



Option granted to sell Zambia Copper Projects for £2.25m (~A\$4m) plus milestone



Highlights

- The Board has granted London-based, Hyperion Copper (Hyperion), a 12-month option to acquire 100%-owned subsidiary, Zed Copper (Zed), which owns four assets in Zambia's copper-belt including the prime Luanshya and Mkushi Projects^{1,2}
- Under the terms of the Option Agreement, Hyperion will pay a non-refundable US\$100,000 fee (~A\$142,000) to secure a 12 month exclusive option and, if exercised, issue £2.25m (~A\$4m) in Hyperion shares to acquire 100% of the issued capital of Zed
- Further, CCZ will receive £1.5m (~A\$2.7m) in Hyperion shares upon a global Mineral Resource Estimate (MRE) of 200,000t contained copper metal being delineated
- Hyperion, which owns a gold mining project located in Burkina Fasso, intends to list on the AIM market of the London Stock Exchange in 2H 2022 and raise funds to fully develop its African projects
 - ❖ Under the terms of the agreement, CCZ's shareholding will be no less than 25% post-Hyperion's AIM-listing with the right to nominate one director to the Board
- The Board believes this is an excellent outcome for all stakeholders, as it ensures the Zambia copper assets exploration potential will be fully developed, whilst any benefits will accrue to CCZ via retaining its shareholding in Hyperion

Castillo Copper's Managing Director Dr Dennis Jensen commented: "Securing a development partner for our Zambia Projects has been a strategic priority to ensure optimal value creation. As such, the Board is delighted to have granted London-based, Hyperion Copper, the option to acquire the Zambia Projects. From the Board's perspective, we now have a partner who will fund all future development work, whilst benefits accrue to CCZ via retaining the shareholding in Hyperion Copper post its AIM listing."

