

CASTILLO COPPER

CASTILLO COPPER LIMITED

ABN 52 137 606 476

Half-year Financial Report

31 December 2021

CORPORATE DIRECTORY

Directors

Robert Scott (Non- Executive Chair)

Gerrard (Ged) Hall (Non-Executive Director)

Geoff Reed (Executive Director)

Company Secretary

Dale Hanna

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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 2021. 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 (resigned 31 January 2022)
Gerrard (Ged) Hall	Executive Director
Geoff Reed	Non-Executive Director (Executive Director from 1 February 2022)

Results

The loss after tax for the half-year ended 31 December 2021 was \$781,670 (31 December 2020 loss of \$1,138,450).

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 NWQ Copper 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.

A more detailed summary of key events follows:

MT ISA COPPER-BELT, QUEENSLAND**Big One Deposit & Arya Prospect**

On 15 July 2021, CCZ announced the intersection of significant visible copper mineralisation in drill-hole BO_318RC in two distinct zones – 11m from 89-100m and 34m from 153-187m (apparent thickness).

Reconciling these new data points with the geological modelling completed to date, clearly verified material extensions to known mineralisation and potentially a larger underlying system than initially envisaged.

A key feature behind the success of the current campaign (Figure 1) has been the significantly improved targeting, resulting from the effective utilisation of geophysical insights to refine and reshape the drilling program to boost the collective exploration potential.

DIRECTORS' REPORT (continued)

FIGURE 1: DRILL RIG AT BIG ONE DEPOSIT



Location: 7,880,306E, 335,422N

Source: CCZ geology team

On 26 July 2021, CCZ announced up to 9% copper in Big One Deposit assays plus more visible mineralisation up to 26m thick. Initial assays for drill-holes BO_315-317RC verified up to 9.19% Cu and clearly extended known mineralisation – the best intercepts are summarised below:

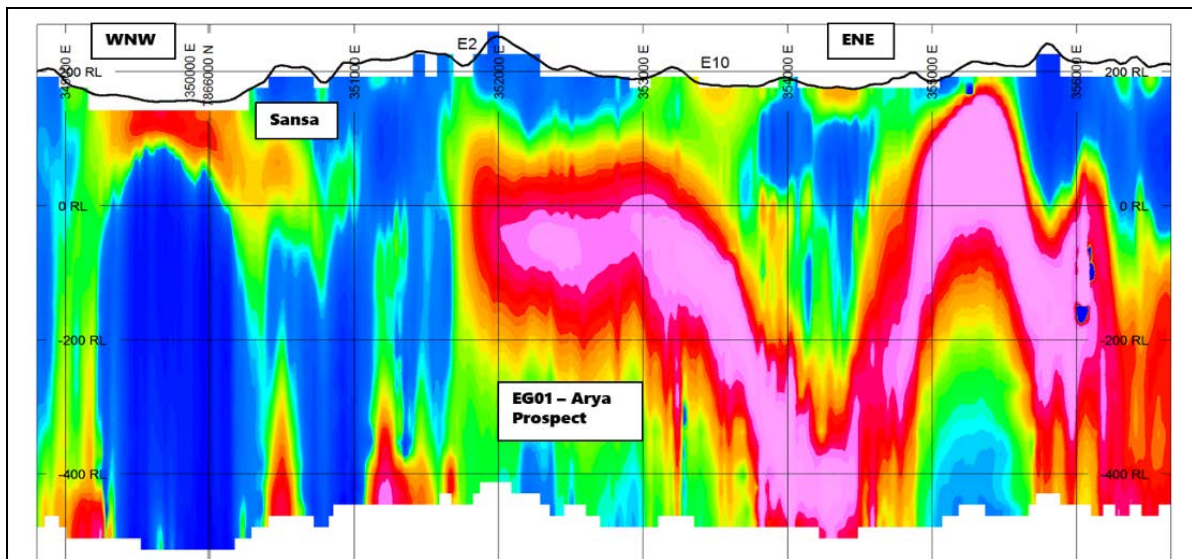
- 9m @ 1.42% Cu from 88m including 4m @ 3.06% Cu from 92m & 1m @ 9.19% Cu from 92m (BO_317RC),
- 5m @ 1.06% Cu from 141m (BO_316RC) and
- 3m @ 1.22% Cu from 65m (BO_315RC).

On 10 August 2021, CCZ announced logistics were in place to test drill the 130m thick target at the Arya Prospect. All key logistics to enable work to commence at the prime Arya Prospect were finalised during the September 2021.

A re-interpretation of legacy data by CCZ's geophysicist consultant – which enabled better targeting at the Big One Deposit – provided new insights and re-emphasised the Arya Prospect's merits as a major exploration target in Mt Isa's copper-belt. Notably, re-processing data from AusAEM Survey, commissioned by Geoscience Australia, shows the EG01 anomaly – interpreted to be 130m thick, 1,500m long & 450m wide – is only around 100-200m deep (Figure 2).

