

## ZAMBEZI RESOURCES LIMITED SIGNS BINDING TERM SHEET TO BECOME DEBT FREE

Zambezi Resources Limited ("**ZRL**" or "**Company**") is pleased to announce that it has signed a binding Term Sheet with major shareholder Auctus Resources Fund ("**ARF**") which will result in the Company becoming debt free. The Company is currently indebted to ARF in the aggregate sum of A\$9M comprising the current outstanding balance of A\$6.64M pursuant to a Convertible Note Deed dated 13 September 2011 ("**Convertible Note**") and A\$2.36M pursuant to a Facility Agreement dated 20 August 2012, as amended from time to time ("**Facility Agreement**").

The key terms of the Term Sheet are as follows:

- ⊗ 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 70% following completion of the Capital Raising ("**Facility Agreement Repayment**").

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

The debt restructuring pursuant to the Term Sheet will secure the Company a sustainable future while it awaits the outcome of the Judge's decision on the injunction placed over the KCP and greatly improves its potential to generate value for shareholders. Its interest obligations alone of A\$700,000 per annum will be eliminated.

Being debt-free, the Company will be better positioned to pursue new opportunities.

Zambezi's Chairman David Vilensky said:

*"We are extremely pleased to enter this Term Sheet with ARF who have been a supportive cornerstone shareholder of the Company for many years. The Term Sheet enables the Company to finally become debt free with an improved balance sheet and well positioned to evaluate new and existing project opportunities going forward."*

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**Zambezi Resources Limited**

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