



NZURI
COPPER LIMITED

An emerging copper and cobalt company

NZURI COPPER LIMITED

(formerly Regal Resources Limited)

ACN 106 294 106

HALF YEAR REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

Nzuri Copper Limited

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ABN 23 106 294 106

CORPORATE DIRECTORY

Directors

Peter Ruxton – Non-Executive Chairman
Mark Arnesen – Chief Executive Officer & Executive Director
Adam Smits – Chief Operating Officer & Executive Director

Company Secretary

Anthony Begovich

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Principal Office

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DIRECTORS' REPORT

The Directors of Nzuri Copper Limited ("Nzuri Copper" or the "Company") (formerly Regal Resources Limited) submit herewith the financial report of the Company and its controlled entities (the "Consolidated Entity") for the six months ended 31 December 2016. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows:

DIRECTORS

The following persons were Directors of Nzuri Copper Limited at any time during or since the end of the half-year and up to the date of this report, unless otherwise stated:

Peter Ruxton (Non-Executive Chairman)

Mark Arnesen (Chief Executive Officer & Executive Director) (appointed 12 August 2016)

Adam Smits (Chief Operating Officer & Executive Director) (appointed 14 November 2016)

John Hodder (Non-Executive Director) (resigned 7 December 2016)

Simon Dorling (Non-Executive Director) (resigned 25 November 2016)

David Young (Non-Executive Director) (resigned 28 July 2016)

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity focus on the identification, acquisition, development and operation of high grade copper and cobalt projects in the Katangan Coperbelt of the Democratic Republic of the Congo (DRC).

OPERATING RESULTS

The loss after tax of the Consolidated Entity for the half-year ended 31 December 2016 amounted to \$1,598,991 (31 December 2015: \$3,116,928).

REVIEW OF OPERATIONS

Kalongwe Project (Luabala Province, DRC)

The Kalongwe Copper-Cobalt deposit ("Kalongwe" project) is the Company's 85% owned flagship project. It is located in the Lualaba Province of the Democratic Republic of Congo ("DRC") and is situated towards the western end of the world-class Central African Copperbelt (Figure 1), less than 15 km from where Ivanhoe Mines Ltd (TSX: IVN, "Ivanhoe") has announced a second world class copper discovery at Kakula.

Kalongwe hosts a near-surface JORC resource of 302,000t contained copper and 42,000t contained cobalt as predominantly oxide ore.

The primary objective for the company is the commencement and completion in late 2017 of a Feasibility Study ("FS") for the Kalongwe Project, all efforts are now directed to facilitate this work.

The following activities were conducted during the period:

- Exploration work commenced over Kalongwe and the surrounding FTB project areas following the Company's fund raising activities, including completion of ground validation on first order exploration targets in the FTB area and advancing to drill testing
- The Company fast-tracked work on the Kalongwe FS
- A draft report from Metallurgical test work conducted by *Miller Mining Services* was received indicating positive preliminary results. The company has commissioned additional tests to be performed which should result in the completion of the final report in the first quarter of 2017.

DIRECTORS' REPORT

- Mine schedule and block models were reviewed by *Orelogy Mine Consultants Pty Ltd* with respect to staged project execution strategies, lower cut off grades, extended pit shells in line with project execution options being evaluated ahead of the FS in 2017
- An initial financial model was built by *Orimico Pty Ltd* to evaluate multiple project execution options and pricing scenarios ahead of the planned FS in 2017

