



ASX Announcement

September 2009 Quarterly Report

30 October 2009

CORPORATE

On 15 July, 2009 Zambezi Resources Limited ("Zambezi", "the Company") advised shareholders that the Company had entered into a Converting Note agreement with LinQ Capital Limited to raise up to \$1 million. The company subsequently drew down \$290,000 representing satisfaction of the Tranche A conditions. Subject to any remaining completion of conditions precedent, the balance of the funds under the converting note agreement are anticipated to be drawn down (Tranche B).

On 6 August 2009 the Company announced various changes to the board of the Company including the departure of Dr Geoffrey Johnson with effect from 3 August 2009 and the stepping down of Mr Julian Ford as Managing Director to non-executive director on 17 August 2009. The board wishes to acknowledge the services of Dr Johnson and Mr Ford to the company in their previous capacities.

On 10 September the Company announced that it had successfully raised an amount of AUD\$900,000 through the issue of Converting Notes to a number of sophisticated investors. These Converting Notes are anticipated to convert into fully paid shares of the company subject to any remaining conditions precedent.

The AGM held on 27 October 2009 formally approved all resolutions relating to the new funding (rescue package) and we anticipate that the Company's shares will recommence trading on the ASX shortly.

OPERATIONS

No exploration was carried out by the Company, or its joint venture partners, during the quarter.

For and on behalf of the Board

Brian Rear
Non-Executive Chairman
30 October 2009



ARBN 124 462 826

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Stock Exchange Listings:
ASX: ZRL

Directors:
Non-Executive Chairman:
Brian Rear
Non-Executive Directors
Julian Ford
Simon F Durack
David Vilensky
Richard Procter

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

ZAMBEZI RESOURCES LIMITED

ARBN

124 462 826

Quarter ended ("current quarter")

30 SEPTEMBER 2009

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter GBP '000	Year to date (6 months) GBP '000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(307)	(388)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	-	2
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other – Joint Venture Partner contributions	-	7
	Net Operating Cash Flows	(307)	(379)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets		
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	(307)	(379)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(307)	(379)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc. (£657,000 from issue of non listed Converting Notes)	658	658
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other – Costs of capital raising		
	Net financing cash flows	658	658
	Net increase (decrease) in cash held	351	279
1.20	Cash at beginning of quarter/year to date	116	188
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	467	467

Payments to directors of the entity and associates of the directors

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

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

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

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

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

Financing facilities available

Add notes as necessary for an understanding of the position.

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

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		GBP '000
4.1	Exploration and evaluation	-
4.2	Development	-
Total		-

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter GBP '000	Previous quarter GBP '000
5.1 Cash on hand and at bank	449	73
5.2 Deposits at call	18	43
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	467	116

Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (GBP)	Amount paid up per security (see note 3) (GBP)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	388,566,965	388,566,965		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price (GBP)</i>	<i>Expiry date</i>
	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
	3,080,000		0.20	31 August 2011
7.8 Issued during quarter				
7.9 Exercised during quarter	5,630	5,630	0.19 (AUD)	AUD 1,070
7.10 Expired during quarter	3,224,854		0.19 (AUD)	31 August 2009

+ See chapter 19 for defined terms.

7.11	Debentures <i>(totals only)</i>			
7.12	Unsecured notes <i>(totals only)</i>			

Compliance statement

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



Sign here: Chief Financial Officer

Date: 30 October 2009

Print name: Pierre Malherbe

Notes

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

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+ See chapter 19 for defined terms.