



**NZURI**  
COPPER LIMITED

*An emerging copper and cobalt company*

# NZURI COPPER LIMITED

ACN 106 294 106

## HALF YEAR REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

### Nzuri Copper Limited

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**ABN** 23 106 294 106

## **CORPORATE DIRECTORY**

### **Directors**

Tom Borman – Non-executive chairman  
Mark Arnesen – Chief executive officer & Executive director  
Adam Smits – Chief operating officer & Executive director  
Peter Ruxton – Non-executive director  
Hongliang Chen – Non-executive director

### **Company Secretary**

Anthony Begovich

### **Registered & Principal Office**

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ASX Code: NZC

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### **Solicitor**

Bellanhouse Legal  
Level 19, Alluvion  
58 Mounts Bay Road  
Perth WA 6000

### **Auditor**

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

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## DIRECTORS' REPORT

The Directors of Nzuri Copper Limited ("Nzuri Copper" or the "Company") present their report on the Company and its controlled entities (the "Consolidated Entity") for the six months ended 31 December 2017.

### 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:

Tom Borman (Non-executive Chairman - appointed 1 March 2018)

Mark Arnesen (Chief executive officer & Executive director)

Adam Smits (Chief operating officer & Executive director)

Peter Ruxton (Non-executive Chairman - until 1 March 2018, then Non-executive Director)

Hongliang Chen (Non-executive director - appointed 1 February 2018)

### PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity was focused on the identification, acquisition, development and operation of high grade copper and cobalt projects in the Katangan Copperbelt 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 2017 amounted to \$1,575,029 (31 December 2016: \$1,598,991).

### REVIEW OF OPERATIONS

#### Kalongwe Project (Lualaba Province, DRC)

The 85%-owned Kalongwe Copper-Cobalt Project ("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, less than 15km from where Ivanhoe Mines Ltd (TSX: IVN, "Ivanhoe") has announced a second world-class copper discovery at Kamoa (refer Figure 1 and see announcement from Ivanhoe Mines Ltd on 11 August 2016).

Kalongwe hosts a near-surface JORC resource of 302,000t of contained copper (3.03% Cu grade) and 42,700t of contained cobalt (0.36% Co grade) as predominantly oxide ore (see ASX announcement on 5 February 2015 for further details).

Kalongwe currently has an 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 (see ASX announcement on 16 October 2017 for further details).

#### *Feasibility Study*

The Feasibility Study ("FS") on the development of a low CAPEX/OPEX mining operation at Kalongwe utilizing Dense Media Separation (DMS) processing was completed during the period (refer ASX Announcement 16 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 Table 1). All production targets and forecast financial outcomes underpinned 100% by Ore Reserves.

## DIRECTORS' REPORT

### Feasibility Study (continued)

- Kalongwe Stage 1 comprises an open pit mine and on-site 1Mtpa Dense Media Separation (DMS) processing plant.
- Key financial outcomes:
  - NPV<sub>10%\*</sub>: 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

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

- 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.

**Table 1: 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
<b>Waste (Mt)</b>	<b>12.57</b>		
<b>Total (Mt)</b>	<b>19.55</b>		

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

## DIRECTORS' REPORT

### *Project Upside*

Opportunities currently being pursued by Nzuri to improve project value above and beyond the proposed Stage 1 Kalongwe Project include:

- Improved payments terms/sales agreements;
- Two potential new toll-treatment SX-EW-cobalt extraction plants in the Kolwezi region which could take the Kalongwe concentrate and reduce transport costs;
- Resource/Reserve increase;
- Connection of the DMS plant to the grid power;
- In-situ/tank leaching of the 'cobalt-only' ore'
- DMS testwork at lower plant feed grades; and
- Leaching testwork campaigns on DMS mineralised rejects

To that end on 16 January 2018 the Company announced that it had awarded key contracts to advance development and optimisation studies on the Kalongwe Copper-Cobalt Project.

