



Company Profile

Castillo Copper (LSE/ASX: CCZ) is an explorer focused on developing copper assets. Currently, CCZ holds three copper projects across Australia and Zambia.



www.castillocopper.com

Stock Data

Listing	LSE / ASX
52-week range	2.65(2.03-2.7)
Market Cap	£26.7m
No. Shares	1.01b

Options expiring (Upcoming)	securities on issue
31/12/23 from issue @ \$0.10	17,000,000
1/2/22 from issue @ \$0.05	15,000,000

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Castillo Copper (LSE/ASX: CCZ)

Castillo Copper (“Castillo”) holds a bullish long-term macro outlook on copper, having taken on four additional tenements in Zambia’s copper-belt. These supplement Castillo’s two exploration projects in Australia, where historic mining activity and exploration data indicate continuity of high-grade mineralisation. Analysing historic data from across the Mt Oxide Copper Project has identified two stand-out targets that deliver potential scale and exploration upside: Big One Deposit and Arya Prospect. Both are due to be drilled in H2 2020 to test for shallow high-grade supergene copper mineralisation and massive sulphides at depth.

Key Points

- The Mt Oxide Project has multiple, high-priority exploration targets, where satellite imagery indicates a much larger footprint (and potential exploration upside) that is yet to be defined.
- The immediate exploration priority is a drilling campaign – planned for coming weeks – focused on tier one targets:
 - Big One Deposit – a high-grade copper mineralised system, with outcropping at surface and previous drilling that intersected up to 28.4% Cu at shallow depths; and
 - Arya Prospect – the primary target is a substantial ‘massive sulphide-like’ geophysical conductor, with a modelled size 130m thick (1,500m by 450m) and coincident geochemical anomalies.
- Acquired highly prospective tenements along known copper producing structures across Zambia’s copper-belt.
- The high-grade historic Cangai Copper Mine, which hosts an inferred resource, is to be upgraded and developed through to BFS.
- Recently admitted to the LSE which complements the ASX listing.
- Over the past five years copper exploration has been significantly under invested, with projections indicating the up-coming demand from electrification development will significantly outstrip supply.

Opportunity

Castillo is primarily a copper-focused explorer, with incremental commodity diversification into gold-silver-base metals through the Mt Oxide and Cangai Copper Mine projects. More recently, Castillo acquired four highly-prospective under-explored copper projects across Zambia’s copper-belt.



The Mt Oxide Copper Project is located along the renowned Mt Isa copper-belt in north-west Queensland, Australia. This highly productive belt hosts numerous deposits such as the Lady Annie Mine (current resource of 64Mt @ 0.7% Cu) and Mt Oxide Mine (current resource of 17.6Mt @ 1% Cu and 0.08% Co). Recent exploration tenement applications from Rio Tinto, coupled with large land packages held by Newmont Gold and Mt Isa Mines (part of Glencore Group), indicate the majors still have significant interest in the region.

Within Castillo's tenure is historic surface and drilling data which indicates a continuation of known mined orebodies as well as untested geophysical targets. In addition, the 2019 Airborne Electromagnetic (AEM) survey identified several additional targets, in particular, the Arya Prospect which has a coincident geochemical anomaly and mapping indicating a brecciated orebody at depth.

The Cangai Copper Mine (CCM) Project in northern New South Wales (NSW) is a brownfield exploration play with a historic data compiled **JORC inferred resource of 3.2Mt @3.35% Cu**, plus additional smelter credits. Castillo intends to continue activities at CCM, with the aim of producing a Bankable Feasibility Study (BFS) over the next 12 to 18 months.

Castillo have taken on four highly-prospective, early stage exploration projects in Zambia, with the priority targets Mkushi and Luanshya. The two projects potentially have extensive mineralisation along known structures and are proximal to some of the world's largest historic / producing copper mines.

Assets

Mt Oxide Pillar (100%)

Castillo's current leading project is the Mt Oxide pillar. Management intend to make significant steps towards progressing the project having compiled historic data across the Mt Oxide region. Historic data interrogation and project ranking, lead to two stand out targets that were at a drill ready stage. Both are at early stages of exploration but hold very different styles of risk upside potential.

The Big One Deposit

The Big One Deposit is the smaller of the two targets, however, despite the lack of 'on the ground' activity, several high priority follow up anomalies have been identified through a desktop study. First principle mapping and grab samples will be required to define the true size of the system. With this in progress, management are confident to conduct a first pass drilling campaign on the highly de-risked, but moderate portion, of the sizable exploration area. This area of interest holds historic drilling that was conducted in 1993 and focused on a 600m long porphyritic dyke, with notable historic intercepts including:

