

NOTICE OF ANNUAL GENERAL MEETING

Accompanied by an Explanatory Statement
& Proxy Form

This notice of annual 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 annual general meeting* or the accompanying documents, please do not hesitate to contact the Company Secretary on +61 (0) 8 6558 0886.

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

Castillo Copper Limited

ACN 137 606 476

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Key dates

5:00pm WST snapshot date for eligibility to vote
27 November
2019

10:00am WST last day for receipt of *proxy forms* *
27 November
2019

29 November *annual general meeting*
2019

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

Notice of Annual General Meeting

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

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

Italicised 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

Annual Report

To receive and consider the *annual report* of the *company* for the year ended 30 June 2019 which includes the *financial report* of the *company*, the *directors' report*, the *remuneration report* and the *auditor's report*.

resolution Adoption of *remuneration report*

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

“That, for the purposes of section 250R(2) of the *Corporations Act* and for all other purposes, approval is given for the adoption of the *remuneration report* as contained in the company's annual financial report for the financial year ended 30 June 2019.”

resolution **Re-election of Mr Peter Smith as a *director***

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

“That, for the purposes of clause 13.2 of the *constitution*, and for all other purposes, Mr Peter Smith, who retires by rotation in accordance with the requirements of the *constitution*, being eligible and offering himself for re-election, be re-elected as a *director*.”

resolution **Approval future issue of *shares* under public offering**

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

“That for the purpose of *listing rule* 7.1 and for all other purposes, *shareholders* approve the future issue of up to 180,000,000 *shares* under a public offering in support of the *company*’s proposed London Stock Exchange dual listing, on the terms and conditions in the *explanatory statement*.”

resolution **Approval of 10% placement capacity**

4 To consider and, if thought fit, to pass with or without amendment, the following resolution as a **special resolution**:

“That pursuant to and in accordance with *listing rule* 7.1A and for all other purposes, *shareholders* approve the issue of *equity securities* totalling up to 10% of the issued capital of the company (at the time of issue) calculated in accordance with the formula prescribed in *listing rule* 7.1A.2 and on the terms and conditions in the *explanatory statement*.”

By order of the *board*

Timothy Slate
Company Secretary

24 October 2019

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 **27 November 2019** being not later than 48 hours before the commencement of the *annual general meeting*. Any *proxy form* received after that time will not be valid. *Proxy forms* may be lodged:

online Automatic
As set out in the *proxy form*

by hand Automatic
Level 5
126 Phillip Street
Sydney NSW 2000

by mail Automatic
GPO Box 5193
Sydney NSW 2000

Appointment of a proxy

A member of the *company* entitled to attend and vote at the *annual 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 *meeting chair* as your proxy, mark the box on the *proxy form*. If the person you wish to appoint as your proxy is someone other than the *meeting chair*, please write the name of that person. If you leave this section blank, or your named proxy does not attend the *meeting chair* of the *meeting* 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 *annual general meeting* or at the registration desk on the day of the *annual general meeting*.

Votes on resolutions and restrictions on proxies

You may direct your proxy how to vote on a *resolution* by placing a mark in one of the boxes in the *proxy form* 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.

Members of the *key management personnel* and their *closely related parties* are not able to vote your proxy on *resolution 1* **unless** you have directed them how to vote. This exclusion does not apply to the *meeting chair* if his or her appointment as proxy expressly authorises him or her to vote on matters of *key management personnel* remuneration.

If you intend to appoint the *meeting chair*, a *director*, or any other member of *key management personnel* or any of their *closely related parties* as your proxy, you are encouraged to direct them how to vote on all the *resolutions*.

If you appoint the *meeting chair* as your proxy, the *meeting chair* can only cast your votes on *resolution 1* if you expressly authorise him or her to do so by marking the box on the *proxy form*.

Meeting chair voting of undirected proxies

At the date of this *notice*, the *meeting chair* intends to vote all undirected proxies FOR each of the *resolutions*. In exceptional cases, the *meeting chair's* intentions may subsequently change, and in this event, the *company* will make an announcement to the market.

The *proxy form* expressly authorises the *meeting chair* to exercise undirected proxies on all *resolutions*, including *resolution 1* even though that *resolution* relates to the remuneration of members of *key management personnel*.

