

31 January 2022

CASTILLO COPPER LIMITED
("Castillo", "CCZ" or the "Company")

December 2021 Quarterly Activities Report

Castillo Copper Limited (LSE and ASX: CCZ), a base metal explorer primarily focused on copper across Australia and Zambia, is pleased to present shareholders its latest quarterly report for the period 1 October to 31 December 2021. An overview of key events follows:

HIGHLIGHTS

NWQ Copper Project

- Inaugural drilling campaign at the Arya Prospect completed
- Plans to geologically model a JORC 2012 compliant resource at the Big One Deposit

Zambia Projects

- Post-IP survey, 14 targets for test drilling identified at the Luanshya Project
- Work on IP survey at Mkushi Project progressing

DEVELOPMENT WORK

During the period, most of the focus remained on advancing the NWQ Copper Project in Queensland's copper-belt and undertaking geophysical work on the Luanshya and Mkushi properties in Zambia.

NWQ COPPER PROJECT, MT ISA COPPER-BELT

Big One Deposit

On 5 October 2021, CCZ announced that assays for the first four drill-holes of the second drilling campaign extended known mineralisation at the Big One Deposit, as they were proximal to the dacite dyke, with the best intercepts comprising:

- 9m @ 1.42% Cu from 88m including 4m @ 3.06% Cu from 92m & 1m @ 9.19% Cu from 92m (BO_317RC)¹
- 5m @ 1.06% Cu from 141m (BO_316RC)¹
- 16m @ 0.59% Cu from 166m including 3m @ 1.76% Cu from 176m (BO_318RC)¹
- 3m @ 1.22% Cu from 65m (BO_315RC)¹

The third drilling campaign at the Big One Deposit, comprising at least 22 drill-holes, will target several prime areas including the sizeable bedrock conductor on the north side of the dacite dyke. Significantly, the geophysical characteristics of the northern bedrock conductor are identical to the known system prevalent along the line of lode¹.

On 30 November 2021, CCZ announced that based on fresh insights, post the chief geological consultant visiting the Big One Deposit, the Board has prioritised geologically modelling an inaugural JORC compliant resource plus a third infill drilling campaign.

There are several reasons including:

- 1) Recent and historical drilling campaigns have intersected relatively shallow copper mineralisation; and
- 2) There is a significant bedrock conductor, north of the line of lode, which is larger and of different character than the Induced Polarisation (IP) anomaly drilled in 2020, that is yet to be drill-tested¹.

Arya Prospect

On 18 October 2021, CCZ advised the inaugural drilling campaign at the Arya Prospect commenced, after a massive logistical effort to prepare the drill-pads then heli-lift the rig and all supporting equipment to site. After reconciling the geochemical and geophysical data, the Board decided to orchestrate a strategic "proof of concept" campaign, comprising five initial

RC drill-holes¹.

On 9 November 2021, in an operational update, CCZ announced that due to the diligent efforts of the team, pioneer drilling had progressed at the Arya Prospect, overcoming challenging operational conditions.

Encouragingly, it was noted that interest in the Mt Isa copper-belt continues to grow, with Rio Tinto recently acquiring contiguous ground on the eastern boundary of the NWQ Copper Project which is proximal to the Arya Prospect¹.

On 17 November 2021, CCZ announced that three drill-holes had been completed from two drill pads, with standout, AR_002RC, reaching a depth of 238m. Notably, around 200m of dark grey and black carbonaceous siltstone / schist was intersected, with scattered base-metal sulphides, fine-grained graphite mineralisation occurrences and remaining open at depth.

Encouragingly, visible but scattered chalcopyrite (copper sulphide mineralisation) was observed in drill-hole AR_001RC¹.

On 6 December 2021, CCZ announced the drilling campaign at the Arya Prospect had concluded, with five drill-holes completed and all samples having been despatched to the laboratory for analysis.

Based on indicative field observations from the team at site, the Board is optimistic that geological interpretations will affirm the exploration potential of the Arya Prospect. If this is validated, then a fuller drilling campaign will potentially be commissioned in 1H 2022¹.

