



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.

Stock Data	
Listing	LSE / ASX
52-week range	3.95(1.7-4.09)
Market Cap	£34.5m
No. Shares	1.01b

Castillo Copper (LSE/ASX: CCZ)

Castillo Copper (“Castillo”) have recently announced results from 20 holes, of a 35-hole shallow RC drilling campaign at the Big One Deposit; a growing near-surface copper-cobalt project located along the Mt Isa mineralised belt in Queensland. The drilling to date has shown consistent, high-grade copper intercepts which have confirmed and built upon the historic drilling that was completed 1993. More notably, drilling has identified a second lode system that is blind at surface, a low-grade copper halo, and supergene enrichment zones that are all looking to signify help the Big One Deposit’s potential production economics.

Key Points

- **Drilling intercepts thick zones of mineralisation:**
 - 40m @ 1.64% from surface incl: 11m @ 4.40% fm 24m, 5m @ 7.34% fm 28m & 1m @ 16.65% fm 29m.
 - 44m @ 1.19% Cu fm surface incl: 14m @ 3.55% fm 27m, 3m @ 10.88% fm 37m & 1m @ 12.6% fm 37m.
- The team are still awaiting further drill results, and to once again commence drilling a further 15 holes at the Big One deposit, and scout drilling at Arya.
- Additional geophysical and down-hole surveys proposed to extend the 1.2km of strike, and define additional parallel, proximal lode targets.

Mt Oxide Portfolio: Big One Deposit

Castillo Copper, the multi-jurisdiction early-stage copper exploration company are currently awaiting further drill results and preparing a maiden resource estimation, during the planned drilling pause for the seasonal rains in Queensland. To date, the team have completed 1,611m across 20 holes of the 35-hole RC program planed at the Big One Deposit, one of ten targets that make up the Mt Oxide Project portfolio. It is expected that access and drilling will re-commence in March, once ground conditions improve. Currently, the team plan to complete the remaining 15 holes of the campaign which comprises testing 600m of additional extension to the system. In addition, an upcoming geophysical campaign will look to utilise the developing exploration model to identify extensions and additional parallel lodes at the Big One Deposit.

Broker – SI Capital

Charles Stephenson
ECM Analyst
Charlie.Stephenson@SICapital.co.uk
+44 (0) 1483 413500
www.sicapital.co.uk

