**ZAMBEZI RESOURCES LIMITED**
**Company No. (Bermuda) 35116**
**ARBN 124 462 826**

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**NOTICE OF GENERAL MEETING**

**and**

**EXPLANATORY MEMORANDUM TO SHAREHOLDERS**

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**Date of Meeting**

**Wednesday, 17 August 2016**

**Time of Meeting**

10:00 am Bermuda ADT (Atlantic Daylight Time) (9:00 pm Perth AWST (Australian Western Standard time))

**Place of Meeting**

Trinity Hall

43 Cedar Avenue

Hamilton HM12

Bermuda

**Please read this Notice and Explanatory Memorandum carefully.**

If you are unable to attend the Meeting, please complete and return the enclosed Proxy Form or CDI Form of Instruction (as applicable) in accordance with the specified instructions.

**Zambezi Resources Limited**
**Company No. (Bermuda) 35116**
**ARBN 124 462 826**

**NOTICE IS HEREBY GIVEN** that the General Meeting of the Shareholders of Zambezi Resources Limited ("**Company**") will be held at Trinity Hall, 43 Cedar Avenue, Hamilton HM12, Bermuda on Wednesday, 17 August 2016 at 10:00 am Atlantic Daylight Time (ADT), for the purpose of transacting the following business referred to in this Notice of General Meeting.

An Explanatory Memorandum containing information in relation to the following Resolutions accompanies this Notice of Meeting.

# AGENDA

## ORDINARY BUSINESS

### 2016 Accounts

To receive and consider the financial report of the Company for the year ended 31 March 2016, and the reports by the Directors and Independent Auditors.

## RESOLUTIONS

### Resolution 1 – Appointment of Auditor

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"*That, Bentleys Audit & Corporate (WA) Pty Ltd be and is hereby appointed as Auditors of the Company until the conclusion of the next annual general meeting at a fee to be agreed by the Directors."*

### Resolution 2 – Authorised Share Capital

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to and conditional on the passing of all the Essential Resolutions, for the purposes of Bermudian law and for all other purposes, the authorized share capital of the Company be and is hereby increased from £2,500,000 divided into 250,000,000 ordinary share of 1p each to £7,200,000 by the creation of an additional 470,000,000 ordinary shares of 1p each in the capital of the Company each ranking pari passu in all respects with the existing ordinary Shares."*

For the purpose of Bermudian law, the Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue, a person who might obtain a benefit, except a benefit solely in the capacity of the holder of ordinary securities if the Resolution is passed, and any associates of those persons. However, the Company will not disregard a vote if it is cast by:

(a) a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Resolution 3 - Consolidation of Capital**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"*That, subject to and conditional on the passing of all the Essential Resolutions,, in accordance with the Bermuda Companies Act 1981, ASX Listing Rule 7.22 and for all other purposes, the authorized share capital of the Company be consolidated on the basis that:*

*(a) every four (4) Shares be consolidated into one (1) Share; and*

*(b) every four (4) Options be consolidated into one (1) Option,*

*and where this consolidation results in a fraction of a Share or Option being held by a Shareholder or Optionholder (as the case may be), the Directors be authorised to round that fraction up to the nearest whole Share or Option to be issued as fully paid (paid up by the Company) bonus Shares or Options, with the Consolidation taking effect as described in the Explanatory Statement*."

**Resolution 4 – Reduction of Share Capital Under Bermuda Laws by way of a Par Value Reduction**

To consider and, if thought fit, to pass, the following resolution as an **ordinary resolution**:

*"That, subject to and conditional on the passing of all the Essential Resolutions, for the purposes of Section 46 of the Bermuda Companies Act 1981 and for all other purposes, approval is given for:*

*(i) the reduction of the par value of the Company's authorized share capital from £0.04 (post Consolidation) to £0.01 such that the authorized share capital be reduced by £5,400,000 from £7,200,000 (divided into 180,000,000 Shares of par value £0.04 each) to £1,800,000 (divided into 180,000,000 Shares of £0.01 each); and*

*(ii) the reduction of the Company's issued share capital by £309,676 from £412,901 (divided into 10,322,526 Shares [post Consolidation] of £0.04 each) to £103,225 (divided into 10,322,526 Shares of £0.01 each)."*

**Resolution 5 – Election of Mr Gregory John Bittar as a Director**

To consider and, if thought fit, to pass, the following resolution as an **ordinary resolution**:

*"That, for the purposes of By-law 77 of the Company and for all other purposes, Mr Gregory John Bittar who was appointed as a Director on 4 March 2016 to fill a casual vacancy, retires and, being eligible, is elected as a director of the Company for a term of three years."*

**Resolution 6 – Election of Mr Brad Drabsch as a Director**

To consider and, if thought fit, to pass, the following resolution as an **ordinary resolution**:

*"That, for the purposes of By-law 77 of the Company and for all other purposes, Mr Brad Drabsch who is to be appointed as a Director on the date of issue of the Capital Raising Shares and Capital Raising Options as an addition to the Board, is elected as a director of the Company for a term of three years."*

**Resolution 7 – Approval of 10% Placement Capacity**

To consider and, if thought fit, to pass with or without amendment, the following resolution as a **special resolution**:

"*That, for the purpose of ASX Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities of up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum.*"

For the purpose of ASX Listing Rule 7.3A, the Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Capacity and a person who might obtain a benefit if this Resolution is passed, except a benefit solely in the capacity of a holder of Shares, and any associate of that person (or those persons). However, the Company will not disregard a vote if it is cast by:

(a) a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Resolution 8 – Subsequent Approval under ASX Listing Rule 7.4 of Securities Issued under ASX Listing Rules 7.1 & 7.1A**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"*That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, approval is given to ratify the prior issue of 5,000,000 unlisted Options to ARF without Shareholder approval under ASX Listing Rule 7.1 on 16 February 2016, outlined in the Explanatory Memorandum."*

For the purpose of ASX Listing Rule 7.5, the Company will disregard any votes cast on this Resolution by ARF and any associates of ARF. However, the Company will not disregard a vote if it is cast by:

(a) a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## Resolution 9 – Repayment of Convertible Note - Farm in Right and Royalty

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"*That, subject to and conditional on the passing of all the Essential Resolutions, for the purpose of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to grant the Farm in Right & Royalty to ARF (or its nominees) on the terms and conditions in the Explanatory Memorandum.*"

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report in relation to Resolution 9. The Independent Expert's Report comments on the fairness and reasonableness to the non-associated Shareholders of transactions contemplated by Resolutions 9 and 10. The independent expert has determined the transactions contemplated by Resolutions 9 and 10 are **fair and reasonable** to the non-associated Shareholders.

For the purpose of ASX Listing Rule 10.10, the Company will disregard any votes cast on this Resolution by ARF and any associates of ARF. However, the Company will not disregard a vote if it is cast by:

(a) a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## Resolution 10 – Placement in relation to the Facility Agreement

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"*That, subject to and conditional upon the passing of all the Essential Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the placement of 69,000,886 Shares and 5,000,000 Options with an exercise price of $0.03 and an expiry date of 30 June 2019 to ARF, on the terms and conditions in the Explanatory Memorandum.*"

For the purpose of ASX Listing Rule 7.3, the Company will disregard any votes cast on this Resolution by ARF and a person who might obtain a benefit if this Resolution is passed, except a benefit solely in the capacity of a holder of Shares, and any associates of those persons. However, the Company will not disregard a vote if it is cast by:

(a) a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Resolution 11 – Approval of Issue of Capital Raising Securities**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"*That, subject to the passing of all the Essential Resolutions, and for the purpose of ASX Listing Rule 7.1, and for all other purposes, approval is given for the issue of up to 22,500,000 Capital Raising Shares at an issue price of $0.02 per Capital Raising Share and 22,500,000 free attaching Capital Raising Options with an exercise price of $0.03 and an expiry date of 30 June 2019 to raise up to $450,000.00 on the terms and conditions in the Explanatory Memorandum."*

For the purpose of ASX Listing Rule 7.3, the Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue, a person who might obtain a benefit, except a benefit solely in the capacity of the holder of ordinary securities if the Resolution is passed, and any associates of those persons. However, the Company will not disregard a vote if it is cast by:

(a) a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Resolution 12 – Participation in Capital Raising by Mr Gregory John Bittar**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"*That, subject to and conditional on the passing of all the Essential Resolutions, for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of up to 2,500,000 Capital Raising Shares and 2,500,000 free attaching Capital Raising Options with an exercise price of $0.03 and an expiry date of 30 June 2019 to Mr Gregory John Bittar (or his nominee) to raise up to $50,000.00 on the terms and conditions in the Explanatory Statement."*

For the purpose of ASX Listing Rule 10.13, the Company will disregard any votes cast on this Resolution by Mr Gregory John Bittar and any of his associates. However, the Company will not disregard a vote if it is cast by:

(a) a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Resolution 13 – Participation in Capital Raising by Mr Brad Drabsch**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"*That, subject to and conditional on the passing of all the Essential Resolutions, for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of up to 10,000,000 Capital Raising Shares and 10,000,000 free attaching Capital Raising Options with an exercise price of $0.03 and an expiry date of 30 June 2019 to Mr Brad Drabsch (or his nominee) to raise up to $200,000.00 on the terms and conditions in the Explanatory Statement."*

For the purpose of ASX Listing Rule 10.13, the Company will disregard any votes cast on this Resolution by Mr Brad Drabsch and any of his associates. However, the Company will not disregard a vote if it is cast by:

(a) a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**BY ORDER OF THE BOARD**

**David Vilensky**
*Chairman*
Dated: 28 July 2016

## Proxies

Registered Shareholders for the Company only can vote at the Meeting personally or by proxy, attorney or representative. A Shareholder entitled to attend and vote at the Meeting may appoint not more than two proxies to attend and vote at the Meeting. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. A proxy may but need not be a Shareholder of the Company. The instrument of proxy (and the power of attorney or other authority, if any, under which it is signed) must be lodged by person, post, courier or facsimile and reach the respective offices of Computershare Services, for Australian holders not later than 9:00 pm (AWST) on Monday, 15 August 2016. For the convenience of Shareholders a Proxy Form is enclosed with Notices sent to Shareholders.

A Shareholder that is a corporation may elect to appoint a representative in accordance with the Articles of Association in which case the Company will require written proof of the representative's appointment which must be lodged with, or presented to, the Company not later than 9:00pm (AWST) on Monday, 15 August 2016.

## CHESS Depositary Interests

Holders of CHESS Depositary Interests ("**CDI"**) are invited to attend the Meeting but are not entitled to vote at the Meeting. In order to have votes cast at the Meeting on their behalf, CDI holders must complete, sign and return the CDI Form of Instruction enclosed with the Notice sent to them to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001, Australia or alternatively you can fax your form to (within Australia) 1800 783 447 and (outside Australia) +61 3 9473 2555, so that CDI holders can direct CHESS Depositary Nominees Pty Ltd ("**CDN**") to vote the underlying Shares on their behalf. The CDI Form of Instruction needs to be received by not later than 9:00pm (AWST) on Sunday, 14 August 2016.

**Zambezi Resources Limited**
**Company No. (Bermuda) 35116**
**ARBN 124 462 826**

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders of Zambezi Resources Limited ("**Zambezi**" or "**Company**") in connection with the business to be conducted at the General Meeting of the Company to be held at Trinity Hall, 43 Cedar Avenue, Hamilton HM12, Bermuda on **Wednesday, 17 August 2016 commencing at 10:00 am ADT and 9:00 pm AWST (Perth)**.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of General Meeting. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions in the Notice of General Meeting.

Resolutions 2 to 4 and 9 to 13 (inclusive) are Essential Resolutions and will be taken to have been rejected by shareholders and the Capitalisation will not proceed if any of the Essential Resolutions are not passed. All Essential Resolutions must be passed to proceed.

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## BACKGROUND TO CAPITALISATION

The Company has signed a binding Term Sheet with major shareholder ARF which will result in the Company becoming debt free.

The Company is as at 28 July 2016 indebted to ARF in the aggregate sum of AUD$9m comprising the outstanding balance of $6.64m pursuant to a Convertible Note Deed dated 13 September 2011 and $2.36m pursuant to a Facility Agreement dated 20 August 2012, as amended from time to time.

The material terms of the Capitalisation are as follows:

- In consideration for ARF releasing and discharging the Company from its obligations to repay the outstanding balance of $6.64m owing, 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 in Zambia (up to a maximum total royalty payment of $12m) and a farm-in right.

- The farm-in right gives ARF the right to earn a farm-in interest in KCP of up to 75% on investing US$1m in the project.

- The Farm-In Right will diminish as ZRL increases its investment in KCP and will reduce on a sliding scale down to a minimum of 30% when ZRL has invested $15m in KCP. For example if ZRL invests $6m in KCP the Farm-In Interest of ARF will reduce to 50%.

- The amount payable by the Company to ARF pursuant to the Facility Agreement will be repaid through funds raised by the Company from the issue of 69,000,886 Shares and 5,000,000 Options to ARF.

- Simultaneously with the transactions involving the Convertible Note and the Facility Agreement, the Company will also undertake a capital raising to raise up to $450,000.00 in new funds for working capital purposes.

- The Independent Expert's Report set out in Annexure A to this Notice of Meeting sets out a detailed independent examination of the Capitalisation to enable non-associated Shareholders to assess the merits and decide whether to approve the Capitalisation.

- The Farm-In Right and Royalty as well as the issue of Shares by way of placement to ARF to repay the loan pursuant to the Facility Agreement shall be subject to Shareholder approval which the directors of ZRL recommend.

- The debt restructuring pursuant to the Term Sheet, will ensure the Company a sustainable future while the Company awaits the outcome of the judge's decision on the injunction placed over KCP.

## 1 RESOLUTION 1 – APPOINTMENT OF AUDITOR

Section 89(1) of the Companies Act 1981 of Bermuda provides that members of a company at each annual general meeting shall appoint one or more auditors to hold office until the close of the next annual general meeting. In addition, section 89(6) provides that the remuneration of an auditor appointed by the members shall be fixed by the members or by the Directors, if they are authorized to do so by the members.

Therefore pursuant to Resolution 1, Bentley's Audit & Corporate (WA) Pty Ltd will be appointed as the Company's auditors until the close of the next annual general meeting at a fee to be agreed by the Directors.

***Directors' recommendation***

The Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

## 2 RESOLUTION 2 – AUTHORISED SHARE CAPITAL

### 2.1 General

Under Bermudian law the Company is required to increase its authorised share capital from £2,500,000 (divided into 250,000,000 ordinary share of 1 p each) to £7,200,000 by the creation of an additional 470,000,000 ordinary shares of 1p each in the capital of the Company in order for it to be capable of issuing that maximum number of Shares contemplated at Resolutions 10 and 11. For the Company to complete the increase in its authorised share capital Shareholder approval must be obtained.

### 2.2 ASX Listing Rule 7.1A

| Shares | Number | Authorised Share Capital |
|---|---|---|
| Share number on issue at 28 July 2016 | 250,000,000 | £2,500,000 |
| Number to be issued pursuant to resolution 2 | 470,000,000 | £4,700,000 |
| Total | 720,000,000 | £7,200,000 |

The figures in the table above are based on the undiluted, pre-Consolidated share capital of ZRL as at 28 July 2016.

***Directors' recommendation***

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

The Chairman intends to vote available undirected proxies in favour of Resolution 2.

## 3 RESOLUTION 3 – Consolidation of Capital

### 3.1 Background

The Directors are seeking Shareholder approval to consolidate the number of Shares and Options on issue on a four (4) for one (1) basis (**Consolidation**).

The purpose of the Consolidation is to reduce the number of Shares and Options on issue, to correspondingly increase the imputed value of each Share and Option, to make the investment in the Company's securities more attractive to institutional and other investors and to position the company for long term growth.

### 3.2 Legal requirements

Section 45 of the Companies Act provides that a company may, by a resolution passed in a general meeting of shareholders and its by-laws, consolidate all or any of its shares into a smaller number of shares.

ASX Listing Rule 7.22 also requires that the number of Options on issue be consolidated in the same ratio as the ordinary capital and the exercise price amended in inverse proportion to that ratio.

### 3.3 Holding statement and option certificates

From the date of the Consolidation all holding statements or certificates, as applicable, for Shares and Options will cease to have any effect, except as evidence of entitlement to a certain number of post-Consolidation Shares and Options. After the Consolidation becomes effective, the Company will arrange for new holding statements or certificates, as applicable, to be issued to Shareholders and Optionholders.

It is the responsibility of each Shareholder and Optionholder to check the number of Shares and Options held prior to any disposal or exercise (as the case may be).

### 3.4 Fractional entitlements and taxation

Not all Shareholders and Optionholders will hold that number of Shares and Options which can be evenly divided by four (4). Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole Share or Option and issue the whole Share or Option as a fully paid bonus Share or Option, fully paid up by the Company.

It is not considered that any taxation consequences will exist for Shareholders or Optionholders arising from the Consolidation. However, Shareholders and Optionholders are advised to seek their own tax advice on the effect of the Consolidation, and neither the Company, nor the Directors (or the Company's advisers) accept any liability for the individual taxation consequences arising from the Consolidation.

### 3.5 Effect on capital structure

If Resolution 3 is passed, the number of Shares on issue will be reduced from 41,290,103 to approximately 10,322,526. The number of Options on issue will be reduced from 5,000,000 to 1,250,000 and the exercise price of the Options will be increased by a multiple of four (4).

The effect the Consolidation will have on the issued capital of the Company is as follows (ignoring the effect of fractional entitlements):

| Resolution & Issue | Pre-consolidation | | Post-consolidation | |
|---|---|---|---|---|
| | Shares | Options | Shares | Options |
| Current capital structure | 41,290,103 | 5,000,000 | 10,322,526 | 1,250,000 |

If Resolution 3 is passed, the effect the Consolidation will have on the authorised capital of the Company will be that the par value of the Company's shares increases from [£0.01 to £0.04] and reduces the authorized share capital from 720,000,000 Shares to 180,000,000 Shares.

### 3.6 Timetable

The indicative timetable for the Consolidation is as follows:

| Event | Date |
|---|---|
| General Meeting to approve the Consolidation | 17 August 2016 |
| Notification to ASX that Shareholders have approved the Consolidation | 18 August 2016 |
| Last day for trading in pre-consolidated securities | 19 August 2016 |
| Trading in post-consolidated securities on a deferred settlement basis occurs | 22 August 2016 |
| Last day to register transfer on a pre-consolidated basis | 23 August 2016 |
| First day for Company to register securities on a post-consolidation basis | 24 August 2016 |
| Last day for the Company to register securities on a post-consolidation basis in the register for security holders<br><br>Deferred settlement trading ends<br><br>Dispatch of new holding statements and Option certificates | 30 August 2016 |
| Normal trading of Shares commences | 31 August 2016 |

## 4 RESOLUTION 4 – REDUCTION OF SHARE CAPITAL UNDER BERMUDA LAWS BY WAY OF A PAR VALUE REDUCTION

The Company's authorized share capital (post Consolidation) will be £7,200,000, and is represented by 180,000,000 Shares each with a par value of £0.04.

In order to provide the Company with the ability to issue additional Shares below the par value of £0.04, the Directors wish to obtain Shareholder approval for the reduction of the Company's authorized share capital.

Pursuant to Resolution 4, the par value of both the Company's issued shares and the Company's authorized but unissued shares shall be reduced from £0.04 to £0.01.

Shareholders should note that if Resolution 4 is approved, the proposed capital reduction will not change the number of issued and paid-up Shares held by, or the percentage interest of shareholding of each Shareholder. The par value of all Shares on issue and those issued in the future will have a par value of £0.01 and will each rank pari passu in all respects with each other. Approval of Resolution 4 will not alter the underlying assets, business operations, management or financial position of the Company.

The Company's shares are fully paid and consequently the proposed capital reduction will not involve the diminution of any liability in respect of unpaid share capital. It will also not result in a return of any share capital or other assets to Shareholders.

***Directors' recommendation***

The Directors of the Company recommend that shareholders vote in favour of Resolution 4.

## 5 RESOLUTION 5 – ELECTION OF MR GREGORY JOHN BITTAR

Mr Gregory John Bittar was appointed as a Director on 4 March 2016 to fill a casual vacancy.

By-law 77 permits a Director to serve such term as the Company by resolution may determine, or in the absence of such determination, until the termination of the next annual general meeting following their appointment. Accordingly Mr Gregory John Bittar submits himself for election.

The Company is required, pursuant to ASX Listing Rule 14.5, to hold an election of Directors each year.

Resolution 5 seeks approval for the election of Mr Gregory John Bittar as a Director with effect from the end of the meeting.

Mr Bittar has a Bachelor of 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 and Baring Brothers Burrows. 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, resigning in 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.

***Directors' recommendation***

Mr Gregory John Bittar declined to make a recommendation about the proposed resolution because he has an interest in its outcome. Mr Marinko Vidovich and Mr David Vilensky recommend that Mr Gregory John Bittar be elected to the Board.

## 6 RESOLUTION 6 – ELECTION OF MR BRAD DRABSCH

Mr Brad Drabsch is to be appointed as a Director on the date of issue of the Capital Raising Shares and Capital Raising Options as an addition to the Board.

By-law 77 permits a Director to serve such term as the Company by resolution may determine, or in the absence of such determination, until the termination of the next annual general meeting following their appointment. Accordingly Mr Brad Drabsch submits himself for election.

The Company is required, pursuant to ASX Listing Rule 14.5, to hold an election of Directors each year.

Resolution 6 seeks approval for the election of Mr Brad Drabsch as a Director with effect from date of issue of the Capital Raising Shares and Capital Raising Options.

Mr Drabsch has a BSc (Hons) Econ. Geology, and has 16 years multi-commodity experience in Australia and Mongolia. Mr Drabsh has been a leader of successful mineral exploration teams and is experienced in the identification of quality mineral opportunities and execution of exploration programs. Mr Drabsch has held key exploration and senior management roles at Ivanhoe Mines, BHP Billiton, Independence Group NL and Doray Minerals.

***Directors' recommendation***

Mr Brad Drabsch declined to make a recommendation about the proposed resolution because he has an interest in its outcome. Mr Marinko Vidovich and Mr David Vilensky recommend that Mr Brad Drabsch be elected to the Board.

## 7 RESOLUTION 7 – APPROVAL OF 10% PLACEMENT CAPACITY

### 7.1 General

ASX Listing Rule 7.1 A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital **(10% Placement Capacity).**

The Company is an Eligible Entity.

If Shareholders approve Resolution 7, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in Section 5.2 below).

The effect of Resolution 7 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under ASX Listing Rule 7.1.

Resolution 7 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present (in person or by proxy) and eligible to vote at the Meeting must be in favour of Resolution 7 for it to be passed.

### 7.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities up to 10% of its issued capital in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

(a) is not included in the S&P/ASX 300 Index; and

(b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of A$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of A$745,000.00 as at 30 June 2016.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Security. The Company currently has one class of quoted Equity Security on issue, being the Shares (ASX Code: ZRL).

The exact number of Equity Securities that the Company may issue under an approval under ASX Listing Rule 7.1 A will be calculated according to the following formula:

$$(A \times D) - E$$

Where:

A is the number of Shares on issue 12 months before the date of issue or agreement:

(a) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;

(b) plus the number of partly paid Shares that became fully paid in the previous 12 months;

(c) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under ASX Listing Rules 7.1 and 7.4; and

(d) less the number of Shares cancelled in the previous 12 months.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4

7.3 **Technical information required by ASX Listing Rule 7.1A**

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 7.

(a) **Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

(i) the date on which the price at which the Equity Securities are to be issued is agreed; or

(ii) if the Equity Securities are not issued within 5 ASX trading days of the date in paragraph 7.3(a)(i), the date on which the Equity Securities are issued.

(b) **Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

(i) 12 months after the date of this Meeting; and

(ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under ASX Listing Rule 7.1 A ceases to be valid)

(iii) (**10% Placement Capacity Period**).

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 7 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1 A(2), on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

| Number of Shares on Issue (Variable 'A' in ASX Listing Rule 7.1A.2) | Dilution | | | |
|---|---|---|---|---|
| | Issue Price (per Share) | A$0.01 50% decrease in Issue Price | A$0.02 Issue Price | A$0.04 100% increase in Issue Price |
| 101,823,412 (Current Variable A) | Shares issued - 10% voting dilution | 10,182,341 Shares | 10,182,341 Shares | 10,182,341 Shares |
| | Funds raised | A$101,823 | A$203,646 | A$407,293 |
| 152,735,118 (50% increase in Variable A) | Shares issued - 10% voting dilution | 15,273,511 Shares | 15,273,511 Shares | 15,273,511 Shares |
| | Funds raised | A$152,735 | A$305,470 | A$610,940 |
| 203,646,824 (100% increase in Variable A) | Shares issued - 10% voting dilution | 20,364,682 Shares | 20,364,682 Shares | 20,364,682 Shares |
| | Funds raised | A$203,646 | A$407,292 | A$814,584 |

**The number of Shares on issue (variable A in the formula) could increase as a result of:*

*(a) the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under ASX Listing Rule 7.1.*

**The table above uses the following assumptions:**

1. Current Variable A refers to current maximum issued capital after the general meeting and assumes all proposed issues of securities contemplated by the Resolutions in this Notice are made.

2. The issue price set out above is the closing price of the Shares on the ASX on 27 July 2016.

3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.

4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.

5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.

6. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.

7. None of the 5,000,000 Options issued to ARF on 16 February 2016 under ASX Listing Rule 7.1 are exercised prior to the meeting.

8. The calculations above do not take into account the free attaching Capital Raising Options issued on a 1:1 basis with the Capital Raising Shares pursuant to the Capital Raising contemplated at Resolution 11.

Shareholders should note that there is a risk that:

(i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and

(ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue;

(d) **Purpose of issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

(i) as cash consideration in which case the Company intends to use funds raised for the continuation and acceleration of exploration on the Company's Kangaluwi Copper Project in Zambia (funds would then be used for project scoping studies and ongoing project administration) and general working capital; or

(ii) as non-cash consideration for the same purposes as above but in which circumstances the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3.

(e) **Allocation under the 10% Placement Capacity**

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

(i) the purpose of the issue;

(ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;

(iii) the effect of the issue of the Equity Securities on the control of the Company;

(iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;

(v) prevailing market conditions; and

(vi) advice from corporate, financial and broking advisers (if applicable).