LUANSHYA AND MKUSHI PROJECTS, ZAMBIA COPPER-BELT

On 25 October 2021, CCZ announced that up to 14 drill targets were identified at the Luanshya Project. Notably, the 14 chargeable zones were identified post an Induced Polarisation (IP) survey - within a 6km zone of copper surface anomalism¹.

Modelling was undertaken by CCZ's consultant geophysicist, who interpreted the IP survey results that covered the 6km long soil anomaly, which were defined after extensive soil sampling campaigns¹.

On 17 November 2021, in an operational update, CCZ announced the geology team is now focused on formulating an inaugural drilling campaign for the Luanshya Project.

Meanwhile, work on the IP survey at the Mkushi Project, which is focusing on known surface copper anomalies, is now in progress. Upon completion, a geophysical interpretation report will be published which will determine the next course of action.

NEW SOUTH WALES ASSETS

- **Broken Hill Alliance Group** - Work is continuing to ready Broken Hill Alliance Group - which has a significant tenure around the world-class Broken Hill zinc-silver-lead deposit - for an IPO in 1Q 2022, subject to securing all key regulatory approvals.
- **Cangai Copper Mine** - No material work was undertaken during the review period.

CORPORATE

- **Notice of AGM and results** - On 29 October 2021, CCZ announced the AGM would be held on 30 November 2021 with six resolutions to be presented to shareholders. Subsequently, on 30 November 2021, CCZ announced that all resolutions were passed.

PAYMENTS TO, OR TO AN ASSOCIATE OF, A RELATED PARTY OF THE ENTITY DURING THE QUARTER

\$116,000 was paid to related parties of the Company relating to executive director salary and non-executive director fees.

SUMMARY OF THE EXPLORATION EXPENDITURE INCURRED DURING THE QUARTER

	Consulting fees	Rates and mines departments fees
Cangai	\$7,000	-
Broken Hill Alliance	\$5,000	-
Mt Isa	\$2,457,000	-
Zambia	\$40,000	-
Total	\$2,509,000	-

In addition to this release, a PDF version with supplementary information and images can be found on the Company's website: <https://castillocopper.com/investors/announcements/>

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About Castillo Copper

Castillo Copper Limited is an Australian-based explorer primarily focused on copper across Australia and Zambia. The group is embarking on a strategic transformation to morph into a mid-tier copper group underpinned by its core projects:

- A large footprint in the Mt Isa copper-belt district, north-west Queensland, which delivers significant exploration upside through having several high-grade targets and a sizeable untested anomaly within its boundaries in a copper-rich region.
- Four high-quality prospective assets across Zambia's copper-belt which is the second largest copper producer in Africa.
- A large tenure footprint proximal to Broken Hill's world-class deposit that is prospective for zinc-silver-lead-copper-gold.
- Cangai Copper Mine in northern New South Wales, which is one of Australia's highest grading historic copper mines.

The group is listed on the LSE and ASX under the ticker "CCZ."

References

- 1) Note - All information referenced is from CCZ ASX Releases, as dated in text, from 1 October 2021 to 28 January 2022 inclusive

Competent Person Statement

The information in this report that relates to Exploration Results for "Big One Deposit" is based on information compiled or reviewed by Mr Mark Biggs. Mr Biggs is both a shareholder and director of ROM Resources, a company which is a shareholder of Castillo Copper Limited. ROM Resources provides ad hoc geological consultancy services to Castillo Copper Limited. Mr Biggs is a member of the Australian Institute of Mining and Metallurgy (member #107188) and has sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, and Mineral Resources. Mr Biggs holds an AusIMM Online Course Certificate in 2012 JORC Code Reporting. Mr Biggs also consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

The information in this announcement that relates to exploration results is based on and fairly represents information reviewed or compiled by Mr Matt Bull, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Bull is a beneficiary of Southern River Investments, a trust which is a shareholder of Castillo Copper Limited. Mr Bull is a shareholder and director of Trilogy Metals Pty Ltd, a company which provides ad hoc geological consultancy services to Castillo Copper Limited. Mr Bull is a Consultant of Castillo Copper Limited. Mr Bull has sufficient experience that is relevant to the styles of mineralisation and types 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". Mr Bull has provided his prior written consent to the inclusion in this announcement of the matters based on information in the form and context in which it appears.

