



CASTILLO COPPER  
LIMITED

ASX Release

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**CASTILLO COPPER  
LIMITED**  
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Joe Graziano  
Nicole Fernandes

**Issued Capital:**

211 million shares  
1 million options

**ASX Symbol:**

CCZ

## ACQUISITION OF COPPER AND COBALT PROJECTS

Castillo Copper Limited (**CCZ** or **Company**) is pleased to announce 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**) (**Proposed Acquisition**). The key terms of the Proposed Acquisition are set out in Annexure A of this announcement.

### Overview of QComm

QComm was incorporated in November 2012 with the principal objective of applying for mineral tenements to explore and develop copper and cobalt production resources. To that end it has 3 applications targeting high grade copper and cobalt systems in NSW and Queensland:

- (a) ELA 5446, an application for an exploration licence covering approximately 153 sq km prospective for copper / cobalt in the New England Orogen, NSW (**Kungabaran Application**);
- (b) ELA 5447, an application for an exploration licence covering approximately 57 sq km prospective for copper / cobalt 16km southwest of Broken Hill, NSW (**Peak Hill Application**); and
- (c) EPM 26462, an exploration permit covering 214 sq km prospective for copper / cobalt in the Mt Isa region, northwest Queensland (**Mt Oxide Application**).

As at the date of this announcement, QComm has a total of five shareholders holding 10.5 million shares. Shares and Performance Rights to be issued to the QComm shareholders as consideration for the Proposed Acquisition will comprise approximately 21.5% of the expanded issued capital of the Company (assuming all Performance Rights vest). The Company notes that none of the Vendors are related parties of the Company.

