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**ASX Announcement**
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# ZRL ENTERS OPTION AGREEMENT TO FARM INTO HIGHLY PROSPECTIVE ZINC-LEAD PROJECT IN WEST AFRICA

## HIGHLIGHTS

- Highly prospective Zinc-Lead project in Gabon with significant sphalerite and galena observed at surface
- Numerous very **shallow ore-grade** and width intersections from historic drilling including**:**
  - **2.3m @ 21.2% Zn+Pb** from 0.9m (hole DK198)
  - **8.3m @ 7.8% Zn+Pb** from 13.6m (hole DK040)
  - **7.0m @ 8.2% Zn+Pb** from 9.4m (hole DK156)
  - **10.4 @ 5.2% Zn+Pb** from 8.9m (hole DK158, ends in mineralisation)
  - **1.3m @ 23.3% Zn+Pb** from 15.9m (hole DK216)
- Zinc-Lead occurrences mapped along the 84km length of the licence
- Drilling limited to only 2 of the 18 channels, 16 channels untested
- Approx. 65km to major river port along well formed roads

Zambezi Resources Limited **("ZRL"** or **"Company")** is pleased to announce that it has entered into an option agreement with Metals of Africa (ASX:MTA) to farm into the highly prospective Kroussou Zinc-Lead Project in Gabon (Figure 1). Intermittent historic exploration, conducted from 1962 to 1980, identified significant near-surface base metal mineralisation with drill testing limited to a small portion of the target areas.

MTA has decided to divest the asset in order to remain focussed on developing their Mozambique graphite assets.

## About the Kroussou Project

Zinc and lead mineralisation is hosted in Cretaceous sediments on the margin of the Cotier (Coastal) Basin within preserved channels and onlapping unconformable Archaean and Paleoproterozic basement rocks (Figures 2, 3 and 4). Base metal occurrences are mapped along the length of the Kroussou Project License (84km strike for ~1,500km$^2$ of tenure). Only a limited number (2 of 18) of the exposed channels were drill tested by the Bureau de Recherches Géologiques et Minières (BRGM) historically, with both channels containing significant base metal mineralisation. ZRL believes there is scope for the discovery of further base metal accumulations within the remaining untested 16 channels and also further potential westward within the broader Cotier Basin.

The Dikaki Prospect (Figures 2, 3 and 5), the area with the most historic drilling (small diameter diamond core) returned numerous shallow intersections of ore grade and width zinc plus lead mineralisation. Some of the better intersections reported included **2.3m @ 21.2% Zn+Pb from 0.9m**, **8.3m @ 7.8% Zn+Pb from 13.6m and 7.0m @ 8.2% from 9.4m** (Figure 5). These holes were drilled by the BRGM in 1979-1980.

Assaying of core by the BRGM was highly selective due to the high cost of analysis and transport back to France at the time. Only obviously mineralised (clearly visible galena – lead sulphide) core was sent for analysis, limiting defined and quantified mineralisation to these intersections. Sphalerite (zinc sulphide) is not always easy to identify in hand specimen and zinc rich core may not have been sent for assay. Further, BRGM limited their drill program to shallow holes (average depth of 16m) with numerous holes ending in mineralisation.

The BRGM drill holes confirm multiple horizons of flat lying mineralisation. Numerous intersections of massive sulphide were reported in drill logs adding to the potential for significant zinc and lead mineralisation at the Kroussou project. The style of mineralisation is likely Mississippi Valley Type, however some Sedex Type characteristics are also observed. Petrology undertaken by MTA indicates relatively equal proportions of zinc and lead minerals and the sphalerite appears to have low iron content, making it more attractive for beneficiation.

MTA has identified eighteen channels that offer very shallow, near surface targets close to the Archaean and Paleoproterozoic basement rocks. A recent field visit by ZRL, identified significant zinc and lead mineralisation within modern drainage systems outcropping within the historically drilled channels. MTA previously announced confirmation of high grade rock chips at the Dikaki and Kroussou Prospects with results returning grades as high as 9.7% zinc and 33.1% lead (see ASX announcement by MTA from 7$^{th}$ of April 2015).

## Access to Infrastructure

Access into the Kroussou project area has been greatly enhanced in recent times by the presence of several logging companies operating in the area. New, high quality roads and tracks have been established that allow for easy passage into the project from the bitumen highway that runs south from the capital city of Libreville.

