



# June 2016 Quarterly Operations Report

## 1.0 Corporate

### 1.1 Plans to be Debt Free

On 16<sup>th</sup> May 2016 the Company executed a binding Term Sheet with its major shareholder Auctus Resources Fund ("ARF"). Pursuant to the Term Sheet ARF has agreed on the following key terms of the Term Sheet:-

- ⊗ In consideration for the outstanding balance of A\$6,637,824 owing by the Company to ARF pursuant to the Convertible Note, the Company has agreed to grant to ARF a royalty of 3% calculated on any gross revenue from its Kangaluwi Copper Project ("**KCP**") in Zambia up to a maximum of A\$12M plus a Farm-In-Right ("**Convertible Note Transaction**").
- ⊗ The Farm-In-Right gives ARF the right to earn a Farm-In-Interest in KCP of up to 75% upon investing A\$1M in the project.
- ⊗ Subject to ARF not having exercised the Farm-In-Right, the Farm-In-Interest will reduce on a sliding scale to a minimum of 30% when ZRL has invested A\$15M in KCP. For example if ZRL invests A\$6M in KCP the Farm-In-Interest of ARF will reduce to 50%.
- ⊗ Contemporaneously with completion of the Convertible Note Transaction, ZRL will undertake a capital raising to raise at least A\$200,000 in new funds ("**Capital Raising**") for working capital purposes.
- ⊗ Simultaneously with the issue of shares pursuant to the Capital Raising, the balance outstanding under the Facility Agreement will be repaid by the issue of shares to ARF such that ARF's interest in ZRL's shares will be no more than 70% following completion of the Capital Raising ("**Facility Agreement Repayment**").

- ⊗ the Convertible Note Transaction and the Facility Agreement Repayment is subject to shareholder approval.

The debt restructuring pursuant to the Term Sheet will eliminate the core debt to ARF enabling the Company to be debt free.

Zambezi Resources is extremely pleased to have entered into the Term Sheet with ARF who have been a supportive cornerstone shareholder of the Company for many years and which will enable it to become debt free.

## 1.2 Annual Report

The Company lodged its 31 March 2016 Audited Annual Report on the Australian Stock Exchange Platform on 3<sup>rd</sup> June 2016.

## 2.0 Operations Review

### 2.1 Kangaluwi Copper Project

#### 2.1.1 Court Case

The Company is awaiting written judgement on the appeal which was expected to be handed down on the 28<sup>th</sup> April 2015.

##### *Court Case Background*

The appeal hearing in the High Court of Lusaka referred to above is the appeal lodged by certain Zambian conservation groups against a decision of the Minister of Lands, Natural Resources and Environmental Protection on 17 January 2014 to allow the Company to develop its 100% owned Kangaluwi Copper Project in the Lower Zambezi National Park in Zambia. In the appeal the Zambian Government is the first respondent and Mwembeshi Resources Ltd, a wholly owned subsidiary of Zambezi, is the second respondent.

The decision of the Minister effectively allowed the Company to proceed with the developments of its 100% owned Kangaluwi Copper Project located in the Lower Zambezi National Park in Zambia.

On 6 February 2014 at the request of the Appellants, the Lusaka High Court granted an order, on an ex parte basis, for a stay of execution of the decision of the Minister to allow Zambezi to develop its Kangaluwi Copper Project.

The stay of execution remains in place pending the outcome of the appeal against the Minister’s decision.

