



DECEMBER 2022 QUARTERLY ACTIVITIES REPORT



Highlights

- **EAST ZONE, BHA PROJECT, NEW SOUTH WALES**
 - Assays from seven drill-holes across the Fence Gossan (FG) and Tors Tank (TT) Prospects, confirm a significant shallow clay-hosted Rare Earth Elements (REE) discovery – up to 2,410ppm Total Rare Earth Oxides (TREO)¹ – the best intercepts comprise:
 - ❖ 20m @ 1,780ppm TREO (28.9% Magnet REO) from surface including 4m @ 2,410ppm TREO from 16m (FG_003RC)¹
 - ❖ 7m @ 1,048ppm TREO (29.9% Magnet REO) from 12m (TT_002RC)¹
 - ❖ 19m @ 847ppm TREO (29.6% Magnet REO) from surface (TT_003RC)¹
- **LUANSHYA PROJECT, ZAMBIA**
 - Incremental development work on known key targets – scheduled to commence in 1H2023 – focusing on the highly prospective Luanshya Project¹
 - The Board remains committed to aligning with a development partner or undertaking a trade sale for the Zambia Copper Projects – efforts will be redoubled to deliver this outcome during 2023¹

ACTIVITIES REPORT

Castillo Copper Limited’s (“CCZ”) Board is pleased to present shareholders its latest quarterly report for the period 1 October to 31 December 2022.

During the period, most of the focus remained on developing the REE potential at the East Zone, BHA Project in Broken Hill.

An overview of key events follows:

DEVELOPMENT WORK

CCZ has four properties comprising the NWQ Copper Project in Mt Isa’s copper-belt, the BHA Project near Broken Hill’s world class silver-zinc-lead deposit in NSW, the historic Cangai Copper Mine and four assets across Zambia’s copper-belt.

East Zone, BHA Project, NSW

On 3 October 2022, a four-week long, cobalt-focused drilling campaign at the East Zone commenced, comprising one diamond core and 17 RC drill-holes for 2,100m across four prospects¹ (Figure 1 & 2).

FIGURE 1: PROPOSED DRILLING CAMPAIGN BHA PROJECT EAST ZONE

| Prospects | # Drillholes | Target Commodity | Depth range (m) | Type | Objective |
|-------------------------------------|--------------|------------------|-----------------|---------|--|
| Reefs Tank, Tors Tank, Fence Gossan | 16 | Co, Au, Ag, Cu | 100-160 | RC, DDH | Target primary cobalt whilst assays to investigate PGE & REE potential |
| The Sisters | 2 | Co, Cu, REE | 120-160 | RC | Test known EM interpretation; drill extensions north & south |

Source: CCZ geology team

A key focus for the campaign is drilling two lower potentially cobalt-rich zones at Fence Gossan (FG), Reefs Tanks (RT) & Tors Tank (TT), which are interpreted to host higher-grade mineralisation than modelled to date¹.

Overall, the Board’s strategic intent is to extend known mineralisation plus enhance the confidence and grade of the current global Mineral Resource Estimate (MRE) – 21,556t cobalt (64Mt @ 318 ppm Co) and 44,260t copper (63Mt @ 0.07% Cu)¹.

FIGURE 2: DRILLING UNDERWAY AT BHA PROJECT’S EAST ZONE



Location: 6460000mN, 570000mE
Source: CCZ geology team

On 12 October 2022, CCZ announced four drill-holes for 488m were completed at the Tors Tank Prospect which delivered encouraging initial observations, including:

- ❖ All four drill-holes hit targeted cobalt mineralisation zones, evidenced by intersecting sequences comprising clay, amphibolite, schist, and gneiss;
- ❖ Qualitative logging identified multiple disseminated sulphide layers (mostly pyrite), up to 12m thick, associated with amphibolite layers that can potentially host cobalt mineralisation;
- ❖ Field XRF observations, which are subject to final assay results, indicated the presence of cobalt mineralisation within these amphibolite zones; and
- ❖ The intersected geology was interpreted to be consistent with observations by previous explorers, including Broken Hill North, across the 1970-80s¹.

In addition, proximal to the amphibolite layers, there are significant magnetite-rich zones – associated with pegmatite up to 14m thick – that potentially hosts REEs. Notably, this interpretation is based on recently re-assayed diamond core from drill-hole DD90_1B3 at the Iron Blow Prospect which returned up to 1,270ppm TREO¹.

