

**ASX Announcement**  
**Tuesday, 24 July 2012**

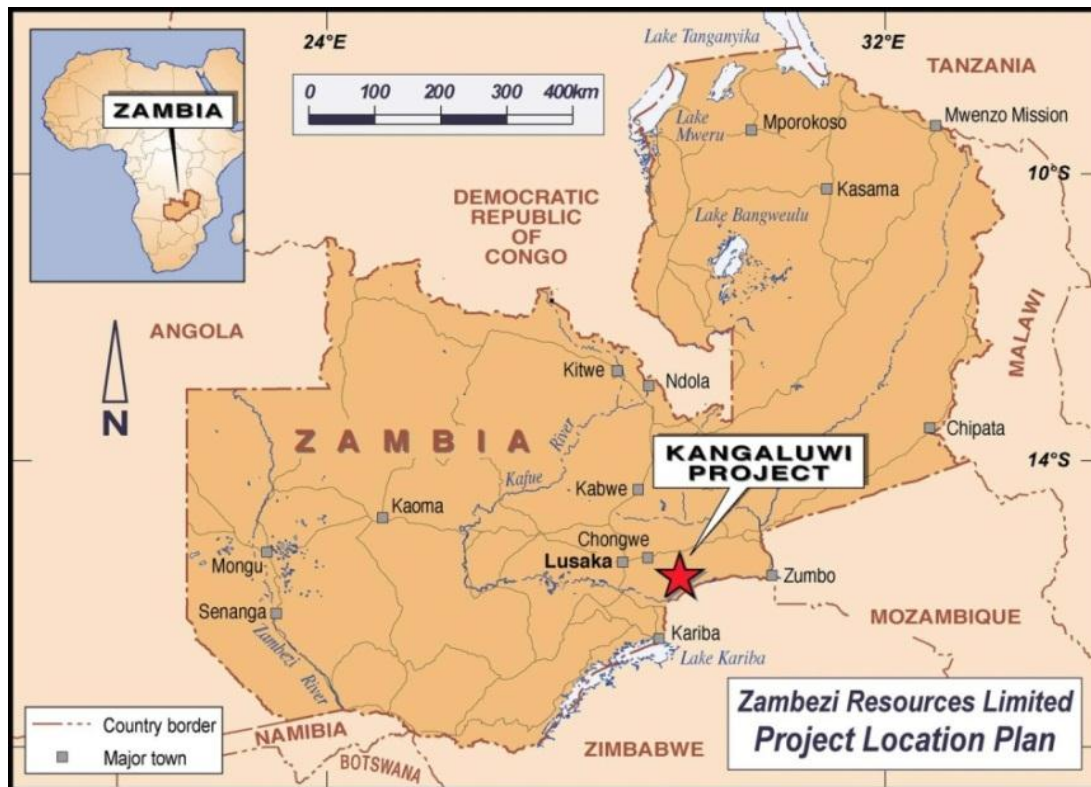
## Resource Upgrade Confirms a 50% Increase in Contained Copper at Kangaluwi

### Highlights

- ⑧ An updated Kangaluwi Mineral Resource (the “Resource”) now comprises 45 Mt @ 0.67% Cu, for a 50% increase over a 2010 Mineral Resource of 23 Mt @ 0.85% Cu, both at a 0.3% Cu cut-off grade.
- ⑧ The Mineral Resource estimate reported at 0.1% Cu cut-off now stands at 67 Mt @ 0.52% Cu.
- ⑧ The resource now contains 300,000 t of copper metal versus a 2010 Mineral Resource which reported 200,000 t of copper metal.
- ⑧ The resource extends to 200 m below surface, while the mineralisation remains open at depth and along strike, comprising just 25% of the known 28 km strike length.
- ⑧ The resource comprises the 100% owned Kangaluwi, Chisawa and Kalulu deposits.
- ⑧ The resource contains approximately 7 Mt of oxide and transitional material @ 0.7% Cu around which a likely Stage 1 oxide heap leach project will be scoped.
- ⑧ An 8,000 m drill program is planned for Q3 2012 to support a heap leach oxide scoping study. Preliminary metallurgical testwork shows high copper recoveries from oxide ore acid leaching.
- ⑧ Potential for a lower risk start up project with oxide based production by 2014.
- ⑧ The sulphide project containing the bulk of the resource will be treated in a Stage 2 operation, as an extension to an initial Stage 1 oxide project.