### QComm's Assets

#### ***Kungabaran Application, NSW: ELA 5446***

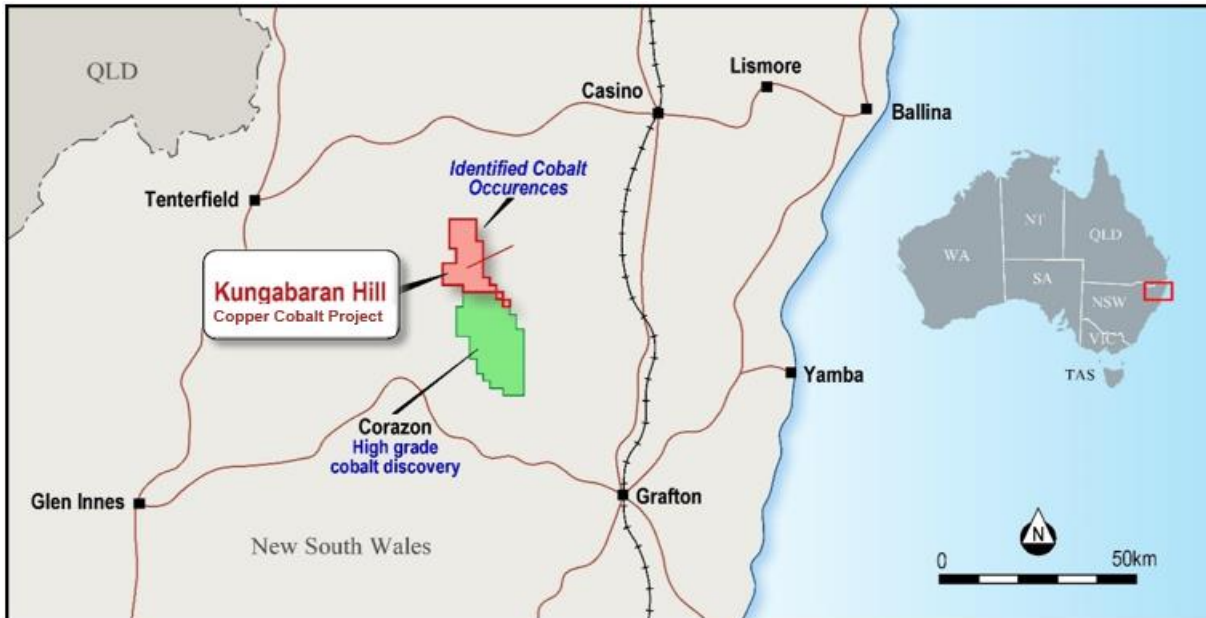
##### *Background*

ELA 5446 (Figure 1) is located in the New England Orogen, which is a significant east Australian mineral province that hosts significant Cu-Au-Co deposits; it represents a new trend and district scale opportunity. CCZ is targeting high-grade areas to develop a primary Co system, as the prospect has been under explored and largely undrilled. Historical and recent drilling results by neighbouring ASX listed company, Corazon Mining Ltd (ASX: CZN), is very encouraging as it appears that tenement ELA 5446 is in the same geological ultramafic system.

There are >25 historical Cu-Au-Co-Fe workings and small mines in the area, with target modes identified in adjacent ground being:

- tourmaline breccia hosted Cu-Au-Co deposits;
- Cu-Au-Co-Fe skarns; and
- quartz-sulphide vein system (such as porphyry Cu-Au-Co deposits).

Figure 1: Kungabaran Hill, NSW – ELA 5446



### Local geology

The licence application area is dominated by Serpentinite in the Gordonbrook Serpentinite and Cottesbrook Monzogranite. Parts of the Gordonbrook Serpentinite have been metamorphosed to chrysotile (asbestos) which has been the dominant focus of historical exploration and mining activities. Basement rocks consist of Silurian/Carboniferous sedimentary and volcanic rocks. Triassic to Jurassic sedimentary of the Clarence-Moreton Basin are to the east and Quaternary sediments obscure much of the outcrop in the licence application area.

Exploration licence application 5446 is deemed to be prospective for metals typically associated with ultramafic rocks, such as Co-Ni-Cu and the PGEs. Previous exploration activities for these metals appears to be limited. However, further potential exists for reef-hosted Au mineralisation, akin to that in nearby Lionsville, in the monzogranites on the western half of the exploration licence application.

A 'basement window' of exposed magmatic hydrothermal alteration and historical Cu-Co workings may represent the western and upper extent of a much larger hydrothermal system concealed under Mesozoic cover to the east, prospective for:

- Quartz-tourmaline-sulphide-cemented, magmatic-hydrothermal breccia hosted Cu-Au-Co deposit;
- Concealed porphyry Cu-Au-Co ore body associated with quartz diorite to tonalite porphyry apophyses proximal to the tourmaline-sulphide cemented breccia; and
- Potential exists for Cu-Au-Co skarn.

### Proposed work activities

The proposed exploration activities in the first year include:

