



NZURI

COPPER LIMITED

An emerging copper and cobalt company

Quarterly report September 2017

About Nzuri Copper Limited

Nzuri Copper is an ASX-listed copper-cobalt developer with a project portfolio spanning 350km² in the world-class Katangan Copperbelt of the Democratic Republic of the Congo (DRC).

The Company has two projects in the DRC: a near-term production opportunity at the Kalongwe Oxide Copper-Cobalt Project and the Fold and Thrust Belt JV exploration project with Ivanhoe.

Corporate summary

ASX code:	NZC
Shares issued:	230.3M
Options issued:	13.7M
Cash:	\$1.9M
Share price:	\$0.18*
Market capitalization:	41.0M*

* as at 27 October 2017

Nzuri Copper Limited

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Highlights

Operations

Kalongwe Copper-Cobalt Project

- Positive Phase 1 Feasibility Study (± 15 accuracy) for Kalongwe announced subsequent to the end of the reporting period, with key outcomes including:
 - NPV_{10%}(pre-tax): US\$116M
 - IRR (pre-tax): 71%
 - Processing rate: 1Mtpa
 - Annual Average Production: 19,360t Cu & 1,507t Co
 - Mine life: 7 years
 - C1 Cash Cost (including Co credits): US\$1.35/lb
 - CAPEX (excluding working capital): US\$53.12M
 - Payback period: 21 months
- Full results of the Phase 1 Feasibility Study are available in the Company's ASX Announcement dated 16 October 2017
- Site capital works involving permit site fencing and additional accommodation advanced well in the quarter

Fold and Thrust Belt Exploration JV with Ivanhoe (FTBJV)

- Initial drilling programs completed at Monwezi and Katete and drilling currently in progress at Kasangasi, located 17km south-west of the Ivanhoe's world-class Kakula and Kakula West copper discoveries. Results for the Monwezi Drill programme have been released and assays for Katete and Kasangasi are being analysed.
- High-resolution aeromagnetic 9,900 line-kilometre survey underway over entire 342km² FTBJV and Kalongwe licence, with processed data expected by the first week of November.

Corporate

- Two Investor roadshows conducted during the quarter
- Corporate presentation at the Africa Downunder Conference in Perth
- 1 million options issued
- 2017 Annual Report released to the market
- Favourable outcome in historical legal claims case

Development

Kalongwe Project (Lualaba Province, DRC)

Overview

The 85%-owned Kalongwe Copper-Cobalt deposit (“Kalongwe” Project) is the Company’s foundation development asset in the DRC, offering a low-CAPEX pathway to near-term production and cash-flow.

Kalongwe is located in the Lualaba Province of the DRC and is situated towards the western end of the world-class Central African Copperbelt (Figure 1, less than 15km from where Ivanhoe Mines Ltd (TSX: IVN, “Ivanhoe”) has announced a second world-class copper discovery at Kakula (Figure 1; see announcement from Ivanhoe Mines Ltd on 11 August 2016).

Kalongwe hosts a near-surface JORC resource of 302,000t of contained copper and 42,700t of contained cobalt as predominantly oxide ore (see Appendix 1 and ASX announcement of 5 February 2015 for further details).

Update

Feasibility study

The completion of a Feasibility Study (“FS”) on the development of a low CAPEX/OPEX mining operation at Kalongwe utilizing Dense Media Separation (DMS) processing remained a priority for the Company throughout the September Quarter. Positive results from the Feasibility Study were announced subsequent to the end of the reporting period on the 16th October 2017.