DIRECTORS' REPORT (continued)

FIGURE 2: RE-PROCESSED AUSAEM SURVEY DATA



Source: CCZ geology team

This is a significant finding, as it highlighted EG01 is much shallower than the initial ~430m depth estimate based on analysing data from BHP, which discovered the Arya Prospect in the mid-1990s and recommended it be drill-tested.

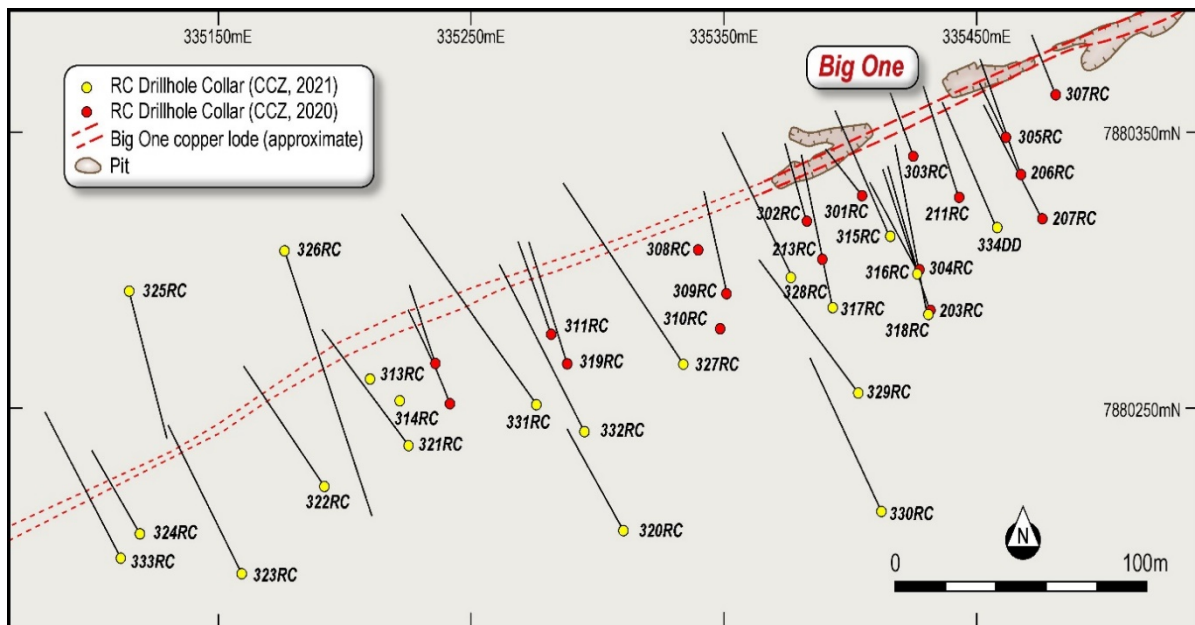
On 5 October 2021, CCZ announced that assays for the first four drill-holes of the second drilling campaign (Figure 3) extended known mineralisation at the Big One Deposit, as they were proximal to the dacite dyke, with the best intercepts comprising:

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

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

DIRECTORS' REPORT (continued)

FIGURE 3: BIG ONE DEPOSIT – DRILL-HOLES ALONG THE LINE OF LODE



Source: CCZ geology team

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

There are several reasons including:

