



ASX Release

29 October 2019

**CASTILLO COPPER
LIMITED**
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Directors / Officers:
Rob Scott
Simon Paull
Gerrard Hall
Peter Smith

Chief Financial Officer:
Alan Armstrong

Issued Capital:
676.4 million shares
96.8 million options

ASX Symbol:
CCZ

SEPTEMBER QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

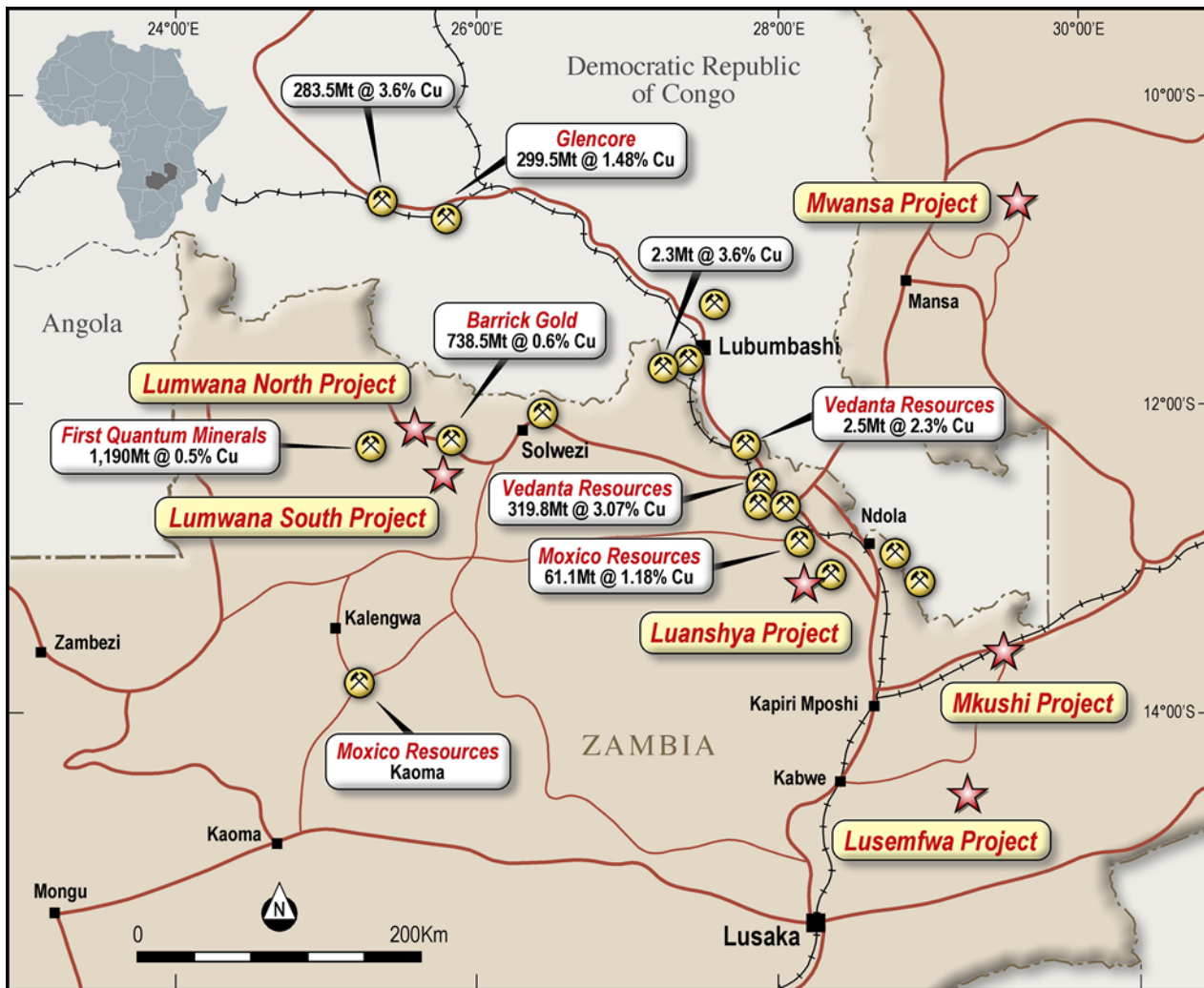
- To progress the three pillared strategic intent to transform CCZ into a mid-tier copper group, announced plans to acquire highly prospective assets in Zambia and seek a dual listing on the London Stock Exchange
- Geological reviews on the Zambia assets released which highlights key salient points and enhancement to exploration upside
- Encouraging assays for historic stockpiles at Cangai Copper Mine (CCM) released
- Separate Investor Presentations on Mt Oxide and CCM released to provide more detailed overview on each project's dynamics
- Corporate:
 - ❖ Simon Paull appointed Managing Director, while Alan Armstrong steps down from Board to newly created CFO position
 - ❖ Raise up to GBP492,000 (AUD\$881,000) via two tranches of Convertible Loan Notes
 - ❖ Enforceable Undertaking Agreement accepted enabling exploration to resume at CCM and trading in CCZ shares to resume on 29 August 2019
 - ❖ Investor Presentation released which provided an overview of the strategic intent and high-level snapshot of the three core assets
 - ❖ UK investors convert GBP300,000 (A\$537,000) loan notes, representing Tranche I, into 34,811,255 CCZ shares and unlisted options

