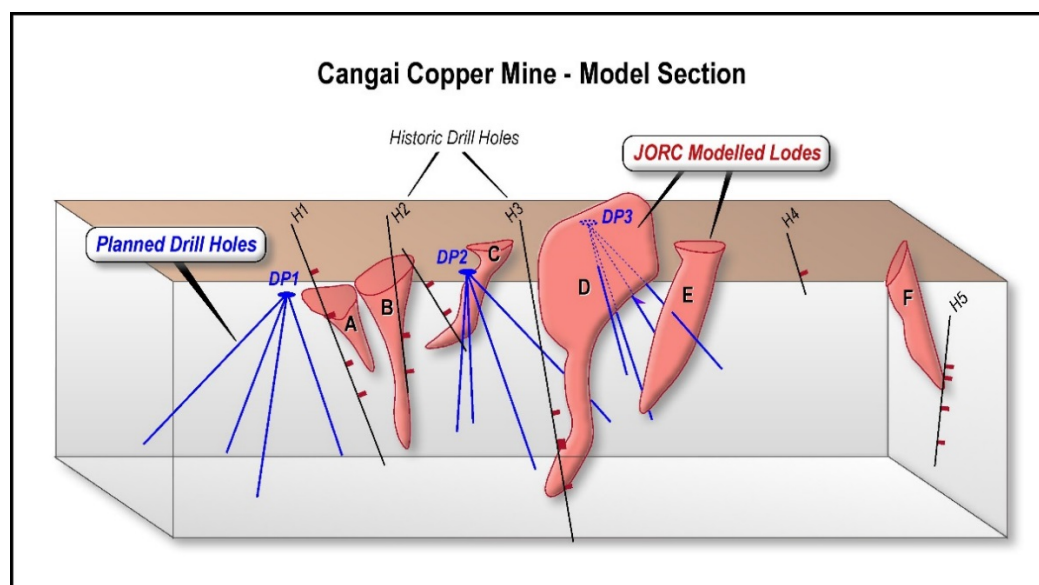
1. All preparation work to site has been finalised, as the landowner has cleared legacy tracks to provide service providers ready access;
2. CCZ employed the landholder to upgrade existing access tracks to make access safer and easier for the geological crew and the drill rig.
3. MapStat Aerial Insights have completed drone aerial photography and topographic surveys, while Newexco Services has completed a Fixed Loop Electro-magnetic (FLEM) survey over the main area of interest;
4. The drilling team was put on standby ready to mobilise to site once regulatory approval was secured; and

5. Gnostic finalised and received approval for the pre-site inaugural 2,250m RC-drilling program comprising 12-holes from three drill pads – note, these have been adjusted slightly to optimise the locations, based on the terrain at site.

DRILLING CAMPAIGN COMMENCING

The drilling team commenced pre-Christmas and continuing through January. With the initial plan being to start drilling from DP3 (Figure 5), given this is adjacent to the highest grade JORC modelled lodes. This has enabled early pXRF analysis, and provided samples that have been sent to be assayed, which should provide some clarity on the extent of the resource in addition to what has been JORC modelled (3.2Mt @ 3.35% Cu; 0.8g/t Au and 20.2g/t Ag)³.

FIGURE 5: PLANNED DRILLING PROGRAM AT CANGAI⁴



Ore Zone Legend: A) McDonoughs Lens; B) Marks Lens; C) Victory Lens; D) Sellars Lens; E) Volkhardt's Shaft Lens; F) Melbourne Lens

Topographical and EM surveys

The key strategy for the drilling program is to thoroughly test the JORC modelled lodes and the extent of the mineralisation halo in order to prove that mineralisation exists between the high-grade lodes as noted by CCZ's geologists during recent field mapping and sampling programs. Furthermore, with the completion of the topographical contour and FLEM geophysical surveys over the main lode area, the additional information gathered will assist with 3D positioning of the drilling program as well as the future drill targeting of new and existing anomalies. The FLEM survey data is currently being modelled and will encompass near mine anomalies and depth extensions/offsets within the deeper sulphide mineralised zones.