A river port at Yeno (Figure 1), approximately 65km, by vehicle, to the west of the project area along a good quality road, is used by the timber and the oil industries to barge equipment and product to Gabon's main commercial shipping base at Port Gentil. This barge system presents an ideal, relatively cheap logistical solution for operations within the project to and from the main export facilities at Port Gentil.

## Key Deal Terms

- Drill Option – ZRL to fund an initial drilling programme at Kroussou up to US$250,000.
- Should ZRL elect to exercise this option (prior to 31st July 2017), ZRL will pay MTA US$240,000 in cash and/or shares as a reimbursement of costs and to secure the right to earn 30% of the Kroussou Project through the expenditure of US$1M within 12 months of the exercise date.
- ZRL can then earn a further 40% of the Project through the expenditure of US$3M in the subsequent 24 months.
- ZRL will then have earnt 70% of the Kroussou Project and agrees to free carry MTA through to the completion of a PFS (Pre-Feasibility Study, as defined in JORC 2012). At that point MTA will have the option to contribute to the delivery of a DFS (Definitive Feasibility Study as defined in JORC 2012) or dilute, via standard industry formulae to 5%, whereby below that, its interest will convert to a 2.5% Net Smelter Royalty (NSR). ZRL will have the option to buy back 1% of this royalty through the payment of US$1M to MTA.

## Drill Option

Planning is well underway for a programme of at least 500m of diamond drilling to be undertaken in early 2017 in order to test some of the best areas of the Dikaki channel and potentially other targets. Once permitting has been completed and access has been established into the prospect areas, drilling will commence with results expected towards the end of Q1 2017.

## About Gabon

- Low population density and abundant energy / mineral resources have helped make Gabon one of the most prosperous countries in Sub-Saharan Africa, with the highest Human Development Indicator (HDI) and the third highest GDP per capita in the region.

- An internationally monitored investment platform which encourages direct foreign investment without any restrictions on converting or transferring funds associated with the investment.
- Specific mining investment codes which encourage investment through customs and tax incentives.
- Gabon's commercial ties with France remain very strong but the government is actively looking to diversify its sources by courting Asian and Anglophone investors.
- The emerging Gabonese economy is based on the domestic conversion of the extracted raw materials.
- In the long term, Gabon has the vocation to become a metallurgy centre, with a dynamic fabric of SMEs exporting metal-based products to the whole sub-region and beyond.
- The Government is presently focusing on upgrading all major roads and the launch of a massive port modernisation plan that will cater for 90% of commercial traffic.
- An investment code which conforms to Central African Economic and Monetary Community (CEMAC) investment regulations giving the same rights to foreign companies operating in Gabon as to domestic firms. Businesses are protected from expropriation or nationalisation without appropriate compensation.
- Gabon is a politically stable democratic state with few instances of social instability in recent years.
- Prospective yet underexplored geology boasting excellent historical datasets.

