



CASTILLO COPPER
LIMITED

ASX Release

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Alan Armstrong
Neil Hutchison

Issued Capital:

457 million shares
21 million options

ASX Symbol:

CCZ

New Acquisition Enhances Size of Cangai Resource and Exploration Upside

- A doubling in the Jackaderry South prospect (which houses the Cangai Mine) significantly increases the potential mineralised resource size
- Five highly-prospective assets to be acquired: one in NSW (contiguous to key Jackaderry South tenement) and four in QLD which materially expands mineralised footprint
- JORC resource modelling progressing on Cangai Mine, with the enlarged Jackaderry South prospect next focus area for cobalt-copper-zinc
- Mt Oxide project area, which has seen neighbouring anomalous high grade cobalt copper results, to expand 50% with addition of new prospect
- Exciting new Marlborough project, comprising remaining three prospects, is in an area with established mines and JORC reserves

Castillo Copper Limited's (**CCZ** or **Company**) Board is delighted to announce it has 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 (**Proposed Acquisition**). The key terms of the Proposed Acquisition are outlined in Annexure A.

The Proposed Acquisition is opportunistic yet strategic, as it further expands CCZ's mineralised footprint across NSW and QLD, while coinciding with the commencement of a global base metal upcycle. On a post-acquisition basis, CCZ will own 11 project areas in four geographic locations. As such, the Board has decided to simplify the tenure naming structure to four project groupings, namely: Jackaderry (three prospects); Broken Hill (two); Mt Oxide (three) and Marlborough (three).

Reconciling CCZ's strategic intent with the Proposed Acquisition, it delivers the following:

- Enhances overall mineralisation footprint and potential size of JORC compliant Inferred Resources presently being modelled;
- Two complementary project areas to Jackaderry and Mt Oxide respectively, and bridgehead into north-east QLD;
- Doubling the key Jackaderry South project area (that houses the Cangai Mine) and potential mineralised resource size;
- Reshapes the JORC modelling priority to Cangai Mine, enlarged Jackaderry South prospect then Broken Hill utilising legacy data, followed by the Mt Oxide and Marlborough projects which require drilling campaigns; and
- Commercially scalable operation, with four high-quality projects close to excellent land transportation infrastructure, third party processors and proximity to ports to tap key north Asian markets.

TOTAL IRON OVERVIEW

Total Iron was founded to acquire mineral tenements to explore and develop primarily cobalt, copper and zinc production resources in NSW and Queensland. Collectively, Total Iron owns five assets: one in NSW which has been granted (Jackaderry South-west) and four in QLD which are subject to native title approval: Alpha prospect (near Mt Oxide) and newly named Marlborough Project group (which comprises three project areas north-west of Gladstone).

As at the date of this announcement, Total Iron has five shareholders holding 11,667,000 shares. In consideration for the Proposed Acquisition, Total Iron shareholders will receive 15 million shares in consideration which will equate to circa 3.17% of CCZ's expanded issued capital on a fully diluted basis.