The contracts including:

1. The award of a Scoping Study on the Kalongwe Stage 2 Project options to evaluate potential leaching/SX-EW processing options of the various ore/product streams parameters for the Kalongwe deposit; and
2. Initiating a detailed metallurgical testwork program to evaluate leaching/SX-EW processing parameters, generate key DMS customer product samples and carry out DMS variability testwork – paving the way for a Stage 2 Pre-Feasibility Study planned for the second half of 2018.

The optimisation and expansion studies will enable Nzuri to fine-tune its Stage 2 development plans for Kalongwe.

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

The Company signed a 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 334 km<sup>2</sup>, contiguous to the Kalongwe copper-cobalt deposit in the Central African Copperbelt, Lualaba Province, DRC.

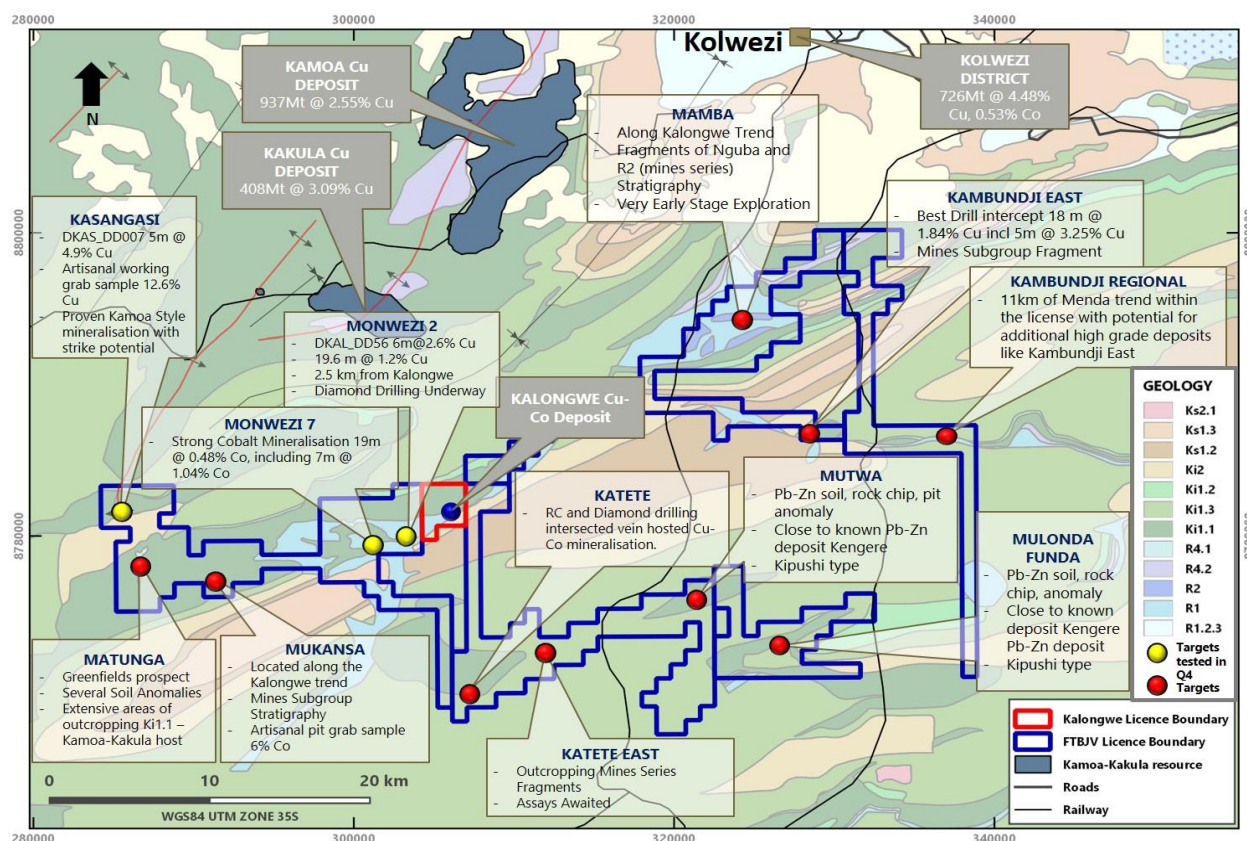
The Fold and Thrust Belt Joint Venture ("FTBJV"), which is managed by the Company, covers an area of the western Lufilian Arc, a fold belt that contains the world largest cobalt endowment and some of the richest copper deposits in the world.

