



# MARCH QUARTERLY ACTIVITIES REPORT

ASX Release

30 April 2020

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**Directors / Officers:**

Rob Scott  
Simon Paull  
Gerrard Hall  
Matt Bull

**Chief Financial Officer:**

Alan Armstrong

**Issued Capital:**

825.2 million shares  
245.5 million options  
93.7 million performance  
shares

**ASX Symbol:**

CCZ

## HIGHLIGHTS

- **Mt Oxide Pillar:**
  - ❖ Historic drill data verifies grades up to 28.4% Cu from <50m in supergene ore at the Mt Oxide pillar
  - ❖ Mt Oxide pillar highlighted in IOCG targets identified by Geoscience Australia
  - ❖ Independent consultant confirms IOCG and Mt Isa style mineralisation targets at Mt Oxide pillar – uncovered as part of a comprehensive review
- **Zambia Pillar:**
  - ❖ Mkushi soil sampling materially extends potential strike lengths
- **Broken Hill Alliance:**
  - ❖ MOU to develop sizeable Broken Hill project that is highly prospective for base metals
- **Corporate:**
  - ❖ Acquisition of four high-quality projects in Zambia completed
  - ❖ Dual listing on the London Stock Exchange approved
- **Subsequent to the period close:**
  - ❖ Reduction in Board compensation

**Castillo Copper Limited's ("CCZ" or "the Company")** is pleased to present shareholders its latest quarterly report for the period 1 January to 31 March 2020.

During the period, much of the focus was on the Mt Oxide pillar after significant historic information was uncovered, while regulatory approval to list on the Standard Board of the London Stock Exchange was secured. The strategic intent to develop the three pillars and transform CCZ into a mid-tier copper group remains completely intact. A fuller summary of key events follows:

## **DEVELOPMENT WORK**

To recap, the three pillars comprise the Mt Oxide project in Mt Isa's copper-belt, four assets across Zambia's copper-belt and the historic Cangai Copper Mine (CCM) in NSW.

### **Mt Oxide Pillar**

On 14 January 2020, CCZ released historic drill data that verifies grades **up to 28.4% Cu** from <50m in supergene ore at Big One Deposit within the Mt Oxide pillar. As a result of forensic geology work, CCZ secured original logs and assay results from a 27-hole (1,673m) RC drilling campaign dating back to 1992-93 for then listed, West Australian Metals' (ASX: WME).

The results produced excellent economic copper intercepts, which materially enhance the Mt Oxide pillar's exploration upside, including:

- **B07: 3m @ 12.25% Cu from 42m incl: 2m @ 17.87% Cu from 43m; and 1m @ 28.40% Cu from 44m**
- **B05: 8m @ 2.33% Cu from 44m incl: 6m @ 3.00% Cu from 45m; and 5m @ 3.28% Cu from 45m**
- **B06: 4m @ 2.20% Cu from 44m incl: 2m @ 3.19% Cu from 46m and 1m @ 3.63% Cu from 47m**
- **B25: 6m @ 1.55% Cu from 66m incl: 5m @ 1.79% Cu from 66m and 2m @ 2.08% Cu from 66m**
- **B26: 3m @ 1.36% Cu from 73m incl: 2m @ 2.29% Cu from 73m and 1m @ 1.02% Cu from 74m**
- **B02: 2m @ 1.45% Cu from 36m incl: 1m @ 2.48% Cu from 37m**

Further, in 1997, ~4,400t of supergene ore was mined from the Big One Deposit within the historic mining lease (ML5481), with an average achieved grade of ~3.5% Cu.

In addition, historic production records for Boomerang Mine from 1944-74 verified that 4,211t of oxide ore was mined grading circa 6% Cu, with output of 251t copper metal.

On 10 February 2020, CCZ announced work undertaken by Geoscience Australia, in collaboration with CSIRO, that uses machine learning techniques – analysing aero-magnetic survey data – to generate mineral suite maps, highlighted the Mt Oxide pillar is prospective for IOCG mineralisation.

Encouragingly, these insights from a conference in December 2019, show the Mt Oxide Pillar sits within a new area that is defined as prospective for IOCG mineralisation which includes the Big One Deposit and Arya prospect.

