

CASTILLO COPPER

CASTILLO COPPER LIMITED

ABN 52 137 606 476

Half-year Financial Report
31 December 2020

CORPORATE DIRECTORY

Directors

Robert Scott (Non- Executive Chairman)

Simon Paull (Managing Director)

Gerrard Hall (Non-Executive Director)

Company Secretary

Dale Hanna

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Auditors

HLB Mann Judd (WA Partnership)

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Securities Exchange Listing

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

ASX Code: CCZ

London Stock Exchange

LSE Code: CCZ

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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 2020. 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
Gerrard (Ged) Hall	Non-Executive Director

Results

The loss after tax for the half-year ended 31 December 2020 was \$1,138,450 (31 December 2019 loss of \$1,262,538).

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. Specifically, the Group has four properties comprising Mt Oxide Project in Mt Isa's copper-belt, four assets across Zambia's copper-belt, historic Cangai Copper Mine and BHA Project – a large footprint near Broken Hill's world class silver-zinc-lead deposit in NSW.

The main focus was to continue developing the core assets to ensure the strategic intent to transform Castillo Copper into a mid-tier copper group remained on track. Further, ensure the successful listing in London and raising adequate capital to deliver on the business plan.

A more detailed summary of key events follows:

Mt Oxide Project

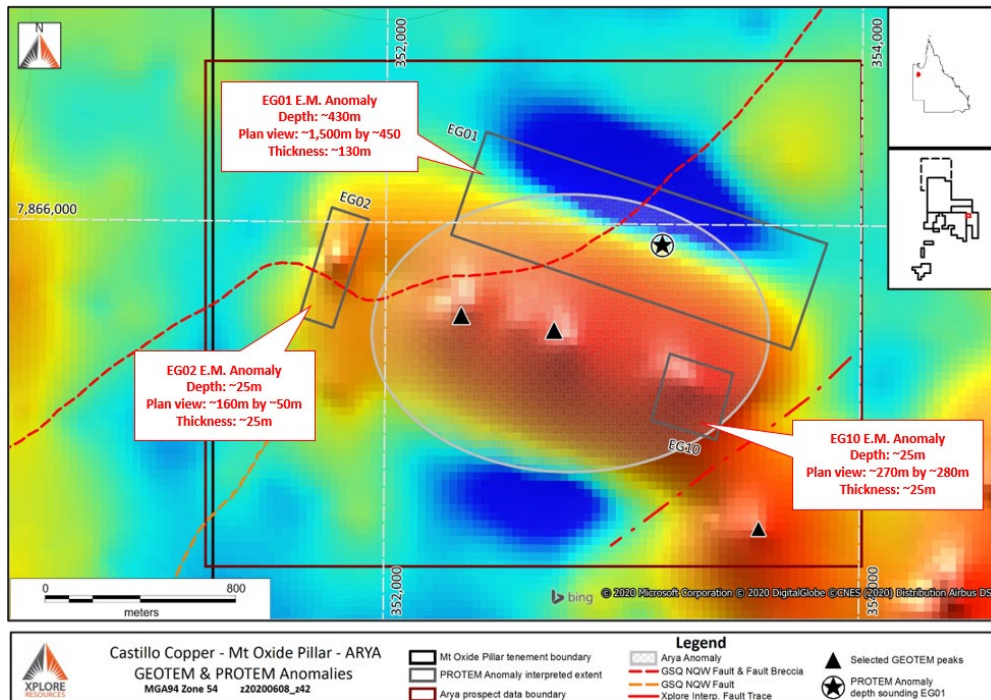
On 1 July 2020, CCZ's geology team finalised the RC drilling campaign for the Arya project (Figure 1), which comprises ~3,432m over 14 drill-holes, within an area ~1,500m by ~1,000m, with targets near surface and interpreted deeper geophysical anomalies.

Three deep vertical drill-holes, spaced ~210m apart, targeted an interpreted potential massive sulphide bedrock conductor (EG01), which is ~130m thick, with dimensions ~1,500m by ~450m, and ~426m deep.

The remaining eleven drill-holes focused on several near surface targets including bedrock conductors, EG02 and EG10, which have the potential to be supergene mineralisation. Both are ~25m below surface and ~25m thick, with dimensions ~160m by 50m and ~270m by 280m respectively.

