



ASX Announcement

15 July 2009

Funding Agreement

Zambezi Resources Limited ("Zambezi" or "the Company"; ASX:ZRL) today announces that it has signed a Converting Note Agreement with LinQ Resources Fund (LinQ) for A\$1,000,000. Under the terms of the agreement, LinQ will be granted 50 million options and may appoint Directors to the Board of Zambezi comprising up to a majority of the Board.

The Converting Notes will convert at 0.5 cents with a maturity date of 31 December 2010 and will be secured against the Company's Zambian assets. The Converting Notes will be issued in two tranches - Tranche A will be for 58 million shares to raise A\$290,000 and Tranche B will be for 142 million shares to raise A\$710,000. The notes will pay 12% per annum, payable monthly in arrears and interest will be payable in shares at 0.5 cents per share. The subscription for the Converting Notes will be subject to certain conditions precedent including, in respect of Tranche A, the finalisation of audited accounts and, in respect of Tranche B, reinstatement of trading of the company's shares on the ASX. Accordingly, the Company expects to complete the finalisation of the accounts within the next 10 days.

The proposed 50 million options will have an exercise price of 1 cent per share and expire 3 years after issue. Both the options and the Tranche B Converting Notes will be subject to shareholder approval. Zambezi expects that subject to the issue of Tranche A and B Converting Notes, the Company will undertake a rights issue.

For Further Information please contact:

Julian Ford, Managing Director
Zambezi Resources (Australia)
+61 (08) 9216 9000

Brian Rear Non-Executive
Chairman
Zambezi Resources (Australia)
+ 61 (08) 9216 9000



ARBN 124 462 826

Bermuda:

Canon's Court
22 Victoria Street
Hamilton HM12

Australia:

17 Ord Street
West Perth
PO Box 1796 WA 6872
Tel: (+61-8) 9216 9000
Fax: (+61-8) 9216 9090

Zambia:

Mwembeshi Resources Limited
Plot 5777N
Great East Road
Kalundu
Lusaka
Tel: (+26) (021) 1291 645
Fax: (+26) (021) 1292 411

Stock Exchange Listings:

ASX: ZRL

Issued Capital:

388,561,335 ordinary shares
3,230,214 listed options
8,760,000 unlisted options

Directors:

Non-Executive Chairman:
Brian Rear
Managing Director:
Julian Ford
Non Executive Director:
Geoff Johnson