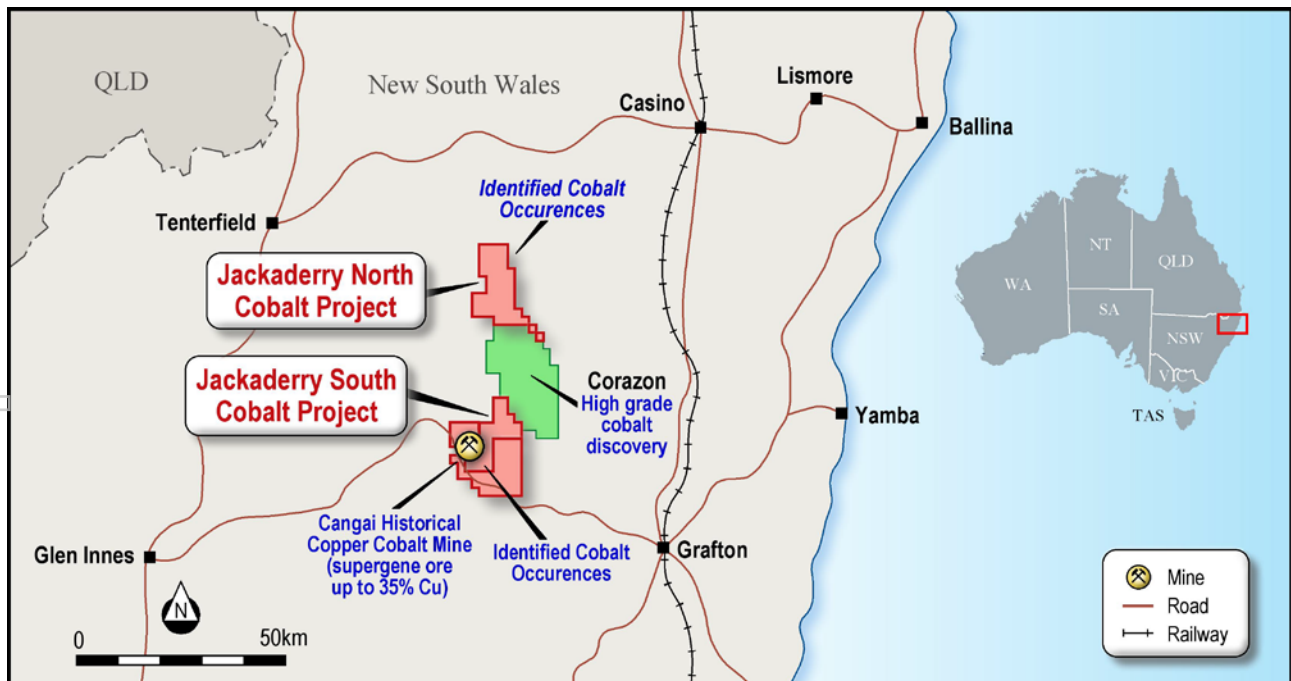
A summary of Total Iron's five assets are as follows:

JACKADERRY SOUTHWEST COBALT PROJECT, NSW: EL 8635

Background

The Jackaderry Southwest Cobalt Project is contiguous to the original Jackaderry South tenure (where Cangai Copper-Cobalt Mine is located), which increases the potential resource size and exploration upside. Further, the prospect is part of the newly renamed Jackaderry Project group (Figure 1) that comprises all three tenements. The Jackaderry South prospect has been CCZ's priority focus area, as a JORC compliant Inferred Resource is currently being modelled. A desktop review has confirmed the area is highly prospective for cobalt-copper-zinc (refer ASX Announcements on 7 & 21 August 2017), while supergene ore is apparent in the Cangai Copper Cobalt Mine with up to 35% copper and 10% zinc open in all directions.

