



ZAMBEZI
RESOURCES

ZAMBEZI RESOURCES LIMITED

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ASX Announcement

Friday, 30 October 2015

September 2015 Quarterly Operations Report

1.0 Operations Review

1.1 Kangaluwi Copper Project

1.1.1 Court Case

As announced to the ASX on 29 April 2015 the decision on the appeal that had been expected on 28 April 2015 was delayed unexpectedly. Regrettably the decision has still not been handed down so no progress in this regard was made in the September 2015 quarter. 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 and engage with potential joint venture partners.

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.

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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 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 Project (Joint Venture)

1.2.1 Potential Sale of Mpande Limestone Limited (Subsequent Event)

Zambezi Resources Limited ("Zambezi" or the "Company") announced on 30 October 2015 that it has entered into a binding Share Sale Agreement ("SSA") with African Brothers Corporation Limited ("ABC"), a Chinese construction company based in Zambia, for the sale of Mpande Limestone Limited ("Mpande") 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 Pty Ltd.

The SSA was executed on 26 October 2015 between Zambezi and ABC. The share purchase consideration is TWO MILLION SEVEN HUNDRED AND EIGHTY THOUSAND UNITED STATES DOLLARS (US\$2,780,000), of which ONE HUNDRED THOUSAND UNITED STATES DOLLARS (US\$100,000) has already been paid to Zambezi. ABC must also repay Mpande's loan to Zambezi of SIX HUNDRED AND SEVENTY THOUSAND UNITED STATES DOLLARS (US\$670,000). Both amounts totalling US\$3.45M (A\$4.78M) will be paid on or before 21 days from execution of the SSA.

The SSA is conditional upon the approval of Zambezi's Joint Venture partner, Limestone Ventures Pty Ltd.

ABC proceeded to acquire the Mpande Project following their due diligence (see ASX announcement dated 1 May 2015). ABC is a reputable and well established company that has been operating in Zambia for more than 15 years and has a strong vision to establish a cement factory within the Mpande Project tenement area.

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.

1.2.1 Mpande Limestone Project Background

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



Figure 2: Mpande Limestone Project Location Map

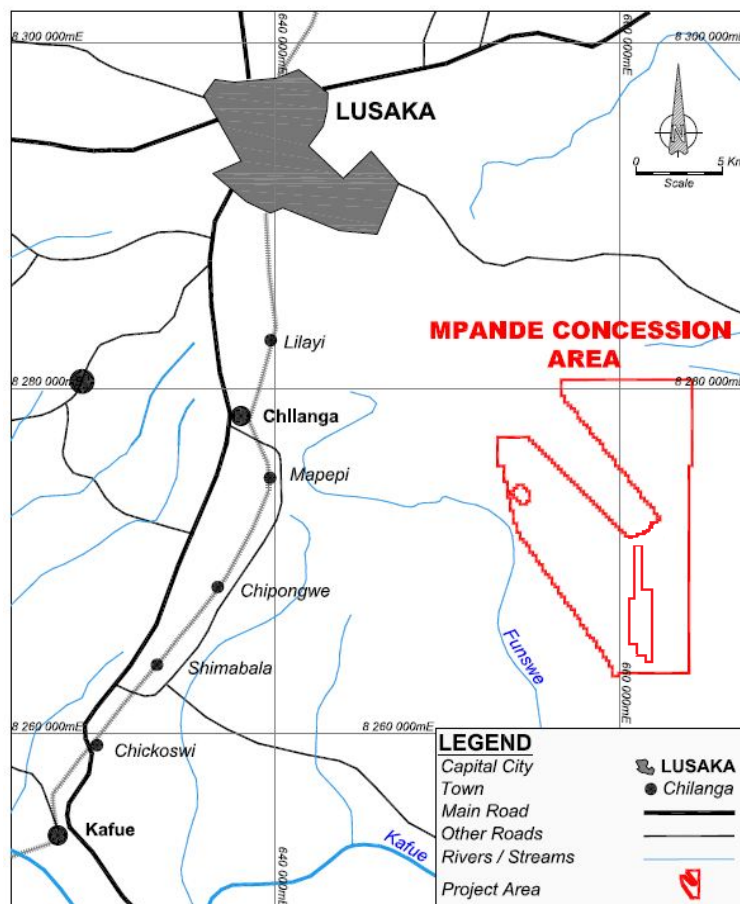


Figure 3: Mpande Concession Area

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 remaining 9,363,634 in shortfall shares may be placed at the directors' within 3 months of the Rights Issue closing date.