Headline results from the Feasibility Study included:

- Maiden Ore Reserve of 6.98Mt at 3.03% Cu and 0.36% Co for 211,494t of contained Cu and 25,128t of contained Co (refer Appendix 2). All production targets and forecast financial outcomes underpinned 100% by Ore Reserves.
- Kalongwe Stage 1 (“K1”) comprises an open pit mine and on-site 1Mtpa Dense Media Separation (DMS) processing plant:
 - NPV_{10%}*: US\$116M (pre-tax); US\$82M (post-tax)
 - IRR *: 71% (pre-tax); 55% (post-tax)
 - Processing rate: 1Mtpa
 - Annual Average Production: 19,360 tonnes copper and 1,507 tonnes cobalt-in-concentrate
 - Mine life: 7 years
 - C1 Cash Cost (including Co credits): US\$1.35/lb
 - CAPEX (excluding working capital): US\$53.12M
 - Payback period: 21 months
- Project fully-permitted with 12-month timeline to production post-funding and Board approval.
- Significant opportunities to improve project economics and mine life through future staged project expansions, including leaching solutions for stockpiled cobalt-only ore/ mineralised rejects from the DMS plant plus improved product pricing terms at offtake finalisation.

*NPV/IRR based on conservative US\$3.00/lb LME Cu & US\$18.14/lb LME Cobalt sales price & a 100% project basis

The following activities were conducted during the quarter to support the completion of the Feasibility Study:

- As noted in the June 2017 Quarterly Report, considerable ongoing engineering activities were undertaken in the Quarter by the key consultants engaged to carry out FS works including:
- Lycopodium: Ongoing evaluation/tendering of all key process plant packages; finalization of the process plant and site layout/s; finalization of plant and site layout flowsheets; compilation and drafting of overall Feasibility Study document
- Orelogy: Pit shell & overall mine life optimization; tendering and evaluation of contract and owner-mining options; report compilation
- Knight Piesold: Hydrological modelling, water diversion and tails dam design; quantities assessment; report compilation

Outside of the Feasibility Study works, the following activities were also undertaken during the Quarter:

Metallurgical drilling program

As noted in the June 2017 Quarterly Report, a program of diamond drilling was undertaken to collect a final 4.2 tonne sample from within the Kalongwe pit. The sample was split into 1m intervals, bagged/logged and packed for transport to Australia for Kalongwe Stage 2 leaching test work.

As of the end of September, the departure of the sample was pending receipt of export permitting from the DRC.

Early capital works program

Nzuri has commenced an early capital works program at Kalongwe to facilitate both exploration and future development activities. Works included:

- Transported and commenced installation of a modular kitchen, clinic, toilets, shower and 16 accommodation rooms for the Kalongwe site;
- Completed route design for 31km site access road post receipt of LIDAR data, as noted in the June Quarter;
- Receipt of approved Environmental and Social permit (EIE) from the DRC government, enabling the Company to construct the 31km site access road from an existing road on the Ivanhoe mining permit to the Kalongwe site;
- Receipt of 65% of material to fence the entire 8km² mine permit and exploration camp areas. Remainder of the material is currently in transit to site;
- Installation of fencing around the current exploration camp;
- Completed clearing of a 20m wide perimeter around the entire 8km² mine permit and commenced installation of fence of the entire 8km² mine permit;

In Quarter 4 2017, the following Kalongwe related works are planned or have been completed since Quarter-end:

- Completion and issue of the Kalongwe Project Feasibility Study results (completed);
- Develop test work program and provisional flow sheet for Stage 2 phase of the Kalongwe Project in order to attach value to the Cobalt only ore;
- Progressing off-take and funding negotiations and advancing the project towards development.



New accommodation buildings



Camp Fencing

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

Overview

The Company signed an MOU with Ivanhoe Mines Ltd (TSX: IVN, “Ivanhoe”) in 2015 to acquire up to a 98% interest in a package of five highly prospective tenements, covering an area of approximately 334km² and contiguous to the Kalongwe Copper-Cobalt deposit (see ASX announcement of 22 April 2015 for further details).