(f) **Previous Approval under ASX Listing Rule 7.1A**

The Company previously obtained Shareholder approval under ASX Listing Rule 7.1A at its annual general meeting held on 12 February 2016. In the period since 12 February 2016, the Company has not issued any securities under ASX Listing Rule 7.1A. The Company has issued pursuant to ASX Listing Rule 7.1 5,000,000 unquoted options (pre-Consolidation) representing 12% of the Shares on issue at the commencement of that period.

| Date of Issue | No. Issued | Class | Recipient of Security | Issue price and details of any discount to market price | Consideration and use of funds other than cash |
|---|---|---|---|---|---|
| 16.02.16 | 5,000,000 (pre-Consolidation) | Unquoted options | Auctus Resources Fund | $150,000 | Shares issued in consideration by way of fees for the Facility Agreement held with Auctus Resources Fund and as announced on ASX on 22 June 2015. |

**Shares issued upon exercise of Options are fully paid ordinary shares. Exercise price = lower of A$0.04/share 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. Options do not entitle the holder to dividends prior to exercise. Expiry date = 31 December 2020. Exercise period is any time after the date the Options are issued and before the Expiry Date.*

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it will give to ASX:

- a list of the allottees of the Equity Securities and the number of Equity Securities allotted to each (not for release to the market), in accordance with ASX Listing Rule 7.1A.4; and
- the information required by ASX Listing Rule 3.10.5A for release to the market.

7.4 **Voting Exclusion**

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 7.

***Directors' recommendation***

The Directors unanimously recommend that Shareholders vote in favour of Resolution 7.

The Chairman intends to vote available undirected proxies in favour of Resolution 7.

## 8 RESOLUTION 8 – SUBSEQUENT APPROVAL UNDER ASX LISTING RULE 7.4 OF SECURITIES ISSUED UNDER ASX LISTING RULES 7.1 AND 7.1A

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital **(10% Placement Capacity).**

ASX Listing Rule 7.1 provides that a listed company may only issue or agree to issue up to 15% of the company's ordinary issued capital in any 12 month period, unless Shareholder approval is obtained (subject to certain exceptions).

ASX Listing Rule 7.1A enables certain eligible entities to seek Shareholder approval to issue equity securities up to 10% of its issued share capital over a 12 month period after the annual general meeting at which a resolution regarding ASX Listing Rule 7.1A is passed by special resolution. At the Company's last AGM on 12 February 2016, the Company obtained approval from Shareholders to issue equity securities under ASX Listing Rule 7.1A.

ASX Listing Rule 7.4 allows a company in a general meeting to subsequently approve an issue of securities under ASX Listing Rule 7.1, provided the company did not breach the 15% capacity, and also approve an issue of securities under ASX Listing Rule 7.1A, provided the company did not breach the 10% capacity.

Resolution 8 seeks subsequent Shareholder approval of the securities issued during the period since 12 February 2016 as described below, pursuant to ASX Listing Rule 7.4. These securities were issued without Shareholder approval under ASX Listing Rule 7.1. If such approval is given, the Company will be entitled under ASX Listing Rule 7.1 to issue up to 15% of its ordinary issued capital, if required, in the next 12 months without shareholder approval. In addition, the approval of Resolution 7 would fully reinstate the Company's placement capacity under ASX Listing Rule 7.1A.

ASX Listing Rule 7.5 requires the following information to be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to ASX Listing Rule 7.4:

| Date of Issue | No Issued | Class | Recipient of Security | Issue price and details of any discount to market price | Consideration and use of funds other than cash |
|---|---|---|---|---|---|
| 16.02.16 | 5,000,000 (pre-Consolidation) | Unquoted options | Auctus Resources Fund | $150,000 | Shares issued in consideration by way of fees for the Facility Agreement held with Auctus Resources Fund and as announced on ASX on 22 June 2015. |

**Shares issued upon exercise of Options are fully paid ordinary shares. Exercise price = lower of A$0.04/share 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. Options do not entitle the holder to dividends prior to exercise. Expiry date = 31 December 2020. Exercise period is any time after the date the options are issued and before the Expiry Date.*

A voting exclusion statement is set out in the Notice of Meeting.

***Directors' recommendation***

The Directors unanimously recommend that Shareholders vote in favour of Resolution 8.

The Chairman intends to vote available undirected proxies in favour of Resolution 8.

## 9 RESOLUTION 9 – REPAYMENT OF CONVERTIBLE NOTE - FARM IN RIGHT AND ROYALTY

### 9.1 General

As outlined in the Background to Capitalisation on page 9, the Company has entered into a binding term sheet in respect of the Capitalisation. The term sheet contemplates the Company entering into formal agreements to replace the term sheet, these agreements will be executed on or about the date of the Meeting. As part of the Capitalisation, ARF has agreed to release and discharge the Company from its obligations to repay the outstanding balance of the Convertible Note in consideration for granting the Farm-In Right and Royalty.

Pursuant to ASX Listing Rule 10.1, for the Company to grant the Farm In Right and Royalty components of the Capitalisation to ARF, Shareholder approval must be obtained. Resolution 9 seeks this Shareholder approval.

### 9.2 Effect on Share Capital – Farm in Right

| | Number of Shares | Number of Options |
|---|---|---|
| Number on issue at 28 July 2016 (pre-Consolidation) | 41,290,103 | 5,000,000 |
| Number on issue at 30 August 2016 (post-Consolidation) | 10,322,526 | 1,250,000 |
| To be issued under the Capital Raising (post-Consolidation) | 22,500,000 | 22,500,000 |
| **Total (post-Consolidation)** | 32,822,526 | 23,750,000 |
| To be issued pursuant to Resolution 10 (post-Consolidation) | 69,000,886 | 5,000,000 |
| **Total (post-Consolidation)** | 101,823,412 | 28,750,000 |

There are currently 5,000,000 unlisted options (pre-Consolidation) to subscribe for Shares currently on issue. If any of these options are exercised prior to the date of issue of the Capital Raising Shares this will also impact the maximum number of new Shares to be issued under the Capital Raising and the maximum number of Shares on issue following the Offer.

Each Capital Raising Share has a free attached Capital Raising Option and if any of these Capital Raising Options are exercised then this will also subsequently impact on the number of Shares on issue. See table at section 7.3 for more details.

Pursuant to Resolution 9 (subject to ARM investing US$1m in KCP), ARF's voting power (post Consolidation) in the Company could increase from 20.2% to 69.8% on the basis of the maximum amount being raised under the Capital Raising and none of the Options being exercised. See table on page 6 of the Independent Expert's Report set out in Annexure A to this Notice of meeting for further details.

## 9.3 **Takeover Provisions of Bermuda Companies Act 1981**

The Company is incorporated in Bermuda as an exempted company and is subject to Bermudan Law. It is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001 dealing with the acquisition of shares (including substantial shareholdings and takeovers) and shareholders are not required to provide notifications relating to becoming a substantial holder, changes in substantial holdings or ceasing to be a substantial holder.

## 9.4 **ASX Listing Rule 10.1**

ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, amongst other persons, a related party of the entity, a substantial holder or one of its associates, without the prior approval of holders of the entity's ordinary Shareholders.

### 9.5 ***Disposal***

For the purposes of ASX Listing Rule 10.1 disposal of a substantial asset includes disposing of part of any substantial asset.

### 9.6 ***Substantial asset***

For the purposes of ASX Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules.

The equity interests of the Company as defined by the ASX Listing Rules and as set out in the latest accounts given to ASX under the ASX Listing Rules (being for the financial year ending 31 March 2016) were approximately A$5.1m. 5% of this amount is A$255,000.00 (or 12,750,000 Shares based on a Share price of $0.02 which is equal to the issue price under the Capital Raisings conducted by the Company in conjunction with the Capitalisation).

The Directors consider the value of the consideration being issued by the Company to ARF being the Farm In Right & Royalty is more than 5% of the equity interests of the Company as set out in the latest accounts given to ASX under the ASX Listing Rules. For this reason the Capitalisation will result in the disposal of a substantial asset to ARF.

### 9.7 ***Substantial shareholder***

For the purposes of ASX Listing Rule 10.1, a substantial shareholder is a person who has a relevant interest (either directly or through its associates), or had at any time in the 6 months before the transaction, in at least 10% of the total votes attaching to the voting securities.

ARF, by virtue of its relevant interest in 8,351,838 or 20.2% of the voting shares (pre-Consolidation) of the Company, is a substantial holder of the Company for the purposes of ASX Listing Rule 10.1.

9.8 ***Requirement for shareholder approval***

The Company considers the KCP to be the main asset of the Company. Pursuant to the Farm-In Right ARF can earn up to a 75% interest in the KCP. The Royalty entitles ARF to receive a royalty of 3% of gross revenue from the KCP up to a maximum of $12,000,000.00.

The Company considers that pursuant to the ASX Listing Rules, the granting of the Farm-In Right & Royalty to ARF will result in the part disposal of a substantial asset to a substantial holder of the Company and the Company is therefore required to seek Shareholder approval under ASX Listing Rule 10.1.

9.9 **Independent Expert's Report**

ASX Listing Rule 10.10.2 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert.

The Independent Expert's Report set out in Annexure A to this Notice of Meeting sets out a detailed independent examination of the Capitalisation to enable non-associated Shareholders to assess the merits and decide whether to approve the Capitalisation.

To the extent that it is appropriate, the Independent Expert's Report enclosed with this Notice of Meeting sets out further information with respect to the Capitalisation and concludes that it is **fair and reasonable** to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

A copy of the Independent Expert's Report is also available on the Company's website at http://www.zambeziresources.com. In addition a hard copy of the report will be sent at no cost to a Shareholder on request.

## 10 RESOLUTION 10 – REPAYMENT OF FACILITY – PLACEMENT

### 10.1 General

The Company and ARF are parties to the Facility Agreement under which, as at this date, the Company owes ARF A$2,415,031 under the Facility Agreement.

Resolution 10 seeks Shareholder approval for the Company to issue 69,000,886 Shares at a deemed issue price of A$0.035 per Share and 5,000,000 Options for nil consideration to ARF (post-Consolidation) ("**Placement Securities**"). ARF's obligation to provide the subscription monies for the Placement Securities will be set-off against the outstanding debt owed under the Facility Agreement with the result of no cash being raised.

The issue of Shares to ARF will be conditional on:

(a) Shareholders passing all of the Essential Resolutions; and

(b) the Shares being issued contemporaneously with Settlement.

The effect of Resolution 10 will be to allow the Company to issue the Placement Securities to ARF (or its nominee) during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

### 10.2 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 10 will be to allow the Company to issue the Placement Securities to ARF during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

### 10.3 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 10:

(a) the Placement Securities will be issued to ARF (or its nominee);

(b) ARF will be issued 69,000,886 Shares and 5,000,000 Options;

(c) the Placement Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX Waiver or modification of the ASX Listing Rules) and it is intended that issue of the Placement Securities will occur on the same date;

(d) the Shares to be issued to ARF are at a deemed issue price of $0.035 and will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(e) the Options to be issued to ARF will be for nil consideration with an exercise price of $0.03 and an expiry date of 30 June 2019 on the terms and conditions in the Schedule;

(f) ARF's obligation to provide the subscription monies for the Placement Securities will be set-off against the outstanding debt owed under the Facility Agreement with the result of no cash being raised; and

(g) subject to Section 10.3(c), the allotment and issue of the Placement Securities will occur as soon as practicable after the Meeting.

## 11 RESOLUTION 11 – CAPITAL RAISING

### 11.1 General

Resolution 11 seeks Shareholder approval for the issue of up 22,500,000 Capital Raising Shares and 22,500,000 free attaching Capital Raising Options (post-Consolidation) issued on a 1:1 basis with the Capital Raising Shares, to raise up to $450,000.00 (**Capital Raising**). Resolution 11 seeks Shareholder approval for the issue of these Capital Raising Shares and free attaching Capital Raising Options.

The Capital Raising will be conditional on the following:

(a) Shareholders passing all of the Essential Resolutions; and;

(b) the Capital Raising Shares and Capital Raising Options to be issued under the Capital Raising Offer being issued contemporaneously with Settlement.

The Capital Raising Shares will be issued at a price of $0.02 per share. Each Capital Raising Share will have a free attaching Capital Raising Option with an exercise price of $0.03 and an expiry date of 30 June 2019.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 11 will be to allow the Company to issue Capital Raising Shares and Capital Raising Options under the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

### 11.2 Effect on Share Capital

| | Number of Shares | Number of Options |
|---|---|---|
| Number on issue at 28 July 2016 (pre-Consolidation) | 41,290,103 | 5,000,000 |
| Number on issue at 30 August 2016 (post-Consolidation) | 10,322,526 | 1,250,000 |
| To be issued under the Capital Raising (post-Consolidation) | 22,500,000 | 22,500,000 |
| **Total (post-Consolidation)** | 32,822,526 | 23,750,000 |
| To be issued pursuant to Resolution 10 (post-Consolidation) | 69,000,886 | 5,000,000 |
| **Total (post-Consolidation)** | 101,823,412 | 28,750,000 |

There are currently 5,000,000 unlisted options (pre-Consolidation) to subscribe for Shares currently on issue. If any of these options are exercised prior to the date of issue of the Capital Raising Shares this will also impact the maximum number of new Shares to be issued under the Capital Raising and the maximum number of Shares on issue following the Offer.

Each Capital Raising Share has a free attached Capital Raising Option and if any of these Capital Raising Options are exercised then this will also subsequently impact on the number of Shares on issue. See table at section 7.3 for more details.

11.3 **Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 11:

(a) the Company will issue a maximum number of 22,500,000 Capital Raising Shares and 22,500,000 Capital Raising Options to raise up to $450,000;

(b) the Capital Raising Shares and the Capital Raising Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Capital Raising Shares and Capital Raising Options will occur on the same date;

(c) the Capital Raising Shares will be issued at the Capital Raising Issue Price of $0.02 per Capital Raising Share and will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(d) the Capital Raising Options with an exercise price of $0.03 and an expiry date of 30 June 2019 will be free, issued on a 1:1 basis with the Capital Raising Shares on the terms and conditions in the Schedule;

(e) the Capital Raising Shares and Capital Raising Options are proposed to be issued to the applicants under the Capital Raising; and

(f) the Company intends to use the funds raised for the continuation and acceleration of exploration on the Company's Kangaluwi Copper Project in Zambia (Funds would then be used for project scoping studies and ongoing project administration) and general working capital; and

(g) subject to Section 10.3(b), the allotment and issue of the Capital Raising Shares and Capital Raising Options will occur as soon as practicable after the Meeting.

## 12 RESOLUTION 12 – PARTICIPATION IN CAPITAL RAISING BY MR GREGORY JOHN BITTAR

### 12.1 General

Pursuant to Resolution 11 the Company is seeking Shareholder approval for the Capital Raising.

Resolution 12 seeks Shareholder approval for the issue of 2,500,000 Capital Raising Shares and 2,500,000 Capital Raising Options to Mr Gregory John Bittar, a Director, (or his nominee) to raise up to $50,000.00 **("Participation")**.

### 12.2 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires Shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As Resolution 12 involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

### 12.3 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Participation:

(a) the Capital Raising Shares and Capital Raising Options will be issued to Mr Gregory John Bittar (or his nominee) who is a related party by virtue of being a Director;

(b) Mr Gregory John Bittar will be issued up to a maximum of 2,500,000 Capital Raising Shares and 2,500,000 Capital Raising Options to raise up to $50,000.00;

(c) the Capital Raising Shares and Capital Raising Options will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);

(d) the Capital Raising Shares will be issued at the Capital Raising Issue Price per Capital Raising Share being $0.02 per Capital Raising Share;

(e) The Capital Raising Options with an exercise price of $0.03 and an expiry date of 30 June 2019 will be free, issued on a 1:1 basis with the Capital Raising Shares on the terms and conditions in the Schedule;

(f) the Capital Raising Shares and Capital Raising Options (once exercised) issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

(g) the funds raised will be used for the same purposes as all other funds raised under the Capital Raising as set out in Section 11.3(f) of this Explanatory Statement.

Approval pursuant to ASX Listing Rule 7.1 is not required for the Participation as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Capital Raising Shares to Mr Gregory John Bittar (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

## 13 RESOLUTION 13 – PARTICIPATION IN CAPITAL RAISING BY MR BRAD DRABSCH

### 13.1 General

Pursuant to Resolution 11 the Company is seeking Shareholder approval for the Capital Raising.

Resolution 13 seeks Shareholder approval for the issue of 10,000,000 Capital Raising Shares and 10,000,000 Capital Raising Options to Mr Brad Drabsch, who is proposed to be appointed a Director on the date of issue of the Capital Raising Shares and Capital Raising Options, (or his nominee) to raise up to $200,000.00 **("Participation")**.

### 13.2 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires Shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As Resolution 13 involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

### 13.3 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Participation:

(a) the Capital Raising Shares and Capital Raising Options will be issued to Mr Brad Drabsch (or his nominee) who is a related party by virtue of being a proposed Director;

(b) Mr Brad Drabsch will be issued up to a maximum of 10,000,000 Capital Raising Shares and 10,000,000 Capital Raising Options to raise up to $200,000.00;

(c) the Capital Raising Shares and Capital Raising Options will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);

(d) the Capital Raising Shares will be issued at the Capital Raising Issue Price per Capital Raising Share being $0.02 per Capital Raising Share;

(f) The Capital Raising Options with an exercise price of $0.03 and an expiry date of 30 June 2019 will be free, issued on a 1:1 basis with the Capital Raising Shares on the terms and conditions in the Schedule;

(f) the Capital Raising Shares and Capital Raising Options (once exercised) issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

(g) the funds raised will be used for the same purposes as all other funds raised under the Capital Raising as set out in Section 11.3(f) of this Explanatory Statement.

Approval pursuant to ASX Listing Rule 7.1 is not required for the Participation as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Capital Raising Shares to Mr Brad Drabsch (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

## GLOSSARY OF TERMS

In this Explanatory Memorandum and Notice of Meeting, in addition to the terms defined in the body of the Explanatory Memorandum, the following expressions have the following meanings:

"**ARF**" means Perpetual Corporate Trust Limited in its capacity as custodian of the Auctus Resources Fund.

"**AUD$**" or **"A$"** means Australian dollars.

"**ASX Listing Rules**" means the listing rules of the Australian Securities Exchange operated by ASX Limited ABN 98 008 624 691.

"**Board"** means the board of Directors.

"**By-laws"** means the by-laws of the Company.

"**Capitalisation"** means the capitalisation to be undertaken by the Company pursuant to Resolutions 9 to 11 (inclusive).

"**Capital Raising"** has the meaning given at section 11.1.

"**Capital Raising Issue Price"** means 0.5 cents.

"**Capital Raising Options"** means the options in the Company issued on the terms and conditions set out in the Schedule.

"**Capital Raising Shares"** means the Shares in the Company issued pursuant to the Capital Raising at an issue price of 0.5 cents.

**"CDI"** means a CHESS Depository Interest representing a unit of beneficial ownership in a Share registered in the name of CHESS Depositary Nominees Pty Ltd.

"**Company**" or "**Zambezi**" or **"ZRL"** means Zambezi Resources Limited ARBN 124 462 826.

"**Companies Act"** means the Bermuda Companies Act 1981, as amended.

"**Consolidation**" means the consolidation of the Company's capital on the basis of one (1) Share for every four (4) Shares and one (1) Option for every four (4) Options held.

**"Constitution"** means the Company's constitution;

"**Convertible Note**" means the convertible note issued by the Company to ARF pursuant to the Convertible Note Deed.

"**Convertible Note Deed**" means the convertible note deed dated 13 September 2011 between the Company and ARF with an outstanding balance of $6.64m.

"**Corporations Act**" means the *Corporations Act 2001* (Cth).

“**Directors**” mean the directors of Zambezi.

“**Eligible Entity**” means an entity that, at the date of the relevant general meeting:

(a) is not included in the S&P ASX 300 Index; and
(b) has a market capitalization (excluding restricted securities and securities quoted on a deferred settlement basis) equal to or less than $300,000,000.

“**Equity Securities**” has the same meaning as in the ASX Listing Rules.

“**Essential Resolutions”** means Resolutions 2 to 4 and 9 to 13 set out in this Notice.

**“Explanatory Memorandum**” means this Explanatory Memorandum.

“**Facility Agreement”** means the facility agreement dated 20 August 2012 as amended from time to time, between the Company and ARF with a balance of $2.36m.

“**Farm in Right”** means ARF’s right to earn a farm in interest in KCP of up to 75% on investing $1m US in the KCP.

“**KCP”** means the Company’s Kangaluwi Copper Project in Zambia.

“**Maximum Subscription”** has the meaning given at section 11.3(a).

“**Meeting**” means the general meeting of shareholders of Zambezi convened by the Notice.

“**Notice”** or “**Notice of Meeting**” means the notice of general meeting that accompanies this Explanatory Memorandum.

“**Offer Memorandum”** means the offer memorandum prepared by the Company in accordance with Chapter 6D of the Corporations Act, pursuant to which the Capital Raising will take place up to the Maximum Subscription.

**“Option”** means an option to acquire a Share.

**“Optionholder”** means a holder of an Option.

**“Placement Securities”** has the meaning given at section 10.1.

**“Proxy Form”** means the proxy form accompanying the Notice of Meeting.

“**Resolution”** means a resolution referred to in the Notice of Meeting.

“**Royalty”** means a royalty of 3% calculated on any gross revenue from KCP up to a maximum of $12m.

“**Schedule”** means the schedule attached to this Notice.

“**Settlement”** means settlement of the Capitalisation.

“**Shareholder”** means a registered holder of Shares.

**"Share"** means a fully paid ordinary share in the capital of the Company.

"**Term Sheet"** means the binding term sheet dated 9 May 2016 entered into by the Company & ARF relating to the Capitalisation.

**"WST"** means Western Standard Time as observed in Perth, Western Australia.

"**VWAP**" means volume weight average price.

## SCHEDULE – TERMS AND CONDITIONS OF CAPITAL RAISING OPTIONS

**1. Entitlement**

Each Capital Raising Option entitles the holder to subscribe for one Share upon exercise of the Capital Raising Option.

**2. Exercise Price**

Subject to paragraph 10 of this Schedule, the amount payable upon exercise of each Capital Raising Option will be at $0.03 (**Exercise Price**).

**3. Expiry Date**

Each Capital Raising Option will expire at 5:00 pm (WST) on 30 June 2019 (**Expiry Date**). A Capital Raising Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

**4. Exercise Period**

The Capital Raising Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

**5. Notice of Exercise**

The Capital Raising Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Capital Raising Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Capital Raising Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

**6. Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Capital Raising Option being exercised in cleared funds (**Exercise Date**).

**7. Timing of issue of Shares on exercise**

Within 5 Business Days after the Exercise Date, the Company will:

(a) allot and issue the number of Shares required under these terms and conditions in respect of the number of Capital Raising Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

(b) if required, give ASX a notice that complies with Section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy Section 708(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

(c) if admitted to the official list of ASX at the time, apply for official quotations on ASX of Shares issued pursuant to the exercise of the Capital Raising Options.

If a notice delivered under (7)(b) of this Schedule for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy Section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

**8. Shares issued on exercise**

Shares issued on exercise of the Capital Raising Options rank equally with the then issued Shares of the Company.

**9. Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Capital Raising Options.

**10. Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

**11. Re-compliance with ASX Listing Rule Chapters 1 and 2**

If the Company is required to re-comply with Chapters 1 and 2 of the ASX Listing Rules and as a result of the re-compliance the Company's share capital is consolidated so that the price per Share following the consolidation is at least $0.20 per Share, the Exercise Price of the Capital Raising Options will be changed so that the Exercise Price is the higher of:

(a) $0.20; or
(b) the Exercise Price determined in accordance with the reconstruction of the Company's issued capital in accordance with paragraph 10 above.

**12. Participation in new issues**

There are no participation rights or entitlements inherent in the Capital Raising Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Capital Raising Options without exercising the Capital Raising Options.

## 13. Change in exercise price

Subject to paragraphs 10 and 11 above, a Capital Raising Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Capital Raising Option can be exercised.

## 14. Transferability

The Capital Raising Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

## 15. Not Quoted

The Capital Raising Options will not be quoted on ASX.

Zambezi Resources Limited
ARBN 124 462 826

ZRL

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

## Lodge your vote:

**By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

## For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

# CDI Voting Instruction Form

XX

**For your vote to be effective it must be received by 9:00pm (Perth AWST) Sunday, 14 August 2016**

## How to Vote on Items of Business

Each CHESS Depositary Interest (CDI) is equivalent to one share of Company Common Stock, so that every 1 (one) CDI registered in your name at 14 August 2016 entitles you to one vote.

You can vote by completing, signing and returning your CDI Voting Instruction Form. This form gives your voting instructions to CHESS Depositary Nominees Pty Ltd, which will vote the underlying shares on your behalf. You need to return the form no later than the time and date shown above to give CHESS Depositary Nominees Pty Ltd enough time to tabulate all CHESS Depositary Interest votes and to vote on the underlying shares.

## Signing Instructions

**Individual:** Where the holding is in one name, the securityholder must sign.
**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.
**Power of Attorney:** If you have not already lodged the Power of Attorney with the Australian registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
**Companies:** Only duly authorised officer/s can sign on behalf of a company. Please sign in the boxes provided, which state the office held by the signatory, ie Sole Director, Sole Company Secretary or Director and Company Secretary. Delete titles as applicable.

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

***Turn over to complete the form*** ➔



View your securityholder information, 24 hours a day, 7 days a week:
**www.investorcentre.com**

☑ **Review your securityholding**
☑ **Update your securityholding**

***Your secure access information is:***

**SRN/HIN: I9999999999**

**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 IND

# CDI Voting Instruction Form

**Please mark ☒ to indicate your directions**

**STEP 1**

## CHESS Depositary Nominees Pty Ltd will vote as directed

**XX**

### Voting Instructions to CHESS Depositary Nominees Pty Ltd

I/We being a holder of CHESS Depositary Interests of Zambezi Resources Limited hereby direct CHESS Depositary Nominees Pty Ltd to vote the shares underlying my/our holding at the General Meeting of Zambezi Resources Limited to be held at Trinity Hall, 43 Cedar Avenue, Hamilton HM12, Bermuda on Wednesday, 17 August 2016 at 10:00am Bermuda ADT (Atlantic Daylight Time) (9:00pm Perth AWST) and at any adjournment or postponement of that meeting.

By execution of this CDI Voting Form the undersigned hereby authorises CHESS Depositary Nominees Pty Ltd to appoint such proxies or their substitutes to vote in their discretion on such business as may properly come before the meeting.

