

# **ZAMBEZI RESOURCES LIMITED**

## **Entitlement Offer Booklet**

DETAILS OF A 1 FOR 5 NON-RENOUNCEABLE PRO RATA ENTITLEMENT OFFER OF ORDINARY SHARES IN ZAMBEZI AT AN OFFER PRICE OF \$0.02 PER NEW SHARE

THIS ENTITLEMENT OFFER CLOSES AT 5.00PM (PERTH TIME) ON 2 SEPTEMBER 2011. VALID ACCEPTANCES MUST BE RECEIVED BEFORE THAT TIME.

**This is an important document which is accompanied by an Entitlement and Acceptance Form for you to subscribe for new ordinary shares in Zambezi Resources Limited. Please read this document carefully and call your professional adviser or the Zambezi Share Registry if you have any queries.**

**NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS**

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## Chairman's letter

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8 August 2011

Dear Shareholder

On behalf of Zambezi Resources Limited (**Zambezi**), I am pleased to invite you to participate in a 1 for 5 pro rata non-renounceable entitlement offer of new Zambezi ordinary shares (**New Shares**) at an issue price of A\$0.02 per New Share (**Entitlement Offer**).

### **Funding Package**

On 25 July 2011, Zambezi announced that it had accepted an offer from LinQ Capital Limited as responsible entity of the LinQ Resources Fund for the provision of a secured A\$10 million convertible note facility (**Facility**).

Zambezi also announced plans to undertake an equity raising to raise up to a further A\$5 million by way of the Entitlement Offer. This offer booklet (**Offer Booklet**) pertains to the Entitlement Offer.

The funds raised by the Facility and the Entitlement Offer will be applied by Zambezi towards working capital and exploration and development costs associated predominantly with its Kangaluwi Copper Project. The funding package will provide the Company with valuable funding for the following:

- Additional step out and infill drilling for resource expansion and definition at Chisawa, Kangaluwi and Kalulu deposits (Kangaluwi Project);
- Deeper drilling of the structures for stratigraphic control as well as to determine the down dip extent of the mineralisation;
- Testing additional oxide potential above the mineralised sulphide material with a shallow drilling program; and
- Finalising the feasibility study for the development of the Kangaluwi Project

Zambezi anticipates that the funding will be sufficient to finalise the above activities over the ensuing 12 – 18 months.

### **Entitlement Offer**

The Entitlement Offer is non-renounceable, which means that entitlements to take up New Shares (**Entitlements**) are non-transferable and will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up all or any part of their Entitlements will not receive any payment or value in respect of those Entitlements not taken up and their equity interest in Zambezi will be diluted.

The Entitlement Offer is not subject to shareholder approval and will go ahead regardless of whether or not the Facility is approved by shareholders. An Entitlement Offer was considered an

appropriate structure to raise funds and allow all eligible shareholders to participate in the Funding Package.

### **Other information**

This Offer Booklet contains important information about the Entitlement Offer under the following headings:

- Key dates for the Entitlement Offer;
- Investor Presentation;
- How to Apply; and
- Important Information.

With this booklet you will also find your personalised Entitlement and Acceptance Form which details your Entitlement, to be completed in accordance with the instructions provided on the form and the instructions on “How to Apply”.

The Entitlement Offer closes at 5.00pm (Perth time) on 2 September 2011. To participate, you need to ensure that you have completed the Entitlement and Acceptance Form and paid all monies before this time and date. For further information regarding the Entitlement Offer, please call 08 6555 1879 (from within Australia) or +61 8 6555 1879 (from outside Australia) between 8.30am and 5pm (Perth time) Monday to Friday, or visit our website at [www.zambeziresources.com](http://www.zambeziresources.com).

You should also consult your stockbroker, accountant or other independent professional adviser to evaluate whether or not to participate in the Entitlement Offer.

On behalf of the Board of Zambezi, I thank you for your support of our company.

Yours faithfully,



David Vilensky  
Chairman  
Zambezi Resources Limited

## Key dates for the Entitlement Offer

Event	Date
Record Date for the Entitlement Offer	5:00pm (Perth time), 16 August 2011
Entitlement Offer opens	18 August 2011
Entitlement Offer closes	5:00pm (Perth time), 2 September 2011
Allotment of New Shares under the Entitlement Offer	12 September 2011
Despatch of holding statements	12 September 2011
Normal trading of New Shares expected to commence on ASX	13 September 2011

**Important Note:** Zambezi reserves the right, subject to the *Corporations Act 2001* (Cth) (**Corporations Act**), ASX Listing Rules and other applicable laws, to vary the dates of the Entitlement Offer, including extending the Entitlement Offer or accepting late applications, either generally or in particular cases, without notice. You cannot, in most circumstances, withdraw the application once it has been accepted. No cooling off rights apply to the Entitlement Offer.



# Zambezi Resources Limited

## Kangaluwi Copper Project Investor Presentation

August 2011





# Disclaimer

## Summary information

This presentation contains summary information about Zambezi and its subsidiaries and their activities current as at the date of this presentation. The information in this presentation is of general background and does not purport to contain all the information necessary to fully evaluate any transaction or investment. It should be read in conjunction with Zambezi's other periodic and continuous disclosure announcements lodged with the ASX, which are available at [www.asx.com.au](http://www.asx.com.au).

## Not financial product advice

This presentation is for information purposes only. It is not financial product or investment advice or a recommendation to acquire Zambezi shares, and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek professional advice appropriate to them.

## Not an offer

This presentation does not constitute an offer, invitation or recommendation to subscribe for or purchase any security and neither this presentation nor anything contained in it shall form the basis of any contract or commitment.

In particular, this presentation does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to any person that is, or is acting for the account or benefit of any "U.S. person" (as defined in Regulation S under the Securities Act of 1933, as amended (the "U.S. Securities Act")) ("US Person"). This document may not be distributed or released in the United States or to any U.S. Person. The securities in the proposed offering have not been and will not be registered under the U.S. Securities Act, or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the securities in the proposed offering may not be offered or sold, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. Persons, except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

## Risks

An investment in shares is subject to investment and other known and unknown risks, some of which are beyond the control of Zambezi. Zambezi does not guarantee any particular rate of return or the performance of Zambezi. Prospective investors should have regard to the 'key risks' section of this presentation which outlines some of these risks.

## Financial data

All dollar values are in Australian dollars (A\$) unless stated otherwise and financial data is presented within the financial year ended 31 March 2011 unless stated otherwise.



## Investment Highlights

- Current resource for Kangaluwi Copper Project (KCP) stands at 23.4 Mt grading 0.85% Cu for 200,575 tonnes of contained copper
- Anticipated additional resources from Kalulu Prospect of 11 Mt @ 0.89% Cu for 98,000 tonnes of contained copper
- The Company has agreed to enter into a Convertible Note facility of A\$10 million in two tranches of A\$5 million each carrying a coupon of 10% pa (See p27 for conditions)
- The Company is raising \$5 million by way of a 1:5 Rights Issue through the issue of approximately 251,601,381 fully paid ordinary shares at a price of 2 cents per share
- Funds raised expected to be sufficient to finalise drilling programmes, hydrological, geotechnical, metallurgical, and eventually a Bank Feasibility Study over the ensuing 12-18 months
- Company is aiming for construction in 2013

## Corporate Snapshot

### Capital Structure (as at 1/08/2011)

Share Price	AUD 2.4 cents
Market Cap	AUD \$30 million
Ordinary Shares	1.2 billion
Options (unlisted)	155 million
Cash	AUD \$2.2 million
Debt	Nil

### Directors and Senior Management

David Vilensky	Non-Exec Chairman
Frank Vanspeybroeck	Chief Executive Officer
Pierre Malherbe	Chief Financial Officer
Richard Procter	Non-Exec Director
Emmanuel Heyndrickx	Non-Exec Director
Simon Durack	Non-Exec Director
Marinko Vidovich	Project Manager
Geoff Booth	Consultant Geologist

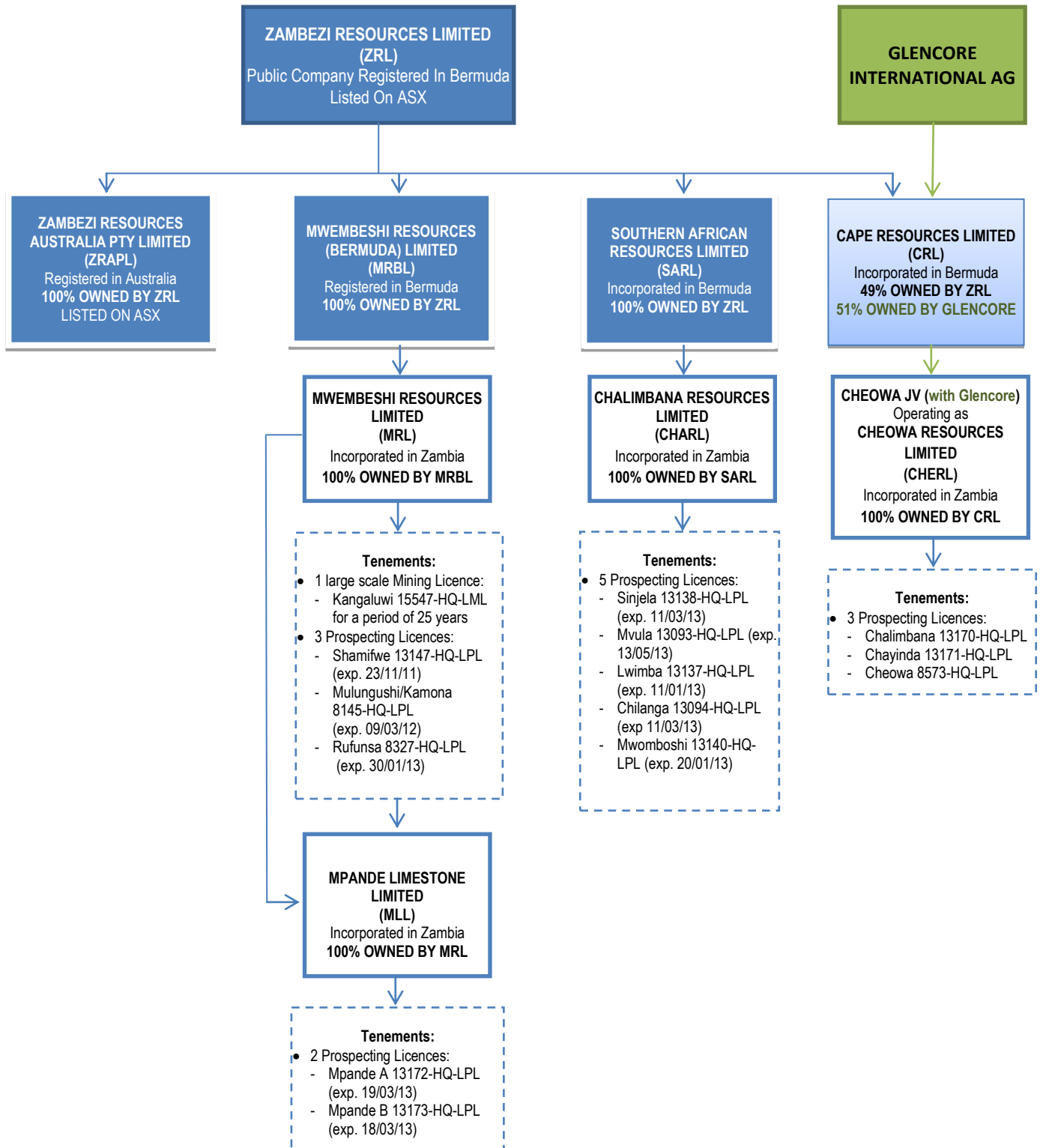
### Top Shareholders (as at 01/08/2011)

