

# June 2015 Quarterly Operations Report

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## 1.0 Operations Review

### 1.1 Kangaluwi Copper Project

#### 1.1.1 Court Case

As announced on the Australian Stock Exchange on 29 April 2015 the decision expected on 28 April 2015 has been delayed. The explanation for the delay was that the Appeal Judge had not yet completed his written judgement on the appeal. There is nothing further any of the parties to the appeal can do other than await the decision of the Appeal Judge. The Company is confident that it will achieve the result it has vigorously defended and once the injunction has been removed and the appeal dismissed then the Company will continue with its exploration and development of the Kangaluwi Copper Project.

#### *Court Case Background*

The appeal hearing in the High Court of Lusaka referred to above is the appeal lodged by certain Zambian conservation groups against a decision of the Minister of Lands, Natural Resources and Environmental Protection on 17 January 2014 to allow the Company to develop its 100% owned Kangaluwi Copper Project in the Lower Zambezi National Park in Zambia. In the appeal the Zambian Government is the first respondent and Mwembeshi Resources Ltd, a wholly owned subsidiary of Zambezi, is the second respondent.

The decision of the Minister effectively allowed the Company to proceed with the developments of its 100% owned Kangaluwi Copper Project located in the Lower Zambezi National Park in Zambia.

On 6 February 2014 at the request of the Appellants, the Lusaka High Court granted an order, on an ex parte basis, for a stay of execution of the decision of the Minister to allow Zambezi to develop its Kangaluwi Copper Project.

The stay of execution remains in place pending the outcome of the appeal against the Minister’s decision.

### 1.1.2 Project Background

#### *About the Kangaluwi Copper Project:*

Zambezi Resources Limited (“the Company”) is an ASX listed Copper Exploration and Development Company focused on its 100% owned Kangaluwi 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 Kangaluwi, 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: Kangaluwi 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>



***Figure 1: Kangaluwi Project Location Map***

## 1.2 Mpande Limestone Project (Joint Venture)

### 1.2.1 Potential Sale of Mpande Limestone Limited

Zambezi Resources Limited had announced on 1 May 2015 that it had entered into a binding Memorandum of Understanding (“**MOU**”) with African Brothers Corporation Limited (“**ABC**”), a Chinese construction company based in Zambia for the sale of Mpande Limestone Limited, a Zambian company which is a wholly owned subsidiary of ZRL that owns the cement limestone project (“**Mpande Project**”) which is in a 50/50 joint venture with Limestone Ventures Pty Ltd.

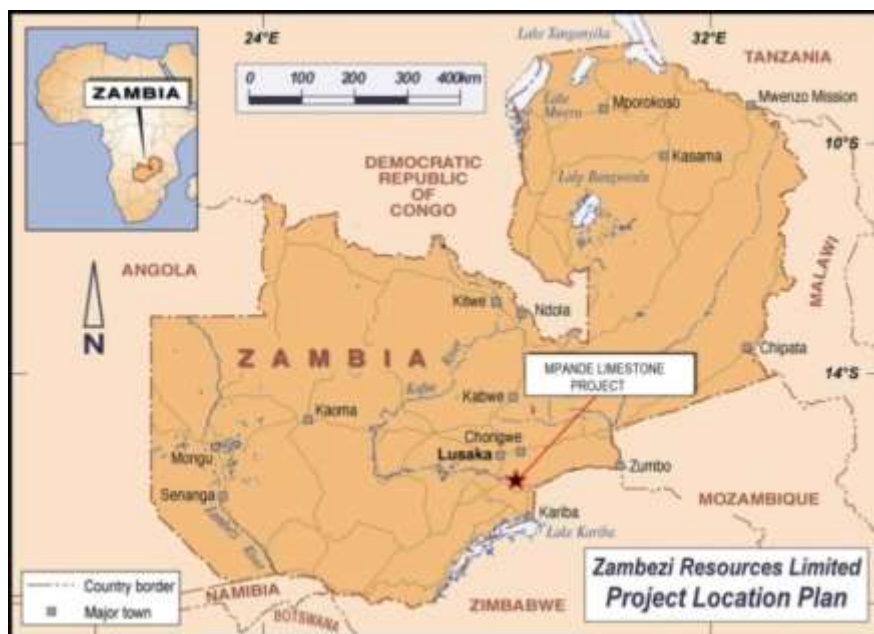
The essential features of the MOU are as follows:

