



NZURI COPPER LIMITED

ACN 106 294 106

ANNUAL FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

CORPORATE DIRECTORY

NZURI COPPER LIMITED

Trading on the Australian Securities Exchange with the code ASX:NZC

ABN 23 106 294 106

www.nzuricopper.com.au

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)

Ean Alexander (Non-Executive Director)

COMPANY SECRETARY

Anthony Begovich (resigned 30 June 2018)

Hannah Hudson (appointed 1 July 2018)

REGISTERED & PRINCIPAL OFFICE

Unit 13, 100 Daglish Road
Daglish WA 6008

Telephone: +61 (0)8 6424 8100
Email: info@nzuricopper.com.au

SHARE REGISTRAR

Advanced Share Registry
110 Stirling Highway
Nedlands WA 6009

Telephone: + 61 (0)8 9389 8033
Facsimile: + 61 (0)8 9262 3723
Website: www.advancedshare.com.au

SOLICITORS

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

AUDITOR

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

CONTENTS

Page

DIRECTORS' REPORT	4
CORPORATE GOVERNANCE STATEMENT	7
REMUNERATION REPORT	12
AUDITOR'S INDEPENDENCE DECLARATION	19
INDEPENDENT AUDITOR'S REPORT	20
DIRECTORS' DECLARATION	23
CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME	24
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	25
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	26
CONSOLIDATED STATEMENT OF CASH FLOWS	27
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	28
ADDITIONAL SECURITIES EXCHANGE INFORMATION	55
MINING TENEMENT SCHEDULE	57

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Nzuri Copper Limited (**Nzuri** or the **Company**) and the entities it controlled for the year ended 30 June 2018. Throughout the report the Consolidated entity is referred to as the Group.

Principal activities

During the year, the principal continuing activities of the Group was focused on the exploration and pre-development activities at the Group's high grade copper and cobalt projects in the Katangan Copperbelt of the Democratic Republic of the Congo (DRC).

Review of operations

During the year the company completed its initial Feasibility Study for the Kalongwe Copper -Cobalt Project in October 2017, along with an updated Feasibility Study in April 2018, which delivered significantly enhanced financial metrics from an unchanged capital requirements and project scope. A program of site based early capital works at the Kalongwe Project was commenced during the year. The Company also commenced an exploration programme at both Kalongwe and the Fold and Thrust Belt Joint Venture.

Corporate

The following significant transactions and events occurred during the financial year:

Strategic investment of \$10,000,000 from Huayou Cobalt Co. Ltd through the Tranche 1 placement raising \$6,637,462 by the issue of 26,475,716 shares at \$0.2507 per share and a Tranche 2 placement raising \$3,362,538 at A\$0.2507 through the issue of 13,412,597 shares.

\$6M capital raising through a Tranche 1 placement raising \$3,066,727 through the issue of 12,026,380 shares at \$0.255 per share and a convertible loan for \$2,933,273, which has been converted to 11,503,031 shares at \$0.255 per share subsequent to year end, following shareholder approval on 13 July 2018.

BOARD CHANGES

During the year, the Company made the following changes to the board of directors:

- Hongliang Chen was appointed as a Non-Executive Director on 1 February 2018;
- Tom Borman was appointed as Non-Executive Chairman on 1 March 2018; and
- Ean Alexander was appointed as a Non-Executive Director on 3 April 2018.

LEGAL CLAIMS

During the year, the Company continued defending three claims brought against it in respect of historical projects the Company was involved with. The Company is currently defending two claims. The Company is complying with the respective court timetables, is legally represented, and is vigorously defending each claim. Potential contingent liability in relation to these claims is disclosed at note 23. The third claim has not progressed or had any further evidence lodged by the plaintiffs since the prior year.

Financial review

RESULTS

The consolidated loss after tax of the Group for the year ended 30 June 2018 was \$3,183,204 (2017: \$2,689,004).

The Groups activities during the year focused on the completion of a Definitive Feasibility Study and pre-development activities at its Kalongwe Copper-Cobalt development project and an exploration programme at the Fold and Thrust Belt exploration JV project.

ASSETS

Total assets increased by 43% or \$14,660,752 during the year to \$48,409,036. The increase was largely due to investment in exploration and evaluation asset at the Kalongwe Project and the Fold and Thrust Belt JV project during the period, along with increased cash reserves at the balance date from the Company's private placement capital raising in May 2018.

LIABILITIES

Total liabilities increased during the period by 171% or \$4,443,816 to \$7,037,660. The Increase was predominantly due to borrowing of \$2,933,273 related to the convertible loan, which has been subsequently settled post year end through the issue of equity following shareholder approval on 13 July 2018.

EQUITY

Total equity increased by 33% or \$10,216,936 to \$41,371,376. The increase is largely due to a number of share issues throughout the period including the strategic investment from Huayou Cobalt Group and private placements.

SHAREHOLDER RETURNS

The Company did not declare any dividends during the period as it does not currently have any producing assets.

Liquidity and capital resources

The Group's principal source of liquidity as at 30 June 2018 is cash and cash equivalents of \$9,445,730 (2017: \$6,296,778). Funding for the current financial period 2018 is expected from a combination of a capital raising and potential offtake and debt arrangements.

Shares and options

As at 30 June 2018 the Company had 282,214,213 fully paid Shares and 10,620,470 unlisted Share Options on issue.

SHARES

A total of 51,914,693 shares were issued during the year via share placements and convertible loan conversion.

A detailed breakdown of share movements for the period is shown in note 15(a) of the financial statements.

OPTIONS

During the year 3,620,470 unlisted options were issued as an incentive to employees and consultants. 5,733,379 out of the money options expired during the year.

A detailed breakdown of option movements for the period is shown in note 15(b) of the financial statements.

Dividends

There were no dividends paid or declared during the current or previous financial year.

Significant changes in the state of affairs

During the year Huayou Cobalt Group made a \$10,000,000 strategic investment in the Group, acquiring 39,888,313 shares in the Company. As part of the investment, Mr Hongliang Chen was also appointed as a non-executive director of the Company, as a nominee of Huayou Cobalt Group.

Risk management

The Board is responsible for identifying business risks and implementing actions to manage those risks and corporate systems to assure quality. The Board delegates these tasks to management who provide the Board with periodic reports identifying areas of potential risks and the safeguards in place to efficiently manage material business risks.

Strategic and operational risks are reviewed at least annually as part of the forecasting and budgeting process. The Chief executive officer and Chief financial officer have provided assurance in writing to the Board that they believe that the Company's material business risks are being managed effectively.

The Chief executive officer and Chief financial officer have also provided assurance in writing to the Board that the Company's financial reporting, risk management and associated compliance and controls have been assessed and are operating effectively so far as they relate to the financial report.

Significant events since the end of the financial year

Subsequent to 30 June 2018, the Company has issued the following shares and options:

Issue of 2,128,248 ordinary shares at \$0.255 per share under the Share Purchase Plan on 5 July 2018;
 Issue of 11,503,031 ordinary shares at \$0.255 per share to Tembo Capital on conversion of their convertible loan on 13 July 2018;
 Issue of 1,403,760 unlisted options exercisable at \$0.3395 each on or before 16 July 2028, issued on 13 July 2018;
 Issue of 1,250,000 unlisted options exercisable at 0.2492 each on or before 25 July 2028; and
 Cancellation of 1,000,000 unlisted employee options exercisable at \$0.2965 each on or before 10 March 2028.

On 1 July 2018, the company appointed Hannah Hudson as Chief Financial Officer and Company secretary.

There has not been any event or circumstance since the end of the financial year that would significantly affect the operations of the Group, or the state of affair of the Group in future periods.

Likely developments and expected results

The Group remains focused on its Kalongwe Copper-Cobalt near-term development project and its Fold and Thrust Belt exploration JV project.

Environmental regulation and performance

The Group's operations are not subject to any significant Australian environmental laws. The activities of the Group's 85% owned subsidiary Kalongwe Mining SA's in the DRC, are subject to local environmental laws, regulations and permit conditions. There have been no known breaches of environmental laws or permit conditions while conducting operations in the DRC during the year.

Indemnification and insurance of directors and officers

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the Company Secretary and all executive officers of the Company and of any related body corporate against a liability incurred as a Director, Secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Corporate governance

The Board of Nzuri Copper Limited is committed to maintaining the highest standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The Company's Corporate governance statement is current as at 28 September 2018 and has been approved by the board. The statement reflects the corporate governance practices in place throughout the year ended 30 June 2018.

The Company's Corporate Governance statement is located on the Company's website at <http://nzuricopper.com.au/corporate-governance-statement>

Diversity

The Group strives to be an equal opportunity employer and we will not discriminate against prospective employees based on gender or any other non-skill related characteristic. We pride ourselves on the diversity of our staff and encourage suitably qualified young people, women, people from cultural minorities and people with disabilities to apply for positions. Whilst efforts will be made to identify suitably qualified female candidates and candidates from a diversity of backgrounds when seeking to fulfill positions, the Company does not believe it is meaningful, nor in the best interests of shareholders to set formal targets for the composition of employees based on gender or any other non-skill related characteristic nor detailed policies in this regard.

The Board has established a policy regarding diversity and details of the policy are available on the Company's website.

Gender Composition	2018	2018	2017	2017
	Female	Male	Female	Male
Board	-	100%	-	100%
Executive	-	100%	-	100%
Group	10%	90%	9%	91%

Non-audit services

Non-audit services provided by the Group's auditor BDO Audit (WA) Pty Ltd during the year ended 30 June 2018 is shown at Note 26 of the financial statements. The directors are satisfied that the provision of non-audit services, during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporation Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. During the year the following fees were paid or payable for services provided by the auditors of the Group, its related practices and non-related audit firms:

Audit and other assurance services

Audit and review	33,032	31,164
Other	23,998	7,491
	57,030	38,655

Non-audit services

Corporate advice	-	-
Tax compliance	39,301	7,690
Tax advice	-	11,892
	39,301	19,582
Total remuneration of BDO firms	96,331	58,237

Auditors' independence declaration

The auditors' independence declaration is set out on page 19 and forms part of the Directors' report for the year ended 30 June 2018.