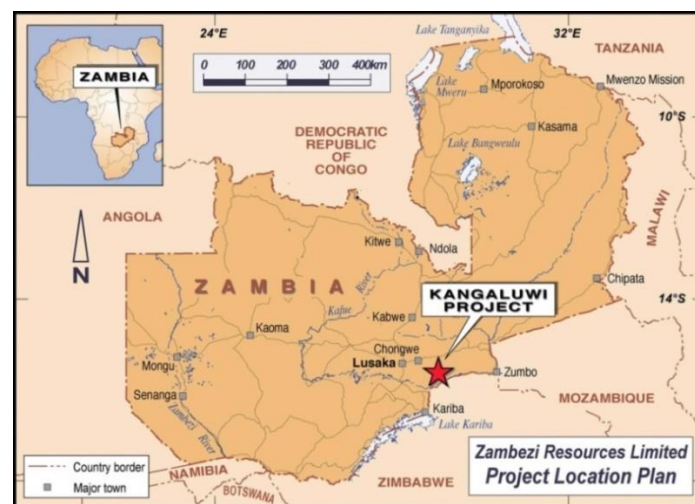
### 2.1.2 Project Background

Zambezi Resources Limited (“the Company”) is an ASX listed Copper Exploration and Development Company focused on its 100% owned Kangaluwi Copper Project, 180 km east of Lusaka, Zambia. The project is covered by a 245 km<sup>2</sup> Mining Licence (ML 15547), issued on 16 March 2011 and valid for 25 years.

The project covers the copper deposits of Kangaluwi, Chisawa and Kalulu. Drilling carried out at these prospects lead to estimation and reporting of Mineral Resource estimates in July 2012 (Table 1). The Mineral Resource estimates were classified and reported in accordance with the JORC Code.

***Table 1: Kangaluwi Copper Project Mineral Resource at 0.3% Cu Cut-off Grade***

Resource Category	Tonnes (Mt)	Cu (%)
Indicated	18	0.58
Inferred	28	0.72
<b>Total</b>	<b>46</b>	<b>0.67</b>



***Figure 1: Kangaluwi Project Location Map***

## 3.0 Tenements

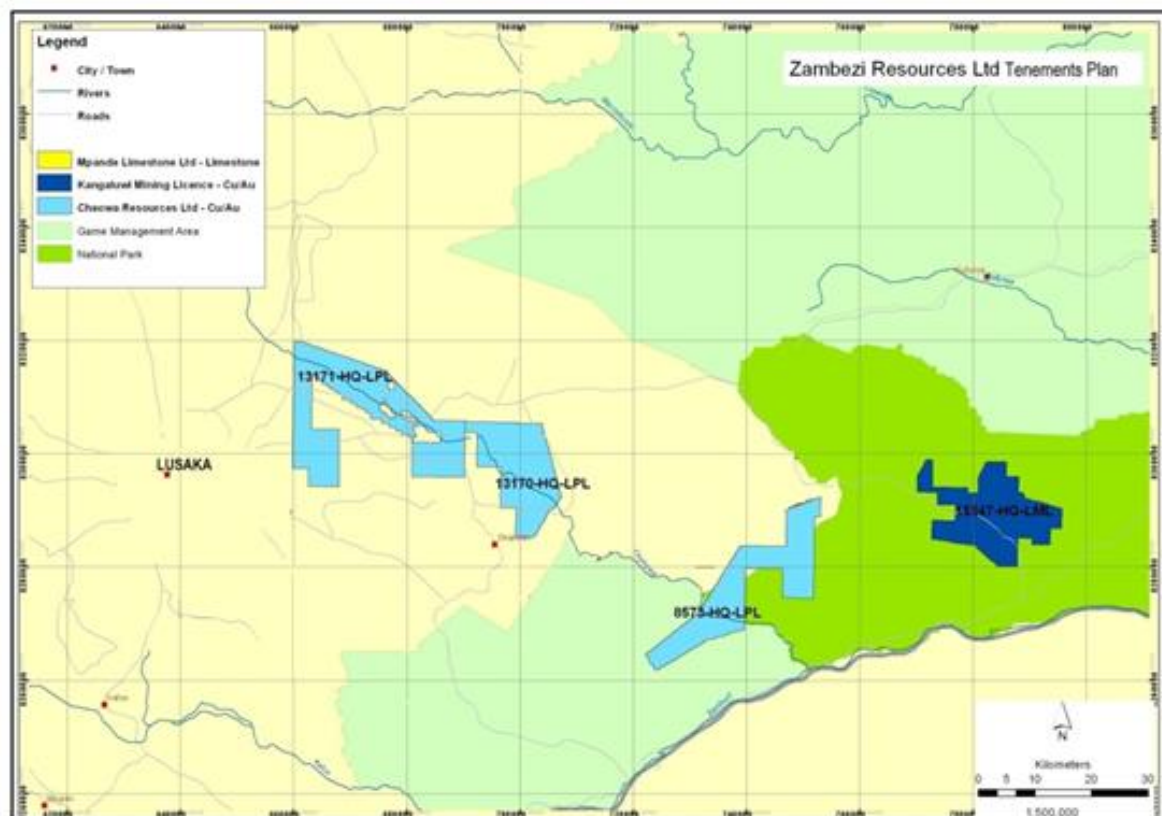
### 3.1 Mwembeshi Resources (a wholly owned Subsidiary of Zambezi Resources Limited)