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

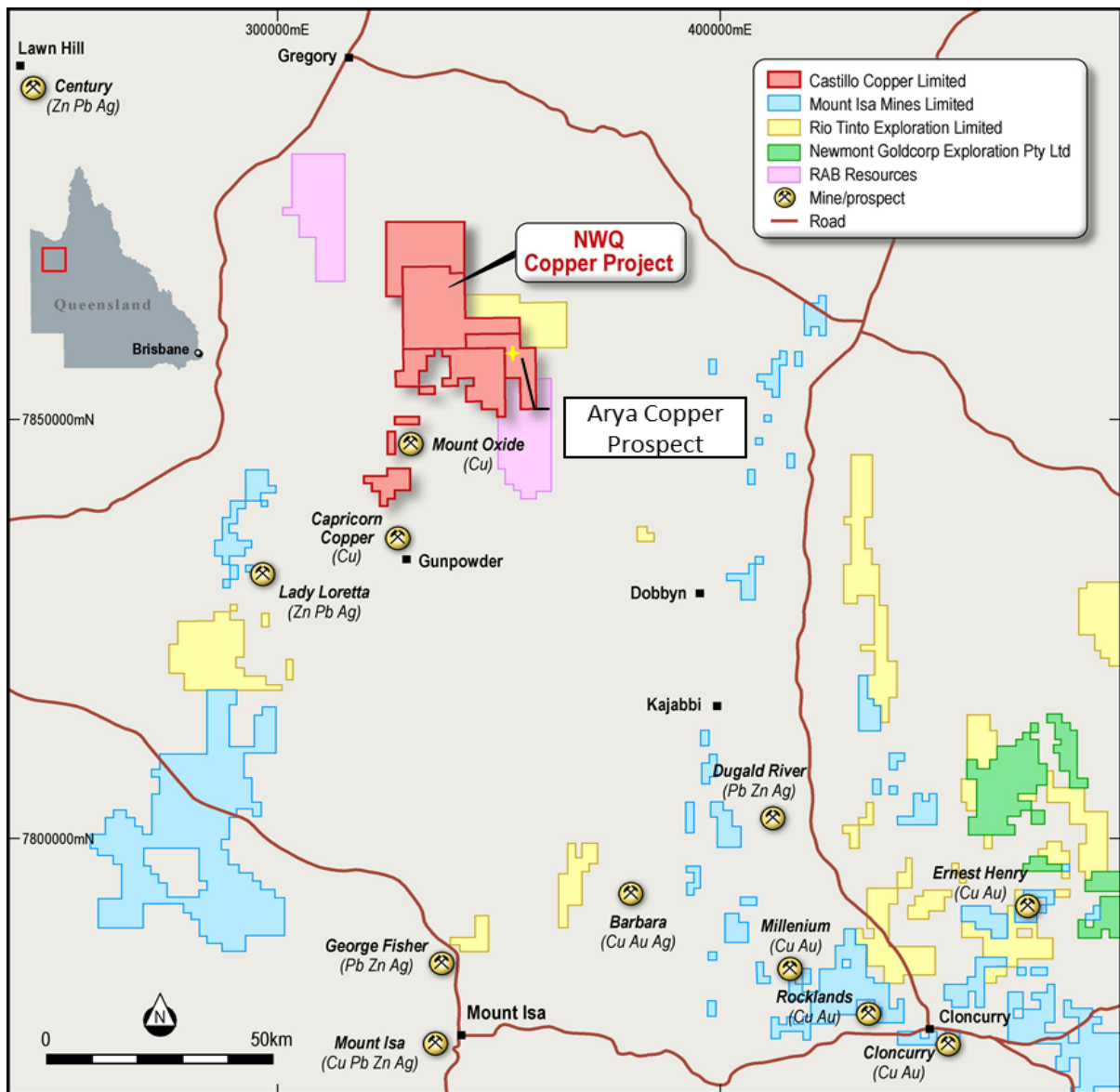
On 18 October 2021, CCZ advised the inaugural drilling campaign at the Arya Prospect commenced, after a massive logistical effort to prepare the drill-pads then heli-lift the rig and all supporting equipment to site. After reconciling the geochemical and geophysical data, the Board decided to orchestrate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

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

Encouragingly, it was noted that interest in the Mt Isa copper-belt continues to grow, with Rio Tinto recently acquiring contiguous ground on the eastern boundary of the NWQ Copper Project which is proximal to the Arya Prospect (Figure 4).

DIRECTORS' REPORT (continued)

FIGURE 4: REGIONAL MAP – NWQ COPPER PROJECT



Source: CCZ geology team

On 17 November 2021, CCZ announced that three drill-holes had been completed from two drill pads, with standout, AR_002RC, reaching a depth of 238m. Notably, around 200m of dark grey and black carbonaceous siltstone / schist was intersected (Figure 5), with scattered base-metal sulphides, fine-grained graphite mineralisation occurrences and remaining open at depth.

Encouragingly, visible but scattered chalcopyrite (copper sulphide mineralisation) was observed in drill-hole AR_001RC.

DIRECTORS' REPORT (continued)

FIGURE 5: COMPLETE CHIP TRAY COLLECTION (AR_002RC)



Source: CCZ geology team

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

Based on indicative field observations from the team at site, the Board is optimistic that geological interpretations will affirm the exploration potential of the Arya Prospect. If this is validated, then a fuller drilling campaign will potentially be commissioned in 1H 2022.

NEW SOUTH WALES PROJECTS

BHA Project

On 5 August 2021, CCZ announced its Broken Hill assets were set to IPO, subject to achieving all regulatory requirements and shareholder approvals. CCZ's Board appointed CPS Capital Group, to restructure and then list, on a best endeavours basis, via an IPO on the ASX, its wholly owned Broken Hill Alliance (BHA) Project which comprises a large footprint proximal to Broken Hill's world class zinc-lead-silver deposit.

A new entity, Broken Hill Alliance Ltd, was formed to house the BHA Project, with CCZ to retain a significant minority interest post-IPO. Subject to final approvals to progress the IPO, Broken Hill Alliance Ltd was targeting to raise a minimum of \$4.5m up to a maximum of \$7.0m (including a preferential subscription allocation to CCZ shareholders) to fund a comprehensive exploration campaign to develop the BHA Project.