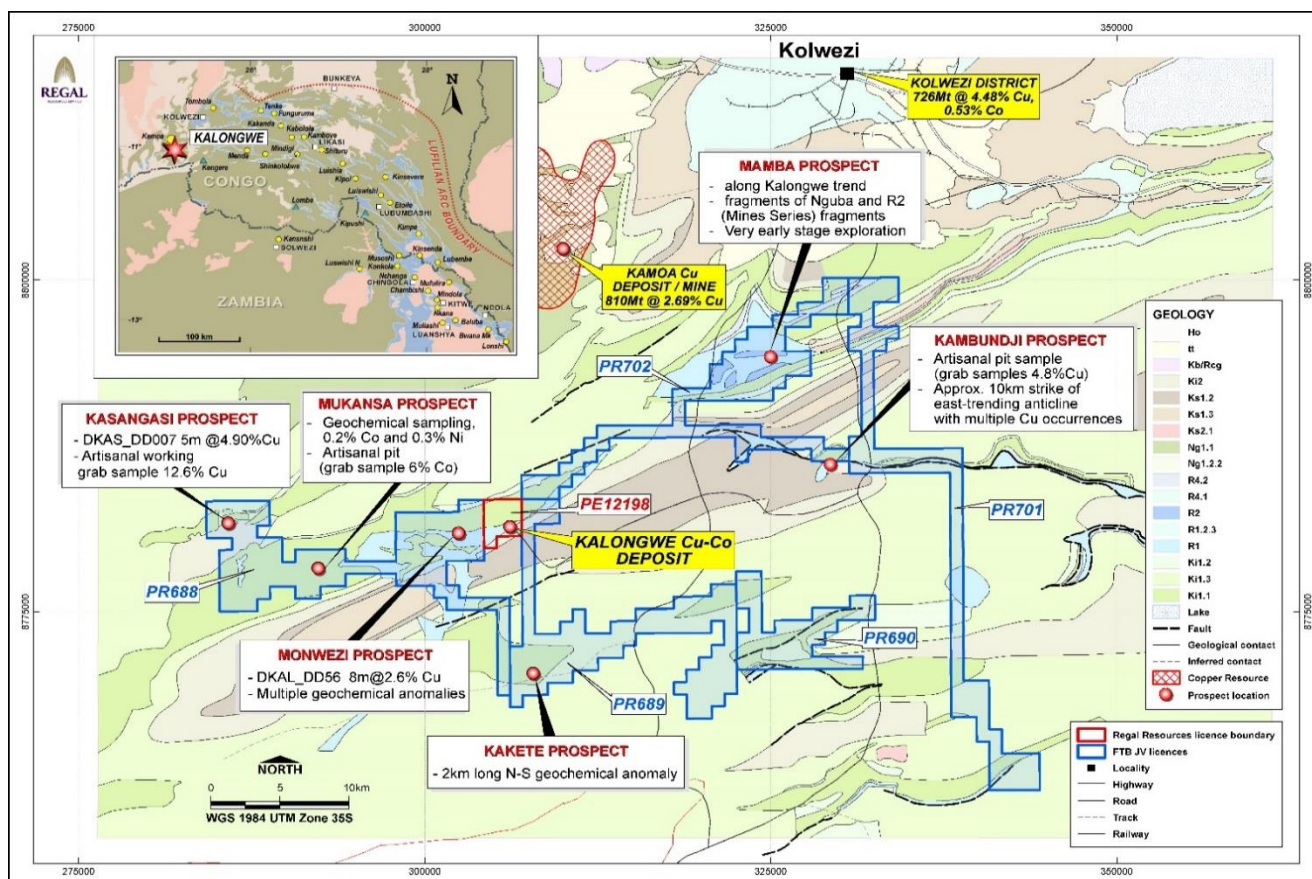


Figure 1: Location of the Fold Thrust Belt JV licences and significant exploration targets on the licence area.

Fold and Thrust Belt JV Project (Lualaba Province, DRC)

The Company signed an Memorandum of Understanding (“MOU”) with Ivanhoe Mines Ltd (TSX: IVN, “Ivanhoe”) to acquire up to a 98% interest in a package of five highly prospective tenements, covering an area of approximately 350 km², contiguous to the Kalongwe copper-cobalt deposit in the Central African Copperbelt, Lualaba Province, DRC.

The Fold and Thrust Belt Joint Venture (“FTBJV”), which is managed by the Company, covers an area of the western Lufilian Arc, a fold belt that contains the world largest cobalt endowment and some of the richest copper deposits in the world.

The project area is considered to offer high-quality exploration targets and exploration over most of the ground is at a greenfield stage. A summary of the key exploration targets on the JV licenses is shown in Figure 1.

The Company performed a review of the exploration work and data provided by Ivanhoe, following which reconnaissance field visits to all prospects were undertaken for the purpose of field data validation. An exploration programme was planned and commenced with an RC drilling programme at Kambundji East and several geochemical surveys over other prospects.

An update of the current status and the planned exploration programmes for each of the high priority targets includes:

DIRECTORS' REPORT

Kasangasi Prospect:

Located just 20km south-west of Ivanhoe's Kakula deposit, high-grade copper mineralisation was identified in shale within the "Grand Conglomerate" (Ki1.1) analogous to the stratigraphic position of Kakula and Kamoia deposits.

The mineralisation is considered indicative for Kakula/Kamoia style mineralisation. On this basis the target has been upgraded to a high-priority exploration target for the Company.

Artisanal mining provides access to the mineralized horizon. A rock chip sample from oxide surface mineralisation at the site returned a handheld XRF result of 7.1% Cu (laboratory assay results pending). This is considered to validate the results of grab samples collected previously, as well as a 2007 drill intercept of 5m @ 4.9% Cu from 33 to 38 m in DKAS_DD007 drilled, the latter confirming the subsurface depth extent of mineralisation.

The planned exploration programme includes mapping and trenching along strike of the mineralisation to determine lateral continuity, followed by drill testing which is scheduled to commence at the end of the rainy season, as the area is currently inaccessible.

Kambundji East Prospect:

Following positive outcomes of the reconnaissance site visit, validation sampling and geological mapping, a drilling programme was initiated in early December 2016.

Four RC (reverse circulation) holes were drilled for 336 m and completed prior to the onset of the rainy season. The drill holes tested the depth extensions of stratiform mineralisation in a fragment of Roan (R2) rocks similar to that mined at the giant Kolwesi mining centre. Two of the four drill holes intersected visible copper mineralization at the traditional Lower Ore Body position.

Monwezi West Prospects: (immediately southwest of Kalongwe)

Three significant anomalies have been identified for follow-up work at Monwezi West, these include Monwezi 2, Monwezi 3 and Monwezi 7 (Figure 2).

Extensive soil geochemical, rock chip and mapping datasets obtained from Ivanhoe are associated with these anomalies and have been confirmed. The targets are nominated for initial drill testing, with 800 m of RC and 200m of diamond drilling planned.

