



CASTILLO COPPER

# CASTILLO COPPER LIMITED

ABN 52 137 606 476

Annual Report

30 June 2017

# Corporate Directory

## Directors

Mr. David Wheeler (Non-Executive Chairman)

Mr. Alan Armstrong (Executive Director)

Mr. Neil Hutchison (Technical Director)

## Company Secretary

Mr. Tim Slate

## Registered Office and Principal Place of Business

Level 6

105 St Georges Terrace,

Perth, WA 6000 Australia

Telephone: + 618 6558 0886

Facsimile: + 618 6316 3337

## Share Registry

Automic Registry Services Pty Ltd

Level 1

7 Ventnor Ave

WEST PERTH WA 6005

Telephone: 1300 288 664

## Auditors

HLB Mann Judd

Level 4

130 Stirling Street

Perth, WA 6000 Australia

## Stock Exchange Listing

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

ASX Code: CCZ

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## Castillo Copper Limited – Directors’ Report

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The Directors of Castillo Copper Limited and its subsidiaries (“Castillo”, “CCZ” or the “Group”) submit the financial report of the Group for the year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

### DIRECTORS

The names, qualifications and experience of the Group’s Directors in office during the year and until the date of this report are as follows. Directors were in office for this entire financial year unless otherwise stated.

#### Mr David Wheeler

##### Non-Executive Director

Mr Wheeler has more than 30 years of executive management experience, through general management, CEO and managing director roles across a range of companies and industries. He has worked on business projects in the USA, UK, Europe, New Zealand, China, Malaysia, and the Middle East (Iran). David has been a Fellow of the Australian Institute of Company Directors (FAICD) since 1990.

#### Mr Alan Armstrong – appointed 1 August 2017

##### Executive Director

Mr Armstrong has a Bachelor of Business (Accounting/Finance) from Charles Sturt University and is a member of the Institute of Australian Chartered Accountants. Additionally, Mr Armstrong is a graduate and member of the Australian Institute of Company Directors. He has spent most of his career focused on developing resources companies. From late 2014 to mid-2016, as managing director, Mr Armstrong was instrumental in transforming graphite explorer, Volt Resources Ltd (ASX: VRC), from a start-up with an initial fully-diluted market capitalisation of \$600,000 to \$180 million at the time of his departure.

#### Mr Neil Hutchison – appointed 1 August 2017

##### Technical Director

Mr Hutchison graduated from the University of Southern Queensland with First Class Honours in Geology and has been a member of the Australasian Institute of Geoscientists since 2004. Moreover, he is an experienced qualified Competent Person in many minerals including nickel, copper, cobalt, gold and uranium. Mr Hutchison trained as a geologist and has been working in the mining industry for nearly 25 years including senior positions with Jubilee Mines NL, Troy Resources Ltd and Pegasus Gold Inc. Since 2007 Mr Hutchison has been Poseidon Nickel Ltd’s (Poseidon or POS) General Manager – Geology. He will continue his role at POS at a reduce capacity and will alternate his time between POS and CCZ as the Company is developed.

#### Mr Giuseppe (Joe) Graziano – resigned 1 August 2017

##### Non-Executive Director

#### Ms Nicole Fernandes – resigned 1 August 2017

##### Non-Executive Director

### DIRECTORS’ MEETINGS

During the financial year, in addition to regular Board discussions, the number of meetings of Directors held and the number of meetings attended by each director were as follows:

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Mr. David Wheeler	1	1
Mr. Alan Armstrong	-	-
Mr. Neil Hutchison	-	-
Mr. Joe Graziano	1	1
Ms. Fernandes	1	1

## Castillo Copper Limited – Directors’ Report

### DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by current Directors of the Company during the last 3 years immediately before the end of the year are as follows:

Director	Company	Period of Directorship	
		From	To
David Wheeler	333D Limited	15 April 2011	Current
	Antilles Oil and Gas NL	12 February 2016	Current
	Auscann Group Holdings Limited	18 November 2014	19 January 2017
	Ausmex Mining Group Limited	1 October 2014	2 August 2017
	Premiere Eastern Energy Limited	24 August 2014	30 April 2017
	Protean Energy Limited	16 May 2017	Current
	The Carajas Copper Company Limited	17 March 2016	10 May 2016
	UltraCharge Limited	1 December 2015	Current
	Weststar Industrial Limited	12 August 2015	21 November 2016
Alan Armstrong	Volt Resources Limited	1 December 2014	22 August 2016
Neil Hutchison	Kairos Minerals Limited	15 April 2014	Current

### COMPANY SECRETARY

Mr. Tim Slate was appointed as Company Secretary on 6 May 2016. Mr. Slate has a Bachelor of Commerce from the University of Western Australian, is a Chartered Accountant and is an Association Member of the Governance Institute of Australia. Mr. Slate provides accounting and secretarial advice to private and public companies. Mr Slate has nine years’ experience in chartered accounting.

### REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and executives of Castillo Copper Limited in accordance with the requirements of the *Corporation Act 2001* and its Regulations. For the purpose of this report, Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any officer (whether executive or otherwise) of the Group.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

### Principles used to determine the nature and amount of remuneration

The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Group does not link the nature and amount of the emoluments of such officers to the Group’s financial or operational performance. The expected outcome of this remuneration structure is to retain and motivate Directors.

As part of its Corporate Governance Policies and Procedures, the Board has adopted a formal Remuneration Committee Charter. Due to the current size of the Group and number of Directors, the Board has elected not to create a separate Remuneration Committee but has instead decided to undertake the function of the Committee as a full Board under the guidance of the formal charter.

## Castillo Copper Limited – Directors’ Report

The rewards for Directors have no set or pre-determined performance conditions or key performance indicators as part of their remuneration due to the current nature of the business operations. The Board determines appropriate levels of performance rewards as and when they consider rewards are warranted. The Group has no policy on executives and Directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

The table below shows the performance of the Group as measured by loss per share.

As at 30 June	2017	2016	2015	2014	2013
Loss per share (cents)	(0.24)	(0.07)	(4.14)	(0.58)	(1.78)

### Details of Remuneration

#### Details of Key Management Personnel

Mr. David Wheeler (Non-Executive Director)

Mr Alan Armstrong (Executive Director) – appointed 1 August 2017

Mr Neil Hutchison (Technical Director) – appointed 1 August 2017

Mr. Joe Graziano (Non-Executive Director) – resigned 1 August 2017

Ms. Nicole Fernandes (Non-Executive Director) – resigned 1 August 2017

Details of the nature and amount of each element of the emolument of each Director and Executive of the Group for the financial year are as follows:

	Short term		Options	Post employment	Total	Remuneration linked to performance %
	Directors’ Fees	Consulting Fees	Share-based Payments	Superannuation		
	\$	\$	\$	\$	\$	%
<b>2017</b>						
<b>Director</b>						
Mr. David Wheeler	-	48,000	17,022	-	65,022	-
Mr. Alan Armstrong <sup>1</sup>	-	-	-	-	-	-
Mr. Neil Hutchison <sup>1</sup>	-	-	-	-	-	-
Mr. Joe Graziano <sup>2</sup>	-	48,000	17,022	-	65,022	-
Ms. Nicole Fernandes <sup>2</sup>	-	48,000	17,022	-	65,022	-
	-	<b>144,000</b>	<b>51,066</b>	-	<b>195,066</b>	-

<sup>1</sup> Mr. Alan Armstrong and Mr Neil Hutchison were appointed 1 August 2017.

<sup>2</sup> Mr. Joe Graziano and Ms Nicole Fernandes resigned on 1 August 2017.

## Castillo Copper Limited – Directors’ Report

	Short term		Options	Post employment		
2016	Directors’ Fees	Consulting Fees	Share-based Payments	Superannuation	Total	Remuneration linked to performance
	\$	\$	\$	\$	\$	%
<b>Director</b>						
Mr. Joe Graziano <sup>1</sup>	-	42,000	-	-	42,000	-
Mr. David Wheeler <sup>1</sup>	-	42,000	-	-	42,000	-
Ms. Nicole Fernandes <sup>3</sup>	-	7,000	-	-	7,000	-
Mr. Jack James <sup>1,4</sup>	-	42,000	-	-	42,000	-
Mr. Brian McMaster <sup>2</sup>	-	8,000	-	-	8,000	-
Dr. Nicholas Lindsay <sup>2</sup>	-	-	-	-	-	-
Mr. Matthew Wood <sup>2</sup>	-	2,500	-	-	2,500	-
Mr. Daniel Crennan <sup>2</sup>	-	1,793	-	-	1,793	-
	-	<b>145,293</b>	-	-	<b>145,293</b>	-

<sup>1</sup> Mr. Jack James, Mr. David Wheeler and Mr. Joe Graziano were appointed 13 August 2015.