**STEP 2**

## Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing CHESS Depositary Nominees Pty Ltd or their appointed proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

| | | For | Against | Abstain |
|---|---|---|---|---|
| Resolution 1 | Appointment of Auditor | ☐ | ☐ | ☐ |
| Resolution 2 | Authorised Share Capital | ☐ | ☐ | ☐ |
| Resolution 3 | Consolidation of Capital | ☐ | ☐ | ☐ |
| Resolution 4 | Reduction of Share Capital Under Bermuda Laws by way of a Par Value Reduction | ☐ | ☐ | ☐ |
| Resolution 5 | Election of Mr Gregory John Bittar as a Director | ☐ | ☐ | ☐ |
| Resolution 6 | Election of Mr Brad Drabsch as a Director | ☐ | ☐ | ☐ |
| Resolution 7 | Approval of 10% Placement Capacity | ☐ | ☐ | ☐ |
| Resolution 8 | Subsequent Approval under ASX Listing Rule 7.4 of Securities Issued under ASX Listing Rules 7.1 & 7.1A | ☐ | ☐ | ☐ |
| Resolution 9 | Repayment of Convertible Note - Farm in Right and Royalty | ☐ | ☐ | ☐ |
| Resolution 10 | Placement in relation to the Facility Agreement | ☐ | ☐ | ☐ |
| Resolution 11 | Approval of Issue of Capital Raising Securities | ☐ | ☐ | ☐ |
| Resolution 12 | Participation in Capital Raising by Mr Gregory John Bittar | ☐ | ☐ | ☐ |
| Resolution 13 | Participation in Capital Raising by Mr Brad Drabsch | ☐ | ☐ | ☐ |

**SIGN**

## Signature of Securityholder(s) *This section must be completed.*

| **Individual or Securityholder 1** | **Securityholder 2** | **Securityholder 3** |
|---|---|---|
| | | |
| **Sole Director and Sole Company Secretary** | **Director** | **Director/Company Secretary** |

**Contact Name** ______________________ **Contact Daytime Telephone** ______________________ **Date** ___ / ___ / ___

# ZAMBEZI RESOURCES LIMITED

## Independent Expert's Report

Dated

28 July 2016

Bentleys
THINKING AHEAD

Accountants
Auditors
Advisors

KRESTON

PREPARED BY:
Bentleys Corporate Advisory (WA) Pty Ltd
Level 3, 216 St Georges Terrace
Perth WA 6000
T (08) 9226 4500
F (08) 9226 4300
E admin@perth.bentleys.com.au
ABN: 83 108 754 847

**ZAMBEZI RESOURCES LIMITED**

**INDEPENDENT EXPERT'S REPORT**

**TABLE OF CONTENTS**

Bentleys
THINKING AHEAD

Bentleys Corporate Advisory (WA) Pty Ltd
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Perth WA 6000

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Cloisters Square WA 6850

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F +61 8 9226 4300

bentleys.com.au

28 July 2016

The Directors
Zambezi Resources Limited
Canon's Court
22 Victoria Street
Hamilton HM 12
BERMUDA

Dear Sirs

## ZAMBEZI RESOURCES LIMITED
## Independent Expert's Report

**As outlined in Zambezi Resources Limited's ('ZRL' and 'the Company') Notice of Annual General Meeting:**

- **Resolution 9 is seeking approval for the Company to repay its Convertible Note totalling $6.64 million with The Auctus Resources Fund ('ARF', formerly LinQ Resources Fund) by way of granting them Farm In Right & Royalty rights in a copper project located in Zambia;**

- **Resolution 10 is seeking approval for the Company to repay its Facility Agreement totalling $2.36 million with ARF by way of placement of 69,000,886 shares and 5,000,000 Options to ARF; and**

- **Resolution 11 is seeking approval for the Company to issue of up to 22,500,000 Capital Raising Shares at an issue price of $0.02 per share and 22,500,000 free attaching Capital Raising Options to raise up to $450,000;**

**together referred to as the 'Proposed Transaction'.**

**Following completion of the Proposed Transaction, ARF's interest in ZRL will increase from 20% to approximately 70% of ZRL's post completion share capital, depending on how much is raised in the Capital Raising.**

**As set out more fully in our Report we have concluded that the transactions referred to above are FAIR AND REASONABLE to the Non-Associated Shareholders of the Company as at the date of this report.**

## 1. INTRODUCTION

Zambezi Resources Limited ('ZRL' or 'the Company') is a company incorporated in Bermuda listed on the ASX (ASX code: ZRL).

ZRL is a copper exploration and development company holding 100% interest in the Kangaluwi Copper Project ('KCP'), located 180km east of Lusaka, Zambia.

The Company was granted permission in January 2014 by the Minister of Lands, Natural Resources and Environmental Protection to develop the KCP.

In February 2014 an appeal was lodged by certain Zambian conservation groups which resulted in a stay of execution of the decision of the Minister to allow ZRL to develop the KCP.

To date, ZRL is still waiting on a written judgement on the appeal, and is therefore unable at present to explore or develop the project. This exploration project is the only remaining significant asset of the Company.

On 16 May 2016 the Company announced it had signed a binding term sheet with its major shareholder The Auctus Resources Fund ('ARF', formerly LinQ Resources Fund), which is a public trust controlled by IMC Resources Holdings Pte Ltd to allow the Company to become effectively debt free in exchange for ARF gaining up to 75% farm-in rights to ZRL's copper project and increasing their interest in ZRL to approximately 70% following a Capital Raising, depending on how much is raised in the Capital Raising.

The directors of ZRL have engaged Bentleys Corporate Advisory (WA) Pty Ltd ('BCA') to prepare an Independent Expert's Report relating to the Proposed Transaction to determine whether the terms of the transaction are fair and reasonable to Non-Associated Shareholders of ZRL.

This report is to accompany the Notice of Annual General Meeting of Shareholders and Explanatory Statement of ZRL to be sent to all shareholders to assist them in determining whether or not to approve the Proposed Transaction ('Notice of Annual General Meeting'). Apart from the purpose stated directly above, this report cannot be used or relied on for any other purpose or by any other person or entity.

Our assessment of the Proposed Transaction relies on financial information and instructions provided by the Company and the Directors. As instructed, we have not completed any audit or due diligence of the information which has been provided or of the entities which have been valued. This report does not contain any accounting or taxation advice.

## 2. SUMMARY AND OPINION

**In our opinion the Proposed Transaction is FAIR AND REASONABLE to the Non-Associated Shareholders of ZRL.**

In the assessment of fairness we compared the fair value of a share in ZRL on a control basis prior to the Proposed Transaction with the fair value of a share in ZRL on a non-control basis immediately following the Proposed Transaction.

We have concluded that the fair value of a share in ZRL on a control basis prior to the Proposed Transaction is less than the fair value of a share in ZRL on a non-control basis immediately following the Proposed Transaction, therefore the proposals under Resolutions 9, 10 and 11 are considered to be fair.

Due to the Proposed Transaction being considered fair, it is also considered reasonable.

However, to further assist the Non-Associated Shareholders to assess the merits of the Proposed Transaction we have considered whether it is reasonable, irrespective of its fairness. In order to assess reasonableness we have considered the likely advantages and likely disadvantages to Non-Associated Shareholders of ZRL and whether the likely advantages outweigh the likely disadvantages. We have also considered the impact upon ZRL shareholders that the Proposed Transaction as a whole will achieve.

As part of our assessment of whether the Proposed Transaction is reasonable, we have also considered the likely impact upon ZRL shareholders if the Proposed Transaction does not proceed.

We concluded that the likely advantages of the Proposed Transaction outweigh the likely disadvantages and consequently, in our opinion, the Non-Associated Shareholders will be better off if the Proposed Transaction proceeds than if it does not.

The principal factors affecting our opinion are discussed in more detail in section 8 and 9 of this report.

## 3. PURPOSE OF THIS REPORT

This report has been independently prepared to accompany the Notice of Annual General Meeting of ZRL and Explanatory Statement to be sent to its shareholders.

Whilst this report is provided to all shareholders of ZRL, its purpose is to provide an independent opinion to the 'non-associated' shareholders of ZRL. Defined in simple terms, these are shareholders who are not in any other way associated with the parties to the Proposed Transaction, ie ARF.

This report is required to express an opinion as to whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders of ZRL.

### Scope and Basis of Evaluation

As the Company is incorporated in Bermuda it is not subject to the *Corporations Act 2001*. However the Company is listed on the ASX, so is subject to the ASX Listing Rules.

Under Listing Rule 10.1 an entity must ensure that it does not dispose of a substantial asset to a substantial holder in the entity without the approval of the entity's security holders. Listing Rule 10.2 defines an asset as substantial if its value is 5% or more of the Company's equity interests as set out in the latest accounts given to the ASX.

The Company is proposing to assign up to 75% of its Farm-In Rights of its KCP asset to its substantial shareholder (ARF), which is considered to be a disposal of an asset under the Listing Rules. The KCP asset represents 60% of ZRL's equity interests as per its 31 March 2016 Annual Report lodged with the ASX on 3 June 2016 and is therefore the major asset of the Company.

Under Listing Rule 10.10.2 the notice of meeting required to be prepared to allow approval by ZRL's security holders must contain a report on the transaction from an independent expert.

The directors of ZRL have commissioned BCA to prepare the Independent Expert's Report.

***ASIC Regulatory Guide 111 ('RG 111')***

Despite ZRL not being subject to regulations by ASIC, we as an AFSL holder are subject to the *Corporations Act 2001* and ASIC regulations. In preparing our report we have had regard to the guidelines set out in RG 111. The Act does not define the term 'fair and reasonable'; however RG 111 provides that each of these criteria be assessed individually and not as a compound phrase. RG 111 provides that the Proposed Transaction:

- Will be considered 'fair' if the value of the consideration to be received by ZRL (ie extinguishing all its debt) is equal to or greater than the value of the consideration proposed to be paid by ZRL (ie up to 75% of the KCP project, including a 3% royalty, issue of ZRL shares). This comparison is required to be made assuming an arm's length transaction between knowledgeable and willing, but not anxious parties;
- Will be considered 'reasonable' if it is 'fair'; and
- May be considered 'reasonable' despite being 'not fair', if the expert believes there are other reasons for shareholders to vote in favour of the proposal.

We also have had regard to RG 112, which outlines guidelines with respect to the independence of requirements of experts.

Furthermore, we have also compared the likely advantages and disadvantages of the Proposed Transaction proceeding and the implications of the Proposed Transaction not proceeding.

Whilst the terms of 'fairness' and 'reasonableness' are not defined in the Act, we have considered them in the following context for the purpose of this report:

| | |
|---|---|
| Is the proposed transaction fair? | The Proposed Transaction is fair if the value of a ZRL share post the Proposed Transaction on a non-control basis is equal to or greater than the value of a ZRL share prior to the Proposed Transaction on a control basis. |
| Is the proposed transaction reasonable? | The Proposed Transaction may be reasonable whether it is fair or unfair, as it involves consideration of other significant factors that ZRL shareholders might consider prior to voting on the resolution to approve the Proposed Transaction. |

Consistent with current policy and regulatory guidelines referred to above, we have assessed the proposals and objectives of the Proposed Transaction taken as a whole, which must be fair and reasonable to the Non-Associated Shareholders of ZRL. We have also considered the position of those Non-Associated Shareholders in the event that the Proposed Transaction proceeds, or if it does not.

This report deals with the effect of the Proposed Transaction on ZRL as a whole and does not cover the individual positions of each of the Non-Associated Shareholders. Nor does it consider the individual taxation position of Non-Associated Shareholders, which depends upon individual circumstances. Non-Associated Shareholders should therefore seek their own professional financial and taxation advice.

This report aims to provide an opinion on the fairness and reasonableness of the Proposed Transaction as it impacts upon all Non-Associated Shareholders as a group.

**Valuation Engagement**

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

> *"an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time."*

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

**Existing Conditions**

It must also be noted that the conclusions reached and opinions expressed in this report are made in the context of the prevailing economic, market and business conditions existing at the date of this report. An assessment of the likelihood of any significant changes in these conditions, which may then impact upon ZRL are outside the scope of this report.

## 4. OUTLINE OF THE PROPOSED TRANSACTION

As detailed above in section 1, ZRL has entered into a binding Term Sheet with its major shareholder ARF which will result in the Company becoming debt free. The Company is currently indebted to ARF in the aggregate sum of $9 million comprising the current outstanding balance of $6.64 million pursuant to a Convertible Note Deed dated 13 September 2011 ('Convertible Note') and $2.36 million 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 outstanding balance of $6.64 million owing by the Company to ARF under the Convertible Note, the Company has agreed to grant ARF a royalty of 3% calculated on any gross revenue from its KCP in Zambia up to a maximum of $12 million plus a Farm-In Right;
- The Farm-In Right gives ARF the right to earn a Farm-In interest in KCP of up to 75% upon investing $1 million in the project;
- The Farm-In Right will diminish as ZRL increases its investment in KCP and will reduce on a sliding scale down to a minimum of 30% when ZRL has invested $15 million in KCP. For example if ZRL invests $6m in KCP the Farm-In Interest of ARF will reduce to 50%;
- The amount payable by the Company to ARF pursuant to the Facility Agreement will be extinguished by the issue of shares to ARF such that ARF's interest in ZRL's shares will be not less than 70%;

- Simultaneously with the transactions involving the Convertible Note and the Facility Agreement, the Company will also undertake a 1:4 Consolidation of its current shares and options on issue and a Capital Raising to raise at least $200,000 and up to $450,000 in new funds ('Capital Raising') for working capital purposes;

If the Proposed Transaction proceeds, ZRL will now be debt free and has indicated the Company expects to explore new opportunities and projects as they arise. There are no current proposals received for the purchase of the KCP asset.

**Summary of Capital Structure**

The table below demonstrates the capital structure prior to the Proposed Transaction compared to after the Proposed Transaction, with full dilution of Option issues with exercise price of $0.03 (the existing ARF Options on issue will have an exercise price of $0.16 post consolidation and therefore not assumed to be exercised as they are considered to be out of the money):

| Fully Paid Ordinary Shares of ZRL | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Including 1:4 CONSOLIDATION | | | | Including 1:4 CONSOLIDATION | | | |
| | | | Capital Raising Amount $200,000 | | | | Capital Raising Amount $450,000 | | | |
| | Pre Issue | | Post Issue | | Post Issue – All Options exercised (exercise price $0.03) | | Post Issue | | Post Issue – All Options exercised (exercise price $0.03) | |
| **Shareholder** | **No Shares** | **%** | **No Shares** | **%** | **No Shares** | **%** | **No Shares** | **%** | **No Shares** | **%** |
| ARF current shareholding | 8,351,838 | 20.2% | 2,087,960 | 2.3% | 2,087,960 | 2.0% | 2,087,960 | 2.0% | 2,087,960 | 1.6% |
| ARF debt conversion – shares | - | - | 69,000,886 | 77.3% | 69,000,886 | 66.1% | 69,000,886 | 67.8% | 69,000,886 | 53.3% |
| ARF debt conversion - options | - | - | - | - | 5,000,000 | 4.8% | - | - | 5,000,000 | 3.9% |
| ARF SUBTOTAL | 8,351,838 | 20.2% | 71,088,846 | 79.6% | 76,088,846 | 72.9% | 71,088,846 | 69.8% | 76,088,846 | 58.8% |
| Capital Raising Shares | - | - | 10,000,000 | 11.2% | 10,000,000 | 9.6% | 22,500,000 | 22.1% | 22,500,000 | 17.4% |
| Capital Raising Options (1:1 Shares) | - | - | - | - | 10,000,000 | 9.6% | - | - | 22,500,000 | 17.4% |
| All other shareholders | 32,938,265 | 79.8% | 8,234,566 | 9.2% | 8,234,566 | 7.9% | 8,234,566 | 8.1% | 8,234,566 | 6.4% |
| TOTAL | 41,290,103 | 100.0% | 89,323,412 | 100.0% | 104,323,412 | 100.0% | 101,823,412 | 100.0% | 129,323,412 | 100.0% |

As per the above table, ARF holds 20.2% in ZRL prior to the Proposed Transaction making it a substantial holder.

After the Proposed Transaction at the *minimum* Capital Raising, ARF's holding would increase its holdings to 79.6%, and if all Options were assumed to be exercised, their holding would fall to 72.9%.

After the Proposed Transaction at the *maximum* Capital Raising, ARF's holding would increase its holdings to 69.8%, and assuming all Options were to be exercised, their holding would fall to 58.8%.

## 5. PROFILE OF ZAMBEZI RESOURCES LIMITED

Zambezi Resources Limited ('ZRL' or 'the Company') is a company incorporated in Bermuda which was listed on the ASX on 5 July 2007.

The Company's current board members and senior management comprise of:

- David Vilensky – Non-Executive Chairman
- Marinko Vidovich – Executive Director
- Greg Bittar – Non-Executive Director
- Bermuda Administrative Services Ltd – Company Secretary

After the sale of its 50% interest in the Mpande Limestone Joint Venture project in December 2015, the Company now only retains the Kangaluwi Copper Project, 180km east of Lusaka, Zambia. The mining licence for this area was issued on 16 March 2011 for 25 years, but the Company is currently unable to progress the development of the project due to the appeal that has been lodged against the Company's mining rights.

This matter was heard in the High Court in February 2014 and the Company at the date of this Report is still waiting on the decision as to whether it is able to progress the development of the project.

**Historical Statement of Financial Position**

| | ZRL audited 31 March2016[1] | ZRL audit reviewed 30 Sept 2015[2] | ZRL audited 31 March2015[3] | ZRL audit reviewed 30 Sept 2014[4] |
|---|---|---|---|---|
| Cash and cash equivalents | 168,029 | 218,678 | 152,035 | 317,151 |
| Trade and other receivables | 18,464 | 15,583 | 18,739 | 323,332 |
| Total current assets | 186,493 | 234,261 | 170,774 | 640,483 |
| Exploration and evaluation expenditure | 14,047,390 | 14,054,677 | 14,076,313 | 14,047,660 |
| Property, plant and equipment | - | - | - | 100,507 |
| Total non-current assets | 14,047,390 | 14,054,677 | 14,076,313 | 14,148,167 |
| Total assets | 14,233,883 | 14,288,938 | 14,247,087 | 14,788,650 |
| Trade and other payables | 222,844 | 841,138 | 818,387 | 872,528 |
| Borrowings | 8,682,126 | 9,216,470 | 9,317,709 | 9,910,765 |
| Total current liabilities | 8,904,970 | 10,057,608 | 10,136,096 | 10,783,293 |
| Total liabilities | 8,904,970 | 10,057,608 | 10,136,096 | 10,783,293 |
| **Net assets** | **5,328,913** | **4,231,330** | **4,110,991** | **4,005,357** |
| Issued Capital | 23,380,287 | 26,996,316 | 24,086,973 | 23,006,573 |
| Reserves | 41,772,716 | 51,990,770 | 47,699,552 | 46,746,407 |
| Retained earnings | (59,824,090) | (74,755,756) | (67,675,534) | (65,747,623) |
| **Total equity** | **5,328,913** | **4,231,330** | **4,110,991** | **4,005,357** |

Sources:

1. Annual Report 31 March 2016 – GBP restated to AUD (£0.5338)
2. Half Year Report 30 September 2015 – GBP restated to AUD (£0.4623)
3. Annual Report 31 March 2015 – GBP restated to AUD (£0.5164)
4. Half Year Report 30 September 2014 – GBP restated to AUD (£0.5384)

We note the following in relation to ZRL's Statement of Financial Position:

- Cash balances have fluctuated but reduced overall in the last two years;
- Due to the delayed High Court decision regarding mining at KCP, capitalised exploration expenditure has remained the same aside from foreign exchange adjustments;
- A reduction in accruals has reduced the payables liability by 31 March 2016;
- There was a reduction in borrowings by 31 March 2016 as a result of applying part of the proceeds from the sale of its 50% share of the Mpande Limestone Joint Venture Project;
- Shares were issued in the first half of the 2016 financial year but foreign exchange fluctuations have reduced the balance to the second half of the year.

**Historical Statement of Profit or Loss and Other Comprehensive Income**

| | ZRL audited 12 months 31 March 2016 | ZRL audit Reviewed 6 months 30 Sept 2015 | ZRL audited 12 months 31 March 2015 | ZRL audit Reviewed 6 months 30 Sept 2014 |
|---|---|---|---|---|
| Interest revenue | 76 | 33 | 633 | 550 |
| Other income | 603,475 | 1,501,462 | 2,411,751 | 64,313 |
| Finance costs | (400,252) | (213,103) | (670,618) | (322,259) |
| Other expenses | (1,059,031) | (475,667) | (2,177,172) | (1,205,646) |
| Profit/(loss) from continuing operations before income tax | (855,732) | 812,725 | (435,406) | (1,463,042) |
| Income tax expense | - | - | - | - |
| Profit/(loss) from continuing operations after income tax | (855,732) | 812,725 | (435,406) | (1,463,042) |
| Profit/(loss) from discontinued operations after tax | 1,906,308 | (16,868) | (185,932) | - |
| **Net profit/(loss) for the year** | **1,050,576** | **795,857** | **(621,338)** | **(1,463,042)** |
| Other comprehensive income items that may be reclassified subsequently to profit or loss | | | | |
| Exchange differences arising on translation of foreign operations | 221,276 | (1,328,478) | (2,044,521) | (710,697) |
| Exchange differences realised on disposal of foreign operations | (22,232) | - | 71,992 | - |
| **Total comprehensive income/(loss) for the year** | **1,249,620** | **(532,621)** | **(2,593,867)** | **(2,173,739)** |

Sources:

1. Annual Report 31 March 2016 – GBP restated to AUD (average 12 month rate of £0.4883)
2. Half Year Report 30 September 2015 – GBP restated to AUD (average 6 month rate of £0.4883)
3. Annual Report 31 March 2015 – GBP restated to AUD (average 12 month rate of £0.5421)
4. Half Year Report 30 September 2014 – GBP restated to AUD (average 6 month rate of £0.4883)

Items to note from ZRL's historical statement of profit or loss and other comprehensive income:

- Other income fluctuates mainly due to foreign exchange adjustments. It also includes gains on the bridging facility modifications;
- Finance costs appear reasonable compared to levels of debt;
- Due to the delayed High Court decision regarding mining at KCP, general activity in relation to exploration has fallen over the two year period, including associated costs such as consulting fees and exploration costs not capitalised;
- In 2016 the Company disposed of a subsidiary Mpande Limestone Ltd realising a gain of $1.9 million.

We have noted that the Company's auditor has issued audit reports for the years ended 31 March 2016 and 2015 with a qualified opinion in relation to the classification of the Convertible Note Facility between borrowings, derivatives and equity. ZRL were not 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 which, if material, may be required to be accounted for separately. We have determined that any potential adjustment would not affect our opinion as to the fairness of the transaction. See our discussion on this point in section 8.1

The Company's auditor issued an unmodified opinion in the review report in the financial statements with an emphasis of matter on going concern for the six months ended 30 September 2015 and 2014.

**Capital Structure of ZRL**

The below capital structure information was sourced from the Company's Annual Report for 31 March 2016, which was lodged at the ASX on 3 June 2016.

A distribution schedule of the number of Shareholders, by size of holding, as at 30 April 2016 is below:

| Size of holdings | Number of Shareholders |
|---|---|
| 1 – 1000 | **216** |
| 1,001 – 5,000 | **220** |
| 5,001 – 10,000 | **144** |
| 10,001 – 100,000 | **228** |
| 100,001 and over | **57** |
| **Total** | **865** |

724 shareholders hold less than a marketable parcel, based on the market price of a share as at 30 April 2016.

The total number of Shares on issue as at 17 May 2016 was 41,290,103, held by 859 registered Shareholders. Each Share carries one vote per Share without restriction.

As at 17 May 2016, the five largest Shareholders were as shown in the following table and held 34.32% of the Company's shares.

| | Legal Holder | Holding | % |
|---|---|---|---|
| 1. | RBC Investor Services Australia Nominees Pty Limited<br>The above entity is sub-custodian of the ARF, with Perpetual Corporate Trust Limited being the custodian. | 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 |
| | **Total** | **14,169,015** | **34.32** |

The Company does not have any quoted Options on issue. As at the date of this report the Company had 5,000,000 unlisted Options on issue. Option exercise rice is the lower of $0.04 per share 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. Option expiry date is 31 December 2020. No voting rights are attached to unquoted Options.

It is noted these unlisted Options will be consolidated 1:4 as part of the Proposed Transaction, leaving a balance of 1,250,000 Options at an exercise price of $0.16.

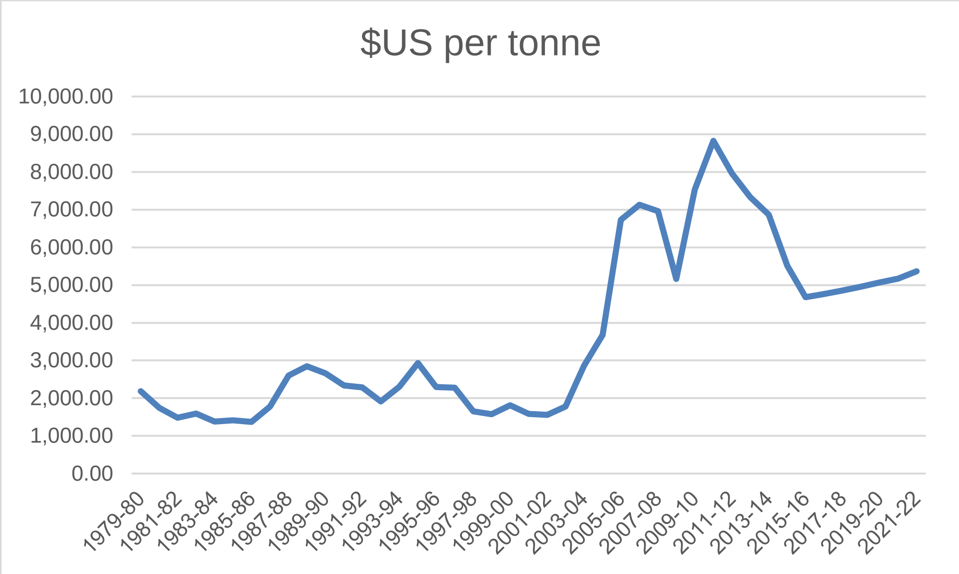
## 6. COPPER INDUSTRY AND ZAMBIA ECONOMY ANALYSIS

As has been the case for many commodities in the resource sector, and the industry in general, there has been a significant downturn in recent years and a potentially long term recovery period for certain commodities. Due to the housing boom, copper prices have seen historic highs in late 2000 (almost US$9,000 pmt in 2008).