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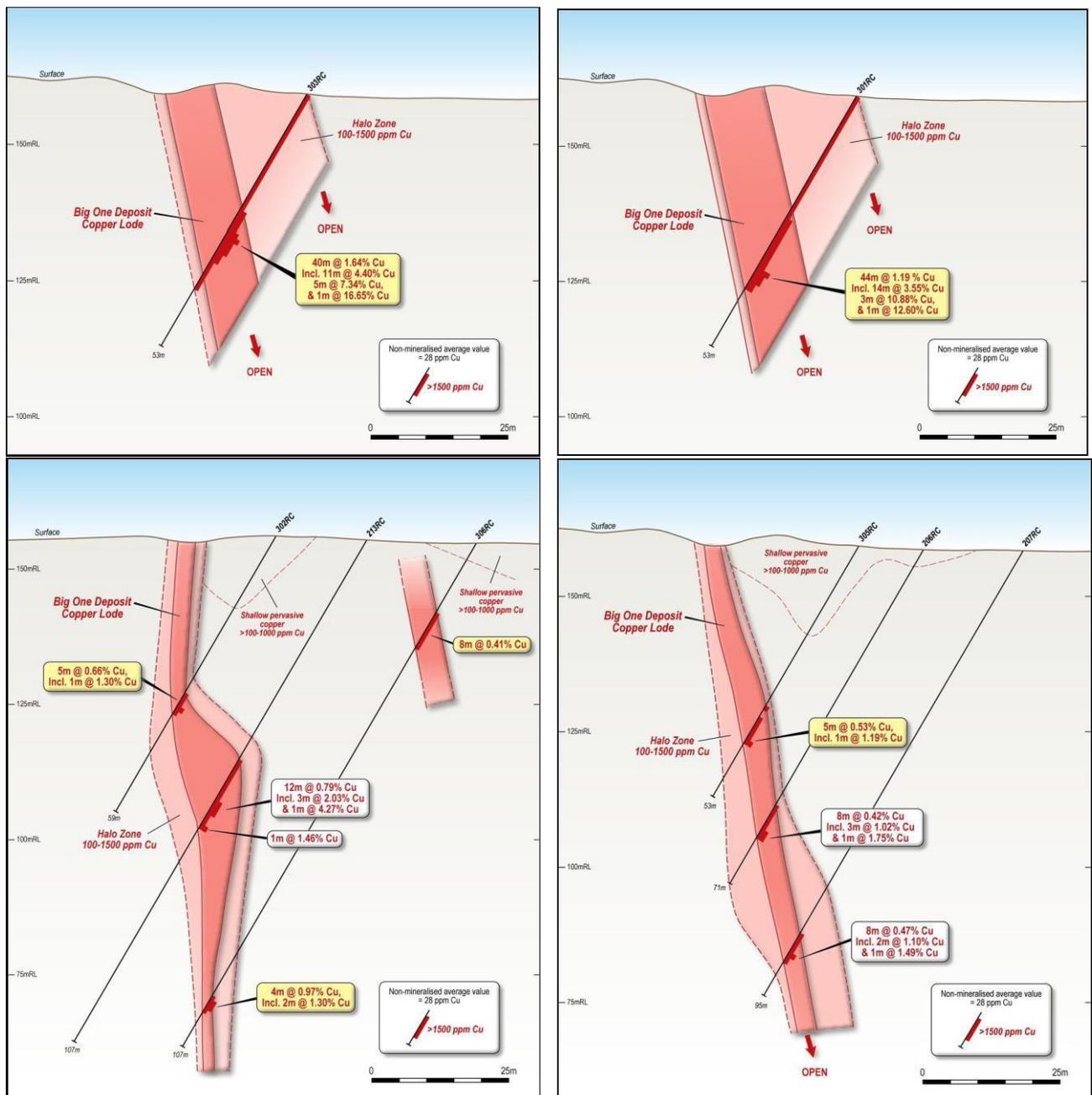


With the current drill-holes and historic data, the team have commissioned a maiden resource estimate to be developed. This will focus on a shallow, open pit-able oxide orebody, with an enriched supergene-chalcocite blanket (transition zone) and hypogene mineralisation continuing to depth.

Drill Results Analysis

Factoring in 20 completed holes during the 2020 RC campaign, coupled with the 27 historic holes drill from 1993, a growing exploration model is starting to develop. The initial target was based on drilling a 2-5m wide porphyritic dyke which had been mined previously down to around 5m depth, in three small pits. The ore mined during this period was sold on as feed for a local plant, and despite drilling showing the system extended to depth, the project was not developed. The historic drilling tested the orebody down to around 40m vertical depth and along strike for 1.2km, of which Castillo has now tested 800m. Initially, Castillo's objective with the 2020 campaign was to confirm the historic assay results and to prove out the resource further. However, the fresh drill results now show the system is more extensive than previously believed, with a low-grade halo surrounding the mineralised lode. In addition, a second blind (no exposure at surface) lode was intercepted during the 2020 drilling campaign. Referring to the cross sections provided in the RNS, the steeply dipping orebodies have now significantly increased the widths of the proposed mineralised zone, with the intercepts of a low-grade halo. Furthermore, the proximity of the second lode system indicates there may be other mineralised, un-tested lodes parallel and proximal to the main Big One Deposit structure. The implications of these features, both the parallel dyke and low-grade halo, growing the suspected width of the orebody, could support the economics of any open-pit operation. This would be seen most notably on the effect on the strip ratio, the amount of uneconomic material that must be removed to produce one unit of ore.