Information on directors

The following information is current as at the date of this report.

TOM BORMAN – Non-Executive Chairman		
Experience and expertise	Mr Borman was appointed to the board on 1 March 2018 and is a respected and highly experienced global mining executive who served more than 11 years working for the BHP Billiton Group in various senior managerial roles in strategy and business development, including serving as the project manager for the merger integration transaction between BHP Limited and Billiton. His wide-ranging experience in project development spans a range of commodities and countries across Africa, including the DRC, with previous roles including as Vice President, Strategy and Business Development and Chief Commercial Officer of BHP Billiton's Diamond Division between 2003 and 2006. Before this, he held other senior roles within BHP Billiton including Chief Financial Officer of QNI Pty Ltd and Financial Manager and Assistant Group Controller with the Billiton Group in the Netherlands. After leaving BHP Billiton in 2006, Mr Borman joined Warrior Coal Investments (Proprietary) Limited, where he formed part of the executive team which established and consolidated the portfolio of assets which became the Optimum Group of companies. Optimum listed on the Johannesburg Stock Exchange in 2010 and was subsequently acquired by Glencore for R8.5 billion in March 2012.	
Other current directorships	Nil	
Former directorships in last 3 years	Director of Alphamin Resources Corp. (TSXV: AFM) from March 2013 until January 2016	
Special responsibilities	Chairman	
Interests in shares and options	Fully paid ordinary shares	100,000
	Unlisted options	945,000

MARK ARNESEN - Executive Director		
Experience and expertise	<p>Mr Arnesen was appointed to the Board on 12 August 2016 as an Executive director.</p> <p>Mr Arnesen has extensive expertise in the structuring and negotiation of finance for major resource projects. He is a Chartered Accountant with over 20 years of experience in the international resources industry, including a role with the Billiton/Gencor group of companies where he was a corporate Treasurer from 1996 to 1998. In 2000, Mr Arnesen joined Ashanti Goldfields Company Ltd as Managing Director - International Treasury and held the position until 2004. From 2004 until 2006, Mr Arnesen worked with Equinox Minerals Ltd and put in place the Lumwana project financing. In 2006, he joined Moto Goldmines Ltd (the Kibali Project in the DRC) as the Financial Director and held the position until the company was taken over by Randgold Resources Ltd (and held through a joint venture with AngloGold Ashanti Ltd) in late 2009. Mr Arnesen has been a Non-Executive Director of Centamin since 2011 and is also the sole director of ARM Advisors Pty Ltd. Previously he served on the boards of Gulf Industrials Ltd, Natasa Mining Ltd and Asian Mineral Resources. Mr Arnesen has a Bachelor of Commerce and Bachelor of Accounting from the University of the Witwatersrand.</p>	
Other current directorships	Non-executive director of Centamin plc	
Former directorships in last 3 years	Executive director of Gulf Industrials Limited 2012 - 2014	
Special responsibilities	Chief Executive Officer	
Interests in shares and options	Fully paid ordinary shares	5,389,808
	Unlisted options	2,701,880
ADAM SMITS - Executive Director		
Experience and expertise	<p>Mr Smits was appointed to the Board on 14 November 2016 as an executive director.</p> <p>Mr Smits is a Mechanical Engineer with a successful 20 year career across Australia and for the past 10 years in francophone West Africa where he has held a variety of project development and operational roles, most recently guiding the Sissingue project in Côte d'Ivoire (owned by Perseus Mining Ltd) to construction commencement. An experienced and successful project director, Mr Smits led the successful DFS through to development of Mineral Deposits Ltd's US\$650M Grand Côte mineral sands project and played a pivotal role in the US\$330M Sabodala Gold Mine (now owned by Teranga Gold Corporation). Mr Smits has also held roles with Placer Dome Asia Pacific and Lycopodium Minerals.</p>	
Other current directorships	Nil	
Former directorships in last 3 years	Nil	
Special responsibilities	Chief Operating Officer	
Interests in shares and options	Fully paid ordinary shares	83,412
	Unlisted options	2,701,880

PETER RUXTON - Non-Executive Director	
Experience and expertise	<p>Dr Ruxton was appointed to the Board on 17 February 2015 as a Non-executive director and acted as Chairman on a frequent basis until assuming the role on a permanent basis in November 2016.</p> <p>Dr. Ruxton has held a number of Directorships with numerous private, ASX, TSX.V, AIM, JSE, OTCBB and AMEX listed companies. He has served on the boards of two DRC focused exploration and mining companies in recent years. Dr. Ruxton trained as a Geologist at the University of Leeds, UK where he obtained a BSc in Geological Sciences and a PhD in Economic Geology, before going on to complete his MBA at the University's of Manchester and Bangor. Peter's PhD thesis focused on sedimentary copper deposits in Namibia and Botswana. Dr. Ruxton is a Professional Member of the Institute of Mining, Metallurgy and Materials (MIMM) and is a Fellow of both the Geological Society of London (FGS) and the Society of Economic Geologists (FSEG). In addition, he is a Member of the Association of Mining Analysts (AMA).</p>
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Competent person
Interests in shares and options	Nil

HONGLIANG CHEN - Non-Executive Director	
Experience and expertise	<p>Mr Chen was appointed as a non-executive director on 1 February 2018. Mr Chen is a nominee of the Huayou Cobalt Group, which he joined in May 2002, and is currently serving as both the Director and General Manager of Zhejiang Huayou Cobalt Co. Ltd and the Executive Director of Huayou International Mining (Hong Kong) Limited. Previously, Mr Chen has worked at the Tongxiang Branch of Agricultural Bank of China, Tongxiang Securities Department of Zhejiang Trust and Investment Corporation of Agricultural Bank of China, Tongxiang Branch of Shenyin & Wanguo Securities Co. Lt and the Tongxiang Huaxin Chemical Factory.</p>
Other current directorships	Non-Executive Director of ASX-listed lithium explorer AVZ Minerals Limited since August 2017
Former directorships in last 3 years	Nil
Special responsibilities	Nil
Interests in shares and options	Nil

Ean Alexander - Non-Executive Director	
Experience and expertise	<p>Mr Alexander was appointed to the board on 3 April 2018. Mr Alexander is a nominee of Tembo Capital Mining Fund LP and has over 15 years of corporate finance, investment, and operational experience across a variety of sectors. Mr Alexander has developed business valuation, M&A, deal structuring, due diligence, and asset management skills with a focus on the Asia-Pacific region. Mr Alexander's financial experience has been gained through investment banking, private equity, and direct industry experience. He has experience operating across a broad range of jurisdictions including both developed and emerging markets.</p>
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Nil
Interests in shares and options	675,470 unlisted options

Directors interests

As at the date of this report, the interests of the Directors in the shares and options of Nzuri were as follows:

DIRECTOR	ORDINARY SHARES	SHARE OPTIONS
Tom Borman ⁽¹⁾	100,000	945,000
Mark Arnesen	5,389,808	2,701,880
Adam Smits	83,412	2,701,880
Peter Ruxton	nil	nil
Hongliang Chen ⁽²⁾	nil	nil
Ean Alexander ⁽³⁾	nil	675,470

¹Appointed as a director of the Company effective from 1 March 2018

²Appointed as a director of the Company effective from 1 February 2018

³Appointed as a director of the Company effective from 3 April 2018

Meetings of directors

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director while they were a Director or committee member.

Directors	Board Meetings	
	Eligible to Attend	Attended
Tom Borman ¹	2	2
Mark Arnesen	11	10
Adam Smits	11	11
Peter Ruxton	11	11
Hong Liang Chen ²	3	2
Ean Alexander ³	1	1

¹Appointed as a director of the Company effective from 1 March 2018

²Appointed as a director of the Company effective from 1 February 2018

³Appointed as a director of the Company effective from 3 April 2018

Committee membership

During the year the Group did not set up separate Committees. The Board carried out the duties that would ordinarily be carried out by the Nomination, Remuneration and Audit and Risk management Committees.

Remuneration report (Audited)

This remuneration report for the year ended 30 June 2018 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly and indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term executive includes executive directors and other senior management of the Group.

The following persons acted as key management personnel of the Company during or since the end of the financial year:

DIRECTORS AND SENIOR MANAGEMENT

Non-executive directors

Peter Ruxton	Non-executive director (Tembo Nominee)
Hong Liang Chen (appointed 1 February 2018)	Non-executive director (Huayou Nominee)
Tom Borman (appointed 1 March 2018)	Non-executive Chairman
Ean Alexander (appointed 3 April 2018)	Non-executive director (Tembo Nominee)

Executive directors

Mark Arnesen	Executive director and Chief Executive Officer
Adam Smits	Executive director and Chief Operating Officer

Other executives

Anthony Begovich (resigned 30 June 2018)	Company secretary and Chief Financial Officer
--	---

Changes since the end of the reporting period

Hannah Hudson was appointed as Company secretary and Chief Financial Officer on 1 July 2018.

REMUNERATION GOVERNANCE

Remuneration committee

The Board carries out the duties that would ordinarily be carried out by the Remuneration Committee under the Remuneration Committee Charter including the following processes to set the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Board approves the remuneration arrangements of the Chief executive officer and other executives and all awards made under incentive plans following recommendations from the Remuneration committee.

The Board also sets the remuneration of Non-executive directors, subject to the fee pool approved by shareholders. The Board approves, having regard to the recommendations of the Chief executive officer, the level of incentives to other personnel and contractors.

Remuneration consultants

The Board seeks external remuneration advice as and when required to ensure it is fully informed when making remuneration decisions. Remuneration advisors are engaged by and report directly to the Board. No remuneration advisors were used in the 2018 financial year.

NON-EXECUTIVE DIRECTOR REMUNERATION ARRANGEMENTS

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The Constitution specifies that the aggregate remuneration of Non-executive directors shall be determined from time to time by the Board or by ordinary resolution. The current limit is \$300,000 which was approved by shareholders on 29 November 2012.

Non-executive directors are remunerated by way of fees based on non-executive directors of comparable companies and scope and extent of the Companies activities.

