



ASX Announcement

29 July 2010

June 2010 Quarterly Operations Report & Appendix 5B

The period 1st April to 30th June 2010 was a significant quarter for Zambezi Resources Limited ("Zambezi" or "the Company") that saw the Company re-capitalised and re-admitted to the Australian Securities Exchange. The Company also reported significant advances on its copper exploration tenements and entered into a binding Memorandum of Understanding on a new hard rock copper project in Chingola, Zambia. These rock dumps are subject to due diligence – which is well underway with an RC drilling programme on the dumps already completed.

RECAPITALISATION AND REINSTATEMENT TO AUSTRALIAN SECURITIES EXCHANGE

- Following a recapitalization of the Company and the installation of several new board members, Zambezi was reinstated to official quotation on Australian Securities Exchange on 13 April 2010. Some of the proceeds from the recapitalization were used to settle outstanding debts and to re-commence exploration activities on the exploration projects in Zambia.
- Zambezi secured a \$1m loan facility from LinQ Capital Limited, as Responsible Entity for the LinQ Resources Fund, for a period of 15 months at a coupon rate of 10% for the purposes of working capital.
- On 30 June 2010, Zambezi announced the appointment of Mr. David Russell as Chief Executive Officer of the Zambezi Resources Group.



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Mwembeshi Resources Limited
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Stock Exchange Listing:

ASX: ZRL

Directors:

Non-Executive Chairman:
Brian Rear
Non Executive Directors:
Simon F Durack
David Vilensky
Richard Procter
CEO
David Russell

MAIDEN RESOURCES for KANGALUWI COPPER PROJECT

- Zambezi commenced a campaign of assaying priority samples from earlier drilling programmes conducted at Kangaluwi and Chisawa projects. The samples were warehoused in Lusaka, Zambia and sent to Perth, Australia for assaying.
- A significant initial JORC compliant Mineral Resource has subsequently been established for the Kangaluwi Copper Project of 21.8mt grading 0.89% copper for 193,000t contained copper metal.

Global Indicated and Inferred Mineral Resource Estimate – Kangaluwi Copper Project

Prospect	Measured		Indicated		Inferred		Totals	
	Tonnes (t)	Grade (% Cu)	Tonnes (t)	Grade (% Cu)	Tonnes (t)	Grade (% Cu)	Tonnes (t)	Grade (% Cu)
Kangaluwi	-	-	8,907,000	0.78			8,907,000	0.78
Chisawa	-	-			12,946,000	0.96	12,946,000	0.96
Totals			8,907,000	0.78	12,946,000	0.96	21,853,000	0.89

- Significantly, this resource has been estimated from drilling only 25% of the full tenement strike length to date. Many assay results from deeper drilling remain outstanding which could potentially enhance the results attained so far. Consequently, upside potential exists at the Kangaluwi Copper Project for significant increases in the estimated mineral resource base.
- Mineralisation (consisting of chalcopyrite, bornite, malachite, azurite and chrysocolla in the oxide zone) is structurally controlled in a sheared limb of regional folding and hosted in sheared metasediments and pegmatites, dipping moderately to the south west of the Kangaluwi Project area.

AGREEMENT OVER HARD ROCK COPPER DUMPS PROJECT in ZAMBIA

- Zambezi entered into a legally binding Memorandum of Understanding (MoU) with a Zambian company, Rephidim Mining and Technical Supplies Limited, over several, large tonnage, copper oxide mineralized rock dumps in the Chingola area of the renowned Zambian Copperbelt.
- These rock dumps comprise stockpiles of mineralized copper oxide material and also oxide overburden from earlier open pit mining by Nchanga Consolidated Copper Mines. Historically it was not uncommon for relatively high grade copper oxide material to be stockpiled as only copper sulphide material was processed.