Subsequently as the housing market collapsed and world financial markets went into crisis, prices were pushed down. Demand for copper dropped along with the economy and stockpiles of the metal grew, hence many copper mines reduced production. Supply cutback drove a price rebound for a period of time along with construction and manufacturing demand in China and India rapidly increasing. However due to stagnant construction growth in the world's fully developed countries, especially the US, and recent slowing growth in China, copper prices have fallen and continue their struggle to grow.

Dampened demand and rising supply forecasts further price falls in 2016, however in the long term, the continued urbanisation of China and India, combined with rising construction growth in the US is forecast to boost demand for copper, with an expected increase at an annualised rate of 2% over the five years to 2021. (Source: *IBISWorld Business Environment Report – World price of copper – Feb 2016)*

World Price of Copper




Source: *IBISWorld Business Environment Report – World price of copper – Feb 2016*

The economic downturn of Zambia is largely attributable to the deteriorating copper prices and production. Copper makes up 70% of the country's export earnings. Global copper price had seen a steady climb since the mid-2000s, which contributed to the expansion of Zambia's mining sector from 7% GDP in 2008 to 12% on 2015, according to the finance ministry.

The mining industry's large contribution to their economy is also attributable to China being one of their top consumers. China's demand for natural resources, as a result of assisting its growing economy and expanding population, China's investment in Zambia in 2013 reached over $2.5 billion, mostly in mining and metal refining in the northwest Copperbelt region (International Business Times, 20 October 2015). However, this heavy reliance on China has seen the copper price weaken as the growth of China slows down.

Because of the downturn, it is expected that copper production will not rise above 700,000 tonnes over the 2016-2017 period, however the government seems optimistic that they could reach 1 million tonnes by 2018 if the prices were to improve.

Although copper prices have seen a slight increase over the past few months, they still remain 16% lower than last year (Africa Fight Now, 13 April 2016) and therefore it is unlikely that the target will be reached. Zambia's "copper-dependent economy" will only grow by less than 5% this year due to the collapse in commodity prices (International Business Times, 20 October 2015).

Currently Mr Edgar Lungu of the Patriotic Front party is President of Zambia, and is one of democratic socialism. General Elections are being held on 11 August 2016, and it is highly likely that any decision on the KCP High Court case will not occur until after the general elections are held.

Given the uncertainty with Zambia's economic outlook and the uncertainty around the general elections it is not possible for us to comment one way or another in relation to the likelihood of success on the KCP High Court decision. Please refer to section 7 for details and comments on the assumptions we have made regarding the value of the KCP.

## 7. BASIS OF EVALUATION

We have referred to RG 111 which provides guidelines in determining whether transactions are fair and reasonable.

Fairness relates to price, whereas reasonableness includes the consideration of factors other than price.

**Fairness**

RG111 notes that an offer is 'fair' if the value of the offer price or consideration received is equal to or greater than the value of the securities the subject of the offer and that this comparison should be made (a) assuming a knowledgeable and willing, but not anxious buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length and (b) assuming 100% ownership of the 'target' irrespective of whether the consideration is scrip or cash.

**Reasonableness**

RG 111 provides that in deciding whether a proposed transaction is 'reasonable', factors that an expert might consider include:

- the financial situation and solvency of the entity, if the consideration for the financial benefit is cash;
- opportunity costs;
- the alternative options available to the entity and the likelihood of those options occurring;
- the entity's bargaining position;
- whether there is selective treatment of any security holder, particularly the related party;
- any special value of the transaction to the purchaser, such as particular technology or the potential to write off outstanding loans from the target; and
- the liquidity of the market in the entity's securities.

An offer is 'reasonable' if it is fair. An offer may also be reasonable, if despite not being 'fair', there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. We have considered the general principals noted above to determine our opinions on fairness and reasonableness.

**Applicability to the Proposed Transaction**

In determining whether the Proposed Transaction is fair and reasonable we have addressed the following:

- A comparison of the fair value of a share in ZRL on a control basis prior to the Proposed Transaction and the fair value of a share in ZRL on a non-control basis immediately following the Proposed Transaction – 'fairness'.
- A comparison of other likely advantages and disadvantages, to the Non-Associated Shareholders, of the Proposed Transaction – 'reasonableness'.

**Accepted Valuation Methodologies**

RG 111 also notes that it is appropriate for the independent expert to consider various methodologies in forming an opinion as to whether a particular transaction may be considered fair and reasonable. In conducting our assessment, the following techniques, which are commonly used to value a business or shares in a company have been considered:

- Discounted cash flow methodology;
- Capitalisation of future maintainable earnings;
- Net asset value;
- Quoted market price methodology; and
- Comparable market transactions, (recent genuine offers basis).

A summary of each of these methodologies is outlined in Appendix B.

**Value of ZRL prior to the Proposed Transaction**

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of ZRL shares, our consideration of each of the following methodologies is as follows:

- We do not have reasonable grounds for the use of forward looking financial information to enable the use of discounted cash flow methodology or capitalisation of future maintainable earnings methodology. ZRL does not have a history of regular operating profits, which can be used to apply the capitalisation of future earnings method, accordingly, it is considered inappropriate to apply this method in valuing ZRL.
- ZRL made a loss from continuing operations of $855,732 for the year ended 31 March 2016 (net profit for the year was $1,050,576 after a gain on disposal of subsidiary), and a net loss of $621,338 for the year ended 31 March 2015.
- A market based assessment is not appropriate in this circumstance – It is possible that a potential take-over bidder for ZRL could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of ZRL have formed the view that there are unlikely to be any takeover bids made for ZRL in the immediate future.
- The quoted market price methodology is relevant to consider as ZRL's shares are listed on the ASX. This means there is a regulated and observable market where ZRL's shares can be traded. However, in order for the quoted market price methodology to be considered appropriate, the Company's shares should be liquid and the market should be fully informed as to ZRL's activities. We have considered these factors in section 8.1 of our Report.
- As a result of the above methodologies being considered inappropriate we have used the net asset value method to value ZRL prior to the Proposed Transaction, by using the most recently audited figures from the Company's Annual Report for the year ended 31 March 2016. These figures have been converted to AUD and adjusted for various events. Please refer to section 8.1 for details of our assessment.

**Value of ZRL following the Proposed Transaction**

In our assessment of the value of a ZRL share following the Proposed Transaction we have chosen to use the net asset value methodology. The following steps were taken in the valuation of ZRL following the Proposed Transaction:

- The value of ZRL prior to the Proposed Transaction;
- Adjust for the value of the ARF Convertible Note liability being cancelled;
- Dilution from the issue of shares to ARF pursuant to the cancellation of the Facility Agreement;
- Adjust for cancellation of Facility Agreement;
- Adjust for the 1:4 Consolidation and cash raised as a result of the Capital Raising that is a condition precedent to the Proposed Transaction, net of any costs;
- Adjust for the cash raised as a result of the assumed exercise of existing and Capital Raising Options;
- Discount for minority interest of 25%

**Assumptions we have made regarding the Value of the Company's copper project**

Due to the significant uncertainty surrounding the KCP High Court case, including the length of time the Company has had to wait for the written judgement on the appeal, we have assumed that the KCP asset at this point in time of our valuation is worth nil value. This is because ZRL is currently unable to develop or exploit the mining tenement nor do any further exploration on it until such time as the appeal has been finalised. Therefore as at the date of our Report we have assessed no current commercial value in the asset for the Company (however we have discussed alternative scenarios in section 8.3).

**Given that the current carrying value of this exploration asset is $14 million and that this is the only remaining project of the Company, this is a significant assumption that we have applied in our analysis.**

It follows from adopting the above assumption that the effect of the 3% royalty to be granted to ARF has not been considered in our calculations of the Proposed Transaction as the likelihood of the KCP generating gross revenue at this point in time is not considered likely enough to warrant inclusion in the value of this asset at this point in time.

## 8. ASSESSMENT OF FAIRNESS – COMPARISON OF PRICE AND VALUES

### 8.1 VALUATION OF ZRL PRIOR TO THE PROPOSED TRANSACTION

**Valuation Assessment of Kangaluwi Copper Project**

Al Maynard & Associates Pty Ltd were engaged by us to prepare an Independent Technical Valuation ('ITV') of the Company's KCP. The ITV is based on the assumption that the KCP is in "good standing" and can be exploited. In relation to this project this is a critical assumption. On this basis they concluded that the KCP is worth between a range of $12.7 million and $22.5 million.

We have considered and reviewed the qualifications and experience of the geological expert who has prepared the ITV and are satisfied that they are appropriate to undertake such work.

The copper price used in the ITV was US$4,649 (around 17 May 2016). We note that the copper price as at the date of this report is US$4,839.

The ITV states that "the JORC Code (2004) compliant tonnage and grade estimates were used for the valuation, with discounts ranging from 91.5% to 99.96% applied to the theoretical insitu metal values for the various classes of resource thereby establishing a range of values."

However, as mentioned in the Company's 2016 Annual Report, the Company cannot currently exploit this asset despite having been granted earlier approval by the Minister.

On 6 February 2014 the High Court granted the appellants a stay of execution of the decision by the Minister and at the date of our report this still remains in place pending the outcome of the appeal.

As a consequence of the above and for the purposes of our Report, we have NOT applied the KCP range of values that have been expressed by the valuer in our report due to the significant uncertainty surrounding the Company's ability to exploit the asset as a result of the unknown outcome of the KCP High Court case.

We note that the market has been informed of the current status of the Company's KCP and the potential assignment of farm in rights as a result of the Proposed Transaction. We also note that it is not the intention of the Directors of ZRL to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), would be hypothetical.

**Net asset value**

| | Notes | ZRL Audited 31 March 2016# $ | ZRL Pro-forma 31 March 2016 $ Low | ZRL Pro-forma 31 March 2016 $ Midpoint | ZRL Pro-forma 31 March 2016 $ High |
|---|---|---|---|---|---|
| Cash and cash equivalents | 1 | 168,029 | 178,029 | 178,029 | 178,029 |
| Trade and other receivables | | 18,464 | 18,464 | 18,464 | 18,464 |
| Total current assets | | 186,493 | 196,493 | 196,493 | 196,493 |
| Exploration and evaluation expenditure | 2 | 14,047,390 | - | - | - |
| Total non-current assets | | 14,047,390 | - | - | - |
| Total assets | | 14,233,883 | 196,493 | 196,493 | 196,493 |
| Trade and other payables | | 222,844 | 222,844 | 222,844 | 222,844 |
| Borrowings | 3 | 8,682,126 | 8,782,126 | 8,782,126 | 8,782,126 |
| Total current liabilities | | 8,904,970 | 9,004,970 | 9,004,970 | 9,004,970 |
| Total liabilities | | 8,904,970 | 9,004,970 | 9,004,970 | 9,004,970 |
| **Net assets/(deficiency)** | | **5,328,913** | **(8,808,477)** | **(8,808,477)** | **(8,808,477)** |
| Issued Capital | | 23,380,287 | 23,380,287 | 23,380,287 | 23,380,287 |
| Reserves | | 41,772,716 | 41,772,716 | 41,772,716 | 41,772,716 |
| Retained earnings | 4 | (59,824,090) | (73,961,480) | (73,961,480) | (73,961,480) |
| **Total equity** | | **5,328,913** | **(8,808,477)** | **(8,808,477)** | **(8,808,477)** |
| **Shares on issue** | | **41,290,103** | **41,290,103** | **41,290,103** | **41,290,103** |
| **Net asset value per share** | | **$0.13** | **NIL** | **NIL** | **NIL** |

# Annual Report 31 March 2016 – GBP restated to AUD (£0.5338)

As set out above we have determined the net asset (book value) backing per fully paid ordinary ZRL share as at 31 March 2016 based on the adjusted pro-forma balance sheet BEFORE the Proposed Transaction to be NIL per share.

| Note 1 – Cash and cash equivalents | $ |
|---|---|
| As at 31 March 2016 | 168,029 |
| Add – increase in cash through Facility Agreement to fund costs of Proposed Transaction | 100,000 |
| Less – funds spent on costs of Proposed Transaction (all except broker fees) | (90,000) |
| Total cash and cash equivalents | 178,029 |

It is assumed that all the funds received through the Financial Facility to fund the costs of the Proposed Transaction has been spent, excluding the brokers fees for the Capital Raising, as the other costs will likely be required to be settled regardless of whether the transaction is approved or not.

| Note 2 – Exploration and evaluation expenditure | $ Low | $ Midpoint | $ High |
|---|---|---|---|
| As at 31 March 2016 | 14,047,390 | 14,047,390 | 14,047,390 |
| Less – assumption of nil value due to uncertainty of KCP | (14,047,390) | (14,047,390) | (14,047,390) |
| Total exploration and evaluation expenditure | - | - | - |

| Note 3 – Borrowings | $ |
|---|---|
| As at 31 March 2016 | 8,682,126 |
| Add – increase in Facility Agreement to fund costs of Proposed Transaction | 100,000 |
| Total borrowings | 8,782,126 |

| Note 4 – Retained earnings | $ Low | $ Midpoint | $ High |
|---|---|---|---|
| As at 31 March 2016 | (59,824,090) | (59,824,090) | (59,824,090) |
| Less – assumption of nil value due to uncertainty of KCP | (14,047,390) | (14,047,390) | (14,047,390) |
| Less – expenses incurred on costs of Proposed Transaction (excluding broker fees) | (90,000) | (90,000) | (90,000) |
| Total retained earnings | (73,961,480) | (73,961,480) | (73,961,480) |

The auditor of ZRL has issued an audit report for the year ended 31 March 2016 with a qualified opinion in relation to the classification of the Convertible Note Facility between borrowings, derivatives and equity. ZRL were not 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 which, if material, may be required to be accounted for separately.

We have determined that any potential adjustment would not affect our opinion as to the fairness of the transaction, due to the fact that, generally, even if an adjustment was made to reduce the fair value liability of the Convertible Note Facility in order to reclassify part of it to the equity section of the balance sheet, it would still remain in a net deficiency position. This would not change the reasoning behind our decision on fairness.

We have accepted the ZRL amounts as disclosed for all other assets and liabilities except for the carrying value of the Company's KCP exploration asset.

**Quoted market price**

As an alternative assessment as to the valuation of share in ZRL we have also assessed the quoted market price for a ZRL share. The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Whilst ARF will not be obtaining 100% of ZRL, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness is considered by us in section 9.

Share prices in ZRL as recorded on the ASX since 1 July 2015 up to and including 15 May 2016 (last trading day before the announcement regarding the proposed transaction) have been as follows:

| | High $ | Low $ | Days trading occurred in the month | Volume |
|---|---|---|---|---|
| July 2015 | $0.026 | $0.025 | 7 | 332,950 |
| August 2015 | $0.028 | $0.018 | 6 | 744,500 |
| September 2015 | $0.030 | $0.021 | 9 | 259,690 |
| October 2015 | $0.029 | $0.021 | 4 | 297,500 |
| November 2015 | $0.025 | $0.018 | 11 | 1,873,025 |
| December 2015 | $0.030 | $0.021 | 3 | 242,026 |
| January 2016 | $0.021 | $0.016 | 10 | 439,585 |
| February 2016 | $0.020 | $0.012 | 8 | 90,048 |
| March 2016 | $0.013 | $0.008 | 6 | 1,934,634 |
| April 2016 | $0.019 | $0.008 | 10 | 1,848,945 |
| May 2016 (up to 15th) | $0.014 | $0.011 | 4 | 68,221 |

For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a "liquid and active market". We calculated that 15.7% of the Company's current issued capital was traded in a six-and-a-half month period leading up to 15 May 2016 and we would not consider this to be representative of a 'deep' market.

To provide further analysis of the market prices for a ZRL share, we have also considered the weighted average market price (VWAP) for 30, 60 and 90 day periods calculated up to 15 May:

| Share price per unit | 15 May 2016 | 30 days | 60 days | 90 days |
|---|---|---|---|---|
| Closing price | $0.011 | | | |
| Volume weighted average price (VWAP) | | $0.013 | $0.017 | $0.020 |

Given the variability in share price and the low trading volumes (ie, lack of a 'deep' market) leading up to the announcement of the Proposed Transaction, it is difficult to arrive at a fair value of a ZRL share based on the quoted market prices alone, however we have assessed the range of values of ZRL shares based on market pricing prior to the Proposed Transaction to be between the range of $0.013 and $0.020.

We have noted that subsequent to the announcement of the acquisition, the shares in ZRL have traded on ASX mainly between $0.014 and $0.023 with a last sale on 25 July 2016 of $0.02.

**Premium for Control – Assessment of Value for ZRL**

RG 111 refers to a 'control transaction' as being the acquisition or increase of a controlling stake in a company. The control premium reflects the benefits an acquirer achieves through holding a controlling interest in contrast to a portfolio shareholding.

The benefits of holding a controlling interest and the reasons a company pays a premium for control may include:

- Integration of the acquired entity's business and/or assets with those of the acquirer;
- Ability to control the composition of the board of directors;
- Control over the future direction of the company without the need to consider whether the interests of minority shareholders are prejudiced;
- Ability to group tax losses; and
- Full access to cash flows of the entity.

Premiums are paid for reasons that vary from case to case. In some situations the premium paid may be greater than others due to the extent of synergies or other benefits the acquirer expects to realise.

Under the *Corporations Act 2001* (despite ZRL is not being subject to the Act), control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. In this case, ARF will have a relevant interest increase in ZRL from 20% to up to approximately 70% after the issue of the Facility Agreement shares.

It is generally accepted that premiums for control may vary from 20% to 40% or more depending on many different factors including the nature of the business, the financial position of a company, and shareholding percentages. It is our view that a control premium in the range of 20% to 30% is appropriate in this instance, and we have applied 25% across our range of assessed share values.

Applying a control premium to ZRL's quoted market share price results in the following quoted market price value including a premium for control:

| | Low | Midpoint | High |
|---|---|---|---|
| Quoted market price value | $0.013 | $0.017 | $0.020 |
| Control premium | 25% | 25% | 25% |
| Quoted market price valuation including a premium for control | $0.016 | $0.021 | $0.025 |

It is noted that at the time of negotiation of the Proposed Transaction, the ZRL directors considered the fair market value of a ZRL ordinary share was $0.02, which is the price per share that the Capital Raising has been set at.

**Preferred Valuation method of valuing a ZRL share**

The results of the valuations performed are summarised in the table below:

| | Low $ | Midpoint $ | High $ |
|---|---|---|---|
| Net asset value (which assigns a NIL valuation to the copper project, KCP) | Nil | Nil | Nil |
| Quoted market price valuation including a premium for control | $0.016 | $0.021 | $0.025 |

In assessing the fair value of ZRL and a ZRL ordinary share prior to the transaction we have selected the net assets on a going concern methodology as the preferred methodology. Although the shares of ZRL are listed, as there is only moderate trading volumes on the ASX and the share prices in recent times may be affected by the lack of cash resources and lack of exploration activity, we consider the use of market share prices to value the Company for the purposes of this report is not the most appropriate method to use in this instance. We note share prices as a secondary methodology and have considered share prices in assessing the reasonableness of the proposals with ARF.

**On the above basis we conclude that the value of a ZRL share prior to the Proposed Transaction is considered to be NIL per share based on the net asset value.**

The NIL value of a ZRL share prior to the Proposed Transaction as a result of the analysis above is further highlighted by the uncertainty on the commercial recoverability of the KCP asset and the reality that the Convertible Note and Facility Agreement are both due for repayment on 31 December 2016.

We note that the net asset value may not necessarily reflect the fair values in the current economic circumstances of the Company. All values are dependent on the successful exploitation of the Company's KCP which in turn is dependent upon the outcome of the High Court appeal.

Therefore, the future value of a ZRL share will also depend upon, inter alia:

- Possible ventures and acquisitions entered into by ZRL;
- The state of the Australian and overseas stock markets;
- The strength and performance of the Board and management;
- Foreign exchange rates;
- General economic conditions, especially prices for copper; and
- The liquidity of shares in ZRL.

## 8.2 VALUATION OF ZRL FOLLOWING THE PROPOSED TRANSACTION

We summarise our valuation of a ZRL share subsequent to the Proposed Transaction on a net assets basis in the table below.

| | Notes | ZRL Pro-forma 31 March 2016 $ Low | ZRL Pro-forma 31 March 2016 $ Midpoint | ZRL Pro-forma 31 March 2016 $ High |
|---|---|---|---|---|
| Cash and cash equivalents | 1 | 818,029 | 1,124,279 | 1,430,529 |
| Trade and other receivables | | 18,464 | 18,464 | 18,464 |
| Total current assets | | 836,493 | 1,142,743 | 1,448,993 |
| Exploration and evaluation expenditure | | - | - | - |
| Total non-current assets | | - | - | - |
| Total assets | | 836,493 | 1,142,743 | 1,448,993 |
| Trade and other payables | | 222,844 | 222,844 | 222,844 |
| Borrowings | 2 | - | - | - |
| Total current liabilities | | 222,844 | 222,844 | 222,844 |
| Total liabilities | | 222,844 | 222,844 | 222,844 |
| **Net assets** | | **613,649** | **919,899** | **1,226,149** |
| Issued Capital | 3 | 26,446,287 | 26,758,787 | 27,071,287 |
| Reserves | 4 | 41,762,716 | 41,756,466 | 41,750,216 |
| Retained earnings | 5 | (67,595,354) | (67,595,354) | (67,595,354) |
| **Total equity** | | **613,649** | **919,899** | **1,226,149** |
| **Shares on issue** | 6 | **104,323,412** | **116,823,412** | **129,323,412** |
| **Net asset value per share** | | **$0.006** | **$0.008** | **$0.010** |
| Minority interest discount | 7 | 20% | 20% | 20% |
| **Minority value per share** | | **$0.005** | **$0.006** | **$0.008** |

The minority or non-controlling value of a ZRL share AFTER the Proposed Transaction is within a range of $0.005 and $0.008 per share.

The following adjustments were made to the 31 March 2016 pro-forma balance sheet to account for the Proposed Transaction:

| Note 1 – Cash and cash equivalents | $ Low | $ Midpoint | $ High |
|---|---|---|---|
| As at 31 March 2016 Pro-forma PRIOR to Proposed Transaction | 178,029 | 178,029 | 178,029 |
| Add – increase in cash through Capital Raising $0.02 per share | 200,000 | 325,000 | 450,000 |
| Less – broker fees – assume 5% cost of Capital Raising | (10,000) | (16,250) | (22,500) |
| Add – increase in cash through exercise of Capital Raising Options and Facility Agreement Options $0.03 per Option | 450,000 | 637,500 | 825,000 |
| Total cash and cash equivalents | 818,029 | 1,124,279 | 1,430,529 |

| Note 2 – Borrowings | $ |
|---|---|
| As at 31 March 2016 Pro-forma PRIOR to Proposed Transaction | 8,782,126 |
| Less – cancellation of Convertible Note | (6,623,498) |
| Less – cancellation of Facility Agreement | (2,158,628) |
| Total borrowings | - |

| Note 3 – Issued capital | $ Low | $ Midpoint | $ High |
|---|---|---|---|
| As at 31 March 2016 Pro-forma PRIOR to Proposed Transaction | 23,380,287 | 23,380,287 | 23,380,287 |
| Add – issue of shares to ARF as consideration for cancellation of Facility Agreement $0.035 per share | 2,416,000 | 2,416,000 | 2,416,000 |
| Add – issue of Capital Raising shares $0.02 per share | 200,000 | 325,000 | 450,000 |
| Add – issue of shares through exercise of Capital Raising Options and Facility Agreement Options $0.03 per Option | 450,000 | 637,500 | 825,000 |
| Total issued capital | 26,446,287 | 26,758,787 | 27,071,287 |

| Note 4 – Reserves | $ Low | $ Midpoint | $ High |
|---|---|---|---|
| As at 31 March 2016 Pro-forma PRIOR to Proposed Transaction | 41,772,716 | 41,772,716 | 41,772,716 |
| Less – broker fees incurred for Capital Raising | (10,000) | (16,250) | (22,500) |
| Total reserves | 41,762,716 | 41,756,466 | 41,750,216 |

| Note 5 – Retained earnings | $ Low | $ Midpoint | $ High |
|---|---|---|---|
| As at 31 March 2016 Pro-forma PRIOR to Proposed Transaction | (73,961,480) | (73,961,480) | (73,961,480) |
| Add – Cancellation of Convertible Note, written back to profit and loss | 6,623,498 | 6,623,498 | 6,623,498 |
| Less – Balance of cancellation of Facility Agreement after issuing shares to ARF as consideration, written back to profit and loss | (257,372) | (257,372) | (257,372) |
| Total retained earnings | (67,595,354) | (67,595,354) | (67,595,354) |

| Note 6 – Number of shares on issue | Low | Midpoint | High |
|---|---|---|---|
| As at 31 March 2016 Pro-forma PRIOR to Proposed Transaction | 41,290,103 | 41,290,103 | 41,290,103 |
| Less – 1:4 Consolidation | (30,967,577) | (30,967,577) | (30,967,577) |
| Add – issue of shares to ARF as consideration for cancellation of Facility Agreement | 69,000,886 | 69,000,886 | 69,000,886 |
| Add – issue of Capital Raising shares | 10,000,000 | 16,250,000 | 22,500,000 |
| Add – issue of shares through exercise of Capital Raising Options and Facility Agreement Options | 15,000,000 | 21,250,000 | 27,500,000 |
| Total number of shares on issue | 104,323,412 | 116,823,412 | 129,323,412 |

| Note 7 – Minority interest discount |
|---|
| The net asset value of a ZRL share following the Proposed Transaction is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operations and value of that company. Therefore, if the Proposed Transaction is approved, Shareholders will become minority interest shareholders in ZRL as ARF will hold a controlling interest, meaning that their individual holding will not be considered significant enough to have an individual influence in the operations and value of the Company.<br><br>Therefore we have adjusted our valuation of a ZRL share following the Proposed Transaction to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control and is calculated using the formula 1 – (1/1+control premium). As discussed in section 8.1, we consider an appropriate control premium for ZRL to be 25%, giving rise to a minority interest discount of 20%. |

## 8.3 ASSESSING FAIRNESS

In arriving at our conclusion on fairness, we considered whether the transaction is 'fair' by comparing:

| | Ref | Low $ | Midpoint $ | High $ |
|---|---|---|---|---|
| Value of a ZRL share prior to the Proposed Transaction – Control basis | 8.1 | Nil | Nil | Nil |
| Value of a ZRL share following the Proposed Transaction – non-control basis | 8.2 | $0.005 | $0.006 | $0.008 |

As can be seen in the above table the value of a ZRL share following the Proposed Transaction is greater than the value of a ZRL share prior to the Proposed Transaction.

