



CASTILLO COPPER

CASTILLO COPPER LIMITED

ABN 52 137 606 476

Half-Year Financial Report
31 December 2022

CORPORATE DIRECTORY

Directors

Gerrard (Ged) Hall (Non-Executive Chairman)

Dr Dennis Jensen (Managing Director)

David Drakeley (Non-Executive Director) (appointed 30 January 2023)

Jack Sedgwick (Non-Executive Director) (appointed 30 January 2023)

Company Secretary

Dale Hanna

Registered Office and Principal Place of Business

45 Ventnor Avenue,

West Perth, WA 6005 Australia

Australia

Telephone: + 618 6558 0886

Facsimile: + 618 6316 3337

Share Registry

Automic Registry Services Pty Ltd

Level 5

191 St Georges Terrace,

Perth, WA 6000

Telephone: + 1300 288 664

Facsimile: + 618 9324 2099

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

Contents	Page
Directors' Report	1
Auditor's Independence Declaration	9
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	10
Condensed Consolidated Statement of Financial Position	11
Condensed Consolidated Statement of Changes in Equity	12
Condensed Consolidated Statement of Cash Flows	13
Notes to the Condensed Consolidated Financial Statements	14
Directors' Declaration	22
Independent Auditor's Review Report	23

DIRECTORS' REPORT

The directors of Castillo Copper Limited and its subsidiaries ("Castillo", "CCZ" or the "Group") submit the financial report of the Group for the half-year ended 31 December 2022. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Gerrard (Ged) Hall	Non-Executive Chairman
Dr Dennis Jensen	Managing Director
Geoff Reed	Executive Director (resigned 30 January 2023)
David Drakeley	Non-Executive Director (appointed 30 January 2023)
Jack Sedgwick	Non-Executive Director (appointed 30 January 2023)

Results

The loss after tax for the half-year ended 31 December 2022 was \$625,672 (31 December 2021 loss of \$781,670).

Review of Operations

During the financial period, the principal activity of the Group (or "CCZ") was mineral exploration in eastern Australia and Zambia.

The Group 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.

A more detailed summary of key events undertaken during the financial period follows:

East Zone, BHA Project, NSW

On 2 August 2022, CCZ announced metallurgical test-work on BH1 drill-core extracted from The Sisters Prospect – BHA Project's East Zone – delivered excellent beneficiation results for cobalt and, surprisingly, copper-gold – with the best outcomes:

- ❖ Cobalt: 200ppm head-grade up to 2,500ppm post-test-work; 12x upgrade
- ❖ Copper: 520ppm head-grade up to 16,000ppm (1.6%) post-test-work; 30x upgrade
- ❖ Gold: 0.02g/t Au head-grade up to 3.87g/t Au post-test-work; >190x upgrade

Pleasingly, the metallurgical test-work showed that cobalt-copper-gold liberated easily from BH1 drill-core samples to produce a potentially viable concentrate. Further, the original BH1 drill-core samples were extracted from comprised:

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

Moving forward, the Board's primary focus for the East Zone is to increase the confidence in the current inferred Mineral Resource Estimate (MRE) which stands at 21,556t cobalt (64Mt @ 318 ppm Co) and 44,260t copper (63Mt @ 0.07% Cu).

DIRECTORS' REPORT (continued)

On 9 August 2022, CCZ stated it had finalised targets for the upcoming drilling campaign at the BHA Project's East Zone which comprises one diamond core and 17 RC drill-holes for 2,100m, with depths ranging from 100m to 160m.

Of these, two drill-holes were earmarked for The Sisters, with the balance across Fence Gossan, Reefs & Tors Tanks Prospects.

Notably, for the Fence Gossan, Reefs & Tors Tanks Prospects, the campaign was designed to penetrate deep enough to intersect two lower cobalt-rich zones that are interpreted to host higher grade mineralisation than has been modelled to date.

On 31 August 2022, CCZ announced the appointment of two key contractors:

- ❖ AllState Drilling's team will perform the campaign; and
- ❖ FieldCrew, which has performed work at the NWQ Copper Project in Queensland, will manage the day-to-day aspects of the drilling campaign.