To recap, sophisticated work by Geological Survey of NSW (GSNSW), which generated advanced predictive geological models for major mineral systems, highlighted the BHA Project is highly prospective for Broken Hill Type (BHT – Silver-Zinc-Lead) mineralisation in the West Zone and Iron-Oxide-Copper-Gold (IOCG) mineralisation in the East Zone.

DIRECTORS' REPORT (continued)

On 14 January 2022, the Board announced it would be deferring plans to spin off BHA Project for the foreseeable future and would instead focus on proving up the mineral resources of BHA Project.

Cangai Copper Mine

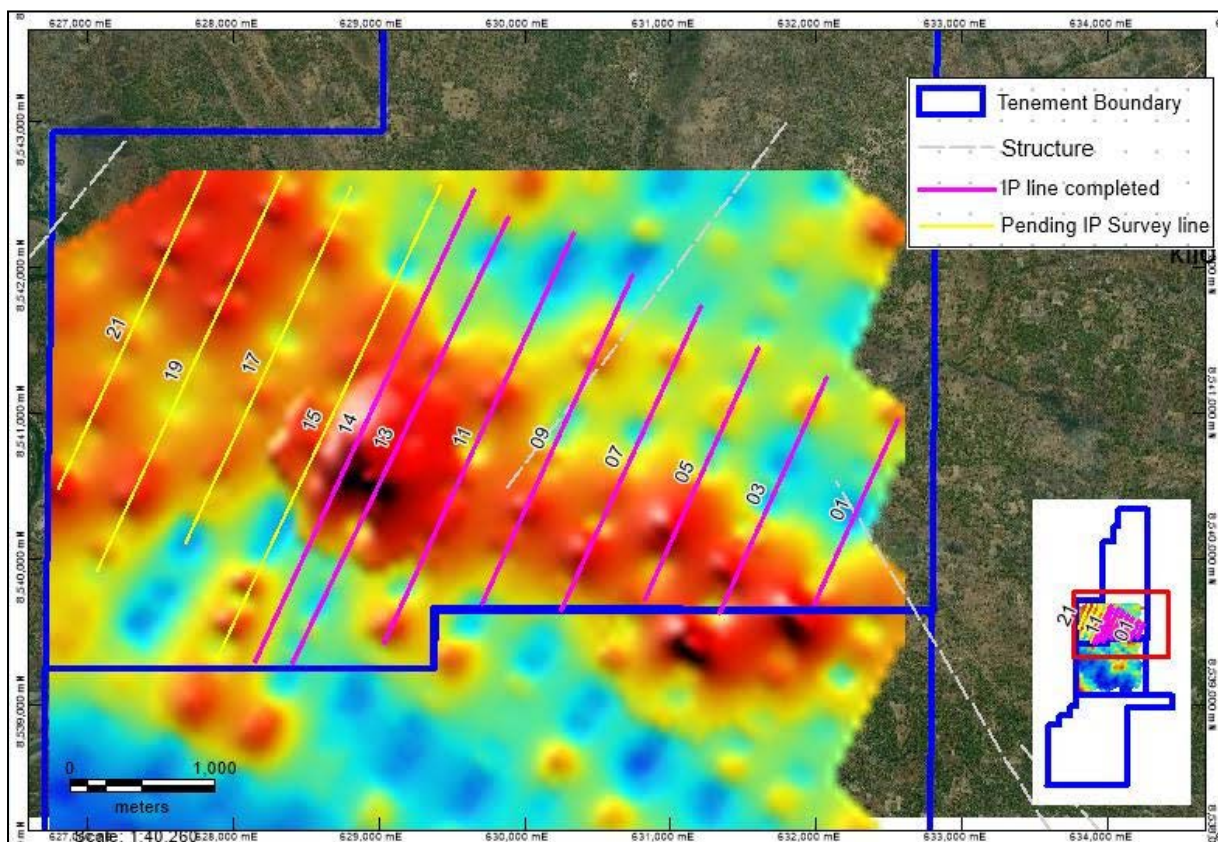
No material work was undertaken on Cangai Copper Mine during the review period.

ZAMBIA PROJECTS

On 1 July 2021, CCZ announced the commencement of a comprehensive geophysical campaign across its key Zambian projects. The campaign's goals are to fully analyse the results then reconcile these with known anomalous areas at surface to identify priority targets to drill.

On 31 August 2021, CCZ announced multiple targets for test-drilling had been identified at the Luanshya Project in Zambia's copper-belt, following the completion of eight IP survey lines (Figure 5).

