

Castillo Copper Limited 30 June 2023 Annual Report

ABN 52 137 606 476



For personal use only

Corporate Directory

Directors

Gerrard (Ged) Hall (Non-Executive Chairman)

Dr Dennis Jensen (Managing Director)

David Drakeley (Director) (Appointed 30 January 2023)

Jack Sedgwick (Director) (Appointed 30 January 2023)

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

Contents

	Page No
Annual Address	1
Directors' Report	2
Consolidated Statement of Profit or Loss and Other Comprehensive Income	18
Consolidated Statement of Financial Position	19
Consolidated Statement of Changes in Equity	20
Consolidated Statement of Cash Flows	21
Notes to the Consolidated Financial Statements	22
Directors' Declaration	43
Auditor's Independence Declaration	44
Independent Auditor's Report	45
ASX Additional Information	49
Tenement Table	51

Annual Address

Dear Shareholders,

Challenges thrown up by the external environment in FY2023 – rapid increase in interest rates to combat inflation, ongoing war in Ukraine, pedestrian commodity prices and subdued equity markets – forced the Board to undertake thorough due diligence before making decisions.

The Board's core theme, which remains a constant moving forward, is to align with strategic development partners to optimise the value creating potential from the current asset portfolio. Further, the Board will consider any outright offer to acquire one of the assets based on its merits.

Reflecting on FY2023, extremely weak stock market conditions in the UK resulted in London-based Metalea Group not proceeding with plans to acquire the Zambia Copper Projects. However, the Board has committed to further exploratory work and re-doubled efforts to align with a new strategic development partner.

In Australia, solid progress was made advancing the three projects, summarised as follows:

- ❖ **East Zone, BHA Project (NSW):** Post defining a JORC compliant inferred cobalt resource from legacy data (64Mt @ 318 ppm Co for 21,556t), the Board commissioned a 2,000m drilling campaign.

The surprise upshot from this campaign was the discovery of a significant shallow rare earth element system proximal to the Fence Gossan, Reef and Tors Tank Prospects.

While initial metallurgy samples were inconclusive, the Board is investigating trialling several alternate metallurgical test-work techniques to improve extraction results.

- ❖ **NWQ Copper Project (QLD):** Metallurgical test-work undertaken on samples from the Big One Deposit to produce a concentrate were encouraging, with upgrades ranging from 5-10x copper metal. Further, combined with a JORC compliant inferred Mineral Resource Estimate – 2.1Mt @ 1.1% Cu for 21,886kt copper metal – and known targets to test-drill, the Big One Deposit offers significant exploration potential.

More broadly, across the NWQ Copper Project are over 20 incremental under-explored prospects that are highly prospective for copper mineralisation which potentially provide the foundations for developing a series of satellite deposits.

- ❖ **Cangai Copper Mine (NSW):** Post the review period, the geology team produced an updated JORC compliant inferred Mineral Resource Estimate at 4.4Mt @ 2.5% Cu and 0.2Mt @ 1.35% Cu indicated from historic stockpiles for ~114kt contained copper metal.

Ged Hall
Chairman
London, United Kingdom
28 September 2023

Dr Dennis Jensen
Managing Director
Perth, Australia
28 September 2023

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 2023. 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 holds 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

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 holds a Masters in Science from Melbourne University and a PhD from Monash University.

Mr David Drakeley (appointed 30 January 2023)

Non-Executive Director

With over 15 years’ experience in Australia’s exploration industry, Mr Drakeley has distinguished himself across a range of commodities. Known for his unwavering commitment to safety, Mr Drakeley ensures that every project under his leadership prioritises the well-being of its team members.

Mr Drakeley is acutely aware of the critical importance of accurate data in today’s mining environment. He has meticulously championed the collection, management, and interpretation of exploration data, ensuring all decisions are informed and reliable.

Castillo Copper Limited – Directors’ Report

Mr Drakeley demonstrates the capability to bridge the gap between geological science and practical application. His projects are a testament to his holistic approach, always seeking to balance the economic potential of an exploration site with its environmental and social implications.

Mr Drakeley holds a Bachelor (Hons) of Earth Science and Combined Subjects, QLD Site Senior Executive (SSE) for Surface Mines or Quarries, and QLD Site Senior Executive (SSE) for Coal Mines.

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

Mr Sedgwick is a hands-on corporate strategist and business improvement specialist with blue-chip experience across the mining and energy sectors. In a varied career, spanning 15 years, Mr Sedgwick has gained considerable frontline and managerial experience across a broad range of roles and industries. He has extensive experience in structural, civil, and marine engineering, including three years working across multiple Rio Tinto operational mine sites. Prior management consulting experience predominantly focused on mining, oil and gas, and industrials advising clients on post-merger integration, construction productivity, continuous improvement, organisation design, and cost optimisation strategies. Mr Sedgwick currently heads up corporate strategy for Horizon Power, Australia’s only vertically integrated utility, and the most geographically dispersed utility in the world. Based in Perth, Mr Sedgwick oversees portfolio optimisation and the Group’s finances.

Mr Sedgwick holds a Bachelor of Engineering, Bachelor of Commerce, and a Master of Business Administration (with Distinction) from the University of Western Australia. He is a graduate of the Australian Institute of Company Directors.

Mr Geoff Reed (Resigned 30 January 2023) Executive Director

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

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)).

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
Dr. Dennis Jensen	5	5
Mr. Geoff Reed	3	3
Mr. Gerard Hall	5	5
Mr. David Drakeley	2	2
Mr. Jack Sedgwick	2	2

Castillo Copper Limited – Directors’ Report

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	Nil	N/A	N/A
Dennis Jensen	Nil	N/A	N/A
Geoff Reed	Nil	N/A	N/A
David Drakeley	Nil	N/A	N/A
Jack Sedgwick	Nil	N/A	N/A

COMPANY SECRETARY

Mr. Dale Hanna served as company secretary for the 2023 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.