RBC Dexia Investor Services Australia Nominees	271,486,334	21.6 %
Lando Pty Ltd	51,555,555	4.1 %
JP Morgan Nominees Australia Ltd	37,900,900	3.0 %
JP Morgan Nominees Australia Ltd	33,513,169	2.7 %
Glencore Investments BV	29,162,062	2.3 %
Astron Limited	29,000,000	2.3 %



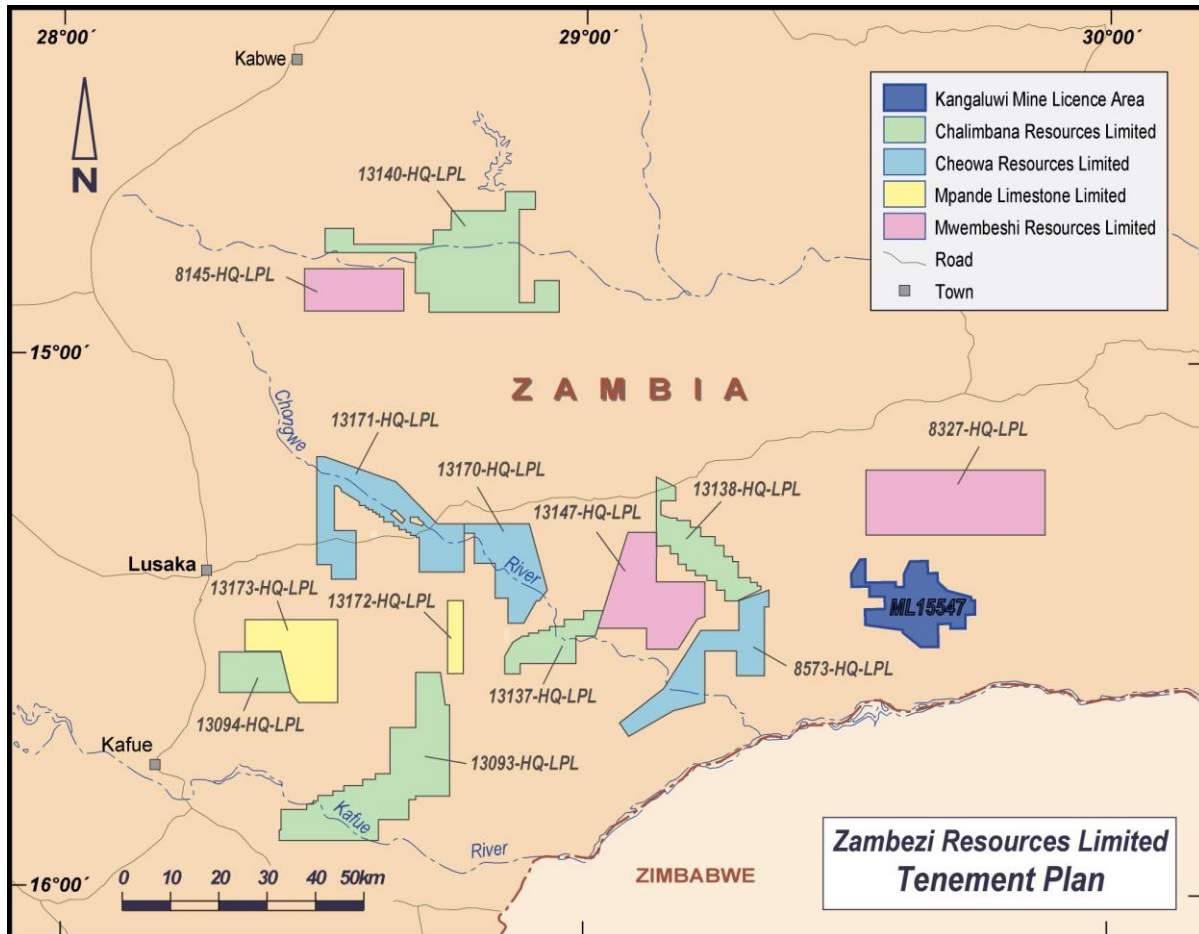


# Corporate Structure





# Tenement Map



**FIG 1: TENEMENT PLAN**

## Zambia

### Mining Culture

- Long history of mining and exploration, back to early part of 20<sup>th</sup> century
- Mining and exploration well understood by the Government and encouraged by authorities
- Excellent permitting system based on Cadastral system
- Relatively Low sovereign risk
- Favourable tax laws that allow write-off of capital mining plants and pre-production expenses in the year the costs were incurred
- Zambia is ranked as the world's seventh largest producer of copper, generating 3.3% of the western world's production



## Infrastructure

- Kariba Hydroelectric scheme 1800MW, reticulated directly to Copperbelt
- Excellent supplies from major rivers – Kafue, Luangwa, Zambezi plus Kariba Dam
- Sealed roads and key rail links through Lusaka and the Copperbelt
- Major international airport in Lusaka serviced regularly by a number of international airlines, local airline services regional routes and domestic charter companies support air travel within Zambia
- Zambia has a well-established infrastructure of domestic and international telecommunications



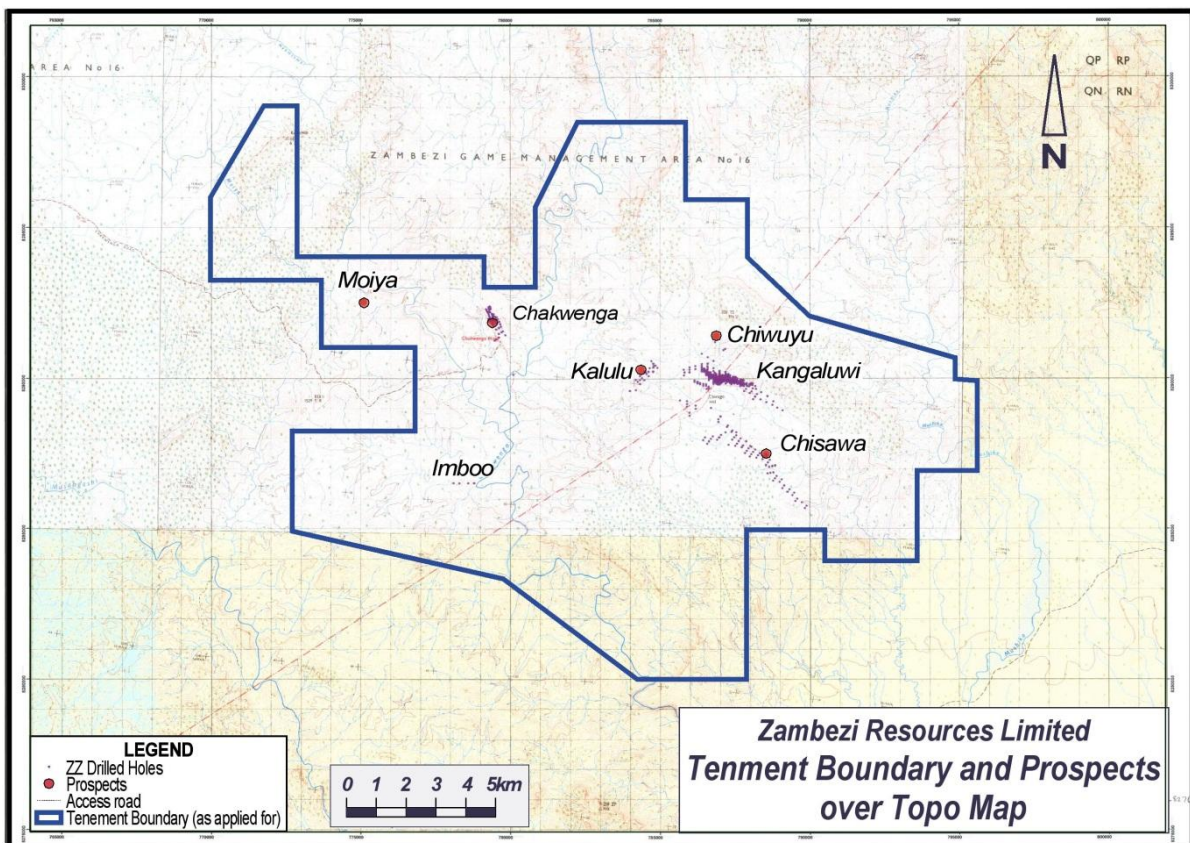
**FIG 2: PROJECT LOCATION**



# Kangaluwi Project Overview

## Introduction

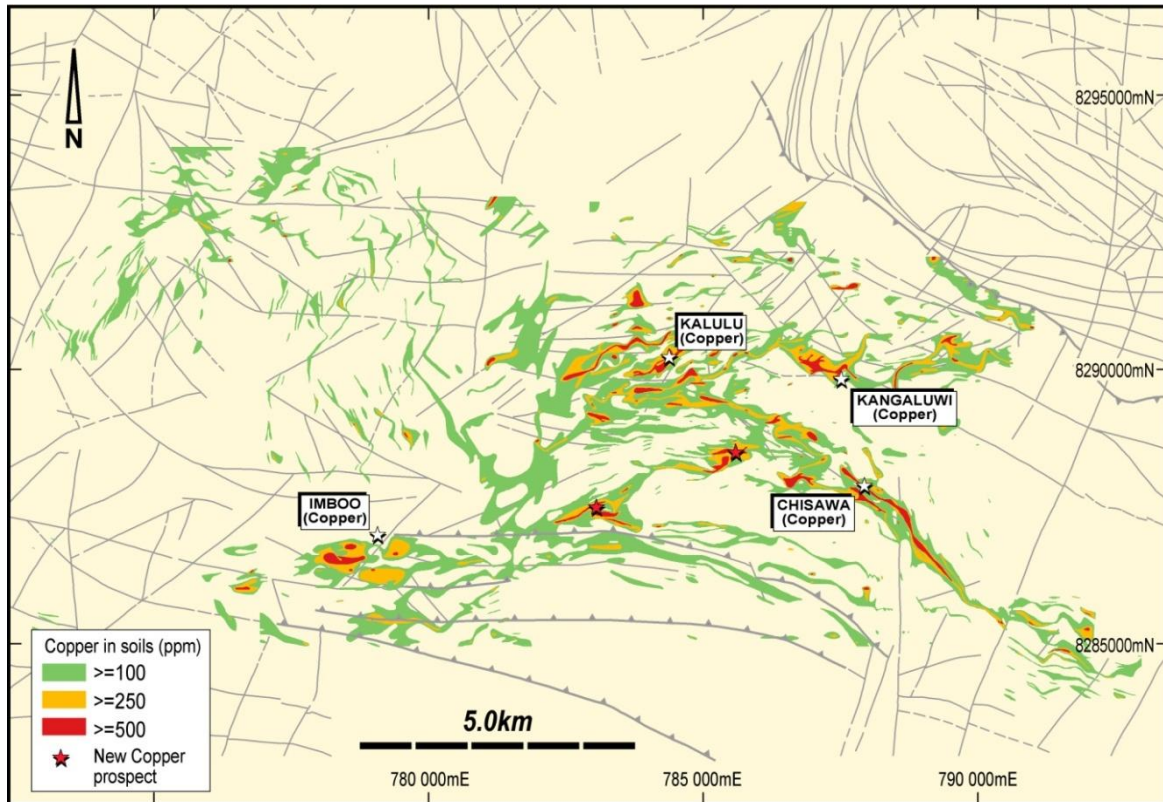
The Kangaluwi Copper Project (100% owned) comprises of a 245 km<sup>2</sup> granted Mining Licence 15547-HQ-LPL located approximately 180 km east of Lusaka.



