

# ZAMBEZI RESOURCES LIMITED

(Incorporated in Bermuda under the Bermuda Companies Act 1981 with company number  
35116)  
ARBN 124 462 826

## PROSPECTUS

For a pro-rata non-renounceable rights issue of up to 33,004,167 New Shares on the basis of one New Share for every 5.7 Shares held on the Record Date at an issue price of AUD\$0.124 (or £0.06) per New Share, together with up to 11,001,389 New Options (exercisable at AUD\$0.19 each and expiring on 31 August 2009) on the basis of one New Option for every three New Shares issued, to raise up to approximately AUD\$4,100,000 (£1,980,250).

**The Rights Issue closes at 5.00pm AWST (10.00am BST) on 1 September 2008.**

### IMPORTANT NOTICE

*This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser. An investment in the securities offered by this Prospectus should be considered speculative.*

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### Summary of Important Dates\*

Announcement of Rights Issue	31 July 2008
Lodge Prospectus with ASIC	31 July 2008
Shares quoted ex-rights	6 August 2008
Record Date to determine Entitlements (5.00pm AWST or 5.00pm BST)	12 August 2008
Opening Date/Dispatch of Prospectus (9.00am AWST or 9.00am BST)	18 August 2008
Closing Date (5.00pm AWST or 10.00am BST)	1 September 2008
Notification to ASX of Shortfall	4 September 2008
Allotment of New Shares and free attaching New Options	9 September 2008
Trading on ASX in the New Shares and New Options to commence	10 September 2008
Trading on AIM of the New Shares to commence	15 September 2008

\*These dates are indicative only. The Directors reserve the right to vary the key dates, without prior notice and subject to compliance with the ASX Listing Rules and the AIM Rules.

## IMPORTANT NOTICE

Shareholders should read this Prospectus in its entirety and, if in doubt, should consult their professional advisers before deciding whether to accept their Entitlements. Shareholders resident in the United Kingdom should consult a person authorised under the FSMA who specialises in advising on the acquisition of shares and other securities before taking any action.

This Prospectus is dated 31 July 2008. A copy of this Prospectus was lodged with the ASIC on 31 July 2008. No responsibility for the contents of this Prospectus is taken by ASIC, the London Stock Exchange or the Financial Services Authority in the UK. No applications for New Shares (or free attaching New Options) will be accepted nor will New Shares (or free attaching New Options) be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Application will be made for the New Shares and free attaching New Options to be listed for quotation on the ASX and for the New Shares to be admitted to trading on AIM. It is emphasised that no application has been made, or is being made, for admission of the New Shares or New Options to the Official List of the UK Listing Authority or to trading on the London Stock Exchange's market for listed securities.

In preparing this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers who investors may consult. No person is authorised to give any information or to make any representation in connection with the Rights Issue described in this Prospectus. Any information or representation which is not contained in this Prospectus or

disclosed by the Company pursuant to its continuous disclosure obligations may not be relied upon as having been authorised by the Company in connection with the issue of this Prospectus.

This Prospectus does not constitute an offer or invitation to acquire securities in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The New Shares and New Options have not been, and will not be, registered under the applicable securities laws of Canada, Japan, the Republic of Ireland, the Republic of South Africa or the United States (each a "Restricted Territory") and they may not, subject to certain exceptions, be offered or sold directly or indirectly within a Restricted Territory or to, or for the account or benefit of any national, citizen or resident of, a Restricted Territory. The distribution of this Prospectus in other jurisdictions may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus will be issued as an Electronic Prospectus in relation to the Shortfall. The Prospectus will be available on the Company's website at [www.zambeziresources.com](http://www.zambeziresources.com). The offer of New Shares (and free attaching New Options) comprising the Shortfall pursuant to an Electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia. If you are a shareholder resident outside Australia, you may only apply for Shortfall by way of a hard copy of this Prospectus. The Corporations Act prohibits any person from passing to another person an Application Form unless it is attached to or accompanies the complete and unaltered version of this Prospectus. Prior to the Closing Date, any person may obtain a hard copy of this Prospectus by contacting the Company.

#### **UK Notice**

The offer of New Shares (and free attaching New Options) under the Rights Issue is only being made in the United Kingdom to persons who are of a kind described in Article 43(2) (members and creditors of certain bodies corporate) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**").

The total consideration of the offer under the Rights Issue shall be less than €2,500,000. Therefore, in accordance with Section 85 and schedule 11A of the FSMA, this document does not constitute a prospectus for the purposes of the Prospectus Rules of the Financial Services Authority in the United Kingdom and a copy of it has not been, and will not be, reviewed by the Financial Services Authority in the United Kingdom or the UK Listing Authority.

## CORPORATE DIRECTORY

### DIRECTORS

**Brian James Rear**

Non Executive Chairman, Australia

**Julian Peter Ford**

Managing Director, Australia

**Geoffrey Ian Johnson**

Exploration Director, Australia

**Jeremy Bruce Earl Wrathall**

Non Executive Director, United Kingdom

### SECRETARY

Allison Forte

### REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
BERMUDA

### PRINCIPAL OFFICE

17 Ord Street  
West Perth WA 6005  
AUSTRALIA  
Tel: 08 9216 9000  
Fax: 08 9216 9090  
Website: [www.zambeziresources.com](http://www.zambeziresources.com)  
Email: [info@zambeziresources.com](mailto:info@zambeziresources.com)

### AUSTRALIAN SOLICITORS

Blakiston & Crabb  
1202 Hay Street  
West Perth WA 6005  
AUSTRALIA

### ZAMBIAN SOLICITORS

Corpus Legal Practitioners\*  
The Globe Building  
2386 Longolongo Road  
Lusaka  
ZAMBIA

### BERMUDA COUNSEL

Appleby\*  
Canon's Court  
22 Victoria Street  
Hamilton HM 12  
BERMUDA

### UK SOLICITORS

Watson, Farley & Williams LLP  
15 Appold Street  
London, EC2A 2HB  
UNITED KINGDOM

### NOMINATED BROKER

(for the AIM market of the London Stock Exchange)  
Evolution Securities Limited\*  
100 Wood Street  
London, EC2V 7AN  
UNITED KINGDOM

### NOMINATED ADVISER

(for the AIM market of the London Stock Exchange)  
Grant Thornton UK LLP\*  
30 Finsbury Square  
London, EC2P 2YU  
UNITED KINGDOM

### AUDITORS AND INDEPENDENT ACCOUNTANTS

Deloitte Touche Tomatsu\*  
Woodside Plaza  
Level 14  
240 St Georges Terrace  
Perth WA 6000  
AUSTRALIA

### SHARE REGISTRY

*Australia*  
Computershare Investor Services Pty Limited  
Level 2, 45 St Georges Terrace  
Perth WA 6000  
AUSTRALIA  
Telephone: (08) 9323 2000  
Facsimile: (08) 9323 2033

*United Kingdom*  
Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol, BS13 8AE  
UNITED KINGDOM

\*Provided for information purposes only.

## **BRIEF INSTRUCTIONS**

Participation in the Rights Issue is open to all Existing Eligible Shareholders (i.e. shareholders resident in Australia, New Zealand and the UK on the Record Date - refer to Section 1.14).

### ***What You May Do***

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. You will be granted one free attaching New Option for every three New Shares issued to you. You may:

- accept your Entitlement in full or part; or
- allow the whole of the Entitlement to lapse.

### ***If You Wish To Take Up All or Part Of Your Entitlement***

Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the form. Forward your completed Entitlement and Acceptance Form, together with your cheque (denominated in Australian currency for Existing Eligible Shareholders resident in Australia or New Zealand or British currency for Existing Eligible Shareholders resident in the United Kingdom) for the amount shown on the form or for such lesser amount as you wish to apply for, so as to reach:

- if you are a shareholder resident in Australia or New Zealand, the Company's Australian Share Registry; or
- if you are a shareholder resident in the UK, the Company's UK Share Registry,

no later than 5:00pm AWST (10:00am BST) on 1 September 2008.

### ***Entitlements Not Taken Up***

If you decide not to accept all or part of your Entitlement pursuant to the Rights Issue, you are not required to take any action. The New Shares (and free attaching New Options) not accepted will form part of the Shortfall.

## Section 1 DETAILS OF THE OFFER

### 1.1 The Offer

This Prospectus is for a pro-rata non-renounceable rights issue of up to 33,004,167 New Shares on the basis of one New Share for every 5.7 Shares held on the Record Date at an issue price of AUD\$0.124 (or £0.06) per New Share, together with up to 11,001,389 New Options (exercisable at AUD\$0.19 each and expiring on 31 August 2009) on the basis of one New Option for every three New Shares issued, to raise up to approximately AUD\$4,100,000 (or £1,980,250). In determining Entitlements, any fractional entitlement will be rounded down to the nearest whole number.

The total consideration of the offer under the Rights Issue shall be less than €2,500,000 in aggregate.

As at the date of this Prospectus, 188,185,279 Shares are on issue.

The Company also has the following unquoted Options on issue:

Number	Exercise price	Expiry date
100,000	£0.165	22 August 2008
4,390,000	£0.14	9 June 2009
2,190,000	£0.12	26 July 2009
500,000	£0.20	23 December 2009
140,000	£0.175	10 June 2010
1,000,000	£0.16	22 June 2010
1,850,000	£0.13	31 March 2011
2,080,000	£0.20	31 August 2011

Any New Shares (and free attaching New Options) not taken up by Existing Eligible Shareholders will form part of the Shortfall.

### 1.2 Purpose of the Rights Issue

The purpose of the Rights Issue is, after meeting the expenses of the Rights Issue, to raise funds to further progress the Kangaluwi project which is the main focus of the Company's 2008 drilling campaign. The greater Kangaluwi project covers in excess of 28km of strike length. The Company intends to further test the majority of this strike length in the 2008 and 2009 field seasons. The level of testing and drill rig activity is contingent upon the quantum of funds raised under the Rights Issue.

The 2007 drilling campaign initially focused on 3km of strike length at Kangaluwi, which was later narrowed down to an 800m section drilled to a 50m by 50m pattern. The Company chose to intensively drill a small area in order to evaluate the possible economic potential of the mineralisation. Due to the encouraging results from this drilling the Company has decided that the mineralisation has sufficient potential to justify a much more extensive drilling program at Kangaluwi and on the remaining five zones identified. The recent intensive drilling program comprised a total of 19,928m of RC and diamond drilling. Assay results from RC and diamond drilling carried out in 2007 continue to return significant copper mineralisation over

substantial widths in multiple zones. The new results, which are additional to those already announced, include 4.78m at 1.86% copper from 78.67m, 5.72m at 1.26% copper from 104m, 8.72m at 0.93% copper from 43.28m, and 12.5m at 0.97% copper from 91.5m. These results further demonstrate the consistent mineralisation typically encountered at this discovery to date. Preliminary metallurgical testwork on composite 2007 drill core from Kangaluwi has indicated favourable metallurgical characteristics. The ore is relatively soft with a Bond Mill Work Index of 11.5 kWhr/t, and a Rodmill Work Index of 8.9 kWhr/t. This is based on a single composite test. The first rougher flotation test showed recoveries in excess of 95% copper and silver which are the only metals expected to be of economic value for the Kangaluwi Project. A set of more comprehensive metallurgical tests will be undertaken commencing in September 2008.

