

Castillo Copper Limited

30 June 2022 Annual Report

ABN 52 137 606 476



Corporate Directory

Directors

Gerrard (Ged) Hall (Non-Executive Chairman)
Dr Dennis Jensen (Managing Director) (appointed 1 April 2022)
Geoff Reed (Executive Director) (appointed 16 August 2021)

Company Secretary

Dale Hanna

Registered Office and Principal Place of Business

45 Ventnor Avenue
West Perth, WA 6005 Australia
Telephone: + 618 6558 0886
Facsimile: + 618 6316 3337

Share Registry

Automic Registry Services Pty Ltd
Level 2
267 St Georges Terrace
Perth, WA 6000 Australia
Telephone: 1300 288 664

Auditors

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

Securities Exchange Listing

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

London Stock Exchange
LSE Code: CCZ

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Chairman's Address

Dear Shareholders,

Since becoming Chairman earlier in the year, the Board has undertaken a comprehensive strategic review on how to create optimal value for shareholders from our existing copper-cobalt assets. The Board is cognizant of the importance to factor in external factors given these can significantly influence global commodity markets, particularly the conflict in Europe and prospect of tighter monetary policy to reign in inflationary pressures.

As such, the Board determined the necessity, where practical, to align with partners that could either aid project advancement or facilitate a path to market. Pleasingly, UK-based Hyperion Copper's offer to acquire and develop the Zambia assets, subject to due diligence, is an excellent outcome for both parties.

Post a planned listing on the Alternative Investment Market by Hyperion, a sub-set of the London Stock Exchange, Castillo Copper will retain a least a 25% stake in Hyperion Copper and directly benefit from exploration successes.

Our three assets in Australia – Cangai Copper Mine, BHA and NWQ Copper Projects – have either cobalt or copper inferred mineral resource estimates which delivers a significant point of difference over peers. The Board's objective is to increase the confidence in the current MREs and, if achievable, extend known mineralisation as this is a direct conduit to creating incremental value.

Whilst we have decided to progress developing the BHA Project on our own, the Board is in discussions with a number of parties that could aid delivering paths to market for Cangai Copper Mine and NWQ Copper Project.

Overall, the Board believes it has the strategy in place to maximise the valuation potential for shareholders in fiscal 2023 and beyond.

Ged Hall

Chairman

London, United Kingdom

23 September 2022

Managing Director's Address

Dear Shareholders,

As outlined by the Chairman, Castillo Copper has re-set its high-level strategic intent, which the Board is now determined to effectively implement. The focus of this address is a deeper assessment of operational issues and nuances involved for the four core projects.

ZAMBIAN PROJECTS

Over the past two years, our geology team in Zambia has undertaken soil sampling campaigns across the prime Luanshya and Mkushi Projects which delineated significant surface anomalies. Follow up Induced Polarisation (IP) campaigns, which were interpreted by a geophysicist, generated a plethora of viable targets to test drill.

Consequently, the Board was delighted to have entered into an option agreement with Hyperion Copper (UK) to sell these high-quality copper assets for circa A\$4m plus milestones. If the option is exercised and Hyperion Copper lists on AIM in late 2022 or early 2023, then Castillo Copper has the right to appoint one Board director.

Further, this transaction should ensure the Zambia assets exploration potential is fully developed, with any benefits accruing to Castillo Copper through retaining its shareholding in Hyperion Copper.

AUSTRALIA

BHA Project – East Zone, New South Wales

Having defined an inferred cobalt resource – 64Mt @ 318 ppm Co for 21,556t contained metal – leveraging historical drilling data, the Board has approved a drilling campaign to focus on enhancing the confidence and grade across a larger footprint.

The campaign will comprise one diamond core and 17 RC drill-holes for 2,100m across four prospects including The Sisters, Fence Gossan, Reefs Tank & Tors Tank. A key area of interest will be drill-testing two lower cobalt-rich zones (excluding The Sisters Prospect) the geology team interpret to host higher grading cobalt mineralisation than has been modelled to date.

Although the primary target is cobalt-copper, the Board hopes to gain further insights on the potential for rare earth elements and gold mineralisation once the assay results are returned. Further, the Board believes improving the confidence and grade of the current MRE, coupled with recent favourable metallurgical results, should aid securing support from prospective off-take partners.

NWQ Copper Project, Queensland

Within the NWQ Copper Project are circa 20 prospects which all have potential to host copper mineralisation based on analysing historical geological reports. As part of the new strategic intent, the Board has now formulated plans to systematically visit these prospects, once development work at the Big One Deposit has concluded, to ascertain if there are viable targets for drill-testing. The Board's optimal goal is to discover several satellite copper deposits across the tenure which could ultimately feed into a central processing mill.

To date, development work at Big One Deposit has produced an inferred copper resource – 2.1Mt @ 1.1% Cu for 21,886t contained metal – with positive metallurgical test-work. More significantly, with a sizeable target north of the line of lode, the Board is optimistic incremental drilling can extend known mineralisation and enhance the confidence in the current resource.

Reconciling the exploration potential the NWQ Copper Project delivers, coupled with ongoing demand across the Mt Isa region to identify future copper concentrate suppliers, the Board is targeting to align with a processing partner to expedite development work.

Cangai Copper Mine

Previous work in 2017 delineated an inferred resource at 3.3Mt @ 3.35% Cu for 107,589t contained metal at Cangai Copper Mine, which is one of Australia's highest grading historic copper mines. More recently, Castillo Copper's geology team have reaffirmed there are several priority massive sulphide targets that could potentially extend known copper mineralisation and enhance confidence in the current inferred resource.

As a starting point to resuming development work at Cangai Copper Mine, the Board has asked the geology team to update the inferred resource and factor the historic stockpiles into the mix. Concurrently, the Board are seeking guidance from an environmental consultant on how to ensure any potential resumption of active exploration work fully complies with protocols established by the NSW Resources Regulator. This is particularly pertinent as the NSW has listed Cangai Copper Mine on its critical minerals list.

Overall, with the Board having set clear targets on how to maximise shareholder value moving forward, we are now highly focused on ensuring these are delivered in a timely manner.

Dr Dennis Jensen

Managing Director

Perth, Western Australia

23 September 2022

Castillo Copper Limited – 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 year ended 30 June 2022. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names, qualifications and experience of the Company’s Directors in office during the year and until the date of this report are as follows. Directors were in office for the entire financial year unless otherwise stated.

Mr Gerrard (Ged) Hall

Non-Executive Chairman

For the past several years, Mr Hall has been aligned with SI Capital, working as a director in the corporate finance and broking division. Mr Hall’s core responsibilities encompass managing corporate relationships, broadening the high-net-worth client base and business development.

In a varied career, spanning over 25 years, Mr Hall has gained considerable frontline and managerial experience across a broad spectrum of financial products, with notable institutions. From 1994-2004, he worked with JP Morgan then UBS, focused mostly on trading equity & treasury derivatives as a primary trader and on behalf of clients.

Subsequently, Mr Hall spent six years in Bahrain, mostly with Saudi National Commercial Bank, as a Business Head of Asset Management & Treasury Products. Notably, he established the Structured Investment Product division and grew it into sub-business unit that generated US\$20m in annual revenues within four years.

Upon returning to the UK in 2010, Mr Hall joined Barclays Wealth as a Head of Strategic Alliances for the MENA region. In this role, he negotiated distribution agreements with Middle East banks and expanded the footprint across the Gulf States and into Egypt primarily.

Following a two-year hiatus to complete post-graduate studies, Mr Hall established his own strategic management consultancy in mid-2013 and has undertaken engagements for blue-chip groups including BFC Bank, Northern Trust Natixis and HSBC.

Mr Hall has a Bachelor of Arts, with honours, in Economics & Finance from the University of Greenwich as well as MBA and Masters of Science in Financial Management from Edinburgh Business School.

Dr Dennis Jensen

Managing Director (appointed 1 April 2022)

Dr Jensen is a former MP, with 12 years’ experience in federal politics, and research scientist with stints at CSIRO and DST (an agency of the Department of Defence). Since leaving politics, Dr Jensen consulted to several mining groups prior to joining the Company. Other than being a highly qualified and adaptable executive, Dr Jensen has an excellent understanding of how government and private sectors interact, coupled with a first-rate network. Dr Jensen has a Masters in Science from Melbourne University and PhD from Monash University.

Mr Geoff Reed (appointed 16 August 2021)

Non-Executive Director

Mr Reed, who is based in New South Wales, is a geologist with over 25 years’ experience, focused on GIS and 3D technical work. Most of Mr Reed’s experience relates to underground / open-cut metalliferous mining and various exploration projects.

During his career, Mr Reed has undertaken geological and resource management roles across several regions in Australia including Mt Isa / Century in Queensland; and Broken Hill / Cobar in New South Wales.

Incrementally, Mr Reed has worked on numerous international projects in Europe (Finland, Ireland, Portugal, Spain, Sweden), Africa (Angola, South Africa), Asia (China, Indonesia, Mongolia) and Canada.

Castillo Copper Limited – Directors’ Report

Prior to establishing his own consultancy in 2008, Mr Reed held positions as a mine geologist with MIM/Xstrata in Mt Isa and Pasmaico / Perilya in Broken Hill.

Whilst Mr Reed is well versed in base-and-precious metals, he has worked on numerous copper-gold projects and has spent a considerable amount of time in the Mt Isa region. Consequently, this knowledge will be invaluable to the Company as it progresses development work at the Big One Deposit and Arya Prospect in the Mt Isa copper-belt.

Mr Reed can provide Mineral Resource Estimations for metalliferous projects as a Competent Person in accordance with the JORC Code or a Qualified Person for technical reports that meet N II-43~11 01 standards. Further, Mr Reed has a Bachelor of Applied Science (Geology) from the University of Technology (Sydney), with memberships at the Australian Institute of Geoscientists (MAIG), Australian Institute of Company Directors (MAICD) and Australasian Institute of Mining and Metallurgy (MAusIMM(CP)).

Mr Robert Scott – resigned 31 March 2022
Non-executive Chairman

Mr Simon Paull – resigned 1 February 2022
Managing Director

DIRECTORS’ MEETINGS

During the financial year, in addition to regular Board discussions, the number of meetings of Directors held and the number of meetings attended by each director were as follows:

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Mr. Robert Scott	4	4
Mr. Simon Paull	3	3
Mr. Gerard Hall	4	3
Dr. Dennis Jensen	0	0
Mr. Geoff Reed	4	4

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by current Directors of the Company during the last 3 years immediately before the end of the year are as follows:

Director	Company	Period of Directorship	
		From	To
Gerrard Hall	Armada Capital Plc (AIM)	Nov 2019	April 2020
Dennis Jensen	Nil		
Geoff Reed	Nil		

COMPANY SECRETARY

Mr. Dale Hanna served as company secretary for the 2022 financial year. Mr. Hanna has over 20 years’ experience working in CFO, Company Secretary, 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 is a Chartered Accountant and Secretary, with current memberships at Chartered Accountants Australia & New Zealand and Governance Institute of Australia respectively. In addition, Mr Hanna has a Bachelor of Commerce degree from Curtin University.

Castillo Copper Limited – Directors’ Report

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and executives of Castillo Copper Limited in accordance with the requirements of the *Corporation Act 2001* and its Regulations. For the purpose of this report, Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any officer (whether executive or otherwise) of the Group.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Group does not link the nature and amount of the emoluments of such officers to the Group’s financial or operational performance. The expected outcome of this remuneration structure is to retain and motivate Directors.

As part of its Corporate Governance Policies and Procedures, the Board has adopted a formal Remuneration Committee Charter. Due to the current size of the Group and number of Directors, the Board has elected not to create a separate Remuneration Committee but has instead decided to undertake the function of the Committee as a full Board under the guidance of the formal charter.

The rewards for Directors have no set or pre-determined performance conditions or key performance indicators as part of their remuneration due to the current nature of the business operations. The Board determines appropriate levels of performance rewards as and when they consider rewards are warranted. The Group has a policy which disallows executives and Directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

The table below shows the performance of the Group as measured by loss per share.

