



ASX Announcement

December 2008 Quarterly Report

29 January 2009

CORPORATE

Following the continued deterioration in the global financial markets and especially the continued decline in the copper price, Zambezi Resources Ltd's ("Zambezi" or "the Company") prime aim during the quarter has been to secure a major financial backer for the company. The Company reached a standstill agreement with its major creditors on 31 October 2008 and suspended its quotation on the ASX. This was followed by a suspension on the AIM market on 3 November 2008.

On 28 January 2009, the Company secured an agreement with Astron Limited for a three staged recapitalisation plan which envisages an initial investment of AUD\$580,000 and following shareholder approval, an additional investment of AUD\$3.42 million. In addition the Company will issue an unsecured note for USD\$6 million to Astron Limited subject to various conditions including shareholder approvals outlined in the announcement dated 28 January 2009.

Further to the above transaction, the Company's prime strategic objective will be to reassess its strategic direction, being cognisant of the new economic realities that now exist. There remain substantial resource and mostly copper opportunities within the African Sub-Saharan region. The Company will remain focused where it has a competitive advantage.

OPERATIONS

During the quarter ended 31 December 2008, field work on Zambezi's projects in Zambia was restricted to environmental rehabilitation of drill sites and access tracks. Focus for the quarter centred on rationalisation and compliance of the Company's license holdings in Zambia to meet full compliance with the new 2008 Zambian Mines Act. As part fulfilment of this process Licenses PL 225 and PL 226 have been relinquished.

One application for renewal of a portion of Mulungushi PL 224 (**Fig 1**) has been granted to date and approved by the Zambian Dept of Mining and Minerals Development. The remainder are pending approval in early February 2009.

Results are still pending from drilling completed on the Kangaluwi Copper Project and the Mulofwe Project with 17,800 analytical results still awaited.



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Stock Exchange Listings:

ASX: ZRL
AIM: ZRL

Issued Capital:

197,876,174 ordinary shares
3,230,214 listed options
13,150,000 unlisted options

Directors:

