

ASX Announcement

5 June 2014

Debt Restructuring Term Sheet

Zambezi Resources Ltd (ASX: ZRL) ("**Zambezi**" or "**the Company**") advises that it has entered into a binding term sheet ("**Term Sheet**") with its major shareholder, Auctus Resources Fund ("**ARF**").

Pursuant to the Term Sheet ARF has agreed:

1. To increase its commitment under the existing Facility Agreement between ARF, the Company and others dated 20 August 2012 by A\$500,000 taking the aggregate principal outstanding to A\$2.4m ("**Amended Facility Agreement**").

Drawdown under the Amended Facility Agreement will be subject to ZRL and/or its Directors raising an additional A\$300,000 in fresh capital and completion of formal documentation;

2. To extend the termination date of the Amended Facility Agreement to 31 December 2015;
3. To extend the repayment date of Tranche A of the convertible note deed dated 13 September 2011 ("**Convertible Note Deed**") from 1 July 2014 to 31 December 2015; and
4. To suspend the interest charged under the Amended Facility Agreement and the Convertible Note Deed for a period of 12 months commencing on 1 July 2014 ("**Suspension Period**"). Interest will resume should ZRL receive a cash inflow of at least A\$5m within the Suspension Period.

Zambezi Resources Chairman, Mr David Vilensky welcomed the agreement and said that the Term Sheet will allow the Company the best opportunity to complete the process of adding value and commercialising its existing projects for the benefit of its shareholders.

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