1. It provides ABC an exclusive due diligence period of 9 months to decide whether or not to acquire the Mpande Project by way of 100% acquisition of the shares in Mpande Limestone Limited (“**MLL**”).
2. A condition precedent of the MOU is that ABC pays ZRL a sum of US\$100,000 towards the purchase price which has been paid.
3. In the event that ABC decides not to proceed to acquire the Mpande Project at the conclusion of the 9 month due diligence period, ZRL is not required to refund the deposit but is instead obliged to transfer to ABC shares in ZRL to the value of US\$100,000.
4. In the event that ABC decides to proceed to acquire the Mpande Project, it must immediately inform ZRL and within 30 days of the conclusion of the 9 month due diligence period a Share Purchase Agreement (“**SPA**”) must be executed for a purchase price of US\$4,000,000. Of this latter sum, US\$1,000,000 will be paid within 30 days of the signing of the SPA and a further US\$1,000,000 will be paid within 30 days of the first payment. The final payment of US\$1,900,000 (being US\$2,000,000 less the US\$100,000 deposit) will be paid within 12 months from the date of execution of the SPA.
5. In the event that ABC decide not to proceed all of the information produced during the due diligence period, including drilling and assay reports, will be delivered to ZRL as its own property.

The Board of ZRL believe that they have negotiated a fair price for the Mpande Project in a difficult and challenging financial and resources market which allows the Company to focus on its major core asset being its 100% owned Kangaluwi Copper Project, and enable it to repay some debt.

ABC is a reputable and well established company that has been operating in Zambia for more than 20 years and has a strong vision to establish a cement factory within the Mpande Project tenement area.

### 1.2.1 Mpande Limestone Project Background



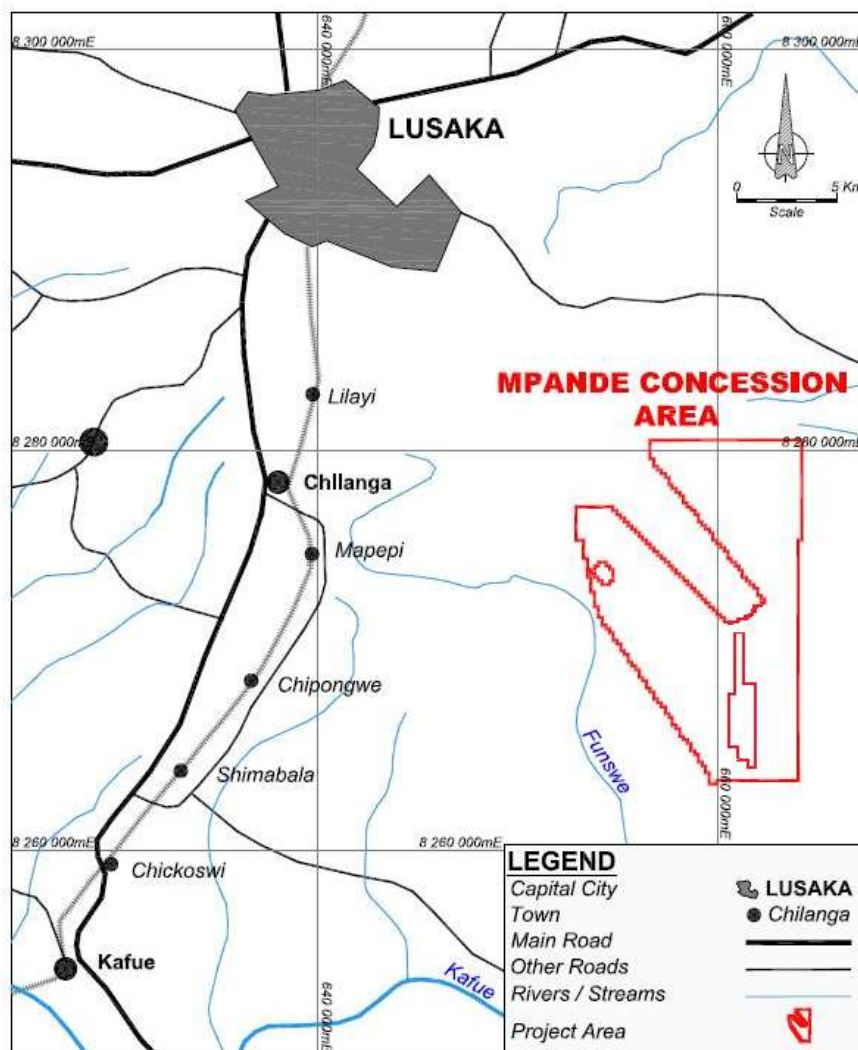
*Figure 2: Mpande Limestone Project Location Map*