FIGURE 1: JACKADERRY PROJECT GROUP



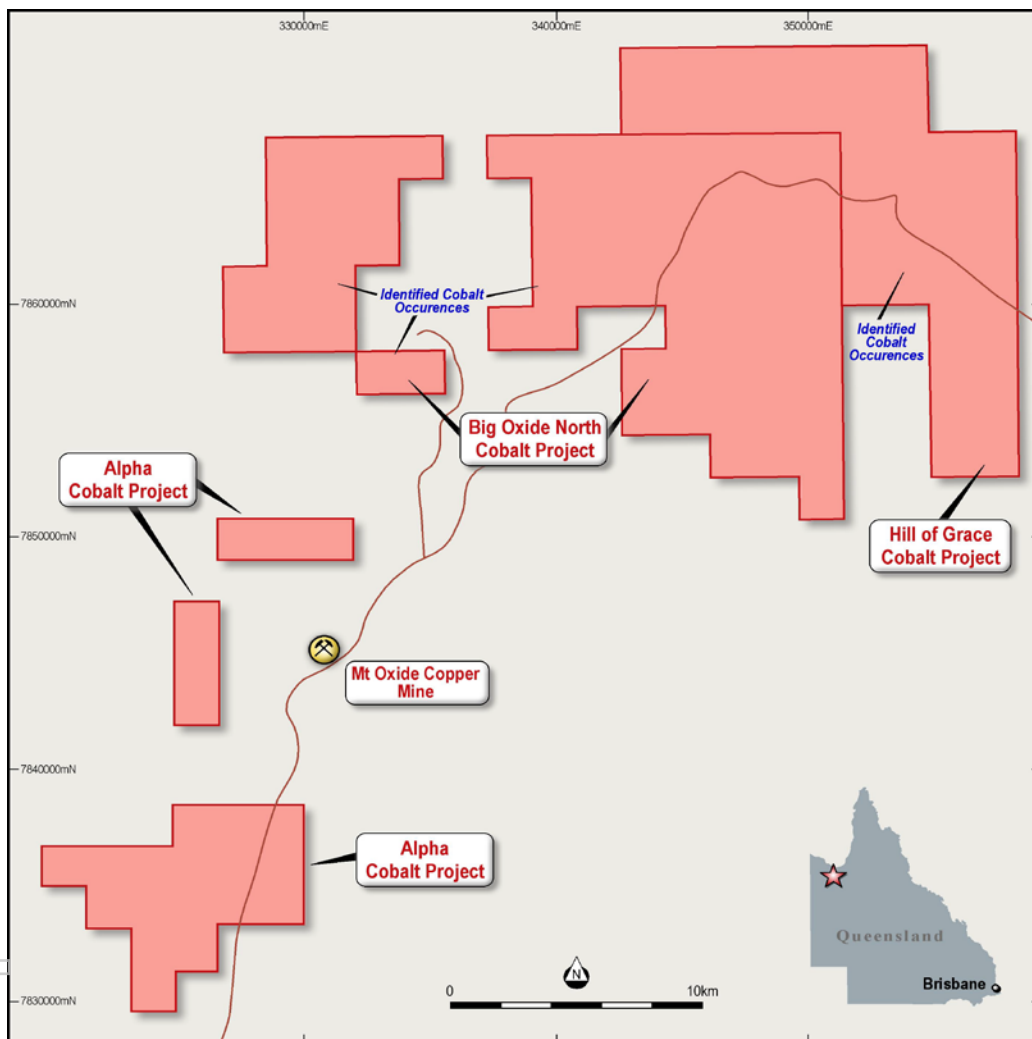
ALPHA COBALT PROJECT, QLD: EPM 26513

Background

The Alpha Cobalt Project (which is subject to native title clearance) lies south-west of the Big Oxide North and Hill of Grace tenures (collectively renamed the Mt Oxide Project group), and is relatively close to the historic Mt Oxide Copper Mine. From CCZ's perspective, it enhances the mineralised foot print and prospective resource size in an area that is well known for copper-cobalt.

Cudoco's Rocklands prospect near Cloncurry contains Inferred Resources of 25Mt at 1.57% Cu and 818ppm Co (refer ASX Announcements 8 June and 21 July 2017).