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.

3.0 Tenements

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

- ③ 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)

- ③ 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:

- ③ Chalimbana 13170-HQ-LPL
- ③ Chayinda 13171-HQ-LPL
- ③ Cheowa 8573-HQ-LPL

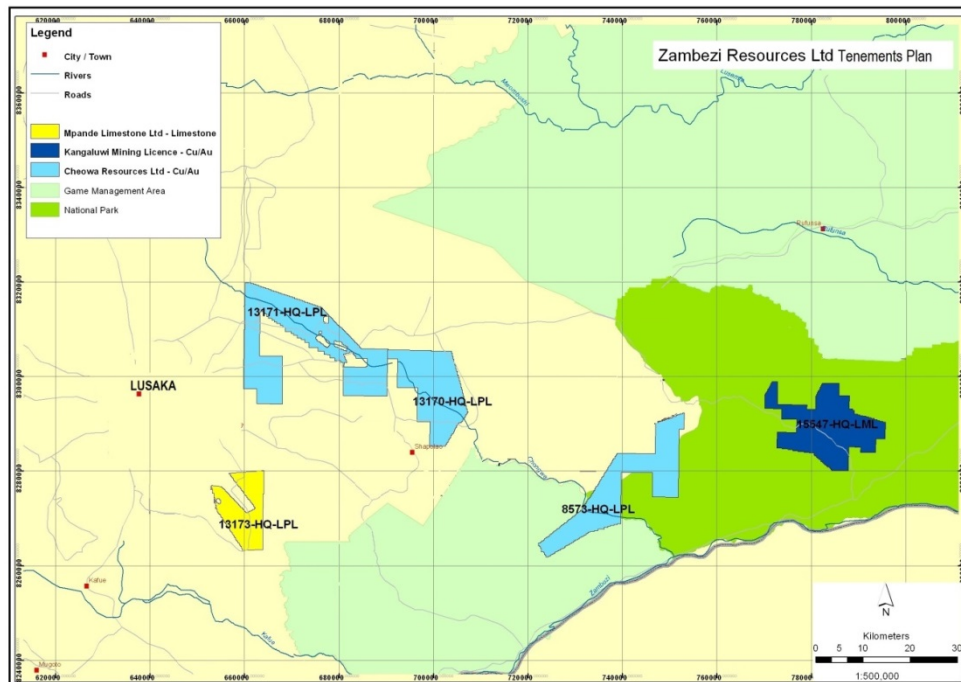
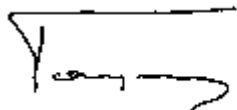


Figure 4: Tenement Map

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
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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 SEPTEMBER 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(191)	(267)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(152)	(246)
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)	-	-
Net Operating Cash Flows		(343)	(513)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments		
	(c) other fixed assets		
1.9	Proceeds from sale of: (a) prospects	-	128
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		-	128
1.13	Total operating and investing cash flows (carried forward)	(343)	(385)

+ 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)	(343)	(385)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	132	132
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	200	200
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	71	120
	Net financing cash flows	403	452
	Net increase (decrease) in cash held		
1.20	Cash at beginning of quarter/year to date	60	67
1.21	Exchange rate adjustments to item 1.20	159	152
1.22	Cash at end of quarter	219	219

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

	Current quarter \$A'ooo
1.23 Aggregate amount of payments to the parties included in item 1.2	11
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	80
4.2 Development	-
4.3 Production	-
4.4 Administration	100
Total	180

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	219	152
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	219	152

+ See chapter 19 for defined terms.

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	Preference securities (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	*Ordinary securities	41,290,103	41,290,103		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	3,300,110	3,300,110		
7.5	*Convertible debt securities (description)				

+ See chapter 19 for defined terms.

Appendix 5B

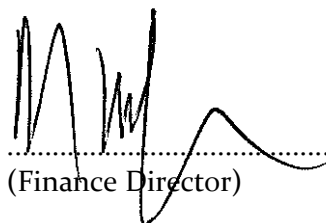
Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	300,000	-	Exercise price AUD\$0.44	Expiry date 17.10.15
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		

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:



(Finance Director)

Date: 30.10.15

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.

+ See chapter 19 for defined terms.

- 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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