8m @ 2.33% Cu from 44m

3m @ 12.25% Cu from 42m

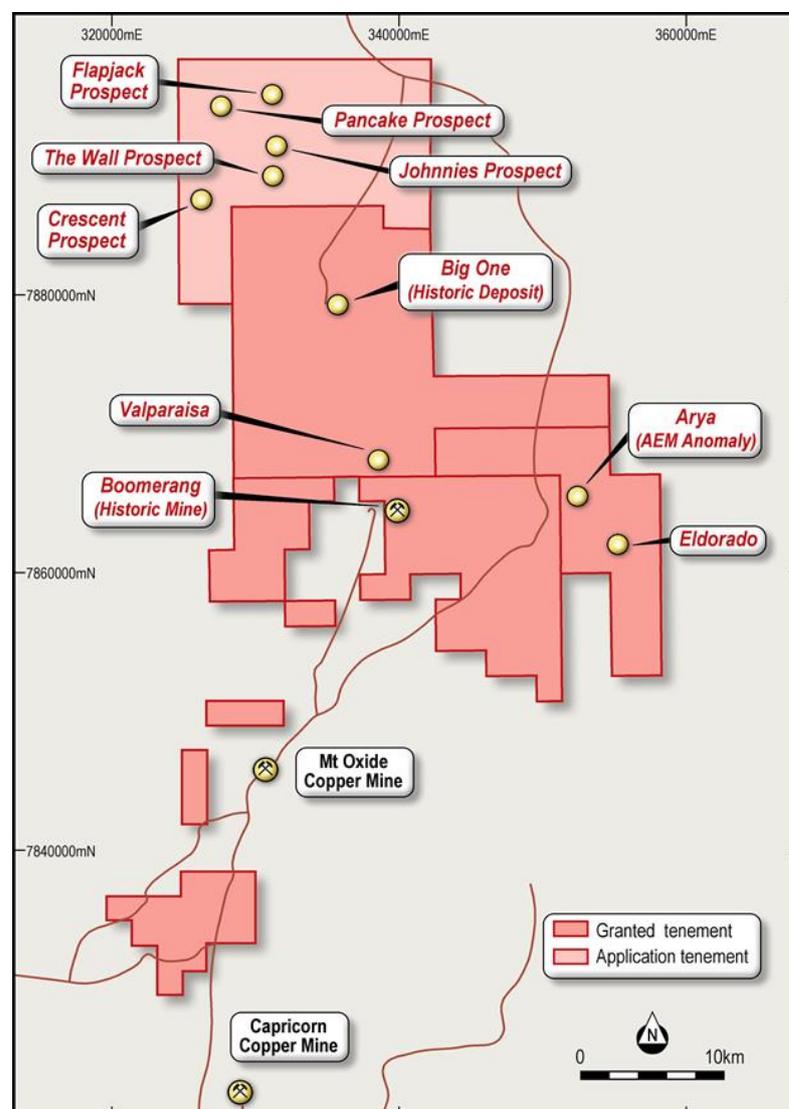
4m @ 2.2% Cu from 44m

In addition, The Big One Deposit was mined on a small scale for surface copper-oxide. The operators focused on three pits, down to an average of 5m, where the material was sold as a copper-ore. This shows the Big One Deposit holds copper-oxide grades of economic significance, however, it is the upside scale which makes this project so exciting.

Arya Target

The Arya Prospect is made up of two geophysical targets, defined through historic ground and aerial EM surveys conducted by BHP in the 1990's. The primary target is a substantial 'massive sulphide-like' anomaly, with a modelled size 130m thick and 1,500m by 450m. The anomaly is located at a target depth of 426m, potentially explaining why the target is yet to be tested. With low-grade surface geochemical anomalies associated with a brecciated fault pathway (grab samples of 0.7% and 1.84% Cu), the project indicates a copper-rich system. Notably, this supports the thesis that a copper-rich massive sulphide orebody is located at depth.

Incrementally, the Arya project holds two shallow, 'supergene-like' geophysical targets. These targets are located at around 25m depth and have a footprint of 160m by 50m and 270m by 280m respectively. If these two bodies are found to be copper bearing then both add to the massive-sulphide orebody model, as well as offering an open-pit target for a low-Capex, short lead-time operation opportunity.



Tenement map of the Mt Oxide Pillar. The up coming drilling campaign will be focused on the Big One Deposit and Arya Prospect. In addition, Castillo still hold numerous highly prospective targets within the Mt Oxide tenure that require further work to develop up to drill target ready standards.

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Cangai Copper Mine (CCM) Pillar (100%)

The most advanced of Castillo's projects is CCM which was mined in the early 1900s. Utilising historic drill data from the 1970-80s, an inferred JORC resource was compiled consisting of a near-surface polymetallic orebody. In addition, drilling by Castillo was conducted in 2017 and 2018, completing 5,061m of RC over 34 holes and 161m of DD over two holes. The intention of the drilling was to: confirm the existing orebody's continuity, test the maiden resource and confirm known mineralisation associated around historic mining infrastructure.