**FIG 3: MINING LICENCE 15547**

Extensive soil geochemical sampling programs carried out from 2005 to 2007 covering an area of 180 km<sup>2</sup> identified six prospects.

Two main trends of continuous copper anomalies above 100 ppm have been delineated over a strike length of 28 km. The Kangaluwi – Kalulu – Chisawa trend occurs over a strike length of 19 km and the Chisawa – Imboo trend covers a strike length of 9 km.



**FIG 4: MAP OF GEOCHEM ANOMALIES**

## Geological Setting

Mineralisation at the Kangaluwi Copper Project is hosted by intensely deformed and foliated metasedimentary rocks. These form part of the Zambezi supracrustal sequence located within the Zambezi belt of southern Zambia and are of Neoproterozoic age (~830 Ma). They occur north of the Zimbabwe Archean Craton and form sections of the Irumide belt. The licence falls south east of the celebrated Lufilian Arc which is host to deposits of the Zambian copper belt.

Mineralisation is structurally controlled in a sheared, east plunging regional synform, with Kangaluwi and Chisawa deposits located on the limbs of the fold and Kalulu in its nose. The metasedimentary rocks of the Kangaluwi-Chisawa copper prospects trend roughly east-southeast and dip shallowly south-west, between 30-40 degrees.

At Kangaluwi the host rocks for copper mineralisation are biotitic schist, muscovite schists, biotite- muscovite schists, garnet-biotite-muscovite schists, amphibolites, epidiosites, quartzite, pegmatite and graphitic shale. These lithological units are often interbedded and in places may display gradational contacts.

At Chisawa the host rocks for copper mineralisation are biotitic schist, muscovite schists, biotite muscovite schists, garnet biotite muscovite schists, amphibolites, epidiosites quartzite, quartz and pegmatite veins and graphitic shales. These lithological units are often interbedded and in places may display gradational contacts.

Mineralisation at Kangaluwi and Chisawa consists of chalcopyrite, bornite, malachite, azurite and secondary chrysocolla an upper oxide zone.



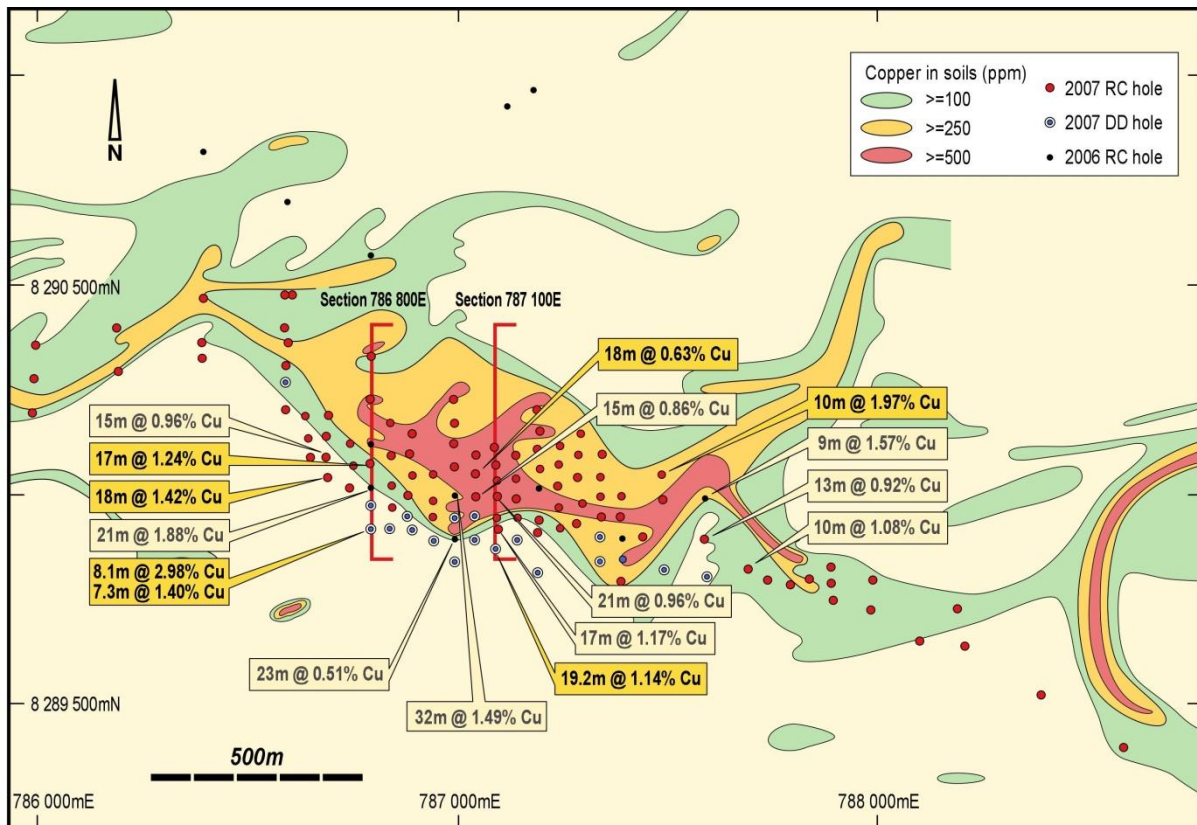
# Exploration History

During 2006 24 RC holes were completed at Kangaluwi over an 800 m strike length and at Chisawa over a strike length of 2,600 m.

During 2007, 15,459 m of RC drilling and 4,469 m of diamond drilling were completed at Kangaluwi over a 3 km strike length.

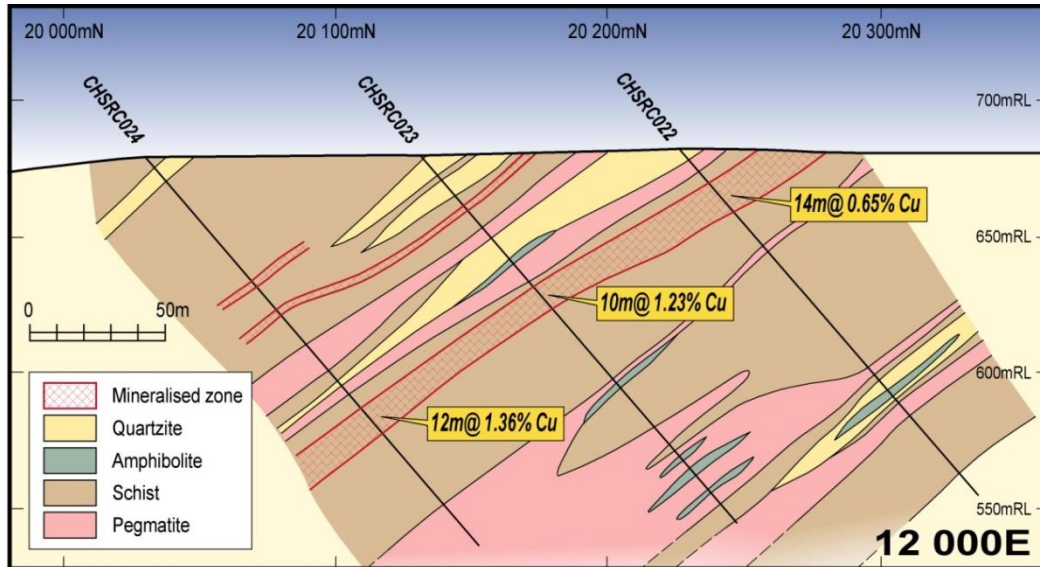
RC drilling returned significant copper mineralisation over substantial width in multiple zones which broaden at depth including 18 m at 1.42% Cu from 114 m, 17 m at 1.2% Cu from 49 m, 10 m at 1.97% Cu from 30 m.

Diamond drilling confirmed down dip continuity of mineralisation with results including 19.2 m at 1.14% Cu from 92 m, 8.07 m at 2.98% Cu from 145.34 m, 6.14 m at 1.29% Cu from 157.68 m, 7.32 m at 1.4% Cu from 161 m.



**FIG 5: KANGALUWI**

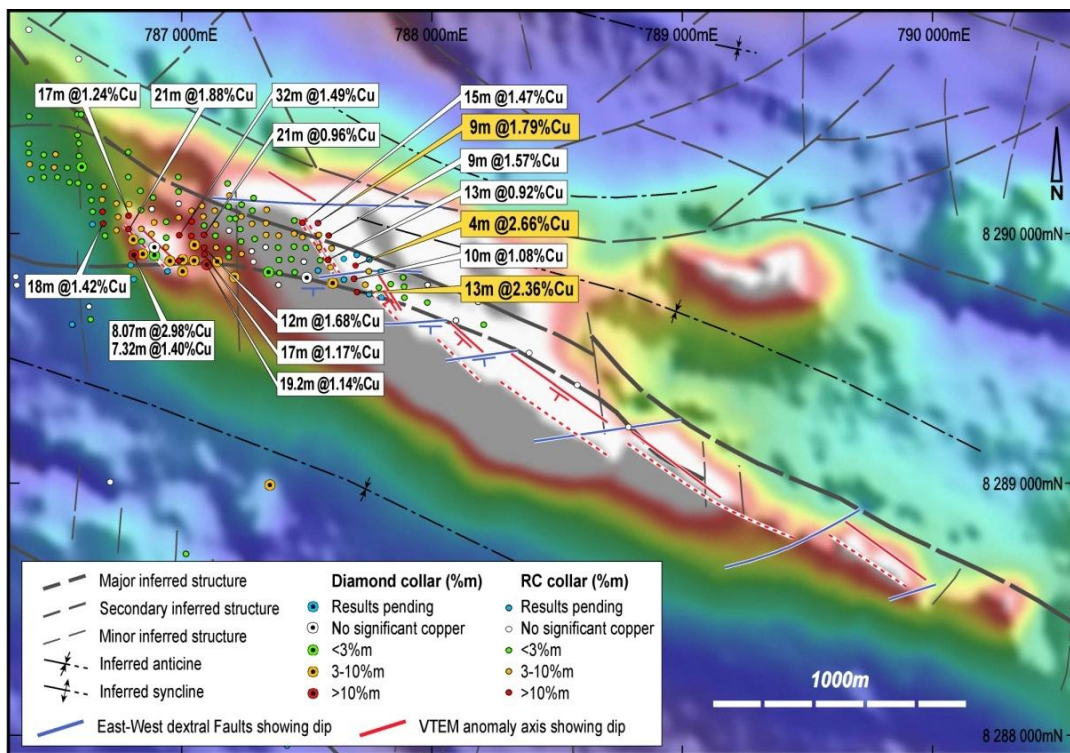
During 2008 71 RC holes for 17,058 m and 18 DD holes for 5,372 m were completed at Kangaluwi, 63 RC holes for 10,011 m at Chisawa and 20 RC holes for 2,560 m at Kalulu over a strike length of 1.3 km.



**FIG 6: CROSS SECTION CHISAWA 12000E**

In May 2008 the Company completed a major regional Versatile Time Domain Electromagnetic Survey (VTEM) over the Kangaluwi Project area. Some 1,810 line kilometres were flown at a line spacing of 150 m, with further infill at 75 m in the Kangaluwi – Chisawa – Kalulu area.

Interpretation of data from the VTEM survey in conjunction with assay results providing confidence in a strong correlation between distinct trends in the VTEM data and the location of higher grade copper mineralisation.



**FIG 7: KANGALUWI LIMB WITH VTEM ANOMALY EXTENDING TO SE**



# Mineral Resource Estimate

Based on previous exploration an Indicated Mineral Resource has been estimated of 8.9 Mt grading 0.78% Cu for 69,000 tonnes of contained copper at Kangaluwi prospect and at Chisawa an Inferred Mineral Resource has been estimated at 14.5 Mt grading 0.90% Cu for 130,824 tonnes of contained Cu.