JACKADERRY NORTH: COBALT FOCUS

The geology team spent some time conducting additional work to understand the underlying geology at Jackaderry North to follow up on earlier desktop work, which highlighted the presence of significant cobalt mineralisation at surface⁵ (refer ASX Announcement "Extensive cobalt surface mineralisation identified at Kungabar Hill" dated 14 June 2017).

³ ASX Announcement 20 September 2017

⁴ ASX Announcement 13 December 2017

⁵ ASX Announcement 14 June 2017

CCZ's geology team has been undertaking further geological work on Jackaderry North, which suggests contiguous cobalt mineralisation trending in from Corazon's (ASX: CZN) tenure located to the south (Figure 3). Post the Cangai drilling program, CCZ's geology team will place greater focus on Jackaderry North and spend more time evaluating the extent of cobalt mineralisation, which has already proven extensive at surface⁶.

BROKEN HILL

With Cangai exploration program now being managed by a competent and experienced service provider, the Board began to ramp up the cobalt exploration plan at Broken Hill targeting four high grade cobalt zones.

Legacy desktop work has already identified four primary target areas, with cobalt readings within and just outside the tenements ranging from 2,060ppm up to 7,000ppm respectively⁴. To progress the high-level exploration strategy at these priority areas, a contracted geology team will soon visit site to focus on mapping, taking soil samples, conduct optimal EM and/or IP surveys and ultimately laying the foundations for the inaugural drilling program.

Following successful desktop studies and site visits by Castillo's geological team the board is extremely keen to prove up and expand the identified four primary cobalt zones.

The Board approved using a technology for the unsampled areas that enables hydromorphically imposed geochemical anomalies to be identified in surface soil above buried / blind mineralisation.

As such, once the geology team has evaluated key unsampled areas the geochemical technology will be deployed throughout the project area to unearth incremental cobalt mineralisation. Generated geochemical targets will then be evaluated utilising necessary geophysical surveys to better target mineralisation prior to drill testing.

The Board received an updated report from the geology team that suggests more extensive cobalt mineralisation than originally envisaged and shows additional anomalous zones uncovered by updated magnetic imagery

While the Cangai drilling program is the Board's top priority, the significant increase in the cobalt price in the current quarter has elevated the importance of fast-tracking the understanding of the geology at the Broken Hill project. Notably, this entails identifying potential drill targets with a view to develop a cobalt resource during 2018.