Voting entitlement (snapshot date)

For the purposes of determining voting and attendance entitlements at the *annual general meeting*, *shares* will be taken to be held by the persons who are registered as holding the *shares* at **5.00pm WST** on **27 November 2019**. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the *annual general meeting*.

Voting prohibitions and exclusion statements

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

The voting prohibitions and voting exclusion statements applicable to the *resolutions* are as set out in the table below:

| Resolution | Exclusion | Exceptions |
|--|---|--|
| 1 – Adoption of <i>remuneration report</i> | <p>A vote on this <i>resolution</i> must not be cast (in any capacity) by or on behalf of any of the following persons:</p> <ul style="list-style-type: none"> • a member of the <i>key management personnel</i>, details of whose remuneration are included in the <i>remuneration report</i>; or • a <i>closely related party</i> of such a member. | <p>A person (the voter) may vote on this <i>resolution</i> as a proxy vote if the vote is not cast on behalf of a person described above and either:</p> <ul style="list-style-type: none"> • the <i>voter</i> is appointed as a proxy by writing that specifies the way the proxy is to vote on the <i>resolution</i>; or • the <i>voter</i> is the <i>meeting chair</i> and the appointment of the <i>meeting chair</i> as proxy: <ul style="list-style-type: none"> ○ does not specify the way the proxy is to vote on this <i>resolution</i>; and |

| | | |
|--|--|---|
| | | <ul style="list-style-type: none"> ○ expressly authorises the <i>meeting chair</i> to exercise the proxy even if the <i>resolution</i> is connected directly or indirectly with the remuneration of a member of the <i>key management personnel</i> for the <i>company</i>, or if the <i>company</i> is part of a consolidated entity, for the entity. |
| 3 – Approval future issue of <i>shares</i> | The <i>company</i> will disregard any votes cast in favour on this <i>resolution</i> by any person who is expected to participate, or who will obtain a material benefit as a result of, the proposed issue of <i>equity securities</i> under this <i>resolution</i> , except a benefit solely by reason of being a holder of ordinary securities in the <i>company</i> , or any <i>associates</i> of those persons. | <p>However, the <i>company</i> need not disregard a vote on the <i>resolution</i> if it is cast by:</p> <ul style="list-style-type: none"> ● the person as a proxy for a person who is entitled to vote, in accordance with the directions on the <i>proxy form</i>; or ● the <i>meeting chair</i> as proxy for a person who is entitled to vote, in accordance with a direction on the <i>proxy form</i> to vote as the proxy decides. |
| 4 - Approval of 10% placement capacity | The <i>company</i> will disregard any votes cast in favour on this <i>resolution</i> by any person who is expected to participate, or who will obtain a material benefit as a result of, the proposed issue of <i>equity securities</i> under this <i>resolution</i> , except a benefit solely by reason of being a holder of ordinary securities in the <i>company</i> , or any <i>associates</i> of those persons. | <p>However, the <i>company</i> need not disregard a vote on the <i>resolution</i> if it is cast by:</p> <ul style="list-style-type: none"> ● the person as a proxy for a person who is entitled to vote, in accordance with the directions on the <i>proxy form</i>; or ● the <i>meeting chair</i> as proxy for a person who is entitled to vote, in accordance with a direction on the <i>proxy form</i> to vote as the proxy decides. |

Explanatory statement

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

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

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

Information relevant to particular *resolutions* is set out below. There is additional information relevant generally to this *notice* set out in *Schedule 3*.

1. ANNUAL REPORT AND ADOPTION OF REMUNERATION REPORT

1.1. Annual report

Shareholders will be offered the opportunity to discuss the *annual report* at the *meeting*. Copies of the report can be found on the *company's* website at www.castillocopper.com or by contacting the *company* on (08) 6558 0886.

There is no requirement for *shareholders* to approve the *annual report*. At the *meeting*, *shareholders* will be offered the opportunity to:

- discuss the *annual report*;
- ask questions or make comment on the management of the *company*; and
- ask the auditor questions about the conduct of the audit and the preparation and content of the *auditor's report*.

In addition to taking questions at the *meeting*, written questions to the *meeting chair* about the management of the *company*, or to the *company's* auditor about:

- the preparation and the content of the *auditor's report*;

- the conduct of the audit;
- accounting policies adopted by the *company* in relation to the preparation of the *financial report*; and
- the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 *business days* before the *meeting* to the *company secretary* at the *company's* registered office.

