CASTILLO COPPER LIMITED

ABN 52 137 606 476

Half-year Financial Report

31 December 2019

CORPORATE DIRECTORY

Directors

Robert Scott (Non- Executive Chairman)
Simon Paull (Managing Director)
Gerrard (Ged) Hall (Non-Executive Director)
Matthew Bull (Non-Executive Director)

Company Secretary

Mr. Tim Slate

Registered Office and Principal Place of Business

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140 St Georges Terrace,
Perth, WA 6000
Australia
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Facsimile: + 618 6316 3337

Share Registry

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Level 2
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Perth, WA 6000
Telephone: + 1300 288 664
Facsimile: + 618 9324 2099

Auditors

HLB Mann Judd
Level 4
130 Stirling Street,
Perth, WA 6000 Australia

Securities Exchange Listing

Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
ASX Code: CCZ

DIRECTORS' REPORT

The directors of Castillo Copper Limited and its subsidiaries ("Castillo", "CCZ" or the "Group") submit the financial report of the Group for the half-year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Robert Scott	Non-Executive Chairman
Simon Paull	Managing Director (appointed 23 August 2019)
Gerrard (Ged) Hall	Non-Executive Director
Matthew Bull	Non-Executive Director (appointed 31 December 2019)
Mr Alan Armstrong	Executive Director (resigned 23 August 2019)
Peter Smith	Non-Executive Director (resigned 31 December 2019)

Results

The loss after tax for the half-year ended 31 December 2019 was $1,262,538 (31 December 2018 loss of $478,434).

Review of Operations

During the financial period, the principal activity of the Group was mineral exploration and examination of new resources in eastern Australia and Zambia.

The main focus was to continue evolving the three pillared strategic intent to transform the Company into a mid-tier copper group, make head way with the dual London listing and secure incremental funding to accelerate development work. A more detailed summary of key events follows:

Zambia Pillar

On 10 July 2019, the Company announced that four highly prospective copper projects, covering circa 1,050km^2 in Zambia were to be acquired from Zed Copper (Figure 1).

The four projects are located near large scale producing mines operated by global groups such as Glencore and Barrick Gold, which delivers the Company material exploration upside.

The following provides a brief overview of the projects and relevant work carried out during the period:

Luanshya project:

- Is located near London-based Moxico Resources' advanced Mimbula venture which has a JORC compliant Inferred Resource of 61.1Mt @ 1.18% Cu. Further, the Luanshya project is in the traditional "copper-belt" on NW-SE trending structures, called the Lufilian Arc, that hosts several operating mines including Kankola Mine which has an Inferred Resource of 319.8Mt @ 3.07% Cu.
- During the period, the Company announced exploration activities by the geology team at the Luanshya project confirmed extensive structural targets for copper mineralisation within the tenure boundaries (Figure 2).

DIRECTORS' REPORT (continued)

