



ZAMBEZI
RESOURCES

CONSOLIDATED FINANCIAL REPORT
for the half year ended 30 September 2015

Zambezi Resources Limited
and Subsidiaries
ARBN 124 462 826

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Corporate Directory

DIRECTORS

David Vilensky	Non-Executive Chairman
Frank Vanspeybroeck	Managing Director
Marinko Vidovich	Executive Director/CFO

SECRETARY

Appleby Services (Bermuda) Ltd

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
BERMUDA

AUDITORS

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WEST PERTH WA 6005
Australia

AUSTRALIAN SOLICITORS

Lawton Gillon
Level 11
16 St George's Terrace
PERTH WA 6000 Australia

ZAMBIAN SOLICITORS

Corpus Legal Practitioners
The Globe Building
2386 Longolongo Road
Lusaka
ZAMBIA

REGISTRAR

Computershare Investor Services Pty Ltd
Level 11
172 St Georges Terrace
PERTH WA 6000

ZAMBEZI RESOURCES OFFICES

Zambezi Resources Limited

Canon's Court
22 Victoria Street
Hamilton HM 12
BERMUDA

Mwembeshi Resources Ltd

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Beu Crescent Road
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WEBSITE

www.zambeziresources.com

Directors' & Operations Report

The Directors present the Directors & Operations Report for Zambezi Resources Limited (“**Zambezi**” or the “**Company**”) for the half year ended 30 September 2015.

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

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 km² 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
Total	46	0.67

