

*ASX Announcement*  
*29 April, 2014*

# March 2014 Quarterly Operations Report & Appendix 5B

## 1.0 Operations Review

### 1.1 Kangaluwi Copper Project

#### 1.1.1 Court Case

Zambezi Resources Ltd (ASX: ZRL) (“**Zambezi**” or “**the Company**”) confirms that on 6 February 2014, the Lusaka High Court in Zambia granted an order, on an ex parte basis, for a stay of execution of the Zambian Minister of Lands, Natural Resources and Environmental Protection decision to overturn the Zambia Environmental Management Agency's (ZEMA) rejection of its Environmental Impact Study (“**EIS**”) for its 100% owned Kangaluwi Copper Project in Zambia (refer ASX announcement dated 20 January 2014).

In the proceedings commenced the Zambian Government is the first respondent, with Mwembeshi Resources Limited (MRL), a wholly owned subsidiary of Zambezi, the second respondent.

The stay of execution was granted pending the outcome of an appeal against the Minister's decision that was lodged by an applicant group representing various organisations associated with the conservation movement in Zambia.

Following the grant of the stay of execution, and pending the outcome of the court proceedings now on foot, Zambezi is temporarily unable to act on the approvals it has received from ZEMA (refer ASX announcement dated 5 February 2014) to proceed with the development of its Kangaluwi Copper Project, located in the Lower Zambezi National Park in Zambia.

At a court hearing listed on 18 February 2014, The Zambian Government and the Company were given the opportunity to present their case.

On 18 February 2014, the Lusaka High Court in Zambia adjourned an *inter parte* appeal hearing until 5 March 2014.

On 5 March 2014, the Lusaka High Court in Zambia concluded the *inter party* appeal hearing in respect of the Company's 100% owned Kangaluwi Copper Project in Zambia.

The Judge reserved his decision in the case and indicated he will hand it down as soon as possible after 14 March 2014. The two key legal issues on which the Judge indicated he would rule upon were the stay of execution and the irregularity of the appeal.

At the latest hearing the appellants sought a further adjournment, which was declined by the Judge, who did however allow any party to file further material by 14 March 2014.

Accordingly, the stay of execution remained in place until the decision was handed down.

As announced on Monday, 7 April 2014, the Company advises that the Lusaka High Court in Zambia has allowed an application by representatives of environmental groups to amend legal proceedings in respect of the Company's 100% owned Kangaluwi Copper Project in Zambia.

Following technical arguments, the Judge allowed the appellants to retrospectively amend their original notice of appeal, which was irregular with respect to certain matters including the identity and standing of some appellants.

The Company is now awaiting a date for the hearing of the appeal itself where the substantial issues submitted by both parties will be determined.

Pending determination of that hearing, the Judge extended a stay of execution that temporarily prevents Mwembeshi Resources Limited (MRL), a subsidiary of Zambezi, from commencing operations on the site in accordance with its mining licence, issued by the *Ministry of Mines Energy and Water Development* in 2011. Both the Company and the *Zambian Government* had sought that the stay of execution be discharged but the Judge preferred to preserve the *status quo* pending the hearing of the appeal.