Holistically, this newly discovered area is adjacent to the Mt Isa resource hub, in a region that is known to be highly prospective for copper mineralisation. Interestingly, Geoscience Australia identified CCZ, along with Anglo American, as groups to take up / expand new ground within this region.

On 19 February 2020, CCZ announced standout insights from analysing extensive incremental historic reports, from former mining leases that intersected the Mt Oxide pillar, which inferred the mineralisation is consistent with mines / deposits across Mt Isa's globally renowned mining province.

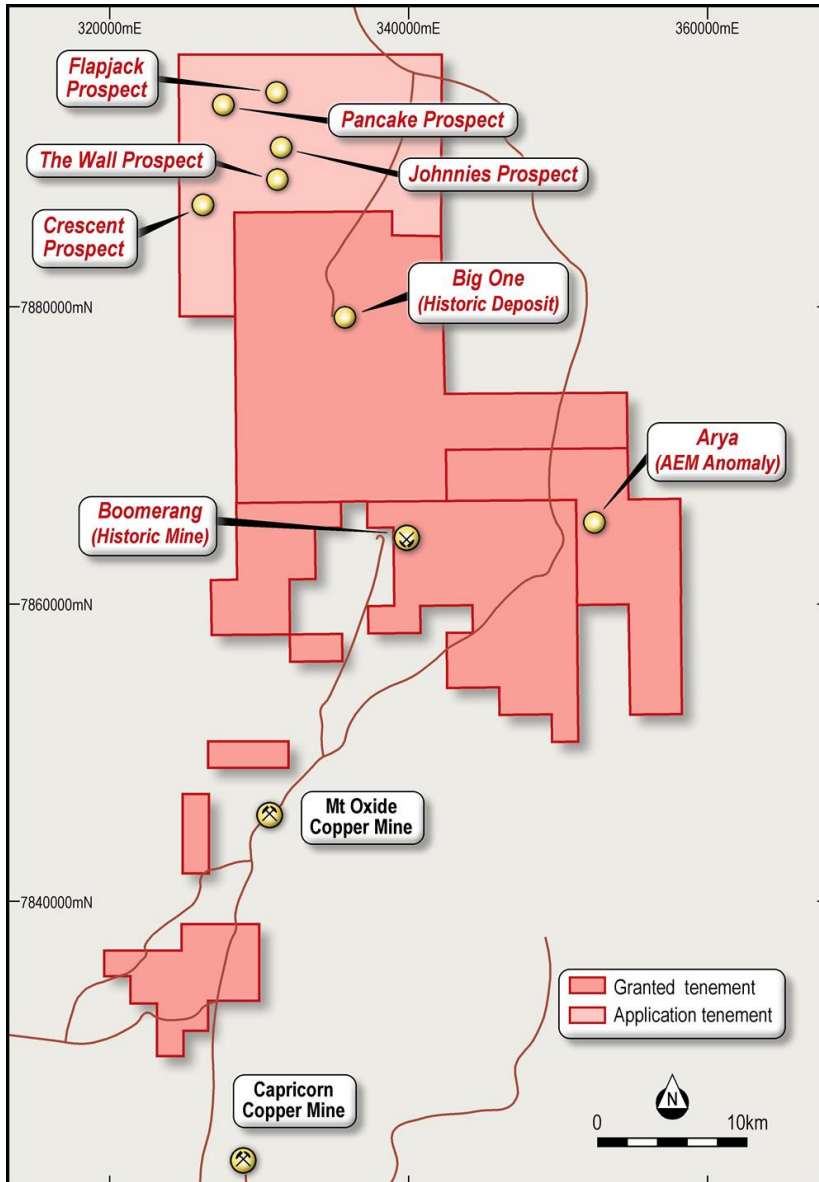
Across the Mt Oxide pillar, interpretations by CCZ's geology team – from reviewing the newly obtained historical reports – confirm there are several mineralisation styles, and when aggregated, enhance the overall exploration upside, including:

- High-grade shallow copper within supergene ore;
- Mt Isa style signatures based on high-grade copper-zinc-lead-gold-silver readings in surface outcropping;

- Large massive sulphide targets identified from airborne electro-magnetic (AEM) surveys;
- IOCG targets identified from federal government agencies / in-house research; and
- Notable visible gold-silver identified at surface.

