

ASX Announcement
Friday, 16 September 2016

ZRL ACQUIRES BASE METALS PROSPECTIVE APPLICATIONS IN THE NORTHERN TERRITORY RE-FOCUSSES ON SECURING BASE AND PRECIOUS METALS OPPORTUNITIES

Additional Capital Raise to Take Advantage of Opportunities

HIGHLIGHTS

- ④ Acquisition of tenement applications (Lawn Hill Project) over highly prospective Lawn Hill Platform rocks in the Northern Territory
- ④ **Same geology** that hosts the **Century Zinc Mine (MMG) >150Mt @ 10% Zn+Pb** with rocks that correlate to those hosting the **World Class HYC Deposit** at McArthur River (> **200Mt @ 13% Zn+Pb**)
- ④ Mineral occurrences and anomalism present across the border in Queensland but absent in the Northern Territory due to a **lack of exploration**
- ④ Up-front payment of AUD\$10,000 with AUD\$50,000 of ZRL shares to be issued upon grant of tenements with further success payments upon resource definition
- ④ Given the recent increased market interest in base and precious metal projects, ZRL is to undertake a further capital raise of up to \$700,000 to assist its renewed strategy

Zambezi Resources Limited ("ZRL" or "**Company**") is pleased to announce that it has entered into a share sale agreement to purchase 100% of TM Resources Pty Ltd which holds two exploration tenement applications in the Northern Territory known as the Lawn Hill Project. The tenements contain highly prospective geology with the potential to host large scale sediment hosted zinc-lead deposits similar in style to the World Class Century deposit (> 150Mt @ 8.2% Zn + 1.2 % Pb + 33g/t Ag).

Rocks of the Lawn Hill Platform, hosting the Century Zinc Deposit to the south-east of the tenement applications in Queensland (Figure 1) are mapped across much of the tenement applications that form the Lawn Hill Project. In addition to being correlated with the rocks hosting Century, the Fickling Group sediments within the Lawn Hill Project can also be correlated with those of the McArthur Group which

contain one of the World's largest sediment hosted base metal deposits at McArthur River (HYC Deposit, > 200Mt @ 13% Zn+Pb).

Almost No Previous Exploration

Previous exploration has been sparse across the tenement applications with only one major phase of work being completed during the 1980's. This work was very broad-brushed and resulted in only two drillholes being completed.

Numerous Zn, Cu and Pb occurrences are described on the Queensland side of the border (Figure 2), including the Walford Creek Project (73 Mt @ 1.4% Cu eq) currently being explored by Aeon Metals Limited, with nothing on the Northern Territory side, due, simply, to a lack of exploration.

Key Deal Terms

- ④ AUD \$10,000 cash payment up-front
- ④ AUD \$50,000 in ZRL shares to be issued upon the grant of the tenements
- ④ AUD \$1,000,000 upon the public release of a JORC 2012 Compliant Resource in respect of the Lawn Hill Project of between 550Kt Zn eq – 1.1Mt Zn eq
- ④ AUD \$3,000,000 upon the public release of a JORC 2012 Compliant Resource in respect of the Lawn Hill Project of between 1.1Mt Zn eq – 2.2Mt Zn eq

ZRL anticipates the grant process may take between 12 – 24 months and looks forward to then progressing an aggressive exploration strategy at the Lawn Hill Project. The process involves negotiations with the Native Title holders in the area, the Waanyi/Garawa Aboriginal Land Trust. TM Resources has commenced discussions with the Waanyi/Garawa Aboriginal Land Trust to facilitate the granting process and ZRL looks forward to continuing these negotiations.

Further Capital Raising

Following the successful recapitalisation of the Company in August 2016 and given the recent increased market interest in base and precious metal projects, ZRL will undertake a further capital raising to secure up to \$700,000 at the same price as the raising in August 2016 but without the corresponding entitlement of 1 option for each share.

This raising, supported by existing key shareholders, will be used to help fund the identification and assessment of new project opportunities. It will be subject to shareholder approval with more information to be provided shortly.