The following table illustrates the proposed application of funds raised from the Rights Issue (assuming full subscription) in approximate AUD terms as the exploration budget is developed in USD.

<b>Description</b>	<b>(AUD\$)</b>
Rights issue costs	70,000
Exploration expenditure – Kangaluwi	3,500,000
Working Capital and Administration	530,000
<b>Total</b>	<b>4,100,000</b>

There is no minimum subscription under the Rights Issue. Any amounts successfully raised under the Rights Issue will, after paying expenses of the Rights Issue, be applied, to progressing the Kangaluwi project with at least 80% of monies raised being applied as exploration expenditure. Should no funds (or less funds than anticipated) be raised from the Rights Issue the Company will utilise current working capital (and any lesser funds raised) to progress Kangaluwi and may explore the possibility of using joint venture capital to further progress the project.

The exploration programs and budgets on the Company's projects are planned to June 2009 based on the Company's present knowledge of the projects and assumptions that the projects will progress to the discovery of economic ore deposits or continue to show potential for such deposits. Accordingly, actual fund allocation may vary depending on exploration success and results of exploration may change the Company's proposed exploration and evaluation activities.

### 1.3 **No Entitlement Trading**

The offer under the Rights Issue is non-renounceable and accordingly, Existing Eligible Shareholders may not dispose of or trade any part of their Entitlement.

### 1.4 **Minimum Subscription**

There is no minimum subscription.

### 1.5 **Opening and Closing Dates**

The Rights Issue will open for receipt of acceptances at 9:00am AWST or 9:00am BST on 18 August 2008.

The Rights Issue will close at 5:00pm AWST (10:00am BST) on 1 September 2008 or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine and provided that the Company gives ASX notice of the change at least 6 Business Days prior to the Closing Date of the Rights Issue.

**1.6 Brokerage and Commission**

No brokerage or stamp duty will be payable by investors.

**1.7 Entitlements and Acceptance**

Participation in the Rights Issue is open to all Existing Eligible Shareholders (i.e. shareholders resident in Australia, New Zealand and the UK on the Record Date - refer to Section 1.14).

Existing Eligible Shareholders who accept their Entitlement (in full or in part) acknowledge, warrant, represent and undertake to the Company in the terms set out in Annexure A.

***Acceptance of Entitlement in Full***

If you are an Existing Eligible Shareholder and wish to take up **all** of your Entitlement under the Rights Issue, please complete the Entitlement and Acceptance Form in accordance with the instructions set out on the reverse of that form.

If you are an Existing Eligible Shareholder resident in Australia or New Zealand please ensure the completed Entitlement and Acceptance Form, together with your cheque (denominated in Australian currency), is received by the Company's Australian Share Registry at:

**Delivered to**

Computershare Investor Services Pty Ltd  
Level 2, 45 St Georges Terrace  
Perth WA 6000  
AUSTRALIA

**Or by post to**

Computershare Investor Services Pty Ltd  
GPO Box D182  
Perth WA 6840  
AUSTRALIA

**not later than 5.00pm AWST on 1 September 2008** or such later date as the Directors advise. Cheques should be made payable to "**Zambezi Resources Limited – Rights Issue Account**" and crossed "Not Negotiable".

If you are an Existing Eligible Shareholder resident in the UK (please note that Existing DI Holders should follow the procedure specified in Annexure B), please ensure the completed Entitlement and Acceptance Form, together with your cheque (denominated in British currency), is received by the Company's UK Share Registry at:

**Delivered to**

Computershare Investor Services PLC  
The Pavilions, Bridgwater Road  
Bristol. BS13 8AE  
UNITED KINGDOM

**Or by post to**

Computershare Investor Services PLC  
Corporate Actions Projects  
Bristol. BS99 6AH  
UNITED KINGDOM

**not later than 10.00am BST on 1 September 2008** or such later date as the Directors advise. Payments must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheque or bankers' drafts to be cleared through the facilities provided for members of any of these companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, should be made payable to "**Computershare Investor Services PLC re – Zambezi Resources Limited**". Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or Bank has confirmed the name of the account holder by stamping/endorsing the cheque/bankers' draft to such effect. The account name should be the same as that shown on the application.

***Partial Acceptance of Entitlement***

If you are an Existing Eligible Shareholder and wish to take up **part** of your Entitlement pursuant to the Rights Issue, please complete the Entitlement and Acceptance Form in accordance with the instructions set out on the reverse of that form and insert the number of New Shares for which you wish to accept the offer (being less than your Entitlement as specified on the Entitlement and Acceptance Form).

If you are an Existing Eligible Shareholder resident in Australia or New Zealand please ensure the completed Entitlement and Acceptance Form, together with your cheque (denominated in Australian currency), is received by the Company's Australian Share Registry at:

**Delivered to**

Computershare Investor Services Pty Ltd  
Level 2, 45 St Georges Terrace  
Perth WA 6000  
AUSTRALIA

**Or by post to**

Computershare Investor Services Pty Ltd  
GPO Box D182  
Perth WA 6840  
AUSTRALIA

**not later than 5.00pm AWST on 1 September 2008** or such later date as the Directors advise. Cheques should be made payable to "**Zambezi Resources Limited – Rights Issue Account**" and crossed "Not Negotiable".

If you are an Existing Eligible Shareholder in the UK (please note that Existing DI Holders should follow the procedure specified in Annexure B), please ensure the completed Entitlement and Acceptance Form, together with your cheque (denominated in British currency), is received by the Company's UK Share Registry at:

**Delivered to**

Computershare Investor Services PLC  
The Pavilions, Bridgewater Road  
Bristol. BS13 8AE  
UNITED KINGDOM

**Or by post to**

Computershare Investor Services PLC  
Corporate Actions Projects  
The Pavilions, Bridgewater Road  
Bristol. BS99 6AH  
UNITED KINGDOM

**not later than 10.00am BST on 1 September 2008** or such later date as the Directors advise. Payments must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheque or bankers' drafts to be cleared through the facilities provided for members of any of these companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, should be made payable to "**Computershare Investor Services PLC re – Zambezi Resources Limited**". Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or Bank has confirmed the name of the account holder by stamping/endorsing the cheque/bankers' draft to such effect. The account name should be the same as that shown on the application.

### *Non-Acceptance of Entitlement*

If you do not wish to take up any part of your Entitlement under the Rights Issue, you are not required to take any action. If you decide not to accept all or part of your Entitlement, the New Shares (and free attaching New Options) to which you are entitled and which are not accepted by you will form part of the Shortfall and will be dealt with in accordance with Section 1.8.

### *Enquiries*

If you have any queries regarding your Entitlement, please contact the Company's Australian Share Registry by telephone on +61 8 9323 2000 or the UK Share Registry by telephone on +44 870 707 1427 or your stockbroker or professional adviser.

## **1.8 Rights Issue Shortfall**

The Directors reserve the right to separately place any New Shares (and free attaching New Options) which are not taken up by Existing Eligible Shareholders under the Rights Issue within 3 months after the Closing Date. Those New Shares will be issued at the same issue price as offered to Existing Eligible Shareholders under the Rights Issue and free attaching New Options will be granted on the same basis as under the Rights Issue.

An application to participate in any Shortfall may be made by an Existing Eligible Shareholder, a person invited to participate by the Directors (or the Company's broker) and who is entitled to participate under the laws of all relevant jurisdictions which apply to them or any member of the public in Australia or New Zealand. The Directors may not themselves participate in any Shortfall.

If you wish to participate in any Shortfall that may arise under the Rights Issue you should complete the Shortfall Application Form attached to this Prospectus in accordance with the instructions set out thereon.

If you are an Existing Eligible Shareholder resident in Australia or New Zealand, please ensure the completed Shortfall Application Form, together with your cheque

(denominated in Australian currency), is received by the Company's Australian Share Registry at:

**Delivered to**

Computershare Investor Services Pty Ltd  
Level 2, 45 St Georges Terrace  
Perth WA 6000  
AUSTRALIA

**Or by post to**

Computershare Investor Services Pty Ltd  
GPO Box D182  
Perth WA 6840  
AUSTRALIA

**not later than 5.00pm AWST on 1 September 2008** or such later date as the Directors advise. Cheques should be made payable to "**Zambezi Resources Limited – Rights Issue Account**" and crossed "Not Negotiable".

If you are an Existing Eligible Shareholder resident in the UK, please ensure the completed Shortfall Application Form, together with your cheque (denominated in British currency), is received by the Company's UK Share Registry at:

**Delivered to**

Computershare Investor Services PLC  
The Pavilions, Bridgwater Road  
Bristol. BS13 8AE  
UNITED KINGDOM

**Or by post to**

Computershare Investor Services PLC  
Corporate Actions Projects  
Bristol. BS99 6AH  
UNITED KINGDOM

**not later than 10.00am BST on 1 September 2008** or such later date as the Directors advise. Payments must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheque or bankers' drafts to be cleared through the facilities provided for members of any of these companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, should be made payable to "**Computershare Investor Services PLC re – Zambezi Resources Limited**". Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or Bank has confirmed the name of the account holder by stamping/endorsing the cheque/bankers' draft to such effect. The account name should be the same as that shown on the application.

It is intended that priority will be given to Existing Eligible Shareholders when dealing with Shortfall Applications. Existing Eligible Shareholders should return their Shortfall Application Forms at the time of returning their Entitlement and Acceptance Form.

The Directors do not guarantee that any Shortfall Application will be successful (whether in whole, in part or at all). In the event a Shortfall Application is not accepted (whether in whole or in part) monies in relation to the New Shares applied for and not allocated will be refunded in full without interest at the applicant's sole risk within 60 days of notification of the Shortfall by the Company to ASX.

The Company may at its discretion pay up to a 5% commission to its broker or other brokers on any Shortfall Application received, in particular in respect of applications

bearing a broker stamp of a member organisation of the ASX or AIM, provided the Shortfall Application is accepted by the Directors and New Shares (and free attaching New Options) are subsequently allotted. The payment of the commission will be made 30 days after acceptance by the Company of a Shortfall Application.

#### **1.9 Issue and Allotment of New Shares**

The New Shares and New Options are expected to be issued and allotted and quoted on the ASX by no later than 10 September 2008. The New Shares are expected to be issued and allotted and admitted to trading on AIM by no later than 15 September 2008. Until issue and allotment of the New Shares under this Prospectus, any acceptance money received by the Company will be held in trust in a separate bank account opened and maintained for that purpose only. Any interest earned on the acceptance money will be for the benefit of the Company and will be retained by it irrespective of whether allotment of the New Shares takes place.

#### **1.10 ASX Listing and Information about CDIs**

The Company will make application to ASX within 7 days following the date of this Prospectus for official quotation of CDIs for the New Shares and the New Options offered pursuant to this Prospectus. See the information below for an explanation of CDIs.