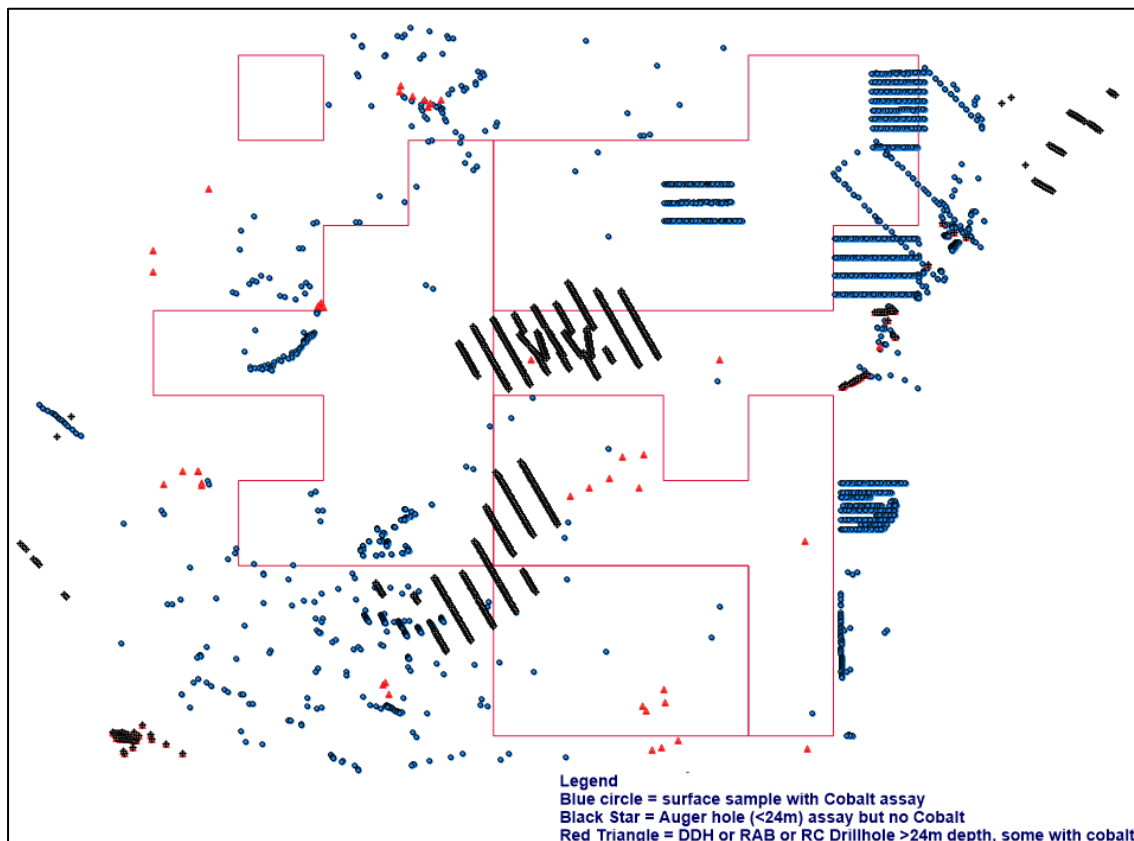
UNCOVERING MORE EXTENSIVE COBALT ANOMALIES

Surface

As part of the current exploration program, CCZ's geology team sourced updated surface sampling and compilations of regional geophysical surveys (gravity, radiometrics and magnetics). This incremental data highlighted more extensive cobalt anomalism at surface across the tenure (Figure 6) than previously reported. Notably, there are several prominent and more subtle trends, mainly north-south, and northeast to southwest across the project area.

⁶ Refer ASX Announcement – dated 6 June 2017

FIGURE 6: COBALT SURFACE OCCURRENCES AT BROKEN HILL⁷



Source: Geological Survey of NSW

Magnetic imagery

A review of available geophysical imagery for the area uncovered some updated airborne magnetics (Figure 7). This is a composite image recently made available by the Geological Survey of NSW that has been through a complicated filtering process to extract the highest possible resolution. It shows the overlying surface occurrences (pink and black diagonal lines that align with Figure 6) against the magnetic anomalies in red-yellow-orange pigmentation.

