



CASTILLO COPPER

CASTILLO COPPER LIMITED

ABN 52 137 606 476

Half-year Financial Report
31 December 2017

CORPORATE DIRECTORY

Directors

Mr. Peter Meagher (Non-Executive Chairman)

Mr. Alan Armstrong (Executive Director)

Mr. Neil Hutchison (Technical Director)

Company Secretary

Mr. Tim Slate

Registered Office and Principal Place of Business

Level 6

105 St Georges Terrace,

Perth, WA 6000

Australia

Telephone: + 618 6558 0886

Facsimile: + 618 6316 3337

Share Registry

Automic Registry Services Pty Ltd

Level 2

267 St Georges Terrace

Perth, WA 6000

Telephone: + 1300 288 664

Facsimile: + 618 9324 2099

Auditors

HLB Mann Judd

Level 4, 130 Stirling Street,

Perth WA 6000 Australia

Stock Exchange Listing

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

ASX Code: CCZ

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DIRECTORS' REPORT

The directors of Castillo Copper Limited and its subsidiaries ("Castillo", "CCZ" or the "Group") submit the financial report of the Group for the half-year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Peter Meagher	Non-Executive Chairman (appointed 12 February 2018)
Mr Alan Armstrong	Executive Director (appointed 1 August 2017)
Mr Neil Hutchison	Technical Director (appointed 1 August 2017)
Mr David Wheeler	Non-Executive Chairman (resigned 12 February 2018)
Mr Giuseppe (Joe) Graziano	Non-Executive Director (resigned 1 August 2017)
Ms Nicole Fernandes	Non-Executive Director (resigned 1 August 2017)

Results

The loss after tax for the half-year ended 31 December 2017 was \$1,648,173 (31 December 2016 loss of \$207,525).

Review of Operations

During the financial period, the principal activity of the Group was mineral exploration and examination of new resources in eastern Australia.

Highlights

Castillo completed the acquisition of 12 highly-prospective assets in eastern Australia which have been bundled into four project groups: Jackaderry and Broken Hill in New South Wales and Mt Oxide and Marlborough in Queensland. These acquisitions resulted from the acquisition of 100% of the issued capital of three companies as set out in this report.

NEW SOUTH WALES PROJECTS

Jackaderry

The focus on the Jackaderry South project culminated on 6 September 2017, when CCZ announced a high-grade maiden JORC Inferred Resource for Cangai (Figure 1) in unmined working sections of 3.2Mt @ 3.35% Cu which implies circa 108,000 tonnes of contained copper.

The overall results achieved from analysing and 3D modelling legacy data for Cangai are exceptional and compared with listed and private peers, the underlying copper grade (3.35%) is among the highest recorded in Australia.

Figure 1: JORC Inferred Resource – Cangai Copper Mine

CANGAI COPPER MINE - INFERRED RESOURCE											
	Mass	Cu	Co	Zn	Au	Ag	Cu	Co	Zn	Au	Ag
	(Tonnes)	(%)	(%)	(%)	(g/t)	(g/t)	(Tonnes)	(Tonnes)	(Tonnes)	(Oz)	(Oz)
Oxide	814,267	4.1	0.010	0.63	0.06	27.34	33,391	78	5,165	14,550	715,667
Fresh	2,397,342	3.1	0.003	0.28	0.89	17.74	74,198	75	6,762	68,349	1,367,456
Total	3,211,609	3.35	0.005	0.37	0.8	20.17	107,589	153	11,927	82,899	2,083,123

Note: Totals may not sum exactly due to rounding. Cut-off grade used: 1.0% Cu with top-cut applied: 10.0% Cu.

DIRECTORS' REPORT (continued)

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.

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.

The Jackaderry Project's potential resource size could increase materially as incremental historic assay results across the tenement and the inaugural drilling campaign at Cangai Copper Mine are factored into JORC modelling.

Furthermore, the geology team spent some time assessing Jackaderry North's potential for cobalt mineralisation, given it is extensive at surface.

