ZAMBEZI RESOURCES

Annual Report 2016

Financial Year Ended
31 March 2016

Contents

Corporate Directory
Incorporate in Bermuda (Registered Foreign Entity)

Directors

David Vilensky	*Non-Executive Chairman*
Marinko Vidovich	*Director*
Greg Bittar	*Non-Executive Director*

Secretary
Bermuda Administrative Services Ltd

Registered Office of Incorporation
Trinity Hall
43 Cedar Avenue
Hamilton HM 12
BERMUDA

Auditors
Bentleys (WA) Pty Ltd
Level 1
12 Kings Park Road
West Perth WA 6005
AUSTRALIA

Zambian Solicitors
Corpus Legal Practitioners
The Globe Building
2386 Longolongo Road
Lusaka
ZAMBIA

Australian Solicitors
Lawton Gillon
Level 11
16 St Georges Terrace
Perth WA 6000
AUSTRALIA

Australian (Local Agent)
C/- Bowen Buchbinder Vilensky
Level 14
251 Adelaide Terrace
PERTH WA 6000
AUSTRALIA

Registrars
Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000
AUSTRALIA
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

Place of Operation (Zambia)
Mwembeshi Resources Limited
Plot No. 5697
Beu Crescent
Kalundu
Lusaka
ZAMBIA

Website
www.zambeziresources.com

Chairman's Review

Dear Shareholders

Not much has changed in the mining and resources sector over the past 12 months save for a further fall in global commodity prices. Few in the know will argue against the fact that the mining and resources sector has rarely been more challenging.

Ongoing negative investment sentiment and weak capital markets globally continue to prevail.

Much was written in my report last year about the status of the appeal lodged by organisations associated with the conservation movement in Zambia on 17 January 2014 against the decision of the Minister of Lands, Natural Resources and Environment Protection to approve the Company's 100% owned Kangaluwi Copper Project. That decision followed the approval by the Zambian Environmental Management Authority **("ZEMA")** finally paving the way for the Company to proceed with the development of the large scale Kangaluwi Copper Project with the full support of the Zambian Government.

As was explained in our report last year the Company is unable to progress the development of its 100% owned Kangaluwi Copper Project until the appeal process is finalised which includes the Judge of the Lusaka High Court handing down his decision on the appeal including the stay of execution.

More than 12 months has elapsed since the appeal process was finalised and we are yet to receive the decision on the appeal. To say that this has been a source of considerable frustration to the Company and its shareholders is an understatement.

Everything possible is being done that can be done to expedite the decision and these efforts are continuing.

All of the developments relating to the appeal have been the subject of separate announcements to the Australian Securities Exchange **("ASX")** to keep the market fully informed.

An important milestone was the completion of the sale by the Company of the Mpande Limestone Project **("Mpande")** in which it was in a 50/50 joint venture with Limestone Ventures Pty Ltd. The sale of Mpande was announced to the market on 1 May 2015 and settlement successfully completed in November 2015. The Company's half share of the US$4m purchase price was utilized partially for working capital purposes and also to retire debt.

In addition to the successful completion of the sale of Mpande, a significant transaction undertaken by the Company was to enter into a Binding Term Sheet with major shareholder Auctus Resources Fund **("ARF")** which will result in the Company becoming debt free. Currently, the Company is indebted to ARF in the aggregate sum of A$9M comprising the current outstanding balance of A$6.64M pursuant to Convertible Note Deed dated 13 September 2011 **("Convertible Note")** and a A$2.36M pursuant to a Facility Agreement dated 20 August 2012 as subsequently amended **("Facility Agreement")**.

Details of the Binding Term Sheet were announced to the ASX on 16 May 2016. The transaction of the Binding Term Sheet is subject to shareholder approval and we are confident our shareholders will support the transaction. I said in the announcement to the ASX, and repeat, that the Company is extremely pleased to have entered into the Term Sheet with ARF who have been a supportive cornerstone shareholder of the Company for many years. The Term Sheet enables the Company to finally become debt free with an improved balance sheet and well positioned to evaluate new and existing project opportunities going forward. The Company's interest liability alone of $700,000 per annum will be eliminated.

On 4 March 2016 the Company announced to ASX the resignation of Mr Frank Vanspeybroeck, Managing Director and CEO of the Company, for personal reasons. Mr Marinko Vidovich was promoted to the position of Managing Director and CEO. At the same time the Company announced the appointment of Mr Greg Bittar as Non-Executive Director. Mr Bittar is an experienced investment banker with over 15 years investment banking and mining resource sector experience in Australia and overseas. Mr Bittar has had a number of roles in the resources sector in both management and consulting roles and has been an outstanding appointment to the Board of the Company.

I would like to take this opportunity of thanking Frank for his commitment and valuable contribution to the Company over the 5 years he was Managing Director and wish him well for his future.

I thank our valued shareholders for their ongoing support of the Company, and to our team of directors and staff in Australia and Zambia for their dedication, loyalty and support through challenging times.

As I did last year, I ask shareholders to remain patient and the Company looks forward to bringing you news of its progress in the year head.

David Vilensky
Chairman

Operations Review

1.0 The Kangaluwi Copper Project

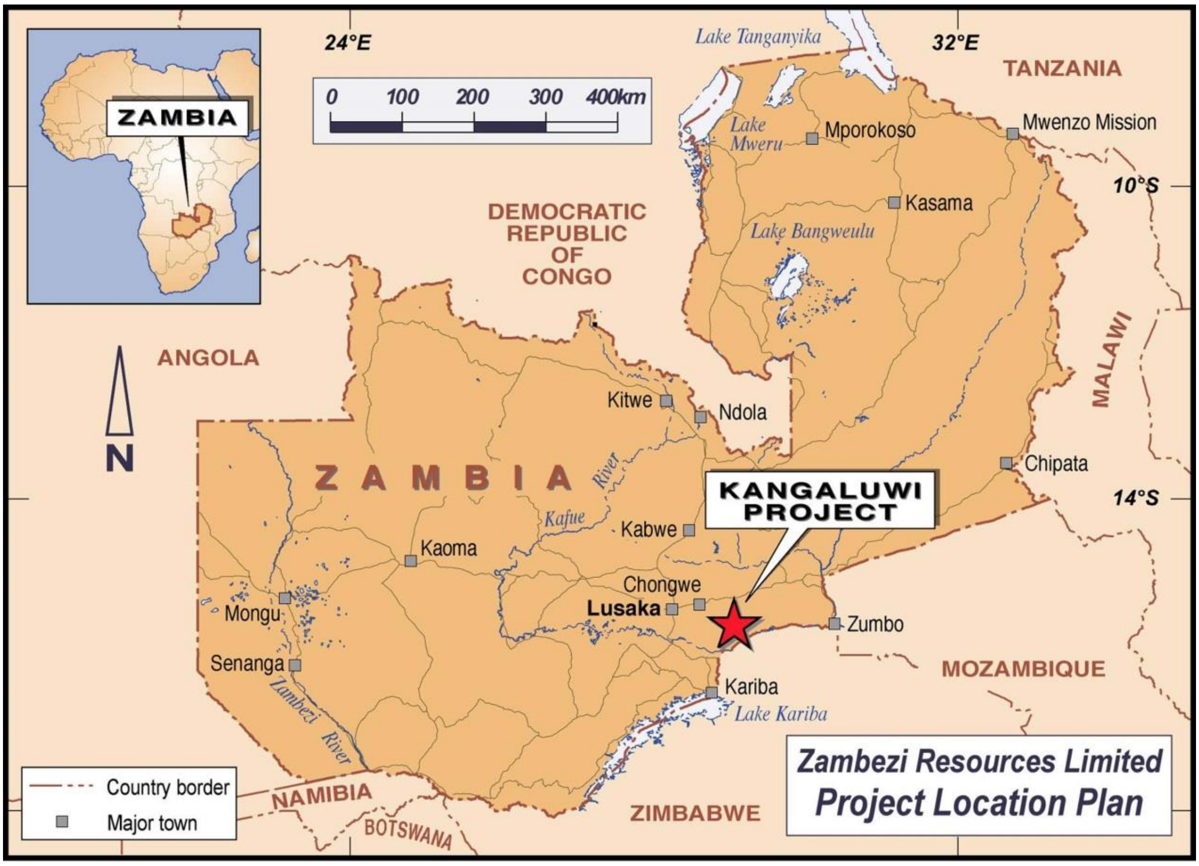

FIGURE 1: MAP OF ZAMBIA SHOWING KANGALUWI COPPER PROJECT LOCATION

1.1 Project Background

Zambezi Resources Limited is an ASX listed Copper Exploration and Development Company focused on its 100% owned Kangaluwi Copper Project, 180 km east of Lusaka, Zambia (*FIGURE 1*). The project is covered by a 245 km^2 Mining Licence area ML 15547 (*FIGURE 2*), issued on 16 March 2011 and valid for 25 years.

Numerous geophysical targets in the project area are yet to be evaluated, with only one quarter of the 28 km strike length drill tested to date.