If approval is not granted by ASX within 3 months after the date of this Prospectus, the Company will not allot or issue any New Shares or, as the case may be, New Options, and, where applicable, will repay all application monies as soon as practicable, without interest.

A decision by ASX to grant official quotation of the CDIs for the New Shares and the New Options is not to be taken in any way as an indication of ASX's view as to the merits of the Company, or the New Shares (and free attaching New Options) now offered for subscription. Official quotation of CDIs for the New Shares and the New Options will commence as soon as practicable after the issue of initial security holding statements to the successful applicants.

##### ***Information about and rights attaching to CDIs***

The jurisdiction in which the Company is incorporated does not recognise the CHES system of holding securities or electronic transfer of legal title. Accordingly, as required by the Listing Rules, under the Rights Issue the Company will offer applicants CDIs as an alternative to holding UK or Bermuda registered share/option certificates. No certificates will be issued in Australia and the only security tradeable on the ASX will be CDIs. CDIs are units of beneficial ownership in foreign securities the legal title of which is vested in CHES Depository Nominees Pty Ltd. The main difference between holding CDIs and holding Shares or Options is that the holder of CDIs has beneficial ownership of the equivalent number of Shares and Options in the Company instead of legal title. The Shares and Options are registered in the name of CHES Depository Nominees Pty Ltd and held by that entity on behalf of and for the benefit of the security holder.

The CDIs of the Company will be CHESS approved from the date of quotation on ASX, in accordance with the Listing Rules and the ASTC Settlement Rules. Purchasers of the CDIs will be issued with a CDI holding statement either:

- (a) by the Company which sets out the number of CDIs held on the issuer sponsored sub-register. The Company's issuer sponsored sub-register is maintained by the Australian Share Registry; or
- (b) by ASTC (acting on behalf of the Company) which sets out the number of CDIs held on the CHESS sub-register.

A holding statement (whether issued by ASTC or the Company) will provide details of the holding. A holding statement will only be provided to a CDI holder at the end of any subsequent month during which the balance of the security holder's holding changes. Holders may also request statements at any other time (although the Company or ASTC may charge a fee for such statements).

The ASTC Settlement Rules, which are recognised under the Corporations Act, contain provisions to ensure that holders of CDIs over Shares ("**CDI shareholder**") have all the direct economic benefits of holding Shares. With the exception of voting arrangements, CDI shareholders have the same rights as holders whose securities are legally registered in their own name. The voting exception relates to attending shareholder meetings and voting on a show of hands. While CDI shareholders have the right to vote on a poll (whereupon proxies previously lodged can be counted) they are not able to personally vote on a show of hands. However the ASTC Settlement Rules require the Company to give notice to any meeting of shareholders. The notice must include a form permitting the CDI shareholders to direct CHESS Depository Nominees Pty Ltd to cast proxy votes according to the wishes of the CDI shareholders for whom it holds Shares on behalf of. The Company is obliged to collect and process these directions. CDI shareholders wishing to attend personally and vote at a shareholder meeting must convert their CDIs into certificated Shares prior to the meeting. The CDI shareholder should contact the Australian Share Registry in advance to find out how long the conversion process will take.

If a holder of CDIs wishes to convert to holding certificated Shares or Options they may do so at any time by contacting either their stockbroker or the Australian Share Registry, in which case the Shares or Options, as the case may be, will be transferred from CHESS Depository Nominees Pty Ltd into the name of the holder and either a UK or Bermuda registered certificate will be issued or, in the case of Shares only, an application will be made for the Shares to be admitted to CREST (a paperless settlement procedure). In the case of Shares only, this will cause the Shares to be registered on the UK branch register, and trading will no longer be possible on the ASX. The New Options will not be tradeable on AIM.

A holder of certificated Shares or Options, as the case may be, may also convert to holding CDIs by either contacting their stockbroker, the Australian Share Registry or the UK Share Registry, in which case the Shares or Options, as the case may be, will be transferred from the security holder's name into the name of the depository nominee and a holding statement will be issued for the CDIs.

## 1.11 **AIM Listing and Information about Depository Interests**

### *General*

DIs are interests in the underlying Shares that can be settled electronically through CREST. The legal title to the Shares is held by Computershare Company Nominees Ltd ("CCN"). Whilst CCN is registered as the owner of Shares, it holds those Shares on behalf of, and for the benefit of, the holder of the DIs.

Existing DI Holders will have their entitlement to Shares and New Options under the Rights Issue passed on to them by CCN in its capacity as depository in accordance with the terms of the DI Deed.

Further information on CREST and DIs is set out in Annexure B.

### *Market Claims*

In addition to an Existing Eligible Shareholder resident in the UK on the Record Date, application may also be made in the UK by a person resident in the UK and entitled to apply by virtue of a *bona fide* market claim in relation to a purchase of Shares through the market prior to the date upon which the Shares were marked "ex" the entitlement to participate in the offer by the London Stock Exchange, being 6 August 2008.

Persons who have, prior to the "ex-date", sold or otherwise transferred some or all of their Shares should contact their broker, bank or other professional adviser authorised under the FSMA through whom the sale or transfer was effected as the offer to acquire New Shares under the Rights Issue may represent a benefit which may be claimed by the purchaser or transferee pursuant to the rules of the London Stock Exchange.

## 1.12 **No Issue of New Shares or New Options after 13 months**

No New Shares (or free attaching New Options) will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

## 1.13 **Underwriting**

The Rights Issue is not underwritten.

## 1.14 **Overseas Investors**

The Company is of the view that it is unreasonable to make an offer under this Prospectus to Existing Shareholders outside of Australia, New Zealand and the United Kingdom having regard to:

- (a) the number of Existing Shareholders registered outside of Australia, New Zealand and the United Kingdom;
- (b) the number and value of the securities to be offered to Existing Shareholders registered outside of Australia, New Zealand and the United Kingdom; and

- (c) the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, only Existing Eligible Shareholders are entitled to participate in the Rights Issue and the Company is not required to make any offers under the Rights Issue to Existing Shareholders resident outside of Australia, New Zealand and the United Kingdom.

The offer of the Shortfall pursuant to an Electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia. For persons outside Australia, an application for Shortfall may only be made pursuant to a hard copy of the Prospectus. Prior to the Closing Date, any person may obtain a hard copy of this Prospectus by contacting the Company.

#### **1.15 Market Prices of Shares on ASX and AIM**

The highest and lowest closing market sale prices of Shares on ASX during the 3 months immediately preceding the date of this Prospectus and the respective dates of those sales were AUD\$0.32 on 7 May 2008 and AUD\$0.16 on 17 July 2008. The latest available market sale price of Shares on ASX immediately before the date of issue of this Prospectus was AUD\$0.17 on 30 July 2008.

The highest and lowest closing market sale prices of Shares on AIM during the 3 months immediately preceding the date of this Prospectus and the respective dates of those sales were GBP£0.13 on 27 May 2008 and GBP£0.08 on 24 July 2008. The latest available market sale price of Shares on AIM immediately before the date of issue of this Prospectus was £0.08 on 30 July 2008.

#### **1.16 Data Protection and Privacy**

The Company collects information about each applicant from the Application Form for the purposes of processing the application and, if the application is successful, to administer the applicant's security holding in the Company.

By submitting an Application Form, each applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, (including mailing houses), the ASX, ASIC, the London Stock Exchange, the Financial Services Authority in the UK and other regulatory authorities.

If an applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your application.

## Section 2 CAPITAL STRUCTURE & EFFECT OF THE OFFERS

### 2.1 Principal Effects

The principal effects of the Rights Issue (assuming full subscription) are:

- (a) the Company's cash funds will increase by approximately AUD\$4,100,000 less expenses of the Rights Issue, which are estimated to be approximately AUD\$70,000;
- (b) the total number of Shares on issue will be 221,189,446 (assuming no Options currently on issue are exercised); and
- (c) there will be 11,001,389 New Options on issue, each exercisable at AUD\$0.19 and expiring on 31 August 2009.

### 2.2 Consolidated Balance Sheet and Capital Structure

#### Capital Structure of the Company

The pro-forma capital structure of the Company following the Rights Issue (assuming full subscription) pursuant to this Prospectus is set out below:

<b>Issued Capital – Shares</b>	<b>Number</b>
Existing Ordinary Shares on issue	188,185,279
New Shares offered for subscription pursuant to this Prospectus	33,004,167
<b>Total Shares on issue after completion of Rights Issue<sup>Note 1</sup></b>	<b>221,189,446</b>

<b>Issued Capital – Options offered under this Prospectus</b>	<b>Number</b>
New Options offered for subscription pursuant to the Rights Issue	11,001,389
<b>Total New Options on issue after completion of Rights Issue</b>	<b>11,001,389</b>

The Company also has the following unquoted Options on issue:

<b>Number</b>	<b>Exercise price</b>	<b>Expiry date</b>
100,000	£0.165	22 August 2008
4,390,000	£0.14	9 June 2009
2,190,000	£0.12	26 July 2009
500,000	£0.20	23 December 2009
140,000	£0.175	10 June 2010
1,000,000	£0.16	22 June 2010
1,850,000	£0.13	31 March 2011
2,080,000	£0.20	31 August 2011

## **Unaudited Pro-Forma Consolidated Balance Sheet**

The following is a pro-forma unaudited consolidated balance sheet of the Company as at 30 June 2008, adjusted to reflect:

- i. the Rights Issue of 33,004,167 New Shares to raise £1,980,250 (AUD\$4,100,000) and 11,001,389 free attaching New Options; and
- ii. costs of the Rights Issue of £39,000 (AUD\$70,000) assuming it is fully subscribed by Existing Eligible Shareholders and no commission is payable on the Shortfall.

## CONSOLIDATED BALANCE SHEET

### PRO-FORMA REFLECTING PROPOSED RIGHTS ISSUE

	<b>30 June 2008 Unaudited Management Accounts (AUD\$)</b>	<b>30 June 2008 Pro-forma (AUD\$)</b>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	753,935	753,935
Capitalised exploration expenditure	25,155,710	25,155,710
Investments	3,437,047	3,437,047
<b>TOTAL NON-CURRENT ASSETS</b>	29,346,692	29,346,692
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	4,635,455	8,636,177
Trade and other receivables	4,233,746	4,233,746
Prepayments	534,589	534,589
Inventories	310,769	310,769
<b>TOTAL CURRENT ASSETS</b>	9,714,559	13,715,281
<b>TOTAL ASSETS</b>	39,061,251	43,061,973
<b>CURRENT LIABILITIES</b>		
Trade and other payables	5,963,863	5,963,863
Provisions	1,501,994	1,501,994
Borrowings	23,723	23,723
<b>TOTAL CURRENT LIABILITIES</b>	7,489,580	7,489,580
<b>TOTAL LIABILITIES</b>	7,489,580	7,489,580
<b>EQUITY</b>		
Issued Capital	3,878,311	4,422,456
Share Premium	42,722,651	46,179,228
Currency translation reserve	31,668	31,668
Options and warrants account	2,225,749	2,225,749
Asset revaluation reserve	1,755,693	1,755,693
Accumulated Losses	-19,042,401	-19,042,401
<b>TOTAL EQUITY</b>	31,571,671	35,572,393
<b>Total Equity and Liabilities</b>	39,061,251	43,061,973

### NOTES TO THE PRO-FORMA CONSOLIDATED BALANCE SHEET

1. The above pro-forma consolidated balance sheet is based on the unaudited management accounts at 30 June 2008 in AUD terms adjusted for:
  - (a) a rate of GBP:AUD of 2.0609 to get an AUD balance;

- (b) the investment in Lithic Metals and Energy is included at current market value as at 30 June 2008; and
- (c) the unaudited management accounts have been prepared in accordance with International Accounting Standards (IAS) adopted by the Company.