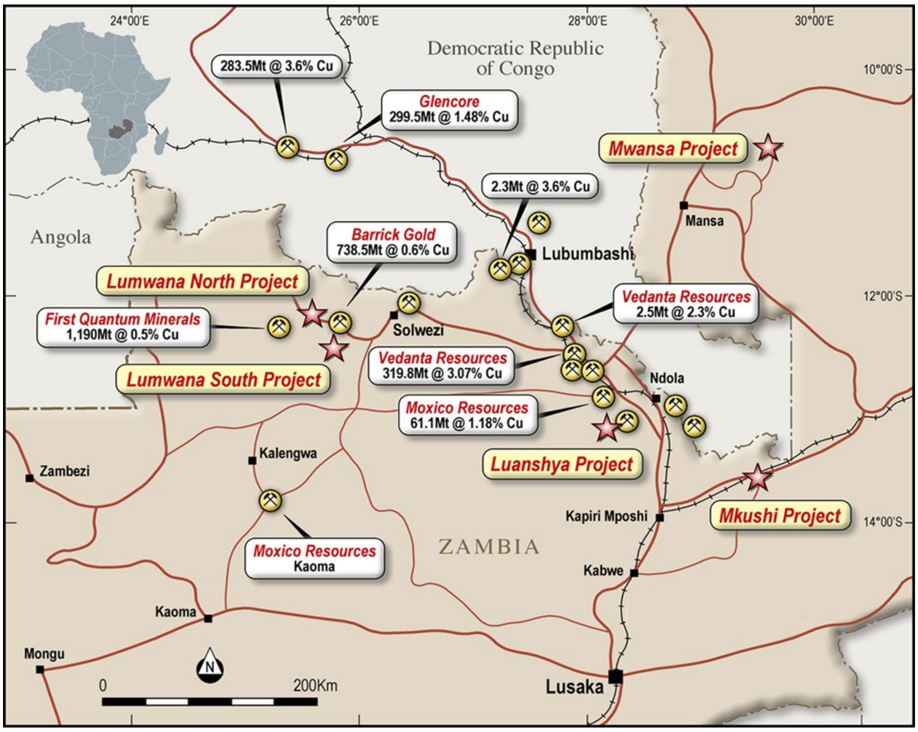


Figure 1: Four Zambia projects
Source: CCZ geology team

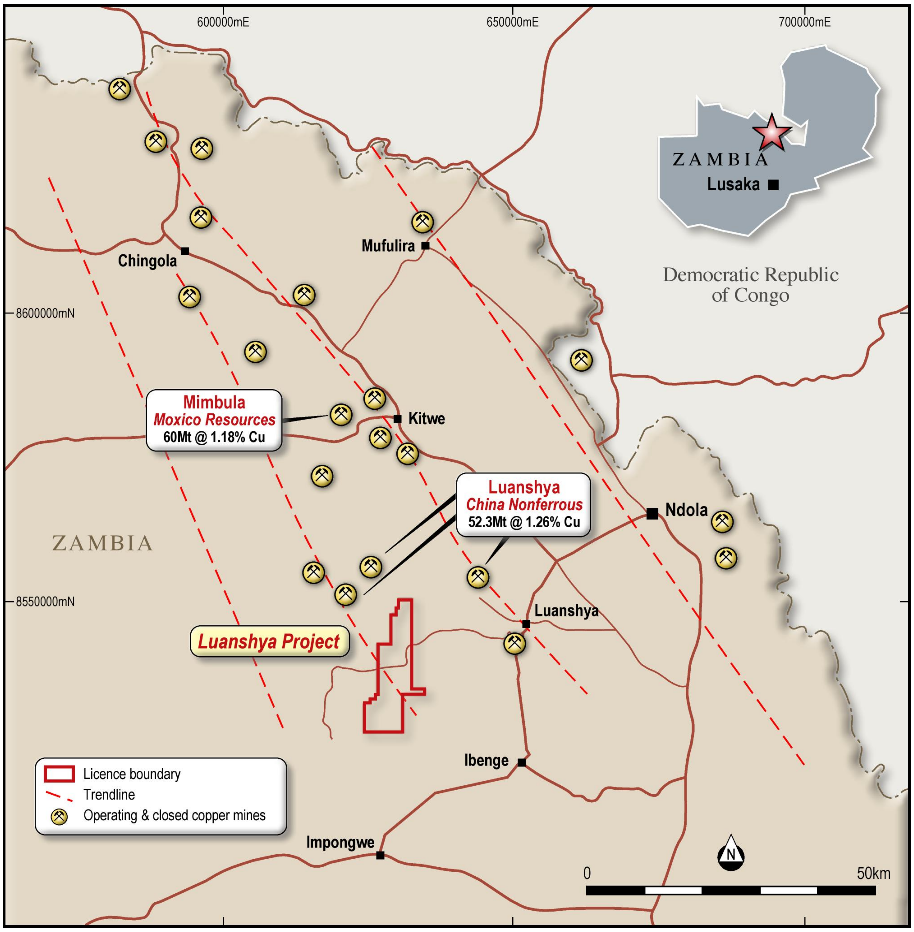


Figure 2: Luanshya Project - Regional Trendlines vs Historic/Current Copper Mines
Source: CCZ geology team

DIRECTORS' REPORT (continued)

Mkushi project:

- Contiguously surrounds an operating open-pit copper mine in a region proven to be highly prospective for copper-gold mineralisation. Notably, the tenure hosts several brownfield targets in granitic intrusions/schists within a major mineralised shear zone.
- On 21 October 2019, the Company verified high priority structural targets were identified for copper mineralisation in the Mkushi project. This coincided with the release of SRK Exploration Services' (SRK) independent review which recommended exploration focus on NE-SW strike extensions to the structured shear zone that intersects Shi & Yang Group's (SYG) contiguous mining lease and the Mkushi project (Figure 3). Moreover, SRK highlighted there is potential that known copper deposits exposed at surface within SYG's mining lease, that are currently being mined, continue under cover – trending SW – within the Mkushi project.
- On 11 November 2019, the Company articulated an exploration campaign where the Company's geology team will progress a systematic soil sampling program that will encompass high priority structural targets – including the 4km strike zone – around the Mkushi project.