FIGURE 5: IP SURVEY LINES OVER A 6KM COPPER STRIKE AT LUANSHYA PROJECT



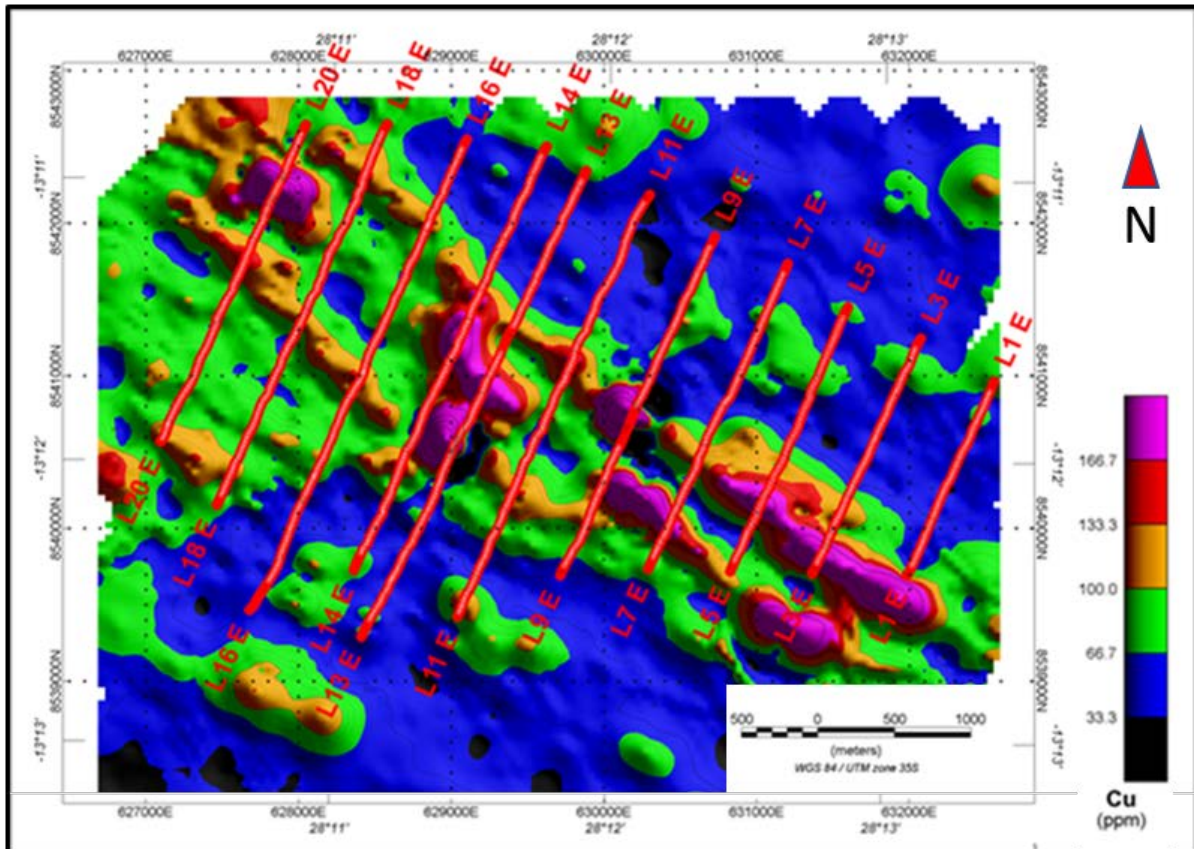
Source: CCZ geology team

DIRECTORS' REPORT (continued)

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

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

FIGURE 6: LUANSHYA – IP SURVEY RELATIVE TO COPPER SURFACE ANOMALISM



Source: CCZ geology team

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

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

DIRECTORS' REPORT (continued)**Corporate events**

The following corporate related events occurred during the review period:

- **New Director Appointed:** On 16 August 2021, CCZ announced the appointment of Mr Geoff Reed as Non-Executive Director. Mr Reed, who is an experienced geologist and has worked with MIM/Xstrata in the Mt Isa region, will provide invaluable oversight of CCZ's exploration programs in north-west Queensland and Zambia. Mr Reed's appointment will ensure that exploration work progresses at a steady pace and that every opportunity is leveraged to create shareholder value.
- **New Share/Options Issued:** In August 2021, the Company issued 40,300,731 new ordinary shares and 159,439,781 listed options to complete the recent capital raising on the Australian Securities Exchange and London Stock Exchange. Total proceeds raised were \$1,368,966 (AUD) and £177,245 (GBP) (\$1,692,631 AUD total). On 27 October 2021, the Company issued a further 4,000,000 listed options to corporate advisers relating to the above capital raising.
- **Lithium Option:** On 29 September 2021, the Company announced it had secured an Option Agreement for the acquisition of the Litchfield and Picasso Lithium Projects in Northern Territory and Western Australia, subject to successful due diligence.

