



CASTILLO COPPER  
LIMITED

ASX Release

31 January 2019

CASTILLO COPPER  
LIMITED  
ACN 137 606 476

Level 26  
140 St Georges Terrace  
Perth WA, 6000  
Australia

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

**Contact:**

Alan Armstrong  
Executive Director

**E-mail:**

info@castillocopper.com

For the latest news:

[www.castillocopper.com](http://www.castillocopper.com)

**Directors / Officers:**

Peter Meagher  
Alan Armstrong  
Peter Smith  
Robert Scott

**Issued Capital:**

641.6 million shares  
84.5 million options

**ASX Symbol:**

CCZ

# DECEMBER QUARTERLY ACTIVITIES REPORT

## HIGHLIGHTS

- Excellent assay results for diamond drill-hole (CC0036D) core extracted from Volkhardts DHEM Conductor 1, which focused primarily on the 9.6m high-grade mineralised intersection:
  - The best intersection was 4.37m @ 5.06% Cu, 2.56% Zn and 22.7 g/t Ag from 49.9m
  - This included high grade readings up to 14.45% Cu, 5.93% Zn & 40.1g/t Ag
- MOU with commodity trader Noble Group to facilitate monetising legacy stockpiles
- Mr Robert N. Scott (currently a director at Sandfire Resources [ASX: SFR] joins the Board, bringing significant experience overseeing the development & commercialisation of copper / gold projects
- Since the close of the period, the Board has worked diligently towards securing regulatory approval to recommence exploration activities at Cangai Copper Mine – the status is as follows:
  - All required rehabilitation work has been completed as per instructions from the regulator;
  - Procedures and protocols for third party contractors undertaking exploration work at site have been strengthened to prevent further breaches materialising;
  - The independent auditor has undertaken a site inspection and preparing a final report for the NSW Resources Regulator (Regulator) to review imminently; and
  - Following the Regulators receipt of the independent auditors report, the Board will awaits a formal response from the Regulator regarding regulatory approval for the commencement of exploration activities on the exploration licences.

Castillo Copper Limited (“CCZ” or “The Company”) is pleased to present its latest quarterly report for the period 1 October to 31 December 2018.

There were significant operational activities during the period, focused mostly on the Cangai project, which are discussed in more detail below.

# Cangai Copper Mine

## Assays reaffirm high-grade copper deposit

During the quarter, on 11 December 2018, CCZ's Board was pleased to report solid diamond drill core assay results for drill-hole CC0036D. The best intersection, from 9.6m of highly mineralised core<sup>1</sup> (Figure 1) extracted, was **4.37m @ 5.06% Cu, 2.56% Zn & 22.7 g/t Ag from 49.9m<sup>1</sup>** (Table 1). This validates the high-grade nature of the underlying ore body at Cangai Copper Mine and builds on the RC-drilling assays from drill-hole CC0023R which delivered **11m @ 5.94% Cu, 2.45% Zn & 19.13 g/t Ag from 40m including 1m @ 10.25% Cu, 1.68% Zn & 32.50 g/t Ag from 48m.<sup>2</sup>**

**FIGURE 1: DIAMOND DRILL CORE SAMPLES 1 & 2**



Note: 53.1-54.3m chalcopyrite dominant  
Source: CCZ geology team



Note: 49.9-50.8m sphalerite and chalcopyrite

Encouragingly, from the Board's perspective, bundling these results demonstrates that Cangai Copper Mine potentially has one of the highest grading copper deposits in Australia. Notably, within this section, the best readings were up to **14.45% Cu, 5.93% Zn & 40.1g/t Ag** (Table 1).