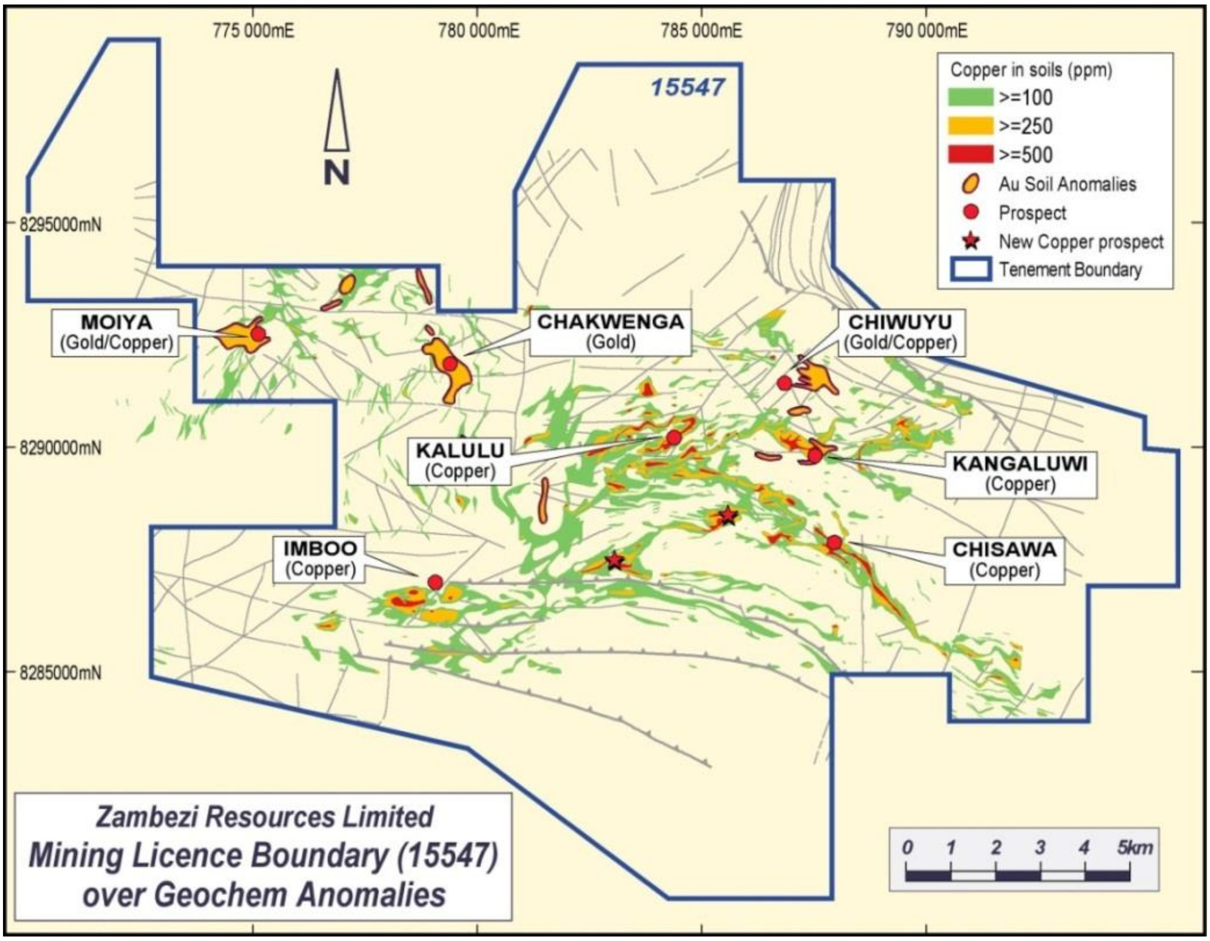

FIGURE 2: MINING LICENCE 15547

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**

1.2 Court Case

The Company is awaiting written judgement on the appeal which was expected to be handed down on the 28th April 2015.

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.

2.0 Mpande Limestone Project

Zambezi Resources Limited announced on the 4th December that it 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 was US$2,780,000 plus ABC repaid Mpande's loan to Zambezi of US$670,000 totalling gross proceeds of US$3.45M (A$4.78M).

On the 4th December 2015, from Zambezi's 50% share of the net proceeds of sale, the Company has retained A$1M towards immediate repayment of creditors and 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.

3.0 Corporate

3.1 Capital/Debt Funding

On 12 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:-

- to increase its commitment under the existing Facility Agreement between ARF, the Company and others dated 20 August 2012 by A$200,000 taking the aggregate principal outstanding to A$2.8 million ("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 from the June 2015 Rights Issue;

- to 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 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 A$5 million within the Suspension Period.

3.2 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 directors were unable to place the shortfall shares by the 6th November 2015.

3.3 Share Sale Facility

The Company on the 16th June 2014 completed the process associated with the sale of unmarketable parcels and all funds have been mailed to shareholders who held a parcel of Zambezi shares with a market value of less than $500.00. The facility was established in accordance with the Company's Constitution and ASX Listing Rules.

4.0 Post Balance Date Events

4.1 Capital/Debt Funding

On 16th May 2016 the Company executed a binding Term Sheet with its major shareholder Auctus Resources Fund ("ARF") pursuant to the Term Sheet ARF has agreed on the following key terms of the Term Sheet:-

- In consideration for the outstanding balance of A$6,637,824 owing by the Company to ARF pursuant to the Convertible Note, the Company has agreed to grant to ARF a royalty of 3% calculated on any gross revenue from its Kangaluwi Copper Project **("KCP")** in Zambia up to a maximum of A$12M plus a Farm-In-Right **("Convertible Note Transaction")**.

- The Farm-In-Right gives ARF the right to earn a Farm-In-Interest in KCP of up to 75% upon investing A$1M in the project.

- Subject to ARF not having exercised the Farm-In-Right, the Farm-In-Interest will reduce on a sliding scale to a minimum of 30% when ZRL has invested A$15M in KCP. For example if ZRL invests A$6M in KCP the Farm-In-Interest of ARF will reduce to 50%.

- Contemporaneously with completion of the Convertible Note Transaction, ZRL will undertake a capital raising to raise at least A$200,000 in new funds **("Capital Raising")** for working capital purposes.

- Simultaneously with the issue of shares pursuant to the Capital Raising, the balance outstanding under the Facility Agreement will be repaid by the issue of shares to ARF such that ARF's interest in ZRL's shares will be 70% following completion of the Capital Raising (**"Facility Agreement Repayment"**).

- the Convertible Note Transaction and the Facility Agreement Repayment shall be subject to shareholder approval.

The debt restructuring pursuant to the Term Sheet will eliminate the core debt to ARF.

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 employed as a Consultant 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.

Tenements

1.0 Mwembeshi Resources
(A wholly owned Subsidiary of Zambezi Resources)

There is one licence held by Mwembeshi Resources Limited:-

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

2.0 Cheowa Resources (Zambezi 49% and Glencore 51%)

There are two licences held under Cheowa Resources:-

- Chalimbana 13170-HQ-LPL
- Chayinda 13171-HQ-LPL

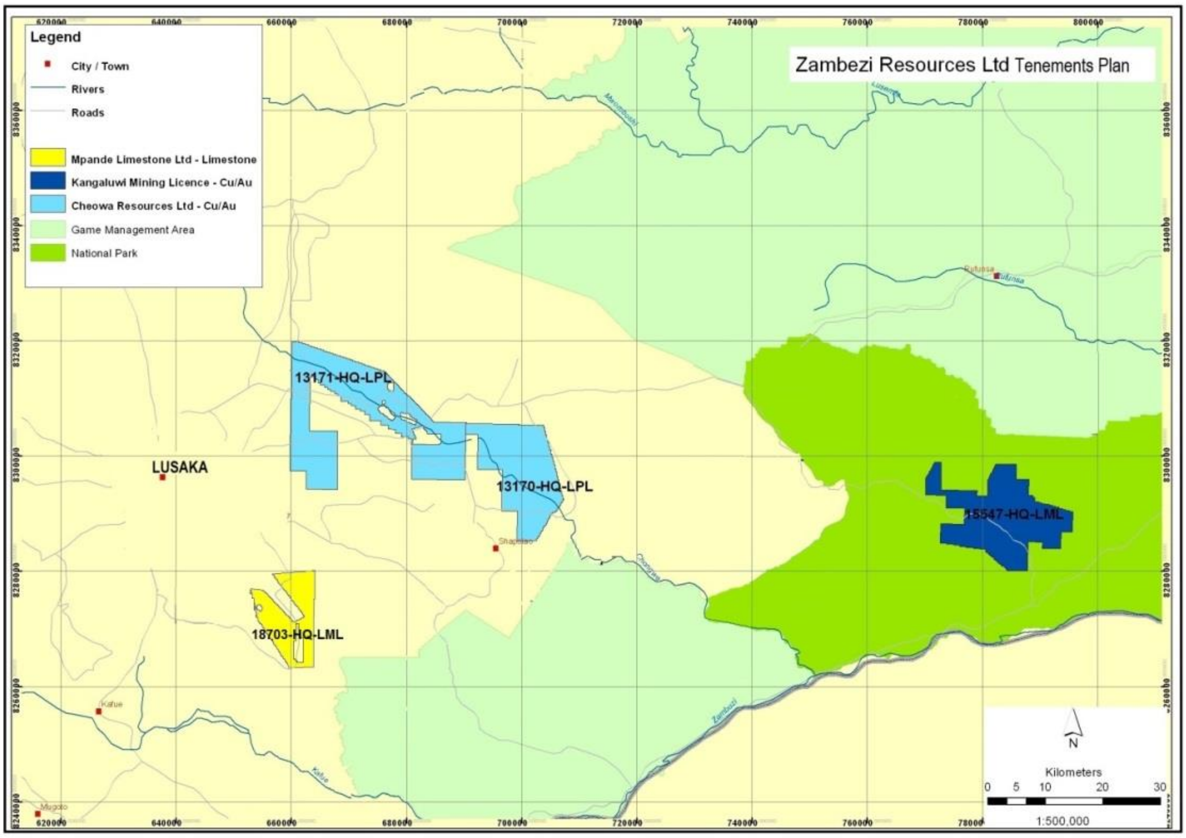

FIGURE 3 - TENEMENT MAP

Glossary

"ASX"	Australian Securities Exchange Limited
"EIS"	Environmental Impact Study.
"geophysical"	The application of physics to geological exploration, such as aeromagnetic, induced polarity or gravity surveys.
"Indicated Mineral Resource"	Classification within the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code) that refers to that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve.
"Inferred Mineral Resource"	Classification within the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code) that refers to that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

