CASTILLO COPPER LIMITED

ASX Release

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Issued Capital:
580.1 million shares
84.5 million options

ASX Symbol:
CCZ

$2.25m joint-venture to develop Marlborough project in Queensland

- **CCZ and A-Cap Resources ("A-Cap", ASX: ACB) have signed a binding Term Sheet to form a joint-venture to explore the highly prospective Ni-Co Marlborough project, near Rockhampton in north-east Queensland (QLD)**
- **ACB has agreed to invest $2.25m over two years to fund exploration activities – up to completing the bankable feasibility study stage – to earn 60% interest in the Marlborough project, with CCZ free-carried with 40%**
- **This is a timely transaction for both groups, particularly as global demand for Ni-Co from the lithium-ion battery sector continues to grow, stimulating the search for new reliable supply chains[1]**
- **For CCZ, this is an optimal arrangement to leverage creating value for shareholders from its QLD assets, while concurrently progressing re-opening the Cangai Copper Mine and developing the Co-Zn Broken Hill project**
- **Moreover, establishing a business rapport with ACB's Board as strategic partners has merit, as they deliver strong connections with prospective end-users in China to the table**

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Castillo Copper's Chairman Peter Meagher commented: *"This is a significant milestone for CCZ, as it is a win-win transaction on two fronts. Firstly, we are working with a first-rate strategic partner in ACB that brings project development expertise as well as prospective customers for nickel and cobalt in the all-important China market. Secondly, the earn-in joint-venture arrangement with ACB enables our Marlborough project to be optimised concurrently as we focus on re-opening the Cangai Copper Mine and developing the cobalt-zinc Broken Hill project."*

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Castillo Copper Limited's ("CCZ" or **"the Company")** Board is delighted to have secured ACB as a strategic partner to develop the highly prospective Ni-Co Marlborough project in north-east Queensland. Details of the transaction and project overview follow:

MARLBOROUGH PROJECT JOINT-VENTURE

Key transaction terms

Under the terms of the binding Term Sheet, ACB will invest $2.25m over two years to earn a 60% interest in the Marlborough project, with CCZ free carried for the 40% balance, up to the completion of the bankable feasibility stage. At the end of the bankable feasibility stage, CCZ may elect to fund its share of project development costs or otherwise resolve to dilute its joint venture interest under the terms of a definitive Joint Venture Agreement.

A definitive Joint Venture Agreement will be prepared and entered within thirty days from the signing of the binding Term Sheet, unless otherwise agreed by both parties.