**<END>**

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

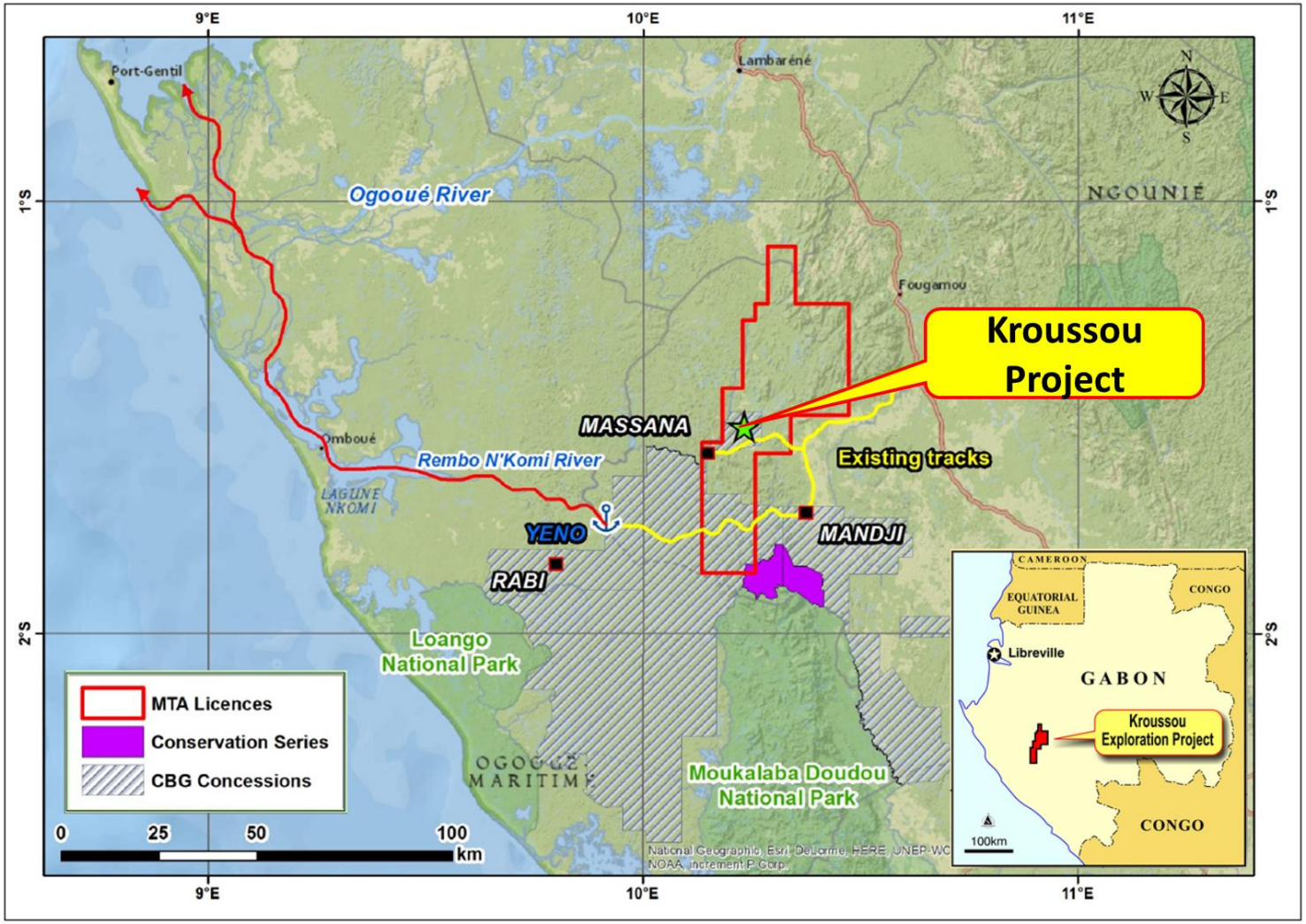


*Figure 1: Location Plan of the Kroussou Project in Gabon*

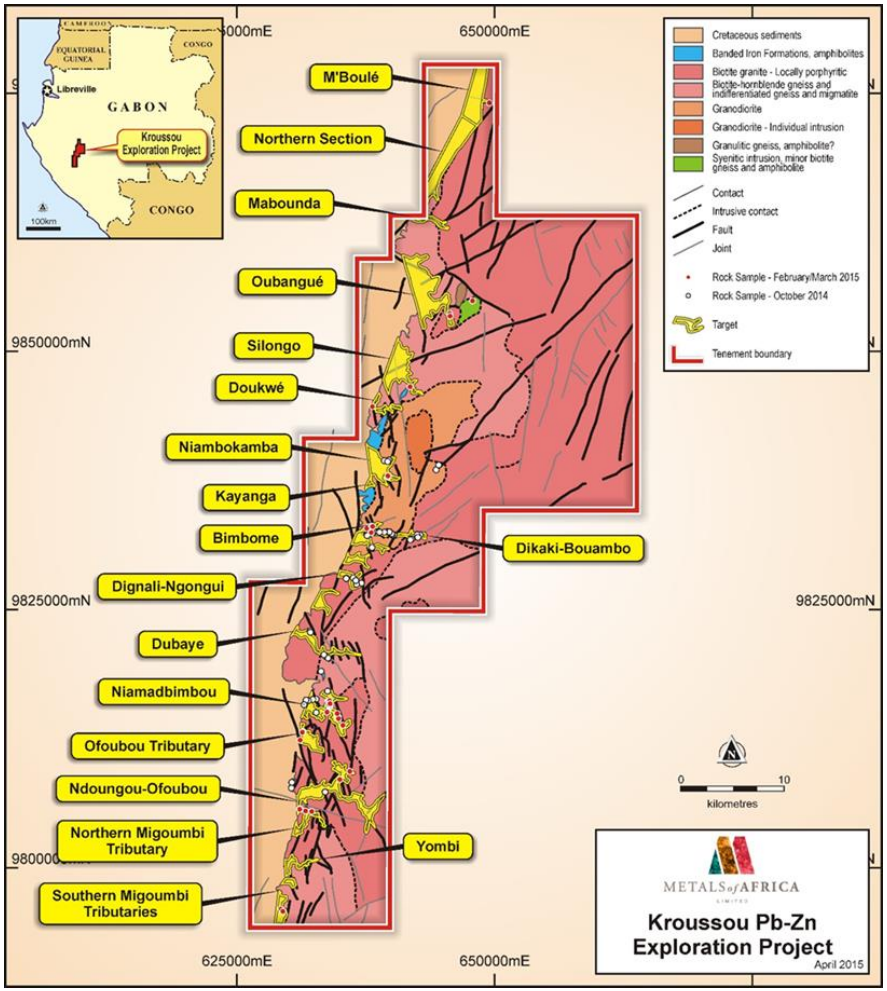