DIRECTORS' REPORT (continued)

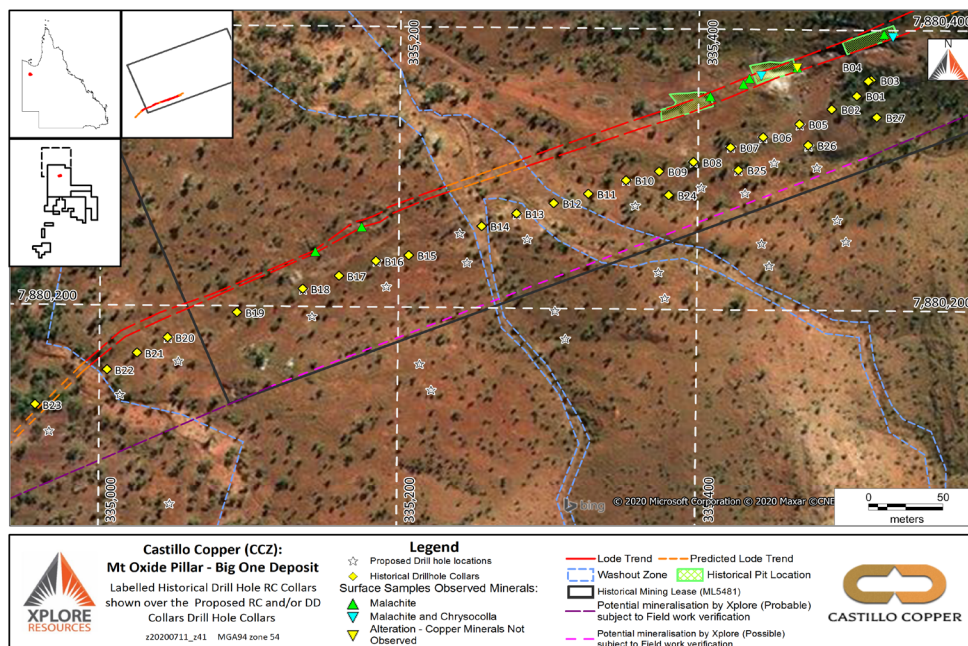
FIGURE 1: DRILL TARGETS AT ARYA PROSPECT – ELECTROMAGNETIC ANOMALIES



Source: CCZ geology team (refer CCZ ASX Release – 4 September 2019)

On 14 July 2020, CCZ released detailed plans for the Big One Deposit drilling campaign which comprises a 4,385m RC drilling campaign, over 35 drill-holes, which will focus on a strike zone (~580m by ~120m) to test for mineralisation from ~26m up to ~190m below surface. Further, an incremental 160m diamond drilling campaign, targeting two drill-holes that are testing primarily for shallow mineralisation from ~26m up to ~52m below surface (Figure 2).

FIGURE 2: RC & DD DRILLING TARGETS AT BIG ONE DEPOSIT



Source: Xplore Resources (refer to CCZ ASX Releases - 14 January, 3 June and 14 July 2020)

DIRECTORS' REPORT (continued)

On 10 August 2020, CCZ announced it is now fully funded to ramp up its exploration efforts across tier one assets, with the Mt Oxide Project the priority. As part of pre-drilling formalities, CCZ's geology team visited the high-grade Big One Deposit and noted:

- A prominent shear zone and surface outcrop with visible copper mineralisation; and
- The preliminary site visit at the Big One Deposit confirmed the location of the three pits with visible copper mineralisation.

On 19 August 2020, CCZ's geology team pegged 35 drill-sites at the Big One Deposit in readiness for the upcoming drilling campaign. In addition, massive hematite / cuprite chalcocite vein mineralisation was visually identified which provides credence that the Big One Deposit could potentially be part of a larger IOCG mineralised system. Concurrently, the team collected 24 rock chip samples along strike – for follow up analysis – from stockpiles and historic pit workings which visually confirmed the presence of supergene oxide (malachite) and massive sulphide (chalcocite) mineralisation at surface.

On 31 August 2020, CCZ secured an agreement in-principle to appoint Depco Drilling as the lead contractor for the upcoming RC and diamond drilling campaigns at the Big One Deposit and Arya Prospect. Depco Drilling is a privately owned Queensland based group, which has been operating since the early 1960s and has significant experience across multiple projects in the Mt Isa Basin area.