Non-executive directors are also entitled to participate in the Company's Employee Share Option Plan which was approved by shareholders on 30 June 2016, but do not receive retirement benefits, nor do they participate in any incentive programs.

No options or share rights were awarded to non-executive directors as remuneration during the period.

EXECUTIVE REMUNERATION ARRANGEMENTS

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group that is competitive by market standards and aligns their interests with those of shareholders.

Executive remuneration consists of fixed remuneration and short-term and long-term incentives.

Fixed remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration Committee through a process that considers individual performance, Group performance and market conditions.

Short term incentives

Short term incentives (STI) may include cash and shares and are awarded to executives based on performance and the achievement of KPI's at the absolute discretion of the Remuneration Committee.

Given the current stage of the Company's evolution, no STI targets were established at the start of the reporting period.

Long term incentives

Long term incentives (LTI) are considered periodically by the Remuneration Committee principally to retain staff and align their remuneration with the creation of shareholder value over the long term.

LTI's currently include share options that vest and may be exercised into fully paid ordinary shares based on the completion of a period of service. The Share options are issued for no consideration, with an exercise price determined by a 30 day VWAP that vest in equal proportions annually upon the completion of service over a three year period.

Where a director or employee ceases employment prior to their incentives vesting due to resignation or termination for cause, incentives will be forfeited. Where a director or employee ceases employment for any other reason, they may at the Board's discretion, retain a number of share options as the Board see fit.

Employment agreements and contracts

Chief executive officer

The Chief executive officer is currently employed under a rolling employment agreement.

The Group may terminate the agreement with or without cause by giving one month and three months' notice respectively. The Chief executive officer may terminate the agreement with or without cause by giving three months' written notice. If the agreement is terminated due to a change of control the Chief executive officer is entitled to a payment equivalent to twelve month's base salary, being \$240,000. The Group retains the right to terminate the agreement immediately by making a payment in lieu of notice for termination by either party without cause.

The Chief executive officer is also entitled to receive statutory entitlements of any accrued annual and long service leave, together with superannuation benefits.

Chief operating officer

The Chief operating officer is currently employed under a rolling employment agreement.

The Group may terminate the agreement with or without cause by giving one month and three months' notice respectively. The Chief operating officer may terminate the agreement with or without cause by giving three months' written notice. If the agreement is terminated due to a change of control the Chief operating officer is entitled to a payment equivalent to twelve month's base salary, being \$240,000. The Group retains the right to terminate the agreement immediately by making a payment in lieu of notice for termination by either party without cause.

The Chief operating officer is also entitled to receive statutory entitlements of any accrued annual and long service leave, together with superannuation benefits.

Company secretary

The Company Secretary is employed under an executive services agreement which is ongoing.

The Group may terminate the agreement with or without cause by giving one month and three months' notice respectively. The Company secretary may terminate the agreement with or without cause by giving one month's written notice. The Group retains the right to terminate the agreement immediately by making a payment in lieu of notice for termination by either party without cause of \$50,000.

The Company Secretary is also entitled to receive statutory entitlements of any accrued annual and long service leave, together with superannuation benefits.

Prohibition on trading

The Remuneration policy prohibits directors and employees that are granted shares as a result of share rights from entering into arrangements that limit their exposure to losses that would result from share price decreases. The policy also requires directors, and employees to seek approval from the Company prior to that individual buying or selling any company securities. Directors and employees are not permitted to trade during a closed period. Procedures are in place where trading during a closed period is sought in exceptional circumstances.

COMPANY PERFORMANCE AND SHAREHOLDER RETURNS

We aim to align our executive remuneration to our strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance and shareholder returns over the last five years as required by the *Corporations Act 2001*.

	30 June 2018	30 June 2017*	30 June 2016	30 June 2015	30 June 2014
	\$	\$	\$	\$	\$
Loss after tax (\$)	(3,183,204)	(2,689,004)	(7,406,295)	(5,104,302)	(15,888,670)
Basic earnings per share (cents)	(1.27)	(1.40)	(3.38)	(2.41)	(9.30)
Dividends (\$)	-	-	-	-	-
Closing share price (cents)	28.0	16.5	1.3	3.5	5.7
Total shareholder return (%)	69	136	(63)	(39)	235

* The Company completed a 15:1 share consolidation in this year.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each element of the remuneration of each KMP of the Company or Group for the relevant financial year are as follows:

	SHORT TERM BENEFITS		POST-EMPLOYMENT BENEFITS			SUB-TOTAL
	Salary & Fees	STI Cash*	Superannuation	Long Service Leave	Termination benefits	
2018	\$	\$	\$	\$	\$	\$
Non-executive directors						
Tom Borman ⁽⁸⁾	18,333	-	-	-	-	18,333
Peter Ruxton	40,596	-	-	-	-	40,596
Hong Liang Chen ⁽⁹⁾	16,667	-	-	-	-	16,667
Ean Alexander ⁽¹⁰⁾	9,132	-	868	-	-	10,000
Executive directors						
Mark Arnesen ⁽⁴⁾	240,000	-	22,800	-	-	262,800
Adam Smits ⁽⁵⁾	240,000	-	22,800	-	-	262,800
Other executives						
Anthony Begovich ⁽⁶⁾	182,640	-	17,351	-	3,914	203,905
Total	747,368	-	63,819	-	3,914	815,101
2017						
Non-executive directors						
Peter Ruxton	40,000	-	-	-	-	40,000
Simon Dorling ⁽¹⁾	16,111	-	1,531	-	-	17,642
John Hodder ⁽²⁾	17,312	-	-	-	-	17,312
David Young ⁽³⁾	3,333	-	-	-	-	3,333
Executive directors						
Mark Arnesen ⁽⁴⁾	212,903	-	20,226	-	-	233,129
Adam Smits ⁽⁵⁾	151,818	-	14,423	-	-	166,241
Other executives						
Anthony Begovich ⁽⁶⁾	123,939	-	11,774	-	-	135,713
Pat Holywell ⁽⁷⁾	96,667	20,000	9,183	-	63,846	189,696
Total	662,083	20,000	57,137	-	63,846	803,066

* In 2017 the Company paid a bonus to its former Chief financial officer and company secretary to bring his remuneration in line with market.

⁽¹⁾ Resigned on 25 November 2016

⁽²⁾ Resigned on 7 December 2016

⁽³⁾ Resigned on 28 July 2016

⁽⁴⁾ Appointed on 12 August 2016

⁽⁵⁾ Appointed on 14 November 2016

⁽⁶⁾ Appointed on 1 November 2016

⁽⁷⁾ Resigned on 31 December 2016

⁽⁸⁾ Appointed 1 March 2018

⁽⁹⁾ Appointed 1 February 2018

⁽¹⁰⁾ Appointed 3 April 2018

	SUB TOTAL	SHARE BASED PAYMENTS Options	TOTAL	PERFORMANCE RELATED
2018	\$	\$	\$	%
Non-executive directors				
Tom Borman ⁽⁸⁾	18,333	53,444	71,777	-
Peter Ruxton	40,596	-	40,596	-
Hong Liang Chen ⁽⁹⁾	16,667	-	16,667	-
Ean Alexander ⁽¹⁰⁾	10,000	30,187	40,187	-
Executive directors				
Mark Arnesen ⁽⁴⁾	262,800	360,238*	623,038	-
Adam Smits ⁽⁵⁾	262,800	275,510*	538,310	-
Other executives				
Anthony Begovich ⁽⁶⁾	203,905	173,433	377,338	-
Total	815,101	892,812	1,707,913	-
2017				
Non-executive directors				
Peter Ruxton	40,000	-	40,000	-
Simon Dorling ⁽¹⁾	17,642	-	17,642	-
John Hodder ⁽²⁾	17,312	-	17,312	-
David Young ⁽³⁾	3,333	-	3,333	-
Executive directors				
Mark Arnesen ⁽⁴⁾	233,129	84,820	317,949	-
Adam Smits ⁽⁵⁾	166,241	90,655	256,896	-
Other executives				
Anthony Begovich ⁽⁶⁾	135,713	45,327	181,040	-
Pat Holywell ⁽⁷⁾	189,696	-	189,696	-
Total	803,066	220,802	1,023,868	-

⁽¹⁾ Resigned on 25 November 2016

⁽²⁾ Resigned on 7 December 2016

⁽³⁾ Resigned on 28 July 2016

⁽⁴⁾ Appointed on 12 August 2016

⁽⁵⁾ Appointed on 14 November 2016

⁽⁶⁾ Appointed on 1 November 2016

⁽⁷⁾ Resigned on 31 December 2016

⁽⁸⁾ Appointed 1 March 2018

⁽⁹⁾ Appointed 1 February 2018

⁽¹⁰⁾ Appointed 3 April 2018

*Includes \$22,294 related to options granted in the 2018 financial year but issued post year end.

Equity held by key management personnel

(a) SHAREHOLDINGS

The number of ordinary shares held by KMP both directly, indirectly are as follows:

2018	Held at start of year/ Appointment date	Acquired during the year	Balance Nominally Held	Held at end of year/ Resignation date
Non-executive directors				
Tom Borman	-	100,000	-	100,000
Peter Ruxton	-	-	132,089,113*	132,089,113*
Hongliang Chen	-	-	39,888,313	39,888,313
Ean Alexander	-	-	132,089,113*	132,089,113*
Executive directors				
Mark Arnesen	5,030,984	300,000	-	5,330,984
Adam Smits	54,000	-	-	54,000
Other executives				
Anthony Begovich	52,400	-	-	52,400
TOTAL	5,137,384	400,000	171,977,426	177,514,810

*Both Mr Ruxton and Mr Alexander are nominees of Tembo, hence these nominal holdings represent the same shareholdings.