Subsequent to the end of the period, following the receipt of updated drilling progress report from the geology team at Cangai Copper Mine (Cangai), the Company advised outstanding drilling logs confirmed that 7 out of 8.5 drill-holes intersected copper oxide (malachite) and sulphide mineralisation (chalcopyrite-pyrite-pyrrhotite), with the best being 30m thick in an untested area, between two known JORC modelled lodes. Progress has been encouraging, especially intersecting highly mineralised sulphides ranging from disseminated and breccia sulphides on the outer zones trending to semi-massive/massive veins within the core of the shear zone. Importantly, the drilling program has confirmed the veracity of the current JORC model and clearly implies there is significant potential resource size upside.

Broken Hill

The geology team uncovered more extensive cobalt mineralisation at surface than previously envisaged

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

QUEENSLAND 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 the half year, the Company completed the acquisition of 100% of the issued capital of three companies, being:

- Qld Commodities Pty Ltd (QComm) which owns three assets targeting high grade copper and cobalt systems in NSW and Queensland, completed 5 July 2017;
- Total Minerals Pty Ltd (Total Minerals), which owns four cobalt & copper assets in NSW and Queensland (including the historic Cangai Mine in northeast NSW), completed 11 August 2017; and
- Total Iron Pty Ltd (Total Iron), which owns five highly prospective cobalt-copper-zinc-nickel project areas – one in NSW and four in QLD, completed 5 September 2017.

On 1 August 2017, Mr Alan Armstrong and Mr Neil Hutchison were appointed Executive Directors, following the resignations of Ms Nicole Fernandes and Mr Giuseppe (Joe) Graziano. 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.

DIRECTORS' REPORT (continued)

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. The Placement was managed by CPS Capital Group Pty Ltd ("CPS"), who were issued 42,500,000 unlisted options exercisable at \$0.065 on or before 24 October 2019.

Subsequent to period end, on 12 February 2018, CCZ appointed Mr Peter Meagher as Chairman following the resignation of Mr David Wheeler. Additionally, Castillo announced it will seek shareholder approval to issue the following proposed options, to acquire CCZ shares, to directors at an exercise price of \$0.10 and expiring on 31 December 2023:

- Mr Peter Meagher – 5 million;
- Mr Alan Armstrong – 1 million; and
- Mr Neil Hutchison – 1 million.

In addition, Castillo will seek shareholder approval for the issue of 8 million options to Hartleys Limited, and or their nominees, who have been appointed as corporate advisor and a maximum of 2 million options to consultants, and or their nominees, in lieu of fees, to acquire CCZ shares, at an exercise price of \$0.10 and expiring on 31 December 2023.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2017.

This report is signed in accordance with a resolution of the Board of Directors.



Alan Armstrong

Director

16 March 2018

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.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Castillo Copper Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



**Perth, Western Australia
16 March 2018**

**L Di Giallonardo
Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533

Email: mailbox@hlbwa.com.au | Website: www.hlb.com.au

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Condensed Consolidated Statement of Comprehensive Income
for the half-year ended 31 December 2017

	Note	31 December 2017 \$	31 December 2016 \$
Interest revenue		4,088	252
Revenue		4,088	252
Listing and public company expenses		(53,017)	(20,897)
Accounting and audit expenses		(72,999)	(65,743)
Consulting and directors' fees		(192,849)	(97,000)
Impairment of deferred exploration and evaluation expenditure	3	(33,309)	(4,235)
Impairment of tenements under application	4	(1,072,026)	-
Share based payments		(114,257)	-
Other expenses	6	(113,804)	(19,902)
Loss before income tax		(1,648,173)	(207,525)
Income tax expense		-	-
Loss after income tax		(1,648,173)	(207,525)
Other comprehensive (loss) / income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		10,481	(1,560)
Total comprehensive loss for the half-year		(1,637,692)	(209,085)
Loss per share attributable to owners of Castillo Copper Limited			
Basic and diluted loss per share (cents per share)		(0.33)	(0.01)

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position
as at 31 December 2017