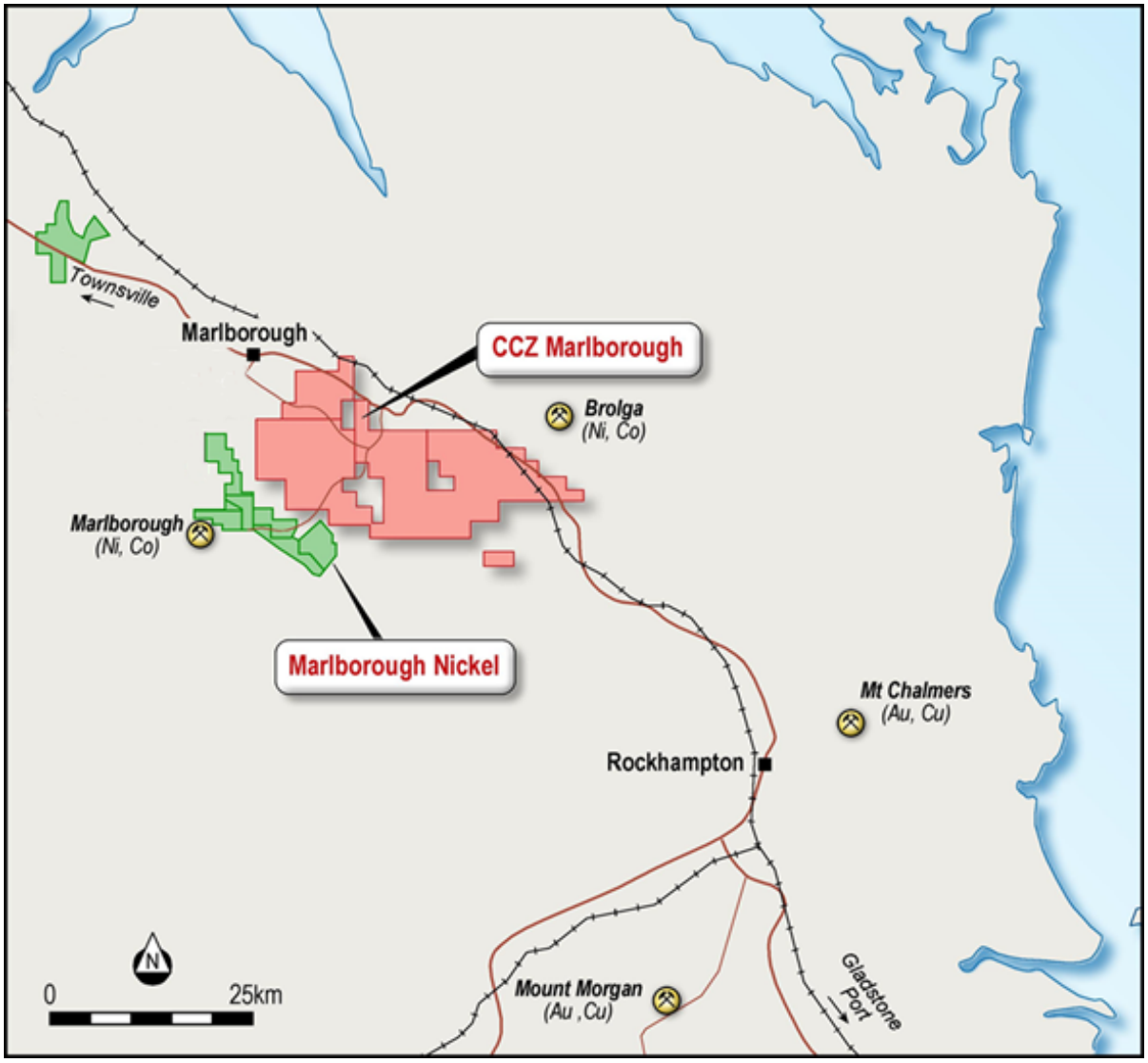
The Joint Venture Agreement may be terminated by A-Cap at any time within the initial two (2) year term with thirty (30) days' notice in writing to CCZ, and CCZ in the event A-Cap does not expend $2.25 million in project works programme expenditure within the initial term. In the event the Joint Venture Agreement is terminated without the required project works expenditure of $2.25 being met, A-Cap shall assign all its JV interests in tenement works project data, test results and reports undertaken by A-Cap at no cost to CCZ.

ACB is a well-funded and experienced group, with significant connections in China that can deliver prospective customers for Australian sourced base-and-speciality metals. The group's interests span uranium, coal and base metals in Botswana, but it is looking to establish base-and-speciality metal operations in Australia.

Prospective for Ni-Co mineralisation

The Marlborough project, which is located near Rockhampton in north-east Queensland, comprises three tenements which are highly prospective for Ni-Co mineralisation (Figure 1).

FIGURE 1; MARLBOROUGH PROJECT



Source: CCZ geology team

Given significant legacy mining operations in the region, there is adequate supporting infrastructure, a skilled labour pool and access to ports. Moreover, the Marlborough project is adjacent (3km east) to the Marlborough Nickel Pty Ltd's Marlborough Nickel–Cobalt Project resource and mining leases. In terms of quantifying the prospective exploration upside, the Marlborough Nickel Pty Ltd's Marlborough Nickel–Cobalt Project tenements contain proven and probable reserves of 48.7Mt at 0.94% nickel and 0.06% cobalt within a total resource of 70.8Mt[2]

Desktop review findings

CCZ commissioned a desktop review into the three Marlborough tenements, which delivered some positive insights into the geology uncovered by previous explorers, including:

- **1960's:** BHP explored and outlined Ni laterite layers and chrysoprase was found.
- **1990's:** Viper Resources explored for chrysoprase and Co-Ni laterites:
  - Samples confirmed serpentised ultramafics typical of a laterite profile;
  - Three samples graded 0.74%, 0.74% and 0.51% Ni; and
  - Vanadium and scandium present in trace quantities.
- **2007:** Marlborough Nickel further explored the area, with a field trip confirming the presence of laterite in the north-west quadrant near Mt Redcliffe.