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.

Castillo Copper Limited – Directors’ Report

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	2023	2022	2021	2020	2019
Net profit/(loss) before tax (\$)	(6,942,228)	(1,653,183)	(1,624,984)	(1,842,170)	(1,924,982)
Net profit/(loss) after tax (\$)	(6,942,228)	(1,653,183)	(1,624,984)	(1,842,170)	(1,924,982)
Share price at end of year	0.007	0.010	0.038	0.026	0.016
Basic loss per share (cents per share)	(0.53)	(0.13)	(0.16)	(0.25)	(0.31)
Diluted loss per share (cents per share)	(0.53)	(0.13)	(0.16)	(0.25)	(0.31)
Return on capital	(0.19)	(0.05)	(0.08)	(0.08)	(0.108)

Details of Remuneration

Details of Key Management Personnel

Mr. David Drakeley (Non-Executive Director)

Mr. Jack Sedgwick (Non-Executive Director)

Mr. Gerrard Hall (Non-Executive Director)

Dr. Dennis Jensen (Managing Director)

Mr. Geoff Reed (Executive Director)

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		
2023	Directors’ Fees	Consulting Fees	Share-based Payments	Superannuation	Total	Remuneration linked to performance
	\$	\$	\$	\$	\$	%
Director						
Mr. Jackson Sedgwick ¹	20,369	-	-	2,139	22,508	-
Mr. David Drakeley ²	22,508	-	-	-	22,508	-
Dr. Dennis Jensen	198,900	-	-	-	198,900	-
Mr. Geoff Reed ³	58,329	-	-	-	58,329	-
Mr. Gerrard Hall ⁴	60,447	-	-	-	60,447	-
	360,553	-	-	2,139	362,692	-

¹Mr. Jackson Sedgwick was appointed director on 30 January 2023

²Mr. David Drakeley was appointed director on 30 January 2023

³Mr. Geoff Reed resigned as director on 30 January 2023

⁴Mr. Gerrard Hall is employed by SI Capital & his entitlement to director fees are included in SI Capital’s mandate.

Castillo Copper Limited – Directors’ Report

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

There were no other key management personnel of the Group during the financial years ended 30 June 2023.

Service Agreements

Managing Directors’ remuneration

Dr Jensen is entitled to a Managing Director fee of \$198,900 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 was 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.

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 2023.

Options

No options have been granted as remuneration during the 2023 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 2023 by key management personnel of Castillo Copper Limited, including their personally related parties, is set out below.

Castillo Copper Limited – Directors’ Report

	Balance at the start of the year	Balance at appointment	Granted during the year as compensation	Exercised	Expired	Balance at resignation	Balance at the end of the year
Mr. Gerrard Hall	8,941,176	-	-	-	(3,000,000)	-	5,941,176
Mr. Geoff Reed	3,000,000	-	-	-	-	(3,000,000)	-
Dr. Dennis Jensen	8,000,000	-	-	-	-	-	8,000,000
Mr. David Drakeley	-	-	-	-	-	-	-
Mr. Jack Sedgwick	-	-	-	-	-	-	-

Key Management Personnel Shareholdings

The number of shares in the company held during the financial year ended 30 June 2023 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. Gerrard Hall	8,141,837	-	-	-	-	-	8,141,837
Mr. Geoff Reed	250,000	-	-	-	-	(250,000)	-
Dr. Dennis Jensen	580,000	-	-	-	-	-	580,000
Mr. David Drakeley	-	50,000	-	-	-	-	50,000
Mr. Jack Sedgwick	-	-	-	-	-	-	-

Other transactions with key management personnel

Field Crew Pty Ltd, a company of which Mr Drakeley is a director, charged the Group consulting fees of \$115,135 (2022: nil). There was nil outstanding at 30 June 2023 (2022: nil).

Transactions with key management personnel were made at arm’s length at normal market prices and normal commercial terms.

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	5,941,176	-
Dr. Dennis Jensen	580,000	8,000,000	-
Mr. David Drakeley	50,000	-	-
Mr. Jack Sedgwick	-	-	-

RESULTS OF OPERATIONS

The net loss of the Group for the year after income tax was \$6,942,228 (2022: \$1,653,183) and the net assets of the Group at 30 June 2023 were \$12,071,269 (2022: \$19,012,138).

DIVIDENDS

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

Castillo Copper Limited – Directors' 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 2023 (2022: Nil).

REVIEW OF OPERATIONS

During the financial year, the principal activity of the group was mineral exploration primarily focused on copper, cobalt and rare earth elements (REE) projects in Australia and Zambia.

East Zone, BHA Project, NSW

On 2 August 2022, 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 the 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 which stands at 21,556t cobalt (64Mt @ 318 ppm Co) and 44,260t copper (63Mt @ 0.07% Cu).

On 9 August 2022, targets were finalised for the drilling campaign at the East Zone which comprised 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 were interpreted to host higher grade mineralisation than had been modelled.

On 31 August 2022, two key contractors were appointed:

- ❖ AllState Drilling's team to perform the campaign; and
- ❖ FieldCrew to manage day-to-day aspects of the drilling campaign.

In addition, with Australia securing preferred status for the supply of critical minerals to the USA's electric vehicle battery program, the Board determined it necessary to deepen its understanding of the East Zone's REE potential at two targets:

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

On 3 October 2022, after approval was secured from the New South Wales Resources Regulator, a four-week long drilling campaign at the East Zone commenced across four prospects (Figure 1 & 2).