Further, in a major validation for the Mt Oxide Project, Depco Drilling have agreed, subject to legal review and CCZ shareholder approval, to accept a material proportion of their fees in CCZ shares, with a six-month voluntary escrow period.

On 7 September 2020, as part of an ongoing geological review, CCZ's geology team completed a review of the Valparaisa Prospect, interpreting it to be prospective for structurally controlled copper mineralisation.

On 14 September 2020, CCZ announced its geology team continued detailed field analysis at the Big One Deposit with 24 rock-chip samples collected from historic workings at the Big One Deposit, being reconciled against desktop reports which determined the following:

- Most of the rock-chip samples are interpreted to be from highly mineralised ore, since they comprise high-grade copper oxide and supergene mineralisation;
- Specifically, observed copper mineralisation occurs as massive veinlets / crackfill veins, while at surface as malachite, azurite, cuprite and chalcocite; and
- CCZ's geology team believe the previous operator excavated high-grade mineralised ore but never dispatched it for processing, possibly due to financial constraints at the time.

On 24 September 2020, CCZ released assay results from 24 rock chip samples – taken from excavated ore and unexplored areas across the Big One Deposit which confirmed the existence of high-grade copper mineralisation. Notably, the best results comprised 33.2% Cu (11515), 32.1% Cu (11518) and 26.6% Cu (11508) respectively with the average 6.7% Cu across the 24 samples.

On 6 October 2020, CCZ's geology team completed the study on all ten prospects within the Mt Oxide Project. The final part of the study reviewed the Eldorado target area which is circa 4km south-east from the Arya Prospect. The geology team interpreted the Eldorado target is prospective for structurally controlled copper mineralisation but a detailed follow up field trip is necessary to formulate a thorough exploration plan.

DIRECTORS' REPORT (continued)

On 9 October 2020, CCZ's geology team confirmed they had largely finalised all necessary logistics with key stakeholders, enabling the drilling campaign at the Mt Oxide Project to commence.

On 27 October 2020, CCZ announced the RC drilling campaign at the Big One Deposit had commenced (Figure 3). The program comprises 4,385m over 35 drill-holes, which will focus on a strike zone (~580m by ~120m) to test for mineralisation from ~26m up to ~190m below surface. Further, an incremental 160m diamond drilling campaign, targeting two drill-holes, will test primarily for shallow mineralisation from ~26m up to ~52m below surface.

FIGURE 3: DRILLING STARTING AT BIG ONE DEPOSIT



Source: Location: 7,880,306E, 335,422N Source: CCZ geology team (ASX Release – 27 October 2020)

On 16 November 2020, CCZ announced, after inspecting samples from the first seven drill-holes completed at the Big One Deposit, the geology team had observed visible copper oxide (malachite) and sulphide (chalcocite) mineralisation in wide intercepts up to 13m at shallow depths.

On 30 November 2020, CCZ announced that assays verified shallow copper mineralisation **up to 4.14% Cu¹** at Big One Deposit. The results, which were based on visually logged mineralised intersected, highlighted shallow copper mineralisation apparent within four drill-holes, with the best economic intercepts being:

- **RC_213: 7m @ 1.37% Cu from 57m incl: 3m @ 2.18% Cu from 58m**
- **RC_211: 1m @ 4.14% Cu from 65m**
- **RC_206: 7m @ 0.54% Cu from 55m incl: 2m @ 1.35% Cu from 60m**
- **RC_207: 4m @ 0.43% Cu from 85m incl: 2m @ 1.03% Cu from 85m¹**

On 14 December 2020, CCZ announced a further six drill-holes completed at the Big One Deposit all intersected visible, shallow copper oxides & sulphides up to 12m indicating potential extensions to known mineralisation at depth providing a compelling case for scalability. These included:

- **BO_301RC: 12m cumulative – 3m from 28-31m & 9m from 32-41m – Black copper oxides and malachite (oxide)**

DIRECTORS' REPORT (continued)

- **BO_303RC: 10m cumulative - 3m from 25-28m & 7m from 28-35m – Black copper oxides, malachite (oxide), and chalcocite (sulphide)**
- **BO_306RC: 7m cumulative – 4m from 93-97m and 3m from 99-102m – Malachite, pyrite, and chalcocite**
- **BO_305RC: 5m cumulative – 4m from 30-34m & 1m from 39-40m – Malachite and chalcocite**
- **BO_302RC: 3m from 36-39m – Black copper oxides**
- **BO_304RC: 1m from 81-82m – Azurite and malachite**

On 9 October 2020, CCZ's geology team have largely finalised all necessary logistics with key stakeholders, enabling the drilling campaign at the Mt Oxide Project to commence.