In light of previous exploration, CCZ's Marlborough tenements are considered prospective for Ni-Co lateritic mineralisation for the following reasons:

- The Marlborough project area has historic mining leases with mineral occurrences of chrysophase (which contains Ni from ultramafic source rocks) that are commonly present at Marlborough Nickel's ground;
- There are a series of historic mining leases that targeted magnesite which is a common indicator of ultramafics that are typically the source of Ni-Co laterite deposits; and
- The area is underpinned by an ultramafic dark-black, serpentinised harzburgite, which strongly suggests the Marlborough project's geology is analogous to Marlborough Nickel's deposit.

Next Steps

Subject to execution of the Joint Venture Agreement, ACB will expedite the commencement of an exploration program at the Marlborough project.

For and on behalf of Castillo Copper

Alan Armstrong

Executive Director

Competent Persons Statement

Regarding the Castillo Copper Ltd exploration tenures, the information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mark Biggs, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mark Biggs is employed by ROM Resources Pty Ltd.

Mark Biggs 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'. Mark Biggs 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.

ABOUT CASTILLO COPPER

Castillo Copper Limited (ASX: CCZ) is an ASX-listed base metal explorer that's flagship project is the historic Cangai Copper Mine near Grafton in northeast NSW. The project comprises a volcanogenic massive sulphide ore deposit, with one of Australia's highest grade JORC compliant Inferred Resources for copper: 3.2Mt @ 3.35% (6 September 2017). In terms of contained metal, the Inferred Resource is 107,600t Cu, 11,900t Zn, 2.1Moz Ag and 82,900 Moz Au. A notable positive is the presence of supergene ore with up to 35% copper and 10% zinc which is ideal feedstock for direct shipping ore. Incrementally, the project holds five historic stock piles of high-grade ore located near Cangai Copper Mine.

In brief, CCZ's Australian assets are 100% owned and comprise four tenure groups detailed briefly as follows:

- **NSW assets:** Consists of two projects: 1) Jackaderry, which includes Cangai Copper Mine, is in an area highly prospective for copper-cobalt-zinc and made up of three tenements; and, 2) Broken Hill which consists of two contiguous tenements prospective for cobalt-zinc that are located within a 20km radius of Broken Hill and just north of Cobalt Blue's ground (ASX: COB).

- **Queensland assets:** Comprises two projects: 1) Mt Oxide made up of three prospects (two are contiguous) in the Mt Isa region, northwest Queensland, and are well known for copper-cobalt systems; and, 2) Marlborough which includes three prospects located north-west of Gladstone (adjacent to Queensland Nickel mining leases) in an area with proven high-grade cobalt-nickel systems.

Finally, CCZ' holds six exploration concessions in Chile.

REFERENCE LIST from ASX Announcements:

1) Global Lithium Ion Battery Market Size, Share, Development, Growth and Demand Forecast to 2023, May 2018, P&S Market Research <https://www.psmarketresearch.com>
2) "Cobalt opportunities in Queensland" dated September 2014, Geological Survey (QLD), Department of Natural Resources and Mines