**TABLE 1: GLOBAL INDICATED AND INFERRED MINERAL RESOURCE ESTIMATE**  
**– KANGALUWI COPPER PROJECT**

Prospect	Measured		Indicated		Inferred		Totals	
	Tonnes (t)	Grade (% Cu)	Tonnes (t)	Grade (% Cu)	Tonnes (t)	Grade (% Cu)	Tonnes (t)	Grade (% Cu)
Kangaluwi	-	-	8,907,000	0.78	-	-	8,907,000	0.78
Chisawa	-	-	-	-	14,535,983	0.90	14,535,983	0.90
<b>Totals</b>	-	-	<b>8,907,000</b>	<b>0.78</b>	<b>14,535,983</b>	<b>0.90</b>	<b>23,442,983</b>	<b>0.85</b>

The JORC compliant resources estimates for Kangaluwi and Chisawa is 23.4 Mt grading 0.85% Cu for 200,575 tonnes of contained copper.

At this stage the resource estimates do not include any resources from the Kalulu prospect and so far only about 27% of the 28 km strike length has been drill tested.

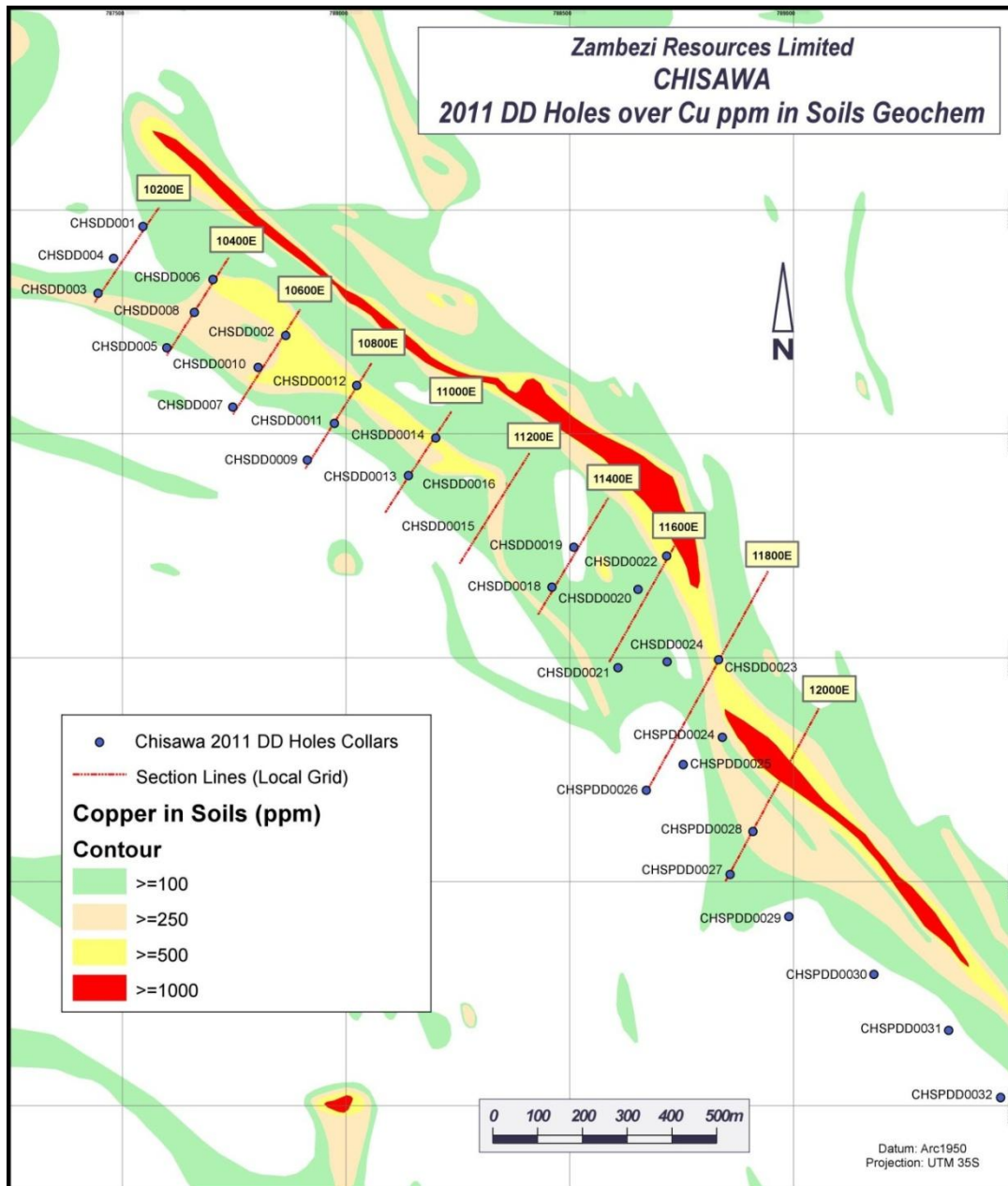




# Current Exploration at Kalulu & Chisawa

Zambezi's current DD drilling campaign of 13,000 m focuses on Chisawa and Kalulu Prospects.

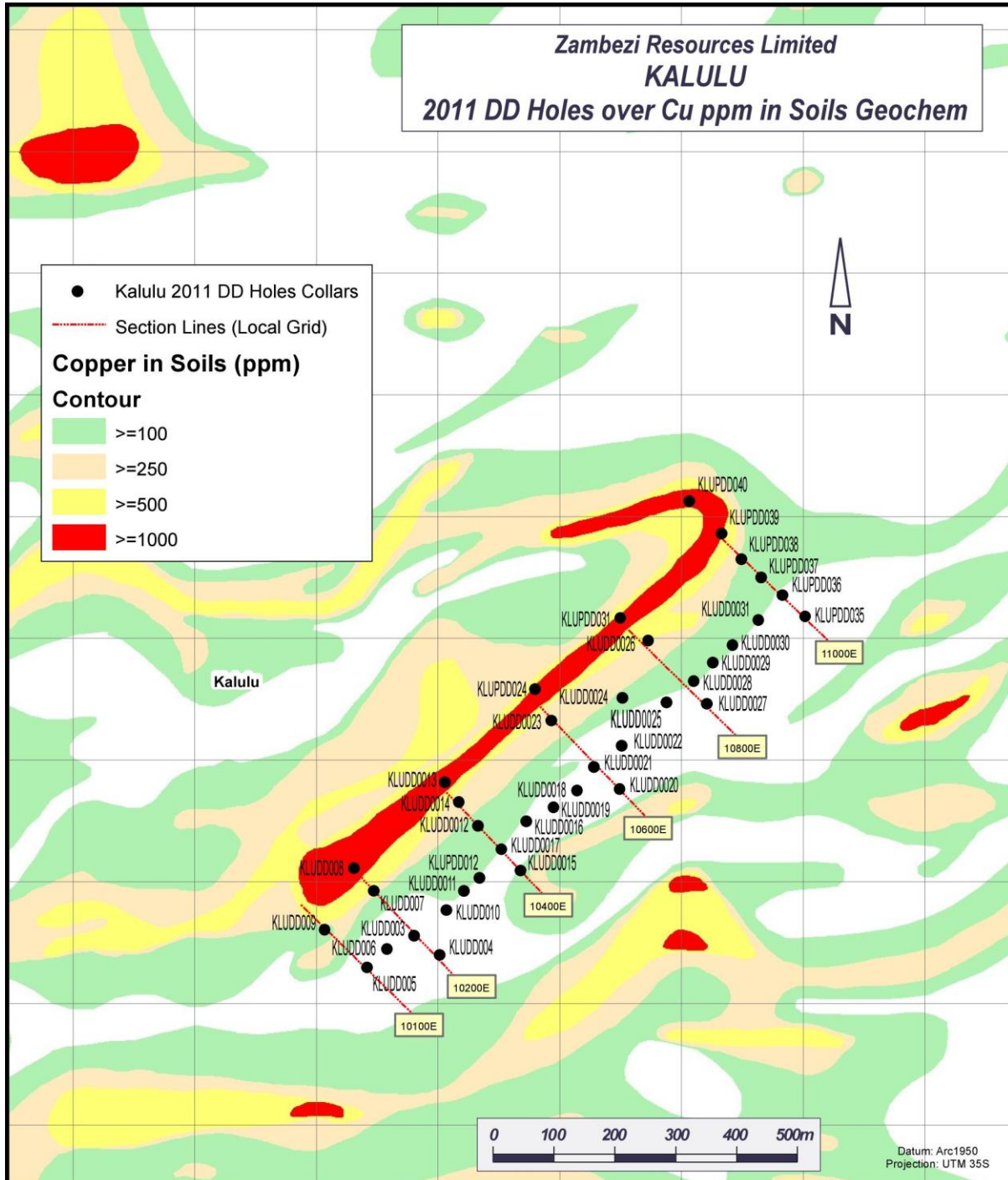
At Chisawa prospect a total of 32 DD holes for some 6,400 m will be drilled over a 3 km mineralised zone. This program will increase the resource confidence and advance classification to an Indicated category.



**FIG 8: SHOWING PLANNED DRILLED HOLES AT CHISAWA**



At Kalulu prospect a total of 38 DD holes for 6,640 m was drilled over a 1.2 km mineralised strike length. This phase of drilling should advance the Kalulu resource from Inferred to Indicated category.



**FIG 9: MAP SHOWING DRILLED DD HOLES AT KALULU**



# Assay Results Received To-date From the Current Diamond Drilling Program

## Kalulu Prospect

All budgeted 38 DD holes for 6,640 m were drilled at Kalulu. Kalulu is interpreted to lie at the nose of the east-plunging fold. Sulphide mineralisation is structurally controlled in a sheared, regional east-plunging syncline. Kalulu's strike length of 1.2 km was drilled at 100 m intervals, both between and along RC drill sections. This will result in a 50 m x 50 m grid drill coverage and should advance the Kalulu resource to Indicated Mineral Resource category.

Results received are from 6 DD holes drilled along sections 10100E, 10150E and 10200E and significant intersections are shown below.