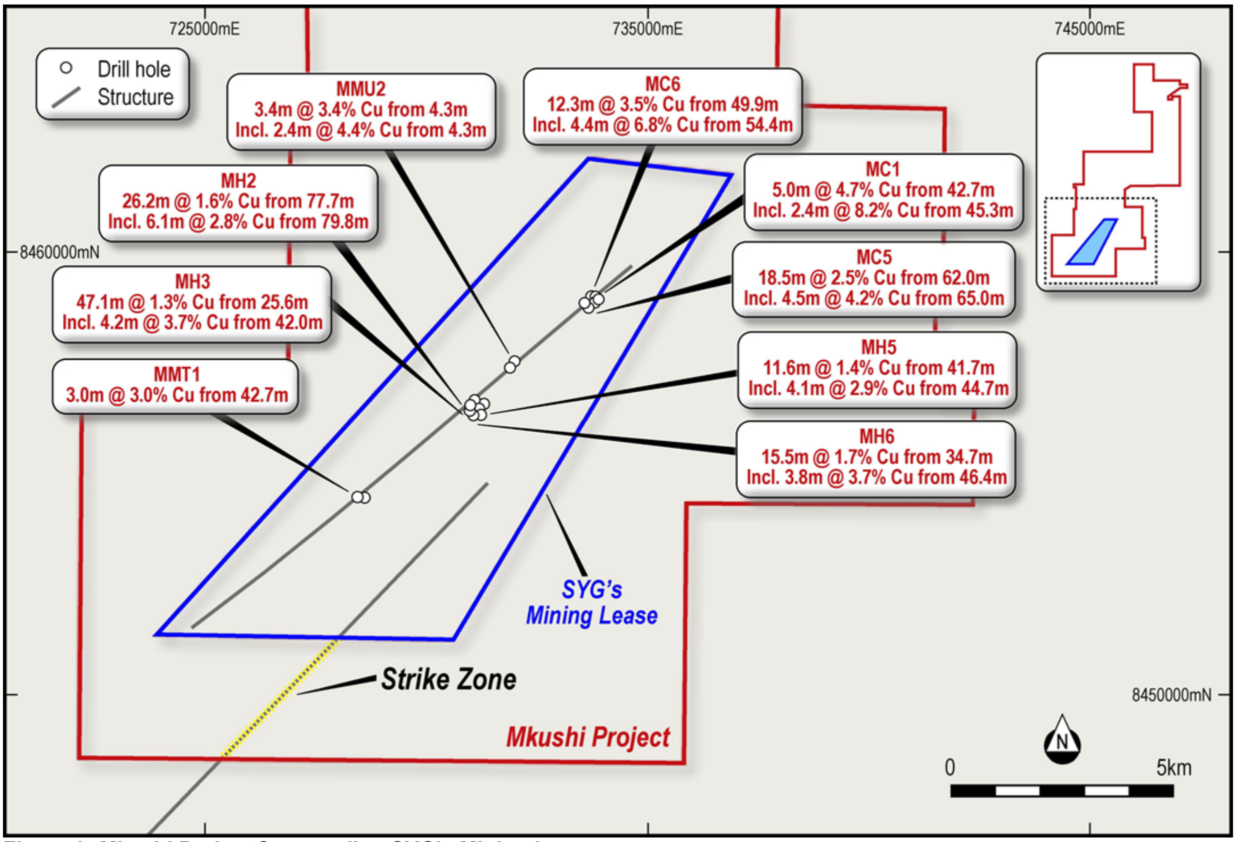


Figure 3: Mkushi Project Surrounding SYG's Mining Lease
Source: CCZ geology team

Lumwana project:

- Situated on a geological structure called the Mombezhi Dome that houses Barrick Gold's Lumwana project which produced 101,600t of copper in 2018 and has NI-43- 101 Proven and Probable Reserves at 375Mt @ 0.6% Cu. Note, the Mombezhi Dome, which is one of several in the "Domes" region in north-west Zambia, hosts a number of sizeable copper occurrences. Demonstrating the "Domes" region's scale, ~100km west of Lumwana N&S is First Quantum Minerals' giant Sentinel Mine, which produced ~224,000t of copper in 2018, while output from its even larger Kansanshi Mine (~200km east) was ~251,000t.

DIRECTORS' REPORT (continued)

Mwansa project:

- Located in the north-east region is relatively under-explored, but delivers upside as it is prospective for copper, manganese & other base metals

Subsequent to period end, on 25 February 2020, the Company completed the acquisition of Zed Copper Pty Ltd.

<u>Mt Oxide Pillar</u>

On 14 October 2019, the Company disclosed that a geological review uncovered two historic deposits at the Mt Oxide pillar. Notably, a forensic geological review discovered heritage reports & data within the Queensland government's mining & resources records that verified the existence of two historic deposits within the Mt Oxide project:

1) The Boomerang Mine is located in the southern central part of the tenure and comprises an 800m strike length which has previously been drill tested for copper mineralisation; and
2) The Big One Deposit is in the northern central part of the project area where historic exploration – including a 21 drill-holes – focused on copper-cobalt mineralisation.