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 Farm-in and Exploration Joint Venture with Limestone Ventures Pty Ltd.

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

The EIS was approved on the 20<sup>th</sup> June 2014 by ZEMA. The Large Scale Mining Licence number 18703-HQ-LML was approved on the 1<sup>st</sup> August 2014 by the Minister of Mines, Energy and Water Development for a period of 25 years.



**Figure 3: Mpande Concession Area**

## 2.0 Corporate

### 2.1 Rights Issue

Zambezi Resources Limited has on the 22nd May, 2015 undertaken a pro-rata non-renounceable Rights Issue (“**Rights Issue**”) to eligible shareholders on the basis of one (1) new Zambezi ordinary share for every three (3) Zambezi ordinary shares held as at 5:00 pm (WST) on 28 May 2015, at an offer price of \$0.04 per New Share. The Rights Issue will seek to raise up to approximately \$506,000 (before costs).

The Rights Issue is not underwritten and the directors reserve the right to issue the shortfall at their absolute discretion.

The funds raised will be applied for working capital purposes and towards the ongoing funding of the Company's legal challenge of successfully dismissing the appeal and removing the stay of execution that is currently preventing the Company from developing its 100% owned Kangaluwi Copper Project. The need for additional funds has come about largely as a result of the delay in the handing down of the appeal decision.

## 2.2 Capital/Debt Funding

On 22 June 2015, the Company executed a binding Term Sheet with its major shareholder Auctus Resources Fund ("ARF"). Pursuant to the Term Sheet ARF has agreed:-


- ④ to increase its commitment under the existing Facility Agreement between ARF, the Company and others dated 20 August 2012 by AUD\$200,000 taking the aggregate principal outstanding to AUD\$2.8 million ("Amended Facility Agreement"). Drawdown under the Amended Facility Agreement will be subject to ZRL and/or its Directors raising an additional AUD\$130,000 in fresh capital from the June 2015 Rights Issue;
- ④ to extend the termination date of the Amended Facility Agreement to 31 December 2016;
- ④ 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 31 December 2015 ("Suspension Period"). Interest will resume should ZRL receive a cash inflow of at least AUD\$5 million within the Suspension Period.

## 2.3 Overhead Costs


The Company has been continually cutting overhead costs to achieve maximum efficiency from all resources available. Zambezi Resources (Australia) Pty Ltd is no longer in operation by eliminating high end cost associated with city rentals and large management support team, as a result Zambezi Australia is a dormant company whereby all administration and operational management is now being undertaken at our Lusaka office in Zambia.

## 3.0 Tenements

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




-  Large Scale Mining Licence – Kangaluwi 15547-HQ-LML for a period of 25 years.