**Therefore we have concluded that the proposals pursuant to Resolutions 9, 10 and 11 are FAIR**.

However, in order to provide the Non-Associated Shareholders of ZRL with an alternative view, if it was assumed that the Company was to receive a favourable court ruling on the KCP, and therefore ZRL would be able to exploit the potential commercial value of the KCP, we would have included a range of values of the KCP, using the range of values from the ITV as a guide.

This would likely have resulted in the value of a ZRL share BEFORE the Proposed Transaction being greater than NIL and the value of a ZRL share BEFORE the Proposed Transaction being greater than the value of a ZRL share AFTER the Proposed Transaction. On this basis, we would have concluded that the proposals pursuant to Resolutions 9, 10 and 11 are NOT FAIR BUT REASONABLE given the current liabilities of the Company and their pending due date for repayment.

Nevertheless, at the date of our Report, the Company does not have the ability to develop and exploit the KCP, and without the ability to predict what the High Court outcome for the KCP will be, we have taken the view that any potential value of the KCP is highly conditional and cannot be commercially determined at this point in time.

Therefore this results in our analysis of the Proposed Transaction to be FAIR.

## 9. ASSESSMENT OF REASONABLENESS

**Likely Advantages and Likely Disadvantages to the Non-Associated shareholders**

As part of our assessment of whether the Proposed Transaction is reasonable, we have considered the likely advantages and the likely disadvantages to the Non-Associated Shareholders of ZRL, and whether the likely advantages outweigh the likely disadvantages. We have also considered the impact upon ZRL shareholders that the Proposed Transaction as a whole will achieve.

As part of our assessment of whether the Proposed Transaction is reasonable, we have also considered the likely impact upon ZRL shareholders if the Proposed Transaction does not proceed.

**IF THE PROPOSED TRANSACTION PROCEEDS**

**Likely Advantages**

The Proposed Transaction will provide the following likely advantages:

- The Proposed Transaction is FAIR.
- The proposed Capital Raising (a condition precedent of the Proposed Transaction) of up to a gross amount of $450,000 (at $0.02 per share) will increase the Company's net asset position and provide working capital for the Company.
- The 5,000,000 Facility Agreement Options and up to 22,500,000 Capital Raising Options proposed to be issued, all have an exercise price of $0.03 each. Depending on where the ZRL share price falls after the Capital Raising has been completed, if the Options are in the money and assumed to be exercised, which would raise up to $825,000 for the Company and would provide further working capital for the Company to pursue its business objectives.
- For the Company to become debt-free in the current economic climate, this is a significant advantage when considering the future prospects of ZRL. The Company has the expectation of moving forward with new projects once they have assessed relevant opportunities.
- Given the uncertainty of the outcome of the High Court case, the Proposed Transaction enables the Company to move forward in a positive direction without waiting for the result, for which the timing of the result, whether positive or negative, is unknown to the Company at this point in time.
- The Company will still hold a minimum 25% stake in its KCP asset, which, if there is a favourable court outcome and the copper price and resource sector improves, may result in a more valuable exploration asset held.
- The Proposed Transaction may provide an opportunity for ZRL shareholders to experience growth in the value of their investment should positive relevant new opportunities be identified, due to its value as a listed shell company.

**Likely Disadvantages**

The Proposed Transaction will provide the following likely disadvantages:

- The consideration payable by ZRL to ARF (or their nominees) will be satisfied by the issue of ZRL shares. This along with the Capital Raising shares and additional shares which may be issued to ARF upon exercising of existing Options and other shareholders holding Capital Raising Options, will significantly dilute existing shareholders interests in ZRL. ARF will hold up to approximately 70% of the equity interests in ZRL (depending on how much is raised in the Capital Raising), which means it will have a much greater control in the Company, with Non-Associated Shareholders having much less influence in voting decisions.

- If the copper price and resource sector does improve significantly enough in the near future, and there is a favourable court outcome, ZRL will no longer have the benefit of up to 75% of its KCP asset.

- Following from the above point, if the KCP asset is successful enough to move into production (via a favourable court outcome and successful exploration and development program) the Company will be required to give ARF a 3% royalty on any gross revenue.

**Comparison of Likely Advantages with Likely Disadvantages**

**After taking into account the advantages and disadvantages listed above we are of the opinion that the advantages to the existing shareholders outweigh the disadvantages and thus the Proposed Transaction as detailed in section 4 and Resolutions 9, 10 and 11 in the Notice of Meeting may be considered to be, on balance, REASONABLE to the existing Non-Associated Shareholders of ZRL at the date of this report.**

Furthermore, the Proposed Transaction provides the Company with a clearer and more certain strategic direction as compared with the existing position of shareholders owning shares in a company with significant uncertainty regarding its only asset and significant uncertainty in relation to continuing on as a going concern due to its large borrowings combined with minimal cash.

**IF THE PROPOSED TRANSACTION DOES NOT PROCEED**

If the Proposed Transaction does not proceed, the Company retains its significant $9 million debt and there would be genuine concern regarding the Company's ability to continue as a going concern and ability to pay its debts as and when they fall due.

The current situation regarding the KCP court case is unknown and has been for over two years with no indication from the courts as to when it will be resolved. Without knowing what the result of the KCP court case is, it makes it difficult for ZRL to plan for the Company's future. This Proposed Transaction has been the only genuine offer available to the Company to move forward in recent times.

As per the Company's 31 March 2016 Annual Report, Note 3.3 Going Concern refers to losses from continuing operations and a working capital deficiency of $6,623,498, which includes the Convertible Note and Facility Agreement, which are due for repayment on 31 December 2016. Note 3.3 Going Concern states that "as a result, the consolidated entity is principally dependent upon raising additional funding in order to meet its contractual commitments and working capital requirements." The auditor also referred to "material uncertainty regarding continuation as a going concern" in his independent auditor's report whether the Company has the ability 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.

We are not aware of any alternative proposal at the date of this report that could realise better value for ZRL shareholders.

If the Proposed Transaction is not approved it is highly possible that ZRL may be forced into administration or liquidation, as the Company may not be considered solvent.

## 10. CONCLUSIONS

In our opinion the Proposed Transaction is **FAIR AND REASONABLE** to the Non-Associated Shareholders of ZRL.

Our opinion as to fairness and reasonableness has been determined on the basis of our assessment of all relevant matters and circumstances of the Proposed Transaction.

Our opinion is not only based upon our comparison of the fair value of a share in ZRL on a control basis prior to the Proposed Transaction with the fair value of a share in ZRL on a non-control basis immediately following the Proposed Transaction, but also after consideration of the overall impact of the Proposed Transaction and the likely advantages and disadvantages to the Non-Associated Shareholders of ZRL.

**Conclusion Regarding Fairness and Reasonableness**

Taking into account the factors summarised above and discussed in further detail in previous sections of our report, we have concluded that the Proposed Transaction is 'fair and reasonable' and the likely advantages to non-associated ZRL shareholders outweigh the likely disadvantages of the Proposed Transaction proceeding.

Our opinion is based on economic, market and other conditions prevailing at the date of our report. These conditions can experience rapid change which can have a significant effect on values over a short period of time. This opinion must be read in conjunction with our detailed comments and scope of our report and the information to be sent to ZRL shareholders with the Notice of Annual General Meeting.

## 11. INDEPENDENCE

Bentleys Corporate Advisory (WA) Pty Ltd is entitled to receive a fee of up to $20,000 excluding GST and reimbursement of out of pocket expenses. Except for this fee Bentleys Corporate Advisory (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

Prior to accepting this engagement Bentleys Corporate Advisory (WA) Pty Ltd has considered its independence with respect to ZRL, ARF and any of their respective associates with reference to RG 112, Independence of Expert's Reports. It is the opinion of Bentleys Corporate Advisory (WA) Pty Ltd that it is independent of ZRL, ARF and their respective associates.

Bentleys Audit & Corporate (WA) Pty Ltd, a related entity of Bentleys Corporate Advisory (WA) Pty Ltd, is the external auditor of ZRL. The services provided by Bentleys Audit & Corporate (WA) Pty Ltd are independent audit advice, statutory and compliance services by nature and in all cases, Bentleys Corporate Advisory (WA) Pty Ltd and Bentleys Audit & Corporate (WA) Pty Ltd have been engaged as an independent and objective party.

Bentleys Corporate Advisory (WA) Pty Ltd and Bentleys Audit & Corporate (WA) Pty Ltd have not had at the date of this report any relationship which may impair their independence.

We have held discussions with management of ZRL regarding the information contained in this report. We did not change the methodology used in our assessment as a result of discussions and our independence has not been impaired in any way.

## 12. QUALIFICATIONS

Bentleys Corporate Advisory (WA) Pty Ltd is a professional practice company, wholly owned by the Perth principals of Bentleys (WA) Pty Ltd. The firm is part of the National and International network of Bentleys independent firms, and provides a wide range of professional accounting and business advisory services.

Bentleys Corporate Advisory (WA) Pty Ltd holds an Australian Financial Services license to provide financial product advice on securities to retail clients and its principals and owners are suitably professionally qualified, with substantial experience in professional practice.

The director responsible for the signing of this report is Mr Ranko Matic who is a director of Bentleys Corporate Advisory (WA) Pty Ltd and director of Bentleys (WA) Pty Ltd. Mr Matic has over 25 years' experience as a Chartered Accountant.

At the date of this report neither Mr Matic nor any member or Director of Bentleys Corporate Advisory (WA) Pty Ltd has any interest in the outcome of the Proposed Transaction.

## 13. DISCLAIMERS AND CONSENTS

Bentleys Corporate Advisory (WA) Pty Ltd has been requested to prepare this report, to accompany the Notice of Annual General Meeting and Explanatory Statement which will be sent to ZRL's shareholders.

Bentleys Corporate Advisory (WA) Pty Ltd consents to this report accompanying the Notice of Annual General Meeting and Explanatory Statement and being referred to in those documents. This report or any reference thereto is not to be included in or attached to any other document, statement or letter without prior consent from Bentleys Corporate Advisory (WA) Pty Ltd.

Bentleys Corporate Advisory (WA) Pty Ltd has not conducted any form of audit or any verification of information provided to us and which we have relied upon in regard to ZRL, however we have no reason to believe that any of the information provided is false or materially incorrect.

The statements and opinions provided in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

Neither Bentleys Corporate Advisory (WA) Pty Ltd nor Mr Matic take any responsibility for nor have they authorised or caused the issue of any part of this report for any third party other than the shareholders of ZRL in the context of the scope and purpose defined in section 3 of this report.

The statements and opinions expressed in this report are given in good faith and with reliance upon information generated both independently and internally and with regard to all of the circumstances pertaining to the Proposed Transaction.

In regard to any projected financial information noted in this report, no member or director of Bentleys Corporate Advisory (WA) Pty Ltd has had any involvement in the preparation of the projected financial information.

Furthermore we do not provide any opinion whatsoever as to any projected financial or other results prepared for ZRL and in particular do not provide any opinion as to whether or not any projected financial results referred to in the report will or will not be achieved.

Yours faithfully

**RANKO MATIC CA**
**Director**
**Bentleys Corporate Advisory (WA) Pty Ltd**

Bentleys
THINKING AHEAD

## APPENDIX A

**FINANCIAL SERVICES GUIDE**
**Australian Financial Services License No. 277313**
**28 July 2016**

**BENTLEYS CORPORATE ADVISORY (WA) PTY LTD ('BCA')** ABN 83 108 754 847 ('we' or 'us' or 'ours' as appropriate) has been engaged by Zambezi Resources Limited ('**ZRL**') to provide an independent expert's report on the proposal to allow the Company to become effectively debt free in exchange for ARF gaining up to 75% farm-in rights to ZRL's KCP and increasing their interest in ZRL to approximately 70% following a Capital Raising (depending on how much is raised in the Capital Raising). You will be provided with a copy of our report as a retail client because you are a shareholder of ZRL.

**Financial Services Guide**
In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('**FSG**'). This FSG is designed to assist retail clients make a decision as to their use of any general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services License, License No. 277313;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

**Information about us**
Bentleys Corporate Advisory (WA) Pty Ltd is a member firm of the Bentleys network in Australia, a national association of separate entities. Bentleys Australia is a member of Kreston International, a global network of independent accounting firms. The financial product advice in our report is provided by Bentleys Corporate Advisory (WA) Pty Ltd and not by Bentleys or its related entities. Bentleys and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However you should note that we and Bentleys (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

**Financial services we are licenced to provide**
Our Australian financial services licence allows us to carry on a financial services business to provide general financial product advice in relation to securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

**General Financial Product Advice**
We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

**Fees, commissions and other benefits we may receive**
We charge fees to produce reports, including this report. These fees are negotiated and agreed with the entity which engages BCA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. The fee payable to BCA for this engagement is up to $20,000 plus GST.

Except for the fees referred to above, neither BCA nor its directors, employees or related entities receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

**Remuneration or other benefits received by our employees**
All of our employees receive a salary and do not receive any commissions or other benefits arising directly from services provided to our clients. We have received a fee from ZRL for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

**Associations and Relationships**
From time to time BCA or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. Bentleys Audit & Corporate (WA) Pty Ltd, a related entities of BCA, is the external auditor of ZRL. The services provided by Bentleys Audit & Corporate (WA) Pty Ltd are independent audit advice, statutory and compliance services by nature and in all cases, BCA and Bentleys Audit & Corporate (WA) Pty Ltd have been engaged as an independent and objective party.

BCA is not an associate of ZRL. The signatories to the Report do not hold any shares in ZRL and no such shares have ever been held by the signatories.

**Referrals**
We do not pay commissions or provide other benefits to other parties for referring customers to us in connection with the reports that we are licenced to provide.

**Complaints resolution**
*Internal complaints resolution process*
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, Bentleys Corporate Advisory (WA) Pty Ltd, PO Box 7775, Cloisters Square Perth WA 6850.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

**Referral to External Dispute Resolution Scheme**
A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS membership number is 12451. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Free call: 1800 367 287 (9am-5pm AEST weekdays)
Fax: 03 9613 6399
Email: info@fos.org.au

**Contact details**
BCA's address and other contact details are Level 3, 216 St Georges Terrace, Perth WA 6000. Ph: 08 9226 4500. Fx: 08 9226 4300.

## APPENDIX B

**SOURCES OF INFORMATION**

In preparing this report we have had access to the following principal sources of information:

- Annual and Half Year Reports for ZRL.
- Publicly available information in relation to share prices for ZRL.
- ASX announcements for ZRL.
- Information for ZRL, including but not limited to internally prepared summary financial reports and pro-forma financial statements.
- Special Rights – Confidential Term Sheet between ZRL, ARF and other relevant parties dated 9 May 2016.
- Draft Notice of Annual General Meeting of Shareholders for ZRL and Explanatory Statement.
- Independent Technical Valuation of the KCP dated 31 May 2016 prepared by Al Maynard & Associates Pty Ltd.
- *IBISWorld Business Environment Report – World Price of Copper*; February 2016.
- Publically available information relating to and status of the resources sector.
- Representations made by Directors and Management of ZRL.

## APPENDIX C

### VALUATION METHODOLOGIES

| Valuation Methodologies and Approaches |
|---|
| **Discounted Cash Flow Method**<br><br>Discounted cash flow methods estimate fair market value by discounting a company's future cash flows to their net present value. These methods are appropriate where a forecast of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life. |
| **Capitalisation of Maintainable Earnings Method**<br><br>The capitalisation of maintainable earnings method estimates 'fair market value' or 'enterprise value', by estimating a company's future maintainable earnings and dividing this by a market capitalisation rate. The capitalisation rate represents the return an investor would expect to earn from investing in the company which is commensurate with the individual risks associated with the business.<br><br>It is appropriate to apply the capitalisation of maintainable earnings method where there is an established and relatively stable level of earnings which is likely to be sustained into the foreseeable future.<br><br>The measure of earnings will need to be assessed and can include, net profit after taxes, (NPAT), earnings before interest and taxes (EBIT and earnings before interest, taxes, depreciation and amortisation (EBITDA).<br><br>The capitalisation of maintainable earnings method can also be considered a market based methodology as the appropriate capitalisation rate or 'earnings multiple' is based on evidence of market transactions involving comparable companies.<br><br>An extension of the capitalisation of maintainable earnings method involves the calculation of share value of an entity. This process involves the calculation of the enterprise value, which is then adjusted for the net tangible assets of the entity. |
| **Orderly Realisation of Assets**<br><br>The orderly realisation of asset method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.<br><br>**Liquidation of assets** – The Liquidation method is similar to the orderly realisation of asset method except the liquidation method assumes the assets are sold in a shorter time frame.<br><br>**Net asset value** – The net assets method is based on the value of the assets of a business less certain liabilities at book values, adjusted to a market value.<br><br>The asset based approach, as a general rule, ignores the possibility that a company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements, and goodwill.<br><br>The asset based approach is most appropriate when companies are not profitable, a significant proportion of assets are liquid, or for asset holding companies.<br><br>**Cost Based Approach** – The cost based approach involves determining the fair market value of an asset by deducting the accumulated depreciation from the asset's replacement cost at current prices.<br><br>Like the asset based approach, the cost based approach has a number of disadvantages, primarily that the cost of an asset does not necessarily reflect the assets ability to generate income. Accordingly this approach is only useful in limited circumstances, usually associated with intangible asset valuation. |

| |
|---|
| **Quoted Market Price Methodology**<br><br>The method relies on the pricing benchmarks set by sale and purchase transactions in a fully informed market the ASX which is subject to continuous disclosure rules aimed at providing that market with the necessary information to make informed decisions to buy or to sell.<br><br>Consequently, this approach provides a 'fair price', independently determined by a real market. However the question of a fair price for a particular transaction requires an assessment in the context of that transaction taken as a whole.<br><br>In taking a quoted market price based assessment of the consideration to both parties to the proposed transaction, the overall reasonableness and benefits to the non participating shareholders must be carefully evaluated. |
| **Comparable Market Based Approach**<br><br>The market based approach estimates a company's fair market value by considering the market prices of transactions in its shares or the market value of comparable companies.<br><br>This includes, consideration of any recent genuine offers received by the target for an entire entity's business, or any business units or asset as a basis for the valuation of those business units or assets |

## GLOSSARY

In this report, unless the context requires otherwise:

| Term | Meaning |
|---|---|
| **$** | Australian Dollars |
| **ASIC** | Australian Securities and Investments Commission |
| **ARF** | The Auctus Resources Fund ('ARF', formerly LinQ Resources Fund), which is a public trust controlled by IMC Resources Holdings Pte Ltd |
| **ASX** | Australian Securities Exchange or ASX Limited ACN 008 624 691 |
| **BCA, we, us, our** | Bentleys Corporate Advisory (WA) Pty Ltd, ABN 83 108 754 847 |
| **Capital Raising** | The issue of a minimum 10,000,000 ZRL shares and up to a maximum of 22,500,000 ZRL shares at an issue price of $0.02 with an attaching option. |
| **Consolidation** | For every 4 ZRL shares or options be consolidated into 1 ZRL share or options and, where this Consolidation results in a fraction of a share or an option being held, the Company be authorised to round that fraction up to the nearest whole share or option. |
| **Convertible Note** | Convertible Note Deed dated 13 September 2011, current outstanding balance of $6.64 million |
| **Director** | A director of ZRL |
| **ITV** | Independent Technical Valuation of the KCP dated 31 May 2016 prepared by Al Maynard & Associates Pty Ltd |
| **Facility Agreement** | Facility Agreement dated 20 August 2012, as amended from time to time, current outstanding balance $2.36 million. |
| **KCP** | Kangaluwi Copper Project in Zambia |
| **Listing Rules** | The official listing rules of ASX and includes the business rules of ASX |
| **Non-Associated Shareholders** | Those shareholders in ZRL whose votes are not to be disregarded in voting on the resolutions relating to the Proposed Transaction. |
| **Option** | An option to subscribe for ZRL shares |
| **Register** | The register of members of ZRL shareholders or option holders, as the case requires |

| Term | Meaning |
|---|---|
| **The Proposed Transaction** | The proposal to allow the Company to become effectively debt free, by cancelling its Convertible Note with ARF in exchange for ARF gaining up to 75% farm-in rights to ZRL's KCP and cancelling its Facility Agreement with ARF in exchange for ARF increasing their interest in ZRL to approximately 70% following a Capital Raising (depending on how much is raised in the Capital Raising). |
| **VWAP** | The volume weighted average share price of a Zambezi Resources Limited share in Australian dollars |
| **ZRL or Company** | Zambezi Resources Limited, Company No. (Bermuda) 35116, ARBN 124 462 826 |

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*Australian & International Exploration & Evaluation of Mineral Properties*

# INDEPENDENT TECHNICAL VALUATION

# OF THE

# KANGALUWI COPPER PROJECT

# ZAMBIA

PREPARED FOR

ZAMBEZI RESOURCES LIMITED

Author: Brian J. Varndell, BSc(Spec.Hons.), FAusIMM.
Peer Review: Allen J Maynard BAppSc(Geol), MAIG, MAusIMM
Company; Al Maynard & Associates Pty Ltd
Date: 31ST May, 2016

# EXECUTIVE SUMMARY

This Independent Technical Valuation Report ("ITV") of the Zambesi Resources Limited (ASX Code -"ZRL") mining tenement in Zambia, has been prepared by Al Maynard & Associates ("AM&A") at the request of the Board of Zambezi Resources Limited for inclusion in their Independent Expert's Report ("IER") being conducted by Beltleys Corporate Advisory (WA) Pty Ltd ("BCA") relating to the proposal whereby ZRL will assign the rights to its Kangaluwi Copper Project ("KCP") to Auctus Resources Fund ("ARF"). ZRL has signed a binding Term Sheet on the 16th May 2016 with ARF. The Company is currently indebted to ARF in the aggregated sum of A$9M to which they have resolved with ARF to extinguish.

The tenement concerned relates to the KCP which covers 245 km$^2$ within one mining licence issued on the 16th March 2011 and valid for 25 years which is located in the Lower Zambezi National Park in Luangwa District in the south-southeast portion of Zambia.

This report provides an independent technical valuation of the tenements as at 31st May, 2016. The AM&A report has been prepared in accordance with the guidelines of the Valuation of Mineral Assets and Mineral Securities for Independent Expert's Reports (the "Valmin Code") (2005) as adopted by the Australian Institute of Geoscientists ("AIG") and the Australasian Institute of Mining and Metallurgy ("AusIMM").

ZRL is a company listed on the Official List of Australian Securities Exchange Limited ("ASX"). Its principal business is involved in mineral exploration. ZRL owns the tenement situated as the KCP above the Zambezi River escarpment in a south-southeast portion of Zambia that is prospective for copper and gold.

The KCP underwent intensive exploration from 2005 to 2012 when 412 drillholes for 74,164 m had been completed to check three of the main soil anomalies at Kangaluwi, Kalulu and Chisawa deposits. Standard JORC Code (2004) compliant resource estimates were completed by AMC Consultants Pty Ltd ("AMC") and were used in this valuation report. A scoping study in September 2012 identified a profitable heap leach extraction option that would underpin future royalty streams.

This valuation appraises the resource estimates for the project that has JORC Code (2004) Compliant resource estimates supplemented with Exploration Target Potential estimates and the Yardstick method has been applied to these resources.

Given the relevance of the assumptions and factors underlying the development and conceptual prospectivity for resources of the project, AM&A has concluded that it is reasonable to rely on this data for the purposes of this report and the derivation of a current valuation accordingly based on that information. AM&A has relied on the technical data supplied by ZRL and accepted that data in reaching our conclusions, unless AM&A expressly states otherwise.

The summary of the valuation conclusions is presented in Table 9. This current valuation has used a form of the Empirical or Yardstick Method applied to Mineral Resource Estimates that are relevant to the present day tenement holding.

This Report concludes that the cash value of 100% of the ZRL tenement portfolio in Zambia, as at 31st May, 2016, is ascribed at $17.6M from within the range of $12.7M to $22.5M.

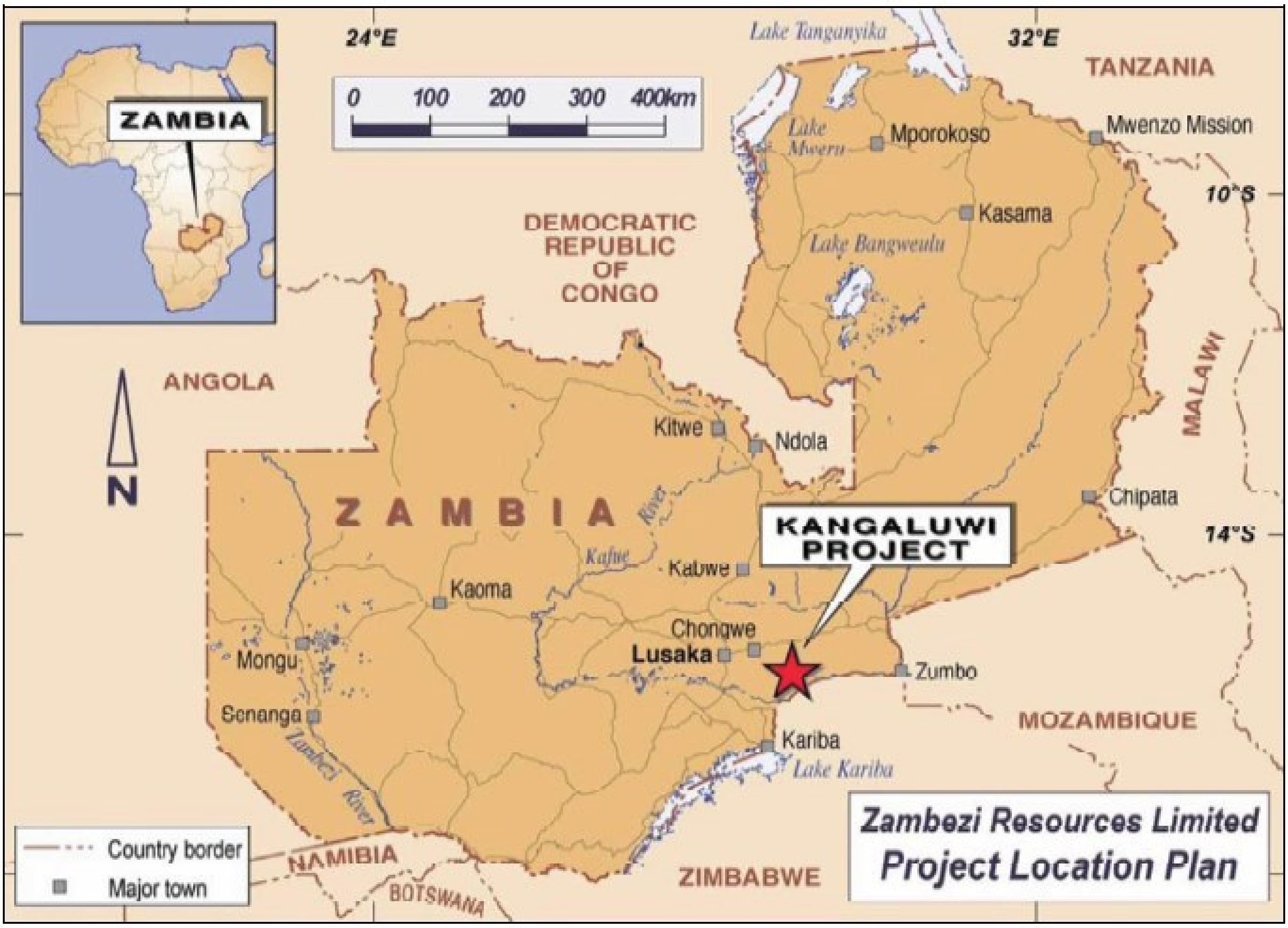


**Figure 1: Kangaluwi Project Location Plan.**

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The Directors, 31st May, 2016
Bentleys Corporate Advisory (WA) Pty Ltd
Level 3, London House,
216 St Georges Terrace,
Perth, WA 6000
Australia

Dear Sirs,

**VALUATION OFTHE ZAMBEZI RESOUCES LIMITED KANGALUWI COPPER PROJECT, ZAMBIA**

## 1.0 Introduction

This Independent Technical Valuation Report ("ITV") of the Zambezi Resources Limited ("ZRL") mining tenement in Zambia, Central Africa, has been prepared by Al Maynard & Associates ("AM&A") at the request of the Chairman of Zambezi Resources Limited, Mr David Vilensky, for inclusion in their Independent Expert's Report ("IER") being conducted by Bentleys Corporate Advisory (WA) Pty Ltd ("BCA") relating to the binding Term Sheet reached on the 16th May 2016 with their major shareholder Auctus Resources Fund ("ARF"). The Kangaluwi Copper Project ("KCP") is a mining licence that covers 245 $km^2$ in the southeast region of Zambia.