As at 30 June	2022	2021	2020	2019	2018
Net profit/(loss) before tax (\$)	(1,653,183)	(1,624,984)	(1,842,170)	(1,924,982)	(2,402,843)
Net profit/(loss) after tax (\$)	(1,653,183)	(1,624,984)	(1,842,170)	(1,924,982)	(2,402,843)
Share price at end of year	0.010	0.038	0.026	0.016	0.033
Basic loss per share (cents per share)	(0.13)	(0.16)	(0.25)	(0.31)	(0.45)
Diluted loss per share (cents per share)	(0.13)	(0.16)	(0.25)	(0.31)	(0.45)
Return on capital	(0.05)	(0.08)	(0.08)	(0.108)	(0.143)

Details of Remuneration

Details of Key Management Personnel

Mr. Robert Scott (Non-Executive Chairman)

Mr. Simon Paull (Managing Director)

Mr. Gerrard Hall (Non-Executive Director)

Dr. Dennis Jensen (Managing Director)

Mr. Geoff Reed (Non-Executive Director)

Castillo Copper Limited – Directors’ Report

Details of the nature and amount of each element of the emolument of each Key Management Personnel of the Group for the financial year are as follows:

	Short term		Options	Post-employment	Total	Remuneration linked to performance
	Directors’ Fees	Consulting Fees	Share-based Payments	Superannuation		
2022	\$	\$	\$	\$	\$	%
Director						
Mr. Robert Scott ¹	45,000	-	-	-	45,000	-
Mr. Simon Paull ²	38,036	95,089	-	-	133,125	-
Dr. Dennis Jensen ³	79,500	-	57,120	3,000	139,620	-
Mr. Geoff Reed ⁴	69,626	1,800	28,560	-	99,986	-
Mr. Gerrard Hall ⁵	60,170	-	-	-	60,170	-
	292,332	96,889	85,680	3,000	477,901	-

	Short term		Options	Post-employment	Total	Remuneration linked to performance
	Directors’ Fees	Consulting Fees	Share-based Payments	Superannuation		
2021	\$	\$	\$	\$	\$	%
Director						
Mr. Robert Scott ¹	48,000	-	52,710	-	100,710	-
Mr. Simon Paull ²	48,000	120,000	105,420	-	273,420	-
Mr. Gerrard Hall ⁵	39,829	-	52,710	-	92,539	-
	135,829	120,000	210,840	-	466,669	-

¹Mr. Robert Scott resigned 31 March 2022

²Mr. Simon Paull resigned 1 February 2022

³Dr Dennis Jensen was appointed as CEO on 1 February 2022 and subsequently as Managing Director on 1 April 2022.

⁴Mr. Geoff Reed was appointed on 16 August 2021

⁵Mr Gerrard Hall is employed by SI Capital & his entitlement to director fees are included in SI Capital’s mandate.

There were no other key management personnel of the Group during the financial years ended 30 June 2022 and 30 June 2021.

Service Agreements

Managing Directors’ remuneration

Dr Jensen is entitled to a Managing Director fee of \$198,000 per annum. All fees are on an “as required” basis and as such, have no fixed termination clauses. Full details were announced to the ASX on 28 January 2022.

Executive Directors’ remuneration

Mr Reed is entitled to an Executive Director fee of \$100,000 per annum. All fees are on an “as required” basis and as such, have no fixed termination clauses. Full details were announced to the ASX on 28 January 2022.

Non-Executive Directors’ remuneration

The aggregate remuneration for non-executive Directors has been set at an amount not to exceed \$500,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

Castillo Copper Limited – Directors’ Report

Share-based compensation

Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2022.

Options

On 30 November 2021, Mr Reed was issued 3 million options, exercisable at \$0.08 each before 31 July 2024 and on 1 February 2022, Dr Jensen was issued 8 million options, exercisable at \$0.08 each before 31 January 2025 in recognition of their services to the Company and to further incentivise their performance. These options were issued for nil cash consideration, were valued at \$85,680 in total and were recognised as share-based payments for the year ended 30 June 2022. The key terms of the options are shown below.

	Number of options	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Mr. Geoff Reed	3,000,000	30/11/2021	31/07/2024	\$0.08	\$0.0095
Dr. Dennis Jensen	8,000,000	1/02/2022	31/01/2025	\$0.08	\$0.0071

No options have been granted as remuneration since the end of the financial year.

Additional disclosures relating to key management personnel

Key Management Personnel Options

The number of options in the company held during the financial year ended 30 June 2022 by key management personnel of Castillo Copper Limited, including their personally related parties, is set out below.

	Balance at the start of the year	Balance at appointment	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at resignation	Balance at the end of the year
Mr. Robert Scott	8,000,000	-	-	-	595,239	8,595,239	-
Mr. Simon Paull	12,000,000	-	-	-	595,239	12,595,239	-
Mr. Gerrard Hall	8,941,176	-	-	-	-	-	8,941,176
Mr. Geoff Reed	-	-	3,000,000	-	-	-	3,000,000
Dr. Dennis Jensen	-	-	8,000,000	-	-	-	8,000,000

Key Management Personnel Shareholdings

The number of shares in the company held during the financial year ended 30 June 2022 held by key management personnel of Castillo Copper Limited, including their personally related parties, is set out below.

	Balance at the start of the year	Balance at appointment	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at resignation	Balance at the end of the year
Mr. Robert Scott	1,405,361	-	-	-	1,190,477	2,595,838	-
Mr. Simon Paull	1,000,000	-	-	-	1,190,477	2,190,477	-
Mr. Gerrard Hall	8,141,837	-	-	-	-	-	8,141,837
Mr. Geoff Reed	-	250,000	-	-	-	-	250,000
Dr. Dennis Jensen	-	580,000	-	-	-	-	580,000

Castillo Copper Limited – Directors’ Report

Other transactions with key management personnel

Yingyang Pty Ltd, a company of which Mr Paull is a director, charged the Group director’s fees of \$38,036 (2021: \$48,000) and executive fees of \$95,089 (2021: \$120,000). There was nil outstanding at 30 June 2022 (2021: nil).

Coverley Management Services Pty Ltd, a company of which Mr Scott is a director, charged the Group director’s fees of \$45,000 (2021: \$48,000). There was nil outstanding at 30 June 2022 (2021: \$11,000).

Strategic Business Analysis Ltd, a company of which Mr Hall is a director, charged the Group director’s fees of \$60,170 (2021: \$36,062). There was \$5,104 outstanding at 30 June 2022 (2021: nil)

Bluespoint Mining Services Pty Ltd, a company of which Mr Reed is a director, charged the Group executive fees of \$69,626 (2021: nil) and consulting fees of \$1,800 (2021: nil). There was \$9,166 outstanding at 30 June 2022 (2021: nil).

DTJ Enterprises Pty Ltd, a company of which Dr Jensen is a director, charged the Group executive fees of \$79,500 (2021: nil). There was nil outstanding at 30 June 2022 (2021: nil)

Transactions with key management personnel were made at arm’s length at normal market prices and normal commercial terms. All remuneration amounts noted above are included in the remuneration table on page 7.

END OF REMUNERATION REPORT

INTERESTS IN THE SECURITIES OF THE GROUP

As at the date of this report, the interests of the Directors in the securities of Castillo Copper Limited were:

Director	Ordinary Shares	Unlisted Options	Performance Shares
Mr. Gerrard Hall	8,141,837	8,941,176	-
Dr. Dennis Jensen	580,000	8,000,000	-
Mr. Geoff Reed	250,000	3,000,000	-

RESULTS OF OPERATIONS

The net loss of the Group for the year after income tax was \$1,653,183 (2021: \$1,624,984) and the net assets of the Group at 30 June 2022 were \$19,012,138 (2021: \$19,025,358).

DIVIDENDS

No dividend was paid or declared by the Group during the year and up to the date of this report.

CORPORATE STRUCTURE

Castillo Copper Limited is a company limited by shares that is incorporated and domiciled in Australia.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

During the financial year, the principal activity of the Group was mineral exploration and examination of new resource opportunities. The Group currently holds copper projects in Queensland and New South Wales in Australia as well as copper projects in Zambia.

EMPLOYEES

Other than the Directors, the Group had no employees at 30 June 2022 (2021: Nil).

REVIEW OF OPERATIONS

During the financial year, the principal activity of the group was mineral exploration primarily focused on copper and cobalt projects in Australia and Zambia. However, in the second half of the financial year, the group’s strategic intent

Castillo Copper Limited – Directors’ Report

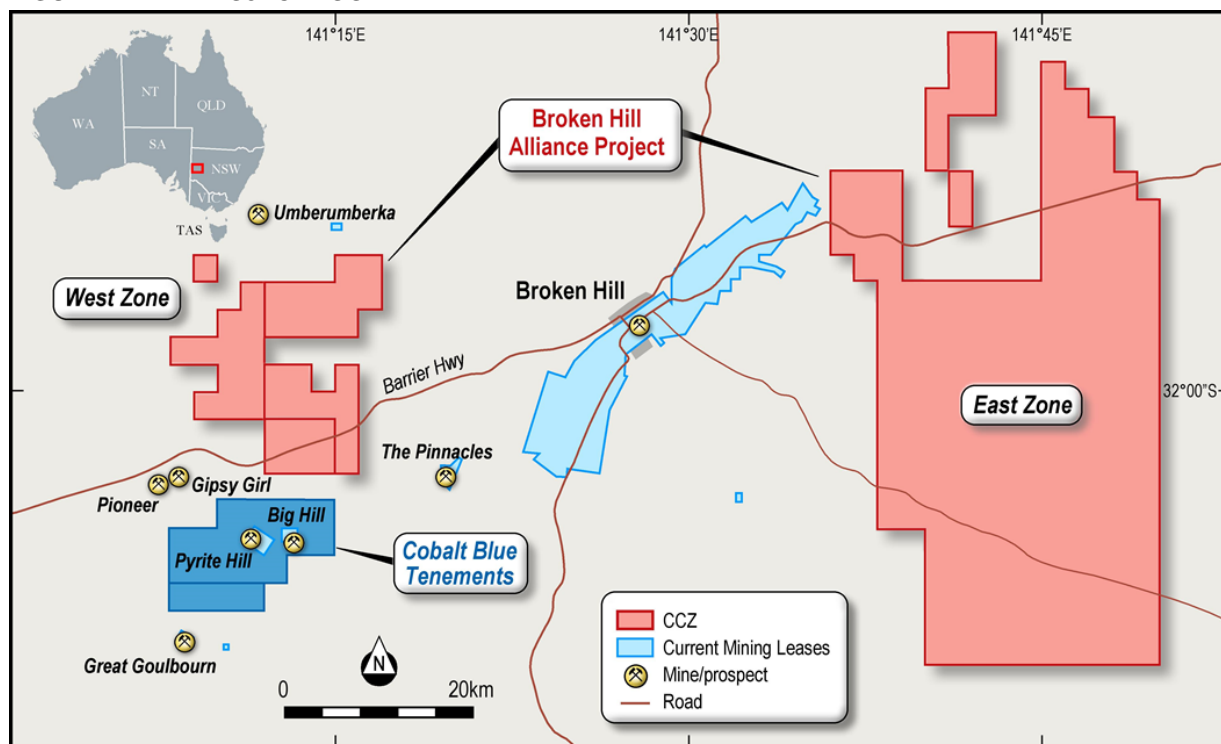
pivoted towards developing the core BHA and NWQ Copper Projects, whilst aligning with partners to advance Cangai Copper Mine and Zambia assets.

EAST & WEST ZONES, BHA PROJECT, NEW SOUTH WALES

On 14 January 2022, a geological review on BHA’s East Zone (Figure 1), acquired from Wyloo Metals in 2020, discovered numerous anomalous areas for cobalt-copper mineralisation delineated from surface and down-hole assays. As such, with assayed values ranging from >300ppm Co up to 3,890ppm Co across >20 drill-holes (proximal to Himalaya Formation outcrop and sub-crop) preliminary work on modelling a JORC 2012 cobalt Mineral Resource Estimate (MRE) commenced. A key driver is that the Broken Hill region is well-known for its cobalt potential, as Cobalt Blue (ASX: COB) has JORC Ore Reserves of 118Mt @ 687ppm Co for 81,100t contained metal.

In addition, the Board was highly encouraged by the NSW government’s new strategy, which targets building a viable downstream industry for processing critical minerals (including cobalt-copper-REEs) and establishing a global supply hub in the state’s central west region. More importantly, the BHA Project is on the NSW government’s critical minerals list which is a significant positive as development work advances.