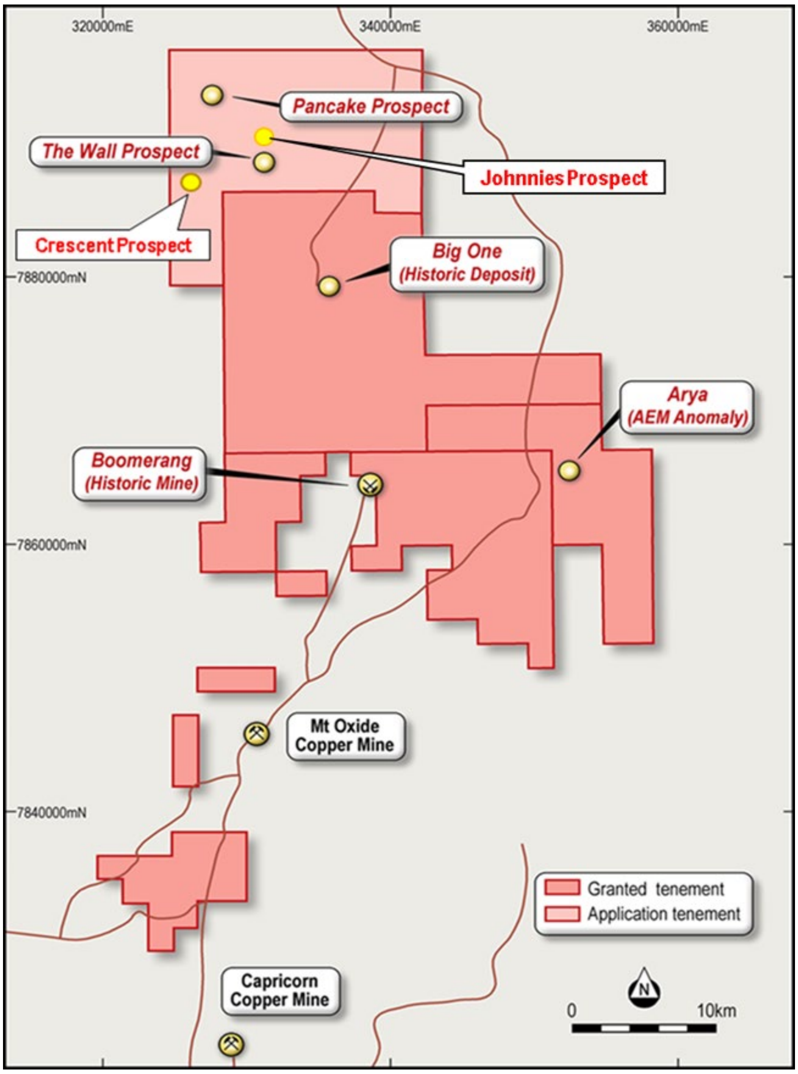


Figure 4: Mt Oxide Project in Mt Isa's Copper-belt
Source: CCZ geology team

Furthermore, these new discoveries complement the Arya Prospect which is interpreted as a massive sulphide exploration target discovered by an aero-electromagnetic survey conducted by Geoscience Australia (Figure 4).

CCZ acquired historic drilling and resource data, undertaken in 1993 by then ASX-listed West Australian Metals (WME), which materially changes the perspectivity of the Mt Oxide pillar, which is in the heart of Queensland's copper-belt, to the upside.

DIRECTORS' REPORT (continued)

Cangai Copper mine pillar

On 6 November 2019, the Company outlined plans to develop the Cangai Copper Mine (CCM) pillar, starting with a Scoping Study, then ultimately through to Bankable Feasibility Study. SRK's finalised report contained specific recommendations to progress developing the project, highlighting the use of downhole electromagnetic geophysics surveying as an additional tool in identifying new massive sulphide zones at depth beyond the known ore body (Figure 5). This aligned with CCZ's geology team as they are optimistic the known orebody can be extended through drill testing these new massive sulphide targets.

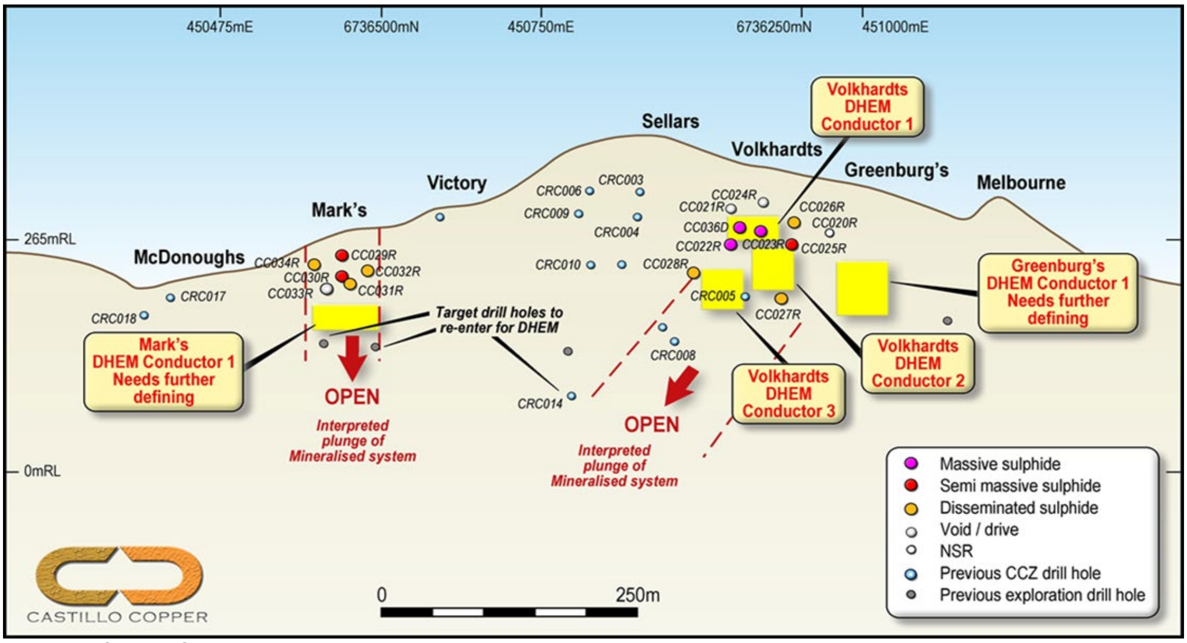


Figure 5: Cangai Copper Mine Pillar – DHEM conductors
Source: CCZ geology team

Meanwhile, on 3 December 2019, CCZ announced metallurgy test-work verified that CCM ore produces commercial grade copper concentrate. Using a representative massive sulphide ore sample extracted from drill hole CC0023R at CCM, a commercial grade concentrate of 22.2% Cu & 7.4% Zn with a recovery of 79.3% of total contained copper was achieved, using standard metallurgical flotation methods.

