CASTILLO COPPER LIMITED

ABN 52 137 606 476

Half-year Financial Report

31 December 2018

CORPORATE DIRECTORY

Directors

Mr. Peter Meagher (Non-Executive Chairman)
Mr. Alan Armstrong (Executive Director)
Mr. Peter Smith (Non-Executive Director)
Mr. Robert Scott (Non-Executive Director) (appointed 13 December 2018)

Company Secretary

Mr. Tim Slate

Registered Office and Principal Place of Business

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140 St Georges Terrace,
Perth, WA 6000
Australia
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Share Registry

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Telephone: + 1300 288 664
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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

Contents

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 2018. 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
Mr Alan Armstrong	Executive Director
Mr Peter Smith	Non-Executive Director
Mr Robert Scott	Non-Executive Director (appointed 13 December 2018)

Results

The loss after tax for the half-year ended 31 December 2018 was $478,434 (31 December 2017 loss of $1,648,173).

Review of Operations

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

NEW SOUTH WALES PROJECTS

Jackaderry

On 13 July 2018, CCZ commenced the Phase II RC drilling campaign at Cangai Copper Mine (CCM) which comprises of 39 drill holes. On 20 August 2018, the Board was delighted to present shareholders with an overview of the highly encouraging assay results from drill-holes CC0021-25R achieved at CCM.

The assay results, summarised in Figure 1, confirmed there is extensive massive sulphide mineralisation across most of the drill-holes completed to 20 August 2018 in the current drilling campaign at CCM. Moreover, results achieved were up to **10.25% Cu, 6.04% Zn and 32.5g/t Ag** from the first five drill-holes out of an extensive 39-hole campaign.

Notably, a material positive with the standout intersection – **CC0023R: 11m @ 5.94% Cu; 2.45% Zn & 19.13g/t Ag from 40m** – other than high-grades and width, is the shallow depth at which the mineralisation occurs.

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 (Figure 2) extracted, was **4.37m @ 5.06% Cu, 2.56% Zn & 22.7 g/t Ag from 49.9m.**

DIRECTORS' REPORT (continued)