1.2. Adoption of remuneration report

Section 250R(2) of the *Corporations Act* provides that the *company* is required to put the *remuneration report* to the vote of *shareholders*. The *directors' report* contains a *remuneration report* which sets out the remuneration policy for the *company* and reports the remuneration arrangements in place for *key management personnel*.

Section 250R(3) of the *Corporations Act* provides that this *resolution* is advisory only and does not bind the *directors*. Of itself, a failure of *shareholders* to pass this *resolution* will not require the *directors* to alter any of the arrangements in the *remuneration report*. However, the *directors* take the discussion at the meeting and the outcome of the vote into account when considering the *company's* remuneration practices.

The *meeting chair* will allow a reasonable opportunity for *shareholders* to ask about, or make comments on the *remuneration report*.

If at least 25% of the votes cast are voted against adoption of the *remuneration report* at two consecutive annual general meetings, the *company* will be required to put to *shareholders* at the second annual general meeting a resolution proposing that another general meeting be held within 90 days, at which all of the *directors* (other than the managing *director*) would go up for re-election.

At the *company's* 2018 annual general meeting the remuneration report was approved by over 75% of the *shareholders* eligible to vote on the resolution at that meeting.

2. RE-ELECTION OF MR PETER SMITH AS A DIRECTOR

2.1. Introduction

Clause 13.2 of the *constitution* requires that at the *company's* annual general meeting in every year, one-third of the *directors* for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no *director* (except a managing director)

shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The *directors* to retire at an annual general meeting are those who have been longest in office since their last election and, as between persons who became *directors* on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A *director* who retires by rotation under clause 13.2 of the *constitution* is eligible for re-election.

Mr Peter Smith, the *director* longest in office since his last election, retires by rotation and seeks re-election.

2.2. Directors' recommendation

The current *directors* (other than Mr Smith who has who has a material personal interest in the outcome of the *resolution* and declines to make a recommendation) support the re-election of Mr Smith as a *director* and unanimously recommend *shareholders* vote in favour of *resolution 2*.

3. APPROVAL OF FUTURE ISSUE OF SHARES

3.1. Background

Resolution 3 seeks *shareholder* approval for the issue of up to 180,000,000 *shares* in a public offering (**public offer**) to facilitate the London Stock Exchange dual listing (**LSE listing**). The issue of *shares* under this public offer will raise up to a total of £1,800,000 (before costs).

The *company* is currently pursuing the *LSE listing* with a view to applying for admission to the London Stock Exchange by the end of 2019, subject to equity market conditions and the *company* receiving necessary regulatory approvals.

The *board* considers the *LSE listing* will be beneficial as it will allow the *company* to access a sizeable and diversified investor base in London that understands Australian and emerging African opportunities.

Further details of the *LSE listing* are set out in the *company's* announcement to *ASX* on 17 June and 10 July 2019.

3.2. 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 *shares* the subject of *resolution 3* are *equity securities* for the purposes of the *listing rules*. The effect of *resolution 3* will be to allow the *company* to issue the *shares* during the 3 months following the date of the *meeting* without using the *company's* 15% annual placement capacity or 10% *placement capacity* the subject of *resolution 4*.

3.3. Required information – listing rules

Pursuant to *listing rule 7.3*, the following information is provided in respect of *resolution 3*:

- The maximum number of *shares* that may be issued is 180,000,000.
- The number of *shares* to be issued will be calculated using the below formula:

$$\frac{\pounds 1,800,000 \times \text{fx rate}}{\text{issue price}}$$

A sensitivity analysis of the number of *shares* that may be issued is set out below:

| Proposed £1,200,000 raising | | GBP Issue Price | | |
|-----------------------------|-----------------|-----------------|-------------|-------------|
| | | £ 0.01 | £ 0.013 | £ 0.016 |
| FX Rate £1 = \$1.70 | Shares Issued | 180,000,000 | 138,561,538 | 112,500,000 |
| | Funds raised | \$3,060,000 | \$3,060,000 | \$3,060,000 |
| | AUS issue price | \$0.0170 | \$0.0221 | \$0.0272 |
| FX Rate £1 = \$1.80 | Shares Issued | 180,000,000 | 138,561,538 | 112,500,000 |
| | Funds raised | \$3,240,000 | \$3,240,000 | \$3,240,000 |
| | AUS issue price | \$0.0180 | \$0.0234 | \$0.0288 |
| FX Rate £1 = \$1.90 | Shares Issued | 180,000,000 | 138,561,538 | 112,500,000 |
| | Funds raised | \$3,420,000 | \$3,420,000 | \$3,420,000 |
| | AUS issue price | \$0.0190 | \$0.0247 | \$0.0304 |

- The *shares* 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 *shares* on the same date.