Castillo Copper Limited – Directors’ Report

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

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



Location: 6460000mN, 570000mE

Source: CCZ geology team

On 12 October 2022, 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, 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 was 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, four drill-holes for a total of 516m were completed at the Fence Gossan Prospect, 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 apparent.

Similar to the Iron Blow Prospect, there are significant magnetite-rich zones – associated with pegmatite up to 19m thick – which potentially hosts REEs.

On 31 October 2022, after reconciling geochemical and geophysical data for the Iron Blow Prospect, several viable targets were selected 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.

Castillo Copper Limited – Directors’ Report

The primary focus is 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

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 PROSPECTS

- | |
|---|
| ○ 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 ordered follow up geological mapping, sampling and auger drilling to target extending the known strike event to the west.

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 East Zone.

On 23 November 2022, 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)
- ❖ 20m @ 609ppm TREO from surface incl. 4m @ 1,709ppm REO from 8m (FG_001RC)
- ❖ 11m @ 862ppm TREO from 58m (FG_001RC)

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, which confirmed that shallow REE mineralisation is widely apparent, 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.

All samples were sent to the laboratory for further analysis, with subsequent interpretation charting the next phase of REE-focused exploration across the East Zone.

On 15 February 2023, the assay results for diamond core from TT_005DD (Figure 4) – undertaken at the Tors Tank Prospect – significantly boosted confidence in the shallow, clay-hosted, REE discovery, with the best intercept:

- ❖ 13m @ 1,550ppm Total Rare Earth Oxides (TREO) from 5m

Castillo Copper Limited – Directors' Report

FIGURE 4: TORS TANK DIAMOND CORE FROM 5.3-11.8M (TT_OO5DD)



Source: CCZ geology team

Notably, high value Magnetic REO (Nd+Pr+Dy+Tb) represented an exceptional 38.9% of the TREO grade vs 25% peer average.

Re-assays of 4m composite samples at Tors Tank & Fence Gossan to 1m provided greater clarity on the underlying geology, whilst delivering further evidence of an extensive, shallow REE mineralisation system – the best intercepts comprise:

- ❖ 17m @ 1,605ppm TREO from 2m and 1m @ 3,236 TREO from 19m (FG_003RC)
- ❖ 10m @ 1,013ppm TREO from 49m (FG_001RC)
- ❖ 6m @ 1,480ppm TREO from 7m (FG_004RC)
- ❖ 5m @ 1,598ppm TREO from 14m (TT_002RC)
- ❖ 4m @ 1,342ppm TREO from 28m (FG_004RC)
- ❖ 2m @ 3,491ppm TREO from 7m (TT_003RC)

Assays for circa 70% of the recent hand auger surface sampling campaign across Fence Gossan delineated a sizeable 4.5km² anomalous area for REE mineralisation. Notably, a preliminary interpretation suggests there are several more prime targets to test-drill that could potentially extend known mineralisation between the Fence Gossan and Tors Tank Prospects.

On 13 April 2023, specialist consultant, ANSTO, was appointed to undertake comprehensive metallurgical test-work on six samples from Fence Gossan, Reefs and Tors Tanks Prospects to understand the potential to extract REE from shallow clay zones.

The scope of work focused on characterising REE leachability from the six samples which comprise fresh pegmatite to highly weathered clay, especially with Magnetic Rare Earth Oxide (MREO) grades ranging from 362-603ppm.

This was an important step towards advancing the viability of the East Zone's REE potential and securing interest from prospective development partners, especially given the extent of high-value MREO (Nd+Pr+Dy+Tb) within the system.

On 14 June 2023, specialist consultant, ANSTO, produced the following preliminary findings from metallurgical test-work performed on six samples from the Fence Gossan, Reefs, and Tors Tanks Prospects:

- ❖ The Total Rare Earth Element plus Yttrium (TREY) grades for the six samples ranged from 227 to 1,632 ppm TREY;
- ❖ The proportion of high-value Magnetic Rare Earth Oxides (MREO; Nd+Pr+Dy+Tb) to Total REO (TREO) across the six samples ranged from 22% to 27%; and
- ❖ The best TREY extraction, using a direct leach process at pH 1, was 30%

The Board is reviewing next steps, including trialing alternate leach tests proposed by ANSTO to improve extraction results.

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 5) 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.

FIGURE 5: METALLURGICAL TESTING – FROTHER PRODUCT EXAMPLE



Source: ALS Metallurgy, Perth, Western Australia

On 23 January 2023, following a review of prospects at the NWQ Copper Project, CCZ's geology team visited several prospects – including Big One, Arya and Valparaisa – to identify new drill targets.

The initial focus was on the Big One, which has an inferred MRE of 2.1Mt @ 1.1% Cu for 21,886kt copper metal post-two drilling campaigns across 2020-21. Moreover, factoring in a large conductor north of the line of lode, plus reconciling available geophysics and geochemical data, CCZ's geological consultant set an Exploration Target that ranges from 2-6Mt @ 0.6-1% Cu for 12-60kt copper metal.

Cautionary Statement: *It should be noted that the Exploration Target tonnage range quoted above are conceptual in nature and there has been insufficient exploration to define a copper resource. Although a preliminary analysis was undertaken, insufficient data exists to confidently correlate mineralised horizons within the Exploration Target area. It is uncertain whether further exploration may lead to the reporting of a JORC-standard resource, however, there is some evidence to support the current exploration tonnage calculations, and the sufficient mineralised thicknesses interpreted from historical drilling to warrant further investigation in some areas.*

The Valparaisa Prospect comprises copper mineralisation across two horizons over a 6km strike event, with the interaction of two intersecting faults suggesting a structurally controlled copper system that can potentially be drill-tested.