FIGURE 1: BHA PROJECT FOOTPRINT



Source: CCZ geology team

On 9 February 2022, further forensic work uncovered up to 6,182 drill-holes across the East Zone (BHA Project) – undertaken by North Broken Hill Group in the 1980s. Consequently, the Board prioritised codifying the data then modelling up a JORC 2012 cobalt MRE, with potential for base metal credits:

- ❖ Incrementally, up to seven reverse circulation and diamond drill-core samples (in the Geological Survey of New South Wales core library) were tested for cobalt mineralisation; and
- ❖ As all previous drilling and assays completed by North Broken Hill Group meet current QAQC requirements, there should be a high degree of confidence in the final modelled result.

Given encouraging results from an initial 108 drill-holes, all delivering assays from >200ppm Co up to 9,500ppm Co, spinning-off the BHA Group (via an IPO) was shelved indefinitely. As a result, this enabled the Board to focus on expediting the development of the East Zone.

Castillo Copper Limited – Directors’ Report

On 15 February 2022, preliminary interpretations, based on analysing assayed drill-hole data, suggested cobalt mineralisation, with coincident base metal occurrences, is within four zones down to a relatively shallow 70m.

Moreover, a key advantage for the group is the ability to leverage legacy data to model a JORC 2012 MRE, as it facilitates fast-track developing the BHA Project at a negligible cost.

On 9 March 2022, surface sampling undertaken in and around the Iron Blow Prospect (Figure 2) confirmed the potential for shallow platinoid mineralisation within ultrabasic dykes & metamorphic rocks:

- ❖ The best samples comprised: G3 – 3.7 g/t Pt; 25 – 1.45 g/t Pt; G1 – 2.2 g/t Pt (6.1 g/t Au); and MS2 – 2.9 g/t Pt.

Further, there is demonstrable base metal and cobalt potential, with assayed surface samples (including rock-chips, bulked & grab) returning up to 12% Cu, 2,500 Zn, 9,400 Pb and 350ppm Co.

Meanwhile, historical diamond core drilling has confirmed cobalt is apparent at The Sisters Prospect (Figure 2), with the best results: 1.8m @ 820ppm Co from 124.7m (BH1) and 1.5m @ 320ppm Co from 138.4m (BH2).

On 21 March 2022, following a visit to NSW's core library, the geology team re-tested diamond core – from drill-holes BH1 & BH2 at The Sisters Prospect, with encouraging results:

- ❖ Utilising a PXRF analyser – to identify samples for follow up assays – readings up to 1,705ppm Co and 9.63% Zn were recorded; and
- ❖ More significantly, several PXRF intervals (7-9m wide) were delineated with high-grade cobalt-zinc readings (Figure 2).

FIGURE 2: PRXF INTERVALS BH1 & BH2 – THE SISTERS PROSPECT

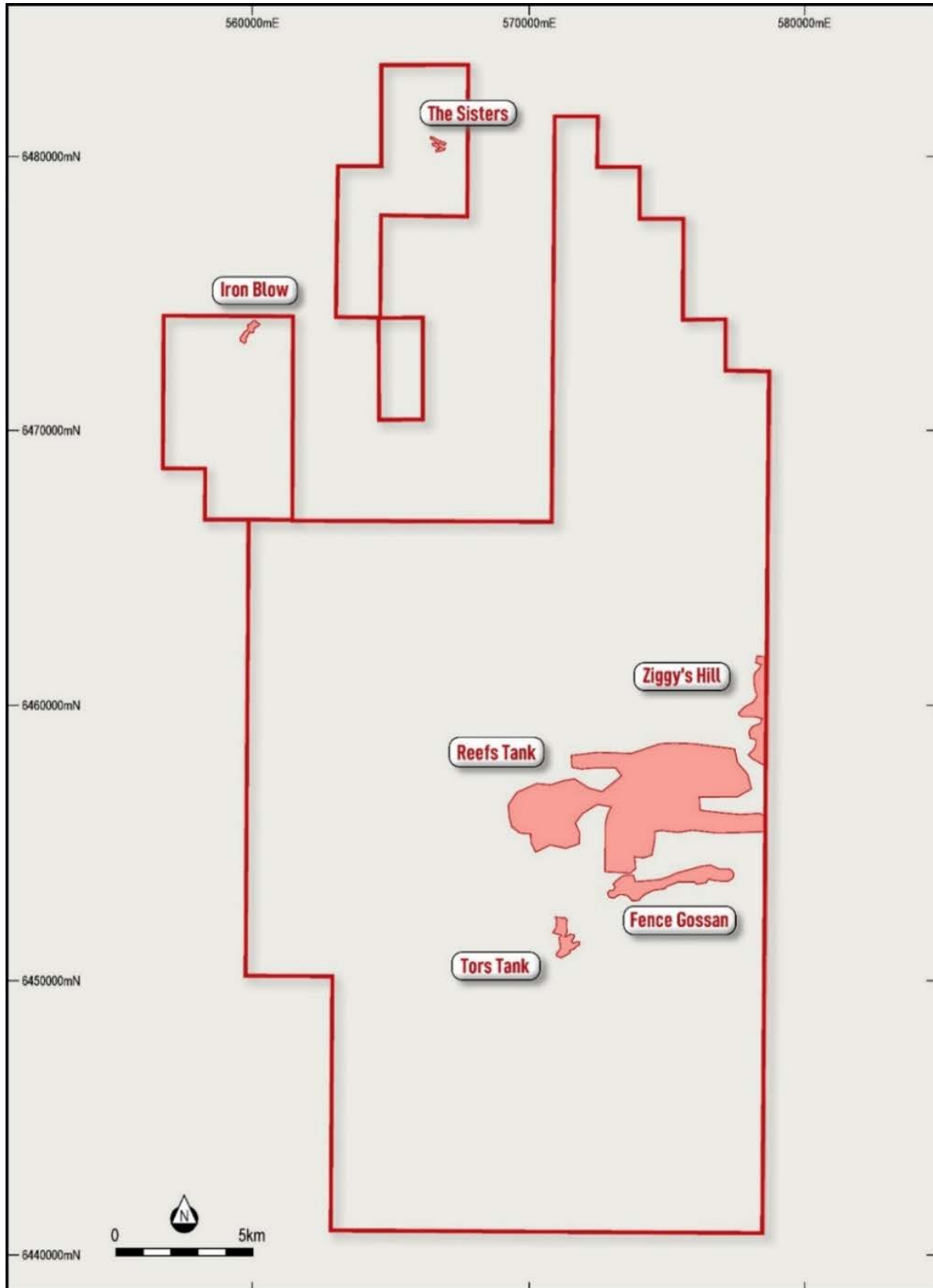
Drill-hole	From	To	Apparent Thickness (m)	Co (ppm)	Zn (%)
BH1	11.84	20.89	9.05	859	0.26
	106.62	114.36	7.26	946	1.53
	116.24	124.66	8.42	897	3.26
	124.66	129.54	4.88	370	0.89
BH2	89.35	90.44	1.09	245	1.89
	92.66	93.57	0.91	350	1.94
	137.29	140.58	3.29	525	2.21

Source: CCZ geology team

In addition, there is a primary 1,200m synclinal structure at The Sisters Prospect – which BH1 intersected – that appears to host high-grade cobalt-zinc mineralisation: this is now a key target for further drill-testing.

On 13 April 2022, compelling new assays uncovered at the Fence Gossan and Ziggy's Hill Prospect (Figure 3) provide incremental evidence there is potentially an extensive cobalt system apparent within the BHA Project's East Zone.

FIGURE 3: PROSPECTS WITHIN EAST ZONE, BHA PROJECT



Source: CCZ geology team

The new cobalt assays, especially from Fence Gossan, are relatively shallow (from surface to circa 100m) and include several standout intercepts which align with earlier results at the Tors & Reef Tank (Figure 4).

Castillo Copper Limited – Directors’ Report

FIGURE 4: BEST ASSAYED INTERCEPTS

Prospect	Best Intercepts
New – Fence Gossan Prospect:	23m @ 660ppm Co from 28m including 3m @ 1,300ppm Co from 37m (3E49N) 4m @ 925ppm Co from 53m including 2m @ 1,300ppm Co from 55m (3E45N) 4m @ 647ppm Co from 46m including 1m @ 1,700ppm Co from 48m (TT05W10N) 3m @ 620ppm Co from 52m including 1m @ 1,100ppm Co from 54m (TT05W14N) 2m @ 500ppm Co from 7m (TT4W035S)
New – Ziggy’s Hill Prospect:	14m @ 262ppm Co from 84m including 1m @ 600ppm Co from 93m (ZIG01) 6m @ 336ppm Co from 39m (RABZIG097) 7m @ 250ppm Co from 5m (ZH0210W)
Reported – Tors & Reef Tank Prospects:	15m @ 760ppm Co from 67m including 3m @ 1,500ppm Co from 70m (3E51N) 5m @ 1,200ppm Co from 15m (AGSO2740) 10m @ 510ppm Co from 5m including 5m @ 690ppm Co from 10m (AGSO2716) 7m @ 1,600ppm Co from 30m (1800E1180N) 10m @ 520ppm Co from surface (2925E1240S) 5m @ 520ppm Co from 45m (TT05W10N)

Source: CCZ geology team

On 5 May 2022, diamond core assay results for drill-hole BH1 at The Sisters Prospect confirmed significant cobalt mineralisation, with the best intercept:

24m @ 424ppm Co from 103m including 2m @ 1,120ppm Co from 107m; 1m @ 873ppm Co from 120m; and 2m @ 486ppm Co from 125m (BH1)

On 1 June 2022, the geology team produced the maiden MRE to the JORC (2012) Code for the East Zone – it totaled 64Mt @ 318 ppm Co for 21,556t contained cobalt metal (Figure 5) at relatively shallow depths (0-80m). Furthermore, the global MRE comprised 44,260t (64Mt @ 0.07% Cu) of contained copper metal that enhances the overall result.

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FIGURE 5: JORC RESOURCE TONNAGES BHA EAST ZONE PROSPECTS

Deposit	Prospect Area Mask	Model Surface Area	Cut-off	Inferred	Co	Cu	Contained Cobalt	Contained Copper
	Ha	Ha	Co ppm	Mt	ppm	%	t	t
Fence Gossan	2,335	218	125	22.1	315	0.08	6,962	17,680
Reefs Tank	5,363	2362	180	42.3	345	0.06	14,594	26,580
				64.4	318	0.07	21,556	44,260

Notes: (1) Contained content reported is insitu at 100%, no mining assumptions or dilution yet applied.

Source: CCZ geology team

NWQ COPPER PROJECT

Big One Deposit

On 15 July 2021, a key insight was 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 at the time, clearly verified material extensions to known mineralisation and potentially a larger underlying system than initially envisaged.

A key feature behind the success of the 2021 campaign (Figure 6) was significantly improved targeting, resulting from the effective utilisation of geophysical insights to refine and reshape the drilling program to boost the collective exploration potential.

FIGURE 6: DRILL RIG AT BIG ONE DEPOSIT



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

Source: CCZ geology team

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

- 9m @ 1.42% Cu from 88m including 4m @ 3.06% Cu from 92m & 1m @ 9.19% Cu from 92m (BO_317RC)
- 5m @ 1.06% Cu from 141m (BO_316RC)

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- 16m @ 0.59% Cu from 166m including 3m @ 1.76% Cu from 176m (BO_318RC)
- 3m @ 1.22% Cu from 65m (BO_315RC)

On 30 November 2021, 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.

There are several reasons including:

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

On 28 February 2022, modelling the 2020-21 reverse circulation and diamond core drilling campaigns at the Big One Deposit produced a maiden JORC 2012 MRE of 2.1Mt @ 1.1% Cu for 21,886t contained metal (Figure 7). The underlying orebody – which commences from surface – is not fully defined, as it remains open to the east, north and down dip.