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

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

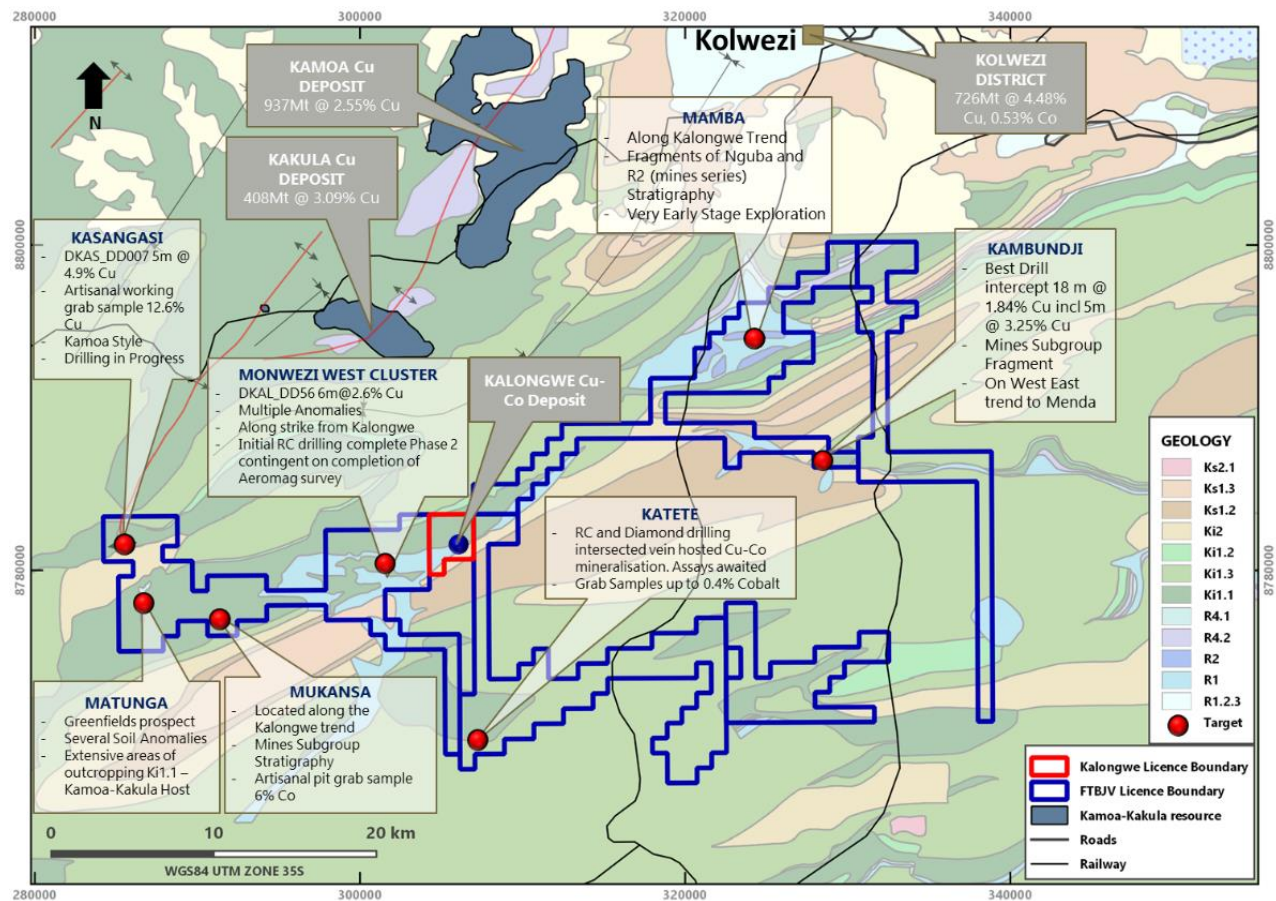


Figure 1: Location of Target Areas on the FTBJV Licence (blue polygons) transposed over the local bedrock geology. Shown also are the locations of known Cu-Co mineralisation in the immediate environs. The Exploitation Permit area for the Kalongwe deposit is shown using a red polygon.

Update

Nzuri has a multi-pronged exploration campaign currently underway across the FTBJV Project, with up to five key targets being tested in the second half of 2017 (see Figure 1).

Nzuri has so far completed a total of 5,040m of RC and diamond exploration drilling within the Fold Thrust JV with a further 2,244m of exploration drilling planned over the balance of this year.

During the September Quarter, drilling was conducted at the Katete, Monwezi West and Kasangasi targets.