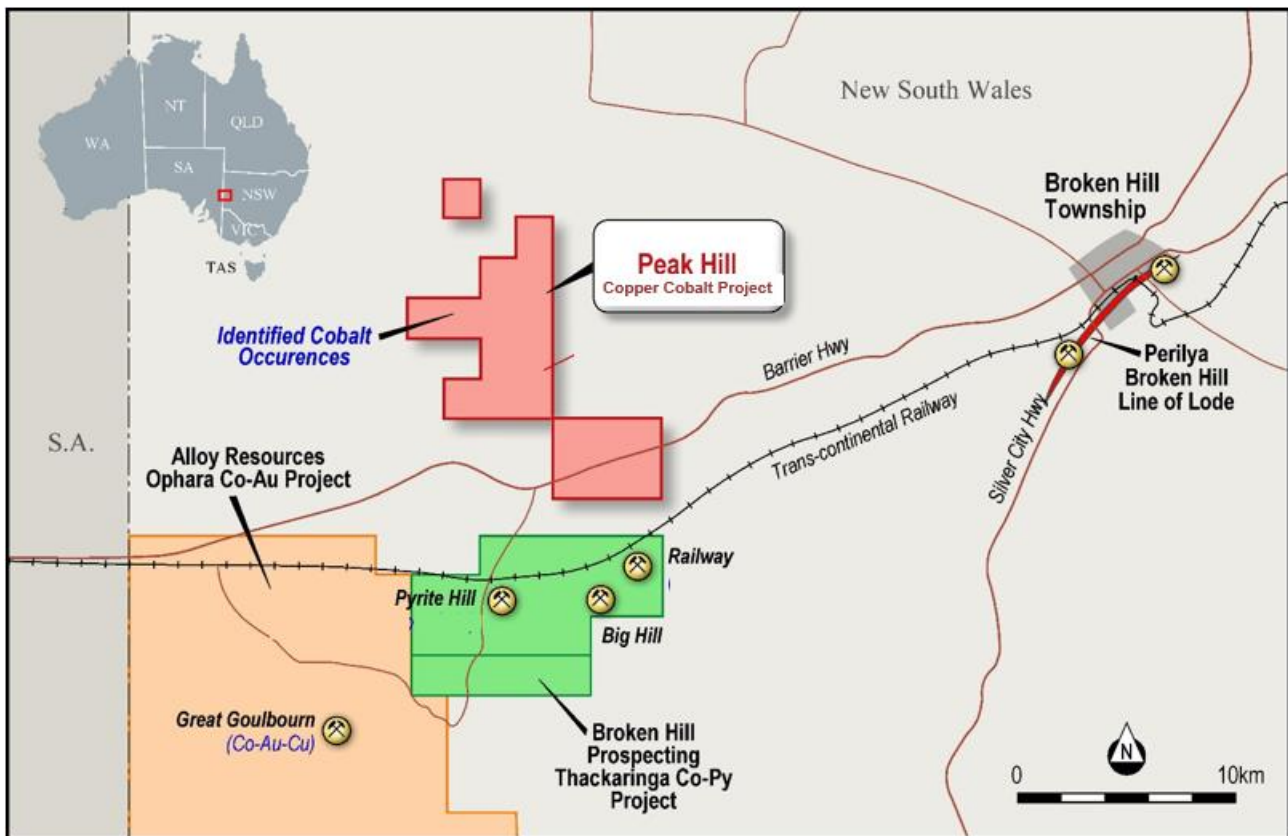
- compilation of exploration datasets and GIS;
- analysis of existing targets – especially for cobalt;
- identification of additional targets;
- determine exploration required to advance and rank targets;
- identify targets and arrange detailed drilling program; and
- ensure these activities are fully funded.

## Peak Hill Application, NSW: ELA 5447

### Background

ELA 5447 (Figure 2) is 16km southwest of Broken Hill and 10km northeast of Alloy Resources' Ophara project in the Broken Hill Region, NSW. Notably, large Cu-Au-Co deposits have been identified 3km to the south by Broken Hill Prospecting, while historical data highlights prospective targets of high-grade cobalt occurrences within ELA 5447.

Figure 2: Peak Hill, NSW – ELA 5447



### Local geology

The host rocks are several thick (8-27m) units of a quartz-magnetite rock within the Radian Gneiss of the Proterozoic Willyama Group. The footwall at various deposits has been described as a quartz-feldspar-biotite-muscovite gneiss with varying amounts of sillimanite and chlorite. The mineralised zones are quartz-magnetite-pyrite rocks which contain anomalous Au, Ag, Cu, Co, Mo and S. Anomalous results often extend above and below the quartz-magnetite rock.

### Proposed work activities

CCZ will assume the process of compiling historical data from QComm, however, further work is required to create a 3D model of the defined stratigraphy and mineralisation. In the short-term, CCZ intends to:

- complete field checking of the geology of the historically mineralised outcrop;
- field check known regional quartz-magnetite gossans and other anomalous areas;
- ground EM and magnetics survey;
- compilation of data;
- plan an initial drill program that can assist with defining the extent of shallower mineralisation;
- submit drill plans for approval by landowners and government; and
- ensure these activities are fully funded.