- The *shares* will be issued at a price of at least 80% of the *volume-weighted average price volume-weighted average price* of the *company's shares* as traded on *ASX* over the 5 day period on which sales in the *company's shares* are recorded preceding the date of:
 - issue of the *shares*; or
 - if the *shares* are offered pursuant to a prospectus, the date of the prospectus.
- *Shares* issued will be issued on the same terms and conditions as the *company's existing shares*.
- The funds raised under the *shares* will be used for:
 - exploration activities at the Cangai Project;
 - exploration activities at the Mt Oxide Project;
 - exploration activities at the Luanshya Project;
 - exploration activities at the Mkushi Project;
 - costs associated with the LSE *listing* process; and
 - the *company's* general working capital purposes.

The final use of funds will be set out in a prospectus to be issued by the *company* as part of the proposed *LSE listing* process.

- In accordance with *listing rules 7.3.8* and *14.11*, a voting exclusion statement is included in the *notice* in respect of *resolution 3*.

3.4. Directors' recommendation

The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 3* so as to enable the *company* to undertake the *public offer* and pursue the *LSE listing*. If *resolution 3* is not approved, the *company* will under take a *public offer* to pursue the *LSE listing* utilising the *company's* placement capacity under *listing rule 7.1* and *listing rule 7.1A*.

4. APPROVAL OF 10% PLACEMENT CAPACITY

4.1. General

Listing rule 7.1A enables entities to issue *equity securities* up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% placement facility**). The *10% placement facility* is in addition to the *company's* 15% placement capacity under *listing rule 7.1*.

An eligible entity for the purposes of *listing rule 7.1A* is an entity that:

- is not included in the S&P/*ASX* 300 Index; and
- has a market capitalisation of \$300 million or less (excluding restricted securities and securities quoted on a deferred settlement basis).

The *company* is an eligible entity.

The *company* is now seeking shareholder approval by way of a special resolution to have the ability to issue *equity securities* under the *10% placement facility*. The exact number of *equity securities* to be issued under the *10% placement facility* will be determined in accordance with the formula prescribed in *listing rule 7.1A.2* (refer to *section 4.2.3* below).

The effect of *resolution 3* will be to allow the *company* to issue the *equity securities* under *listing rule 7.1A* during the *10% placement period* without further *shareholder* approval and without using the *company's* 15% placement capacity under *listing rule 7.1*.

Resolution 3 is a special resolution and therefore requires approval of 75% of the votes cast by *shareholders* present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate *shareholder*, by a corporate representative).

4.2. Description of listing rule 7.1A

4.2.1. Shareholder approval

The ability to issue *equity securities* under the *10% placement capacity* is subject to shareholder approval by way of a special resolution at an annual general meeting.

4.2.2. Equity securities

Any *equity securities* issued under the *10% placement capacity* must be in the same class as an existing quoted class of *equity securities* of the *company*.

4.2.3. Formulae for calculating 10% Placement Capacity

The exact number of *equity securities* that the *company* may issue under an approval under *listing rule 7.1A* will be calculated according to the following formula:

$$(A \times D) - E$$

where:

A is the number of *shares* on issue 12 months before the date of issue or agreement,

- plus the number of *shares* issued in the previous 12 months under an exception in *listing rule 7.2*;
- plus the number of partly paid shares that become fully paid in the previous 12 months;
- plus the number of *shares* issued in the previous 12 months with approval of holders of *shares* under *listing rule 7.1* and *7.4*. This does not include an issue of *shares* under the entity's 15% placement capacity without *shareholder* approval;
- less the number of *shares* cancelled in the 12 months.

Note that A has the same meaning in *listing rule 7.1* when calculating an entity's 15% placement capacity.