- ⊗ Large Scale Mining Licence – Kangaluwi 15547-HQ-LML for a period of 25 years.

### 3.2 Cheowa Resources (Incorporated Joint Venture – Zambezi 49% and Glencore 51%)

There are three licences held under Cheowa Resources:

- ⊗ Chalimbana 13170-HQ-LPL
- ⊗ Chayinda 13171-HQ-LPL
- ⊗ Cheowa 8573-HQ-LPL



*Figure 2: Tenement Map*

## 4.0 Competent Persons Statement

*The information in this report relating to Mineral Resources was compiled by Mr Dean Carville who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Carville is a full-time employee of AMC Consultants Pty Ltd and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2012 Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 Edition. Mr Carville consents to the inclusion of this information in the form and context in which it appears.*

*The information in this announcement that relates to Exploration Results is based on information compiled by Robert McPherson, Consultant – Geology, Zambia. Robert McPherson is contracted as a Geologist for Zambezi Resources and is also a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2012 Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 Edition. Robert McPherson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

**Zambezi Resources Limited**  
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## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

ZAMBEZI RESOURCES LIMITED

ARBN

124 462 826 (Foreign Company)

Quarter ended ("current quarter")

30 JUNE 2016

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) admin/corporate	(41) - - (69)	(895) - - (774)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (VAT & GST Refunds)	-	-
<b>Net Operating Cash Flows</b>	<b>(110)</b>	<b>(1669)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - -	1114 - -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>1114</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(110)</b>	<b>(555)</b>

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(110)	(555)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	132
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	100	300
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	147
	<b>Net financing cash flows</b>	<b>100</b>	<b>579</b>
	<b>Net increase (decrease) in cash held</b>	<b>(10)</b>	<b>24</b>
1.20	Cash at beginning of quarter/year to date	186	152
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>176</b>	<b>176</b>

### Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

N/A

### Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	-
4.3 Production	-
4.4 Administration	50
<b>Total</b>	<b>100</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	176	186
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>176</b>	<b>186</b>

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+ See chapter 19 for defined terms.



## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

#### Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	N/A		
6.2	Interests in mining tenements and petroleum tenements acquired or increased	N/A		

#### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b> (description)			
7.2		Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions		
7.3	<b>+Ordinary securities</b>	41,290,103	41,290,103	
7.4		Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs		
7.5	<b>+Convertible debt securities</b> (description)			

+ See chapter 19 for defined terms.

**Appendix 5B**

**Mining exploration entity and oil and gas exploration entity quarterly report**

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		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> <i>(description and conversion factor)</i>			<b><i>Exercise Price</i></b>	<b><i>Expiry Date</i></b>
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	<b>Debentures</b> <i>(totals only)</i>	-	-		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	-	-		

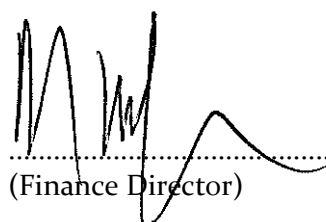
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## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:



(Finance Director)

..... Date: 8 July 2016

Print name: Marinko Vidovich

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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