

NOTICE OF GENERAL MEETING

Accompanied by an Explanatory Statement
& Proxy Form

This *notice of general meeting*,
explanatory statement and *proxy*
form should be read in their
entirety.

If you are in doubt as to how
you should vote, you should
seek advice from your
accountant, solicitor or other
professional advisor prior to
voting.

If you wish to discuss this *notice*
of general meeting or the
accompanying documents,
please do not hesitate to
contact the *company secretary* on
+61 (0) 8 6558 0886.

General Meeting to be held at the office of
Blackwall Legal at Level 26, 140 St Georges
Terrace, Perth, Western Australia on Tuesday, 29
January 2019, commencing at 10.00am WST

Castillo Copper Limited

ACN 137 606 476

Contents

NOTICE OF GENERAL MEETING	2
PROXY APPOINTMENT, VOTING AND MEETING INSTRUCTIONS.....	5
EXPLANATORY STATEMENT.....	8
1. Ratification of placement.....	8
2. Approval for the issue of options to the placement participants.....	9
3. Approval for the issue of securities to directors.....	11
4. Approval for the issue of securities to SPP participants.....	13
5. Approval for the issue of broker options.....	14
6. Election of director – Mr Robert Scott.....	16
7. Approval for the issue of director options to Mr Robert Scott.....	17
Schedule 1 – Glossary	19
Schedule 2 – Additional information	22
Schedule 3 – Terms and conditions of options	24
Schedule 4 – Terms and conditions of options	26

Key dates

27 January 2019 snapshot date for eligibility to vote

27 January 2019 last day for receipt of *proxy forms* *

29 January 2019 *general meeting*

* *proxy forms* received after 10.00am WST will be disregarded.

Notice of General Meeting

Notice is hereby given that the *general meeting* of Castillo Copper Limited ACN 137 606 476 (*company*) will be held at **the office of Blackwall Legal at Level 26, 140 St Georges Terrace, Perth, Western Australia** on **Tuesday, 29 January 2019**, commencing at **10.00am WST**.

The *explanatory statement*, which accompanies and forms part of this *notice*, describes the various matters to be considered.

Terms used in this *notice*, unless the context otherwise requires, have the meanings given to them in the *glossary* set out in the *explanatory statement*.

Agenda

resolution Ratification of placement

1 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, for the purpose of listing rule 7.4 and for all other purposes, shareholders ratify the prior issue of 61,500,000 shares to the placement participants as set out in the explanatory statement.

resolution Approval for the issue of options to the placement participants

2 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, for the purposes of listing rule 7.1 and for all other purposes, approval is given for the company to issue 61,500,000 options to the placement participants as set out in the explanatory statement.

resolution Approval for issue of securities to Peter Meagher

3 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, for the purposes of listing rule 10.11 and for all other purposes, approval is given for the company to issue 250,000 shares and 250,000 options to Mr Peter Meagher, a director, (or his nominee) as set out in the explanatory statement.

resolution **Approval for issue of securities to Alan Armstrong**

4 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, for the purposes of listing rule 10.11 and for all other purposes, approval is given for the company to issue 250,000 shares and 250,000 options to Mr Alan Armstrong, a director, (or his nominee) as set out in the explanatory statement.

resolution **Approval for issue of securities to Peter Smith**

5 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, for the purposes of listing rule 10.11 and for all other purposes, approval is given for the company to issue 500,000 shares and 500,000 options to Mr Peter Smith, a director, (or his nominee) as set out in the explanatory statement.

resolution **Approval for the issue of shares to the SPP participants**

6 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, for the purposes of listing rule 7.1 and for all other purposes, approval is given for the company to issue up to 75,000,000 shares to SPP participants as set out in the explanatory statement.

resolution **Approval for the issue of options to the SPP participants**

7 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, subject to resolution 6 being passed, for the purposes of listing rule 7.1 and for all other purposes, approval is given for the company to issue up to 75,000,000 options to SPP participants as set out in the explanatory statement.

resolution **Approval for the issue of options to Zenix Nominees**

8 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, for the purposes of listing rule 7.1 and for all other purposes, approval is given for the company to issue 15,000,000 options to Zenix Nominees (or its nominees) on the terms and conditions set out in the explanatory statement.

resolution **Election of a director – Mr Robert Scott**

9 To consider and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purpose of clause 13.4 of the constitution and for all other purposes, Mr Robert Scott, a director who was appointed on 13 December 2018, retires, and being eligible, is elected as a director.”

resolution **Approval for the issue of options to Mr Robert Scott**

10 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, for the purposes of listing rule 10.11, and for all other purposes, approval is given for the company to issue 5,000,000 options to Mr Robert Scott, a director, (or his nominee) on the terms and conditions set out in the explanatory statement.

By order of the board of directors

Tim Slate
Company Secretary

20 December 2018

Proxy appointment, voting and meeting instructions

Lodgement of a proxy form

The *proxy form* (and any power of attorney or other authority, if any, under which it is signed) or a copy or facsimile which appears on its face to be an authentic copy of the *proxy form* (and the power of attorney or other authority) must be lodged with the *company* no later than **10.00am WST on Sunday, 27 January 2019** being not later than 48 hours before the commencement of the *general meeting*. Any *proxy form* received after that time will not be valid. *Proxy forms* may be lodged:

online Automic Registry Services
As set out in the *proxy form*

by hand Automic Registry Services
Level 5
126 Phillip Street
Sydney NSW 2000

by mail Automic Registry Services
PO Box 5193
Strawberry Hills NSW 2001

Appointment of a proxy

A member of the *company* entitled to attend and vote at the *general meeting* is entitled to appoint a proxy. The proxy may, but need not be, a *shareholder* of the *company*.