D is 10%; and

E is the number of *equity securities* issued or agreed to be issued under *listing rule 7.1A.2* in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of *shareholders* under *listing rule 7.1* or *7.4*.

4.2.4. Minimum issue price

The issue price of *equity securities* issued under *listing rule 7.1A* must be not less than 75% of the *volume-weighted average price* of *equity securities* in the same class calculated over the 15 *ASX* trading days on which trades in that class were recorded immediately before:

- the date on which the price at which the *equity securities* are to be issued is agreed; or
- if the *equity securities* are not issued within 5 *ASX* trading days of the date above, the date on which the *equity securities* are issued.

4.2.5. 10% placement period

The *equity securities* may be issued under the *10% placement capacity* commencing on the date of the *meeting* and expiring on the first to occur of the following:

- the date that is 12 months after the date of this annual general meeting at which approval is obtained; or
- the date of the approval by *shareholders* of a transaction under *listing rule 11.1.2* (a significant change to the nature or scale of activities) or *listing rule 11.2* (disposal of main understanding), after which date an approval under *listing rule 7.1A* ceases to be valid; or
- such longer period if allowed by *ASX*,

(*10% placement period*).

4.3. Specific information required in accordance with listing rule 7.3A

4.3.1. Risk of voting dilution

Any issue of *equity securities* under the *10% placement capacity* will dilute the interests of *shareholders* who do not receive any *shares* under the issue.

If *resolution 3* is approved by *shareholders* and the *company* issues the maximum number of *equity securities* available under the *10% placement capacity*, the existing *shareholders'* voting power in the *company* will be diluted as shown in the below table (in the case of *options*, only if the *options* are exercised). There is a risk that:

- the market price for the *company's shares* may be significantly lower on the date of the issue of the *equity securities* than on the date of the *meeting*; and
- the *equity securities* may be issued at a price that is at a discount to the market price for the *company's shares* on the issue date,

which may have an effect on the amount of funds raised by the issue of the *equity securities*.

The table below shows the dilution of existing *shareholders* on the basis of the current market price of *shares* and the current number of ordinary securities for variable “A” calculated in accordance with the formula in *listing rule 7.1A(2)* as at the date of this notice.

The table also shows:

- two examples where variable “A” has increased, by 50% and 100%. Variable “A” is based on the number of ordinary securities the *company* has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require *shareholder* approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under *listing rule* 7.1 that are approved at a future *shareholders’* meeting; and
- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current issue price.

| Variable A in Listing Rule 7.1A | | Issue price | | |
|--|-----------------------------|---------------------------|---|---|
| | | \$0.023 (market price) | \$0.018 (25% decrease in market price) | \$0.012 (50% decrease in market price) |
| Current issued capital A = 676,405,730 | Shares issued under LR 7.1A | 67,640,573 | 67,640,573 | 67,640,573 |
| | Voting dilution | 10% | 10% | 10% |
| | Funds raised | \$1,555,733 | \$1,217,530 | \$811,687 |
| | Economic dilution | 0% | 2.27% | 4.55% |
| 50% increase in issued capital A = 1,014,608,595 | Shares issued under LR 7.1A | 101,460,859 | 101,460,859 | 101,460,859 |
| | Voting dilution | 10% | 10% | 10% |
| | Funds raised | \$2,333,600 | \$1,826,295 | \$1,217,530 |
| | Economic dilution | 0% | 2.27% | 4.55% |
| 100% increase in current issued capital A = 1,352,811,460 | Shares issued under LR 7.1A | 135,281,146 | 135,281,146 | 135,281,146 |
| | Voting dilution | 10% | 10% | 10% |
| | Funds raised | \$3,111,466 | \$2,435,061 | \$1,623,374 |
| | Economic dilution | 0% | 2.27% | 4.55% |

Notes:

- The number of *shares* on issue (Variable A in the formula) could increase as a result of the issue of *shares* that do not require *shareholder* approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with *shareholder* approval under *listing rule* 7.1.
- Economic dilution (**ED**) is calculated using the following formula:

$$ED = (MP - (NMC / TS)) / MP$$

where:

MP = the market price of shares traded on ASX, expressed in dollars;

MC = market capitalisation prior to issue of *equity securities*, being the MP multiplied by the number of shares on issue;

NMC = notional market capitalisation, being the market capitalisation plus the NSV;

NSV = new security value, being the number of new *equity securities* multiplied by the issue price of those *equity securities*; and

TS = total shares on issue following new *equity security* issue.