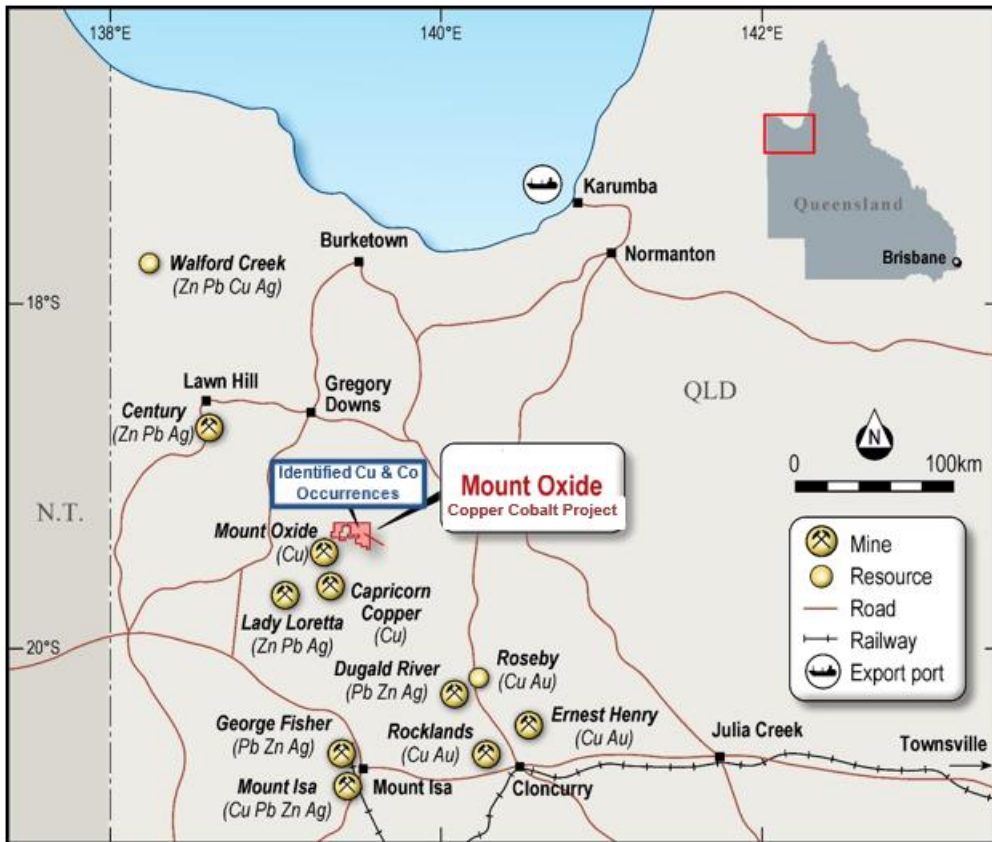
## Mt Oxide North Application, Queensland: EPM 26462

### Background

EPM 26426 (Figure 3) is an exciting prospect located in the Mt Isa region, northwest Queensland. The prospect is adjacent to active Cu-Au gold explorers, Mt Oxide Pty Ltd and Capricorn Copper Pty Ltd; the latter

is in the process of restarting the Mt Gordon/Gunpowder copper mine in Q2 2017. More broadly, the Queensland Department of Natural Resources and Mines reported that cobalt is associated with copper in brecciated sediment-hosted base metal deposits in northwest Queensland including Mount Isa, Mammoth and Mount Cobalt.

**Figure 3: Mt Oxide North, Queensland - EPM 26462**



#### *Local geology*

At Mt Oxide and Mt Gordon the two main orebodies are manifest as a breccia and replacement zones associated with interconnecting faults.

Primary sulphides in both deposits include chalcopyrite; pyrite; and chalcocite. Quartzites host breccias to massive sulphides. There are some similarities to IOCG, but the iron oxide occurs as pyrite rather than magnetite-hematite.