An incremental feature that is being defined in these latest results is the effect of supergene enrichment. Here the team are identifying a shallow, copper oxide domain above the water table. Below this is the transition zone, where mobilised copper by weathering accumulates at the redox boundary (water table). Recent drilling has identified numerous exceptionally high-grades of 7-12% and >16% copper, associated with RC chip observations of chalcocite (a secondary enriched copper sulphide mineral). This zone of enriched copper is relatively shallow, with observations at around 40m depth. One benefit of such high copper grades is in the low trucking cost per lb of copper, giving the project possibly cost effective operationality of selling ore to near by mills.

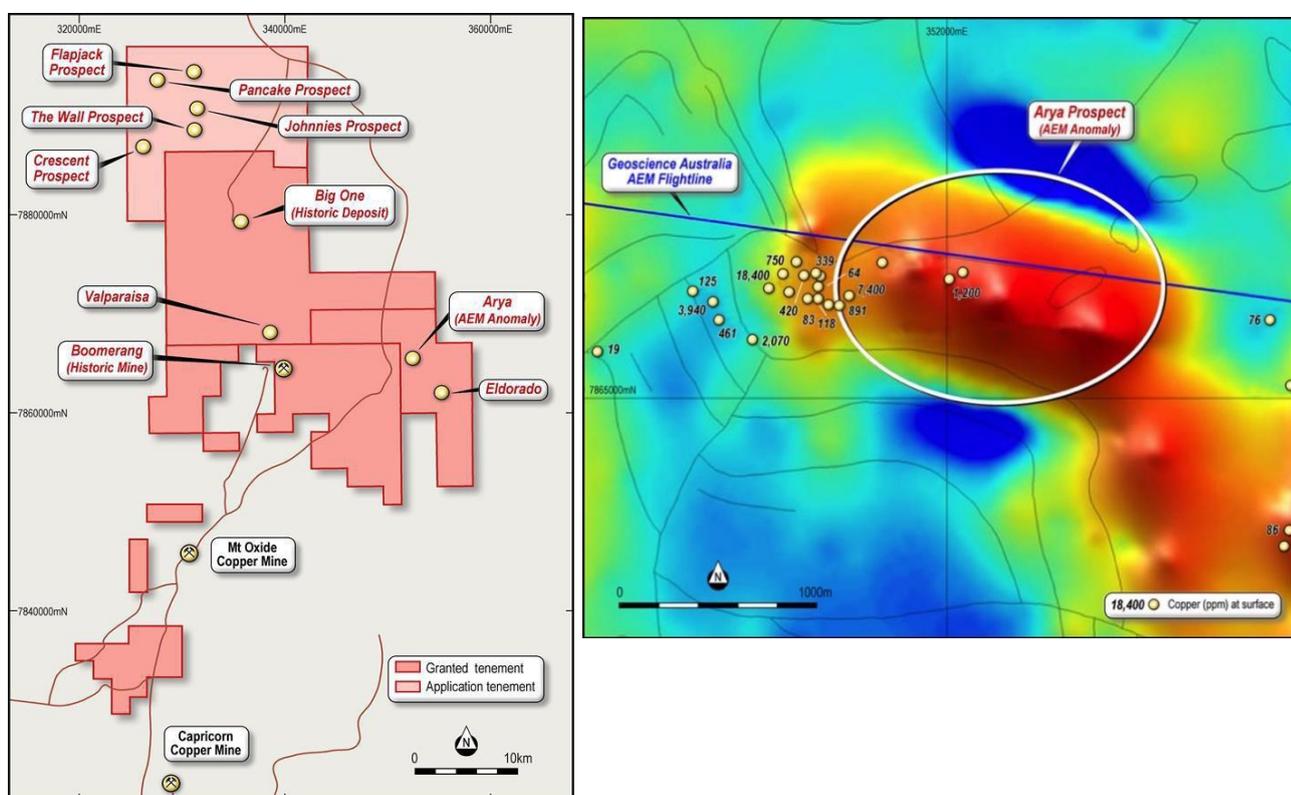


Cross sections of the Big One target, including drill results from the 2020 campaign. Top Left) Thick zone of mineralisation, 40m @ 1.64% from surface. Top Right) a second cross section of thick moderate mineralisation and high-grade intercepts, 44m @ 1.19% Cu from surface. Bottom Left) Drilling intercepts a second copper lode as well as a low-grade copper halo surrounding the high-grade body. Right) Drilling intercepts a low-grade halo surrounding the high-grade lode, as well as a shallow, pervasive copper oxide zone at surface. Ref. Castillo Copper RNS (11/01/21)