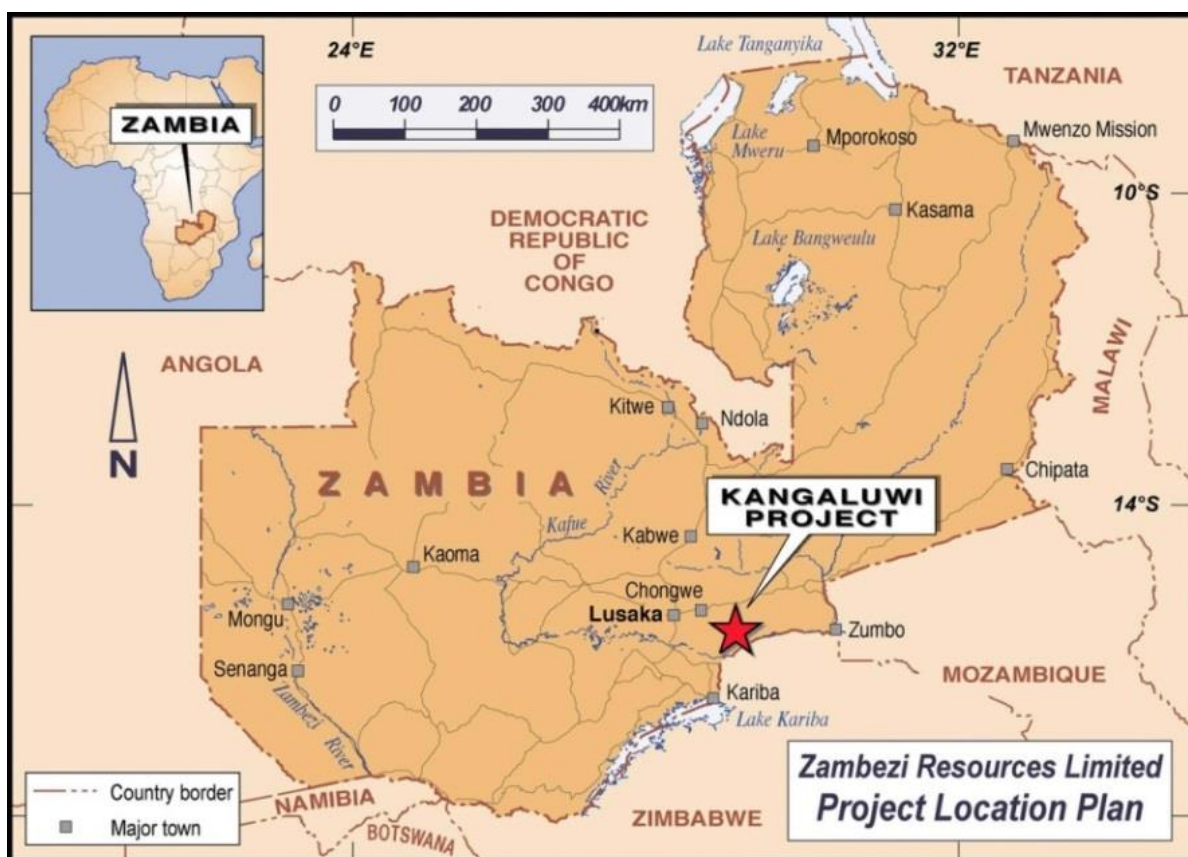


Figure 1: Kangaluwi Project Location Map

1.2 Mpande Limestone Limited

1.2.1 Sale of Mpande Limestone Limited

Zambezi Resources Limited had announced on the 4th December that it has successfully completed the sale of Mpande Limestone Limited, a wholly owned subsidiary of Zambezi which owns a cement limestone project in Zambia (“**Mpande Project**”) in a 50/50 Joint Venture with Limestone Ventures Pt Ltd.

The Share Sale Agreement was executed on the 26th October 2015 between Zambezi and African Brother Corporation Limited (“**ABC**”), a Chinese construction company based in Zambia. The share purchase consideration is US\$2,780,000 and ABC must also repay Mpande’s loan to Zambezi of US\$670,000 totalling gross proceeds of US\$3.45M (A\$4.78M).

The Board of Zambezi 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.

2.0 CORPORATE

2.1 Rights Issue

Zambezi Resources Limited (ZRL) completed an allotment and issue of 3,300,110 ordinary shares on Friday, 14 August 2015 as part of the Rights Issue which closed on 7 August 2015 raising \$132,004 (before costs) from existing shareholders under the Rights Issue.

The funds raised have been 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.

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) – Disposed of on the 4th December 2015