DIRECTORS' REPORT

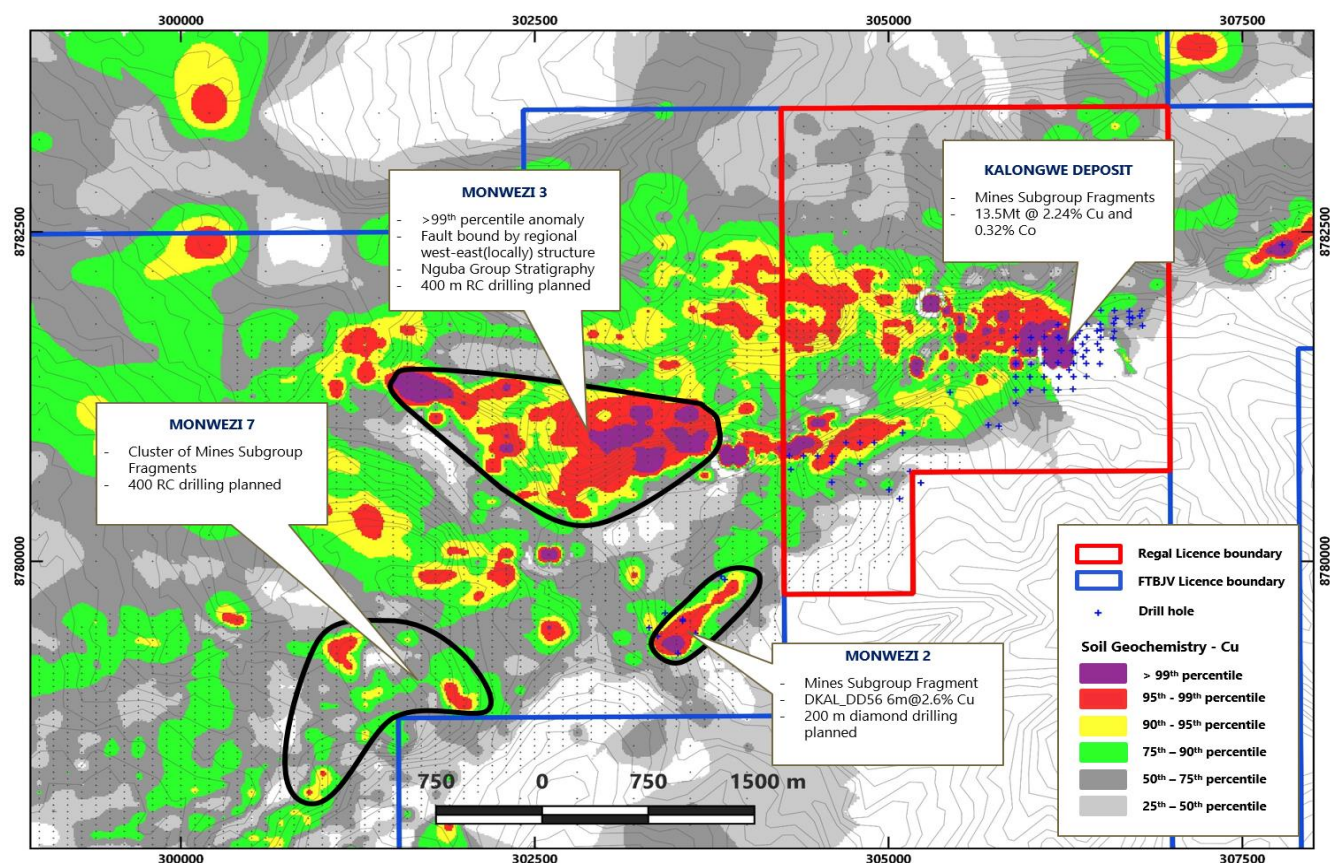


Figure 2: Location of significant anomalies west of Kalongwe identified for drill testing

Katete Prospect:

A 2 km north-south trending geochemical anomaly is defined based on assays from soil, rock chip and pitting by Ivanhoe. The target coincides with north-south trending lineaments based on magnetic interpretation as well as a north-east oriented anticlinal lineament parallel to known deposits in the region. The target is considered prospective for structurally controlled supergene copper-cobalt mineralisation (Figure 3). Recent geological mapping and sampling validated the interpretation and the target is to be followed up by trenching in Q1, 2017.

Field investigation of the north-easterly oriented geochemical anomaly north-east of the main Katete anomaly revealed previously unknown Mines Subgroup rocks associated with the anomaly (Figure 3). Mines Subgroup rocks are the host rocks to the vast majority of Congolese Copperbelt deposits. Rock chip samples were collected and are currently undergoing analysis.