(b) OPTIONS

The number of options held by KMP both directly and indirectly are as follows:

2018	Held at start of year/ Appointment	Granted as remuneration	Exercised	Other Changes	Held at end of year/ Resignation	Vested exercisable	Vested not exercisable
Non-executive directors							
Tom Borman ⁽²⁾	-	945,000	-	-	945,000	-	945,000
Peter Ruxton	-	-	-	-	-	-	-
Hongliang Chen ⁽³⁾	-	-	-	-	-	-	-
Ean Alexander ⁽⁴⁾	-	675,470	-	-	675,470	-	675,470
Executive directors							
Mark Arnesen ⁽⁶⁾	2,000,000	701,880	-	-	2,000,000	666,667	1,333,333
Adam Smits ⁽⁶⁾	2,000,000	701,880	-	-	2,000,000	666,667	1,333,333
Other executives							
Anthony Begovich ⁽¹⁾	1,000,000	-	-	-	1,000,000	1,000,000 ⁽⁵⁾	-
TOTAL	5,000,000	3,024,230	-	-	6,620,470	2,333,334	4,287,136

⁽¹⁾ Resigned 30 June 2018

⁽²⁾ Appointed 1 March 2018

⁽³⁾ Appointed 1 February 2018

⁽⁴⁾ Appointed 3 April 2018

⁽⁵⁾ The board approved the waiving of the vesting conditions on these options upon Mr Begovich's resignation.

⁽⁶⁾ Mr Arnesen and Mr Smits were both granted 701,880 options during the year which were issued post year end.

Fair value of options granted

The fair value of the options granted to KMP during the year were:

	Fair Value Per Option \$
Unlisted options exercisable at \$0.3041 expiring 1 March 2028 (B Options)	\$0.28
Unlisted options exercisable at \$0.3395 expiring 4 April 2028 (C Options)	\$0.31
Unlisted Options exercisable at \$0.3395 expiring 16 July 2028 (D Options)	\$0.20

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 to KMP during the year:

	B Options	C Options	D Options
Dividend yield (%)	Nil	Nil	Nil
Expected volatility (%)	93%	95%	93%
Risk free interest rate (%)	2.75%	2.6%	2.6%
Exercise price (\$)	\$0.3041	\$0.3395	\$0.3395
Marketability discount (%)	Nil	Nil	Nil
Expected life of options (years)	10 years	10 years	10 years
Share price at grant date (\$)	\$0.3200	\$0.3500	\$0.2400

(c) LOAN TO KEY MANAGEMENT PERSONNEL

There were no loans to key management personnel during the current or prior year.

(d) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

There were no other transactions with other key management personnel during the current or prior year.

THIS IS THE END OF THE AUDITED REMUNERATION REPORT

This report is made in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.



Tom Borman
Chairman
28 September 2018

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

As lead auditor of Nzuri Copper Limited for the year ended 30 June 2018, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 28 September 2018

INDEPENDENT AUDITOR'S REPORT

To the members of Nzuri Copper Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Nzuri Copper Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2(a) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying value of exploration and evaluation assets

Key audit matter	How the matter was addressed in our audit
<p>At 30 June 2018 the carrying value of the capitalised exploration and evaluation asset was disclosed in Note 12 to the financial report.</p> <p>As the carrying value of the Exploration and Evaluation Asset represents a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount.</p> <p>Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources. In particular:</p> <ul style="list-style-type: none"> • Whether the conditions for capitalisation are satisfied; • Which elements of exploration and evaluation expenditures qualify for recognition; and • Whether facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment. 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date; • Verifying, on a sample basis, exploration and evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and director's minutes; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Considering whether any facts or circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 2(n), Note 3 and Note 12 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 18 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Nzuri Copper Limited, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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, 28 September 2018

DIRECTORS' DECLARATION

The Directors declare that:

The financial statements and notes, as set out on pages 24 to 55 are in accordance with the Corporations Act 2001 including:

- In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
- In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001 and other mandatory professional reporting requirements, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group and the Company;
- In the directors' opinion, the financial statements and notes thereto are in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board as stated in note 2 to the financial statements; and
- The Directors have been given the declarations required by section 295A of the Corporations Act 2001 by the Chief Executive Officer and the Chief Financial Officer.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors,



Tom Borman
Chairman
28 September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Interest income		116,958	110,285
Other income		-	250
Depreciation		(6,320)	(3,470)
Employee benefits expense	5a	(1,786,067)	(1,046,236)
Finance cost	5b	-	(156,328)
Other expenses	5c	(1,507,775)	(1,593,505)
Loss before income tax benefit		(3,183,204)	(2,689,004)
Income tax benefit	6	-	-
Net loss after income tax for the year		(3,183,204)	(2,689,004)
Net loss for the year is attributable to:			
Non-controlling interest		-	-
Owners of Nzuri Copper Limited		(3,183,204)	(2,689,004)
		(3,183,204)	(2,689,004)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Effects of foreign currency translation		77,435	(203,036)
Total other comprehensive income/(loss) for the year, net of tax		77,435	(203,036)
Total comprehensive loss for the year		(3,105,769)	(2,892,040)
Total comprehensive loss for the year is attributable to:			
Non-controlling interest		78,244	(210,510)
Owners of Nzuri Copper Limited		(3,184,013)	(2,681,530)
		(3,105,769)	(2,892,040)
Loss per share		Cents	Cents
Basic and diluted loss per share	7	(1.27)	(1.40)

The financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	8	9,445,730	6,296,778
Trade and other receivables	9	126,634	52,560
Inventory		63,959	58,402
Total current assets		9,636,323	6,407,740
Non-current assets			
Trade and other receivables	9	1,290,014	619,850
Other financial assets	10	-	50,357
Plant and equipment	11	690,162	405,838
Exploration and evaluation assets	12	36,792,537	26,264,499
Total non-current assets		38,772,713	27,340,544
Total assets		48,409,036	33,748,284
Current liabilities			
Trade and other payables	13	1,639,262	728,989
Borrowings	14	2,933,273	-
Provisions		33,914	14,840
Total current liabilities		4,606,449	743,829
Non-current liabilities			
Borrowings	14	2,431,211	1,850,015
Total non-current liabilities		2,431,211	1,850,015
Total liabilities		7,037,660	2,593,844
Net assets		41,371,376	31,154,440
Equity			
Issued capital	15a	94,535,048	82,150,599
Reserves	16	(2,983,496)	(3,920,943)
Accumulated losses		(52,835,970)	(49,652,766)
Equity attributable to owners		38,715,582	28,576,890
Non-controlling interest	20	2,655,794	2,577,550
Total equity		41,371,376	31,154,440

The financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Issued Capital	Convertible Loan	Reserves	Accumulated Losses	Non- controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	42,788,896	5,596,863	(6,468)	(46,963,762)	-	1,415,529
Loss for the year	-	-	-	(2,689,004)	-	(2,689,004)
Other comprehensive loss for the year	-	-	7,474	-	(210,510)	(203,036)
Total comprehensive loss for the year	-	-	7,474	(2,689,004)	(210,510)	(2,892,040)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs	39,361,703	-	-	-	-	39,361,703
Share-based payments	-	-	220,802	-	-	220,802
Convertible loan conversion	-	(5,596,863)	-	-	-	(5,596,863)
Non-controlling interest on acquisition of subsidiary	-	-	-	-	5,583,212	5,583,212
Transactions with non-controlling interests	-	-	(4,142,751)	-	(2,795,152)	(6,937,903)
Balance at 30 June 2017	82,150,599	-	(3,920,943)	(49,652,766)	2,577,550	31,154,440
Balance at 1 July 2017	82,150,599	-	(3,920,943)	(49,652,766)	2,577,550	31,154,440
Loss for the year	-	-	-	(3,183,204)	-	(3,183,204)
Other comprehensive loss for the year	-	-	(809)	-	78,244	77,435
Total comprehensive loss for the year	-	-	(809)	(3,183,204)	78,244	(3,105,769)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs	12,384,449	-	-	-	-	12,384,449
Share-based payments	-	-	938,256	-	-	938,256
Balance at 30 June 2018	94,535,048	-	(2,983,496)	(52,835,970)	2,655,794	41,371,376

The financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Interest received		116,958	111,832
Interest paid		-	(1,650)
Payments to suppliers and employees		(2,047,433)	(2,379,786)
Settlement payment to Afrimines	14	-	(1,571,503)
Net cash (used) in operating activities	19	(1,930,475)	(3,841,107)
Cash flows from investing activities			
Payment of security deposits		-	(10,652)
Payments for plant, property and equipment		(290,644)	(14,172)
Payment for acquisition of subsidiaries, net of cash acquired		-	(6,958,948)
Payments for exploration and evaluation		(9,946,842)	(4,503,741)
Net cash (used) in investing activities		(10,237,486)	(11,487,513)
Cash flows from financing activities			
Proceeds from issue of shares		13,066,708	20,913,049
Share issue transaction costs		(682,259)	(108,534)
Proceeds from convertible notes		2,933,273	-
Net cash from financing activities		15,317,722	20,804,515
Net increase/(decrease) in cash and cash equivalents		3,149,761	5,475,895
Cash and cash equivalents at the beginning of the financial year		6,296,778	823,465
Effects of foreign exchange movements on cash		(809)	(2,582)
Cash and cash equivalents at the end of the financial year	8	9,445,730	6,296,778

The financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Nzuri Copper Limited (**Nzuri** or the **Company**) is a for profit company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange (**ASX**).

The consolidated financial report of the Group as at, and for the year ended 30 June 2018 comprises the consolidated financial statements of the Company and its subsidiaries (together referred to as the **Group**).

The financial statements are presented in the Australian currency.

The consolidated financial statements were authorised for issue by the directors on 28 September 2018.

2. Significant accounting policies

(a) BASIS OF PREPARATION

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and complies with other requirements of the law.

Australian Accounting Standards set out accounting policies that result in the presentation of reliable and relevant information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards (**IFRS**).

Basis of measurement

The financial report has been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair values at the end of each reporting period, as disclosed in the accounting policies below. Historical cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2.

Comparative information

Certain comparative information in the financial report may have been reclassified to aid comparability with the current period.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as **Group** in these financial statements). Control is achieved when the Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Going Concern

For the year ended 30 June 2018 the entity recorded a loss of \$3,183,204, had net cash outflows from operating activities of \$1,930,475 and cash balance of \$9,445,730.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

Management believe there are sufficient funds to meet the entity's working capital requirements in the short term but will need to secure additional funding within the next twelve months in order to carry out its planned activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The ability of the entity to continue as a going concern is dependent on securing additional funding through either a capital raising, potential offtake deals or debt financing or a combination of all three to continue to fund its operations.