Ⓢ 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

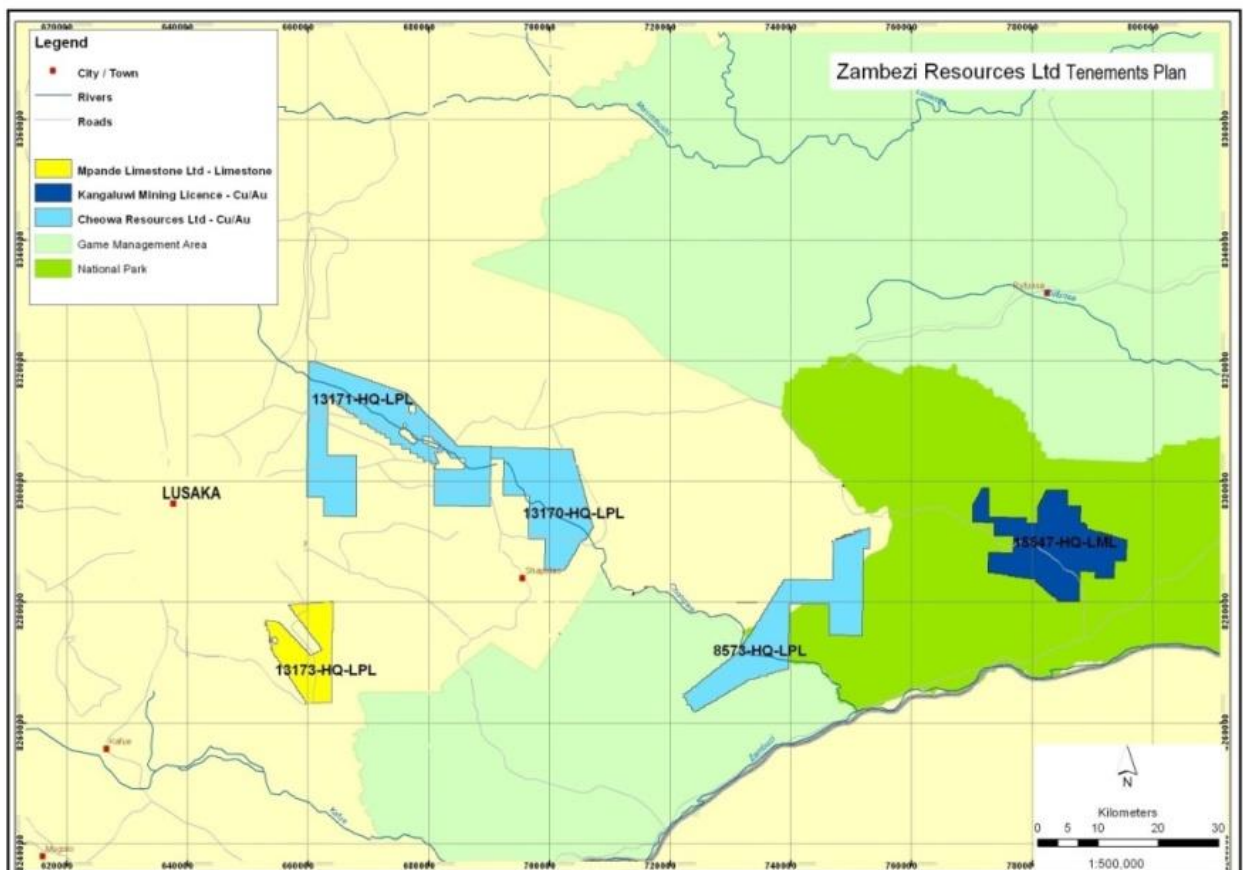


Figure 2: Tenement Map

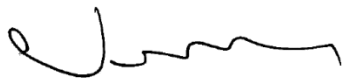
4.0 Post Balance Sheet Events

Further to Note 1.2 above on the sale of Mpande Limestone Limited on the 4th December 2015, from Zambezi's 50% share of the net proceeds of sale, the Company has retained A\$1M towards immediate working capital needs with A\$845,000 being applied towards the reduction of debt to Auctus Resources Fund. The balance was paid to our 50% JV partner Limestone Ventures Pty Ltd being their share of the net proceeds of sale.

5.0 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.



David Vilensky
Non-Executive Chairman

Independent Auditors Review Report



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Independent Auditor's Review Report

To the Members of Zambezi Resources Limited

We have reviewed the accompanying half-year financial report of Zambezi Resources Limited, which comprises the condensed consolidated statement of financial position as at 30 September 2015, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration. The consolidated entity comprises the company Zambezi Resources Limited and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with IAS 134 Interim Financial Reporting and for such internal control as the directors determine is necessary for the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not presented fairly, in all material respects, in accordance with IAS 134 Interim Financial Reporting. As the auditor of Zambezi Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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- ▶ Accountants
- ▶ Auditors
- ▶ Advisors

Independent Auditor's Review Report
To the Members of Zambezi Resources Limited (Continued)



Basis for Qualified Conclusion
Convertible Note

Zambezi Resources Limited has a Convertible Note with a carrying amount of £3,063,503 as at 30 September 2015. The Convertible Note Facility contains various conversion options which have been modified from the original terms and conditions, including those set out in Note 8. On inception the Convertible Note Facility was classified as debt. Zambezi Resources Limited has continued to account for all amounts under the Convertible Note Facility as debt. Accounting Standard AASB 139 *Financial Instruments: Recognition and Measurement* requires re-assessment of the valuation of the fair value of the derivative component of the Convertible Note Facility, if any, at each reporting date and assessment of the convertible note measurement and classification between borrowings, derivative and equity when a modification to the Convertible Note Facility terms is made. Zambezi Resources Limited have not been able to provide an assessment of the impact, if any, of the modifications to the convertible note, nor the fair value of the derivative liability, if any, the fair value of the borrowings and any equity components in respect of the financial half year ended 30 September 2015 which, if material, may be required to be accounted for separately. Accordingly, we have been unable to obtain sufficient appropriate audit evidence in respect of the measurement and classification of Zambezi Resources Limited's Convertible Note Facility as at and for the financial half year ended 30 September 2015. Consequently we were unable to determine whether any adjustments to these amounts and the operating profit were necessary.