CCZ's geology team have performed considerable work on the eight prospects (Figure 1) within the Mt Oxide pillar and will be reporting significant details on each of them once all work has been finalised.

**FIGURE 1: EIGHT PROSPECTS AT MT OXIDE PILLAR**



Source: CCZ geology team

On 18 March 2020, an independent geology consultant, having reviewed >15,000 assay values across >3,000 historic data locations at the Mt Oxide pillar, reaffirmed there are three IOCG & two Mt Isa style mineralisation targets.

Of the eight prospects currently in focus within the Mt Oxide pillar, the mineralisation styles include:

- Three IOCG: Arya, Crescent & Flapjack
- Two Mt Isa style: Pancake & The Wall
- Two Supergene / Oxide ore: Big One Deposit & Boomerang Mine
- Shear-hosted copper: Johnnies

Encouragingly, there is potential for these prospects to deliver high-grade, near surface deposits suitable for open-pit operations that could feed into a centralised onsite or external third-party processing facility.

For this release, the prospect in focus was The Wall (Mt Isa style), in the northern quadrant, which has an anomalous zone (400m by 225m) with soil samples that assayed up to 7,163ppm Zn, 2,023ppm Pb and 1,464ppm Cu coincident with an aerial GEOTEM conductor.

On 25 March 2020, CCZ announced that further detailed work on the Pancake prospect, within the Mt Oxide pillar, by an independent geology consultant highlighted the potential for IOCG mineralisation. This was determined after reconciling haematitic alterations with the IOCG perspectivity observed by Geoscience Australia.

Encouragingly, factoring in Pancake, there are now four IOCG targets within the Mt Oxide pillar including Arya, Crescent & Flapjack prospects.

Other than IOCG potential, the initial work on Pancake verified it was prospective for Mt Isa style mineralisation based on alteration characteristics and high-grade surface results which included:

- Soil samples up to 670ppm Cu, 1,320ppm Pb & 4,600ppm Zn; and
- Rock chips up to 433ppm Cu, 2,460ppm Pb & 7,140ppm Zn

Moreover, analysing historic geochemical data holistically enabled a sizeable zinc-lead with copper anomalous zone to be identified – the dimensions circa 950m E-W by 150m N-S.

Historic aerial & ground electro-magnetic surveys identified two sub-surface anomalies: one characterised as a shallow source adjacent to mapped north-west trending faults, with the other modelled as moderate depth source dipping to the east.

Interpreting the historic geochemical and geophysical data for the Pancake prospect has enabled preliminary targets for test-drilling to be readily identified.