At the Arya Prospect, there is a significant magnetic anomaly, south of a known graphite system (test drilled in late 2021), that shows potential to be a primary source of copper mineralisation.

On 20 February 2023, CCZ's Board approved plans to assess optimising the Big One Deposit via implementing the following:

- ❖ Commissioning an independent engineering contractor to conduct a pit optimisation study on the viability of commencing copper mining operations, utilising prospective third-party processors and effective path to market.
- ❖ Re-formulating optimal plans for a third drilling campaign and companion geophysical surveys to extend known mineralisation beyond the line of lode.

Previous drilling campaigns have demonstrated the Big One Deposit remains highly prospective for copper mineralisation, with the best intercepts comprising:

Castillo Copper Limited – Directors' Report

- ❖ 40m @ 1.64% Cu from surface incl: 11m @ 4.40% Cu from 24m, 5m @ 7.34% Cu from 28m & 1m @ 16.65% Cu from 29m (303RC)
- ❖ 44m @ 1.19% Cu from surface incl: 14m @ 3.55% Cu from 27m, 3m @ 10.88% Cu from 37m & 1m @ 12.6% Cu from 37m (301RC)
- ❖ 34m @ 1.51% Cu from surface incl: 21m @ 2.25% Cu from surface, 12m @ 3.44% Cu from 3m, 6m @ 4.79% Cu from 3m and 1m @ 9.4% Cu from 9m (B0017)

On 28 March 2023, CCZ appointed Entech Mining to undertake a pit optimisation and mine design study for the Big One Deposit. If the findings are positive then next steps comprise determining the optimal path to market and effective use of third-party processors.

Concurrently, work can focus on capitalising on Big One Deposit's exploration potential via drill-testing known targets north of the line of lode.

On 13 July 2023 the Board received the preliminary pit optimisation study for the Big One Deposit.

Drilling down, the study focused on the near-surface component of known mineralisation at the Big One Deposit and provided significant confidence a standalone mining operation could potentially be developed.

Key findings indicate an initially optimised pit shell could potentially deliver up to 6,266t copper (head grade: 1.42% Cu), 4,362oz silver (head grade: 0.31 g/t Ag) and 1,469t cobalt (head grade: 0.33% Co).

As known mineralisation is open south-west and down dip from the pit shell, there is significant potential to build on the preliminary findings and progress a mining license once a strategic development partner is secured.

Cangai Copper Mine

On 9 March 2023, following a site visit to Cangai Copper Mine by geologist and director David Drakeley, the Board approved plans to update and enhance the confidence in the 2017 inferred JORC MRE – 107,589t contained copper metal (3.2Mt @ 3.35%).

Considerable drilling work post-2017, which includes 34 RC drill-holes for a total of circa 5,000m are to be factored into the updated geological model – the best intercepts from these campaigns comprised:

- ❖ 11m @ 5.94% Cu; 2.45% Zn & 19.13g/t Ag from 40m including:
 - 3m @ 8.1% Cu; 2.84% Zn & 23.42g/t Ag from 41m
 - 1m @ 10.25% Cu; 1.68% Zn & 32.50g/t Ag from 48m
 - 1m @ 7.53% Cu; 6.04% Zn & 30.60g/t Ag from 50m (CC0023R)
- ❖ 5m @ 1.56% Cu, 4.43g/t Ag & 0.4% Zn from 92m including:
 - 3m @ 2.22% Cu, 6.38g/t Ag & 0.60% Zn (CC004RC)
- ❖ 4.39m @ 5.06% Cu, 2.56% Zn and 20.1 g/t Ag from 49.9m (CC0036D)

Furthermore, the model will factor in bulk sampling done on several historic stockpiles (which should support a higher confidence Indicated MRE), drone topographic survey and re-positioned mine workings that are accurately georeferenced.

On 24 July 2023 CCZ's geology team, working in conjunction with a specialist geological consultancy, produced an updated JORC (2012) compliant MRE for Cangai Copper Mine at:

- ❖ 4.4Mt @ 2.5% Cu inferred insitu and 0.2Mt @ 1.35% Cu indicated from historic stockpiles for ~114kt contained copper metal; augmented further by zinc, gold, and silver credits

At each reporting date, the Group undertakes an assessment of the carrying amount of its exploration and evaluation assets. During the period, the Group identified indicators of impairment on certain exploration and evaluation assets under AASB 6 Exploration and Evaluation of Mineral Resources. As a result of this review, an impairment charge of \$5,762,872 has been recognised in the statement of profit or loss and other comprehensive income in relation to areas of interest where no future exploration and evaluation activities are expected.

Zambia Copper Projects

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

Specifically, the geology team planned 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 IP campaign was 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

Castillo Copper Limited – Directors’ Report

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 was not exercising the 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.

CORPORATE

Board Changes

On 30 January 2023, to strengthen and diversify the Board’s skill set, two new Non-Executive Directors were appointed:

- **Mr David Drakeley BSc (Hons)**, an experienced field geologist who has worked as point on CCZ’s drilling campaigns in Broken Hill and Queensland, who will oversee designing and implementing all future exploratory work across the group’s portfolio.
- **Mr Jack Sedgwick BEng BCom MBA (Distinction) GAICD**, a hands-on corporate strategist / business improvement specialist with blue-chip experience across the mining / energy sectors (including working on Rio Tinto’s iron ore expansion projects), who will oversee portfolio optimisation and the group’s finances.

Note, these new additions follow the departure of Mr Geoff Reed to pursue a new opportunity.