	An Inferred Mineral Resource has a lower level of confidence that that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.
"JORC Code"	The Australasian Code for Reporting of Mineral Resources and Ore Reserves issued by the Joint Ore Reserves Committee;
"mineralisation"	A rock containing valuable components of metals or metals compounds;
"prospect"	In this document, a Prospect generally refers to a mineral occurrence or historical mine;
"reserves"	A resource for which a mine and process plan has been completed such that the resource has been deemed to be economic to mine;
"resources"	Concentrations of naturally occurring materials in such form that economic extraction is currently or potentially feasible;

Directors' Report

The Directors present their report and the audited financial statements of the Group (being Zambezi Resources Limited and its subsidiaries respectively) for the year ended 31 March 2016.

1.0 Principal activities

The Group's (being the Company and its subsidiaries as detailed in Note 10 of the financial statements) principal activity during the financial period was the pursuit of its right to develop its large scale Kangaluwi Copper Project and the continued exploration for commercially and economically viable copper in Zambia for profit.

2.0 Results and dividend

The profit for the Group for the year ended 31 March 2016 was £512,996 (31 March 2015: £336,828 loss). The Directors do not recommend the payment of a dividend.

3.0 Directors' and Senior Management Profiles

3.1 Executive Directors

- **Marinko Vidovich**
  (Managing Director, since 4 March 2016, Executive Director appointed 31 May 2013)

  Mr Vidovich is a qualified Chartered Accountant and Chartered Secretary since 1987. He has experience with public listed mining companies and commercial operational mining management with more than 25 years' experience in the resources sector both in Australia and abroad. He has a knowledge base in listed public company reporting and compliance, financial modelling and forecasting, treasury management, project financial and corporate governance.

  No other listed entity directorships held within the last 3 years.

- **Frank Vanspeybroeck**
  (Managing Director, Resigned 4 March 2016)

  Mr Vanspeybroeck has over 30 years' experience in the exploration and mining industry in Australia. His experience includes gold mining, commissioning and operating processing plants. Mr Vanspeybroeck was the founder and director until 2007 of Wedgetail Exploration NL (Millennium Minerals Ltd), a gold mining company listed on the Australian Stock Exchange which owns the Nullagine gold project in Western Australia, and was the founder and Managing Director from February 2006 until December 2010 of China Goldmines PLC, a gold mining company listed on the AIM (UK) Stock Exchange.

No other listed entity directorships held in the last 3 years.

3.2 Non - Executive Directors

- **David Vilensky** – BA LL.B
  (Non-Executive Director, Appointed 3 August 2009) – Non-Executive Chairman

  Mr Vilensky is a practising lawyer in Perth and has more than 30 years of experience in all aspects of commercial and business law. Mr Vilensky practises in the fields of commercial and business law, mining and resources law, trade practices law, general corporate law, securities, specialist contract drafting and dispute resolution, and acts for a number of listed and public companies. Mr Vilensky is also the Non-Executive Chairman of ASX listed Latin Resources Limited.

- Greg Bittar
  (Non-Executive Director, Appointed 4 March 2016)

  Mr Bittar has a Bachelor Economics and Bachelor of Laws (University of Sydney) and Masters in Finance (London Business School), and has over 15 years investment banking and mining resource sector experience in Australia and overseas - having worked for Bankers Trust, Baring Brothers Burrows and following the completion of his Masters in Finance in 2000, he joined Morgan Stanley, working in London, Melbourne and Sydney.

  He has extensive experience in public and private markets mergers and acquisitions, capital markets and strategic advisory assignments across a range of sectors including general industrials, metals and mining, mining services and energy. Since leaving Morgan Stanley in 2010, he became Managing Director of Sherwin Iron Limited, resigned July 2011. Mr Bittar has had a number of roles in the resources sector, in both management and consulting roles including currently as Executive Director of Millennium Minerals Ltd and Non-Executive Director of EC&M Limited.

3.3 Company Secretary (in accordance with Bermuda Company Law)

Bermuda Administrative Services Ltd
Trinity Hall
43 Cedar Avenue
Hamilton HM12
Bermuda

4.0 Corporate Governance Statement

In accordance with the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* ("**ASX Principles and Recommendations**")[1], Zambezi Resources Ltd has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Principles and Recommendations, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the ASX Principles and Recommendations, the Board has offered full disclosure of the nature of and reason for the adoption of its own practice.

Further information about the Company's corporate governance practices is set out on the Company's website at www.zambeziresources.com. In accordance with the ASX Principles and Recommendations, information published on the Company's website includes charters (for the Board and its committees), the Company's code of conduct and other policies and procedures relating to the Board and its responsibilities.

5.0 "If Not, Why Not" Reporting

During the Company's 2015/2016 financial year ("**Reporting Period**") the Company has followed each of the ASX Principles and Recommendations, other than in relation to the matters specified below.

[1] A copy of the ASX Principles and Recommendations is set out on the Company's website under the Section entitled "Corporate Governance."

5.1 Principles 2 and 4

5.1.1 Principle 2 Recommendation 2.4

Notification of Departure: The full Board performs the function of a nomination committee.

Explanation of Departure: The Board fulfils the role of a nomination committee. Given its size and composition, the Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate nomination committee. To assist the Board to fulfil its function it has adopted a Nomination Committee Charter.

5.1.2 Principle 4 Recommendation 4.2

Notification of Departure: The Board's Audit Committee is not structured in accordance with ASX Principles and Recommendations.

Explanation for Departure: While the Audit Committee comprised a majority of independent directors and consisted of 2 members, the chair of the Audit Committee is also the Chair of the Board. Given the Board's size and composition, the Board considers that the Audit Committee's present structure is the best mix of skills and expertise to efficiently carry out the responsibilities of an Audit Committee. The Board has adopted an Audit Committee Charter which the Audit Committee applies.

6.0 Board Meetings

The Directors held nine (9) meetings during the year. The following table shows their attendance at Board meetings:

Name	No. of meetings attended
David Vilensky	9
Frank Vanspeybroeck	9
Marinko Vidovich	9

Note: **The Board also passed thirteen (13) Circular Resolutions during the reporting period.**

7.0 Audit Committee

The Audit Committee held one meeting during the Reporting Period. The following table identifies those directors who are members of the Audit Committee and shows their attendance at committee meetings:

Name	No. of meetings attended
David Vilensky (Independent Chair)	1
Frank Vanspeybroeck	1
Marinko Vidovich	1

Details of each of the directors' qualifications are set out in the Directors' Report. All directors consider themselves to be financially literate and have extensive industry knowledge.

8.0 Remuneration Committee

Details of remuneration, including the Company's policy on remuneration, are contained in the Directors' Report.

The Remuneration Committee held one meeting during the Reporting Period. The following table identifies those directors who are members of the Remuneration Committee and shows their attendance at committee meetings:

Name	No. of meetings attended
David Vilensky (Chair)	1
Frank Vanspeybroeck	1
Marinko Vidovich	1

9.0 Confirmation whether performance Evaluation of the Board and its Members have taken place and how conducted

An informal evaluation of the Executive Directors was carried out by the Board in conjunction with an externally commissioned remuneration report. The Board considered the Executive Directors' salaries in relation to the overall performance of the Company and against previously agreed individual performance criteria. No formal evaluation of the Board or individual members was carried out during the Reporting Period. Given the size and composition of the Board and the nature of the Company's operations it was not considered to be a beneficial procedure at this time.

However, the composition of the Board and its suitability to carry out the Company's objectives is discussed on an as-required basis during regular meetings of the Board.

10.0 Existence and Terms of any Schemes for Retirement Benefits for Non-Executive Directors

There are no termination or retirement benefits for non-executive directors.

11.0 Directors' Shareholding and Share Options Issued to Directors and Senior Management

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 31 MARCH 2016		UNLISTED OPTIONS AT 31 MARCH 2016	
	Direct	Indirect	Direct	Indirect
David Vilensky	-	1,753,358	-	-
Frank Vanspeybroeck*	-	336,868	-	-
Marinko Vidovich	-	323,543	-	-
Greg Bittar	-	-	-	-

*Frank Vanspeybroeck resigned on the 4th March 2016

12.0 Directors' and Senior Management Remuneration

Salaries and fees paid to Directors have been determined in relation to salaries paid to comparable companies, management responsibility and experience. The salaries shown will be reviewed annually to ensure that Directors are appropriately rewarded for their efforts in enhancing shareholder value.