Inferred JORC Resource:

Oxide zone: 814kt @ 4.1% Cu, 27.3 g/t Ag, 100ppm Co, 0.63% Zn, 0.06 g/t Au.

Fresh Zone: 2.4Mt @ 3.1% Cu, 17.7 g/t Ag, 0.28% Zn, 0.89% Au.

***COG of 1% Cu**

2017-18 Drilling High grades:

6m @ 2.69% Cu, 0.38% Zn, 8 g/t Ag

11m @ 5.94% Cu, 2.45% Zn, 19 g/t Ag from 40m

Zambia Copper Pillar

Mkushi Project, Zambia (100%)

Early stage prospect, surrounding the licence of a producing operation held by Shi Yang Group (SYG). The SYG mining operation is hosted along the northern trend of two NE-SW shear zone features. Castillo have conducted an extensive pXRF soil sampling survey and have identified five prospective follow-up targets associated with the shear zone features.

Historic drill results, North Shear on SYG held ground:

47.1m @ 1.3% Cu from 25.6m

18.6m @2.5% Cu from 62m

5m @ 4.7% Cu from 42.7m

Luanshya Project, Zambia (80%)

The Luanshya prospect is hosted along one of four known highly prospective mineralised regional features. Located along these features are world-class operations such as Moxico's Mimbula Project (Total resource: 60Mt @ 1.18% Cu) and China Nonferrous Metal Mining Group's three pit producing mine (Total reserves: 52.3Mt @ 1.26% Cu).

Lumwansa North and South (100%)

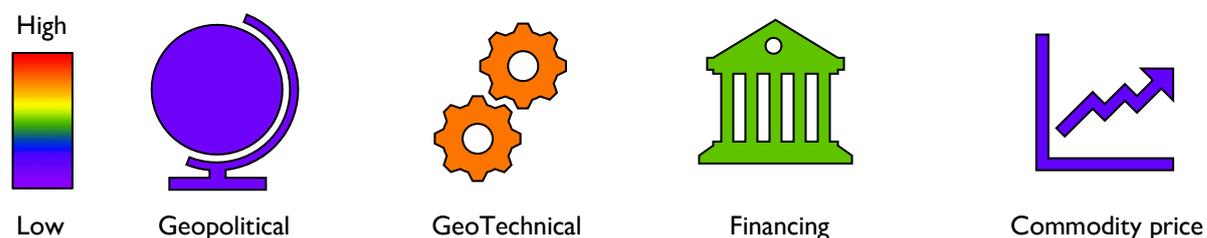
The project sits along the Mombezhi Dome, a geological feature that hosts Barrick Gold's Lumwana mine, with totals reserves at 375Mt @ 0.6% Cu.

Mwansa (100%)

Located in the north-eastern region, a relatively under-explored district, but with prospective geology to host Cu, Mg and other base metals.

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Analyst Risk Profile Opinion



Analyst Risk Profile: A schematic of risk exposure any investor should consider regarding the company. Based on the authors opinion incorporating company comparisons, experience and data available at time of writing.

Risks

Castillo have taken on under-explored brown field sites and early stage, green field exploration land packages to give investors significant, upside potential from a discovery, whilst concurrently enabling the opportunity to generate regular news flow. However, this does come with the heavy price tag of high-risk exploration as Castillo tests pre-discovery targets. The team have tried to reduce this exposure by obtaining properties within stable jurisdictions and along strike of world class deposits.

A major target that Castillo have focused on is the Arya Prospect anomaly, a large airborne magnetic target indicating the potential of a significant copper sulphide deposit at depth. The target, modelled to be at ~420m depth, will require a considerable portion of the proposed funding to test this deep geophysical anomaly. However, this is supplemented by two moderate sized, shallow depth, and relatively low risk targets that are already built into the campaign.

The CCM Project in NSW has significant social and environmental responsibility exposure, with the State's stringent laws. Castillo was penalised in the past for conducting activities regarding land clearance outside of the tenement, and environmental impact during the 2017 drilling campaign. To mitigate such events in future, Castillo have undertaken considerable restructuring and implemented stringent standard operating procedures.



Investment Synopsis

Castillo Copper gives investors the opportunity to have focused exposure to copper, one of the most attractive commodities for the global growth recovery. Over the past five years copper exploration has been significantly under invested, with projections indicating the up-coming demand from electrification development will significantly outstrip supply.

An additional benefit for investors is the diversified jurisdictional risk portfolio. With macro instability, the team see majors looking to secure their future supply from these low risk locations, making targets such as the Arya Prospect very attractive for potential takeovers.

The team have moved quickly at Mt Oxide to produce two high value, drill ready targets. The drilling program, will help Castillo to establish a flag-ship project which will be targeting only two of six stand out targets in the area. Both are at early stages of exploration but hold very different styles of risk upside potential. This delivers investors exposure to the high risk, high impact Arya target, and a moderate sized target at the Big One Deposit, but with simple mapping and sampling that will quickly grow the projects footprint.



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