**TABLE 1: ASSAYS FOR DIAMOND CORE DRILL HOLE<sup>1</sup>**

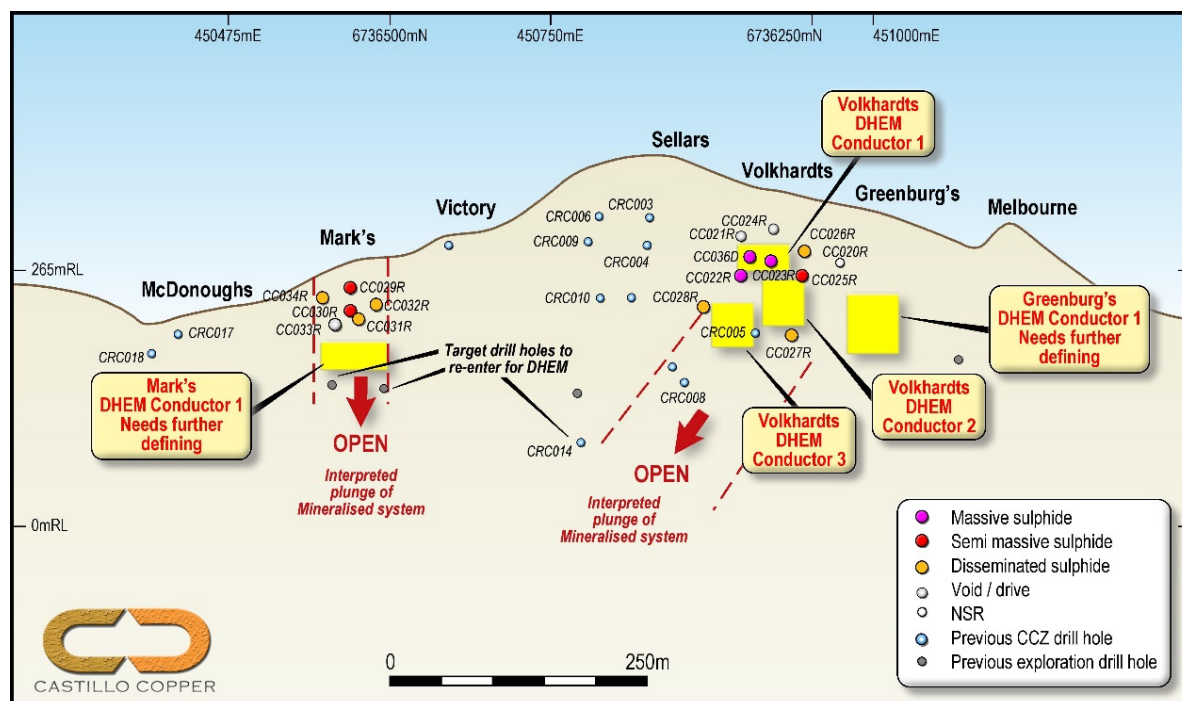
Hole ID	From (m)	To (m)	Length (m)	Cu %	Zn %	Ag g/t
CC0036D	49.90	54.27	4.37	5.06	2.56	22.7
<b>INCLUDING BEST 0-1m INTERSECTIONS</b>						
CC0036D	49.90	50.50	0.60	7.66	5.03	36.8
CC0036D	50.50	50.76	0.26	3.07	5.93	40.1
CC0036D	53.05	53.65	0.60	6.51	1.50	14.8
CC0036D	53.65	53.95	0.30	14.45	1.24	32.2
CC0036D	53.95	54.27	0.32	6.87	3.10	18.9

\* Weighted Average; ^ Minimum criteria holes for 36D = 0.4% Cu; 0.2% Zn; 2 g/t Ag  
Source: ALS & CCZ geology team (refer Appendix A)

## DHEM RESULTS HIGHLIGHT SCALE

Undertaking DHEM surveys has been key to identifying several sizeable high-grade massive sulphide conductors under the Greenberg, Volkhardts and Mark lodes. Encouragingly, after analysing the data, the geophysicist consultant determined the mineralised system below these conductors is open at depth – clearly highlighting the potential scale of the ore body at Cangai Copper Mine (Figure 2).

**FIGURE 2: MASSIVE SULPHIDE DHEM CONDUCTORS AT CANGAI COPPER MINE<sup>3</sup>**



Source: CCZ geology team

The geology team now has several new, high priority massive sulphide targets to optimise and factor into the balance of the current Phase II drilling program. Moreover, further DHEM work will accompany the remainder of the drilling campaign to garner a broader understanding of potential extensions to the known mineralisation.

Furthermore, the Board is reviewing potential contractors to undertake an aero-magnetic survey (using a helicopter) over pre-selected parts of the 278.4km<sup>2</sup> that comprises the Cangai South tenure. The core objective will be to identify new potential massive sulphide targets, exhibiting similar mineralisation to Cangai Copper Mine, that may materially expand on the known ore bodies to demonstrate incremental scale.

## NOBLE GROUP AGREEMENT

CCZ announced it has signed an MOU with global base metal and commodities trader, Noble Group, that provides a clear avenue to monetise the legacy stockpiles at Cangai Copper Mine (Figure 3).<sup>4</sup>