The annual fees paid to Non-Executive Directors at period end 31 March 2016 were:

Name	Annual Fee
David Vilensky (Chairman)	A$60,000

During the financial year to 31 March 2016 the following amounts were paid to Directors and Senior Management by way of contractual fees:

NAME	Contract Fees	Fee	Performance Bonus	Retirement Benefits	Other Benefits	Options Granted	Total Remuneration
David Vilensky	-	29,319	-	-	-	-	29,319
Frank Vanspeybroeck*	107,344	-	-	-	-	-	107,344
Marinko Vidovich	97,586	-	-	-	-	-	97,586
Greg Bittar	-	-	-	-	-	-	-

*Frank Vanspeybroeck resigned on the 4th March 2016

13.0 Non-audit Services

There were no non-audit services provided by the entity's auditor, Bentleys, or associated entities.

Signed on behalf of the Board.

David Vilensky
Chairman
Dated: 3 June 2016

Independent Auditor's Report

To the Members of Zambezi Resources Limited

Bentleys Audit & Corporate (WA) Pty Ltd
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

We have audited the accompanying financial report of Zambezi Resources Limited, which comprises the consolidated statement of financial position as at 31 March 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Report

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 3.1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Basis for Qualified Opinion

Zambezi Resources Limited has a Convertible Note Facility with a carrying amount of GBP3,535,623 as at 31 March 2016. The Convertible Note Facility contains various conversion options which have been modified from the original terms and conditions, including those set out in Note 15. 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, derivatives 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 year ended 31 March 2016 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 year ended 31 March 2016. Consequently, we were unable to determine whether any adjustments to these amounts and the operating loss were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph:

a. The financial report of Zambezi Resources Limited presents fairly, in all material respects the consolidated entity's financial position as at 31 March 2016 and its financial performance for the year then ended in accordance with Australian Accounting Standards; and
b. The financial statements also comply with *International Financial Reporting Standards* as disclosed in Note 3.1.

Material Uncertainty Regarding Continuation as a Going Concern

Without further qualifying our opinion, we draw attention to Note 3.3 in the financial report which indicates that the consolidated entity incurred a net loss after tax from continuing operations of GBP417,854 during the year ended 31 March 2016.This condition, along with other matters as set forth in Note 3.3, indicate the existence of a material uncertainty that may cast significant doubt about the ability of the consolidated entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Bentleys

Chris Nicoloff

BENTLEYS
Chartered Accountants

CHRIS NICOLOFF CA
Director

Dated at Perth this 3rd day of June 2016

Consolidated Statement of Profit or Loss for the Year Ended 31 March 2016

	NOTES	YEAR ENDED 31 MARCH 2016 £	YEAR ENDED 31 MARCH 2015 £
Continuing Operations			
Investment revenue	6	37	343
Other income	6	294,677	1,307,410
Finance cost	6	(195,443)	(363,542)
Other operating expenses	6	(517,125)	(1,180,245)
Loss before tax	6	(417,854)	(236,034)
Income tax expense	8	-	-
Loss from continuing operations		(417,854)	(236,034)
Profit/(loss) from discontinued operation		930,850	(100,794)
Profit/(loss) for the year		512,996	(336,828)
Attributable to:			
Equity holders of the Parent		512,996	(336,828)
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Parent:			
Basic and diluted loss per share	7	(0.01)	(0.01)
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Parent:			
Basic and diluted earnings/(loss) per share	7	0.01	(0.01)

Notes forming part of these financial statements are included on pages 28 to 69

Consolidated Statement of Profit or Loss and other Comprehensive Income for the Year Ended 31 March 2016

	NOTES	YEAR ENDED 31 MARCH 2016 £	YEAR ENDED 31 MARCH 2015 £
Profit/(loss) for the year		512,996	(336,828)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		108,049	(1,108,335)
Exchange differences realised on disposal of foreign operations		(10,856)	39,027
Total Comprehensive Income/(Loss) for the Year Attributable to Owners of the Company		610,189	(1,406,136)

Notes forming part of these financial statements are included on pages 28 to 69

Consolidated Statement of Financial Position
As at 31 March 2016

	NOTES	YEAR ENDED 31 MARCH 2016 £	YEAR ENDED 31 MARCH 2015 £
ASSETS			
Current Assets			
Cash and cash equivalents	14	89,694	78,511
Trade and other receivables	13	9,856	9,677
Total current assets		**99,550**	**88,188**
Non-current Assets			
Exploration and evaluation expenditure	9	7,498,497	7,269,008
Total non-current assets		**7,498,497**	**7,269,008**
Total Assets		**7,598,047**	**7,357,196**
LIABILITIES			
Current Liabilities			
Borrowings	15	4,634,519	4,811,665
Trade and other payables	16	118,954	422,615
Total current liabilities		**4,753,473**	**5,234,280**
Total Liabilities		**4,753,473**	**5,234,280**
NET ASSETS		**2,844,574**	**2,122,916**
Equity			
Capital and reserves			
Issued capital	17	12,480,397	12,438,513
Reserves		22,298,276	24,632,049
Accumulated loss		(31,934,099)	(34,947,646)
Equity attributable to owners of the Company		2,844,574	2,122,916
Total Equity		**2,844,574**	**2,122,916**

Notes forming part of these financial statements are included on pages 28 to 69

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2016

	NOTES	YEAR ENDED 31 MARCH 2016 £	YEAR ENDED 31 MARCH 2015 £
Issued Capital			
Opening balance		12,438,513	12,336,739
Issued during the year		41,884	101,774
Share issue costs		-	-
Closing Balance	17	**12,480,397**	**12,438,513**
Share Premium Reserve			
Opening balance		21,517,426	21,132,263
Issued during the year		51,050	385,163
Closing Balance		**21,568,476**	**21,517,426**
Options & Warrants Reserve			
Opening balance		2,500,551	2,500,551
Options issued during the year	18	18,535	-
Options expired		(2,500,551)	-
Closing Balance		**18,535**	**2,500,551**
Accumulated Losses			
Opening balance		(34,947,646)	(34,610,818)
Options expired		2,500,551	-
Profit/(loss) for the year		512,996	(336,828)
Closing Balance		**(31,934,099)**	**(34,947,646)**
Foreign Currency Translation Reserve			
Opening balance		614,072	1,683,380
Other comprehensive income/(loss) for the year		97,193	(1,069,308)
Closing Balance		**711,265**	**614,072**
TOTAL EQUITY		**2,844,574**	**2,122,916**

Notes forming part of these financial statements are included on pages 28 to 69

Consolidated Statement of Cash Flows for the Year Ended 31 March 2016

	NOTES	YEAR ENDED 31 MARCH 2016 £	YEAR ENDED 31 MARCH 2015 £
Cash flows from operating activities			
Payments to suppliers and employees		(631,997)	(606,837)
Other income received		48,720	74,662
Income taxes refunded		-	1,400
Net cash used by operating activities	28.1	**(583,277)**	**(530,775)**
Cash flows from investing activities			
Payments for exploration and evaluation		(75,685)	(332,772)
Proceeds on sale of subsidiary		946,556	-
Interest received		37	343
Interest paid		-	(939)
Net cash generated/(used) by investing activities		**870,908**	**(333,368)**
Cash flows from financing activities			
Proceeds from borrowings		94,140	385,350
Repayment of borrowings		(476,784)	-
Proceeds from issue of share capital		61,911	304,393
Net cash used/(generated) by financing activities		**(320,733)**	**689,743**
Net decrease in cash and cash equivalents		(33,102)	(174,400)
Cash and cash equivalents at beginning of the year		78,511	269,803
Effects of exchange rate changes on the balance of cash held in foreign currencies		44,285	(16,892)
Cash and cash equivalents at the end of year	14	**89,694**	**78,511**

Notes forming part of these financial statements are included on pages 28 to 69

Notes to the Annual Financial Statements for the Year Ended 31 March 2016

1.0 Corporate Information

The financial report of Zambezi Resources Limited ("the Company") for the year ended 31 March 2016 was authorised for issue in accordance with a resolution of the directors on 3 June 2016.

Zambezi Resources Limited is a limited company incorporated in Bermuda, whose shares are publicly traded on the Australian Securities Exchange. The addresses of its registered office and principal places of business are disclosed in Note 24.

The principal activity of the Company and its subsidiaries (the Group) is the exploration for minerals.