Drilling activities continue at the highly prospective Kasangasi Target area, which is located just 17km south of the Kakula deposit. At the Katete Target area, samples have been submitted to the laboratory and initial assay results have been received and are currently undergoing QAQC checks. The remaining assay results from diamond drill samples are expected during the December Quarter, when all of the Katete results will be released together.

Mineralised intersections have been encountered at both the Katete and Kasangasi target areas.

Follow-up drilling is planned at the Monwezi West Cluster and additional target areas before the end of the year as the current target definition programmes advance.

In addition to the proposed drilling campaign, an extensive programme of pitting and trenching has also been undertaken to date to generate new drilling targets.

The status of drilling, trenching and pitting both completed and planned at each prospect is summarised in the Company's ASX Announcement dated 27 September 2017.

In addition, Nzuri has commenced a major high-resolution aeromagnetic survey over its entire 342km² FTBJV and Kalongwe licenses.

The ultra-high resolution fixed-wing magnetic and radiometric survey, which will cover the entire exploration licence, will provide the Company with high-resolution magnetic and radiometric data which will effectively map geological structures and lithologies underlying the licence area. Previous data supplied and used in the original drill targeting undertaken by Nzuri's joint venture partner, Ivanhoe Mines, was at a significantly lower resolution and initial drilling has indicated that more information is required.

The combination of the aeromagnetic and radiometric datasets plus recent drilling data will prove invaluable in defining and refining targets on the licence, particularly in areas of poor outcrop.



RC Drill rig at Monwezi exploration target

Corporate

Investor roadshows

Investor roadshows were conducted in London in July 2017 (refer ASX announcement dated 18/7/2017) and in Australia in September 2017 (refer ASX announcement dated 18/9/2017).

Conferences

The Company presented at the Africa Down Under Conference in Perth on 8 September 2017 (refer ASX announcement dated 8/9/2017).

Option issue

500,000 options exercisable at 19.96 cents on or before 6 September 2027 were issued to an employee as part of the Company's Employee Shareholder Option Plan approved by shareholders on 30/6/2016.

500,000 options exercisable at 19.96 cents on or before 6 September 2027 were also issued to a consultant engaged by the Company.

The vesting of the Options is subject to the option holders achieving certain performance criteria.

2017 Annual report

The Company released its 2017 Annual Report on 29 September 2017.

Legal claims

On 31/8/2017, the Company announced that it had secured a favourable outcome in one of three historical legal cases claims brought against it.

The Company believes it is in a strong position in its defence of the remaining two claims. The Company is complying with the respective court timetables, is legally represented, and is vigorously defending each claim.

Appendix 5B

The Appendix 5B for the Quarter is attached

Competent Person's Statement

Exploration results

Scientific or technical information in this release that relates to Exploration Results is based on and fairly represents information and supporting documentation prepared by Dr Peter Ruxton, the Company's Technical Director. Dr Peter Ruxton is a member of the Metals, Minerals and 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 they are 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.

Mineral resources

Scientific or technical information in this release that relates to the Mineral Resource estimate for the Kalongwe Project was first released by the Company in its 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.

Ore reserve

Scientific or technical information in this release relating to the Kalongwe Cu-Co Deposit reserve estimate is extracted from the Company's ASX announcement entitled 'Kalongwe Stage 1 Feasibility Study Outlines Robust, Low Cost Copper-Cobalt Project with Strong Financial Returns' dated 16th October 2017. 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.

Forward-looking Statements

This release contains statements that are "forward-looking". Generally, the words "expect," "intend," "estimate," "will" and similar expressions identify forward-looking statements.

By their very nature, forward-looking statements are subject to known and unknown risks and uncertainties that may cause our actual results, performance or achievements, or that of our industry, to differ materially from those expressed or implied in any of our forward-looking statements.

Statements in this release regarding the Company's business or proposed business, which are not historical facts, are "forward looking" statements that involve risks and uncertainties, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur.

Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties.

Actual results in each case could differ materially from those currently anticipated in such statements. Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date they are made.