If you wish to appoint the *chairman* as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the *chairman*, please write the name of that person. If you leave this section blank, or your named proxy does not attend the *meeting*, the *chairman* will be your proxy.

You are entitled to appoint up to two persons as proxies to attend the *meeting* and vote on a poll. If you wish to appoint a second proxy, an additional *proxy form* may be obtained by telephoning the company secretary on +61 (0) 8 6558 0886 or you may photocopy the *proxy form*.

To appoint a second proxy, you must on each *proxy form* state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both *proxy forms* do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

Corporate shareholders

Corporate *shareholders* should comply with the execution requirements set out on the *proxy form* or otherwise with the provisions of section 127 of the *Corporations Act*. Section 127 of the *Corporations Act* provides that a company may execute a document without using its common seal if the document is signed by:

- (a) two directors of the company;
- (b) a director and a company secretary of the company; or
- (c) for a proprietary company that has a sole director who is also the sole company secretary – that director.

Corporate representatives

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the *Corporations Act*, in which case the *company* will require a certificate of appointment of the corporate representative executed in accordance with the *Corporations Act*. The certificate of appointment must be lodged with the *company* before the *general meeting* or at the registration desk on the day of the *general meeting*.

Votes on resolutions

You may direct your proxy how to vote on a *resolution* by placing a mark in one of the boxes opposite the *resolution*. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on the *resolutions* by inserting the percentage or number of *shares* you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the *resolutions*, your proxy may vote as he or she chooses. If you mark more than one box on a *resolution* your vote on the *resolution* will be invalid.

Voting entitlement (snapshot date)

For the purposes of determining voting and attendance entitlements at the *general meeting*, *shares* will be taken to be held by the persons who are registered as holding the *shares* at **10.00am WST on Sunday, 27 January 2019**. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the *general meeting*.

Voting exclusion statements

The *Corporations Act* and the *listing rules* require that certain persons must not vote, and the *company* must disregard any votes cast in favour by certain persons, on some of the *resolutions* to be considered at the *meeting*.

However, the *company* need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the *proxy form*, or it is cast by the person chairing the *meeting* as a proxy for a person who is entitled to vote, in accordance with a direction on the *proxy form* to vote as the proxy decides.

The *company* will disregard any votes cast in favour on a *resolution* as set out in the table below:

Resolution	Nature of resolution	Persons excluded from voting
1	Ratification of <i>placement</i>	<i>Placement participants</i> , or any <i>associates</i> of those persons.
2	Approval for the issue of <i>options to placement participants</i>	<i>Placement participants</i> , or any <i>associates</i> of those persons.
3	Approval for issue of <i>securities</i> to Peter Meagher	Peter Meagher or his nominee(s), or any <i>associates</i> of those persons.
4	Approval for issue of <i>securities</i> to Alan Armstrong	Alan Armstrong or his nominee(s), or any <i>associates</i> of those persons.
5	Approval for issue of <i>securities</i> to Peter Smith	Peter Smith or his nominee(s), or any <i>associates</i> of those persons.
6	Approval for the issue of <i>shares</i> to <i>SPP participants</i>	<i>SPP participants</i> , or any <i>associates</i> of those persons.
7	Approval for the issue of <i>options</i> to <i>SPP participants</i>	<i>SPP participants</i> , or any <i>associates</i> of those persons.
8	Approval for the issue of <i>options</i> to <i>Zenix Nominees</i>	<i>Zenix Nominees</i> or its nominee(s), or any <i>associates</i> of those persons.
10	Approval for the issue of <i>options</i> to Robert Scott	Robert Scott or his nominee(s), or any <i>associates</i> of those persons.

In respect of *resolution 10*, the *company* will also disregard any votes cast on that *resolution* by any *key management personnel* of the *company*, or a *closely related party* of such member acting as proxy if their appointment does not specify the way the proxy is to vote on the *resolution*.

Explanatory statement

This *explanatory statement* has been prepared for the information of *shareholders* in relation to the business to be conducted at the *general meeting*.

The purpose of this *explanatory statement* is to provide *shareholders* with all information known to the *company* which is material to a decision on how to vote on the *resolutions* in the accompanying *notice of general meeting*.

This *explanatory statement* should be read in conjunction with the *notice of general meeting*.

Italicised terms in this *explanatory statement* and in the *notice* are defined in the *glossary* in *Schedule 1*.

1. RATIFICATION OF PLACEMENT

1.1. Background

On 11 December 2018, the *company* issued a total of 61,500,000 *shares* (**placement shares**) in a share placement to sophisticated and professional investors (**placement**). The *placement* raised a total of \$1,230,000 (before costs) and was undertaken in accordance with *listing rule 7.1*.

1.2. Requirement for shareholder approval

- 1.2.1. *Listing rule 7.1* provides that a company must not, subject to certain exceptions, issue or agree to issue more *equity securities* during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period, without the approval of shareholders. The *placement shares* are *equity securities* for the purposes of the *listing rules*.
- 1.2.2. *Listing rule 7.4* permits the ratification of previous issues of securities made without prior shareholder approval under *listing rule 7.1* provided the issue did not breach *listing rule 7.1*. The effect of such ratification is to restore a company's maximum discretionary power to issue further securities up to the limit imposed by *listing rule 7.1*. The *company* confirms the issue of the shares the subject of *resolution 1* did not breach *listing rule 7.1*.
- 1.2.3. The *company* wishes to ratify the issue of the *placement shares* the subject of *resolution 1* pursuant to *listing rule 7.4*, in order to allow the *company* to have the right to place up to a further 15% of its issued capital under *listing rule 7.1*.
- 1.2.4. Relevant information for the purposes of the *listing rules* is provided at *section 1.3*.