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The information in this report that relates to exploration results is based on information compiled by Mr Bradley Drabsch, Member of the Australian Institute of Geoscientists ("AIG") and a Non-Executive Director of Zambezi Resources Limited. Mr Drabsch has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a competent person as defined in the JORC Code 2012. Mr Drabsch consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

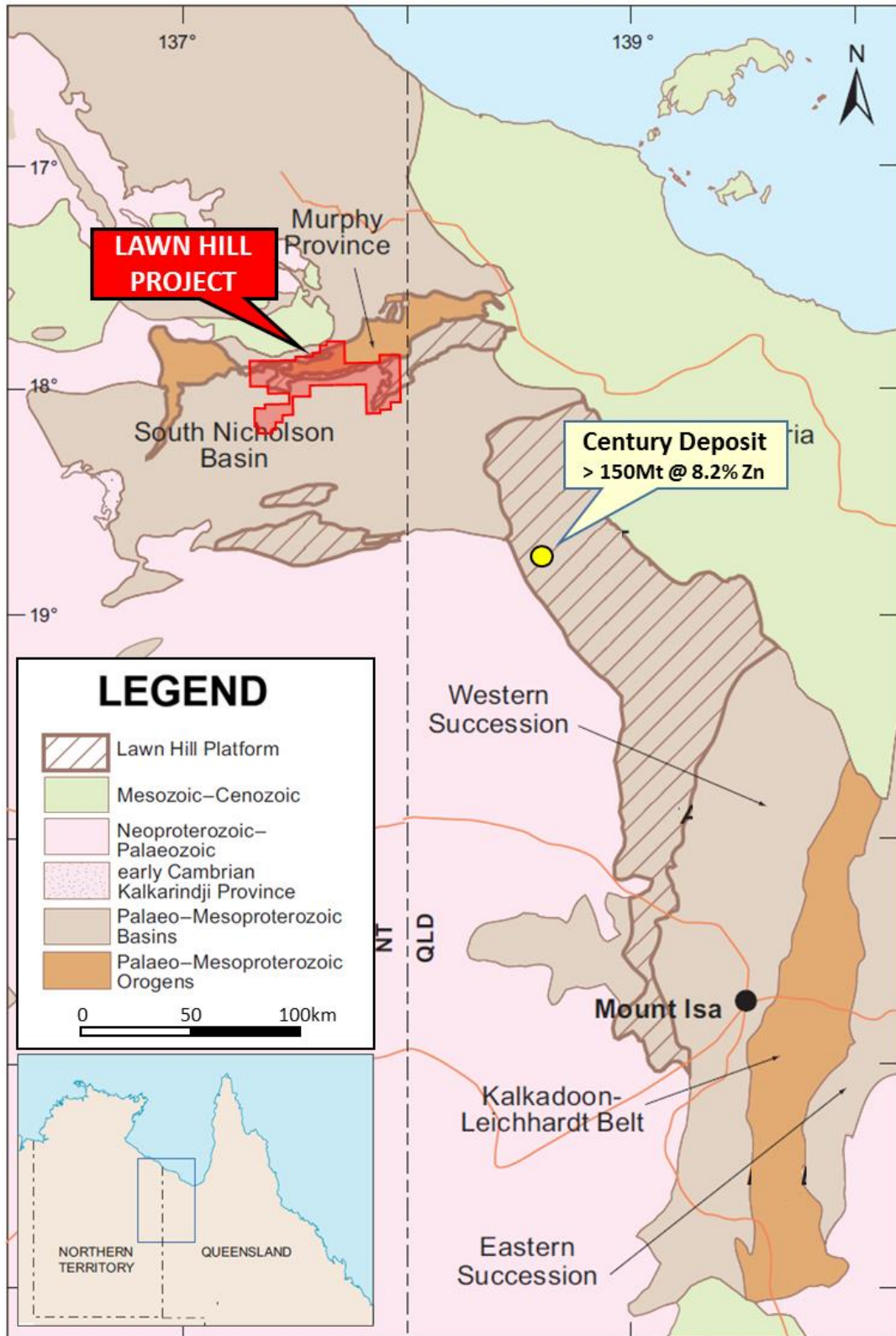


Figure 1: Location Plan of the Lawn Hill Project showing the major geological regions and the location of the Century Zn+Pb Deposit