<sup>2</sup> Mr. Brian McMaster, Dr. Nicholas Lindsay, Mr. Matthew Wood and Mr. Daniel Crennan resigned on 13 August 2015.

<sup>3</sup> Ms. Nicole Fernandes was appointed on 6 May 2016.

<sup>4</sup> Mr. Jack James resigned on 6 May 2016.

There were no other key management personnel of the Group during the financial years ended 30 June 2017 and 30 June 2016. No remuneration is performance related.

### Service Agreements

#### Non-Executive Directors’ remuneration

The aggregate remuneration for non-executive Directors has been set at an amount not to exceed \$500,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

#### Share-based compensation

##### Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2017.

##### Options

On 28 June 2017, Messrs’ Wheeler, Graziano and Ms Fernandes were each issued 2 million options exercisable at \$0.03 (3 cents) each before 30 June 2020 in recognition of their services to the Company and to further incentivise their performance. These options were issued for nil cash consideration, were valued at \$51,066 in total and were recognised as share based payments for the year ended 30 June 2017.

No options have been granted since the end of the financial year.

#### Additional disclosures relating to key management personnel

##### Key Management Personnel Options

The number of options in the company held during the financial year by key management personnel of Castillo Copper Limited, including their personally related parties, is set out on the next page.

## Castillo Copper Limited – Directors’ Report

	Balance at the start of the year	Balance at appointment	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at resignation	Balance at the end of the year
Mr. David Wheeler	-	-	2,000,000 <sup>1</sup>	-	-	-	-
Mr. Alan Armstrong	-	-	-	-	-	-	-
Mr. Neil Hutchison	-	-	-	-	-	-	-
Mr. Joe Graziano	-	-	2,000,000 <sup>1</sup>	-	-	-	-
Ms. Nicole Fernandes	-	-	2,000,000 <sup>2</sup>	-	-	-	-

Note:

- (1) Pathways Corporate Pty Ltd, a company of which Mr Joe Graziano and Mr David Wheeler are Directors and substantial shareholders, holds 4,000,000 Options over Ordinary Shares.
- (2) NFIC Services Pty Ltd, a company of which Ms Nicole Fernandes is a Director holds 2,000,000 Options over Ordinary Shares.

### Key Management Personnel Shareholdings

The number of shares in the company held during the financial year held by key management personnel of Castillo Copper Limited, including their personally related parties, is set out below.

	Balance at the start of the year	Balance at appointment	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at resignation	Balance at the end of the year
Mr. David Wheeler	125,000	-	-	-	-	-	125,000
Mr. Alan Armstrong	-	-	-	-	-	-	-
Mr. Neil Hutchison	-	-	-	-	-	-	-
Mr. Joe Graziano	262,500	-	-	-	-	-	262,500
Ms. Nicole Fernandes	-	-	-	-	-	-	-

### Other transactions with key management personnel

Pathways Corporate Pty Ltd, a company of which Mr. Wheeler and Mr. Graziano are directors, charged the Group director fees of \$96,000 (2016: \$84,000), in relation to Messrs Wheeler and Graziano. There was no amount outstanding at 30 June 2017 (\$Nil: 2016). Pathways Corporate Pty Ltd was issued 4 million options ('Incentive Options') exercisable at \$0.03 (3 cents) each before 30 June 2020 in recognition of Messrs Graziano and Wheeler's services to the Company and to further incentivise their performance. The Incentive Options may be exercisable at any time after the date of issue and prior to the Expiry Date. After this time, any unexercised Incentive Options will automatically lapse. These options were issued for nil cash consideration, were valued at \$34,044 and were recognised as share based payments for the year ended 30 June 2017.

NFIC Services Pty Ltd, a company of which Ms Fernandes is a director, charged the Group director fees of \$48,000 (2016: \$7,000). There was no amount outstanding at 30 June 2017 (\$Nil: 2016). NFIC Services Pty Ltd was issued 2 million options ('Incentive Options') respectively exercisable at \$0.03 (3 cents) each before 30 June 2020 recognition of her services to the Company and to further incentivise her performance. The Incentive Options may be exercisable at any time after the date of issue and prior to the Expiry Date. After this time, any unexercised Incentive Options will automatically lapse. These options were issued for nil cash consideration, were valued at \$17,022 and were recognised as share based payments for the year ended 30 June 2017.

Transactions with key management personnel were made at arm's length at normal market prices and normal commercial terms.

**END OF REMUNERATION REPORT**



# Castillo Copper Limited – Directors’ Report

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## INTERESTS IN THE SECURITIES OF THE GROUP

As at the date of this report, the interests of the Directors in the securities of Castillo Copper Limited were:

Director	Ordinary Shares	Unlisted Options
Mr. David Wheeler	125,000	4,000,000
Mr. Alan Armstrong	600,000	-
Mr. Neil Hutchison	-	-

## RESULTS OF OPERATIONS

The net loss of the Group for the year after income tax was \$529,642 (2016: \$434,291) and the net assets of the Group at 30 June 2017 were \$322,921 (2016: net liabilities of \$211,041).

## DIVIDENDS

No dividend was paid or declared by the Group in the year and up to the date of this report.

## CORPORATE STRUCTURE

Castillo Copper Limited is a company limited by shares that is incorporated and domiciled in Australia.

## NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

During the financial year, the principal activity of the Group was mineral exploration and examination of new resource opportunities. The Group currently holds copper projects in Queensland and New South Wales in Australia as well as copper concessions in Chile.

## EMPLOYEES

Other than the Directors, the Group had no employees at 30 June 2017 (2016:Nil).

## REVIEW OF OPERATIONS

During the financial year, the Board continued its review of the Company’s future strategy and implemented initiatives to reduce costs. As a result of the review, the following key matters took place:

1. On 22 March 2017, Castillo Copper Limited announced 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) (QComm Acquisition).

Consideration for the QComm Acquisition, the Company is as follows:

- (a) \$150,000 cash payments (paid prior to balance date); and
- (b) issue of 10,000,000 CCZ consideration shares (issued in March 2017);
- (c) issue of 76,666,668 CCZ deferred consideration shares – to be issued on completion of the QComm Acquisition;
- (d) \$200,000 cash payment upon tenements being granted;
- (e) enter into a royalty agreement with the QComm 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.

Subsequent to year end, as announced on 4 July 2017, the Company satisfied the conditions precedent.

2. Additionally, as announced on 21 July 2017, the Company announced that it had signed a binding Heads of Agreement with Total Minerals Pty Ltd (Total Minerals), which owns three cobalt & copper assets in NSW and Queensland (including the historic Cangai Copper Cobalt Mine in northeast NSW), to acquire all its outstanding issued shares (Total Minerals Acquisition).

In consideration for the Total Minerals Acquisition, the Company agreed to:

- (a) issue 55,000,000 CCZ shares to the holders of Total Mineral; 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.

The Company completed the Total Minerals Acquisition on 11 August 2017.

## Castillo Copper Limited – Directors’ Report

3. Additionally, as announced on 21 July 2017, the Company) announced that it had 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 (Total Iron Acquisition).

In consideration for the Total Iron Acquisition, the Company agreed to:

- (a) issue 15,000,000 CCZ shares to the holders of Total Iron; 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.

The Company completed the Total Iron Acquisition on 5 September 2017.

Following completion of the QComm, Total Minerals and Total Iron acquisitions, the Company holds 11 highly prospective project areas in New South Wales and Queensland, detailed briefly as follows:

- Jackaderry Project – comprises three prospects (two in the south that are contiguous) in the New England Orogen in NSW which are highly prospective for copper-cobalt-zinc. Of significance is the historic Cangai Copper Cobalt Mine (within Jackaderry South) as legacy data confirms the presence of supergene ore with up to 35% copper and 10% zinc which implies direct shipping ore is potentially feasible.
- Broken Hill Project – consists of two contiguous tenements that are located within a 20km radius of Broken Hill, NSW, that are prospective for copper-cobalt-zinc. A key feature of the project is an area in the southern part of the tenure, which exhibits significant high-grade zinc mineralisation.
- Mt Oxide Project – made up of three prospects (two are contiguous) in the Mt Isa region, northwest Queensland, and are well known for copper-cobalt systems.
- Marlborough Project – includes three prospects 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.

On 6 September 2017, subsequent to year end, the Board was delighted to announce a high-grade maiden JORC Inferred Resource for Cangai Copper Mine (Cangai Mine) achieved from analysing and 3D modelling legacy data for the Cangai Mine in unmined working sections of 3.2Mt @ 3.35% Cu which implies circa 108,000 tonnes of contained copper (see Figure 1).