FIGURE 2: MT OXIDE PROJECT GROUP



MARLBOROUGH PROJECT, QLD: EPMs 26522, 26528 and 26541

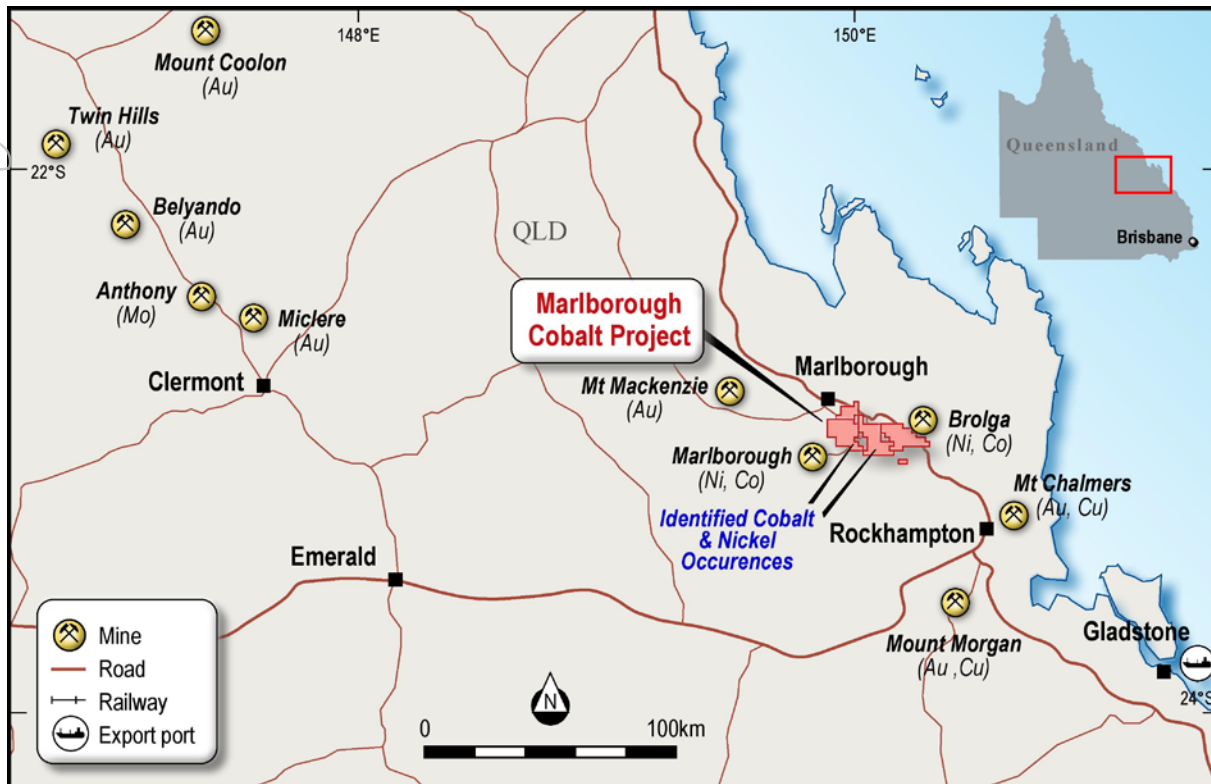
Background

The Marlborough project comprises three prospects (pending native title clearance) that are located north-west of Gladstone (adjacent to Queensland Nickel mining leases) in an area, which is made up of proven high-grade cobalt nickel systems. According to Queensland's Department of Natural Resources and Mines¹ (DNRM) legacy data shows the area covered by the Marlborough project and

¹ Silver & Base Metals, Queensland's metalliferous and industrial minerals 2014, Department of Natural Resources and Minerals, Queensland

Queensland Nickel contains proven and probable reserves of 48.7Mt at 0.94% nickel and 0.06% cobalt within a total resource of 70.8Mt.

FIGURE 3: MARLBOROUGH PROJECT GROUP



According to ROM Resources, the regional geology highlights that cobalt-nickel laterites formed in the Marlborough Mass (which contains the tenures) are among the largest group of ultramafic rocks in eastern Australia. They are elongated north-westerly and north-easterly concordant, with the principal structural grain of the region. Further, laterites are surficial, zoned oxidation mantles, which develop by prolonged weathering. Cobalt-nickel enriched profiles develop only on ultramafic bedrocks and deposit characteristics vary with the composition and structure of the parent type, landscape physiography, geomorphic history, and climatic conditions.

The DNRM² estimates Queensland's laterite resources and reserves contain >1.5 Mt of nickel and >140,000 t of cobalt, with significant deposits found across Greenvale, Bell Creek, Minnamoolka, Lucknow, Lucky Break and Marlborough regions.

Efforts to bring deposits in the Marlborough region deposits into production were renewed in 2005 when the Queensland government granted 'Significant Project' status to Gladstone Pacific Nickel Ltd's cobalt-nickel project. This comprised two stages:

- Stage 1 aimed to produce 63,000 tonnes/year nickel and 6,000 tonnes/year cobalt from a US\$3.7B high-pressure acid leach plant/refinery to be constructed west of Gladstone.
- Stage 2 was to result in an expansion to produce 126,000 tonnes/year nickel and 12,000 tonnes/year cobalt.

² <https://www.statedevelopment.qld.gov.au/assessments-and-approvals/gladstone-pacific-nickel-refinery.html>