FIGURE 7: RESOURCE TONNAGES BIG ONE DEPOSIT

Tenure Name	Ore Type	Inferred (Mt)	Indicated (Mt)	Measured (Mt)	Copper Grade (%)	Silver Grade (g/t)	Contained Copper (t)	Contained Silver (kg)
Mine Dumps	Oxidised	0	0.007	-	1.2	4.0	86	29
Mine Insitu	Oxidised	1.7	0	-	1.0	1.1	17,000	1,870
Mine Insitu	Fresh	0.4	0	0	1.2	1.4	4,800	560
Sub-Totals		2.1	0.007	0			21,886	2,459

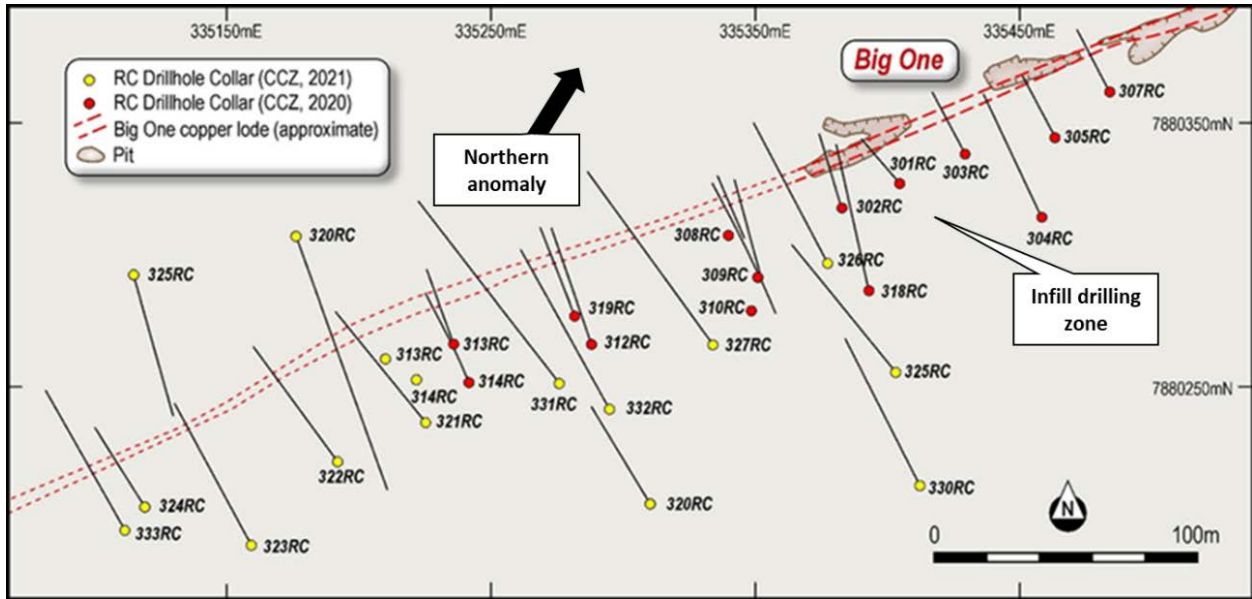
Note: Cut-off grade 0.45% Cu.

Source: CCZ geology team

Moving forward, CCZ’s geology team have mapped out the next drilling campaign (slated to start once ground conditions improve), which will target extending the known orebody. Notably, the campaign comprises infill drilling around the known orebody (drill-holes 301RC, 303RC & 318R; Figure 8); and drill-testing a significant bedrock conductor, north of the line of lode, which is larger than the known orebody along strike.

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FIGURE 8: BIG ONE DEPOSIT – LINE OF LODE & 2022 DRILL TARGETS



Source: CCZ geology team

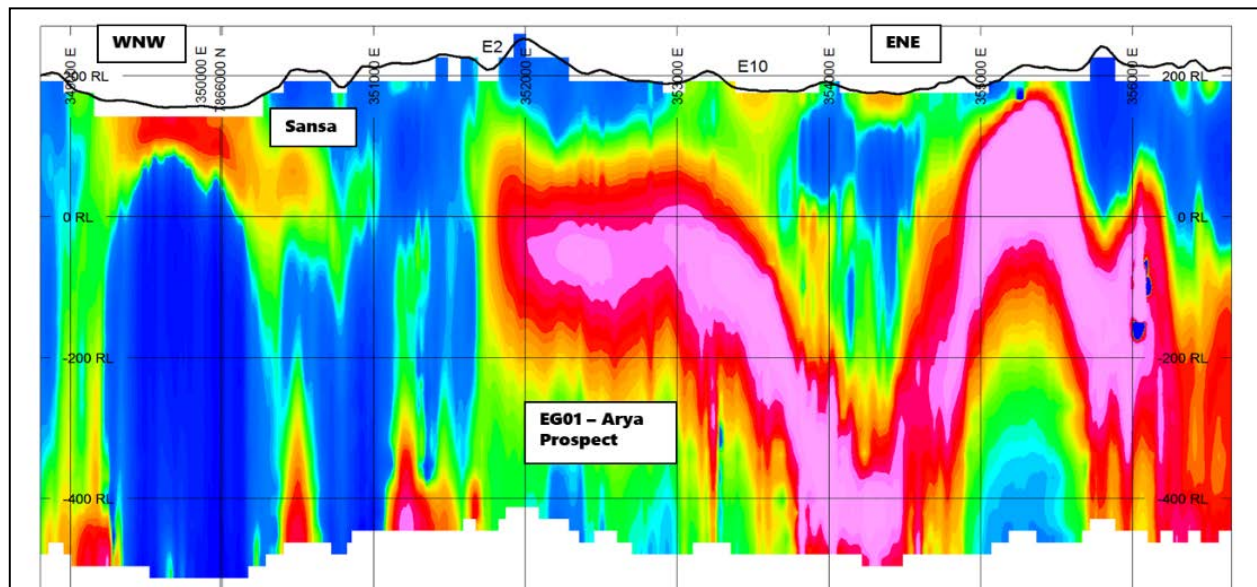
Arya Prospect

On 10 August 2021, logistics were in place to test drill the Arya Prospect.

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 9).

FIGURE 9: 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.

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On 18 October 2021, 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 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 10), with scattered base-metal sulphides, fine-grained graphite mineralisation occurrences and remaining open at depth.

FIGURE 10: 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.

CANGAI COPPER MINE

A pleasing new developing is that Cangai Copper Mine features on the NSW government’s critical minerals list. As such, the Board intends to determine the degree of government support that can be secured to aid further advancing Cangai Copper Mine, considering it has an MRE at 107,589t contained copper metal (3.2Mt @ 3.35%) and is one of Australia’s highest grading historic copper mines (Figure 11).

FIGURE 11: RESOURCE TONNAGES – CANGAI COPPER MINE

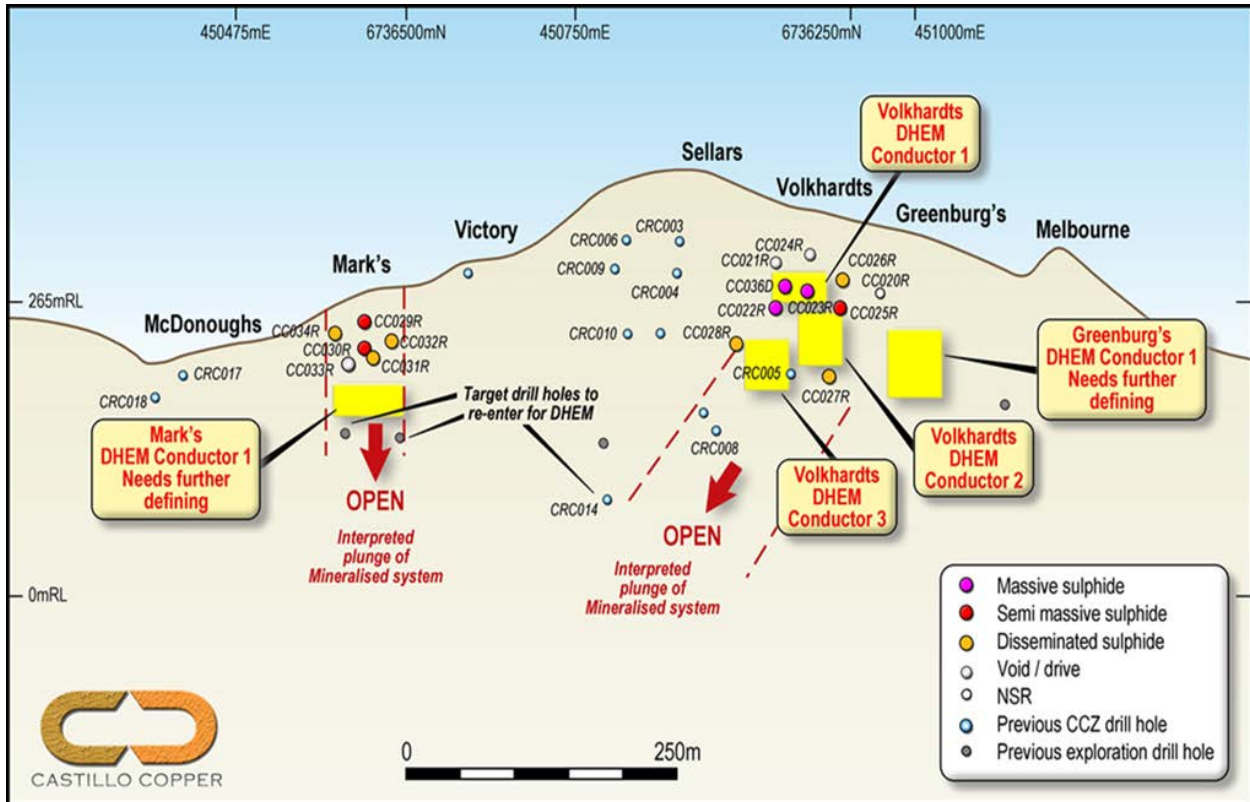
	Mass (t)	Cu (%)	Co (%)	Zn (%)	Au (g/t)	Ag (g/t)	Cu (t)	Co (t)	Zn (t)	Au (Oz)	Ag (Oz)
Oxide	814,267	4.1	0.010	0.63	0.06	27.34	33,391	78	5,165	14,550	715,667
Fresh	2,397,342	3.1	0.003	0.28	0.89	17.74	74,198	75	6,762	68,349	1,367,456
Total	3,211,609	3.35	0.005	0.37	0.8	20.17	107,589	153	11,927	82,899	2,083,123

Note: Totals may not sum exactly due to rounding. Cut-off grade used: 1.0% Cu with top-cut applied: 10.0% Cu

Source: CCZ geology team

In addition, Cangai Copper Mine still delivers significant exploration potential as there are several untested bedrock conductors that are interpreted to be open at depth (Figure 12).

FIGURE 12: CANGAI COPPER MINE – UNTESTED BEDROCK CONDUCTORS



Source: CCZ geology team

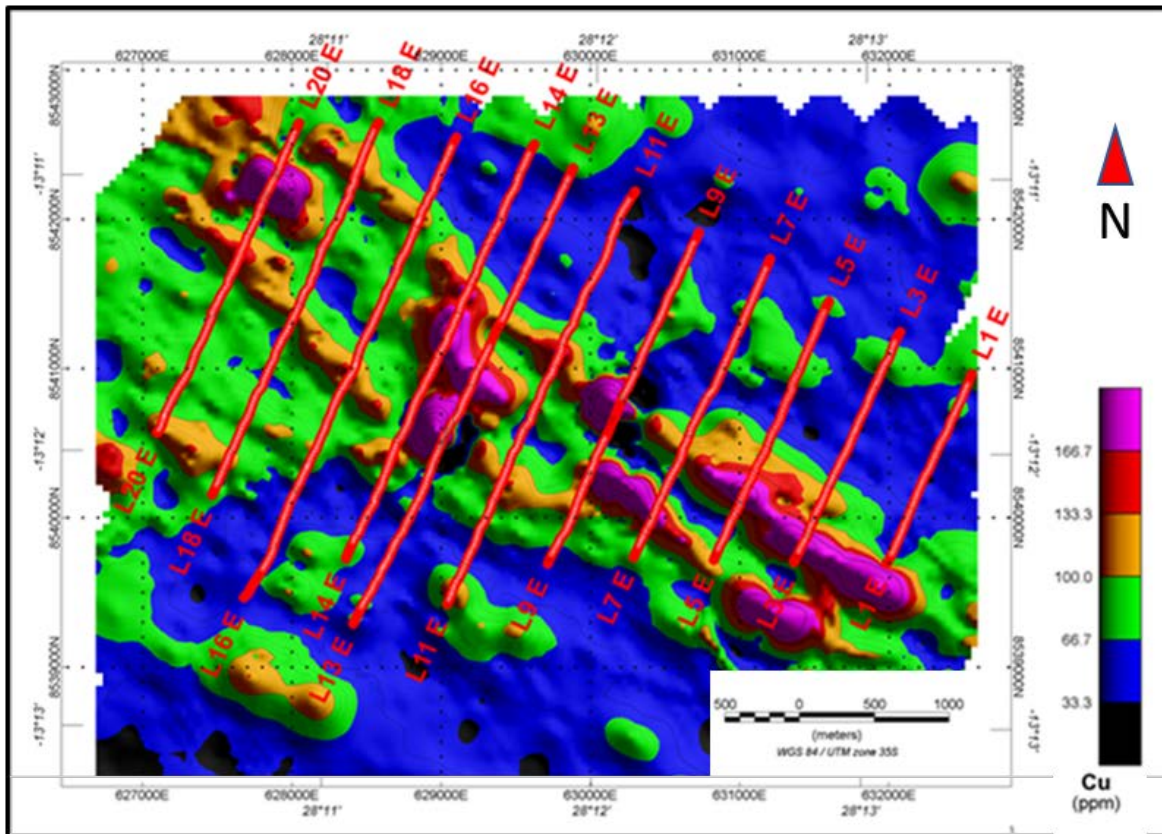
ZAMBIA PROJECTS

On 1 July 2021, a comprehensive geophysical campaign across the key Zambian projects commenced. The campaign was estimated to take 6-8 weeks to complete and additional time to fully analyse the results, reconciling these with known anomalous areas at surface to identify priority targets to drill.