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.

## DIRECTORS' REPORT

### Fold and Thrust Belt JV Project (continued)

**Figure 1: FTBJV Licence and the Exploitation Permit area for the Kalongwe deposit**



*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.*

In 2017, Nzuri undertook a multi-pronged exploration campaign to test various targets across the FTBJV Project. These objectives were achieved with the testing of five key targets including Monwezi 3, Monwezi 2, Monwezi 7, Katete and Kasangasi. A total of 6,620m of RC and diamond drilling has been completed within the Fold Thrust JV licence area and additional early-stage mapping and geochemical sampling has been completed at the Katete East and Matunga targets.

During the period, drilling initially focused on the Kasangasi target, testing for Kamoa-type mineralisation on the licence. While waiting for assays, drilling focused on the Monwezi 7 cobalt and Monwezi 2 copper targets, where Nzuri is working toward identifying additional resources located within haulage distance from Kalongwe – the Company's flagship copper-cobalt DMS project.

#### Kasangasi

The surface sampling and drill program conducted at Kasangasi identified a 300m long mineralised zone where Kamoa- style copper mineralisation occurs on the FTBJV licence. At surface, the mineralised zone is 4 to 8 metres wide and yields grades of 3.35% Cu over a width of 5.5 m based on outcrop sampling traverses. Historical drill holes returned up to 5m @ 4.9% Cu in DKAS\_DD007. Drill hole DKAS\_DD013-2 extended the mineralised zone 100m to the north-west but a significant decrease in grade was observed. A new geological interpretation has been developed from the new drilling data which has shown that the Grand Conglomerate, host to Kamoa-type mineralisation, is overturned and the mineralised zone may extend in a West-East oriented belt through Kasangasi licence for up to 3km (refer ASX release dated 17 October 2017 and 22 January 2018).

## DIRECTORS' REPORT

### Fold and Thrust Belt JV Project (continued)

#### *Monwezi West Cluster*

Drilling conducted during the period has tested advanced copper and cobalt targets within the Monwezi West Cluster, located ~2-5km along strike from the Company's flagship Kalongwe Copper-Cobalt Project. These prospects are located within economic haulage distance of the planned processing plant at Kalongwe and represent potential satellite resource development opportunities in the near term. Two prospects within the Monwezi West cluster have been tested during the period, the Monwezi 7 cobalt and the Monwezi 2 copper targets.

#### *Monwezi 2 Copper Target*

Three diamond drill-holes were completed at Monwezi 2 during the period. These holes, together with a re-interpretation of historical drill-holes, has defined a 300m long mineralised zone. Mineralisation occurs from near-surface and is open down-dip and along strike. Intercepts drilled in the quarter include:

- 19.6m @ 1.2% Cu and 0.04 % Co including higher grade intervals of 8.8m @ 1.77% Cu from 122m and 4m @ 1.74% Cu from 138m (DKAL\_DD122).
- 2.1m @ 2.47% Cu and 0.03% Co from 143m and 7.1m @ 0.61% Cu and 0.01% Co from 160.6m (DKAL\_DD123).
- Visible malachite mineralisation was intersected in DKAL\_DD124.

A systematic drilling program is planned for 2018 which will be aimed at identifying higher grade portions of the deposit, establishing lateral and up-dip continuity of the mineralisation and potentially leading to a Mineral Resource estimation.