Qualified Conclusion

Based on our review, which is not an audit, except for the possible effects of the matter described in the basis for qualified conclusion paragraph nothing has come to our attention that causes us to believe that the half-year financial report of Zambezi Resources Limited does not present fairly, in all material respects the consolidated entity's financial position as at 30 September 2015 and of its financial performance for the half-year ended on that date in accordance with IAS 134 Interim Financial Reporting as described in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity experienced net cash outflows from operating and investing activities of £114,163 during the half year ended 30 September 2015, and as at that date, had a working capital deficiency of £280,559. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BENTLEYS
Chartered Accountants

CHRIS NICOLOFF CA
Director

Dated at Perth this 14th day of December 2015

Financial Report

Your directors submit the financial report of the Group for the half-year ended 30 September 2015.

Directors

The Directors and senior management of the parent entity are shown below together with their holdings of ordinary fully-paid shares of £0.01 par value each, in which they have an interest, and share options:

NAME	FULLY PAID ORDINARY SHARES HELD AS AT 30 SEPTEMBER 2015		UNLISTED OPTIONS AT 30 SEPTEMBER 2014	
	Direct	Indirect	Direct	Indirect
David Vilensky	-	1,753,358	-	-
Frank Vanspeybroeck	-	336,868	-	-
Marinko Vidovich	-	323,543	-	-

Review & Results of Operations

The profit for the half-year ended 30 September 2015, after providing for income tax, amounted to £388,060 (30 September 2014: loss of £787,702).

The principal activity of the economic entity during the half-year was the continued exploration for commercially and economically viable mineral resources in Zambia.

Substantial Shareholders

The share register records the following interests for shares and options for holders with more than 3% of issued share capital as at 30 September 2015.

Shareholder	Shares	Percentage %
RBC Investor Services Australia Nominees Pty Limited <RVGAF2 A/c>	8,351,838	20.23%
LinQ Investors Pty Ltd	2,733,267	6.62%
Dr Leon Eugene Pretorius	1,879,091	4.55%
Woodcross Holdings Pty Ltd	1,324,167	3.21%
McNeil Nominees Pty Limited	1,289,948	3.12%

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2015

	Notes	Half-year Ended 30 September 2015 £	Half-year Ended 30 September 2014 £
Investment Revenue			
Interest revenue		16	296
Total Investment Revenue		16	296
Other Income			
Management fee		37,690	34,626
Gain on bridging facility modification		199,142	-
Net foreign exchange gains		495,281	-
Total Other Income		732,113	34,626
Finance Costs			
Interest expense		(103,909)	(173,504)
Other Expenses			
Auditors' remuneration		(25,881)	(33,909)
Depreciation		-	(32,722)
Lease costs		(280)	(21,019)
Travel		(18,971)	(34,286)
Consultants		(143,470)	(181,694)
Legal		59,990	(50,348)
Directors' fees		(15,030)	(17,445)
Share registry costs		(9,760)	(21,590)
Contract accounting		(5,935)	(10,490)
Communications		(3,844)	(15,050)
Computing		(5,363)	(8,992)
Insurance		-	(8,331)
Printing & stationery		(9,665)	(6,679)
Regulatory & statutory costs		(12,165)	(17,180)
Exploration expenses		(29,204)	(100,698)
Other costs		(12,357)	(14,273)
Total Other Expenses		(231,935)	(574,706)
Total Expenses		(335,844)	(748,210)
Profit/(Loss) before tax		396,285	(713,288)
Income tax expense		-	-
Profit/(Loss) from continuing operations		396,285	(713,288)
Loss from discontinued operation	11	(8,225)	(74,414)
Profit/(Loss) for the Half-Year		388,060	(787,702)
Attributable to:			
Equity holders of the Parent		388,060	(787,702)
Earnings per share:			
Basic and diluted earnings/(loss) per share	4	0.01	(0.03)

Notes to the Financial Statements are included on pages 16 to 24

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2015**

	Half-year Ended 30 September 2015 £	Half-year Ended 30 September 2014 £
Profit/(Loss) for the period	388,060	(787,702)
Other Comprehensive Income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation of foreign operations	(647,766)	(382,639)
Total Comprehensive Loss for the Period		
Attributable to Owners of the Parent	(259,706)	(1,170,341)

