ZAMBEZI RESOURCES LTD

(Incorporated in Bermuda under the Bermuda Companies Act 1981 with company number 35116)
ARBN 124 092 320

PROSPECTUS

FOR THE ISSUE OF UP TO 33,333,333 SHARES AT 45 CENTS EACH TO RAISE $15,000,000

LEAD MANAGER:
CARMICHAEL CAPITAL MARKETS PTY LIMITED

And

BROKER TO THE ISSUE:
BELL POTTER SECURITIES LIMITED

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 professional adviser.

Zambezi Resources Ltd

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Brian James Rear
Non Executive Chairman, Australia
Julian Peter Ford
Managing Director, Australia
Geoffrey Ian Johnson
Exploration Director, Australia
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*Provided for information purposes only

Zambezi Resources Ltd

CHAIRMAN'S LETTER

Dear Investor

The Board of Directors of Zambezi Resources Limited is pleased to offer you the opportunity to subscribe for shares in the Company, in its initial public offer in Australia.

Zambezi is currently listed on the AIM market of the London Stock Exchange ("AIM") and holds extensive exploration licenses, primarily in southern Zambia. These licences cover an area of approximately 16,300 square kilometres.

Zambia is a country with abundant mineral endowment and a proud track record for mine development by emerging companies, as demonstrated by the activities of Equinox Resources Limited, Albidon Limited (both ASX listed) and First Quantum Minerals (TSX listed). Resource development in Zambia is supported by a modern Mines Act, a well established security of tenure and British system of common law in a country which has no currency restrictions and a favourable investment tax regime. Zambia has enjoyed a century of peace, with an effective working multiparty democracy for the past 15 years and has well established infrastructure. Importantly, Zambia has an established mining culture developed from nearly a century of activity on the famous Copperbelt.

During 2003 and 2004, prior to listing on AIM on 26 July 2004, the Company assembled a significant landholding of properties in southern Zambia prospective for Iron Oxide Copper Gold ("IOCG") style mineralisation. Since listing on AIM, Zambezi has been actively applying systematic modern exploration methodologies including state of the art geochemical and geophysical techniques to define mineralised targets.

Zambezi has, since incorporation, sought to increase its Shareholders' wealth through maintaining its primary focus on advancing exploration for copper, gold and uranium towards resource development.

To date, Zambezi has covered approximately 20% of its extensive tenement portfolio using these modern methods of exploration. The Company has undertaken drill testing on several prospects and has highlighted significant mineralisation and subsequently entered in to a Joint Venture on two of these projects with Glencore. The Company retains 100% ownership of two other advanced exploration projects and is actively exploring the remaining acreage both in joint venture and in its own right.

It is the view of the Board of Directors that investment in Zambezi provides leveraged access to an emerging copper-gold province in southern Zambia. The funds being sought under this Offer will enable the Company to undertake an aggressive exploration and evaluation program for copper, gold and uranium. This will include extensive resource definition drilling on the Company's lead copper-gold project at Cheowa with the aim of completing a Prefeasibility Study (PFS) by June 2008. In addition, the Company will undertake an extensive exploration drilling campaign at the Kangaluwi-Chisawa copper project with the intention of defining an Inferred Mineral Resource in accordance with the 2004 JORC Code by March 2008. Further drilling will be conducted to better define the mineralisation at the Chakwenga gold project, and the Company intends to develop a pipeline of drill ready targets at key projects at Mwembeshi, Mulofwe Dome and Mpande Dome.

Recent advances in geophysical data acquisition methods and modeling techniques, particularly VTEM, have given the Company a technical advantage over the previous explorers. The lack of any significant exploration on the Company's tenements for more than 30 years in such a highly prospective terrain offers potentially exciting opportunities through the diligent application of modern exploration methods.

The Board offers a blend of exploration and resource development skills, with significant technical, corporate, and financial experience. The Zambian-based exploration team is one of the largest and best credentialed in Africa, and has developed a significant execution capacity over the last two years.

Along with the other members of the Board, I recommend this investment opportunity to you and look forward to your participation in this potentially highly rewarding venture.

Yours faithfully

Brian Rear
Chairman

Zambezi Resources Ltd

INVESTMENT HIGHLIGHTS

The Directors of Zambezi Resources Limited believe the reasons to consider investing in Zambian minerals via the Company include:

THE COMPANY

Zambezi has been actively exploring in Zambia since its listing on AIM on 26 July 2004. During 2003 and 2004, prior to listing, the Company assembled a significant landholding of properties in southern Zambia prospective for Iron Oxide Copper Gold ("IOCG") style mineralisation. Since listing Zambezi has applied systematic modern exploration methodologies including state of the art geochemical and geophysical techniques to define mineralised targets.

To date, Zambezi has covered approximately 20% of its extensive tenement portfolio using these modern methods of exploration. The Company has undertaken drill testing on several prospects and has highlighted significant mineralisation and subsequently entered in to a Joint Venture on two of these projects with Glencore. The Company retains 100% ownership of two other advanced exploration projects and is actively exploring the remaining acreage both in joint venture and in its own right.

THE COUNTRY

Zambia is a country with abundant mineral endowment and boasts an exemplary track record for mine development by emerging companies, as demonstrated by the activities of Equinox Resources Limited, Albidon Limited (both ASX listed) and First Quantum Minerals (TSX listed).

This resource development resurgence in Zambia is supported by a modern Mines Act, well established security of tenure and British system of common law in a country which has no currency restrictions and a favourable investment tax regime.

Zambia has enjoyed a century of peace, with an effective working multiparty democracy for the past 15 years and has well established infrastructure.

THE PROJECTS

Over the past three years, the Company has conducted focussed and systematic exploration of its extensive tenement holdings, and has entered into joint ventures with Glencore on the Cheowa Project and the Chongwe Copper Belt Project. Glencore must spend US$16m over two years to earn 51% of these projects.

	Cheowa JV	**Chongwe Copper Belt JV**
Minimum expenditure before withdrawal	US$4 million	US$2.4 million
Expenditure to earn 51%	US$10 million	US$6 million
*Expenditure to earn 70%	US$10 million or complete BFS	
Minimum interest of non-participant party in any mining operation	3% NSR	3% NSR
Manager until 51%	Zambezi	Zambezi
Manager after 51%	Glencore	Glencore

* If Zambezi elects not to contribute to the Cheowa JV once Glencore has earned 51%, Glencore can proceed to 70% as indicated. If Zambezi elects not to contribute to the Chongwe Copper Belt JV once Glencore have earned 51%, standard industry dilution clause applies.

At Cheowa, the Company's lead project, Glencore must spend US$10m to earn 51%. Zambezi is managing an aggressive 2007 drilling program designed to complete a pre-feasibility study by mid 2008. To date, an initial Inferred Mineral Resource prepared in accordance with the 2004 JORC Code of 1.7mt @ 1.5% Cu and 0.5gpt Au has been estimated over a strike length of just 700 metres of a potentially mineralised 8km strike length.

At the Chongwe Copper Belt Project, Glencore must spend $6m to earn 51%. This project includes numerous known copper occurrences over a strike length of 80km. At the Chalimbana prospect, Zambezi has estimated an Inferred Mineral Resource prepared in accordance with the 2004 JORC Code of 5.3 million tonnes at 0.8% copper.

The Kangaluwi copper project is the next most advanced exploration project and is 100% owned by Zambezi. The project was discovered by geological prospecting and soil geochemical sampling, and generated excellent first pass drilling results during late 2006, including intercepts of 21m at 1.88% copper and 25m at 1.34% copper. The Company is planning approximately 30,000m

of resource drilling during 2007 and is undertaking a major regional airborne VTEM geophysical survey to aid in target definition.

Mulofwe is the Company's most exciting grassroots exploration target and exhibits many of the characteristics of the classical IOCG geological model. The Company has identified numerous mineralised outcrops via rock chip sampling and intends to increase its knowledge base this year with a major geological interpretation exercise, including geochemical sampling and a regional airborne VTEM geophysical survey to aid in target definition. It is intended to drill defined targets in 2008.

The Company is also continuing with grassroots exploration on many other prospects, thereby keeping the project pipeline full. The Company has a significant in-country presence with a team of 25 geologists and a total of 100 staff based in a modern and efficient office in Lusaka.

Approximately 95% of expenditure in 2007 and 2008 will be spent in ground with 100,000 metres of drilling planned for 2007, 80% of which is targeting resource drill out programs.

Zambezi also has a 35.3% strategic investment in its sister company, Zambezi Nickel Limited (ZNI), and has recently entered into a Joint Venture under which ZNI will acquire the uranium rights to the Oryx uranium prospect plus another 11 high priority radiometric anomalies identified by Zambezi within its Mpande, Rufunsa, Mulungushi and Chumbwe licences. ZNI must spend a total of US$5 million over 2.5 years to earn a 51% equity interest in the 100%-owned Zambezi companies controlling the Zambian uranium rights, with ZNI to spend a minimum of US$3 million before it can withdraw from the Joint Venture. US$2 million must be spent on the Chumbwe licence, which contains the Oryx prospect. On ZNI earning a 51% interest in all uranium rights, ZRL can elect to fund ongoing exploration and development costs on a pro rata basis or elect to allow ZNI to fund exploration through to completion of a Definitive Feasibility Study or Studies (DFS).

Zambezi is also conducting joint venture negotiations with interested parties on four of its prospective grass roots gold projects at Chumbwe, Jessie, Chipata and Mozambique.

THE BOARD AND MANAGEMENT

The Board has been assembled to meet the listed company demands of an exploration company which aspires to production in the medium term. Accordingly, there is a broad range of technical, operational, financial and marketing skills with significant exposure to business in southern Africa. The management team is focussed, integrated and well managed to achieve the Company's objectives in an efficient and timely fashion.

THE OBJECTIVE

The Company's primary objective is to maximise shareholder wealth by capital growth and dividend through the discovery of economic mineral deposits and the development of profitable mining operations.

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IMPORTANT INFORMATION

This Prospectus is dated 6 June 2007 and a copy of this Prospectus was lodged with the Australian Securities and Investments Commission ("**ASIC**") on that date. ASIC takes no responsibility for the contents of this Prospectus. No securities will be allotted or issued on the basis of this Prospectus later than the expiry date of this Prospectus being the date which is 13 months after the date of this Prospectus. Securities allotted or issued pursuant to this Prospectus will be allotted or issued on the terms and conditions set out in the Prospectus.

Before deciding to invest in the Company, potential investors should read the entire Prospectus and, in particular, in considering the prospects for the Company, investors should consider the risk factors that could affect the financial performance of the Company. Investors should carefully consider these factors in light of personal circumstances (including financial and taxation issues). The Shares offered by this Prospectus should be considered speculative. Refer to Section 8 for details relating to risk factors. Investors should seek professional advice from an accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia 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.

No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia. The Company is currently listed on the AIM market ("**AIM**") of the London Stock Exchange. AIM is the London Stock Exchange's international market for smaller growing companies. The Company has approximately 500 shareholders on its shareholder register who all hold shares that are freely tradeable on the AIM exchange.

This Prospectus will be issued as an Electronic Prospectus and may be accessed on the Internet at www.zambeziresources.com. The Offer pursuant to an Electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia. The Corporations Act prohibits any person from passing to another person the Application Form unless it is attached to or accompanies the complete and unaltered version of this Prospectus. During the Offer period, any person may obtain a hard copy of the Prospectus by contacting the Company.

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an exposure period of seven days from the date of lodgement with ASIC. This period may be extended by ASIC for a further period of up to seven days. The purpose of this exposure period is to enable this Prospectus to be examined by market participants prior to the raising of funds, which examination may result in the identification of deficiencies in this Prospectus. If this Prospectus is found to be deficient, Applications received during the exposure period will be dealt with in accordance with section 724 of the Corporations Act. Applications received prior to the expiration of the exposure period will not be processed until after the exposure period. No preference will be conferred on Applications received in the exposure period and all Applications received during the exposure period will be treated as if they were simultaneously received on the date on which Applications open.

Figures disclosed in this Prospectus are exclusive of goods and services tax, unless otherwise disclosed.

Unless otherwise stated, items shown in this Prospectus are not assets of the Company.

IMPORTANT INFORMATION FOR UNITED KINGDOM RESIDENTS

This Prospectus is being supplied in the United Kingdom only to persons who have professional experience in matters relating to investments and who are investment professionals as specified in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or who are high net worth companies, unincorporated associations etc. as specified in Article 49(2) of the Order. Any investment or investment activity to which this Prospectus relates is available only to such persons or will be engaged in only with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this Prospectus.

This Prospectus is exempt from the general restriction on the communication of invitations or inducements to enter into investment activity and has therefore not been approved by an authorised person as would otherwise be required by section 21 of the Financial Services and Markets Act 2000.

It is a condition of any application for Shares pursuant to the Offer by any person in the United Kingdom that such person falls within, and warrants and undertakes to the Company that it falls within, one of the categories of persons described above.

Zambezi Resources Ltd

Section 1 INVESTMENT SUMMARY

This Section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus.

1.1 Background

Zambezi (AIM: ZRL) is currently listed on the AIM and holds extensive exploration licenses, primarily in southern Zambia. These licences cover an area of approximately 16,300 square kilometres.

Zambezi has additional licences in Mozambique covering approximately 850 square kilometres.

The Company is seeking to raise up to AUD$15 million (with a minimum subscription amount of AUD$10 million) under this Prospectus, to fund a significant exploration programme over the next two years, for the purposes of unlocking potential mineral wealth previously identified through earlier exploration.

The Company recently completed a placement in the United Kingdom to institutional investors, which placement raised approximately AUD$10 million.

The funds being sought under this Prospectus, together with the funds raised from the recent placement to institutional investors, will enable the Company to complete its proposed exploration campaign targeting areas of interest for copper, gold and uranium. Zambezi has, since incorporation, sought to increase its Shareholders' wealth through maintaining its primary focus on advancing exploration for copper, gold and uranium towards resource development.

The Company's success to date has been reflected by the current share price (at close of business 5 June 2007) of 21.5p (approximately AUD$0.54 assuming an exchange rate of £0.40=AUD$1 (12p at time of listing on AIM)) an increase in the market capitalisation of the Company to approximately AUD$81million assuming an exchange rate of £0.40=AUD$1 (from approximately AUD$20 million at time of listing on AIM).

The highly prospective nature of Zambezi's licences has been further confirmed with the successful conclusion of two significant joint venture agreements entered into during 2006, with Glencore International AG of Switzerland ("**Glencore**").

In conjunction with a successful capital raising and, subject to meeting the admission criteria of the ASX, Zambezi will seek to list on the ASX by 30 June 2007. Zambezi will maintain its current listing on AIM.

1.2 Purpose of the Offer

The purpose of this Offer and the funds raised through the placement is to provide Zambezi with funding to develop the following aggressive exploration and evaluation program for copper, gold and uranium as well as provide working capital to:

- conduct intensive exploratory drilling focussing on the Cheowa and the Chalimbana copper-gold projects with the aim of completing a Prefeasibility Study (PFS) at Cheowa by June 2008;
- undertake an exploration and evaluation program including extensive exploration drilling of the Kangaluwi-Chisawa copper project with the intention of defining an Inferred Mineral Resource in accordance with the 2004 JORC Code by March 2008;
- undertake an exploration and evaluation program to develop a pipeline of drill ready targets at the following key projects: Mwomboshi, Mulofwe Dome and Mpande Dome; and
- undertake an exploration and evaluation program to test the mineralisation at the Chakwenga gold project.

1.3 Use of Funds

The majority of the funds raised from the Offer are for the purpose of funding the exploration activities on the Company's projects, as follows:

	Minimum raising (AUD$)	Target subscriptions(AUD$)
Cash on hand	11,250,000	11,250,000
Offer	10,000,000	15,000,000
Funds available:	**21,250,000**	**26,250,000**
Funds applied over a 2 year programme:		
Expenses of the offer	642,000	890,000
Exploration	17,423,000	21,150,000
Administration and working capital	3,185,000	4,210,000
TOTAL	**21,250,000**	**26,250,000**

Further details on the proposed application of funds on the exploration activities are to be found both in the Competent Person's Report contained in Section 5 and in Section 2.8. Section 2.8 also contains full details of:

- the application of funds sourced from Glencore assuming Glencore elects to take up its interests under each joint venture with the Company; and
- the Company's intended use of funds for amounts raised between the minimum subscription amount of AUD$10 million and the maximum subscription amount of AUD$15 million.

1.4 Capital Structure

The Pro-forma Capital Structure of the Company is set out below for illustrative purposes to reflect the issued and paid up capital structure of the Company if the Offer is fully subscribed:

SHARES	Number	To raise AUD$:	% of fully diluted capital
Currently on issue (AIM) (1)	151,671,946	-	77.22
Offered for subscription at AUD$0.45 each pursuant to the Offer (1)	33,333,333	15,000,000	16.97
TOTAL SHARES ON ISSUE	**185,005,279**		

OPTIONS			
Currently on issue (1)(2)	9,500,000	-	4.84

WARRANTS			
Currently on issue (1)(3)	1,900,000	-	0.97

Fully Diluted Capital	**196,405,279**	**15,000,000**	**100.0**

Notes:

(1) The rights attaching to the Shares, Options and Warrants are summarised in Section 9.

(2) The Options are held by Directors and employees of the Company. Each Option is exerciseable for one share and summarised by exercise date and price as follows:

Number	Exercise price*	Expiry date
180,000	16.5p (approx. 41 cents)	22 August 2008
5,490,000	14p (approx. 35 cents)	9 June 2009
2,190,000	12p (approx. 30 cents)	26 July 2009
500,000	20p (approx. 50 cents)	23 December 2009
140,000	17.5p (approx. 44 cents)	10 June 2010
1,000,000	16p (approx. 40 cents)	22 June 2010

*assuming an exchange rate of £0.40=AUD$1

(3) The Warrants were issued as part of a fee to WH Ireland Limited for the listing on AIM. Each warrant confers the right to subscribe for one fully paid share at an exercise price of approximately 30 cents per share and are exercisable on or before 26 July 2007.

Further details of the Company's capital structure are set out in Section 7.

1.5 Trading History of Shares of Zambezi in the last twelve months

The Shares have traded on AIM since Zambezi's listing on 26 July 2004. Details of the trading history for the last twelve months as shown in this table:

Highest Price	21.5p (approx 54c)*	5 June 2007
Lowest Price	11.5p (approx 29c)*	29 August 2006
Closing Price	21.5p (approx 54c)*	5 June 2007

*assuming an exchange rate of £0.4 = AUD$1

1.6 Risk Factors

Prospective investors in the Company should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are described in Section 8. Investors are urged to consider these risks carefully before deciding whether to invest in the Company.

Section 2 OVERVIEW OF THE COMPANY, AND ITS PROJECTS

2.1 Overview of the Company

Zambezi (AIM : ZRL) was incorporated on 29 March 2004 and listed on AIM on 26 July 2004.

The group structure of Zambezi is summarised in figure 2.2 of the Independent Competent Person's Report (Section 5).

2.2 Overview of Zambezi's Projects

A summary of Zambezi's key projects is set out below with a full description contained in the Competent Person's Report in Section 5.

Zambezi has remained a gold, copper and uranium explorer, focussing on its extensive exploration licenses, located primarily in southern Zambia, which comprises ten prospecting licenses (nine of which are contiguous) covering an area of approximately 16,300 square kilometres. These licences are supported with well established infrastructure including roads, labour and power supplies.