### 1.1.2 Project Background



**Figure 1: Kangaluwi Project Location Map**

### About the Kanguwi Copper Project:

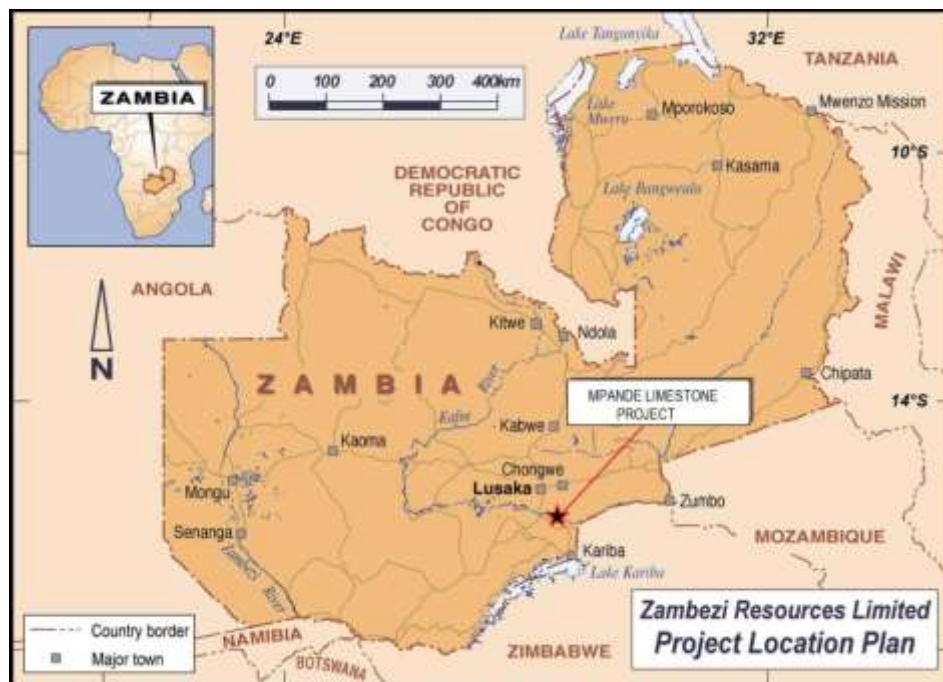
Zambezi Resources Limited (“the Company”) is an ASX listed Copper Exploration and Development Company focused on its 100% owned Kanguwi Copper Project, 180 km east of Lusaka, Zambia. The project is covered by a 245 km<sup>2</sup> Mining Licence (ML 15547), issued on 16 March 2011 and valid for 25 years.

The project covers the copper deposits of Kanguwi, 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: Kanguwi 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>

## 1.2 Mpande Limestone Project



**Figure 2: Mpande Limestone Project Location Map**

### 1.2.1 Mpande Limestone Project Background

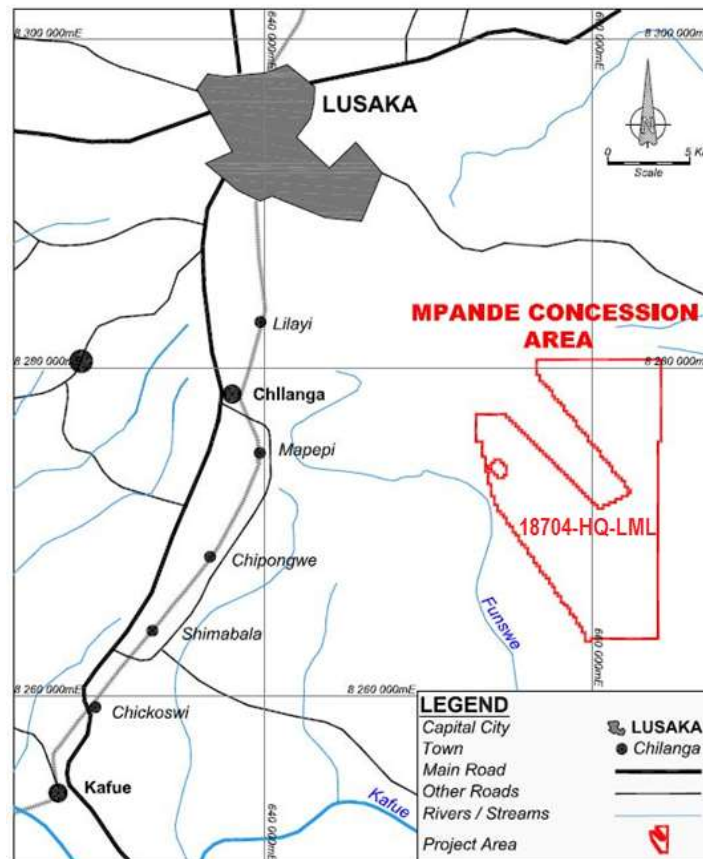
Mpande Limestone Limited (“MLL”), a wholly owned subsidiary of MRL (100% owned by ZRL) is a Zambian registered company that was formed in June 2008.