#### *Monwezi 7 Cobalt Target*

A total of seven RC drill-holes were completed at the Monwezi 7 cobalt target in two separate Mines Series fragments, returning the following cobalt intercepts:

- 4m @ 0.23% Co from 4m and 19m @ 0.48% Co from 20m, including 7m @ 1.04% Co. Within the 7m @ 1.04% there is a zone of 2m @ 2.24% Co. (DMON7\_RC02)
- 11m @ 0.1% Co from 1m (DMON7\_RC03)
- 2m @ 0.19% Co from 75m (DMON7\_RC01)
- 6m @ 0.17% Co and 0.02% Cu from 4m (DMON7\_RC06)
- 12m at 0.26% Co and 0.02 % Cu from surface and 4m @ 0.14% Co and 0.01% Cu from 15m (DMON7\_RC07)

A follow-up diamond drill-hole, DMON7\_DD001, was completed in December which intersected visible hetrogenite mineralisation. Assay results were released on 13 February 2018.

Trenching was also undertaken at a third fragment within the Monwezi 7 Prospect to expand the known cobalt targets ahead of drill testing (see Exploration Update 17/10/2017).

Positive intercepts have confirmed Monwezi 7 as a priority target and will feature strongly in the 2018 exploration program.

The status of drilling, trenching and pitting both completed and planned at each prospect is summarised in the Company's ASX Announcement dated 22 January 2018.

In addition, Nzuri has completed a full high-resolution aeromagnetic survey over its entire 342km<sup>2</sup> FTBJV and Kalongwe licenses. The combination of the aeromagnetic and radiometric datasets plus recent drilling data will prove invaluable in defining and refining targets on the licence, for 2018 planned works.



## **DIRECTORS' REPORT**

### **COMPETENT PERSON 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 STATEMENT**

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.

## DIRECTORS' REPORT

### Corporate

The following significant transactions and events occurred during the period:

#### ***Funding secured from cornerstone investor Huayou Cobalt***

During the period, the Company announced it had secured a cornerstone A\$10 million (before costs) strategic investment by Zhejiang Huayou Cobalt Co. (Huayou Cobalt) through its wholly owned subsidiary, Huayou International Mining (Hong Kong) Limited (Huayou HK) to advance its portfolio of copper-cobalt projects in the DRC, including expansion and optimisation studies on its flagship Kalongwe Copper-Cobalt Project (**Fundraising**).

Huayou Cobalt is listed on the Chinese stock exchange with a market capitalisation of approximately US\$8 billion. Huayou Cobalt has established Copper/Cobalt operations within the DRC.

The issue price of the strategic investment of A\$0.2507 per share, was determined on the undiscounted volume weighted average price of the Company's shares over the 30 trading days prior of the commercial terms being agreed and the subscription agreement ("Subscription Agreement") being executed.

The Fundraising investment comprised of two tranches:

- A placement of A\$6,637,462 by the issue of the 26,475,716 shares (**Tranche 1**); and
- A convertible loan in the amount A\$3,362,538 convertible into 13,412,597 shares upon the receipt of shareholder approval (**Tranche 2**).

The Tranche 1 shares were issued on 19 December 2017, and the Tranche 2 share were issued on 30 January 2018.

Funds raised are intended to be allocated to:

- SX-EW testwork program and scoping study;
- Overall Kalongwe Cu-Co Project optimisation and early stage development activities;
- 2018 Exploration program (or FTBJV Exploration program);
- Costs associated with the of the Fundraising offer; and
- Working capital requirements.

### ***Options***

The Company issued the following during the half-year ended 31 December 2017:

- 500,000 unlisted options to an employee at \$0.1996 expiring 6 September 2027 pursuant the Company Employee Share Options Plan; and
- 500,000 unlisted options to a consultant at \$0.1996 expiring 6 September 2027.

During the period, the following options expired:

- 1,260,000 unlisted options at \$1.20 expired 28 October 2017;
- 1,466,672 unlisted options at \$1.20 expired 31 October 2017; and
- 1,406,707 unlisted options at \$1.20 expired 2 December 2017.

### ***Annual General Meeting***

The Company's Annual General Meeting ("AGM") was held on 22 November 2017. All resolutions put to the meeting were passed on a show of hands.