FIGURE 1: SUMMARY OF KEY MINERALISED INTERCEPTS DRILL-HOLES CC0021-25R

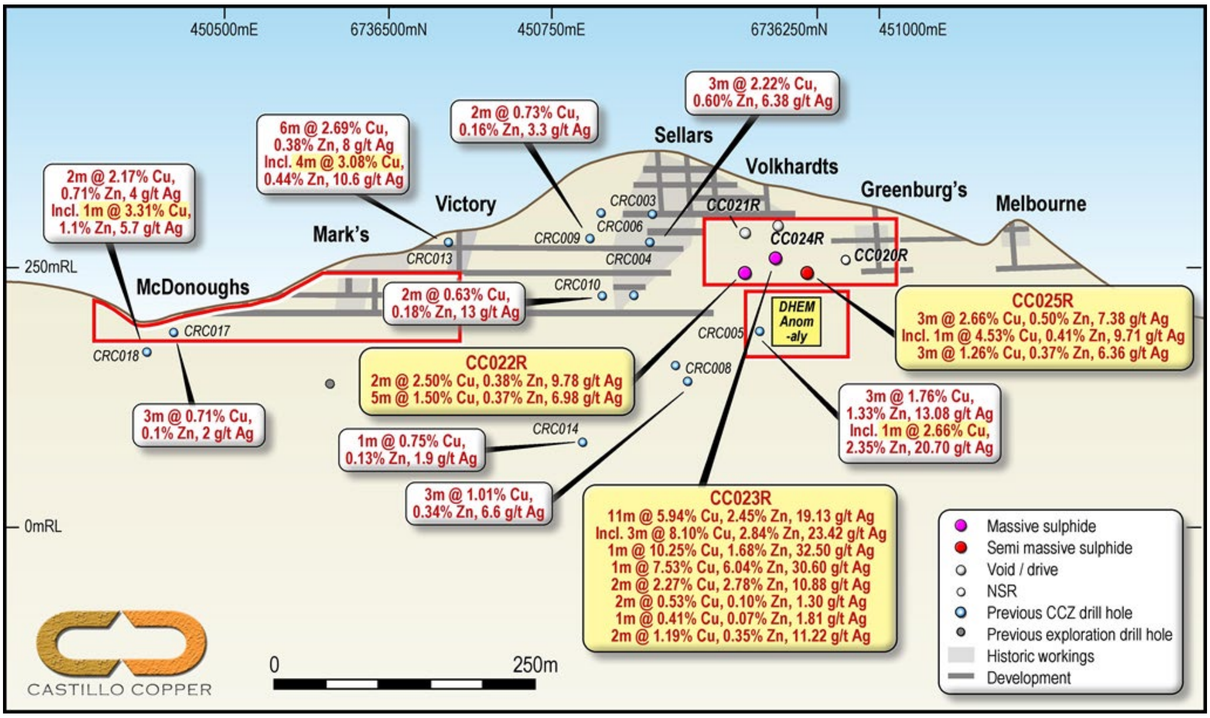

FIGURE 2: DIAMOND DRILL CORE SAMPLES 1 & 2

Note: 53.1-54.3m chalcopyrite dominant

Note: 49.9-50.8m sphalerite and chalcopyrite

Source: CCZ geology team

DIRECTORS' REPORT (continued)

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.

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 Noble Group.

Broken Hill

New findings from initial field trip

During the field trip announced 28 June 2018, the geology team collected rock-chip samples from outcropping Himalaya Formation within "Area 1" which were sent to the laboratory for follow up analysis. On 31 July 2018, the Company advised, new elevated results up to 291ppm Co were confirmed, which is a clear significant indicator of underlying mineralisation.

This result is one of the key reasons for formulating a drilling programme at "Area 1" to build up sufficient geological data to potentially model a JORC (2012) compliant Inferred Resource.

Secondary mineralisation potential

As a priority, the Broken Hill project's zinc-lead-copper potential is currently being targeted as a secondary focus within "Area 1", since historic geochemistry data highlights the prospectivity of Zn-Pb-Cu mineralisation.

Notably, historic geochemical assay results of up to 5,300ppm Zn, 12,800ppm Pb and 2,900ppm Cu have been confirmed within "Area 1" – southern portion. Meanwhile, outside the tenement and interpreted to strike along the same mineralisation trend, results up to 126,000ppm Pb and 73,910ppm Zn show the Broken Hill project's upside potential.

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

Non-Executive Director appointed

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

DIRECTORS' REPORT (continued)

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.

Options

During the period, the Group entered into a share-based payment arrangement with director Robert Scott to issue 5,000,000 options exercisable at $0.05 on or before 31 December 2023 and Hartleys Limited (or their nominees) to issue 15,000,000 exercisable at $0.05 on or before 3 years from the date of issue. These options were subject to shareholder approval, which was obtained on 29 January 2019.

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.

The Board believes it has now complied with all specified actions as set out by the Regulator and remains active in its engagement with the Regulator as it continues its enquiries. The Board will await a formal response from the Regulator regarding regulatory approval for the recommencement of exploration activities on the exploration licences.

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 6 and forms part of this directors' report for the half-year ended 31 December 2018.

DIRECTORS' REPORT (continued)

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

Alan Armstrong

Director

15 March 2019

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 Peter Smith, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Peter Smith is employed by Castillo Copper Pty Ltd. Peter Smith 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'. Peter Smith 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 2018, 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
15 March 2019

L Di Giallonardo
Partner

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Condensed Consolidated Statement of Comprehensive Income
for the half-year ended 31 December 2018

	Note	31 December 2018 $	31 December 2017 $
Interest revenue		1,313	4,088
Other income		2,767	-
Revenue		**4,080**	**4,088**
Listing and public company expenses		(63,137)	(53,017)
Accounting and audit expenses		(76,240)	(72,999)
Consulting and directors' fees		(168,011)	(192,849)
Impairment of deferred exploration and evaluation expenditure	3	-	(33,309)
Impairment of tenements under application	5	-	(1,072,026)
Share based payments		(28,499)	(114,257)
Other expenses	7	(146,627)	(113,804)
Loss before income tax		**(478,434)**	**(1,648,173)**
Income tax expense		**-**	**-**
Loss after income tax		**(478,434)**	**(1,648,173)**
Other comprehensive (loss) / income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(1,554)	10,481
Total comprehensive loss for the half-year		**(479,988)**	**(1,637,692)**
Loss per share attributable to owners of Castillo Copper Limited			
Basic and diluted loss per share (cents per share)		(0.08)	(0.33)

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position
as at 31 December 2018