Chile

Due to the three-pillar strategy, the Company has relinquished its title in the Quebrada Huanta concessions

CORPORATE

Board changes

On 23 August 2019, Mr Simon Paull was appointed as Managing Director. Mr Paull is a senior operational/finance executive with over 25 years' experience in the resources/mining services sectors mostly in Africa.

On 31 December 2019, Mr Matthew Bull was appointed as Non-Executive Director. Mr Bull is an experienced geologist, responsible for managing numerous exploration projects in remote locations in Australia and Sub-Saharan Africa which includes running multi-rig drilling programs with large support teams.

Messrs Alan Armstrong and Peter Smith resigned from the Board on 23 August 2019 and 31 December 2019 respectively.

During the period the Company issued a total of 44,030,500 convertible notes at an issue price of $0.02 per note raising a total of $880,610. The notes were convertible at the higher of A$0.12 or 90% of the 10-day VWAP with a 1 for 1 option exercisable at A$0.05 on or before 1 August 2022.

As at 31 December 2019, 30,605,500 convertible notes have been converted into 39,583,172 fully paid ordinary shares and attaching options, whilst 13,425,000 convertible notes had not been converted into ordinary shares.

DIRECTORS' REPORT (continued)

Events subsequent to period end

On 23 January 2020, the remaining 13,425,000 convertible notes were converted into 18,133,402 fully paid ordinary shares and attaching options.

On 24 February 2020, the Company announced it was teaming up with Impact Minerals and private group Squadron Resources to form the Broken Hill Alliance ("BHA") – an equal coalition among the three groups.

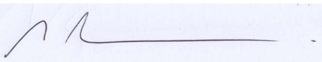
BHA's stakeholders have signed a non-binding Memorandum of Understanding (MOU) formalising their intent to progress this exciting project and commence discussions with potential strategic partners to expedite development.

On 25 February 2020, the Company completed the acquisition of Zed Copper Pty Ltd ("Zed") which owns the four prime assets across Zambia's copper-belt that make up the Company's third strategic copper pillar.

Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 7 and forms part of this directors' report for the half-year ended 31 December 2019.

This report is signed in accordance with a resolution of the Board of Directors.



Simon Paull
Managing Director

13 March 2020

COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Results for the Mkushi Project is based on information compiled or reviewed by Mr Matt Bull, a consultant of Castillo Copper Limited. Mr Bull is a member of the Australian Institute of Geoscientists 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, Mineral Resources and Ore Reserves. Mr Bull 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 report that relates to Exploration Results for the Mt Oxide pillar contained in this announcement is based on a fair and accurate representation of the publicly available information at the time of compiling the ASX Release, and is based on information and supporting documentation compiled by Nicholas Ryan, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Nicholas Ryan is an employee of Xplore Resources Pty Ltd. Mr Ryan has been a Member of the Australian Institute of Mining and Metallurgy for 14 years and is a Chartered Professional (Geology). Mr Ryan is employed by Xplore Resources Pty Ltd. Mr Ryan 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'. Mr Ryan consents to the inclusion in the report of the matters based on his information and the form and context in which it appears.

The information on the page that relates to Exploration Results of the Smelter Creek stockpiles is based on information compiled or reviewed by Mr Mark Biggs, a consultant of Castillo Copper Limited. Mr Biggs is a member of the Australian Institute of Geoscientists 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, Mineral Resources and Ore Reserves. Mr Biggs consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

The Australian Securities Exchange has not reviewed and does not accept responsibility for the accuracy or adequacy of this release.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Castillo Copper Limited for the half-year ended 31 December 2019, 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 review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
13 March 2020

M R Ohm
Partner

hlb.com.au

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Condensed Consolidated Statement of Comprehensive Income
for the half-year ended 31 December 2019

	Note	31 December 2019 $	31 December 2018 $
Interest revenue		203	1,313
Other income	3	81,005	2,767
Revenue		**81,208**	**4,080**
Listing and public company expenses		(71,573)	(63,137)
Accounting and audit expenses		(70,819)	(76,240)
Consulting and directors' fees		(344,253)	(168,011)
Impairment of exploration expenditure	5	(5,633)	-
Share based payments		(223,527)	(28,499)
Other expenses	4	(584,442)	(146,627)
Fair value of financial instruments through profit or loss		47,525	-
Finance costs		(91,024)	-
Loss before income tax		**(1,262,538)**	**(478,434)**
Income tax expense		**-**	**-**
Loss after income tax		**(1,262,538)**	**(478,434)**
Other comprehensive (loss) / income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		20,267	(1,554)
Total comprehensive loss for the half-year		**(1,242,271)**	**(479,988)**
Loss per share attributable to owners of Castillo Copper Limited			
Basic loss per share (cents per share)		(0.19)	(0.08)
Diluted loss per share (cents per share)		(0.19)	(0.08)

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position
as at 31 December 2019