Castillo Copper Limited's ("CCZ" or "the Company") is pleased to present shareholders its latest quarterly report for the period 1 July to 30 September 2019.

ZAMBIA ACQUISITION

On 10 July 2019, as part of the Board's three-pillared strategic intent to transform CCZ into a mid-tier copper group, it was announced four highly prospective copper projects, covering circa 1,050km² in Zambia were to be acquired from Zed Copper (Figure 1).

FIGURE 1: ZAMBIA PROJECTS



Source: Refer CCZ ASX Release 10 July 2019

Encouragingly, the four projects are located near large scale producing mines operated by global groups such as Glencore and Barrick Gold, which delivers CCZ material exploration upside. In brief:

- The Luanshya project, to be developed first, is near London-based Moxico Resources' advanced Mimbula venture which has a JORC compliant Inferred Resource of 61.1Mt @ 1.18% Cu. Further, the Luanshya project is in the traditional "copper-belt" on NW-SE trending structures, called the Lufilian Arc, that hosts several operating mines including Kankola Mine which has an Inferred Resource of 319.8Mt @ 3.07% Cu.
- The second priority is the Mkushi project, which contiguously surrounds an operating open-pit copper mine, in a region proven to be highly prospective for copper-gold mineralisation. Notably, the tenure hosts several brownfield targets in granitic intrusions/schists within a major mineralised shear zone.
- The Lumwana Project includes both Lumwana North and Lumwana South.
- Development work on the remaining ground will start in due course.
- On a relative risk weighted basis, Zambia is politically stable, with a common law legal framework that caters to the mining industry's requirements. Importantly, copper is a strategic mineral to Zambia given its material contribution to exports, GDP and employment.

In consideration for entering into transaction and proceeding with the acquisition, CCZ will pay the vendors (Zed Copper) the following:

- \$25,000 upon executing the binding Heads of Agreement, paid in June 2019; and
- \$25,000 upon executing the Share Sale Agreement

On completion of the acquisition, and in accordance with the terms of the Share Sale Agreement, CCZ will issue to the vendors in their respective proportions:

- A. 31,250,000 fully paid ordinary shares;
- B. 46,875,000 performance shares, converting to an equal number of CCZ shares on delineation of a JORC Inferred Resource of 200,000 tonnes of contained copper at a minimum grade of 0.5% within 5 years of execution of the Share Sale Agreement; and;
- C. 46,875,000 performance shares, converting to an equal number of CCZ shares on completion of a pre-feasibility study demonstrating an internal rate of return greater than 25% within 5 years of execution of the Share Sale Agreement.

The performance shares will be subject to prior approval by the ASX.

In addition, the Vendors will be entitled to a 2% net smelter return royalty on the sale of concentrates from the projects.

STRATEGY UPDATE

On 22 July 2019, CCZ announced the fundamental building blocks are now in place to rapidly progress the Board's three pillared strategic intent to transform CCZ into a mid-tier copper group.

The UK team, led by newly appointed director, Ged Hall, are in the process preparing all the necessary documentation, fresh funding and regulatory clearances to secure CCZ's dual listing on the standard board of the London Stock Exchange (LSE) by 4Q 2019. CCZ intends to issue its Admission Prospectus by late November 2019 and at its Annual General Meeting, to be held on 29 November 2019, Castillo will seek approval of future issue of shares under public offering raise up £1.8M.

In addition, the status quo of the three strategic pillars is as follows:

- **CCM:** an economic scoping study is being contemplated given CCM is one of Australia's highest grading copper deposits, while closing the agreement with Noble Group – to monetise the historic stockpiles – is likely to be finalised.
- **Mt Oxide:** all necessary approvals have been secured and CCZ's geology team will be visiting site to commence field work imminently over the Arya prospect where a sizeable, potential massive sulphide conductor has been identified.
- **Zambia assets:** due diligence is close to being finalised with initial reports verifying the tenements are prospective for copper, with the Luanshya and Mkushi projects the priorities to commence immediate exploration work.