## DIRECTORS' REPORT

### *Legal claims*

In the Supreme Court of WA proceeding, the Plaintiff withdrew two of its three claims against the Company. It then commenced, with the individual who controls the Plaintiff company, a new proceeding in the District Court of WA, making two claims in respect of different tenements. The new proceeding was transferred to the Supreme Court of WA.

The Company believes it is in a strong position in its defence of these two proceedings and the proceeding in the Magistrates Court of WA brought by another individual. The Company is complying with the respective court timetables in the three proceedings, is legally represented and is vigorously defending each claim.

### SUBSEQUENT EVENTS

#### *Tranche 2*

On 9 January 2018 The Company announced that it had received the Tranche 2 funds of \$3.36 million from Huayou Cobalt. The Tranche 2 funds were advanced as a convertible loan, on a secured and interest free basis pending shareholder approval to convert the loan into shares in the Company.

At the Company's General Meeting ("GM") held on 25 January 2018, shareholders ratified the issue of Tranche 1 shares and approved the issue of Tranche 2 shares pursuant to the Fundraising.

On 30 January 2018, the Company issued 13,412,597 Tranche 2 shares pursuant to the Fundraising.

On 1 February 2018, the Company appointed Mr Hongliang Chen as Non-executive Director, being the nominee of Huayou Cobalt, who were entitled to nominate one representative to the Board of Nzuri upon completion of Tranche 2 of the Fundraising.

#### *New Chairman*

On 1 March 2018 the Company announced that it has appointed Mr Tom Borman as its new Non-executive Chairman succeeding Dr Peter Ruxton who remains as a Non-executive Director.

As part of his remuneration Mr Borman received 925,000 options exercisable at \$0.3041 on or before 1 March 2028 and subject to vesting conditions over a three year period from date of issue via the Company's shareholder approved Employee Share Option Plan.

### 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



**Tom Borman**  
**Non-executive Chairman**

Perth, 13 March 2018

## 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 2017, 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, 13 March 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

		<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
Interest income		20,982	45,600
Other income		125	-
Employee benefits expense	3	(893,174)	(450,853)
Depreciation and amortisation		(3,177)	(456)
Finance expenses	4	(723)	(244,953)
Other expenses	5	(699,062)	(948,329)
<b>Loss before income tax</b>		<b>(1,575,029)</b>	<b>(1,598,991)</b>
Income tax expense		-	-
<b>Loss for the half year</b>		<b>(1,575,029)</b>	<b>(1,598,991)</b>
Loss is attributable to:			
Owners of Nzuri Copper Limited		(1,575,029)	(1,598,991)
Non-controlling interests		-	-
		<b>(1,575,029)</b>	<b>(1,598,991)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		73,579	893,022
<b>Other comprehensive income for the half year, net of tax</b>		<b>73,579</b>	<b>893,022</b>
<b>Total comprehensive Income/(loss)</b>		<b>(1,501,450)</b>	<b>(705,969)</b>
Total comprehensive loss is attributable to:			
Owners of Nzuri Copper Limited		(1,457,277)	(847,696)
Non-controlling interests		(44,173)	141,726
		<b>(1,501,450)</b>	<b>(705,969)</b>
<b>Loss per share:</b>			
Basic and diluted loss per share		(0.68)	(0.62)

*The accompanying notes form part of these financial statements.*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017**