The table above uses the following assumptions:

- 1) The number of *shares* on issue is 676,405,730, being the number of *shares* on issue as at 10 October 2019.
- 2) The issue price set out above is the closing price of the *shares* on the *ASX* on 10 October 2019.
- 3) The *company* issues the maximum possible number of *equity securities* under the *10% placement capacity*.
- 4) The *company* has not issued any *equity securities* in the 12 months prior to the *meeting* that were not issued under an exception in *listing rule 7.2* or with approval under *listing rule 7.1*.
- 5) The issue of *equity securities* under the *10% placement capacity* consists only of *shares*. It is assumed that no *options* are exercised into *shares* before the date of issue of the *equity securities*.
- 6) The calculations above do not show the dilution that any one particular *shareholder* will be subject to. All *shareholders* should consider the dilution caused to their own shareholding depending on their specific circumstances.
- 7) This table does not set out any dilution pursuant to approvals under *ASX listing rule 7.1*.
- 8) The table does not show an example of dilution that may be caused to a particular *shareholder* by reason of placements under the *10% placement capacity*, based on that *shareholder's* holding at the date of the *meeting*.

Shareholders should note that there is a risk that:

- the market price for the *company's shares* may be significantly lower on the issue date than on the date of the *meeting*; and
- the *shares* may be issued at a price that is at a discount to the market price for the *company's shares* on the date of issue.

4.3.2. Purpose of issue under 10% placement capacity

The *company* may seek to issue the *equity securities* under the *10% placement capacity* for the following purposes:

- (i) non-cash consideration for the acquisition of new resources, assets and investments including previously announced acquisitions. In such circumstances the *company* will provide a valuation of the non-cash consideration as required by *listing rule 7.1A.3*; or
- (ii) cash consideration. In such circumstances, the *company* intends to use the funds raised for an acquisition of new assets or investments (including expense associated with such acquisition), continued exploration and feasibility study expenditure on the *company's* current assets and/or general working capital.

The *company* will comply with the disclosure obligations under the *listing rules 7.1A(4)* and *3.10.5A* upon issue of any *equity securities* pursuant to the *10% placement capacity*.

4.3.3. Allocation policy under the 10% placement capacity

The *company's* allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the *10% placement capacity*.

The identity of the recipients of *equity securities* will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the purpose of the issue;
- (ii) alternative methods of raising funds that are available to the *company*, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (iii) the effect of the issue of the *equity securities* on the control of the *company*;
- (iv) the circumstances of the *company* including, but not limited to, the financial situation and solvency of the *company*;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

The recipients of *equity securities* under the *10% placement capacity* have not been determined as at the date of this *notice* but may include existing substantial *shareholders* and/or new *shareholders* who are not related parties or associates of a related party of the *company*.

Further, if the *company* is successful in acquiring new resources assets or investments, it is likely that the recipients under the *10% placement capacity* will be vendors of the new resources assets or investments.

4.3.4. Previous approval under listing rule 7.1A

The *company* previously obtained *shareholder* approval under *listing rule 7.1A* at the *company's* 2018 annual general meeting held on 29 November 2018

During the 12-month period preceding the date of the *meeting*, being on and from 29 November 2018, the *company* issued 96,311,255 Shares, which represents approximately 16.60% of *equity securities* on issue in the *company* at 29 November 2018 which was 580,094,475.

Further details of the issues of *equity securities* by the *company* during the 12-month period preceding the date of the *meeting* are set out in *Schedule 1*.

4.3.5. Voting exclusion

A voting exclusion statement is included in the *notice*. At the date of the *notice*, the *company* has not approached any particular existing *shareholder* or security holder or an identifiable class of existing security holder to participate in the issue of the *equity securities*. No existing *shareholder's* votes will therefore be excluded under the voting exclusion in the *notice*.

4.4. Directors' recommendation

The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 3* for the reasons set out in this *explanatory statement*. *Shareholders* should refer to the information set out in *Schedule 2* in determining how to vote.