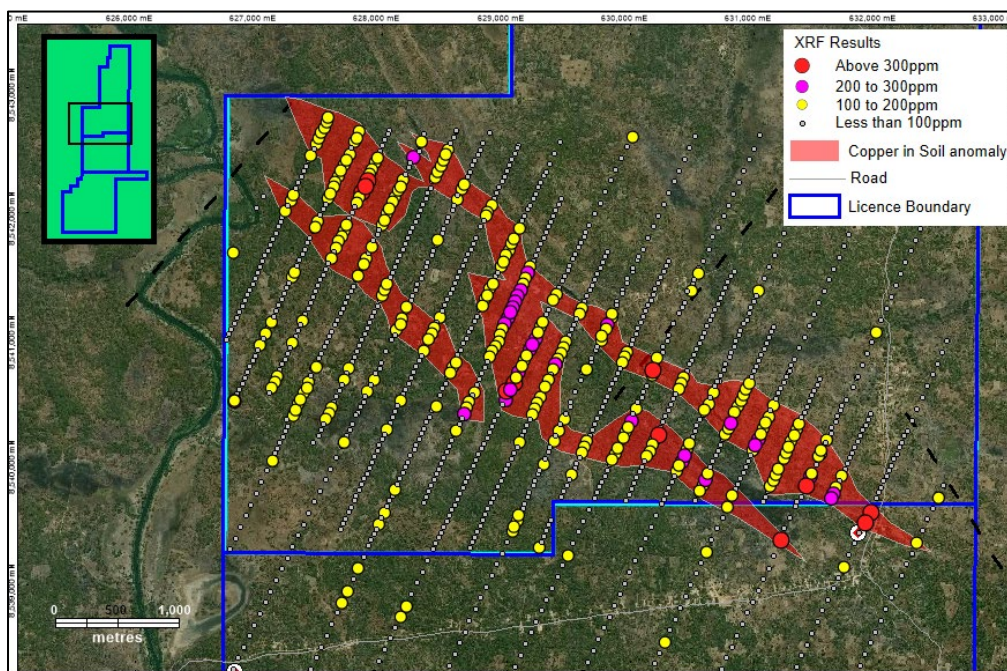
On 26 October 2020, CCZ confirmed that drilling commenced at Big One Deposit and will then progress to the Arya Prospect.

Zambia Projects

On 3 September 2020, CCZ's Zambian geology team has completed a comprehensive infill surface sampling campaign at the highly prospective Luanshya Project (Figure 4) which has delivered encouraging results:

- Ratification that a high-priority target for copper mineralisation, along a circa 6km strike event, is apparent; and
- Building on the first campaign, undertaken in April 2020, the geology team properly demarcated the anomalous area which highlighted portable XRF results up to 2,600ppm Cu.