## **Section 3 RISK FACTORS**

### **3.1 Introduction**

The risk factors which should be taken into account in assessing the Company's activities and investment in the Company include, but are not necessarily limited to, those set out below. Prospective investors should carefully consider the following factors, among others, affecting the proposed activities of the Company prior to making an investment therein, as well as other matters set forth elsewhere in this document. The exploration and development of natural resources is a speculative activity that involves a high degree of financial risk. An investment in the Company may not be suitable for all recipients of this document.

The following summary, which is not exhaustive, represents some of the major risk factors which potential investors need to be aware of.

### **3.2 Risk Factors**

#### **(a) General Economic Risks**

Share market conditions, particularly those affecting mining and exploration companies, may affect the ultimate value of the Company's share price regardless of operating performance.

The price of copper and gold is influenced by physical and investment demand and supply. Fluctuations in the copper and gold prices may influence individual projects in which the Company has an interest.

The Company could be affected by unforeseen events outside its control including, inter alia, natural disasters, terrorist attacks and political unrest and/or government legislation or policy, particularly in connection with environmental issues which may interrupt or prevent exploration, mine development or production operations.

General economic conditions may affect interest rates and inflation rates. Movements in these rates will have an impact on the Company's cost of financing.

#### **(b) Trading and Liquidity in the Company's Shares**

An investment in the securities of the Company is highly speculative and subject to a high degree of risk and only those who can bear the risk of the entire loss of their investment should invest.

Each prospective investor should view his purchase of New Shares as a long-term investment and should not consider such purchase unless he is certain he will not have to liquidate his investment for an indefinite period of time.

Investors may realise less than their original investment, or sustain a total loss of their investment.

(c) Raising of Future Funds and Growth of the Company

The Company will require additional financial resources to continue funding its future expansion. The Company may in the future raise additional funds through public or private financing. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Company or its shareholders.

Notwithstanding statutory subscription rights, if additional funds are raised through the issue of equity securities, the percentage ownership of then current shareholders of the Company may be reduced and such securities may have rights, preferences or privileges senior to those of the holders of the Company's Shares.

If adequate funds are not available to satisfy either short or long-term capital requirements, the Company may be required to limit its operations significantly.

There can be no assurance that the Company will be able to manage effectively the expansion of its operations or that the Company's current personnel, systems, procedures and controls will be adequate to support the Company's operations. Any failure of management to manage effectively the Company's growth and development could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's future results will depend in part on management's ability to manage growth, which will require, among other things, continued development of the Company's financial and management controls, and its ability to expand, manage and train its employee base. There is no certainty therefore that all or, indeed, any of the elements of the Company's current strategy will develop as anticipated and that the Company will be profitable.

The Company is highly dependent on the Directors. Whilst the Board has sought to and will continue to ensure that Directors and any key employees are appropriately incentivised, their services cannot be guaranteed. The Group has a small management team and the loss of one or more executive Directors may have an adverse effect on its operational performance and growth plans. The continued involvement of key employees, consultants and Directors is not assured, and the loss of their services to the Company may have a material adverse effect on the performance of the Company.

(d) Exploration and Production Risks

Exploration and production involve a high degree of risk and may be hampered by mining, heritage, community and environmental legislation, industrial disputes, cost overruns, land claims and compensation, geological, geotechnical and seismic factors, weather conditions and other unforeseen events which are beyond the control of the Company.

The success of the Company also depends on the delineation of economically minable reserves, access to required development capital, movements in the

price of copper and gold, securing and maintaining title to its exploration tenements and obtaining all consents and approvals necessary for the conduct of its exploration and mining activities.

The Company's success is also dependent upon it being able to adequately attract resources and competent joint venture partners to assist the Company in its exploration strategy and the development of any economically viable reserves.

Exploration may be unsuccessful, resulting in a reduction of the value of those tenements, diminution in the cash reserves of the Company and possible relinquishment of the exploration tenements.

Whether or not income will result from projects undergoing exploration, development and production programmes depends on successful establishment of mining operations. Factors including costs, actual mineralisation, consistency and reliability of ore grades, and mineral prices affect successful project development, as does the design and construction of efficient processing facilities, competent operation and management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced consultants.

(e) Joint Venture Risk

The Directors are unable to predict the risk of financial failure, non compliance with obligations or default by a participant in any joint venture to which the Company is, or may become, a party.

The Company is party to four joint venture agreements, two with Glencore International AG of Switzerland, one with Lithic Metals and Energy Ltd (formerly Zambezi Nickel Ltd) and one with Rio Tinto Mining and Exploration Ltd.

(f) Environmental Risk

The Company's Zambezi tenement, which contains the Chakwenga gold prospect, the Kangaluwi-Chisawa copper project and part of the Cheowa-Neningombwe prospect, falls within the Lower Zambezi National Park. The Zambian government allows exploration in both National Parks and Game Management Areas. The progression from a Prospecting Licence to a Mining Licence requires the provision of an Environmental Management Plan ("EMP") and an Environmental Impact Statement ("EIS"). It is expected that the granting of a Mining Licence within the National Park will require a more rigorous environmental assessment process prior to a mine permit being granted. The Directors accordingly consider prospects contained within the National Parks to have an inherently higher environmental risk than the remaining tenements.

Exploration and production activities have become subject to increasing environmental responsibility and liability. The Company will seek to operate

in accordance with the highest standards of environmental practice, however, the potential for liability is an ever present risk.

Environmental legislation may change in a manner that may require stricter standards and a heightened degree of responsibility for companies and their directors and employees. There may also be unforeseen environmental liabilities resulting from exploration and mining activities and these problems and liabilities may be costly to remedy.

The Company, as a participant in mining activities, may become subject to liability from hazards that cannot be insured against or against which it may elect not to be insured because of high premium costs or other reasons. The Company may incur liabilities to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

The Company is currently mitigating against this aspect of risk by undertaking stakeholder negotiations which includes liaison with non government donor organisations and related government organisations.

(g) Country Risk

Zambezi's assets are located in Zambia, which introduces both sovereign and Zambian domestic economic risk issues to investors investing in the Company's Shares. Investors in Zambezi should however be aware of the specific country risk issues associated with Zambia.

HIV/AIDS is prevalent in eastern and southern Africa. As a Zambian operating company, Zambezi will be exposed to the risks associated with operating in such an environment. The Company has an active awareness programme and participates in local HIV/AIDS awareness campaigns.

(h) Enforcement of Judgments

As the Company is a Bermuda exempted company, the rights of shareholders will be governed by Bermuda law and the Company's Memorandum of Association and Bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. One of the Directors is not a resident of Australia and all of the Company's assets are located outside of Australia. As a result, it may be difficult for investors to effect service of process in Australia or to enforce in Australia judgments obtained in Australian courts against the Company or those persons who may be liable under Australian law. The current position with regard to enforcement of judgments in Bermuda is set out below but this may be subject to change.

A final and conclusive judgment of a foreign court against the Company, under which a sum of money is payable (not being a sum of money payable in respect of taxes or other charges of a like nature, in respect of a fine or other penalty, or in respect of multiple damages as defined in The Protection of Trading Interests Act 1981) may be enforceable in Bermuda if the foreign court is situated in a country to which The Judgments (Reciprocal

Enforcement) Act 1958 (the "1958 Act") applies. The procedure provided for in the 1958 Act must be followed if the 1958 Act applies. The 1958 Act applies to Australia. Under the 1958 Act, a judgment obtained in the superior courts of a territory to which it applies would be enforced by the Supreme Court of Bermuda without re-examination of the merits of the case provided that:

- (a) the judgment is final and conclusive, notwithstanding that an appeal may be pending against it or it may still be subject to an appeal in such country;
- (b) the judgment has not been given on appeal from a court which is not a superior court; and
- (c) the judgment is duly registered in the Supreme Court of Bermuda in circumstances in which its registration is not liable thereafter to be set aside.

Under Section 3(4) of the 1958 Act, the registration of such a court's judgment in the Supreme Court of Bermuda involves the conversion of the judgment debt into Bermuda dollars as of the date of the foreign court's judgment, but the BMA has indicated that its present policy is to give the consents necessary for any Bermuda dollar award made by the Supreme Court of Bermuda as aforesaid to be recovered in external currency.

Where the 1958 Act does not apply, a final and conclusive judgment of a competent foreign court under which a sum of money is payable (not being a sum payable in respect of taxes or other charges of a like nature, in respect of a fine or other penalty, or in respect of multiple damages as defined in The Project of Trading Interests Act 1981) may be the subject of enforcement proceedings in the Supreme Court of Bermuda under the common law doctrine of obligation by action on the debt evidenced by the judgment of such competent foreign court. A final opinion as to the availability of this remedy should be sought when the facts surrounding the foreign court's judgment are known, but, on general principles, we would expect such proceedings to be successful provided that:

- (a) the court which gave the judgment was competent to hear the action in accordance with private international law principles as applied in Bermuda; and
- (b) the judgment is not contrary to public policy in Bermuda, has not been obtained by fraud or in proceedings contrary to natural justice and is not based on an error in Bermudan law.

Enforcement of such a judgment against assets in Bermuda may involve the conversion of the judgment debt into Bermuda dollars, but the BMA has indicated that its present policy is to give the consents necessary to enable recovery in the currency of the obligation.

No stamp duty or similar or other tax or duty is payable in Bermuda on the enforcement of a foreign judgment. Court fees will be payable in connection with proceedings for enforcement.

(i) BMA Approval

The consent of the BMA is required for all issues of shares to persons who are non-residents of Bermuda for exchange control purposes. The BMA's consent is also required for subsequent transfers of issued shares of the Company. Pursuant to the Notice of the Public issued by the BMA on 1 June 2005 (the "**General Permission**"), general permission has been given for the issue and subsequent transfer of any securities of a company where any of its "Equity Securities" are listed on an "Appointed Stock Exchange", which includes AIM and ASX, where "Equity Security" means a share which entitles the holder to vote for or appoint one or more directors or a security which by its terms is convertible into a share which entitles the holder to vote for or appoint one or more directors. Approvals or permissions given by the BMA do not constitute a guarantee by the BMA as to the Company's performance or credit worthiness. Accordingly, in giving such consent or permissions, the BMA shall not be liable for the financial soundness, performance or default of the Company's business or for the correctness of any opinions or statements expressed in this document.