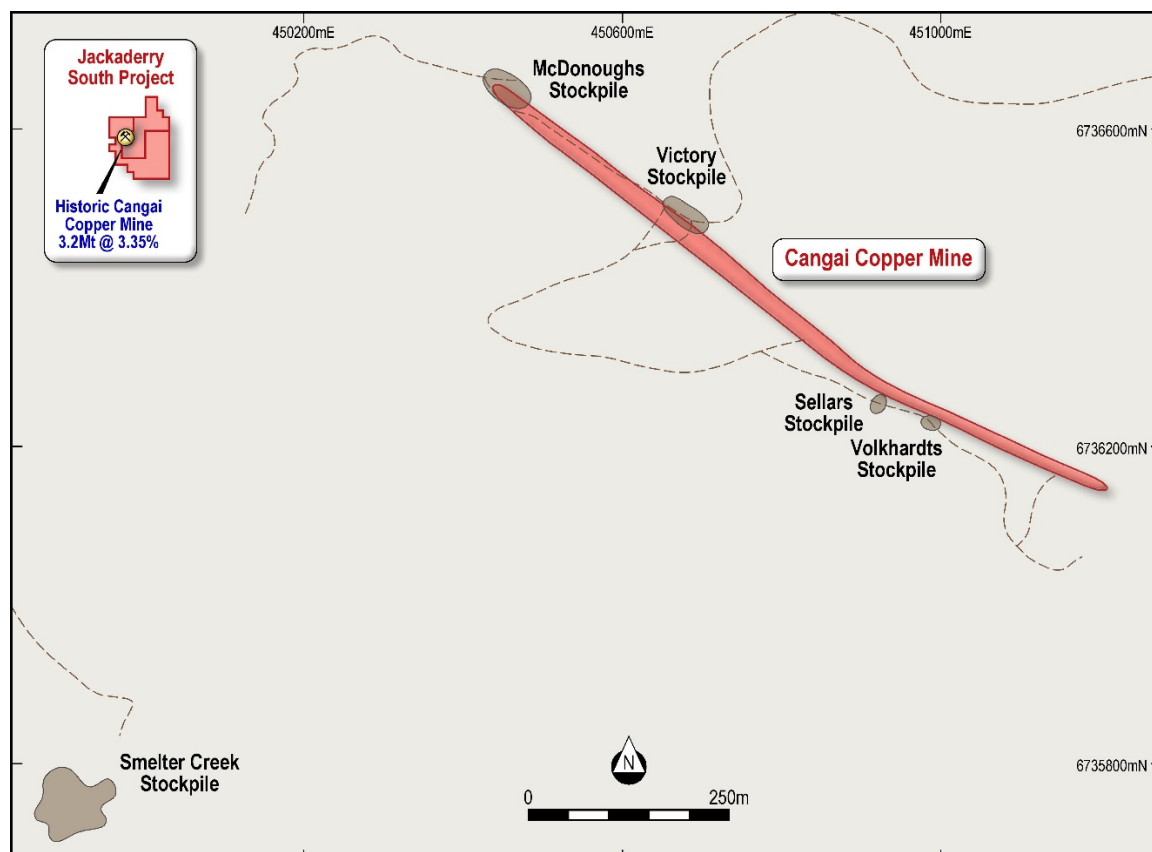
Under the terms of the MOU between the two parties, CCZ and Noble Group have agreed to progress the following:

- Work collaboratively towards finalising a binding off-take agreement that delivers Noble Group exclusive rights to distribute up to 200,000t of copper concentrate from the five existing stockpiles around Cangai Copper Mine;
- Upon signing a binding off-take agreement, Noble Group will pay CCZ A\$500,000 as a pre-payment for working capital to commence removing the stockpile ore;

- CCZ to continue progressing metallurgical test-work across the five existing stockpiles to further beneficiate up the ore to ensure it meets desired specifications (note, it has already achieved copper concentrate recoveries >80%, with the grade up to 22%);
- Both sides, where feasible, to work towards sourcing third-party processors, transport facilities, logistics for direct shipping ore product and required financing, if required; and
- Noble Group to facilitate forward product sales, if practical, for all base-precious metals held within the stockpiles.

The Board is still waiting for metallurgical test-work on legacy stockpiles around Cangai Copper Mine to facilitate closing out the MOU off-take agreement with Nobel Group.

**FIGURE 3: LEGACY STOCKPILES AT CANGAI COPPER MINE<sup>4</sup>**



Source: CCZ geology team

## Broken Hill

No material exploration was carried out on the Broken Hill tenements during the quarter. However, a small portion of the capital raising funds have been earmarked towards more development work on the Broken Hill project.

## Queensland projects

No material exploration was carried out on the Queensland tenements during the quarter.

Subsequent to the end of the quarter, on 23 January 2018, CCZ announced it had mutually agreed with A-Cap Energy (ASX: ACB) not to proceed with the proposed joint venture agreement which was announced on 25 July 2018.

As CCZ's strategic intent for its Queensland assets remains unchanged, the Board will seek appropriate experienced strategic third parties for both the Mt Oxide and Marlborough projects.

## **Chilean Copper Projects**

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

## **Corporate**

### **Non-Executive Director appointed**

On 13 December 2018, Mr Robert N. Scott was appointed as a Non-Executive Director. Currently, Mr Scott is on SFR's Board and brings considerable experience overseeing the development and commercialisation of the world-class, high-grade, Degussa Copper-Gold Mine in Western Australia.