JORC Code, 2012 Edition – Table 1 report template

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

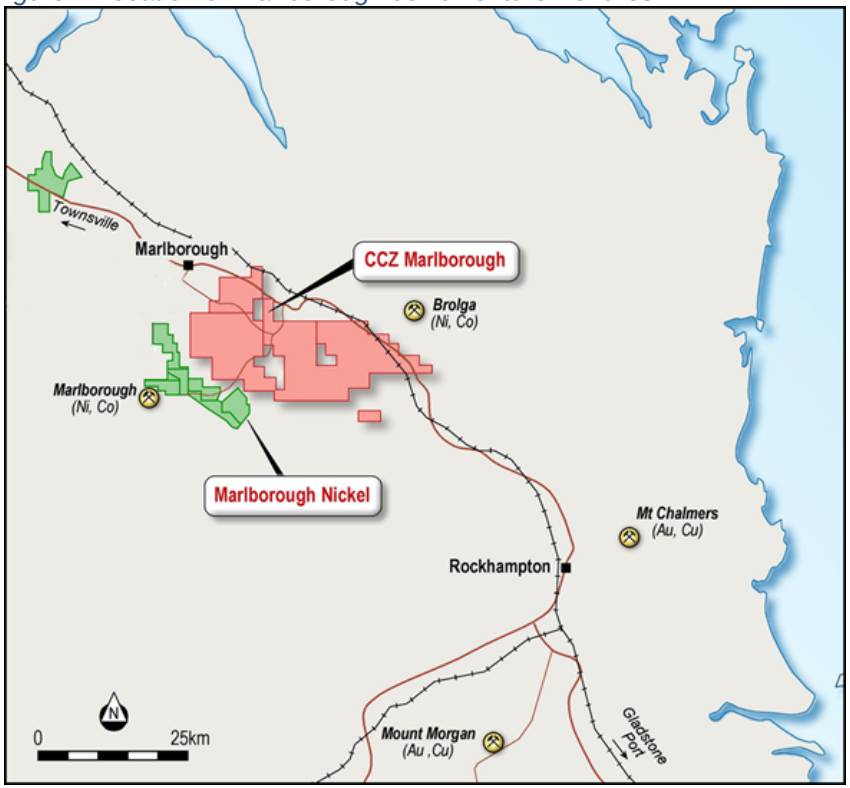
Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• Sampling used in this analysis was all historical from the period 1972-2017. The data was a combination of the QLD DNRM 2016 database and historical annual and relinquishment reports revisited and additional data extracted. • Nearly 2,700 sample analyses from stream sediment, soil, and rock chip sources were collated and combined. • Many of the sampling programs, especially from the 1990's did include reference samples and duplicate analyses and other forms of QA/QC checking. • Sampling prior to 1985 generally has higher "below detection limits" and less QA/QC checks.
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).*	• This study did not look at historical drilling.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• Not applicable in this study.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*	• Not applicable in this study.

Criteria	JORC Code explanation	Commentary
	• *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• Not applicable.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	• All of the analyses bar a few (<50 out 2,700) samples were laboratory tested in various NATA-registered laboratories throughout Australia. Many of the Queensland Metals Exploration stream sediment and soil samples were analysed with duplicates, blanks and standards inserted.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• Over 250 samples have had their assays duplicated. • None of the historical data has been adjusted.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• In general, locational accuracy does vary, depending upon whether the samples were digitised off plans or had their coordinates tabulated. Many samples were reported to AGD66 or AMG84 and have been converted to MGA94. • Locational accuracy therefore varies between 5-100m.

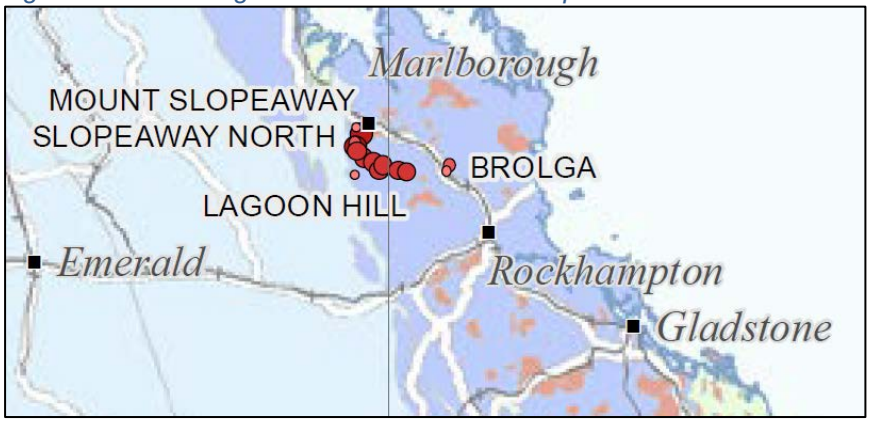
Criteria	JORC Code explanation	Commentary
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• The average sample spacing across the tenure group varies per element, e.g. for cobalt the RMS spacing between sample points is 480m, ranging down to 313m for copper. • No sample compositing has been applied.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• The current database does not contain any sub-surface samples.
Sample security	• *The measures taken to ensure sample security.*	• Not applicable.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• No audits or reviews have yet been under taken.