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Mt Oxide Project: Other Targets

The Mt Oxide Project portfolio holds 9 additional, historic data defined targets, that show promising prospectively. To date, the team have planed to only drill the Arya EM target, a deep (426m) geophysical target identified by previous owners BHP and MIM. However, with low base metal prices and other lower risk projects to focus on at the time, this large anomaly was never drill tested. The modelling indicates a 130m thick and 1,500m by 450m wide anomaly, which is associated with a fault that at surface hosts copper and other trace element indicators. Further, the modelling indicates two shallower (~25m deep) anomalies that are planned to be tested in the upcoming months.



Left) Map of Mt Oxide portfolio indicating the current 10 priority targets. Right) Map of the Arya target and surface geochemical samples of notable copper content. Ref. Castillo Copper RNS (11/01/21)

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Cangai Cu Mine Pillar (100%)

The most advanced of the CCZ projects is the historically mined Cangai Cu Mine. A historical data compiled inferred JORC resource consisting of a near surface poly-metallic orebody. Drilling by CCZ was conducted in 2017 and 2018, completing 5,061m of RC over 34 holes and 161m of DD over 2 holes. The intention of the drilling was to confirm continuity of the existing orebody, building the maiden resource and to confirm the historically reported mineralisation associated around the 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 SYG. The SYG mining operation is hosted along the northern trend of two NE-SW shear zone features. CCZ have conducted an extensive pXRF soil sampling survey and have identified 5 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 (100%)

The Luanshya prospect is hosted along one of four known highly prospective mineralised regional features. Located along these features are world class operating mines such as Mimbula Moxico with a resource of 60Mt @ 1.18% Cu and the CNMC's project, a 3-pit mining operation holding a combined resource of 52.3Mt @ 1.26% Cu.

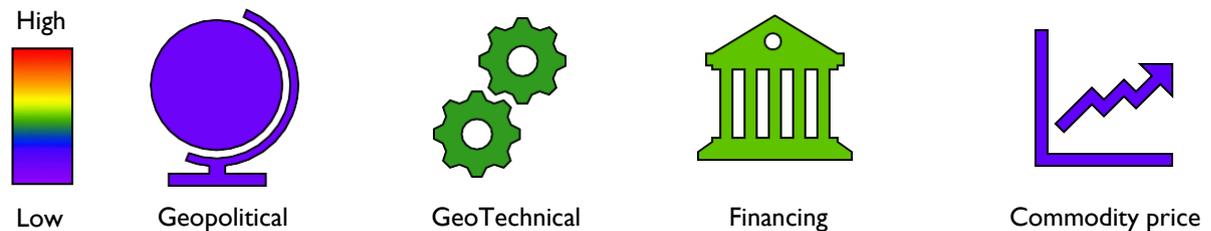
Lumwansa North and South (100%)

The tenement sits along the Mombezhi Dome, a geological feature that also hosts Barrick Gold Lumwana mine that hosted a reserve of 375Mt @ 0.6% Cu.

Mwansa (100%)

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

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's Big One Deposit is still in the early stages of exploration and though extensions to the orebody are indicated by historic drilling and surface outcropping, critical mass is required for the project to become a standalone operation. Counter balancing that is the fact that the Mt Oxide portfolio holds a number of additional targets, within truck-able distance that could quickly be developed and added to the operation.

The project holds both sulphide and oxide mineralisation. Though supergene enrichment increases the grade considerably, domaining of these transition zones can be very important to metallurgical processing, with complex flow sheets adding cost to production.

The Arya target is an extensive EM target, which if, as expected, is a high-grade massive sulphide ore body could be one of the largest discoveries in the region in recent years. However, the target is only constrained though early stage exploration indicators, which makes this a 'high risk' target. Initial drilling may only prove to refine the current geophysical anomaly model, but signify de-risking later, second stages of the drilling campaign.