2.0 Adoption of new and revised Standards

2.1 Accounting Standards Adopted by the Group

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards[1]	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	30 June 2018
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017

1 The AASB has issued the following versions of AASB 9:

- AASB 9 'Financial Instruments' (December 2009) and the relevant amending standard;
- AASB 9 'Financial Instruments' (December 2010) and the relevant amending standards;
- AASB 2013-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments', Part C – Financial Instruments
- AASB 9 'Financial Instruments' (December 2014) and the relevant amending standards

All the standards have an effective date of annual reporting periods beginning on or after 1 January 2018. Either AASB 9 (December 2009) or AASB 9 (December 2010) can be early adopted if the initial application date is before 1 February 2015.
After this date only AASB 9 (December 2014) can be early adopted.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016
AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent'	1 July 2015	30 June 2016
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017

Note that the following new Standards and Interpretations are not applicable for the Group but are relevant for the period:

AASB 14 'Regulatory Deferral Accounts' and AASB 2014-1 'Amendments to Australian Accounting Standards – Part D: 'Consequential Amendments arising from AASB 14' is not applicable to the Group as the Group is not a first-time adopter of Australian Accounting Standards.

AASB 1056 'Superannuation Entities' is not applicable to the Group as the Group is not a superannuation entity.

AASB 2015-6 'Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities' is not applicable to the Group as the Group is a for-profit entity.

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued:

At the date of publication, there have been no IASB Standards or IFRIC Interpretations that are issued but not yet effective.

3.0 Summary of Significant Accounting Policies

3.1 Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards and Interpretations.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

3.2 Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in British Pounds, unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.3 Going Concern

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

The consolidated entity has incurred a net loss after tax from continuing operations for the year ended 31 March 2016 of £417,854 (2015: £236,034) and experienced net cash inflows from operating and investing activities of £287,631 (2015: outflows of £864,143). As at 31 March 2016, the consolidated entity had cash assets of £89,694 (2015: £78,511) and had a working capital deficiency of £4,653,923 (2015: £5,146,092). The working capital deficiency as at 31 March 2016 includes the classification of convertible note of £3,535,623 and loan of £1,098,896 as current liabilities as they are due for repayment on 31 December 2016. 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 16 May 2016, Auctus Resources Fund ("ARF"), (fund controlled by IMC Resources Holdings Pte Ltd which is Zambezi's major shareholder) signed a binding Term Sheet which will result in the Company becoming debt free. The Company is currently indebted to ARF in the aggregate sum of £4,634,519 comprising the current outstanding balance of £3,535,623 pursuant to a Convertible Note Deed dated 13 September 2011 **(“Convertible Note”)** and £1,098,896 pursuant to a Facility Agreement dated 20 August 2012, as amended from time to time **("Facility Agreement")**.

The key terms of the Term Sheet are as follows:

- In consideration for the Convertible Note debt, the Company has agreed to grant to ARF a royalty of 3% calculated on any gross revenue from its Kangaluwi Copper Project **("KCP")** in Zambia up to a maximum of A$12M plus a Farm-In-Right **("Convertible Note Transaction")**.

- The Farm-In-Right gives ARF the right to earn a Farm-In-Interest in KCP of up to 75% upon investing A$1M in the project.

- Subject to ARF not having exercised the Farm-In-Right, the Farm-In-Interest will reduce on a sliding scale to a minimum of 30% when ZRL has invested A$15M in KCP. For example if ZRL invests A$6M in KCP the Farm-In-Interest of ARF will reduce to 50%.

- Contemporaneously with completion of the Convertible Note Transaction, ZRL will undertake a capital raising to raise at least A$200,000 in new funds **("Capital Raising")** for working capital purposes.

- Simultaneously with the issue of shares pursuant to the Capital Raising, the balance outstanding under the Facility Agreement will be repaid by the issue of shares to ARF such that ARF's interest in ZRL's shares will be 70% following completion of the Capital Raising (**“Facility Agreement Repayment”**).

- the Convertible Note Transaction and the Facility Agreement Repayment shall be subject to shareholder approval.

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:

- must be able to satisfy the conditions as set out in the binding Term Sheet signed on 16 May 2016 including the completion of a capital raising in July 2016 to raise at least A$200K;
- Receipt of a A$100k contribution in June 2016 from ARF to cover costs of the Convertible Note Transaction;
- the continual support from creditors and deferral of creditor balances until such time sufficient funds are raised to repay amounts owed as at 31 March 2016;
- the directors are confident that they are able to complete future equity raising with the removal of Convertible Note and Facility Agreement debt that will provide the consolidated entity with sufficient funding to meet its minimum expenditure commitments and support its planned level of overhead expenditure;
- A further capital raising before January 2017 of at least A$300k to meet working capital requirements;
- the directors' ability to manage the quantum and timing of all discretionary expenditures including exploration and development costs, and wherever necessary, these costs will be minimised or deferred to suit the consolidated entity's cash flow from operations;
- ongoing and active management of the expenditure incurred by the consolidated entity to protect the current cash levels;
- the directors have budgeted foreign exchange in the period to 30 June 2016 to be at a rate of 1AUD: 0.518GBP. Actual foreign exchange rates that vary from this forecast rate will require directors to take additional steps to manage cash receipts and payments; and
- successful outcome of the Kangaluwi Copper Project court case currently with the Lusaka High Court Appeal Judge (as detailed in Note 23.1).

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 financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the company and consolidated entity not continue as going concerns.

(a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(b) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.
Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Exploration and Evaluation Expenditure

Exploration and Evaluation Expenditure

Exploration and evaluation expenditure primarily consists of activities including drilling, assaying, geochemical and geophysical investigations and independent geological consultants in respect of each identifiable area of interest. These costs are capitalised provided the rights to tenure of the area of interest is current and either:

(a) the expenditures are expected to be recouped through successful development and exploitation or sale of the area of interest; or

(b) activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is measured at cost and assessed for impairment.

Impairment

All capitalised exploration and evaluation expenditure is monitored for indications of impairment on a cash-generating unit basis. The cash generating unit shall not be larger than the area of interest. If sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the capitalised expenditure which is not expected to be recovered is charged to the income statement.

(d) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the lease property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(e) Financial Instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Investments

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

Impairment of financial assets

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(ii) *Financial liabilities and equity instruments issued by the Group*

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(f) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have not been adjusted. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

(g) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The functional currency of the parent is USD. The consolidated financial statements are presented in British Pounds ("GBP").

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the transition of monetary items are recognised in the income statement in the period in which they arise, except where deferred in equity as a qualifying cash flow.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in GBP using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

(h) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(i) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(j) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Revenue recognition

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(l) Share-based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At the end of each reporting period, the Group revises its estimate of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the Options & Warrants Reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(m) Investment in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(n) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible borrowing. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs in respect of exploration expenditure aren't capitalised.

4.0 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and estimations that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

4.1 Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes and the approval of the Environmental Impact Study (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

4.2 Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black Scholes model.

4.3 Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by the applicable taxation authorities.

5.0 Segment Information

5.1 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 PL214.

The following is an analysis of the Group's results by reportable operating segment for the period under review:

	SEGMENT LOSS	
	31 MARCH 2016	**31 MARCH 2015**
	£	**£**
Continuing operations		
Exploration and evaluation	(67,793)	(305,212)
Corporate	(350,061)	69,178
Discontinued operation	930,850	(100,794)
Consolidated segment profit/(loss) for the year	**512,996**	**(336,828)**

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

	SEGMENT ASSETS	
	31 MAR 2016 £	31 MAR 2015 £
Continuing operations		
Exploration and evaluation	7,498,497	7,269,008
Unallocated corporate assets	99,550	88,188
Consolidated segment assets	**7,598,047**	**7,357,196**

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

	SEGMENT LIABILITIES	
	31 MAR 2016 £	31 MAR 2015 £
Continuing operations		
Exploration and evaluation	-	-
Unallocated corporate liabilities	4,753,473	5,234,280
Consolidated segment liabilities	**4,753,473**	**5,234,280**

6.0 Reconciliation of Loss

The loss before tax from continuing operations after charging expenses and receiving income was as follows:

	NOTES	YEAR ENDED 31 MAR 2016 £	YEAR ENDED 31 MAR 2015 £
Investment Revenue			
Interest revenue		37	343
Total Investment Revenue		**37**	**343**
Other Income			
Gain on Bridging Facility modification		140,967	303,511
Management fee		48,720	74,662
Net foreign exchange gains		104,990	929,237
Total Other Income		**294,677**	**1,307,410**
Finance Costs		(195,443)	(363,542)

	NOTES	YEAR ENDED 31 MAR 2016 £	YEAR ENDED 31 MAR 2015 £
Other Expenses			
Auditor's remuneration		(18,597)	(58,372)
Communications		(11,049)	(14,327)
Computing		(10,940)	(15,288)
Consultants		(273,624)	(341,787)
Contract accounting		(16,710)	(18,542)
Depreciation		-	(44,598)
Directors' fees		(28,831)	(36,150)
Exploration expenses	9	(67,793)	(305,212)
Insurance		(2,374)	(8,156)
Loss on deconsolidation		-	(68,355)
Lease costs		(13,962)	(59,730)
Legal		56,128	(56,262)
Other costs		(17,605)	(4,195)
Printing & stationery		(16,340)	(12,400)
Regulatory & statutory costs		(18,112)	(50,726)
Share-based payments		(17,850)	-
Share registry costs		(15,741)	(27,625)
Travel		(43,725)	(58,520)
Total Other Expenses		(517,125)	(1,180,245)
Total Expenses		**(712,568)**	**(1,543,787)**
Loss before tax from continuing operations		**(417,854)**	**(236,034)**

7.0 Earnings per Share

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

	YEAR ENDED 31 MAR 2016	YEAR ENDED 31 MAR 2015
EARNINGS		
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings/(loss) per share:		
From continuing operations	(417,854)	(236,034)
From discontinued operation	930,850	(100,794)
	512,996	(336,828)
SHARES		
Basic and diluted weighted average number of ordinary shares on issue	40,060,132	30,430,047

BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE	£	£
From continuing operations attributable to the ordinary equity holders of the Company	(0.01)	(0.01)
From discontinued operation	0.02	(0.00)
Total basic and diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company	0.01	(0.01)

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

SHARES	YEAR ENDED 31 MAR 16	YEAR ENDED 31 MAR 2015
Unlisted Options	5,000,000	300,000
	5,000,000	300,000

During the year 300,000 unlisted options expired.