Notes to the Financial Statements are included on pages 16 to 24

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015**

	Notes	30 September 2015 £	31 March 2015 £
ASSETS			
Current Assets			
Cash and cash equivalents		101,095	78,511
Trade and other receivables		409	9,677
		101,504	88,188
Assets classified as held for sale	11	6,795	-
Total Current Assets		108,299	88,188
Non-current Assets			
Exploration and evaluation		6,497,477	7,269,008
Total Non-current Assets		6,497,477	7,269,008
Total Assets		6,605,776	7,357,196
LIABILITIES			
Current Liabilities			
Trade and other payables		388,858	422,615
Borrowings		-	4,811,665
Total Current Liabilities		388,858	5,234,280
Non-Current Liabilities			
Borrowings		4,260,774	-
Total Non-Current Liabilities		4,260,774	-
Total Liabilities		4,649,632	5,234,280
NET ASSETS		1,956,144	2,122,916
EQUITY			
Capital and reserves			
Issued capital	9	12,480,397	12,438,513
Reserves		24,035,333	24,632,049
Accumulated losses		(34,559,586)	(34,947,646)
Equity Attributable to Owners of the Parent		1,956,144	2,122,916
TOTAL EQUITY		1,956,144	2,122,916

Notes to the Financial Statements are included on pages 16 to 24

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2015**

	Notes	Half-year Ended 30 September 2015 £	Half-year Ended 30 September 2014 £
Issued Capital			
Opening balance		12,438,513	12,336,739
Issued during the period		41,884	50,000
Closing Balance	9	12,480,397	12,386,739
Share Premium Reserve			
Opening balance		21,517,426	21,132,263
Issued during the period		51,050	254,393
Share issue transaction costs		-	(19,683)
Closing Balance	9	21,568,476	21,366,973
Options & Warrants Reserve			
Opening balance		2,500,551	2,500,551
Closing Balance		2,500,551	2,500,551
Accumulated Losses			
Opening balance		(34,947,646)	(34,610,818)
Profit/(loss) for the period		388,060	(787,702)
Closing Balance		(34,559,586)	(35,398,520)
Foreign Currency Translation Reserve			
Opening balance		614,072	1,683,380
Other comprehensive loss for the period		(647,766)	(382,639)
Closing Balance		(33,694)	1,300,741
TOTAL EQUITY		1,956,144	2,156,484

Notes to the Financial Statements are included on pages 16 to 24

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2015

	Half-year Ended 30 September 2015 £	Half-year Ended 30 September 2014 £
Cash Flows from Operating Activities		
Payments to suppliers and employees	(163,949)	(457,272)
Other income received	30,915	34,626
Net cash used by operating activities	(133,034)	(422,646)
Cash Flows from Investing Activities		
Payments for exploration and evaluation	(46,095)	(253,213)
Deposit received on sale of subsidiary	64,950	-
Interest received	16	296
Interest paid	-	(9)
Net cash generated by/(used by) investing activities	18,871	(252,926)
Cash Flows from Financing Activities		
Proceeds from issue of share capital	61,911	304,393
Payment of share issue transaction costs	-	(19,683)
Proceeds from borrowings	94,516	276,850
Net cash generated by financing activities	156,427	561,560
Net Increase/(Decrease) in Cash and Cash Equivalents	42,264	(114,012)
Cash and cash equivalents at beginning of the period	78,511	269,803
Effects of exchange rate changes on cash and cash equivalents	(19,680)	14,963
Cash and Cash Equivalents at the end of Period	101,095	170,754

Notes to the Financial Statements are included on pages 16 to 24

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2015

1.0 Statement of compliance

The Half Year report is a general purpose financial report prepared in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The Half Year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

Going Concern

The consolidated entity has generated a net profit after tax for the half-year ended 30 September 2015 of £388,060 (30 September 2014: £787,702 loss) and experienced net cash outflows from operating and investing activities of £114,163 (30 September 2014: £675,572). As at 30 September 2015, the consolidated entity had cash assets of £101,095 (31 March 2015: £78,511) and had a working capital deficiency of £280,559 (31 March 2015: £5,146,092). As a result, the consolidated entity is principally dependent upon raising additional funding in order to meet its contractual commitments and working capital requirements.

These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

On 12 June 2015, Actus Resources Fund, ('ARF'), (fund controlled by IMC Resources Holdings Pte Ltd which is Zambezi's major shareholder) signed a binding term sheet which included the extension of the repayment term to 31 December 2016 of the convertible note and bridging facility totaling £4,260,774 as at 30 September 2015.