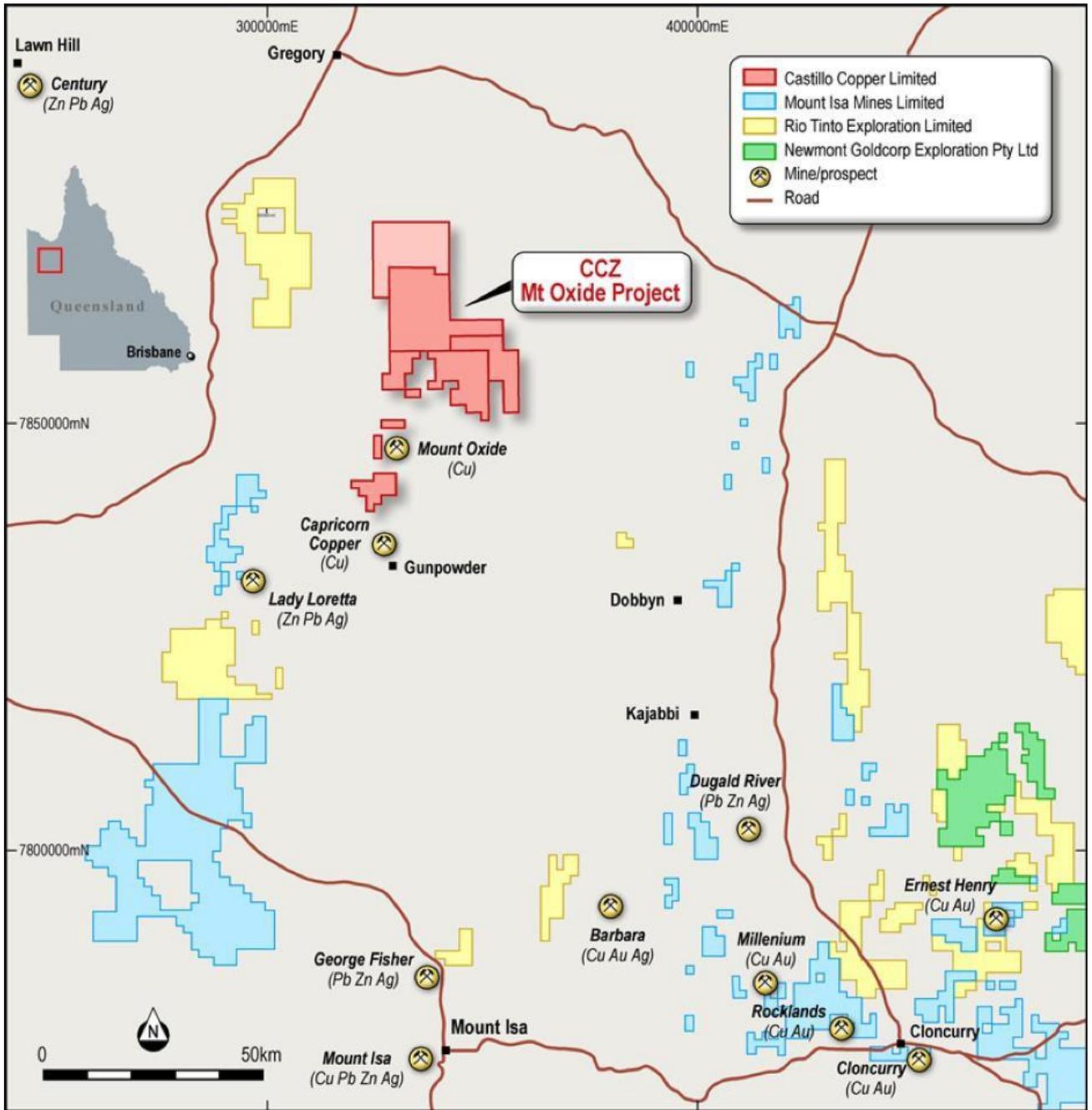
Investment Synopsis

Castillo Copper Ltd. gives investors the opportunity to have focused exposure to Copper, one of the most attractive commodities for the global growth recovery. Over the past 5 years copper exploration has been significantly under invested, with projections indicating that the up-coming demand from electrification development will significantly outstrip supply.