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

Chief Financial Officer:
Lloyd Flint

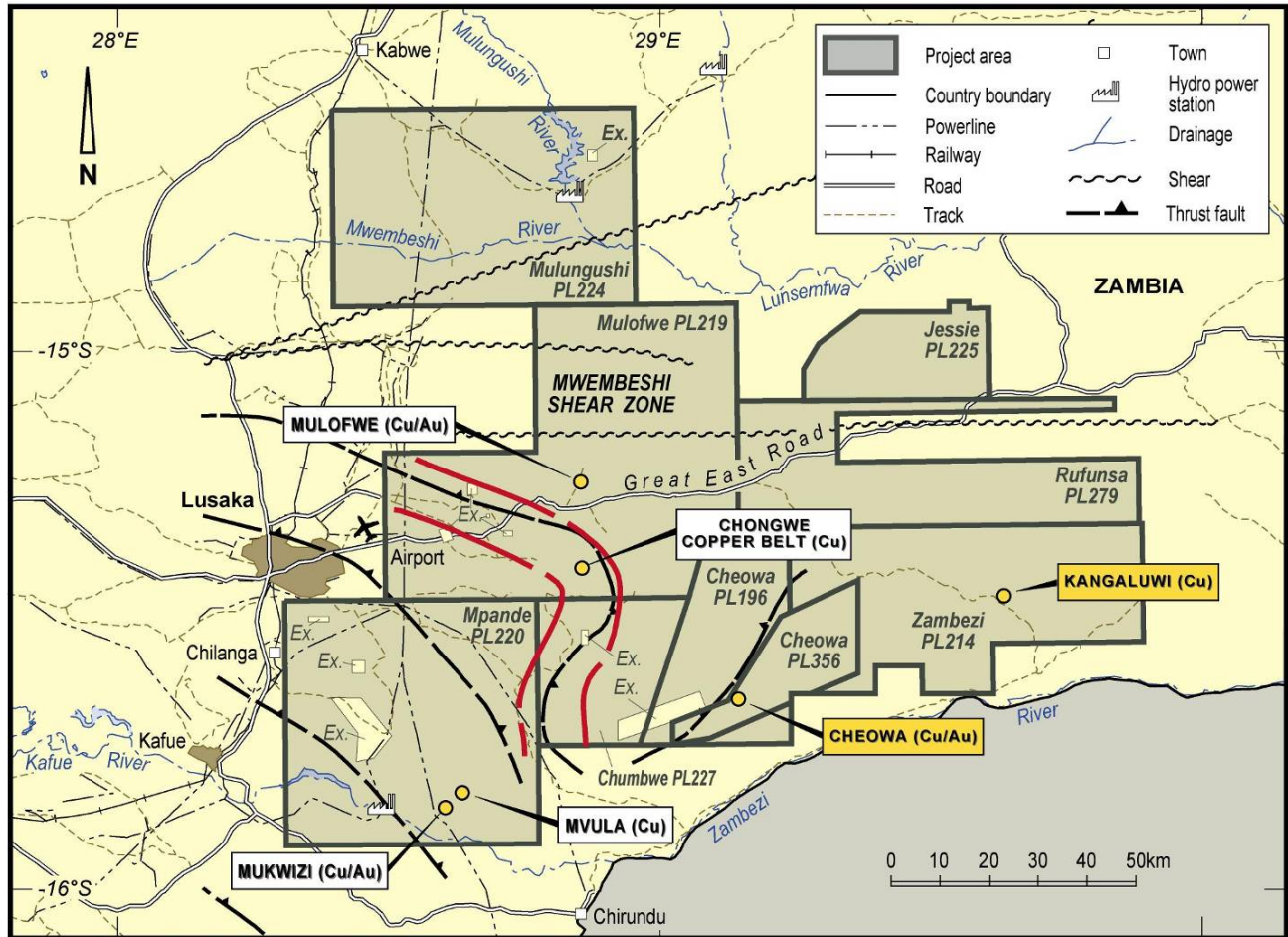


Figure 1: Lusaka East Project Locations

COPPER PROJECTS

At the **Cheowa Copper-Gold Project**, Glencore International AG (“Glencore”) met its expenditure commitment of US\$16 million in Q4 2008 to earn an initial 51% interest in the project. A Shareholders Agreement to convert the joint venture into an Incorporated Joint Venture was completed between Zambezi and Glencore in December 2008. Glencore now own 51% and Zambezi 49% of Chalimbana Resources Ltd, a Bermudan registered company that owns the assets of the two former joint ventures for the Chongwe Copperbelt/Chalimbana and Cheowa projects.

Field work carried out during the December quarter consisted solely of environmental rehabilitation of drill sites and access. Results of a prefeasibility study are expected in Q1 2009.

At the 100% owned **Kangaluwi Copper Project (PL 214, Figs 1 and 2)** field work consisted of environment rehabilitation of drill pads and access. Data validation was ongoing and an in-house scoping study for the project was instigated.

A significant number of drill hole assays are still pending for the Chisawa and Kangaluwi Prospects. These samples are expected to be assayed in Q1 2009. The results of these assays will be used to calculate a 2004 JORC compliant resource estimate for the Chisawa and Kangaluwi Prospects. This is expected to be completed in H1 2009.