On 24 October 2022, CCZ provided an update on drilling at the Fence Gossan Prospect, where four drill-holes for a total of 516m were completed, with positive initial observations comparable to the Tors Tank Prospect:

- ❖ Targeted cobalt mineralisation zones were hit across the four drill-holes, as sequences intersected comprised clay, amphibolite, schist and gneiss;
- ❖ Numerous disseminated sulphide layers (mostly pyrite linked to amphibolite), up to 17m thick, were logged which could potentially host cobalt mineralisation; and
- ❖ Interpreting the intersected geology suggests it is consistent with observations noted by North Broken Hill in the 1970-80s, while XRF field observations (subject to final assays) indicated cobalt mineralisation is apparent¹.

Similar to the Iron Blow Prospect, there are significant magnetite-rich zones – associated with pegmatite up to 19m thick – which potentially hosts REEs. These are based on field XRF observations and are subject to final assays¹.

On 31 October 2022, after reconciling geochemical and geophysical data for the Iron Blow Prospect, CCZ announced several viable targets for drill-testing with significant exploration potential. These findings were based on a re-interpretation of geophysical campaigns from 2000, 2001 and 2017 which identified several significant bedrock conductors that could host mineralisation¹.

The primary focus will be REEs since diamond core assays from drill-hole DD90_1B3 (sourced from the core library) returned positive readings – on a cumulative basis – over 35m, with the best intersections¹:

- ❖ 8m @ 1,460ppm TREO from 150m¹
- ❖ 12m @ 297ppm TREO from 199m¹
- ❖ 6.4m @ 290ppm TREO from 189m¹
- ❖ 4.8m @ 311ppm TREO from 232m¹

Since there is still untested diamond core from DD90_1B3 at the core library, the geology team are planning for this to be fully re-assayed for REEs.

Contingent on the outcome of the current drilling campaign, the Board has earmarked the Iron Blow Prospect as the next priority target to drill-test with nine holes planned.

On 15 November 2022, assays from seven drill-holes across the Fence Gossan and Tors Tank Prospects, confirmed a significant shallow clay-hosted REE discovery – up to 2,410ppm TREO, with high-value Magnet REOs representing up to 29.9% of the grade – the best intercepts are highlighted in Figure 3 below¹:

| FIGURE 3: BEST ASSAYED INTERCEPTS – FENCE GOSSAN / TORS TANK PROSPECTS¹ |
|--|
| ○ 20m @ 1,780ppm TREO (28.9% Magnet REO) from surface including 4m @ 2,410ppm TREO from 16m (FG_003RC) |
| ○ 7m @ 1,048ppm TREO (29.9% Magnet REO) from 12m (TT_002RC) |
| ○ 19m @ 847ppm TREO (29.6% Magnet REO) from surface (TT_003RC) |
| ○ 8m @ 773ppm TREO (24.0% Magnet REO) from 48m (FG_004RC) |
| ○ 4m @ 732ppm TREO (27.1% Magnet REO) from 24m (TT_001RC) |
| ○ 19m @ 661ppm TREO (28.0% Magnet REO) from surface (FG_002RC) |
| ○ 32m @ 636ppm TREO (25.7% Magnet REO) from 52m (FG_003RC) |
| ○ 28m @ 614ppm TREO (27.8% Magnet REO) from 4m (FG_004RC) |

Source: CCZ geology team

Of significance, the assays for FG_002-4RC delineated an initial 800m strike event starting near Fence Gossan's eastern boundary. Moreover, with REE mineralisation open in all directions, and Fence Gossan circa 4km long by 1km wide (W-E), the Board has ordered follow up geological mapping, sampling and auger drilling to target extending the known strike event to the west¹.

While cobalt assays were consistent with previous observations, the new REE discovery has pivoted the Board's strategic focus for the current drilling campaign and beyond to fully understanding the extent of REE mineralisation across the BHA Project's East Zone¹.

On 23 November 2022, CCZ announced new assays for RT_001RC and FG_001RC were positive for TREO, confirming REEs are more widely apparent across the East Zone than initially envisaged – the best intercepts comprise:

- ❖ 11m @ 1,078 TREO from 8m (RT_001RC)¹
- ❖ 20m @ 609ppm TREO from surface incl. 4m @ 1,709ppm REO from 8m (FG_001RC)¹
- ❖ 11m @ 862ppm TREO from 58m (FG_001RC)¹

More significantly, all the assays returned to date from Fence Gossan, Tors Tank and Reefs Tank highlight the REE mineralisation discovered is extensive and shallow¹.