DIRECTORS' REPORT

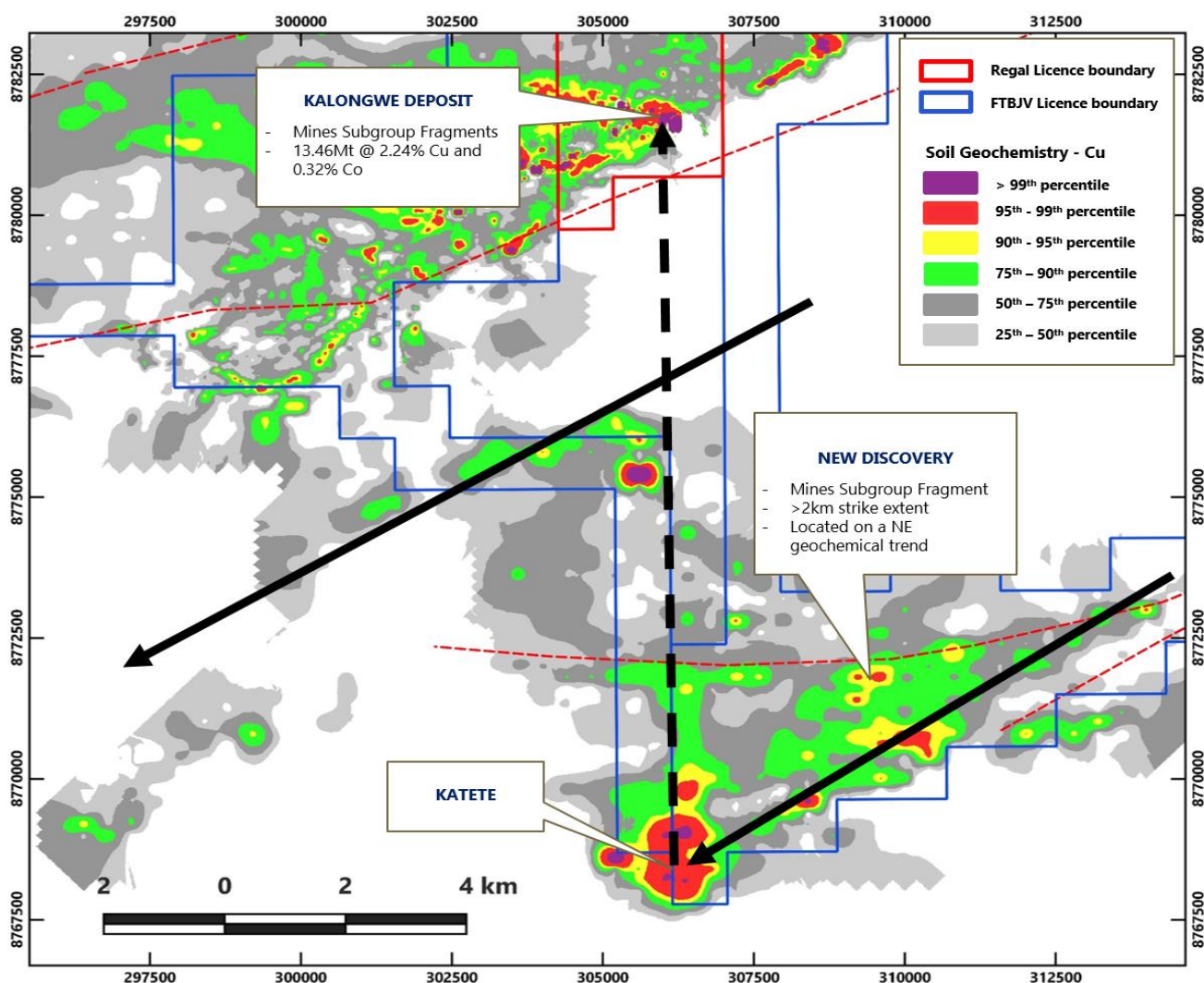


Figure 3: Location of the Katete anomaly in relation to key mineralising structural lineaments in the area

The Company's technical advisors and its geological team are currently undertaking exploration work to advance the knowledge of the targets identified for drill testing at the end of the rainy season. The Company looks forward to providing the market with a flow of exploration updates from an area it believes has significant exploration upside.

COMPETENT PERSON STATEMENT

Scientific or technical information in this release that relates to Exploration Results has been prepared by Dr Peter Ruxton, the Company's Technical Director. Dr Peter Ruxton is a Member of the Institute of Materials, Minerals & Mining (MIMMM) and a Fellow of the Geological Society of London (FGS) and has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code). Dr Peter Ruxton consents to the inclusion in this report of the Information, in the form and context in which it appears.

The information in this document relating to the Kalongwe Cu-Co Deposit resource estimate is extracted from the Company's ASX announcement entitled 'Upgraded JORC Resource at Kalongwe 302,000t Copper and 42,700t Cobalt' dated 5 February 2015.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

DIRECTORS' REPORT

Corporate

The following significant transactions and events occurred during the period:

Board changes

During the period, the Company reduced the size of its board to three with the appointments of Mark Arnesen as Chief Executive Officer and Executive Director and Adam Smits as Chief Operating Officer and Executive Director partially offsetting the resignations of Non-executive directors David Young, Simon Dorling and John Hodder.

Also during the period Peter Ruxton was appointed Non-executive Chairman on a permanent basis.

Company secretary change

On 1 November 2016, Anthony Begovich was appointed as Chief Financial Officer and Company Secretary upon the resignation of Patrick Holywell.

Acquisition of controlling interest in KMSA (70%)

On 7 July 2016, following shareholder approval the Company obtained a controlling interest in the Kalongwe Copper-Cobalt project by increasing its interest in Kalongwe Mining SA from 30% to 70%.

Refer note 2 for further details regarding the transactions.

Further interest acquired in KMSA (85%)

On or around 2 November 2016, the Company acquired an additional 15% interest in KMSA from GICC for \$3,940,628 (US\$3 million) funded via a Convertible loan provided by Tembo Capital.