1.3. Required information – listing rules

Pursuant to *listing rule 7.5*, the following information is provided in respect of *resolution 1*:

- (a) the *company* issued 61,500,000 *placement shares* under the *placement* pursuant to listing rule 7.1;
- (b) the *placement shares* were issued at an issue price of \$0.02 and raised a total of \$1,230,000 (before costs);
- (c) the *placement shares* are fully paid ordinary shares in the capital of the *company* issued on the same terms and conditions as the *company's existing shares*; and
- (d) the *placement shares* were issued to sophisticated and professional investors who are clients of *Hartleys*, as lead manager, and other brokers who assisted *Hartleys* with the *placement* (**placement participants**);
- (e) the funds raised under the *placement* will be used to accelerate exploration programs at the *company's* Cangai Copper project; and
- (f) in accordance with *listing rules 7.5.6* and *14.11*, a voting exclusion statement is included in the *notice* in respect of *resolution 1*.

1.4. Directors' recommendation

The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 1*.

2. APPROVAL FOR THE ISSUE OF OPTIONS TO THE PLACEMENT PARTICIPANTS

2.1. Background

2.1.1. On 11 December 2018, the *company* issued 61,500,000 *placement shares* to the *placement participants*. Under the terms of the *placement*, the *placement participants* are entitled to one free attaching *option* for every *placement share* subscribed for (**placement options**).

2.1.2. *Resolution 2* seeks *shareholder* approval for the issue of the *placement options*.

2.2. Requirement for shareholder approval

Listing rule 7.1 provides that a company must not, subject to certain exceptions, issue or agree to issue more *equity securities* during any 12-month period than that amount which represents 15% of the number of fully paid ordinary *securities* on issue at the

commencement of that 12-month period, without the approval of shareholders. The *options* to be issued to *placement participants* are *equity securities* for the purposes of the *listing rules*. The effect of *resolution 2* will be to allow the *company* to issue the *placement options* during the 3 months following the *meeting* without using the *company's* 15% annual placement capacity.

2.3. Required information

Pursuant to *listing rule 7.3*, the following information is provided in respect of *resolution 2*:

- (a) the maximum number of *placement options* to be issued is 61,500,000;
- (b) the *placement options* will be issued no later than 3 months after the date of the *meeting* (or such later date permitted by any modification of the *listing rules*) and it is intended to issue all *placement options* on the same date;
- (c) the *placement options* will be issued for nil consideration, *placement participants* having been offered one free attaching *option* for every *placement share* subscribed for;
- (d) the *placement options* will be issued for nil cash consideration on the basis of 1 free attaching *option* for every 1 *placement share* subscribed for and issued; accordingly, no funds will be raised;
- (e) *shares* issued on exercise of *placement options* will be fully paid ordinary shares in the capital of the *company*, issued on the same terms and conditions as the *company's existing shares*;
- (f) the *placement options* will be issued on the terms set out in *Schedule 3*;
- (g) no funds will be raised by the issue of the *placement options*; however, if all *placement options* are exercised, the *company* will receive \$3,075,000; and
- (h) in accordance with *listing rules 7.3.8* and *14.11*, a voting exclusion statement is included in the *notice* in respect of *resolution 2*.

2.4. Directors' recommendation

The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 2*.

3. APPROVAL FOR THE ISSUE OF SECURITIES TO DIRECTORS

3.1. Background

Messrs Meagher, Armstrong and Smith (each, a *director*) have agreed to subscribe for *shares* and *options* on the same terms as the *placement*, subject to *shareholder* approval.

3.2. Requirement for shareholder approval

3.2.1. *Listing rule 7.1* provides that a company must not, subject to certain exceptions, issue or agree to issue more *equity securities* during any 12-month period than that amount which represents 15% of the number of fully paid ordinary *securities* on issue at the commencement of that 12-month period, without the approval of shareholders. However, one of those exceptions is where shareholder approval is obtained under *listing rule 10.11* (which provides that, unless one of the exceptions in *listing rule 10.12* applies, an entity must not issue or agree to issue *equity securities* to a *related party* without the approval of holders of ordinary securities).

3.2.2. The *directors* are *related parties* of the *company* within the meaning of section 228(2)(a) of the *Corporations Act*; accordingly, *listing rule 10.11* applies to an issue of *equity securities* to the *directors*. The *shares* and *options* to be issued to the *directors* pursuant to *resolutions 3* to *5* are *equity securities* for the purposes of the *listing rules*.

3.2.3. In addition, section 208 of the *Corporations Act* requires shareholder approval for the provision of a financial benefit to a *related party*. However, section 210 of the *Corporations Act* provides that shareholder approval is not required for these purposes where the financial benefit to be provided to the *related party* is provided on arm's length terms for the purposes of section 210(a). The *directors* are of the view that the issue of *shares* and *options* to the *directors* is being undertaken on arm's length terms (as the terms are identical to those offered to placement participants) and, on that basis, *resolutions 3* to *5* do not seek shareholder approval for the purposes of section 208 of the *Corporations Act*.