#### *Proposed work activities*

Many outcropping Cu-Co-Au occurrences have been noted within EPM 26462 by historical explorers, but none have compiled comprehensive databases or complete stream sediment and rock chip contour maps. Proposed work activities include:

- complete field checking of the geology of the historically mineralised outcrop;
- compilation of exploration datasets and GIS;
- analysis of existing identified copper targets – especially for cobalt;
- ground EM and magnetics survey;
- identification of additional targets;
- plan an initial drill program that can assist with defining the extent of shallower mineralisation;
- determine exploration required to advance and rank targets;
- submit drill plans for approval by landowners and government; and
- complete data compilation; and
- ensuring these activities are fully funded.

## **Disclaimer in respect of exploration results**

The Company notes that:

- (a) any exploration results provided in this announcement have been provided to the Company by QComm;
- (b) exploration results may not have been reported under any edition of the JORC Code and may not conform to the updated requirements in the JORC Code 2012;
- (c) nothing has come to the attention of the Company that causes it to question the accuracy or reliability of any exploration results provided by QComm but the Company has not independently validated exploration results provided by QComm and therefore is not to be regarded as reporting, adopting or endorsing such results; and
- (d) the Company does not consider this announcement to be otherwise misleading.

Although the exploration results were provided to the Company by QComm, the Company considers that the information is publicly available information obtainable from a variety of public sources, including but not limited to Grafton-Mclean 1:250000 Metallogenic Map<sup>1</sup>, Brownlow 1989<sup>2</sup>, Wynn 1963<sup>3</sup>, Mt Isa 1:250,000 Solid Geology Sheet, Qld Department of Mines and Natural Resources and ASX releases – CZN (dated 14/12/16), AYR (dated 31/10/16) - interested readers should contact Tim Slate, the company secretary, on +61 (0) 8 6558 0886, for further information.

## **Capital Raising**

To assist the Company complete the Proposed Acquisition, CCZ will undertake a placement of at least 33,333,333 CCZ shares at an issue price of \$0.015 to raise at least \$500,000, utilising its placement capacity under ASX listing rules 7.1 and 7.1A (**Placement**).

The Company will also seek shareholder approval to issue up to 66,666,667 CCZ shares at an issue price \$0.015 pursuant to a capital raising to raise a further \$1,000,000 (**Public Offer**).

## **Consideration**

In consideration for the Proposed Acquisition, CCZ will:

- (a) pay \$150,000;
- (b) issue 10,000,000 CCZ shares (**Consideration Shares**); and
- (c) grant 76,666,668 performance rights (**Performance Rights**),

to the holders of 100% of the issued capital of QComm (**Vendors**).

As soon as practicable following grant of all applications, the Company will:

- a) pay the Vendors \$200,000 pro-rata to their QComm shareholding; and
- b) enter into a royalty agreement with the 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.

## **Other issues of securities**

The Company and QComm have entered into corporate mandates with CPS Capital Group Pty Ltd and Armada Capital and Equities Pty Ltd (together, the **Advisors**).

Subject to shareholder approval, the Company will issue to the Advisors 4,333,333 CCZ shares and 15 million options to acquire CCZ shares at an exercise price of \$0.03 and expiring on the date that is 36 months after the issue of the options (together, **Advisor Securities**).

CCZ will also seek shareholder approval to issue each of the CZZ directors 2,000,000 options to acquire CCZ shares at an exercise price of \$0.03 and expiring on the date that is 36 months after the issue of the options (**Director options**).

## **General meeting**

The Company will convene a general meeting of shareholders to seek approval for the issues of securities

required to effect the Proposed Acquisition and related matters. As at the date of this announcement, the Company expects that the meeting will be held in mid/late May 2017.

### Pro forma capital structure

The indicative capital structure of the Company post-acquisition of QComm is set out in the table below.