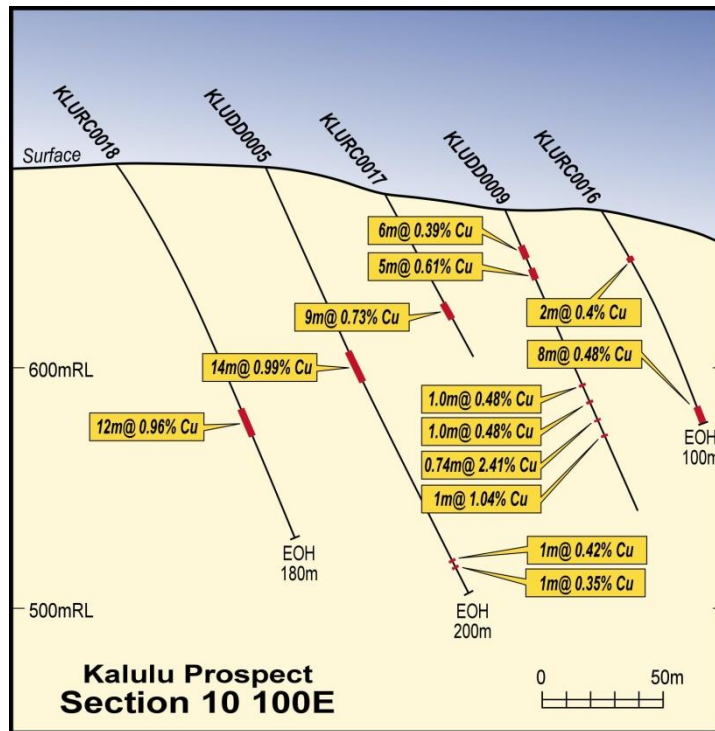
**TABLE 1: KALULU PROSPECT – DD DRILLING ASSAY RESULT**

Hole_ID	Northing	Easting	RL	EOH Depth	Inclination	Azimuth	From (m)	To (m)	Width (m)	Cu%	Intercept
KLUDD0003	8289900	784362	683	200.72	-60	320	72.6	73.8	1.2	0.44	1.2m @ 0.44 % TCu
KLUDD0003	8289900	784362	683	200.72	-60	320	75.5	77	1.50	1.51	1.5m @ 1.51 % TCu
KLUDD0003	8289900	784362	683	200.72	-60	320	109	111	2.00	0.54	2m @ 0.54%TCu
KLUDD0003	8289900	784362	683	200.72	-60	320	157	159	2.00	0.78	2m @ 0.78%TCu
KLUDD0004	8289873	784406	687	207.00	-60	320	88.60	91.00	2.40	1.69	2.4m @ 1.69 % TCu
KLUDD0004	8289873	784406	687	207.00	-60	320	124.00	127.00	3.00	0.35	3.0m @ 0.35 % TCu
KLUDD0004	8289873	784406	687	207.00	-60	320	183.00	184.00	1.00	0.36	1m @ 0.36 % TCu
KLUDD0005	8289850	784290	682	200	-60	320	87.00	101.00	14.00	0.99	14.0m @ 0.99 % TCu
KLUDD0005	8289850	784290	682	200	-60	320	184.00	185.00	1.00	0.42	1m @ 0.42% TCu
KLUDD0005	8289850	784290	682	200	-60	320	187.00	188.00	1.00	0.35	1m @ 0.35% TCu
KLUDD0006	8289894	784320	687	214	-60	320	78.00	88.00	10.00	1.13	10m @ 1.13 % TCu
KLUDD0006	8289894	784320	687	214	-60	320	98.00	99.00	1.00	0.48	1m @ 0.48 %TCu
KLUDD0006	8289894	784320	687	214	-60	320	110.00	111.00	1.00	0.46	1m @ 0.46 %TCu
KLUDD0006	8289894	784320	687	214	-60	320	125.00	126.00	1.00	0.64	1m @ 0.64 %TCu
KLUDD0006	8289894	784320	687	214	-60	320	138.00	139.00	1.00	0.30	1m @ 0.30 %TCu
KLUDD0006	8289894	784320	687	214	-60	320	164.00	165.00	1.00	0.48	1m @ 0.48 %TCu
KLUDD0006	8289894	784320	687	214	-60	320	167.00	168.00	1.00	0.40	1m @ 0.40 %TCu
KLUDD0007	8289981	784310	687	168	-60	320	44.00	65.00	21.00	0.79	21m @ 0.79 % TCu
KLUDD0007	8289981	784310	687	168	-60	320	88.00	89.00	1.00	0.44	1m @ 0.44 %TCu
KLUDD0007	8289981	784310	687	168	-60	320	90.00	91.00	1.00	0.51	1m @ 0.51 %TCu
KLUDD0007	8289981	784310	687	168	-60	320	92.00	94.00	2.00	0.42	2m @ 0.42 %TCu
KLUDD0007	8289981	784310	687	168	-60	320	110.00	111.00	1.00	0.44	1m @ 0.44 %TCu
KLUDD0007	8289981	784310	687	168	-60	320	135.00	136.00	1.00	0.96	1m @ 0.96 %TCu
KLUDD0009	8289922	784216	654	144	-60	320	13.00	19.00	6.00	0.41	6m @ 0.39 % TCu
KLUDD0009	8289922	784216	654	144	-60	320	24.00	29.00	5.00	0.61	5m @ 0.61 % TCu
KLUDD0009	8289922	784216	654	144	-60	320	79.00	80.00	1.00	0.48	1m @ 0.48 % TCu
KLUDD0009	8289922	784216	654	144	-60	320	87.00	88.00	1.00	0.48	1m @ 0.48 % TCu
KLUDD0009	8289922	784216	654	144	-60	320	95.76	96.50	0.74	2.41	0.74m @ 2.41% TCu
KLUDD0009	8289922	784216	654	144	-60	320	103.00	104.00	1.00	1.04	1m @ 1.04 % TCu

**Note:** Intercepts were calculated @ 0.30%Cu minimum cut off downhole width  
Co-ordinate System Arc 1950 UTM Zone 355

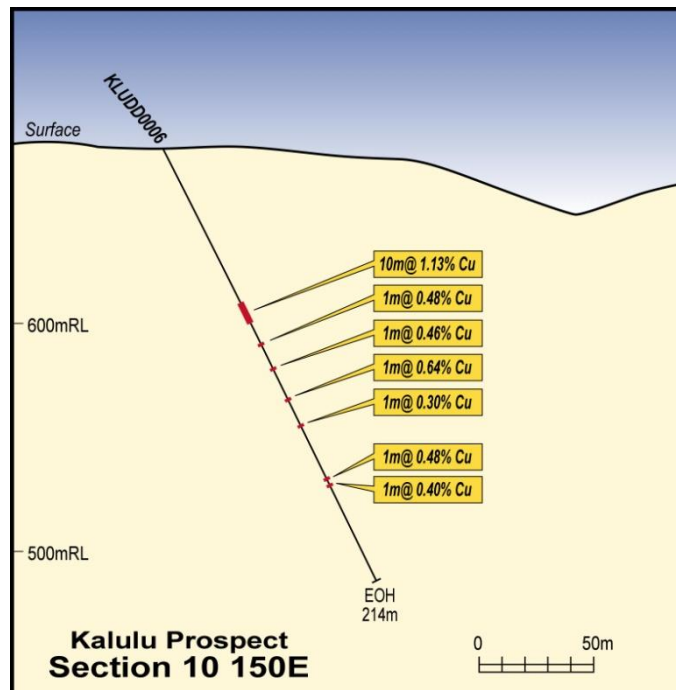


Hole KLUD005 drilled on section 10100E displayed both chalcopyrite and bornite sulphide mineralisation. KLUD009 was drilled through biotite-muscovite-quartz schist and confirmed malachite mineralisation intersected in KLURL0017.



**FIG 10:**

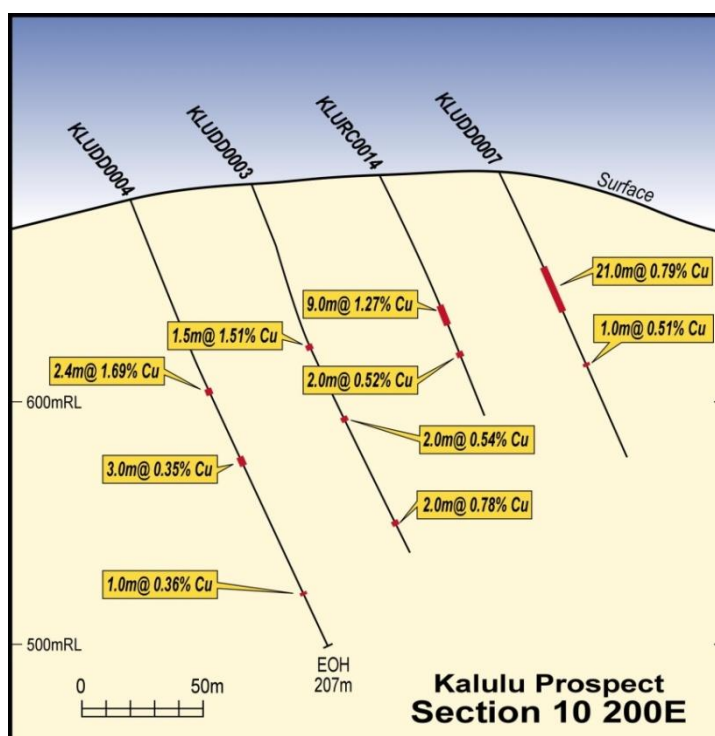
Hole KUDD006 drilled on section 10150E intersected quartz-biotite schist, garnet-chlorite-biotite schist and quartz-biotite-muscovite schist.



**FIG 11**



Holes KLUGD003, KLUGD004 and KLUGD007 were drilled on section 10200E (Figure 12). Mineralisation in KLUGD003 & KLUGD004 holes was predominantly chalcopyrite, while KLUGD007 exhibited a 20 m thick mineralised zone of azurite and malachite.



**FIG 12**

Assay results at Kalulu so far confirm the wider intersections normally associated with the hinge zone of folds, where low pressure zones are conducive to metal deposition. It is comforting to note that all 6 holes intercepted mineralisation at multiple depths suggesting several more ore chutes than previously interpreted.

## Chisawa Prospect

A total of 5,063 m have been drilled at Chisawa or 25 DD holes from a total of 32 DD holes budgeted for a Phase I drilling program, across a 3 km mineralised zone. With collars designed at 200 m intervals, a 100 m x 100 m grid drill coverage will be realised when combined with existing RC drilling. The principal aim of this infill program is to increase mineral resource confidence and advance the resource classification, ideally to an Indicated category.

**TABLE 2: CHISAWA PROSPECT – DD DRILLING ASSAY RESULTS**

Hole_ID	Easting	Northing	RL	EOH Depth	Inclination	Azimuth	From (m)	To (m)	Width (m)	Cu%	Intercept
CHSDD0001	8287961	787550	707	180.00	-50	42.5	145.00	152.00	7.00	1.14	7.0m @ 1.14% TCu
CHSDD0002	8287718	787872	702	123.80	-50	42.5	98.00	101.00	3.00	0.80	3.0m @ 0.80% TCu
CHSDD0003	8287814	787444	703	300.20	-50	42.5	250.00	255.00	5.00	0.72	5.0m @ 0.72% TCu
CHSDD0004	8287892	787482	692	251	-50	42.5	195	197	2.00	0.63	2.0m @ 0.63% TCu
CHSDD0005	8287690	787607	697	251	-50	40	219	223	4.00	0.87	4.0m @ 0.87% TCu
CHSDD0005	8287690	787607	697	251	-50	40	235	239	4.00	1.09	4.0m @ 1.09% TCu

**Note:** Intercepts were calculated @ 0.30%Cu minimum cut off downhole width.  
Co-ordinate System Arc 1950 UTM Zone 355

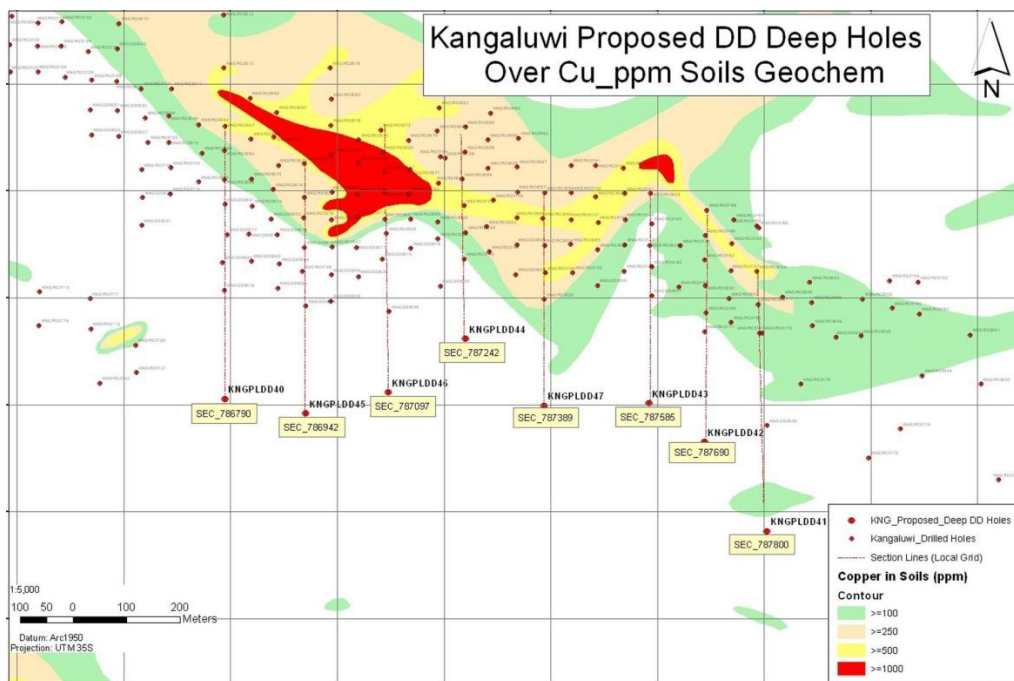


Results received are from 5 DD holes drilling along sections 10200E, 10400E and 10600E, and significant intersections are indicated herewith.