	Note	31 December 2017 \$	30 June 2017 \$
Assets			
Current Assets			
Cash and cash equivalents		3,303,822	58,712
Other receivables		77,479	28,956
Total Current Assets		3,381,301	87,668
Non-Current Assets			
Other receivables		20,000	20,000
Deferred exploration and evaluation expenditure	3	3,751,250	-
Other non-current assets	4	-	350,000
Total Non-Current Assets		3,771,250	370,000
Total Assets		7,152,551	457,668
Current Liabilities			
Trade and other payables		158,152	124,747
Total Current Liabilities		158,152	124,747
Non-Current Liabilities			
Deferred tax liability	4	958,659	-
Total Non-Current Liabilities		958,659	-
Total Liabilities		1,116,811	124,747
Net Assets		6,035,740	332,921
Equity			
Issued capital	5	16,751,410	10,224,254
Reserves		2,516,975	1,693,139
Accumulated losses		(13,232,645)	(11,584,472)
Total Equity		6,035,740	332,921

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2017

	Issued Capital \$	Share-Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
Balance as at 1 July 2017	10,224,254	1,824,808	(131,669)	(11,584,472)	332,921
Total comprehensive loss for the half-year					
Loss for the half-year	-	-	-	(1,648,173)	(1,648,173)
Other comprehensive income	-	-	10,481	-	10,481
Total comprehensive loss for the half-year	-	-	10,481	(1,648,173)	(1,637,692)
Transactions with owners in their capacity as owners					
Shares issued to sophisticated investors	4,400,000	-	-	-	4,400,000
Shares issued per QComm acquisition	1,150,000	-	-	-	1,150,000
Shares issued per Total Minerals acquisition	1,265,000	-	-	-	1,265,000
Shares issued per Total Iron acquisition	450,000	-	-	-	450,000
Shares issued to advisors and vendors	98,000	-	-	-	98,000
Share based payments	-	203,657	-	-	203,657
Share issue costs	(835,844)	609,698	-	-	(226,146)
Balance at 31 December 2017	16,751,410	2,638,163	(121,188)	(13,232,645)	6,035,740
Balance as at 1 July 2016	9,620,254	1,773,742	(128,125)	(11,054,830)	211,041
Total comprehensive loss for the half-year					
Loss for the half-year	-	-	-	(207,525)	(207,525)
Other comprehensive loss	-	-	(1,560)	-	(1,560)
Total comprehensive loss for the half-year	-	-	(1,560)	(207,525)	(209,085)
Balance at 31 December 2016	9,620,254	1,773,742	(129,685)	(11,262,355)	1,956

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2017

	Note	31 December 2017 \$	31 December 2016 \$
Cash flows from operating activities			
Payments to suppliers and employees		(567,013)	(166,828)
Interest received		4,088	252
Net cash outflow from operating activities		(562,925)	(166,576)
Cash flows from investing activities			
Payments for subsidiaries	4	(200,000)	-
Payments for exploration and evaluation expenditure		(165,818)	(5,867)
Net cash outflow from investing activities		(365,818)	(5,867)
Cash flows from financing activities			
Proceeds from issue of shares		4,400,000	-
Share issue costs paid		(226,147)	-
Net cash inflow from financing activities		4,173,853	-
Net increase / (decrease) in cash and cash equivalents		3,245,110	(172,443)
Cash and cash equivalents at 1 July 2017		58,712	216,777
Effect of exchange rate fluctuations on cash held		-	(470)
Cash and cash equivalents at 31 December 2017		3,303,822	43,864

The accompanying notes form part of these financial statements.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

This general purpose half-year financial report of Castillo Copper Limited and its subsidiaries (the Group) for the half-year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 16 March 2018.

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 principal activities of the Group are described in the Directors' Report.

Basis of Preparation

This financial report for the half-year ended 31 December 2017 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with IAS 43 'Interim Financial Reporting'.

These half-year financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial statements.

It is recommended that the half-year financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2017 and considered together with any public announcements made by Castillo Copper Limited during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations of the ASX listing rules.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period. The accounting policies and methods of computation adopted are consistent with those of the previous financial year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The consolidated financial statements have been prepared on the basis of historical cost.

Going Concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

New and amending Accounting Standards and Interpretations

In the half-year ended 31 December 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2017.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2017. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to the Group accounting policies.

NOTE 2: SEGMENT REPORTING

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 reviews internal management reports on a monthly basis that are 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.

NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	6 months to 31 December 2017 \$	Year ended 30 June 2017 \$
Exploration and evaluation phase:		
Opening balance	-	-
Exploration and evaluation expenditure assumed on acquisition of subsidiaries (Note 4)	3,486,033	-
Exploration and evaluation expenditure during the period	298,526	
Impairment	(33,309)	-
Closing balance	3,751,250	-

The ultimate recoupment of costs carried forward as exploration expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

NOTE 4: ACQUISITION OF SUBSIDIARIES

a) Queensland Commodities Pty Ltd

On 22 March 2017, Castillo Copper Limited announced it has entered into a binding heads of agreement to acquire 100% of the issued capital of Australian copper and cobalt company Qld Commodities Pty Ltd (**QComm**) (**QComm Acquisition**).

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2017

Under the terms of the binding heads of agreement, the Company would:

- (a) Issue 10,000,000 CCZ consideration shares as initial consideration (issued in March 2017 at \$0.02 per share for the value of \$200,000);
- (b) Pay the QComm vendors \$150,000 as initial cash consideration;
- (c) Issue 76,666,668 CCZ consideration shares on completion of the QComm Acquisition;
- (d) Pay the QComm vendors \$200,000 pro-rata to their QComm shareholding payable as soon as practicable following grant of all applications; and
- (e) Enter into a royalty agreement with the QComm vendors (or their nominee) pursuant to which CCZ will pay a 1% net smelter return royalty in respect of the area covered by the applications.

On 4 July 2017, the Company completed the QComm Acquisition. Furthermore, in August 2017, the Company received notice all applications had been granted. Following the notice, the Company paid the Qcomm vendors \$200,000.

At 30 June 2017, the Company had recorded initial consideration totalling \$350,000 as a non-current asset (shares valued at \$200,000 and cash paid of \$150,000).

b) Total Minerals Pty Ltd

As announced on 21 July 2017, the Company signed a binding Heads of Agreement with Total Minerals Pty Ltd (Total Minerals), 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 (Total Minerals Acquisition).

In consideration for the Total Minerals Acquisition, the Company agreed to issue 55,000,000 CCZ shares to the shareholders of Total Mineral and 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.

The Company completed the Total Minerals Acquisition on 11 August 2017.

c) Total Iron Pty Ltd

As announced on 21 July 2017, the Company signed a binding Heads of Agreement with Total Iron Pty Ltd (Total Iron), which owns five highly prospective cobalt-copper-zinc-nickel project areas – one in NSW and four in QLD – to acquire all its outstanding issued shares (Total Iron Acquisition).

In consideration for the Total Iron Acquisition, the Company agreed to issue 15,000,000 CCZ shares to the shareholders of Total Iron and 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.

The Company completed the Total Iron Acquisition on 5 September 2017.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2017

Consideration transferred for the acquisition of all subsidiaries:

	6 months to 31 December 2017 \$
<u>Qld Commodities Pty Ltd</u>	
<i>Shares issued at fair value</i>	
• 10,000,000 ordinary shares at \$0.02 (March 2017)	200,000
• 76,666,668 ordinary shares at \$0.015 (July 2017)	1,150,000
Cash	350,000
	1,700,000
 <u>Total Minerals Pty Ltd</u>	
<i>Shares issued at fair value</i>	
55,000,000 ordinary shares at \$0.023 (August 2017)	1,265,000
 <u>Total Iron Pty Ltd</u>	
<i>Shares issued at fair value</i>	
15,000,000 ordinary shares @ \$0.03 (September 2017)	450,000
 Other costs related to the acquisitions:	
<u>Qld Commodities Pty Ltd</u>	
• Shares issued to advisors – 4,333,333 ordinary shares @ \$0.015	65,000
• Options issued to advisors – 15,000,000 options exercisable at \$0.03 before 5/7/20	119,400
	3,599,400
Total consideration	3,599,400
 Net assets acquired:	
Net assets of all subsidiaries at dates of acquisition	-
Exploration and evaluation expenditure assumed – tenements granted	3,486,033
Other assets – costs relating to tenements under application (i)	1,072,026
Deferred tax liability on exploration and evaluation expenditure assumed	(958,659)
	3,599,400
 Net cash outflow arising from acquisitions:	
Cash paid	350,000
Less: Cash paid prior to 30 June 2017	(150,000)
Net cash outflow for the half-year ended 31 December 2017	200,000