	Shares	Performance Rights	Options	% interest in issued capital (if all Performance rights vest)
Current CCZ shareholders	211,498,885			52.55%
Placement	33,333,333			8.28%
Consideration shares	10,000,000			2.49%
Public offer	66,666,667			16.56%
Asset introduction fee	4,333,333			1.08%
CCZ shares on granting of applications		43,333,334		10.77%
CCZ shares on drilling targets		33,333,334		8.28%
Existing options on issue			1,250,000	
Advisor options			15,000,000	
Director options			6,000,000	
<b>Total securities</b>	<b>325,832,218</b>	<b>76,666,668</b>	<b>22,250,000</b>	<b>100%</b>

### Indicative Timetable

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

Event	Date (week ending)
Announcement of Proposed Transaction	24 March 2017
Despatch Notice of General Meeting	14 April 2017
Lodge prospectus and Public Offer opens	21 April 2017
Hold General Meeting	19 May 2017
Public Offer closes	26 May 2017
Completion of Proposed Acquisition and issue of Shares	2 June 2017

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

**Tim Slate**  
**Company Secretary**

### References

1. Brownlow, J.W., 1989. Industrial mineral and construction material deposits of the Grafton and Maclean 1:250 000 sheet. New South Wales Geological Survey.
2. David, T.W.E., 1892. Report on the deposits of chromite at Gordonbrook near Copmanhurst, in the Parish of Pucka, County Drake. New South Wales Department of Mines, Annual Report for 1891, 218-219.
3. Wynn, D.W., 1963. Iron ore deposits near Lionsville, N.S.W. Geological Survey of New South Wales, Report 3, 1-2.

## Annexure A

### Key Terms of the Proposed Acquisition

CCZ and QComm 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) satisfaction of all necessary due diligence investigations by the parties;
  - (b) CCZ undertaking a placement of at least 33,333,333 CCZ shares at an issue price of \$0.015 to raise at least \$500,000, utilising its placement capacity under ASX listing rules 7.1 and 7.1A (**Placement**);
  - (c) the parties being satisfied (acting reasonably) that ASX will not require CCZ to re-comply with Chapters 1 and 2 of the ASX Listing Rules as a result of the transactions contemplated under these heads of agreement.
  - (d) resolutions being passed at a meeting of CCZ shareholders to obtain all approvals that are required to give effect to the transactions contemplated by the heads of agreement, including shareholder approval for the purposes of authorising:
    - (i) the change in nature and/or scale of the company's activities (if required);
    - (ii) ratification of the Placement;
    - (iii) ratification of the issue of the Consideration Shares to the Vendors (including for the purposes of Chapter 6D of the Corporations Act, if required);
    - (iv) the issue of the Performance Rights;
    - (v) the issue of 66,666,667 CCZ shares at an issue price of \$0.015 pursuant to a capital raising to be undertaken once shareholder approval is obtained;
    - (vi) the issue of the Advisor Securities; and
    - (vii) the issue of the Director options.
  - (e) the parties obtaining all necessary regulatory approvals (including ASX approvals and waivers and ASIC relief) to complete the Proposed Acquisition;
  - (f) the Vendors representing 100% of all QComm shares on issue as at the date of the Heads of Agreement and any persons becoming QComm shareholders after entry into the Heads of Agreement entering into a share sale agreement in relation to all of their QComm shares;
  - (g) neither CCZ nor QComm being in material breach of the terms of the Heads of Agreement;
  - (h) any other third party approvals, regulatory consents or conditions required to give effect to the transactions contemplated by the Heads of Agreement being obtained.
2. **Consideration:** In consideration for the Proposed Acquisition, CCZ will pay \$150,000 and issue the Consideration Shares to the Vendors.

At completion of the Proposed Acquisition, CCZ shall grant 76,666,668 Performance Rights to the Vendors, which shall vest into ordinary shares:

  - (a) in respect of 43,333,334 of the performance rights, immediately upon an application first being granted; and
  - (b) in respect of 33,333,334 of the performance rights, after at least 1500m of drilling is completed on the area covered by the applications or any tenements granted in replacement of those tenements.

Following completion, CCZ shall as soon as practicable following grant of all applications:

  - (c) pay the Vendors \$200,000 pro-rata to their QComm shareholding; and
  - (d) enter into a royalty agreement with the 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.
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 QComm 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.