The information in this report that relates to Exploration Results for "Litchfield" and "Picasso" is based on information compiled or reviewed by Mr Geoffrey Reed, a Non- Executive Director of CCZ. Mr Reed is both a shareholder and director of Bluespoint Mining Services, a company which is a shareholder of Castillo Copper Limited. Bluespoint Mining Services provides ad hoc geological consultancy services to Castillo Copper Limited. Mr Reed is a member of the Australian Institute of Mining and Metallurgy (CP) (member #250422) and has sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, and Mineral Resources. Mr Reed is a member of the Australian Institute of Geoscientists. Further, Mr Reed consents to the inclusion in this report of the matters based on information in the form and context in which it appears. Mr Reed has not verified any of the information regarding any of the properties or projects referred to herein other than the "Litchfield" and "Picasso" Properties.

APPENDIX 1: INTEREST IN MINING TENEMENTS HELD

JACKADERRY (CANGAI)
New England Orogen in NSW

Tenement ID	Ownership at start of Quarter	Ownership at end of Quarter	Change during the Quarter
EL8635	100%	100%	-
EL8625	100%	100%	-
EL8601	100%	100%	-

BROKEN HILL			
located within a 20km radius of Broken Hill, NSW			
Tenement ID	Ownership at start of Quarter	Ownership at end of Quarter	Change during the Quarter
EL8599	100%	100%	-
EL8572	100%	100%	-
EL 8434	-	100%	100%
EL 8435	-	100%	100%

MT OXIDE			
Mt Isa region, northwest Queensland			
Tenement ID	Ownership at start of Quarter	Ownership at end of Quarter	Change during the Quarter
EPM 26513	100%	100%	-
EPM 26525	100%	100%	-
EPM 26574	100%	100%	-
EPM 26462	100%	100%	-
EPM 27440	-	100%	100%

ZAMBIA				
Project	Tenement ID	Ownership at start of Quarter	Ownership at end of Quarter	Change during the Quarter
Lumwana North	23914-HQ-SEL	100%	100%	-
Lumwana North	23913-HQ-SEL	100%	100%	-
Mkushi	24659-HQ-LEL	100%	100%	-
Luanshya *	22448-HQ-LEL	-	-	-
Luanshya	25195-HQ-LEL	55%	55%	-
Luanshya	25273-HQ-LEL	55%	55%	-
Mwansa	25261-HQ-LEL	100%	100%	-

*CCZ can earn up to 80% by meeting previously disclosed milestones

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Castillo Copper Ltd

ABN

52 137 606 476

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation		
	(b) development		
	(c) production		
	(d) staff costs		
	(e) administration and corporate costs	(235)	(753)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
1.9	Net cash from / (used in) operating activities	(235)	(753)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) exploration & evaluation	(2,509)	(4,043)
	(e) investments	(26)	(76)
	(f) other non-current assets	-	(36)
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(2,535)	(4,155)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	14	1,756
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(13)	(249)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)*	80	80
3.10	Net cash from / (used in) financing activities	81	1,587

*Relates to seed capital applications received by CCZ subsidiary, Broken Hill Alliance Ltd

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,260	10,854
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(235)	(753)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,535)	(4,155)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	81	1,587

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(7)	31
4.6	Cash and cash equivalents at end of period	7,564	7,564

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,564	10,260
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,564	10,260

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	78
6.2	Aggregate amount of payments to related parties and their associates included in item 2	38

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(235)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(2,509)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(2,744)
8.4	Cash and cash equivalents at quarter end (item 4.6)	7,564
8.5	Unused finance facilities available at quarter end (item 7.5)	

8.6	Total available funding (item 8.4 + item 8.5)	7,564
	Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.8
8.7	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
	8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	Answer: N/A	
	8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
	Answer: N/A	
	8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
	Answer: N/A	
	<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2022

Authorised by: The Board of Castillo Copper Ltd

(Name of body or officer authorising release - see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee - eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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