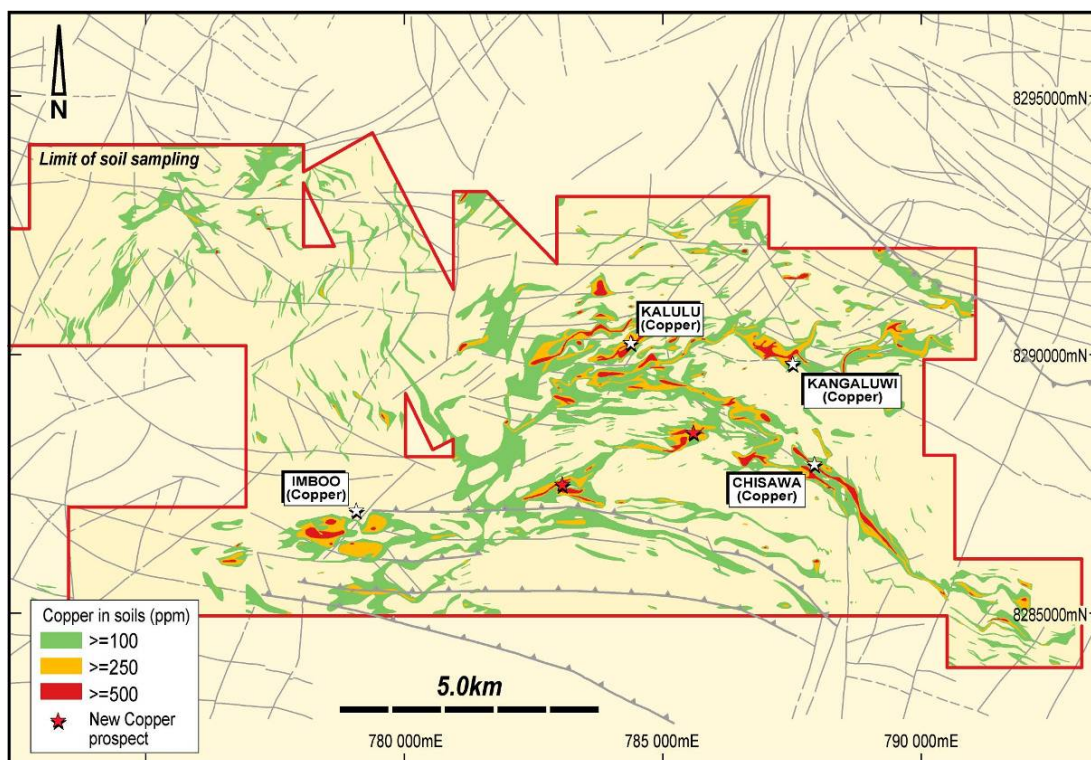


Figure 2: Kangaluwi Copper Project, Prospect location over Cu geochemistry.

URANIUM PROJECTS

Lithic Metals and Energy Limited (“Lithic”) Uranium Joint venture. Field work continued in Q4 2008 and focused on following up from results of the interpretation of the extensive high resolution helimagnetic and radiometric surveys over the Mulungushi, Mpande and Chumbwe licenses. These surveys were designed to extend high resolution geophysical coverage into these uranium project areas, and provide vital information on the structural, lithostratigraphic and radiometric framework of the projects. Lithic are the JV managers of this exploration work. Results are pending.

No work was done during Q4 2008 on the **Uranium Mineral Rights joint venture with Rio Tinto** at the **Mulofwe project** (see Fig 1). Drilling is planned to be carried out in Q1 or Q2 2009 on targets identified by field work in 2008.

For and on behalf of the Board



Julian Ford
Managing Director

29 January 2009

Competent Person Statement

The information in this report that relates to Exploration Results is based on information compiled by General Manager Exploration Jay Klopper BSc (Hons). Mr Klopper is a full-time employee of Zambezi Resources, and a Member of the Australian Institute of Geoscientists. Mr Klopper is a Competent Person as defined in the December 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code) and consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to the interpretation of geophysical survey data is based on information compiled by Mr Bill Peters BSc (Hons), who is a Director and Senior Consulting Geophysicist of Southern Geoscience Consultants. Mr Peters is a Member of the Australian Institute of Geoscientists, and a Fellow of the Australasian Institute of Mining and Metallurgy, and is a Competent Person as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Peters consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

ZAMBEZI RESOURCES LIMITED

ARBN

124 462 826

Quarter ended ("current quarter")

31 December 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter GBP '000	Year to date (9 months) GBP '000
1.1 Receipts from product sales and related debtors	10	11
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(552)	(5,802)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	1	51
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	8	(10)
1.7 Other – Joint Venture Partner contributions	276	3,000
	(607)	(4,624)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(1)	(113)
1.9 Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	132	132
1.10 Loans to other entities	1	10
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
	132	29
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(475)	(4,595)

1.13	Total operating and investing cash flows (brought forward)	(475)	(4,595)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		560
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		(9)
1.18	Dividends paid		
1.19	Other – Costs of capital raising		(7)
Net financing cash flows			544
Net increase (decrease) in cash held		(475)	(4,051)
1.20	Cash at beginning of quarter/year to date	881	4,411
1.21	Exchange rate adjustments to item 1.20	18	64
1.22	Cash at end of quarter	424	424

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

		Current quarter GBP '000
1.23	Aggregate amount of payments to the parties included in item 1.2	
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Directors' fees & salaries for the quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available GBP '000	Amount used GBP '000
3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		GBP '000
4.1	Exploration and evaluation	
4.2	Development	
Total		

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter GBP '000	Previous quarter GBP '000
5.1	Cash on hand and at bank	424	881
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		424	881

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	PL 225 PL 226	100% 100%	Nil Nil
	6.2	Interests in mining tenements acquired or increased		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (GBP)	Amount paid up per security (see note 3) (GBP)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	197,876,174	197,876,174		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price (GBP)</i>	<i>Expiry date</i>
	2,190,000		0.12	26 July 2009
	4,390,000		0.14	9 June 2009
	1,000,000		0.16	22 June 2010
	140,000		0.175	10 June 2010
	500,000		0.20	23 December 2009
	2,080,000		0.20	31 August 2011
	1,850,000		0.13	31 March 2011
	1,000,000		0.20	31 August 2011
	3,230,214	3,230,214	0.19 AUD	31 August 2009
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act **or other standards acceptable to ASX** (see note 4).
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: Chief Financial Officer

Date: 29 January 2009

Print name: Lloyd Flint

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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