Events subsequent to period end

The following significant events occurred after 31 December 2021:

- **BHA East Zone potential:** On 14 January 2022, a review on the BHA Project's East Zone discovered numerous areas anomalous for cobalt-copper and zinc mineralisation delineated from surface / down-hole assays. Notably, with assayed values ranging from >200ppm Co up to 9,500ppm Co across 108 drill-holes (proximal to the Himalaya Formation out-crop / sub-crop) work on modelling a JORC 2012 compliant mineral resource is now underway.
- In addition, the Board is highly encouraged by the NSW government's new strategy, which targets building a viable downstream industry for processing critical minerals (including cobalt-copper-REE's) and establishing a global supply hub in the state's central west region.
- As a result of the above, the Board has deferred plans to spin off BHA Project for the foreseeable future and will instead focus on proving up the mineral resources of BHA Project.
- **Unwinding Option Agreement:** On 14 January 2022, the Board and companies, which hold the Litchfield and Picasso Lithium Projects, mutually agreed to unwind the Option Agreement (entered into on 29 September 2021) to acquire these two properties. As part of the break agreement terms, the \$50,000 deposit has been returned to CCZ.
- **Management changes:** On 28 January 2022, CCZ announced the following management changes:
 - Mr Simon Paul, Managing Director, resigned from the Board with immediate effect and agreed to remain a consultant until mid-February 2022 to ensure a smooth handover.
 - Mr Geoff Reed has been promoted to Executive Director (from Non-Executive Director) with effect from 1 February 2022.
 - Dr Dennis Jensen has been promoted to group CEO with effect from 1 February 2022. Dr Jensen was previously Managing Director of 100%-owned subsidiary BHA Group.

DIRECTORS' REPORT (continued)

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 11 and forms part of this directors' report for the half-year ended 31 December 2021.

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



Robert Scott
Chairman

15 March 2022

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 2021, 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
15 March 2022



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 2021

	Note	31 December 2021 \$	31 December 2020 \$
Interest revenue		293	497
Revenue		293	497
Listing and public company expenses		(147,248)	(174,841)
Accounting and audit expenses		(67,204)	(107,057)
Consulting and directors' fees		(325,401)	(320,766)
Share-based payments		-	(318,830)
Other expenses	3	(242,110)	(217,453)
Loss before income tax		(781,670)	(1,138,450)
Income tax expense		-	-
Loss after income tax		(781,670)	(1,138,450)
Other comprehensive (loss) / income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		1,251	(322)
Total comprehensive loss for the half-year		(780,419)	(1,138,772)
Loss per share attributable to owners of Castillo Copper Limited			
Basic loss per share (cents per share)		(0.06)	(0.11)
Diluted loss per share (cents per share)		(0.06)	(0.11)

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position
as at 31 December 2021

	Note	31 December 2021 \$	30 June 2021 \$
Assets			
Current Assets			
Cash and cash equivalents		7,484,908	10,854,829
Other receivables		463,998	221,444
Total Current Assets		7,948,906	11,076,273
Non-Current Assets			
Other receivables		404,961	349,100
Deferred exploration and evaluation expenditure	4	12,480,585	8,171,821
Total Non-Current Assets		12,885,546	8,520,921
Total Assets		20,834,452	19,597,194
Current Liabilities			
Trade and other payables		1,083,670	571,836
Total Current Liabilities		1,083,670	571,836
Total Liabilities		1,083,670	571,836
Net Assets		19,750,782	19,025,358
Equity			
Issued capital	6	35,851,202	34,464,159
Reserves		4,060,701	3,940,650
Accumulated losses		(20,161,121)	(19,379,451)
Total Equity		19,750,782	19,025,358

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2021

	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	5	25,349,456	3,720,810	(152,167)	(18,892,917)	10,025,182
Balance as at 1 July 2021		34,464,159	4,092,830	(152,180)	(19,379,451)	19,025,358
Loss for the half-year		-	-	-	(781,670)	(781,670)
Other comprehensive income		-	-	1,251	-	1,251
Total comprehensive loss for the half-year		-	-	1,251	(781,670)	(780,419)
Transactions with owners in their capacity as owners						
Shares issued to sophisticated investors		1,742,319	-	-	-	1,742,319
Shares issued to advisors as share based payment		12,500	-	-	-	12,500
Share issue costs		(367,776)	118,800	-	-	(248,976)
Balance at 31 December 2021		35,851,202	4,211,630	(150,929)	(20,161,121)	19,750,782