(j) Legislative Changes

Changes in government regulations and policies in Zambia, Bermuda or elsewhere may adversely affect the financial or other performance of the Company.

(k) Retention of Key Business Relationships

The Group relies significantly on strategic relationships with other entities and also on good relationships with regulatory and governmental departments. The Group also relies upon third parties to provide essential contracting services. There can be no assurance that its existing relationships will continue to be maintained or that new ones will be successfully formed and the Group could be adversely affected by changes to such relationships or difficulties in forming new ones. Any circumstance, which causes the early termination or non-renewal of one or more of these key business alliances or contracts, could adversely impact the Group, its business, operating results and prospects.

Various aspects of the Company's future performance and profitability are dependent on the outcome of future negotiations with third parties. The Group's interests may in future be held in a joint venture and, in some cases, a joint venture partner may be the manager of the joint venture. In these situations the joint venture decision may not accord with the Group's stated plan. Currently the Company has in place contracts with drillers, transport groups and laboratories to facilitate and maintain a level of operations with regard to planned exploration.

(l) Licences

While the Directors have no reason to believe that the existence and extent of any of the Group's properties are in doubt, title to mining properties is subject to potential litigation by third parties claiming an interest in them. The Directors of Zambezi have identified thirty Small Scale Mining Leases ("SML") and one Large Small Scale Mining Leases ("LSML") within the Zambezi tenement portfolio. Seventeen of the SML's and the LSML have been granted to applicants, eight SML applications have been rejected, three of the SML applications are currently under consideration, one application has been approved but not taken up, and one application is in dispute. Three of the SML's and the Prospecting Licence were in place prior to the grant of Mwembeshi's tenements. The total area of the identified SMLs is less than 1% of the total tenement area held by Zambezi, and no SMLs have been identified within Zambezi's major project areas at Cheowa and Kangaluwi. The Directors maintain a policy of continuing to review and monitor Small Scale Mining Licences and their effect on day to day operations.

The failure to comply with all applicable laws and regulations, including failures to pay taxes, meet minimum expenditure requirements, or carry out and report assessment work, may invalidate title to portions of the properties where the mineral rights are not held by the Group.

The Group might not be able to retain its licence interests when they come up for renewal.

(m) Indigenous and Native Title Issues

The Zambian Mines Act deals with native title under which there are restrictions with respect to local activities. Certain parts of the Company's prospecting areas are actively farmed and may fall within this definition of local activities.

(n) Currency Risk

Any future income from mineral sales may be subject to exchange rate fluctuations and become subject to exchange control or similar restrictions. The Company expects to report its financial results in pound sterling although part of its business may be conducted in other currencies. As a result, it will be subject to foreign currency exchange risk due to exchange rate movements which will affect the Company's transaction costs and the translation of its results.

(o) Company Tax Status

The Company is registered and domiciled in Bermuda. While the Directors do not expect the Company will be taxed in Australia or the UK or elsewhere as a public company, this may not be the case.

(p) No Takeover Protection

As the Company is registered in Bermuda, the UK City Code on Takeovers and Mergers does not apply to the Company. As a result, any takeover offer for the Company or consolidation of control in the Company will not be regulated by the UK City Code on Takeovers and Mergers or any other takeover regime.

(q) Forward Looking Statements

This document contains forward looking statements, including, without limitation, statements containing the words "believe", "anticipated", "expected" and similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those set out in this Section 3. Given these uncertainties, investors are cautioned not to place any undue reliance on such forward looking statements. To the extent lawfully permitted, the Company disclaims any obligations to update any such forward looking statements in this Prospectus to reflect future events or developments.

### 3.3 **Speculative Nature of Investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares and New Options offered under this Prospectus.

Therefore, the New Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends or return of capital and the New Shares and New Options carry no guarantee with respect to the market value of such New Shares and New Options.

Existing Eligible Shareholders should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Shares (and free attaching New Options) in the Rights Issue.

## **Section 4      ADDITIONAL INFORMATION**

### **4.1      Legal Framework of this Prospectus**

The Company is a "disclosing entity" under the Corporations Act and is subject to the regime of continuous disclosure and periodic reporting requirements. Specifically, the Company is subject to:

- (a) the Listing Rules which require continuous disclosure to the market of any information possessed by the Company which a reasonable person would expect to have a material effect on the price or value of its securities; and
- (b) the AIM Rules which require notification without delay of any new developments which are not public knowledge concerning a change in its financial condition, its sphere of activity, the performance of its business or its expectation of its business which, if made public, would be likely to lead to a substantial movement in the price of its securities.

### **4.2      Applicability of Corporations Act**

As a "disclosing entity", the Company has issued this Prospectus in accordance with section 713 of the Corporations Act applicable to prospectuses for an offer of securities which are quoted enhanced disclosure ("**ED**") securities and options to acquire quoted ED securities, and the securities are in a class of securities that were quoted ED securities at all times in the 12 months before the issue of this Prospectus.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the provisions of the Listing Rules as in force from time to time which apply to disclosing entities, and which require the Company to notify ASIC of information available to the stock market conducted by ASX, throughout the 12 months before the issue of this Prospectus.

The ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at ASX in Perth during normal working hours. In addition, copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, any regional office of ASIC.

The New Shares and New Options to be issued under this Prospectus are in respect of a class of shares that were continuously quoted securities at all times in the 12 months before the issue of this Prospectus.

### **4.3      Information Available to Shareholders**

The Company will provide a copy of each of the following documents, free of charge, to any investor who so requests during the application period under this Prospectus:

- (a) the Annual Report for the Company for the period ending 31 March 2008; and
- (b) the following documents used to notify ASX of information relating to the Company during the period after lodgement of the Annual Report of the

Company for the period ending 31 March 2008 and before the issue of this Prospectus:

<b>Date</b>	<b>Description of ASX Announcement</b>
25/07/08	Quarterly Activities Report
14/07/08	Uranium JV Update
09/07/08	Cheowa Copper Gold Project Resource Update
08/07/08	Kangaluwi Copper Project Update
04/07/08	Company Secretary Appointment/Resignation
04/07/08	Updated shareholder information
02/07/08	Uranium Joint Venture Update
26/06/08	Annual Report to Shareholders

#### 4.4 **Rights Attaching to New Shares**

The New Shares to be issued pursuant to this Prospectus will rank equally in all respects with existing Shares in the Company.

The rights attached to Shares are governed by the Memorandum, Bye-Laws, applicable Bermuda statutes regarding companies including the Bermuda Companies Act and the AIM Rules and, in certain circumstances, will be regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules, ACH Clearing Rules and the general law.

The following is a summary of the principal rights which attach to the Company's Shares:

(a) **Voting**

Subject to any rights or restrictions attaching to any class of Shares, at any general meeting of the Company, each shareholder entitled to vote may vote in person or by proxy, attorney or (if it is a company) by representative each of whom shall be entitled to speak and to one vote on a show of hands and each shareholder present in person or by proxy, attorney or (if it is a company) by representative shall be entitled on a poll to one vote for each fully paid Share held. A poll may be demanded by the chairman of the meeting, by at least three shareholders present in person or represented by proxy, by any one or more shareholders present in person or by proxy who are together entitled to not less than 10% of the total voting rights of all shareholders having the right to vote at such meetings, or by one or more shareholders present in person or represented by proxy who together hold Shares conferring the right to vote at such meeting, being Shares on which an aggregate sum has been paid up equal to not less than 10% of the total sum paid up on all such Shares conferring such right.

No shareholder shall, unless the board of Directors otherwise determines, be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of Shares of the Company have been paid. On a poll a shareholder or proxy or representative, if entitled to more than one vote, need not use all his votes or cast all the votes he uses in the same way.

In the case of any equality of votes at a general meeting, whether on a show of hands or on a poll, the chairman of such meeting shall not be entitled to a second or casting vote and the resolution shall fail.

(b) Dividends

The Directors may declare and pay a dividend or make a distribution out of contributed surplus to shareholders according to their rights and interests, including such interim dividends as appear to the Directors to be justified by the position of the Company in accordance with the requirements of the Bermuda Companies Act. The Directors, in their discretion, may determine that any dividend may be paid according to the amounts paid as a proportion of the total amount paid and payable on the Shares in respect of which the dividend or distribution is paid or apportioned and paid pro rata according to the amounts paid up on the Shares during any portion(s) of the period in respect of which the dividend or distribution is paid. Payment or satisfaction of any dividend or distribution out of contributed surplus may be made in cash or by paying up in full Shares to be issued to shareholders or by the distribution of specific assets.

Contributed surplus is a North American concept recognised under the generally accepted accounting principles of the Canadian Institute of Chartered Accountants, whose accounting principles are applied in Bermuda. Contributed surplus includes proceeds from donated Shares, credits resulting from the redemption or conversion of Shares at less than the amount of the nominal capital or par value, the excess value of Shares acquired over those issued in a Share exchange should the board of Directors elect to treat it as such and donations of cash or other assets to the Company.

(c) Transfer of Shares

Generally, Shares are freely transferable, subject to formal regulatory requirements and to such other requirements as may be applicable and to the registration of the transfer not resulting in a contravention of or failure to observe the applicable provisions of the Bermuda Companies Act.

The BMA's consent granted pursuant to the General Permission covers the issue of the New Shares pursuant to this Prospectus and the free transferability of those New Shares to and between any persons without the prior approval of the BMA so long as the subject New Shares are listed on an "Appointed Stock Exchange", which includes AIM and ASX.

BMA consent is required for all new issues of Shares in a Bermuda exempted company including all issues to persons who are non-resident of Bermuda for exchange control purposes. The BMA's consent is also required for subsequent transactions in issued Shares between persons regarded as non-resident of Bermuda for exchange control purposes, if a special general consent has not been granted or the transactions are not covered by the General Permission.

(d) Meetings, Reports and Notice

Notice of every general meeting shall be given in any manner permitted by the Bye-Laws to all shareholders other than under the provisions of the Bye-Laws or the terms of issue of the Shares they hold, are not entitled to receive such notice from the Company and every Director and to any resident representative who or which has delivered a written notice upon the Company's registered office requiring that such notice be sent to him or it.

Subject to any rights or restrictions attaching to any class of Shares, shareholders are entitled to receive all notices, auditors' reports and accounts and other documents required to be furnished to shareholders under the Bermuda Companies Act.

(e) Winding Up

Subject to the terms of issue of Shares, if the Company is wound up, the liquidator may, with the sanction of a resolution of the shareholders and any other sanction required by the Bermuda companies law, divide amongst the shareholders in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purposes set such value as he or she deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trust for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no shareholder shall be compelled to accept any Shares or other assets upon which there is any liability.