**Figure 1: JORC Inferred Resource – Cangai Copper Mine**

CANGAI COPPER MINE - INFERRED RESOURCE											
	Mass	Cu	Co	Zn	Au	Ag	Cu	Co	Zn	Au	Ag
	(Tonnes)	(%)	(%)	(%)	(g/t)	(g/t)	(Tonnes)	(Tonnes)	(Tonnes)	(Oz)	(Oz)
Oxide	814,267	4.1	0.010	0.63	0.06	27.34	33,391	78	5,165	14,550	715,667
Fresh	2,397,342	3.1	0.003	0.28	0.89	17.74	74,198	75	6,762	68,349	1,367,456
<b>Total</b>	<b>3,211,609</b>	<b>3.35</b>	<b>0.005</b>	<b>0.37</b>	<b>0.8</b>	<b>20.17</b>	<b>107,589</b>	<b>153</b>	<b>11,927</b>	<b>82,899</b>	<b>2,083,123</b>

Note: Totals may sum exactly due to rounding. Cut-off grade used: 1.0% Cu with top-cut applied: 10.0% Cu.

### Chilean Copper Projects

The Company continues to hold title of its Trueno mining concessions. The Company did not perform any material exploration work on this project.

### Corporate

#### Capital Raising

On 11 April 2017, the Company undertook a placement of 33,333,333 CCZ shares at an issue price of \$0.015 to raise \$500,000 (before costs).

Subsequent to year end, the Company issued the following securities:

- 5 July 2017, issued 66,666,667 CCZ shares at an issue price \$0.015 pursuant to a capital raising to raise a further \$1,000,000 (before costs).

## Castillo Copper Limited – Directors’ Report

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- 5 July 2017, issued 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 to CPS Capital Group Pty Ltd and Armada Capital and Equities Pty Ltd (together, the Advisors).
- 5 July 2017, issued to 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.
- 31 August 2017, issued to C3 Consortium Pty Ltd 970,588 shares at an issue price of \$0.034 as consideration for promotion and news circulation services rendered.

### Board Changes

On 1 August 2017, the Company advised Mr Alan Armstrong and Mr Neil Hutchison were appointed as Executive Director and Technical Director respectively, and Mr Giuseppe Graziano and Ms Nicole Fernandes resigned from their positions of Non-Executive Directors.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year.

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than as set out in the Review of Operations, there were no known material significant events from the end of the financial year to the date of this report that have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company are set out in the above review of operations. Disclosure of any further information has not been included in this report because, in the reasonable opinion of the Directors, to do so would be likely to prejudice the business activities of the Group and is dependent upon the results of future exploration and evaluation.

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations of the Group are presently subject to environmental regulation under the laws of the Commonwealth of Australia and the States of Queensland and New South Wales and the Republic of Chile. The Group is, to the best of its knowledge, at all times in full environmental compliance with the conditions of its licenses.

### SHARE OPTIONS

As at the date of this report, there were 6,000,000 unissued ordinary shares under options (Nil at the reporting date). The details of the unlisted options at the date of this report are as follows:

Number	Exercise Price \$	Expiry Date
6,000,000	0.03	30 June 2020

No option holder has any right under the options to participate in any other share issue of the Group or any other entity. 1,250,000 options which were exercisable at \$0.40 expired unexercised on 30 June 2017.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group has made an agreement indemnifying all the Directors and Officers of the Group against all losses or liabilities incurred by each Director or Officer in their capacity as Directors or Officers of the Group to the extent permitted by the Corporation Act 2001. The indemnification specifically excludes wilful acts of negligence. The Group paid insurance premiums in respect of Directors’ and Officers’ Liability Insurance contracts for current officers of the Group. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as Officers of entities in the Group. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

### PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of the court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

## Castillo Copper Limited – Directors’ Report

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### INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

### CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Castillo Copper Limited support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Castillo Copper is in compliance with those guidelines to the extent possible, which are of importance to the commercial operation of a junior listed resources company. During the financial year, shareholders continued to receive the benefit of an efficient and cost effective corporate governance policy for the Group. The Group’s Corporate Governance Statement and disclosures are contained elsewhere in the annual report.

### AUDITOR’S INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the Group’s auditors to provide the Directors of Castillo Copper Limited with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included on page 36.

There were no non-audit services provided by the Group’s auditor.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors.



**Alan Armstrong**

**Executive Director**

26 September 2017

### Competent Person’s Statement

*The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Neil Hutchison, a Competent Person who is a Member of the Australian Institute of Geoscientists. Neil Hutchison is an executive director of Castillo Copper Ltd.*

*Neil Hutchison 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’. Neil Hutchison consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

**Consolidated Statement of Comprehensive Income**  
for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>REVENUE</b>			
Interest received		416	2,124
<b>TOTAL REVENUE</b>		<b>416</b>	<b>2,124</b>
Listing and public company expenses		(30,955)	(34,025)
Accounting and audit expenses		(136,812)	(83,823)
Consulting and Directors' fees		(208,121)	(141,563)
Impairment of exploration expenditure	7	-	(11,976)
Exploration expenditure incurred		(28,996)	-
Impairment of receivables		-	(99,890)
Share based payments		(51,066)	-
Other expenses	4	(74,108)	(65,138)
<b>LOSS BEFORE INCOME TAX EXPENSE FROM CONTINUING OPERATIONS</b>		<b>(529,642)</b>	<b>(434,291)</b>
Income tax expense	5	-	-
<b>LOSS AFTER INCOME TAX EXPENSE FOR THE YEAR</b>		<b>(529,642)</b>	<b>(434,291)</b>
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(3,544)	775
<b>TOTAL OTHER COMPREHENSIVE INCOME / (LOSS)</b>		<b>(3,544)</b>	<b>775</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(533,186)</b>	<b>(433,516)</b>
<b>Loss per share attributable to owners of Castillo Copper Limited</b>			
Basic and diluted loss per share (cents per share)	13	(0.24)	(0.07)

The accompanying notes form part of these financial statements.

**Consolidated Statement of Financial Position**  
as at 30 June 2017

	Notes	2017 \$	2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	12	58,712	216,777
Other receivables	6	28,956	18,021
<b>TOTAL CURRENT ASSETS</b>		<b>87,668</b>	<b>234,798</b>
<b>NON-CURRENT ASSETS</b>			
Other receivables	6	20,000	-
Deferred exploration and evaluation expenditure	7	-	-
Other non-current assets	8	350,000	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>370,000</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>457,668</b>	<b>234,798</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	124,747	23,757
<b>TOTAL CURRENT LIABILITIES</b>		<b>124,747</b>	<b>23,757</b>
<b>TOTAL LIABILITIES</b>		<b>124,747</b>	<b>23,757</b>
<b>NET ASSETS</b>		<b>332,921</b>	<b>211,041</b>
<b>EQUITY</b>			
Issued capital	10	10,224,254	9,620,254
Reserves	11	1,693,139	1,645,617
Accumulated losses		(11,584,472)	(11,054,830)
<b>TOTAL EQUITY</b>		<b>332,921</b>	<b>211,041</b>

The accompanying notes form part of these financial statements.

**Consolidated Statement of Changes in Equity**  
for the year ended 30 June 2017

	Issued capital \$	Share based payment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 2016</b>	<b>9,620,254</b>	<b>1,773,742</b>	<b>(128,125)</b>	<b>(11,054,830)</b>	<b>211,041</b>
Loss for the year	-	-	-	(529,642)	(529,462)
Other comprehensive loss	-	-	(3,544)	-	(3,544)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>(3,544)</b>	<b>(529,642)</b>	<b>(533,186)</b>
<b>Transactions with owners in their capacity as owners</b>					
Shares issued during the year	700,000	-	-	-	700,000
Options issued during the year	-	51,066	-	-	51,066
Costs of issue	(96,000)	-	-	-	(96,000)
<b>Balance as at 30 June 2017</b>	<b>10,224,254</b>	<b>1,824,808</b>	<b>(131,669)</b>	<b>(11,584,472)</b>	<b>332,921</b>
<b>Balance at 1 July 2015</b>	<b>8,836,027</b>	<b>1,773,742</b>	<b>(128,900)</b>	<b>(10,620,539)</b>	<b>(139,670)</b>
Loss for the year	-	-	-	(434,291)	(434,291)
Other comprehensive income	-	-	775	-	775
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>775</b>	<b>(434,291)</b>	<b>(433,516)</b>
<b>Transactions with owners in their capacity as owners</b>					
Shares issued during the year	845,995	-	-	-	845,995
Costs of issue	(61,768)	-	-	-	(61,768)
<b>Balance as at 30 June 2016</b>	<b>9,620,254</b>	<b>1,773,742</b>	<b>(128,125)</b>	<b>(11,054,830)</b>	<b>211,041</b>

The accompanying notes form part of these financial statements.