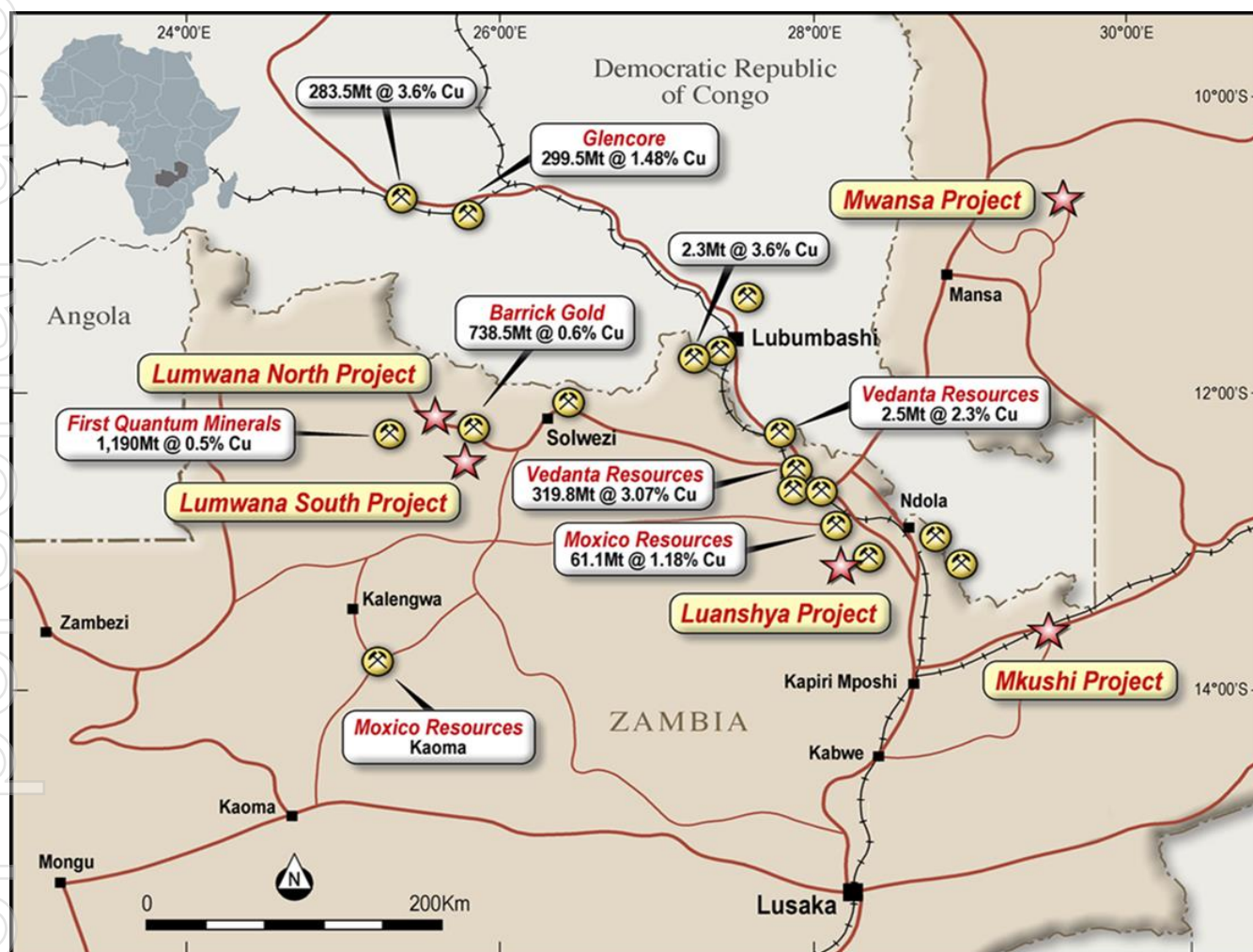
Zambia copper projects under option

Castillo Copper Limited's ("CCZ") Board is delighted to announce that it has granted London-based Hyperion a 12-month option to acquire 100%-owned subsidiary, Zed, which owns four projects in Zambia's copper-belt – including the prime Luanshya and Mkushi Projects^{1,2} (Figure 1 & Appendix A) – for total consideration of £3.75m (A\$6.7m) 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. Moreover, with Hyperion 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.

Hyperion is positioning itself as an Africa-focused, copper-gold explorer as it owns 100% of the Yansse Gold Project in Burkina Faso. Notably, the Yansse Gold Project is located in the highly prolific West African Birimian Terrane, which is host to some of the world's largest gold deposits³.

FIGURE 1: JORC RESOURCE TONNAGES BHA EAST ZONE PROSPECTS



Source: CCZ geology team

Transaction terms

Under the Option Agreement, Hyperion will pay CCZ a US\$100,000 (~A\$142,000) option fee granting Hyperion an exclusive 12 month right to acquire 100% of the issued share capital of Zed, which owns four Zambia Projects (refer Appendix A).

At the conclusion of due diligence and upon exercise of the option, the consideration payable to Castillo is £2.25m (~A\$4m) in Hyperion shares, subject to certain conditions precedent being satisfied or waived (see below). The consideration shares must represent no less than 25% of the enlarged share capital of Hyperion upon its listing on the LSE's AIM market which is expected to occur in 2H 2022.

The parties are currently preparing a Definitive Acquisition Agreement (**Definitive Agreement**).

Within five years from executing the Definitive Agreement and delineating a global MRE of 200,000t contained copper metal on the Zambia Projects, Hyperion will issue Castillo £1,500,000 in Hyperion shares based on a 10-day VWAP.

The Option and Definitive Agreements will contain the following Conditions Precedent, including:

- Hyperion having conducted and being satisfied with legal, technical and financial due diligence on the Project and the Licenses (refer Appendix B);
- All applicable and necessary consents, authorities and/ or approvals required from any applicable statutory or quasi-statutory body regulating the mining industry in Zambia consenting to the transfer of the licenses in accordance with the terms of the Agreement;
- The preparation and publication of an AIM admission document in respect of Hyperion (or the listed vehicle); and
- CCZ obtaining all regulatory approvals in relation to the transaction including but not limited to ASX, ASIC and shareholder approvals, where required.

Hyperion has agreed to assume responsibility for CCZ's obligation to pay Zed vendors a net smelter return royalty of 2% on production of concentrate derived from mining activities on the Zambia Projects.

The following Performance Share obligations will remain with CCZ:

- 46,875,000 performance shares, 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, and;
- 46,875,000 performance shares, converting to an equal number of CCZ shares on completion of a prefeasibility study demonstrating an internal rate of return greater than 25% within 5 years of execution of the Share Sale Agreement.

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

Dr Dennis Jensen

Managing Director

References

- 1) CCZ ASX Release – 16 September 2019 & 15 April 2020
- 2) CCZ ASX Release – 21 October 2019 & 23 January 2020
- 3) Corporate Presentation by Hyperion Group, March 2022

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."

