



22 May 2015

Elizabeth Harris
Adviser, Listings (Perth)
ASX Limited

Via electronic lodgement

Dear Elizabeth

Zambezi Resources Limited
Notice under section 708AA(2)(f) of the Corporations Act

This notice is given by Zambezi Resources Limited ARBN 124 462 826 (ASX: ZRL) (**Zambezi**) under section 708AA(2)(f) of the *Corporations Act 2001* (Cth) (**Act**) as modified by Australian Securities and Investments Commission Class Order [CO 08/35] (**CO 08/35**).

Zambezi announced today a proposed capital raising of approximately \$506,533 (before expenses) by way of a pro rata non-renounceable entitlement offer (**Rights Issue**) of one (1) ordinary Zambezi share (**New Shares**) for every three (3) ordinary Zambezi shares held at 5.00 pm WST time on 28 May 2015 by shareholders with a registered address in Australia or New Zealand (**Eligible Shareholders**), at an issue price of \$0.04 per New Share.

In addition to being able to apply for New Shares under the Rights Issue, Eligible Shareholders who take up their full entitlement will also be able to apply for New shares that are not subscribed for under the Rights Issue (**Additional Shares**). Under this shortfall facility Additional Shares will be issued to Eligible Shareholders at the discretion of the directors of Zambezi.

Zambezi advises that:

- (a) the New Shares will be offered for issue without disclosure under Part 6D.2 of the Act;
- (b) this notice is being given under section 708AA(2)(f) of the Act as modified by ASIC;
- (c) as a disclosing entity, Zambezi is subject to regular reporting and disclosure obligations;
- (d) as at the date of this notice, Zambezi has complied with:
 - (1) the provisions of Chapter 2M of the Act as they apply to Zambezi; and
 - (2) section 674 of the Act;

- (e) as at the date of this notice, there is no excluded information of the type referred to in sections 708AA(8) and 708AA(9) of the Act as notionally modified by ASIC that is required to be set out in this notice; and
- (f) the potential effect the issue of New Shares under the Rights Issue will have on the control of Zambezi, and the consequences of that effect will depend on a number of factors, including investor demand, existing shareholdings and the placement of any shortfall.

Zambezi's major shareholder, RBC Investor Services Australia Nominees Pty Limited, as nominee for Auctus Resources Fund (**ARF**), currently holds 21.98% of Zambezi. The possible outcomes of ARF's shareholding in Zambezi following the Rights Issue are set out in the table below:

	ARF's % interest in Zambezi
Current shareholding	21.98%
Shareholding if the following percentage of the Eligible Shareholders entitlement is taken up and ARF takes up their full entitlement (and no shortfall shares are issued):	
100%	21.98%
75%	23.11%
50%	24.35%
25%	25.75%
0%	27.31%

Zambezi considers that any of the above increases in the voting power of ARF in Zambezi may have a material effect on the control of Zambezi, as ARF would, in these circumstances, be likely to have a greater degree of influence when voting on resolutions to be considered at shareholders meetings. In addition, the voting power of ARF may further increase depending on the number of Additional Shares (if any) ARF may apply for under the Rights Issue. Notwithstanding this, the Board considers that the effect is acceptable in the circumstances, as given the structure of the Rights Issue as a pro rata issue it would only occur where all Eligible Shareholders have had an equitable opportunity to participate in the Rights Issue.

Yours sincerely

Frank Vanspeybroeck
Managing Director
Zambezi Resources Limited