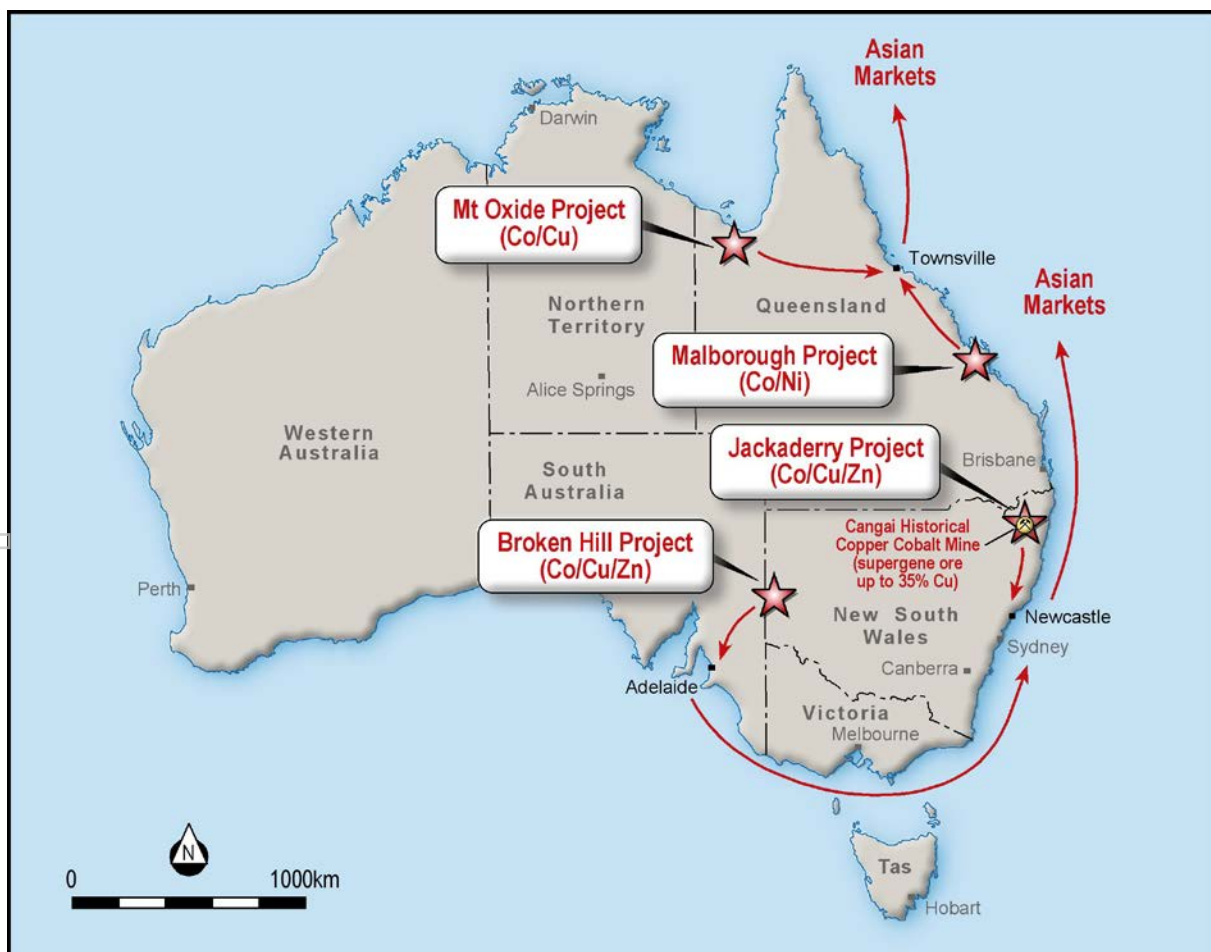
Although the state and federal governments approved the EIS for stages 1 and 2 of the project, progress stalled and action shelved indefinitely due to the GFC and subsequent base metal downturn.

STRATEGIC INTENT: FAST TRACK PRODUCTION

With the enlarged mineralised footprint, the Board has simplified the tenure structure into four groupings: Jackaderry, Broken Hill, Mt Oxide and Marlborough projects. The three desktop reviews performed have confirmed the three project areas are highly-prospective areas for cobalt-copper-zinc and lesser extent nickel, CCZ's overall strategic intent remains largely intact:

- Prove up three JORC compliant Inferred Resources for cobalt-copper-zinc starting with Cangai Copper-Cobalt Mine and the enlarged Jackaderry South prospect, then Broken Hill tenures (leveraging legacy data) and finally Mt Oxide project areas later in the year (from a maiden drilling campaign).
- Commence detailed desktop work on the Marlborough project areas to ascertain key targets for a drilling campaign.
- Commence liaising with third party processors within range of the priority project areas then put in place measures to expedite end-product to market via the London Metal Exchange as shown in the map below (Figure 4).

Figure 4: Route to market from CCZ's core project areas



PROPOSED ACQUISITION

In consideration for the acquisition, CCZ will, at completion:

- a) issue 15,000,000 CCZ shares (consideration shares) to the holders of Total Iron shares (vendors); and
- b) b) 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 (royalty agreement).

Completion will occur within 5 business days of the fulfilment of the conditions, or such other date as agreed between the parties. Completion must occur under the share sale agreement in respect of all vendors at once.

Pro forma capital structure

The indicative capital structure of CCZ's post-acquisition of Total Iron is set out in the table below.