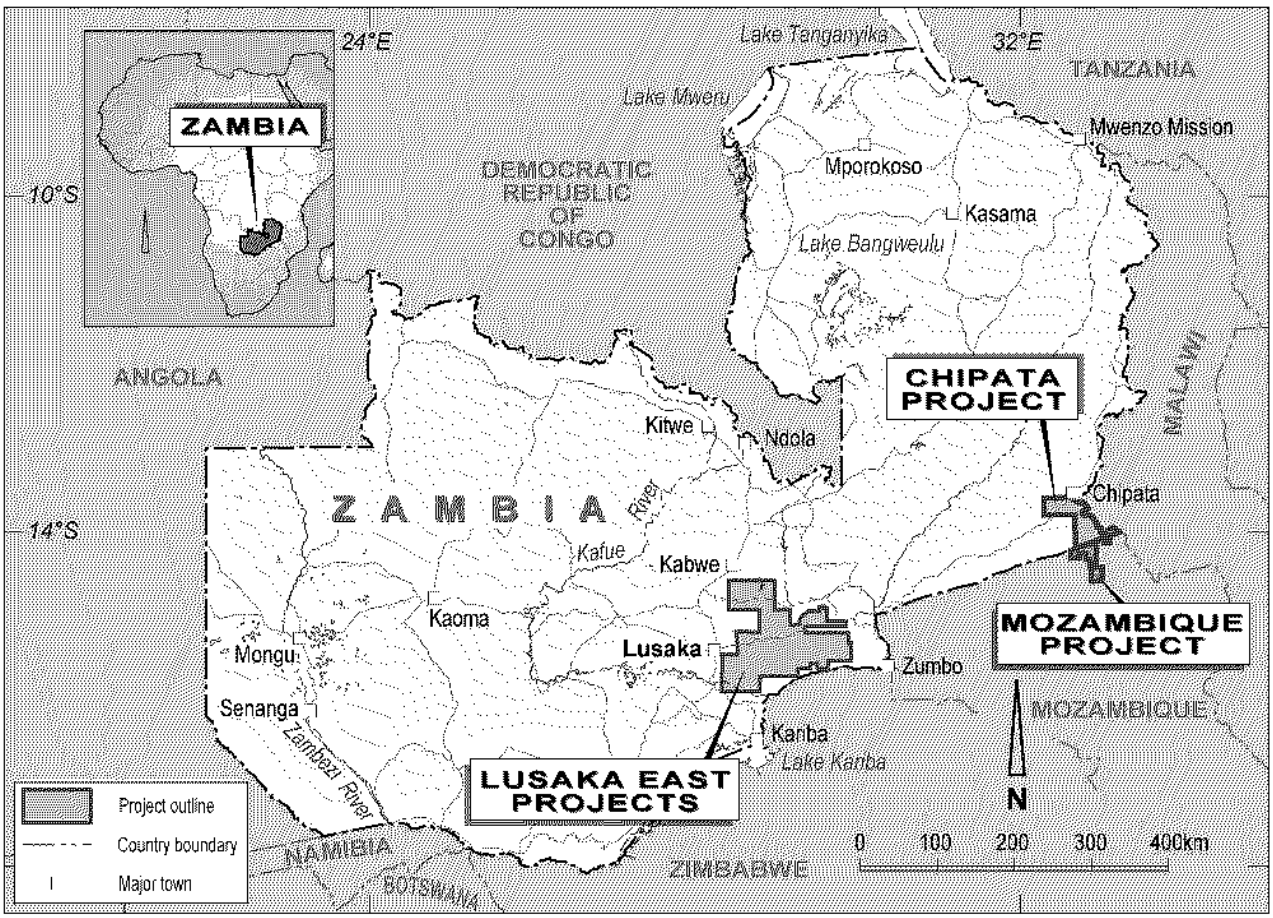

Figure 1: Tenement Location Plan

Table 2.1 Zambezi's Zambian tenement schedule

Concession	Holder (1)	Licence Number	Grant Date	Number of Renewals	Next Renewal Date	Tenement Area (km²)
Cheowa	Mwembeshi Resources	PL196	20/02/2004	2	10/11/2008	970
Zambezi	Mwembeshi Resources	PL214	15/12/2003	2	18/06/2008	2,041
Mulofwe	Mwembeshi Resources	PL219	1/03/2004	1	10/11/2008	3,183
Mpande	Mwembeshi Resources	PL220	1/03/2004	1	10/11/2008	2,497
Mulungushi	Mwembeshi Resources	PL224	11/05/2004	1	15/11/2008	2,400
Jessie(2)	Mwembeshi Resources	PL225	11/05/2004	1	9/11/2008	587
Chipata	Mwembeshi Resources	PL226	11/05/2004	1	9/11/2008	2,427
Chumbwe	Mwembeshi Resources	PL227	13/05/2004	1	9/11/2008	717
Rufunsa	Mwembeshi Resources	PL279	31/01/2006	0	30/01/2008	1,464
Kanikasha(3)	Mwembeshi Resources	PL282	30/03/2006	0	n/a	n/a
Total area in Zambia						16,286

Notes:

(1) Mwembeshi Resources is an indirect wholly owned Zambian subsidiary of the Company

(2) A notice for partial relinquishment of the Jessie licence has been lodged with the Zambian Ministry of Mines and Mineral Development ("MMD"). The Company awaits confirmation from the MMD that the relinquishment has been processed. The area to be retained is 587 km² as shown in the table. All figures in the prospectus showing tenement outlines show only the retained area for the Jessie tenement.

(3) A notice for total relinquishment of the Kanikasha licence has been lodged with the MMD. The Company awaits confirmation from the MMD that the relinquishment has been processed. All figures in the prospectus showing tenement outlines are on the basis that the Kanikasha tenement has been relinquished. The area of the Kanikasha tenement has not been included in the total area calculation.

Table 2.2 Zambezi's Mozambique tenement schedule

Holder	Licence Number	Grant Date	Next Renewal Date	Tenement Area (km²)
Africa Austral Mineraçao Limitada	1017L	4/07/2005	4/07/2010	259
Capitol Resources Limitada	1018L(1)	4/07/2005	4/07/2010	259
Africa Austral Mineraçao Limitada	1038L	4/07/2005	4/07/2010	108
Africa Austral Mineraçao Limitada	1040L	4/07/2005	4/07/2010	163
Africa Austral Mineraçao Limitada	1291L	12/01/2006	12/01/2011	62
Total area in Mozambique				851

Note:

(1) currently being transferred to Zambezi's Mozambique subsidiary company, Africa Austral Mineraçao Limitada

The Company has a significant presence in Zambia, through a large Lusaka-based workforce, including approximately twenty five qualified geologists, and seventy support staff. The Company participates in local community involvement and assists the local community by providing it with employment, health, and education opportunities.

Zambezi holds a further four licences covering 592 km^2 in Mozambique, through its Mozambican subsidiary Africa Austral Mineraçao Limitada ("Africa Austral"). In addition, one further licence covering 259 km^2 currently held by a third party is in the process of being transferred to Africa Austral. The primary focus in Mozambique is on gold exploration.

Further, Zambezi also has a 35.3% strategic investment in its sister company, Zambezi Nickel Limited (ZNI) , and has recently entered into a Joint Venture under which ZNI will acquire the uranium rights to the Oryx uranium prospect plus another 11 high priority radiometric anomalies identified by Zambezi within the its Mpande, Rufunsa, Mulungushi and Chumbwe licences. ZNI must spend a total of US$5 million over 2.5 years to earn a 51% equity interest in the 100% - owned Zambezi companies controlling the Zambian uranium rights, with ZNI to spend a minimum of US$3 million before it can withdraw from the Joint Venture. US$2 million must be spent on the Chumbwe licence, which contains the Oryx prospect. On ZNI earning a 51% interest in all uranium rights, ZRL can elect to fund ongoing exploration and development costs on a pro rata basis or elect to allow ZNI to fund exploration through to completion of a Definitive Feasibility Study or Studies (DFS).

The Company has, since incorporation, maintained its corporate objective of advancing exploration towards resource development by retaining focus on its exploration program for copper, gold and uranium.

Since listing on AIM, the Company has maintained its interests in these extensive tenement holdings through regional exploration programs, in advance of the current, expanded exploration campaign of key target areas. These target areas are outlined in more detail below and in Section 5.

During 2006, the Company entered into two joint venture agreements for two of its copper projects with Glencore, one of the world's largest copper producers. In respect of its Cheowa project, Zambezi has successfully secured US$10 million in funding from Glencore who will earn a 51% interest in the project. Further detail of these agreements is set out below and in the summaries of Material Contracts contained in Section 9.6

Zambezi is also conducting joint venture negotiations with interested parties on four of its prospective grass roots gold projects at Chumbwe, Jessie, Chipata and Mozambique.

2.3 Zambia, The Country

Zambezi operates primarily in Zambia. Located in the central Southern Africa sub-region, Zambia is a landlocked country covering an area of 752,614 km^2. It is bordered by Tanzania, Malawi, Mozambique, Zimbabwe, Botswana, Namibia, Angola and the Democratic Republic of Congo.

Zambia has a population of 11.5 million people and its annual population growth rate is estimated at 2.5 percent.

Zambia has an abundant supply of reliable water and an abundance of known mineral deposits.

Zambia has relied on copper and cobalt as the main traditional exports and is currently the world's ninth largest producer of copper. Zambia holds 4% of the world's known reserves of copper and also provides opportunities for the exploitation of other minerals which historically have included gold and gemstones.

Zambian surcharges on mineral production compare favourably with most other countries in terms of royalties and taxes. Royalties are to be paid at a rate of 0.6% on the gross value of the free-on-board minerals. The corporate tax rate in Zambia is fixed at 35%, although mining assets of that were privatised out of the Zambian Consolidated Copper Mines ("ZCCM") are taxed at a reduced rate of 25%. In addition, non-copper and cobalt commodities are taxed at a favourable 15% rate and companies which are listed on the Lusaka Stock Exchange pay a corporate tax rate of 30%. Following the national budget address of 9 February 2007, certain amendments in the taxation regime were proposed as follows: (1) the mineral royalty tax will increase from 0.6% to 3%; (2) the income tax rate will increase from 25% to 30%; and (3) a withholding tax of 10% will be introduced.

2.4 Key Copper/Gold Projects

Cheowa Copper-Gold Project (Glencore JV, Glencore earning 51%)

- US$10 million in joint venture funding secured from Glencore to earn a 51% interest in the project. Thereafter Zambezi may elect to farm out a further 19% interest to Glencore for a further US$10 million in funding or to complete bank feasibility study.
- Zambezi to manage project until Glencore earns 51% interest.
- Copper and gold in soil anomaly extending over 15 kms strike.
- Diamond drilling in 2006 intersected massive copper sulphides.
- At conductor CC02, an Inferred Mineral Resource prepared in accordance with the 2004 JORC Code of 1.7mt @ 1.5% Cu and 0.5 gpt Au.
- Pre-feasibility Study for mid 2008.

The mineralisation is associated with a shear-hosted breccia zone, dominated by chalcopyrite-pyrrhotite-pyrite with an average true width of 4.5m dipping at 65° to the north-west. Copper grades in excess of 0.3% have been defined to date over a strike length of 700m and to a depth of 200m from surface. Excellent continuity has been demonstrated along strike and down dip, with the mineralisation open along strike and at depth.

The helicopter-borne VTEM survey technique first used by Zambezi in 2005 has proved of critical importance at Cheowa, allowing direct drill targeting of electrical conductors. Drilling to date has targeted the three western-most conductors defined in 2005 (CC01, CC02, CC03), and at conductor CCO2, an Inferred Mineral Resource prepared in accordance with the 2004 JORC Code of 1.7mt @ 1.5% Cu and 0.5 gpt Au has been estimated.

An extension VTEM survey during 2006 has defined a further twenty conductors which show coincident anomalous copper-gold in geochemical soil sampling over a cumulative 7 kms of strike to the east of Conductor CC02. These will be drilled as a priority during the 2007 field season.

The Company considers that a theoretical target potential of 8-12mt @1-2% copper may lie within the project based on the drill results to date, assuming similar mineralised potential over the remaining 7kms of the untested VTEM anomalism. This theoretical exercise assumed mineralisation to a depth of 200m analogous to the resource defined at Conductor CC02, with minimal consideration given to the presence of parallel lodes or credits from gold or cobalt. It is also worth noting the target potential lies within the 15 km long surface geochemical copper anomaly (greater than 250 parts per million) determined from extensive soil and trench sampling.

Figure 2: Diamond Drilling Rig, Cheowa

Chongwe Copper Belt Project (Glencore JV, Glencore earning 51%)

- The Chongwe Copper Belt ("CCB") is an 80km long zone of anomalous copper and gold mineralisation
- At Chalimbana, the most advanced project within the CCB, an Inferred Mineral Resource prepared in accordance with the 2004 JORC Code of 5.3Mt @ 0.8% Cu.
- US$6 million in joint venture funding secured from Glencore to earn a 51% interest in the project.
- Zambezi to manage project until Glencore earns 51% interest.

During 2005, 52 RC holes were completed at the Chalimbana East prospect to test for extensions of the immediately adjacent Chalimbana mineralisation. Best results included 35m at 0.56% copper, 12m at 0.44 % copper, 11m at 0.51% copper and 16m at 0.36% copper. Currently identified mineralisation occurs from 5 metres below surface to approximately 100 metres deep.

During 2006, four follow up diamond drillholes were completed at Chalimbana to test possible multiple mineralised zones below the 2005 RC drilling. Assay results included 18m at 0.35% copper, 17m at 0.41% copper and 5.6m at 0.42% copper. A distinct shallow angle fault zone occurring below the mineralised shear zone was intersected in all 4 holes, with a thick sequence of barren quartzites of at least 150m in thickness immediately beneath the fault. While this has reduced the possibility of further mineralised zones at Chalimbana below an estimated depth of approximately 150m vertical, inspection of core remaining from the historical diamond drilling has revealed that several holes finished in mineralisation, and some mineralised holes were not sampled. During 2007, these holes will be sampled and assayed, and further infill and extension RC and diamond drilling will be carried out at Chalimbana and Chalimbana East to scope the potential for further mineralisation.

Kangaluwi-Chisawa Copper Project (100% Zambezi owned)

Kangaluwi-Chisawa occurs within the extended Chakwenga region, which has the potential to be a new gold and copper camp. During October 2006, 24 RC holes were completed for a total of 2,477 metres at Kangaluwi-Chisawa, targeting anomalous copper-in-soil geochemical anomalies coincident with malachite-bearing metasediments and pegmatites.

Drilling was curtailed by the onset of the wet season, but excellent results were returned, including 21m at 1.88% copper, 25m at 1.34% copper, 16m at 1.95% copper and 14m at 1.13% copper. This was the first systematic drill programme carried out in the area. The drilling only partially tested tested an 800m strike length at Kangaluwi, and a 3,600m strike length at Chisawa. The total strike potential of the mineralised horizon is interpreted to be in excess of 20kms.

Holes were drilled to total depths of approximately 100m, testing to 75-90m vertical. At Kangaluwi, the mineralisation intersected is open at depth, and along strike to the east and west. The western-most hole at Kangaluwi returned 21m at 1.88% copper, and the eastern-most hole returned 9m at 1.57% copper. At Chisawa, the mineralisation intersected is open at depth, and the eastern-most hole returned 25m at 1.34% copper.

The mineralisation occurs on the limbs of a large regional east-plunging synform, with Kangaluwi on the northern limb and Chisawa on the southern limb. Subsequent to the drilling, further soil geochemical sampling at a line spacing of 200 metres and a sample spacing of 25 metres has extended the surface expression of anomalous copper to a strike length in excess of 15 kilometres, at values greater than 200 parts per million copper.

In addition, soil geochemical sampling has identified two new significant untested copper occurrences at Kalulu, which lies approximately 3 kilometres west of Kangaluwi, and at Imboo, which lies approximately 7 kilometres west of Chisawa.

Kalulu may represent the fold nose area of the interpreted large regional east-plunging synform which hosts Kangaluwi on the northern limb and Chisawa on the southern limb. Imboo occurs within a completely separate package of rocks to the south.

Detailed soil sampling has now been completed over an area of approximately 65 square kilometres. RC drilling will continue at Kangaluwi-Chisawa and commence at Kalulu and Imboo after the wet season. A comprehensive VTEM airborne geophysical survey will be carried out over the entire region.

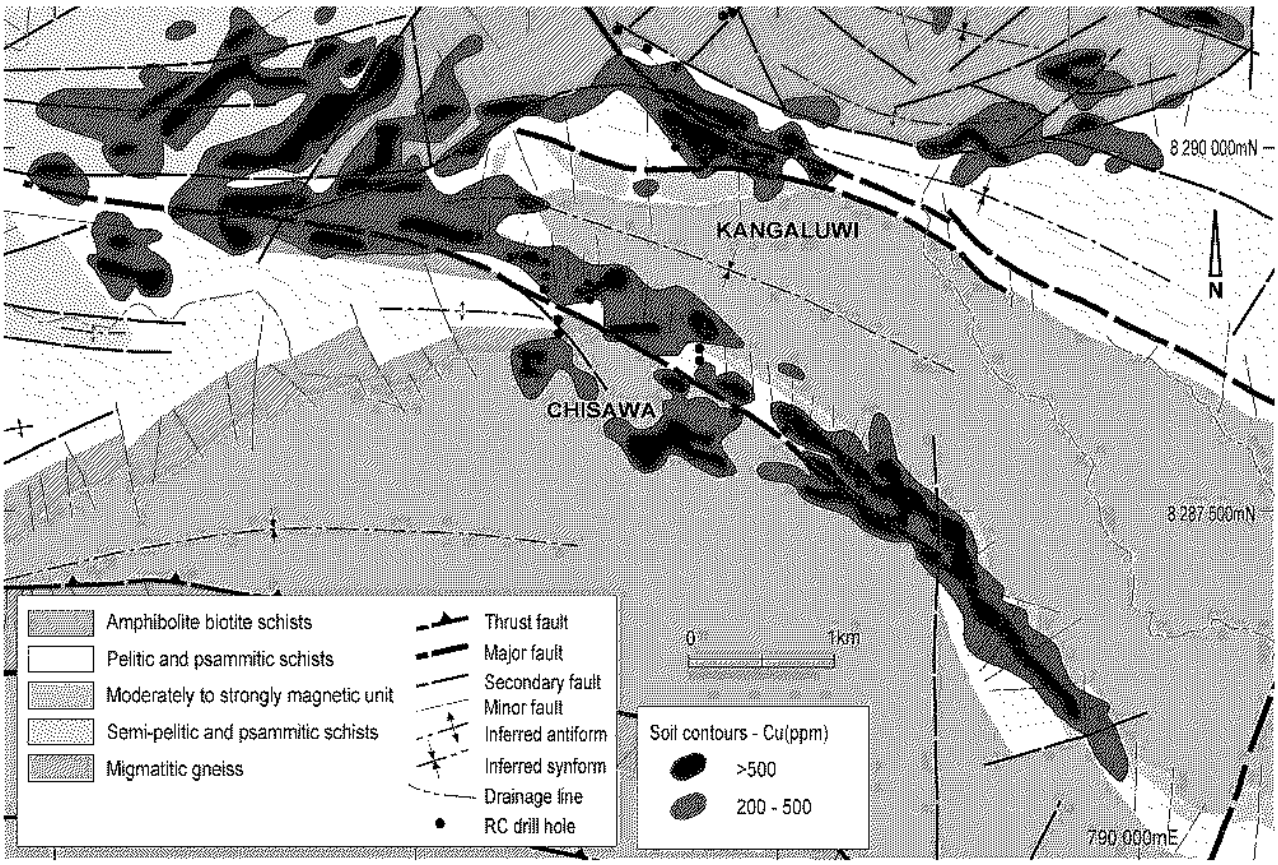

Figure 3: Kangaluwi-Chisawa region copper soil geochemical anomaly, including the location of Zambezi's 2006 RC drill holes.

Mulofwe Copper/Gold/Uranium Project (100% Zambezi owned)

The Mulofwe project comprises a polymetallic terrain characterised by the presence of anomalous copper, gold, silver, cobalt, bismuth and uranium. This area is considered by Zambezi to be highly prospective for IOCG-style mineralisation.

Zambezi has carried out a helicopter-borne magnetic and radiometric geophysical survey, hand-held spectrometer surveys and rock-chip sampling at Mulofwe. The rock-chip sampling programmes returned anomalous copper, gold and uranium assays, with best results including 7% copper and 293ppm U_3O_8; 2.33% copper and 391ppm U_3O_8; 5.05% copper, 2.36 g/t gold and 122ppm U_3O_8; and 467ppm U_3O_8. The coincidence of the uranium, gold and copper results is consistent with Zambezi's IOCG exploration model.

In 2007, a comprehensive exploration programme will include detailed regolith mapping, geochemical surveys, and airborne VTEM geophysics.

2.5 Key Gold Projects

Chakwenga Region (100% Zambezi owned)

The extended Chakwenga region represents a potential new gold and copper camp. At the historic Chakwenga Gold Mine, the Company's most advanced gold project, shear-hosted gold mineralisation has been delineated at surface over a strike length in excess of 1km, and is known to extend to over 100 metres in depth. Drilling at Chakwenga in 2006 comprised 50 RC and 8 diamond holes, designed to test the mineralised system to vertical depths of up to 130 metres. The drilling intersected quartz veins hosted by schists, occasionally exhibiting alteration typical of that seen in Iron Oxide Copper Gold (IOCG) mineralised systems. Particularly encouraging assay results were received from the northern end of the drilled area, with best results including 22m at 2.11 g/t gold, 17m at 1.66 g/t gold, 3m at 5.25 g/t gold and 2m at 6.15 g/t gold. During 2007, further RC and diamond drilling will be carried out to test this mineralisation, and a detailed structural interpretation will assist the targeting process.

Figure 4: RC drill hole location plan and assays, Chakwenga mine area

2.6 Other Joint Ventures

Gold Joint Ventures

Gold projects at Chumbwe, Jessie, Chipata and Mozambique are considered prospective for the delineation of gold mineralisation, but are not classified as priority projects for Zambezi. In order to continue work on these projects, Zambezi is conducting joint venture negotiations with interested parties on these prospective grass roots gold projects.

Uranium Joint Venture

At Oryx, the Company's priority uranium project, spectrometer readings and trench assays during 2006 confirmed the presence of extensive uranium mineralisation. Davidite mineralisation identified within a large surface uranium radiometric anomaly returned a uranium value of 6.4%. The area was originally identified with a heli-borne radiometric survey over an area of 5 km^2 and consists of a group of zoned pegmatite bodies. Mineralisation appears particularly related to fine-grained albite zones and late massive quartz-rich zones. In 2006, Zambezi completed 14 trenches over approximately 1,800 metres over a limited area of the anomaly, and drilled 3 diamond holes. The trench results show significant uranium grades over widths of up to 50 metres and a peak 1m trench value of 1527ppm U_3O_8, which was returned from the most northwestern trench, demonstrating the mineral potential outside of the main prospected area. Further results in excess of 500ppm U_3O_8 have also been returned within lower grade (100ppm) broader zones of up to 5m in width. In late 2006, an ultra high resolution helicopter-borne radiometric survey data was completed. Excellent definition was achieved with a line spacing of 25 metres, and areas of stronger and more extensive radiometric anomalism have been identified approximately 1 kilometre to the west of the area that was extensively trenched during the 2006 field season. This area will be targeted with trenching and drilling as a priority during the forthcoming 2007 field season. First pass bench-scale metallurgical testwork results on a small bulk sample from Oryx indicate that gravity separation alone is unable to effectively upgrade the uranium, and that low intensity magnetic separation would be required.