On 20 December 2022, following the receipt of drill assays for the Fence Gossan, Tors Tank and partly Reefs Tank Prospects, CCZ's Board confirmed that shallow REE mineralisation is more widely apparent across the BHA Project's East Zone than initially envisaged. As an immediate next step, the Board commissioned an extensive auger sampling campaign¹.

Encouragingly, the auger sampling campaign, which covered a 6.5km² area proximal to the Fence Gossan Prospect, was designed to identify the full extent of REE mineralisation and new targets to test-drill. As an immediate follow up, all samples were sent to the laboratory for further analysis, with subsequent interpretation charting the next phase of REE-focused exploration across the BHA Project's East Zone¹.

Zambia Copper Projects

On 7 December 2022, CCZ's Board approved incremental development work on known key targets – scheduled to commence in 1H2023 – focusing on the highly prospective Luanshya Project which is in the heart of Zambia's copper belt¹.

Specifically, the geology team plan to roll out an Induced Polarisation (IP) geophysics campaign to build on earlier work undertaken in 2021 which focused on a 6km zone of copper surface anomalism that delineated up to 14 chargeable zones. A key focus of the upcoming IP campaign will be to refine targets for test drilling and enhance the confidence of finding structurally controlled copper mineralisation¹.

The plans for development work follow London-based, Metallea Group's (previously Hyperion Copper) decision to cancel plans to list on the Alternative Investment Market (AIM) of the London Stock Exchange (LSE), due to extremely difficult equity market conditions. As this was a key requirement to secure funds to progress development work, Metallea has further advised it will not be exercising the option – which delivered a US\$100,000 non-refundable deposit to CCZ – to acquire the Zambia Copper Projects¹.

Moving forward, as CCZ's Board remains committed to aligning with a development partner or undertaking a trade sale for the Zambia Copper Projects, efforts will be redoubled to deliver this outcome during 2023¹.

NWQ Copper Project, Queensland

No work was undertaken at the NWQ Copper Project during the review period.

However, on 20 December 2022, CCZ announced that the geology team planned to visit several prospects at the NWQ Copper Project during 1Q 2023 to determine the potential to host copper mineralisation¹.

Cangai Copper Mine

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

CORPORATE

- **Results of AGM:** On 29 November 2022, CCZ advised that all five resolutions put to shareholders at the Annual General Meeting (AGM) were passed on a poll. The resolutions included: 1) Adopting the remuneration report; 2) Re-electing Dr Dennis Jensen as a director; 3) Re-electing Mr Geoff Reed as a director; 4) Approving the 7.1A mandate; and, 5) Replacing the constitution.

PAYMENTS TO, OR TO AN ASSOCIATE OF, A RELATED PARTY OF THE ENTITY DURING QUARTER DURING THE QUARTER

\$97,000 was paid to related parties of CCZ relating to executive director and non-executive director fees.

SUMMARY OF THE EXPLORATION EXPENDITURE INCURRED DURING THE QUARTER

| | Consulting fees | Rates and mines departments fees |
|----------------------|------------------|----------------------------------|
| Cangai | \$14,000 | \$10,000 |
| Broken Hill Alliance | \$710,000 | \$14,000 |
| Mt Isa | \$67,000 | \$17,000 |
| Zambia | \$26,000 | \$5,000 |
| Total | \$817,000 | \$46,000 |

The Board of Castillo Copper Limited authorised the release of this announcement to the ASX.

Dr Dennis Jensen

Managing Director

1) Note – All information referenced is from CCZ ASX Releases, as dated in text, from 1 October 2022 to 31 December 2022 inclusive

About Castillo Copper

Castillo Copper Limited is an Australian-based explorer primarily focused on copper across Australia and Zambia. The group is embarking on a strategic transformation to morph into a mid-tier copper group underpinned by its core projects:

- A large footprint in the in the Mt Isa copper-belt district, north-west Queensland, which delivers significant exploration upside through having several high-grade targets and a sizeable untested anomaly within its boundaries in a copper-rich region.
- Four high-quality prospective assets across Zambia's copper-belt which is the second largest copper producer in Africa.
- A large tenure footprint proximal to Broken Hill's world-class deposit that is prospective for cobalt-zinc-silver-lead-copper-gold and platinoids.
- Cangai Copper Mine in northern New South Wales, which is one of Australia's highest grading historic copper mines.