*Figure 2: Plan of the Kroussou Project showing the 18 prospective channels*

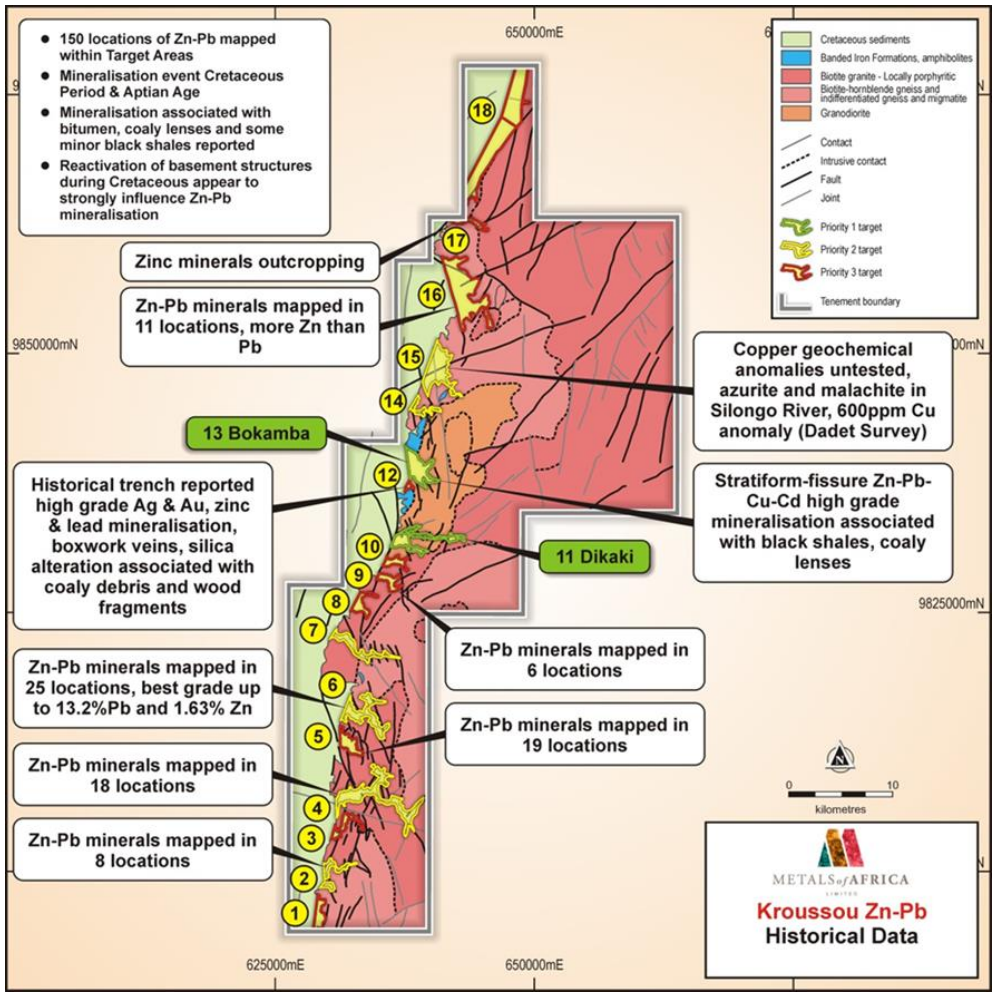


*Figure 3: Details of some of the historic exploration conducted at the Kroussou Project*