In addition, post-announcing Australia secured preferred status for the supply of critical minerals to the US's electric vehicle battery program, the Board stated it wanted to deepen its understanding of the East Zone's Rare Earth Element (REE) potential at two targets:

- ❖ The Sisters Prospect: both planned RC drill-holes will be analysed for copper-cobalt-gold and REEs; and
- ❖ Iron Blow: having already confirmed the presence of REEs, the geology team is targeting to test additional drill-core samples from the core library to determine if there are further extensions to known mineralisation.

On 21 September 2022, the Board announced the drilling campaign at the BHA Project's East Zone was to commence imminently, after approval was secured from the New South Wales Resources Regulator.

On 3 October 2022, a four-week long cobalt-focused drilling campaign at the East Zone commenced (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, Reefs Tanks & Tors Tank, which are interpreted to host higher-grade mineralisation than modelled to date.

DIRECTORS' REPORT (continued)

Overall, the Board's strategic intent is to extend known mineralisation plus enhance the confidence and grade of the current global MRE.

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 1970-80s.

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_IB3 at the Iron Blow Prospect which returned up to 1,270ppm TREO.

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

DIRECTORS' REPORT (continued)

- ❖ 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 apparent.

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 assays.

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 mineralisation.

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 intersections:

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

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 below:

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

DIRECTORS' REPORT (continued)

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 west.

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 Zone.

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 shallow.

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 campaign.

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 Zone.

NWQ Copper Project, Queensland

On 19 July 2022, preliminary metallurgical test-work on samples extracted from drill-hole BO_318RC1 at the Big One Deposit produced a concentrate (Figure 4) with confirmed upgrades ranging from 5x to 10x for copper metal. The best result for copper comprised: 0.72% head-grade to 7.2% post-test-work.

Further test-work is underway on samples from the Big One Deposit to determine the final optimal results. Notably, this is an important proof of concept and de-risking exercise as part of the Board's strategic intent to secure a processing agreement.

With an inferred Mineral Resource Estimate at 21,886t contained copper metal (2.1Mt @ 1.1% Cu), the Big One Deposit has already been significantly de-risked.

DIRECTORS' REPORT (continued)

FIGURE 4: METALLURGICAL TESTING – FROTHER PRODUCT EXAMPLE



Source: ALS Metallurgy, Perth, Western Australia

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 mineralisation.

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 belt.

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 mineralisation.

The plans for development work follow London-based, Metallea Group's (previously Hyperion Copper) decision to cancel its 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 its option – which delivered a US\$100,000 non-refundable deposit to CCZ – to acquire the Zambia Copper Projects.

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 2023.

DIRECTORS' REPORT (continued)

Cangai Copper Mine

During the review period, work was undertaken regarding investigating minor rehabilitation requirements and keeping the tenements current.

Corporate events

There were no corporate related events that occurred under the period in review.

Events subsequent to period end

The following significant events occurred after 31 December 2022:

- **Management changes:** On 30 January 2023, CCZ announced the following management changes:
 - Mr Geoff Reed, Executive Director, resigned from the Board with immediate effect from 30 January 2023.
 - Mr David Drakeley was appointed by the Board with immediate effect from 30 January 2023 as a Non-Executive Director.
 - Mr Jack Sedgwick was appointed by the Board with immediate effect from 30 January 2023 as a Non-Executive Director.

Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 9 and forms part of this directors' report for the half-year ended 31 December 2022.

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



Gerrard (Ged) Hall
Non-Executive Chairman
10 March 2023

COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Results for the Mkushi Project is based on information compiled or reviewed by Mr Matt Bull, a consultant of Castillo Copper Limited. Mr Bull is a member of the Australian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Bull consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

The information in this report that relates to Exploration Results for the Mt Oxide pillar contained in this announcement is based on a fair and accurate representation of the publicly available information at the time of compiling the ASX Release, and is based on information and supporting documentation compiled by Nicholas Ryan, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Nicholas Ryan is an employee of Xplore Resources Pty Ltd. Mr Ryan has been a Member of the Australian Institute of Mining and Metallurgy for 14 years and is a Chartered Professional (Geology). Mr Ryan is employed by Xplore Resources Pty Ltd. Mr Ryan has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Ryan consents to the inclusion in the report of the matters based on his information and the form and context in which it appears.