3.3. Required information

Pursuant to *listing rule 10.13*, the following information is provided in respect of *resolutions 3* to *5*:

- (a) the *shares* and *options* are to be issued under these *resolutions* will be issued to Messrs Meagher, Armstrong and Smith, each a *director* (or their respective nominees);
- (b) the maximum number of *shares* and *options* to be issued are as follows:

- (i) 250,000 *shares* and 250,000 *options* to Mr Meagher (or his nominee);
 - (ii) 250,000 *shares* and 250,000 *options* to Mr Armstrong (or his nominee);
 - (iii) 500,000 *shares* and 500,000 *options* to Mr Smith (or his nominee);
- (c) the *options* will be issued no later than 1 month after the date of the *meeting* (or such later date permitted by any modification of the *listing rules*) and it is intended to issue all *options* on the same date;
- (d) the *shares* will be issued at \$0.02 per *share*;
- (e) the *options* will be issued for nil cash consideration on the basis of 1 *option* for every 1 *share* subscribed for and issued; accordingly, no funds will be raised;
- (f) the *shares* to be issued on exercise of the *options* will be fully paid ordinary shares in the capital of the *company* issued on the same terms and conditions as the *company's existing shares*;
- (g) the *options* will be issued on the terms set out in *Schedule 3*;
- (h) funds raised by the issue of the *shares* under *resolutions 3 to 5* will be used to accelerate exploration programs at the *company's* Cangai Copper project;
- (i) no funds will be raised by the issue of the *options*; however, if all *options* to be issued to the *directors* are exercised, the *company* will receive \$50,000; and
- (j) pursuant to, and in accordance with *listing rules 10.13.6* and *14.11*, a voting exclusion statement is included in the *notice* in respect of *resolutions 3 to 5*.

3.4. Directors' recommendation

- 3.4.1. The *directors* (other than Mr Meagher) recommend that *shareholders* vote in favour of resolution 3.
- 3.4.2. The *directors* (other than Mr Armstrong) recommend that *shareholders* vote in favour of resolution 4.
- 3.4.3. The *directors* (other than Mr Smith) recommend that *shareholders* vote in favour of resolution 5.

4. APPROVAL FOR THE ISSUE OF SECURITIES TO SPP PARTICIPANTS

4.1. Background

- 4.1.1. As announced on 11 December 2018, the *company* intends to undertake a share purchase plan (*SPP*) for *eligible shareholders* to apply for up to \$15,000 worth of *shares* in the *company*, at an issue price of \$0.02 per *share*, to raise up to \$1,500,000 by way of the issue of up to 75,000,000 *shares* (*SPP shares*).
- 4.1.2. Under the terms of the *SPP*, participants in the *SPP* (*SPP participants*) are entitled to one free attaching option for every *SPP share* subscribed for (*SPP options*).
- 4.1.3. Any *shares* not subscribed for under the *SPP* will be available for subscription under a shortfall facility (*shortfall*).
- 4.1.4. *Resolutions 6* and *7* seek *shareholder* approval for the issue of 75,000,000 *SPP shares* and 75,000,000 *SPP options*.

4.2. Requirement for shareholder approval

Listing rule 7.1 provides that a company must not, subject to certain exceptions, issue or agree to issue more *equity securities* during any 12-month period than that amount which represents 15% of the number of fully paid ordinary *securities* on issue at the commencement of that 12-month period, without the approval of shareholders. The *SPP shares* and *SPP options* are *equity securities* for the purposes of the *listing rules*. The effect of *resolutions 6* and *7* will be to allow the *company* to issue the *SPP shares* and *SPP options* to *SPP participants* during the 3 months following the *meeting* without using the *company's* 15% annual placement capacity.

4.3. Required information

Pursuant to *listing rule 7.3*, the following information is provided in respect of *resolutions 6* and *7*:

- (a) a maximum number of 75,000,000 *SPP shares* and 75,000,000 *SPP options* to be issued to *SPP participants*;
- (b) the *SPP shares* and *SPP options* will be issued no later than 3 months after the date of the *meeting* (or such later date permitted by any modification of the *listing rules*) and it is intended that:
- (i) *SPP shares* and *SPP options* to be issued to *SPP participants* will be issued on the same date, expected to be soon after the *meeting*; and

- (ii) *SPP shares* and *SPP options* to be issued under the *shortfall* will be issued during the 3-month period required under *listing rule 7.3.2*.
- (c) the *SPP shares* will be issued at \$0.02 per *SPP share*;
- (d) the *SPP options* will be issued for nil cash consideration on the basis of 1 *option* for every 1 *SPP share* subscribed for and issued; accordingly, no funds will be raised;
- (e) *shares* issued on exercise of *SPP options* issued pursuant to *resolution 7* will be fully paid ordinary shares in the capital of the *company*, issued on the same terms and conditions as the *company's existing shares*;
- (f) the *SPP options* will be issued on the terms set out in *Schedule 3*;
- (g) funds raised by the issue of the *SPP shares* under *resolution 6*, when combined with the other funds raised under the *placement* will be used to accelerate exploration programs at the *company's* Cangai Copper project;
- (h) no funds will be raised by the issue of the *SPP options* under *resolution 7*; however, if all *SPP options* issued under *resolution 7* are exercised, the *company* will receive \$3,750,000; and
- (i) in accordance with *listing rules 7.3.8* and *14.11*, a voting exclusion statement is included in the *notice* in respect of *resolutions 6* and *7*.

4.4. Directors' recommendation

The *directors* unanimously recommend that *shareholders* vote in favour of *resolutions 6* and *7*.