The Company is in negotiations with a number of interested parties regarding potential funding through one of them funding alternatives mentioned above. As at the date of this report the negotiations are ongoing.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

(b) SEGMENT REPORTING

An operating segment is identified as the component of the Group that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

(c) REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(d) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(e) INCOME TAX

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) GOODS AND SERVICES TAX/VALUE ADDED TAX

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (GST) and value added tax (VAT), unless the GST/VAT incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST/VAT receivable or payable. The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST/VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(g) FOREIGN CURRENCY TRANSLATION

The financial report is presented in Australian dollars, which is the Company's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rate, which approximates the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(h) SHARE BASED PAYMENTS

Equity-settled share-based payments in return for goods and services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments.

(i) EARNINGS PER SHARE**Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(j) CASH AND CASH EQUIVALENTS

For the purpose of presentation in consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term highly liquid investments with original maturities of three (3) months or less that are readily convertible to known amounts of cash and which are subject to significant risk of changes in value, and bank overdrafts.

(k) TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and, other than those that meet the definition of equity instruments, are subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the debts. Loss events include financial difficulty or bankruptcy of the debtor, significant delay in payments and breaches of contracts. The impairment loss, measured as the difference between the debt's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate, is recognised in profit or loss. When the debt becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in profit or loss.

(l) JOINT VENTURES

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its joint venture is accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition

date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss and other comprehensive income.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(m) INVESTMENTS IN ASSOCIATES

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements, after initially being recognised at cost. The associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. Goodwill included in the carrying amount of the investment in an associate is not tested separately; rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The consolidated statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the associate, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivable and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

When a Group entity transacts with its associate, profits and losses resulting from those transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(n) EXPLORATION AND EVALUATION ASSETS

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward at cost where rights to tenure of the area of interest are current and:

- It is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale; and/or
- Exploration and evaluation activities are continuing in an area of interest but at reporting date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off or provided against.

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the profit or loss account.

(o) IMPAIRMENT OF ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(p) PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over its expected useful life as follows:

- Motor vehicle: 4 years
- Plant and equipment: 3-5 years
- Computer equipment: 2-3 years

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

(q) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms. They are presented as current liabilities unless payment is not due within 12 months after the reporting period.

(r) EMPLOYEE BENEFITS

Liabilities for wages and salaries, including non-monetary benefits, and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The short-term employee benefit obligations are presented as payables.

(s) PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(t) BORROWINGS

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

(u) CONVERTIBLE LOANS AND NOTES

Convertible loans and notes that can be converted to a fixed number of ordinary shares at the option of the company are recognised in equity.

Convertible loans and notes that exhibits characteristics of a liability are recognised as a liability in the statement of financial position.

Any directly attributable transaction costs are allocated to the liability and equity components.

Convertible notes which include embedded derivatives are recognised as financial liabilities at fair value through profit or loss. On initial recognition, the fair value of the convertible note will equate to the proceeds received and subsequently the liability is measured at fair value at each reporting date until settlement. The fair value movement is recognised in the profit or loss statement.

(v) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

New, revised or amended Accounting Standards and Interpretations adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The adoption of these Accounting standards however, did not have any significant impact on the financial performance or position of the Group. Any new, revised and amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Standards issued but not yet effective

A number of new standards, amendment of standards and interpretations have recently been issued but are not yet effective and have not been adopted by the Group as at the financial reporting date.

The Group has reviewed these standards and interpretations, and with the exception of the items listed below for which the final impact is yet to be determined, none of the new or amended standards will significantly affect the Group's accounting policies, financial position or performance.

Reference and title	Summary	Application date of standard *	Application date for Group *
AASB 9 <i>Financial Instruments</i>	AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. Based on an initial impact assessment, the new standard is not expected to significantly impact the Groups current reporting.	1 January 2018	1 July 2018

AASB 15 <i>Revenue from Contracts with Customers</i>	<p>AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures regarding revenue are also introduced.</p> <p>Based on an initial impact assessment, the new standard is not expected to significantly impact revenue recognition.</p>	1 January 2018	1 July 2018
AASB 16 <i>Leases</i>	This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.	1 January 2019	1 July 2019

* Designates the beginning of the applicable annual reporting period

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ASSUMPTIONS

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are set out below.

Determination of JORC mineral resource estimate

The Group reports its mineral resource estimate in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 Edition ('the JORC code') as a minimum standard. The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code. There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in reserves or resources being restated.

Impairment of Exploration and evaluation assets

The Group accounts for Exploration and evaluation assets in accordance with its policy (refer Note 2(n)).

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the statement of profit or loss and other comprehensive income.

The estimated recoverable amount of the Group's Kalongwe Copper-Cobalt development project is supported by a DCF model based on the results from a scoping study and preliminary feasibility studies performed by consultants engaged by the Company and a number of judgements, estimates and assumptions made by management.

The use of judgements, estimates and assumptions made by management are based on actual or conservative estimates of latest available information by market commentators.

The Group's other project the Fold and Thrust Belt JV exploration project is considered to not be at the stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

The future recoverability of Exploration and evaluation assets is dependent on a number of factors, including whether the Group decides to exploit the related concession itself or, if not, whether it can successfully recover the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. To the extent that capitalised Exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

Convertible loans and notes

Convertible loans and notes issued by the Group are either recognised in equity or as a liability upon initial recognition based on the characteristics of the Convertible loans and notes and the Group's intentions. Any directly attributable transaction costs are allocated to the liability and equity components. Costs related to modifications of preceding convertible note agreements to facilitate further funding is treated as a finance cost and recognised in the profit or loss as incurred.

Share-based payment transactions

The Group measures the cost of equity-settled and cash-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model and the assumptions and carrying amount at the reporting date.

Deferred income tax benefit from carried forward tax losses

Unused tax losses have not been recognised as a deferred tax asset as the future recovery of those losses is subject to the Group satisfying the requirements imposed by the regulatory taxation authorities. The amount of unrecognised carry forward tax losses is based on management's assessment of their ability to meet the same business or the modified continuity of ownership test. The benefits of these deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Company in realising the benefit.

Tax in foreign jurisdictions

The consolidated entity operates in overseas jurisdictions and accordingly is required to comply with the taxation requirements of those relevant countries. This results in the consolidated entity making estimates in relation to taxes including but not limited to income tax, goods and services tax, withholding tax and employee income tax. The consolidated entity estimates its tax liabilities based on the consolidated entity's understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact profit or loss in the period in which they are settled. Management has recognised the VAT receivable in its DRC entities as a non-current receivable as it is intended that the VAT will be recovered through the offset of VAT payable on mineral sales.

The recoverability of VAT receivable require management to assess the likelihood that the Group will comply with the relevant tax legislation and will generate sufficient taxable earnings in future periods in order to recognise and receive the VAT receivable. These assessments require the use of estimates and assumptions such as commodity prices, exchange rates and operating performance over the life of the assets. The future recoverability of the VAT receivable is dependent on a number of factors, including whether the Group is able to successfully to exploit the related concession. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

4. 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.

	2018	2017
	\$	\$
5. EXPENSES		
(a) Employee benefits expenses		
Wages and salaries	728,000	686,460
Director fees	51,288	70,290
Superannuation	68,523	64,490
Share based payments (refer note 17b)	938,256	220,802
Other employee benefits	-	4,194
	<u>1,786,067</u>	<u>1,046,236</u>
(b) Finance costs		
Convertible loan	-	147,886
Interest	-	7,610
Bank fees	-	832
	<u>-</u>	<u>156,328</u>

Convertible loan finance costs refer to the amortised costs of the interest and conversion discount of the Convertible loan up until it was settled on 23 March 2017.

	2018	2017
	\$	\$
(c) Other expenses		
Administrative costs	73,258	54,700
Occupancy costs	44,848	38,986
Corporate costs	1,389,669	1,871,630
Net foreign exchange (gain)/loss	-	(371,811)
	<u>1,507,775</u>	<u>1,593,505</u>

6. INCOME TAX BENEFIT

	2018	2017
<i>Reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(3,183,204)	(2,689,004)
Tax at the statutory tax rate of 27.5% (2017: 27.5%)	(875,381)	(739,476)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
– Tax effect of permanent differences	617,361	587,676
– Unused tax losses and temporary differences not recognised as deferred tax assets in Australia	258,020	149,209
– Unused tax losses and temporary differences not recognised as deferred tax assets from overseas	-	-
– Share based payments	-	-
– Share of loss of Associate	-	-
– Difference in overseas tax rates	-	2,591
	<u>-</u>	<u>-</u>
Income tax benefit	<u>-</u>	<u>-</u>
<i>Deferred tax assets not recognised and comprising temporary differences attributable to:</i>		
Tax losses - revenue	9,144,638	9,069,985
Temporary differences	49,901	104,153
Total deferred tax assets not recognised	9,194,539	9,174,138

	2018 Cents	2017 Cents
7. EARNINGS PER SHARE		
Basic and diluted earnings per share	<u>(1.27)</u>	<u>(1.40)</u>
	\$	\$
Loss attributable to owners of the Company	<u>(3,183,204)</u>	<u>(2,689,004)</u>
	2018 Number of Shares	2017 Number of Shares
Weighted average number of ordinary shares (post consolidation) for the purposes of basic loss per share ¹	<u>250,760,512</u>	<u>191,776,729</u>

As the Company has made a loss for the years ended 30 June 2018 and 30 June 2017, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

¹ The 2017 weighted average number of shares have been adjusted to reflect the 15:1 security consolidation in January 2017.

	2018 \$	2017 \$
8. CASH AND CASH EQUIVALENTS		
Cash on hand	2,128	364
Cash at bank	9,443,602	6,296,414
	9,445,730	6,296,778

9. TRADE AND OTHER RECEIVABLES
Current

Other receivables	78,492	25,229
Goods and services tax	48,142	27,331
	126,634	52,560

Non-Current

Value added tax	1,290,014	619,850
	1,290,014	619,850

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.