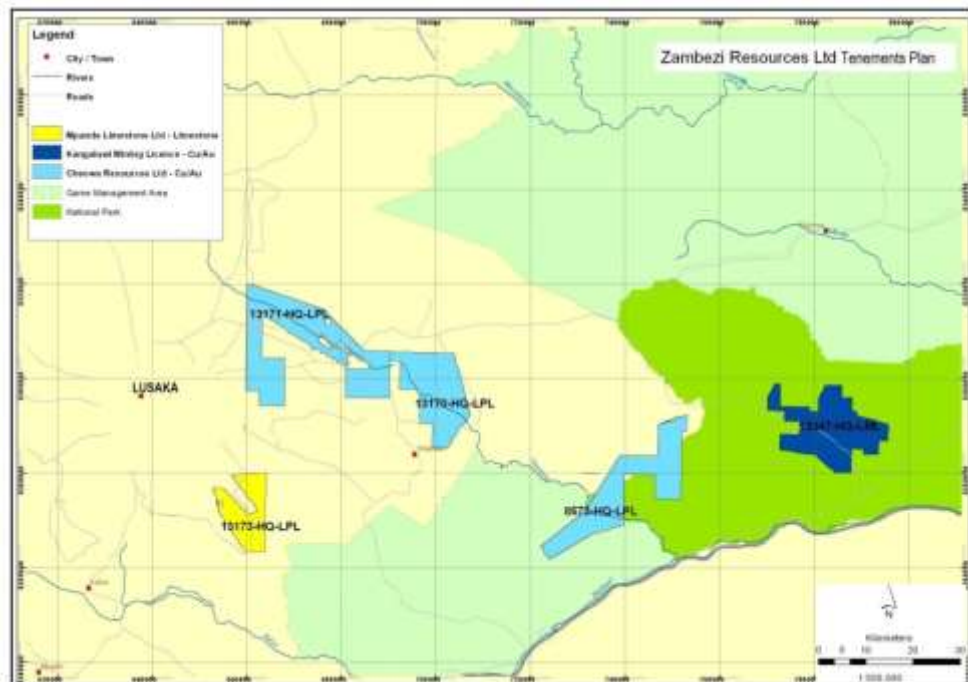
### 3.2 Mpande Limestone (a wholly owned Subsidiary of Zambezi Resources Limited)

-  Large Scale Mining Licence – Mpande 18703-HQ-LML for a period of 25 years

### 3.3 Cheowa Resources (Incorporated Joint Venture – Zambezi 49% and Glencore 51%)

There are three licences held under Cheowa Resources:

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

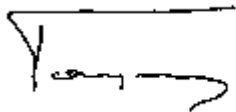


**Figure 4: Tenement Map**

## 4.0 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, Consultant – Geology, Zambia. Robert McPherson is contracted 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")

30 JUNE 2015

#### 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 (b) development (c) production (d) administration	(76) - - (94)	(76) - - (94)
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)	-	-
<b>Net Operating Cash Flows</b>	<b>(170)</b>	<b>(170)</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	*128 - -	128 - -
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>128</b>	<b>128</b>
1.13 Total operating and investing cash flows (carried forward)	(42)	(42)

\*Relates to US\$100k for deposit on sale of Limestone Project

+ 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)	(42)	(42)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	49	49
	<b>Net financing cash flows</b>	<b>49</b>	<b>49</b>
	<b>Net increase (decrease) in cash held</b>	<b>7</b>	<b>7</b>
1.20	Cash at beginning of quarter/year to date	152	152
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>159</b>	<b>159</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	-
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

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

+ 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	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	-
4.3 Production	-
4.4 Administration	50
<b>Total</b>	<b>100</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	159	152
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>159</b>	<b>152</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>			
	<i>(description)</i>			
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	37,989,993	37,989,993	
7.4	Changes during quarter			
	(a) Increases through issues	888,334	888,334	
	(b) Decreases through returns of capital, buy-backs			
7.5	<b>+Convertible debt securities</b>			
	<i>(description)</i>			

+ See chapter 19 for defined terms.

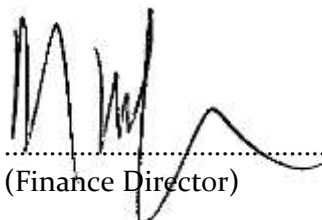
**Appendix 5B**

**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> <i>(description and conversion factor)</i>	300,000	-	<i>Exercise price</i> AUD\$0.44	<i>Expiry date</i> 17.10.15
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	<b>Debentures</b> <i>(totals only)</i>	-	-		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	-	-		

## 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:  ..... Date: 0307.15  
(Finance Director)

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.

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+ 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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