MLL has a 50% interest in the Limestone Joint Venture with Limestone Ventures Pty Ltd.

The Joint Venture proposes to construct and operate a cement and quick / hydrated lime facility within its 143.5 km<sup>2</sup> licence area 13173-HQ-LPL, in Kafue District, Lusaka Province of Zambia.

Drilling results from the Mpande Limestone Project confirms a large limestone deposit of high quality material and suitable for cement production.

On 15 February 2013, MLL applied for a Large Scale Mining Licence. On approval of the EIS, the Mines Development Department will consider the grant of the Mining Licence.



**Figure 3: Mpande Concession Area**

The Company finalised the Environmental Impact Study (“EIS”) and the Resettlement Action Plan (“RAP”).

The implementation of a limestone mining operation and with a view to ensuring safety, some households will be affected and therefore there is the need to relocate the affected persons.

The RAP is to ensure that the socio-economic impacts of the affected persons are identified and mitigated before and during the relocation program.

All affected people have agreed to proceed with the project and approval was obtained by the Royal Council.

With the approval of the RAP, the draft EIS was lodged on 25 October 2013 with ZEMA for comments.

## 1.2.2 Environmental Impact Study

On 18 November 2013, the Zambia Environmental Management Agency (ZEMA) after reviewing the draft EIS observed that the Company had adequately addressed all environmental concerns and advised the Company that they had no objection with the Company proceeding to submit the final EIS.

On 27 November 2013, the Company submitted the final Environmental and Social Impact Study Report for the “Cement & Lime Project”.

On 17 December 2013, ZEMA advertised in the Zambia newspapers a notice to inform members of the general public that an EIS had been received and would accept comments until 20 January 2014.

Following a positive response from the public on the EIS, ZEMA, in order to conclude the legal process of the EIS, required a public hearing to be held on 14 March 2014. The scheduled meeting was held with all stakeholders but the Independent Consultant appointed by ZEMA to moderate the meeting did not arrive. ZEMA postponed the meeting until 22 April 2014.

On 22 April 2014 a successful meeting was held with all stakeholders approving the project.

During the next quarter the Company expects the EIS to be approved and the Mining Licence title to be granted.

## 2.0 Corporate

### 2.1 Rights Issue

The Company completed the non-renounceable rights issue (“Rights Issue”) on the basis of one (1) fully paid ordinary share for every three (3) fully paid ordinary shares as announced on 30 January 2014.




The non renounceable Rights Issue closed on Friday, 28 March, 2014 and raised \$372,841.

Existing shareholders applied for approximately 2,485,608 shares of the shares on offer. The shortfall consists of 5,661,622 shares and the directors have reserved the right to place the shortfall to any parties selected by the directors, subject to the Corporations Act and the Listing Rules.

## 3.0 Tenements

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

There are three licences held by Mwembeshi Resources Ltd, as follows:

-  Large Scale Mining Licence – Kangaluwi - 15547-HQ-LML for a period of 25 years.
-  Kamona 13148-HQ-LPL
-  Rufunsa 13149-HQ-LPL