10. OTHER FINANCIAL ASSETS

	2018 \$	2017 \$
Security deposits / bonds	-	50,357

	2018 \$	2017 \$
--	------------	------------

11. PLANT AND EQUIPMENT

Plant and equipment – cost	1,040,569	623,286
Plant and equipment – accumulated depreciation	(350,407)	(217,448)
	690,162	405,838

Movements:

	Equipment \$	Motor Vehicles \$	Total \$
Balance at 1 July 2016	-	-	-
Additions	71,266	308,739	380,005
Acquisition of subsidiary	222,516	4	222,520
Depreciation capitalised	(151,785)	(33,119)	(184,904)
Depreciation expensed	(3,470)	-	(3,470)
Effect of foreign currency translation	(3,051)	(5,262)	(8,313)
Balance at 30 June 2017	135,476	270,362	405,838
Balance at 1 July 2017	135,476	270,362	405,838
Additions	417,283	-	417,283
Depreciation capitalised	-	(126,639)	(126,639)
Depreciation expensed	(6,320)	-	(6,320)
Effect of foreign currency translation	-	-	-
Balance at 30 June 2018	546,439	143,723	690,162

12. EXPLORATION AND EVALUATION

Exploration and evaluation expenditure	36,792,537	26,264,499
--	-------------------	-------------------

Movements:

Balance at the beginning of the year	26,264,499	412,065
Additions	11,751,976	9,947,394
Acquisition of subsidiary	-	17,308,436
Foreign currency translation movement	(1,223,938)	(1,403,396)
Balance at end of the year	36,792,537	26,264,499

The ultimate recoupment of costs carried forward for exploration expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

	2018	2017
13. TRADE AND OTHER PAYABLES		
	\$	\$
Trade payables	1,463,486	619,917
Other payables	-	55,551
Accruals	175,776	53,521
	1,639,262	728,989

14. BORROWINGS

Current

Loans	2,933,273	-
-------	------------------	---

Non-current

Loans	2,431,211	1,850,015
-------	------------------	------------------

Current loans reflect the convertible loan from Tembo Capital. Following shareholder approval on 13 July 2018 the Convertible loan was settled via the issue of 11,503,031 shares at \$0.255 per share. The convertible loan is unsecured and interest free, and the conversion share price is based on the same price as the private placement announced 30 May 2018.

Non current loans reflect the loan owed to GICC by KMSA partially offset by amounts owed to KMSA by GICC. The loan is non-interest bearing and is only required to be repaid from surplus production proceeds from the Kalongwe Copper-Cobalt project. As required under AASB 139 Financial Instruments, the loan has been recognised 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 2020 and the implicit interest rate is 10%.

	2018 Number of shares	2018 \$	2017 Number of shares	2017 \$
--	-----------------------------	------------	-----------------------------	------------

15. ISSUED CAPITAL

(a) Fully paid ordinary shares	282,214,213	94,535,048	230,299,520	82,150,599
---------------------------------------	--------------------	-------------------	--------------------	-------------------

	2018 Number of shares	2018 \$	2017 Number of shares	2017 \$
--	--------------------------	------------	--------------------------	------------

Movements:

Balance at beginning of the year	230,299,520	82,150,599	223,459,096	42,788,896
Shares issued – Convertible note	-	-	-	-
Shares issued – Huayou Cobalt	39,888,313	10,000,000	697,412,077	6,974,121
Shares issued – Capital raising	12,026,380	3,066,708	-	-
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 & bridge loan	-	-	384,917,247	5,763,458
Shares issued – Consultant fees	-	-	89,714,757	897,148
Shares issued – Rights issue	-	-	925,336,148	9,253,361
Shares issued – Underwriting fee for rights 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	-	(682,259)	-	(482,505)
Balance at end of the year	282,214,213	94,535,048	230,299,520	82,150,599

	2018 Number of options	2017 Number of options
(b) Unlisted options	10,620,470	12,733,379

Movements:

Balance at beginning of the year	12,733,379	86,000,000
Granted during the year	3,620,470	120,000,000
Exercised during the year	-	-
Forfeited/Expired during the year	(5,733,379)	(15,000,000)
Consolidation (15:1)	-	(178,266,621)
Outstanding at end of the year	10,620,470	12,733,379

All options on issue are exercisable on a 1:1 basis for ordinary fully paid shares in the Company and carry no rights to dividends and no voting rights.

ANNUAL REPORT 30 JUNE 2018

The exercise price and expiry date of Options as at 30 June 2018 are as follows:

Type	Number of options	Exercise price	Expiry date
Convertible bridge loan options	2,000,000	\$0.9000	6/07/2021
Director and employee options	2,000,000	\$0.2055	21/09/2026
Director and employee options	3,000,000	\$0.2130	14/11/2026
Director and employee options	1,000,000	\$0.1996	14/09/2027
Director and employee options	1,000,000	\$0.2965	10/03/2028
Director and employee options	945,000	\$0.3041	1/03/2028
Director and employee options	675,470	\$0.3395	4/04/2028
	10,620,470		
Exercisable at the end of the year	4,333,333		

16. RESERVES

	2018	2017
	\$	\$
Foreign currency reserve	197	1,006
Other reserve	(4,142,751)	(4,142,751)
Options reserve	1,159,058	220,802
	(2,983,496)	(3,920,943)

Movements:

	Foreign currency	Other Reserve	Options reserve	TOTAL
Opening balance at 1 July 2016	(6,468)	-	-	(6,468)
Foreign currency translation	7,474	-	-	7,474
Transactions with non-controlling interests	-	(4,142,751)	-	(4,142,751)
Options issued/(cancelled)	-	-	220,802	220,802
Balance at 30 June 2017	1,006	(4,142,751)	220,802	(3,920,943)
Opening balance at 1 July 2017	1,006	(4,142,751)	220,802	(3,920,943)
Foreign currency translation	(809)	-	-	(809)
Transactions with non-controlling interests	-	-	-	-
Options issued/(cancelled)	-	-	938,256	938,256
Balance at 30 June 2018	197	(4,142,751)	1,159,058	(2,983,496)

The Foreign currency reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations that do not use Australian Dollars as their functional currency. It is also used to recognise gains and losses arising from hedges on the net investments in foreign operations.

The Other reserve is used to record differences arising as a result of transactions with non-controlling interests that do not result in a loss of control.

The Options reserve is used to recognise the fair value of share based payment shares/options issued.

17. SHARE BASED PAYMENTS

(a) Employee share option plan

The Employee share option plan (ESOP or Plan) was approved by shareholders on 30 June 2016 for the purpose of attracting, motivating and retaining directors, employees and consultants and providing them with an incentive to deliver growth and value to all shareholders.

Under the ESOP the Group may offer share options to eligible participants and Directors, employees and consultants are eligible persons for the purposes of the Plan.

Under the Plan, participants are granted options which only vest if certain criteria are met. Participation in the ESOP is at the board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

The amount of options that will vest depends on meeting certain criteria which can include retention and performance milestones over a period of time, usually three years. Once vested, the options remain exercisable for a period of up to ten years. Options are granted under the Plan for no consideration and carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Stock Exchange during the 30 days up to and including the date of the grant.

	2018 \$	2017 \$
(b) Expenses arising from share based payments		
Employee benefits expense	<u>938,256</u>	<u>220,802</u>

(c) Summary of movements in options granted as share based payments

The following table details the number and weighted average exercise price (WAEP) of, and movements in, unlisted options issued as share based payments during the year:

	2018 Number of options	2018 WAEP	2017 Number of options	2017 WAEP
Outstanding at beginning of the year	6,466,672	\$0.7641	22,000,000	\$0.0800
Granted during the year	5,024,230	\$0.2733	90,000,000	\$0.0140
Granted during the year but issued post year end*	(1,403,760)	0.3395	-	-
Exercised during the year	-	-	-	-
Forfeited/Expired during the year	(1,466,672)	\$1.2000	(15,000,000)	\$0.0137
Consolidation (15:1)	-	-	(90,533,328)	n/a
Outstanding at year end	<u>8,620,470</u>	<u>\$0.3667</u>	<u>6,466,672</u>	<u>\$0.7641</u>
Vested and exercisable at the end of the year	4,333,333		1,466,672	

* These options were granted in March 2018, subject to shareholder approval, and were issued following that approval on 13 July 2018.

(d) Options as at 30 June 2018 granted as share based payments

Grant date	Expiry date	2018 Exercise price	2018 Number of options
26 September 2016	26 September 2026	\$0.2055	2,000,000
14 November 2016	14 November 2026	\$0.2130	3,000,000
6 September 2027	6 September 2027	\$0.1996	1,000,000
1 March 2018	1 March 2028	\$0.3041	945,000
10 March 2018	10 March 2028	\$0.2965	1,000,000
4 April 2018	4 April 2028	\$0.3395	675,470
			8,620,470
29 March 2018	16 July 2028	0.3395	1,403,760*

* These options were granted in March 2018, subject to shareholder approval, and were issued following that approval on 13 July 2018.

Weighted average remaining contractual life of options 7.86 years

(e) Fair value of options granted

The fair value of the options granted during the year, on a post-consolidation basis, were:

	Fair Value Per Option \$
Unlisted options exercisable at \$0.1996 expiring 6 September 2027 (A Options)	\$0.1702
Unlisted options exercisable at \$0.3041 expiring 1 March 2028 (B Options)	\$0.2793
Unlisted options exercisable at \$0.3395 expiring 4 April 2028 (C Options)	\$0.3070
Unlisted options exercisable at \$0.3395 expiring 16 July 2028 (D Options)*	\$0.2041
Unlisted options exercisable at \$0.2965 expiring 10 March 2028 (E Options)	\$0.2893

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:

	A Options	B Options	C Options	D Options*	E Options
Dividend yield (%)	Nil	Nil	Nil	Nil	Nil
Expected volatility (%)	93%	93%	95%	93%	102%
Risk free interest rate (%)	2.25%	2.6%	2.75%	2.6%	2.75%
Exercise price (\$)	\$0.1996	\$0.3041	\$0.3395	\$0.3395	\$0.2965
Marketability discount (%)	Nil	Nil	Nil	Nil	Nil
Expected life of options (years)	10 years	10 years	10 years	10 years	10 years
Share price at grant date (\$)	\$0.1950	\$0.3200	\$0.3500	\$0.2400	\$0.3200

* These options were granted in March 2018, subject to shareholder approval, and were issued following that approval on 13 July 2018 therefore the portion of value from grant date has been expensed in the current year.