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 four (4) pillared strategy which includes continued exploration efforts at NWQ Copper Project in Queensland, Cangai Copper Mine and Broken Hill Project 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 52,000,000 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
19,000,000	0.05	30 September 2023
17,000,000	0.10	31 December 2023
5,000,000	0.05	31 December 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 163,439,781 listed options (ASX: CCZA, CCZB). The details of the listed options at the date of this report are as follows:

Number	Exercise Price \$	Expiry Date
131,418,042	0.08	31 July 2024
32,021,739	£0.044	1 August 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.

None of the above conditions were met during the 2023 financial year.

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 42.

Castillo Copper Limited – Directors' Report

There were no non-audit services provided by the Group's auditor during the year ended 30 June 2023.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors.

A handwritten signature in black ink, appearing to read "Gerard Hall". The signature is written in a cursive style with a long, sweeping underline.

Gerard Hall

Non-Executive Chairman

28 September 2023

For personal use only

Castillo Copper Limited – Directors' Report

Competent Person's Statement

The information in this report that relates to Exploration Results for the Mkushi Project, Zambia, 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, Exploration Targets and Mineral Resources for the NWQ Project contained in this announcement is based on a fair and accurate representation of the publicly available information at the time of compiling this report and is based on information and supporting documentation compiled by Mark Biggs. The information in this report that relates to Exploration Results and Mineral Resource Estimates for the BHA Project and Cangai Copper Mine is based on information compiled or reviewed by Mr Mark Biggs. Mr Biggs is a director of ROM Resources, a company which is a shareholder of Castillo Copper Limited. ROM Resources provides ad hoc geological consultancy services to Castillo Copper Limited. Mr Biggs is a member of the Australian Institute of Mining and Metallurgy (member #107188) 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, and Mineral Resources. Mr Biggs holds an AusIMM Online Course Certificate in 2012 JORC Code Reporting. Mr Biggs also 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 2023

	Notes	2023 \$	2022 \$
Interest received		15,615	619
Other income	4	-	144,509
		15,615	145,128
Listing and public company expenses		(158,585)	(332,476)
Accounting and audit expenses		(125,358)	(126,586)
Consulting and Directors' fees		(515,196)	(647,641)
Exploration expenditure expensed as incurred		-	(25,108)
Impairment of exploration expenditure	8	(5,672,872)	-
Share-based payments	20	-	(85,680)
Other expenses	4	(485,832)	(580,820)
LOSS BEFORE INCOME TAX		(6,942,228)	(1,653,183)
Income tax expense	5	-	-
LOSS AFTER INCOME TAX		(6,942,228)	(1,653,183)
OTHER COMPREHENSIVE INCOME			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		1,359	1,594
TOTAL OTHER COMPREHENSIVE INCOME		1,359	1,594
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(6,940,870)	(1,651,589)
Basic and diluted loss per share (cents per share)	12	(0.53)	(0.13)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
as at 30 June 2023

	Notes	2023 \$	2022 \$
CURRENT ASSETS			
Cash and cash equivalents	6	2,897,611	5,754,049
Other assets	7	78,845	78,994
TOTAL CURRENT ASSETS		2,976,456	5,833,043
NON-CURRENT ASSETS			
Other assets	7	486,961	404,961
Deferred exploration and evaluation expenditure	8	8,736,198	12,899,486
TOTAL NON-CURRENT ASSETS		9,223,159	13,304,447
TOTAL ASSETS		12,199,615	19,137,490
CURRENT LIABILITIES			
Trade and other payables	9	128,346	125,352
TOTAL CURRENT LIABILITIES		128,346	125,352
TOTAL LIABILITIES		128,346	125,352
NET ASSETS		12,071,269	19,012,138
EQUITY			
Issued capital	10	35,964,396	35,964,396
Reserves	11	4,081,735	4,080,376
Accumulated losses		(27,974,862)	(21,032,634)
TOTAL EQUITY		12,071,269	19,012,138

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2023

	Issued capital \$	Share based payment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2022	35,964,396	4,230,962	(150,586)	(21,032,634)	19,012,138
Loss for the year	-	-	-	(6,942,228)	(6,942,228)
Other comprehensive income	-	-	1,359	-	1,359
Total Comprehensive Loss	-	-	1,359	(6,942,228)	(6,940,869)
Transactions with owners in their capacity as owners					
	-	-	-	-	-
Balance as at 30 June 2023	35,964,396	4,230,962	(149,227)	(27,974,862)	12,071,269
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 loss	-	-	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	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

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended 30 June 2023

	Notes	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		15,615	619
Payments to suppliers and employees		<u>(1,115,720)</u>	<u>(1,406,386)</u>
NET CASH USED IN OPERATING ACTIVITIES	6	<u>(1,100,105)</u>	<u>(1,405,767)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for tenements bonds		(82,000)	(55,861)
Option fee received		-	144,509
Exploration and evaluation expenditure	8	<u>(1,678,114)</u>	<u>(5,112,153)</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(1,760,114)</u>	<u>(5,023,505)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues	10	-	1,742,319
Share issue costs	10	<u>-</u>	<u>(248,976)</u>
NET CASH FROM FINANCING ACTIVITIES		<u>-</u>	<u>1,493,343</u>
Net (decrease)/increase in cash and cash equivalents		(2,860,219)	(4,935,929)
Cash and cash equivalents at beginning of year		5,754,049	10,854,829
Foreign exchanges variances on cash		<u>3,781</u>	<u>(164,851)</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6	<u>2,897,611</u>	<u>5,754,049</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 2023

1. Corporate Information

The financial report of Castillo Copper Limited and its subsidiaries ("Castillo Copper" or "the Group") for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Directors on 22 September 2023.

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 2023

In the year ended 30 June 2023, 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 2023. 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 2023 of \$6,942,228 and net cash outflows from operating activities of \$1,100,105 net cash outflows from investing activities of \$1,760,114 and net cash flows from financing activities of \$Nil. At 30 June 2023, the Group had a net asset position of \$12,071,269. The cash and cash equivalents balance at 30 June 2023 was \$2,897,611.