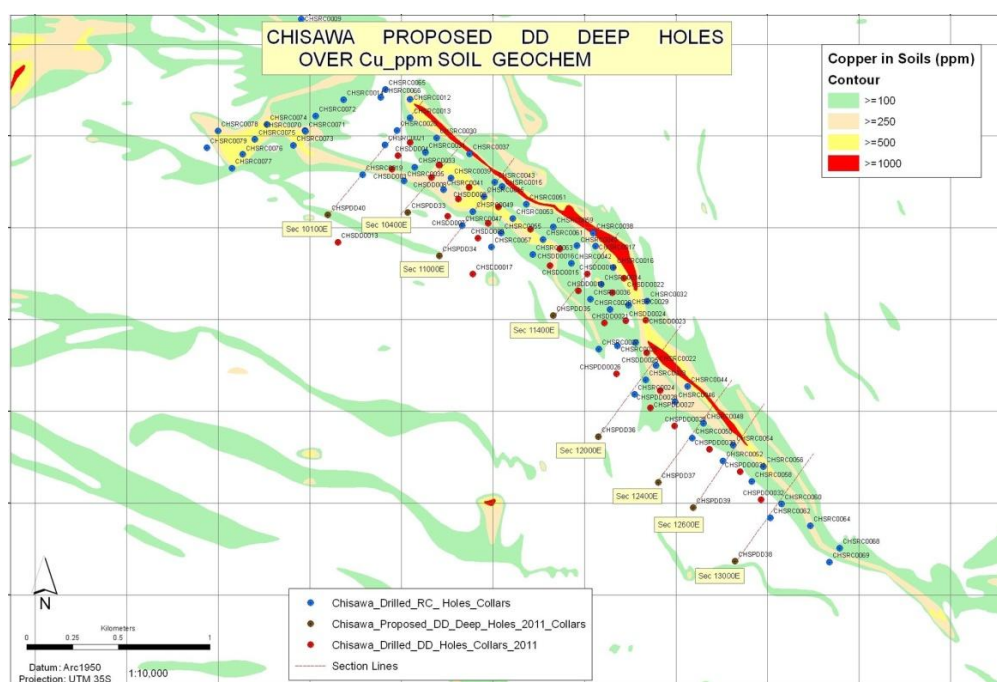
Collectively these assay sample results for Chisawa and Kalulu Prospects confirm the strike and down-dip extension of mineralisation as indicated in previous assays of drilling samples.

## Planned Exploration at Kangaluwi Project

The Company plans to drill 10,000 m of deep DD holes over the Kangaluwi Project to test the down dip/plunge continuation of the three prospects (Figures 13 & 14 Kangaluwi and Chisawa).



**FIGURE 13: MAP SHOWING PROPOSED PHASE II KANGALUWI DD DRILL HOLES**

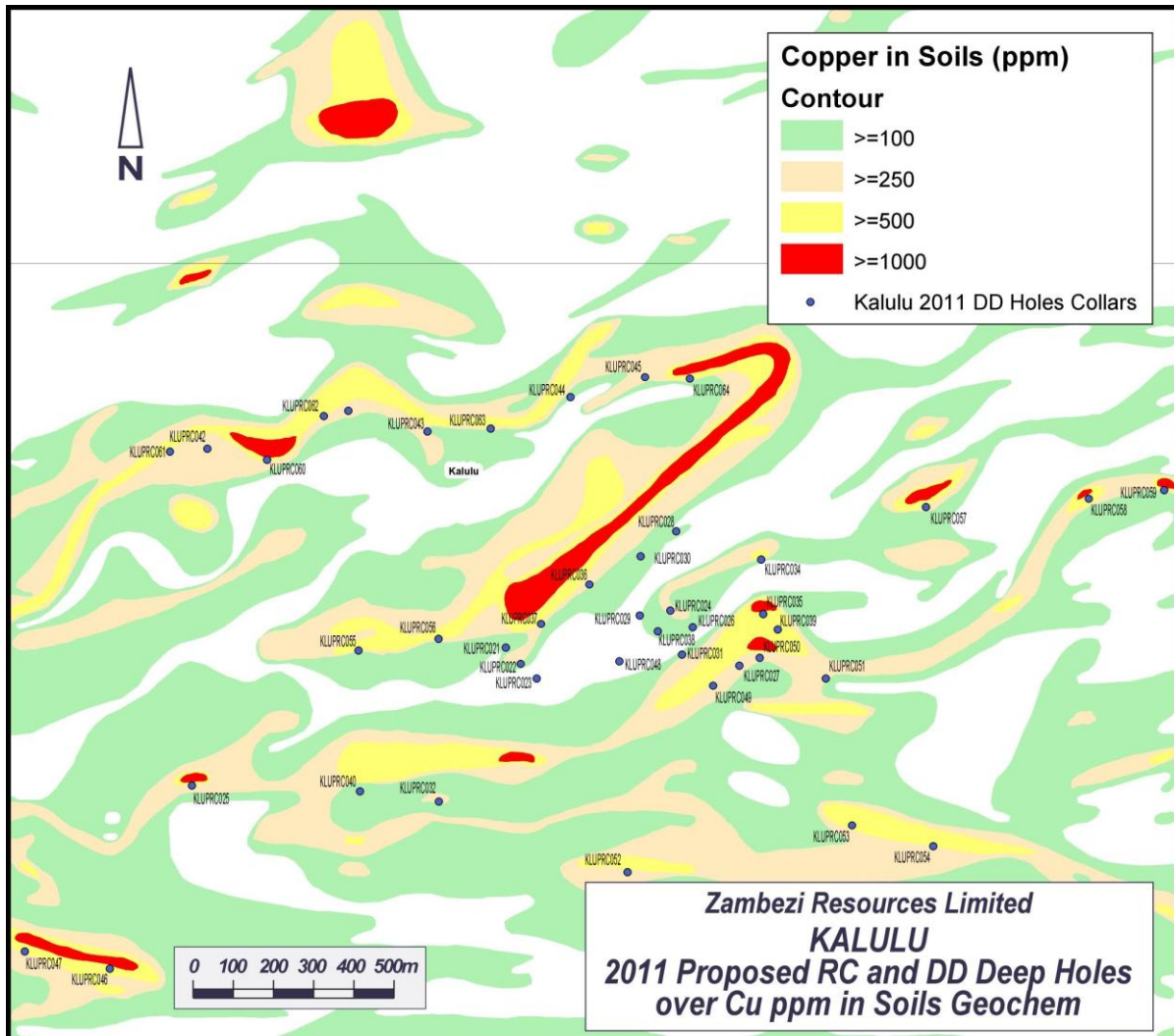


**FIGURE 14: MAP SHOWING PROPOSED PHASE II CHISAWA DD DRILL HOLES**



At Kalulu 40 RC holes are planned for 5,000 m over the prospect to explore the presence of copper oxide mineralisation and strike continuity.

A further limited diamond program of 4 holes are planned to test for down dip continuity especially over peak soil (>1,000 ppm Cu) anomalies.



**FIGURE 15: MAP SHOWING PROPOSED PHASE II KALULU RC AND DD DEEP DRILL HOLES**



## Use of Funds and Anticipated Timeline

Current cash on hand, the funds from Tranche 1 of the Convertible Note Facility and the Rights Issue proceeds will be used as follows:

Q3 2011 – Q3 2012	Ⓜ Ⓜ Ⓜ Ⓜ	Drilling RC and DD Program Resource Estimates Feasibility Drilling Program Hydrological, Geotechnical and Metallurgical Test-work	\$10 million
Q2 2012 – Q4 2012	Ⓜ	Bankable Feasibility Study	\$2 million
Q1 2013	Ⓜ	Capital Raising and Development	

*The company's convertible note facility with LinQ Resources Fund (LRF) includes a condition that the Rights Issue raise at least \$4 million.*

*The company intends to secure underwriting commitments for the Rights Issue to take up any shortfall not taken up by eligible shareholders.*

*If the company is unable to secure underwriting commitments for the entire shortfall, the directors have reserved the right to place the shortfall to any eligible shareholders whose acceptance exceeds their entitlement as shown on their acceptance form for the Rights Issue, or to any other parties selected by the directors.*

*If the company is still unable to raise the \$4 million required by the convertible note facility, then it may not have access to the funds that would otherwise be provided under that facility. This will materially impact on its ability to implement its plans in the manner set out above.*

## Other Assets

The Company intends to spin out its uranium prospects held by its wholly owned subsidiary Chalimbana Resources Limited into a new ASX listing and Zambezi shareholders may get a preferential allocation of IPO subscription shares.

Mpande Limestone Limited, a wholly owned subsidiary of Mwembeshi Resources Limited (MRL) holds two tenements with a high quality limestone resource, close to the town of Chilanga, a well-known limestone and cement producing area. The aim is to quarry the limestone to produce high quality metallurgical lime and other industrial commodity chemicals to supply Zambia's Copperbelt and construction industry.

The Company has a 49% interest in Cheowa Resources Limited (Cheowa), a joint venture company with Glencore International AG (Glencore) who owns 51% (after spending \$16 million on the tenements). Cheowa has three prospects, Cheowa (6 Mt @ 1% Cu), Chayinda (3.3 Mt @ 2.1% Cu) and Chalimbana (5.3 Mt @ 0.8% Cu). Glencore is currently planning drilling programs and budgets to further the project development.





# Summary

- The Company drilled some 45,000 m RC and 10,000 m DD holes based on geochemical and geophysical studies
- The resource to date is estimated at 23.4 Mt grading 0.85% Cu for 200,000 t of contained copper from Kangaluwi and Chisawa, not including Kalulu estimated at 11 Mt @ 0.89% Cu for 98,000 tonnes of contained copper
- The current and planned drilling program of +/- 28,000 m will establish a new resource estimate for Cu and gold as a base for the Bankable Feasibility Study
- Proceeds from the Rights Issue and the Convertible Note facilities will provide the Company with sufficient funding to finalise the Feasibility Study for the development of the Kangaluwi Copper Project over the ensuing 12 - 18 months.

## Key Risks

The principal risks associated with an investment in Zambezi include, but are not limited to, those detailed below.

### Exploration and development risk

Exploration is a high risk activity that requires large amounts of expenditure over extended periods of time. Currently, there are no defined mineral reserves on Zambezi's projects. Zambezi intends to use funds raised under the Rights Issue to fund exploration programs to confirm the drilling results set out in this presentation. There can be no guarantee that the planned exploration programs will lead to the discovery of a commercial deposit or a commercial mining operation.