The information on the page that relates to Exploration Results of the Smelter Creek stockpiles is based on information compiled or reviewed by Mr Mark Biggs, a consultant of Castillo Copper Limited. Mr Biggs is a member of the Australian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Biggs consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

The Australian Securities Exchange has not reviewed and does not accept responsibility for the accuracy or adequacy of this release.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Castillo Copper Limited for the half-year ended 31 December 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 review;
and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
10 March 2023



M R Ohm
Partner

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 E: mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2022

	Note	31 December 2022 \$	31 December 2021 \$
Interest revenue		3,453	293
Revenue		3,453	293
Listing and public company expenses		(76,956)	(147,248)
Accounting and audit expenses		(57,074)	(67,204)
Consulting and directors' fees		(250,113)	(325,401)
Other expenses	3	(244,982)	(242,110)
Loss before income tax		(625,672)	(781,670)
Income tax expense		-	-
Loss after income tax		(625,672)	(781,670)
Other comprehensive (loss) / income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		2,179	1,251
Total comprehensive loss for the half-year		(623,493)	(780,419)
Loss per share attributable to owners of Castillo Copper Limited			
Basic loss per share (cents per share)		(0.05)	(0.06)
Diluted loss per share (cents per share)		(0.05)	(0.06)

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position
as at 31 December 2022

	Note	31 December 2022 \$	30 June 2022 \$
Assets			
Current Assets			
Cash and cash equivalents		3,848,331	5,754,049
Other receivables		213,173	78,994
Total Current Assets		4,061,504	5,833,043
Non-Current Assets			
Other receivables		486,961	404,961
Deferred exploration and evaluation expenditure	4	13,879,681	12,899,486
Total Non-Current Assets		14,366,642	13,304,447
Total Assets		18,428,146	19,137,490
Current Liabilities			
Trade and other payables		39,501	125,352
Total Current Liabilities		39,501	125,352
Total Liabilities		39,501	125,352
Net Assets		18,388,645	19,012,138
Equity			
Issued capital	5	35,964,396	35,964,396
Reserves		4,082,555	4,080,376
Accumulated losses		(21,658,306)	(21,032,634)
Total Equity		18,388,645	19,012,138

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2022

	Issued Capital \$	Share-Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
Balance as at 1 July 2021	34,464,159	4,092,830	(152,180)	(19,379,451)	19,025,358
Loss for the half-year	-	-	-	(781,670)	(781,670)
Other comprehensive income	-	-	1,251	-	1,251
Total comprehensive loss for the half-year	-	-	1,251	(781,670)	(780,419)
Transactions with owners in their capacity as owners					
Shares issued to sophisticated investors	1,742,319	-	-	-	1,742,319
Shares issued to advisors as share based payment	12,500	-	-	-	12,500
Share issue costs	(367,776)	118,800	-	-	(248,976)
Balance at 31 December 2021	35,851,202	4,211,630	(150,929)	(20,161,121)	19,750,782
Balance as at 1 July 2022	35,964,396	4,230,962	(150,586)	(21,032,634)	19,012,138
Loss for the half-year	-	-	-	(625,672)	(625,672)
Other comprehensive income	-	-	2,179	-	2,179
Total comprehensive loss for the half-year	-	-	2,179	(625,672)	(623,493)
Balance at 31 December 2022	35,964,396	4,230,962	(148,407)	(21,658,306)	18,388,645

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2022

	Note	31 December 2022 \$	31 December 2021 \$
Cash flows from operating activities			
Payments to suppliers and employees		(732,607)	(931,440)
Interest received		3,453	293
Interest paid		(1,936)	-
Net cash outflow from operating activities		(731,090)	(931,147)
Cash flows from investing activities			
Tenement expenditure guarantees		(82,000)	(62,490)
Payments for exploration and evaluation expenditure		(1,113,264)	(3,900,305)
Net cash outflow from investing activities		(1,195,264)	(3,962,795)
Cash flows from financing activities			
Proceeds from issue of shares		-	1,742,319
Share issue costs paid		-	(248,976)
Net cash inflow from financing activities		-	1,493,343
Net decrease in cash and cash equivalents		(1,926,354)	(3,400,599)
Cash and cash equivalents at 1 July		5,754,049	10,854,829
Effect of exchange rate fluctuations on cash held		20,636	30,678
Cash and cash equivalents at 31 December		3,848,331	7,484,908

The accompanying notes form part of these financial statements.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2022

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**Corporate Information**

This general purpose financial report of Castillo Copper Limited and its subsidiaries (the Group) for the half-year ended 31 December 2022 was authorised for issue in accordance with a resolution of the directors on 10 March 2023.