On 25 October 2021, 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 13).

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

FIGURE 13: LUANSHYA PROJECT – IP SURVEY VS COPPER SURFACE ANOMALISM



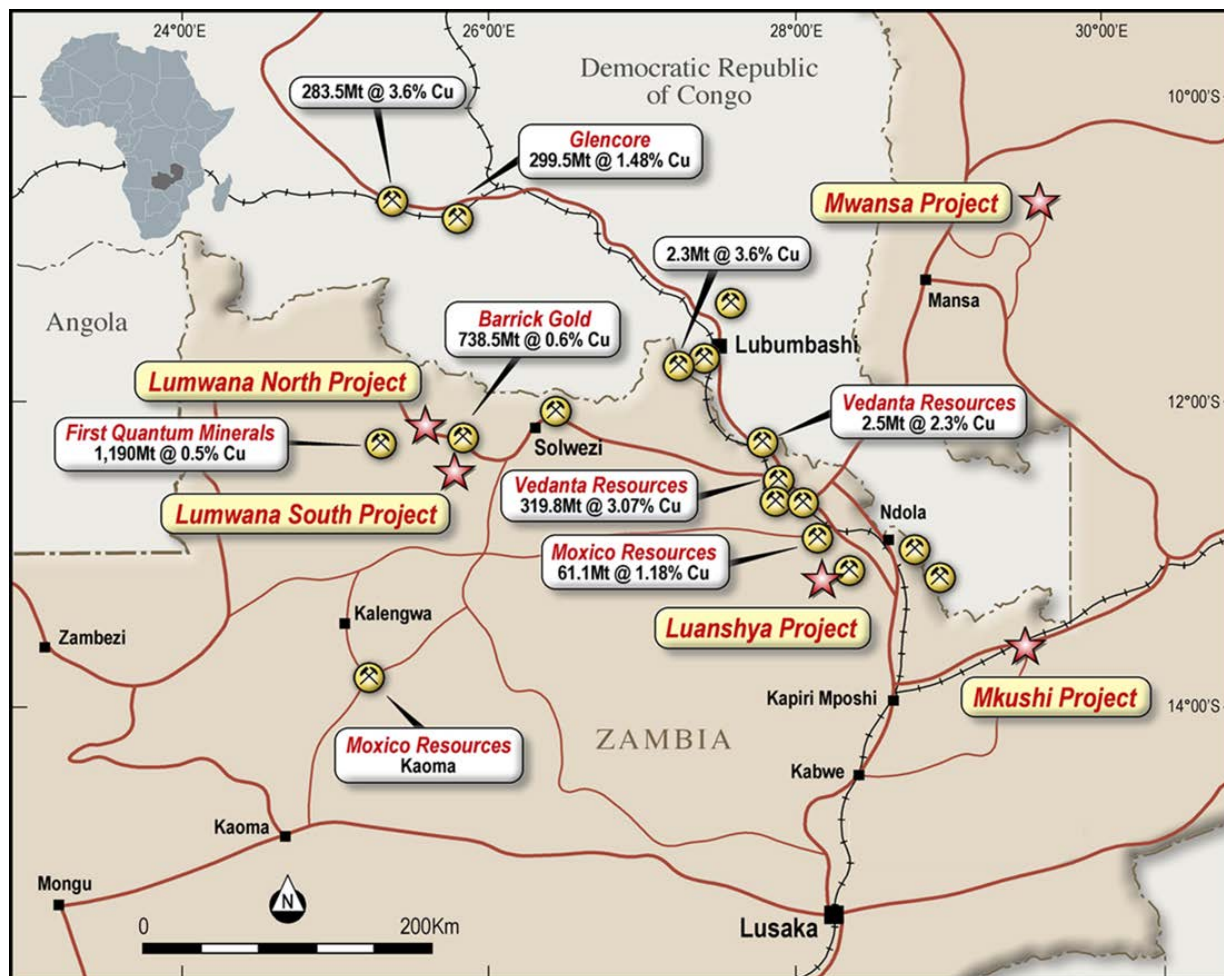
Source: CCZ geology team

On 5 April 2022, an IP survey campaign undertaken at the Mkushi Project highlighted multiple zones of high chargeability coincident with known copper soil anomalies. More significantly, according to the geophysicist's interpretation, these are potential bodies of disseminated copper sulphide mineralisation and prime targets to test drill.

On 22 June 2022, in a landmark deal, London-based Hyperion Copper was granted a 12-month option to acquire 100%-owned subsidiary, Zed Copper Pty Ltd, which owns the four projects in Zambia's copper-belt – including the prime Luanshya and Mkushi Projects – for total consideration of £3.75m (A\$6.7m), subject to due diligence, in a value creating transaction.

The Board believes this is an excellent outcome for all stakeholders since it secures a strategic partner that is committed to fully develop the exploration potential of the Zambia projects (Figure 14). Moreover, with Hyperion Copper planning to list on the LSE's AIM market in 2H 2022, CCZ is set to accrue benefits via retaining its shareholding in Hyperion post listing.

FIGURE 14: ZAMBIA PROJECTS



Source: CCZ geology team

Hyperion is positioning itself as an Africa-focused, copper-gold explorer as it owns 100% of the Yansse Gold Project in Burkina Faso.

CORPORATE

New Director Appointed

On 16 August 2021, Mr Geoff Reed was appointed 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 NSW and north-west Queensland.

Board changes

On 28 January 2022, Dr Dennis Jensen was promoted to Chief Executive Officer and Mr Geoff Reed to Executive Director with effect 1 February 2022. They assume responsibility for executing the Board’s revised strategic intent to prove up JORC 2012 mineral resources. They take over from Mr Simon Paull who retired after building up an excellent platform during his tenure with the group.

On 1 April 2022, Mr Ged Hall (non-executive director based in London) was promoted to Chairman and Dr Dennis Jensen to Managing Director (from CEO) with effect from 1 April 2022. These promotions follow on post the retirement of long-standing Chairman, Mr Rob Scott, with effect from 31 March 2022.

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Option agreement unwound

On 14 January 2022, the Board and companies, which hold the Litchfield and Picasso Lithium Projects, mutually agreed to unwind the option agreement enabling CCZ to acquire these assets. As part of the break agreement terms, the \$50,000 deposit has been returned to CCZ.

CAPITAL RAISING

On 4 August 2021 and 6 August 2021, the Company issued 41,240,648 new ordinary shares and 159,439,781 listed options to complete the capital raising on the Australian Securities Exchange and London Stock Exchange. Total proceeds raised were \$1,368,966 (AUD) and £177,245 (GBP) (\$1,742,314 AUD total).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year, other than as outlined elsewhere in this report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than as set out in the Review of Operations, there were no known material significant events from the end of the financial year to the date of this report that have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Castillo Copper remains focused on progressing its three (3) pillared strategy which includes continued exploration efforts at NWQ Copper Project in Queensland, Cangai Copper Mine in New South Wales and its four Zambian properties.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations of the Group are presently subject to environmental regulation under the laws of the Commonwealth of Australia and the States of Queensland and New South Wales and the Republic of Zambia. The Group is, to the best of its knowledge, at all times in full environmental compliance with the conditions of its licenses.

SHARE OPTIONS

As at the date of this report, there were 354,362,757 unissued ordinary shares under unlisted options. The details of the unlisted options at the date of this report are as follows:

Number	Exercise Price \$	Expiry Date
5,000,000	0.05	31 December 2023
17,000,000	0.10	31 December 2023
57,716,574	0.05	1 August 2022
52,491,667	0.05	2 December 2022
9,000,000	0.05	31 December 2022
102,454,545	0.05	30 June 2023
1,582,353	£0.017	1 September 2023
79,117,618	£0.028	1 September 2023
19,000,000	0.05	30 September 2023
3,000,000	0.08	31 July 2024
8,000,000	0.08	31 January 2025

Castillo Copper Limited – Directors' Report

In addition to the unlisted options, there are 224,939,782 listed options (ASX:CCZO, CCZA, CCZB). The details of the listed options at the date of this report are as follows:

Number	Exercise Price \$	Expiry Date
61,500,000	0.05	27 March 2023
127,418,042	0.08	31 July 2024
32,021,739	£0.044	1 August 2024
4,000,000	0.08	31 July 2024

No option holder has any right under the options to participate in any other share issue of the Group or any other entity.

PERFORMANCE SHARES

As part of the Zed Copper acquisition in the 2021 financial year, the Group issued 2 classes of performance shares to the vendors on 20 February 2021:

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.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group has made an agreement indemnifying all the Directors and Officers of the Group against all losses or liabilities incurred by each Director or Officer in their capacity as Directors or Officers of the Group to the extent permitted by the Corporation Act 2001. The indemnification specifically excludes wilful acts of negligence. The Group paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Group. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as Officers of entities in the Group. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of the court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Castillo Copper Limited support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council and considers that Castillo Copper is in compliance with those guidelines to the extent possible, which are of importance to the commercial operation of a junior listed resources company. During the financial year, shareholders continued to receive the benefit of an efficient and cost effective corporate governance policy for the Group. The Group's Corporate Governance Statement and disclosures can be found at <https://castillocopper.com/investors/governance/>.

AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the Group's auditors to provide the Directors of Castillo Copper Limited with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included on page 51.

Castillo Copper Limited – Directors’ Report

There were no non-audit services provided by the Group’s auditor during the year ended 30 June 2022.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors.



Dennis Jensen

Managing Director

23 September 2022

Competent Person’s 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.