COMPLETION OF RC DRILLING PROGRAMME ON HARD ROCK COPPER DUMPS

- Zambezi has subsequently completed, as part of its due diligence process over the rock dumps, a 1864m RC drilling programme to collect samples and carried out a survey in order to properly assess the contained copper in the rock dumps.
- The samples are being prepared in Lusaka, Zambia and will be sent to Perth, Australia for assaying of the total copper and acid soluble copper.
- From the volume estimates, grade and heap leach amenability characteristics of the rock dumps material a preliminary evaluation will be undertaken.
- If Zambezi decides to proceed with the project after completing the due diligence and preliminary evaluation work, then Zambezi is obliged to pay Rephidim US\$500,000 and proceed to a feasibility study programme.
- If suitable metallurgical characteristics are confirmed Zambezi envisages developing a copper heap leach operation to produce high purity copper cathode utilizing solvent extraction and electrowinning technology.

Recent site visits by Zambezi executives to the dumps project to inspect progress with the drilling and meetings with relevant authorities have been very encouraging and Zambezi awaits the assay results from the dumps drilling work due in the next quarter.

David Russell – CEO
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Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Jay Klopper BSc (Hons). Mr Klopper is a contract employee of Zambezi Resources, and a Member of the Australian Institute of Geoscientists. Mr Klopper has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Klopper consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The reported Mineral Resource as it relates to the Kangaluwi deposit was completed under the overall supervision and direction of Jay Klopper, MAIG, a contract employee of Zambezi Resources Limited who is a Competent Person as defined by the Australasian Code for the Reporting of Exploration Results, Mineral Resources or Ore Reserves (JORC Code 2004 Edition) and who consents to the inclusion in this report of the matters based on the information in the form and context in which it appears. The information in this report that relates to in-situ Mineral Resources is based on information provided by Zambezi Resources Limited.

The reported Mineral Resource as it relates to the Chisawa deposit was completed under the overall supervision and direction of Boniface Nquni, MAIG, of Caracle Creek Consulting Zambia who is a Competent Person as defined by the Australasian Code for the Reporting of Exploration Results, Mineral Resources or Ore Reserves (JORC Code 2004 Edition) and who consents to the inclusion in this report of the matters based on the information in the form and context in which it appears. The information in this report that relates to in-situ Mineral Resources is based on information provided by Zambezi Resources Limited.

Qualifying Statement

This release may include forward-looking statements. These forward-looking statements are based on Zambezi's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Zambezi, which could cause actual results to differ materially from such statements. Zambezi makes no undertaking to subsequently update or revise the forward-looking statements made in this release, to reflect the circumstances or events after the date of this release.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

ZAMBEZI RESOURCES LIMITED

ARBN

124 462 826

Quarter ended ("current quarter")

30 JUNE 2010

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter AUD\$ '000	Year to date (3 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	(159) (181)	(411) (435)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	2	6
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other	30	80
	Net Operating Cash Flows	(308)	(760)
	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)	(308)	(760)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(308)	(760)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
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	-	-
	Net increase (decrease) in cash held	(308)	(760)
1.20	Cash at beginning of quarter/year to date	988	1,403
1.21	Exchange rate adjustments to item 1.20	(28)	9
1.22	Cash at end of quarter	652	652

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	21
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	1,000	1,000
3.2	Credit standby arrangements		

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		AUD\$ '000
4.1	Exploration and evaluation	160
4.2	Development	-
4.3	Production	-
4.4	Administration	250
Total		410

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	638	1,369
5.2 Deposits at call	14	34
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	652	1,403

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 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	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 +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>	1,850,000 3,080,000 140,000,000 30,000,000		<i>Exercise price</i> £0.13 £0.20 AUD\$0.01 AUD\$0.02	<i>Expiry date</i> 31 March 2011 31 August 2011 30 November 2012 31 May 2013
7.8 Issued during quarter	30,000,000		AUD\$0.02	31 May 2013
7.9 Exercised during quarter				
7.10 Expired during quarter	140,000 1,000,000		£0.175 £0.16	10 June 2010 22 June 2010

+ 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
Print name: Pierre Malherbe

Date: 29 July 2010

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.