(f) Increases in Share Capital and Issue

The Company may, if authorised by a general meeting of its shareholders, increase its Share capital. The Company may, by the resolution increasing the capital, direct that the new Shares or any of them shall be offered in the first instance either at par or at a premium, subject to the provisions of the Bermuda Companies Act, to all the holders for the time being of Shares of any class or classes in proportion to the number of such Shares held by them respectively or make any other provision as to the issue of the new Shares.

The New Shares shall be subject to all the provisions of the Bye-Laws with reference to lien, the payment of calls, forfeiture, transfer, transmission and otherwise.

(g) Variation of Rights Attaching to Shares

All or any of the special rights for the time being attached to any issued class of shares may be altered or abrogated with the consent in writing of the holders of not less than 75% of the issued shares of that class or with the sanction of a resolution passed at a separate general meeting of the holders of such shares voting in person or by proxy.

(h) Alteration of Capital

The Company may by resolution of the shareholders alter its capital by reducing or increasing its capital, consolidating and dividing any or all of its capital, cancelling shares which have not been taken or agreed to be taken by any person, issuing shares entitling the shareholder to either no voting right or a restricted voting right, or converting all or any of its fully paid ordinary shares, the nominal amount of which is expressed in a particular currency, into fully paid ordinary shares of a nominal amount of a different currency.

(i) Directors

The Company must have not less than 2 and no more than 6 Directors (a number in excess of 6 Directors is permitted by resolution of the shareholders). Subject to the Bermuda Companies Act and the Bye-Laws, the Directors shall be elected or appointed by shareholders and shall serve for such terms as the Company by resolution may determine, or in the absence of such determination, until the termination of the next annual general meeting following their appointment.

(j) Preference Shares

The Bye-Laws provide for the Company to issue Preference Shares. Subject to the Bermuda Companies Act, the Company's Memorandum and any confirmation or consent required by law or the Bye-Laws, the Company may from time to time by resolution in general meeting convert any preference shares into redeemable Preference Shares.

The Company does not currently have any Preference Shares on issue.

(k) ASX Listing Rules

If the Company is admitted to the Official List of ASX, then despite anything in the Bye-Laws of the Company, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Bye-Laws prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Bye-Laws to contain a provision or not to contain a provision the Bye-Laws are deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Bye-Laws is or becomes inconsistent with the Listing Rules, the Bye-Laws are deemed not to contain that provision to the extent of the inconsistency.

#### 4.5 **Terms and Conditions of the New Options**

The terms and conditions of the New Options are as follows:

- (a) No monies will be payable for the issue of the New Options.
- (b) A certificate will be issued for the New Options.

- (c) The New Options shall expire at 5.00pm Western Standard Time ("**WST**") on the **Expiry Date**.
- (d) Subject to these terms and conditions each New Option will entitle the holder to subscribe for one fully paid ordinary share ("**Share**") in Zambezi Resources Limited ("**Company**").
- (e) Shares will allotted to Option holders at an exercise price being AUD\$0.19 per share ("**Exercise Price**").
- (f) New Options may be exercised at any time on or after the Commencement Date and on or before 5:00 pm WST on the Expiry Date.
- (g) New Options not exercised on or before the Expiry Date will automatically lapse.
- (h) The Exercise Price of Shares the subject of New Options shall be payable in full on exercise of the New Options.
- (i) The Company will apply for the New Options to be admitted to trading on ASX.
- (j) New Options shall be exercised by the delivery to the registered office of the Company of a notice in writing. The notice must specify the number of New Options being exercised and must be accompanied by:
  - (i) payment for the Exercise Price for each Share to be issued on exercise of the New Options specified in the notice; and
  - (ii) the certificate for those New Options, for cancellation by the Company.The notice is only effective (and only becomes effective) when the Company has received value for the full amount of the Exercise Price (for example, if the Exercise Price is paid by cheque, by clearance of that cheque) by the Expiry Date. An exercise of only some New Options will not affect the rights of the Option holder to the balance of the New Options held by the Option holder.
- (k) Within 10 Business Days after the notice referred to in condition (j) becoming effective, the Company must:
  - (i) allot and issue the number of Shares specified in the notice to the holder;
  - (ii) cancel the certificate for the New Options being exercised; and
  - (iii) if applicable, issue a new certificate for any remaining New Options covered by the certificate accompanying the notice.
- (l) Subject to any restrictions on transfer agreed between the Company and the Option holder, the New Options shall be freely transferable.

- (m) Shares allotted pursuant to an exercise of New Options shall rank, from the date of allotment, pari passu with existing Shares of the Company in all respects.
- (n) If, prior to the expiry of any New Options, there is a reorganisation of the issued capital of the Company, then the rights of an Option holder will be changed to the extent necessary to comply with the Listing Rules of the ASX Limited applying to a reorganisation of capital at the time of the reorganisation.
- (o) The New Options will not give any right to participate in dividends, bonus issues or entitlement issues until Shares are allotted pursuant to the exercise of the relevant New Options. There is no right to change the exercise price of New Options if the Company completes a bonus or entitlements issue.

In these terms and conditions:

"**ASX**" means the Australian Securities Exchange;

"**ASX Listing Rules**" means the rules governing the operation of the ASX;

"**Business Day**" means a day on which ASX is open for trading in securities;

"**Commencement Date**" means the date of the allotment and entry into the register of the options; and

"**Expiry Date**" means the 31 August 2009.

#### 4.6 Interests of Directors

##### *Directors' Holdings*

At the date of this Prospectus the relevant interest of each of the Directors in the Shares of the Company are as follows:

<b>Director</b>	<b>Shares</b>	<b>Options<sup>4</sup></b>
Brian Rear	235,000 <sup>1</sup>	500,000
Julian Ford	2,500,000 <sup>2</sup>	3,000,000
Geoffrey Johnson	Nil	1,950,000
Jeremy Wrathall	175,000 <sup>3</sup>	490,000

Notes:

1. The interest in Shares disclosed for B Rear is held by SRH Pty Ltd as trustee for the SRH Provident Fund of which B Rear is a beneficiary.
2. 1,000,000 of Julian Ford's shares are registered in the name of Harpendon Nominees Pty Ltd, a company controlled by him and the remaining 1,500,000 are held directly by him.
3. The interest in Shares disclosed for J Wrathall is held by J Wrathall and his wife jointly.
4. The directors' holding of Options are as follows:

Director	Number of Options	Exercise Price	Expiry date
B Rear	300,000	£0.12	26 July 2009
	200,000	£0.16	22 June 2010
	500,000(1)	£0.20	31 August 2011
J Ford	1,500,000	£0.12	26 July 2009
	1,500,000	£0.14	9 June 2009
G Johnson	200,000	£0.12	26 July 2009
	500,000	£0.16	22 June 2010
	1,250,000	£0.14	9 June 2009
J Wrathall	190,000	£0.12	26 July 2009
	300,000	£0.16	22 June 2010
	500,000(1)	£0.20	31 August 2011

Note (1) – the grant of these Options is subject to share holder approval at the Annual General Meeting to be held on 31 July 2008.

### ***Remuneration of Directors***

The Bye-Laws provides that the amount, if any, of Directors' fees shall from time to time be determined by the Company by resolution of the shareholders, or in the absence of such a determination, by the Board.

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Over the last two years, the total aggregate of the remuneration paid to and benefits in kind granted to the Directors by the Company was as follows:

Director	Fees/Salary/Bonus (AUD\$)	Other Remuneration (AUD\$)	Total Remuneration (AUD\$)
Brian Rear	108,523	-	108,523
Julian Ford	469,823	259,178	729,001
Geoffrey Johnson	414,291	187,073	601,364
J Wrathall	74,932	-	74,932

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- the Rights Issue.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Rights Issue.

#### 4.7 **Interests of Named Persons**

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- the Rights Issue.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Rights Issue.

Blakiston & Crabb have acted as Australian solicitors to the Company in relation to this Prospectus. In respect of their work on this Prospectus, the Company will pay approximately AUD\$25,000 for these professional services. Blakiston & Crabb have provided other professional services to the Company during the last two years amounting to approximately AUD\$199,000.

Watson, Farley & Williams LLP have acted as UK solicitors to the Company in relation to this Prospectus. In respect of their work on this Prospectus, the Company will pay approximately £15,000 for these professional services. Watson, Farley & Williams LLP have provided other professional services to the Company during the last two years amounting to approximately £14,530.

Computershare Investor Services Pty Limited is the Company's Australian share registry and has provided share registry services to the Company during the last two years amounting to approximately AUD\$39,976.

Computershare Investor Services PLC is the Company's UK share registry and has provided share registry services to the Company during the last two years amounting to approximately £22,353.

The amounts disclosed above are exclusive of any amount of goods and services tax payable by the Company in respect of those amounts.

#### 4.8 **Expenses of the Rights Issue**

The approximate expenses of the Rights Issue are AUD\$70,000. These expenses are payable by the Company.

#### 4.9 **Consents**

Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named as Share Registrar in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

Each of the parties referred to in this Section 4.9:

- (a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this Section 4.9; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 4.9.

Each of the following has consented to being named in this Prospectus in the capacity as noted below and has not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC:

- (a) Blakiston & Crabb as Australian solicitors to the Company;
- (b) Watson, Farley & Williams LLP as UK solicitors to the Company; and
- (c) Computershare Investor Services PLC as the Company's UK share registry.

#### 4.10 **Electronic Prospectus**

Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis of a paper Prospectus lodged with the ASIC and the issue of Shares in response to an electronic application form, subject to compliance with certain provisions. The Company is relying on this exemption in relation to the offer of Shortfall.

The offer pursuant to an Electronic Prospectus is only available for applications for the Shortfall and to persons receiving an electronic version of this Prospectus within Australia.

If you have received this Prospectus as an Electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Shortfall Application Form. If you have not, please email the Company at [info@zambeziresources.com](mailto:info@zambeziresources.com) and the Company will send to you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept a Shortfall Application Form from a person if it has reason to believe that when that person was given access to the electronic Shortfall Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the application monies will be dealt with in accordance with section 722 of the Corporations Act.