Castillo Copper Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange and the London Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

Basis of Preparation

This financial report for the half-year ended 31 December 2022 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

These half-year financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial statements.

It is recommended that the half-year financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2022 and considered together with any public announcements made by Castillo Copper Limited during the half-year ended 31 December 2022 in accordance with the continuous disclosure obligations of the ASX listing rules.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period. The accounting policies and methods of computation adopted are consistent with those of the previous financial year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The consolidated financial statements have been prepared on the basis of historical cost.

Going Concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Group incurred a net loss for the period ended 31 December 2022 of \$625,672 and a net cash outflow from operating activities of \$731,090. At 31 December 2022, the Group had a net asset position of \$18,388,645 and working capital of \$4,022,003. The cash and cash equivalents balance at 31 December 2022 was \$3,848,331.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2022

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate.

New and amending Accounting Standards and Interpretations

In the half-year ended 31 December 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2022. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2022. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to the Group accounting policies.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2022

NOTE 2: SEGMENT REPORTING

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The entity has five geographical segments being exploration in Northwest Queensland (NWQ), New South Wales (Cangai), New South Wales (Broken Hill) and Zambia. Revenue attributable to all segments is immaterial. Allocation of assets, liabilities, income and expenses to each segment is shown below:

December 2022	NWQ (QLD)	Cangai (NSW)	Broken Hill (NSW)	Zambia	Unallocated	Total
Segment assets and liabilities	\$	\$	\$	\$	\$	\$
Current assets	-	-	-	-	4,061,504	4,061,504
Non-current assets	6,416,742	5,498,371	1,374,496	1,076,912	121	14,366,642
Current liabilities	-	-	-	-	(39,501)	(39,501)
Segment income and expenses						
Interest income	-	-	-	-	3,453	3,453
Interest expense	-	-	-	-	(1,936)	(1,936)
Other expenses	-	-	-	-	(627,189)	(627,189)
Total	-	-	-	-	(625,672)	(625,672)

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

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2022

NOTE 3: OTHER EXPENSES

Included in other expenses are the following items:

	6 months to 31 December 2022	6 months to 31 December 2021
	\$	\$
Insurance	61,299	53,070
Interest expenses	1,936	-
Investor relations	175,461	105,868
Foreign exchange (gains) / losses	(20,589)	(30,737)
Legal fees	7,368	18,358
Travel and accommodation	2,948	239
Other expenses	16,559	95,312
	244,982	242,110

NOTE 4: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	6 months to 31 December 2022	Year ended 30 June 2022
	\$	\$
Exploration and evaluation phase:		
Opening balance	12,899,486	8,171,821
Exploration and evaluation expenditure during the period	980,195	4,727,665
Closing balance	13,879,681	12,899,486

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

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2022

NOTE 5: ISSUED CAPITAL

	31 December 2022	30 June 2022
	\$	\$
Issued and paid up capital		
Issued and fully paid	35,964,396	35,964,396

	6 months to 31 December 2022		Year ended 30 June 2022	
	Number of shares	\$	Number of shares	\$
Movements in issued capital				
Opening balance	1,299,505,355	35,964,396	1,256,512,320	34,464,159
Shares issued to sophisticated investors	-	-	41,240,648	1,742,319
Shares issued to advisors	-	-	250,000	12,500
Shares issued to consultants	-	-	1,502,387	46,846
Transaction costs on share issue	-	-	-	(301,428)
Closing balance	1,299,505,355	35,964,396	1,299,505,355	35,964,396