ARF is a fund controlled by IMC Resources Holdings Pte Ltd ("IMC"), a substantial shareholder of ZRL. As consideration for the KCP rights, ARF will release Zambezi of its Convertible Note obligations to ARF. The purpose of the IER is to determine whether the terms of the transaction between the ARF/IMC and ZRL are fair and reasonable to non-associated shareholders.

A key point of the IER is the understanding that subject to the satisfaction of certain conditions precedent ZRL will agree to grant ARF the Royalty and Farm-In Rights to the KCP asset in consideration for the release of ZRL's obligations pursuant to the Convertible Note Deed between ZRL, the responsible entity of ARF and others dated 13 September 2011 as amended.

ZRL is a company listed on the Official List of Australian Securities Exchange Limited ("ASX"). Its principal business is involved in mineral exploration. The tenement concerned covers 245 $km^2$ within the Lower Zambezi National Park in Luangwa District in a south-southeast portion of Zambia.

This report provides an independent technical valuation of the ZRL tenement in Zambia, as at 31st May, 2016. The report has been prepared in accordance with the guidelines of the Valuation of Mineral Assets and Mineral Securities for Independent Expert's Reports (the "Valmin Code") (2005) as adopted by the Australian Institute of Geoscientists ("AIG") and the Australasian Institute of Mining and Metallurgy ("AusIMM") and specifically:-

- ASIC Regulatory Guideline 42 - Independence of Experts' Reports ("RG 42");
- ASIC Regulatory Guideline Note 43 - Valuation Reports and Profit Forecasts ("RG 43");
- ASIC Regulatory Guideline 111 – Content of expert's Reports ("RG 111")
- ASIC Regulatory Guideline 112 – Independence of Experts ("RG 112"); and
- AusIMM's Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports ("the ValMin Code").

The asset valued in this report is the tenement in Zambia.

## 1.1 Scope and Limitations

This Report is valid as of 31st May, 2016 which is the date of the latest review of the data and technical information and there have been no material changes to this data or valuation since that date. The valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the mineral assets concerned or by other explorers on prospects in the near environs. The valuation could also possibly be affected by the consideration of other exploration data from adjacent licences with production history affecting the mineral assets which have not been made available to the writer.

In order to form an opinion as to the value of any mineral asset, it is necessary to make assumptions as to certain future events, which might include economic and political factors and the likelihood of exploration success. The writer has taken all reasonable care in formulating these assumptions to ensure that they are appropriate to the case. These assumptions are based on the writers' technical training and 40 years' experience in the exploration and mining industry. Whilst the opinions expressed represent the writers' professional opinion at the time of this Report, these opinions are not however, forecasts as it is never possible to predict accurately the many variable factors that need to be considered in forming an opinion as to the value of any mineral asset.

The information presented in this Report is based on technical reports provided by ZRL supplemented by our own inquiries as to the reasonableness of the supplied data. At the request of AM&A, copies of relevant technical reports and agreements were readily made available. There is also information available in the public domain and relevant references are listed in Section 6.0 –References. No site visit was undertaken since the writers are familiar with the terrane from visits to other similar environs and sufficient technical information is provided to enable and informed opinion to be derived.

ZRL will be invoiced and expected to pay a fee, estimated to be between $10,000 to $15,000 for the preparation of this Report. This fee comprises a normal, commercial daily rate plus expenses. Payment is not contingent on the results of this report. Except for these fees, neither the writer nor any family members nor Associates have any interest, nor the rights to any interest in ZRL nor any interest in the mineral assets reported upon. ZRL has confirmed in writing that all technical data known it was made available to the writer. The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fees have been paid in full.

The valuation presented in this Report is restricted to a statement of the fair value of the mineral asset package. The Valmin Code defines fair value as "The estimated amount of money, or the cash equivalent of some other consideration, for which, in the opinion of the Expert reached in accordance with the provisions of the Valmin Code, the mineral asset or security shall change hands on the Valuation date between a willing buyer and a willing seller in an arms' length transaction, wherein each party had acted knowledgeably, prudently and without compulsion".

It should be noted that in all cases, the fair valuation of the mineral assets presented is analogous with the concept of "valuation in use" commonly applied to other commercial valuations. This concept holds that the assets have a particular value only in the context of the usual business of the company as a going concern. This value will invariably be significantly higher than the disposal value, where there is not a willing seller. Disposal values for mineral assets may be a small fraction of going concern values.

In accordance with the Valmin Code, we have prepared the “Range of Values” as shown in Table 9, section 5.3. Regarding the Project it is considered that sufficient geotechnical data has been provided from the reports covering the previous exploration of the relevant area to enable an understanding of the geology. This provides adequate information to enable an informed opinion as to the current value of the mineral assets. A site visit was not undertaken since the authors are familiar with the terrane type from visits to other similar nearby environs over previous years for other clients.

### 1.2 Statement of Competence

This Report has been prepared by Allen J. Maynard and Brian J. Varndell. Maynard is the Principal of AM&A, a qualified geologist, a Member of the Australasian Institute of Mining & Metallurgy (“AusIMM”) (No 104986) and a Member of the Australian Institute of Geoscientists (“AIG” #2062). He has had over 35 years of continuous experience in mineral exploration and evaluation and more than 30 years’ experience in mineral asset valuation. Brian J. Varndell BSc (SpecHonsGeol), FAusIMM (No111022), is a geologist with over 40 years in the industry and 35 years in mineral asset valuation. The writers hold the appropriate qualifications, experience and independence to qualify as an independent “Expert” and “Competent Person” under the definitions of the Valmin Code.

## 2.0 Valuation of the Mineral Assets – Methods and Guides

With due regard to the guidelines for assessment and valuation of mineral assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17$^{th}$ February, 1995 – the Valmin Code (updated 1999 & 2005). AM&A has derived the estimates listed below using the Yardstick method for the current technical value of the mineral assets as applied to the JORC Code (2004) compliant resources estimates declared for the tenement.

The ASIC publications “Regulatory Guides 111 & 112” have also been referred to and duly considered in relation to the valuation procedure. The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a “fair value”. This is a value that an informed, willing, but not anxious, arms’ length purchaser will pay for a mineral (or other similar) asset in a transaction devoid of “forced sale” circumstances.

### 2.1 General Valuation Methods

The Valmin Code identifies various methods of valuing mineral assets, including:-

- Discounted cash flow,
- Joint Venture and farm-in terms for arms’ length transactions,
- Precedents from similar comparable asset sales/valuations,
- Multiples of exploration expenditure,
- Ratings systems related to perceived prospectivity,
- Real estate value and rule of thumb or yardstick approach.

### 2.2 Discounted Cash Flow/Net Present Value

This method provides an indication of the value of a mineral asset with identified reserves. It utilises an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project.

Net present value (‘NPV’) is determined from discounted cash flow (‘DCF’) analysis where reasonable mining and processing parameters can be applied to an identified ore reserve. It is a process that allows perceived capital costs, operating costs, royalties, taxes and project financing requirements to be analysed in conjunction with a discount rate to reflect the perceived technical and financial risks and the depleting value of the mineral asset over time. The NPV method relies on reasonable estimates of capital requirements, mining and processing costs.

## 2.3 Joint Venture Terms

The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or all of the mineral asset. This pre-supposes some form of subjectivity on the part of the incoming party when grass roots mineral assets are involved.

## 2.4 Similar or Comparable Transactions

When commercial transactions concerning mineral assets in similar circumstances have recently occurred, the market value precedent may be applied in part or in full to the mineral asset under consideration.

## 2.5 Multiple of Exploration Expenditure

The multiple of exploration expenditure method (‘MEE’) is used whereby a subjective factor (also called the prospectivity enhancement multiplier or ‘PEM’) is based on previous expenditure on a mineral asset with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented positive results a MEE multiplier can be selected that take into account the valuer's judgment of the prospectivity of the mineral asset and the value of the database. PEMs can typically range between ‘zero’ to 3.0 and occasionally up to 5.0 where very favourable exploration results have been achieved, applied to previous exploration expenditure to derive a dollar value. Typical PEM Factors are shown in Table 1.

| PEM Range | Criteria |
|---|---|
| 0.1 – 0.5 | Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified |
| 0.5 – 1.0 | Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping |
| 1.0 – 1.3 | Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity |
| 1.3 – 1.5 | Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical) |
| 1.5 – 2.0 | Scout Drilling has identified interesting intersections of mineralisation |
| 2.0 – 2.5 | Detailed Drilling has defined targets with potential economic interest. |
| 2.5 – 3.0 | A resource has been defined at Inferred Resource Status, no feasibility study has been completed |
| 3.0 – 4.0 | Indicated Resources have been identified that are likely to form the basis of a prefeasibility study |
| 4.0 – 5.0 | Indicated and Measured Resources |

**Table 1: Typical PEM Factors.**

## 2.6 Ratings System of Prospectivity (Kilburn)

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method and is a rating method based on the basic acquisition cost (‘BAC’) of the mineral asset that applies incremental, fractional or integer ratings to a BAC cost with respect to various prospectivity factors to derive a value. Under the Kilburn method the valuer is required to systematically assess four key technical factors which enhance, downgrade or have no impact on the value of the mineral asset. The factors are then applied serially to the BAC of each mineral asset in order to derive a value for the mineral asset. The factors used are; off-property attributes on-property attributes, anomalies and geology. A fifth factor that may be applied is the current state of the market.

## 2.7 Empirical Methods (Yardstick – Real Estate)

The market value determinations may be made according to the independent expert’s knowledge of the particular mineral asset. This can include a discount applied to values arrived at by considering conceptual target models for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be estimated for an exploration mineral asset based on current market prices for equivalent assets, existing or previous joint venture and sale agreements, the geological potential of the mineral assets, regarding possible potential resources, and the probability of present value being derived from individual recognised areas of mineralisation.

This method is termed a “Yardstick” or a “Real Estate” approach. Both methods are inherently subjective according to technical considerations and the informed opinion of the valuer.

### 2.8 General Comments

The aims of the various methods are to provide an independent opinion of a “fair value” for the mineral asset under consideration and to provide as much detail as possible of the manner in which the value is reached. It is necessarily subjective according to the degree of risk perceived by the mineral asset valuer in addition to all other commercial considerations. Efforts to construct a transparent valuation using sophisticated financial models are still hindered by the nature of the original assumptions where no known resource exists and are not applicable to mineral assets without an identified resource or reserve.

The values derived for this Report have been concluded after taking into account the general geological environment for the mineral assets under consideration with respect to the exploration potential of each tenement.

### 2.9 Environmental implications

Information to date is that there are no identified existing material environmental liabilities on the mineral assets. Accordingly, no adjustment was made during this Report for environmental implications.

### 2.10 Indigenous Title Claims

No native style claims over the project area have been indicated to AM&A.

### 2.11 Commodities-Metal prices

Where appropriate, current metal prices are used sourced from the usual metal market publications or commodity price reviews (e.g.” Kitco.com” or “Alibaba”).

### 2.12 Resource/Reserve Summary

There are August 2012 JORC Code (2004) compliant resources estimates declared for the Kangaluwi Copper Project.

### 2.13 Previous Valuations

No previous valuations of the tenement package are known to the authors.

### 2.14 Encumbrances/Royalty

The Projects may be subject to government royalties as stipulated by the Zambian Government where currently applicable.

No royalty payments are considered in this valuation as no mining is yet occurring.

#### 2.14.1 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.

Our valuation is based on the assumption that the injunction is invalid and that the mining licence is in good standing.

# 3.0 Background Information

## 3.1 Introduction

This valuation has been provided by way of a detailed study of existing information and field data provided by ZRL regarding operations completed at the KCP to date. Specifically a JORC Code (2004) compliant resource estimate report covering the KCP has been supplied and forms the basis for this valuation.

## 3.2 Specific Valuation Methods

There are various methods acceptable for the valuation of a mineral prospect ranging from the most favoured DCF analysis of identified Proved & Probable Reserves to the more subjective rule-of-thumb assessment when no Reserves have yet been calculated but Resources may exist. These are discussed above in Section 2.0.

For the KCP the Empirical Method has been applied to the resources and Exploration Target Potential to determine a value range as at 31st May, 2016 and a preferred or most likely value ascribed within that range.

## 3.3 Tenement Holding

ZRL through the KCP holds one tenement within the Lower Zambezi National Park in Luangwa District in Zambia (Table 2). The Company provided the full tenement details to AM&A. We have sighted official documentation from the Board of Zambezi Resources Limited.

| Tenement ID | Location / Project | Registered Holder | Date Granted | Expiry Date | Status | Area – km² |
|---|---|---|---|---|---|---|
| HQ-LML15547 | Lusaka Province, 187 km southeast of Lusaka | Mwembeshi Resources Limited | 16.03.2011 | 15.02.2036 | Stay of Execution since 06.02.14 | 245 |

**Table 2: ZRL Tenement Holdings.**

The status of the tenement has been verified based on examination of open-source files accessed by the Zambia Mining Cadastre Portal pursuant to paragraphs 67 and 68 of the VALMIN Code. The tenement is believed to be in good standing at the date of this valuation as represented by ZRL.

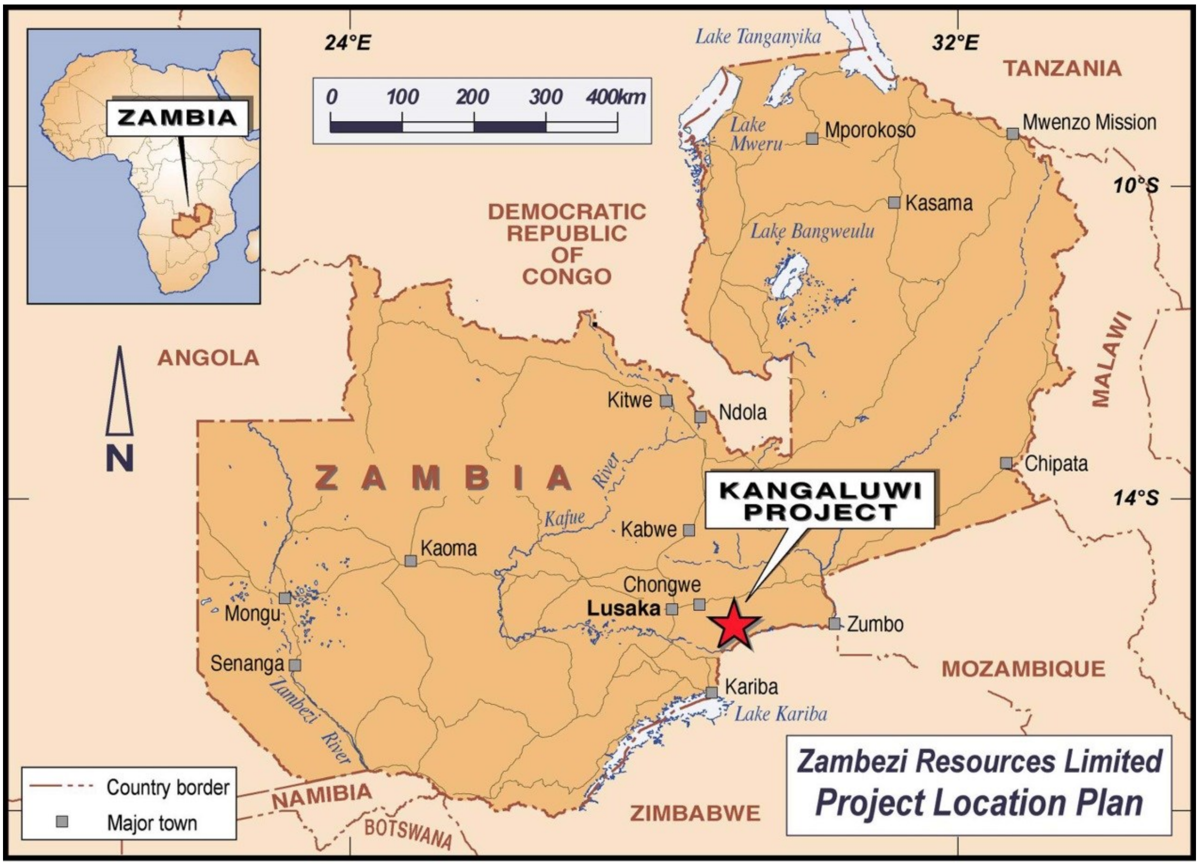



**Figure 2: Location of Kangaluwi Copper Project Mining Lease ML15547.**

## 4.0 Kangaluwi Copper Project, Zambia

### 4.1 Introduction

The ZRL tenement at KCP is located approximately 180 km east of Lusaka and covers approximately 245 km$^2$ in a south southeast portion of Zambia, Central Africa. Initial copper anomalies were identified during a soil sampling survey and to date there are now 412 drillholes for 74,164 m that have been used to delineate the three main deposits of copper at Kangaluwi, Kalulu and Chisawa.

## 4.2 Location and Access

The project area is located some 180 km southeast of Lusaka and access is via the main road east from Lusaka to Malawi turning south at Chongwe and proceeding on a gravel road to site. Access around site is by way of tracks.

Zambia has well established infrastructure with Lusaka being serviced by a number of international and domestic airlines.

The subtropical climate includes a wet summer period from November to March with a mild dry season. Average daily temperatures range from 17 to 30°C in summer and from 10 to 23°C in winter. Rainfall patterns are influenced by the intertropical convergence zone which brings heavy summer rain; annual total is about 1,000 mm.

The majority of the area is covered by typical savannah grassland with some sparse woodland patches. The mean surface elevations are about 700 masl.

## 4.3 Regional Geological Setting.

The copper and cobalt mineralisation of the Zambian Copperbelt is hosted by the Lower Roan sedimentary rocks of the late Precambrian Katangan Supergroup, which are exposed on the limb of the Kafue anticline, a basement culmination forming the southern part of the tectonic Lufilian Arc. The culmination is the result of major thrust structures cutting up through the basement, with a dominant transport direction and convergence to the northeast. The maximum age for the Lower Roan rocks is constrained by the age of the Nchanga Red Granite 877 ± 11 Ma, which is unconformably overlain by the Katangan succession. The main phase of thrusting of the Katangan sequence is considered to have taken place between 560 and 550 Ma during the Lufilian Orogeny.

## 4.4 Local Geological Setting.

Kangaluwi, Chisawa and Kalulu Deposits are located in deformed metasediments of the Zambezi supracrustal sequence and have a strike length of 19 km. Copper anomalies closely follow the folded metasedimentary sequence. The Kalulu Deposit is interpreted to lie in the nose of an east plunging fold, whereas Chisawa and Kangaluwi Deposits trend roughly in an east to southeast direction, dipping between 30-40$^0$ to the southwest.

Lithologies in the area comprise biotite-muscovite-quartz schist, amphibolite, quartzite and pegmatite. The favourable host rock for the copper mineralisation tends to be the micaceous and amphibolite schist, however mineralisation occurs to a lesser extent in granite basement rocks. High metamorphic grade rocks containing garnet, kyanite and staurolite are present in the area and are indicative of deformation events.

The complex regional structure of the Kangaluwi area is reflected in the interpretation of results from the magnetic survey and the position of subsequent geochemical anomalies (Figures 3 to 5).

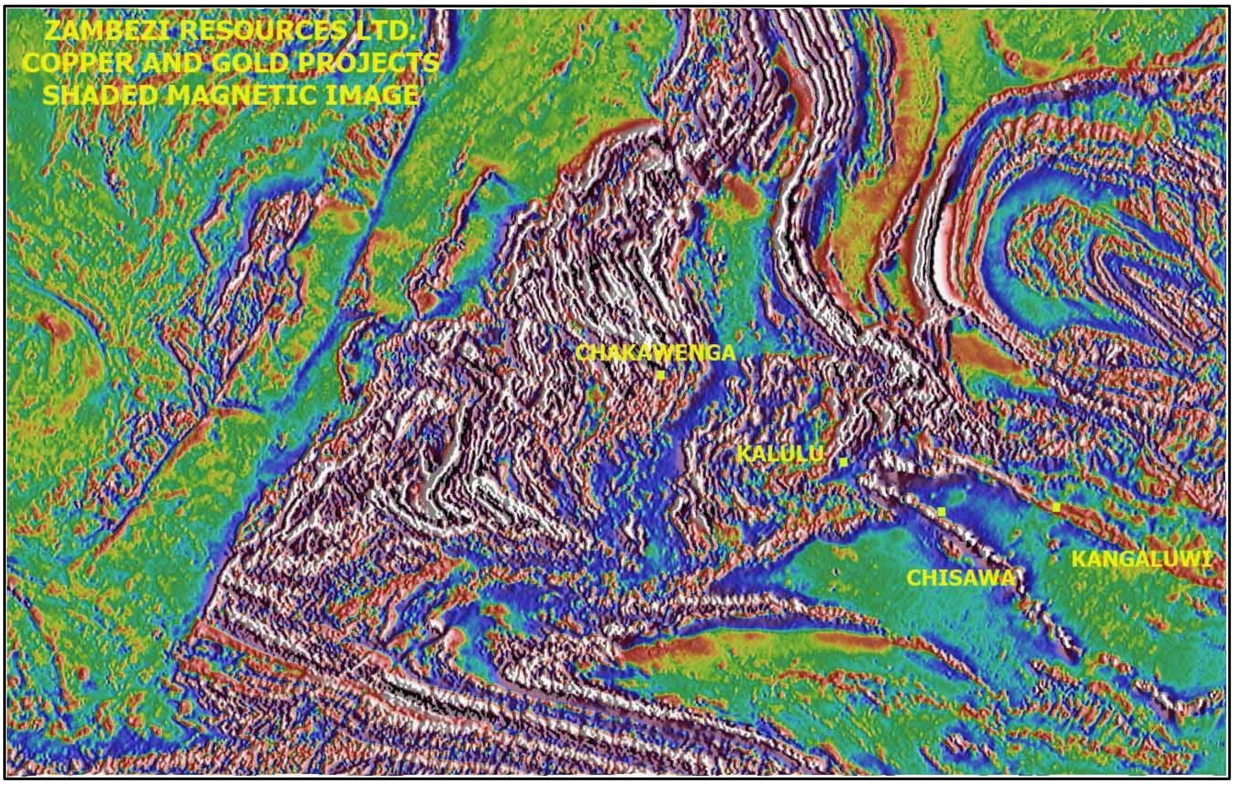



**Figure 3: Magnetic Image of the Kangaluwi- Chakwenga Copper-Gold Mineralised Area.**

Previous structural interpretations had linked the Kangaluwi, Chisawa and Kalulu mineralisation to a single fold structure; Kangaluwi and Chisawa with limbs and Kalulu with a separate hinge zone. However, this hinge zone is also part of an intensely deformed structural block, which occurs immediately to southwest from a regional, north-northwest trending thrust zone. This thrust also appears to control deposit-scale structures at the nearby Chakwenga gold deposit.

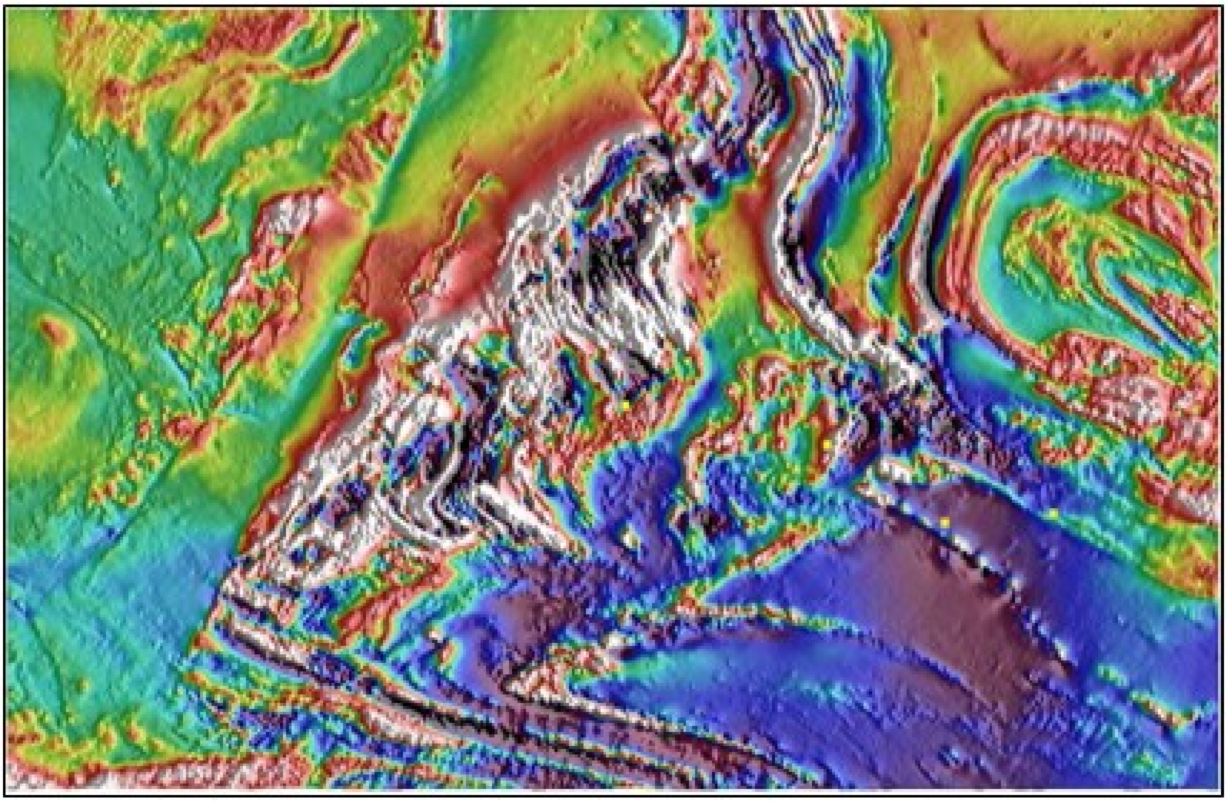


**Figure 4: Total Magnetic Intensity Image - Kangaluwi - Chakwenga Copper-Gold Mineralised Belt.**

The block observed to northwest of the Kalulu-controlling hinge zone, demonstrates its own complicated folding history. A structural plan of the Chakwenga host-block appears offset, with a major shear and thrust zone occurring to the northeast. A field-based study designed to understand the interplay between these blocks remains critical to the determination of the location of extensional mineralisation.