Name	Shares	Options	% interest in issued capital (if all performance rights vest)
Current CCZ shareholders	457,498,887		96.83%
Consideration shares	15,000,000		3.17%
Existing options on issue		21,000,000	
Total securities	472,498,887	21,000,000	100%

Indicative Timetable

An indicative timetable for completion of the Proposed Acquisition is set out below:

Event	Date (week ending)
Announce transaction	21 July 2017
Finalise share sale agreement	4 August 2017
Completion	18 August 2017

Please note that this timetable is indicative only and CCZ reserves the right to amend the timetable as required.

Castillo Copper's Executive Director Alan Armstrong commented: *"The Board has decided to take an aggressive approach and expand CCZ's overall mineralised footprint and prospective JORC compliant resource sizes across NSW and Queensland, with further evidence flowing through that base metals are in an upcycle. Of the five proposed assets to be acquired, two are complementary to CCZ's Jackaderry and Mt Oxide projects, while the three in Marlborough open a bridgehead in northeast Queensland to area with proven cobalt-nickel reserves. However, while the proposed acquisition undergoes due process, CCZ's main priority in the near term is proving up JORC compliant Inferred Resources for Cangai Copper Cobalt Mine, Jackaderry and Broken Hill projects using legacy data."*

For and on behalf of Castillo Copper

David Wheeler
Chairman

ABOUT CASTILLO COPPER

Castillo Copper Limited (ASX: CCZ) is an ASX-listed explorer that has assets in eastern Australia and Chile.

The Australian assets, which were acquired outright in mid-2017, comprise six highly prospective copper-cobalt-zinc project areas in New South Wales and Queensland, detailed briefly as follows:

- Jackaderry North and Jackaderry South cobalt projects, which are in the New England Orogen in NSW, are prospective for copper-cobalt;
- Peak Hill and Total minerals projects, are located within a 20km radius of Broken Hill, NSW, are prospective for copper-cobalt-zinc; and
- Big Oxide North and Hill of Grace cobalt projects are in the Mt Isa region, northwest Queensland, and are prospective for copper-cobalt.

Of significance is the historic Cangai Copper Cobalt Mine (within Jackaderry South prospect) as legacy data confirms the presence of supergene ore with up to 35% copper.

The Board is looking to prove up three JORC compliant resources across the Australian project areas then utilise third party processors to fast track product to market via the London Metal Exchange.

The wholly-owned Chilean assets comprise of six exploration concessions across a total area of 1,800 hectares that are well known for high grade copper-gold projects.

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ANNEXURE A

Key Terms of the Proposed Acquisition

CCZ and Total Iron have entered into a binding Heads of Agreement.

The key terms of the Heads of Agreement are as follows:

1. **Conditions Precedent:** Completion of the Proposed Acquisition is subject to and conditional upon a number of conditions precedent, including:
 - a) By 15 September 2017 (or such later date as agreed between CCZ and Total Iron) satisfactory completion by CCZ of all necessary due diligence investigations in respect of Total Iron.
 - b) By 15 September 2017 (or such later date as agreed between CCZ and Total Iron) satisfactory completion by Total Iron of all necessary due diligence investigations in respect of CCZ.
 - c) The vendors representing 100% of all Total Iron shares on issue as at the date of the Heads of Agreement and any persons becoming Total Iron shareholders after entry into these Heads of Agreement entering into the share sale agreement in relation to all of their Total Iron shares.
 - d) Neither CCZ nor Total Iron being in material breach of the terms of the Heads of Agreement providing no party can rely on its own breach to prevent completion.
 - e) Any other third-party approvals, regulatory consents or conditions required to give effect to the transactions contemplated by these heads of agreement being obtained
2. **Consideration:** In consideration for the acquisition, CCZ will, and at completion:
 - a) issue 15,000,000 CCZ shares (consideration shares) to the holders of Total Iron shares (vendors); and
 - b) 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 (royalty agreement).
3. **Warranties:** the parties have each provided customary warranties for a transaction of this nature.
4. **Exclusivity:** During the term of the Heads of Agreement, neither CCZ nor Total Iron will enter into negotiations or take action to enter into certain transactions with alternative potential purchasers.
5. **Maintaining the status quo:** during the exclusivity period the parties agree not to enter into any material contract or incur any material liability; declare any dividends; or vary its capital structure; without the prior written consent of the other party.
6. **Formal documents:** the parties agree to negotiate in good faith formal binding agreements to be entered into by CCZ and each of the Vendors on terms consistent with the Heads of Agreement or as otherwise agreed between the parties.

The Heads of Agreement otherwise contains clauses typical for binding agreements of this nature.