



CARMICHAEL QUICK NOTE

12th December, 2007

QUICK NOTE # 5

RECOMMENDATION:

Speculative BUY

| | |
|---------------------------------------|---------|
| ASX, | ZRL |
| Share price | \$0.41 |
| Price Target | \$0.87 |
| Mkt cap. ¹ | \$75.3m |
| Ordinary shares on issue ¹ | 188.2m |
| Options ² | 10.4m |

¹ Undiluted Source: IRESS
² Various dates & Strike prices

12 MONTH PERFORMANCE



Source: IRESS

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Zambezi Resources Ltd (ZRL)

Updated Cheowa Resource Estimate

ZRL have released an interim resource estimate update from their Cheowa Copper Project in Zambia. Resource tonnes have been increased by 69% but the grade has been reduced from 1.5% Cu to 1.05% Cu on the inclusion of a new hanging wall lode and a lowering in grade of the main lode from 1.5% to 1.2%. The key positives from these results are that the total resource is likely to exceed ZRL's initial 10Mt exploration target for Cheowa and secondly, the structural controls on the higher grade parts of the resource are now better understood. The plunging high grade shoots are open at depth.

Geological Interpretation

The high grade shoots in the main lode are now known to plunge shallowly to the north east. The higher grade (>1.5% Cu) core is open down plunge and exhibits a greater average width (4.8m) than the overall Main Lode width of 4.3m. The high grade zone is likely to be a high priority target for ZRL's drilling program in 2008. A new hanging wall Lode has also been intersected, which whilst low grade at the moment could provide additional copper production and reduce costs in an open pit mining scenario.

Drilling Program

ZRL have suffered recently from a lack of news flow, as their considerable success with the numbers of meters drilled has been negated by the ability to get results from the laboratory. Currently, the updated resource at Cheowa utilises only 40% of the drilling available. Having said that, the resource envelope has been increased in strike length from 750m to 1,200m. Indications from visual observation are that the copper mineralisation extends much further east into conductors CC3 to CC6 to extend the likely mineralisation to 2,700m. Assays are awaited for a further 1,500m of drilling. A new resource estimate to include these zones is likely to be announced during the first quarter 2008.

The depth potential will be a focus for drilling going forward. Diamond drilling to 800m vertical depth is underway after visual copper mineralisation has been identified at 450m.

A 3-rig helicopter supported drilling program will continue to provide on-going drill samples throughout the rainy season, in a departure from historic procedure. They will target a panel over a strike length of 1,000m and at a depth interval of between 200m and 400m.

Positive Scoping Study Indications

Initial work on a scoping study for Cheowa has indicated that a conceptual 2Mtpa operation could be developed, assuming the exploration target of 10Mt was achieved, providing a mine life of at least 5 years. From the current knowledge of drilling and assuming zones of visually identified copper mineralisation have economic grades, we believe that there is potential for 15Mt, extending an operation at 2Mtpa to 7 to 8 years. The Pre-feasibility study remains on track for completion in mid-2008.

Other Projects

We view some of the other projects in ZRL's portfolio as equally, if not more interesting than Cheowa, albeit, at a lower level of development. At Kangaluwi, (ZRL 100%), ZRL is conducting extensive exploration drilling involving up to 5 drill rigs, with a major resource drill out program planned for 2008 and 2009. ZRL believes that Kangaluwi has potential to be a world class open pit copper operation. We are yet see results from Kangaluwi, but can confirm extensive malachite mineralisation at surface during our site visit in June 2007.

Overall View

We continue to like ZRL for its significant and exciting project portfolio. Cheowa, will in our view, achieve or exceed the earlier stated exploration potential of 10Mt in resources. However, Kangaluwi looks equally exciting. **We continue to rate ZRL as a Speculative BUY to investors wanting exposure to a going copper play with a medium term investment horizon. Our original 12 Month Price Target of \$0.87 remains unchanged.**

| Resource Category | Lode | Tonnes | Cu (%) | Copper (t) | Au (g/t) | Gold (oz) |
|-------------------|--------------------|------------------|-------------|---------------|-------------|---------------|
| Indicated | Main Lode CC2 | 2,321,000 | 1.2 | 28,000 | 0.24 | 18,000 |
| Indicated | Hanging Wall CC3 | 591,000 | 0.49 | 3,000 | 0.11 | 2,000 |
| Indicated | Grand Total | 2,912,000 | 1.05 | 31,000 | 0.22 | 20,000 |

Table 1. Resource Table for Cheowa

Source: ZRL

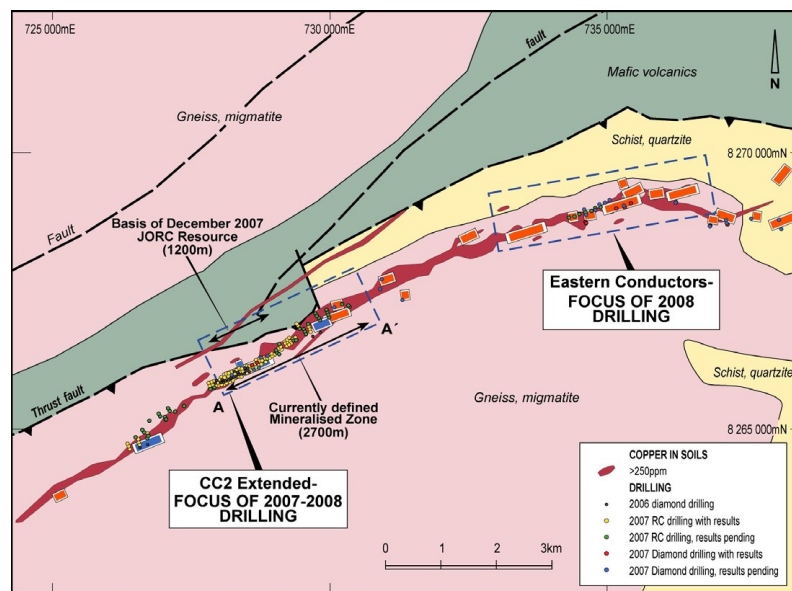


Figure 1. Geology and Drilling At Cheowa (ZRL)

Disclosure Disclaimer

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This Research report, accurately expresses the personal view of the Author.

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The Author of this report made contact with the Zambezi Resources Limited for assistance with verification of facts, admittance to business sites, access to industry/company information. No inducements have been offered or accepted by the company.

The recommendation made in this report is valid for four weeks from the stated date of issue. If in the event another report has been constructed and released on Zambezi Resources Limited, the new recommendation supersedes this and therefore the recommendation in this report will become null and void.

Recommendation Definitions

BUY – 10% or more outperformance

HOLD – 10% underperformance to 10% over performance

SELL – 10% or more underperformance

Period: During the forthcoming 12 months, at any time during that period and not necessarily just at the end of those 12 months.

Stocks included in this report have their expected performance measured relative to the ASX All Ordinaries index. DJ Carmichael Pty Limited's recommendation is made on the basis of absolute performance. Recommendations are adjusted accordingly as and when the index changes.

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