FIGURE 4: LUANSHYA PROJECT – SOIL SAMPLES XRF RESULTS



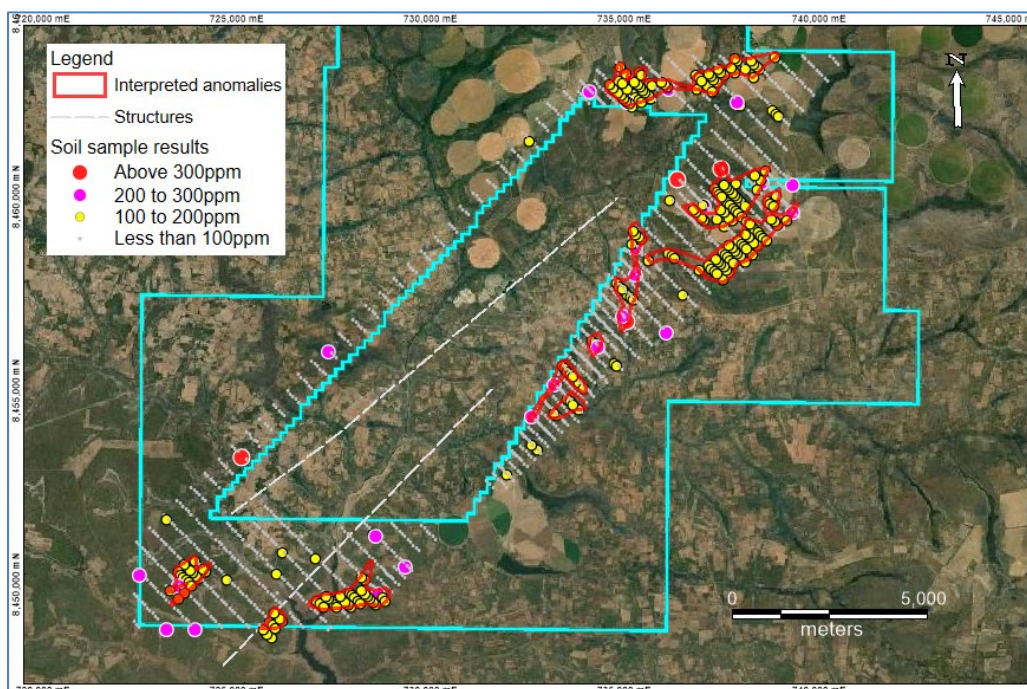
Source: CCZ geology team (refer CCZ ASX Release – 3 September 2020)

DIRECTORS' REPORT (continued)

On 2 November 2020, CCZ's Zambian geology team completed a systematic infill soil sampling campaign at the prospective Mkushi Project in Zambia's copper-belt. The campaign, which comprised 702 infill samples, was undertaken to derive a better understanding of copper anomalism apparent within the tenure boundaries.

The samples were analysed using a portable XRF analyser which is consistent with previous field work. Overall, the results confirmed eight target areas with significant copper anomalism and extended strike lengths, ranging 1.5km - 4.2km¹, compared with the January 2020 campaign.

FIGURE 5: MKUSHI PROJECT – SOIL SAMPLES XRF RESULTS



Note: Shows spatial distribution of previous and infill soil sample results coloured using their copper grades
 Source: CCZ Zambian geology team (ASX Release – 2 November 2020)

New South Wales assets

On 30 September 2020, in a transformational move, which delivers a large footprint proximal to Broken Hill's world-class silver-zinc-lead deposit, CCZ agreed terms to acquire Wyloo Metals tenements. The acquisition, which forms the BHA Projec, delivers CCZ a commanding ground position in Broken Hill, while significant technological advances now infer it's footprint is prospective for Broken Hill Type zinc-silver-lead and Iron-Oxide-Copper-Gold mineralisation.

No material work was undertaken on Cangai Copper Mine during the review period.

Corporate

The following corporate related events occurred during the review period:

- **Publication of Prospectus:** On 27 July 2020, CCZ's prospectus, which relates to admitting its ordinary shares to the Standard Segment of the Official List of the Financial Conduct Authority and London Stock Exchange's (LSE), was published.

DIRECTORS' REPORT (continued)

- **LSE admission update:** On 3 August 2020, CCZ announced that it expected that Admission to the LSE would become effective and that dealings would commence at 8am on 4 August 2020 which was subsequently confirmed.

Events subsequent to period end

On 15 January 2021, unlisted options were exercised at an exercise price of \$0.05 per option, converting to 1,800,000 fully paid ordinary shares for total cash consideration of \$90,000.

On 19 January 2021, the Company announced it is considering divestment strategies for the Broken Hill asset, including a possible spin-off of the asset into a new vehicle which could be listed in either London or Australia.

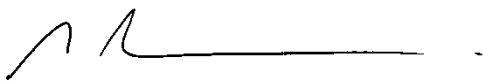
On 1 February 2021, unlisted options were exercised at an exercise price of \$0.05 per option, converting to 2,000,000 fully paid ordinary shares for total cash consideration of \$100,000.

On 10 February 2021, unlisted options were exercised at an exercise price of \$0.05 per option, converting to 1,000,000 fully paid ordinary shares for total cash consideration of \$50,000.

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 9 and forms part of this directors' report for the half-year ended 31 December 2020.