Interest charged under the Bridging Facility and Convertible Note Facility has been suspended for a period of 12 months commencing on 31 December 2015. Interest charges will resume when the consolidated entity receives a cash inflow of at least A\$5 million.

On the 4th December 2015 the sale of Mpande Limestone Limited was concluded. Gross proceeds of \$US2,780,000 were received. After deducting the Joint Venture partner's share and making a repayment on its debt of ~A\$845k, Zambezi's net proceeds were A\$1 million which is to be used to meet all current working capital requirements.

The ability of the consolidated entity to continue as a going concern and to pay its debts as and when they fall due is dependent on the following:

- ⑧ the directors' ability to continue to manage the quantum and timing of all discretionary expenditures including exploration and development costs, and wherever necessary, these costs will be minimized or deferred to suit the consolidated entity's cash flow from operations;
- ⑧ ongoing and active management of the expenditure incurred by the consolidated entity to protect the current cash levels.
- ⑧ successful outcome of the Kangaluwi Copper Project court case currently with the Lusaka High Court Appeal Judge.
- ⑧ the ARF debt is due for repayment on 31 December 2016. The company is currently in discussion with ARF and considering possible strategies to meet this repayment. At the date of this report a strategy has not been finalized. The company will need to finalise an arrangement such as completing a capital raising, ARF allowing further extensions for repayment of the debt portion and further deferral of interest payments or ARF converting their debt to equity in conjunction with the company acquiring a new project.

The directors have prepared a cash flow forecast which indicates that the company and the consolidated entity will have sufficient cash flows to meet commitments and working capital requirements for the 12 month period from the date of signing the financial report if they are successful in relation to matters referred above.

The directors are confident that they will achieve a successful resolution of the matters set out above and therefore that the going concern basis of preparation is appropriate.

The financial report has therefore been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the company and the consolidated entity be unable to achieve successful outcomes in relation to each of the matters referred to above, there is a material uncertainty whether the company and the consolidated entity will be able to continue as going concerns and, therefore, whether they will realise their assets and discharge their liabilities in the normal course of business.

The half year financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

2.0 Significant accounting policies

Zambezi Resources Limited is a company registered and domiciled in Bermuda. The condensed financial statements have been prepared under the historical cost convention.

The same accounting policies and methods of computation are followed in these condensed financial statements as compared with the most recent annual financial statements for the year ended 31 March 2015. These accounting policies are consistent with the International Financial Reporting Standards.

In the current period, the Consolidated Entity has adopted all of the new and revised accounting Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRIC) that are relevant to its operations and effective for the current reporting period. There has been no material impact on the financial statements of the Consolidated Entity.

3.0 Segment Information

Exploration and evaluation

Exploration and evaluation expenditure relates mainly to the greater Kangaluwi Copper Project which consists of the Kangaluwi, Chisawa, and Kalulu prospects and a number of unnamed targets, and covers approximately 25% of the Zambezi licence area PL 214.

The following is an analysis of the consolidated entity's results by reportable operating segment for the periods under review:

	SEGMENT RESULT	
	Half-year Ended 30 September 2015 £	Half-year Ended 30 September 2014 £
Continuing Operations		
Exploration and evaluation	396,285	(787,702)
Discontinued Operation	(8,225)	-
Consolidated segment profit/(loss) for the period	388,060	(787,702)

The following is an analysis of the consolidated entity's assets by reportable operating segment:

	SEGMENT ASSETS	
	Half-year Ended 30 September 2015 £	Year Ended 31 March 2015 £
Continuing Operations		
Exploration and evaluation	6,497,477	7,269,008
Unallocated corporate assets	101,504	88,188
Assets Classified as Held for Sale	6,795	-
Consolidated segment assets	6,605,776	7,357,196

The following is an analysis of the consolidated entity's liabilities by reportable operating segment:

	SEGMENT LIABILITIES	
	Half-year Ended 30 September 2015 £	Year Ended 31 March 2015 £
Continuing Operations		
Exploration and evaluation	4,649,632	5,234,280
Consolidated segment liabilities	4,649,632	5,234,280

4.0 Loss Per Share

The calculation of the basic and diluted earnings/(loss) per share is based on the following information:

	Half-year Ended 30 September 2015 £	Half-year Ended 30 September 2014 £
EARNINGS		
Earnings for the purpose of basic and diluted loss per share (profit or loss for the period attributed to equity holders of the Parent)	388,060	(787,702)
SHARES		
Basic weighted average number of ordinary shares on issue	38,781,924	28,717,634
	£	£
Basic earnings/(loss) per share	0.01	(0.03)

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares:

Unlisted Options	300,000	300,000
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5.0 Dividends

No dividends were paid or proposed during the financial period.