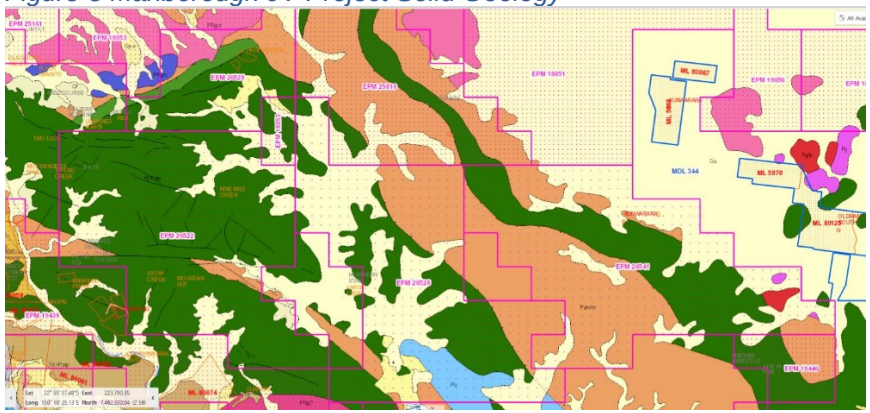
Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• Castillo Copper holds EPM 26522 Coorumburra, of 39 sub-blocks (123.0km^2); EPM 26528 Princhester South, of 52 sub-blocks (164.1km^2); and EPM 26541 Merimal South of 38 sub-blocks (119.9km^2). All tenures are now granted. • The location of the tenures is shown in Figure 1 below: *Figure 1 Location of Marlborough Joint Venture Tenures* 

Criteria	JORC Code explanation	Commentary
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• CCZ commissioned a desktop review into the three Marlborough tenements, which delivered some positive insights into the geology uncovered by previous explorers, including: • **1960's:** in EPM 1759 and 1829 BHP explored and outlined Ni laterite layers, chromite and chrysoprase was found. • **1990's:** Viper Resources explored for chrysoprase and Co-Ni laterites in EPM: ▪ Samples confirmed serpentised ultramafics typical of a laterite profile; ▪ Three samples graded 0.74%, 0.74% and 0.51% Ni; and ▪ Vanadium and scandium present in trace quantities. • **2007:** Marlborough Nickel further explored the area, with a field trip confirming the presence of laterite in the north-west quadrant near Mt Redcliffe. • **2013:** – Aus Tin Mining Ltd: The company undertook large multi-commodity approach including nickel sulphide, nickel oxides, PGM, other metallic elements, copper, gold following grant of EPM 17768 in 2013. During 2014 stream sediment and soil samples and geological mapping confirmed potential for nickel cobalt sulphides. Massive sulphide gossans with copper zinc gold and silver located and mapped (CR95891). Similarities with Mount Morgan suggested rich supergene gold and copper may be developed at depth as well as numerous chromite mines and occurrences. 2015 price of nickel halved, company suspended exploration for nickel on tenement. No field work or evaluation done during 2015 and 2016. The company surrendered tenement in full effective February 2016.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The coincident EPM's located in the New England Orogen in Central Queensland. They target Ni-Co laterites formed in the Marlborough Mass, the largest group of ultramafic rocks in Eastern Australia, and are elongated both north-westerly and north-easterly concordant with the principal structural grain of the region. • The Marlborough nickel-cobalt laterite deposits are associated with the Neoproterozoic-Palaeozoic-aged, Princhester

Criteria	JORC Code explanation	Commentary
		Serpentinite. The deposits are the residual weathering product of this serpentinised ultramafic bedrock, occurring along a northwest-southeast trending belt centred approximately 70 km northwest of Rockhampton in Central Queensland. The ultramafic units (primarily harzburgite) are fault bounded by moderate to steeply dipping sedimentary rocks, the majority of which are schistose metamorphic derivatives of quartz-rich clastic and calcareous units. Most of the exploration drilling has occurred over the eastern portion of the ultramafic belt where the lateritic weathering profile has been well preserved. • Dominant rock types include harzburgite, serpentinised to varying degrees with gabbro and pyroxenite subordinate. • Laterites are surficial, zoned oxidation mantles which develop by prolonged weathering. Ni/Co 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 (Burger 1994). *Figure 2: Marlborough Nickel-Cobalt Laterite deposits*  Figure 3 below shows the known mineral occurrences plotted on the local solid geology. The green-coloured rock unit is the Princhester Serpentinite.