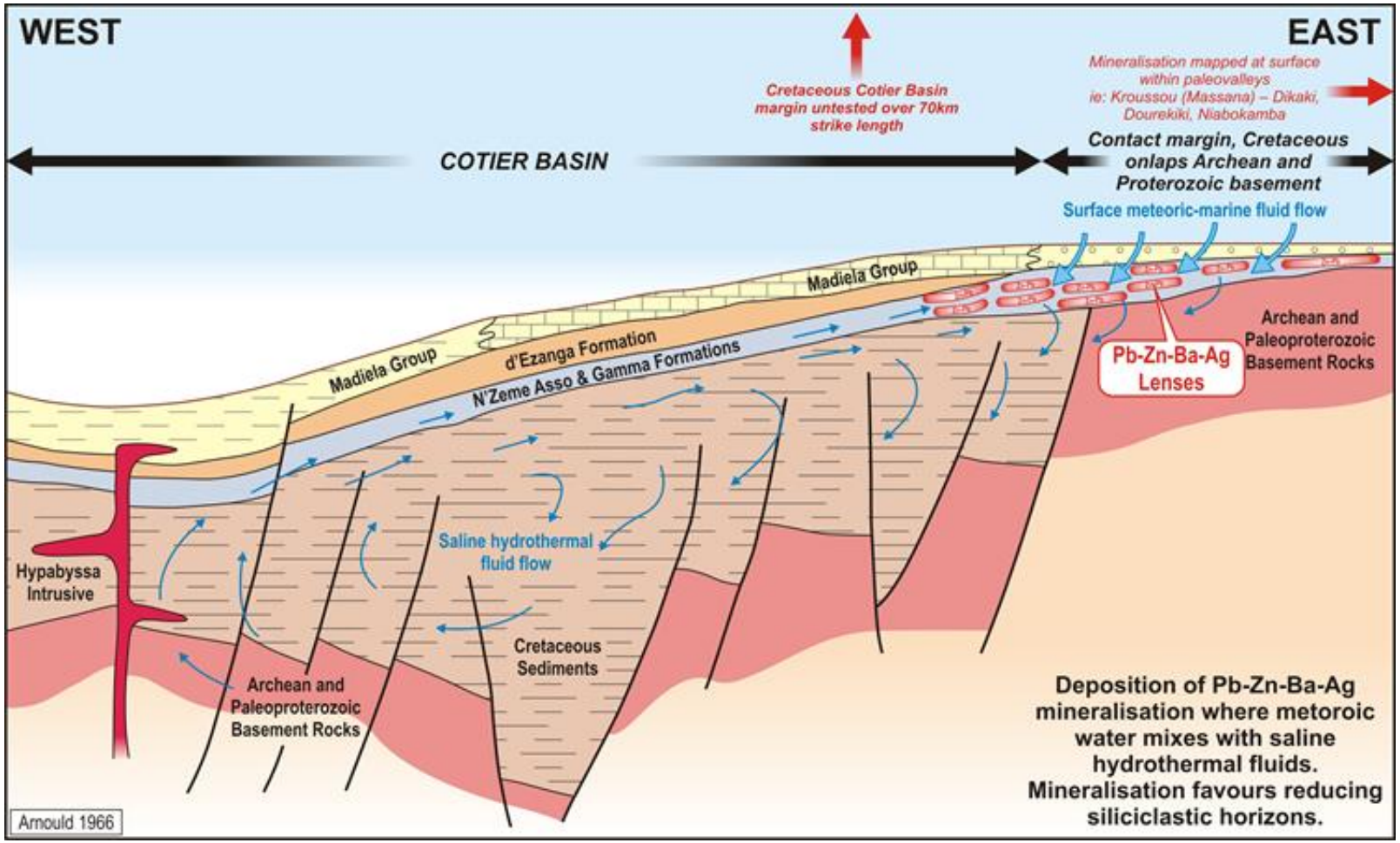


*Figure 4: Schematic geological mineralisation model showing the westward Cotier Basin Cretaceous aged stratigraphy within the mineralised channels onlapping Archean and Paleoproterozoic rocks in the east. Mineralisation is modelled with deposition at the interface of the meteoric and marine fluids. Schematic based on Arnould 1966 (BRGM)*