Other uranium projects have also been identified from radiometric surveys carried out in 2005 and 2006. Two of these targets occur within the polymetallic Mulofwe Dome area, located 40km to the north of Oryx. In the western Mulofwe Dome area, previously assayed rock chip samples were resubmitted for uranium analysis, returning assays of up to 467ppm U_3O_8. In addition, Zambezi has confirmed extensive uranium anomalism from spectrometer readings at Nkala, 17km to the east of the Mulofwe Dome. Spectrometer readings were collected along three 800m spaced lines of 1200m in length. Total counts in excess of 2000 counts per minute were observed on each line, with a high uranium:thorium ratio. Soil sampling along these lines on a sample spacing of 25m returned values in excess of 15ppm U coincident with the spectrometer anomalism. Trench samples across the same zone generally returned values less than 20ppm U. Zambezi is currently undertaking a detailed regolith study over the Mulofwe region to complement a previously completed high resolution aeromagnetic interpretation and a comprehensive geochemical orientation survey, and to better define targets.

Elsewhere, new surface radiometric uranium anomalies have been identified from recently completed regional high resolution radiometric surveys at Mulungushi and Mpande. The Mpande anomalies consist of four prominent bullseye-style and one elongate lithological/shear-related style surface radiometric uranium anomalies. The bullseye anomalies range in size from 0.25 square kilometres to 1.5 square kilometres, while the lithological/shear-related anomaly is approximately 4 kilometres long and 200 metres wide. The Mulungushi anomalies consist of five elongate surface radiometric uranium anomalies, and are strongly associated with prominent regional shear systems interpreted to be related to the major crustal Mwembeshi Shear Zone. The anomalies are generally of the order of 2 kilometres in length and 0.5 kilometres in width. Further processing of the data is awaited to assist in target selection.

Zambezi has recently entered into a Joint Venture with Zambezi Nickel Limited (ZNI, 35.3% owned by Zambezi), under which ZNI can acquire the uranium rights to the Oryx uranium prospect plus another 11 high priority radiometric anomalies identified by Zambezi within the its Mpande, Rufunsa, Mulungushi and Chumbwe licences. ZNI must spend a total of US$5 million over 2.5 years to earn a 51% equity interest in the 100% - owned Zambezi companies controlling the Zambian uranium rights, with ZNI to spend a minimum of US$3 million before it can withdraw from the Joint Venture. US$2 million must be spent on the Chumbwe licence, which contains the Oryx prospect. On ZNI earning a 51% interest in all uranium rights, ZRL can elect to fund ongoing exploration and development costs on a pro rata basis or elect to allow ZNI to fund exploration through to completion of a Definitive Feasibility Study or Studies (DFS).

2.7 Mining in Zambia

Zambia is one of the most stable countries in Southern Africa, with a functioning multi-party democracy. The Zambian Government is a great supporter of mineral exploration and is fully committed to mine development. The mining industry provides in excess of 85% of the country's foreign exchange earnings on an annual basis. The Government has demonstrated strong fiscal discipline and good governance, and as a result, Zambia has received external debt relief from the International Monetary Fund, the World Bank and the African Development Bank, leading to a significant reduction in the national debt.

General conditions imposed upon the holder of a prospecting licence

The holder of a prospecting licence has under section 12 of the Zambian Mines and Minerals Act 1995 exclusive rights to carry on prospecting operations in the prospecting area for the minerals specified in the licence and to do all such other acts and things as are necessary for or reasonably incidental to the carrying on of those operations save that the licence holder is required for administrative reasons to:

(a) submit a programme for the employment and training of Zambian citizens as approved by the Director of Mines;

(b) erect beacons at the corners of the tenement area as required by the Director of Mines;

(c) provide and maintain security in the tenement area and ensure that no illegal mining or trading of minerals take place within such tenement area;

(d) apply for a renewal of the licence not later than 90 days before expiry and to comply with the abandonment procedures and requirements of its tenement area;

(e) notify the Director of Mines every time there is a change in its business address and related contact details; and

(f) accept such additional conditions that may be imposed by the Director of Mines.

In addition to the administrative regulations applicable to the prospecting right, a licence holder is required by statute to:

(a) commence prospecting operations within three months of issue of the licence and to develop the prospecting area and carry on mining operations with due diligence and in accordance with the programme of prospecting operations;

(b) give notice of discovery of minerals in the tenement area;

(c) expend on prospecting operations not less than the amount prescribed or required by the terms and conditions of the licence to be expended;

(d) submit quarterly reports and such other reports and affidavits containing such information and supported in such manner as may be prescribed by the Director of Mines or under the Mines and Minerals Act 1995;

(e) comply with any directive given under Part IX of the Mines and Minerals Act 1995 regarding the protection of the environment;

(f) not enter into any contracts or agreements and any other operations in the area without the consent of the Director of Mines, including change of shareholding and directorship of the company and where such contracts or agreements regarding transfer of licence or permit or transfer of control of company, the holder shall comply with section 54 and 55 of the Mines and Minerals Act, respectively; and

(g) pay tenement area charges on the grant of the licence and thereafter annually on the anniversary thereof until the termination of the licence.

Surface Rights

Surface rights are governed by the Zambian Lands Act. Under the Lands Act, all land is vested in the Zambian President and held by him "in perpetuity for and on behalf of the people of Zambia". The land is to be administered and controlled by the President "for the use, or common benefit, direct or indirect, of the people of Zambia". The President is able to grant an interest in land (through a statutory lease) that is limited to a term of ninety-nine years from 1 July 1975 unless the President considers it necessary in the interest of the nation to grant a longer term (or the grant of longer term is necessary to fulfil any obligations of the Republic).

Where any private leasehold interests exist in any area covered by a mining or prospecting right, the holder of any licence or permit who requires the exclusive or other use of any portion of the prospecting or mining area may, in accordance with the laws relating to such acquisition, acquire a lease thereof or the right to use the same upon such terms as may be agreed between the licence holder and the owner or such land.

If any portion of the land over which the tenement exists is under customary land, there may be a requirement to obtain permission from the local Chief in order to obtain surface rights which would require the Chief to give his written consent to the local council for the conversion of that particular portion of customary land to statutory (leasehold) tenure.

Surface rights are not a pre-requisite for the exercise of a mining right although it is necessary to ensure that the authorisations required under section 56 of the Lands Act have been procured.

There are no surface rights impediments to the Company and its Group's exploration and mining operations. This is because Part VI of the Mines and Minerals Act 1995 protects the interests of both the landlord and tenement holder; surface rights holders are not to withhold consent unreasonably and there is an arbitration procedure overseen by the Director of Mines if required. Accordingly, the Company's prospecting licences are not encumbered by the rights of any surface rights holders and its exploration activities will not be hindered.

2.8 Utilisation of Funds for Exploration

The majority of the funds raised from the Offer are for the purpose of funding the exploration activities on the Company's projects outlined below and in the Competent Person's Report in Section 5.

Zambezi has outlined a staged two year exploration budget in order to progress its Zambian projects. Funds are to be directed principally towards further drill testing and advancement of its prospects at the Cheowa JV, the Chongwe Copper Belt, and elsewhere within the Zambezi project (Chakwenga, Kangaluwi-Chisawa) towards resource definition. In addition, a portion of funds will be directed to conduct further regional exploration over its Mulofwe Dome, Mpande Dome, Mwembeshi and Rufunsa project areas.

The exploration programs and budgets on the Company's projects are planned over the next two years 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. Actual fund allocation may vary depending on the exploration success, but will be sufficient to meet statutory expenditure requirements for tenements granted or expected to be granted within the two year period. Results may change the proposed exploration and evaluation activities.

Exploration expenditure by JV partners (assuming they elect to take up their interests)

Exploration expenditure by JV partners (assuming they elect to take up their interests)	**Year 1 (AUD$)** (2)	**Year 2 (AUD$)** (2)	**TOTAL (AUD$)**
Cheowa JV	7,777,500	5,825,000	13,602,500
Chongwe Copperbelt JV	3,712,500	3,175,000	6,887,500
Kangaluwi-Chisawa project (1)	-	-	-
Mulofwe project	-	-	-
Chakwenga Region project (1)	-	-	-
Uranium JV (Oryx) (1)	1,000,000	137,500	1,137,500
Other Projects			
Other Chakwenga regional (1)	-	-	-
Mwembeshi project	625,000	262,500	887,500
Mpande project	625,000	-	625,000
Rufunsa project	312,500	-	312,500
JV Partners Total	**14,052,500**	**9,400,000**	**23,452,500**

Exploration expenditure by Zambezi

Zambezi exploration expenditure	Year 1 (AUD$) (2)	Year 2 (AUD$) (2)	TOTAL (AUD$)
Cheowa JV	-	3,175,000	3,175,000
Chongwe Copperbelt JV	-	612,500	612,500
Kangaluwi-Chisawa project (1)	2,950,000	2,772,500	5,722,500
Mulofwe project	1,387,500	1,250,000	2,637,500
Chakwenga Region projects (1)	2,000,000	1,920,000	3,920,000
Uranium JV (Oryx) (1)	-	-	-
Other Projects			
Other Chakwenga regional (1)	1,500,000	1,420,000	2,920,000
Mwembeshi project	612,500	237,500	850,000
Mpande project	512,500	437,500	950,000
Rufunsa project	362,500	-	362,500
Zambezi Total	**9,325,000**	**11,825,000**	**21,150,000**

Combined Exploration expenditure by Zambezi and JV partners (assuming they elect to take up their interests)

Project total:	Year 1 (AUD$) (2)	Year 2 (AUD$) (2)	TOTAL (AUD$)
Cheowa JV	7,777,500	9,000,000	16,777,500
Chongwe Copperbelt JV	3,712,500	3,787,500	7,500,00
Kangaluwi-Chisawa project (1)	2,950,000	2,772,500	5,722,500
Mulofwe project	1,387,500	1,250,000	2,637,500
Chakwenga Region projects (1)	2,000,000	1,920,000	3,920,000
Uranium JV (Oryx) (1)	1,000,000	137,500	1,137,500
Other Projects			
Other Chakwenga regional (1)	1,500,000	1,420,000	2,920,000
Mwembeshi project	1,237,500	500,000	1,737,500
Mpande project	1,137,500	437,500	1,575,000
Rufunsa project	675,000	-	675,000
Total Exploration	**23,377,500**	**21,225,000**	**44,602,500**

Notes:

(1) The Zambezi Project as summarised in the Competent Person's Report comprises the following projects: Kangaluwi-Chisawa, Chakwenga Region, Other Chakwenga regional and Uranium JV (Oryx) .

(2) An exchange rate of AUD$1= US$0.80 has been assumed.

If the minimum subscription of $10,000,000 only is raised, the funds available for administration expenses and working capital will be reduced by $1,025,000 and the overall exploration budget will be reduced pro-rata across all projects by $3,727,000. To the extent that funds between $10,000,000 and $15,000,000 are raised reductions will be made to working capital to a maximum of $1,025,000 in priority to reductions in the exploration budget to be reduced pro-rata across all projects to a maximum of $3,727,000.

The Directors are satisfied that on meeting the minimum subscription of $10,000,000, the Company will have sufficient working capital to meet its stated objectives for a period of 2 years and the Company will be able to meet its statutory minimum expenditure requirements and any reduction in the exploration programs will not impact on the outcome of those proposed programs.

Section 3 DETAILS OF THE OFFER

3.1 Description of the Offer

The Company is seeking to raise a total of AUD$15 million through the Offer under this Prospectus.

By this Prospectus, the Company invites investors to subscribe for up to a total of 33,333,333 Shares at $0.45c each, to raise up to AUD$15,000,000.

Applications must be made on the Application Form enclosed with this Prospectus.

The rights attaching to the Shares are summarised in Section 9.

3.2 Minimum Subscription

The minimum subscription to be raised from the Offer is $10,000,000.

In accordance with the Corporations Act, no Shares will be allotted by the Company until the minimum subscription has been subscribed.

If the minimum subscription is not achieved within three months after the date of this Prospectus, the Company will either repay the application monies to the Applicants or issue a supplementary or replacement prospectus and allow Applicants one month to withdraw their Application and be repaid their application monies.

3.3 Indicative Dates

Lodgement of Prospectus with ASIC	6 June 2007
Opening date	13 June 2007
Closing Date	19 June 2007
Despatch of Holding Statements	27 June 2007
Anticipated Listing Date on ASX	29 June 2007

These dates are indicative only and may vary. The Company reserves the right to vary the opening and closing dates of the Offer without prior notice. Applicants are encouraged to apply as soon as possible after the Offer opens as the Offer may close earlier than the date specified above. The Company also reserves the right not to continue with the Offer at any time before the allotment of Shares to Applicants.

3.4 Applications for Shares

If you wish to participate in the Offer, you should complete the Application Form enclosed with this Prospectus.

Applicants may apply for a minimum parcel of 5,000 Shares representing a minimum investment of $2,250. Applicants requiring additional Shares must apply for Shares in multiples of 1000 Shares (equivalent to $450) thereafter.

Applications for less than the minimum application of 5,000 Shares (equivalent to $2,250) will not be accepted.

3.5 Lodgement of Application Forms

To apply for Shares pursuant to this Prospectus, the Application Form accompanying this Prospectus must be completed in accordance with the instructions accompanying it and must be lodged at the Company's share registry, on or before the Closing Date:

By post to	*Or delivered to*
Zambezi Resources Limited	Zambezi Resources Limited
c/- Computershare Investor Services Pty Limited	c/- Computershare Investor Services Pty Limited
GPO Box D182	Level 2, 45 St Georges Terrace
PERTH WA 6840	PERTH WA 6000

No brokerage or stamp duty is payable by Applicants in respect of their applications for Shares under this Prospectus.
The amount payable on application will not vary during the period of the Offer and no further amount is payable on allotment.

Information about and rights attaching to CDIs

The jurisdiction in which the Company is incorporated does not recognise the CHESS system of holding shares or electronic transfer of legal title. Accordingly, as required by the Listing Rules, under the Offer the Company will offer Applicants CHESS Depository Interests ("**CDIs**") as an alternative to holding UK or Bermuda registered share certificates. No share 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 CHESS Depository Nominees Pty Ltd. The main difference between holding CDIs and holding Shares is that the holder of CDIs has beneficial ownership of the equivalent number of Shares in the Company instead of legal title. The Shares are registered in the name of CHESS Depository Nominees Pty Ltd and held by that entity on behalf of and for the benefit of the Shareholder.

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 Company's 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 Computershare; 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. Following distribution of these initial holding statements to all Shareholders, a holding statement will only be provided to a CDI holder at the end of any subsequent month during which the balance of the Shareholder'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 CDI holders have all the direct economic benefits of holding Shares. With the exception of voting arrangements, CDI holders 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 holders 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 Shareholders to direct CHESS Depository Nominees Pty Ltd to cast proxy votes according to the wishes of the Shareholders for whom it holds shares on behalf of. The Company is obliged to collect and process these directions. Shareholders wishing to attend personally and vote at a shareholder meeting must convert their CDIs into certificated Shares prior to the meeting. The Shareholder should contact Computershare in advance to find out how long the conversion process will take.

If a holder of CDIs wishes to convert to holding certificated Shares they may do so at any time by contacting either their stockbroker or Computershare (in Australia), in which case the Shares will be transferred from CHESS Depository Nominees Pty Ltd into the name of the holder and either a UK registered certificate will be issued or an application will be made for the Shares to be admitted to CREST (a paperless settlement procedure). This will cause your Shares to be registered on the UK branch register, and trading will no longer be possible on the ASX.

A holder of certificated Shares may also convert to holding CDIs by either contacting their stockbroker, Computershare in Australia or in the United Kingdom, in which case the Shares will be transferred from the Shareholder's name into the name of the depository nominee and a holding statement will be issued for the CDIs.

3.10 Restricted Securities

Securities issued to vendors, promoters, seed capital investors and others prior to the Offer may be subject to the restricted securities provisions of the Listing Rules. Accordingly, a proportion of such securities, to be determined by ASX, may be required to be held in escrow for a period of time, as determined by ASX.

3.11 Overseas Investors

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia 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.

No action has been taken to register or qualify the Shares, or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

This Prospectus is being supplied in the United Kingdom only to persons who have professional experience in matters relating to investments and who are investment professionals as specified in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or who are high net worth companies, unincorporated associations etc. as specified in Article 49(2) of the Order. Any investment or investment activity to which this Prospectus relates is available only to such persons or will be engaged in only with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this Prospectus.

This Prospectus is exempt from the general restriction on the communication of invitations or inducements to enter into investment activity and has therefore not been approved by an authorised person as would otherwise be required by section 21 of the Financial Services and Markets Act 2000.

It is a condition of any application for Shares pursuant to the Offer by any person in the United Kingdom that such person falls within, and warrants and undertakes to the Company that it falls within, one of the categories of persons described above.The Offer pursuant to an Electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia.

3.12 Privacy Act

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 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 4 DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

4.1 Directors and Officers

Mr Brian James Rear

AWASM, MSc (London), DIC; MBL (South Africa) - Non Executive Chairman, Australian, Age 60

Mr Rear has a distinguished career in mining spanning over 35 years of technical and managerial experience in Australia, New Guinea, United Kingdom, Europe, South Africa and Indonesia. He has worked for successful resource companies including CRA, Rio Tinto Consultants, Barrack Mines, Anglovaal and Straits Resources in gold, base metals, uranium, thermal coal and industrial minerals. Mr Rear is a graduate from the Western Australian School of Mines in metallurgy. He is a graduate of the Royal School of Mines London, holding a Diploma of Imperial Collage and an MSc (Lon) in mineral process design from the University of London. Brian also holds a Masters Degree in Business Leadership from the University of South Africa's School of Business Leadership. Mr Rear is currently Managing Director of CopperCo Ltd, an ASX-listed copper explorer and developer, Non Executive Chairman of South Boulder Mines Limited, and Non Executive Director of Copper Range Limited and International Base Metals Limited.

Mr Julian Peter Ford

B.Sc (Chem Eng), B.Comm, Grad.Dip.Bus.Man - Managing Director, Australian, Age 44

Mr Ford has worked for a number of major resources companies including Alcoa, British Gas, Western Metals and Rustenburg Platinum. During this period, Mr Ford has held a number of senior management positions including General Manager of an exploration company; marketing manager; project manager; operations manager and commercial management positions. He graduated in 1987 with a degree in Chemical Engineering from the University of Natal, Durban, South Africa, and later completed a Bachelor of Commerce at the University of South Africa and a Graduate Diploma in Management from the University of Western Australia. Mr Ford is also a Non Executive Director of Zambezi Nickel Limited. Mr Ford is a Member of the AusIMM

Dr Geoffrey Ian Johnson

B.Sc.Hons, PhD (Geology), Grad.Dip.Env.Sc – Exploration Director, Australian, Age 47

Dr Johnson provided technical input as a Non Executive Director of the company prior to listing on AIM, and became Executive Exploration Director of the Company on 1 March 2005. He has accumulated over 23 years experience in multi-commodity mineral exploration throughout Australia and Africa. Dr. Johnson was awarded a PhD in 1992 from the University of Adelaide where he graduated in 1980 with an honours degree in Geology. He later completed a Graduate Diploma of Environmental Science at Murdoch University, Perth. Dr Johnson is also a Non Executive Director of Zambezi Nickel Limited. Dr Johnson is a Fellow of the Australian Institute of Geoscientists, a Fellow of the Society of Economic Geologists, and is a Member of the Geological Society of Australia, and the Society for Geology Applied to Mineral Deposits.

Mr Jeremy Bruce Earl Wrathall

B.Sc.Hons(Mining Engineering), ACSM - Non Executive Director, British, Age 44

Mr Wrathall has extensive experience of both the practical and financial aspects of mining. After graduation from the Camborne School of Mines in 1985 he worked for 3 years on various gold and base metal mines in South Africa. Following his return to the UK he has spent 16 years working as an investment analyst and equity salesman in the City of London, including 2 years as Head of Mining Equity Sales for Warburg Dillon Read, 2 years as Global Head of Mining Equities for Deutsche Bank, and 2 years heading up the London office of Haywood Securities Inc. He was the Chairman of the Association of Mining Analysts during 1996. Mr Wrathall is currently Head of Institutional Sales in the London office of GMP Securities Europe.

Mr Lloyd Flint

B.Acc, MBA, ICAA, FINSIA

Chief Financial Officer, Australian

Mr Flint has over 20 years experience in the corporate and financial services arena. He has held a number of management and senior administrative positions as well as providing corporate advisory services as a consultant to corporate clients. He graduated with a Bachelor of Accountancy in 1984 and later completed a Master of Business Administration from Manchester Business School. He is a member of the Institute of Chartered Accountants in Australia and the Financial Services Institute of Australasia.