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

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;
- 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

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

- 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.

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

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

- 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.

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

(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.

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

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 10.

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.

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

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.

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

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 10(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 12).

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

(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 16 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.

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

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:

2023	NWQ (QLD)	Cangai (NSW)	Broken Hill (NSW)	Zambia	Unallocated	Total
Segment assets and liabilities	\$	\$	\$	\$	\$	\$
Current assets	-	-	-	-	2,976,456	2,976,456
Non-current assets	6,605,846	321,100	1,527,490	768,601	122	9,223,159
Current liabilities	-	-	-	-	(128,346)	(128,346)
Segment income and expenses	-	-	-	-	15,615	15,615
Interest income	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Other expenses	-	(5,322,762)	-	(350,110)	(1,284,971)	(6,957,843)
Loss before tax	-	(5,322,762)	-	(350,110)	(1,269,356)	(6,942,228)

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	-	-	-	-	619	619
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)

4. Other income and expenses

	2023	2022
	\$	\$
Other income		
Option fee	-	144,509
Total other income	-	144,509
Other expenses	\$	\$
Travel and accommodation	6,780	252
Legal	7,860	37,678
Insurance	98,270	95,415
Foreign Exchange (Gains)/Losses	(482)	164,792
Investor Relations	336,944	260,534
Other	36,460	22,149
Total other expenses	485,832	580,820

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

5. Income Tax	2023	2022
	\$	\$
(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	(6,942,228)	(1,653,183)
Tax at the Australian rate of 30% (2022: 30%)	(2,082,668)	(495,955)
Non-allowable expenses	-	25,929
Income tax benefit not brought to account	2,082,668	470,026
Income tax expense	<u>-</u>	<u>-</u>

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

	2023	2022
	\$	\$
Assets		
Total losses available to offset against future taxable income	11,431,629	10,361,143
Total accrued expenses	12,461	9,867
Total share issue costs deductible over five years	285,972	483,299
Deferred tax liability on capitalised exploration costs	(2,390,279)	(3,549,693)
Deferred tax assets not brought to account as realisation is not regarded as probable	<u>(9,339,783)</u>	<u>(7,304,616)</u>
Deferred tax asset recognised	<u>-</u>	<u>-</u>
	2023	2022
	\$	\$
(d) Unused tax losses		
Unused tax losses	<u>38,105,431</u>	<u>34,537,142</u>
Potential tax benefit not recognised at 30% (2022: 30%)	<u>11,431,629</u>	<u>10,361,143</u>

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.

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

6. Cash and cash equivalents

Reconciliation of operating loss after tax to net the cash flows used in operations	2023	2022
	\$	\$
Loss from ordinary activities after tax	(6,942,228)	(1,653,183)
Non-cash items		
Share-based payments	-	85,680
Consultancy and adviser fees settled in shares	-	59,346
Impairment expense	5,672,872	-
Foreign exchange (gain)/loss	(455)	164,792
Profit & loss items classed as investing activities		
Consulting fees relating to exploration expenditure	150,000	-
Other income – option fee	-	(144,509)
Changes in assets and liabilities		
Increase / (decrease) in trade and other payables	26,942	(60,167)
(Increase) / decrease in other receivables	(7,236)	142,274
Net cash flow used in operating activities	<u>(1,100,105)</u>	<u>(1,405,767)</u>

(b) Reconciliation of cash

Cash balance comprises:

Cash at bank	<u>2,897,611</u>	<u>5,754,049</u>
--------------	------------------	------------------

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

7. Other Assets

	2023	2022
	\$	\$
Current		
GST/VAT receivable	37,764	45,150
Prepayments	41,081	33,844
	<u>78,845</u>	<u>78,994</u>
Non-Current		
Tenement guarantees	<u>486,961</u>	<u>404,961</u>

There are no current tenement guarantees.

8. Deferred Exploration and Evaluation Expenditure

	2023	2022
	\$	\$
Exploration and evaluation phase:		
Opening balance	12,899,486	8,171,821
Exploration and evaluation expenditure during the period	1,509,584	4,727,665
Impairment ¹	(5,672,872)	-
Closing balance	<u>8,736,198</u>	<u>12,899,486</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.

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

¹At each reporting date, the Group undertakes an assessment of the carrying amount of its exploration and evaluation assets. During the period, the Group identified indicators of impairment on certain exploration and evaluation assets under AASB 6 *Exploration and Evaluation of Mineral Resources*. As a result of this review, an impairment charge of \$5,762,872 has been recognised in the statement of profit or loss and other comprehensive income in relation to areas of interest where no future exploration and evaluation activities are expected.

9. Trade and other payables

	2023	2022
Current	\$	\$
Trade and other payables	87,586	92,462
Accruals	40,758	32,890
	<u>128,344</u>	<u>125,352</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. Issued Capital

	2023	2022
(a) Issued and paid up capital	\$	\$
Ordinary shares fully paid	<u>35,965,396</u>	<u>35,965,396</u>

	2023		2022	
	Number of shares	\$	Number of shares	\$
(b) Movements in ordinary shares on issue				
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)
	<u>1,299,505,355</u>	<u>35,964,396</u>	<u>1,299,505,355</u>	<u>35,964,396</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 2023 there were 132,699,971 (30 June 2022: 354,362,757) unlisted options and 163,439,781 (30 June 2022: 224,939,782) listed options (ASX: CCZOA, CCZOB) with various exercise prices and expiry dates.