	Note	31 December 2019 $	30 June 2019 $
Assets			
Current Assets			
Cash and cash equivalents		1,798,933	177,972
Other receivables		82,084	21,933
Total Current Assets		**1,881,017**	**199,905**
Non-Current Assets			
Other receivables		117,100	106,100
Deferred exploration and evaluation expenditure	5	4,887,398	4,777,776
Other non-current assets		25,000	25,000
Total Non-Current Assets		**5,029,498**	**4,908,876**
Total Assets		**6,910,515**	**5,108,781**
Current Liabilities			
Trade and other payables		358,355	128,764
Provisions	6	121,090	121,090
Borrowings	7	230,919	-
Derivative liability	7	20,860	-
Total Current Liabilities		**731,224**	**249,854**
Total Liabilities		**731,224**	**249,854**
Net Assets		**6,179,291**	**4,858,927**
Equity			
Issued capital	8	20,209,738	17,870,979
Reserves		3,144,388	2,900,245
Accumulated losses		(17,174,835)	(15,912,297)
Total Equity		**6,179,291**	**4,858,927**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2019

	Issued Capital $	Share-Based Payment Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
Balance as at 1 July 2019	**17,870,979**	**3,023,570**	**(123,325)**	**(15,912,297)**	**4,858,927**
Total comprehensive loss for the half-year					
Loss for the half-year	-	-	-	(1,262,538)	(1,262,538)
Other comprehensive income	-	-	20,267	-	20,267
Total comprehensive loss for the half-year	**-**	**-**	**20,267**	**(1,262,538)**	**(1,242,271)**
Transactions with owners in their capacity as owners					
Shares issued to sophisticated investors	1,817,500	-	-	-	1,817,500
Shares issued to advisors	75,000	-	-	-	75,000
Conversion of convertible notes	612,110	-	-	-	612,110
Share issue costs	(165,851)	-	-	-	(165,851)
Share based payments	-	163,656	-	-	163,656
Equity component on issuing convertible notes	-	60,220	-	-	60,220
Balance at 31 December 2019	**20,209,738**	**3,247,446**	**(103,058)**	**(17,174,835)**	**6,179,291**
Balance as at 1 July 2018	**16,767,910**	**2,943,901**	**(130,498)**	**(13,987,315)**	**5,593,998**
Total comprehensive loss for the half-year					
Loss for the half-year	-	-	-	(478,434)	(478,434)
Other comprehensive loss	-	-	(1,554)	-	(1,554)
Total comprehensive loss for the half-year	**-**	**-**	**(1,554)**	**(478,434)**	**(479,988)**
Transactions with owners in their capacity as owners					
Shares issued to sophisticated investors	1,230,000	-	-	-	1,230,000
Share issue costs	(130,195)	-	-	-	(130,195)
Balance at 31 December 2018	**17,867,715**	**2,943,901**	**(132,052)**	**(14,465,749)**	**6,213,815**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2019

	Note	31 December 2019 $	31 December 2018 $
Cash flows from operating activities			
Payments to suppliers and employees		(761,172)	(466,853)
Interest received		203	1,313
Insurance refund		81,005	-
Net cash outflow from operating activities		**(679,964)**	**(465,540)**
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	2,767
Tenement expenditure guarantees		(18,500)	(56,100)
Payments for exploration and evaluation expenditure		(246,394)	(1,407,777)
Rental refund upon tenement relinquishment		23,993	-
Net cash outflow from investing activities		**(240,901)**	**(1,461,110)**
Cash flows from financing activities			
Proceeds from issue of shares		1,832,630	1,230,000
Proceeds from convertible note issue		878,963	-
Repayment of unissued share capital		(10,000)	-
Prepayment for issue of shares		-	10,000
Share issue costs paid		(165,851)	(75,000)
Net cash inflow from financing activities		**2,535,742**	**1,165,000**
Net increase / (decrease) in cash and cash equivalents		1,614,877	(761,650)
Cash and cash equivalents at 1 July		177,972	1,710,498
Effect of exchange rate fluctuations on cash held		6,084	(2,020)
Cash and cash equivalents at 31 December		**1,798,933**	**946,828**

The accompanying notes form part of these financial statements.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

This general purpose financial report of Castillo Copper Limited and its subsidiaries (the Group) for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 13 March 2020.

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 principal activities of the Group are described in the Directors' Report.

Basis of Preparation

This financial report for the half-year ended 31 December 2019 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

These half-year financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial statements.

It is recommended that the half-year financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2019 and considered together with any public announcements made by Castillo Copper Limited during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations of the ASX listing rules.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period. The accounting policies and methods of computation adopted are consistent with those of the previous financial year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The consolidated financial statements have been prepared on the basis of historical cost.

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 period ended 31 December 2019 of $1,262,538 and a net cash outflow from operating activities of $679,964. At 31 December 2019, the Group had a net asset position of $6,179,291. The cash and cash equivalents balance at 31 December 2019 was $1,798,933.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. As announced in June 2019, the Company is seeking a secondary listing on the London Stock Exchange and expect to raise up to £1.8 million.

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.

New and amending Accounting Standards and Interpretations

In the half-year ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2019. 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 material change is necessary to Group accounting policies.

The Group has no leasing arrangements in place at balance date or 1 July 2019.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2019. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to the Group accounting policies.

NOTE 2: SEGMENT REPORTING

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 are consistent with the information provided in the statement of comprehensive income, statement of financial position and 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.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2019

NOTE 3: OTHER INCOME

	6 months to 31 December 2019 $	6 months to 31 December 2018 $
Other income (1)	81,005	2,767
	81,005	**2,767**

(1) Other income in 2019 relates to the reimbursement of corporate investigation costs incurred during negotiations with the NSW Resources Regulator in relation to the enforceable undertaking agreement, which was accepted in August 2019.