4.2 Corporate Governance

Zambezi Resources Ltd has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable, the Company has adopted the Ten Essential Corporate Governance Principles and Best Practice Recommendations ("Recommendations") as published by ASX Corporate Governance Council.

A summary of the Company's corporate governance practices is set out below.

Summary of Board Charter

The Board is collectively responsible for promoting the success of the Company. The Board supervises the Company's framework of control and accountability systems and ensures the Company is properly managed. The Board also approves and monitors major capital expenditure, capital management, and acquisitions and divestitures. It approves the annual budget and monitors the financial performance of the Company as wells as its financial and other reporting. The Board provides overall corporate governance to the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company. The Board has agreed to guidelines for assessing materiality.

The Board appoints (with shareholder ratification) and liaises with the external auditor and Audit Committee (if applicable). The Board is also responsible for monitoring and ensuring compliance with all of the Company's legal obligations.

The chairperson is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function. The roles of the Managing Director, independent directors and management are summarised in the Charter.

Summary of Audit Committee Charter

The role of the Audit Committee is to monitor the integrity of the financial statements of the Company and review significant financial reporting judgments. The Audit Committee also reviews the Company's internal financial control system, risk management systems and any internal audit function.

The Audit Committee monitors and reviews the external audit function including matters concerning appointment and remuneration, independence and non-audit services. The Audit Committee also performs such other functions as assigned by law, the Company's constitution, or the Board.

The Audit Committee has the power to conduct or authorize investigations into matters within the committee's scope of responsibilities and has the authority, as necessary, to retain independent legal, accounting or other advisors.

Summary of Nomination Committee Charter

The role of the Nomination Committee is to determine the state of director nominees for election to the Board and to identify and recommend candidates to fill casual vacancies. The Nomination Committee regularly reviews the size and composition of the Board, and makes recommendations to the Board on any appropriate changes.

The Nomination Committee establishes evaluation methods of rating the performance of Board members and implements ways of enhancing the competency levels of directors. The Nomination Committee also provides directors with access to ongoing education relevant to their position in the Company.

Summary of Remuneration Committee Charter

The function of the Remuneration Committee is to assist the Board in fulfilling its corporate governance responsibilities with respect to remuneration by reviewing and making appropriate recommendations.

The Remuneration Committee makes decisions (if the full board carries out the function of Remuneration Committee) or recommendations to the Board with respect to appropriate remuneration and incentive policies for executive directors and senior executives.

The Remuneration Committee ensures that executive remuneration packages involve a balance between fixed and incentive pay, reflecting short and long term performance objectives appropriate to the Company's circumstances and objectives.

The Remuneration Committee ensures that fees paid to non-executive directors are within the aggregate amount approved by shareholders and makes recommendations to the Board with respect to the need for increases to this aggregate amount at the Company's annual general meeting.

The Remuneration Committee reviews and makes recommendations concerning long-term incentive compensation plans and continually reviews and if necessary improves any existing benefit programs established for employees.

Summary of Code of Conduct

This Code of Conduct sets out the principles and standards which the Board, management and employees of the Company are encouraged to strive towards when dealing with each other, shareholders and the broad community.

The Company is to comply with all legislative and common law requirements which affect its business. The Company will deal with others in a way that is fair and will not engage in deceptive practices.

The Code of Conduct sets out directives for Directors, management and staff relating to conflicts of interests, protection of the Company's the assets and confidentiality.

The Company has a policy forbidding bribes. The Company does not support making facilitation payments as a matter of policy, and expects employees and officers to make every effort to avoid them.

Summary of Policy and Procedure for Selection and Appointment of New Directors

The Board considers and selects candidates for the Board by reference to a number of factors. Directors are initially appointed by the full Board, subject to election by shareholders at the next general meeting in accordance with the Company's constitution.

Summary of Process for Performance Evaluation of the Board, Board Committees, Individual Directors and Key Executives

The chairperson is responsible for conducting an annual review of the Board performance.

Summary of Policy for Trading in Company Securities

The Board has adopted a policy and procedure on dealing in the Company's securities by directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information. It also provides that the written acknowledgement of the chairperson should be obtained prior to trading.

Summary of Compliance Procedures

Detailed compliance procedures for ASX Listing Rule disclosure requirements have been adopted by the Company. It appoints an officer of the Company to be responsible for compliance. It is detailed in its application covering the following areas:

1. appointment of the responsible officer and description of his/her duties;
2. identifies area of risk for the Company;
3. provides guidelines for:
   (a) identifying disclosure material; and
   (b) monitoring share price movements;
4. guide for use of trading halts;
5. guide for decision making process;
6. details on record keeping;
7. education of Board and management;
8. confidentiality;
9. release of disclosure material; and
10. updating of compliance procedures.

Summary of Procedure for the Selection, Appointment and rotation of External Auditor

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as per the recommendations of the Audit Committee with the decision being ratified by shareholders at the next annual general meeting of the Company.

Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period.

The Audit Committee will review the performance of the external auditor on an annual basis and make any recommendations to the Board.

Summary Shareholder Communication Strategy

The Board aims to ensure that the shareholders are informed of all major developments affecting the Company. All shareholders receive the Company's annual report. The Company maintains a website on which the Company makes certain information available on a regular basis.

Summary of Risk Management Policy

The Company has established a risk management policy which sets out a framework for a system of risk management and internal compliance and control, whereby the Board delegates day-to-day management of risk to the managing director. The managing director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management. The policy also sets out the Company's risk profile.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

The Board sets out below its "if not, why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations.

Principle 2 Recommendation 2.1

Notification of Departure: The Board does not have a majority of independent directors. It is comprised of two independent directors and two non-independent directors.

Explanation for Departure: The Board considers that the current composition of the Board includes an appropriate mix of skills and expertise, relevant to the Company's business. With half of the Board comprising independent directors, the Board is of the view that it has achieved an appropriate balance between independent representation and maintaining sufficient relevant experience for the Board to fulfil its objectives. The Chair of the Board is independent.

Principle 2 Recommendation 2.4

Notification of Departure: A separate nomination committee has not been formed.

Explanation of Departure: The role of the nomination committee is carried out by the full Board in accordance with the Nomination Committee Charter. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate nomination committee.

Principle 4 Recommendation 4.3

Notification of Departure: The structure of the Audit Committee is not in accordance with ASX Principles and Recommendations.

Explanation for Departure: While the Audit Committee comprises a majority of independent directors and consists of 3 members, it also includes an executive and the chair of the Audit Committee is also the Chair of the Board. The Board considers this present structure is the best mix of skills and expertise to carry out the function of an Audit Committee. The Board has adopted an Audit Committee Charter.

Section 5 COMPETENT PERSONS' REPORT

SNOWDEN

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Perth, Brisbane, Vancouver, Johannesburg, London

1 June 2007

The Directors
Zambezi Resources (Australia) Pty Limited
Ground Floor, 17 Ord Street
WEST PERTH WA 6005

Dear Sirs

COMPETENT PERSONS' REPORT ON THE MINERAL ASSETS OF ZAMBEZI RESOURCES LIMITED

At your request (agreement dated 22 January 2007) Snowden Mining Industry Consultants Pty Ltd ("**Snowden**") has prepared a Competent Persons' Report on the mineral assets of Zambezi Resources Limited ("**Zambezi**") located in the Republic of Zambia. It is our understanding that this report is to be included in a Prospectus for a proposed listing of Zambezi on the Australian Stock Exchange ("**ASX**"). The purpose of the Prospectus is to offer for subscription up to 33.33 million ordinary shares at an issue price of $0.45 per share to raise a total of A$15 million (with a minimum subscription of A$10 million) before costs of the issue to fund the future assessment of Zambezi's mineral tenements.

Zambezi's key mineral assets in Zambia comprise:

- a 100% interest in nine granted Prospecting Licences located to the east of Lusaka in southern Zambia, which are collectively known as the Lusaka East Projects; and
- a 100% interest in the Chipata project comprising a single granted Prospecting Licence which surrounds the town of Chipata in eastern Zambia and is constrained by the Malawian border to the east and the Mozambique border to the south.

The objective of this report is to: (1) provide an overview of the geological setting of Zambezi's project areas and the associated mineralisation; (2) outline the recent exploration work undertaken over each of the projects; (3) present the defined resources within the project areas; (4) comment on the exploration potential of the project areas; and (5) provide an opinion on Zambezi's costed exploration programmes over the next 2 years.

Snowden has based its assessment of Zambezi's Zambian tenements on site visits to the projects during March 2007, discussions with representatives of Zambezi, and on technical information compiled by Zambezi including published reports and maps by the Geological Survey of Zambia ("**GSZ**"). A listing of the documents referenced is provided at the end of this report.

Consent has been sought from Zambezi's representatives to include technical information and opinions expressed by them. None of the other entities referred to in this report have consented to their inclusion in this report and have only been referred to in the context of reporting material fact.

Snowden has based its findings upon information known to us as at 25 May 2007 and has satisfied itself that all material information in the possession of Zambezi has been fully disclosed to Snowden. Zambezi has agreed to indemnify Snowden from any liability arising from its reliance upon information provided or from information not provided. A draft version of this report was provided to the directors of Zambezi for comment in respect of omission and factual accuracy.

Snowden has not independently verified the ownership and current standing of Zambezi's mineral properties and is not qualified to make legal representations in this regard. Rather information provided by Zambezi and its legal advisors has been relied upon by Snowden. Snowden has prepared this report on the understanding that all of the mineral titles constituting Zambezi's properties

are currently in good standing. Snowden has not attempted to establish the legal status of each of the mineral titles with respect to competing claims or potential environmental and access restrictions. It is our understanding that the current ownership status and standing of the tenements has been the subject of independent legal verification.

The proposed exploration programmes developed by the management of Zambezi and reviewed by Snowden have been designed to realise the potential of the projects in a prudent and efficient manner. Zambezi's planned commitment of US$19.2 million (or approximately A$24 million) to the exploration and evaluation of its Zambian project tenements represents approximately 83% of the company's available funds.

Based on Snowden's assessment of Zambezi's projects, it is our opinion that they are of merit and that the evaluation programmes proposed by Zambezi have been carefully conceived and costed.

This report has been prepared by Mr Graham Greenway (Divisional Manager – Resource Evaluation), Mr Jeames McKibben (Divisional Manager – Corporate Services), Mr Ian Glacken (Group General Manager Resources) and reviewed by Dr Philip Snowden (Executive Consultant) of Snowden's Perth office in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts Reports ("the VALMIN Code") and Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code").

Snowden is an independent firm providing specialist mining industry consultancy services in the fields of geology, exploration, resource estimation, mining engineering, geotechnical engineering, risk assessment, mining information technology and corporate services. The company, with its principal office at 87 Colin Street, West Perth, Western Australia, also operates from offices in Brisbane, Johannesburg, Vancouver and London, and has prepared independent technical reports and valuations on a variety of mineral commodities in many countries.

Neither Snowden nor those involved in the preparation of this report have any material interest in Zambezi or in the mineral properties considered in this report. Snowden is remunerated for this report by way of a professional fee determined in accordance to a standard schedule of rates which is not contingent on the outcome of this report.

Yours faithfully

Mr J A J McKibben
BSc (Hons), MBA, MAIG
Divisional Manager – Corporate Services

Dr P A Snowden
BSc (Hons), PhD, FAusIMM
Executive Consultant

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1. SUMMARY

1.1 PURPOSE

Snowden Mining Industry Consultants Pty Ltd ("**Snowden**") has prepared a Competent Persons' Report on the mineral assets of Zambezi Resources Limited ("**Zambezi**") located in the Republic of Zambia. This Competent Persons' Report has been prepared for inclusion in a Prospectus for a proposed listing of the company on the Australian Stock Exchange ("**ASX**").

This report represents a Competent Persons' review and independent assessment of the geology and exploration potential of Zambezi's Zambian project areas.

1.2 RESPONSIBILITY

Snowden personnel responsible for the preparation and review of this report are Mr G Greenway (Divisional Manager Resource Evaluation), Mr J A J McKibben (Divisional Manager Corporate Services), Mr I Glacken (Group General Manager Resources) and Dr P A Snowden (Executive Consultant). Mr Greenway and Mr McKibben are the principal authors of this Competent Persons' Report which has been reviewed by Dr Snowden.

In preparing this report, the authors have relied on information provided by Zambezi, on information recovered from reports by former owners of the Zambian project areas, by holders of adjacent tenements as well as information sourced from research papers by various academic and government institutions.

1.3 ZAMBEZI'S MINERAL ASSETS

Zambezi's 100%-owed mineral assets in Zambia comprise nine contiguous Prospecting Licences located to the east of Lusaka in southern Zambia and a single granted Prospecting Licence which surrounds the eastern Zambian town of Chipata, approximately 500 km northeast of Lusaka.

For the purposes of this report Zambezi's granted tenements located to the east of Lusaka are collectively known as the Lusaka East Projects. Zambezi has structured its Lusaka East exploration tenements into five geographic groupings:

- **Mwembeshi project** - comprises two granted Prospecting Licences (PL224 and PL225) located between 50 km and 150 km northeast of Lusaka
- **Rufunsa project** - comprising a single granted Prospecting Licence (PL279) located between 90 km and 150 km east of Lusaka;
- **Zambezi project** - comprises three granted Prospecting Licences (PL196, PL214 and PL227) located between 50 km and 150 km east-southeast of Lusaka;
- **Mpande project** - comprises a single granted Prospecting Licence (PL220) located 35 km south of Lusaka; and
- **Mulofwe project** - comprises a single granted Prospecting Licence (PL219) located between 10 km and 40 km east-northeast of Lusaka.

In addition to its Zambian exploration projects, Zambezi also holds the following mineral assets:

- through its 100% owned local operating subsidiary company, Africa Austral Mineraçao Limitada ("**Africa Austral**"), Zambezi holds four granted Prospecting Licences (1017L, 1038L, 1040L and 1291L) covering a combined area of 592 km^2 located in northwestern Mozambique. These tenements are contiguous with and immediately south of its Chipata tenement in Zambia;
- one Prospecting Licence (1018L) currently held by a third party company, Capitol Resources Limitada ("**Capitol**") is in the process of being transferred to Africa Austral. This tenement covers a total area of approximately 259 km^2 and is also contiguous with and immediately south of Zambezi's Chipata tenement. Upon the completion of the transfer, Africa Austral will hold a 100% interest in this tenement; and
- a 35.3% interest in Zambezi Nickel Limited ("Zambezi Nickel"), which holds two granted Prospecting Licences covering an area of 120 km^2 to the east of Lusaka and is earning an interest in two granted Prospecting Licences covering an area of 355 km^2 in central western Mozambique. Zambezi Nickel has also entered into a uranium rights joint venture over four of Zambezi Resources tenements (PL220, PL224, PL227 and PL279).

The Zambezi and Mulofwe projects have been the focus of much of Zambezi's initial exploration since listing on AIM in 2004. These projects have returned strong exploration results to date, which has highlighted several significant and laterally continuous mineralised zones. Based on Zambezi's recent exploration activities these projects have good potential for the definition of further zones of gold, copper-gold and uranium mineralisation and expansion of the currently defined resources. The remaining projects largely remain in the early stages of assessment.

1.4 GEOLOGICAL CONTEXT

Zambezi's Lusaka East Projects form a continuous tenement package over an area of approximately 13,860 km^2 and a distance of some 170 km covering the Basement Complex and metasedimentary units of the overlying Muva and Katangan Supergroups. These units have been subjected to lower greenschist facies metamorphism, deformed by polyphase folding, shearing and faulting, and intruded by dolerites and several large, Proterozoic-aged granitoid bodies. This has resulted in a strong north-northeast trending fabric, paralleled by the regional scale Mwembeshi shear system, an anastomosing network of faults and shears intimately associated with the base metal and gold mineralisation of central and southern Zambia.

1.5 PROJECTS

1.5.1 Zambezi project

The Zambezi project comprises a contiguous tenement holding totalling 3,728 km^2 in area that covers metavolcanic and sedimentary rocks of the Mozambique Mobile Belt in central-southern Zambia. The Zambezi project area may be accessed from the Great Eastern Highway and covers rugged hills along the northern escarpment to the Zambezi River valley which passes into a flat plateau with an average elevation of 1,100 m above sea level to the north. Parts of the Zambezi project lie within the Lower Zambezi National Park.

The Zambezi project area was selected for its perceived potential to host shallow, iron-oxide copper gold and uranium ("IOCG") mineralisation concentrated in favourable host rocks and structural traps. In addition, the historical Chumbwe and Chakwenga gold mines are contained within the Zambezi project area. Both mines are reported to have previously produced in excess of 2,000 oz Au from sulphidic quartz veins at grades more than 5 g/t Au.

The Zambezi project has previously been the subject of considerable, albeit intermittent exploration dating from the 1930s onwards. Much of this previous exploration was focussed on the assessment of the historical mine workings and known mineral occurrences.

Exploration by Zambezi since 2004 has outlined several key target areas; namely the Chakwenga gold, Cheowa copper-gold and Oryx uranium prospects.

Initial exploration by Zambezi at **Chakwenga** was focussed on the historic gold mine and its strike extents. Activities included re-sampling of the historic trenches and workings, stream sediment sampling and geological mapping. This mapping indicated that gold mineralisation at Chakwenga is hosted within multiple shear-related quartz and quartz feldspar veins within felsic schists and gneiss. Drilling by Zambezi in 2006 has encountered significant widths of low grade gold mineralisation along strike to the north and south of the historic Chakwenga gold mine.

In addition, regional geochemical sampling programmes around the Chakwenga mine area identified a number of laterally extensive geochemical copper-gold soil anomalies which are co-incident with helicopter-borne magnetic geophysical anomalies in the Imboo and Kangaluwi-Chisawa areas in the eastern part of the Zambezi project area. These anomalies are the subject of ongoing exploration.

The **Cheowa** prospect is centrally located within the Zambezi project area and comprises a shear-hosted copper-gold soil anomaly which extends over a 15 km east-northeast strike extent and is up to 0.5 km in width. Drilling by Zambezi in 2006 resulted in the definition of an Inferred Resource containing an estimated 1.7 Mt grading 1.5% Cu and 0.5 g/t Au at a 0.3% copper cut-off at Cheowa. The Cheowa mineralisation is associated with a shear hosted breccia zone dominated by chalcopyrite-pyrrhotite-pyrite, dipping at 65° to the northwest. Copper grades in excess of 0.3% Cu have been defined to date over a strike length of 700 m and to a vertical depth of 200 m. In early 2007, Zambezi conducted a preliminary metallurgical testwork programme on mineralised material from Cheowa. This work indicated that good copper and gold recoveries can be achieved through coarse grinding and flotation of the copper sulphides.

The Cheowa prospect is the subject of a joint venture agreement with Glencore International AG, who is currently earning a 51% interest in the prospect.

The **Oryx** prospect is located within PL227 in the western portion of the Zambezi project area. The Oryx prospect was defined in 2005 when Zambezi outlined hydrothermal uranium mineralisation associated with an airborne radiometric geophysical anomaly. Subsequent soil sampling, rock chip sampling and trench sampling by Zambezi outlined surface occurrences of the uranium mineral, davidite. Zambezi has conducted a limited drilling programme over the prospect area and submitted several samples of uranium bearing material for metallurgical testing. Initial testwork results indicate that gravity separation alone is unable to effectively upgrade the uranium and that low intensity magnetic separation would be required. Further trenching and targeted drilling is a priority during the forthcoming 2007 field season.

The Oryx prospect is the subject of a uranium rights joint venture agreement with Zambezi Nickel, who can earn a 51% interest in the prospect.

1.5.2 Mulofwe project

Zambezi's Mulofwe project is located to the immediate northwest of the Zambezi project and lies approximately 25 km to the east-northeast of Lusaka. The project covers an area of 3,183 km^2.

Zambezi considers its Mulofwe project to be prospective for structurally hosted copper mineralisation within granite-gneiss units of the Basement Complex; stratabound copper deposits within carbonaceous units of the Katangan Supergroup; and IOCG mineralisation associated with late stage Proterozoic granitoid intrusive bodies. The informally named 'Chongwe Copperbelt' represents the most highly mineralised zone within the project area and comprises a series of copper and copper-gold occurrences within a 10 km-wide arcuate corridor centrally located within the Mulofwe project area.

The Mulofwe project area has been subjected to widespread exploration and small-scale mining since the turn of the 20th century, although only limited exploration had been conducted over the area since the 1970s.

Starting in 2004, Zambezi's exploration programmes have included soil and rock-chip geochemical sampling, geological mapping, RC drilling and high resolution helicopter-borne magnetic and radiometric geophysical surveys. These programmes have been successful in identifying a number of copper mineralised zones within the Mulofwe project area. Based on historical data, Zambezi estimated an Inferred Resource of 5.34 Mt grading 0.8% Cu above a 0.5% Cu cut-off for its Chalimbana prospect in 2004.

The Chalimbana prospect is also the subject of a joint venture agreement with Glencore International AG, who is currently earning a 51% interest in the prospect.