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



Simon Paull
Managing Director

12 March 2021

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 a consultant to Castillo Copper Limited and is employed by Rom Resources Ltd (ROM), a company which he is both a director and shareholder. ROM is a shareholder of CCZ. Mr Biggs 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 report that relates to Exploration Results for the Mkushi and Luanshya Projects is based on information compiled or reviewed by Mr Matt Bull. Mr Bull is a consultant to Castillo Copper Limited and is employed by Resource Corporate Pty Ltd, a company which he is both a director and shareholder. Resource Corporate Pty Ltd is a shareholder of CCZ. Mr Bull provides ad hoc geological consultancy services to 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 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 2020, 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
12 March 2021



M R Ohm
Partner

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Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2020

	Note	31 December 2020 \$	31 December 2019 \$
Interest revenue		497	203
Other income	3	-	81,005
Revenue		497	81,208
Listing and public company expenses		(174,841)	(71,573)
Accounting and audit expenses		(107,057)	(70,819)
Consulting and directors' fees		(320,766)	(344,253)
Impairment of exploration expenditure	5	-	(5,633)
Share-based payments		(318,830)	(223,527)
Other expenses	4	(217,453)	(584,442)
Fair value of financial instruments through profit or loss		-	47,525
Finance costs		-	(91,024)
Loss before income tax		(1,138,450)	(1,262,538)
Income tax expense		-	-
Loss after income tax		(1,138,450)	(1,262,538)
Other comprehensive (loss) / income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(322)	20,267
Total comprehensive loss for the half-year		(1,138,772)	(1,242,271)
Loss per share attributable to owners of Castillo Copper Limited			
Basic loss per share (cents per share)		(0.11)	(0.19)
Diluted loss per share (cents per share)		(0.11)	(0.19)

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position
as at 31 December 2020

	Note	31 December 2020 \$	30 June 2020 \$
Assets			
Current Assets			
Cash and cash equivalents		3,115,057	3,129,958
Other receivables		240,600	63,718
Total Current Assets		3,355,657	3,193,676
Non-Current Assets			
Other receivables		349,100	117,100
Deferred exploration and evaluation expenditure	5	7,113,310	5,748,198
Total Non-Current Assets		7,462,410	5,865,298
Total Assets		10,818,067	9,058,974
Current Liabilities			
Trade and other payables		792,885	443,559
Provisions	6	-	121,090
Total Current Liabilities		792,885	564,649
Total Liabilities		792,885	564,649
Net Assets		10,025,182	8,494,325
Equity			
Issued capital	7	25,349,456	23,034,322
Reserves		3,568,643	3,214,470
Accumulated losses		(18,892,917)	(17,754,467)
Total Equity		10,025,182	8,494,325

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2020

	Note	Issued Capital \$	Share-Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
Balance as at 1 July 2020		23,034,322	3,366,315	(151,845)	(17,754,467)	8,494,325
Loss for the half-year		-	-	-	(1,138,450)	(1,138,450)
Other comprehensive income		-	-	(322)	-	(322)
Total comprehensive loss for the half-year		-	-	(322)	(1,138,450)	(1,138,772)
Transactions with owners in their capacity as owners						
Shares issued in London Stock Exchange IPO		2,454,515	-	-	-	2,454,515
Shares issued to advisors		249,000	-	-	-	249,000
Share issue costs		(458,381)	35,665	-	-	(422,716)
Shares issued from Exercise of Options		70,000	-	-	-	70,000
Share based payments		-	318,830	-	-	318,830
Balance at 31 December 2020	7	25,349,456	3,720,810	(152,167)	(18,892,917)	10,025,182
Balance as at 1 July 2019		17,870,979	3,023,570	(123,325)	(15,912,297)	4,858,927
Loss for the half-year		-	-	-	(1,262,538)	(1,262,528)
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

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2020

	Note	31 December 2020 \$	31 December 2019 \$
Cash flows from operating activities			
Payments to suppliers and employees		(480,738)	(761,172)
Interest received		497	203
Insurance refund		-	81,005
Net cash outflow from operating activities		(480,241)	(679,964)
Cash flows from investing activities			
Tenement expenditure guarantees		(232,000)	(18,500)
Payments for exploration and evaluation expenditure		(1,274,653)	(246,394)
Payments for acquisition of tenements		(216,548)	-
Rental refund upon tenement relinquishment		-	23,993
Net cash outflow from investing activities		(1,723,201)	(240,901)
Cash flows from financing activities			
Proceeds from issue of shares		2,524,515	1,832,630
Proceeds from convertible note issue		-	878,963
Repayment of unissued share capital		-	(10,000)
Share issue costs paid		(279,715)	(165,851)
Net cash inflow from financing activities		2,244,800	2,535,742
Net increase in cash and cash equivalents		41,358	1,614,877
Cash and cash equivalents at 1 July		3,129,958	177,972
Effect of exchange rate fluctuations on cash held		(56,259)	6,084
Cash and cash equivalents at 31 December		3,115,057	1,798,933