The group is listed on the LSE and ASX under the ticker "CCZ."

Directors

Gerrard Hall

Dr Dennis Jensen

Geoff Reed

ASX/LSE Symbol

CCZ

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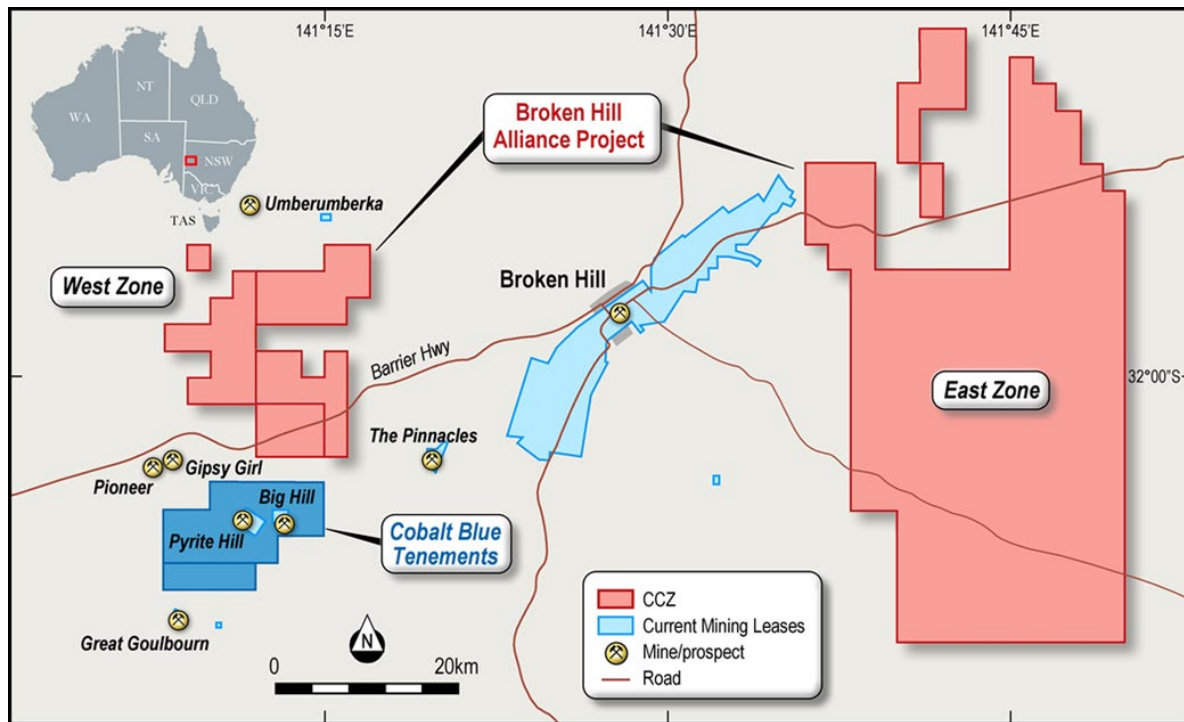
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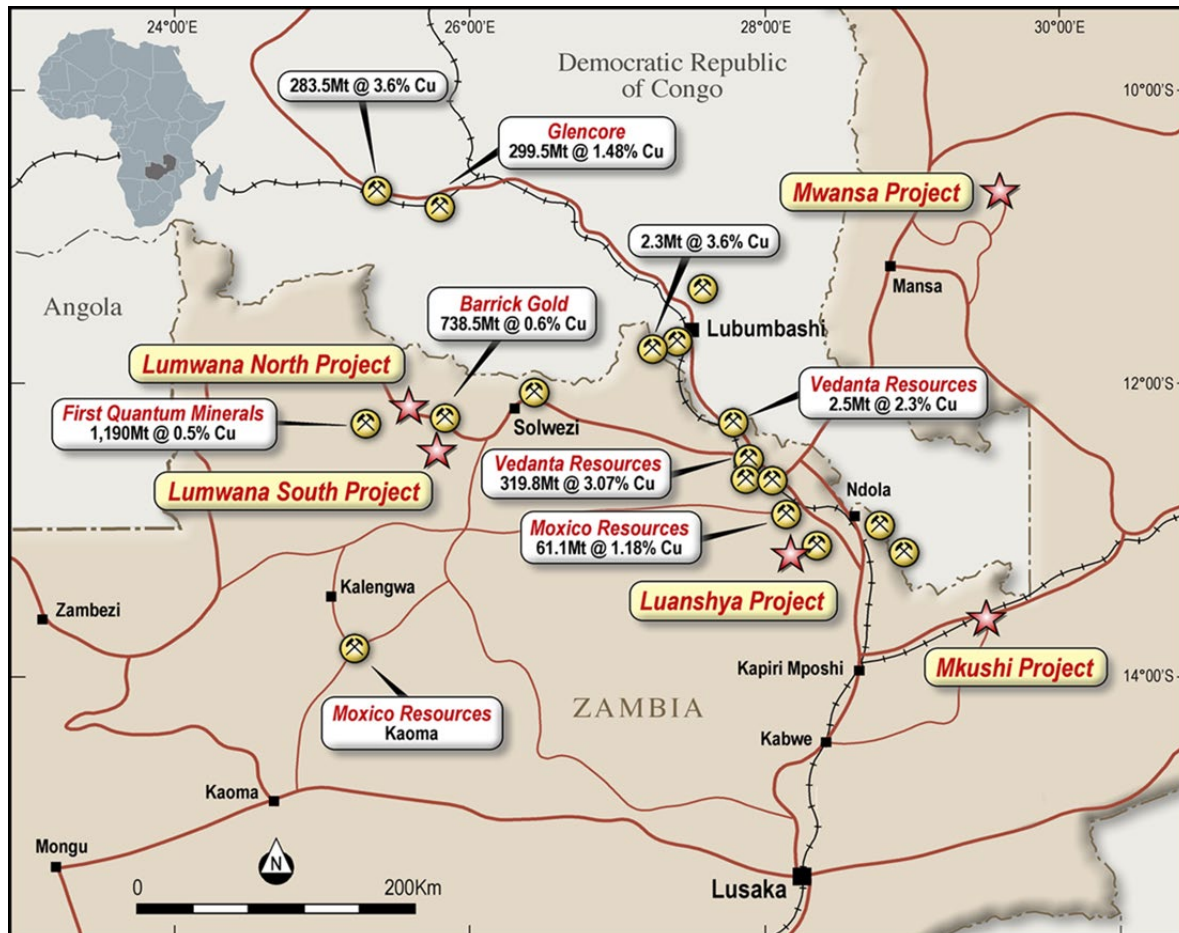
APPENDIX A: KEY PROJECTS