Share options

At 31 December 2022 there were 235,154,516 (30 June 2022: 354,362,757) unlisted options with various exercise prices and expiry dates and 224,939,782 (30 June 2022: 224,939,782) listed options (ASX:CCZO, CCZOA & CCZOB), with various exercise prices and expiry dates.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2022

NOTE 5: ISSUED CAPITAL (CONTINUED)

The following share-based payment arrangements were in place during the period:

Series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date	Vesting date
1	17,000,000	16 May 2018	31 December 2023	\$0.10	\$0.018	16 May 2018
2	5,000,000	1 February 2019	31 December 2023	\$0.05	\$0.005	1 February 2019
3	7,000,000	23 June 2020	30 June 2023	\$0.05	\$0.013	23 June 2020
4	1,582,353	2 October 2020	1 September 2023	£0.017	\$0.023	2 October 2020
5	19,000,000	2 October 2020	30 September 2023	\$0.05	\$0.018	2 October 2020
6	14,285,714	15 June 2021	31 July 2024	\$0.08	\$0.022	15 June 2021
7	2,955,665	16 June 2021	1 August 2024	£0.044	\$0.021	16 June 2021
8	2,418,044	5 August 2021	31 July 2024	\$0.08	\$0.007	5 August 2021
9	462,379	4 August 2021	1 August 2024	£0.044	\$0.017	4 August 2021
10	4,000,000	27 October 2021	31 July 2024	\$0.08	\$0.007	27 October 2021
11	3,000,000	30 November 2021	31 July 2024	\$0.08	\$0.010	30 November 2021
12	8,000,000	1 February 2022	31 January 2025	\$0.08	\$0.007	1 February 2022

During the year 119,208,241 options expired, with an exercise price of \$0.05 and a fair value at grant date of \$0.005.

No options were exercised during the period.

(a) Weighted average fair value

The fair value of the equity-settled options granted during the period was estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which they were granted, as follows:

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2022

NOTE 5: ISSUED CAPITAL (CONTINUED)

Series	Expected volatility (%)	Risk-free interest rate (%)	Expected life of option (years)	Exercise price (cents/pence)	Grant date share price (cents/pence)
1	100	1.9	5.6	10	3.9
2	87	2.0	3.0	5	1.6
3	100	0.3	3.0	5	2.6
4	104	0.2	2.9	1.7p	2.6p
5	104	0.2	3.0	5	4.2
6	104	0.1	3.1	8	4.2
7	104	0.1	3.1	4.4p	2.2p
8	101	0.2	3.0	8	3.7
9	104	0.1	3.0	4.4p	2.0p
10	99	0.8	2.8	8	3.9
11	99	0.9	2.7	8	3.4
12	100	1.2	3.0	8	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.

Performance Shares

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

46,875,000 Class A performance shares

Conditions precedent – converting to an equal number of CCZ shares on delineation of a JORC resource of 200,000 tonnes of contained copper at a minimum grade of 0.5% within 5 years of execution of the Share Sale Agreement.

46,875,000 Class B performance shares

Conditions precedent – converting to an equal number CCZ shares on completion of a preliminary feasibility study demonstrating an internal rate of return greater than 25% within 5 years of execution of the Share Sale Agreement

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

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2022

NOTE 6: CONTINGENT LIABILITIES

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

NOTE 7: SUBSEQUENT EVENTS

The following significant events occurred after 31 December 2022:

- **Management changes:** On 30 January 2023, CCZ announced the following management changes:
 - Mr Geoff Reed, Executive Director, resigned from the Board with immediate effect from 30 January 2023.
 - Mr David Drakeley has been appointed by the Board with immediate effect from 30 January 2023 as a Non-Executive Director.
 - Mr Jack Sedgwick has been appointed by the Board with immediate effect from 30 January 2023 as a Non-Executive Director.

NOTE 8: FINANCIAL INSTRUMENTS

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

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Castillo Copper Limited (the 'Company'), the directors of the company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

A handwritten signature in black ink, appearing to read "Gerrard Hall", written over a horizontal line.

Gerrard (Ged) Hall
Non-Executive Chairman
10 March 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Castillo Copper Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Castillo Copper Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Castillo Copper Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001*

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 E: mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

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

including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
10 March 2023



M R Ohm
Partner