The vesting terms of the options are that they 1/3 vest in 12 months, 1/3 vest in 24 months and 1/3 vest in 36 months after grant date.

	2018 \$	2017 \$
18. NON-CONTROLLING INTEREST		
Opening balance	2,577,550	-
Comprehensive income	78,244	(210,510)
Disposal of controlling interest in Regal SK	-	-
Acquisition of controlling interest in KMSA	-	5,583,212
Other transactions	-	(2,795,152)
	<u>2,655,794</u>	<u>2,577,550</u>

(a) Summarised financial information

	2018 \$	2017 \$
Summarised balance sheet		
Current assets	123,880	529,584
Current liabilities	(163,211)	(233,465)
Net current assets	<u>(39,331)</u>	<u>296,119</u>
Non-current assets	26,041,876	19,513,516
Non-current liabilities	(25,455,037)	(19,783,090)
Net non-current assets	<u>586,839</u>	<u>(269,574)</u>
Net assets	<u>17,705,293</u>	<u>17,183,664</u>
Accumulated NCI	<u>2,655,794</u>	<u>2,577,550</u>
Summarised statement of comprehensive income		
Revenue	-	-
Profit for the period	<u>-</u>	<u>-</u>
Other comprehensive income	78,244	(210,510)
Total comprehensive income	<u>78,244</u>	<u>(210,510)</u>
Profit/(loss) allocated to NCI	78,244	(210,510)
Summarised cash flows		
Net cash from (used) in investing activities	78,244	(210,510)

19. CASHFLOW INFORMATION

(a) Reconciliation of loss after income tax

Loss after income tax benefit for the year	(3,183,204)	(2,689,004)
---	-------------	-------------

Adjustments for:

Depreciation and amortisation	6,320	3,470
Finance cost	-	147,886
Corporate costs	77,435	697,148
Impairment expenses	-	-
Interest accrued	-	-
Loss on foreign exchange	808	(371,811)
Loss on disposal of subsidiary	-	-
Share based payments	938,256	220,802
Share of net loss of associate	-	-

Change in operating assets and liabilities:

Decrease/(increase) in trade and other receivables	(744,237)	32,839
Decrease/(increase) in inventory	(5,558)	(58,402)
Decrease/(increase) in other current assets	50,357	-
Increase/(decrease) in trade and other payables	910,273	(1,825,606)
Increase/(decrease) in provisions	19,075	1,571
Net cash (used in) operating activities	(1,930,475)	(3,841,107)

(b) Non-cash investing and financing activities

Acquisition of subsidiary	-	6,215,661
Settlement of Convertible loan & bridge loan and accrued interest	-	5,763,458
Settlement of Underwriting fees for rights issue	-	125,818
Settlement of increased interest in subsidiary	-	4,088,514
	-	16,193,451

(c) Net debt reconciliation

	2017	Cash flows	Acquisition	Non-cash changes		2018
				Foreign exchange movement	Other	
Long-term borrowings	1,850,015	-	-	-	581,196	2,431,211
Short-term borrowings	-	2,933,273	-	-	-	2,933,273
Lease liabilities	-	-	-	-	-	-
Total liabilities from financing liabilities	1,850,015	2,933,273	-	-	246,210	5,364,484
					2018	2017
					\$	\$

20. PARENT ENTITY INFORMATION
(a) Financial position
Assets

Current assets	8,861,401	6,355,118
Non-current assets	35,697,141	24,974,877
Total assets	44,558,542	31,329,995

Liabilities

Current liabilities	3,187,166	175,555
Non-current liabilities	-	-
Total liabilities	3,187,166	175,555

Net assets	41,371,376	31,154,440
Equity		
Contributed equity	94,535,048	82,150,599
Other reserves	1,125,705	220,802
Accumulated losses	(50,852,902)	(51,216,961)
	41,371,376	31,154,440
(a) Financial performance		
Profit/(loss) after income tax	3,125,267	1,245,053
Other comprehensive income	-	-
Total comprehensive loss	3,125,267	1,245,053

21. SUBSIDIARIES

Name of entity	Country of incorporation	2018 Equity holding %	2017 Equity holding %
Kalongwe Holdings Ltd	British Virgin Islands	100	100
Kalongwe Holdings No 2 Ltd	British Virgin Islands	100	100
Kalongwe Holdings No 3 Pty Ltd	Australia	100	100
Kalongwe Resources Pty Ltd	Australia	100	100
Western Victoria Energy Pty Ltd	Australia	100	100
Magma Oil Pty Ltd	Australia	100	100
Katanga Mining Consultants (Pty) Ltd	South Africa	100	100
Regal Resources SASU	Democratic Republic of Congo	100	100
Kalongwe Mining SA	Democratic Republic of Congo	85	85
		2018	2017
		\$	\$

22. COMMITMENTS

(a) Lease commitments

Within one year	38,562	47,175
Between one and five years	-	-
Longer than five years	-	-
	38,562	47,175

The group has entered into operating lease arrangements in respect of its corporate head office and KMSA regional offices. The associated expenditure commitments are summarised as follows:

(b) Mineral exploration and mining tenements

The Group pays approximately US\$90,000 in annual land taxes in relation to its tenements in the DRC.

23. CONTINGENCIES

During the year, the Company continued defending three claims brought against it in respect of historical projects the Company was involved with. The Company is currently defending two claims. The Company is complying with the respective court timetables, is legally represented, and is vigorously defending each claim. The potential exposure on

these two claims is estimated to be between \$66,500 to \$302,000. The third claim has not progressed or had any further evidence lodged by the plaintiffs since the prior year.

24. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

25. RELATED PARTY TRANSACTIONS

(a) Subsidiaries

Interests in subsidiaries are set out in note 21.

(b) Key management personnel compensation

	2018	2017
	\$	\$
Short-term employee benefits	747,644	682,083
Post-employment benefits	67,733	120,983
Share-based payments	618,915	220,802
	<u>1,434,292</u>	<u>1,023,868</u>

Information regarding individual directors' and executives' compensation and equity instrument disclosures are disclosed in the Remuneration report.

(c) Other transactions with key management personnel

There were no other transactions with key management personnel during the current or prior financial year.

(d) Transactions with other related parties

	2018	2017
	\$	\$
Reimbursement of Legal expenses ²	-	30,855
Payment of Director fees ³	75,872	40,000
Issue of Subscription shares ⁴	-	6,974,121
Settlement of Convertible loan & bridge loan and accrued interest ⁵	-	4,181,627
Issue of Rights issue shares ⁶	-	6,923,468
Settlement of Underwriting fees for rights issue ⁷	-	125,818
Settlement of Convertible loan and accrued interest ⁸	-	4,088,514
Issue of Subscription shares ⁹	6,637,462	-
Issue of Subscription shares ¹⁰	3,362,538	-
Issue of Subscription shares ¹¹	885,773	-
Receipt of Convertible loan ¹²	(2,933,273)	-
	<u>8,028,372</u>	<u>22,364,403</u>

Ndovu Capital VI B.V. (**Ndovu**) is part of the Tembo Capital group. Ndovu, a company which Peter Ruxton is a director of, was involved in the following transactions:

¹ 1,356,495 shares, at a deemed issue price of \$0.035 per share (pre-consolidation), and 3,300,000 shares at a deemed issue price of \$0.01 per share (pre-consolidation) were issued to Ndovu in settlement of establishment fees payable on the Convertible Loan & Bridge loan.

- ² Reimbursement of legal fees associated with Convertible loan & bridge loan agreement incurred by Tembo capital.
- ³ Payment of non-executive director fees for Peter Ruxton to Tembo Capital for the 2017 and 2018 years and payment of directors fees for Tom Borman, Hong Liang Chen and Ean Alexander for the 2018 year.
- ⁴ 697,412,077 shares at \$0.01 each (pre-consolidation) were issued to Ndovu to fund the cash portion of the transactions described in note 5(a).
- ⁵ 279,273,345 shares at a deemed \$0.015 each and 30,000,000 Options with an exercise price of \$0.06 each expiring on 6 July 2021 (pre-consolidation) were issued to Ndovu in settlement of Convertible loan & bridge loan and accrued interest.
- ⁶ 692,346,829 shares at \$0.01 each (pre-consolidation) were issued to Ndovu in relation to the Rights issue announced on 4 July 2016.
- ⁷ 12,581,798 shares at \$0.01 each (pre-consolidation) in relation to underwriting fees for Rights Issue.
- ⁸ 18,011,076 shares at a deemed issue price of \$0.227 per share (post-consolidation) were issued to Ndovu in settlement of convertible loan and accrued interest.
- ⁹ Tranche 1 investment by Huayou International Mining (Hong Kong) Limited of 26,475,716 shares at \$0.2507
- ¹⁰ Tranche 2 conversion of loan from Huayou International Mining (Hong Kong) Limited of 13,412,517 shares at \$0.2507
- ¹¹ Issue of 3,473,690 shares to Huayou International Mining (Hong Kong) Limited at \$0.255 per share.
- ¹² Receipt of convertible loan from Tembo Capital. Subsequent to year end, this loan has been converted and settled through the issue of 11,503,031 shares at an issue price of \$0.255 per share.

All transactions were made on normal commercial terms and conditions and at market rates and approved by shareholders.

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

Outstanding balances with Related Parties

	2018 \$	2017 \$
Convertible loan principle ¹	2,933,273	-
Director fees ²	-	20,000
	2,933,273	20,000

¹ This transaction relates the convertible loan received from Tembo Capital. Subsequent to year end, this loan has been converted and settled through the issue of 11,503,031 shares at an issue price of \$0.255 per share.