Enquiries

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APPENDIX 1: Kalongwe Mineral Resource Estimate

Weathering Profile	Domain	Measured	Indicated	Inferred	Total Tonnage (Mt)	Ave. Cu (%)	Ave. Co (%)	Tonnes Cu	Tonnes Co
Oxide	Cu Only ¹	1.24 Mt @ 3.35% Cu	2.45 Mt @ 2.27% Cu	1.24 Mt @ 1.60% Cu	4.94	2.37	-	117,200	-
	Mixed ³	2.07 Mt @ 3.76% Cu	1.67 Mt @ 2.72% Cu	0.35 Mt @ 1.98% Cu	4.08	3.19	0.66	130,000	26,800
Primary	Cu Only ¹	-	1.20 Mt @ 2.65% Cu	0.41 Mt @ 1.63% Cu	1.61	2.39	-	38,400	-
	Mixed ³	-	0.51 Mt @ 3.06% Cu	0.03 Mt @ 2.22% Cu	0.54	3.02	0.52	16,400	2,800
	Total Cu in Cu Only and Mixed Domains	3.31 Mt @ 3.61 % Cu	5.83 Mt @ 2.55 % Cu	2.03 Mt @ 1.70% Cu	11.17	2.70		302,000	
	Total Co in Mixed Domains ⁴	-	-	-	4.62	-	0.64	-	29,700
Oxide	Co Only ²	0.37 Mt @ 0.66% Co	1.34 Mt @ 0.59% Co	0.38 Mt @ 0.43% Co	2.09	-	0.57	-	11,900
Primary	Co Only ²	-	0.18 Mt @ 0.53% Co	0.02 Mt @ 0.43% Co	0.2	-	0.52	-	1,000
	Total Co Domains	0.37 Mt @ 0.66% Co	1.52 Mt @ 0.58% Co	0.40 Mt @ 0.43% Co	2.29	-	0.57	-	13,000
	Total Co in Mixed and Co-only Domains ⁵				6.91	-	0.62	-	42,700

Notes

- 1 - The Cu only domains were reported by selecting blocks with Cu \geq 0.5%.
- 2 - The Co only domains were reported by selecting blocks with Co \geq 0.2%.
- 3 - The Mixed Domains (blocks located within overlapping Cu and Co domains) were reported by selecting blocks with Cu \geq 0.5%. The Co grade from these blocks was also reported.
- 4 - The total Co tonnes and grade within the Mixed Domain are reported from blocks where Cu \geq 0.5%, and are not additional to the total Cu Mineral Resources quoted from the Mixed Domain.
- 5 - The total Co tonnes and grade from the Mixed and Co-only Domains are presented as total tonnages only, without reference to JORC classification. The tonnes are not additional to the total Cu Mineral Resources quoted from the Mixed Domain.

APPENDIX 2: Ore Reserve

Category	Total		
	Mt	Cu %	Co %
Proved	3.52	3.45	0.43
Probable	3.46	2.61	0.29
Proved and probable	6.98	3.03	0.36
Waste (Mt)	12.57		
Total (Mt)	19.55		

JORC 2012 disclosure is provided in ASX announcement titled "Positive stage 1 Feasibility Study Results – Kalongwe Cu-Co Project" on 16/10/2017

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

NZURI COPPER LIMITED

ABN

23 106 294 106

Quarter ended ("current quarter")

September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(3,737)	(3,737)
(b) development	-	-
(c) production	-	-
(d) staff costs	(199)	(199)
(e) administration and corporate costs	(404)	(404)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	16	16
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (Afrimines settlement)	-	-
1.9 Net cash from / (used in) operating activities	(4,324)	(4,324)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(45)	(45)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(45)	(45)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,297	6,297
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,324)	(4,324)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(45)	(45)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	12	12
4.6	Cash and cash equivalents at end of period	1,940	1,940

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	151	6,297
5.2	Call deposits	1,789	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,940	6,297

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	161
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payment of executive and non-executive directors' fees, salaries and superannuation.

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8.	Financing facilities available	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Add notes as necessary for an understanding of the position</i>		
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	1,300
9.2	Development	-
9.3	Production	-
9.4	Staff costs	140
9.5	Administration and corporate costs	300
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	1,740

Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:
(Director/Company secretary)

Date: 31/10/2017

Print name: Anthony Begovich

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.