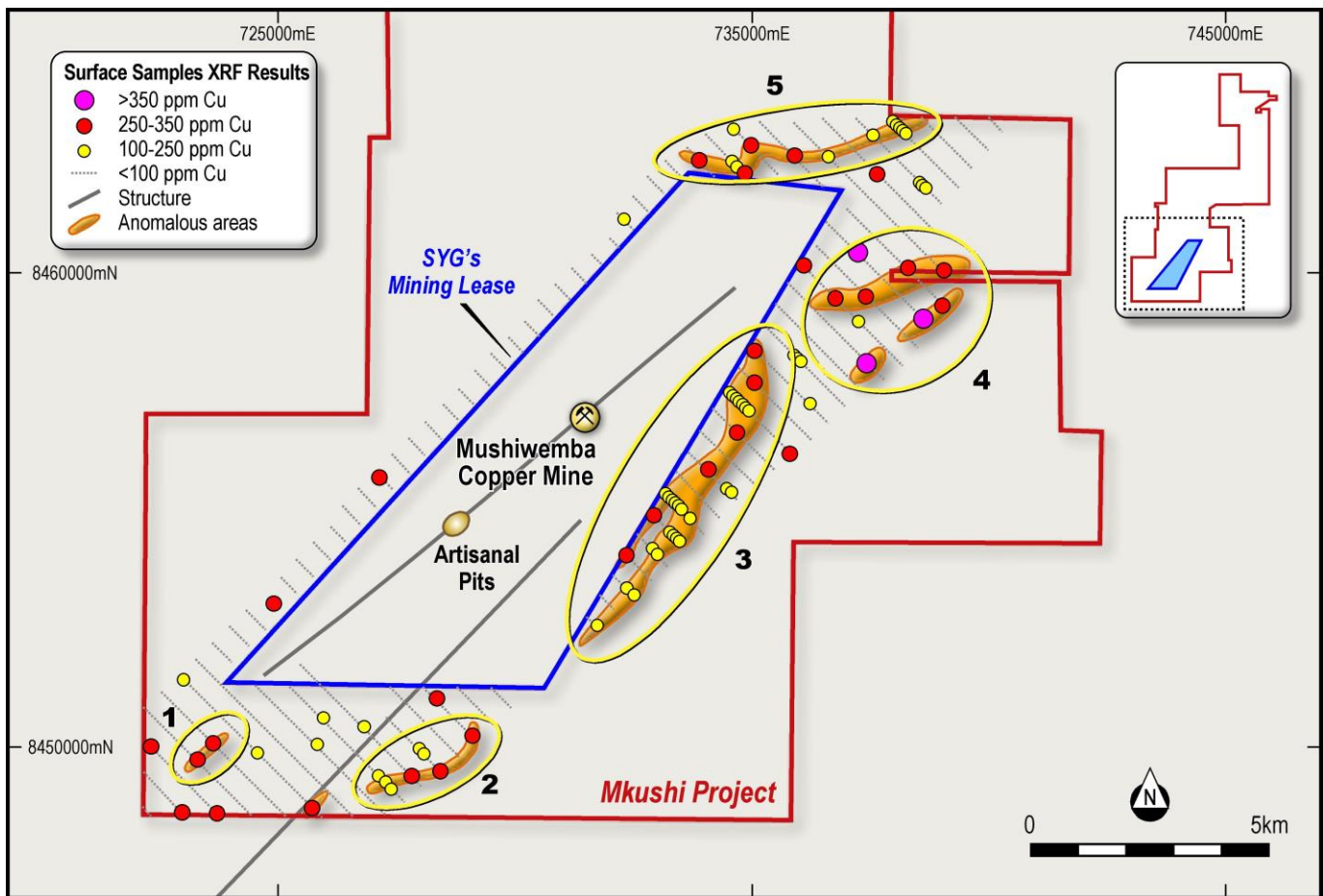
### **Zambia Pillar**

On 22 January 2020, CCZ announced a comprehensive copper-focused soil sampling campaign was completed at the Mkushi project around Shi Yang Group's (SYG's) operating mining lease, comprising 1,126 data points, and delivered the following outcomes:

- Five new, well-defined, anomalous areas identified (coded 1 to 5), with respective strike lengths ranging from 2-7km (20.5km in aggregate); and
- Relative to Mushiwemba Copper Mine (MCM) and artisanal pits along the northern high-grade shear zone, which are currently being mined, the five new anomalous areas are located circa 2-7km SW – NE on the same over-riding system.

Subject to verification by geophysics, the five new anomalous areas could potentially extend the known shear zones – from the high-grade areas currently being mined in SYG’s ground – further into the Mkushi project (Figure 2).

**FIGURE 2: FIVE ANOMALOUS AREAS AND NEW STRIKE AREAS AT MKUSHI PROJECT**



Source: CCZ geology team

**BROKEN HILL ALLIANCE**

On 24 February 2020, CCZ announced it had signed a non-binding Memorandum of Understanding (MOU) to develop a sizeable Broken Hill project that is highly prospective for base metals. The vehicle housing the project, Broken Hill Alliance (BHA), is a newly formed equal coalition comprising CCZ, Impact Minerals (ASX: IPT) & private group Squadron Resources (SR).

BHA is set to own the largest tenement footprint surrounding the world-class Broken Hill zinc-lead-silver deposit in NSW. CCZ will contribute its highly prospective tenure to BHA, which complements quality tenements from the two other groups.