**Consolidated Statement of Profit or Loss and Other Comprehensive
Income**

for the year ended 30 June 2022

	Notes	2022 \$	2021 \$
Interest received		619	591
Other income	4	144,509	10,734
		145,128	11,325
Listing and public company expenses		(332,476)	(302,671)
Accounting and audit expenses		(126,586)	(119,396)
Consulting and Directors' fees		(647,641)	(524,552)
Exploration expenditure expensed as incurred		(25,108)	-
Share-based payments	21	(85,680)	(318,830)
Other expenses	4	(580,820)	(370,860)
LOSS BEFORE INCOME TAX		(1,653,183)	(1,624,984)
Income tax expense	5	-	-
LOSS AFTER INCOME TAX		(1,653,183)	(1,624,984)
OTHER COMPREHENSIVE INCOME			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		1,594	(335)
TOTAL OTHER COMPREHENSIVE INCOME		1,594	(335)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,651,589)	(1,625,319)
Basic and diluted loss per share (cents per share)	13	(0.13)	(0.16)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
as at 30 June 2022

	Notes	2022 \$	2021 \$
CURRENT ASSETS			
Cash and cash equivalents	6	5,754,049	10,854,829
Other assets	7	78,994	221,444
TOTAL CURRENT ASSETS		5,833,043	11,076,273
NON-CURRENT ASSETS			
Other assets	7	404,961	349,100
Deferred exploration and evaluation expenditure	8	12,899,486	8,171,821
TOTAL NON-CURRENT ASSETS		13,304,447	8,520,921
TOTAL ASSETS		19,137,490	19,597,194
CURRENT LIABILITIES			
Trade and other payables	9	125,352	571,836
TOTAL CURRENT LIABILITIES		125,352	571,836
TOTAL LIABILITIES		125,352	571,836
NET ASSETS		19,012,138	19,025,358
EQUITY			
Issued capital	11	35,964,396	34,464,159
Reserves	12	4,080,376	3,940,650
Accumulated losses		(21,032,634)	(19,379,451)
TOTAL EQUITY		19,012,138	19,025,358

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2022

	Issued capital \$	Share based payment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2021	34,464,159	4,092,830	(152,180)	(19,379,451)	19,025,358
Loss for the year	-	-	-	(1,653,183)	(1,653,183)
Other Comprehensive Income	-	-	1,594	-	1,594
Total Comprehensive Loss	-	-	1,594	(1,653,183)	(1,651,589)
Transactions with owners in their capacity as owners					
Shares issued to sophisticated investors	1,742,319	-	-	-	1,742,319
Shares issued to advisors and consultants	59,346	-	-	-	59,346
Share issue costs	(301,428)	52,452	-	-	(248,976)
Share based payments	-	85,680	-	-	85,680
Balance as at 30 June 2022	35,964,396	4,230,962	(150,586)	(21,032,634)	19,012,138
Balance at 1 July 2020					
	23,034,322	3,366,315	(151,845)	(17,754,467)	8,494,325
Loss for the year	-	-	-	(1,624,984)	(1,624,984)
Other comprehensive loss	-	-	(335)	-	(335)
Total comprehensive loss	-	-	(335)	(1,624,984)	(1,625,319)
Transactions with owners in their capacity as owners					
Shares issued in London Stock Exchange					
IPO	2,454,515	-	-	-	2,454,515
Shares issued to sophisticated investors	9,965,973	-	-	-	9,965,973
Shares issued to advisors	276,139	-	-	-	276,139
Share issue costs	(1,576,790)	407,685	-	-	(1,169,105)
Shares issued from exercise of options	310,000	-	-	-	310,000
Share based payments	-	318,830	-	-	318,830
Balance as at 30 June 2021	34,464,159	4,092,830	(152,180)	(19,379,451)	19,025,358

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended 30 June 2022

	Notes	2022 \$	2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		619	591
Payments to suppliers and employees		<u>(1,406,386)</u>	<u>(1,208,781)</u>
NET CASH USED IN OPERATING ACTIVITIES	6	<u>(1,405,767)</u>	<u>(1,208,190)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Tenement expenditure guarantees		-	(232,000)
Payments for tenements bonds		(55,861)	-
Payment for acquisition of tenements		-	(217,285)
Option fee received		144,509	-
Exploration and evaluation expenditure	6	<u>(5,112,153)</u>	<u>(2,236,420)</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(5,023,505)</u>	<u>(2,685,705)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues	11	1,742,319	12,420,488
Proceeds from exercise of options	11	-	310,000
Share issue costs	11	<u>(248,976)</u>	<u>(1,132,902)</u>
NET CASH FROM FINANCING ACTIVITIES		<u>1,493,343</u>	<u>11,597,586</u>
Net (decrease)/increase in cash and cash equivalents		(4,935,929)	7,703,691
Cash and cash equivalents at beginning of year		10,854,829	3,129,958
Foreign exchanges variances on cash		<u>(164,851)</u>	<u>21,180</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6	<u>5,754,049</u>	<u>10,854,829</u>

The accompanying notes form part of these financial statements.

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2022

1. Corporate Information

The financial report of Castillo Copper Limited and its subsidiaries ("Castillo Copper" or "the Group") for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the Directors on 23 September 2022.

Castillo Copper Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange and London Stock Exchange. The nature of the operations and the principal activities of the Group are described in the Directors' Report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report has been prepared on an accrual basis and is based on historical costs. Material accounting policies adopted in preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The presentation currency is Australian dollars.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(c) Adoption of new and revised standards

Standards and Interpretations applicable 30 June 2022

In the year ended 30 June 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. 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.

Standards and interpretations issued, but not yet effective

The Directors have also reviewed all Standards and Interpretations issued, but not yet effective for the period 30 June 2022. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations issued but not yet effective on the Company.

(d) 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 year ended 30 June 2022 of \$1,653,183 and net cash outflows from operating activities of \$1,405,767, net cash outflows from investing activities of \$5,023,505 and net cash inflows from financing

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Notes to the consolidated financial statements at and for the year ended 30 June 2022

activities of \$1,493,343. At 30 June 2022, the Group had a net asset position of \$19,012,138. The cash and cash equivalents balance at 30 June 2022 was \$5,754,049.

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.

(e) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Castillo Copper Limited and its subsidiaries as at 30 June each year ('the Company').

Subsidiaries are all those entities (including special purpose entities) over which the Company has control. The Company controls an entity when the company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-company transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Company and cease to be consolidated from the date on which control is transferred out of the Company.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

(f) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of Castillo Copper Limited is Australian dollars. The functional currency of the Chilean subsidiary is Chilean Peso. The functional currency of the Zambian subsidiaries is United States Dollars.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(iii) Group entities

The results and financial position of all the Company entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to foreign currency translation reserve.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income, as part of the gain or loss on sale where applicable.

(g) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Group. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(h) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

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Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Expenditure which fails to meet the conditions outlined above is impaired; furthermore, the Directors regularly review the carrying value of exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 6 Exploration for and evaluation of mineral resources. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions referred to in AASB 6 is met.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the Group's rights of tenure to that area of interest are current.

(i) Trade and Other Receivables

Trade receivables, which generally have 30 – 90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Furthermore, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term, discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

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(j) Cash and Cash Equivalents

Cash and short term deposits in the statement of financial position include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown as current liabilities in the statement of financial position. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as described above.

(k) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restoration and rehabilitation

Refer to Note 2(m) for the Group's policy in respect of restoration and rehabilitation.

(l) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

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In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model, using the assumptions detailed in note 11.

Rehabilitation provision

The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

(m) Rehabilitation provision

A provision for rehabilitation and restoration is recognised when there is a present obligation as a result of activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the balance date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each balance date.

The initial estimate of the restoration and rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

(n) Income Tax

Deferred income tax is provided for on all temporary differences at balance date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

No deferred income tax will be recognised from the initial recognition of goodwill or of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. No deferred income tax will be recognised in respect of temporary differences associated with investments in subsidiaries if the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the near future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance date and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained. Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

(o) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue is capable of being reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(q) Earnings / loss per share

Basic earnings / loss per share

Basic earnings / loss per share is calculated by dividing the profit/loss attributable to equity holders of the Group, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares, adjusted for any bonus elements.

Diluted earnings / loss per share

Diluted earnings / loss per share is calculated as net profit/loss attributable to members of the Group, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus elements.

(r) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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The net amount of GST recoverable from, or payable to, the Australian Tax Office is included as part of receivables or payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(s) Trade and other payables

Liabilities for trade creditors and other amounts are measured at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received that are unpaid, whether or not billed to the Group.

(t) Share-based payment transactions

The Group provides benefits to individuals acting as, and providing services similar to employees (including Directors) of the Group in the form of share based payment transactions, whereby individuals render services in exchange for shares or rights over shares ('equity settled transactions').

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in note 11(e).

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Castillo Copper Limited ('market conditions').

The cost of the equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the award is recognised immediately. However if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted. The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share (see note 13).

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Notes to the consolidated financial statements at and for the year ended 30 June 2022

(u) Comparative information

When required by Accounting Standards, comparative information has been reclassified to be consistent with the presentation in the current year.

(v) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(w) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(x) Parent entity financial information

The financial information for the parent entity, Castillo Copper Limited, disclosed in Note 17 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

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Notes to the consolidated financial statements at and for the year ended 30 June 2022

3. Segment Information

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 four 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:

2022	NWQ (QLD)	Cangai (NSW)	Broken Hill (NSW)	Zambia	Unallocated	Total
Segment assets and liabilities	\$	\$	\$	\$	\$	\$
Current assets	-	-	-	-	5,833,043	5,833,043
Non-current assets	6,271,129	5,454,684	544,180	1,034,333	121	13,304,447
Current liabilities	-	-	-	-	(125,352)	(125,352)
Segment income and expenses						
Interest income	-	-	-	-	619	619
Other income	-	-	-	144,509	-	144,509
Other expenses	-	-	-	-	(1,798,311)	(1,798,311)
Loss before tax	-	-	-	144,509	(1,797,692)	(1,653,183)
2021	NWQ (QLD)	Cangai (NSW)	Broken Hill (NSW)	Zambia	Unallocated	Total
Segment assets and liabilities	\$	\$	\$	\$	\$	\$
Current assets	-	-	-	-	11,076,273	11,076,273
Non-current assets	1,973,078	5,380,977	289,580	877,167	119	8,520,921
Current liabilities	-	-	-	-	(571,836)	(571,836)
Segment income and expenses						
Interest income	-	-	-	-	591	591
Other income	-	-	-	-	10,734	10,734
Other expenses	-	-	-	-	(1,636,309)	(1,636,309)
Loss before tax	-	-	-	-	(1,624,984)	(1,624,984)

4. Other income and expenses

	2022	2021
	\$	\$
Other income		
Interest expense over accrual	-	10,734
Option fee ¹	144,509	-
Total other income	144,509	10,734

¹Castillo Copper Ltd granted a 12 month option to Hyperion Copper Ltd ("Hyperion") for the acquisition of its 100% owned Subsidiary, Zed Copper Pty Ltd, which owns the Group's mining tenements in Zambia, for a non-refundable fee of US\$100,000 (A\$144,509). The consideration payable by Hyperion to Castillo Copper Ltd for the exercise of the option is £2,250,000, which is to be satisfied by the issue and allotment of ordinary shares in Hyperion. As part of the transaction, Hyperion is proposing to undertake a listing and initial public offering on the AIM Market of the London Stock Exchange. Following completion of the transaction and listing, Castillo Copper Ltd will hold a minimum interest of 25% of the issued shares of Hyperion. The material conditions precedent to the transaction include: a definitive agreement being entered into once Hyperion is satisfied with their due diligence; all the required approvals and consents being obtained, including shareholder approval if necessary; obtaining a legal opinion and competent person's report confirming that the tenements are in good standing; and Hyperion completing preparation and publication of an AIM admission document in respect of an initial public offering and receiving unconditional approval.

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Notes to the consolidated financial statements at and for the year ended 30 June 2022

Other expenses	\$	\$
Travel and accommodation	252	112
Legal	37,678	49,827
Insurance	95,415	72,221
Foreign Exchange (Gains)/Losses	164,792	(23,056)
Investor Relations	260,534	252,766
Other	22,149	18,990
Total other expenses	580,820	370,860

5. Income Tax

	2022	2021
	\$	\$

(a) Income tax expense

Major component of tax expense for the year:

Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting result before income tax multiplied by the Group's applicable tax rate is as follows:

Loss from continuing operations before income tax expense	(1,653,183)	(1,624,984)
Tax at the Australian rate of 30% (2021: 30%)	(495,955)	(487,495)
Non-allowable expenses	25,929	96,145
Income tax benefit not brought to account	470,026	391,350
Income tax expense	<u>-</u>	<u>-</u>

(c) The following deferred tax balances have not been brought to account:

	2022	2021
	\$	\$
<i>Assets</i>		
Total losses available to offset against future taxable income	10,361,143	8,397,012
Total accrued expenses	9,867	53,960
Total share issue costs deductible over five years	483,299	565,080
Deferred tax liability on capitalised exploration costs	(3,549,693)	(2,188,397)
Deferred tax assets not brought to account as realisation is not regarded as probable	(7,304,616)	(6,827,655)
Deferred tax asset recognised	<u>-</u>	<u>-</u>

(d) Unused tax losses

Unused tax losses	34,537,142	27,990,034
Potential tax benefit not recognised at 30% (2021: 30%)	<u>10,361,143</u>	<u>8,397,012</u>

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Notes to the consolidated financial statements at and for the year ended 30 June 2022

The benefit for tax losses will only be obtained if:

- (i) the Group derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and
- (iii) no changes in tax legislation in Australia, adversely affect the Group in realising the benefit from the deductions for the losses.