The accompanying notes form part of these financial statements.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2020

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 2020 was authorised for issue in accordance with a resolution of the directors on 12 March 2021.

Castillo Copper Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange and the London Stock 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 2020 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 2020 and considered together with any public announcements made by Castillo Copper Limited during the half-year ended 31 December 2020 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 2020 of \$1,138,450 and a net cash outflow from operating activities of \$480,241. At 31 December 2020, the Group had a net asset position of \$10,025,182 and working capital of \$2,562,772. The cash and cash equivalents balance at 31 December 2020 was \$3,115,057.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2020

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.

New and amending Accounting Standards and Interpretations

In the half-year ended 31 December 2020, 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 2020. 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 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 2020. 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 which require separate disclosure under the criteria of AASB 8 Operating Segments.

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 2020

NOTE 3: OTHER INCOME

	6 months to 31 December 2020	6 months to 31 December 2019
	\$	\$
Other income ⁽¹⁾	-	81,005
	-	81,005

(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 2020	6 months to 31 December 2019
	\$	\$
Administrative expenses	76,283	38,099
Insurance	34,443	12,691
Foreign exchange losses	56,274	15,831
Legal fees	46,652	385,500
Travel and accommodation	-	34,368
Other expenses	3,801	97,953
	217,453	584,442

NOTE 5: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	6 months to 31 December 2020	Year ended 30 June 2020
	\$	\$
Exploration and evaluation phase:		
Opening balance	5,748,198	4,777,776
Exploration and evaluation expenditure on acquisition of Zed Copper Pty Ltd	-	612,500
Exploration and evaluation expenditure on acquisition of tenements	216,548	-
Exploration and evaluation expenditure during the period	1,269,654	376,933
Derecognition of capitalised expenditure in relation to the Provision for Rehabilitation	(121,090)	376,933
Impairment	-	(19,011)
Closing balance	7,113,310	5,748,198

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) On 19 January 2021, the Company announced it is considering divestment strategies for the Broken Hill asset. The Directors have considered the requirements of AASB 5 Non-Current Assets Held for Sale and Discontinued Operations and do not consider the criteria for classification as held for sale to be met.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2020

NOTE 6: PROVISIONS

	6 months to 31 December 2020	Year ended 30 June 2020
	\$	\$
Opening balance	121,090	121,090
Reversal of Provision for Rehabilitation ¹	(121,090)	-
Closing balance	<u>-</u>	<u>121,090</u>

(1) The Group completed the required provision on the Broken Hill Project.

NOTE 7: ISSUED CAPITAL

	31 December 2020	30 June 2020
	\$	\$
Issued and paid up capital		
Issued and fully paid	<u>25,349,456</u>	<u>23,034,322</u>

	6 months to 31 December 2020		Year ended 30 June 2020	
	Number of shares	\$	Number of shares	\$
Movements in issued capital				
Opening balance	926,723,065	23,034,322	641,594,475	17,870,979
Shares issued in London Stock Exchange IPO	79,117,618	2,454,515	186,329,545	3,920,013
Shares issued to advisors	3,764,706	143,000	3,750,000	75,000
Conversion of convertible notes	-	-	57,716,574	880,610
Shares issued to consultants	2,187,500	106,000	6,082,471	128,970
Shares issued per Zed Copper acquisition	-	-	31,250,000	562,500
Shares issued from exercise of options	2,333,333	70,000	-	-
Transaction costs of share issue	-	(458,381)	-	(403,750)
Closing balance	<u>1,014,126,222</u>	<u>25,349,456</u>	<u>926,723,065</u>	<u>23,034,322</u>