**Consolidated Statement of Cash Flows**  
for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		416	2,124
Payments to suppliers and employees		(367,280)	(599,516)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	12	<b>(366,864)</b>	<b>(597,392)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Tenement expenditure guarantees		(20,000)	-
Tenement expenditure guarantees refunded		-	10,000
Initial cash consideration - QComm	8	(150,000)	-
Exploration and evaluation expenditure		(25,201)	(17,623)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(195,201)</b>	<b>(7,623)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from share issue	10	500,000	845,995
Share issue costs	10	(96,000)	(61,768)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>404,000</b>	<b>784,227</b>
Net (decrease) / increase in cash and cash equivalents		(158,065)	179,212
Cash and cash equivalents at beginning of year		216,777	37,565
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	12	<b>58,712</b>	<b>216,777</b>

The accompanying notes form part of these financial statements.



# Castillo Copper Limited

## ***Notes to the consolidated financial statements at and for the year ended 30 June 2017***

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### **1. Corporate Information**

The financial report of Castillo Copper Limited and its subsidiaries ("Castillo Copper" or "the Group") for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 26 September 2017.

Castillo Copper Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and the principal activities of the Group are described in the Directors' Report.

### **2. Summary of Significant Accounting Policies**

#### **(a) Basis of Preparation**

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report has been prepared on an accrual basis and is based on historical costs. Material accounting policies adopted in preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The presentation currency is Australian dollars.

#### **(b) Statement of Compliance**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

#### **(c) New accounting standards and interpretations issued not yet effective**

##### *Standards and Interpretations applicable to 30 June 2017*

In the year ended 30 June 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

##### *Standards and Interpretations in issue not yet adopted*

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2017. As a result of this review the directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

## Castillo Copper Limited

### ***Notes to the consolidated financial statements at and for the year ended 30 June 2017***

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#### **(d) Going Concern**

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Group incurred a net loss for the year ended 30 June 2017 of \$529,642 and experienced net cash outflows from operating activities of \$366,864, net cash outflows from investing activities of \$195,201 and net cash inflows from financing activities of \$404,000. At 30 June 2017, the Group had a net asset position of \$332,921. The cash and cash equivalents balance at 30 June 2017 was \$58,712.

Subsequent to year end, on 5 July 2017, the Company issued 66,666,667 CCZ shares at an issue price \$0.015 pursuant to a capital raising to raise a further \$1,000,000 (before costs). Furthermore, as announced on 14 September 2017, the Company has received firm commitments to raise \$3,400,000 (before costs) via a share placement of 106,250,000 CCZ shares at an issue price of \$0.032 per share ('Placement'). The Placement will require shareholder approval. The Company is seeking shareholder approval at a General Meeting of Shareholders on 18 October 2017.

The directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be able to secure funds to meet its commitments.

There are a number of inherent uncertainties relating to the Group's future plans including but not limited to:

- whether the Company will be able to raise equity in this current market; and
- whether the Group would be able to secure any other sources of funding.

Accordingly, there is a material uncertainty that may cast significant doubt whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

#### **(e) Basis of Consolidation**

The consolidated financial statements comprise the financial statements of Castillo Cooper Limited and its subsidiaries as at 30 June each year ('the Company').

Subsidiaries are all those entities (including special purpose entities) over which the Company has control. The Company controls an entity when the company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-company transactions have been eliminated in full.

## Castillo Copper Limited

### ***Notes to the consolidated financial statements at and for the year ended 30 June 2017***

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Subsidiaries are fully consolidated from the date on which control is obtained by the Company and cease to be consolidated from the date on which control is transferred out of the Company.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

#### **(f) Foreign Currency Translation**

##### *(i) Functional and presentation currency*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of Castillo Cooper Limited is Australian dollars. The functional currency of the overseas subsidiaries is Chilean Peso.

##### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

##### *(iii) Group entities*

The results and financial position of all the Company entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to foreign currency translation reserve.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income, as part of the gain or loss on sale where applicable.

## Castillo Copper Limited

### ***Notes to the consolidated financial statements at and for the year ended 30 June 2017***

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#### **(g) Plant and Equipment**

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance expenditure is charged to the statement of comprehensive income during the financial period in which it is incurred.

#### *Depreciation*

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Furniture, Fixtures and Fittings	10%
Computer and software	20% - 35%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

#### *Derecognition*

Additions of plant and equipment are derecognised upon disposal or when no further future economic benefits are expected from their use or disposal.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in the statement of comprehensive income.

#### **(h) Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Group. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used

## Castillo Copper Limited

### ***Notes to the consolidated financial statements at and for the year ended 30 June 2017***

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to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### **(i) Exploration and evaluation expenditure**

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Expenditure which fails to meet the conditions outlined above is impaired; furthermore, the Directors regularly review the carrying value of exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 6 Exploration for and evaluation of mineral resources. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions referred to in AASB 6 is met.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the Group's rights of tenure to that area of interest are current.

## **Castillo Copper Limited**

### ***Notes to the consolidated financial statements at and for the year ended 30 June 2017***

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#### **(j) Trade and Other Receivables**

Trade receivables, which generally have 30 – 90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term, discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

#### **(k) Cash and Cash Equivalents**

Cash and short term deposits in the statement of financial position include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown as current liabilities in the statement of financial position. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as described above.

#### **(l) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### **(m) Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

## Castillo Copper Limited

### *Notes to the consolidated financial statements at and for the year ended 30 June 2017*

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The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Capitalised exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

#### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model, using the assumptions detailed in note 21.

#### *Functional currency translation reserve*

Under the Accounting Standards, each entity within the Group is required to determine its functional currency, which is the currency of the primary economic environment in which the entity operates. Management considers the Chilean subsidiary to be foreign operations with Chilean Peso as the functional currency. In arriving at this determination, management has given priority to the currency that influences the labour, materials and other costs of exploration activities as they consider this to be a primary indicator of the functional currency.

#### **(n) Income Tax**

Deferred income tax is provided for on all temporary differences at balance date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

No deferred income tax will be recognised from the initial recognition of goodwill or of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. No deferred income tax will be recognised in respect of temporary differences associated with investments in subsidiaries if the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the near future.

## Castillo Copper Limited

### ***Notes to the consolidated financial statements at and for the year ended 30 June 2017***

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Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance date and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained. Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

#### **(o) Issued capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **(p) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue is capable of being reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### *Interest income*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

#### **(q) Earnings per share**

##### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the Group, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares, adjusted for any bonus elements.

##### *Diluted earnings per share*

Diluted earnings per share is calculated as net profit/loss attributable to members of the Group, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus elements.



## Castillo Copper Limited

### ***Notes to the consolidated financial statements at and for the year ended 30 June 2017***

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#### **(r) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Tax Office is included as part of receivables or payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### **(s) Trade and other payables**

Liabilities for trade creditors and other amounts are measured at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received that are unpaid, whether or not billed to the Group.

#### **(t) Share-based payment transactions**

The Group provides benefits to individuals acting as, and providing services similar to employees (including Directors) of the Group in the form of share based payment transactions, whereby individuals render services in exchange for shares or rights over shares ('equity settled transactions').

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in note 21.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Castillo Copper Limited ('market conditions').

The cost of the equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the award is recognised immediately. However if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted. The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share (see note 13).

**(u) Comparative information**

When required by Accounting Standards, comparative information has been reclassified to be consistent with the presentation in the current year.

**(v) Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**(w) Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**(x) Parent entity financial information**

The financial information for the parent entity, Castillo Copper Limited, disclosed in Note 17 has been prepared on the same basis as the consolidated financial statements, except as set out below.

## Castillo Copper Limited

### Notes to the consolidated financial statements at and for the year ended 30 June 2017

#### Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

### 3. Segment Information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The entity does not have any operating segments with discrete financial information.