The CEO, Mr Frank Vanspeybroeck commented:

*“The Company has achieved a valuable milestone which now takes it to the development stage, in its first phase as an emerging producer.”*



**FIGURE 1: PROJECT LOCATION**

The Company is pleased to report the updated Mineral Resource estimate at the Kanguluwi Copper Project (“KCP”). This estimate has been completed by AMC Consultants Pty Ltd (“AMC”) in accordance with the guidelines of the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

The updated Mineral Resource estimates were developed using 412 drill holes for a total drilled length of 74,164 m.

In order to finalise the analytical data for the JORC compliant Mineral Resource estimate and reporting, the Company completed an extensive QA/QC validation process of all historical and 2011 resource development drilling, during the first half of the year, incorporating:

- ⑧ an additional umpire QA/QC analytical program of drill hole samples;
- ⑧ a re-survey of all drill hole collar co-ordinates with high precision DGPS instrumentation;
- ⑧ cross-referencing of paper drill hole records, electronic drill hole records, drill hole databases and analytical assay data used in the updated resource estimates;
- ⑧ an update of surface digital terrain model (DTM) using high precision DGPS instrumentation of the three prospects.

AMC considers that the data spacing, data quality and geological interpretation are appropriate for classification of the Kangaluwi, Chisawa and Kalulu Deposit estimates as Indicated or Inferred Mineral Resources (Table 1).

**Table 1: Kangaluwi Copper Project Mineral Resource Estimate Reported at a Range of Cut-off Grades**

Resource Category	Cut-off Grade (% Cu)	Tonnes (Mt)	Cu (%)	Contained Cu Metal (t)
Indicated	0.1	23	0.49	
Inferred	0.1	44	0.54	
<b>Total</b>	<b>0.1</b>	<b>67</b>	<b>0.52</b>	<b>348,400 t</b>
Indicated	0.2	22	0.51	
Inferred	0.2	38	0.60	
<b>Total</b>	<b>0.2</b>	<b>60</b>	<b>0.56</b>	<b>336,000 t</b>
Indicated	0.3	17	0.58	
Inferred	0.3	28	0.72	
<b>Total</b>	<b>0.3</b>	<b>45</b>	<b>0.67</b>	<b>301,500 t</b>
Indicated	0.4	12	0.68	
Inferred	0.4	23	0.80	
<b>Total</b>	<b>0.4</b>	<b>35</b>	<b>0.76</b>	<b>266,000 t</b>

## Kangaluwi Oxide Copper Project

Based on AMC's July 2012 Mineral Resource estimate, the Kangaluwi Copper Project includes 7.4 Mt of oxide and transitional mineralisation grading at 0.67% Cu at 0.3% Cu cut-off.