		<b>31 December 2017</b>	<b>30 June 2017</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Current assets</b>			
Cash and cash equivalents	6	5,940,661	6,296,778
Trade and other receivables		33,267	52,560
Inventory		60,325	58,402
<b>Total current assets</b>		<b>6,034,253</b>	<b>6,407,740</b>
<b>Non-current assets</b>			
Trade and other receivables	7	1,088,837	619,850
Other financial assets		43,367	50,357
Plant and equipment		378,271	405,838
Exploration and evaluation	8	32,781,088	26,264,499
<b>Total non-current assets</b>		<b>34,291,563</b>	<b>27,340,544</b>
<b>Total assets</b>		<b>40,325,816</b>	<b>33,748,284</b>
<b>Current liabilities</b>			
Trade and other payables	9	1,698,362	728,989
Provisions		27,255	14,840
<b>Total current liabilities</b>		<b>1,725,617</b>	<b>743,829</b>
<b>Non-current liabilities</b>			
Borrowings	10	1,800,642	1,850,015
<b>Total non-current liabilities</b>		<b>1,800,642</b>	<b>1,850,015</b>
<b>Total liabilities</b>		<b>3,526,259</b>	<b>2,593,844</b>
<b>Net assets</b>		<b>36,799,557</b>	<b>31,154,440</b>
<b>Equity</b>			
Issued capital	11	88,788,061	82,150,599
Reserves		(3,294,086)	(3,920,943)
Accumulated losses		(51,227,795)	(49,652,766)
Equity attributable to owners		34,266,180	28,576,890
Non-controlling interest		2,533,377	2,577,550
<b>Total equity</b>		<b>36,799,557</b>	<b>31,154,440</b>

*The accompanying notes form part of these financial statements.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

<b>For the six months ended 31 December 2017</b>	<b>Issued Capital \$</b>	<b>Convertible Loan \$</b>	<b>Reserves \$</b>	<b>Accumulated Losses \$</b>	<b>Non- controlling interest \$</b>	<b>Total Equity \$</b>
1 July 2017	82,150,599	-	(3,920,943)	(49,652,766)	2,577,550	31,154,440
Loss for the half year	-	-	-	(1,575,029)	-	(1,575,029)
Other comprehensive income	-	-	117,752	-	(44,173)	73,579
<b>Total comprehensive loss for the half year</b>	<b>-</b>	<b>-</b>	<b>117,752</b>	<b>(1,575,029)</b>	<b>(44,173)</b>	<b>(1,501,450)</b>
Shares issued, net of costs	6,637,462	-	-	-	-	6,637,462
Share based payments	-	-	509,105	-	-	509,105
Transactions with non- controlling interests	-	-	-	-	-	-
<b>31 December 2017</b>	<b>88,788,061</b>	<b>-</b>	<b>(3,294,086)</b>	<b>(51,227,795)</b>	<b>2,533,377</b>	<b>36,799,557</b>
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
<b>Total comprehensive loss for the half year</b>	<b>-</b>	<b>-</b>	<b>751,296</b>	<b>(1,598,991)</b>	<b>141,726</b>	<b>(705,969)</b>
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)
<b>31 December 2016</b>	<b>73,338,316</b>	<b>-</b>	<b>(50,614)</b>	<b>(48,562,753)</b>	<b>1,274,978</b>	<b>25,999,927</b>

*The accompanying notes form part of these financial statements*

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Interest received	20,982	47,419
Interest and other finance charges paid	(723)	(1,181)
Payments to suppliers and employees	(1,084,815)	(1,302,178)
Other (Afrimines settlement)	-	(1,571,503)
Net cash outflow from operating activities	<b>(1,064,556)</b>	<b>(2,827,443)</b>
<b>Cash flows from investing activities</b>		
Payment for plant and equipment	(47,204)	(13,176)
Payment for acquisition of subsidiary, net of cash acquired	-	(6,958,948)
Payment for exploration and evaluation	(5,888,654)	(1,160,224)
Other (Security deposit refund)	6,691	-
Net cash outflow from investing activities	<b>(5,929,167)</b>	<b>(8,132,348)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	6,637,462	16,239,663
Proceeds from convertible loan	-	3,940,628
Share issue transaction costs	-	(128,624)
Transactions with non-controlling interests	-	(3,940,628)
Net cash inflow from financing activities	<b>6,637,462</b>	<b>16,111,039</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(356,261)</b>	<b>5,151,248</b>
Cash and cash equivalents at the beginning of the financial period	6,296,778	823,465
Effects of foreign exchange movements on cash	144	4,680
<b>Cash and cash equivalents at the end of the financial period</b>	<b>5,940,661</b>	<b>5,979,393</b>

*The accompanying notes form part of these financial statements.*



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### 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 2017 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 2017 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.