	Note	31 December 2018 $	30 June 2018 $
Assets			
Current Assets			
Cash and cash equivalents		946,828	1,710,498
Other receivables		121,891	62,984
Total Current Assets		**1,068,719**	**1,773,482**
Non-Current Assets			
Other receivables		106,100	20,000
Deferred exploration and evaluation expenditure	3	5,498,488	3,978,765
Total Non-Current Assets		**5,604,588**	**3,998,765**
Total Assets		**6,673,307**	**5,772,247**
Current Liabilities			
Trade and other payables		338,402	178,249
Provisions	4	121,090	-
Total Current Liabilities		**459,492**	**178,249**
Total Liabilities		**459,492**	**178,249**
Net Assets		**6,213,815**	**5,593,998**
Equity			
Issued capital	6	17,867,715	16,767,910
Reserves		2,811,849	2,813,403
Accumulated losses		(14,465,749)	(13,987,315)
Total Equity		**6,213,815**	**5,593,998**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2018

	Issued Capital $	Share-Based Payment Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
Balance as at 1 July 2018	**16,767,910**	**2,943,901**	**(130,498)**	**(13,987,315)**	**5,593,998**
Total comprehensive loss for the half-year					
Loss for the half-year	-	-	-	(478,434)	(478,434)
Other comprehensive loss	-	-	(1,554)	-	(1,554)
Total comprehensive loss for the half-year	**-**	**-**	**(1,554)**	**(478,434)**	**(479,988)**
Transactions with owners in their capacity as owners					
Shares issued to sophisticated investors	1,230,000	-	-	-	1,230,000
Share issue costs	(130,195)	-	-	-	(130,195)
Balance at 31 December 2018	**17,867,715**	**2,943,901**	**(132,052)**	**(14,465,749)**	**6,213,815**
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**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2018

	Note	31 December 2018 $	31 December 2017 $
Cash flows from operating activities			
Payments to suppliers and employees		(466,853)	(567,013)
Interest received		1,313	4,088
Net cash outflow from operating activities		**(465,540)**	**(562,925)**
Cash flows from investing activities			
Payments for subsidiaries	5	-	(200,000)
Proceeds from sale of plant and equipment		2,767	-
Tenement expenditure guarantees		(56,100)	-
Payments for exploration and evaluation expenditure		(1,407,777)	(165,818)
Net cash outflow from investing activities		**(1,461,111)**	**(365,818)**
Cash flows from financing activities			
Proceeds from issue of shares		1,230,000	4,400,000
Prepayment for issue of shares		10,000	-
Share issue costs paid		(75,000)	(226,147)
Net cash inflow from financing activities		**1,165,000**	**4,173,853**
Net increase / (decrease) in cash and cash equivalents		(761,650)	3,245,110
Cash and cash equivalents at 1 July 2018		1,710,498	58,712
Effect of exchange rate fluctuations on cash held		(2,020)	-
Cash and cash equivalents at 31 December 2018		**946,828**	**3,303,822**

The accompanying notes form part of these financial statements.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2018

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 2018 was authorised for issue in accordance with a resolution of the directors on 15 March 2019.

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 2018 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 34 '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 2018 and considered together with any public announcements made by Castillo Copper Limited during the half-year ended 31 December 2018 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.

The Group incurred a net loss for the period ended 31 December 2018 of $478,434 and experienced net cash outflows from operating activities of $465,540, net cash outflows from investing activities of $1,461,111 and net cash inflows from financing activities of $1,165,000. At 31 December 2018, the Group had a net asset position of $6,213,815. The cash and cash equivalents balance at 31 December 2018 was $946,828.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
The directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be able to secure funds to meet its commitments.

There are a number of inherent uncertainties relating to the Group's future plans including but not limited to:

- whether the Company will be able to raise equity in this current market; and
- whether the Group would be able to secure any other sources of funding.

Accordingly, there is a material uncertainty that may cast significant doubt whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

New and amending Accounting Standards and Interpretations
In the half-year ended 31 December 2018, 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 2018.

The Group has adopted AASB 9 and AASB 15 as at 1 July 2018, however 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 2018. 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.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2018

NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation phase:	6 months to 31 December 2018 $	Year ended 30 June 2018 $
Opening balance	3,978,765	-
Exploration and evaluation expenditure assumed on acquisition of subsidiaries (Note 5)	-	2,527,374
Exploration and evaluation expenditure during the period	1,398,633	1,483,023
Impairment	-	(31,632)
Provision for rehabilitation (Note 4)	121,090	-
Closing balance	**5,498,488**	**3,978,765**

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: PROVISIONS

Opening balance	-	-
Provision for rehabilitation	121,090	-
Closing balance	**121,090**	**-**

NOTE 5: ACQUISITION OF SUBSIDIARIES

a) Qld 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**).

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).

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2018

NOTE 5: ACQUISITION OF SUBSIDIARIES (CONTINUED)

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.