**Table 2: Kangaluwi Copper Project Mineral Resource Estimate by Material Type versus Cut-off Grade**

Area and Oxidation <sup>1</sup>	0.1% Cu Cut-off		0.2% Cu Cut-off		0.3% Cu Cut-off		0.4% Cu Cut-off		0.5% Cu Cut-off	
	Tonnes (Mt)	Cu (%)	Tonnes (Mt)	Cu (%)	Tonnes (Mt)	Cu (%)	Tonnes (Mt)	Cu (%)	Tonnes (Mt)	Cu (%)
Chisawa										
Transition	6.9	0.52	5.1	0.64	4.4	0.71	3.8	0.76	3.0	0.84
Fresh	24.0	0.62	21.2	0.69	17.1	0.79	15.5	0.84	14.1	0.88
<b>Subtotal</b>	<b>30.9</b>	<b>0.60</b>	<b>26.4</b>	<b>0.68</b>	<b>21.5</b>	<b>0.77</b>	<b>19.2</b>	<b>0.82</b>	<b>17.2</b>	<b>0.87</b>
Kalulu										
Transition	0.9	0.30	0.8	0.32	0.3	0.46	0.1	0.68	0.1	0.70
Fresh	6.6	0.42	6.3	0.44	4.4	0.51	2.7	0.61	1.8	0.71
<b>Subtotal</b>	<b>7.4</b>	<b>0.41</b>	<b>7.0</b>	<b>0.42</b>	<b>4.7</b>	<b>0.51</b>	<b>2.8</b>	<b>0.62</b>	<b>1.9</b>	<b>0.71</b>
Kangaluwi										
Transition	4.1	0.51	3.7	0.54	2.8	0.64	2.1	0.74	1.5	0.84
Fresh	24.7	0.46	22.9	0.48	16.2	0.57	10.7	0.69	7.6	0.79
<b>Subtotal</b>	<b>28.8</b>	<b>0.46</b>	<b>26.6</b>	<b>0.49</b>	<b>19.0</b>	<b>0.58</b>	<b>12.8</b>	<b>0.70</b>	<b>9.2</b>	<b>0.80</b>
<b>Total</b>										
<b>Transition</b>	<b>11.8</b>	<b>0.50</b>	<b>9.6</b>	<b>0.57</b>	<b>7.4</b>	<b>0.67</b>	<b>5.9</b>	<b>0.75</b>	<b>4.7</b>	<b>0.84</b>
<b>Fresh</b>	<b>55.3</b>	<b>0.53</b>	<b>50.3</b>	<b>0.56</b>	<b>37.7</b>	<b>0.67</b>	<b>28.9</b>	<b>0.76</b>	<b>23.6</b>	<b>0.84</b>
<b>Total</b>	<b>67.1</b>	<b>0.52</b>	<b>60.0</b>	<b>0.56</b>	<b>45.1</b>	<b>0.67</b>	<b>34.8</b>	<b>0.76</b>	<b>28.2</b>	<b>0.84</b>

<sup>1</sup>Transition zone includes partly oxidised and totally oxidised mineralisation.

Note: rounding of numbers may cause computational discrepancies

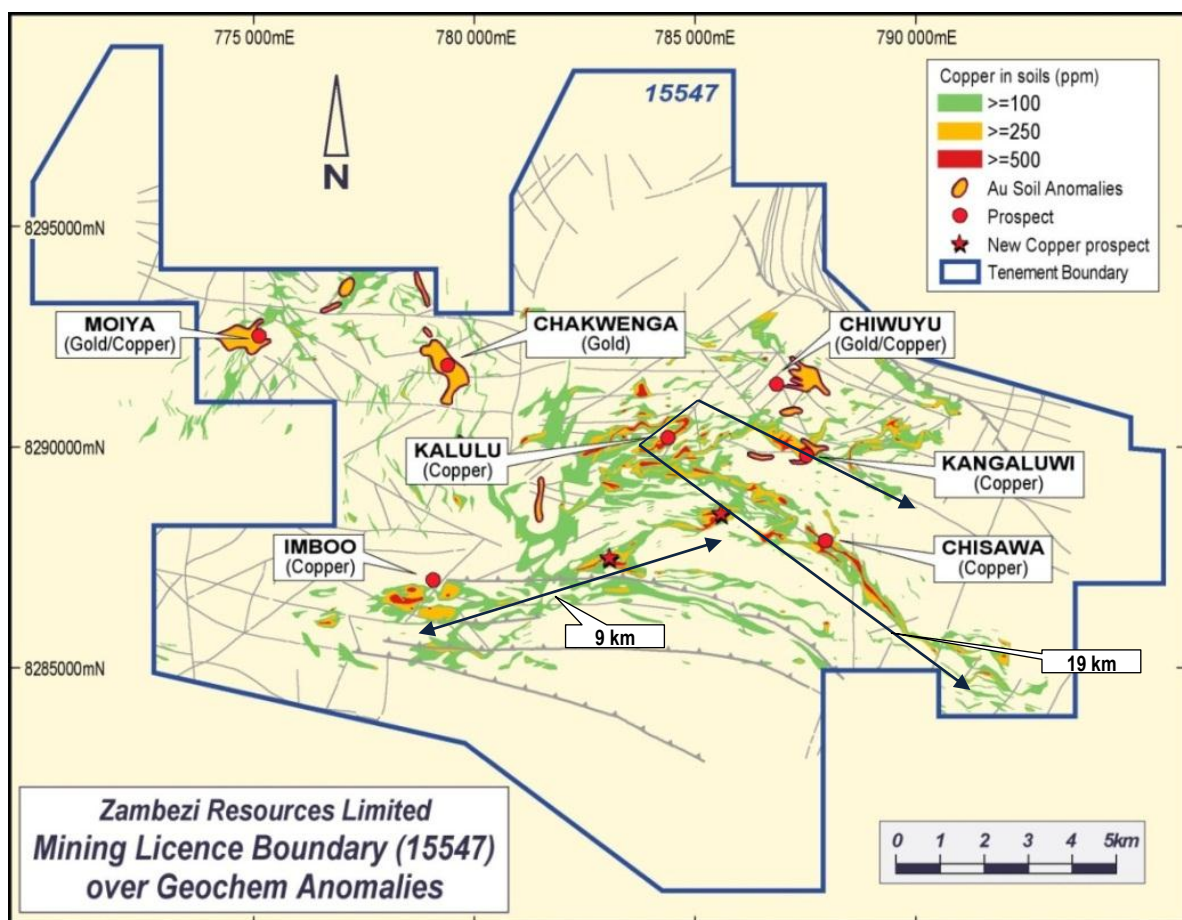
## Scoping Study of the Kangaluwi Oxide Copper Project (“KOCPP”)