The Mulofwe Dome in the northeastern part of the Mulofwe project area is a zone of domal warping associated with the intrusion of a granitoid body at depth. This area is considered by Zambezi to be prospective for IOCG-style mineralisation. Since 2004, Zambezi has carried out helicopter-borne geophysical surveys, hand-held spectrometer surveys and rock-chip sampling at the Mulofwe Dome prospect. The rock-chip sampling programmes returned anomalous copper, gold and uranium assays. Further work is planned during the 2007 field season.

1.5.3 Other projects

Zambezi holds a 100% interest in a number of additional exploration projects in Zambia and northwestern Mozambique. These projects cover numerous conceptual or early stage copper-gold or uranium targets.

The 2,987 km^2 Mwembeshi project is located to the north and east, and contiguous with the Mulofwe project area. The Mwembeshi project is dominated by schists, migmatites, gabbros and other metavolcanic units of the Rufunsa Volcanic terrane. The regionally significant Mwembeshi shear system cuts the project area and hosts a number of small gold deposits that were exploited in the 1940s and 1950s. Recent exploration by Zambezi consists of predominantly reconnaissance type programmes that have identified a number of exploration targets. These targets remain to be adequately tested in the upcoming field season. The Mulungushi tenement (PL224) is the subject of a uranium rights joint venture agreement with Zambezi Nickel, who can earn a 51% interest in the project.

The 2,496 km^2 Mpande project is located to the south and immediately adjacent to the Mulofwe project area. The project is centred on another domal feature known as the Mpande Dome. The Mpande Dome comprises augen gneiss and schist faulted against sedimentary rocks of the Muva Supergroup. Zambezi is of the opinion that the Mpande project is prospective for IOCG-style mineralisation. There is little reported exploration within the Mpande project although minor alluvial gold occurrences are known to occur around the Mpande Dome. In 2006, Zambezi conducted a high resolution radiometric geophysical survey over parts of the project which resulted in the definition of four discrete uranium anomalies. These targets remain to be tested. The Mpande project is the subject of a uranium rights joint venture agreement with Zambezi Nickel, who can earn a 51% interest in the project.

The 1,464 km Rufunsa project is flanked by the Mwembeshi project to the north; Mulofwe project to the west; and Zambezi project to the south. The Rufunsa project covers granitoid-gneisses which are overlain by sedimentary units of the Muva Supergroup. The significant shear-hosted Chakwenga gold deposit (within the Zambezi project area) is located along strike to the south of the Rufunsa project. The project is known to host a number of small gold occurrences. Despite its favourable geology, only limited stream and soil geochemical sampling and wide spaced reconnaissance drilling has previously been conducted over the Rufunsa project area. The results from exploration conducted to date have been mixed. The Rufunsa project is the subject of a uranium rights joint venture agreement with Zambezi Nickel, who can earn a 51% interest in the project.

The Chipata project is located within eastern Zambia and approximately 500 km northeast of Lusaka. The project covers an area of 2,427 km^2. The geology of the Chipata project is characterised by the granitoid-gneisses of the Basement Complex which are overlain by Muva Supergroup sedimentary rocks, which have been extensively intruded by younger granites and syenites. Little previous exploration is reported however, Zambezi is of the opinion that the Chipata project is highly prospective for IOCG-style mineralisation.

In Mozambique, Zambezi has a 100% interest in 592 km^2 of granted tenements and is awaiting the transfer of one further tenement totalling 259 km^2 in area. The Mozambique tenements represent the southern extension to Zambezi's Chipata project and are considered by Zambezi to be prospective for iron oxide copper-gold-uranium ("IOCG") style mineralisation. There is little previous exploration reported within the Mozambique tenements, however, previous drilling has intersected anomalous gold and silver mineralisation.

Zambezi proposes to undertake a programme of geological mapping, detailed geochemical and geophysical surveys, interpretation and modelling and RC drilling of its Mwembeshi, Mpande and Rufunsa project areas. These programmes are designed to generate new exploration targets and test zones of copper-gold mineralisation.

1.6 EXPLORATION POTENTIAL

In Snowden's opinion, Zambezi's project areas in southern and eastern Zambia and northern Mozambique hold potential for the discovery of shear-hosted and sedimentary-hosted copper-gold and IOCG-style mineralisation. This view is based upon the location of the projects within belts of known mineralisation; the presence of historical copper and gold mines; multiple zones of anomalous, copper-gold and uranium mineralisation; and the lack of modern exploration throughout much of Zambezi's project areas.

The results from Zambezi's recent exploration over its Mulofwe and Zambezi project areas have been encouraging. In addition to outlining an Inferred Resource at the Cheowa prospect, Zambezi's exploration programmes have shown the Mulofwe and Zambezi project areas to be highly prospective for the delineation of additional mineralisation. Furthermore, Zambezi's use of modern geochemical and geophysical exploration techniques has succeeded in identifying a number of new anomalies in addition to those associated with areas of known mineralisation.

The presence of uranium mineralisation at the Oryx prospect highlights that geological processes conducive to the formation of hydrothermal-related uranium mineralisation have been active within its Lusaka East projects. In addition, the uranium anomalous rock-chip samples associated with a domal structure at the Mulofwe project are supportive of Zambezi's proposed IOCG model for the Lusaka East projects.

In addition to favourable geology, Zambezi's ultimate success in discovering and developing copper-gold and uranium deposits within its Zambian and Mozambique projects will, in Snowden's opinion, depend upon the skills of its exploration team. In Snowden's opinion, Zambezi has the key elements in place to achieve its objectives. Furthermore, Snowden considers Zambezi's exploration strategy to be justified and is satisfied that the proposed exploration programmes have been well defined and are appropriate.

1.7 PROPOSED WORK PROGRAMME AND BUDGET

Zambezi has outlined a staged two year exploration budget in order to progress its Zambian projects. Funds are to be directed principally towards further drill testing and advancement of its prospects within the Zambezi project towards resource definition. In addition, a portion of funds will be directed to conduct further regional exploration over its Mulofwe Dome and Chongwe Copperbelt prospects within the Mulofwe and Zambezi project areas.

Table 1.1 Proposed Exploration Budget – Zambezi Resources Limited

	Year 1 (US$ M)			Year 2 (US$ M)			Total
	JV	Zambezi	Total	JV	Zambezi	Total	(US$ M)
Cheowa JV	6.22	-	6.22	4.66	2.54	7.20	13.42
Chongwe Copperbelt JV	2.97	-	2.97	2.54	0.49	3.03	6.00
Zambezi project	0.80	5.16	5.96	0.11	4.89	5.00	10.96
Mulofwe project	-	1.11	1.11	-	1.00	1.00	2.11
Mwembeshi project	0.50	0.49	0.99	0.21	0.19	0.40	1.39
Mpande project	0.50	0.41	0.91	-	0.35	0.35	1.26
Rufunsa project	0.25	0.29	0.54	-	-	-	0.54
Chipata project	-	-	-	-	-	-	-
Mozambique projects	-	-	-	-	-	-	-
TOTAL	**11.24**	**7.46**	**18.70**	**7.52**	**9.46**	**16.98**	**35.68**

Snowden considers the proposed exploration programmes and budget to be appropriate considering the differing styles of mineralisation and maturity of the targets to be assessed. These work programmes have been designed to realise the potential of the project areas in a prudent and efficient manner with the objective of delineating further copper and gold resources to provide the impetus for the future growth of the company.

2. INTRODUCTION

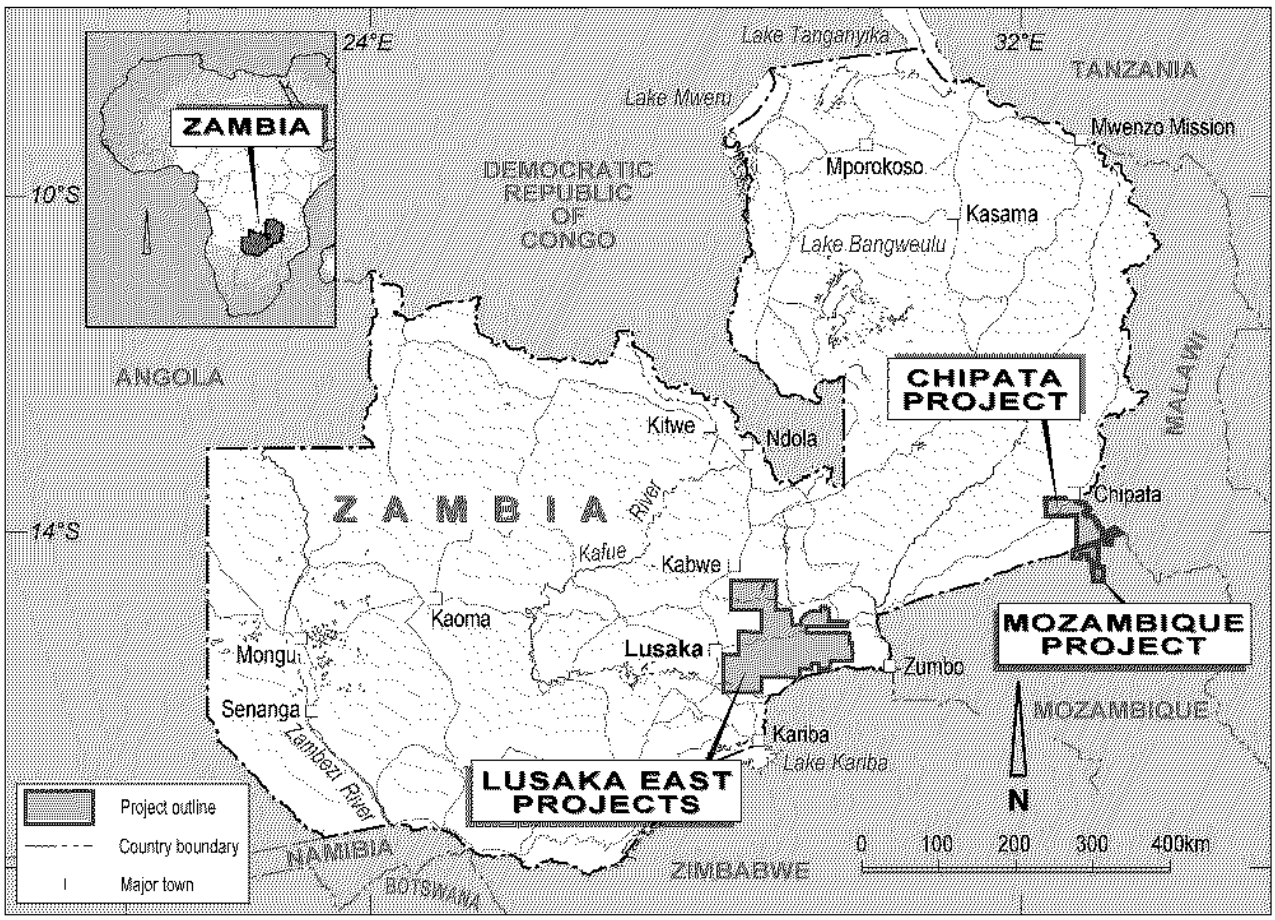
2.1 PURPOSE FOR WHICH THE REPORT WAS PREPARED

Snowden Mining Industry Consultants Pty Ltd ("**Snowden**") has prepared a Competent Persons' Report on the mineral assets of Zambezi Resources Limited ("**Zambezi**") (Figure 2.1). Snowden understands that this report is to be included in its entirety in a Prospectus to accompany Zambezi's application for a proposed listing of the company on the Australian Stock Exchange ("ASX"). The purpose of the Prospectus is to offer for subscription up to 33.33 million ordinary Zambezi shares at an issue price of $0.45 to fund the future assessment of Zambezi's exploration projects.

The objectives of this report are to:

1. provide an overview of the geological setting of Zambezi's Zambian project areas and the associated mineralisation;
2. outline the recent exploration work undertaken on each of the project areas;
3. present the defined resources within each project area;
4. express Snowden's opinion on the exploration potential of Zambezi's project areas; and
5. consider the appropriateness of Zambezi's budgeted work programmes.

Figure 2.1 Location of Zambezi's project areas in Zambia and Mozambique



This Competent Persons' Report has been prepared on all of Zambezi's mineral assets in Zambia. This report is intended to properly inform readers of Zambezi's Prospectus about the current status and exploration potential of its Zambian project areas and to provide comment on Zambezi's proposed future exploration and development programme.

2.2 RESPONSIBILITY FOR THE COMPETENT PERSONS' REPORT

Snowden personnel responsible for the preparation and review of this report are Mr G Greenway (Divisional Manager – Resource Evaluation), Mr J A J McKibben (Divisional Manger – Corporate Services), Mr I Glacken (Group General Manager Resources) and Dr P A Snowden (Executive Consultant). Mr McKibben is the principal author of this Competent Persons' Report, whilst Mr Greenway carried out site inspections of Zambezi's Lusaka East projects in March 2007 and Mr Glacken reviewed the resource estimates outlined in this report. This report was reviewed by Dr Snowden of Snowden's Corporate Division.

In preparing the report, Mr McKibben has relied on information provided by both Zambezi and a number of reports prepared by previous tenement holders and research papers published by various academic institutions. Mr McKibben has also had in depth discussions with Dr Geoffrey Johnson, (Executive Director Exploration) of Zambezi and other employees of the company, regarding various aspects of its Zambian projects.

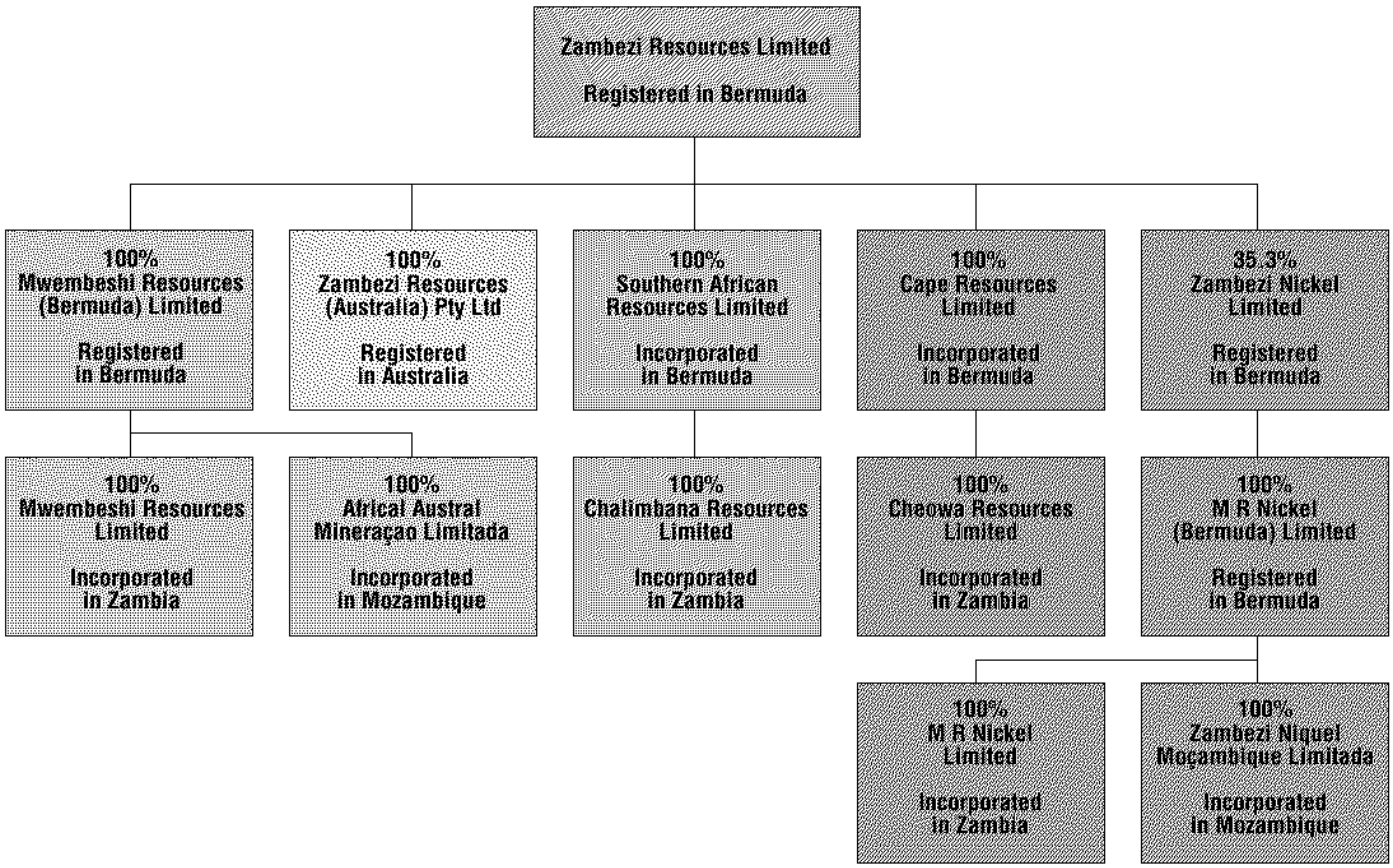
2.3 OVERVIEW OF ZAMBEZI RESOURCES LIMITED

Zambezi Resources Limited was incorporated in Bermuda on 29 March 2004 and subsequently listed on the Alternative Investments Market ("**AIM**") of the London Stock Exchange in July 2004.

Prior to listing on the AIM, Zambezi acquired a 100% interest in Mwembeshi Resources Limited ("Mwembeshi") from Metex Resources Limited (an ASX listed company) and Vistarise Limited (a private exploration company). Mwembeshi was established in 2003 and incorporated in Zambia as a gold and copper-focussed exploration company. All the licences in Zambezi's current tenement portfolio are held in the name of Mwembeshi.

Zambezi's corporate structure is summarised in Figure 2.2.

Figure 2.2 Zambezi's corporate structure



Zambezi was formed in order to assess a series of highly prospective iron-oxide copper-gold ("**IOCG**") and shear-hosted gold targets in southern Zambia. Zambezi's current tenement portfolio was assembled following extensive archival research and numerous field investigations. Despite numerous mineral occurrences and historic workings recorded within Zambezi's tenements, the region had received little exploration for either copper or gold since the 1970s.

Zambezi has actively promoted the use of modern exploration techniques throughout its project areas and has utilised the significant advances in mineral deposit models. This strategy has been highly effective in outlining a number of significant zones of gold, copper and uranium mineralisation within its tenement package, in addition to confirming the prospectivity of southern Zambia.

2.3.1 Company strategy

Having secured an extensive portfolio of prospective copper and gold properties within Zambia, Zambezi's exploration strategy is focussed on delineating an economically viable resource base capable of rapidly transforming the company from an exploration company to a mineral producer.

Zambezi's initial exploration focus was directed towards copper oxide mineralisation within the 'Chongwe Copper Belt' and on gold mineralisation at the historic Chakwenga undergound mine. Subsequent exploration has resulted in the delineation of a number of mineralised zones, the most significant being the Chakwenga gold, Cheowa copper-gold and Oryx uranium prospects within its Lusaka East Projects.

In keeping with its copper and gold focus, Zambezi has divested itself of non-core assets such as the Mitaba and Paulwi Prospecting Licences which formed the basis for the AIM-listed Zambezi Nickel Limited. Furthermore in August 2006, the company entered into joint venture agreements ("**JV**") with Glenore International AG ("Glencore") at its Cheowa and Chongwe Copperbelt projects. These JVs are designed to accelerate exploration over Zambezi's key copper projects and to provide copper concentrates for Glencore's smelting operations at Mufulira in northern Zambia.

Zambezi considers the Zambian political situation and legislative environment to be highly favourable to exploration and the company is comfortable with its sovereign risk exposure. Recent moves by the company to extend its exploration into Mozambique represents an emerging exploration opportunity based on its previous activities within the Chipata area.

Since establishing itself in Zambia the company has made considerable efforts to ensure that it understands the local business and legislative environment of the country. Employing local staff and utilising local consultants where possible has assisted greatly in this area.