² This transaction relates to non-executive director fees payable for Peter Ruxton to Tembo Capital for the six months ending 30 June 2017.

All the outstanding balances with related parties are included in liabilities.

26. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, other financial assets, trade and other payables and borrowings. The main risks affecting these financial instruments are market risk (e.g. foreign currency risk and interest rate risk), credit risk and liquidity risk. The Board manages the Group's exposure to these risks which are recurring items for deliberation at Board meetings.

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the Group's net investment in its subsidiaries in the DRC.

The Group currently does not hedge its net investment in its foreign operations.

The Group also has transactional currency exposures from operating costs and concession payments that are denominated in currencies other than the Australian dollar ('AUD'). The currencies in which these transactions are primarily denominated are the United States dollar ('USD').

The Board attempts to mitigate the effect of its foreign currency exposure by acquiring USD in accordance with budgeted expenditures when the exchange rate is favourable.

As at 30 June 2018, the Group had the following exposure to USD that is not designated in cash flow hedges:

	2018	2017
	\$	\$
Financial assets		
Cash and cash equivalents	643,248	17,772
Trade and other receivables	-	25,418
	643,248	43,190
Financial liabilities		
Trade and other payables	(978,141)	(568,274)
Net exposure	(978,141)	(525,084)

The following tables demonstrate the sensitivity to a reasonably possible change in the AUD/USD exchange rate with all other variables held constant.

The impact on the Group's pre-tax profit is due to changes in the fair value of monetary assets and liabilities.

	Effect on loss before tax	Effect on equity
	\$	\$
30 June 2018		
AUD/USD +10%	(33,489)	-
AUD/USD -10%	33,489	-
30 June 2017		
AUD/USD +10%	(52,508)	-
AUD/USD -10%	52,508	-

(b) Interest rate risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The Group is exposed to interest rate risk on its cash and cash equivalent balances.

The Board constantly monitors its interest rate exposure and attempts to maximise interest income by using a mixture of fixed and variable interest rates, whilst ensuring sufficient funds are available for the Group's operating activities.

As at 30 June 2018 the Group had the following exposure to Australian variable interest rate risk.

	2018	2017
	\$	\$
Financial assets		
Cash and cash equivalents	8,802,482	6,307,172

The following sensitivity analysis is based on the judgements by management of reasonably possible movements in interest rates after consideration of the views of market commentators. As at 30 June 2018, if interest rates had moved, as indicated in the table below, with all other variables held constant, pre-tax loss would have been affected as follows:

Pre-tax loss

+0.5% (50 basis points)	44,012	31,536
-0.5% (50 basis points)	44,012	(31,536)

(c) Credit risk

Credit risk is the risk to the Group if a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group's maximum exposure to credit risk at the reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Consolidated Statement of Financial Position.

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents (refer note 8) and trade and other receivables (refer note 9) and other financial assets (refer note 10).

The Group only trades with recognised creditworthy third parties and only invests in high credit quality financial institutions with a credit rating of investment grade or better.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient cash to meet its commitments as and when they fall due.

The Board manages liquidity risk by regularly reviewing the Group's liquidity position, monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

The following tables summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted cash payments.

	Less than 1 month \$	1-3 months \$	3-12 months \$	1-5 years \$	Total \$
2018					
Financial liabilities					
Trade and other payables	1,639,262	-	-	-	1,639,262
Borrowings	2,933,273				2,933,273
	4,572,535				4,572,535
2017					
Financial liabilities					
Trade and other payables	728,989	-	-	-	728,989

(e) Capital management

The Board is responsible for capital management of the Group. The Board's objective is to ensure the entity continues as a going concern as well as to maintain an optimal structure to reduce the cost of capital.

The Group is dependent from time to time on its ability to raise capital from the issue of new shares, obtain debt and its ability to realise value from its existing assets. This involves the use of cashflow forecasts to determine future capital management requirements.

Capital management is undertaken to ensure a secure, cost effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements.

As at 30 June 2018 the Group is not subject to any external capital requirements

The following table details the Group's capital:

	2018 \$	2017 \$
Cash and cash equivalents	9,445,730	6,296,778
Trade and other receivables	126,634	52,560
Trade and other payables	(1,639,262)	(728,989)
Borrowings	(5,364,484)	(1,850,015)
Net surplus/(debt)	2,568,618	3,770,334

REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditors of the Group, its related practices and non-related audit firms:

(a) BDO firms

Audit and other assurance services

Audit and review	33,032	31,164
Other	23,998	7,491
	57,030	38,655

Non-audit services

Corporate advice	-	-
Tax compliance	39,301	7,690
Tax advice	-	11,892
	39,301	19,582

Total remuneration of BDO firms

	96,331	58,237
--	---------------	---------------

(b) Non-BDO firms

Audit and other assurance services

Audit and review	7,564	48,504
------------------	-------	--------

Non-audit services

Tax compliance	-	11,824
----------------	---	--------

Total remuneration of Non-BDO firms

	7,564	48,504
--	--------------	---------------

Total auditors' remuneration

	103,895	106,741
--	----------------	----------------

27. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There have been no other events subsequent to 30 June 2018 up to the date of this report that would materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

On 1 July 2018 the Company appointed Hannah Hudson as Chief Financial Officer and company Secretary

Subsequent to 30 June 2018, the Company has issued the following shares and options:

Issue of 2,128,248 ordinary shares at \$0.255 per share under the Share Purchase Plan on 5 July 2018;

Issue of 11,503,031 ordinary shares at \$0.255 per share to Tembo Capital conversion of their convertible loan on 13 July 2018;

Issue of 1,403,760 unlisted Options exercisable at \$0.3395 each on or before 16 July 2028, issued on 13 July 2018;
Issue of 1,250,000 unlisted options exercisable at 0.2492 each on or before 25 July 2028; and
Cancellation of 1,000,000 unlisted employee options exercisable at \$0.2965 each on or before 20 March 2028.

ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 25 SEPTEMBER 2018

Additional information included in accordance with the Listing Rules of the Australian Securities Exchange and not shown elsewhere in the report is as follows:

NUMBER OF HOLDINGS OF QUOTED EQUITY SECURITIES

The Company has one class of quoted equity securities: its ordinary fully paid shares.

The fully paid issued capital of the Company consisted of 230,299,520 ordinary fully paid shares held by 1,326 shareholders. Each share entitles the holder to one vote. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

DISTRIBUTION OF SHARE HOLDERS

Spread of holdings	Holders	Shares	% of Issued Capital
1 -1,000	171	28,304	0.01%
1,001 -5,000	525	1,530,118	0.52%
5,001 -10,000	233	1,804,117	0.61%
10,001 -100,000	371	12,239,224	4.14%
100,001 -9,999,999	81	280,303,729	94.73%
TOTAL	1,381	295,905,492	100.00%

Unmarketable parcels	Minimum parcel size	Holders	Units
Minimum \$500 parcel at \$0.35 per unit	1,428	206	72,816

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders the Company is aware of from the register, or who have notified the Company in accordance with Section 671B of the Corporations Act are:

Substantial shareholder	Number of shares	% Held
Ndovu Capital VI BV	143,592,144	48.53%
Huayou International Mining (Hong Kong) Limited	43,362,002	14.65%

TWENTY LARGEST SHAREHOLDERS OF QUOTED EQUITY SECURITIES

	Shareholder	Number of shares	% Held
1.	Ndovu Capital VI BV	143,592,144	48.53%
2.	Huayou International Mining (Hong Kong) Limited	43,362,002	14.65%
3.	HSBC Custody Nominees	18,878,353	6.38%
4.	La Generale Industrielle et Commerciale au Congo SARL	11,103,739	3.75%
5.	Citicorp Nominees Pty Limited	8,280,240	2.80%
6.	Exploration Capital Partners	7,100,070	2.40%
7.	JP Morgan Nominees Australia Limited	6,592,645	2.23%
8.	BNP Paribas Nominees Pty Ltd	6,041,476	2.04%
9.	Mark Arnesen	5,389,808	1.82%
10.	Hossein Sabet	4,200,000	1.42%
11.	Bankes Holdings Limited	2,058,824	0.70%
12.	BPM Capital Limited	2,000,000	0.68%
13.	Pershing Australia Nominees	1,211,817	0.41%
14.	Yuqi Zhang Goeree	1,110,000	0.38%
15.	Jacob Klaas Goeree	1,000,000	0.34%
16.	Warwick Sharp	979,971	0.33%
17.	Kah Chan	943,824	0.32%
18.	BNP Paribas Noms Pty Ltd	884,531	0.30%
19.	Karen Silbert	780,000	0.26%
20.	John Ashton Grosse	700,000	0.24%
	Top 20 Total	266,209,244	89.66%

UNQUOTED EQUITY SECURITIES

The Company's only other class of equity securities on issue are unquoted options. The Company has a total of 13,733,379 unquoted options on issue, comprised of the following:

Class	Exercise price	Expiry date	Number	Holders
NZCAA	\$0.9000	6 July 2021	2,000,000	1
NZCAB ESOP	\$0.2055	21 September 2026 (partially unvested)	2,000,000	1
NZCAR ESOP	\$0.2130	14 November 2026 (partially unvested)	3,000,000	2
ESOP	\$0.1996	6 September 2027 (unvested)	500,000	1
Options	\$0.1996	6 September 2027 (unvested)	500,000	1
Options	\$0.3041	1 March 2028 (unvested)	945,000	1
Options	\$0.3395	4 April 2028 (unvested)	675,470	1
Options	\$0.3395	16 July 2028 (unvested)	1,403,760	2
Options	\$0.2492	25 July 2028 (unvested)	1,250,000	1
TOTAL			12,274,230	11

There are no voting rights attached to any class of options.

ON-MARKET BUY-BACK

The Company does not have a current on-market buy-back.

MINING TENEMENT SCHEDULE

Project/tenement	Location	Held at 30 June 2018
Kalongwe Project: PE12198	The Democratic Republic of the Congo	85%

Competent Persons 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 'Updated stage 1 feasibility study delivers significantly enhanced financial returns' dated 16th April 2018. 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.