These interim financial statements were approved for issue on 13 March 2018.

#### (b) 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.

### 2. SEGMENT INFORMATION

The consolidated entity operated in one industry being mining and 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.

### 3. EMPLOYEE BENEFITS EXPENSE

	31 December 2017 \$	31 December 2016 \$
Salary and wages	343,740	344,358
Director fees	19,794	37,312
Superannuation	31,791	29,562
Share based payments (refer note 12)	493,998	39,426
Other employee benefits	3,852	195
	<b>893,174</b>	<b>450,853</b>

<b>4. FINANCE EXPENSES</b>	<b>31 December 2017 \$</b>	<b>31 December 2016 \$</b>
Bank fees	690	814
Interest expense	-	7,427
Other	33	236,712
	<b>723</b>	<b>244,953</b>

**5. OTHER EXPENSES**

Administration costs	39,950	27,609
Occupancy costs	22,390	10,893
Corporate costs	636,302	1,305,723
Net foreign exchange (gain) / loss	421	(395,896)
	<b>699,062</b>	<b>948,329</b>

**6. CASH AND CASH EQUIVALENTS**

	<b>31 December 2017 \$</b>	<b>30 June 2017 \$</b>
Cash on hand	2,579	364
Cash at bank	5,938,082	6,296,414
	<b>5,940,661</b>	<b>6,296,778</b>

**7. TRADE AND OTHER RECEIVABLES (NON-CURRENT)**

Value added tax (VAT) receivable	<b>1,088,837</b>	<b>619,850</b>
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Value added tax (VAT) receivable non-current refers to a receivable by the company's subsidiary in the DRC which can only be offset against VAT attributable to future sales.

**8. EXPLORATION AND EVALUATION**

Exploration and evaluation expenditure	<b>32,781,088</b>	<b>26,264,499</b>
<i>Movements:</i>		
Balance at the beginning of the financial period	26,264,499	412,065
Additions	6,811,077	9,947,394
Acquisition of subsidiary	-	17,308,436
Foreign currency translation movement	(294,488)	(1,403,396)
Balance at the end of the financial period	<b>32,781,088</b>	<b>26,264,499</b>

**9. TRADE AND OTHER PAYABLES**

Trade payables	1,514,608	619,917
Other payables	54,571	55,551
Accruals	129,183	53,521
	<b>1,698,362</b>	<b>728,989</b>

**10. BORROWINGS**

	<b>31 December 2017</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Non-Current</b>		
Loan	<b>1,800,642</b>	<b>1,850,015</b>

The Non-current loan balance reflects US\$1.6 million owed by KMSA to 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%.

**11. ISSUED CAPITAL**

	<b>31 December 2017</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Ordinary shares issued and fully paid	<b>88,788,061</b>	<b>82,150,599</b>
<b>Movements:</b>	<b>No. of shares</b>	<b>\$</b>
<b>Balance at 1 July 2016</b>	<b>223,459,096</b>	<b>42,788,896</b>
Shares issued – Capital raising	697,412,077	6,974,121
Shares issued – Acquisition of subsidiary	365,627,074	6,215,660
Shares issued – Settlement of liabilities	159,256,802	1,592,568
Shares issued – Convertible loan conversion	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
Consolidation of shares (15:1)	(2,667,750,477)	-
Shares issued – Placement	21,733,922	4,933,560
Shares issued – Convertible loan	18,011,076	4,088,514
Capital raising costs	-	(482,505)
<b>Balance at 30 June 2017</b>	<b>230,299,520</b>	<b>82,150,599</b>
Shares issued – Placement (a)	26,475,716	6,637,462
Capital raising costs	-	-
<b>Balance at 31 December 2017</b>	<b>256,775,236</b>	<b>88,788,061</b>

- (a) During the period, the Company announced it had secured a cornerstone A\$10 million (before costs) strategic investment by Huayou Cobalt through Huayou HK to advance its portfolio of copper-cobalt projects in the DRC, including expansion and optimisation studies on its flagship Kalongwe Copper-Cobalt Project (**Fundraising**). The issue price of the strategic investment of A\$0.2507 per share, was determined on the undiscounted volume weighted average price of the Company's shares over the 30 trading days prior of the commercial terms being agreed and the subscription agreement ("Subscription Agreement") being executed.

