

Debt Funding and Restructuring from Major Shareholder

Zambezi Resources Ltd (ASX: ZRL) ("**Zambezi**" or "**the Company**") is pleased to advise 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 and the Company dated 20 August 2012 by A\$200,000 taking the aggregate principal outstanding to A\$2.8M ("**Amended Facility Agreement**").

Drawdown under the Amended Facility Agreement will be subject to ZRL and/or its Directors raising an additional A\$130,000 in fresh capital in the Rights Issue currently being undertaken by the Company which expires on 17 July 2015.

2. To extend the repayment date of the Amended Facility Agreement from 31 December 2015 to 31 December 2016;
3. To extend the repayment date of Tranche A of the Convertible Note Deed dated 13 September 2011 ("**Convertible Note Deed**") from 31 December 2015 to 31 December 2016; 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 January 2016 and ending on 31 December 2016 ("**Suspension Period**"). Interest will resume should ZRL receive a cash inflow of at least A\$5M within the Suspension Period.

In consideration of ARF entering into the Term Sheet, and subject to implementation of its terms, ZRL will pay ARF a fee of A\$150,000 within 45 days which at the election of ZRL can be paid by the issue of 5 million options to ARF at an exercise price of the lower of A\$0.04 and the lowest price that ZRL raises capital until the expiry date on 31 December 2020.

Zambezi Resources Chairman, Mr David Vilensky welcomed the support from ARF and said that the funding package which included a 12 month extension of its current facilities removed the debt pressure on the Company and was a vote of confidence in the Board and management of the Company by its largest shareholder which will give the Company more time to deliver on its objectives including its 100% owned Kangaluwi Copper Project.

– ENDS –

David Vilensky
Chairman
Zambezi Resources
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