Schedule 1 – Glossary

| | |
|--|--|
| 10% placement capacity | has the meaning given in <i>section 4.1</i> . |
| 10% placement period | has the meaning given in <i>section 4.2.5</i> . |
| annual general meeting or meeting | the annual general meeting of <i>shareholders</i> convened by the <i>notice of annual general meeting</i> , or any meeting adjourned thereof. |
| annual report | the <i>directors' report</i> , the <i>financial report</i> and the <i>auditor's report</i> in respect of the financial year ended 30 June 2019. |
| associate | has the meaning given in Part 1.2, Division 2 of the <i>Corporations Act</i> , and shall be applied in accordance with the note to <i>listing rule 14.11</i> . |
| ASIC | the Australian Securities and Investments Commission. |
| ASX | ASX Limited ACN 008 624 691, or where the context requires, the financial market known as the Australian Securities Exchange, as the context requires. |
| auditor's report | the auditor's report on the <i>financial report</i> . |
| board | the board of <i>directors</i> . |
| business day | a day (other than a Saturday or a Sunday) on which banks in Perth, Western Australia are open for normal business. |
| closely related party | has the meaning given to that term in section 9 the <i>Corporations Act</i> being, in relation to a member of <i>key management personnel</i> : <ul style="list-style-type: none"> (a) a spouse or child of the member; (b) a child of the member's spouse; (c) a dependent of the member or the member's spouse; (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity; (e) a company the member controls; or (a) a person prescribed by the <i>Corporations Regulations 2001</i> (Cth) (currently none are prescribed). |

| | |
|-----------------------|---|
| <i>company</i> | Castillo Copper Limited ACN 137 606 476, a public company incorporated and existing in Australia and listed on the <i>ASX</i> . |
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| | |
|---------------------------------|---|
| <i>company secretary</i> | the company secretary of the <i>company</i> . |
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| | |
|----------------------------|--|
| <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>directors' report</i> | the annual directors' report prepared under Chapter 2M of the <i>Corporations Act</i> for the <i>company</i> and its controlled entities. |
|---------------------------------|---|

| | |
|--------------------------------------|--|
| <i>dollar, \$, A\$ or AUD</i> | the lawful currency for the time being of the Commonwealth of Australia. |
|--------------------------------------|--|

| | |
|---------------------------------|---|
| <i>equity securities</i> | has the same meaning as in the <i>ASX listing rules</i> , currently being: <ul style="list-style-type: none">(a) a share;(b) a unit;(c) a right to a share or unit or option;(d) an option over an issued or unissued security;(e) a convertible security;(f) any security that ASX decides to classify as an equity security;(g) but not a security that ASX decides to classify as a debt security. |
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| <i>explanatory statement</i> | this explanatory statement which accompanies and forms part of the <i>notice of annual general meeting</i> . |
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| <i>financial report</i> | the annual financial report prepared under Chapter 2M of the <i>Corporations Act</i> for the <i>company</i> and its controlled entities. |
|--------------------------------|--|

| | |
|------------------------|-------------------------|
| <i>glossary</i> | this glossary of terms. |
|------------------------|-------------------------|

| | |
|--|---|
| <i>key management personnel</i> | has the meaning given in the <i>listing rules</i> . |
|--|---|

| | |
|-----------------------------|---|
| <i>listing rules</i> | the official listing rules of the <i>ASX</i> from time to time. |
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| <i>meeting chair</i> | the chairperson of the <i>annual general meeting</i> . |
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| <i>notice of annual general meeting or notice</i> | this notice of meeting. |
| <i>proxy form</i> | the proxy form accompanying this <i>notice of annual general meeting</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>relevant interest</i> | has the meaning given by sections 608 and 609 of the <i>Corporations Act</i> . |
| <i>remuneration report</i> | the remuneration report contained in the <i>directors' report</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>section</i> | (a) where used in respect of act of parliament, a section of that act; and (b) otherwise, a section of the explanatory statement. |
| <i>securities</i> | has the meaning given to that term in section 92 of the <i>Corporations Act</i> . |
| <i>shares or ordinary shares</i> | fully paid ordinary shares in the capital of the <i>company</i> . |
| <i>shareholders</i> | the holders of <i>ordinary shares</i> in the <i>company</i> from time to time. |
| <i>WST</i> | Western Standard Time, being the time in Perth, Western Australia. |