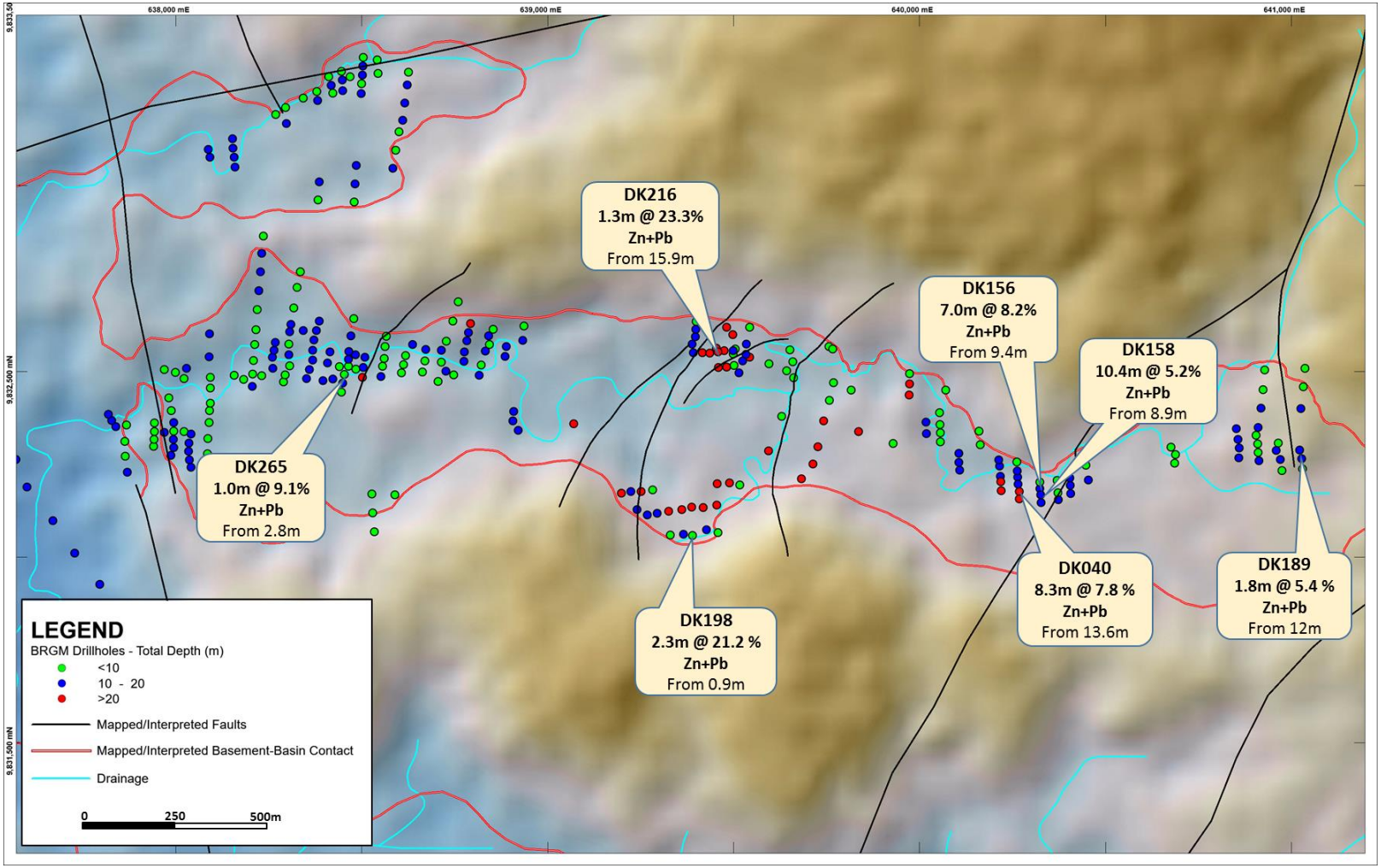


*Figure 5: Drillhole collar plan on SRTM topography showing the distribution and depth of the historic BRGM drilling along with some example mineralised intersections*