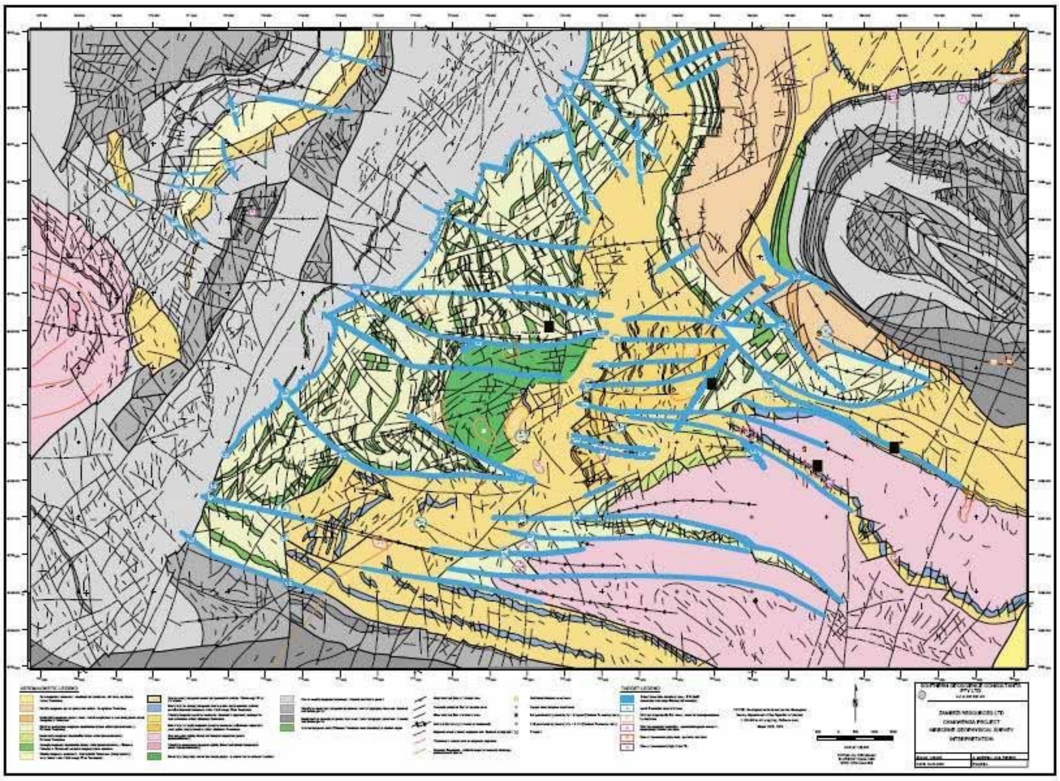


**Figure 5: Structural Interpretation of Kangaluwi Project Magnetic Survey Results.**

The Kangaluwi-Chisawa-Chakwenga area can be seen to be bounded by regional thrusts, the geometry of which and connection to host assemblages, influences both the distribution and intensity of mineralisation.

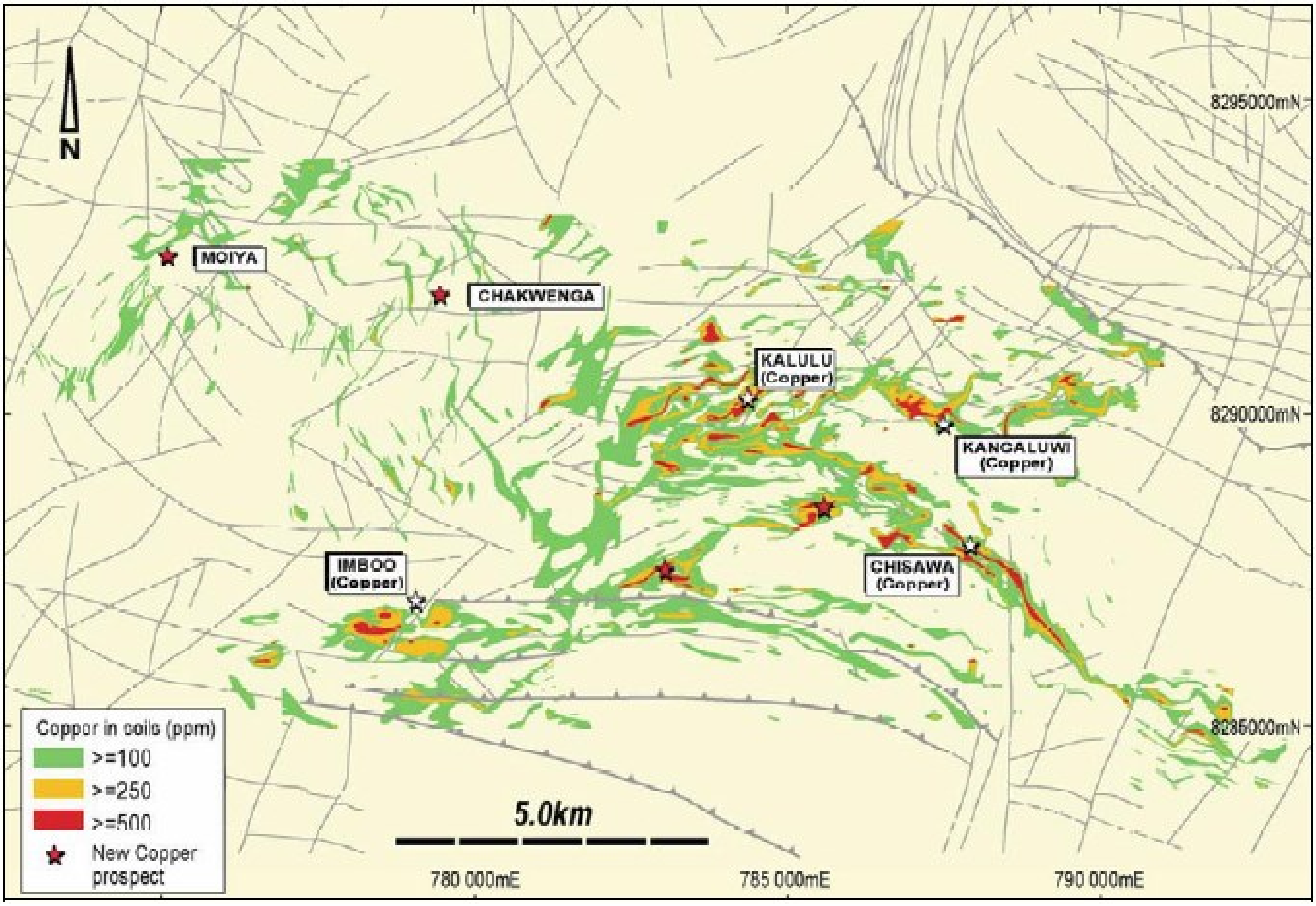



**Figure 6: Copper Soil Geochemical Anomalies at the Kangaluwi Copper Project.**

A linear structural zone is seen to control soil geochemical anomalies at Kangaluwi, together with normal-oriented, oblique jointing. Mineralisation at Kangaluwi occurs predominantly as disseminated chalcopyrite, as veins or lenses within a series of structurally prepared schists and others, assumingly intrusive lithologies (Figures 6 & 7). Several non-linear geochemical anomalies remain untested and should form focus of future exploration investigations.

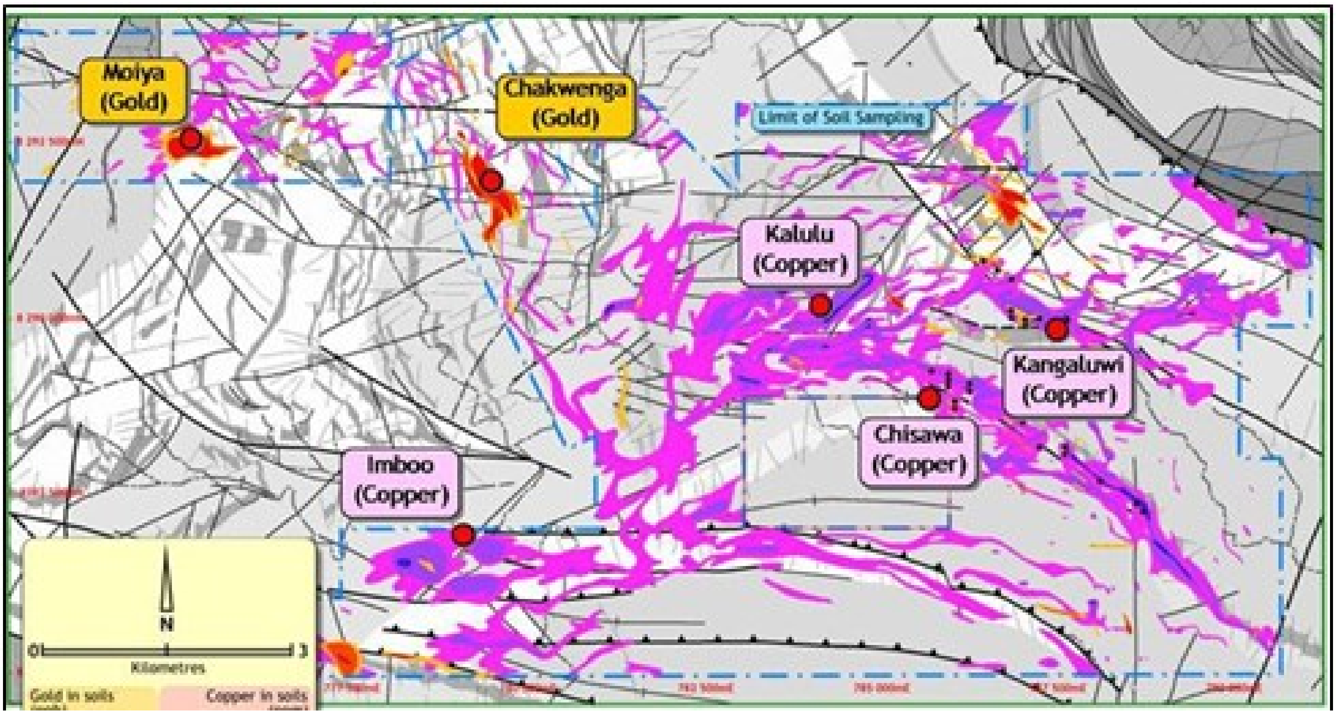



**Figure 7: Kangaluwi Project Geochemical Anomalies Draped over Structural Interpretation.**

Further structural mapping is required to resolve details of this structural control to copper and gold mineralisation as depicted in the actual distribution of copper soil anomalies that appear to be closely aligned with prominent structures across this meta-sedimentary complex.

A structural re-interpretation of the project area outlines strongly deformed zones which have been subjected to multi-phase folding and faulting. Intensive layer-parallel shear foliation combined with co-linear, isoclinal folding constitutes the most common structural combination amongst associated deformation events.

Several non-linear geochemical anomalies remain untested and should form focus of future exploration investigations.

## 4.5 Mineralisation

Copper mineralisation occurs in biotite quartz muscovite schist, amphibolite, quartz veins, pegmatite, quartzite and metamorphosed basalt (epidosite) and cross cuts lithologies both along strike and down dip. Mineralisation is predominantly malachite, azurite, chalcopyrite, chryscolla, bornite and chalcocite. Thickness of zones of copper mineralisation varies from less than 1 m to over 25 m, such as at the northern end of Kalulu in the nose of a fold hinge. Mineralised zones for all three deposits are generally stacked and sub parallel. Alteration minerals include chlorite, epidote, silica and carbonate.

The previous structural fabric represents the end result of regional and local thrusting and overturning. Internal ore structure and geometry reflect boudinage of lodes, resulting in the formation of discrete lenses along strike and down dip, accompanied by both sericitisation and propylitisation. The average depth interval of the mineralisation varies from 200-300 m from surface.

At Kangaluwi, it is impossible to reconstruct the palaeo-topography at the time of sedimentation, as the area has undergone extensive post-sedimentary deformation and metamorphism. Nevertheless, the palaeo-topograhy at the time of deposition of copper- host sediments remains important to understanding how the base and precious metal were transported and deposited locally.

Kangaluwi, like the Chisawa and Kalulu deposits is characterized by structurally controlled mineralisation with alteration intensity and copper content decreasing progressively from key ore-hosting structures. This observation is supported by the presence of late quartz veins and lenses of considerable strike extent up to 50 m generated along local shears and fault zones. This same structurally controlled position and strike extension are also linked to narrow intrusive pegmatoid bodies.

Like Chisawa, the Kangaluwi pegmatoid bodies are mineralized with bornite or malachite. Foliation-controlled chalcopyrite was also intersected by drilling and its replacement by bornite in the subsurface zones is assumed.

Copper mineralisation at Chisawa is hosted by biotite-muscovite and other schists, quartz, pegmatite veins and also occurs in intensely deformed and foliated complex of metasedimentary rocks.

## 4.6 Recent Exploration and Resource Estimate

The current data base for the 412 drillholes has been used in the resource estimates but at this stage only 25% of the 28 km of prospective strike length has been drill tested. Three typical cross sections of each deposit are presented in Figures 8 - 10. Copper mineralisation at Kangaluwi strikes in an easterly direction for more than 3 km with south dipping lodes (Figure 8).

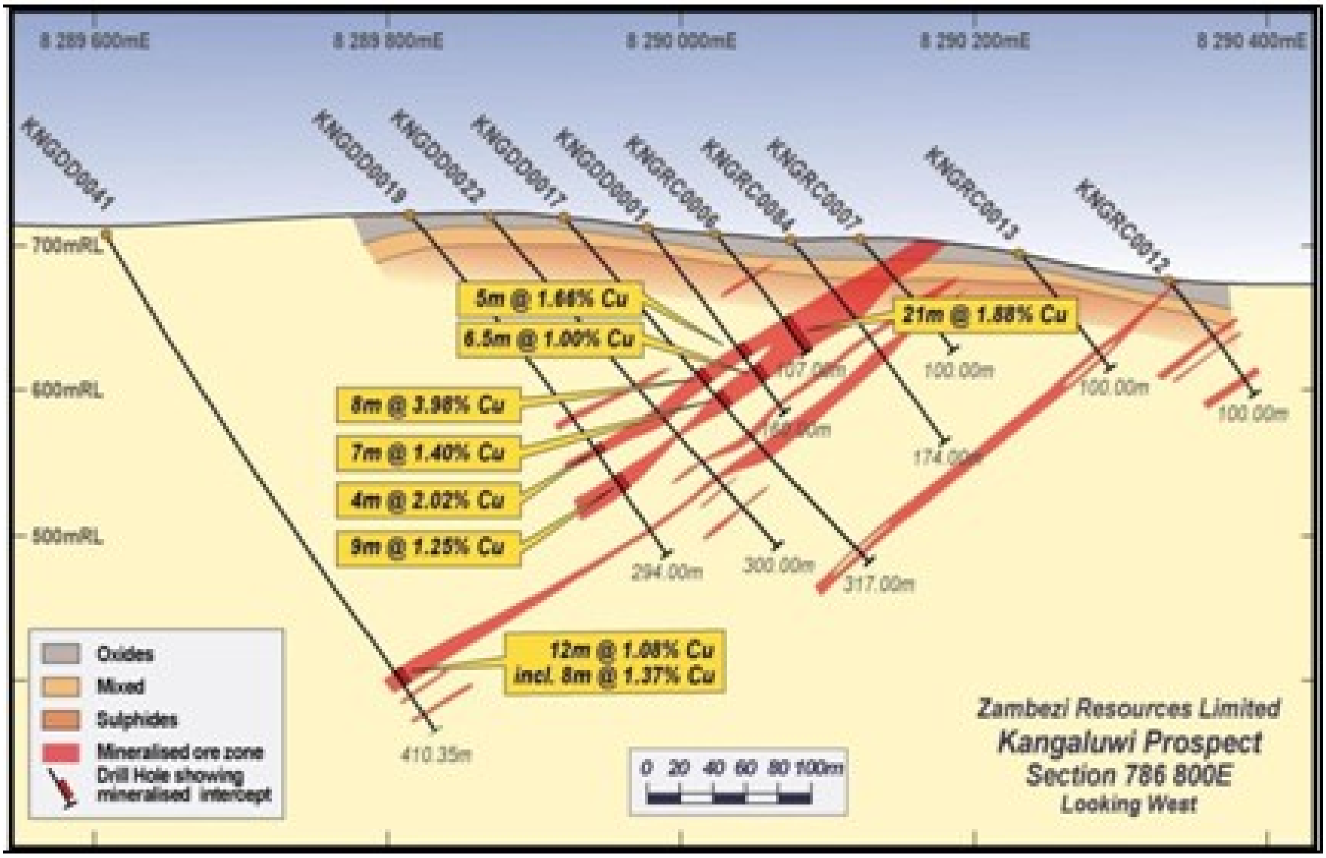



**Figure 8: Kangaluwi Prospect – Cross Section 786800 mE.**

At Chisawa mineralisation strikes southeast for 5.6 km and comprises of southwesterly dipping mineralised zones which extend to a depth of 230m (Figure 9).

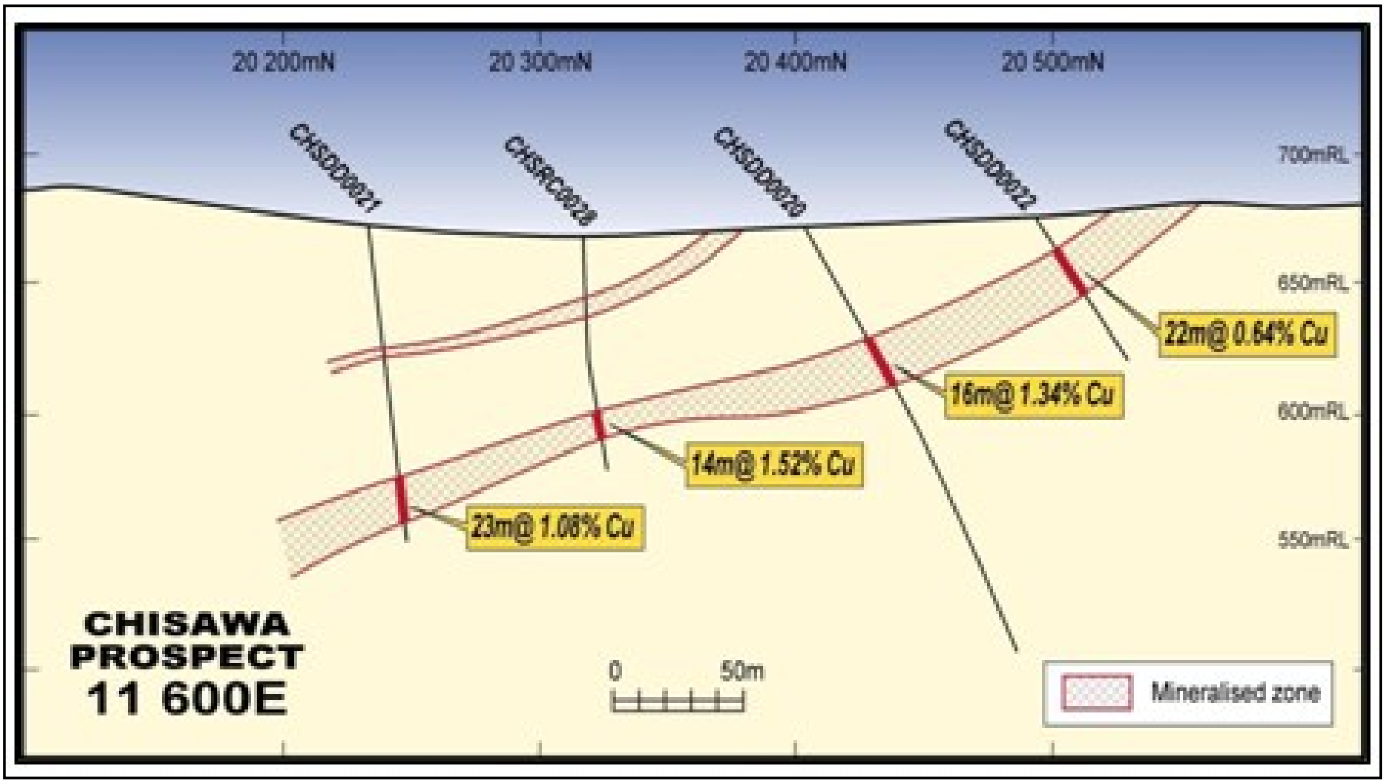



**Figure 9: Chisawa Area Mineralisation – Cross Section 11600mE.**

Copper mineralisation at Kalulu strikes northeast for 1.2 km and is structurally controlled by a sheared, east-plunging syncline (Figure 10). The structural position of Kalulu is interpreted as a hinge zone of the east plunging fold in comparison with Kangaluwi and Chisawa that occur as limbs of the same fold. Mineralisation at Kalulu also occurs as disseminated sulphides and malachite together with veinlets along east-west foliation controlled directions.

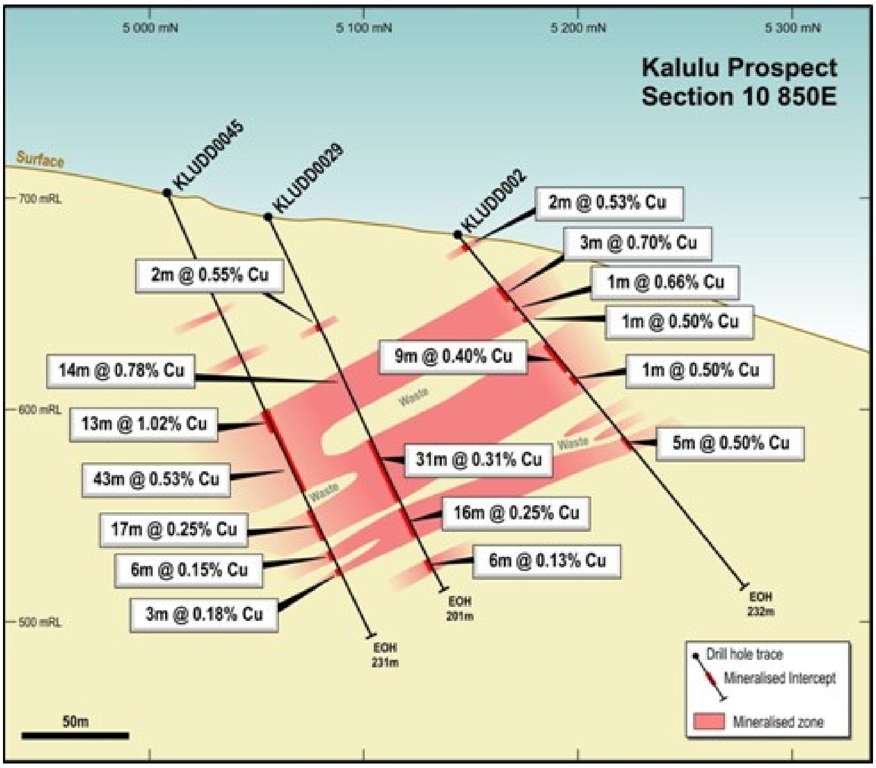



**Figure 10: Kalulu Area Mineralisation – Cross Section 10850mE.**

The multi-phase structural environment of all three targets demonstrates a complex combination of regional and local elements from intense layer-parallel shear foliation to folding and latest shears, brittle faults and cleavage zones.

Current drilling only covers a small portion of the soil geochemical anomalies. Exploration activity to date indicates that mineralisation at Kangaluwi and Chisawa extends well beyond the limits of the current resource estimate.

Linear, tectonically controlled copper-mineralisation is characterized by lower grade peripheral enrichment around each of the deposits. In addition, anomalous silver, lead and zinc occurrences were observed in zones marginal to most cupriferous horizons. Prospective mineralised zones across the project exhibit comparable structures and host rock alteration.

Such similarities permitted the use of the resource model footprint as a basis for estimating Exploration Target Potential Resources beyond the limits of currently defined mineralisation and to assist planning of future exploration work. Sokolov used this data and method in 2012 to estimate an additional potential for 162.9 Mt as outlined in Figure 11 and Table 3.