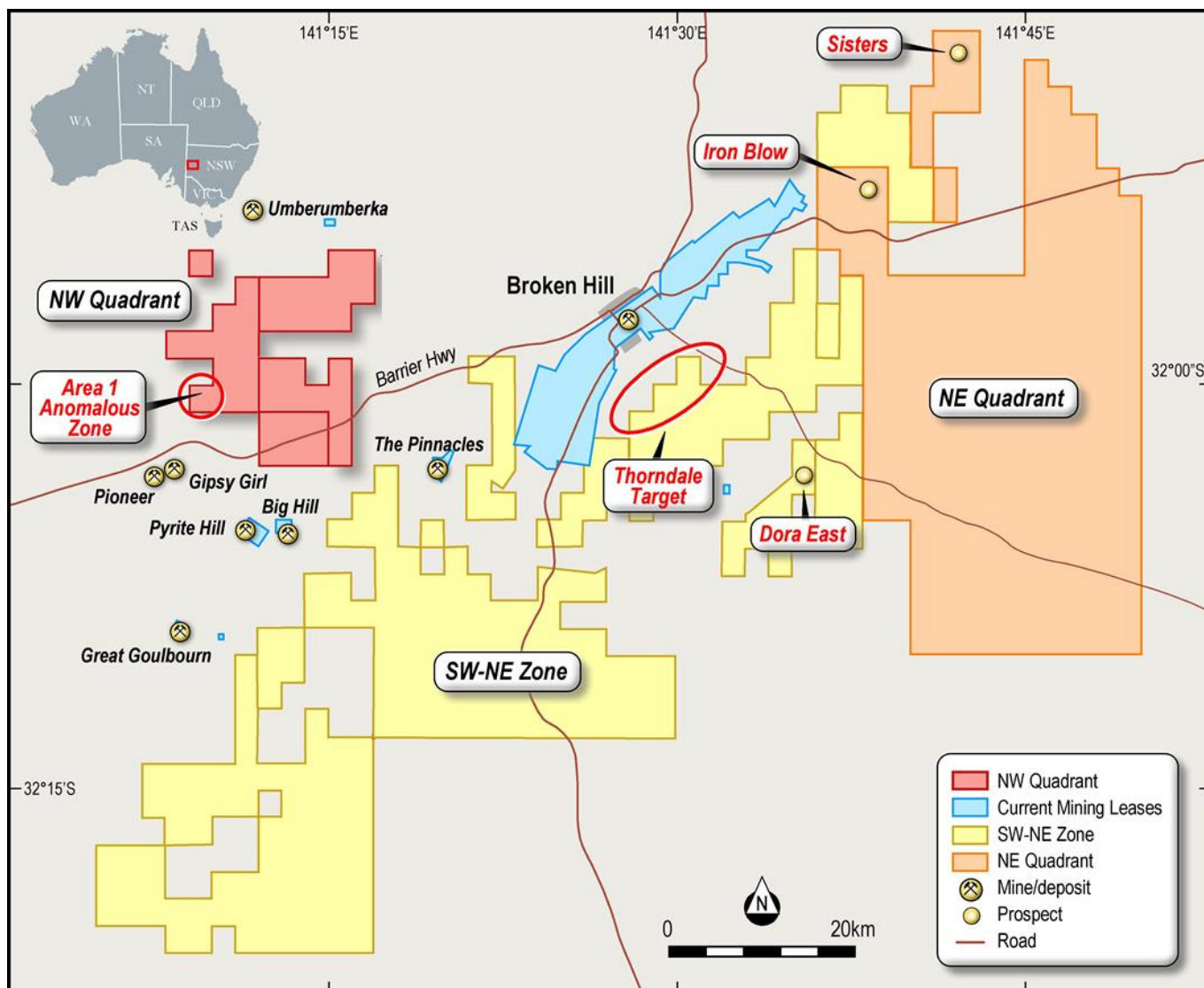
BHA’s project area is highly prospective for base metals. Whilst several priority targets have been identified, the project area has been under-explored over the past two decades. Moving forward, BHA’s stakeholders will progress this exciting project and commence discussions with potential strategic partners to expedite development.

The project delivers clear demonstrable exploration upside highlighted by historic drilling on BHA’s ground which hit significant mineralisation at Dora East, a priority target:

- **5.1m @ 10% Zn, 0.8% Pb & 40.4 g/t Ag from 148.4m including 1m @ 26.8% Zn, 2.8% Pb & 133 g/t Ag from 148.9m; and 1m @ 21.4% Zn, 0.8% Pb & 31.5 g/t Ag from 152.5m (drill-hole RHDO018)<sup>1</sup>**

A closer review of the underlying geology within the proposed BHA tenure, highlights there is a significant pipeline of exploratory work ahead (Figure 3).

