

29 January 2010

## Corporate

The bulk of the past quarter was taken up in completing the rescue plan, consolidating staff and reviewing new strategies. The company is now in a financially sound position having been recapitalised and is now in a position to move forward on a number of fronts.

The Company held an AGM on 27 October 2009. All the resolutions before the meeting were passed and disclosed to the market on 28 October 2009.

Of importance was the overwhelming approval by Shareholders of the resolution dealing with the financial rescue package. The rescue package ensured a cash injection of AUD\$1,610,000 into the Company and a consolidation of creditors for equity in the company.

During December 2009, all the Converting Notes in the Company were converted into 202,969,400 fully paid ordinary shares, leaving the company debt free.

The company now expects to resume trading on the ASX toward the end of February 2010, subject only to completion of interim financials, the required audit review and the approval of the ASX. These matters are being addressed with priority.

## Operations

An internal review of the Company's nine project areas that make up its asset base in Zambia commenced late during the quarter, with particular focus on the copper and uranium prospects. Immediate focus is being directed at the advanced copper project at Kangaluwi and the company's uranium assets. In addition to the review of existing projects, the Company is also assessing the potential for acquiring more advanced projects at the pre-development stage capable of being placed into production in the shorter term.

The Kangaluwi copper project in particular is considered by the Company to have the greatest potential for continuing resource development. A significant backlog of drill samples from the last field season's work program are being prepared for assay with the intention of producing an initial JORC compliant resource estimate for this project. The resource estimate is expected to be completed during the March 2010 quarter.

Pierre Malherbe  
Chief Financial Officer  
For and on behalf of the Board



ARBN 124 462 826

### Bermuda:

Canon's Court  
22 Victoria Street  
Hamilton HM12

### Australia:

17 Ord Street  
West Perth  
PO Box 1796 WA 6872  
Tel: (+61-8) 9216 9000  
Fax: (+61-8) 9216 9090

### Zambia:

Mwembeshi Resources  
Limited  
Plot 5777N  
Great East Road  
Kalundu  
Lusaka  
Tel: (+26) (021) 1291 645  
Fax: (+26) (021) 1292 411

### Stock Exchange Listing:

ASX: ZRL

### Directors:

Non-Executive Chairman:  
Brian Rear  
Non Executive Directors:  
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")

31 DECEMBER 2009

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter AUD\$ '000	Year to date (9 months) AUD\$ '000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(563)	(1,262)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	(5)	(2)
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other – Joint Venture Partner contributions	-	13
	<b>Net Operating Cash Flows</b>	<b>(568)</b>	<b>(1,251)</b>
	<b>Cash flows related to investing activities</b>		
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)		
	<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(568)</b>	<b>(1,251)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(568)	(1,251)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc. (£394,000 from issue of non listed Converting Notes)	709	1,894
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		
	<b>Net financing cash flows</b>	709	1,894
	<b>Net increase (decrease) in cash held</b>	140	643
1.20	Cash at beginning of quarter/year to date	841	338
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	981	981

**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 AUD\$ '000
1.23	Aggregate amount of payments to the parties included in item 1.2	49
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 AUD\$ '000	Amount used AUD\$ '000
3.1	Loan facilities		
3.2	Credit standby arrangements		

+ See chapter 19 for defined terms.

**Estimated cash outflows for next quarter**

		AUD\$ '000
4.1	Exploration and evaluation	-
4.2	Development	-
<b>Total</b>		-

**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 AUD\$ '000	Previous quarter AUD\$ '000
5.1 Cash on hand and at bank	949	809
5.2 Deposits at call	32	32
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>981</b>	<b>841</b>

**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)	Amount paid up per security (see note 3)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	773,512,460	773,512,460		
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	140,000 1,000,000 1,850,000 3,080,000		<i>Exercise price (GBP)</i> 0.175 0.16 0.13 0.20	<i>Expiry date</i> 10 June 2010 22 June 2010 31 March 2011 31 August 2011
7.8 Issued during quarter	140,000,000		AUD\$0.01	30 November 2012
7.9 Exercised during quarter				
7.10 Expired during quarter	500,000		0.20 (GBP)	23 December 2009

+ See chapter 19 for defined terms.

7.11	<b>Debentures</b> <i>(totals only)</i>			
7.12	<b>Unsecured notes</b> <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: 29 January 2010

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.

=====

---

+ See chapter 19 for defined terms.