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ASX/LSE Symbol

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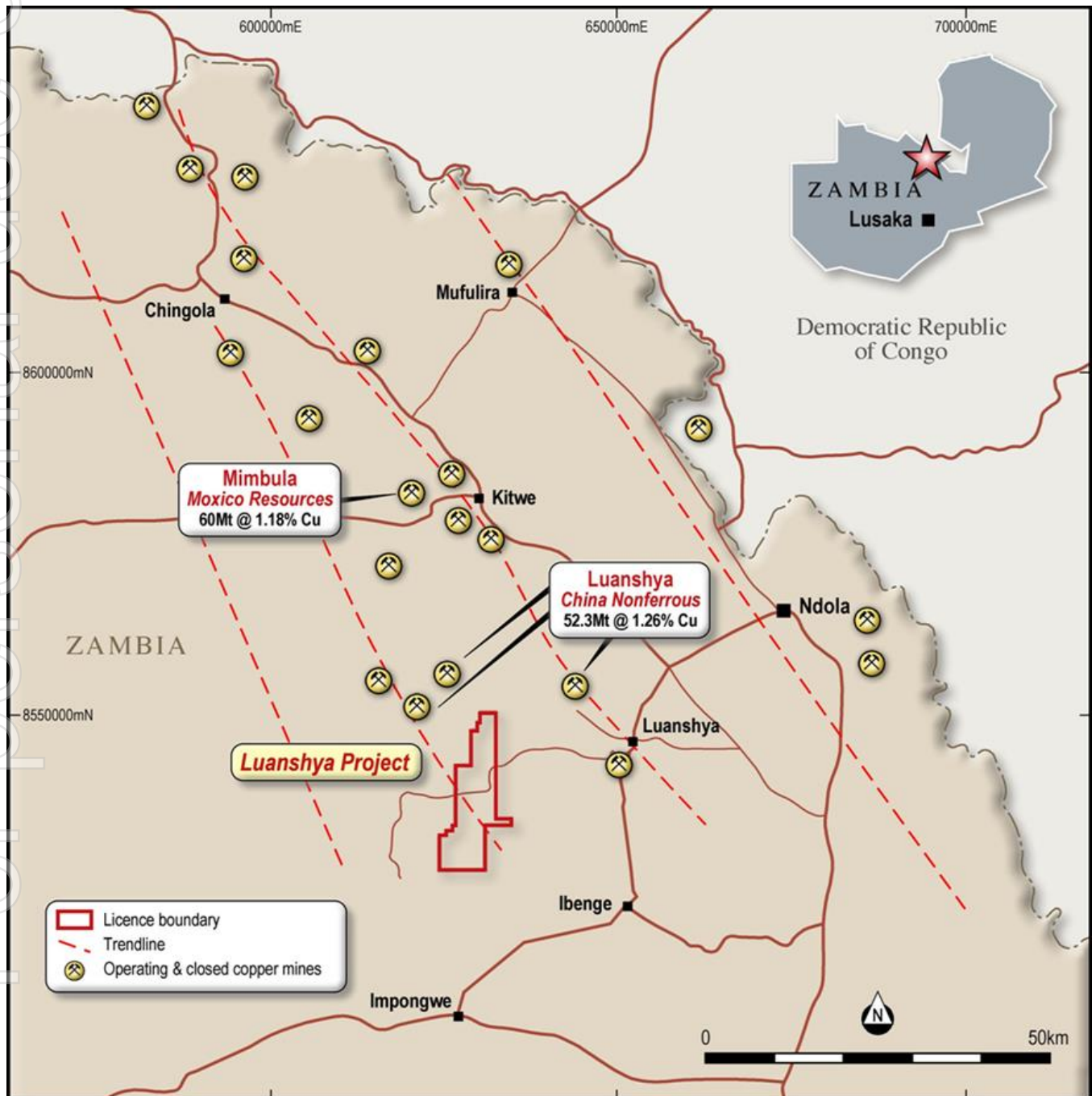
APPENDIX A: LUANSHYA & MKUSHI PROJECTS

The Luanshya Project is 6-10km south of China Nonferrous Mining Corp's (CNMC) three operating mines (Figure A1), with a combined JORC (2012) compliant Proven & Probable Reserves at 52.3mt @ 1.26% Cu¹.

Across the region are four NW-SE trendlines, which are ~5-10km wide, that host numerous historic / current operating mines & deposits¹.

Notably, two trendlines hosts CNMC's three mines, with one directly intersecting the middle of the project coincident with Lower Roan Formation¹.