Criteria	JORC Code explanation	Commentary
		Figure 3 Marlborough JV Project Solid Geology  • Efforts to bring the Marlborough deposits into production were renewed in 2005 when the Queensland Government granted 'Significant Project' status to Gladstone Pacific Nickel Ltd's Marlborough Nickel–Cobalt Project. Stage 1 planned to produce 63,000 tonnes per annum of nickel and 6000 tonnes per annum of cobalt from a US$3.656 billion high-pressure acid leach plant and refinery to be constructed at the Gladstone State Development area at Yarwun. Stage 2 will result in an expansion to produce 126,000 tpa nickel, 12,000 tpa cobalt and 360,000 tpa ammonium sulphate. A feasibility study was released in early 2008. The deposits currently contain proved and probable reserves of 48.65Mt at 0.94% Ni and 0.06% Co within a total resource of 70.9Mt. In 2009, the State and Federal governments approved the EIS for stages 1 and 2 of the project. Due to the common ownership, it is understood that the company was considering the project in conjunction with the Palmer nickel and cobalt refinery in Townsville to optimise project returns.
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* o *easting and northing of the drill hole collar* o *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* o *dip and azimuth of the hole*	• No new drillholes have been drilled yet.

Criteria	JORC Code explanation	Commentary
	o *down hole length and interception depth* o *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• No new assays are reported in this announcement

Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.*
	• *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.*
	• *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').*
		• Considering previous exploration, CCZ's Marlborough tenements are considered prospective for Ni-Co lateritic mineralisation for the following reasons:
		  • The Marlborough project area has historic mining leases with mineral occurrences of chrysophase (which contains Ni from ultramafic source rocks) that are commonly present at Marlborough Nickel's ground;
		  • There are a series of historic mining leases that targeted magnesite which is a common indicator of ultramafics that are typically the source of Ni-Co laterite deposits; and
		  • The area is underpinned by an ultramafic dark-black, serpentinised harzburgite, which strongly suggests the Marlborough project's geology is analogous to Marlborough Nickel's deposit.

Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• Current surface anomalies are shown on maps in the report. All historical surface sampling has had their coordinates converted to MGA94, Zone 54.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of*	• No new exploration results have been reported, but regarding the surface sampling, no results other than duplicates or reference standard assays have been omitted.

Criteria	JORC Code explanation	Commentary
	Exploration Results.	
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• Historical explorers have also conducted airborne and ground gravity, magnetic, EM, and resistivity surveys over parts of the three tenures in the project area but, this is yet to be collated. The Queensland government has released regional compilations of airborne radiometric mineral surveys at resolutions (pixel sizes of images) varying between 400 x 400m to 900 x 900m
Further work	• *The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• While further desktop work is still required, as cobalt was not the focus of previous exploration activities, the JV intends to commence fieldwork and drilling at the project within the next few months to identify a resource to 2012 JORC standards. As the resource is likely to comprise several satellite deposits within the project area, CCZ's strategic intent is to use third party processors and not commit to building a facility onsite.

Section 3 Estimation and Reporting of Mineral Resources

(Not Applicable)

Research documents

BURGER P.A. 1989, Ni/Co Laterites, Marlborough, Central Queensland, Dallhold Nickel Management Pty Ltd in Whitaker, W.G., editor, 1989 Field Conference, Rockhampton Region GSA Field Guide 1994, Geological Society of Australia Inc., QLD Division, p79-84.

DNRM 2014, Cobalt Opportunities in Queensland, Department of Natural Resources and Mines, Brisbane, Oct 2014, 4pp

PARIANOS J.M., 1994, Geology of the Brogla Ni/Co Laterite Deposit, Central Queensland, Queensland Nickel Pty Ltd in Holcombe R.J., Stephens C.J., and Fielding C.R., editors, 1994 Field Conference, Capricorn Region GSA Field Guide 1994, Geological Society of Australia Inc., QLD Division, p108-117.

INAL Staff, 1975, Nickeliferous Laterite Deposits of the Rockhampton Area, Queensland, Australasian Institute of Mining and Metallurgy, Monograph 5, 1001-1006

MURRAY C.G., and CRANFIELD L.C., 1989, Geology of the Rockhampton Region in, Whitaker, W.G., 1989 Field Conference, Rockhampton Region GSA Field Guide 1989, Geological Society of Australia Inc., QLD Division, p1-19.