### **Placement**

On 12 December 2018, CCZ issued 61.5m shares to sophisticated and professional investors at 2 cents per share, with one free 3-year option for every share subscribed for exercisable at 5 cents (Placement). This raised \$1.23m (before costs) to continue developing the NSW projects primarily.

At a general meeting of shareholders held on 29 January 2019, CCZ Directors, Messrs Smith, Armstrong and Meagher received shareholder approval to participate in the Placement and subscribe for shares up to the value of \$20,000 being \$10,000, \$5,000 and \$5,000 respectively indicating their support for CCZ's current direction and strategy.

### **Share Purchase Plan**

On 18 December 2018, CCZ announced a capital raising available to existing eligible shareholders through a Share Purchase Plan (SPP) to acquire up to \$15,000 worth of Shares (up to 750,000 Shares) at an issue price of 2 cents per share, without any additional brokerage or other transaction costs, and with one free attached 3-year option for every share subscribed for, exercisable at 5 cents. The SPP is not underwritten and will be capped at a total amount of \$1.5m.

However, on 23 January 2019, CCZ announced that it was withdrawing the SPP, with refunds slated to be returned to shareholders that took up the offer by 29 January 2019. At a general meeting of shareholders held on 29 January 2019, CCZ received shareholder approval to complete the SPP. The Company intends to issue a prospectus on the same terms as the SPP Offer once the status of its exploration tenements is known.

### **Suspension**

On 27 December 2018, CCZ noted an announcement by the NSW Resources Regulator regarding suspension notices issued to its subsidiaries Total Minerals Pty Ltd and Total Iron Pty Ltd (holders of exploration licences EL 8625 and EL 8635 respectively). As a result, all exploration activity at Cangai Copper Mine was suspended pending rectification of compliance issues identified by the NSW Resources Regulator during a recent inspection.

Subsequent to the end of the quarter, CCZ announced it had engaged with the NSW Resources Regulator and provides the following progress update:

- Controls have been implemented to ameliorate impacts to the environment associated with prospecting operations;

- A suitably qualified expert has been appointed to complete a site-based performance and risk assessment of surface disturbances associated with prospecting operations to identify deficient or absent controls employed to prevent environmental harm;
- Adequate controls recommended by the expert have been developed and implemented to minimise, so far as is reasonably practicable, any harm to the environment arising from activities carried out under the licences including any emerging or potential risks; and
- A suitably qualified independent expert has been appointed to complete an independent compliance audit of the exploration activities undertaken to date.

CCZ will submit a report to the NSW Resources Regulator that details actual and potential impacts to the environment identified by the site-based performance and risk assessment and control actions implemented to ameliorate impacts / minimise risk carried out by the expert.

The Audit has been conducted and is expected to be reported to the satisfaction of the NSW Resources Regulator by 1 February 2019.

Furthermore, CCZ continues to actively confer with its contractors to ensure all compliance requirements are adhered to, and best practice methods are applied to the projects moving forward once the suspension is lifted.

Based on current knowledge, CCZ is confident the suspension of exploration activity pending resolution of the compliance issues identified by the NSW Resources Regulator will not unduly delay its exploration program for 2019.

For and on behalf of Castillo Copper

**Alan Armstrong**

**Executive Director**

**COMPETENT PERSON STATEMENT**

The information in this document that relates to Exploration Results is based on, and fairly represents, information and supporting documentation prepared by Mr Peter Smith, BSc (Geophysics) (Sydney) AIG ASEG, who is a Member of The Australasian Institute of Geoscientists (AIG). Mr Smith has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves" (JORC Code). Mr Smith has approved and consented to the inclusion in this document 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.

**ASX Announcements covered during the period include:**

- 1) CCZ ASX Announcement dated 11 December 2018
- 2) CCZ ASX Announcement dated 3 September 2018
- 3) CCZ ASX Announcement dated 27 November 2018
- 4) CCZ ASX Announcement dated 25 October 2018

**APPENDIX 1: INTEREST IN MINING  
TENEMENTS HELD**

<b>JACKADERRY</b>		
New England Orogen in NSW		
Tenement ID	Ownership at end of Quarter	Change during the Quarter
EL8635	100%*	Suspended*
EL8625	100%*	Suspended*
EL8601	100%	-

\* Note – on 19 December 2018, CCZ was notified EL8635 and EL8625 would be suspended pending rectification of compliance issues identified by the NSW Resources Regulator.

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

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

<b>MARLBOROUGH</b>		
North-west of Gladstone		
Tenement ID	Ownership at end of Quarter	Change during the Quarter
EPM 26522	100%	Granted
EPM 26528	100%	-
EPM 26541	100%	-

<b>HUANTA (VICUÑA)</b>		
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%	-

**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	733
Broken Hill	7
Mt Oxide North	6
Marlborough	1
Huanta (Vicuna)	1
<b>Total</b>	<b>748</b>