5. APPROVAL FOR THE ISSUE OF BROKER OPTIONS

5.1. Background

- 5.1.1. In accordance with the terms of the *broker mandate*, the *company* has agreed to issue 15,000,000 *options* to *Zenix Nominees* (or its nominees) as a fee in respect of the *placement* and the *SPP (broker options)*.
- 5.1.2. *Resolution 8* seeks *shareholder* approval for the issue of the *broker options*.

5.2. Requirement for shareholder approval

Listing rule 7.1 provides that a company must not, subject to certain exceptions, issue or agree to issue more *equity securities* during any 12-month period than that amount which represents 15% of the number of fully paid ordinary *securities* on issue at the commencement of that 12-month period, without the approval of shareholders. The *options* to be issued to *brokers* are *equity securities* for the purposes of the *listing rules*. The effect of *resolution 8* will be to allow the *company* to issue the *broker options* to *brokers* during the 3 months following the *meeting*, without using the *company's* 15% annual placement capacity.

5.3. Required information

Pursuant to *listing rule 7.3*, the following information is provided in respect of *resolution 8*:

- (a) the maximum number of *broker options* to be issued is 15,000,000;
- (b) the *broker options* will be issued no later than 3 months after the date of the *meeting* (or such later date permitted by any modification of the *listing rules*) and it is intended to issue all *broker options* on the same date;
- (c) the *broker options* to be issued will be issued for nil consideration; *Hartleys* has provided non-cash consideration for the issue of the *broker options*, namely services;
- (d) the *broker options* to be issued under *resolution 8* will be issued to *Zenix Nominees* (or its nominees) and will not be issued to any person who is a *related party* of the *company*;
- (e) *shares* issued on exercise of *broker options* issued pursuant to *resolution 8* will be fully paid ordinary shares in the capital of the *company*, issued on the same terms and conditions as the *company's* existing *shares*;
- (f) the *broker options* will be issued on the terms set out in *Schedule 3*;
- (g) no funds will be raised by the issue of the *broker options* under *resolution 8*; however, if all *broker options* issued under *resolution 8* are exercised, the *company* will receive \$750,000; and
- (h) in accordance with *listing rules 7.3.8* and *14.11*, a voting exclusion statement is included in the *notice* in respect of *resolution 8*.

5.4. Directors' recommendation

The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 8*.

6. ELECTION OF DIRECTOR – MR ROBERT SCOTT

6.1. Background

- 6.1.1. Clause 13.4 of the *constitution* provides that the *directors* may at any time appoint a person to be a *director*, either to fill a casual vacancy or as an addition to the existing *directors*, but so that the total number of *directors* does not at any time exceed the maximum number specified by the *constitution*. Pursuant to clause 13.4 of the *constitution*, any *director* so appointed holds office only until the next general meeting and is then eligible for election, but shall not be taken into account in determining the *directors* who are to retire by rotation (if any) at that meeting.
- 6.1.2. Mr Robert Scott, having been appointed on 13 December 2018, will retire from office in accordance with the requirements of clause 13.4 of the *constitution* and, being eligible, submits himself for election by *shareholders* in accordance with clause 13.4 of the *constitution*.
- 6.1.3. Mr Scott is a Chartered Accountant with >35 years' experience as a corporate advisor at major accounting firms. He retired as an international partner from Arthur Anderson to pursue Non-Executive Director roles.

Mr Scott is a fellow of the Institute of Chartered Accountants, member of the Taxation Institute of Australia and of the Australian Institute of Company Directors.

Mr Scotts current board experience in the mining and energy sectors includes Sandfire Resources NL (*ASX*: SFR) and RTG Mining Inc (*ASX*: RTG). Previously, he served on the Boards of CGA Mining Ltd (a major gold producer in the Philippines) and NASDAQ-listed, Lonestar Resources US Inc which is a Texas-based producer of shale oil.

6.1. Directors' recommendation

The *directors* (other than Mr Scott) recommend that *shareholders* vote in favour of *resolution 9*.

7. APPROVAL FOR THE ISSUE OF DIRECTOR OPTIONS TO MR ROBERT SCOTT

7.1. Background

Resolution 10 seeks *shareholder* approval for the issue of 5,000,000 *options* on the terms set out in *Schedule 3* to Mr Robert Scott, a *director*, in consideration for his services to the *company* (*director options*).

7.2. Requirement for shareholder approval

7.2.1. *Listing rule 7.1* provides that a company must not, subject to certain exceptions, issue or agree to issue more *equity securities* during any 12-month period than that amount which represents 15% of the number of fully paid ordinary *securities* on issue at the commencement of that 12-month period, without the approval of shareholders. However, one of those exceptions is where shareholder approval is obtained under *listing rule 10.11* (which provides that, unless one of the exceptions in *listing rule 10.12* applies, an entity must not issue or agree to issue *equity securities* to a *related party* without the approval of holders of ordinary securities).

7.2.2. Mr Scott is a *director* and consequently a *related party* of the *company* within the meaning of section 228(2)(a) of the *Corporations Act*; accordingly, *listing rule 10.11* applies to an issue of *equity securities* to Mr Scott. The *director options* are *equity securities* for the purposes of the *listing rules*.

7.2.3. In addition, section 208 of the *Corporations Act* requires shareholder approval for the provision of a financial benefit to a *related party*. However, section 211 of the *Corporations Act* provides that shareholder approval is not required for these purposes where the financial benefit to be provided to the *related party* is “reasonable remuneration” for the purposes of section 211(1). The *directors* are of the view that the issue of *director options* to Mr Scott is reasonable remuneration and, on that basis, *resolution 10* does not seek shareholder approval under section 208 of the *Corporations Act*.