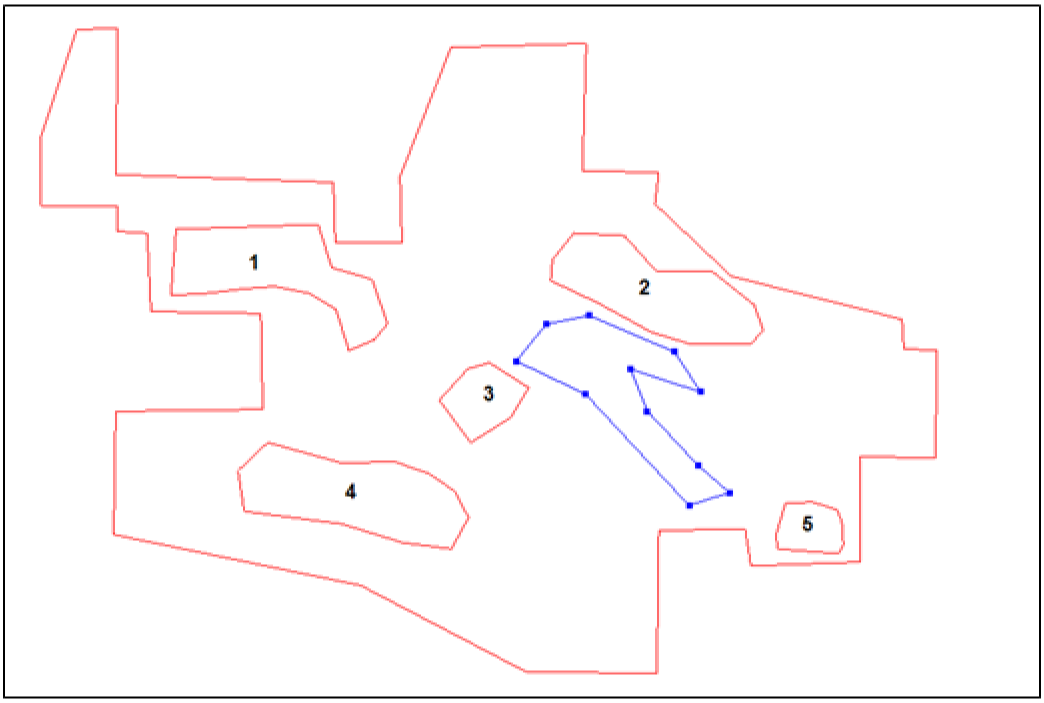



**Figure 11: Selected Zones of Potential Mineralisation numbered within Kangaluwi Project existing Exploration Defined Mineralisation Limits.**

| | Zones ID | Area, sq.km | Tonnes (Mt) |
|---|---|---|---|
| Prospective Zones (Figure 8) | 1 | 10175988 | 44.5 |
| | 2 | 10191318 | 44.5 |
| | 3 | 3171636 | 13.9 |
| | 4 | 11485836 | 50.2 |
| | 5 | 2257341 | 9.9 |
| | | | |
| | **Total Ore (Mt)** | **Grade** | **Contained Cu Metal (t)** |
| Prospective Potential of Resource | 162.9 | 0.7 | 1141 |

**Table 3: Kangaluwi Project JORC Code (2004) Compliant Target Exploration Resource Estimate.**

AMC conducted a JORC Code (2004) Compliant Resource Estimate in August 2012. Drillhole spacing is a nominal 50x50 m at Kangaluwi and Kalulu but only 100x100 m at Chisawa.

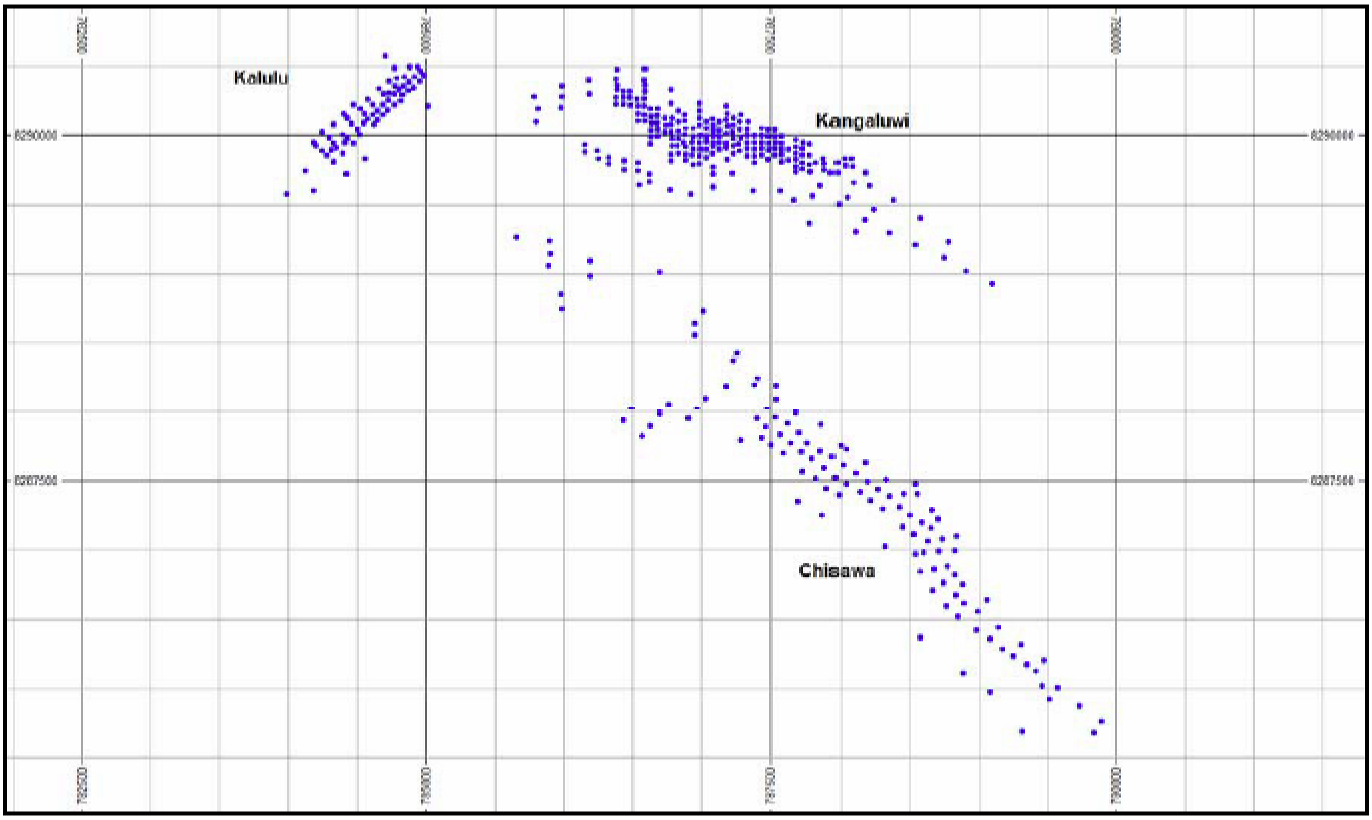



**Figure 12: Kangaluwi Copper Project Drillhole Collar Location Map.**

Drillhole arrays vary between the three deposits. Drilling at Chisawa is in south-west oriented sections with holes that dip to the north-east. Drilling at Kangaluwi is in north oriented sections with holes that dip to the north however at the eastern end of the deposit some holes have been drilled obliquely to the established grid. The Kalulu drillholes are in north-west oriented sections with holes that dip to the north-west.

Down-hole surveys were routinely completed by the drilling contractors on RC drillholes and diamond drillholes at 30m intervals and at the end of each drillhole. A single shot Eastman down-hole camera was used to conduct surveys in the diamond drillholes and a Reflex camera was used to conduct surveys in the RC drillholes. Drillhole collars were surveyed by contract licensed surveyors using differential global positioning system (“GPS”).

Diamond recoveries were generally quite good and acceptable while for RC drilling weighing of 34 selected holes at all three deposits indicated a 75% recovery to sample bags (33 kg). All other checks of the data were determined to be acceptable.

Diamond drill core was sampled on a nominal 1m sample length within lithological contacts. Diamond core was geologically and geotechnical logged and photographed prior to half core or quarter core sampling. All drill core samples were prepared to pulp stage by either Australian Laboratory Services Chemex ("ALX Chemex") in Johannesburg South Africa or Genalysis in Johannesburg. The samples were then sent to their respective laboratory in Perth, Western Australia for assaying.

Quality Assurance and Quality Control (QAQC) assay monitoring procedures involved the insertion of a range of certified reference materials (CRM), duplicates and blanks into each sample batch. The purpose of inserting QAQC samples is to provide a measure of accuracy, precision and confidence, and ensure grade bias is not introduced into the resource database as a result of poor sampling or assaying. Duplicate and blank samples were inserted after every 20 samples and one CRM was inserted every 50 samples.

The Mineral Resource estimates are based on the interpretation of the distribution of copper using a lower copper cut-off grade ("COG") of 0.10% Cu. The COG was derived from a statistical analysis of the KCP database.

The estimate was completed using Datamine mining industry software. A volume model was developed with a 25m E x 25 m N x 12.5m RL parent cell split to 5m E x 5m N and a variable height to more accurately define the contacts and topography.

Drillhole samples were composited to the dominant sample length of 1m. Residual samples (less than 1m) were retained for estimation

Bulk density values were determined for each oxidation state from a total of 1,856 bulk density data (1,634 fresh, 212 transitional and 10 oxide).

Estimation of copper, gold, silver and cobalt was completed using ordinary kriging with parameters derived from a study of variography. Grade estimation was carried out using the 1m composites for each mineralised wireframe.

The model was validated by statistical and visual comparison of data and estimated grades, and examiniation of swathe plots.

AMC considers that the data spacing, data quality and geological interpretation are approprirate for classification of the Kangaluwi, Chisawa and Kalulu deposit estimates as Indicated and Inferred Mineral Resources.

Resource estimations were completed using Datamine mining industry software variogram analysis of composite drillhole data and were undertaken by using Isatis software. Wireframe models for each deposit were then constructed within which the oxide, transition and fresh material was flagged prior to variography analysis.

Volume models were developed for the Kangaluwi, Chisawa and Kalulu Deposits. Locally the interpreted mineralisation wireframes have a narrow vertical thickness. In order to accurately define the mineralised volume the wireframes were first filled with cells with dimensions of 5m E and 5m N and a single cell of variable height. The model prototype was then reset to a parent cell size of 25m E x 25m N x 12.5 RL. The parent cell dimensions were chosen based on about half the average drill spacing at the three deposits, as well as the shape and orientation of the mineralised domains. The primary dimension (25m) is half the drillhole spacing of the Kalulu and Kangaluwi Deposits and quarter the drill spacing of Chisawa Deposit.

Grade estimation of copper, cobalt, gold and silver was carried out using both ordinary kriging ("OK") and inverse distance squared ("$ID^2$") methods using estimation parameters determined from a variographic study of 1m composites.

Grades were estimated using parent cell estimation based on an estimation code and oxidation state.

The Project Mineral Resource estimate is based on drilling and sampling carried out to industry standards. The estimates are based on a geological interpretation that reflects the control on mineralisation. An analysis of variography to define the estimation parameters supports the grade estimate. The JORC Code (2004) is not prescriptive about how an estimate is classified, however it does make it clear drillhole spacing is not the only criterion.

The Mineral Resource has been classified as Indicated Resource where a 50m E x 50m N drill spacing suggests a higher degree of confidence and good lateral continuity in the mineralised interpretation. A wireframe was used to flag the model largely delineated by the closer spaced drilling. All domains inside the wireframe intersected by more than four drillholes were classified as Indicated Resource.

AMC has classified the estimate as Inferred Resource where the drilling is more broadly spaced and the level of confidence is lower for geological and grade continuity. Broad spaced drilling occurs predominantly at the margins of the deposits both laterally and at depth. All drilled domains outside of the Indicated Resource wireframe were classified as Inferred Resource. Domains inside the wireframe that were intersected by four drillholes or less were also classified as Inferred Resource.

Due to the more widely spaced drilling at Chisawa that entire Mineral Resource estimate has been classified as an Inferred Resource.

The Mineral Resource estimate at a 0.3% Cu cut-off for the Project is 46 Mt grading 0.67% Cu (Table 4). At a 0.3% Cu cut-off it is appropriate for the resource classification to be assigned to either Indicated or Inferred Resource, however at other cut-offs it may not be appropriate to assign those classifications. A breakdown of the Mineral Resource by deposit is presented in Tables 5 to 7. An inventory of the KCP estimate for different material rock type, that was used for the valuation exercise, is presented in Table 8.

| Cut-off Grade (% of Cu) | Resource Category | Tonnes (Mt) | Cu (%) |
|---|---|---|---|
| 0.3 | Indicated | 18 | 0.58 |
| | Inferred | 28 | 0.72 |
| **Total** | | **46** | **0.67** |

**Table 4: Total Kangaluwi Copper Project JORC Code (2004) Compliant Mineral Resource Estimate.**

| Cut-off Grade (% of Cu) | Resource Category | Tonnes (Mt) | Cu (%) |
|---|---|---|---|
| 0.3 | Indicated<br>Inferred | 14<br>5 | 0.59<br>0.55 |
| **Total** | | **19** | **0.58** |

**Table 5: Kangaluwi Deposit JORC Code (2004) Compliant Mineral Resource Estimate.**

| Cut-off Grade (% of Cu) | Resource Category | Tonnes (Mt) | Cu (%) |
|---|---|---|---|
| 0.3 | Inferred | 22 | 0.77 |
| **Total** | | **22** | **0.77** |

**Table 6: Chisawa Deposit JORC Code (2004) Compliant Mineral Resource Estimate.**

| Cut-off Grade (% of Cu) | Resource Category | Tonnes (Mt) | Cu (%) |
|---|---|---|---|
| 0.3 | Indicated<br>Inferred | 3<br>2 | 0.51<br>0.50 |
| **Total** | | **5** | **0.51** |

**Table 7: Kalulu Deposit JORC Code (2004) Compliant Mineral Resource Estimate.**

| Project Area | 0.3% COG Cu | |
|---|---|---|
| | Tonnes (Mt) | Cu Grade (%) |
| **Kangaluwi** | | |
| Transitional | **2.90** | **0.64** |
| Fresh | **16.57** | **0.57** |
| **Subtotal** | **19.47** | **0.58** |
| **Chisawa** | | |
| Transitional | **4.36** | **0.71** |
| Fresh | **17.15** | **0.79** |
| **Subtotal** | **21.51** | **0.77** |
| **Kalulu** | | |
| Transitional | **0.27** | **0.46** |
| Fresh | **4.40** | **0.51** |
| **Subtotal** | **4.67** | **0.51** |
| **Total** | | |
| Transitional | **7.52** | **0.67** |
| Fresh | **38.12** | **0.66** |
| **Total** | **45.64** | **0.67** |

**Table 8: Kangaluwi Copper Project JORC Code (2004) Compliant for Differing Rock Type Materials.**

AMC made several recommendations mostly regarding ongoing QAQC procedures, check survey of all drillhole collars and infill drilling in areas of more broadly spaced drilling, particularly at the Chisawa and Kalulu Deposits, where additional information would refine the mineralisation interpretation and overall understanding of the deposits.

A mining scoping study was undertaken by Bateman – Tenova Mining and Minerals in October 2012 when copper prices were about US$3.4/lb (some 160% of the current price) and exchange rates between the US$ to A$ were almost at parity (current exchange rate about A$1 to US$0.72). The project and capital cost estimates were deemed marginal in 2012 but since only 25% of the known strike length had been drilled tested the upside remained encouraging providing the effective copper price remained good. Copper prices slumped badly recently but appear to be in a recovery mode now so the heap leaching extraction option may still be feasible. The KCP is deemed to still have a realistic chance of reaching the production stage and this would accordingly guarantee any future royalty streams.

### 4.7 Exploration Potential

The fact that only three of the geochemical anomalies have received detailed exploration attention implies that there is still extensive drilling required at the project. In fact at this stage only some 25% of the 28 km of prospective strike length has been drill tested. A diligent exploration drill program could extend the declared resource base.

## 5.0 Valuation of the Project

When valuing any mineral asset/project it is important to consider as many factors as possible that may either assist or impinge upon the current cash value estimates of the mineral asset under consideration. In this Report AM&A considers that the primary features to be taken into account are the Tenement Security; Available Infrastructure; Relevant Expenditure on development, Resource Estimations and the general Geological Setting.

Basically, these “Boxes are Ticked” as described above with regards to tenement security, remote scale infrastructure, previous exploration concepts and a favourable geological environment.

### 5.1 Selection of Valuation Methods

The following valuation methods, as described above in section 2, are not considered applicable for the respective reasons provided:

- The Discounted Cash Flow method cannot be used for the Project as the lack of mineral reserve estimates precludes a DCF;
- The Kilburn ‘prospectivity’ method - as the range of values generated is typically too wide to be realistic.
- Comparable transactions – with the recent general demise of the exploration industry, through lack of ‘high-risk funds’, this has curtailed much activity thus no similar recent relevant transactions could be located for similar projects.
- Real estate value which is usually based on a value ascribed to varying areas of tenement holdings which may consequently become unrealistic due to the varying areas of projects.
- The MEE method was deemed unreliable since total exploration expenditure at some US$50M is very high and would attract a PEM factor of over 3.0 which would then produce an unacceptably high valuation which the current, severely depressed market does not recognise.

Accordingly the Empirical method for the project has been adapted as the overriding basis for the estimation of the value. The Empirical method was applied to the JORC Code (2004) compliant resource estimates and the Exploration Target Potential for the project.

## 5.2 Valuation – Empirical Method

The resource data was collected from the AMC August 2012 report and deemed applicable. The JORC Code (2004) compliant tonnage and grade estimates were used for the valuation, with discounts ranging from 96.5% to 99.99% applied to the theoretical insitu metal values for the various classes of resource thereby establishing a range of values. All details of the workings are summarised in Appendix 1.

## 5.3 Valuation Conclusions

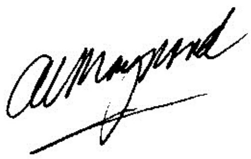
The summary result for the method is presented in Table 9. As stated above the Empirical method was selected as the most appropriate method for valuation estimate purposes.

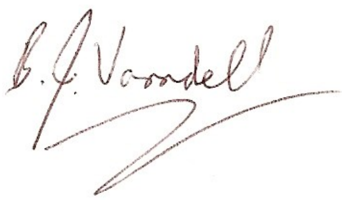
| | A$M | | |
|---|---|---|---|
| **Method** | **Low** | **High** | **Preferred** |
| Empirical | 12.69 | 22.50 | **17.60** |
| Rounded | 12.7 | 22.5 | **17.6** |

**Table 9: Summary Range of Current Values.**

This Report concludes that the cash value of 100% of the ZRL Kangaluwi Copper Project in Zambia at 31st May, 2016, is ascribed at $17.6M from within the range of $12.7M to $22.5M.

Yours faithfully,





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*Competent Persons Statement*

*The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences ("AIG"), a Corporate Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Maynard is the Director and principal geologist of Al Maynard & Associates Pty Ltd and has over 35 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard 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 in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves".(JORC Code). Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.*

*Competent Persons Statement*

*The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Brian Varndell, who is a Fellow of the Australasian Institute of Mining and Metallurgy and independent consultant to the Company. Mr Varndell is an associate of Al Maynard & Associate Pty Ltd and has over 40 years of exploration and mining experience in a variety of mineral deposit styles including iron ore mineralisation. Mr Varndell 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 in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves".(JORC Code). Mr Varndell consents to inclusion in the report of the matters based on this information in the form and context in which it appears.*

## 6.0 References


**Valuation**

AusIMM - JORC Code, 2012. *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve,* prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists and Minerals Council of Australia (JORC), 2012 Edition.

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Batemans Tenova Minerals and Mining 2012:- Zambezi Resources Limited, Kangaluwi Copper Project, Scoping Study Report M6094.A-P720-001

Dr A. Sokolov 2012:- Zambesi Resources Limited: Cu and Au Mineralisation Potential at the Kangaluwi Project Area.

Wikipedia :- The Regional Geology of the Zambian Copperbelt.

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## 7.0 Glossary of Technical Terms and Abbreviations

| | |
|---|---|
| Anomaly | Value higher or lower than the expected or norm. |
| Base metal | Generally a metal inferior in value to the precious metals, e.g. copper, lead, zinc, nickel. |
| Complex | An assemblage of rocks or minerals intricately mixed or folded together. |
| Diamond drill | Rotary drilling using diamond impregnated bits, to produce a solid continuous core sample of the rock. |
| Dip | The angle at which a rock layer, fault of any other planar structure is inclined from the horizontal. |
| Fault | A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture. |
| Intercept | The length of rock or mineralisation traversed by a drillhole. |
| JORC | Joint Ore Reserves Committee- Australasian Code for Reporting of Identified Resources and Ore Reserves. |
| Mineralisation | In economic geology, the introduction of valuable elements into a rock body. |
| Ore | A mixture of minerals, host rock and waste material which is expected to be mineable at a profit. |

| | |
|---|---|
| Outcrop | The surface expression of a rock layer (verb: to crop out). |
| Primary | Mineralisation which has not been affected by near surface mineralisation oxidising process. |
| Quartz | A very common mineral composed of silicon dioxide-$SiO_2$. |
| RAB | Rotary Air Blast (as related to drilling)—A drilling technique in which the sample is returned to the surface outside the rod string by compressed air. |
| RC | Reverse Circulation (as relating to drilling)—A drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination. |
| Reconnaissance | A general examination or survey of a region with reference to its main features, usually as a preliminary to a more detailed survey. |
| Remote Sensing | Geophysical data obtained by satellites processed and presented Imagery as photographic images in real or false colour combinations. |
| Reserve | In-situ mineral occurrence which has had mining parameters applied to it, from which valuable or useful minerals may be recovered. |
| Resource | In-situ mineral occurrence from which valuable or useful minerals may be recovered, but from which only a broad knowledge of the geological character of the deposit is based on relatively few samples or measurements. |
| Shear (zone) | A zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated. |
| Stratigraphy | The succession of superimposition of rock strata. Composition, sequence and correlation of stratified rock in the earth's crust. |
| Strike | The direction or bearing of the outcrop of an inclined bed or structure on a level surface. |

**Abbreviations**

| | | | |
|---|---|---|---|
| g | gram | $m^3$ | cubic metre |
| kg | kilogram | mm | millimetre |
| km | kilometre | M | million |
| $km^2$ | square kilometre | oz | troy ounce |
| m | metre | t | tonne |
| $m^2$ | square metre | | |

# Appendix 1: Details of Valuation Estimates.

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Kangaluwi Copper Project - Zambia** | | | | | | | | 18 May 2016 | | | | | | |
| Kangaluwi, Kalulu and Chisawa Copper Deposits have resources | | | | | | | | Chankwenga potential Au Deposit excluded | | | | | | |
| Prices | | | Exchange rate | | | | | A$1= US$0.7322 | | | | | | |
| Cu US$4649/t | | | Cu A$6349/t | | Au US$1282/oz | | | Au A$1750.89 | | | | | | |
| Note ppt 2012 used $7,250/t !! | | | 6349.00 | | | | | 1750.89 | | | | | | |
| **Assumptions** | | | | | | | | | | | | | | |
| Cut-Off Grade used 0.3%Cu | | | No Royalties applied. | | | | | Ox+Trans= Oxide+Transitional | | | | | | |
| Discounted is 100 minus discount factor | | | | | | | | | | | | | | |
| Discount Factors - High to Low range | | | | Indicated Ox+ Trans at 96.5 to 97.5% | | | | Indicated Fresh at 98.8 to 99.2% | | | | | | |
| Inferred Ox+Trans at 98.8 to 99.2% | | | | Inferred Fresh at 99.3 to 99.7% | | | | Potential at 99.97 to 99.99% | | | | | | |
| **Deposit** | **Resource** | **Type** | **Mt** | **Cu %** | **Cu t** | | **Discounted %** | | | **Cu metal t** | | | **Cu A$M** | |
| | | | | | | Low | High | Preferred | Low | High | Preferred | Low | High | Preferred |
| **Kangaluwi** | Indicated | Ox+Trans | 2.90 | 0.64 | 18560 | 2.5% | 3.5% | 3.0% | 464 | 650 | 557 | 2.95 | 4.12 | 3.54 |
| | Indicated | Fresh | 11.57 | 0.57 | 65949 | 0.8% | 1.2% | 1.0% | 528 | 791 | 659 | 3.35 | 5.02 | 4.19 |
| ***sub Total*** | ***Indicated*** | | ***14.47*** | ***0.58*** | ***84509*** | | | | ***992*** | ***1441*** | ***1216*** | ***6.30*** | ***9.15*** | 7.72 |
| | Inferred | Fresh | 5.00 | 0.57 | 28500 | 0.3% | 0.7% | 0.5% | 86 | 200 | 143 | 0.54 | 1.27 | 0.90 |
| **Tot Kangaluwi** | | | **19.47** | **0.58** | **113009** | | | | **1077** | **1640** | **1359** | **6.84** | **10.42** | 8.63 |
| **Kalulu** | Indicated | Ox+Trans | 0.27 | 0.46 | 1242 | 2.5% | 3.5% | 3.0% | 31 | 43 | 37 | 0.20 | 0.28 | 0.24 |
| | Indicated | Fresh | 2.40 | 0.51 | 12240 | 0.8% | 1.2% | 1.0% | 98 | 147 | 122 | 0.62 | 0.93 | 0.78 |
| ***sub Total*** | ***Indicated*** | | ***2.67*** | ***0.50*** | ***13482*** | | | | ***129*** | ***190*** | ***160*** | ***0.82*** | ***1.21*** | 1.01 |
| | Inferred | Fresh | 2.00 | 0.51 | 10200 | 0.3% | 0.7% | 0.5% | 31 | 71 | 51 | 0.19 | 0.45 | 0.32 |
| **Tot Kalulu** | | | **4.67** | **0.51** | **23682.00** | | | | **160** | **262** | **211** | **1.01** | **1.66** | 1.34 |
| **Chisawa** | Inferred | Ox+Trans | 4.36 | 0.71 | 30956 | 0.8% | 1.2% | 1.0% | 248 | 371 | 310 | 1.57 | 2.36 | 1.97 |
| | Inferred | Fresh | 17.15 | 0.79 | 135485 | 0.3% | 0.7% | 0.5% | 406 | 948 | 677 | 2.58 | 6.02 | 4.30 |
| **Tot Chisawa** | | | **21.51** | **0.77** | **166441** | | | | **654** | **1320** | **987** | **4.15** | **8.38** | 6.27 |
| **Total** | | | **45.65** | **0.66** | **303132** | | | | **1891** | **3222** | **2556** | **12.00** | **20.46** | 16.23 |
| | | | | | | | | | | | | | | |
| **Potential** | | | 162.9 | 0.66 | 1075140 | 0.01% | 0.03% | 0.02% | 108 | 323 | 215 | 0.68 | 2.05 | 1.37 |
| **Grand Total** | | | | | | | | | | | | **12.69** | **22.50** | 17.60 |
| | | | | | | | | | | Rounded | | 13 | 23 | 18 |
| | | | | | | | | | | **JV** | **at 75%** | **9.52** | **16.88** | 13.20 |
| | | | | | | | | | | Rounded | | 10 | 17 | 13 |