Consideration transferred for the acquisition of all subsidiaries:

	6 months to 31 December 2017
Qld Commodities Pty Ltd	**$**
Shares issued at fair value	
• 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
Total Minerals Pty Ltd	
Shares issued at fair value	
55,00,000 ordinary shares at $0.023 (August 2017)	1,265,000
Total Iron Pty Ltd	
Shares issued at fair value	
15,000,000 ordinary shares @ $0.03 (September 2017)	450,000
Other costs related to the acquisitions:	
Qld Commodities Pty Ltd	
• Shares issued to advisors – 4,333,334 ordinary shares @ $0.015	65,000
• Options issued to advisors – 15,000,000 options exercisable at $0.03 before 5/7/20	119,400
Total consideration	3,599,400

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2018

NOTE 5: ACQUISITION OF SUBSIDIARIES (CONTINUED)

Net assets acquired:

Net assets of all subsidiaries at dates of acquisition	-
Exploration and evaluation expenditure assumed – tenements granted	2,527,374
Other assets – costs relating to tenements under application (i)	1,072,026
	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 year ended 30 June 2018	200,000

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

NOTE 6: ISSUED CAPITAL

	31 December 2018 $	30 June 2018 $
Issued and paid up capital		
Issued and fully paid	17,867,715	16,767,910

	6 months to 31 December 2018		Year ended 30 June 2018	
	Number of shares	$	Number of shares	$
Movements in issued capital				
Opening balance	580,094,475	16,767,910	254,832,218	10,224,254
Shares issued to sophisticated investors	61,500,000	1,230,000	172,916,667	4,400,000
Shares issued per QComm acquisition	-	-	76,666,668	1,150,000
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	-	-	5,678,922	114,500
Transaction costs of share issue	-	(130,195)	-	(835,844)
Closing balance	**641,594,475**	**17,867,715**	**580,094,475**	**16,767,910**

Share options

At 31 December 2018 there were 84,500,000 (30 June 2018: 84,500,000) unissued ordinary shares under option.

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

Number	Deemed grant date	Expiry date	Exercise price $	Fair value at grant date	Vesting date
15,000,000[1]	4 December 18	4 December 21	0.05	$0.0037	Immediately
5,000,000[2]	13 December 18	31 December 23	0.05	$0.0057	Immediately

Note: During the period, the Group entered into a share-based payment arrangement with Robert Scott to issue 5,000,000 options exercisable at $0.05 on or before 31 December 2023 and Hartleys Limited (or their nominees) to issue 15,000,000 exercisable at $0.05 on or before 3 years from the date of issue These options were subject to shareholder approval, which was obtained on 29 January 2019. The grant date fair value has therefore been estimated in accordance with AASB 2 using the available information as at the date of these financials.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2018

NOTE 6: ISSUED CAPITAL (CONTINUED)

The following share-based payment arrangements were in existence during the period:

Number	Grant date	Expiry date	Exercise price $	Fair value at grant date	Vesting date
15,000,000	5 July 2017	5 July 2020	$0.03	$0.008	5 July 2017
10,000,000	19 October 2017	30 June 2020	$0.03	$0.0229	19 October 2017
42,500,000	24 October 2017	24 October 2019	$0.065	$0.0159	24 October 2017
17,000,000	16 May 2018	31 December 2023	$0.10	$0.018	16 May 2018

(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
Expected volatility (%)	90	90
Risk-free interest rate (%)	3	2.1
Expected life of option (years)	3	5
Exercise price (cents)	5	5
Grant date share price (cents)	1.6	1.6

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 7: OTHER EXPENSES

Included in the other expenses are the following items:

	6 months to 31 December 2018 $	**6 months to 31 December 2017 $**
Administrative expenses	82,145	39,166
Legal fees	11,401	23,520
Travel and accommodation	21,379	39,613
Other expenses	31,702	11,505
	146,627	**113,804**

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2018

NOTE 8: CONTINGENT LIABILITIES

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.

The Board believes it has now complied with all specified actions as set out by the Regulator and remains active in its engagement with the Regulator as it continues its enquiries. The Board will await a formal response from the Regulator regarding regulatory approval for the recommencement of exploration activities on the exploration licences. There may be additional liabilities associated with the recommencement of exploration activities on the exploration licences. At the date of this report, the Board is not in a position to provide an accurate estimate of potential liabilities, however the Board does not consider that the potential liability will be material.

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

NOTE 9: SUBSEQUENT EVENTS

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

NOTE 10: 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 7 to 17, 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 2018 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

15 March 2019

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ADVISORY AND ACCOUNTING

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 2018, 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 2018 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*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 1 in the half-year financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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 2018 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.

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ADVISORY AND ACCOUNTING

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
15 March 2019

L Di Giallonardo
Partner