## Section 5     **DEFINED TERMS**

"**ACH**" means the Australian Clearing House Pty Limited ACN 001 314 503;

"**ACH Clearing Rules**" means the operating rules of ACH;

"**AIM**" means the AIM market of the London Stock Exchange;

"**AIM Rules**" means the AIM Rules for Companies as published by the London Stock Exchange from time to time;

"**Application Form**" means the Shortfall Application Form and/or the Entitlement and Acceptance Form;

"**ASIC**" means the Australian Securities & Investments Commission;

"**ASTC**" means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532;

"**ASTC Settlement Rules**" means the operating rules of ASTC;

"**ASX**" means ASX Limited and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Australian Share Register**" means the share register maintained on behalf of the Company in Australia by the Australian Share Registry;

"**Australian Share Registry**" means Computershare Investor Services Pty Ltd;

"**AWST**" means Australian Western Standard Time;

"**Bermuda Companies Act**" means the Companies Act 1981 of Bermuda;

"**BMA**" means the Bermuda Monetary Authority;

"**Board**" means the board of Directors;

"**BST**" means British summer time;

"**Business Day**" means every day other than a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day;

"**Bye-Laws**" means the Bye-Laws of the Company, as amended from time to time;

"**CDI**" means CHESS Depository Interest, as described in Section 1.10;

"**CHESS**" means the Clearing House Electronic Subregister System;

"**Closing Date**" means 5.00pm AWST (10.00am BST) on 1 September 2008;

"**Company**" or "**Zambezi**" means Zambezi Resources Limited ARBN 124 462 826;

"**Corporations Act**" means the Australian Corporations Act 2001 (Cth);

"**CREST**" means the computerised settlement system (as defined in the Regulations) in the UK operated by Euroclear UK & Ireland Limited which facilitates the transfer of title to shares in uncertificated form;

"**Directors**" means the directors of the Company;

"**DIs**" means depository interests in underlying Shares issued by the UK Share Registry (in the ratio of one DI for every one Share) in uncertificated form through CREST;

"**DI Deed**" means the deed poll dated 15 July 2004 in relation to the DIs;

"**Electronic Prospectus**" means an electronic version of the Prospectus;

"**Entitlement**" means the entitlement of an Existing Eligible Shareholder to apply for New Shares (and free attaching New Options);

"**Entitlement and Acceptance Form**" means the Entitlement and Acceptance Form accompanying this Prospectus for use in connection with the Rights Issue;

"**Existing DI Holders**" means existing holders of DIs whose details appear on the UK Share Registry's register of DI holders at the Record Date;

"**Existing Eligible Shareholders**" means those Existing Shareholders resident in Australia, New Zealand or the UK;

"**Existing Shareholders**" means those shareholders of the Company whose details appear on the Company's register of shareholders as at the Record Date;

"**FSMA**" means the Financial Services and Markets Act 2000;

"**Group**" means Zambezi Resources Limited and its beneficially owned subsidiary companies being Mwembeshi Resources Limited, Mwembeshi Resources (Bermuda) Limited, Africa Austral Mineracao Limitada, Southern African Resources Limited, Cape Resources Limited, Chalimbana Resources Limited, Cheowa Resources Limited and Zambezi Resources (Australia) Pty Ltd;

"**km**" means kilometres;

"**kWhr/t**" means kilowatt hours per tonne;

"**Listing Rules**" means the Listing Rules of ASX;

"**London Stock Exchange**" means the London Stock Exchange plc;

"**New Options**" means the Options exercisable at AUD\$0.19 each and expiring on 31 August 2009 and on the terms and conditions set out in Section 4.5, to be granted on the basis of one New Option for every three New Shares issued pursuant to the Rights Issue;

"**New Shares**" means the new Shares offered pursuant to the Rights Issue;

"**Option**" means an option to acquire one Share;

"**Prospectus**" means this prospectus dated 31 July 2008 and includes the Electronic Prospectus;

"**Record Date**" means 5.00 pm AWST (or 5.00pm BST) on 12 August 2008;

"**Regulations**" means the Uncertificated Securities Regulations 2001, as amended from time to time;

"**Rights Issue**" means the pro-rata non-renounceable rights issue pursuant to the Prospectus of up to 33,004,167 New Shares on the basis of one New Share for every 5.7 Shares held on the Record Date at an issue price of AUD\$0.124 (or £0.06) per New Share, together with up to 11,001,389 free attaching New Options, exercisable at AUD\$0.19 each expiring 31 August 2009, on the basis of one New Option for every three New Shares issued, to raise up to approximately AUD\$4,100,000 (or £1,980,250);

"**Section**" means a section of this Prospectus;

"**Share**" means an ordinary fully paid share in the capital of the Company;

"**Share Register**" means the Australian Share Register and/or the UK Share Register;

"**Shortfall**" means shortfall in subscription of New Shares (and free attaching New Options) under the Rights Issue pursuant to this Prospectus;

"**Shortfall Application**" means applications for the Shortfall;

"**Shortfall Application Form**" means the Shortfall Application Form accompanying this Prospectus;

"**UK**" means the United Kingdom of Great Britain and Northern Ireland;

"**UK Share Register**" means the share register maintained on behalf of the Company in the UK by the UK Share Registry; and

"**UK Share Registry**" means Computershare Investor Services PLC.

Exchange rates used for the purposes of this Prospectus are (unless otherwise specified) AUD\$1.00 = £0.4852.

## **Section 6 DIRECTORS' RESPONSIBILITY STATEMENT & CONSENT**

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of New Shares or New Options pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 31 July 2008



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Julian Ford  
Director

## ANNEXURE A

### FURTHER TERMS AND CONDITIONS

By applying for New Shares (and free attaching New Options) under the Rights Issue:

- (a) your application will be irrevocable and unconditional;
- (b) you irrevocably confirm, warrant and undertake that your participation in the Rights Issue is solely on the basis of the information contained in this Prospectus, the Application Form and the business and financial information published by the Company in accordance with the rules and practices of the ASX and AIM and on no other basis whatsoever;
- (c) you acknowledge that you are eligible to participate in the Rights Issue and if you are an Existing Eligible Shareholder resident in the UK, you irrevocably confirm, warrant and undertake that you are a person falling within Article 43(3) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "**Order**");
- (d) you irrevocably confirm, warrant and undertake that you were outside the United States at the time your acquisition of New Shares (and free attaching New Options) was originated and you were not at such time and are not a US person (and were not and are not acquiring on behalf of, or for the account of or benefit of, a US person) within the meaning of Regulation S promulgated under the United States Securities Act 1933 (as amended) and you will not offer, sell or deliver directly or indirectly any of the New Shares or New Options in the United States;
- (e) you irrevocably confirm, warrant and undertake that you are not a national or resident of the United States, Canada, Japan or the Republic of Ireland and that you will not offer, sell or deliver as principal or agent, directly or indirectly, any of the New Shares (or free attaching New Options) in or into the United States, Canada, Japan or the Republic of Ireland or to or for the benefit of any persons resident in the United States, Canada, Japan or the Republic of Ireland or to any person purchasing such shares or options for re-offer, sale or transfer in or into the United States, Canada, Japan or the Republic of Ireland;
- (f) you irrevocably confirm, warrant and undertake that you are entitled to subscribe for the New Shares (and free attaching New Options) under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and that you have not taken any action which will or may result in the Company or any of its directors, officers, employees or agents acting in breach of any regulatory or legal requirements of any territory in connection with the Offer or your acceptance thereof;
- (g) you irrevocably authorise the Company (and its officers or agents) to correct any error in, or omission from, your Application Form and to complete the Application Form by the insertion of any missing details;

- (h) you irrevocably accept the risk associated with any refund that may be despatched to you by cheque to your address shown on the Share Register;
- (i) you irrevocably agree to indemnify the Company from, and to pay to the Company within 5 business days of demand, any dishonour fees or other costs the Company may incur in presenting a cheque for payment which is dishonoured;
- (j) you acknowledge that neither the Company nor the ASX nor AIM nor any of the Company's advisers has provided you with investment advice or financial product advice, and that none of them has any obligation to provide this advice, concerning your decision to apply for and purchase the New Shares (and free attaching New Options);
- (k) you irrevocably acknowledge that the Company and its directors, employees and agents are not liable for any exercise of its discretions referred to in this Prospectus; and
- (l) you irrevocably and unconditionally agree to the terms of this Prospectus and agree not to do any act or thing which would be contrary to the spirit, intention or purpose of the Rights Issue or the Prospectus.

## ANNEXURE B

### UK INVESTORS – EXISTING DI HOLDERS

#### *General*

Each Existing DI Holder will receive a credit to his stock account in CREST of his DI Entitlements being equal to the maximum number of New DIs for which he is entitled to apply in connection with the Rights Issue.

The CREST stock account to be credited will be an account under the participating ID and member account ID that apply to the existing DIs held on the Record Date by the Existing DI Holder in respect of which the DI Entitlements have been allocated.

If for any reason DI Entitlements and/or New DIs cannot be admitted to CREST, or the stock accounts of Existing DI Holders cannot be credited, by 3.00pm BST on 9 September 2008 on or such later time as the Company may decide, an instruction form (the "**DI Instruction Form**" under which Existing DI Holders may instruct the UK Registry to complete Entitlement and Acceptance Forms on their behalf) will be sent out to each Existing DI Holder in substitution for the DI Entitlements credited to his stock account in CREST. In these circumstances, the expected timetable as set out in this document will be adjusted as appropriate, the UK Share Registry will complete Entitlement and Acceptance Forms in accordance with the DI Instruction Forms that it receives and the provisions of this document applicable to Existing Eligible Shareholders with Entitlement and Acceptance Forms will continue to apply.

Existing DI Holders who wish to apply for some or all of their entitlement to New DIs should refer to the CREST manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact the UK Share Registry on 0870 707 1427 (or +44 870 707 1427 if calling from outside the UK). The UK Share Registry cannot give financial advice in relation to the Rights Issue. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for some or all of your DI Entitlement as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

#### *Market Claims*

The DI Entitlements will constitute a separate security for the purposes of CREST. Although DI Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of New DIs may only be made by the Existing DI Holder originally entitled or by virtue of a bona fide market claim transaction. Transactions identified by the CREST Claims Processing Unit as "cum" the DI Entitlement will generate an appropriate market claim transaction and the relevant DI Entitlements will thereafter be transferred accordingly.

#### *USE - Instructions*

Existing DI Holders who wish to apply for New DIs in respect of all or some of their DI Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the UK Share Registry and a participant ID and member account ID specified below, with a number of DI Entitlements corresponding to the number of New DIs applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the UK Share Registry in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of New DIs referred to in (i) immediately above.

### ***Content of USE Instructions***

The USE instruction must be properly authenticated in accordance with Euroclear specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of New DIs comprised in the relevant DI Entitlement for which application is being made (and hence that part of the DI Entitlement being delivered to the UK Share Registry);
- (ii) the ISIN of the New DIs; this is BMG988411366;
- (iii) the participant ID of the accepting CREST member;
- (iv) the member account ID of the accepting CREST member from which the New DIs are to be debited;
- (v) the participant ID of the UK Share Registry, in its capacity as CREST receiving agent: this is 3RA42;
- (vi) the member account ID of the UK Share Registry in its capacity as CREST receiving agent: this is ZAMBEZI;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction; this must be the full amount payable on application for the number of New DIs referred to in (i) immediately above;
- (viii) the intended settlement date; this must be on or before 10.00am BST on 1 September 2008; and
- (ix) the corporate action number for the Rights Issue; this will be available by reviewing the relevant corporate action details in CREST.

In order for an application for New DIs under the Rights Issue by an Existing DI Holder for all or part of his DI Entitlement to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 10.00am BST on 1 September 2008.

In order to assist prompt settlement of the USE instruction CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to their USE instruction:

- (i) contact name and telephone number (in the free format shared note field); and

(ii) a priority of at least 80.

Existing DI Holders and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 1 September 2008 is 10.00am BST on that date.

DI Entitlements held in CREST are expected to be disabled in all respects at 10.00am BST on 1 September 2008 (the latest date for applications under the Rights Issue).