While Zambezi's estimates comply with the JORC Code, the exploration results presented are expressions of judgment based on knowledge, experience and industry practice, and may require revisions following further exploration and future production experience. Estimates valid when made may change significantly when new information becomes available.

### Sovereign risk

Zambezi is pursuing projects in Africa and so is subject to the risks associated with operating in that region of the world. These risks may include economic, social or political instability or change, hyperinflation, currency convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

Any future material adverse changes in government policies or legislation in African countries that affect foreign ownership, mineral exploration, development or mining activities may affect the viability and profitability of Zambezi and its projects.

### No profit to date

It is not possible to evaluate Zambezi's prospects based on past performance. Since Zambezi intends to continue investing in its exploration and development program, the board anticipates that Zambezi may make losses in the foreseeable future.



While the board has confidence in Zambezi's future revenue-earning potential, there can be no certainty that Zambezi will achieve or sustain profitability or achieve or sustain positive cash flow from its operating activities.

### **Title risk**

The tenements in which Zambezi has an interest are subject to various conditions, obligations and terms. If renewal is required this may be at the discretion of the relevant government minister or official. In addition, Zambezi will have to receive regulatory and environmental approval to convert its prospecting licences into production tenements. There is a risk that these approvals may not be obtained. If approval for renewal or conversion is refused, Zambezi will suffer a loss of the opportunity to undertake further exploration and/or exploitation of the tenement.

### **Commodity price and exchange rate risk**

The revenue Zambezi may derive through the sale of copper and other commodities, should it be successful through its exploration activities, exposes its potential income to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of Zambezi. These factors include, among others, supply and demand fluctuations for precious metals, technological advancements, forward selling activities and other macro-economic factors. Further, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of Zambezi are and will be taken into account in United States dollars, exposing Zambezi to the fluctuations and volatility of the rate of exchange.

### **Operational risk**

Zambezi's operations may be affected by various factors which are beyond its control. These include a failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration or mining, operational and technical difficulties encountered in mining, commissioning or operating plant, adverse weather conditions, industrial and environmental accidents, industrial disputes, fire, explosions and other incidents beyond its control. These risks could also result in damage to production facilities, personal injury, environmental damage, business interruption, and possible legal liability.

### **Future capital needs**

Further funding of projects may be required by Zambezi to support its on-going activities and operations. There can be no assurance that such funding will be available on satisfactory terms or at all. Any inability to obtain funding will adversely affect the business and financial condition of Zambezi and, consequently, its performance. A failure to meet cash calls would result in default in joint venture obligations which, if not remedied, could result in forfeiture of permits or concessions.

### **Share price variations**

The shares offered under the Rights Issue are to be quoted on ASX, where their price may rise or fall in relation to the Offer Price. The shares issued under the Rights Issue carry no guarantee in respect of profitability, dividends, return of capital, or the price at which they may trade on ASX. The value of the shares will be determined by the market and will be subject to a range of factors beyond the control of Zambezi and its directors and officers. Such factors include, but are not limited to, the demand for and availability of shares, movements in domestic interest rates, exchange rates, fluctuations in stock markets and general domestic and economic activity. Returns from an investment in the shares may also depend on general stock market conditions as well as the performance of Zambezi. There can be no guarantee that an active market in the shares will develop or that the market price of the shares will not decline below the Offer Price.

### **Economic factors**

Changes in economic and business conditions or government policies in Australia, Bermuda, Zambia or internationally may affect the fundamentals which underpin the projected growth of



Zambezi's target markets or its costs structure and profitability. Adverse changes in such things as the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), consumer spending and employment rates, among others, are outside the control of Zambezi and may result in material adverse impacts on the business or its operating results.

### **Regulatory risk**

Changes in relevant taxes, legal and administrative regimes and government policies both in Bermuda and overseas may adversely affect the financial performance of Zambezi. Any change to the current rate of company income tax in jurisdictions where Zambezi operates will impact on shareholder returns. Any change to the current rates of income tax applying to individuals and trusts will similarly impact on shareholder returns. In addition, any change in tax arrangements between jurisdictions could have an adverse impact on profit margins and any future dividends.

### **Competent Persons Statement**

*The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Ms Chiedza Nematadzira BSc Hon Geology and Borniface Nquni, MAIG, of Caracle Creek Consulting Zambia who are both Competent Persons as defined by the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 Edition) and who consent to the inclusion in this report of the matters based on the information in the form and context in which it appears.*

*The information in this announcement that relates to Exploration Results is based on information compiled by Geoff Booth, Consulting Geologist. Geoff Booth is employed as a consultant for Zambezi Resources and is also a Fellow of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Geoff Booth consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

### **Qualifying Statement**

*This release may include forward-looking statements. These forward-looking statements are based on Zambezi's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Zambezi, which could cause actual results to differ materially from such statements. Zambezi makes no undertaking to subsequently update or revise the forward-looking statements made in this release, to reflect the circumstances or events after the date of this release.*

*The Convertible Note Facility is subject to due diligence and legal documentation entered into within 60 days from 25 July 2011.*

*The second tranche of the Convertible Note is subject to Shareholders approval.*

*The company's convertible note facility with LinQ Resources Fund (LRF) includes a condition that the Rights Issue raise at least \$4 million.*

## How to Apply

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### 1 Overview of the Equity Raising

Zambezi intends to raise approximately A\$15 million through the Funding Package, which comprises the Entitlement Offer and the Facility.

New Shares issued under the Entitlement Offer will be issued on a fully paid basis and will rank equally in all respects with existing ordinary Zambezi shares from their date of issue.

### 2 The Entitlement Offer

Eligible Shareholders (as defined in the “Important Information” section below) are being offered the opportunity to subscribe for 1 New Share for every 5 Zambezi ordinary shares (**Shares**) held at 5:00pm (Perth time) on 16 August 2011 (**Entitlement**), at the offer price of \$0.02 per New Share (**Offer Price**).

Eligible Shareholders may also apply for New Shares in excess of their Entitlement (**Additional New Shares**). Please note that Additional New Shares will only be allocated to Eligible Shareholders, if and to the extent that Zambezi so determines in its absolute discretion, having regard to the circumstances as at the time of the close of the Entitlement Offer. Any Additional New Shares will be limited to the extent that there are sufficient New Shares from Eligible Shareholders who do not take up their full Entitlements or from New Shares that would have been offered to Ineligible Shareholders if they had been entitled to participate in the Entitlement Offer. Zambezi may apply any scale-back (in its absolute discretion).

The Entitlement Offer is being made pursuant to provisions of the Corporations Act which allow rights issues to be offered without a prospectus. As a result, it is important for Eligible Shareholders to read and understand the information on Zambezi and the Entitlement Offer made publicly available before taking up all or part of their Entitlement or applying for Additional New Shares.

In particular, please refer to this booklet, Zambezi’s interim and annual reports and other announcements made available at the ASX website, [www.asx.com.au](http://www.asx.com.au) (including the Zambezi Quarterly Report for the quarter ending 30 June 2010 that was released to ASX on 29 July 2011).

Your Entitlement is set out on the accompanying Entitlement and Acceptance Form and has been calculated as 1 New Share for every 5 Shares you held as at the Record Date of 5:00pm (Perth time) on 16 August 2011. If you have more than one holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding. All New Shares (including any Additional New Shares) issued under the Entitlement Offer will rank equally with issued Shares.

### 3 Consider the Entitlement Offer in light of your particular investment objectives and circumstances

Please consult with your stockbroker, accountant or other independent professional adviser if you have any queries or are uncertain about any aspects of the Entitlement Offer.

You should also refer to the “Key Risks” section of the investor presentation released to ASX on 8 August 2011 and included in this Offer Booklet.

#### **4 Timing of acceptance**

To participate in the Entitlement Offer, your payment must be received no later than the close of the Entitlement Offer at 5:00pm (Perth time) on 2 September 2011.

In this Offer Booklet, the period between the Entitlement Offer opening date and closing date is referred to as the **Entitlement Offer Period**.

#### **5 Complete and return the accompanying Entitlement and Acceptance Form with your Application Monies or make a payment by BPAY**

If you decide to take up all or part of your Entitlement or apply for Additional New Shares, please complete and return the Entitlement and Acceptance Form with the requisite Application Monies OR pay your Application Monies via BPAY by following the instructions set out on the Entitlement and Acceptance Form.

Zambezi will treat you as applying for as many New Shares as your payment will pay for in full, subject to any scale-back it may determine to implement, in its absolute discretion, in respect of Additional New Shares. Amounts received by Zambezi in excess of your Entitlement (**Excess Amount**) may be treated as an application to apply for as many Additional New Shares as your Excess Amount will pay for in full. If you are paying by BPAY, please make sure to use the specific Biller Code and unique Customer Reference Number (**CRN**) on the back of your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form, please only use the CRN specific to the Entitlement on that Form. If you inadvertently use the same CRN for more than one of your Entitlements, you may be deemed to have applied only for Additional New Shares on the Entitlement to which that CRN applies.

Entitlements cannot be traded or otherwise transferred on the ASX or any other exchange or privately.

If you take no action, you will not be allocated New Shares and your Entitlement will lapse. Your Entitlement to participate in the Entitlement Offer is non-renounceable and will not be tradeable or otherwise transferable. Shareholders who do not take up their Entitlements in full will not receive any payment or value for those Entitlements they do not take up.

If you take up and pay for all or part of your Entitlement before the close of the Entitlement Offer, you will be allotted your New Shares on 12 September 2011. If you apply for Additional New Shares then, subject to Zambezi’s absolute discretion to scale-back your application for Additional New Shares (in whole or part), you will be issued these on 12 September 2011. Zambezi’s decision on the number of New Shares to be allocated to you will be final.

Zambezi also reserves the right (in its absolute discretion) to reduce the number of New Shares allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claims prove to be overstated or if they or their nominees fail to provide information to substantiate their claims.

## 6 Acceptance of the Entitlement Offer

The method of acceptance of the Entitlement Offer will depend on your method of payment, being either:

- by BPAY; or
- by cheque, bank draft or money order.

By completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY, you:

- a) agree to be bound by the terms of this booklet and the rules of Zambezi's constitution;
- b) authorise Zambezi to register you as the holder(s) of the New Shares allotted to you;
- c) declare that all details and statements made in the Entitlement and Acceptance Form are complete and accurate;
- d) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement Offer;
- e) acknowledge that once Zambezi receives the Entitlement and Acceptance Form or your payment by BPAY, you may not withdraw it except as allowed by law;
- f) agree to apply for, and be issued with up to, the number of New Shares that you apply for at the Offer Price of \$0.02 per New Share;
- g) authorise Zambezi and its officers or agents to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of Zambezi's Share Registry upon using the contact details set out in the Entitlement and Acceptance Form;
- h) declare that you are the current registered holder(s) of the Shares in your name at the Record Date;
- i) acknowledge that the information contained in this booklet is not investment advice or a recommendation that New Shares are suitable for you, given your investment objectives, financial situation or particular needs;
- j) represent and warrant that the law of any other place does not prohibit you from being given this booklet or making an application for New Shares; and
- k) represent and warrant that you are an Eligible Shareholder and have read and understood this Offer Booklet and the Entitlement and Acceptance Form and that you acknowledge the matters, and make the warranties and representations and agreements contained in this booklet and the Entitlement and Acceptance Form.

In addition, by completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY, you will be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:

- a) you are not in the United States and are not a U.S Person, and are not acting for the account or benefit of, a U.S. Person and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares under the Entitlement Offer;
- b) you acknowledge that the Entitlements and the New Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdictions in the United States, or in any other jurisdiction outside Australia or New Zealand and accordingly, the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities laws; and
- c) you have not and will not send any materials relating to the Entitlement Offer to any person in the United States or that is a U.S. Person, or is acting for the account or benefit of a U.S. Person.