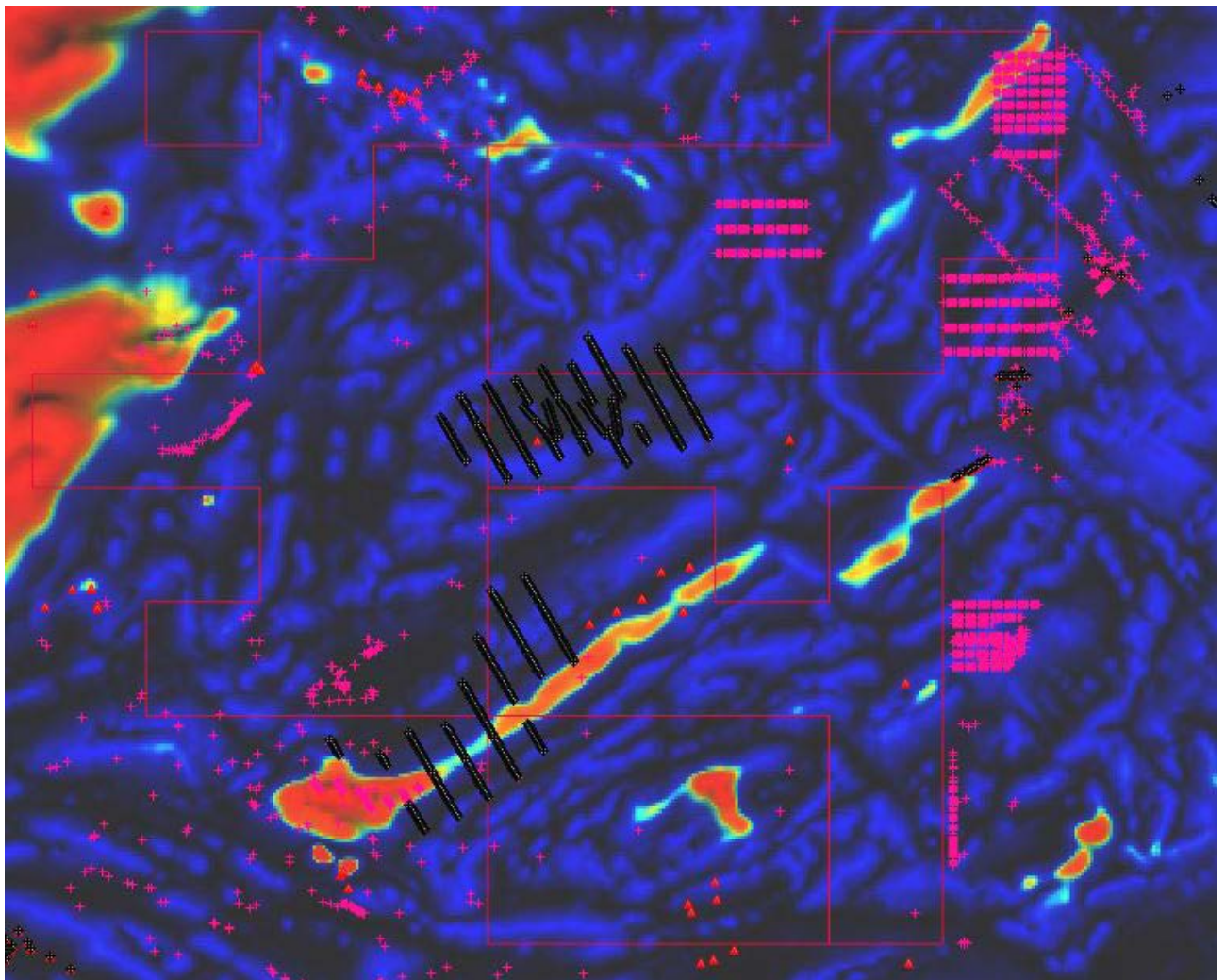
As outlined previously, due to the presence of alluvial sand across a material-portion of the Broken Hill project, circa 50% of the area has not been sampled or tested for cobalt mineralisation⁸.

Consequently, the updated magnetic imagery uncovered new highly anomalous magnetic zones trending south-west across the tenure, which had not been previously sampled or drilled.

⁷ ASX Announcement 20 December 2017

⁸ ASX Announcement 27 November 2017

FIGURE 7: MAGNETIC IMAGERY – COBALT SAMPLING AT BROKEN HILL⁸



Source: Geological Survey of NSW

Current fieldwork

These new areas uncovered by the magnetic imagery, in addition to priority targets disclosed earlier (refer ASX Announcement dated 27 November 2017), are now focal points for the geology team to conduct reconnaissance surface surveys.

CCZ's geology team's planned fieldwork comprises:

- establishing larger grid patterns over the magnetic anomalies;
- soil and rock chip sampling that will be analysed with a portable XRF; and
- follow up laboratory analysis using the HALO testing methodology.

Upon conclusion of the current field trip, the geology team expects to be in a position to identify key targets for the inaugural Broken Hill drilling program.

QLD PROJECTS

CCZ continued to progress with the application process of the QLD tenements acquired.

CHILEAN COPPER PROJECTS

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

CORPORATE

During November and early December 2017, Executive Directors Mr Neil Hutchison and Mr Alan Armstrong undertook extensive roadshows across the major Australian financial centres (Perth, Sydney and Melbourne) as well as Hong Kong targeting institutional investors.

CCZ successfully raised \$3.4 million (before costs) via a heavily oversubscribed placement of 106,250,000 fully-paid ordinary shares at a price of \$0.032 per share ("Placement") on 19 October 2017. This capital raising and acquisitions were ratified and approved at a General Meeting of Shareholders on 18 October 2017 ("General Meeting"). The Placement was managed by CPS Capital Group Pty Ltd ("CPS"). In addition, on 24 October 2017, CCZ issued CPS (and/or its nominees) 42,500,000 unlisted options exercisable at \$0.065 on or before 24 months from the date of the issue.