8.0 Income Tax

Major components of income tax for the year ended 31 March 2016 are as follows:

	YEAR ENDED 31 MAR 2016 £	YEAR ENDED 31 MAR 2015 £
Current income tax charge	-	-
Income tax expense reported in income statement	-	-

The current tax liabilities are as follows:

	YEAR ENDED 31 MAR 2016 £	YEAR ENDED 31 MAR 2015 £
Income tax payable	-	-
	-	-

A reconciliation of the income tax expense applicable to the loss from operating activities before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rates is as follows:

	YEAR ENDED 31 MAR 2016 £	YEAR ENDED 31 MAR 2015 £
Profit/(loss) from operating activities before income tax	512,996	(336,828)
At Bermudan statutory income tax rate of 0% (2015: 0%)	-	-
At Zambian statutory income tax rate of 35% (2015: 35%)	337,385	(170,881)
At Australian statutory income tax rate of 30% (2015: 30%)	(15,661)	(108,475)
	321,724	**(279,356)**
Tax effect of temporary differences on deductibility of expenditure for tax	(34,850)	(7,876)
Deferred tax assets (utilised)/not brought to account	(286,874)	287,232
Income tax expensed reported in income statement	**-**	**-**

Potential deferred tax assets for the Group are attributable to Zambian and Australian tax losses carried forward by the subsidiaries and future benefits to exploration expenditure and other temporary differences allowable for deduction. Deferred tax assets have not been brought to account in the consolidated statements as at 31 March 2016 because the directors are of the opinion that it is not appropriate to regard full realisation of the deferred tax assets as probable.

These benefits will only be obtained if:

a) The subsidiaries derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised; and

b) The subsidiaries continue to comply with the conditions for deductibility imposed by tax legislation; and

c) No changes in tax legislation adversely affect the subsidiaries in realising the benefit from the deduction of the losses.

Unused tax losses not brought to account are as follows:

	YEAR ENDED 31 MAR 2016 £	YEAR ENDED 31 MAR 2015 £
Unused tax losses	23,505,516	24,469,472

9.0 Exploration and Evaluation Expenditure

	31 MAR 2016 £	31 MAR 2015 £
Costs		
As at 1 April	7,269,008	7,822,314
Foreign exchange translation	229,489	(553,306)
As at 31 March	**7,498,497**	**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. As set out in Note 6, exploration expenditure incurred in the current year has been expensed.

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 3 'Going Concern'. Exploration and evaluation at 31 March 2016 represents the carrying 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 slight variations exist on translation to presentation currency of GBP. The directors are of the opinion that in relation to the Kangaluwi Copper Project court case that this does not impact the carrying value as at 31 March 2016.

10.0 Subsidiaries

The consolidated financial statements include the financial statements of Zambezi Resources Limited and the subsidiaries listed below:

	COUNTRY OF INCORP'N	CLASS OF SHARE CAPITAL HELD	HOLDING & VOTING CAPACITY (%)		BUSINESS
			31 MAR 2016	31 MAR 2015	
Mwembeshi Resources (Bermuda) Limited	Bermuda	Ordinary	100	100	Exploration
Mwembeshi Resources Limited	Zambia	Ordinary	100	100	Exploration
Mpande Limestone Limited(11.1)	Zambia	Ordinary	-	100	Exploration
Zambezi Resources (Australia) Pty Ltd	Australia	Ordinary	100	100	Man. Services
Makoma Resources Limited	Zambia	Ordinary	100	100	Exploration

11.0 Discontinued Operation

11.1

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 ("LVPL"). A binding Share Sale Agreement ("SSA") was 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. Half of the total consideration was payable to LVPL on settlement. 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

The financial performance and cash flow information presented are for the period 1 April 2015 to 4 December 2015 (2016 column) and the year ended 31 March 2015.

	31 MAR 2016 £	31 MAR 2015 £
Revenue	43,490	190,272
Expenses	(70,052)	(291,066)
Loss before income tax	(26,562)	(100,794)
Income tax	-	-
Loss after income tax of discontinued operation	(26,562)	(100,794)
Gain on sale of the subsidiary after income tax (see 11.3 below)	957,412	-
Profit/(loss) from discontinued operation	930,850	(100,794)
Net cash outflow from ordinary activities	(4,817)	(2,403)
Net cash outflow from investing activities	(21,745)	(95,136)
Net cash flow from financing activities	-	-
Net increase/(decrease) in cash generated by the subsidiary	(26,562)	(97,539)

11.3 Details of the Sale of the Subsidiary

	31 MAR 2016 £	31 MAR 2015 £
Consideration received:		
Cash	1,142,295	-
Cash costs of sale	(195,684)	-
Total disposal consideration	946,611	-
Carrying amount of net assets sold	(55)	-
Gain on sale before income tax and reclassification of foreign currency translation reserve	946,556	-
Reclassification of foreign currency translation reserve	10,856	-
Income tax expense	-	-
Gain on sale after income tax	957,412	-

The carrying amounts of assets (nil liabilities) as at the date of sale (4 December 2015) were:

	4 DEC 2015 £
Cash	55
Total assets	55
Net assets	55

12.0 Investments in associates

Details of the Group's associates are as follows:

NAME OF ASSOCIATE	COUNTRY OF INCORP'N	CLASS OF SHARE CAPITAL HELD	OWNERSHIP INTEREST (%) 31 MAR 2016	OWNERSHIP INTEREST (%) 31 MAR 2015	BUSINESS
Cape Resources Limited [1]	Bermuda	Ordinary	49	49	Exploration
Cheowa Resources Limited [1]	Zambia	Ordinary	49	49	Exploration

[1] As at 31 March 2008, Zambezi Resources Limited controlled and held 100 per cent in the subsidiary, Cape Resources Limited and its Subsidiary Cheowa Resources Ltd, therefore consolidating these entities within its financial statements for the year ended 31 March 2008. During the year ended 31 March 2009, as a result of Glencore International AG (Glencore) reaching its joint venture expenditure of US$16M on the Cheowa and CCB JV projects, Glencore earned 51% of Cape Resources Limited, diluting Zambezi's holding from 100 per cent to 49 per cent and relinquishing management and control of the projects to Glencore. Even though Cape Resources was consolidated in the 2008 year, joint venture

contributions were set off against exploration expenditure and hence the net effect on exploration and evaluation was nil in 2009. There were no contributions to expenditure by Zambezi in 2016. Cape Resources Limited is now classified as an investment with a nil carrying value. Zambezi retains the right to meet Glencore expenditure to avoid dilution. Glencore's current year's contribution has been nil, the net effect is nil. The investment in these associates, in the opinion of the directors, is not considered material.

13.0 Trade and other receivables

	31 MAR 2016 £	31 MAR 2015 £
Current		
Trade receivables	9,856	9,677
	9,856	9,677

Trade receivables are non-interest bearing, have no security held against them and are, on average, on terms of 15 days. As the transactions are with related parties to the Group and are not past their due date or impaired, the credit risk is deemed to be low to medium. Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

14.0 Cash and cash equivalents

	31 MAR 2016 £	31 MAR 2015 £
Bank balances	89,694	78,511
	89,694	78,511

15.0 Borrowings

	31 MAR 2016 £	31 MAR 2015 £
Current		
Convertible notes 15.1	3,535,623	3,447,919
Other loans 15.2	1,098,896	1,363,746
	4,634,519	4,811,665

15.1 Convertible Notes

The key terms of the Facility are as follows:

- There were two Tranches of convertible notes of A$5 million each.

- 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.

- 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.

- 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.

- 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.

- 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.

- At 31 March 2015, the maturity date of the convertible note was 31 December 2015.

- Interest on the convertible note was 10% with 5% penalty interest up to 30 June 2014.

- 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:-

- 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.

15.2 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.
- On 4 December 2015, following settlement of the Mpande sale, the Company made a repayment of USD$609,494 to ARF in relation to the Bridging Facility.

16.0 Trade and Other Payables

	31 MAR 2016 £	31 MAR 2015 £
Current		
Trade and other payables	102,997	144,221
Accrued expenses	15,957	278,394
	118,954	422,615

Trade payables and accruals are non-interest bearing and have repayment terms within 60 days.

17.0 Issued Capital

Authorised ordinary 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 31 March 2016	**41,290,103**	**92,934**	**-**	**12,480,397**	**21,568,476**

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

18.0 Reserves

18.1 Share Premium Reserve

The share premium reserve records the amounts paid by shareholders for shares in excess of their nominal value, less any costs incurred in issuing shares.