FIGURE A1: WEST AND EAST ZONE – BHA PROJECT, BROKEN HILL REGION



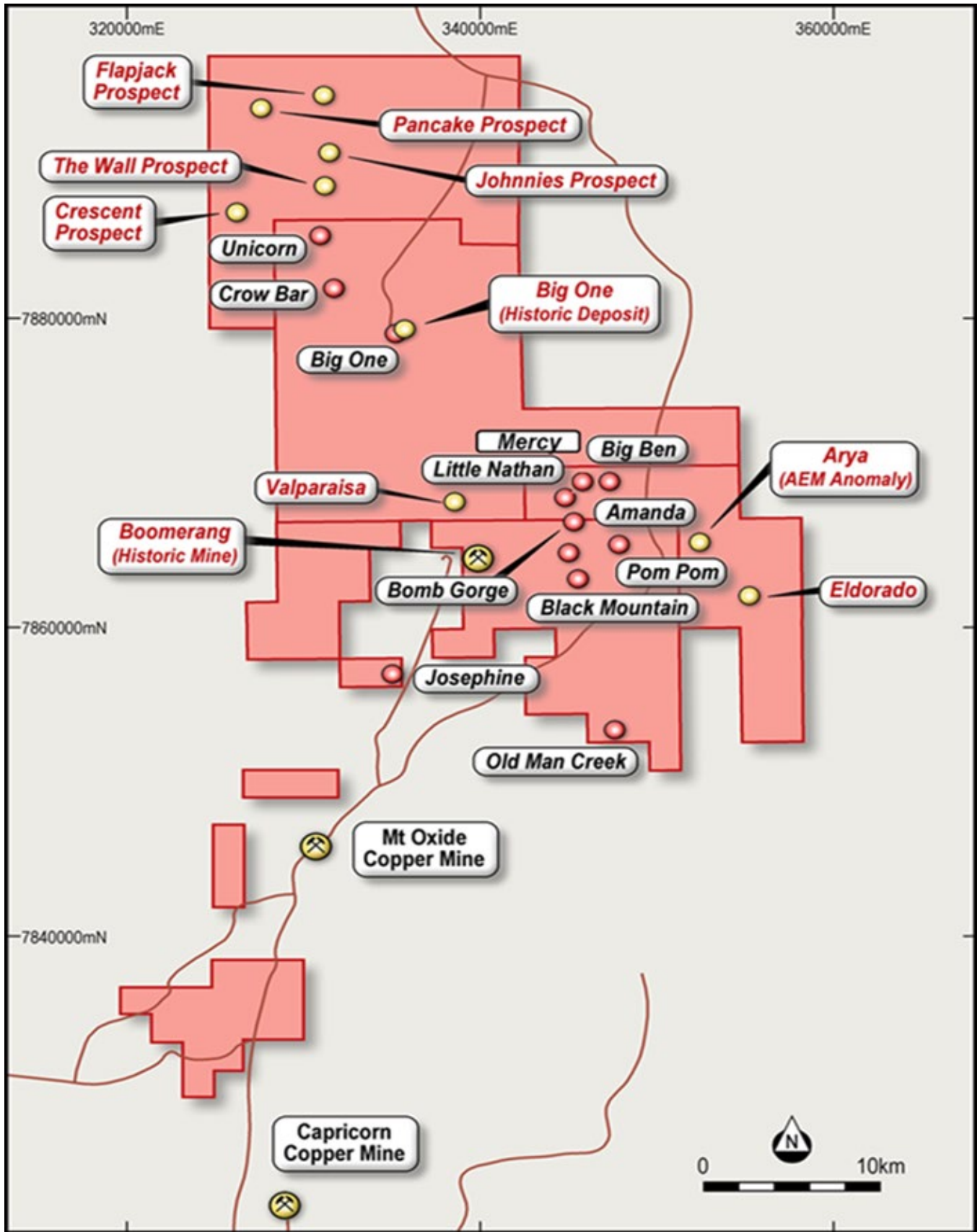
Source: CCZ geology team

FIGURE A2: ZAMBIA COPPER-BELT PROJECTS



Source: CCZ geology team

FIGURE A3: NWQ COPPER PROJECT, MT ISA REGION



Source: CCZ geology team

APPENDIX 1: INTEREST IN MINING TENEMENTS HELD

| JACKADERRY (CANGAI) | | | |
|----------------------------|-------------------------------|-----------------------------|---------------------------|
| New England Orogen in NSW | | | |
| Tenement ID | Ownership at start of Quarter | Ownership at end of Quarter | Change during the Quarter |
| EL8635 | 100% | 100% | - |
| EL8625 | 100% | 100% | - |
| EL8601 | 100% | 100% | - |

| BROKEN HILL | | | |
|--|-------------------------------|-----------------------------|---------------------------|
| located within a 20km radius of Broken Hill, NSW | | | |
| Tenement ID | Ownership at start of Quarter | Ownership at end of Quarter | Change during the Quarter |
| EL8599 | 100% | 100% | - |
| EL8572 | 100% | 100% | - |
| EL 8434 | 100% | 100% | - |
| EL 8435 | 100% | 100% | - |

| MT OXIDE | | | |
|-------------------------------------|-------------------------------|-----------------------------|---------------------------|
| Mt Isa region, northwest Queensland | | | |
| Tenement ID | Ownership at start of Quarter | Ownership at end of Quarter | Change during the Quarter |
| EPM 26513 | 100% | 100% | - |
| EPM 26525 | 100% | 100% | - |
| EPM 26574 | 100% | 100% | - |
| EPM 26462 | 100% | 100% | - |
| EPM 27440 | 100% | 100% | - |

| ZAMBIA | | | | |
|---------------|--------------|-------------------------------|-----------------------------|---------------------------|
| Project | Tenement ID | Ownership at start of Quarter | Ownership at end of Quarter | Change during the Quarter |
| Lumwana North | 23914-HQ-SEL | 100% | 100% | - |
| Lumwana North | 23913-HQ-SEL | 100% | 100% | - |
| Mkushi | 24659-HQ-LEL | 100% | 100% | - |
| Luanshya * | 22448-HQ-LEL | - | - | - |
| Luanshya | 25195-HQ-LEL | 55% | 55% | - |
| Luanshya | 25273-HQ-LEL | 55% | 55% | - |
| Mwansa | 25261-HQ-LEL | 100% | 100% | - |

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