### 3.2 Mpande Limestone (50% ZRL and 50% Limestone Ventures Pty Ltd)

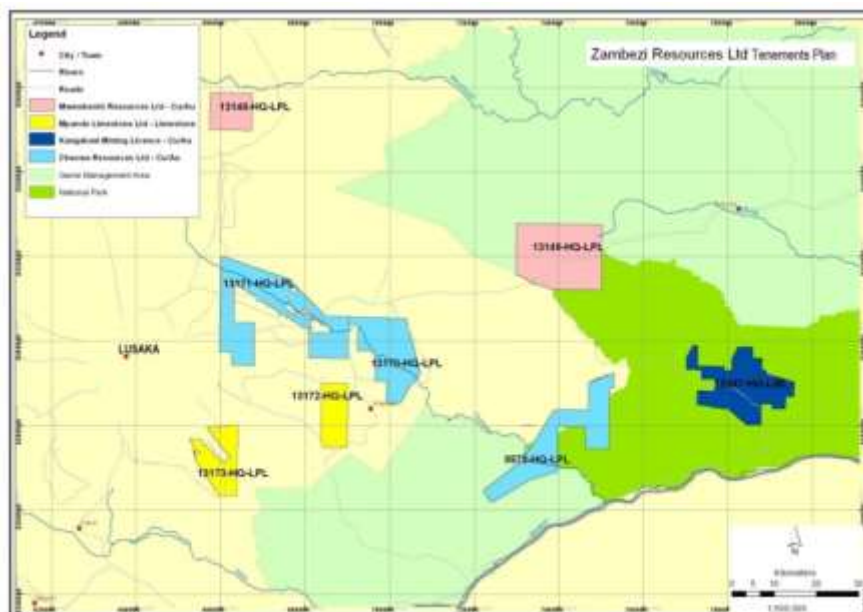
There are two prospecting licences under Mpande Limestone which are currently awaiting confirmation of conversion to a Large Scale Mining Licence (submitted 15 February 2013):

- ④ Mpande A 13172-HQ-LPL
- ④ Mpande B 13173-HQ-LPL

### 3.3 Cheowa Resources (Zambezi 49% and Glencore 51%)

There are three licences held under Cheowa Resources:

- ④ Chalimbana 13170-HQ-LPL
- ④ Chayinda 13171-HQ-LPL
- ④ Cheowa 8573-HQ-LPL

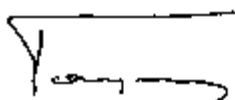


**Figure 4: Tenement Map**

### 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, Country Manager – Geology, Zambia. Robert McPherson is employed 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**  
Frank Vanspeybroeck  
Managing Director  
Tel: +61 8 6555 1879

## 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

Quarter ended ("current quarter")

31 MARCH 2014

#### 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	(241)	(1,342)
(b) development	-	-
(c) production	-	-
(d) administration	(130)	(747)
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)	12	75
<b>Net Operating Cash Flows</b>	<b>(359)</b>	<b>(2,014)</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		
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>-</b>
1.13 Total operating and investing cash flows (carried forward)	(359)	(2,014)

+ 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)	(359)	(2,014)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	372	372
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	1,400
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	145	411
	<b>Net financing cash flows</b>	<b>517</b>	<b>2,183</b>
	<b>Net increase (decrease) in cash held</b>	<b>158</b>	<b>169</b>
1.20	Cash at beginning of quarter/year to date	322	316
1.21	Exchange rate adjustments to item 1.20	8	3
1.22	<b>Cash at end of quarter</b>	<b>488</b>	<b>488</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	66
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
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- 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
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+ 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	6,900	6,900
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	-
4.3 Production	-
4.4 Administration	150
<b>Total</b>	<b>350</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	478	322
5.2 Deposits at call	10	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>488</b>	<b>322</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>	26,924,246	26,924,246	
7.4	Changes during quarter  (a) Increases through issues  (b) Decreases through returns of capital, buy-backs	2,485,608	2,485,608	\$0.15 cents  \$372,841
7.5	<b>+Convertible debt securities</b> (description)			

+ See chapter 19 for defined terms.

**Appendix 5B**

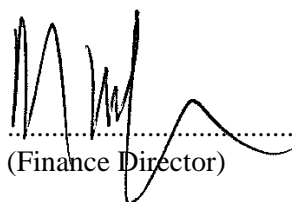
**Mining exploration entity and oil and gas exploration entity quarterly report**

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
		20,000	-	AUD\$4.00	11.01.14
		20,000	-	AUD\$5.00	11.01.14
		25,000	-	AUD\$1.00	30.06.14
		300,000	-	AUD\$0.44	17.10.15
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	(20,000)	-	AUD\$0.04	11.01.14
		(20,000)	-	AUD\$0.05	11.01.14
7.11	<b>Debentures</b> (totals only)	-	-		
7.12	<b>Unsecured notes</b> (totals only)	-	-		

## 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: 29.04.2014

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.

+ See chapter 19 for defined terms.

## Appendix 5B

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

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- 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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