7.3. Required information

Pursuant to *listing rule 10.13*, the following information is provided in respect of *resolution 10*:

- (a) the *related party* to whom *director options* are to be issued under this *resolution* is Mr Robert Scott (or his nominee);
- (b) the maximum number of *director options* to be issued to Mr Scott (or his nominee) is 5,000,000;

- (c) the *director options* will be issued no later than 1 month after the date of the *meeting* (or such later date permitted by any modification of the *listing rules*) and it is intended to issue all *director options* on the same date;
- (d) the *director options* to be issued will be issued for nil cash consideration as they constitute a fee for services provided;
- (e) the exercise price of the *director options* is \$0.05 with an expiry date of 31 December 2023;
- (f) the *shares* to be issued on exercise of the *director options* will be fully paid ordinary shares in the capital of the *company* issued on the same terms and conditions as the *company's existing shares*;
- (g) the *director options* will be issued on the terms set out in *Schedule 3*;
- (h) no funds will be raised by the issue of the *director options*; however, if all *director options* to be issued to Mr Scott are exercised, the *company* will receive \$250,000; and
- (i) pursuant to, and in accordance with *listing rules 7.3.8* and *14.11*, a voting exclusion statement is included in the *notice* in respect of *resolution 10*.

7.4. Directors' recommendation

The *directors* (other than Mr Scott) recommend that *shareholders* vote in favour of *resolution 10*.

Schedule 1 – Glossary

<i>associate</i>	has the meaning given in Part 1.2, Division 2 of the <i>Corporations Act</i> , and shall be applied: (a) in accordance with the note to <i>listing rule 14.11</i> ; and (b) in respect of the disclosure required by <i>ASIC</i> regulatory guide 74.
<i>ASIC</i>	the Australian Securities and Investments Commission.
<i>ASX</i>	ASX Limited ACN 008 624 691, or where the context requires, the Australian Securities Exchange which it runs.
<i>broker mandate</i>	the agreement between <i>Hartleys</i> and the <i>company</i> pursuant to which <i>Hartleys</i> provides corporate advisory and capital raising services to the <i>company</i> .
<i>broker options</i>	has the meaning given to that term in section 5.1.1 of the <i>explanatory statement</i> .
<i>business day</i>	a day (other than a Saturday or a Sunday) on which banks in Perth, Western Australia are open for normal business.
<i>chairman</i>	the chairman of the <i>meeting</i> .
<i>closely related party</i>	has the meaning given to that term in section 9 the <i>Corporations Act</i> .
<i>company</i>	Castillo Copper Limited ACN 137 606 476, a public company registered in Australia and listed on <i>ASX</i> .
<i>company secretary</i>	the company secretary of the <i>company</i> .
<i>constitution</i>	the constitution of the <i>company</i> from time to time.
<i>Corporations Act</i>	the <i>Corporations Act 2001</i> (Cth).
<i>director</i>	a director of the <i>company</i> .
<i>director options</i>	has the meaning given to that term in section 0 of the <i>explanatory statement</i> .
<i>dollar, \$, A\$ or AUD</i>	the lawful currency for the time being of the Commonwealth of Australia.
<i>equity securities</i>	has the meaning given to that term in the <i>listing rules</i> .
<i>existing shares</i>	<i>shares</i> held by <i>shareholders</i> as at the date of this <i>notice</i> .
<i>explanatory statement</i>	this explanatory statement which accompanies and forms part of the <i>notice of general meeting</i> .

<i>general meeting or meeting</i>	the general meeting of <i>shareholders</i> convened by the <i>notice of general meeting</i> , or any meeting adjourned thereof.
<i>glossary</i>	this glossary of terms.
<i>Hartleys</i>	Hartleys Limited ACN 104 195 057, a public company registered in Australia and the holder of an Australian financial service licence.
<i>key management personnel</i>	has the meaning given in the <i>listing rules</i> .
<i>listing rules</i>	the official listing rules of <i>ASX</i> from time to time.
<i>notice of general meeting</i> or <i>notice</i>	this notice of general meeting.
<i>option</i>	an option to acquire a <i>share</i> .
<i>placement</i>	has the meaning given to that term in section 1.1 of the <i>explanatory statement</i> .
<i>placement participant</i>	has the meaning given to that term in section 1.3(d) of the <i>explanatory statement</i> .
<i>placement options</i>	has the meaning given to that term in section 2.1.1 of the <i>explanatory statement</i> .
<i>placement shares</i>	has the meaning given to that term in section 1.1 of the <i>explanatory statement</i> .
<i>proxy form</i>	the proxy form accompanying this <i>notice of general meeting</i>
<i>quotation</i>	official quotation as defined in the <i>listing rules</i> .
<i>related body corporate</i>	has the meaning given to that term in sections 9 and 50 of the <i>Corporations Act</i> .
<i>related party</i>	has the meaning given to that term in sections 9 and 228 of the <i>Corporations Act</i> .
<i>resolution</i>	a resolution set out in the <i>notice</i> .
<i>schedule</i>	a schedule of the <i>explanatory statement</i> .
<i>securities</i>	has the meaning given to that term in section 92 of the <i>Corporations Act</i> .
<i>share</i>	a fully paid ordinary share in the capital of the <i>company</i> .
<i>shareholders</i>	the holders of <i>shares</i> from time to time.
<i>shortfall</i>	has the meaning given to that term in section 4.1.3 of the <i>explanatory statement</i> .
<i>SPP</i>	has the meaning given to that term in section 4.1.1 of the <i>explanatory statement</i> .