The Board of Directors reviews internal management reports on a monthly basis that is consistent with the information provided in the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows. As a result no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

### 4. Other expenses

	2017	2016
	\$	\$
Occupancy	-	37,000
Travel and accommodation	18,129	-
Legal	39,299	17,255
Other	16,680	10,883
<b>Total other expenses</b>	<b>74,108</b>	<b>65,138</b>

### 5. Income Tax

#### (a) Income tax expense

Major component of tax expense for the year:

Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

#### (b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting result before income tax multiplied by the Group's applicable tax rate is as follows:

Loss from continuing operations before income tax expense	(529,462)	(434,291)
Tax at the company rate of 27.5% (PY: 30%)	(145,602)	(130,287)
Income tax benefit not brought to account	145,602	130,287
Income tax expense	<u>-</u>	<u>-</u>

The following deferred tax balances have not been brought to account:

#### Liabilities

Total exploration and evaluation expenditure	-	-
Offset by deferred tax assets	-	-
Deferred tax liability	<u>-</u>	<u>-</u>

## Castillo Copper Limited

### Notes to the consolidated financial statements at and for the year ended 30 June 2017

	2017	2016
<i>Assets</i>	\$	\$
Total losses available to offset against future taxable income	3,182,700	2,925,399
Total accrued expenses	9,624	4,200
Total share issue costs deductible over five years	13,428	29,885
Deferred tax assets offset against deferred tax liabilities	(96,250)	(3,593)
Deferred tax assets not brought to account as realisation is not regarded as probable	(3,109,502)	(2,955,891)
Deferred tax asset recognised	-	-
<b>(d) Unused tax losses</b>		
Unused tax losses	10,365,005	9,751,331
Potential tax benefit not recognised at 27.5% (PY: 30%)	2,850,376	2,925,399

The benefit for tax losses will only be obtained if:

- (i) the Group derives future assessable income in Australia and Chile of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation in Australia and Chile; and
- (iii) no changes in tax legislation in Australia and Chile, adversely affect the Group in realising the benefit from the deductions for the losses.

#### 6. Other Receivables

##### Current

GST/VAT receivable	23,199	7,484
Other	5,757	10,537
	<b>28,956</b>	<b>18,021</b>

##### Non-Current

Tenement guarantees	<b>20,000</b>	-
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There are no current tenement guarantees.

#### 7. Deferred Exploration and Evaluation Expenditure

##### Exploration and evaluation phase:

At beginning of the year	-	-
Exploration expenditure during the year	-	11,976
Impairment expense <sup>1</sup>	-	(11,976)
Total exploration and evaluation	-	-

<sup>1</sup> The impairment expense in the prior year relates to the decision to not continue exploration work on Australian and Chilean tenements and accordingly the carrying value has been written down to \$nil. The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent on the successful development and commercial exploration or sale of respective areas.

## Castillo Copper Limited

### Notes to the consolidated financial statements at and for the year ended 30 June 2017

8. Other non-current assets	2017	2016
	\$	\$
Initial consideration – acquisition of QComm	350,000	-
	<b>350,000</b>	<b>-</b>

On 22 March 2017, Castillo Copper Limited announced 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) (QComm Acquisition).

Consideration for the QComm Acquisition is as follows:

- (a) \$150,000 cash payment (paid prior to balance date).
- (b) issue of 10,000,000 CCZ consideration shares at a deemed issue price of \$0.02 (issued in March 2017).
- (c) issue of 76,666,668 CCZ deferred consideration shares – to be issued on completion of the QComm Acquisition.
- (d) \$200,000 cash payment – payable upon tenements being granted.
- (e) enter into a royalty agreement with the QComm 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.

Subsequent to year end, as announced on 4 July 2017, the Company satisfied the conditions precedent. Items (a) and (b) above occurred prior to balance date and comprise the balance of \$350,000 above. The consideration represented by items (c), (d) and (e) will be valued and appropriately recorded subsequent to balance date.

9. Trade and other payables	2017	2016
	\$	\$
Trade creditors	89,752	7,515
Accruals	34,995	16,242
	<b>124,747</b>	<b>23,757</b>

Trade and other payables are non-interest bearing and payable on demand. Due to their short term nature, the carrying value of trade and other payables is assumed to approximate their fair value.

## 10. Issued Capital

### (a) Issued and paid up capital

Ordinary shares fully paid	<b>10,224,254</b>	<b>9,620,254</b>
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	2017		2016	
	Number of shares	\$	Number of shares	\$
<b>(b) Movements in ordinary shares on issue</b>				
Opening balance	211,498,885	9,620,254	422,997,732	8,836,027
Shares issued via rights issue	-	-	422,997,732	845,995
Consolidation on one (1) for four (4) basis	-	-	(634,496,579)	-
Shares issued to sophisticated investors	33,333,333	500,000	-	-
Shares issued per QComm acquisition (Note 8)	10,000,000	200,000	-	-
Transaction costs on share issue	-	(96,000)	-	(61,768)
	<b>254,832,218</b>	<b>10,224,254</b>	<b>211,498,885</b>	<b>9,620,254</b>

### (c) Ordinary shares

The Group does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds

## Castillo Copper Limited

### Notes to the consolidated financial statements at and for the year ended 30 June 2017

from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

#### (d) Share options

At 30 June 2017 there were 6,000,000 (2016: 1,250,000) unissued ordinary shares under unlisted options.

Set out below are the summaries of options granted as share based payments and expired during the previous period:

The following share-based payment arrangements were entered into during the year:

Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date	Vesting date
6,000,000	28 June 2017	30 June 2020	\$0.03	\$0.0085	28 June 2017

1,250,000 options over ordinary shares in the Company expired unexercised on 30 June 2017.

There were no other share-based payment options on issue during the year.

Options were granted as equity compensation benefits to Key Management Personnel during the year are set out in the audited remuneration report.

#### (b) Weighted average fair value

The fair value of the equity-settled options granted is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which they were granted.

Expected volatility (%)	120
Risk-free interest rate (%)	2
Expected life of option (years)	3
Exercise price (cents)	3
Grant date share price (cents)	1.9

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

No other options expired during the year, no options were issued or exercised during the year and no options have been issued or exercised since the end of the financial year.

## 11. Reserves

### *Share based payment reserve*

The share based payment reserve is used to record the value of equity benefits provided to Directors and executives as part of their remuneration and non-employees for their services.

### *Foreign currency translation reserve*

The foreign exchange differences arising on translation of balances originally denominated in a foreign currency into the functional currency are taken to the foreign currency translation reserve. The reserve is recognised in profit or loss when the net investment is disposed of.

## Castillo Copper Limited

### Notes to the consolidated financial statements at and for the year ended 30 June 2017

#### 12. Cash and cash equivalents

Reconciliation of operating loss after tax to net the cash flows used in operations	2017	2016
	\$	\$
Loss from ordinary activities after tax	(529,642)	(434,291)
<b>Non-cash items</b>		
Exploration expenditure impaired	23,569	11,976
Share based payments	51,066	-
Impairment of receivables	-	99,890
Foreign exchange gain	(3,544)	(3,644)
Depreciation expense	-	205
<b>Changes in assets and liabilities:</b>		
Increase / (decrease) in trade and other payables	86,905	(266,270)
(Increase) / decrease in other receivables	4,781	(5,258)
Net cash flow used in operating activities	<u>(366,864)</u>	<u>(597,392)</u>

#### (b) Reconciliation of cash

Cash balance comprises:

Cash at bank	<u>58,712</u>	<u>216,777</u>
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Cash at bank earns interest at floating rates based on daily bank deposit rates.

#### 13. Loss per Share

Loss used in calculating basic and dilutive EPS	<u>(526,642)</u>	<u>(434,291)</u>
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#### Number of Shares

Weighted average number of ordinary shares used in calculating basic loss per share:	<u>221,517,150</u>	<u>600,137,792</u>
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#### Effect of dilution:

Share options	-	-
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Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	<u>221,517,150</u>	<u>600,137,792</u>
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Basic and diluted loss per share (cents per share)	<u>(0.24)</u>	<u>(0.07)</u>
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There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

There are no potential ordinary shares on issue that are considered to be dilutive, therefore basic earnings per share also represents diluted earnings per share.

# Castillo Copper Limited

## Notes to the consolidated financial statements at and for the year ended 30 June 2017

	2017	2016
	\$	\$
<b>14. Auditor's Remuneration</b>		
The auditor of Castillo Copper Limited is HLB Mann Judd.		
Amounts received or due and receivable for:		
Audit or review of the financial report of the entity and any other entity in the Group	23,000	22,000
	<u>23,000</u>	<u>22,000</u>

## 15. Related party disclosures

### a) Key management personnel

#### Compensation of key management personnel

Short term employee benefits	144,000	145,293
Post-employment benefits	-	-
Share-based payments	51,066	-
<b>Total remuneration</b>	<u>195,066</u>	<u>145,293</u>

### b) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of Castillo Copper Limited and the following subsidiaries:

Name of Entity	Country of Incorporation	Equity Holding	
		2017	2016
Castillo Copper Chile SPA	Chile	100%	100%
Castillo Exploration Limited	Australia	100%	100%
Atlantica Holdings (Bermuda) Ltd	Bermuda	75%	75%

Castillo Copper Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note. Details of transactions between the Group and other related entities are disclosed below.