NOTE 4: OTHER EXPENSES

Included in the other expenses are the following items:

	6 months to 31 December 2019 $	6 months to 31 December 2018 $
Administrative expenses	38,099	82,145
Legal fees	385,500	11,401
Travel and accommodation	34,368	21,379
Other expenses	126,475	31,702
	584,442	**146,627**

NOTE 5: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	6 months to 31 December 2019 $	Year ended 30 June 2019 $
Exploration and evaluation phase:		
Opening balance	4,777,776	3,978,765
Exploration and evaluation expenditure during the period	115,255	1,654,740
Rehabilitation capitalised against asset	-	121,090
Impairment[1]	(5,633)	(976,819)
Closing balance	**4,887,398**	**4,777,776**

The ultimate recoupment of costs carried forward as exploration expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

[1]For the current period, these impairments relate predominantly to the Malborough project as the Directors have relinquished this project. For the period ending 30 June 2019, these impairments related predominantly to the Broke Hill project.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2019

NOTE 6: PROVISIONS

	6 months to 31 December 2019 $	Year ended 30 June 2019 $
Opening balance	121,090	-
Provision for rehabilitation	-	121,090
Closing balance	**121,090**	**121,090**

NOTE 7: BORROWINGS

	6 months to 31 December 2019 $	Year ended 30 June 2019 $
Borrowings		
Convertible Notes – Host debt liability	230,919	-
	230,919	-
Derivative Liability		
Convertible Notes – Embedded derivative liability at fair value	20,860	-
	20,860	-
Total Borrowings	**251,779**	**-**

On 27 August 2019, the Company issued 26,850,000 convertible notes ('the August Notes') with a maturity date of 3 August 2020 which were convertible into ordinary shares and free attaching options at a conversion rate of $0.012 per share or at 90% of the 10 day Volume Weighted Average Price ('VWAP') provided the conversion is above $0.012. The August notes were converted into ordinary shares on 27 September 2019.

On 19 November 2019, the Company issued 3,755,500 convertible notes ('the November Notes') with a maturity date of 19 November 2020 which were convertible into ordinary shares and free attaching options at the same rate as the August Notes. The November notes were converted into ordinary shares on 3 December 2019.

On 11 December 2019, the Company issued 13,425,000 convertible notes ('the December Notes') with a maturity date of 6 December 2020 which are convertibles into ordinary shares and free attaching options at the same rate as the August Notes. The December notes were not converted into ordinary shares at 31 December 2019.

a) Classification of convertible notes

In classifying the components of the convertible notes issued during the year as debt and/or equity, the Group has considered the terms of the note agreements and has determined that, as the convertible notes can be converted to share capital at the option of the holder, and the number of shares to be issued is not fixed (i.e. is determined by reference to a VWAP and denominated in a foreign currency), each contains an embedded derivative liability and host debt contract. The embedded derivative liability is calculated (at fair value) first and the residual value is assigned to the host debt contract. The embedded derivative liability is subsequently measured at fair value and movements in fair value are reflected in the statement of profit or loss and other comprehensive income.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2019

NOTE 7: BORROWINGS continued

In assessing the fair value of the embedded derivative liability, the Group engaged an independent valuation expert who applied a Monte Carlo simulation methodology, based on a variety of significant unobservable inputs. As a result, the valuation of the derivative liabilities represent a level 2 measurement within the fair value hierarchy. The key inputs to the valuation model were as follows:

	August Notes	November Notes	December Notes
Share price on issue date	$0.016	$0.020	$0.017
Implied Volatility	70%	70%	70%
Time to maturity	1 year	1 year	1 year
Risk free rate	1 to 1.5%	1 to 1.5%	1 to 1.5%
Dividend Yield	Nil	Nil	Nil

Conversion price
a) A$0.012 per share; or
b) 90% of 10-day VWAP provided the conversion is above $0.012;

Modelling
1. 1,000 price iterations were run for each trading day;
2. It was assumed that the Notes would run to maturity for valuation purposes;
3. For the Notes outstanding on 31 December 2019, the maturity of the Notes was 6 December 2020

b) Reconciliation of movement in convertible notes on issue

	6 months to 31 December 2019	
Details	**No. of convertible notes**	**$**
Balance at the beginning of the period	-	-
Proceeds of issue	44,030,500	880,610
Derivative liability at initial value	-	(66,900)
Options at valuation	-	(61,705)
Finance costs	-	91,024
Notes converted	(30,605,500)	(612,110)
Closing balance	**13,425,000**	**230,919**

(c) Reconciliation of movement in value of embedded derivative liability at fair value

Details	**6 months to 31 December 2019 $**
Balance at the beginning of the period	-
Initial recognition of derivative liability	66,900
Fair value movement through profit or loss	(46,040)
Closing balance	**20,860**

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2019

NOTE 8: ISSUED CAPITAL

	31 December 2019 $	30 June 2019 $
Issued and paid up capital		
Issued and fully paid	20,209,738	17,870,979

	6 months to 31 December 2019		Year ended 30 June 2019	
	Number of shares	$	Number of shares	$
Movements in issued capital				
Opening balance	641,594,475	17,870,979	580,094,475	16,767,910
Shares issued to sophisticated investors	90,875,000	1,817,500	61,500,000	1,230,000
Shares issued to advisors	3,750,000	75,000	-	-
Conversion of convertible notes	39,583,172	612,110	-	-
Transaction costs of share issue	-	(165,851)	-	(126,931)
Closing balance	**775,802,647**	**20,209,738**	**641,594,475**	**17,870,979**

Share options

At 31 December 2019 there were 165,874,839 (30 June 2019: 104,500,000) unissued ordinary shares under option. A total of 96,000,000 options relate to share based payment arrangements as detailed below.