- ⑧ The Company is evaluating an initial (Stage 1) 5 year oxide copper project to produce approximately 30,000 t Cu cathode, based on acid heap leaching and SX/EW technology.
- ⑧ Pending definitive additional testwork, the Company plans to commence construction of an oxide plant in 2013.
- ⑧ Further drilling of potential mineralised areas of the under-explored 28 km strike length has the potential to increase the KOCPP mine life.
- ⑧ Cash flow from the KOCPP will fund additional resource drilling to increase the sulphide copper resource, as well as support feasibility studies for the development of the Sulphide Copper Project (Stage 2).
- ⑧ Metallurgical testwork to date on the KOCPP shows high copper recoveries with normal acid consumption. The metallurgical report is anticipated to be finalised by Q4 2012. Earlier test results on sulphide material indicated favourable metallurgical characteristics, with flotation recoveries in excess of 95% of Cu.
- ⑧ An 8,000 m drilling program will complete the Scoping Study by Q4 2012, with a KOCPP feasibility study anticipated to be completed by Q2 2013.
- ⑧ Through Zesco Limited (Zambia Electricity Supply Corporation), the Zambian government is undertaking power infrastructure development from Lusaka to the eastern provinces. A 132 kV power line is planned for completion by September 2013, from which the Company is negotiating a Power Purchase Agreement.
- ⑧ As Zambia is a world class producer of copper, a skilled workforce has been identified and is available for commencement of site works.
- ⑧ Capital costings for road construction/upgrade, camp infrastructure and mining is near completion.
- ⑧ Acid supplies are currently being negotiated by the Company, together with an in-house logistics / transport service.
- ⑧ Further metallurgical test work and hydrogeology studies will be undertaken during Q3 2012.
- ⑧ Permitting and bonding compliance matters have been actioned.

## Project Background

Zambezi Resources Limited is an ASX listed Copper Exploration and Development Company focussed on its 100% owned Kangaluwi Copper Project, 180 km east of Lusaka. The project is covered by a 245 km<sup>2</sup> Mining Licence area ML 15547, issued on 16 March 2011 and valid for 25 years. The project covers the high quality copper deposits of Kangaluwi, Chisawa and Kalulu.

Numerous geophysical targets in the project area are yet to be evaluated, with only one quarter of the 28 km strike length drill tested to date.

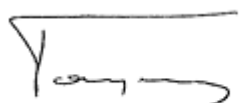


**FIGURE 2: MINING LICENCE 15547**

## Competent Persons Statement

*The information in this report relating to Mineral Resources was compiled by Mr Dean Carville who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Carville is a full-time employee of AMC Consultants Pty Ltd and has sufficient experience 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 (the JORC Code). Mr Carville consents to the inclusion of this 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 Robert McPherson, Country Manager – Geology, Zambia. Robert McPherson is employed as a Geologist for Zambezi Resources and is also a member 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”. Robert McPherson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*



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