*Appendix 1: Selected example drillhole collar locations: (Note: Collar Locations have been estimated to approximately +/- 10m accuracy using historical hand drawn plans and recent field observations)*

| Hole ID | Easting (WGS 84 Z32 S) | Northing (WGS 84 Z32 S) | Nominal RL (m) | Dip ($^0$) | Azimuth (mag $^0$) | Total Depth (m) |
|---|---|---|---|---|---|---|
| DK040 | 640268 | 9832179 | | -90 | 000 | 21.9 |
| DK156 | 640324 | 9832187 | | -90 | 000 | 18.2 |
| DK158 | 640326 | 6832187 | | -90 | 000 | 19.3 |
| DK189 | 641027 | 9832267 | | -90 | 000 | 18.6 |
| DK198 | 639389 | 9832061 | | -90 | 000 | 4.1 |
| DK216 | 639475 | 9832558 | | -90 | 000 | 22.2 |
| DK265 | 638502 | 9832487 | | -90 | 000 | 23.3 |

# JORC Code, 2012 Edition – Table 1

## Section 1 Sampling Techniques and Data

(Criteria listed in the preceding section also apply to this section.)

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| ***Sampling techniques*** | • *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.*<br>• *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.*<br>• *Aspects of the determination of mineralisation that are Material to the Public Report.*<br>• *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.* | • Due to the historic nature of the drilling results reported herein, it is not possible to comment on the quality of the sampling used to produce the results described. It is known from the historic reports that the drillcore was sawn.<br>• Results were obtained from historic reports produced by the Bureau de Recherches Géologiques et Minières (BRGM, French Geological Survey) during the late 1970's and early 1980's. |
| ***Drilling techniques*** | • *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).* | • Drilling was completed using a Winkie style diamond drill rig producing drill core of approximately 25mm diameter. |
| ***Drill sample recovery*** | • *Method of recording and assessing core and chip sample recoveries and results assessed.* | • Due to the historic nature of the drilling results reported herein, it is not possible to comment on the recoveries achieved at the time. |

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| | • *Measures taken to maximise sample recovery and ensure representative nature of the samples.*<br>• *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.* | |
| ***Logging*** | • *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*<br>• *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.*<br>• *The total length and percentage of the relevant intersections logged.* | • All drill core was logged in detail, however, due to the age of the drilling and the inability to check-log the core due to its destruction, these logs can be used as a guide only and will not be suitable for use in a Mineral Resource estimation.<br>• Qualitative: Lithology, alteration, mineralisation etc.<br>• All holes for their entire length appear to have been logged. |
| ***Sub-sampling techniques and sample preparation*** | • *If core, whether cut or sawn and whether quarter, half or all core taken.*<br>• *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.*<br>• *For all sample types, the nature, quality and appropriateness of the sample preparation technique.*<br>• *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.*<br>• *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.*<br>• *Whether sample sizes are appropriate to the grain size of the material being sampled.* | • Due to the historic nature of the drilling results reported herein, it is not possible to comment on the method of sampling, sampling techniques and sample preparation methodology.<br>• It is known that the core was sawn prior to assay. |
| ***Quality of assay data and laboratory*** | • *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.*<br>• *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument* | • Due to the historic nature of the drilling results reported herein, it is not possible to confirm the method of assay or analytical technique however historical reports indicate the drill samples were analysed using atomic absorption methods but the digestion method is not clear. |

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| ***tests*** | *make and model, reading times, calibrations factors applied and their derivation, etc.*<br>• *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.* | • No description of QAQC protocols is provided in the historic reports. |
| ***Verification of sampling and assaying*** | • *The verification of significant intersections by either independent or alternative company personnel.*<br>• *The use of twinned holes.*<br>• *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.*<br>• *Discuss any adjustment to assay data.* | • Due to the historic nature of the drilling results reported herein, it is not possible to verify any of the results. |
| ***Location of data points*** | • *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.*<br>• *Specification of the grid system used.*<br>• *Quality and adequacy of topographic control.* | • Drillholes were located according to topography on maps produced at the time of drilling. A process is underway to attempt to accurately locate these; however, this process is incomplete at this stage. Location accuracies are approximately +/- 10m |
| ***Data spacing and distribution*** | • *Data spacing for reporting of Exploration Results.*<br>• *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.*<br>• *Whether sample compositing has been applied.* | • Drillhole collars described in historical reports are spaced at various intervals including random locations and on grids of 50m x 100m and 25m x 50m.<br>• Due to the historic nature of the drilling results reported herein, they will not be suitable for use in a Mineral Resource estimation. |
| ***Orientation of data in relation to geological structure*** | • *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.*<br>• *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.* | • Drillholes were vertical which would be considered appropriate in the relatively flat lying stratigraphy at the Kroussou Project. |