Refer note 2 for further details regarding the transaction.

Rights Issue completed

On 9 August 2016, the Company had accepted applications from its shareholders subscribing for 681,284,328 shares pursuant to their entitlement and additional shares under a one for two fully underwritten non-renounceable rights issue, raising \$6.81 million. Additionally, a shortfall of 244,051,820 shares for a further \$2.44 million was raised ("Rights Issue"). The shares associated with the Rights Issue were issued on 10 August 2016.

Scaled-back shareholder offer completed

In December 2016, the Company closed its scaled-back shareholder offer ("Offer"), having received valid applications from eligible shareholders for a total of 54,825,950 shares at \$0.01 each, totalling \$548,260 ("Subscription Amount"). The shares pursuant to the Offer were issued 6 December 2016.

Following this, in accordance with the orders of the Takeovers Panel, 54,825,950 of the shares owned by Ndovu were bought back in consideration for the Subscription Amount ("Cancelled Shares"). These shares were cancelled 7 December 2016 resulting in no net effect on the number of Company shares on issue.

Other share issues

The Company completed a number of other share issues during the period refer note 12 for further details.

DIRECTORS' REPORT

Issue of options

The Company issued the following during the half-year ended 31 December 2016:

- 30,000,000 unlisted options to Tembo Capital in accordance with the Converting loan at \$0.06 expiring 6 July 2021;
- 45,000,000 unlisted options to Employees at \$0.0137 expiring 21 September 2026; and
- 45,000,000 unlisted options to Employees at \$0.0147 expiring 14 November 2016.

Legal claims

The Company is defending three claims brought against it. The Company believes it is in a strong position in its defense of all three claims.

The Company is complying with the respective court timetables, it is legally represented and is vigorously defending each claim.

SUBSEQUENT EVENTS

On 12 January 2017, the Company announced a 1 for 15 Security (shares and options) consolidation which was completed on 7 February 2017.

In January 2017, the Company announced that it changed its name to Nzuri Copper Limited, its registered office and principal place of business had changed to Unit 13, 100 Railway Road Daglish, Perth WA 6008 and its telephone number changed to +61 (0)8 6424 8100.

On 7 February 2017, the Company's ASX code was changed to NZC.

On 17 February 2017, the Company announced the implementation of a facility to enable shareholders to sell their small shareholdings without incurring any brokerage or handling costs.

On 16 March 2017 the Company announced that it has received binding commitments to raise approximately \$4.78 million through a placement of approximately 21.1 million shares at an issue price of \$0.227 per share.

The funds raised pursuant to the Placement are intended to be applied towards funding the completion of the feasibility study for the Kalongwe Project together with carrying out any early project development, undertaking exploration pursuant to the Company's earn-in agreement with Ivanhoe Mines Ltd, as well as providing the Company with working capital.

In conjunction with the Placement, Tembo Capital Mining Fund LP has committed to convert its US\$3 million convertible loan, plus interest, in full (refer note 11 (b)). The Loan Conversion will be at the same issue price as the Placement.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 11.

Signed in accordance with a resolution of the Directors made pursuant to Section 298 (2) of the *Corporations Act 2001*.

On Behalf of the Directors



Peter Ruxton
Non-executive Chairman

Perth, 16 March 2017

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF NZURI COPPER LIMITED

As lead auditor for the review of Nzuri Copper Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Nzuri Copper Limited and the entities it controlled during the period.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 16 March 2017

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Note	31 December 2016 \$	31 December 2015 \$
Interest income		45,600	24,060
Employee benefits expense	3	(450,853)	(350,418)
Depreciation and amortisation		(456)	-
Finance expenses	4	(244,953)	(45,255)
Loss recognised on disposal of subsidiary		-	(2,015,441)
Impairment expenses		-	(50,529)
Share of net loss of associate		-	(200,191)
Other expenses	5	(948,329)	(479,154)
Loss before income tax		(1,598,991)	(3,116,928)
Income tax expense		-	-
Loss for the half year		(1,598,991)	(3,116,928)
Loss is attributable to:			
Owners of Nzuri Copper Limited		(1,598,991)	(3,116,928)
Non-controlling interests		-	-
		(1,598,991)	(3,116,928)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		893,022	22
Other comprehensive income for the half year, net of tax		893,022	22
Total comprehensive Income/(loss)		(705,969)	(3,116,906)
Total comprehensive loss is attributable to:			
Owners of Nzuri Copper Limited		(847,696)	(3,116,906)
Non-controlling interests		141,726	-
		(705,969)	(3,116,906)
Loss per share:			
Basic and diluted loss per share		(0.62)	(1.43)