#### Trading transactions

The following balances were outstanding at the end of the reporting period.

	Consolidated			
	Amounts owed by related parties		Amounts owed to related parties	
	2017	2016	2017	2016
	\$	\$	\$	\$
Castillo Copper Chile SPA	4,649,893	4,818,940	-	-
Castillo Exploration Limited	1,561,697	2,155,592	373,772	373,772

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

There were no other related party disclosures for the year ended 30 June 2017.



## Castillo Copper Limited

### Notes to the consolidated financial statements at and for the year ended 30 June 2017

#### 16. Financial Risk Management

Exposure to interest rate, liquidity, and credit risk arises in the normal course of the Group's business. The Group does not hold or use derivative financial instruments. The Group's principal financial instruments comprise mainly of deposits with banks. The totals for each category of financial instruments are as follows:

	2017	2016
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	58,712	216,777
Other receivables (current and non-current)	48,956	18,021
	<hr/>	<hr/>
<b>Financial Liabilities</b>		
Trade and other payables	124,747	23,757

The Group uses different methods as discussed below to manage risks that arise from these financial instruments. The objective is to support the delivery of the financial targets while protecting future financial security.

#### (a) Capital risk management

The Group's capital comprises share capital and reserves less accumulated losses. As at 30 June 2017, the Group has net assets of \$332,921 (2016: \$211,041). The Group manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders.

#### (b) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments. The responsibility for liquidity risk management rests with the Board of Directors.

Alternatives for sourcing future capital needs include the cash position and future equity raising alternatives. These alternatives are evaluated to determine the optimal mix of capital resources for our capital needs. The Board expects that, assuming no material adverse change in a combination of our sources of liquidity, present levels of liquidity will be adequate to meet expected capital needs.

#### *Maturity analysis for financial liabilities*

Financial liabilities of the Group comprise trade and other payables. As at 30 June 2017 any financial liabilities that are contractually maturing within 60 days have been disclosed as current. Trade and other payables that have a deferred payment date of greater than 12 months have been disclosed as non-current.

#### (c) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The Group's exposure to changes to interest rate risk relates primarily to its earnings on cash and term deposits. The Group manages the risk by investing in short term deposits.

	2017	2016
	\$	\$
Cash and cash equivalents	58,712	216,777

## Castillo Copper Limited

### Notes to the consolidated financial statements at and for the year ended 30 June 2017

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#### Interest rate sensitivity

The following table demonstrates the sensitivity of the Group's statement of comprehensive income to a reasonably possible change in interest rates, with all other variables constant.

Change in Basis Points	Effect on Post Tax Loss (\$)		Effect on Equity including retained earnings (\$)	
	Increase/(Decrease)		Increase/(Decrease)	
	2017	2016	2017	2016
Increase 100 basis points	587	2,168	587	2,168
Decrease 100 basis points	(587)	(2,168)	(587)	(2,168)

A sensitivity of 100 basis points has been used as this is considered reasonable given the current level of both short term and long term Australian Dollar interest rates. This would represent two to four movements by the Reserve Bank of Australia.

#### (d) Credit Risk Exposures

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's maximum credit exposure is the carrying amounts on the statement of financial position. The Group holds financial instruments with credit worthy third parties.

At 30 June 2017, the Group held cash at bank. These were held with financial institutions with a rating from Standard & Poors of AA or above (long term). The Group has no past due or impaired debtors as at 30 June 2017.

#### (e) Fair Value Measurement

There were no financial assets or liabilities at 30 June 2017 requiring fair value estimation and disclosure as they are either not carried at fair value or in the case for short term assets and liabilities, their carrying values approximate fair value.

## Castillo Copper Limited

### Notes to the consolidated financial statements at and for the year ended 30 June 2017

#### 17. Parent Entity Information

##### (a) Parent Financial Information

The following details information related to the parent entity, Castillo Copper Limited, at 30 June 2017. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2017 \$	2016 \$
Current assets	84,391	222,067
Non-current assets (i)	370,000	-
<b>Total assets</b>	<b>451,391</b>	<b>222,067</b>
Current liabilities	118,470	18,246
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>118,470</b>	<b>18,246</b>
<b>Net assets</b>	<b>332,921</b>	<b>203,821</b>
Issued capital	10,224,254	9,620,254
Reserves	1,824,810	1,773,743
Accumulated losses	(11,718,393)	(11,190,176)
<b>Total equity</b>	<b>332,921</b>	<b>203,821</b>
Loss of the parent entity	(528,217)	(327,679)
Other comprehensive income for the year	-	-
<b>Total comprehensive loss of the parent entity</b>	<b>(528,217)</b>	<b>(327,679)</b>

(i) Non-current assets include intercompany loans owed by subsidiary entities, which are considered recoverable based on cash flow projections

##### b) Guarantees

Castillo Copper Limited has not entered into any guarantees in relation to the debts of its subsidiary.

##### c) Other Commitments and Contingencies

Castillo Copper Limited has not entered into any commitments and does not have any known contingent liabilities at year end.

#### 18. Contingent liabilities

On 22 March 2017, Castillo Copper Limited announced 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 Acquisition**).

Under the terms of the binding heads of agreement, the Company would:

- Issue 76,666,668 CCZ deferred consideration shares – to be issued on completion of the QComm Acquisition;
- pay the QComm vendors \$200,000 pro-rata to their QComm shareholding payable as soon as practicable following grant of all applications;
- enter into a royalty agreement with the QComm 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.

## Castillo Copper Limited

### Notes to the consolidated financial statements at and for the year ended 30 June 2017

Subsequent to year end, as announced 4 July 2017, the Company completed the QComm Acquisition. Furthermore, in August 2017, the Company received notice that all applications had been granted. Following the notice, the Company paid the QComm vendors \$200,000.

There are no known contingent liabilities as at 30 June 2017 (2016: Nil).

#### 19. Commitments

Commitments at balance date but not recognised as liabilities are as follows:

	2017 \$	2016 \$
Within one year	-	120,000
After one year but not more than five years	-	-
Longer than five years	-	-
	<hr/>	<hr/>
	-	120,000

#### 20. Dividends

No dividend was paid or declared by the Group in the period since the end of the financial year, and up to the date of this report. The Directors' do not recommend that any amount be paid by way of a dividend for the financial year ended 30 June 2017.

The balance of the franking account is Nil at 30 June 2017 (2016: Nil).

#### 21. Share based payments to suppliers and vendors

##### Exploration Expenditure

During the 2013 financial year 5,000,000 unlisted options in total were issued to Garrison Capital Pty Ltd for their role as advisors to the acquisition of Castillo Exploration Limited. The fair value of the options of \$145,878 was determined using the Black Scholes option pricing model. During the year the options were consolidated on a one (1) for four (4) basis. The resulting 1,250,000 options were exercisable at \$0.40 on or before 30 June 2017. These options are included in the table below.

##### 2016

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
21 May 2013	30 June 2017	\$0.40	1,250,000	-	-	(1,250,000)	-	-
			<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
			1,250,000	-	-	(1,250,000)	-	-
Weighted remaining contractual life (years)			-	-	-	-	-	-
Weighted average exercise price			\$0.10	-	-	-	\$0.10	\$0.10

##### Operating expenses

There were no share based payments made to suppliers during the 30 June 2016 and 30 June 2017 financial year.

#### 22. Subsequent events

On 22 March 2017, Castillo Copper Limited announced 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**) (**QComm Acquisition**).

## Castillo Copper Limited – Directors' Declaration

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Under the terms of the binding heads of agreement, the Company would:

- (a) Issue 76,666,668 CCZ deferred consideration shares – to be issued on completion of the QComm Acquisition;
- (b) pay the QComm vendors \$200,000 pro-rata to their QComm shareholding payable as soon as practicable following grant of all applications;
- (c) enter into a royalty agreement with the QComm 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.

Subsequent to year end, as announced 4 July 2017, the Company completed the QComm Acquisition. Furthermore, in August 2017, the Company received notice all applications had been granted. Following the notice, the Company paid the QComm vendors \$200,000.

Additionally, as announced on 21 July 2017, the Company announced that it had signed a binding Heads of Agreement with Total Minerals Pty Ltd (Total Minerals), which owns three cobalt & copper assets in NSW and Queensland (including the historic Cangai Copper Cobalt Mine in northeast NSW), to acquire all its outstanding issued shares (Total Minerals Acquisition).

In consideration for the Total Minerals Acquisition, the Company agreed to issue 55,000,000 CCZ shares to the holders of Total Mineral and 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.