18.2 Options & Warrants Reserve

The options & warrants reserve records the fair value of options and warrants granted to staff and directors, and suppliers.

18.3 Translation Reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency of GBP are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are included in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

19.0 Financial Instruments

19.1 Gearing ratio

The gearing ratio at end of the reporting period was as follows:

	31 MAR 2016 £	31 MAR 2015 £
Debt (i)	4,634,519	4,811,665
Cash and bank balances	(89,694)	(78,511)
Net debt	4,544,825	4,733,154
Equity (ii)	2,844,574	2,122,916
Net debt to equity ratio	159.77%	222.96%

(i) Debt is defined as long and short-term borrowings (excluding derivatives and financial guarantee contracts), as described in Note 15 and 19.1.4.

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

Categories of financial instruments	31 MAR 2016 £	31 MAR 2015 £
Financial assets		
Cash and bank balances	89,694	78,511
Loans and receivables	9,856	9,677
Financial liabilities		
Trade and other payables	118,954	422,615
Borrowings	1,098,896	1,363,746
Convertible notes	3,535,623	3,447,919

19.1.1 Financial Risk Management objectives and policies

The Group's risk oversight and management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects and ensure that net cash flows are sufficient to support the delivery of the Group's financial targets whilst protecting future financial security. The Group continually monitors and tests its forecast financial position against these objectives and may undertake forward-rate agreements when necessary to ensure the objectives are achieved.

The Group's activities expose it to a variety of financial risks; market, credit and liquidity. These risks are managed by senior management in line with policies set by the Board. The Group's principal financial instruments comprise cash and short term deposits. Other financial instruments include trade receivables and trade payables, which arise directly from operations.

It is, and has been throughout the period under review, Group policy that no speculative trading in financial instruments be undertaken as more fully disclosed under Note 3(e).

19.1.2 Market risk

Interest Rate Risk

The Group is exposed to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The Group manages this risk by maintaining an appropriate mix between fixed and floating rate instruments.

The effective weighted average interest rates on classes of financial assets and financial liabilities are as follows:

31 March 2016	Weighted Ave Effective Int Rate %	Less than 1 month £	1 month – 1 year £	1 – 5 years £	5+ years £	Total £
Financial Assets						
Non-interest bearing	-	9,856	-	-	-	9,856
Variable interest rate instruments	0.0%	89,694	-	-	-	89,694
Total Financial Assets		99,550	-	-	-	99,550
Financial Liabilities						
Non-interest bearing	-	118,954	-	-	-	118,954
Borrowings	16%	-	1,098,896	-	-	1,098,896
Convertible Notes	-	-	3,535,623	-	-	3,535,623
Total Financial Liabilities		118,954	4,634,519	-	-	4,753,473

Financial assets are classified based upon their expected maturity whilst financial liabilities are classified based upon their contractual maturity.

31 March 2015	Weighted Ave Effective Int Rate %	Less than 1 month £	1 month – 1 year £	1 – 5 years £	5+ years £	Total £
Financial Assets						
Non-interest bearing	-	9,677	-	-	-	9,677
Variable interest rate instruments	0.2%	78,511	-	-	-	78,511
Total Financial Assets		88,188	-	-	-	88,188
Financial Liabilities						
Non-interest bearing	-	422,615	-	-	-	422,615
Borrowings	17%	-	1,363,746	-	-	1,363,746
Convertible Notes	15%	-	3,447,919	-	-	3,447,919
Total Financial Liabilities		422,615	4,811,665	-	-	5,234,280

Currency risk

The Group has subsidiaries operating in Africa and Australia, whose businesses are conducted predominantly in Zambian Kwacha; US dollars and Australian Dollars respectively, exposing the Group to exchange rate fluctuations.

The Group manages this risk by monitoring foreign exchange rates, maintaining the majority of cash assets in US Dollars, and limiting the amounts transferred to the subsidiaries to that which is required to sustain operations. The Company's borrowings are in Australian Dollars and are also subject to foreign exchange fluctuations through retranslation to the presentation currency of Great Pounds Sterling. The Group has not entered into any derivative financial instruments to hedge such transactions.

Foreign exchange differences on retranslation of the foreign subsidiaries' assets and liabilities are taken to the translation reserve.

At year end the Group has £87,010 (2015: £251) of monetary assets held in US Dollars, £25 (2015: £nil) in Zambian Kwacha and £2,659 (2015: £78,259) in Australian Dollars, the remainder being held by the Parent Company in Pounds Sterling. The maximum exposure to credit risk is represented by the carrying amount of each of these assets in the balance sheet.

The following table summarises the sensitivity of financial instruments held at the balance sheet date to movements in the exchange rate of the Zambian Kwacha, Australian Dollar and the US Dollar to the Great British Pound, with all other variables held constant. The sensitivities are based on an analysis of actual historical rates for the preceding five year period.

	IMPACT ON PROFIT		IMPACT ON EQUITY	
	31 MAR 2016	31 MAR 2015	31 MAR 2016	31 MAR 2015
	£	£	£	£
ZMK/GBP +10%	3	-	-	-
ZMK/GBP -10%	(3)	-	-	-
AUD/GBP +10%	266	3,913	-	-
AUD/GBP -10%	(266)	(3,913)	-	-
USD/GBP +10%	8,701	13	-	-
USD/GBP -10%	(8,701)	(13)	-	-

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- result for the year ended 31 March 2016 would increase/decrease by £23,615 (2015: increase/decrease by £26,815). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

19.1.3 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Due to the current nature of the Group's operations there is no significant concentration of credit risk. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

19.1.4 Capital Risk Management

The Group manages capital to ensure that companies in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt to equity balance. The Group's focus has been to raise sufficient funds through equity to fund exploration activity. The Group monitors capital on the basis of the gearing ratio and the external borrowings currently in place enabled the Company to drawdown A$100,000 (as per Term Sheet) from the Auctus Resources Fund Bridging Financing Facility.

The ability of the Group to continue as a going concern and to pay its debts as and when they fall due is dependent on a certain events taking place as detailed in Note 3.3 "Going Concern."

19.1.5 Liquidity risk

Liquidity risk refers to the risk that the Group will have insufficient funds to meet its operational requirements. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate liquidity levels are maintained. The undiscounted contractual or expected maturities of the financial assets and liabilities are detailed in the table at Note 19.1.2.

19.1.6 Fair Values

Monetary financial assets and liabilities not readily traded in an organised financial market have been valued at cost, which approximates fair value.

The carrying amount of cash and cash equivalents approximate net fair value.

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	FAIR VALUE HIERARCHY	31 MAR 2016 £	31 MAR 2015 £
Financial Assets			
Trade and other receivables	Level 2	9,856	9,677
Financial Liabilities			
Trade and other payables	Level 2	118,954	422,615
Borrowings	Level 3*	1,098,896	1,363,746
Convertible Note	Level 3*	3,535,623	3,447,919
		4,753,473	5,234,280

*The fair values of these financial liabilities have been determined using a discounted cash flow as valuation technique and key input.

20.0 Capital Commitments

The Group has no capital commitments for the coming 2017 financial year.

21.0 Commitments and Contingencies

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

	31 MARCH 2016 £	31 MARCH 2015 £
Not later than 1 year	2,882	2,794
Later than 1 year and not later than 5 years	5,765	8,383
Later than 5 years	-	-
	8,647	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.

22.0 Related Parties

22.1 Subsidiaries

The subsidiaries and associates of the Group are identified in Note 10. Transactions between the company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

22.2 Directors

The Directors of the Company during the year, and up to the date of this report, were as follows:

- David Vilensky
- Frank Vanspeybroeck (Resigned 4th March 2016)
- Marinko Vidovich
- Greg Bittar (Appointed 4th March 2016)

22.3 Related party transactions

Mr David Vilensky is a partner of Bowen Buchbinder Vilensky which provides legal services to the Company. During the period that Partnership was paid £4,837 (2015: £11,935).

These fees and disbursements exclude benefits which have been included in the aggregate amount of emoluments received or due and receivable by Directors as director's fees and shown in the financial statements, prepared in accordance with the Corporations Regulations, or the fixed salary of a full time employee.

ARF and Zambezi are related parties. Other than the borrowings noted in Note 15, Zambezi has derived management fees for the Mpande Limestone Project of £48,720 (2015: £74,662).

At the end of the reporting period, there were no balances outstanding from related parties.

22.4 Compensation of Key Management Personnel

The remuneration of directors and other members of key management during the year was as follows:

	31 MAR 2016 £	31 MAR 2015 £
Short term benefits	234,206	282,100
Share based payments	-	-
	234,206	282,100

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

23.0 Post-balance Sheet Events

23.1 Capital/Debt Funding

On 16th May 2016 the Company executed a binding Term Sheet with its major shareholder Auctus Resources Fund ("ARF") pursuant to the Term Sheet ARF has agreed on the following key terms of the Term Sheet:-

- In consideration for the outstanding balance of A$6,637,824 owing by the Company to ARF pursuant to the Convertible Note, the Company has agreed to grant to ARF a royalty of 3% calculated on any gross revenue from its Kangaluwi Copper Project **("KCP")** in Zambia up to a maximum of A$12M plus a Farm-In-Right **("Convertible Note Transaction")**.