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2016**

	Note	31 December 2016 \$	30 June 2016 \$
Current assets			
Cash and cash equivalents	6	5,979,393	823,465
Trade and other receivables		98,978	85,399
Inventory		51,161	-
Total current assets		6,129,532	908,864
Non-current assets			
Trade and other receivables	7	391,631	-
Other financial assets		52,897	-
Plant and equipment		205,268	-
Exploration and evaluation	8	25,785,093	412,065
Investments accounted for using the equity method	9	-	4,267,704
Total non-current assets		26,434,889	4,679,969
Total assets		32,564,421	5,588,633
Current liabilities			
Trade and other payables	10	515,375	3,296,861
Interest bearing loans and borrowings	11	4,177,340	876,243
Provisions		4,060	-
Total current liabilities		4,696,775	4,173,104
Non-current liabilities			
Interest bearing loans and borrowings	11	1,867,719	-
Total non-current liabilities		1,867,719	-
Total liabilities		6,564,494	4,173,104
Net assets		25,999,927	1,415,529
Equity			
Issued capital	12	73,338,316	42,788,896
Convertible loan	13	-	5,596,863
Reserves		(50,614)	(6,468)
Accumulated losses		(48,562,753)	(46,963,762)
Equity attributable to owners		24,724,949	1,415,529
Non-controlling interest		1,274,978	-
Total equity		25,999,927	1,415,529

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

For the six months ended 31 December 2016	Attributable to equity holders				Non- controlling interest	Total Equity
	Issued Capital \$	Convertible Loan \$	Reserves \$	Accumulated Losses \$		
1 July 2016	42,788,896	5,596,863	(6,468)	(46,963,762)	-	1,415,529
Loss for the half year	-	-	-	(1,598,991)	-	(1,598,991)
Other comprehensive income	-	-	751,296	-	141,726	893,022
Total comprehensive loss for the half year	-	-	751,296	(1,598,991)	141,726	(705,969)
Convertible loan conversion	-	(5,596,863)	-	-	-	(5,596,863)
Contributions of equity, net of transaction costs	30,549,420	-	-	-	-	30,549,420
Share based payments	-	-	39,426	-	-	39,426
Non-controlling interests on acquisition of subsidiary	-	-	-	-	8,386,268	8,386,268
Transactions with non- controlling interests	-	-	(834,868)	-	(7,253,016)	(8,087,884)
31 December 2016	73,338,316	-	(50,614)	(48,562,753)	1,274,978	25,999,927
For the six months ended 31 December 2015						
1 July 2015	42,748,463	1,500,000	14,151,983	(53,738,634)	(2,026,531)	2,635,281
Loss for the half year	-	-	-	(3,116,928)	-	(3,116,928)
Other comprehensive income	-	-	22	-	-	22
Total comprehensive loss for the half year	-	-	22	(3,116,928)	-	(3,116,906)
De-recognition of foreign currency reserve	-	-	29,185	-	(29,604)	(419)
De-recognition of non- controlling interest on disposal	-	-	-	-	2,056,135	2,056,135
Contributions of equity, net of transaction costs	(37,045)	1,000,000	-	-	-	962,955
31 December 2015	42,711,418	2,500,000	14,181,190	(56,855,562)	-	2,537,046

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	31 December 2016	31 December 2015
	\$	\$
Cash flows from operating activities		
Interest received	47,419	3,943
Payments to suppliers and employees	(1,302,178)	(830,991)
Interest and other finance charges paid	(1,181)	-
Payments for Afrimines settlement	(1,571,503)	-
Net cash outflow from operating activities	<u>(2,827,443)</u>	<u>(827,048)</u>
Cash flows from investing activities		
Proceeds from sale of investments	-	114,310
Payment for plant and equipment	(13,176)	-
Payment for investments	-	(289,751)
Payment for acquisition of subsidiary, net of cash acquired	(6,958,948)	-
Payment for exploration and evaluation	(1,160,224)	(61,620)
Payment of cash upon disposal of subsidiary	-	(200,924)
Net cash outflow from investing activities	<u>(8,132,348)</u>	<u>(437,985)</u>
Cash flows from financing activities		
Proceeds from issue of shares	16,239,663	-
Proceeds from convertible loan	3,940,628	1,000,000
Share issue transaction costs	(128,624)	(2,911)
Transactions with non-controlling interests	(3,940,628)	-
Net cash inflow from financing activities	<u>16,111,039</u>	<u>997,089</u>
Net increase/(decrease) in cash and cash equivalents	5,151,248	(267,944)
Cash and cash equivalents at the beginning of the financial period	823,465	1,597,497
Effects of foreign exchange movements on cash	4,680	(50)
Cash and cash equivalents at the end of the financial period	<u>5,979,393</u>	<u>1,329,503</u>

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Comparative figures have been adjusted to conform with changes in presentation for the current period.

(b) Significant estimates and judgements

The preparation of these financial statements includes additional estimates and judgements from 30 June 2016. They are:

- Asset acquisition (refers note 1(d)); and
- Borrowings (refer note 11(c)).

(c) New accounting standards and interpretations

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(d) Asset acquisition

The Consolidated Entity has determined that the acquisition of a controlling interest in Kalongwe Mining SA ("KMSA") is not deemed a business acquisition, the transaction has been accounted for as an asset acquisition. In assessing the requirements of AASB 3 Business Combinations, the Consolidated Entity has determined that the assets acquired do not constitute a business.

The principal assets acquired consist of the right to mine the Kalongwe Copper-Cobalt deposit in the Lualaba Province of the DRC.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition are included in the capitalised cost of the asset.

2. ASSET ACQUISITION

As at 30 June 2016, the Company held a 30% interest in Kalongwe Mining SA ("KMSA"), which was then accounted for as an investment using the equity method (refer note 9).

(a) Acquisition of controlling interest in KMSA (70%)

On 7 July 2016, the Company completed a series of transactions to increase its interest in KMSA from 30% to 70%, thereby obtaining control of KMSA.