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| ***Sample security*** | • *The measures taken to ensure sample security.* | • Due to the historic nature of the drilling results reported herein, it is not possible to comment on sample security. |
| ***Audits or reviews*** | • *The results of any audits or reviews of sampling techniques and data.* | • No audits are possible on the results but a full review of the historic data package is underway. |

## Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| ***Mineral tenement and land tenure status*** | • *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.*<br>• *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.* | • MTA acquired the Kroussou Project in Gabon from Select Exploration Limited (ASX:SLT) in March 2014. MTA has 100% equity in these projects. Havilah Consolidated Resources (HCR) holds a 0.75% NSR. This royalty may be bought back from HCR by MTA for US$250,000<br>• The Kroussou tenure is an Exploration License (G4-569) renewable each year for a further 3 year period beginning the 02nd of July 2015.<br>• The Company is not aware of any impediments relating to the licenses or area. |
| ***Exploration done by other parties*** | • *Acknowledgment and appraisal of exploration by other parties.* | • Intermittent historical exploration as conducted by French Bureau de Recherches Géologiques et Minières (BRGM) at Kroussou from 1962 - 1963, the project was then later re-examined in 1979-1981 by the BRGM in joint venture with Comilog which is a Gabonese government owned mining company.<br>• BRGM discovered the Kroussou Pb-Zn-(Ag) mineral occurrences as well as others along various river systems on the Kroussou license.<br>• BRGM conducted drilling on the project in 1962, 1977-1980<br>• MTA has obtained historical reports and drill logs relating to BRGM's field program.<br>• Two programmes of field work have been completed by SRK Perth on behalf of MTA to confirm and extend the work completed by the BRGM. MTA has released ASX announcements relating to this work previously eg. 28/10/2014, 04/02/2015 and 07/04/2015<br>• A field visit was undertaken by ZRL Managing Director, Bradley Drabsch and Chairman, Greg Bittar in October 2016 |

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| ***Geology*** | • *Deposit type, geological setting and style of mineralisation.* | • The deposit style reported in BRGM historical files is Mississippi Valley Type (MVT) sedimentary mineralisation of Pb-Zn-(Ag) where mineralisation is similar to the Laisville (Sweden) style with deposition within silciclastic horizons in a reducing environment.<br>• On a regional scale, the Pb-Zn mineral concentrations are distributed at the edge of the continental shelf which was being eroded during Lower Cretaceous time.<br>• Mineralisation is located within the Gamba Formation part of the N'Zeme Asso Series and was deposited during the Cretaceous as part of the Cocobeach Complex deposited during formation of the Cotier Basin.<br>• Mineralisation is hosted by conglomerates, sandstones and siltstones deposited in laguno-deltaic reducing conditions at the boundary of the Cotier Basin onlapping continental basement rocks.<br>• Large scale regional structures are believed to have influenced mineralisation deposition.<br>• MTA's field reconnaissance identified mineralisation within coarse-grained arkosic sandstone and conglomerate and observed local silicification. |
| ***Drill hole Information*** | • *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:*<br>○ *easting and northing of the drill hole collar*<br>○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar*<br>○ *dip and azimuth of the hole*<br>○ *down hole length and interception depth*<br>○ *hole length.* | • See Appendix 1 |
| ***Data aggregation*** | • *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high* | • No aggregation methods have been applied to data presented. |

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| ***methods*** | *grades) and cut-off grades are usually Material and should be stated.*<br>• *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.*<br>• *The assumptions used for any reporting of metal equivalent values should be clearly stated.* | |
| ***Relationship between mineralisation widths and intercept lengths*** | • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.*<br>• *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').* | • Intercept lengths can be estimated as true widths as drilling is approximately normal (90°) to the dip of the relatively flat lying sedimentary succession. |
| ***Diagrams*** | • *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.* | • Refer to figures in report. |
| ***Balanced reporting*** | • *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.* | • The data presented is historical in nature and only a selection of some of the results available are presented to illustrate the nature of the mineralisation present. |
| ***Other substantive exploration data*** | • *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.* | • All meaningful and material information is reported. |

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| ***Further work*** | • *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).*<br>• *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.* | • A drilling programme is currently being planned in order to replicate the results presented in the historical reports.<br>• This is likely to be followed by geophysical surveys, geochemical surveys and geological mapping to generate further drill targets should ZRL choose to exercise its option to enter into a JV with MTA |