SPP options has the meaning given to that term in section 4.1.2 of the *explanatory statement*.

SPP participants has the meaning given to that term in section 4.1.2 of the *explanatory statement*.

SPP shares has the meaning given to that term in section 4.1.1 of the *explanatory statement*.

WST Western Standard Time, being the time in Perth, Western Australia.

Zenix Nominees Zenix Nominees Pty Ltd ACN 107 391 908, a proprietary company registered in Australia and associated with *Hartleys*.

Schedule 2 – Additional information

1. SCOPE OF DISCLOSURE

- 1.1. The law requires this *explanatory statement* to set out all other information which is known to the *company* that is reasonably required to enable *shareholders* to decide whether or not it is in the *company's* interests to pass the *resolutions*.
- 1.2. The *company* is not aware of any relevant information that is material to a decision on how to vote on the *resolutions* other than as is disclosed in this *explanatory statement* or has been previously disclosed to *shareholders* by announcement to the *ASX*.

2. RECOMMENDATIONS, VOTING INTENTIONS AND INTERESTS OF DIRECTORS

- 2.1. The *directors* recommend that *shareholders* vote in favour of all *resolutions*.
- 2.2. As at the date of the *notice*:
 - (a) Mr Peter Francis Meagher, a *director*, and Mrs Janis Anne Sawyer, a *related party* of Mr Meagher (together, the **Meaghers**), hold 250,000 *shares* – the *Meaghers* intend to vote in favour of all *resolutions* (other than *resolution 5* in respect of the issue of *options* to Mr Meagher);
 - (b) Perpetual Superannuation Limited ATF Peter Meagher Superannuation Fund, an entity associated with Mr Peter Meagher, a *director*, holds 344,827 *shares* – Mr Meagher intends to cause Perpetual Superannuation Limited ATF Peter Meagher Superannuation Fund to vote in favour of all *resolutions* (other than *resolution 5* in respect of the issue of *options* to Mr Meagher);
 - (c) Mr Alan Armstrong a *director*, holds 300,000 *shares* and intends to vote in favour of all *resolutions* (other than *resolution 6* in respect of the issue of *options* to himself);
 - (d) Loup Solitaire Pty Ltd, an entity associated with Mr Alan Armstrong, a *director*, holds 550,000 *shares* – Mr Armstrong intends to cause Loup Solitaire Pty Ltd to vote in favour of all *resolutions* (other than *resolution 6* in respect of the issue of *options* to Mr Armstrong); and
 - (e) Mr Peter Smith does not hold any interests in *securities* of the *company*.
 - (f) Mr Robert Scott does not hold any interests in *securities* of the *company*

3. INDICATIVE VALUE OF NEW SECURITIES

The quantum of benefit to be received by holders of new *securities* proposed to be issued pursuant to *resolutions 1 to 8* and *10* will depend on the price at which *shares* may trade on *ASX*.

4. ASX ROLE

The fact that the *notice, explanatory statement* and other relevant document has been received or reviewed by *ASX* should not be taken as an indication of the merits of the *resolutions* or the *company* itself. *ASX* and its respective officers take no responsibility for any decision a *shareholder* may take in reliance on any of that documentation.

Schedule 3 – Terms and conditions of options

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- entitlement**
- (a) Each *option* will entitle the holder to subscribe for one *share*.
 - (b) All *shares* issued upon the exercise of the *options* will rank equally in all respects with the *company's* existing *shares*.
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exercise price Each *option* will have an exercise price of \$0.05 (**exercise price**).

- exercise of options**
- (a) The *options* will expire at 5.00pm 3 years from the date of issue (**expiry date**).
 - (b) *Options* may be exercised at any time prior to the *expiry date* by completing and delivering a duly completed form of notice of exercise (**exercise notice**) to the registered office of the *company*, together with the payment of the *exercise price* in immediately available funds for the number of *shares* in respect of which the *options* are exercised (**exercise payment**).
 - (c) Any *option* not exercised on or before the *expiry date* will lapse.
 - (d) *Shares* issued pursuant to the exercise of *options* will be issued, and a holding statement in respect of those *shares* provided, not more than 15 *business days* after the receipt of a duly completed *exercise notice* and the *exercise payment*.
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- quotation**
- (a) Application will not be made to *ASX* for quotation of the *options*.
 - (b) Provided the *company* is listed on *ASX* at the time, application will be made for quotation of the *shares* issued upon exercise of *options* not later than 15 *business days* after the date of issue.
 - (c) If required, the *company* will give *ASX* a notice that complies with section 708A(5)(e) of the *Corporations Act*, or, if such a notice delivered is for any reason not effective to ensure that an offer for sale of the *shares* does not require disclosure to investors, the *company* must, no later than 20 *business days* after becoming aware of such notice being ineffective, lodge with *ASIC* a prospectus prepared in accordance with the *Corporations Act* and do all such things necessary to satisfy section 708A(11) of the *Corporations Act* to ensure that an offer for sale of the *shares* does not require disclosure to investors.
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- shareholder and regulatory approvals**
- (a) Notwithstanding any other provision of these terms and conditions, exercise of *options* into *shares* will be subject to the *company* obtaining all required (if any) *shareholder* and regulatory approvals for the purpose of issuing the *shares* to the holder.
 - (b) If exercise of *options* would result in any person being in contravention of section 606(1) of the *Corporations Act* then the exercise of each *option* that would cause the contravention will be deferred until such time or times that the exercise would not result in a contravention of section 606(1) of the *Corporations Act*.
 - (c) Holders must give notification to the *company* in writing if they consider that the exercise of *options* may result in the contravention of section 606(1) of the *Corporations Act*, failing which the *company* will be entitled to assume that the
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exercise of the *options* will not result in any person being in contravention of section 606(1) of the *Corporations Act*.

transfer *Options* can only be transferred with the prior written consent of the *company* (which consent may be withheld in the *company's* sole discretion).

participation and entitlements

(a) There are no participating rights or entitlements inherent in the *options* and holders will not be entitled to participate in new issues of *securities* offered to *shareholders* during the currency of the *options*.