- The Farm-In-Right gives ARF the right to earn a Farm-In-Interest in KCP of up to 75% upon investing A$1M in the project.

- Subject to ARF not having exercised the Farm-In-Right, the Farm-In-Interest will reduce on a sliding scale to a minimum of 30% when ZRL has invested A$15M in KCP. For example if ZRL invests A$6M in KCP the Farm-In-Interest of ARF will reduce to 50%.

- Contemporaneously with completion of the Convertible Note Transaction, ZRL will undertake a capital raising to raise at least A$200,000 in new funds **("Capital Raising")** for working capital purposes.

- Simultaneously with the issue of shares pursuant to the Capital Raising, the balance outstanding under the Facility Agreement will be repaid by the issue of shares to ARF such that ARF's interest in ZRL's shares will be 70% following completion of the Capital Raising (**"Facility Agreement Repayment"**).

- the Convertible Note Transaction and the Facility Agreement Repayment shall be subject to shareholder approval.

The debt restructuring pursuant to the Term Sheet will eliminate the core debt to ARF.

24.0 Company details

The registered office of the company is:

Trinity Hall
43 Cedar Avenue
Hamilton, HM 12
Bermuda

The principal activity is the exploration for copper and gold in sub-Saharan Africa.

The principal places of business are:

Operational/Management Office
Plot No. 5697
Beu Crescent
Kalundu
Lusaka, Zambia

Perth Agent's Office
C/- Bowen Buchbinder Vilensky
Level 14
251 Adelaide Terrace
Perth WA 6005 Australia

25.0 Remuneration of Auditors

	31 MAR 2016 £	31 MAR 2015 £
Audit or review of the financial report	24,953	58,372

The auditor of Zambezi Resources Limited is Bentleys (WA) Pty Ltd. For the year ended 31 March 2015 the auditor was Deloitte Touche Tohmatsu.

26.0 Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 3 June 2016.

27.0 Finance Costs

	31 MAR 2016 £	31 MAR 2015 £
Interest on borrowings	195,443	218,101
Interest on convertible note	-	130,583
Total interest expense for financial liabilities not classified as at fair value through profit or loss	**195,443**	**348,684**

The weighted average capitalisation rate on funds borrowed generally is 17% per annum (2015: 17% per annum).

28.0 Cash Flow Information

28.1 Reconciliation of profit or loss after income tax to net cash flow from operating activities

	31 MARCH 2016 £	31 MARCH 2015 £
Profit/(loss) for the year	512,996	(336,828)
Depreciation	-	44,598
Share-based payments	17,850	-
Expenses settled by the issue of shares	27,797	182,544
Expenses settled by the transfer of plant and equipment	-	39,822
Accrued interest on borrowings	195,443	348,721
Gain on Bridging Facility modification	(140,967)	(303,511)
Interest income	(37)	(343)
Exploration expenses not capitalised	67,793	305,212
Exploration expenses incurred by discontinued operation	21,745	95,136
Net (gain)/loss on disposal of subsidiaries	(957,412)	68,355
Net exchange differences	(10,806)	(932,324)
Change in operating assets and liabilities, net of effects from sale of subsidiary:		
(Increase)/decrease in trade and other receivables	(9,383)	14,841
(Decrease) in trade and other payables	(308,296)	(56,998)
Net cash outflow from operating activities	(583,277)	(530,775)

28.2 Non-cash investing and financing activities

	31 MARCH 2016 £	31 MARCH 2015 £
Expenses settled by the issue of shares	27,797	182,544
Expense settled by the transfer of plant and equipment	-	39,822

29.0 Share Based Payments

Suppliers have been granted options in accordance with the terms of the Share Purchase Security Agreement ("SPSA") announced in October 2012, and to satisfy fees for the Facility Agreement ("FA") announced in June 2015. The options issued in accordance with the SPSA expired on 17 October 2015, and had an exercise price of AUD$0.44. The options issued in accordance with the FA have an exercise price of AUD$0.04 and expiry date of 31 December 2020.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

The movements in options during the periods were as follows:

YEAR ENDED 31 MARCH 2016	No of options	Exercise price (£)				
Options outstanding at 1 April 2015	**300,000**	0.23[1]				
			Grant date	Expiry	Vested	FV @ grant date (£)
Options issued during period to:						
Suppliers	5,000,000	0.04[1]	16/02/16	31/12/20	16/02/16	18,535
	5,000,000					**18,535**
Options lapsed during period :						
Suppliers	300,000	0.23[1]	19/10/12	17/10/15	19/10/12	-
	300,000					**-**
Options outstanding and exercisable at 31 March 2016	5,000,000	0.04[1]				
% of issued capital	0%					

[1] Weighted average exercise price.

YEAR ENDED 31 MARCH 2015	No of options	Exercise price (£)	Grant date	Expiry	Vested	FV @ grant date (£)
Options outstanding at 1 April 2014	**300,000**	0.23[1]				
Options issued during period to:						
Suppliers	-	-	-	-	-	-
	-					-
Options lapsed during period :						
Suppliers	-	-	-	-	-	-
	-					-
Options outstanding and exercisable at 31 March 2015	300,000	0.23[1]	19/10/12	17/10/15	19/10/12	-
% of issued capital	0%					-

[1] Weighted average exercise price.

Assumptions – Year Ended 31 March 2016

1. The share price factored into the fair value calculation model was AUD$0.012.

2. The expected volatility factored into the fair value calculation model was 109% determined by using a historical sample of the daily share price movement percentages over the useful life. The resultant volatility therefore reflects the assumption that historical volatility is reflective of future trends, which may not necessarily be the actual outcome.

3. Option life factored into the fair value calculation model was 5 years.

4. No expected dividends were factored into the fair value calculation model.

5. No early exercises of options in the fair value calculation model were assumed.

6. The risk free interest rates factored into fair value calculation was 2.01%.

7. The model used in the fair value calculation was the Black Scholes model.

Directors' Declaration

For the Year Ended 31 March 2016

The Directors declare that:

a) 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;

b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 3 to the financial statements; and

c) in the directors' opinion, the attached financial statements and notes thereto are in compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

On behalf of the Board

David Vilensky
Chairman

Additional Securities Exchange Information

1.0 Stock Exchange Listing

Zambezi Resources Limited shares are listed on the Australian Securities Exchange. The Company's ASX code is ZRL.

2.0 Substantial Shareholders (Holding not less than 5%)

Name of Shareholder	Total Number of Voting Share in the Company in which the Substantial Shareholders and its Associates Hold Relevant Interests	Percentage of Total Number of Voting Shares (%)
RBC Investor Services Australia Nominees Pty Limited	8,351,838	20.23

3.0 Class of Shares and Voting Rights

As at 17 May 2016 there were 859 holders of 41,290,103 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

a) each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;

b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a shareholder has one vote; and

c) on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

There are no voting rights attached to the options in the Company. Voting rights will be attached to the unissued ordinary shares when options have been exercised.

4.0 Distribution of Security Holders as at 30 April 2016

Number of Shares Held	Number of Shareholders
1 – 1,000	216
1,001 – 5,000	220
5,001 – 10,000	144
10,001 – 100,000	228
100,001 and over	57
Total	**865**

The number of shareholders holding less than a marketable parcel is 724.

5.0 Cash Usage

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

6.0 Listing of 20 Largest Shareholders as at 17 May 2016

	Name of Ordinary Shareholder	Number of shares held	% of Shares Held
1.	RBC Investor Services Australia Nominees Pty Limited	8,351,838	20.23
2.	LinQ Investors Pty Ltd	2,000,000	4.84
3.	Woodcross Holdings Pty Ltd	1,324,167	3.21
4.	Mr Hong Jun Qiu + Dr Cheng Jie Qiu	1,280,888	3.10
5.	Mr Errol Arnold Bome + Mrs Melanie Jill Bome	1,212,122	2.94
6.	BBV Legal Pty Ltd	1,155,556	2.80
7.	Miss Dina Abounakad	1,000,000	2.42
8.	Advanced Management Services Australia Pty Ltd	954,550	2.31
9.	Mr George Manios	925,000	2.24
10.	Mr Simon Alam	791,081	1.92
11.	Mr Darren Carr	718,421	1.74
12.	Cappafield Pty Ltd	700,000	1.70
13.	Comsec Nominees Pty Limited	689,282	1.67
14.	Mrs Melanie Jill Bome	672,998	1.63
15.	Mr Willie Rutherlain Sweta	661,750	1.60
16.	Coilens Corporation Pty Ltd	597,802	1.45
17.	Mr David Ariti	507,874	1.23
18.	Mr Jason Gordon King	500,000	1.21
19.	Silva Pty Ltd	490,784	1.19
20.	BJ Morrell Super Pty Ltd	454,989	1.10
		24,989,102	**60.52**

7.0 Unquoted Securities on Issue - Update

Securities issued by the Company which are not listed on the ASX are as follows:

Securities	Holders	Name of Holders >80%	Number Held
Unlisted options Exercise Price = the lower of A$0.04/sh and the lowest price at which ZRL raises capital via placement and/or pro-rata entitlement from the date the options are issued until the applicable exercise date of the options. Expiry Date = 31 December 2020 Exercise Period = any time after the date the options are issued and before the Expiry Date.	1	Auctus Resources Fund	5,000,000