Share options

At 31 December 2020 there were 363,162,757 (30 June 2020: 278,462,786) unlisted options with various exercise prices and expiry dates and 61,500,000 listed options (ASX:CCZO), with an exercise price of \$0.05 per option and an expiry date of 27 March 2023 on issue. A total of 100,582,353 (30 June 2020: 95,000,000) options relate to share based payment arrangements as detailed below.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2020

NOTE 7: ISSUED CAPITAL (CONTINUED)

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	17,000,000	16 May 2018	31 December 2023	\$0.10	\$0.018	16 May 2018
3	15,000,000	1 February 2019	1 February 2022	\$0.05	\$0.003	1 February 2019
4	5,000,000	1 February 2019	31 December 2023	\$0.05	\$0.005	1 February 2019
5	22,000,000	3 December 2019	2 December 2022	\$0.05	\$0.005	3 December 2019
6	3,000,000	3 December 2019	2 December 2022	\$0.05	\$0.005	Subject to vesting conditions
7	3,000,000	31 December 2019	31 December 2022	\$0.05	\$0.005	31 December 2019
8	6,000,000	31 December 2019	31 December 2022	\$0.05	\$0.004	Subject to vesting conditions
9	9,000,000	23 June 2020	30 June 2023	\$0.05	\$0.013	23 June 2020
10	1,582,353	2 October 2020	1 September 2023	£0.017	\$0.023	2 October 2020
11	19,000,000	2 October 2020	30 September 2023	\$0.05	\$0.018	2 October 2020

During the period 12,666,667 options expired, with an exercise price of \$0.03 and a fair value at grant date of \$0.008. During the period 2,333,333 options were exercised, with an exercise price of \$0.03 and a fair value at grant date of \$0.008. Since the end of the half-year, 4,800,000 options were exercised with an exercise price of \$0.05. No options have been issued since the end of the half 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:

	Series										
	1	2	3	4	5	6	7	8	9	10	11
Expected volatility (%)	120	100	87	87	92	92	92	93	100	104	104
Risk-free interest rate (%)	2.2	1.9	2.0	2.0	0.77	0.77	0.77	0.77	0.27	0.18	0.18
Expected life of option (years)	3	5.6	3	4.9	3	3	3	3	3	2.9	3
Exercise price (cents/pence)	3	10	5	5	5	5	5	5	5	1.7p	5
Grant date share price (cents/pence)	1.8	3.9	1.6	1.6	1.8	1.8	2.0	1.7	2.6	2.6p	4.2

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.

Performance Shares

During the 2020 financial year, 46,875,000 Class A performance shares and 46,875,000 Class B performance shares were issued to the vendors of Zed Copper Pty Ltd.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2020

NOTE 7: ISSUED CAPITAL (CONTINUED)

46,875,000 Class A performance shares

Conditions precedent – 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 Share Sale Agreement.

46,875,000 Class B performance shares

Conditions precedent – 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 Share Sale Agreement

No vesting expense has yet been recorded in relation to the above performance rights based upon an assessment of the current probability of vesting.

NOTE 8: CONTINGENT LIABILITIES

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

NOTE 9: SUBSEQUENT EVENTS

On 15 January 2021, unlisted options were exercised at an exercise price of \$0.05 per option, converting to 1,800,000 fully paid ordinary shares for total cash consideration of \$90,000.

On 19 January 2021, the Company announced it is considering divestment strategies for the Broken Hill asset, including a possible spin-off of the asset into a new vehicle which could be listed in either London or Australia.

On 1 February 2021, unlisted options were exercised at an exercise price of \$0.05 per option, converting to 2,000,000 fully paid ordinary shares for total cash consideration of \$100,000.

On 10 February 2021, unlisted options were exercised at an exercise price of \$0.05 per option, converting to 1,000,000 fully paid ordinary shares for total cash consideration of \$50,000.

NOTE 10: FINANCIAL INSTRUMENTS

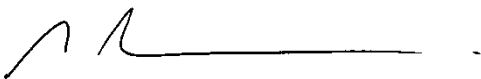
The Group has a number of financial instruments which are not measured at fair value on a recurring basis. The carrying amount of these financial instruments approximates their fair values.

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 10 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 2020 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

12 March 2021

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 2020, the condensed consolidated statement of profit or loss and other 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 information, and the directors' declaration, for the consolidated entity 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 does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the 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 for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 consolidated entity's financial position as at 31 December

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2020 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*.

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

Perth, Western Australia
12 March 2021



M R Ohm
Partner