The Company completed the Total Minerals Acquisition on 11 August 2017.

Additionally, as announced on 21 July 2017, the Company) announced that it had 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 (Total Iron Acquisition).

In consideration for the Total Iron Acquisition, the Company agreed to issue 15,000,000 CCZ shares to the holders of Total Iron and 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.

The Company completed the Total Iron Acquisition on 5 September 2017.

The Company issued the following securities:

- 5 July 2017, issued 66,666,667 CCZ shares at an issue price \$0.015 pursuant to a capital raising to raise a further \$1,000,000 (before costs).
- 5 July 2017, issued 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 to CPS Capital Group Pty Ltd and Armada Capital and Equities Pty Ltd (together, the Advisors).
- 31 August 2017, issued to C3 Consortium Pty Ltd 970,588 shares at an issue price of \$0.034 as consideration for promotion and news circulation services rendered.

On 1 August 2017, the Company advised Mr Alan Armstrong and Mr Neil Hutchison were appointed as Executive Director and Technical Director respectively, and Mr Giuseppe Graziano and Ms Nicole Fernandes resigned from their positions of Non-Executive Directors.

Other than set out above, there were no known material significant events from the end of the financial year to the date of this report that have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

## Castillo Copper Limited – Directors’ Declaration

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The directors of the company declare that:

1. in the directors’ opinion, the financial statements and accompanying notes set out on pages 10 to 34 are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards and the *Corporations Regulations 2001*, professional reporting requirements and all other mandatory requirements; and
  - b. give a true and fair view of the Group’s financial position as at 30 June 2017 and of its performance for the year ended on that date;
2. in the directors’ opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
3. the directors have been given the declarations by the Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



**Alan Armstrong**

**Executive Director**

26 September 2017

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the consolidated financial report of Castillo Copper Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.



**Perth, Western Australia**  
**26 September 2017**

**L Di Giallonardo**  
**Partner**

## **INDEPENDENT AUDITOR'S REPORT**

To the members of Castillo Copper Limited

### **Report on the Audit of the Financial Report**

#### *Opinion*

We have audited the financial report of Castillo Copper Limited (“the Company”) and its controlled entities (“the Group”), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group’s financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (“the Code”) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Material uncertainty related to going concern*

We draw attention to Note 2(d) in the financial report, which indicates the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### **HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533

Email: [mailbox@hlbwa.com.au](mailto:mailbox@hlbwa.com.au) | Website: [www.hlb.com.au](http://www.hlb.com.au)

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**Key Audit Matter****How our audit addressed the key audit matter**

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**Acquisition of QLD Commodities Pty Ltd**

Refer to Note 8 of the financial statements.

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During the year ended 30 June 2017, the Company entered into a binding heads of agreement to acquire 100% of the issued capital of Qld Commodities Pty Ltd. The Company paid an initial consideration comprising a cash payment of \$150,000 and the issue of 10,000,000 fully paid shares in the Company at a deemed price of \$0.02 per share (total initial consideration of \$350,000). We considered this acquisition to be a key audit matter as it is material and required significant judgement in relation to whether the balance of the consideration should have been recorded at balance date.

Our procedures included but were not limited to the following:

- We read the heads of agreement to understand its key terms and conditions;
  - We considered the conditions precedent contained in the heads of agreement to determine whether the balance of the consideration was required to be recorded at balance date;
  - We assessed the adequacy of the Group's disclosures in the financial report with respect to this acquisition.
- 

*Information other than the financial report and auditor's report thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

*Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on the Remuneration Report**

#### *Opinion on the remuneration report*

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Castillo Copper Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*HLB Mann Judd*

**HLB Mann Judd**  
**Chartered Accountants**

*L Di Giallonardo*

**L Di Giallonardo**  
**Partner**

**Perth, Western Australia**  
**26 September 2017**

## Castillo Copper Limited – Corporate Governance

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This Corporate Governance Statement is current as at 26 September 2017 and has been approved by the Board of the Company.

This Corporate Governance Statement discloses the extent to which the Company will follow the recommendations set by the ASX Corporate Governance Council in its publication *Corporate Governance Principles and Recommendations 3<sup>rd</sup> Edition* (Recommendations). The Recommendations are not mandatory, however the Recommendations that will not be followed have been identified and reasons for not following them, along with what (if any) alternative governance practices have been adopted in lieu of the Recommendation.

The Company has adopted Corporate Governance Policies which provide written terms of reference for the Company's corporate governance practices. The Board of the Company has not yet formed an audit committee, nomination committee, risk management committee or remuneration committee.

The Company's Corporate Governance Policies are available on the Company's website at [www.castillocopper.com](http://www.castillocopper.com)

### Principle 1: Lay solid foundations for management and oversight

#### ***Roles of the Board & Management***

The Board is responsible for evaluating and setting the strategic direction for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director (or equivalent) is responsible to the Board for the day-to-day management of the Company.

The principal functions and responsibilities of the Board include, but are not limited to, the following:

- Appointment, evaluation and, if necessary, removal of the Managing Director, any other executive directors, the Company Secretary and the Chief Financial Officer and approval of their remuneration;
- Determining, in conjunction with management, corporate strategy, objectives, operations, plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- Establishing appropriate levels of delegation to the Managing Director to allow the business to be managed efficiently;
- Approval of remuneration methodologies and systems;
- Monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level to understand at all times the financial and operating conditions of the Company;
- Monitoring the performance of senior management, including the implementation of strategy and ensuring appropriate resources are available;
- Identifying areas of significant business risk and ensuring that the Company is appropriately positioned to manage those risks;
- Overseeing the management of safety, occupational health and environmental issues;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately;
- Ensuring that appropriate internal and external audit arrangements are in place and operating effectively;
- Authorising the issue of any shares, options, equity instruments or other securities within the constraints of the Corporations Act and the ASX Listing Rules; and
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines including:
  - Code of Conduct;
  - Continuous Disclosure Policy;
  - Diversity Policy;
  - Performance Evaluation Policy;
  - Procedures for Selection and Appointment of Directors;
  - Remuneration Policy;
  - Risk Management and Internal Compliance and Control Policy.
  - Securities Trading Policy; and
  - Shareholder Communications Policy.

## Castillo Copper Limited – Corporate Governance

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Subject to the specific authorities reserved to the Board under the Board Charter, the Board delegates to the Managing Director responsibility for the management and operation of Castillo Copper. The Managing Director is responsible for the day-to-day operations, financial performance and administration of Castillo Copper within the powers authorised to him from time-to-time by the Board. The Managing Director may make further delegation within the delegations specified by the Board and will be accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter on the Castillo Copper website.

### **Board Committees**

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time including audit, risk, remuneration or nomination committees, preferring at this stage of the Company's development, to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the audit, risk, remuneration and nomination Committees.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if appropriate.

### **Board Appointments**

The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

### **The Company Secretary**

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

### **Diversity**

The Board has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect to gender, age, ethnicity and cultural diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives (if considered appropriate) and to assess annually both the objectives (if any have been set) and the Company's progress towards achieving them.

The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.

The participation of women in the Company at the date of this report is as follows:

- Women employees in the Company 0%
- Women in senior management positions 0%
- Women on the Board 0%

The Company's Diversity Policy is available on its website.

### **Board & Management Performance Review**

On an annual basis, the Board conducts a review of its structure, composition and performance.

The annual review includes consideration of the following measures:

- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;

## Castillo Copper Limited – Corporate Governance

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- reviewing the Board's interaction with management;
- reviewing the type and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and
- identifying any necessary or desirable improvements to the Board Charter.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

Given, the size of the Board, the substantial changes to the composition of the Board in December 2016 and the current level of operations of the Company, no formal appraisal of the Board was conducted during the financial year.

The Board conducts an annual performance assessment of the Managing Director against agreed key performance indicators.

### ***Independent Advice***

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to obtain independent professional advice on any matter connected with the discharge of their responsibilities, with prior notice to the Chairman, at Castillo Copper' expense.

### **Principle 2: Structure the board to add value**

#### ***Board Composition***

During the financial year and to the date of this report the Board was comprised of the following members:

Mr. David Wheeler (Non-Executive Director)  
Mr Alan Armstrong (Executive Director) – appointed 1 August 2017  
Mr Neil Hutchison (Technical Director) – appointed 1 August 2017  
Mr. Joe Graziano (Non-Executive Director) – resigned 1 August 2017  
Ms. Nicole Fernandes (Non-Executive Director) – resigned 1 August 2017

The Board currently consists of two Executive and one Non-Executive Directors.

Castillo Copper has adopted a definition of 'independence' for Directors that is consistent with the Recommendations.

Two of the Board members are not considered to be independent as they are executives of the Company.