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

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

Series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date	Vesting date	Listed/Unlisted
1	17,000,000	16 May 2018	31 December 2023	\$0.10	\$0.018	16 May 2018	Unlisted
2	5,000,000	1 February 2019	31 December 2023	\$0.05	\$0.005	31 December 2018	Unlisted
3	1,582,353	2 October 2020	1 September 2023	£0.017	\$0.023	2 October 2020	Unlisted
4	19,000,000	2 October 2020	30 September 2023	\$0.05	\$0.018	2 October 2020	Unlisted
5	14,285,714	15 June 2021	31 July 2024	\$0.08	\$0.022	15 June 2021	Listed
6	2,955,665	16 June 2021	1 August 2024	£0.044	\$0.021	16 June 2021	Listed
7	2,418,044	5 August 2021	31 July 2024	\$0.08	\$0.007	5 August 2021	Listed
8	462,378	17 August 2021	1 August 2024	£0.044	\$0.017	17 August 2021	Listed
9	4,000,000	27 October 2021	31 July 2024	\$0.08	\$0.007	27 October 2021	Listed
10	3,000,000	30 November 2021	31 July 2024	\$0.08	\$0.010	30 November 2021	Unlisted
11	8,000,000	1 February 2022	31 January 2025	\$0.08	\$0.007	1 February 2022	Unlisted

No options were exercised during the period.

221,662,786 unlisted and 61,500,000 listed options expired during the period. Since the end of the financial year, 80,699,971 unlisted options have expired.

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) 0.57

Weighted average exercise price \$0.0592

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 in prior periods 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	10	11
Expected volatility (%)	100	87	104	104	99	100
Risk-free interest rate (%)	1.90	2.00	0.18	0.18	0.87	1.21
Expected life of option (years)	5.6	4.9	2.9	3.0	2.7	3.0
Exercise price (cents/pence)	10	5	1.7p	5	8	8
Grant date share price (cents/pence)	3.9	1.6	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.

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

(f) Performance Shares

At 30 June 2023 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.

11. 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.

12. Loss per Share

	2023	2022
	\$	\$
Loss used in calculating basic and dilutive EPS	(6,942,228)	(1,653,183)
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic loss per share:	1,299,505,355	1,294,183,748
Effect of dilution:		
Share options	-	-
	2023	2022
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	1,299,505,355	1,294,183,748
Basic and diluted loss per share (cents per share)	(0.53)	(0.13)

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.

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

13. Auditor's Remuneration	2023	2022
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	46,358	40,851
	46,358	40,851

14. Related party disclosures

a) Key management personnel

	2023	2022
<i>Compensation of key management personnel</i>	\$	\$
Short term employee benefits	360,553	389,221
Post-employment benefits	2,139	3,000
Share-based payments	-	85,680
Total remuneration	362,692	477,901

b) Other transactions with key management personnel

Field Crew Pty Ltd, a company of which Mr Drakeley is a director, charged the Group consulting fees of \$115,135 (2022: nil). There was nil outstanding at 30 June 2023 (2022: 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	
		2023	2022
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%
Luffilian Resources Zambia Ltd	Zambia	100%	100%
Belmt Resources Mining Company Ltd	Zambia	50%	50%
Broken Hill Alliance Ltd	Australia	-	100%

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.

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

15. 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:

	2023	2022
	\$	\$
Financial Assets		
Cash and cash equivalents	2,897,611	5,754,049
Other receivables (current and non-current)	524,725	450,111
	<u>3,422,336</u>	<u>6,204,160</u>
Financial Liabilities		
Trade and other payables	128,346	125,352

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 2023, the Group has net assets of \$12,071,269 (2022: \$19,012,138). 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 2023 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.

	2023	2022
	\$	\$
Cash and cash equivalents	<u>2,897,611</u>	<u>5,754,049</u>

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.

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

Change in Basis Points	Effect on Post Tax Loss (\$)		Effect on Equity including retained earnings (\$)	
	Increase/(Decrease)		Increase/(Decrease)	
	2023	2022	2023	2022
Increase 100 basis points	28,976	57,540	28,976	57,540
Decrease 100 basis points	(28,976)	(57,540)	(28,976)	(57,540)

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.

(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 2023, 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 2023.

(e) Fair Value Measurement

There were no financial assets or liabilities at 30 June 2023 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)

	2023	2022
	\$	\$
Assets	103,800	86,432
Liabilities	(12,932)	(10,350)
	90,868	76,082

British Pound Sterling (GBP)

	2023	2022
	\$	\$
Assets	639,899	3,542,364
Liabilities	(15,432)	(5,104)
	624,467	3,537,260

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

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

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.

10% Increase

	2023	2022
	\$	\$
Profit/(loss) and equity – CLP	9,343	7,810
Profit/(loss) and equity – GBP	62,447	353,726
	<u>71,790</u>	<u>361,536</u>

10% Decrease

	2023	2022
	\$	\$
Profit/(loss) and equity – CLP	(9,343)	(7,810)
Profit/(loss) and equity – GBP	(62,447)	(353,726)
	<u>(71,790)</u>	<u>(361,536)</u>

16. Parent Entity Information

The following details information related to the parent entity, Castillo Copper Limited, at 30 June 2023. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2023	2022
	\$	\$
Current assets	2,975,126	5,831,937
Non-current assets	8,454,557	10,479,490
Total assets	11,429,683	16,311,427
Current liabilities	115,952	115,003
Non-current liabilities	-	-
Total liabilities	115,952	115,003
Net assets	11,313,731	16,196,424
Issued capital	35,964,396	35,964,396
Reserves	4,230,962	4,230,962
Accumulated losses	(28,881,627)	(23,998,934)
Total equity	11,313,731	16,196,424

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

	2023	2022
	\$	\$
Loss of the parent entity	4,882,693	1,843,193
Other comprehensive income for the year	-	-
Total comprehensive loss of the parent entity	4,882,693	1,843,193

a) Guarantees

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

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.