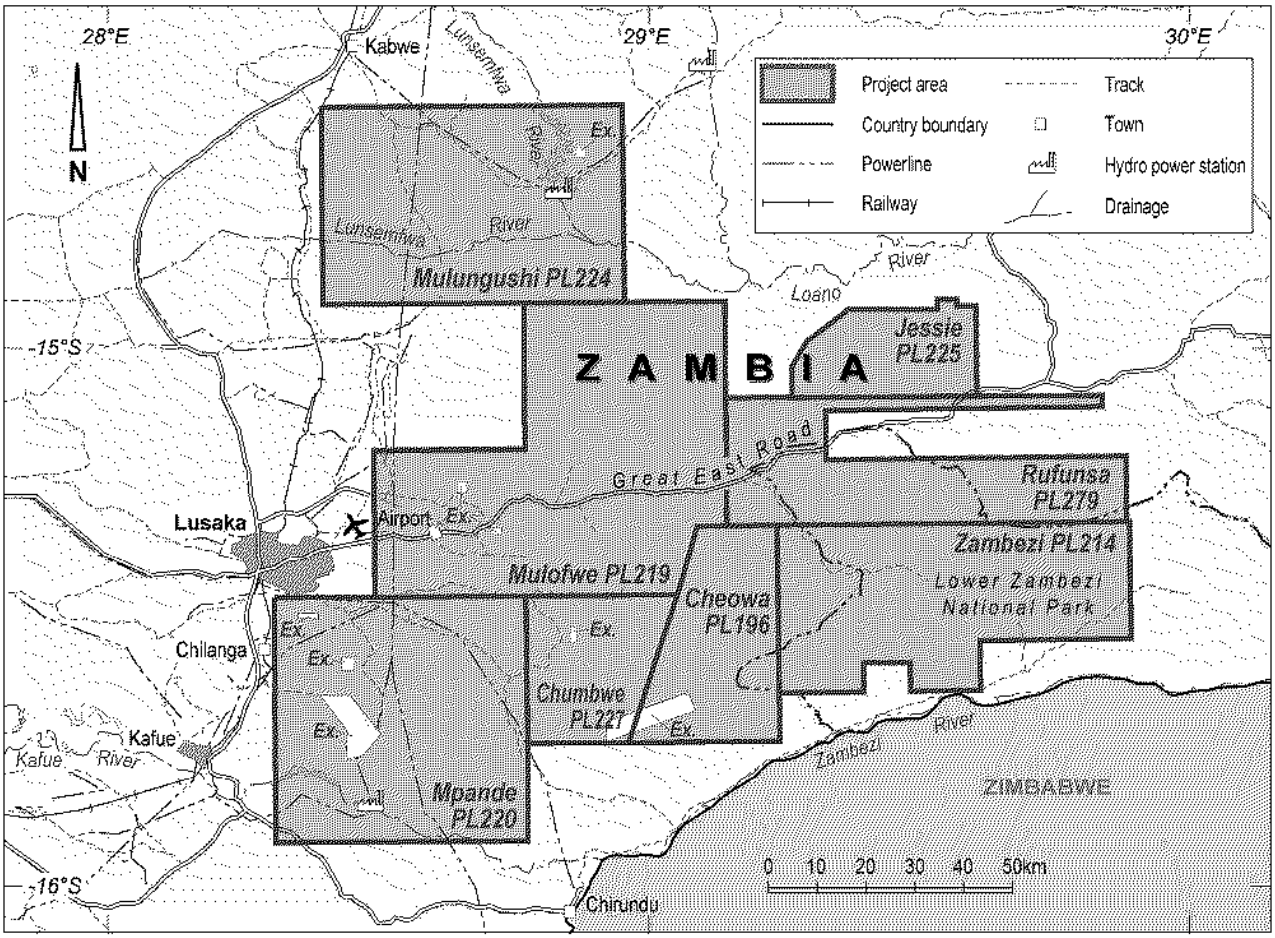
2.4 LOCATION AND DESCRIPTION OF ZAMBEZI'S MINERAL ASSETS

Zambezi's 100%-owned mineral assets in Zambia comprise nine contiguous Prospecting Licences located to the east of Lusaka in southern Zambia and a single granted Prospecting Licence which surrounds the eastern Zambian town of Chipata some 500 km east of Lusaka (Figure 2.1).

For the purposes of this report Zambezi's granted tenements located to the east of Lusaka are collectively known as the Lusaka East Projects. Zambezi has structured its Lusaka East exploration tenements into five geographic groupings (Figure 2.3):

- **Mwembeshi project** - comprises two granted Prospecting Licences (PL224 and PL225) located between 50 km and 150 km northeast of Lusaka (Figure 2.3);
- **Rufunsa project** - comprising a single granted Prospecting Licence (PL279) located between 90 km and 150 km east of Lusaka (Figure 2.3);
- **Zambezi project** - comprises three granted Prospecting Licences (PL196, PL214 and PL227) located between 50 km and 150 km east-southeast of Lusaka (Figure 2.3);
- **Mpande project** - comprises a single granted Prospecting Licence (PL220) located 35 km south of Lusaka; and
- **Mulofwe project** - comprises a single granted Prospecting Licence (PL219) located between 10 km and 40 km east-northeast of Lusaka.

Figure 2.3 Location and Infrastructure of the Lusaka East Projects

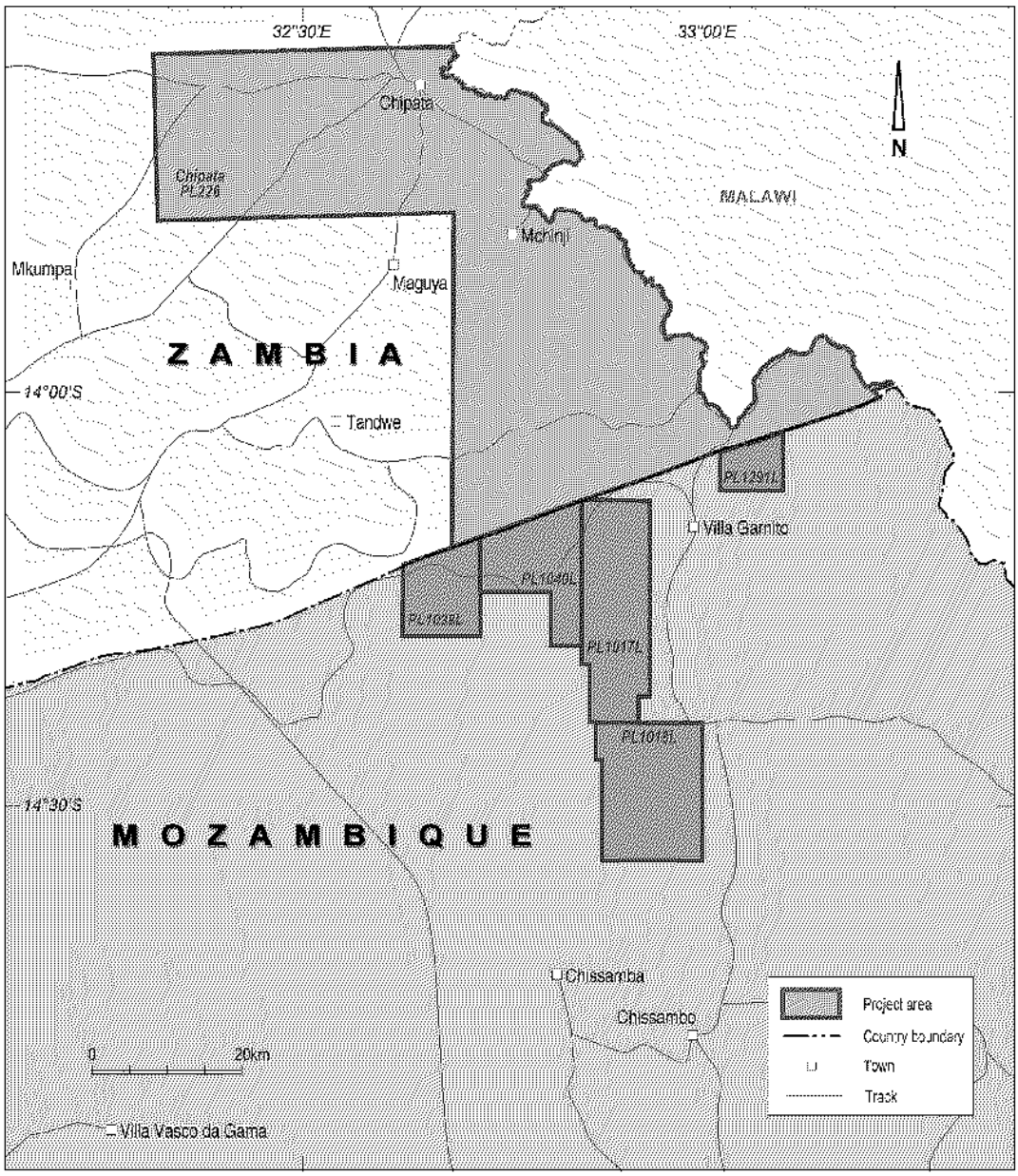


2.4.1 Other mineral assets

In addition to its Zambian projects, Zambezi also holds the following mineral assets:

- through its 100% owned local operating subsidiary company, Africa Austral Mineraçao Limitada ("**Africa Austral**"), Zambezi holds four granted Prospecting Licences (1017L, 1038L, 1040L and 1291L) covering a combined area of 592 km^2 located in northwestern Mozambique. These tenements are contiguous with and immediately south of its Chipata tenement in Zambia (Figure 2.4);
- one Prospecting Licence (1018L) currently held by a third party company, Capitol Resources Limitada ("**Capitol**") is in the process of being transferred to Africa Austral. This tenement covers a total area of approximately 259 km^2 and is also contiguous with and immediately south of Zambezi's Chipata tenement (Figure 2.4). Upon the completion of the transfer, Zambezi will hold a 100% interest in these tenements through its wholly owned subsidiary company Africa Austral; and
- a 35.3% interest in Zambezi Nickel Limited ("**Zambezi Nickel**"), which holds two granted Prospecting Licences covering an area of 120 km^2 to the east of Lusaka and is earning an interest in two granted Prospecting Licences covering an area of 355 km^2 in central western Mozambique. Zambezi Nickel has also entered into a Uranium Rights Joint Venture over four of Zambezi Resources tenements (PL220, PL224, PL227 and PL279).

Figure 2.4 Location of Zambezi's Chipata and Mozambique tenements



2.4.2 Tenement Status

Zambezi's tenement schedule for its Zambian projects is outlined in Table 2.1, whilst Table 2.2 details the current status of Zambezi's Mozambique tenements.

Table 2.1 Zambezi's Zambian tenement schedule

Concession	Holder	Licence Number	Grant Date	Number of Renewals	Next Renewal Date	Tenement Area (km^2)
Cheowa	Mwembeshi Resources	PL196	20/02/2004	2	10/11/2008	970
Zambezi	Mwembeshi Resources	PL214	15/12/2003	2	18/06/2008	2,041
Mulofwe	Mwembeshi Resources	PL219	1/03/2004	1	10/11/2008	3,183
Mpande	Mwembeshi Resources	PL220	1/03/2004	1	10/11/2008	2,497
Mulungushi	Mwembeshi Resources	PL224	11/05/2004	1	15/11/2008	2,400
Jessie(1)	Mwembeshi Resources	PL225	11/05/2004	1	9/11/2008	587
Chipata	Mwembeshi Resources	PL226	11/05/2004	1	9/11/2008	2,427
Chumbwe	Mwembeshi Resources	PL227	13/05/2004	1	9/11/2008	717
Rufunsa	Mwembeshi Resources	PL279	31/01/2006	0	30/01/2008	1,464
Kanikasha(2)	Mwembeshi Resources	PL282	30/03/2006	0	n/a	n/a
Total area in Zambia						**16,286**

Notes:

(1) A notice for partial relinquishment of the Jessie licence has been lodged with the Zambian Ministry of Mines and Mineral Development ("MMD"). The Company awaits confirmation from the MMD that the relinquishment has been processed. The area to be retained is 587 km^2 as shown in the table above. All figures in the prospectus showing tenement outlines show only the retained area for the Jessie tenement.

(2) A notice for total relinquishment of the Kanikasha licence has been lodged with the MMD. The Company awaits confirmation from the MMD that the relinquishment has been processed. All figures in the prospectus showing tenement outlines are on the basis that the Kanikasha tenement has been relinquished. The area of the Kanikasha tenement has not been included in the total area calculation.

Table 2.2 Zambezi's Mozambique tenement schedule

Holder	Licence Number	Grant Date	Next Renewal Date	Tenement Area (km^2)
Africa Austral Mineraçao Limitada	1017L	4/07/2005	4/07/2010	259
Capitol Resources Limitada	1018L(1)	4/07/2005	4/07/2010	259
Africa Austral Mineraçao Limitada	1038L	4/07/2005	4/07/2010	108
Africa Austral Mineraçao Limitada	1040L	4/07/2005	4/07/2010	163
Africa Austral Mineraçao Limitada	1291L	12/01/2006	12/01/2011	62
Total area in Mozambique				**851**

Note:

(1) Currently being transferred to Zambezi's Mozambique subsidiary company, Africa Austral Mineraçao Limitada

Zambezi has previously identified a number of invalid Small Scale Mining Leases within its licences. Following action by Zambezi, three of these invalid licences have been rescinded by the MMD, and two remain to be resolved. Figure 2.3 shows the extent of all known and valid licences excised from Zambezi's project area.

Following the discovery of uranium mineralisation by Zambezi at the Oryx project (refer to Section 4.4.1), Zambezi applied for and was subsequently granted energy mineral rights over its Zambian tenements.

At some of its projects, Zambezi operates in the Lower Zambezi National Park, and also in the Luano, Rufunsa and Lower Zambezi Game Management Areas ("**GMAs**"). Snowden understands that Zambezi has submitted an environmental management plan for

operating in these areas which has been approved by the Zambian Wildlife Authority ("**ZAWA**"). Zambezi recognises the sensitivity of exploration activities in these areas and has engaged key stakeholders, including the MMD, ZAWA and local landowners and traditional Chiefs, to assist in the development of long term, mutually agreeable, sustainable development objectives.

Having asked the relevant questions of Zambezi, Snowden understands that there are no access, environmental or heritage impediments relating to the project tenements held by Zambezi or its subsidiary companies. Furthermore, Snowden understands that currently there are no royalties that are payable to third parties, with the exception of the State, on any production from Zambezi's project tenements.

2.4.3 Agreements

A summary of Zambezi's key joint venture agreements as advised by the company is presented below:

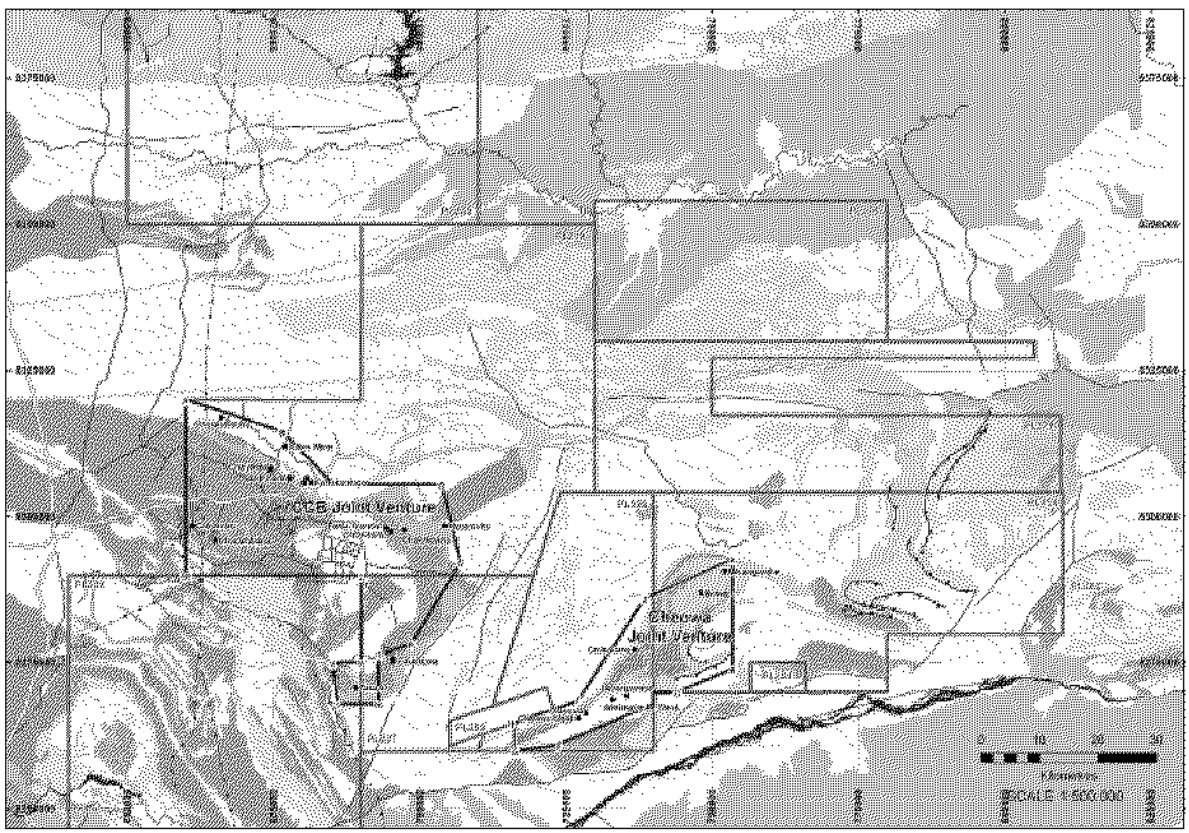
- under the terms of its exploration joint venture agreement with Zambezi, Glencore has agreed to earn a 51% interest in Zambezi's Cheowa project through exploration expenditure of US$10 million, with a minimum commitment of US$4 million. If Zambezi elects not to maintain its 49% interest in the Cheowa Project Joint Venture, then Glencore may earn an additional 20% of the project by either completing a Bankable Feasibility Study or by spending up to an additional US$10 million on the project; and
- under the terms of the Chongwe Copperbelt/Chalimbana Projects Joint Venture, Glencore can earn a 51% interest in the projects by spending US$6 million on exploration, with a minimum commitment of US$2.4 million.
- under the terms of the uranium rights joint venture with Zambezi, Zambezi Nickel Limited can earn a 51% interest in the uranium rights on PL's 220, 224, 227 and 279 by spending US$5 million on exploration, with a minimum commitment of US$3 million.

More detailed information relating to these agreements is provided in the Material Contracts section of this Prospectus.

Zambezi will be manager of both joint ventures until Glencore reaches 51% of either the Cheowa or the Chongwe Copperbelt/ Chalimbana joint venture projects, at which point Glencore has the right to assume the role as manager of both projects.

The location of the Cheowa and Chongwe Copperbelt/Chalimbana joint venture projects is presented in Figure 2.5.

Figure 2.5 Location of the Cheowa and Chongwe Copperbelt/Chalimbana (CCB) joint venture project areas



3. OVERVIEW OF ZAMBIA

3.1 INTRODUCTION

The Republic of Zambia is a land locked country in central-southern Africa, located between latitude 8° and 18° South and longitude 22° and 34° East. The country has a total area of some 752,614 km^2. Zambia shares land borders with Angola to the west, Namibia, Botswana, Zimbabwe to the south, Mozambique to the southeast, Malawi to the east, Tanzania to the northeast and the Democratic Republic of Congo to the north.

The terrain of Zambia is characterised by mostly flat and undulating plateaux with a mean altitude of approximately 1,100 m above sea level ("**ASL**"). These plateaux are broken by isolated hills, ridges and deep linear valleys related to the East Africa Rift system. The highest point is in the Mafinga Hills in northeastern Zambia (2,301 m ASL) and the lowest point is on the Zambezi River (329 m ASL).

Zambia has four major river systems: the Zambezi River originates in the northwest of the country and arc southwards before extending along Zambia's southern boarder. The Kafue River drains the southern part of Zambia and ultimately drains into the Zambezi River. The Luangwa River traverses eastern Zambia, and the Congo River system occupies the northeastern part of Zambia.

Zambia's climate is classified as tropical, with three distinct seasons: a cool dry season between May and August (average daytime temperatures range from 15º to 27ºC); a hot dry season from September to November (27º to 32ºC); and a warm wet season from December to April (20º to 27ºC). The average annual rainfall varies from less than 700 mm in the south to 1,500 mm in the north.

Zambia's is typified by Savannah-type vegetation and over half of the country is covered by trees, varying from the relatively open conditions in the drier south to the tall, dense Miobo woodlands in the north and northwest. Zambia's soils, although extensively leached, support a wide range of commercial crops, including maize, tobacco, cotton, rice, wheat, coffee, sugar cane, vegetables, citrus fruit, bananas, pineapples, mangos, avocados and flowers.

Zambia has a population of approximately 11.5 million people, of which just under 20% reside in the country's capital, Lusaka. Other significant population centres are the towns of the Copperbelt in northern Zambia, Kabwe and Kapiri Mposhi in central Zambia and Livingstone in the southern part of the country. As the national political and business centre, Lusaka is relatively well developed and has a small but active stock exchange.

English is the official language of Zambia although more than 75 different languages and dialects are spoken throughout the country. The Zambian population is largely Christian (50 to 75%) with the remainder predominantly following Islam or Hindu faiths.

Zambia has an extensive network of moderate quality transport and communications infrastructure, with roads between the major centres being largely paved and in good condition. Many secondary roads are being progressively rehabilitated. The country is supported by regular domestic and international air services principally into Lusaka, Ndola and Livingstone. The economically important Zambian Copperbelt is connected via rail links to the major South African ports of Durban and Cape Town (via Lusaka and Livingstone) and to Tanzania (via the Tanzania-Zambia railway which extends from Kapiri Mposhi to Dar Es Salam). Electricity is relatively cheap due to the abundance of hydroelectric power principally located in the Kafue Gorge, Lake Kariba and Victoria Falls in southern Zambia.

3.2 POLITICAL AND ECONOMIC FRAMEWORK

3.2.1 Political structure

Zambia is a republic guided by a democratic constitution implemented in 1991. Under its terms and a constitutional amendment passed in 1996, authority is vested in the President, who is elected for a maximum of two five-year terms by popular vote. The President is both Chief of State and Head of Government. The current President is Levy Mwanawasa who was re-elected in September 2006 for a second five-year term. Legislative power is vested in a unicameral parliament consisting of the National Assembly. The National Assembly has 150 elected members and eight members appointed by the President for a five year term. The judiciary consists of the High Court and Supreme Court.