ZAMBIA PILLAR: GEOLOGICAL REVIEWS ON KEY PROJECTS

- **Mkushi project:** On 29 August 2019, CCZ's independent geologist – conducting a review on the acquisition of the Zambia assets – advised Mkushi project delivers potential exploration upside. Notably, a key finding was contiguous geological structures that host copper mineralisation along the same south-west trending shear zone between the Mkushi project and southern part of Shi & Yan Group's (SYG) 55km² mining lease where MCM is situated.

- **Luanshya project:** On 10 September 2019, CCZ's independent geologist concluded the 45km² Luanshya project is high-quality, delivers exploration upside and has the potential to host copper mineralisation. This underlying geology is similar to current / historic mines in the region. Notably, Hong Kong listed China Nonferrous Mining Corp' (CNMC) has three operating mines in the Luanshya region that produced 5,806t contained copper in concentrates in 2018, with JORC (2012) Proven & Probable reserves at 52.3Mt @ 1.26% Cu.

In addition, Moxico Resources, has confirmed significant Lower Roan Group structures within at its Mimbula project (~60km to the north-west).

- **Tenure expansion:** On 16 September 2019, CCZ's Board confirmed the vendor's Luanshya tenure had increased by an incremental 72.6km² on the same current terms. This increases the enlarged Luanshya project's area by circa 160% to 117.6km² in the highly prospective central "copperbelt" region. As a result, the footprint over the Lower Roan Group in the enlarged tenure, which is known to host copper mineralisation and open at depth, increased materially.

Whilst the potential quantity and grade of the Exploration Target is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of Mineral Resource.

- **Remaining copper projects:** On 23 September 2019, CCZ independent geologist completed reviewing the final projects in Zambia, concluding they are all prospective for copper mineralisation. The core reasons justifying follow up exploration programs for the projects include:
 - **Lumwana N&S:** situated on a geological structure called the Mombezhi Dome that houses Barrick Gold's Lumwana project which produced 101,600t of copper in 2018 and has NI-43-101 Proven and Probable Reserves at 375Mt @ 0.6% Cu. Note, the Mombezhi Dome, which is one of several in the "Domes" region in north-west Zambia, hosts a number of sizeable copper occurrences. Demonstrating the "Domes" region's scale, ~100km west of Lumwana N&S is First Quantum Minerals's giant Sentinel Mine, which produced ~224,000t of copper in 2018, while output from its even larger Kansanshi Mine (~200km east) was ~251,000t.
 - **Mwansa:** located in the north-east region is relatively under-explored, but delivers upside as it is prospective for copper, manganese & other base metals.
 - **Lusemfwa:** With four sizeable, prospective copper projects spanning across the "Copperbelt" region, the Board has decided not to proceed with acquiring the Lusemfwa tenure.

AUSTRALIAN PILLARS: INVESTOR PRESENTATIONS

- **Mt Oxide:** On 4 September 2019, CCZ released an investor presentation that highlighted the objective to develop Mt Oxide into a viable copper mining operation.
- **CCM:** On 27 September 2019, CCZ released an investor presentation outlining the its long term strategy and milestones required to be achieved in order to take CCM through to Bankable Feasibility Study.

CCM STOCKPILE ASSAYS

On 2 September 2019, CCZ announced receiving encouraging assay results for legacy stockpiles at Smelter Creek and along the line of lode at CCM, with head grades averaging 2.03% and 1.23% Cu respectively. Leveraging earlier metallurgical test-work results, which demonstrated copper concentrate recoveries >80% and grades up to 22%, there are compelling arguments to process the stockpiles to generate early stage cashflow. These results have been shared with Singapore-based, Noble Group, which CCZ is aiming to finalise a binding off-take agreement for the distribution of up to 200,000t of copper concentrate.