**FIGURE 3: BHA'S TENURE SUB-COMPONENTS**



Note: Tenure contributions as follows: SW-NE Zone (Impact Minerals; IPT); NW Quadrant (CCZ); and NE Quadrant (Squadron Resources; SR)

Source: BHA geology team

## CORPORATE

- **Grant of waiver to ASX Listing Rule 14.7:** On 19 February 2020, the regulator granted a waiver from ASX Listing Rule 14.7 in relation to the Zed Copper acquisition approved by shareholders on 6 November 2019.
- **Share sale agreement executed:** On 20 February 2020, CCZ executed the Share Sale Agreement (“SSA”) with Zed Copper Pty Ltd (“Zed Copper”) to acquire four high-quality projects across the copper-belt in Zambia.
- **Cleansing prospectus:** On 21 February 2020, an offer of up to 100,000 shares at an issue price of \$0.02 each to raise up to \$2,000 before costs was issued. The Cleansing prospectus was prepared primarily for the purposes of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of certain shares issued prior to the closing date.



- **Zambia copper pillar acquisition complete:** On 25 February 2020, CCZ completed the acquisition of Zed Copper, which owns the four prime assets across Zambia's copper-belt that make up the third strategic copper pillar.

As per the terms set out in the Heads of Agreement, which was announced on 10 July 2019, CCZ paid the Zed Copper Vendors \$25,000 upon signing the SSA. Note, CCZ had already paid \$25,000 post executing the HoA in mid-2019.

At completion and in accordance with the terms of the SSA, CCZ issued to the Zed Copper 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 CCZ 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 CCZ 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.

- **Notice of General Meeting:** On 26 February 2019, CCZ announced a that General Meeting was to be held at the office of Blackwall Legal at Level 26, 140 St Georges Terrace, Perth, Western Australia on Friday, 27 March 2020, commencing at 10.00am WST
- **London listing approved:** The Financial Conduct Authority in the UK approved the prospectus for CCZ to dual list on the Standard Board of the London Stock Exchange – however, CCZ will wait for stability in financial markets before proceeding.
- **Results of General Meeting:** On 27 March 2020, CCZ published the results of the General Meeting, which all carried and are summarised below:
  - ❖ Ratification of issue of placement securities;
  - ❖ Ratification of issue of broker securities;
  - ❖ Ratification of issue of shares;
  - ❖ Ratification of issue of broker options;
  - ❖ Approval for the issue of 2018 placement options;
  - ❖ Approval for the issue of broker shares; and
  - ❖ Approval for the issue of shares under the public offer.

## POST PERIOD EVENT

- **Reduction in Board compensation:** From 1 April 2020, CCZ's four Board members have agreed to take a 50% reduction in their directors' fees as part of a series of measures to preserve cash in an environment where equity funding from capital markets remains challenging.
- **New Company Secretary Appointed:** On 1 April 2020, CCZ's new CoSec, Mr Dale Hanna, was appointed. He has 20 years' experience working in CFO, CoSec, corporate advisory and

governance roles. Mr Hanna commenced his career with Ernst & Young, Perth. Subsequently, he has worked with many listed-ASX groups primarily involved in the mining and natural resources sectors, ranging from exploration, development and production phases.

Mr Hanna's appointment coincides with the departure of Mr Tim Slate who advised the Board earlier in the year he would be leaving at the end of March 2020 to progress other business interests.

## **Simon Paull**

### **Managing Director**

Note – All information referenced is from CCZ ASX Releases, as dated in text, from 1 January to 28 April 2020 inclusive

- 1) IPT ASX Release – 1 April 2015, 10 December 2015, 18 February 2016 & 31 October 2018

### **About Castillo Copper**

The group is embarking on a strategic transformation to morph into a mid-tier copper group underpinned by three core pillars:

- **Pillar I:** Cangai Copper Mine in northern New South Wales, which is one of Australia's highest grading historic copper mines with a JORC inferred resource of 3.2Mt @ 3.35% Cu.
- **Pillar II:** The Mt Oxide project in the Mt Isa district, north-west Queensland, which delivers significant exploration upside through having a sizeable untested anomaly within its boundaries in a copper-rich region.
- **Pillar III:** Several high-quality prospective assets in Zambia, which is the second largest copper producer in Africa.

In addition, Castillo Copper is progressing a dual listing on the standard board of the London Stock Exchange.