The high grade, broad intercepts announced from the drilling at the Big One are very encouraging, pointing towards the possibility of simple, near surface ore extraction, and with the consistent high grades (see table provided), the optionality for the team to secure near-term cashflow through un-processed ore sales to mills in the region.

The widths and grades, along with the possible strike extensions also indicate the Big One could be sizable system, and this along with targets including Arya should make Castillo Copper a prime target of major operators looking to secure future production.

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Map of Castillo Coppers Mt Oxide licences, with surrounding operations, as well as licences held by major producers Mt Isa Ltd., Rio Tinto Exploration, and Newmont Gold Corp Exploration.

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BIG ONE DEPOSIT INTERCEPTS – RANKED BY GRADE

1m @ 28.4% Cu fm 44m (B07)	1m @ 1.49% fm 86m (207RC)
2m @ 17.87% Cu fm 43m (B07)	1m @ 1.46% Cu fm 62m (213RC)
1m @ 16.65% fm 29m (303RC)	3m @ 1.36% Cu fm 73m (B26)
1m @ 12.6% fm 37m (301RC)	2m @ 1.30% fm 96m (306RC)
3m @ 12.25% Cu fm 42m (B07)	1m @ 1.30% fm 37m (302RC)
3m @ 10.88% fm 37m (301RC)	44m @ 1.19% Cu fm surface (301RC)
5m @ 7.34% fm 28m (303RC)	1m @ 1.19% Cu fm 38m (305RC)
11m @ 4.40% fm 24m (303RC)	1m @ 1.18% Cu fm 49m (B08)
1m @ 4.27% Cu fm 59m (213RC)	2m @ 1.10% Cu fm 85m (207RC)
14m @ 3.55% fm 27m (301RC)	8m @ 1.06% Cu fm 57m (213RC)
5m @ 3.28% Cu fm 45m (B05)	3m @ 1.02% Cu fm 59m (206RC)
2m @ 3.19% Cu fm 46m (B06)	4m @ 0.97% fm 96m (306RC)
6m @ 3.00% Cu fm 45m (B05)	9m @ 0.84% Cu fm 32m (B07)
1m @ 2.48% Cu fm 37m (B02)	3m @ 0.80% Cu fm 48m (B08)
1m @ 2.37% Cu fm 36m (B07)	12m @ 0.79% Cu fm 52m (213RC)
8m @ 2.33% Cu fm 44m (B05)	5m @ 0.66% Cu fm 35m (302RC)
2m @ 2.29% Cu fm 73m (B26)	5m @ 0.53% Cu fm 34m (305RC)
3m @ 2.03% Cu fm 58m (213RC)	8m @ 0.47% fm 84m (207RC)
5m @ 1.79% Cu fm 66m (B25)	8m @ 0.42% Cu fm 54m (206RC)
3m @ 1.69% Cu fm 36m (B07)	8m @ 0.41% Cu fm 16m (306RC)
40m @ 1.64% fm surface (303RC)	
6m @ 1.55% Cu fm 66m (B25)	

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For more information on the company covered in this note or analysis of other opportunities, please feel free to contact Charlie at Charlie.Stephenson@sicapital.co.uk



By Charlie Stephenson
Mining Specialist ECM Analyst

Charlie is an exploration and mining geologist with a wealth of knowledge and experience in the resource sector. Charlie started his career in 2013 as a Junior geologist in Turkey and has since worked on a range of projects across Europe, East Africa, Australia, and Chile. In November 2019 Charlie joined the team as an ECM Analyst and Broker in Training, producing research notes and developing the SI Capital Research and Marketing Package.

Charlie holds a MSc in Mining Geology from Camborne School of Mines and a BSc in Geology from the University of Southampton.

Contact us at:

Office: +44 (0) 1483 413500

Info@SICapital.co.uk

www.sicapital.co.uk

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