CCZ announced that it had finalised revised roles and remuneration packages for its two Executive Directors. Following the increased workload as a result of the Cangai discovery and the commencement of Castillo's maiden drilling program, the board deemed it practical to revise the roles and remuneration packages for Mr Alan Armstrong and Mr Neil Hutchison. Furthermore, on 19 October 2017, Mr Armstrong and Mr Hutchison (and/or their nominees) were both issued 2,000,000 options exercisable at \$0.03 on or before 30 June 2020 following approval at the General Meeting.

For and on behalf of Castillo Copper

David Wheeler

Chairman

COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Neil Hutchison, a Competent Person who is a Member of the Australian Institute of Geoscientists. Neil Hutchison is an executive director of Castillo Copper Ltd.

Neil Hutchison 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'. Neil Hutchison consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Australian Securities Exchange has not reviewed and does not accept responsibility for the accuracy or adequacy of this release.

ABOUT CASTILLO COPPER

Castillo Copper Limited (ASX: CCZ) is an ASX-listed base metal explorer – primarily focused on copper, cobalt, zinc and nickel – that has the bulk of its core operating assets in eastern Australia.

The Australian assets comprise four tenure groups that collectively hold 12 highly prospective copper-cobalt-zinc-nickel project areas in New South Wales and Queensland, detailed briefly as follows:

- **Jackaderry Project** – comprises three prospects (two in the south that are contiguous) in the New England Orogen in NSW which are highly prospective for copper-cobalt-zinc. Of significance is the historic Cangai Copper Cobalt Mine (within Jackaderry South) as legacy data confirms the presence of supergene ore with up to 35% copper and 10% zinc which implies direct shipping ore is potentially feasible. On 6 September 2017, CCZ announced one of Australia’s highest grade JORC compliant Inferred Resources for copper: 3.2Mt @ 3.35%.
- **Broken Hill Project** – consists of two contiguous tenements that are located within a 20km radius of Broken Hill, NSW, that are prospective for copper-cobalt-zinc. A key feature of the project is an area in the southern part of the tenure, which exhibits significant high-grade zinc mineralisation.
- **Mt Oxide Project** – made up of three prospects (two are contiguous) in the Mt Isa region, northwest Queensland, and are well known for copper-cobalt systems.
- **Marlborough Project** – includes three prospects that are located north-west of Gladstone (adjacent to Queensland Nickel mining leases) in an area, which is made up of proven high-grade cobalt-nickel systems. .

Castillo Copper also holds 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**

JACKADERRY		
New England Orogen in NSW		
Tenement ID	Ownership at end of Quarter	Change during the Quarter
EL8635	100%	-
EL8625	100%	-
EL8601	100%	-

MARLBOROUGH		
North-west of Gladstone		
Tenement ID	Ownership at end of Quarter	Change during the Quarter
EPM 26522	0%	-
EPM 26528	0%	-
EPM 26541	0%	-

BROKEN HILL		
located within a 20km radius of Broken Hill, NSW		
Tenement ID	Ownership at end of Quarter	Change during the Quarter
EL8599	100%	-
EL8572	100%	-

HUANTA (VICUÑA)		
Chile		
Tenement ID	Ownership at end of Quarter	Change during the Quarter
04015-7483-7	100%	-
04015-7484-5	100%	-
04015-7486-1	100%	-
04015-7487-K	100%	-
04015-7488-8	100%	-
04015-7489-6	100%	-

MT OXIDE		
Mt Isa region, northwest Queensland		
Tenement ID	Ownership at end of Quarter	Change during the Quarter
EPM 26513	0%	-
EPM 26525	0%	-
EPM 26574	0%	-
EPM 26462	100%	-

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
Jackaderry	71
Broken Hill	10
Mt Oxide North	3
Marlborough	0
Huanta (Vicuna)	1
Total	85