6.0 Cash and Cash Equivalents

	Half-year Ended 30 September 2015	Year Ended 31 March 2015
	£	£
Bank Balances	101,095	78,511

7.0 Exploration and Evaluation

	Half-year Ended 30 September 2015	Year Ended 31 March 2015
	£	£
Costs		
As at 1 April	7,269,008	7,822,314
Foreign exchange translation	(771,531)	(553,306)
Closing balance	6,497,477	7,269,008

The Company policy is to charge exploration expenditure to specific areas of interest. Exploration expenditure that cannot be attributed to specific areas of interest is written off.

Recoverability of the Group's carrying value of interests in mineral projects is subject to the successful development and exploitation of the exploration properties or alternatively, the sale of these tenements at amounts at least equal to the book values. The ability of the Group to fund the successful development and exploitation of the exploration properties is dependent on the going concern assumptions set out in Note 1. Exploration and evaluation at 30 September 2015 represents the Directors assessment of the value of the Kangaluwi project. Refer to indicated and inferred estimated resources as disclosed in the operations review. The underlying value of interest is in USD, therefore variations exist on translation to presentation currency of GBP.

8.0 Convertible Note

The key terms of the Facility are as follows:

- ⑧ There were two Tranches of convertible notes of A\$5 million each.
- ⑧ Each Tranche had a term of 24 months from draw down date and the notes carry a coupon of 10% p.a. Tranche A is convertible into ordinary shares at a 20% premium to the Rights Issue price and Tranche B at a 20% premium to the volume-weighted average price of Zambezi shares over the 5 trading days preceding the delivery by ARF of a conversion notice.
- ⑧ Tranche B Facility has been terminated upon execution of the ARF Term Sheet on 4 November 2013. The Company had not drawn on Tranche B of the Facility.
- ⑧ Tranche A can at the election of ARF be converted into a 12.5% joint venture interest in the Projects, or to convert part of Tranche A into shares and part into a pro rata joint venture interest in the Projects.
- ⑧ If ARF elects to take up a joint venture interest in the Projects, then Zambezi and ARF will form a joint venture for the development of the Projects in the relevant proportions. Zambezi will be the Operator of the joint venture and will govern the operating committee as majority interest holder. ARF will be able to elect to contribute, sell or dilute its interest during the term of the joint venture.
- ⑧ If ARF elects to take up a joint venture interest in the Projects, then Zambezi and ARF will form a joint venture for the development of the Projects in the relevant proportions. Zambezi will be the Operator of the joint venture and will govern the operating committee as majority interest holder. ARF will be able to elect to contribute, sell or dilute its interest during the term of the joint venture.
- ⑧ At 31 March 2015, the maturity date of the convertible note was 31 December 2015.
- ⑧ Interest on the convertible note was 10% with 5% penalty interest up to 30 June 2014.
- ⑧ On 3 June 2014, interest on the facility was suspended.

On 12 June 2015, the Company executed a binding Term Sheet with ARF. Pursuant to the Term Sheet ARF has agreed:-

- ⑧ to further extend the termination date of the Amended Facility Agreement to 31 December 2016;

- ⊗ 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
- ⊗ to further 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.
- ⊗ The carrying of the Convertible Note at 30 September 2015 was £3,063,503

Other Loans

On 4 November 2013 the Company has drawn down A\$1.9 million of the Bridging Facility.

The key terms of the Bridging Facility:-

- ⊗ Up to A\$1.9 million.
- ⊗ 12% p.a. capitalizing on a monthly basis from date of drawdown until the Maturity Date with interest payable quarterly in arrears. 5% penalty interest is also accruing as interest has not been paid during the year.
- ⊗ Fully secured Facility ranking pari passu with the Notes under the Convertible Note Deed.
- ⊗ At 31 March 2015, the maturity date was 31 December 2015.