**Payment by BPAY**

For payment by BPAY please follow the instructions on the personalised Entitlement and Acceptance Form. You can only make a payment via BPAY if you are the holder of an account with an Australian financial institution that supports BPAY transactions.

Please note that should you choose to pay by BPAY:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make the declarations on that Entitlement and Acceptance Form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY payment is received by the Zambezi Share Registry by no later than 5:00pm (Perth time) on 2 September 2011. Practically, given that BPAY closes at 4:00pm (Perth time), you will need to ensure that your payment is received by that time. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment, and you should therefore take this into consideration when making payment.

Any Application Monies received for more than your final allocation of New Shares and Additional New Shares will be refunded as soon as practicable after the close of the Entitlement Offer. No interest will be paid to Applicants on any Application Monies received or refunded.

**Payment by cheque, bank draft or money order**

For payment by cheque, bank draft or money order, you should complete your Entitlement and Acceptance Form in accordance with the instructions on the Form and return it accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies, payable to "Zambezi Resources Limited" and crossed "Not Negotiable".

Your cheque, bank draft or money order must be:

- for an amount equal to A\$0.02 multiplied by the number of New Shares (including any Additional New Shares) that you are applying for; and
- in Australian currency drawn on an Australian branch of a financial institution.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies as your cheques will be processed on the day of receipt. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your Entitlement and Acceptance Form). Alternatively, your application will not be accepted.

Any Application Monies received for more than your final allocation of New Shares and Additional New Shares will be refunded as soon as practicable after the close of the Entitlement Offer. No interest will be paid to Applicants on any Application Monies received or refunded.

Cash payments will not be accepted. Receipts for payment will not be issued.

## **7 Mail**

To participate in the Entitlement Offer, your payment must be received no later than the close of the Entitlement Offer at 5:00pm (Perth time) on 2 September 2011. Shareholders who make payment via cheque, bank draft or money order should mail their completed personalised Entitlement and Acceptance Form together with Application Monies to:

Zambezi Share Registry  
C/- Computershare Investor Services Pty Limited  
PO Box D182  
Perth WA 6840



## Important Information

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This booklet (including the ASX announcements reproduced in it) and enclosed personalised Entitlement and Acceptance Form have been prepared by Zambezi. The information in this booklet is dated 8 August 2011 (other than the ASX announcements reproduced in it).

No party other than Zambezi has authorised or caused the issue of the information in this booklet, or takes any responsibility for, or makes, any statements, representations or undertakings in the information in this booklet.

### **The information in this booklet is important and requires your immediate attention.**

You should read the information in this booklet carefully and in its entirety before deciding whether to invest in New Shares. In particular, you should consider the risk factors outlined in “Key Risks” section of the investor presentation released to ASX on 8 August 2011, any of which could affect the operating and financial performance of Zambezi or the value of an investment in Zambezi.

Zambezi has applied for the grant by ASX of official quotation of the New Shares. It is expected that normal trading will commence in relation to New Shares issued under the Entitlement Offer on 13 September 2011. Zambezi disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares before the New Shares are listed on the official list of ASX or receiving their confirmation of issue, whether on the basis of confirmation of the allocation provided by Zambezi or the Zambezi Share Registry.

### **1 Not a prospectus**

The Entitlement Offer complies with the requirements of section 708AA of the Corporations Act as notionally modified by ASIC Class Orders [CO 07/571] and [CO 08/35]. Neither this Offer Booklet nor the Entitlement and Acceptance Form is a prospectus for the purposes of the Corporations Act. Accordingly, these documents do not contain all of the information which a prospective investor may require to make an investment decision. They do not, and are not required to, contain all of the information which would otherwise be required to be disclosed in a prospectus. They are not required to be, and will not be, lodged with ASIC. This Offer Booklet should be read in conjunction with Zambezi’s other periodic and continuous disclosure announcements to the ASX available at [www.asx.com.au](http://www.asx.com.au).

The New Shares being offered under this booklet are being offered to Eligible Shareholders with registered addresses in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (NZ). This booklet is not an investment statement or prospectus under New Zealand law, and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

## **2 Continuous disclosure**

Zambezi is a 'disclosing entity' under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules, including the preparation of annual reports and half-yearly reports.

Zambezi is required to notify the ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the stock markets conducted by the ASX. In particular, Zambezi has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of its shares. That information is available to the public from the ASX.

## **3 Eligible Shareholders**

The information in this booklet contains an offer of New Shares to Eligible Shareholders in Australia or New Zealand and has been prepared in accordance with section 708AA of the Corporations Act as notionally modified by ASIC Class Orders [CO 07/571] and [CO 08/35].

Eligible Shareholders are those holders of Shares who:

- are registered as a holder of Shares as at 5:00pm (Perth time) on 16 August 2011;
- have a registered address in Australia or New Zealand;
- are not in the United States and are neither a U.S. Person nor acting for the account or benefit of a U.S. Person; and
- are eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

## **4 Additional New Shares**

Zambezi reserves the right to allot any Additional New Shares to the extent that Zambezi so determines in its absolute discretion, having regard to the circumstances as at the time of the close of the Entitlement Offer. Any New Shares in excess of Entitlements will be limited to the extent that there are sufficient New Shares from Eligible Shareholders who do not take up their full Entitlements or from New Shares that would have been offered to Ineligible Shareholders if they had been entitled to participate in the Entitlement Offer.

If you apply for Additional New Shares then, subject to Zambezi's absolute discretion to scale-back your application for Additional New Shares (in whole or part), you will be issued these on 13 September 2011. Zambezi's decision on the number of Additional New Shares to be allocated to you will be final.

## **5 No cooling off rights**

Cooling off rights do not apply to an investment in New Shares. You cannot, in most circumstances, withdraw your application for New Shares once it has been accepted.

## **6 No Entitlements trading**

Entitlements are non-renounceable and cannot be traded on ASX or any other exchange, nor can they be privately transferred.

## **7 Not investment advice**

The information in this booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC. Neither is it financial product advice, and it has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Zambezi is not licensed to provide financial product advice in respect of the New Shares. The information in this booklet does not purport to contain all the information that you may require to evaluate a possible application for New Shares.

Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading the information in this booklet, you have any questions about the Entitlement Offer, you should contact your stockbroker, accountant or other independent professional adviser.

## **8 Taxation**

Taxation implications will vary depending on the individual circumstances of individual investors. You should obtain your own professional advice before deciding whether to invest.

## **9 Rounding of Entitlements**

Where fractions arise in the calculation of Entitlements, they will be rounded up to the nearest whole number of New Shares.

## **10 Information availability**

Eligible Shareholders in Australia and New Zealand can obtain a copy of this booklet during the period of the Entitlement Offer on the ASX website at [www.asx.com.au](http://www.asx.com.au) or by calling the Zambezi Share Registry. Persons who access the electronic version of this booklet should ensure that they download and read the entire booklet. The electronic version of this booklet on the ASX website will not include an Entitlement and Acceptance Form. A replacement Entitlement and Acceptance Form can be requested by calling the Zambezi Share Registry on 08 9323 2000 (within Australia) or +61 (0) 8 9323 2000 (from outside Australia) at any time from 8.30am to 5pm (Perth time) Monday to Friday during the Entitlement Offer Period.

*Neither the information in this booklet nor the accompanying Entitlement and Acceptance Form constitutes an offer of securities for sale in the United States or to persons that are, or are acting for the account or benefit of, a U.S. Person. Neither this information nor the accompanying Entitlement and Acceptance Form may be distributed to or relied upon by persons in the United States or that are, or are acting on behalf of or for the account or benefit of, a U.S. Person, or otherwise distributed in the United States.*

## **11 Future performance and forward-looking statements**

Neither Zambezi nor any other person warrants or guarantees the future performance of the New Shares or any return on any investment made pursuant to the Entitlement Offer. Forward-looking statements, opinions and estimates provided in the information in this booklet are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements including forecasts, projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of Zambezi and the Board, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward-looking statements in this booklet.

## **12 Past performance**

Investors should note that the past share performance of Zambezi shares provides no guidance as to future price performance.

## **13 Governing law**

This booklet, the Entitlement Offer and the contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the laws applicable in Western Australia, Australia. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of Western Australia, Australia.

## **14 Foreign jurisdictions**

The information in this booklet has been prepared to comply with the requirements of the securities laws of Australia and New Zealand.

The New Shares being offered under the information in this booklet are being offered to Eligible Shareholders with registered addresses in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). The information in this booklet is not an investment statement or prospectus under New Zealand law, and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

The information in this booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Entitlement Offer, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand. Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how to proceed.

The distribution of the information in this booklet (including an electronic copy) outside Australia and New Zealand is restricted by law. If you come into possession of the information in this booklet, you should observe such restrictions and should seek your own advice on such restrictions.

Any non-compliance with these restrictions may contravene applicable securities laws. The Entitlements and the New Shares have not been, or will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States. The Entitlements may not be taken up by persons in the United States or by persons who are, or are acting for the account or benefit of a U.S. Person, and the New Shares may not be offered, sold or resold in the United States or to, or for the account or benefit of, a U.S. Person, except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and the applicable securities laws of any state or other jurisdiction in the United States. Accordingly, the New Shares may constitute “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and, for so long as the New Shares remain restricted securities, the New Shares may not be deposited in any unrestricted American Depositary Receipt facility with respect to the securities of Zambezi.

## **15 Underwriting**

The Rights Issue is not currently underwritten, but the Company will seek underwriters for the Rights Issue before it closes.

## **16 Option holders**

Existing option holders will not be entitled to participate in the Entitlement Offer unless they:

- have become entitled to exercise their existing options under the terms of their issue and do so prior to the Record Date; and
- participate in the Entitlement Offer as a result of being a holder of Shares registered on the register of Zambezi on the Record Date.

## **17 Disclaimer of representations**

No person is authorised to give any information, or to make any representation, in connection with the Entitlement Offer that is not contained in this booklet.

Any information or representation that is not in this booklet may not be relied on as having been authorised by Zambezi, or its related bodies corporate in connection with the Entitlement Offer. Except as required by law, and only to the extent so required, none of Zambezi, or any other person, warrants or guarantees the future performance of Zambezi or any return on any investment made pursuant to the information in this booklet.

## Directory

<p><b>Registered Australian Office</b> 17 Ord Street West Perth WA 6005 Telephone: +61 (0) 8 6555 1879</p>	
<p><b>Stock Exchange Listing</b> Zambezi ordinary shares are listed on the Australian Securities Exchange (<b>ASX</b>) (code: ZRL)</p>	
<p><b>Website</b> To view annual reports, shareholder and company information, news announcements, background information on Zambezi's businesses and historical information, visit Zambezi's website at <a href="http://www.zambeziresources.com">www.zambeziresources.com</a></p>	
<p><b>Zambezi Share Registry</b> Computershare Investor Services Pty Limited Level 2, Reserve Bank Building 45 St Georges Terrace Perth, Western Australia 6000</p> <p>Telephone: 08 9323 2000 (within Australia) and +61 (0)8 9323 2000 (outside Australia) open between 8.30am and 5pm (Perth time) Monday to Friday during the Entitlement Offer Period.</p> <p>Shareholders who make payment via cheque, bank draft or money order should mail their completed personalised Entitlement and Acceptance Form together with Application Monies to: Zambezi Share Registry C/- Computershare Investor Services Pty Limited PO Box D182 Perth, Western Australia 6840</p>	