#### ***Board Selection Process***

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern Castillo Copper. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board is responsible for the nomination and selection of directors. The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process.

The Group does not have an established board skills matrix on the mix of skills and diversity for Board membership. The Board continues to monitor the mix of skills and diversity on the Board however, due to the size of the Group, the Board does not consider it appropriate at this time to formally set matrix on the mix of skills and diversity for Board membership

## Castillo Copper Limited – Corporate Governance

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### ***Induction of New Directors and Ongoing Development***

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

### **Principle 3: Act ethically and responsibly**

The Company has implemented a Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- maintain high levels of professional conduct;
- respect confidentiality and not misuse Company information, assets or facilities;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

### **Principle 4: Safeguard integrity in corporate reporting**

The Board as a whole fulfills the functions normally delegated to the Audit Committee as detailed in the Audit Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend Castillo Copper' AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

### ***CEO and CFO Certifications***

The Board, before it approves the entity's financial statements for a financial period, receives from its CEO and CFO (or, if none, the persons fulfilling those functions) a declaration provided in accordance with Section 295A of the Corporations Act that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of

## **Castillo Copper Limited – Corporate Governance**

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the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

### **Principle 5: Make timely and balanced disclosure**

The Company has a Continuous Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. The Chairman, Managing Director and the Company Secretary are responsible for ensuring that:

- a) Company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and
- b) Company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

### **Principle 6: Respect the rights of security holders**

The Company recognises the value of providing current and relevant information to its shareholders.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the “contact us” page of the Company’s website.

Shareholders may elect to, and are encouraged to, receive communications from Castillo Copper and Castillo Copper’ securities registry electronically.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company’s website.

### **Principle 7: Recognise and manage risk**

The Board is committed to the identification, assessment and management of risk throughout Castillo Copper’ business activities.

The Board is responsible for the oversight of the Company’s risk management and internal compliance and control framework. The Company does not have an internal audit function. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and internal compliance and control framework. Castillo Copper has established policies for the oversight and management of material business risks.

Castillo Copper’ Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.



## Castillo Copper Limited – Corporate Governance

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Castillo Copper believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Castillo Copper is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

Castillo Copper accepts that risk is a part of doing business. Therefore, the Company's Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather Castillo Copper' approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

Castillo Copper assesses its risks on a residual basis; that is it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, Castillo Copper applies varying levels of management plans.

The Board has required management to design and implement a risk management and internal compliance and control system to manage Castillo Copper' material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks.
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls.
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board review's the Company's risk management framework at least annually to ensure that it continues to effectively manage risk.

Management reports to the Board as to the effectiveness of Castillo Copper' management of its material business risks on at each Board meeting.

### **Principle 8: Remunerate fairly and responsibly**

The Board as a whole fulfils the functions normally delegated to the Remuneration Committee as detailed in the Remuneration Committee Charter.

Castillo Copper has implemented a Remuneration Policy which was designed to recognise the competitive environment within which Castillo Copper operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in Castillo Copper' performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Castillo Copper.

The key principles are to:

- link executive reward with strategic goals and sustainable performance of Castillo Copper;
- apply challenging corporate and individual key performance indicators that focus on both short-term and long-term outcomes;
- motivate and recognise superior performers with fair, consistent and competitive rewards;
- remunerate fairly and competitively in order to attract and retain top talent;
- recognise capabilities and promote opportunities for career and professional development; and
- through employee ownership of Castillo Copper shares, foster a partnership between employees and other security holders.

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance,

## **Castillo Copper Limited – Corporate Governance**

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reviewing Board and management succession plans and determines remuneration packages for the Managing Director, Non-Executive Directors and senior management based on an annual review.

Castillo Copper' executive remuneration policies and structures and details of remuneration paid to directors and senior managers (where appointed) are set out in the Remuneration Report.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options. They do not receive any termination or retirement benefits, other than statutory superannuation.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is \$500,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders. The total fees paid to Non-Executive Directors during the reporting period were \$144,000.

Executive directors and other senior executives (where appointed) are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates and performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives.

In accordance with the Company's Securities Trading Policy, participants in an equity based incentive scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

## ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 20 September 2017.

### Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	22	1,607
1,001 - 5,000	9	30,025
5,001 - 10,000	6	48,750
10,001 - 100,000	185	9,467,974
100,001 - and over	374	463,921,119
<b>TOTAL</b>	<b>596</b>	<b>473,469,475</b>

There were 39 holders of ordinary shares holding less than a marketable parcel.

### Quoted equity securities as at 20 September 2017

Equity Security	Quoted
Ordinary Shares	473,469,475

### Voting Rights

Each fully paid ordinary share carries the rights of one vote per share.

### Unquoted Securities

The number of unquoted securities on issue at 20 September 2017:

Unquoted Securities	Number on Issue	Exercise Price	Expiry Date
Unquoted Options <sup>1</sup>	6,000,000	3c	30/06/2020
Unquoted Options <sup>2</sup>	15,000,000	3c	5/07/2020

Persons holding more than 20% of a given class of unquoted securities as at 20 September 2017:

1. 67% held by Pathways Corporate Pty Ltd, 33% held by NFIC Services Pty Ltd
2. 22% held by Mr Kael Williams

### Substantial Shareholders

JBO Assets Pty Ltd <JBO Assets A/C> holds ordinary shares representing 5.85% of the Company's equity.  
TWW Assets Pty Ltd <TWW Assets A/C> holds ordinary shares representing 5.56% of the Company's equity.

### Restricted Securities

There are no restricted securities under ASX imposed escrow.

### Stock Exchange

The Company is listed on the Australian Securities Exchange and has been allocated the code "CCZ". The "Home Exchange" is Perth.

### Other information

Castillo Copper Limited, is incorporated and domiciled in Australia, and is a publicly listed company limited by shares.

### On-Market Buy-Back

There is currently no on-market buy-back in place.

## Castillo Copper Limited

### Twenty largest holders of quoted securities as at 20 September 2017

Name	No. of Shares	%
JBO ASSETS PTY LTD <JBO ASSETS A/C>	27,692,858	5.85%
TWW ASSETS PTY LTD <TWW ASSETS A/C>	26,309,524	5.56%
REID MACHINE PTY LTD <REID MACHINE A/C>	23,393,750	4.94%
TAKA CUSTODIANS PTY LTD <TAKA A/C>	22,893,750	4.84%
SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	21,983,632	4.64%
MR THOMAS FRITZ ENSMANN	16,000,000	3.38%
BBD CUSTODIANS PTY LTD <THE BBD ACCOUNT>	8,574,268	1.81%
RED MARLIN PTY LTD <THE RED MARLIN A/C>	8,537,502	1.80%
JD SQUARED INVESTMENTS PTY LTD	8,120,238	1.72%
FOUCART PTY LTD <CRB A/C>	7,487,500	1.58%
MR MARIO DI LALLO & MRS ALISON VALERIE DI LALLO <M & A SUPER FUND A/C>	7,250,000	1.53%
INVESCO NOMINEE PTY LTD	6,892,500	1.46%
AGENS PTY LTD <THE MARK COLLINS S/F A/C>	6,333,333	1.34%
MR JOHN DELLA BOSCA <JA&JG DELLA BOSCA FAMILY A/C>	6,041,667	1.28%
VASSAGO PTY LTD <ASTON A/C>	5,391,365	1.14%
MR FLOYD BARRY AQUINO	4,652,160	0.98%
CCI SUPER FUND PTY LTD <MOULTRIE STAFF S/F A/C>	4,641,622	0.98%
CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	4,133,333	0.87%
MR MALCOLM GEOFFREY HERON & MRS MELISSA ANNE HERON <HERON SUPER FUND A/C>	4,000,000	0.84%
MR THOMAS GUNNERSEN	4,000,000	0.84%
<b>Total</b>	<b>224,329,002</b>	<b>47.38%</b>

## Castillo Copper Limited

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### Tenement Table

#### Chile

HUANTA (VICUÑA)	HECTARES	NATIONAL ROLL	YEAR GRANTED	OWNER
TRUENO 1	300	04015-7483-7	In process	Castillo Copper Chile SpA
TRUENO 2	300	04015-7484-5	In process	Castillo Copper Chile SpA
TRUENO 4	300	04015-7486-1	In process	Castillo Copper Chile SpA
TRUENO 5	300	04015-7487-K	In process	Castillo Copper Chile SpA
TRUENO 6	300	04015-7488-8	In process	Castillo Copper Chile SpA
TRUENO 7	300	04015-7489-6	In process	Castillo Copper Chile SpA

**Note:** Castillo Copper Limited has a 100% 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.