The Fundraising investment comprised of two tranches:

- A placement of A\$6,637,462 by the issue of the 26,475,716 shares (**Tranche 1**); and
- A convertible loan in the amount A\$3,362,538 convertible into 13,412,597 shares upon the receipt of shareholder approval (**Tranche 2**).

The Tranche 1 shares were issued on 19 December 2017. The Tranche 2 shares were issued on 30 January 2018 (subsequent to balance date).

**12. SHARE BASED PAYMENTS**

	<b>31 December 2017 \$</b>	<b>31 December 2016 \$</b>
Options issued to employees	493,998	39,426
Options issued to consultants	15,107	-
	<b>509,105</b>	<b>39,426</b>

During the period, the Company issued 500,000 unlisted options at \$0.1996 expiring 6 September 2027 to employees (Options A) and 500,000 unlisted options at \$0.1996 expiring 6 September 2027 to consultants (Options B).

The fair value of these options was \$0.1703 each. The fair value at grant date is independently determined using an adjusted form of the Black Scholes Model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

The following tables list the inputs to the model for the options granted during the year:

	<b>A Options</b>	<b>B Options</b>
Dividend yield (%)	Nil	Nil
Expected volatility (%)	93%	93%
Risk free interest rate (%)	2.25%	2.25%
Exercise price (\$)	\$0.1996	\$0.1996
Marketability discount (%)	Nil	Nil
Expected life of options (years)	10 years	10 years
Share price at grant date (\$)	\$0.195	\$0.195

**13. RELATED PARTY TRANSACTIONS**

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

The Company entered into a number of transactions with Zhejiang Huayou Cobalt Co. and its wholly owned subsidiary Huayou International Mining (Hong Kong) Limited during the six months ended 31 December 2017. Refer notes 11 and 14 for details.

**14. SUBSEQUENT EVENTS*****Tranche 2***

On 9 January 2018 The Company announced that it had received the Tranche 2 funds of \$3.36 million from Huayou Cobalt. The Tranche 2 funds were advanced as a convertible loan, on a secured and interest free basis pending shareholder approval to convert the loan into shares in the Company.

At the Company's General Meeting ("GM") held on 25 January 2018, shareholders ratified the issue of Tranche 1 shares and approved the issue of Tranche 2 shares pursuant to the Fundraising. On 30 January 2018, the Company issued 13,412,597 Tranche 2 shares pursuant to the Fundraising.

On 1 February 2018, the Company appointed Mr Hongliang Chen as Non-executive Director, being the nominee of Huayou Cobalt, who were entitled to nominate one representative to the Board of Nzuri upon completion of Tranche 2 of the Fundraising.

***New Chairman***

On 1 March 2018 the Company announced that it has appointed Mr Tom Borman as its new Non-executive Chairman succeeding Dr Peter Ruxton who remains as a Non-executive Director. As part of his remuneration Mr Borman received 925,000 options exercisable at \$0.3041 on or before 1 March 2028 and subject to vesting conditions over a three year period from date of issue via the Company's shareholder approved Employee Share Option Plan.

## 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 2017 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



**Tom Borman**  
**Non-executive Chairman**

Perth, 13 March 2018

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Nzuri Copper Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Nzuri Copper Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, 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 then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### 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 Group's financial position as at 31 December 2017 and its financial 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 the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

**BDO Audit (WA) Pty Ltd**

A handwritten signature in blue ink, appearing to read 'Dean Just', is written over a faint, stylized 'BDO' logo.

**Dean Just**

**Director**

Perth, 13 March 2018