On 15 September 2008, the New DIs applied for in relation to the Rights Issue will be issued to those persons who submitted a valid application for New DIs by utilising the CREST application procedures and whose applications have been accepted by the UK Share Registry and the Company. On 15 September, the UK Share Registry will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to New DIs with effect from 15 September 2008 (the date on which trading on AIM in the New Shares is expected to commence). The stock accounts to be credited will be accounts under the same participant IDs and member account IDs in respect of which the USE instruction was given.

The Company reserves the right to arrange for an Existing DI Holder to be sent a DI Instruction Form instead of crediting the relevant stock account with a DI Entitlement or to arrange for the UK Share Registry to issue title to New DIs in certificated form for any reason. In normal circumstances this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or the facilities and/or systems operated by the UK Share Registry in connection with CREST. This right may be exercised if CREST member account details held by the UK Share Registry on behalf of an Existing DI Holder are incorrect or if the UK Share Registry is unable for any reason to credit the CREST member account.

### ***Validity of application***

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 10.00am BST on 1 September 2008 will constitute a valid application under the Rights Issue.

### ***CREST procedures and timings***

Existing DI Holders and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 10.00am BST on 1 September 2008. In this connection, CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

### ***Incorrect sums***

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through the UK Share Registry, reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question (with any interest retained for the benefit of the Company);
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of New DIs as would be able to be applied for with that payment, refunding any unutilised sum to the CREST member in question, save that any sums of less than £1 will be retained for the benefit of the Company.

***Effect of valid application***

An Existing DI Holder who makes or is treated as making a valid application for some or all of his DI Entitlement in accordance with the procedures outlined above will thereby:

- (i) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the UK Share Registry in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (ii) request that the New DIs to which he will become entitled be issued to him on the terms set out in this document, subject to the memorandum and articles of association of the Company and the DI Deed and the agreement relating to DIs between the Company and the UK Share Registry dated 15 July 2004;
- (iii) agree that all applications and contracts resulting therefrom in relation to the Rights Issue and the entitlement to New DIs shall be governed by, and construed in accordance with, the laws of England;
- (iv) represent and warrant that he is not and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and
- (v) represent and warrant that he is the Existing DI Holder originally entitled to the DI Entitlement or that he has received such DI Entitlements by virtue of a bona fide market claim.

***Company's discretion as to rejection and validity of applications***

The Company may in its sole discretion:

- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to above;
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid

application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;

- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "**first instruction**") as not constituting a valid application if, at the time at which the receiving agent receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or its advisers have received actual notice from Euroclear of any of the matters specified in regulation 35(5)(a) of the Regulations in relation to the first instruction. The matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member (or where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member (or where applicable) the CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for New DIs by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the receiving agent in connection with CREST.

### ***Shortfall***

Existing DI Holders who wish to participate in any Shortfall should notify the UK Share Registry in writing providing the details required in the Shortfall Application Form together with a cheque or bankers' draft by 10.00am on 1 September 2008. The UK Share Registry will then make a Shortfall Application on behalf of such Existing DI Holders. Any such successful application for Shortfall will be issued to the UK Share Registry in its capacity as depositary and corresponding New DIs will be issued to the relevant Existing DI Holders. Payments must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or bankers' drafts to be cleared through the facilities provided for members of any of these companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, should be made payable to "**Computershare Investor Services PLC re – Zambezi Resources Limited**". Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or Bank has confirmed the name of the account holder by stamping/endorsing the cheque/bankers' draft to such effect. The account name should be the same as that shown on the application.

### ***Definitions***

For the purposes of this Annexure B, the following definitions shall have the following meanings:

**"DI Entitlements"** means the entitlements of a Existing DI Holder to apply for such number of New DIs as corresponds to the number of New Shares that the UK Share Registry is entitled to apply for in the Rights Issue on his behalf;

**"Euroclear"** means Euroclear UK & Ireland Limited;

**"New DIs"** means the new DIs to be issued to Existing DI Holders under the Rights Issue; and

**"Regulations"** means the Uncertificated Securities Regulations 2001, as amended from time to time.

## SHORTFALL APPLICATION FORM

*This form is only to be used by applicants wishing to apply for New Shares under the Shortfall. Capitalised terms used in this application form are, unless otherwise defined herein, as defined in the Prospectus to which this form is attached.*

### ZAMBEZI RESOURCES LIMITED

ARBN 124 462 826

Instructions for A to J are set out on the next page

**PLEASE NOTE THE USE OF THE TERM "SHARES", "SHARE", "SHAREHOLDING(S)" OR "OPTION(S)" REFERS TO "CDIs", "CDI" OR "CDI HOLDING(S)" AS THE CONTEXT REQUIRES.**

### USE BLOCK LETTERS

Write your name – refer to the guide (next page) for correct forms of registrable title(s)

Tax File Number(s) or exemption category

A	TITLE	GIVEN NAMES	SURNAME	C			

B	TITLE	JOINT APPLICANT No.2 OR ACCOUNT DESIGNATION			
	TITLE	JOINT APPLICANT No.3 OR ACCOUNT DESIGNATION			

D	ADDRESS
	SUBURB/TOWN STATE POSTCODE

E	CONTACT NAME	TELEPHONE (W)	TELEPHONE (H)	EMAIL
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F	SRN/IPN	HIN
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G	I/We Apply for		New Shares and lodge Application Moneys in full @ AUD\$0.124 (or £0.06) per New Share. You will be granted one New Option for every three New Shares issued to you.	H	Application Money	Date
					AUD\$	/ /
					OR	
					£	

Cheque Details

I	DRAWER	BANK	BRANCH	AMOUNT OF CHEQUE
	DRAWER	BANK	BRANCH	AMOUNT OF CHEQUE

Instructions with respect to cheques are set out on the next page.

- J This Shortfall Application Form does not need to be signed. By lodging this Shortfall Application Form and a cheque for the Application Money the Applicant hereby:
- (1) applies for the number of New Shares in the Shortfall Application Form or such lesser number as may be allocated by the Directors;
  - (2) agrees to be bound by the terms and conditions set out in the Prospectus and the Bye-Laws of the Company;
  - (3) authorise the Directors to complete or amend this Shortfall Application Form where necessary to correct any errors or omissions; and
  - (4) acknowledges that an application for Shortfall does not guarantee an allotment of New Shares (and free attaching New Options).

## SHORTFALL APPLICATION FORM

*This form is to be used for parties wishing to apply for New Shares under the Shortfall.*

Please complete all relevant sections of the Shortfall Application Form ("the Form") using BLOCK LETTERS. If you have any queries on how to complete this form please telephone Computershare Investor Services Pty Ltd on +61 8 9323 2000 or Computershare Investor Services PLC on +44 (0) 870 707 1427.

The Shortfall Application Form relates to the one for 5.7 non-renounceable pro rata Rights Issue of up to 33,004,167 New Shares at an issue price of AUD\$0.124 (or £0.06) each to raise up to approximately AUD\$4,100,000 (or £1,980,250), pursuant to the Prospectus dated 31 July 2008. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the New Shares (and free attaching New Options) of the Company and it is important to read this document before applying for New Shares (and free attaching New Options). A person who gives another person access to this Shortfall Application Form must at the same time and by the same means, give the other person access to the Prospectus, and any supplementary Prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary Prospectus (if applicable) and a Shortfall Application Form, on request to applicants without charge.

The Prospectus does not constitute an offer in any place where or to any person to whom it would not be lawful to make such an offer.

Please forward the completed Shortfall Application Form, together with your cheque, to:

*In Australia:*

<b>Delivered to</b> Computershare Investor Services Pty Ltd Level 2, 45 St Georges Terrace Perth WA 6000 AUSTRALIA	<b>Or by post to</b> Computershare Investor Services Pty Ltd GPO Box D182 Perth WA 6840 AUSTRALIA
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*In the United Kingdom:*

<b>Delivered to</b> Computershare Investor Services PLC The Pavilions, Bridgwater Road Bristol. BS13 8AE UNITED KINGDOM	<b>Or by post to</b> Computershare Investor Services PLC Corporate Actions Projects Bristol. BS99 6AH UNITED KINGDOM
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so as to reach them on or before the last date instructed by the Company.

- A** Write your FULL NAME in Box A. This must be either your own name or the name of a company. You should refer to the bottom of this page for the correct form which can be registered. Application using the incorrect form of name may be rejected. If your Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. Any decision as to whether to treat your Form as valid, and how to construe, amend or complete it, shall be final. You will not however, be treated as having offered to subscribe for more New Shares than is indicated by the amount of the accompanying cheque for the Application Moneys referred to in Box H.
- B** If you are applying as JOINT APPLICANTS, complete Boxes A and B. You should refer to the bottom of this page for instructions on the correct form of name. Up to three Joint Applicants may register.
- C** Enter your TAX FILE NUMBER (TFN) or exemption category beside your name. Where applicable, please enter the TFN for each Joint Applicant. Collection of TFN's is authorised by taxation laws. Quotations of your TFN is not compulsory and will not affect your Form.
- D** Enter your POSTAL ADDRESS for all correspondence. All communications to you from Zambezi Resources Limited's Share Registry (shareholding statements, dividend cheques, annual/interim reports, correspondence etc) will be mailed to the person(s) and address as shown. For Joint Applications only one address can be entered.
- E** Please let us know your TELEPHONE NUMBER(S), email and contact name in case we need to contact you in relation to your Form.
- F** Zambezi Resources Limited participates in the ASX's CHES System. If you are participating in this system, you may complete this section. If you are not a participant in the CHES System do not complete this box. It will not affect your Application.
- G** Insert the NUMBER OF NEW SHARES you wish to apply for in Box G. The Directors do not guarantee any allocation of New Shares from a Shortfall Application. You will be granted one New Option for every three New Shares issued to you.
- H** Enter the amount of your application moneys here. The amount must be equal to the number of New Shares applied for (see box G) multiplied by AUD\$0.124 (or £0.06) per New Share.
- I** Complete cheque details as required. For shareholders resident in Australian and New Zealand, cheques must be drawn on an Australian bank in Australian currency and made payable to "**Zambezi Resources Limited – Rights Issue Account**" and crossed "Not Negotiable". For shareholders resident in the UK, Payments must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheque or bankers' drafts to be cleared through the facilities provided for members of any of these companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, should be made payable to "**Computershare Investor Services PLC re – Zambezi Resources Limited**". Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or Bank has confirmed the name of the account holder by stamping/endorsing the cheque/bankers' draft to such effect. The account name should be the same as that shown on the application. Do not send cash. **A separate cheque should accompany each Shortfall Application Form lodged.**
- J** The Shortfall Application Form does not need to be signed.

### CORRECT FORMS OR REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to Zambezi Resources Limited. At least one full given name and the surname is required for each natural person. Applications cannot be made by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Trusts	Mr John David Smith	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith	John Smith (Deceased)
Partnerships	Mr John David Smith and Mr Michael Peter Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith	Smith Investment Club
Superannuation Funds	John Smith Pty Ltd	John Smith Superannuation Fund