The transaction is not a business combination as the assets acquired did not meet the definition of a business defined in the Australian Accounting Standards as at the date of acquisition. The acquisition of the net assets meets the definition of, and has been accounted for, as an asset acquisition.

The series of transactions included the following:

- the issue of 199,071,002 fully paid ordinary shares at \$0.01 each and payment of US\$4 million to Traxys Projects LP ("Traxys");
- the issue of 166,556,072 fully paid ordinary shares at \$0.01 each and payment of US\$1.255 million to La Generale Industrielle et Commerciale au Congo SPRL ("GICC");
- The issue of 697,412,077 shares to Tembo Capital Mining Fund LP and its affiliate Ndovu Capital VI B.V. at \$0.01 each to fund the cash portion of the above transactions; and
- the transfer of amounts receivable to Traxys by KMSA totalling \$5.5 million to the Company.

Details of the fair value of the assets acquired as at 7 July 2016 (in Australian dollars) being the date control of KMSA was obtained are as follows:

	7 July 2016 \$
Purchase consideration	
Cash	7,047,156
Shares	6,215,661
Cost of 30% interest in KMSA	4,267,704
Loan re-assigned	(1,661,812)
Total purchase consideration	15,868,709
Net assets acquired	
Cash	88,208
Other assets	483,321
Plant and equipment	107,672
Exploration and evaluation assets	23,989,055
Other liabilities	(413,279)
Net identifiable assets acquired	24,254,977
Less: Non-controlling interests	(8,386,268)
Net assets acquired	15,868,709

(b) Further interest acquired in KMSA (85%)

On or around 2 November 2016, the Company acquired an additional 15% interest in KMSA from GICC for \$3,940,628 (US\$3 million) via a Convertible loan provided by Tembo Capital and the transfer of amounts receivable to GICC by KMSA totalling US\$2.4 million to the Company. The Convertible loan is required to be repaid within 12 months and accrues interest at a rate of 8% per annum. Refer note 11 for further details.

3. EMPLOYEE BENEFITS EXPENSE	31 December 2016 \$	31 December 2015 \$
Salary and wages	381,670	350,418
Superannuation	29,562	-
Share based payments	39,426	-
Other employee benefits	195	-
	450,853	350,418
4. FINANCE EXPENSES		
Bank fees	814	-
Interest expense	7,427	45,255
Other (a)	236,712	-
	244,953	45,255
(a) Other refers to costs associated with the Convertible loan refer note 11(b).		
5. OTHER EXPENSES		
Administration costs	27,609	301,332
Occupancy costs	10,893	8,667
Corporate costs	1,305,723	88,042
Net foreign exchange (gain) / loss	(395,896)	139,411
	948,329	537,452
6. CASH AND CASH EQUIVALENTS	31 December 2016 \$	30 June 2016 \$
Cash on hand	673	-
Cash at bank	3,978,720	823,465
Term deposits	2,000,000	-
	5,979,393	823,465
7. TRADE AND OTHER RECEIVABLES (NON-CURRENT)		
Value added tax (VAT) receivable	391,631	-
8. EXPLORATION AND EVALUATION		
Exploration and evaluation expenditure	25,785,093	412,065
<i>Movements:</i>		
Balance at the beginning of the financial period	412,065	131,214
Additions	439,130	280,851
Acquisition of KMSA (refer note 2(a))	23,989,055	-
Foreign currency translation movement	944,843	-
Balance at the end of the financial period	25,785,093	412,065
9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		
Investment in associate (a)	-	4,732,771
Less share of loss of associate (a)	-	(465,067)
	-	4,267,704

(a) During the period the Company acquired a controlling interest in KMSA (refer note 2)

10. TRADE AND OTHER PAYABLES	31 December 2016 \$	30 June 2016 \$
Trade payables	279,913	424,628
Other payables (a)	82,852	2,080,576
Accruals (a)	152,610	791,657
	515,375	3,296,861

- (a) During the period the Company settled Other payables totalling \$1,575,343. Accrual of \$791,657 and Loans of \$876,243, as at 30 June 2016, via the issue of 159,256,802 shares at \$0.01 each and a cash payment of US\$1,200,000, to Afrimines Resources SPRL ("Afrimines") refer notes 11 (a) and 12.

11. INTEREST BEARING LOANS AND BORROWINGS

Current

Loans (a)	-	876,243
Convertible loan (b)	4,177,340	-
	4,177,340	876,243

Non-Current

Loans (c)	1,867,719	-
	1,867,719	-

- (a) Refer note 10.
- (b) On 31 October 2016, the Company obtained a US\$3 million Convertible loan facility provided by Tembo Capital to fund an additional 15% interest in KMSA from GICC. The Convertible loan is required to be repaid in cash within 12 months and accrues interest at a rate of 8% per annum or it can be converted into shares at a 20% discount to the 30 day VWAP. The Convertible loan balance as at 31/12/2016 includes the unamortised cost of the interest and conversion discount.
- (c) This reflects the remaining Loan balance of US\$1.6 million owed to KMSA by GICC partially offset by amounts owed to KMSA by GICC. The loan is non-interest bearing and is required to be repaid from surplus production proceeds from the Kalongwe project.