6. Cash and cash equivalents

Reconciliation of operating loss after tax to net the cash flows used in operations	2022	2021
	\$	\$
Loss from ordinary activities after tax	(1,653,183)	(1,624,984)
Non-cash items		
Share-based payments	85,680	318,830
Consultancy and adviser fees settled in shares	59,346	169,000
Foreign exchange (gain)/loss	164,792	(21,164)
Profit & loss items classed as investing activities		
Consulting fees relating to exploration expenditure	-	120,000
Other income – option fee	(144,509)	-
Changes in assets and liabilities		
Increase / (decrease) in trade and other payables	(60,167)	(10,142)
(Increase) / decrease in other receivables	142,274	(159,730)
Net cash flow used in operating activities	<u>(1,405,767)</u>	<u>(1,208,190)</u>

(b) Reconciliation of cash

Cash balance comprises:		
Cash at bank	<u>5,754,049</u>	<u>10,854,829</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

7. Other Assets	2022	2021
	\$	\$
Current		
GST/VAT receivable	45,150	178,642
Prepayments	33,844	42,802
	<u>78,994</u>	<u>221,444</u>
Non-Current		
Tenement guarantees	<u>404,961</u>	<u>349,100</u>

There are no current tenement guarantees.

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Notes to the consolidated financial statements at and for the year ended 30 June 2022

8. Deferred Exploration and Evaluation Expenditure	2022	2021
	\$	\$
Exploration and evaluation phase:		
Opening balance	8,171,821	5,748,198
Exploration and evaluation expenditure on acquisition of Wyloo metals tenements	-	215,000
Exploration and evaluation expenditure during the period	4,727,665	2,329,713
Rehabilitation (note 10)	-	(121,090)
Closing balance	<u>12,899,486</u>	<u>8,171,821</u>

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent on the successful development and commercial exploration or sale of respective areas.

9. Trade and other payables	2022	2021
	\$	\$
Trade and other payables	92,462	383,303
Accruals	32,890	188,533
	<u>125,352</u>	<u>571,836</u>

Trade and other payables are non-interest bearing and payable on demand. Due to their short-term nature, the carrying value of trade and other payables is assumed to approximate their fair value.

10. Rehabilitation Provision

	2022	2021
	\$	\$
Rehabilitation provision	-	-
	<u>-</u>	<u>-</u>
Rehabilitation provision		
Opening balance	-	121,090
Rehabilitation completed during the year	-	(121,090)
Closing balance	<u>-</u>	<u>-</u>

11. Issued Capital

	2022	2021
	\$	\$
(a) Issued and paid up capital		
Ordinary shares fully paid	<u>35,965,396</u>	<u>34,464,159</u>

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2022

	2022		2021	
	Number of shares	\$	Number of shares	\$
(b) Movements in ordinary shares on issue				
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 to sophisticated investors	41,240,648	1,742,319	237,155,313	9,965,973
Shares issued to advisors	250,000	12,500	4,382,991	276,139
Shares issued from exercise of options	-	-	7,133,333	310,000
Shares issued to consultants	1,502,387	46,846	-	-
Transaction costs on share issue	-	(301,428)	-	(1,576,790)
	<u>1,299,505,355</u>	<u>35,964,396</u>	<u>1,256,512,320</u>	<u>34,464,159</u>

The shares issued to advisors and consultants were valued based on the fair value of the service received.

(c) Ordinary shares

The Group does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

(d) Share options

At 30 June 2022 there were 354,362,757 (30 June 2021: 358,362,757) unlisted options and 224,939,782 (30 June 2021: 61,500,000) listed options (ASX:CCZO, CCZOA, CCZOB) with various exercise prices and expiry dates.

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	5,000,000	1 February 2019	31 December 2023	\$0.05	\$0.005	1 February 2019
3	19,200,000	3 December 2019	2 December 2022	\$0.05	\$0.005	3 December 2019
4	3,000,000	3 December 2019	2 December 2022	\$0.05	\$0.005	3 December 2019
5	3,000,000	31 December 2019	31 December 2022	\$0.05	\$0.005	31 December 2019
6	6,000,000	31 December 2019	31 December 2022	\$0.05	\$0.004	30 June 2020
7	7,000,000	23 June 2020	30 June 2023	\$0.05	\$0.013	23 June 2020
8	1,582,353	2 October 2020	1 September 2023	£0.017	\$0.023	2 October 2020
9	19,000,000	2 October 2020	30 September 2023	\$0.05	\$0.018	2 October 2020
10	14,285,714	15 June 2021	31 July 2024	\$0.08	\$0.022	15 June 2021
11	2,955,665	16 June 2021	1 August 2024	£0.044	\$0.021	16 June 2021
12 ¹	2,418,044	5 August 2021	31 July 2024	\$0.08	\$0.007	5 August 2021
13 ¹	462,378	17 August 2021	1 August 2024	£0.044	\$0.017	17 August 2021
14 ¹	4,000,000	27 October 2021	31 July 2024	\$0.08	\$0.007	27 October 2021
15	3,000,000	30 November 2021	31 July 2024	\$0.08	\$0.010	30 November 2021
16	8,000,000	1 February 2022	31 January 2025	\$0.08	\$0.007	1 February 2022

¹ Issued to corporate advisors for broker services rendered in relation to share placements during the year.

During the year 15,000,000 options expired, with an exercise price of \$0.05 and a fair value at grant date of \$0.003.

No options were exercised during the period.

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2022

Options granted as equity compensation benefits to Key Management Personnel during the year are set out in the audited remuneration report.

No listed or unlisted options have been issued since the end of the year.

Weighted remaining contractual life (years)	1.21
Weighted average exercise price	\$0.0554

Options granted as equity compensation benefits to Key Management Personnel during the year are set out in the audited remuneration report.

(e) Weighted average fair value

The fair value of the equity-settled unlisted 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	15	16
Expected volatility (%)	100	87	92	92	92	93	100	104	104	99	100
Risk-free interest rate (%)	1.90	2.00	0.77	0.77	0.77	0.77	0.27	0.18	0.18	0.87	1.21
Expected life of option (years)	5.6	4.9	3.0	3.0	3.0	3.0	3.0	2.9	3.0	2.7	3.0
Exercise price (cents/pence)	10	5	5	5	5	5	5	1.7p	5	8	8
Grant date share price (cents/pence)	3.9	1.6	1.8	1.8	2.0	1.7	2.6	2.6p	4.2	3.4	2.6

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.

(f) Performance Shares

At 30 June 2022 there were 46,875,000 Class A performance shares and 46,875,000 Class B performance shares on issue in relation to the Zambian tenements held by 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.

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2022

12. Reserves

Share based payment reserve

The share based payment reserve is used to record the value of equity benefits provided to Directors and executives as part of their remuneration and non-employees for their services.

Foreign currency translation reserve

The foreign exchange differences arising on translation of balances originally denominated in a foreign currency into the functional currency are taken to the foreign currency translation reserve. The reserve is recognised in profit or loss when the net investment is disposed of.

13. Loss per Share

	2022	2021
	\$	\$
Loss used in calculating basic and dilutive EPS	(1,653,183)	(1,624,894)
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic loss per share:	1,294,183,748	1,019,444,466
Effect of dilution:		
Share options		-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	1,294,183,748	1,019,444,466
Basic and diluted loss per share (cents per share)	(0.13)	(0.16)

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

There are no potential ordinary shares on issue that are considered to be dilutive, therefore basic earnings per share also represents diluted earnings per share.

14. Auditor's Remuneration

	2022	2021
	\$	\$
The auditor of Castillo Copper Limited is HLB Mann Judd.		
Amounts received or due and receivable for:		
Audit or review of the financial report of the entity and any other entity in the Group	40,851	41,607
Non-audit services – preparation of various reports in relation to the LSE listing	-	10,000
	40,851	51,607

15. Related party disclosures

a) Key management personnel

	2022	2021
	\$	\$
<i>Compensation of key management personnel</i>		
Short term employee benefits	389,221	255,829
Post-employment benefits	3,000	-
Share-based payments	85,680	210,840
Total remuneration	477,901	466,669

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2022

b) Other transactions with key management personnel

Yingyang Pty Ltd, a company of which Mr Paull is a director, charged the Group director's fees of \$38,036 (2021: \$48,000) and executive fees of \$95,089 (2021: \$120,000). There was nil outstanding at 30 June 2022 (2021: \$nil).

Coverley Management Services Pty Ltd, a company of which Mr Scott is a director, charged the Group director's fees of \$45,000 (2021: \$48,000). There was nil outstanding at 30 June 2022 (2021: nil).

Strategic Business Analysis Ltd, a company of which Mr. Hall is a director, charged the Group directors fees of \$60,170 (2021: \$39,829). There was \$5,104 outstanding at 30 June 2022 (2021: nil).

Bluespoint Mining Services Pty Ltd, a company of which Mr Reed is a director, charged the Group executive fees of \$69,626 (2021: nil) and consulting fees of \$1,800 (2021: nil). There was \$9,166 outstanding at 30 June 2022 (2021: nil).

DTJ Enterprises Pty Ltd, a company of which Dr Jensen is a director, charged the Group executive fees of \$79,500 (2021: nil). There was nil outstanding at 30 June 2022 (2021: nil).

c) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of Castillo Copper Limited and the following subsidiaries:

Name of Entity	Country of Incorporation	Equity Holding	
		2022	2021
Castillo Copper Chile SPA	Chile	100%	100%
Castillo Exploration Limited	Australia	100%	100%
Qld Commodities Pty Ltd	Australia	100%	100%
Total Iron Pty Ltd	Australia	100%	100%
Total Minerals Pty Ltd	Australia	100%	100%
BHA No. 1 Pty Ltd	Australia	100%	100%
Atlantica Holdings (Bermuda)	Bermuda	75%	75%
Zed Copper Pty Ltd	Australia	100%	100%
Chalo Mining Group Ltd	Zambia	100%	100%
Lufilian Resources Zambia Ltd	Zambia	100%	100%
Belmt Resources Mining Company Ltd	Zambia	50%	50%
Broken Hill Alliance Ltd	Australia	100%	N/A

Castillo Copper Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note.

Broken Hill Alliance Ltd was incorporated during the year ended 30 June 2022 and was subsequently deregistered on 5 September 2022, after plans to spin-off the BHA assets via an ASX listing were indefinitely deferred.

16. Financial Risk Management

Exposure to interest rate, liquidity, and credit risk arises in the normal course of the Group's business. The Group does not hold or use derivative financial instruments. The Group's principal financial instruments comprise mainly of deposits with banks. The totals for each category of financial instruments are as follows:

	2022	2021
	\$	\$
Financial Assets		
Cash and cash equivalents	5,754,049	10,854,829
Other receivables (current and non-current)	450,111	527,741
	<hr/>	<hr/>
	6,204,160	11,382,570
Financial Liabilities		
Trade and other payables	125,352	571,836

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2022

The Group uses different methods as discussed below to manage risks that arise from these financial instruments. The objective is to support the delivery of the financial targets while protecting future financial security.

(a) Capital risk management

The Group's capital comprises share capital and reserves less accumulated losses. As at 30 June 2022, the Group has net assets of \$19,012,138 (2021: \$19,025,358). The Group manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders.

(b) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments. The responsibility for liquidity risk management rests with the Board of Directors.

Alternatives for sourcing future capital needs include the cash position and future equity raising alternatives. These alternatives are evaluated to determine the optimal mix of capital resources for our capital needs. The Board expects that, assuming no material adverse change in a combination of our sources of liquidity, present levels of liquidity will be adequate to meet expected capital needs.

Maturity analysis for financial liabilities

Financial liabilities of the Group comprise trade and other payables. As at 30 June 2022 any financial liabilities that are contractually maturing within 60 days have been disclosed as current. Trade and other payables that have a deferred payment date of greater than 12 months have been disclosed as non-current.

(c) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Group's exposure to changes to interest rate risk relates primarily to its earnings on cash and term deposits. The Group manages the risk by investing in short term deposits.

	2022	2021
	\$	\$
Cash and cash equivalents	5,754,049	10,854,829

Interest rate sensitivity

The following table demonstrates the sensitivity of the Group's statement of comprehensive income to a reasonably possible change in interest rates, with all other variables constant.

Change in Basis Points	Effect on Post Tax Loss (\$)		Effect on Equity including retained earnings (\$)	
	Increase/(Decrease)		Increase/(Decrease)	
	2022	2021	2022	2021
Increase 100 basis points	57,540	108,548	57,540	108,548
Decrease 100 basis points	(57,540)	(108,548)	(57,540)	(108,548)

A sensitivity of 100 basis points has been used as this is considered reasonable given the current level of both short term and long term Australian Dollar interest rates. This would represent two to four movements by the Reserve Bank of Australia.