On 12 June 2015, the Company executed a binding Term Sheet with ARF. Pursuant to the Term Sheet ARF has agreed:-

- ⊗ to increase its commitment under the existing Facility Agreement between ARF, the Company and others 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 from the June 2015 Rights Issue; to extend the termination date of the Amended Facility Agreement to 31 December 2016. Interest was further suspended to 31 December 2016.
- ⊗ The carrying value of the Bridging loan at 30 September 2015 was £1,197,271.

9.0 Issued Capital

Authorised shares of par £0.01 each, carrying one vote per share and rights to dividends:

	Number of Shares	Proceeds £	Costs £	Issued Capital £	Share Premium £
Issued and fully paid ordinary shares					
As at 1 April 2015	37,101,659	-	-	12,438,513	21,517,426
Allotments					
17/04/2015 ¹	888,334	31,023	-	8,883	22,140
12/08/2015	3,300,110	61,911	-	33,001	28,910
Balances as at 30 September 2015	41,290,103	92,934	-	12,480,397	21,568,476

¹These shares were issued as full and final settlement for fees and costs owed by the Group

10.0 Commitments and Contingencies

Operating leases: non-cancellable lease rentals are payable as follows:

	Half-year Ended 30 September 2015 £	Year Ended 31 March 2015 £
Less than one year:	2,498	2,794
Between one and five years:	6,244	8,383
	8,742	11,177

The Group has a non-cancellable operating lease for an item of office equipment expiring within five years, with rent payable monthly. The item is subject to a per unit charge, but there are no provisions for escalation or renewal within the lease agreement.

11.0 Discontinued operation

11.1 Description

On 1 May 2015 the Group announced that it had entered into a binding Memorandum of Understanding with African Brothers Corporation Limited ("ABC"), a Chinese construction company based in Zambia, for the sale of Mpande Limestone Limited ("Mpande"), a Zambian company which is a wholly owned subsidiary of the Group that owns the cement limestone project ("Mpande Project") which is a 50/50 joint venture with Limestone Ventures Pty Ltd. Subsequent to the end of the reporting period, it was announced on 30 October 2015 that a binding Share Sale Agreement ("SSA") had been executed in relation to this sale on 26 October 2015. The share purchase consideration is US\$2,780,000, and ABC must also repay Mpande's loan to Zambezi of US\$670,000. Settlement in accordance with the SSA occurred on 4 December 2015.

Mpande has been classified in these financial statements as a discontinued operation. Financial information relating to the discontinued operation for the period is set out below.

11.2 Financial performance and cash flow information

	Half-year Ended 30 September 2015 £	Half-year Ended 30 September 2014 £
Revenue	45,816	114,890
Expenses	(54,041)	(189,304)
Loss before income tax	(8,225)	(74,414)
Income tax	-	-
Loss after income tax of discontinued operation	(8,225)	(74,414)
Net cash inflow/(outflow) from ordinary activities	11,089	(16,969)
Net cash outflow from investing activities	(19,314)	(57,445)
Net cashflow from financing activities	-	-
Net decrease in cash generated by the subsidiary	(8,225)	(74,414)

11.3 Carrying amounts of assets and liabilities

At 30 September 2015 the carrying amount of liabilities was nil, with the carrying amount of assets as set out below.

	Half-year Ended 30 September 2015 £	Year Ended 31 March 2015 £
Trade and other receivables	6,795	-
Assets classified as held for sale	6,795	-

12.0 Post Balance Sheet Events

From Zambezi's 50% share of the net proceeds of sale, the Company has retained A\$1M towards immediate working capital needs with A\$845,000 being applied towards the reduction of debt to Auctus Resources Fund. The balance was paid to our 50% JV partner Limestone Ventures Pty Ltd being their share of the net proceeds of sale.

13.0 Approval of Interim Financial Statements

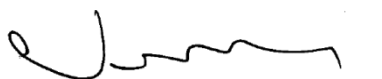
The interim financial statements were approved by the board of directors on 14 December 2015.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes as set out on pages 16 to 24:-
 - a) Comply with Accounting Standard IAS 34: Interim Financial Reporting; and
 - b) Give a true and fair view of the consolidated entity's financial position as at 30 September 2015 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



David Vilensky
Non-Executive Chairman
14 December 2015