CORPORATE

- **Corporate video:** On 22 July 2019, CCZ released an updated corporate [video](#) which highlights the three pillared strategy.
- **Convertible Loan Note (CLN):** On 9 August 2019, CCZ announced it was raising GBP450,000 via a CLN in two tranches, with SI Capital organising Tranche I via UK investors. Tranche I, comprising GBP300,000 (A\$537,000) was completed within the existing placement capacity while Tranche II (GBP150,000; A\$268,000) is subject to shareholder approval, Tranche II was later increased to GBP192,000 (A\$344,000). This is a 12-month facility with a 10% coupon, conversion at the higher of A\$0.012 or 90% of 10-day VWAP and 1 for 1 attached option convertible at A\$0.05 expiring 1 August 2022.
- **Managing Director appointment:** On 23 August 2019, to round out the management team, Perth-based Simon Paull joined the Board as Managing Director. Mr Paull, a senior operational / finance executive with >25 years' experience in the resources / mining services sectors mostly in Africa, will be responsible for developing the Zambia assets and implementing CCZ's three pillared strategic intent.
- **Enforceable undertaking agreement finalised:** On 26 August 2019, CCZ finalised the enforceable undertaking agreement (EUA) with the NSW Resources Regulator, paving the way for a resumption in exploration activities and trading in CCZ shares.
- **Trading in CCZ shares resumes / Investor presentation released:** On 29 August 2019, CCZ's shares to resumed trading following the EUA being finalised and funds via the CLN from UK investors. In addition, CCZ released an Investor Presentation which articulated the forward strategy and overview of the three pillars.
- **Conversion of CLN:** On 27 September 2019, UK investors holding Tranche 1 of the CLN agreed to convert their holdings into equity, resulting in the issue of 34,811,255 shares and unlisted options.

POST PERIOD EVENT

- **Notice of General Meeting:** On 7 October 2019, a Notice of General Meeting was published on the ASX platform and dispatched to shareholders. The meeting is schedule to be held on Wednesday, 6 November 2019 from 10am to consider 11 Resolutions including:
 - 1) Approval for issue of consideration securities to Zed vendors
 - 2) Ratification of issue of convertible notes
 - 3) Approval for the issue of convertible notes
 - 4) Approval for the issue of placement options
 - 5) Approval for the issue of broker options
 - 6) Election of a director – Mr Simon Paull
 - 7) Election of a director – Mr Gerrard Hall
 - 8) Approval for the issue of director options to Mr Simon Paull
 - 9) Approval for the issue of director options to Mr Gerrard Hall
 - 10) Approval for the issue of director options to Mr Peter Smith
 - 11) Adoption of new constitution
- **Notice of Annual General Meeting:** On 25 October 2019, a Notice of Annual General Meeting was published on the ASX platform and dispatched to shareholders. The meeting is schedule to be held on Friday, 29 November 2019 from 10am to consider four (4) Resolutions including:
 - 1) Adoption of Remuneration Report

- 2) Re-election of Mr Peter Smith as a director
- 3) Approval of future issue of shares under public offering
- 4) Approval of 10% placement capacity.

For and on behalf of Castillo Copper

Simon Paull
Managing Director

Note – All information referenced is from CCZ ASX Releases from 1 July to 28 October 2019

About Castillo Copper

The group is embarking on a strategic transformation to morph into a mid-tier copper group underpinned by three core pillars:

- **Pillar I:** Cangai Copper Mine in northern New South Wales, which is one of Australia's highest grading historic copper mines with a JORC inferred resource of 3.2Mt @ 3.35% Cu.
- **Pillar II:** The Mt Oxide project in the Mt Isa district, north-west Queensland, which delivers significant exploration upside through having a sizeable untested anomaly within its boundaries in a copper-rich region.
- **Pillar III:** Several high-quality prospective assets in Zambia, which is the second largest copper producer in Africa.

In addition, Castillo Copper is progressing a dual listing on the standard board of the London Stock Exchange.

Competent Person Statement

The information on the page that relates to Exploration Results for the Mkushi Project is based on information compiled or reviewed by Mr Matt Bull, a consultant of Castillo Copper Limited. Mr Bull is a member of the Australian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Bull consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

The information in this report that relates to Mineral Resources of the Cangai Copper Mine is based on information compiled by Peter Smith, a Competent Person who is a Member of the Australian Institute of Geoscientists. 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.

APPENDIX 1: INTEREST IN MINING TENEMENTS HELD

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

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

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

MARLBOROUGH		
North-west of Gladstone		
Tenement ID	Ownership at end of Quarter	Change during the Quarter
EPM 26522	0%	Relinquished
EPM 26528	0%	Relinquished
EPM 26541	0%	Relinquished

HUANTA (VICUÑA)		
Chile		
Tenement ID	Ownership at end of Quarter	Change during the Quarter
04015-7483-7	0%	Relinquished
04015-7484-5	0%	Relinquished
04015-7486-1	0%	Relinquished
04015-7487-K	0%	Relinquished
04015-7488-8	0%	Relinquished
04015-7489-6	0%	Relinquished

Note: Castillo Copper Limited has relinquished its 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 ¹	117
Broken Hill	-
Mt Oxide North	20
Marlborough	-
Zambia	-
Total	137

Note:

- 1) Includes \$88,000 – NSW Resources Regulator related expenses as per the Appendix 5B.