17. 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.

18. 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:

	2023	2022
	\$	\$
Within one year	902,026	1,280,129
After one year but not more than five years	870,000	1,250,000
Longer than five years	-	-
	1,772,026	2,530,129

19. 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 2023.

The balance of the franking account is Nil at 30 June 2023 (2022: Nil).

Castillo Copper Limited

Notes to the consolidated financial statements at and for the year ended 30 June 2023

20. Share-based payments

(a) **Shares issued to suppliers:** There were no shares issued to suppliers in lieu of cash payment during the year ended 30 June 2023.

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

	2023	2022
	\$	\$
Options issued to directors	-	85,680
	<u>-</u>	<u>85,680</u>

(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).

21. 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 17 to 41 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 2023 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:



Gerard Hall
Non-Executive Chairman
28 September 2023

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 2023, 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
28 September 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@hbw.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.

For personal use only

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 2023, 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 2023 and of its financial performance for the year then ended; and
- (b) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"), Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board in addition to 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 (including Independence Standards)* ("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.

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.

For personal use only

For personal use only

Key Audit Matter	How our audit addressed the key audit matter
<p data-bbox="245 353 735 412">Carrying amount of deferred exploration and evaluation expenditure</p> <p data-bbox="245 414 421 443">Refer to Note 8</p> <p data-bbox="245 459 786 622">In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group capitalises all exploration and evaluation expenditure and as at 30 June 2023 had a balance of \$8,736,198.</p> <p data-bbox="245 660 786 786">We considered this to be a key audit matter due to its materiality, its importance for the users' understanding of the financial statements as a whole and the degree of audit effort involved.</p>	<p data-bbox="874 459 1433 517">Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li data-bbox="874 526 1433 651">- We obtained an understanding of the key processes associated with management's review of the carrying values of each area of interest; <li data-bbox="874 660 1433 752">- We considered the Directors' assessment of potential indicators of impairment in addition to making our own assessment; <li data-bbox="874 761 1433 853">- We ensured that the impairment recognised was appropriate and reflected the available supported information; <li data-bbox="874 862 1433 954">- We obtained evidence that the Group has current rights to tenure of its areas of interest; <li data-bbox="874 963 1433 1055">- We examined the exploration budget and discussed with management the nature of planned ongoing activities; <li data-bbox="874 1064 1433 1122">- We substantiated a sample of additions to exploration expenditure during the year; <li data-bbox="874 1131 1433 1223">- We determined if any areas of interest should be characterised as discontinued or held for sale as at balance date; and <li data-bbox="874 1232 1433 1288">- 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 2023, 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 International Financial Reporting Standards as issued by the IASB, 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 International Standards on Auditing and 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 International Standards on Auditing and 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.

For personal use only

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, actions taken to eliminate threats or safeguards applied.

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 2023.

In our opinion, the Remuneration Report of Castillo Copper Limited for the year ended 30 June 2023 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
28 September 2023



M R Ohm
Partner

For personal use only

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 15 September 2023.

Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	79	11,792
1,001 - 5,000	16	48,461
5,001 - 10,000	125	1,102,226
10,001 - 100,000	1,866	84,340,553
100,001 - and over	1,315	1,214,002,323
TOTAL	3,401	1,299,505,355

There were 1,336 holders of ordinary shares holding less than a marketable parcel, with total of 28,707,318 shares amounting to 2.21% of Issued Capital.

Quoted equity securities as at 15 September 2023

Equity Security	Quoted
Ordinary Shares	1,299,505,355
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 15 September 2023:

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
Performance Shares – Class A	46,875,000	Nil ⁶	-
Performance Shares – Class B	46,875,000	Nil ⁷	-
Unquoted Options ⁵	19,000,000	5c	30/09/2023
Unquoted Options ⁶	3,000,000	8c	31/07/2024
Unquoted Options ⁷	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>.
- 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.
- 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>

Substantial Shareholders

There are no substantial shareholders.

Restricted Securities

There were 430,785 restricted securities under ASX imposed escrow at 18 September 2023.

Castillo Copper Limited

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 15 September 2023

Name	No. of Shares	%
COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	167,446,396	12.89%
MR JOHN MCDONALD & MR SHAUN MCDONALD <SOUTHLAND SNIPE SF A/C>	90,444,444	6.96%
REBECCA BRADLEY & MR BRADLEY JOHN KENNEY	30,000,000	2.31%
SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	26,000,000	2.00%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	24,481,849	1.88%
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%
MR GREGORY BRUCE HILL	24,000,000	1.85%
TAKA CUSTODIANS PTY LTD <TAKA A/C>	16,793,750	1.29%
CITICORP NOMINEES PTY LIMITED	15,473,942	1.19%
FOUCART PTY LTD <CRB A/C>	8,507,500	0.65%
MR BRIAN THOMAS CLAYTON & MRS JANET CLAYTON	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%
AUSFIN EMPIRE PTY LTD	6,950,244	0.53%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,693,508	0.52%
SARODAN PTY LTD <SARODAN FAMILY A/C>	6,275,000	0.48%
AGENS PTY LTD <THE MARK COLLINS S/F A/C>	6,000,000	0.46%
VASSAGO PTY LTD <ASTON A/C>	5,391,365	0.41%
Total	515,266,254	39.65%

Castillo Copper Limited

Tenement information as required by Listing Rule 5.3.3

JACKADERRY (CANGAI)		
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	0%	Expired
23913-HQ-SEL	0%	Expired
24659-HQ-LEL	100%	Granted
22448-HQ-LEL	0%	Expired
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