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2021

	Note	31 December 2021 \$	31 December 2020 \$
Cash flows from operating activities			
Payments to suppliers and employees		(931,440)	(480,738)
Interest received		293	497
Net cash outflow from operating activities		(931,147)	(480,241)
Cash flows from investing activities			
Tenement expenditure guarantees		(62,490)	(232,000)
Payments for exploration and evaluation expenditure		(3,900,305)	(1,274,653)
Payments for acquisition of tenements		-	(216,548)
Net cash outflow from investing activities		(3,962,795)	(1,723,201)
Cash flows from financing activities			
Proceeds from issue of shares		1,742,319	2,524,515
Share issue costs paid		(248,976)	(279,715)
Net cash inflow from financing activities		1,493,343	2,244,800
Net increase/(decrease) in cash and cash equivalents		(3,400,599)	41,358
Cash and cash equivalents at 1 July		10,854,829	3,129,958
Effect of exchange rate fluctuations on cash held		30,678	(56,259)
Cash and cash equivalents at 31 December		7,484,908	3,115,057

The accompanying notes form part of these financial statements.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2021

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 2021 was authorised for issue in accordance with a resolution of the directors on 15 March 2022.

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 2021 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 2021 and considered together with any public announcements made by Castillo Copper Limited during the half-year ended 31 December 2021 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 2021 of \$781,670 and a net cash outflow from operating activities of \$931,147. At 31 December 2021, the Group had a net asset position of \$19,750,782 and working capital of \$6,865,236. The cash and cash equivalents balance at 31 December 2021 was \$7,484,908.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2021

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 2021, 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 2021. 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 2021. 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.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2021

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 has five geographical segments being exploration in Northwest Queensland (NWQ), New South Wales (Cangai), New South Wales (Broken Hill) and Zambia. Revenue attributable to all segments is immaterial. Allocation of asset, liabilities, income and expenses to each segment is shown below:

December 2021	NWQ (QLD)	Cangai (NSW)	Broken Hill (NSW)	Zambia	Unallocated	Total
Segment assets and liabilities	\$	\$	\$	\$	\$	\$
Current assets	-	-	-	-	7,948,906	7,948,906
Non-current assets	6,025,743	3,356,728	300,498	964,605	2,237,972	12,885,546
Current liabilities	-	-	-	-	(1,083,670)	(1,083,670)
Segment income and expenses						
Interest income	-	-	-	-	293	293
Other expenses	-	-	-	-	(781,963)	(781,963)
Total	-	-	-	-	(781,670)	(781,670)

December 2020	NWQ (QLD)	Cangai (NSW)	Broken Hill (NSW)	Zambia	Unallocated	Total
Segment assets and liabilities	\$	\$	\$	\$	\$	\$
Current assets	-	-	-	-	3,355,657	3,355,657
Non-current assets	1,153,635	3,061,890	228,934	130,196	2,887,755	7,462,410
Current liabilities	-	-	-	-	792,885	792,885
Segment income and expenses						
Interest income	-	-	-	-	497	497
Other expenses	-	-	-	-	(1,138,947)	(1,138,947)
Total	-	-	-	-	(1,138,450)	(1,138,450)

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2021

NOTE 3: OTHER EXPENSES

Included in other expenses are the following items:

	6 months to 31 December 2021	6 months to 31 December 2020
	\$	\$
Insurance	53,070	34,443
Investor relations	105,868	72,473
Foreign exchange (gains) / losses	(30,737)	56,274
Legal fees	18,358	46,652
Travel and accommodation	239	-
Other expenses	95,312	7,611
	242,110	217,453

NOTE 4: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	6 months to 31 December 2021	Year ended 30 June 2021
	\$	\$
Exploration and evaluation phase:		
Opening balance	8,171,821	5,748,198
Exploration and evaluation expenditure on acquisition of tenements	-	215,000
Exploration and evaluation expenditure during the period	4,308,764	2,329,713
Derecognition of capitalised expenditure in relation to the rehabilitation provision	-	(121,090)
Closing balance	12,480,585	8,171,821

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

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2021

NOTE 5: ISSUED CAPITAL

	31 December 2021	30 June 2020
	\$	\$
Issued and paid up capital		
Issued and fully paid	35,851,202	34,464,159

	6 months to 31 December 2021		Year ended 30 June 2021	
	Number of shares	\$	Number of shares	\$
Movements in issued capital				
Opening balance	1,256,512,320	34,464,159	926,723,065	23,034,322
Shares issued in London Stock Exchange IPO	-	-	81,117,618	2,454,515
Shares issued	41,240,648	1,743,319	237,155,313	9,965,973
Shares issued to advisors as share based payments (note 1)	250,000	12,500	4,382,991	276,139
Shares issued from exercise of options	-	-	7,133,333	310,000
Transaction costs of share issue – options issued (note 2)	-	(118,800)	-	-
Transaction costs of share issue	-	(248,976)	-	1,579,790
Closing balance	1,298,002,968	35,851,202	1,256,512,320	34,464,159

Note 1 – The shares issued to advisors were valued based on the fair value of the services provided.

Note 2 – Details of the share options issued during the period, including valuation method, are included in the table below.