- (i) Subsequent to acquisition, the Company has impaired fully the \$1,072,026 in costs assumed in relation to tenements under application.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2017

NOTE 5: ISSUED CAPITAL

	31 December 2017	30 June 2017
	\$	\$
Issued and paid up capital		
Issued and fully paid	16,751,410	10,224,254

	6 months to 31 December 2017		Year ended 30 June 2017	
	Number of shares	\$	Number of shares	\$
Movements in issued capital				
Opening balance	254,832,218	10,224,254	211,498,885	9,620,254
Shares issued to sophisticated investors	172,916,667	4,400,000	33,333,333	500,000
Shares issued per QComm acquisition	76,666,668	1,150,000	10,000,000	200,000
Shares issued per Total Minerals acquisition	55,000,000	1,265,000	-	-
Shares issued per Total Iron acquisition	15,000,000	450,000	-	-
Shares issued to advisors and vendors	5,303,922	98,000	-	-
Transaction costs of share issue	-	(835,844)	-	(96,000)
Closing balance	579,719,475	16,751,410	254,832,218	10,224,254

Share options

At 31 December 2017 there were 67,500,000 (2016: 6,000,000) unissued ordinary shares under unlisted options.

The following share-based payment arrangements were entered into during the period:

Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date	Vesting date
15,000,000 ¹	5 July 2017	5 July 2020	\$0.03	\$0.008	5 July 2017
4,000,000 ²	19 October 2017	30 June 2020	\$0.03	\$0.0229	19 October 2017
42,500,000 ³	24 October 2017	24 October 2019	\$0.065	\$0.0159	24 October 2017

- 1) Issued to CPS Capital as consideration for assisting with the acquisition of Qld Commodities Pty Ltd. Total value \$119,400 (see Note 4).
- 2) Issued to directors, Alan Armstrong and Neil Hutchison. Total value \$84,257 included in share based payments in profit or loss.
- 3) Issued to CPS Capital as consideration for assisting with the capital raising during the period. Total value \$609,698, included as part of transaction applied against issued capital.

There were no other share-based payment options on issue during the period.

(a) Weighted average fair value

The fair value of the equity-settled options granted during the period was estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which they were granted, as follows:.

	1	2	3
Expected volatility (%)	120	112	109
Risk-free interest rate (%)	2.2	1.9	1.9
Expected life of option (years)	3	3	2
Exercise price (cents)	3	3	6.5
Grant date share price (cents)	1.8	4.4	4.3

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2017

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

NOTE 6: OTHER EXPENSES

Included in the other expenses are the following items:

	6 months to 31 December 2017	6 months to 31 December 2016
	\$	\$
Administrative expenses	39,166	3,123
Legal fees	23,520	1,935
Travel and accommodation	39,613	9,102
Other expenses	11,505	5,742
	113,804	19,902

NOTE 7: CONTINGENT LIABILITIES

As detailed in Note 4, following the acquisition of QComm, Total Minerals and Total Iron, the Group has net smelter royalties potentially payable in relation to tenements acquired.

Other than outlined above, there has been no change in contingent liabilities since the last annual reporting date.

NOTE 8: SUBSEQUENT EVENTS

There have been no known significant events subsequent to the end of the period.

NOTE 9: FINANCIAL INSTRUMENTS

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period. The Directors consider that the carrying values of the financial assets and financial liabilities recognised in the condensed consolidated statement of financial position represent their fair values.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Castillo Copper Limited (the 'Company'), the directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 14, are in accordance with the Corporations Act 2001, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Alan Armstrong
Executive Director
16 March 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Castillo Copper Limited

Report on the Condensed Half-Year Financial Report*Conclusion*

We have reviewed the accompanying half-year financial report of Castillo Copper Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533

Email: mailbox@hlbwa.com.au | Website: www.hlb.com.au

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**

**Perth, Western Australia
16 March 2018**



**L Di Giallonardo
Partner**