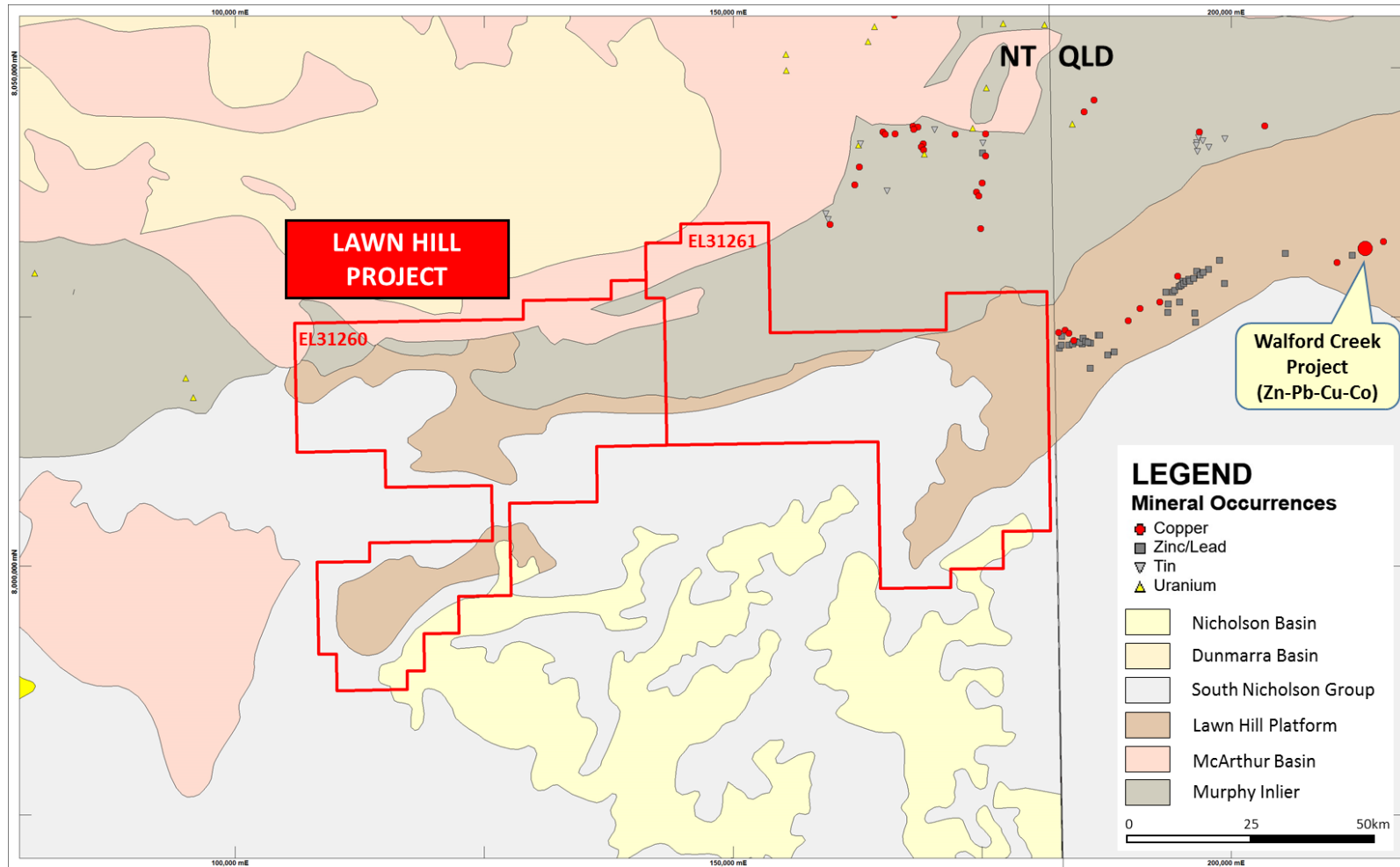


Figure 2: Plan of the Lawn Hill Project tenement applications showing the geological units hosting the project. Note the mineral occurrences on the Queensland side of the border stopping due to the lack of exploration on the Northern Territory side