The following share-based payment arrangements were in place during the period:

Series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date	Vesting date
1	15,000,000	5 July 2017	5 July 2020	$0.03	$0.008	5 July 2017
2	6,000,000	5 July 2017	30 June 2020	$0.03	$0.008	19 October 2017
3	4,000,000	19 October 2017	30 June 2020	$0.03	$0.023	19 October 2017
4	17,000,000	16 May 2018	31 December 2023	$0.10	$0.018	16 May 2018
5	15,000,000	1 February 2019	1 February 2022	$0.05	$0.003	1 February 2019
6	5,000,000	1 February 2019	31 December 2023	$0.05	$0.005	1 February 2019
7	22,000,000	3 December 2019	2 December 2022	$0.05	$0.005	3 December 2019
8	3,000,000	3 December 2019	2 December 2022	$0.05	$0.005	Subject to vesting conditions
9	3,000,000	31 December 2019	31 December 2022	$0.05	$0.005	31 December 2019
10	6,000,000	31 December 2019	31 December 2022	$0.05	$0.006	Subject to vesting conditions

During the period 42,500,000 options expired, with an exercise price of $0.065 and a fair value at grant date of $0.0159. No options were exercised during the period and no options have been issued or exercised since the end of the financial year.

(a) Weighted average fair value

The fair value of the equity-settled options granted during the period was 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, as follows:

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2019

NOTE 8: ISSUED CAPITAL continued

	Series									
	1	2	3	4	5	6	7	8	9	10
Expected volatility (%)	120	120	112	100	87	87	92	92	92	92
Risk-free interest rate (%)	2.2	2.2	1.9	1.9	1.9	1.9	0.77	0.77	0.77	0.77
Expected life of option (years)	3	3	3	5.6	3	4.9	3	3	3	3
Exercise price (cents)	3	3	3	10	5	5	5	5	5	5
Grant date share price (cents)	1.8	1.8	4.4	3.9	1.6	1.6	1.8	1.8	2.0	1.7

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.

NOTE 9: FINANCIAL INSTRUMENTS

Fair value measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

The following tables shows the levels within the hierarchy of financial assets and liabilities measured at fair value in a recurring basis as at 31 December 2019 and 30 June 2019.

	Fair value hierarchy	Valuation Technique	**31 December 2019 $**	**30 June 2019 $**
Embedded derivative liability	Level 2	Monte Carlo simulation methodology	20,860	-

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2019

NOTE 10: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 11: SUBSEQUENT EVENTS

On 23 January 2020, the remaining 13,425,000 convertible notes were converted into 18,133,402 fully paid ordinary shares and attaching options.

On 20 February 2020, the Company announced it had executed a Share Sale Agreement ("SSA") with Zed Copper Pty Ltd ("Zed") to acquire four high-quality projects across the copper-belt in Zambia. In accordance with the terms of the SSA, the Company will issue to the Zed Vendors in their respective proportions:

a) 31,250,000 fully paid ordinary shares (subject to a 12-month escrow period);
b) 46,875,000 performance shares, converting to an equal number of Company shares on delineation of a JORC resource of 200,000 tonnes of contained copper at a minimum grade of 0.5% within 5 years of execution of the SSA; and
c) 46,875,000 performance shares, converting to an equal number Company shares on completion of a preliminary feasibility study demonstrating an internal rate of return greater than 25% within 5 years of execution of the SSA.

In addition, the vendors can execute a royalty deed providing for a net smelter return of 2% on the sale of concentrates from the projects.

On 25 February 2020, following satisfaction of all outstanding conditions precedent, the acquisition of Zed was completed via acquisition of 100% of the issued capital. The acquisition date fair value is yet to be finalised.

On 24 February 2020, the Company announced their strategic intent to establish the Broken Hill Alliance ('BHA'), a newly formed coalition comprising the Company, Impact Minerals and Squadron Resources. Each stakeholder has signed a non-binding Memorandum of Understanding formalising their intent to progress with the project.

On 26 February 2020, the Company announced that a General Meeting is to be held 27 March 2020. At the General Meeting of Shareholders, the Company will seek approval for the issue of up to 180,000,000 shares under the public offer to raise up to £1,800,000 (before costs) in support of the company's proposed LSE dual listing.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Castillo Copper Limited (the 'Company'), the directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 19, are in accordance with the Corporations Act 2001, including:
    a. complying with Accounting Standard AASB 134: Interim Financial Reporting; the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
    b. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-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.

Simon Paull
Managing Director

13 March 2020

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Castillo Copper Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Castillo Copper Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Castillo Copper Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R Ohm
Partner

Perth, Western Australia
13 March 2020