(b) The *company* must give notice to the holders of *options* of any new issue before the record date for determining entitlements to the issue in accordance with the *listing rules* so as to give holders the opportunity to exercise their *options* before the date for determining entitlements to participate in any issue.

reorganisation of share capital In the event of a reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the *company*, all rights of holders of *options* shall be changed to the extent necessary to comply with the *Corporations Act* and the *listing rules* applying to a reorganisation of capital at the time of the reorganisation.

bonus issue If, from time to time, before the expiry of the *options* the *company* makes a pro-rata issue of *shares* to *shareholders* for no consideration, the number of *shares* over which an *option* is exercisable will be increased by the number of *shares* which the *holder* would have received if the *option* had been exercised before the date for calculating entitlements to the pro-rata issue.

Schedule 4 – Terms and conditions of options

<i>entitlement</i>	(c) Each <i>option</i> will entitle the holder to subscribe for one <i>share</i> . (d) All <i>shares</i> issued upon the exercise of the <i>options</i> will rank equally in all respects with the <i>company's</i> existing <i>shares</i> .
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<i>exercise price</i>	Each <i>option</i> will have an exercise price of \$0.05 (<i>exercise price</i>).
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<i>exercise of options</i>	(e) The <i>options</i> will expire at 5.00pm on 31 December 2023 (<i>expiry date</i>). (f) <i>Options</i> may be exercised at any time prior to the <i>expiry date</i> by completing and delivering a duly completed form of notice of exercise (<i>exercise notice</i>) to the registered office of the <i>company</i> , together with the payment of the <i>exercise price</i> in immediately available funds for the number of <i>shares</i> in respect of which the <i>options</i> are exercised (<i>exercise payment</i>). (g) Any <i>option</i> not exercised on or before the <i>expiry date</i> will lapse. (h) <i>Shares</i> issued pursuant to the exercise of <i>options</i> will be issued, and a holding statement in respect of those <i>shares</i> provided, not more than 15 <i>business days</i> after the receipt of a duly completed <i>exercise notice</i> and the <i>exercise payment</i> .
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<i>quotation</i>	(d) Application will not be made to <i>ASX</i> for quotation of the <i>options</i> . (e) Provided the <i>company</i> is listed on <i>ASX</i> at the time, application will be made for quotation of the <i>shares</i> issued upon exercise of <i>options</i> not later than 15 <i>business days</i> after the date of issue. (f) If required, the <i>company</i> will give <i>ASX</i> a notice that complies with section 708A(5)(e) of the <i>Corporations Act</i> , or, if such a notice delivered is for any reason not effective to ensure that an offer for sale of the <i>shares</i> does not require disclosure to investors, the <i>company</i> must, no later than 20 <i>business days</i> after becoming aware of such notice being ineffective, lodge with <i>ASIC</i> a prospectus prepared in accordance with the <i>Corporations Act</i> and do all such things necessary to satisfy section 708A(11) of the <i>Corporations Act</i> to ensure that an offer for sale of the <i>shares</i> does not require disclosure to investors.
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<i>shareholder and regulatory approvals</i>	(d) Notwithstanding any other provision of these terms and conditions, exercise of <i>options</i> into <i>shares</i> will be subject to the <i>company</i> obtaining all required (if any) <i>shareholder</i> and regulatory approvals for the purpose of issuing the <i>shares</i> to the holder. (e) If exercise of <i>options</i> would result in any person being in contravention of section 606(1) of the <i>Corporations Act</i> then the exercise of each <i>option</i> that would cause the contravention will be deferred until such time or times that the exercise would not result in a contravention of section 606(1) of the <i>Corporations Act</i> .
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- (f) Holders must give notification to the *company* in writing if they consider that the exercise of *options* may result in the contravention of section 606(1) of the *Corporations Act*, failing which the *company* will be entitled to assume that the exercise of the *options* will not result in any person being in contravention of section 606(1) of the *Corporations Act*.
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transfer *Options* can only be transferred with the prior written consent of the *company* (which consent may be withheld in the *company's* sole discretion).

participation and entitlements (c) There are no participating rights or entitlements inherent in the *options* and holders will not be entitled to participate in new issues of *securities* offered to *shareholders* during the currency of the *options*.

- (d) The *company* must give notice to the holders of *options* of any new issue before the record date for determining entitlements to the issue in accordance with the *listing rules* so as to give holders the opportunity to exercise their *options* before the date for determining entitlements to participate in any issue.
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reorganisation of share capital In the event of a reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the *company*, all rights of holders of *options* shall be changed to the extent necessary to comply with the *Corporations Act* and the *listing rules* applying to a reorganisation of capital at the time of the reorganisation.

bonus issue If, from time to time, before the expiry of the *options* the *company* makes a pro-rata issue of *shares* to *shareholders* for no consideration, the number of *shares* over which an *option* is exercisable will be increased by the number of *shares* which the *holder* would have received if the *option* had been exercised before the date for calculating entitlements to the pro-rata issue.