Schedule 2 – Issue of Equity Securities since 29 November 2018

| Date | Quantity | Class | Recipients | Issue price and discount to Market Price (if applicable) ¹ | Form of consideration | Non-cash consideration and current market value of non-cash consideration |
|-------------------|------------|--------------------------------|--------------------------|---|--|---|
| 12 December 2018 | 61,500,000 | Shares ² | Sophisticated Investors | \$0.02 per share (No discount) | Amount raised = \$1,230,000 Amount spent = \$1,230,000 Use of Funds ⁷ Amount remaining = \$Nil Proposed use of remaining funds ⁸ | The current value of the Shares is \$0.023 per Share (\$1,414,500) based as at 10 October 2019. |
| 1 February 2019 | 5,000,000 | Options ³ | Director | No issue price (non-cash consideration). | N/A | The current value of the Options is \$0.0159 per Share (\$43,289) based as at 10 October 2019. |
| 1 February 2019 | 15,000,000 | Options ⁴ | Broker | No issue price (non-cash consideration). | N/A | The current value of the Options is \$0.0159 per Share (\$90,428) based as at 10 October 2019. |
| 27 August 2019 | 26,850,000 | Convertible ⁵ Notes | Sophisticated Investors | \$0.02 per note (No discount) | Amount raised = \$537,000 Amount spent = \$217,000 Use of Funds ⁷ Amount remaining = \$320,000 Proposed use of remaining funds ⁸ | N/A |
| 27 September 2019 | 34,811,255 | Shares ² | Convertible Note holders | \$0.01539 per share (33% discount) and \$0.01655 per share (28% discount) | Conversion of Convertible Notes on terms announced 9 August 2019. | The current value of the Shares is \$0.023 per Share (\$800,659) based as at 10 October 2019. |
| 27 September 2019 | 34,811,255 | Options ⁶ | Convertible Note holders | No issue price (non-cash consideration). | Conversion of Convertible Notes on terms announced 9 August 2019. | The current value of the Options is \$0.0159 per Share (\$199,132) based as at 10 October 2019. |

1BNOTICE OF ANNUAL GENERAL MEETING – Explanatory statement
Schedule 2 – Issue of Equity Securities since 29 November 2018
Castillo Copper Limited ACN 137 606 476

Notes:

1. Market Price means the closing price on *ASX* (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. Fully paid ordinary shares in the capital of the *company*, (terms are set out in the Constitution).
3. Unquoted Options, exercisable at \$0.05 cents each, on or before 31 December 2023. The full terms and conditions were disclosed in the *ASX* announcement dated 1 February 2019.
4. Unquoted Options, exercisable at \$0.05 cents each, on or before 1 February 2022. The full terms and conditions were disclosed in the *ASX* announcement dated 1 February 2019.
5. Convertible notes issued at \$0.02 with a maturity date of 3 August 2020. The full terms and conditions were disclosed in the *ASX* announcement dated 9 August 2019.
6. Unquoted Options, exercisable at \$0.05 cents each, on or before 1 August 2022. The full terms and conditions were disclosed in the *ASX* announcement dated 27 September 2019.
7. Funds from the above capital raisings have been used to explore and develop the Cangai Copper Mine project, acquire four prospective copper project areas in Zambia as well as satisfy the rehabilitation requirements of the NSW Resource Regulator.
8. The remaining funds from the above capital raisings are planned to be used to continue to explore and develop the Cangai Copper Mine, Mt Oxide and Zambian projects and costs associated with the *LSE* listing process. The Board reserves the right to alter the way the funds are applied on this basis.

Schedule 3 – Additional information

1. SCOPE OF DISCLOSURE

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*.

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 EXISTING DIRECTORS

As at the date of the *notice*, the existing *directors* hold the following *relevant interests* in securities of the *company*:

| | Robert Scott | Simon Paull | Peter Smith | Gerrard Hall |
|---------------------|--------------|-------------|-------------|--------------|
| <i>shares held</i> | Nil | Nil | Nil | Nil |
| <i>options held</i> | 5,000,000 | Nil | Nil | Nil |

As the *directors* are *key management personnel* and are excluded from voting on *resolution 1*, they make no recommendation in respect of that *resolution*.

The *directors* recommend *shareholders* vote in favour of all other *resolutions*.

3. ASX ROLE

The fact that the *notice*, *explanatory statement* and any 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.