As required under AASB 139 Financial Instruments, the loan has been recognized at fair value on initial recognition. This value is subject to management's estimate on the timing of the repayment and interest rate. For the purposes of this calculation the repayment is forecast to occur in 2019 and the implicit interest rate is 8%.

12. ISSUED CAPITAL	31 December 2016 \$	30 June 2016 \$
Ordinary shares issued and fully paid	73,338,316	42,788,896

Movements:	No. of shares	\$
Balance at 1 July 2015	217,045,458	42,748,463
Shares issued – Convertible loan	6,413,638	44,998
Capital raising costs	-	(4,565)
Balance at 30 June 2016	223,459,096	42,788,896
Shares issued – Capital raising (note 2)	697,412,077	6,974,121
Shares issued – Acquisition of subsidiary (note 2)	365,627,074	6,215,660
Shares issued – Settlement of liabilities (notes 10 & 11)	159,256,802	1,592,568
Shares issued – Convertible loan conversion (note 13)	384,917,247	5,763,458
Shares issued – Consultant fees	89,714,757	897,148
Shares issued – Right issue	925,336,148	9,253,361
Shares issued – Underwriting fee for Right issue	12,581,798	125,818
Capital raising costs	-	(272,714)
Balance at 31 December 2016	2,858,304,999	73,338,316

13. CONVERTIBLE LOAN (EQUITY)	31 December	30 June
	2016	2016
	\$	\$
Convertible loan	-	5,596,863

During the period the Convertible loan balance as at 30 June 2016 was settled via the issue of 384,917,247 shares in the Company at \$0.01 per share (excluding the finance component) to Tembo Capital Mining Fund LP (279,273,345 shares) and Exploration Capital Partners (105,643,902 shares) as approved by shareholders on 30 June 2016. Refer note 12.

14. RELATED PARTY TRANSACTIONS

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

During the half year-ended 31 December 2016 the Company agreed to grant 30 million class A options at \$0.205 each and 30 million class B options at \$0.213 each as an equity incentive to executive directors Mark Arnesen and Adam Smits respectively. The exercise price is based on the 30 day VWAP of the Company's shares prior to the grant date.

The options vest over three years in equal proportions from the grant date subject to continuing service conditions and term of the options is 10 years from the date of signing the letter of appointment.

The assessed fair value of the share rights is allocated equally over the vesting period. Fair values are determined using a valuation model using the following inputs.

	Class A	Class B
Number of options granted	30,000,000	30,000,000
Number of options vested	-	-
Grant date	21/9/2016	14/11/2016
Fair value at grant date (post consolidation)	\$0.225	\$0.225
Exercise price (post consolidation)	\$0.205	\$0.213
Exercise period	10 years	10 years
	1 st , 2 nd & 3 rd	1 st , 2 nd & 3 rd
	anniversary of	anniversary of
	grant date	grant date
Vesting date		
Expected price volatility of options	131%	131%
Risk free interest rate	2.25	2.25

The Company entered into a number of transactions with Tembo Capital Mining Fund LP and its affiliate Ndovu Capital VI B.V. during the six months ended 31 December 2016. Refer notes 2 (a), 4, 11(b), 12 and 13 for details.

15. SEGMENT INFORMATION

The consolidated entity operated predominantly in one industry being exploration operations in the Democratic Republic of Congo. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (“CODM”) in assessing performance and determining the allocation of resources. There is no aggregation of operating segments. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The revenues and results of this segment are those of the Group as a whole and are set out in the statement of profit or loss and other comprehensive income.

16. SUBSEQUENT EVENTS

On 12 January 2017, the Company announced a 1 for 15 Security (shares and options) consolidation which was completed on 7 February 2017.

In January 2017, the Company announced that it changed its name to Nzuri Copper Limited, its registered office and principal place of business had changed to Unit 13, 100 Railway Road Daglish, Perth WA 6008 and its telephone number changed to +61 (0)8 6424 8100.

On 7 February 2017, the Company’s ASX code was changed to NZC.

On 17 February 2017, the Company announced the implementation of a facility to enable shareholders to sell their small shareholdings without incurring any brokerage or handling costs.

On 16 March 2017 the Company announced that it has received binding commitments to raise approximately \$4.78 million through a placement of approximately 21.1 million shares at an issue price of \$0.227 per share.

The funds raised pursuant to the Placement are intended to be applied towards funding the completion of the feasibility study for the Kalongwe Project together with carrying out any early project development, undertaking exploration pursuant to the Company’s earn-in agreement with Ivanhoe Mines Ltd, as well as providing the Company with working capital.

In conjunction with the Placement, Tembo Capital Mining Fund LP has committed to convert its US\$3 million convertible loan, plus interest, in full (refer note 11 (b)). The Loan Conversion will be at the same issue price as the Placement.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Nzuri Copper Limited made pursuant to section 303(5) of the Corporations Act 2001, I state that in the opinion of the directors:

- (a) the financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2016 and its performance for the half-year ended on that date of the Consolidated Entity; and
 - (ii) complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



Peter Ruxton
Non-executive Chairman

Perth, 16 March 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Nzuri Copper Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Nzuri Copper Limited, which comprises the consolidated statement of financial position as at 31 December 2016, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Nzuri Copper Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Nzuri Copper Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'BDO' followed by a stylized signature.

Dean Just

Director

Perth, 16 March 2017