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2022

(d) Credit Risk Exposures

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's maximum credit exposure is the carrying amounts on the statement of financial position. The Group holds financial instruments with credit worthy third parties.

At 30 June 2022, the Group held cash at bank. These were held with financial institutions with a rating from Standard & Poors of AA- or above (long term). The Group has no past due or impaired debtors as at 30 June 2022.

(e) Fair Value Measurement

There were no financial assets or liabilities at 30 June 2022 requiring fair value estimation and disclosure as they are either not carried at fair value or in the case for short term assets and liabilities, their carrying values approximate fair value.

(f) Foreign Exchange

The Group undertakes certain transactions denominated in foreign currencies hence exposures to exchange rate fluctuations arise. The Group does not manage these exposures with foreign currency derivative products. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

Chilean Peso (CLP)

	2022	2021
	\$	\$
Assets	86,432	101,338
Liabilities	(10,350)	(12,135)
	<u>76,082</u>	<u>89,203</u>

British Pound Sterling (GBP)

	2022	2021
	\$	\$
Assets	3,542,364	3,631,057
Liabilities	(5,104)	(13,063)
	<u>3,537,260</u>	<u>3,617,994</u>

The Group is exposed to Chilean Peso (CLP) and British Pound Sterling (GBP) currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit and equity where the Australian Dollar weakens against the respective currency. For a strengthening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and equity and the balances below would be negative.

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2022

10% Increase

	2022	2021
	\$	\$
Profit/(loss) and equity – CLP	7,810	8,920
Profit/(loss) and equity – GBP	353,726	361,799
	<u>361,536</u>	<u>370,719</u>

10% Decrease

	2022	2021
	\$	\$
Profit/(loss) and equity – CLP	(7,810)	(8,920)
Profit/(loss) and equity – GBP	(353,726)	(361,799)
	<u>(361,536)</u>	<u>(370,719)</u>

17. Parent Entity Information

The following details information related to the parent entity, Castillo Copper Limited, at 30 June 2022. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2022	2021
	\$	\$
Current assets	5,831,937	11,074,975
Non-current assets	10,479,490	5,885,974
Total assets	16,311,427	16,960,949
Current liabilities	115,003	559,701
Non-current liabilities	-	-
Total liabilities	115,003	559,701
Net assets	16,196,424	16,401,248
Issued capital	35,898,048	34,464,159
Reserves	4,297,310	4,092,830
Accumulated losses	(23,998,934)	(22,155,741)
Total equity	16,196,424	16,401,248
Loss of the parent entity	1,843,193	1,790,221
Other comprehensive income for the year	-	-
Total comprehensive loss of the parent entity	1,843,193	1,790,221

a) Guarantees

Castillo Copper Limited has not entered into any guarantees in relation to the debts of its subsidiary.

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2022

b) Other Commitments and Contingencies

Castillo Copper Limited has not entered into any commitments and does not have any known contingent liabilities at year end.

18. Contingent liabilities

The Company has entered into the following royalty agreements:

- 1% net smelter return royalty in respect of the area covered by the tenements acquired from Qld Commodities Pty Ltd vendors (or their nominee);
- 3% net smelter return royalty in respect of the area covered by the tenements acquired from Total Minerals Pty Ltd vendors (or their nominee);
- 3% net smelter return royalty in respect of the area covered by the tenements acquired from Total Iron Pty Ltd vendors (or their nominee).
- 2% net smelter return royalty in respect of the area covered by the tenements acquired from Zed Copper Pty Ltd vendors (or their nominee).

Other than outlined above, there are no contingent liabilities.

19. Commitments

In order to maintain current contractual rights concerning its mineral projects, the Group has certain commitments to meet minimum expenditure or work program requirements. The current minimum commitments at balance date but not recognised as liabilities are as follows:

	2022 \$	2021 \$
Within one year	1,280,129	643,668
After one year but not more than five years	1,250,000	968,475
Longer than five years	-	-
	2,530,129	1,612,143

20. Dividends

No dividend was paid or declared by the Group in the period since the end of the financial year, and up to the date of this report. The Directors' do not recommend that any amount be paid by way of a dividend for the financial year ended 30 June 2022.

The balance of the franking account is Nil at 30 June 2022 (2021: Nil).

21. Share-based payments

(a) Shares issued to suppliers: During the year, 250,000 fully paid ordinary shares were issued to suppliers with a fair value of \$12,500 in lieu of cash payment of invoices and 1,502,387 fully paid ordinary shares were issued to consultants with a fair value of \$46,846 in lieu of cash payment of invoices.

(b) Reconciliation to share based payments expense in profit or loss:

	2022 \$	2021 \$
Options issued to advisors and consultants	-	107,990
Options issued to directors	85,680	210,840
	85,680	318,830

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2022

(c) Fair value of options

The fair value of all options noted above have been determined using the Black & Scholes model taking in to account the inputs outlined in Note 11(e).

22. Subsequent events

There were no known material significant events from the end of the financial year to the date of this report that have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Castillo Copper Limited

Directors' Declaration

The directors of the company declare that:

1. in the directors' opinion, the financial statements and accompanying notes set out on pages 24 to 49 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the *Corporations Regulations 2001*, professional reporting requirements and all other mandatory requirements; and
 - b. give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the 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; and
3. the directors have been given the declarations by the Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Dennis Jensen

Managing Director

23 September 2022

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Castillo Copper Limited for the year ended 30 June 2022, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
23 September 2022



M R Ohm
Partner

hlb.com.au

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INDEPENDENT AUDITOR'S REPORT

To the Members of Castillo Copper Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Castillo Copper Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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* ("the Code") that are relevant to our audit of the financial report in Australia.

We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
<p>Carrying amount of deferred exploration and evaluation expenditure</p> <p>Refer to Note 8</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> - We obtained an understanding of the key processes associated with management's review of the carrying values of each area of interest; - We considered the Directors' assessment of potential indicators of impairment; - We obtained evidence that the Group has current rights to tenure of its areas of interest; - We examined the exploration budget and discussed with management the nature of planned ongoing activities; - We substantiated a sample of additions to exploration expenditure during the year; - We determined if any areas of interest should be characterised as discontinued or held for sale as at balance date; and - We examined the disclosures made in the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Castillo Copper Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
23 September 2022



M R Ohm
Partner

Castillo Copper Limited

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 12 September 2022.

Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	75	13,119
1,001 - 5,000	15	43,461
5,001 - 10,000	135	1,197,364
10,001 - 100,000	2,028	91,333,302
100,001 - and over	1,372	1,206,487,324
TOTAL	3,625	1,299,074,570

There were 1,448 holders of ordinary shares holding less than a marketable parcel, with total of 31,599,269 shares amounting to 2.4% of Issued Capital.

Quoted equity securities as at 12 September 2022

Equity Security	Quoted
Ordinary Shares	1,299,505,355
CCZO – Listed Options	61,500,000
CCZOA – Listed Options	131,418,042
CCZOB – Listed Options	32,021,739

Voting Rights

Each fully paid ordinary share carries the rights of one vote per share.

Unquoted Securities

The number of unquoted securities on issue at 12 September 2022:

Unquoted Securities	Number on Issue	Exercise Price	Expiry Date
Unquoted Options ¹	17,000,000	10c	31/12/2023
Unquoted Options ²	5,000,000	5c	31/12/2023
Unquoted Options	52,491,667	5c	3/12/2022
Unquoted Options ³	9,000,000	5c	31/12/2022
Performance Shares – Class A	46,875,000	Nil ⁶	-
Performance Shares – Class B	46,875,000	Nil ⁷	-
Unquoted Options	102,454,545	5c	30/06/2023
Unquoted Options ⁶	1,582,353	1.7p	01/09/2023
Unquoted Options ⁷	19,000,000	5c	30/09/2023
Unquoted Options	79,117,618	2.8p	01/09/2023
Unquoted Options ⁸	3,000,000	8c	31/07/2024
Unquoted Options ⁹	8,000,000	8c	31/01/2025

Persons holding more than 20% of a given class of unquoted securities as at 12 September 2022:

- 29% held by Bond Street Custodians Ltd, 26% held by Detroit Capital Pty Ltd, 21% Held by Mr Shane Lehman
- 100% held by Ferber Holdings Pty Ltd <Scott Super Fund>.
- 33% held by JBO Assets Pty Ltd, 33% held by TWW Assets Pty Ltd, 28% held by Mr Shane Lehman.
- 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. 50% held by N & E Beltz Pty Ltd and 50% held by Resource Corporate Pty Ltd.
- 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. 50% held by N & E Beltz Pty Ltd and 50% held by Resource Corporate Pty Ltd.
- 100% held by SI Capital Ltd
- 32% held by Yingyang Pty Ltd <The Trojan A/c>
- 100% held by Bluespoint Mining Services Pty Ltd
- 100% held by DTJ Enterprises Pty Ltd <DTJ Family A/C>

Castillo Copper Limited

Substantial Shareholders

There are no substantial shareholders.

Restricted Securities

There were 430,785 restricted securities under ASX imposed escrow at 12 September 2022.

Stock Exchange

The Company is listed on the Australian Securities Exchange and has been allocated the code "CCZ". The "Home Exchange" is Perth.

The Company is also listed on the London Stock Exchange and has been allocated the code "CCZ".

Other information

Castillo Copper Limited, is incorporated and domiciled in Australia, and is a publicly listed company limited by shares.

On-Market Buy-Back

There is currently no on-market buy-back in place.

Twenty largest holders of quoted securities as at 12 September 2022

Name	No. of Shares	%
COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	185,682,557	14.29%
SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	27,061,652	2.08%
TWW ASSETS PTY LTD <TWW ASSETS A/C>	24,459,524	1.88%
JBO ASSETS PTY LTD <JBO ASSETS A/C>	24,259,525	1.87%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	23,352,548	1.80%
TAKA CUSTODIANS PTY LTD <TAKA A/C>	17,793,750	1.37%
BNP PARIBAS NOMS PTY LTD <DRP>	17,193,429	1.32%
MR JOHN MCDONALD & MR SHAUN MCDONALD <SOUTHLAND SNIPE SF A/C>	17,088,944	1.32%
REBECCA BRADLEY	15,000,000	1.15%
MR BRADLEY JOHN KENNEY	15,000,000	1.15%
MR GREGORY BRUCE HILL	12,000,000	0.92%
MR GREGORY BRUCE HILL	12,000,000	0.92%
AGENS PTY LTD <THE MARK COLLINS S/F A/C>	10,880,954	0.84%
FOUCART PTY LTD <CRB A/C>	8,507,500	0.65%
BEARAY PTY LIMITED <BRIAN CLAYTON S/F A/C>	8,333,320	0.64%
REDIMA PTY LTD	8,155,887	0.63%
MR KENNETH JOSEPH HALL <HALL PARK A/C>	7,850,000	0.60%
JD SQUARED INVESTMENTS PTY LTD	7,750,000	0.60%
MRS MARIA KATALIN VAROLI	7,500,000	0.58%
ONE MANAGED INVESTMENT FUNDS LIMITED <TI GROWTH A/C>	7,142,858	0.55%
Total	470,232,613	36.20%

Castillo Copper Limited

Tenement information as required by Listing Rule 5.3.3

JACKADERRY		
New England Orogen in NSW		
Tenement ID	Ownership at end of year	Status
EL8635	100%	Granted
EL8625	100%	Granted
EL8601	100%	Granted

BROKEN HILL		
located within a 20km radius of Broken Hill, NSW		
Tenement ID	Ownership at end of year	Status
EL8599	100%	Granted
EL8572	100%	Granted
EL8434	100%	Granted
EL8435	100%	Granted

MT OXIDE		
Mt Isa region, northwest Queensland		
Tenement ID	Ownership at end of year	Status
EPM 26513	100%	Granted
EPM 26525	100%	Granted
EPM 26574	100%	Granted
EPM 26462	100%	Granted
EPM27440	100%	Granted

Zambia		
Tenement ID	Ownership at end of year	Status
23914-HQ-SEL	100%	Granted
23913-HQ-SEL	100%	Granted
24659-HQ-LEL	100%	Granted
22448-HQ-LEL	0%*	Granted
25195-HQ-LEL	55%*	Granted
25273-HQ-LEL	55%*	Granted
25261-HQ-LEL	100%	Granted

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