Share options

At 31 December 2021 there were 358,362,757 (30 June 2021: 358,362,757) unlisted options with various exercise prices and expiry dates and 224,939,782 listed options (ASX:CCZO, CCZOA & CCZOB), with various exercise prices and expiry dates.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2021

NOTE 5: 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	17,000,000	16 May 2018	31 December 2023	\$0.10	\$0.018	16 May 2018
2	15,000,000	1 February 2019	1 February 2022	\$0.05	\$0.003	1 February 2019
3	5,000,000	1 February 2019	31 December 2023	\$0.05	\$0.005	1 February 2019
4	19,200,000	3 December 2019	2 December 2022	\$0.05	\$0.005	3 December 2019
5	3,000,000	3 December 2019	2 December 2022	\$0.05	\$0.005	Subject to vesting conditions
6	3,000,000	31 December 2019	31 December 2022	\$0.05	\$0.005	31 December 2019
7	6,000,000	31 December 2019	31 December 2022	\$0.05	\$0.004	Subject to vesting conditions
8	7,000,000	23 June 2020	30 June 2023	\$0.05	\$0.013	23 June 2020
9	1,582,353	2 October 2020	1 September 2023	£0.017	\$0.023	2 October 2020
10	19,000,000	2 October 2020	30 September 2023	\$0.05	\$0.018	2 October 2020
11	14,285,714	15 June 2021	31 July 2024	\$0.08	\$0.0218	15 June 2021
12	2,955,665	16 June 2021	1 August 2024	£0.044	\$0.0205	16 June 2021
13	2,418,044	5 August 2021	31 July 2024	\$0.08	\$0.017	5 August 2021
14	462,379	4 August 2021	1 August 2024	£0.044	\$0.0168	4 August 2021
15	4,000,000	27 October 2021	31 July 2024	\$0.08	\$0.017	27 October 2021

During the period no options expired and no options were exercised.

(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 2021

NOTE 5: ISSUED CAPITAL (CONTINUED)

Series	Expected volatility (%)	Risk-free interest rate (%)	Expected life of option (years)	Exercise price (cents/pence)	Grant date share price (cents/pence)
1	100	1.9	5.6	10	3.9
2	87	2	3	5	1.6
3	87	2	4.9	5	1.6
4	92	0.77	3	5	1.8
5	92	0.77	3	5	1.8
6	92	0.77	3	5	2
7	93	0.77	3	5	1.7
8	100	0.27	3	5	2.6
9	104	0.18	2.9	1.7p	2.6p
10	104	0.18	3	5	4.2
11	104	0.09	3.1	8	4.2
12	104	0.1	3.1	4.4p	2.2p
13	101	0.2	3	8	3.7
14	104	0.1	3	4.4p	2.0p
15	99	0.8	2.8	8	3.9

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

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.

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.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2021

NOTE 6: CONTINGENT LIABILITIES

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

NOTE 7: SUBSEQUENT EVENTS

The following significant events occurred after 31 December 2021:

- **BHA East Zone potential:** On 14 January 2022, a review on the BHA Project's East Zone discovered numerous areas anomalous for cobalt-copper and zinc mineralisation delineated from surface / down-hole assays. Notably, with assayed values ranging from >200ppm Co up to 9,500ppm Co across 108 drill-holes (proximal to the Himalaya Formation out-crop / sub-crop) work on modelling a JORC 2012 compliant mineral resource is now underway.
- In addition, the Board is highly encouraged by the NSW government's new strategy, which targets building a viable downstream industry for processing critical minerals (including cobalt-copper-REE's) and establishing a global supply hub in the state's central west region.
- As a result of the above, the Board has deferred plans to spin off BHA Project for the foreseeable future and will instead focus on proving up the mineral resources of BHA Project.
- **Unwinding Option Agreement:** On 14 January 2022, the Board and companies, which hold the Litchfield and Picasso Lithium Projects, mutually agreed to unwind the Option Agreement (entered into on 29 September 2021) to acquire these two properties. As part of the break agreement terms, the \$50,000 deposit has been returned to CCZ.
- **Management changes:** On 28 January 2022, CCZ announced the following management changes:
 - Mr Simon Paul, Managing Director, retired from the Board with immediate effect and agreed to remain a consultant until mid-February 2022 to ensure a smooth handover.
 - Mr Geoff Reed has been promoted to Executive Director (from Non-Executive Director) with effect from 1 February 2022.
 - Dr Dennis Jensen has been promoted to group CEO with effect from 1 February 2022; Dr Jensen was previously Managing Director of 100%-owned subsidiary BHA Group

NOTE 8: 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 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 2021 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.



Robert Scott
Chairman

15 March 2022

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 2021, 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 2021 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 2021 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*.

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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
15 March 2022



M R Ohm
Partner