3.2.2 Economic structure

The Zambian economy has historically been heavily reliant upon the copper-mining industry which accounts for more than 64% of the value of its exports. Zambia is a significant world copper producer and contains an estimated 6% of the world's copper reserves. In addition to copper mining and processing, the country is endowed with minerals such as cobalt (principally as a by-product

of copper mining), gold and gems. Other notable industries in Zambia include construction, chemicals, textiles, fertilizer and horticulture. Zambia's agricultural products include corn, sorghum, rice, peanuts, sunflower seed, vegetables, flowers, tobacco, cotton, sugarcane, cassava, coffee, livestock, dairy products and hides.

As a result of higher copper prices in the 1960s, Zambia's economy grew strongly following independence in 1964. However nationalisation of the country's mines coupled with falling copper prices from 1970s onwards, severely impeded the copper dependent economy. By the 1980s, living standards had been significantly reduced by increased unemployment, rampant inflation and increasing national debt. Political change in the early 1990s resulted in a change of economic policy characterised by privatisation of state-owned industries and mines, which resulted in fluctuating economy growth during the period 1994 to 2000.

The Zambian economy has performed reasonably well in recent years due to high metal prices and a growing contribution from agriculture and tourism. Real GDP growth is reportedly robust at 5.1% in 2005 and is estimated to exceed 6% in the period 2006 to 2008. Improved macroeconomic management by the Government, substantial debt relief by the donor community and the positive copper price has resulted in a dramatic appreciation of the Zambian currency (the kwacha) and falling interest rates.

Although Zambia's economy has made progress in recent years, the country's growth in 2005/2006 remained below the 6% to 7% required to significantly reduce poverty. More than 70% of Zambians are estimated to still live in poverty. Per capita annual incomes are currently at about one-half their levels at independence and, at $430, place the country among the world's poorest nations.

The Zambian Government is pursuing an economic diversification programme to reduce the economy's reliance on the copper industry. This initiative seeks to exploit other components of Zambia's rich resource base by promoting agriculture, tourism, gemstone mining, and hydro power.

3.3 ZAMBIA'S MINING INDUSTRY

Zambia is well endowed with mineral resources and its economy derives most of its foreign exchange earnings from the export of its minerals. Though a wide range of minerals occur within the country, the mining industry is dominated by the production of copper and cobalt (a by-production of copper mining). The Zambian Copperbelt is one of the most important metallogenic provinces in the world containing massive reserves of copper and cobalt as well as gold, uranium, nickel, lead, zinc, iron, manganese and high quality gemstones.

Zambia's copper production peaked in 1969, when 720,000 t of copper was produced. However during the 1970s the country's copper production declined drastically due to low copper prices and a lack of investment in the industry. Despite this decline copper and cobalt still comprises approximately 10% of Zambia's GDP and accounts for some 80% of the country's export earnings. Zambia produced 465,257 t of primary copper in 2005 compared with 421,646 t in 2004. Copper exports were estimated at 421,114 t in 2005 up from the 389,093 t exported in 2004.

Zambian copper production continues to be affected by underground mining issues related to the age and geological complexity of some of its mines. Plant breakdowns and delays with the construction of a new smelting facility at Mopani Copper Mines' Mufulira operation also hampered production. The new smelter has now been completed. Industrial action at several sites and fuel shortages also contributed to missed production targets in 2005.

However as a result of the current high prices for copper, investment is very strong with many mine operators investing heavily in mine expansion projects. There has also been a marked increase in exploration expenditure.

Zambia is also the world's largest cobalt producer, supplying 20% of the world's cobalt. Cobalt exports were 5,434 t down on the 6,103 t exported in 2004.

Outside of the Copperbelt, a number of inactive mines are recorded including the Kabwe (or Broken Hill) lead-zinc mine and the Dunrobin gold mine. The Kabwe lead-zinc mine operated for over 80 years producing an estimated 12.3 Mt of ore at an average grade of 25.2% Zn and 10.7% Pb before closing in 1994. The Dunrobin gold mine operated between 1927 and 1941, producing an estimated 32,000 ounces of gold at an average grade of 10 g/t Au. Other significant gold mines include Jessie (390 kg), Sasare (390 kg), and Matala (225 kg), with the twenty largest deposits estimated to have produced more than 2 t of gold since 1902.

Small-scale gemstone mining of emerald, amethyst, aquamarine, tourmaline and garnet has also been a significant contributor to the Zambian economy.

The Maamba Colliery is Zambia's only operating coal mine. Mine capacity is estimated at 500,000 tpa, but is currently producing around 300,000 tpa. The Zambian Government is currently trying to privatise the colliery.

Only minor regional base metal, gold and diamond prospecting is recorded outside of the Zambian Copperbelt since the 1970s.

3.4 HISTORY OF MINING

Mining as a basis for metalwork began in the Iron Age and is thought to have commenced in Zambia at around 100 AD. By 350 AD, copper mining and refining had commenced as indicted by jewellery and ornaments of the time. Between 400 and 1000 AD trading of copper was widespread with Zambian copper reportedly traded for beads of gold (most probably from the mines of Zimbabwe) and glass, imported from the Indian Ocean seaboard over 1,000 km to the east.

By the 1400s, Muslim traders were venturing far into Africa, exporting gold and copper via the east coast. The Portuguese arrived in the 17th century and traded gold, ivory and copper with Zambia. Trade continued to escalate during the 18th and 19th centuries as more and more traders from Europe and North America visited Zambia.

In the 1890s, Cecil Rhodes' British South Africa Company, which had already established itself to the south, extended its charter to the lands north of the Zambezi. From 1891 to the end of 1923, the territory—known as Northern Rhodesia—was ruled by this private company. Many ancient workings and cupriferous outcrops were undoubtedly pointed out by the Zambians during this period and lead to the earliest mining operations by Europeans.

According to European history, copper mineralisation was first discovered in the 1890s, within a series of ancient workings at what is now the Kansanshi mine. This was followed by the discovery of the Roan Antelope and Bwana Mkubwa deposits in 1902 and the Chambishi and Ruwe (in Katanga Province, DRC) deposits in 1903. By the end of 1906 more than 100 historic copper workings had been located. Prospecting and development continued without any spectacular developments in the Copperbelt and with varying activity depending on the financial climate and the war conditions of 1914 to 1918, through to 1921. The Nchanga and Mufulira deposits were discovered in 1923 whilst it was not until 1939 that the Chibuluma mine was discovered.

Large scale copper production did not commence until the 1930s however with the commissioning of the Roan Antelope (now Luanshya) mine in 1931. This was rapidly followed by the Nkana (1932), Mufulira (1933) and Nchanga (1939) mines. Development of these deposits, although hampered by the Great Depression, spurred economic activity and the growth of European settlements. Whilst Zambia (still known as Northern Rhodesia at the time) had previously been regarded as the "poor cousin" to Zimbabwe (at the time known as Southern Rhodesia) it was now seen as a source of great mineral wealth.

Production grew rapidly, exceeding 400,000 tpa in the late 1950s and reaching a peak of 700,000 tpa in the period 1969 to 1976. This peak in copper production coincided with the Zambian Government's decision to nationalise the copper mines. This lead to an extended period of under-investment in the mines and by 1995 copper production had sunk to 307,000 tpa.

Following a change in political direction in the 1990s, a staged programme of privatisation of the copper mines was implemented by the Zambian Government. To facilitate the privatisation process, Zambia Consolidated Copper Mines Limited's ("ZCCM") existing operations and associated assets were grouped into nine packages, which were subsequently sold to number of consortiums and public companies.

3.5 MINERAL LEGISLATION AND MINING TENURE

Exploration and mining in Zambia is governed by the Mines and Minerals Act, 1995. Under this legislation, all mineral rights are vested in the Republic of Zambia. The legislation regulates exploration and mining activities including the ownership of mineral and mineral rights, applications for prospecting licences, retention licenses, mining licences and environmental obligations. The Act also provides for financial aspects such as royalties to be paid, licence fees and penalties.

The Act is currently being updated and issuance of new licences was suspended between August 2005 and August 2006, to permit the full conversion of the old licence registration system to a new digital cadastre system.

Under the Act, the Ministry of Mines and Mineral Resources is responsible permits and licences relating to investment in the mining sector. Three kinds of mining rights can be granted to large scale operators:

- **Prospecting Licence** – confers the right to prospect for any mineral over any size area for a period of two years and is renewable for two successive periods of two years each;

- **Retention Licence** – grants the right to retain an area (subject to the Minister's agreement) over which feasibility studies have been completed but negative economic results have been projected. The size of the retention licence may be that covered by a Prospecting Licence or smaller as defined by the Licencee. The duration of a retention licence is initially for three years but is renewable for an additional period of three years; and
- **Large Scale Mining Licence** – confers exclusive rights to carry out mining operations for a maximum of 25 years. These licences cannot exceed the area reasonably required to carry out the proposed mining operations. All large scale mining licence applications are required to be accompanied with environmental protection plans and proposals for the employment and training of citizens of Zambia.

Similar rights are available to smaller operators, but on a reduced scale:

- **Prospecting Permit** – relate to areas of 10 km^2 and have a duration of 2 years non-renewable;
- **Small Scale Mining Licence** – relate to areas not exceeding 400 hectares and have a duration of 10 years renewable;
- **Artisans Mining Right** – gives the right to local people to mine on an artisanal basis an area not exceeding 5 hectares for a period of 2 years non-renewable; and
- **Gemstone Licence** – holders may carry out mining operations over an area not exceeding 4 km^2 for a period of not more than 10 years.

3.6 TAXES AND ROYALTIES

Zambian surcharges on mineral production compare favourably with most other countries in terms of royalties and taxes. Royalties are to be paid at a rate of 0.6% on the gross value of the free-on-board minerals. The corporate tax rate in Zambia is fixed at 35%, although mining assets of that were privatised out of the Zambian Consolidated Copper Mines ("ZCCM") are taxed at a reduced rate of 25%. In addition, non-copper and cobalt commodities are taxed at a favourable 15% rate and companies which are listed on the Lusaka Stock Exchange pay a corporate tax rate of 30%. Following the national budget address of 9 February 2007, certain amendments in the taxation regime were proposed as follows: (1) the mineral royalty tax will increase from 0.6% to 3%; (2) the income tax rate will increase from 25% to 30%; and (3) a withholding tax of 10% will be introduced.

3.7 ENVIRONMENTAL LIABILITIES

The Mines and Minerals Act 1995 lays down specific guidelines for the protection of the environment, with particular emphasis being placed on the need for the protection of air, water, soil, flora, fauna, fish and aesthetic value.

The Law further provides that a mining licence is held subject to the obligation on the part of the licencee to:

- rehabilitate such area upon completion of mining operation by re-grassing and re-foresting for instance; and
- to ensure such area is sealed off for precautionary purposes during excavations.

The holder of a mining licence is also under the obligation to remove all mining plant equipment upon cessation of operations.

In addition, the Environmental Protection and Pollution Control Act (No. 12) of 1990, the Mines and Minerals (Environmental) Regulations of 1997 and the Environmental Protection and Pollution Control (Environmental Impact Assessment) Regulations 1997 provide a framework for environmentally responsible development of mining operations.

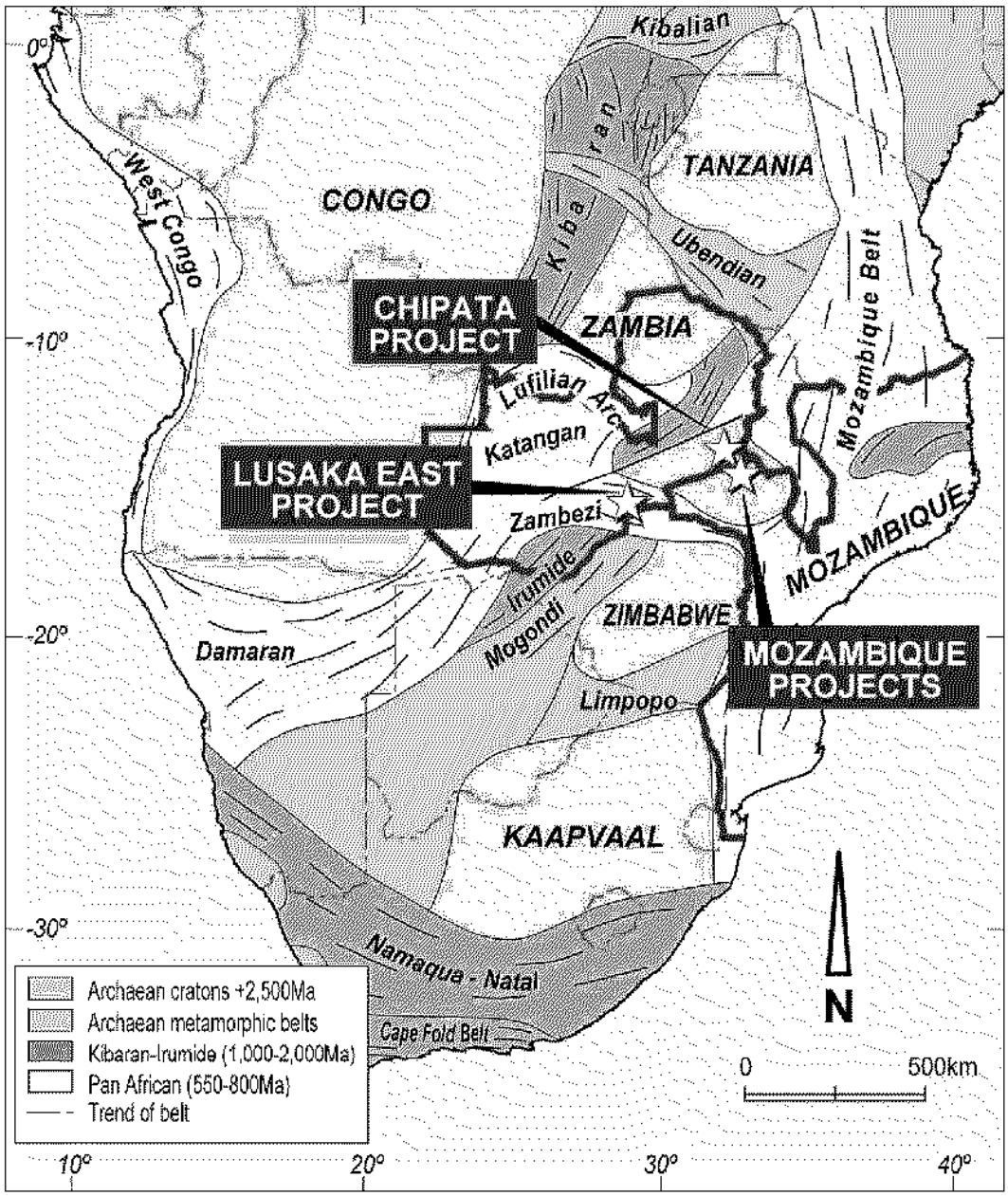
3.8 THE GEOLOGY AND MINERAL RESOURCES OF ZAMBIA

3.8.1 Tectonic setting

Zambia is underlain by a complex network of Proterozoic orogenic belts located along the margin of the stable Archaean-age Congo, Zimbabwe-Kaapvaal and Tanzanian Cratons (Figure 3.1). The geological evolution of Zambia is largely the result of a protracted history of differential movement between these cratons. At least five major deformational events are evident within the country's geological record including extensive folding and thrusting which has culminated in the juxtaposition of various geological terrains along major structural discontinuities. One such structure is the regional-scale, east-northeast trending Mwembeshi Shear Zone of central Zambia, which separates rocks of the Zambezi belt to the southeast from those of the Lufilian Arc to the northwest.

Movements between the main cratons caused widespread deformation, and extensive mobile belts developed along the craton margins where they converged. Granitoid and mafic bodies have subsequently intruded the major mobile belts.

Figure 3.1 Tectonic map of south and central Africa showing the location of Zambezi's project areas in Zambia and Mozambique



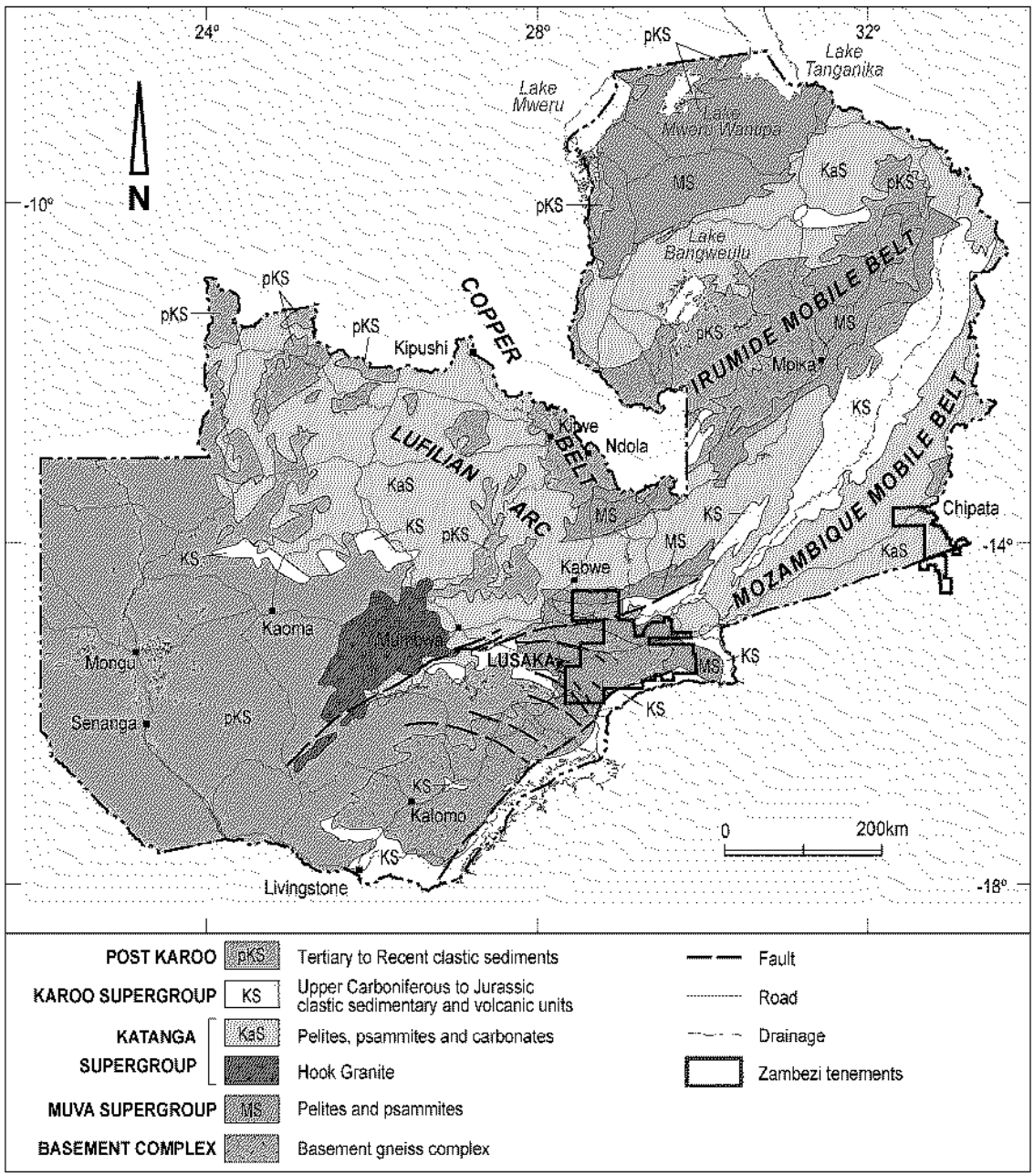
3.8.2 Regional geology

Zambia is underlain almost entirely by Precambrian and older rocks which account for over two thirds of the country's land area.

The regional geology of Zambia can be broadly divided into five principal supergroups, of which three, the Basement Complex, Muva and Katanga Supergroups, are Proterozoic in age. The Basement Complex represents the oldest succession and consists mostly of granitic gneiss, migmatites and amphibolites which are evident throughout eastern, central and southern Zambia (Figure 3.2). Overlying the Basement Complex is a sequence of metamorphosed pelites, quartzites and schists of the Muva Supergroup, which is best represented by the Irumide and Zambezi belts of central Zambia.

Overlying the Basement Complex and Muva Supergroup within northwestern and northern Zambia, is the Katanga Supergroup which forms the economically significant Lufilian Arc. The Katanga Supergroup may be further divided into the Roan, Mwashia and Kundelungu Groups which reflects a change from continental to marine to glacial sedimentation. The Roan Group forms the basal sequence of the Katanga Supergroup and comprises a lower sequence of conglomerate, sandstone and argillites which progressively grade into a predominantly dolomite-argillite sequence. The overlying Mwashia Formation consists of carbonaceous shales, argillites and minor carbonate rocks. After a prolonged hiatus, glacial sediments of the Kundelungu Group were deposited and include dolomitic limestones, shale and tillite.