FIGURE A1: LUANSHYA PROJECT

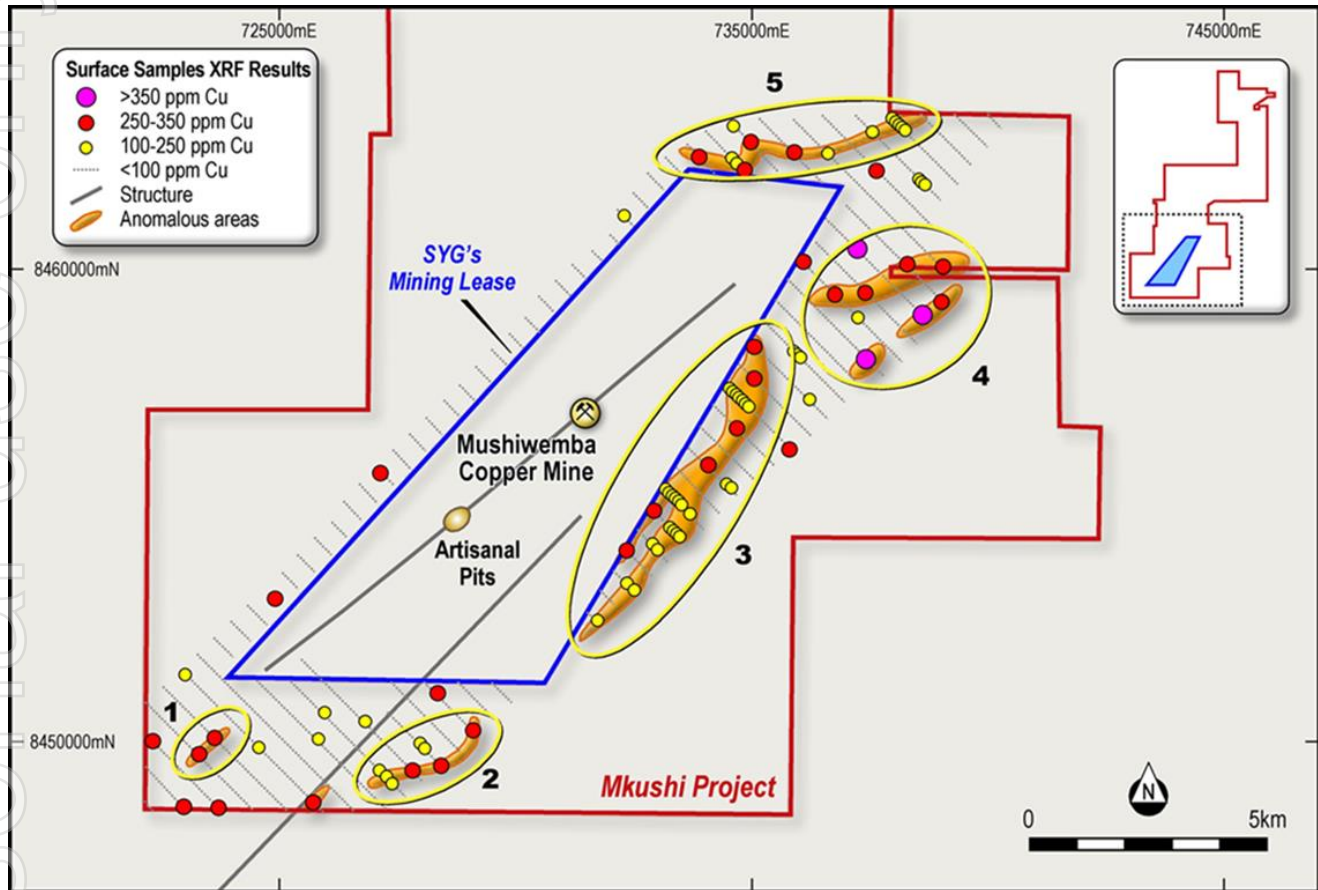


Source: CCZ geology team

At the Mkushi Project (Figure A2), a comprehensive soil sampling campaign completed around Shi Yan Group's operating mining lease², comprising >1,000 data points², delivered the following outcomes:

- Five new, well-defined, anomalous areas identified by Portable XRF (coded 1 to 5), with respective strike lengths ranging from 2-7km (20.5km in aggregate)²; and
- Relative to Mushiwemba Copper Mine and artisanal pits along the northern high-grade shear zone, the five anomalous areas are located circa 2-7km SW – NE on the same over-riding system².

FIGURE A1: MKUSHI PROJECT



Source: CCZ geology team

APPENDIX B: ZAMBIA ASSET OWNERSHIP STRUCTURE

FIGURE B1: INTEREST IN ZAMBIAN EXPLORATION TENEMENTS UNDER OPTION

Project	Tenement ID	Ownership at end of Quarter
Lumwana North	23914-HQ-SEL	100%
Lumwana North	23913-HQ-SEL	100%
Mkushi	24659-HQ-LEL	100%
Luanshya	22448-HQ-LEL	0%*
Luanshya	25195-HQ-LEL	55%
Luanshya	25273-HQ-LEL	55%^
Mwansa	25261-HQ-LEL	100%^

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

^ Indicates the tenement is still under application

** Funds for the acquisition of the tenements were paid during the quarter, however the actual transfer of the leases was completed after the end of the quarter

Source: CCZ geology team