Figure 3.2 Regional geological map of Zambia showing Zambezi's project areas



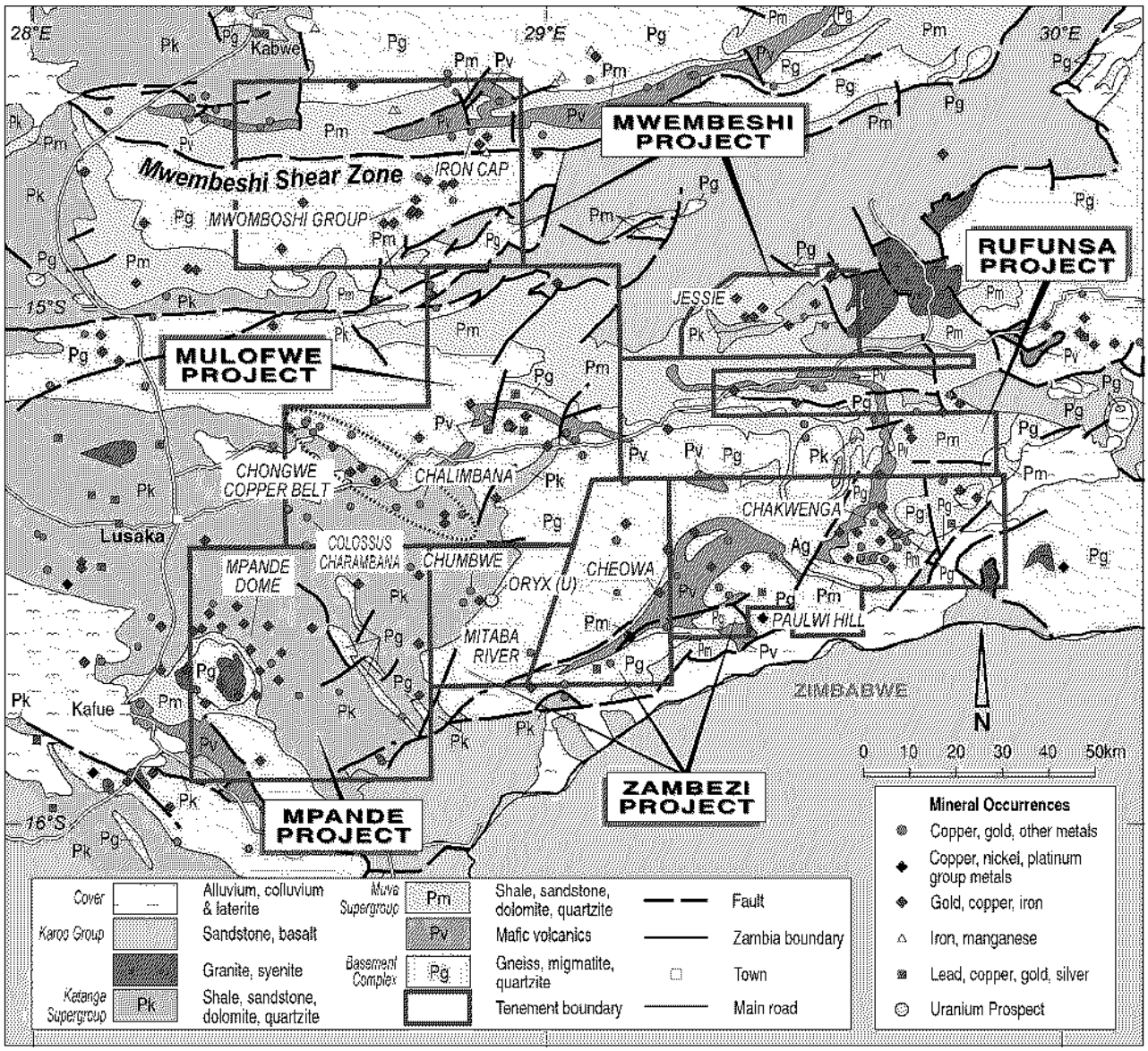
In eastern, southern and western Zambia, these Proterozoic rocks are predominantly overlain by Phanerozoic-aged sedimentary and volcanic units of the Karoo and Kalahari Supergroups. The Karoo sedimentary succession is best exposed within the Luangwa and Zambezi rift valleys of eastern Zambia and comprises clastic sediments, coal, tillites and minor basalts of Carboniferous to Cretaceous age. Western Zambia is predominantly covered by extensive aeolian sands and minor epiclastic sedimentary units of the Kalahari Supergroup which range in age from the Quaternary to the present day.

The Muva and Katanga Supergroups are intruded by several Neoproterozoic to early-Cambrian granitoid bodies, the most prominent of which is the Hook Granite within south-central Zambia (Figure 3.2).

The regional geology of southern Zambia is dominated by Palaeoproterozoic basement rocks that were deformed during successively younger orogenic events. Key orogenic events were the Ubendian (2,000-1,800 Ma), Kibaran (1,300 Ma), Katangan (900 – 500 Ma) and Pan-African (600 Ma) Orogenies. Most mineralisation is hosted within sedimentary cover sequences of Neoproterozoic age that were deformed during by Lufilian, Zambezi and Pan African Orogenies.

The regional geology of Zambezi's Lusaka East Projects is presented in Figure 3.3.

Figure 3.3 Regional geology of the Lusaka East projects



3.8.3 Mineralisation

Zambia is endowed with a wide range of mineralisation styles related to the development of several mobile belts and covering a time span from the Archaean to the Cenozoic. These include Central African Copperbelt-style copper; volcanic hosted massive sulphide (VHMS) and carbonate-hosted base metal; granitoid related iron-oxide copper-gold-uranium; orogenic, vein-hosted and palaeoplacer gold; mafic and sediment-hosted nickel; tin and tungsten skarn; and stratabound iron and magnesite deposits, in addition to coal and gemstone deposits.

4. ZAMBEZI PROJECT

4.1 PROJECT DESCRIPTION

The Zambezi project area is located approximately 75 km east of the national capital, Lusaka in the Lusaka Province of central-southern Zambia (Figure 2.3). The project comprises three granted Prospecting Licences (PL196, PL214 and PL227) covering a total area of some 3,728 km^2 (Figure 2.3).

Access to the project area is gained via the sealed Great East Road which extends westwards from Lusaka to the Zambian-Malawian border near the township of Chipata. Access throughout the project area is typically by local unimproved gravel roads and tracks. Whilst there are no major towns, numerous settlements and individual dwellings are scattered throughout the project area.

The topography of the Zambezi project is characterised by a relatively flat and elevated plateau with an average elevation of 1,100 m ASL. Within the southern portions of the project area this plateau passes into rugged hills which form the northern escarpment to the Zambezi River valley. Numerous seasonal drainages occur throughout the project area and drain southwards towards the Zambezi River.

The vegetation is typically savannah but varies according to the drainage, soil-depth and bedrock. There is considerable contrast between the northern and southern areas. The mature soils in the north support undulating woodlands interspersed with broad semi-alluvial dambos supporting dense growths of grass. The central part is covered by soils containing variable proportions of residual and colluvial soils and clays. This soil supports widespread belts of high-grass woodland. The dambos are replaced by shallow, fertile valleys. In the extreme south, the valley and floodplain grasslands are abundant in the dark grey colluvial soils and clays of the Zambezi River valley.

The area has a subtropical climate with the annual rainfall averaging some 1,000 mm, with much of this falling between the months of December and April. The principal land use is grazing of livestock and subsistence farming, although several commercial farms surround the project area.

Portions of the Zambezi project area overlie the Lower Zambezi National Park. Snowden understands that the Zambian Government allows exploration activities in this area and as such this presents no major impediment to exploration.

4.2 GEOLOGICAL SETTING

4.2.1 Project geology

The Zambezi project is located within the Mozambique Mobile Belt, a northeast trending linear belt of metamorphic rocks which extend for more than 400 km within southeastern Zambia (Figure 3.2). Principal units of the Mozambique Mobile Belt include granitoid-gneiss, amphibolite and intercalated metasedimentary units which have been locally metamorphosed under very high, granulite facies conditions.

Within the project area, the Basement Complex comprises massive to foliated granitoid-gneiss and lenses of amphibolite, which are overlain by metasedimentary and volcanic units of the Muva Supergroup (Figure 3.3). Sedimentary rocks include quartzite, muscovite schist, ferruginous quartz muscovite schist and other high grade metamorphic rocks. The metavolcanic units include amphibolite and epidote-altered mafic volcanic units. The southern portion of the project area typically coincides with Karoo Basin sedimentary and mafic volcanic units of the Zambezi River valley.

This sequence has been complexly deformed by open to tight folding about a northeast-southwest axis in addition to low angle thrust faulting along parallel trends. The axes to many of these folds have been intruded by mafic to intermediate intrusive bodies.

4.2.2 Mineralisation

Three main styles of mineralisation are recognised within the Zambezi project area. These are:

- structurally associated quartz veining hosting gold mineralisation within iron-rich metavolcanic and sedimentary rocks. The former Chakwenga gold mine is an example of this type of mineralisation;
- shear-associated disseminated pyrite, chalcopyrite, pyrrhotite and associated gold mineralisation within iron-rich metavolcanic and sedimentary rocks. The Cheowa copper-gold prospect area is an example of this style of mineralisation; and
- hydrothermal uranium-bearing quartz and pegmatite veins located along northeast trending structures. The Oryx prospect is an example of this style of mineralisation.

Mapping in the Chakwenga mine area in the southeastern portion of the project indicates that narrow zones of high-grade gold mineralisation are associated with shear-hosted quartz and quartz-feldspar veining within felsic schist and gneiss. Individual veins are typically small but relatively closely spaced and have resulted in silicification and alteration of the surrounding host rock. Mapping and sampling by Zambezi indicates the presence of a wider, lower grade mineralisation adjacent to the veins offering potential for a bulk mining operation. Minor skarn-hosted gold mineralisation is reported at Chakwenga East. The Moiya gold mineralisation lies to the west of the Chakwenga mine and is of a similar style to that at Chakwenga albeit associated with highly tourmalinised quartz veining.

The Cheowa prospect in the central portion of the Zambezi tenement contains copper-gold mineralisation hosted by strongly sheared and oxidised mafic volcanic rocks. Drilling at the prospect has encountered sulphide mineralisation, comprising pyrite, chalcopyrite and pyrrhotite.

The Kangaluwi-Chisawa mineralisation, located to the east of Chakwenga mine, is of a similar style to that at Cheowa, with a marked copper and silver association with the gold. Copper-gold mineralisation is hosted by a series of schists, quartzites and pegmatites. Based on high resolution aeromagnetic geophysical surveying conducted over the area, Zambezi considers the prospective horizon at Kangaluwi-Chisawa extends over a 20 km strike length occurring on both limbs of a large east plunging synform. Kangaluwi is located on the northern limb of this synform, whilst Chisawa lies along the southern limb. A number of historic workings occur in the region.

The Oryx prospect lies in the western part of the Zambezi project and is reported to host uranium mineralisation within multiple quartz and pegmatite veins developed along a northeast trending structure. The Oryx uranium mineralisation is considered by Zambezi to be the product of hydrothermal fluids emanating from a shallow granitoid intrusive body.

4.3 PROJECT HISTORY

The Zambezi project area has been explored since the 1920s and 1930s. Early work comprised regional scale geological mapping, stream and soil geochemical sampling and trenching. This work resulted in the discovery of numerous gold and base metal occurrences, most notably at the Chakwenga and Chumbwe gold mines. Between 1939 and 1943, the Chakwenga mine recorded production of 2,077 oz of gold and 78 oz of silver at grades estimated at between 5.6 and 7.0 g/t gold. From 1943 to 1953, the Chumbwe gold mine produced an estimated 2,200 oz of gold at an average grade of 9.1 g/t gold.

A resurgence in exploration activity occurred during the 1960s to early-1970s with further stream and soil geochemical surveying, investigation of historic workings, trenching, geophysical surveying, auger and diamond drilling and the development of several exploratory shafts and adits carried out during this period. This work delineated moderate to high-grade copper gold mineralisation at the Cheowa and Neningombwe prospects and additional high-grade gold mineralisation at Chumbwe. The Chumbwe gold mine was recommissioned in 1977, with some 6,357 t of ore being mined prior to closing in 1981.

No further work was recorded over the project area prior to the commencement of Zambezi's exploration programmes in 2004.

4.4 RECENT EXPLORATION

Since 2004, exploration of the Zambezi project has been carried out by Zambezi and has largely focussed on the definition of moderate to high-grade copper-gold and gold deposits within proximity to historical mine workings and known mineral occurrences. Exploration completed by Zambezi includes data compilation and verification, detailed geological and structural mapping, soil geochemical sampling, clearing and re-sampling of historic trenches, acquisition and interpretation of airborne and helicopter-borne magnetic, radiometric and electromagnetic ("EM") geophysical data, drilling (predominantly RC and diamond) and the preparation of resource estimates.

4.4.1 Summary of exploration results

Zambezi's exploration work completed within the Zambezi project has defined high-grade gold (+6 g/t Au) zones at Chakwenga, medium-grade (+3% Cu) copper-gold mineralisation at Cheowa and Kangaluwi-Chisawa and anomalous uranium mineralisation at Oryx.

These mineralised zones form the basis for Zambezi's Chakwenga gold project, Cheowa copper-gold project and Oryx uranium project which have been the focus of the company's recent exploration efforts. These projects are discussed separately below.

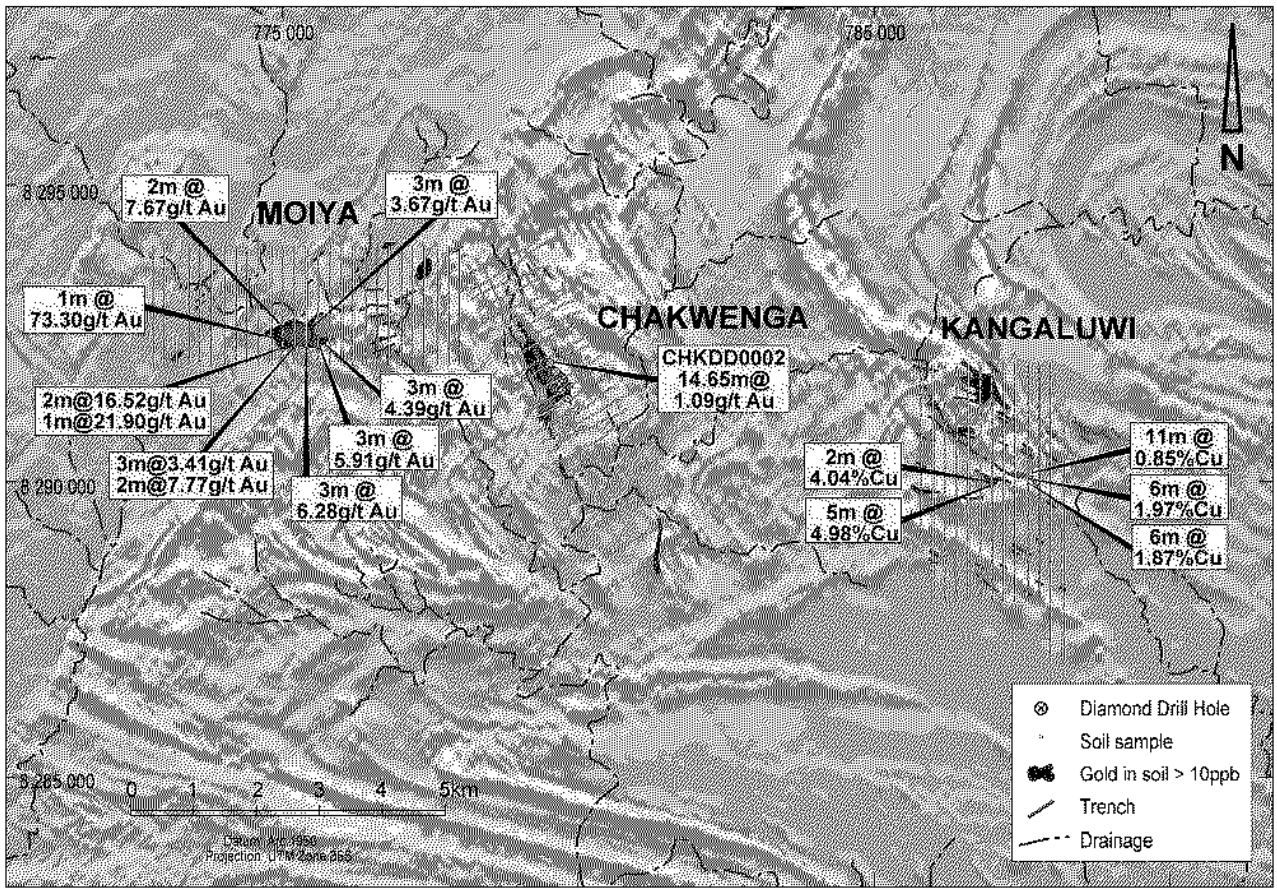
Chakwenga gold project

The Chakwenga gold project is centred on the former Chakwenga mine workings and its immediate surrounds. The Chakwenga gold mine is located 150 km east of Lusaka in the hills of the Zambezi escarpment (Figure 3.3).

Initial exploration by Zambezi in the region comprised geological mapping, re-sampling of old trenches, and stream sediment and soil geochemical sampling. This programme resulted in the definition of a significant, albeit discontinuous, anomalous gold zone extending over a 6 km strike length in the Chakwenga mine area (Figure 4.1). A gold-in-soil soil anomaly was also defined over a 1 km strike length at the adjacent Moiya prospect located some 4 km west of the Chakwenga mine area. In addition, two anomalous

copper and gold-in-soil anomalies extending over 2.5 km and 1.5 km strike lengths were defined at the Kangaluwi prospect, some 8 km east of the Chakwenga mine (Figure 4.1).

Figure 4.1 Location of the Chakwenga, Moiya and Kangaluwi prospect areas



Trench sampling of a series of quartz veins encountered narrow, high-grade gold zones at the Chakwenga and Moiya prospects, in addition to low-grade copper-gold mineralisation at the Kangaluwi prospect. Significant results from these trench sampling programmes are presented in Table 4.1 and Table 4.2.

On a regional basis, Zambezi completed a helicopter-borne magnetic geophysical survey covering some 450 km^2 in 2005. The survey was completed along 100 m spaced lines. Interpretation of the survey data demonstrated a clear relationship exists between linear magnetic features interpreted to represent shear zones and gold-in-soil anomalies. Numerous exploration targets were generated and follow-up programmes designed.

Table 4.1 Trench assay results (>4 g/t Au) from the Chakwenga and Moiya prospects

Prospect	Trench No	From (m)	To (m)	Intercept width (m)	Grade (g/t Au)
Chakwenga	CHKTR0072	11	12	1	4.95
Moiya	MOYTR0012	7.3	9.3	2	7.67
Moiya	MOYTR0019	10	11	1	73.30
Moiya	MOYTR0020	24	26	2	16.52
Moiya	MOYTR0020	28	29	1	21.90
Moiya	MOYTR0039	5	8	3	5.91
Moiya	MOYTR0045	2	5	3	6.28
Moiya	MOYTR0048	31	32	1	5.87
Moiya	MOYTR0049	10	12	2	7.77
Moiya	MOYTR0067	9	12	3	4.39

Table 4.2 Trench assay results (>1 % Cu) from the Kangaluwi prospect

Prospect	Trench No	From (m)	To (m)	Intercept width (m)	Grade (% Cu)
Kangaluwi	KNGTR0025	7	9	2	1.04
Kangaluwi	KNGTR0028	1	4	3	1.48
Kangaluwi	KNGTR0030	9	10	1	1.16
Kangaluwi	KNGTR0030	12	16	4	1.07
Kangaluwi	KNGTR0031	0	6	6	1.97
Kangaluwi	KNGTR0033	0	6	6	1.87
Kangaluwi	KNGTR0036	0	2	2	4.04
Kangaluwi	KNGTR0036	5	6	1	1.13
Kangaluwi	KNGTR0037	2	7	5	4.98

Chakwenga mine area

In December 2005, Zambezi completed a six hole diamond drill programme over the Chakwenga mine area. This drilling campaign was conducted on a grid to 200 m centres and to a maximum downhole depth of 140 m below surface. The programme confirmed that significant widths of gold mineralisation are present at the Chakwenga mine returning a best result of 19.5 m grading 1.34 g/t gold from a downhole depth of 119.5 m in drill hole CHKDD0002.

In 2006, Zambezi completed a staged 50 RC (for 6,941 m) and eight diamond (for 1,143.8 m) drill programme over the Chakwenga mine area which was designed to test the mineralised system at depths of up to 130 m vertically below surface. This programme outlined two distinct south-southeast trending mineralised zones within the Chakwenga mine area. These zones are sub-parallel and plunge shallowly to the south-southeast. The western zone is narrower and of lower grade than the eastern zone, and has reported an intersection of 13 m grading 0.52 g/t Au from a downhole depth of 21 m in CHKRC0046. The eastern zone is generally wider than the western zone and often exceeds 20 m in width. Results from this eastern zone include 33 m at 0.73 g/t Au from a downhole depth of 46 m in CHKRC0047, 22 m at 2.11 g/t Au from a downhole depth of 119 m in CHKRC0003 and 26 m at 1.05 g/t Au from a downhole depth of 35 m in CHKRC0022. Significant results from Zambezi's 2006 RC and diamond drilling programme at Chakwenga are summarised in Figure 4.2 and Table 4.3.

Figure 4.2 RC drill hole location plan and assay results for the Chakwenga mine area

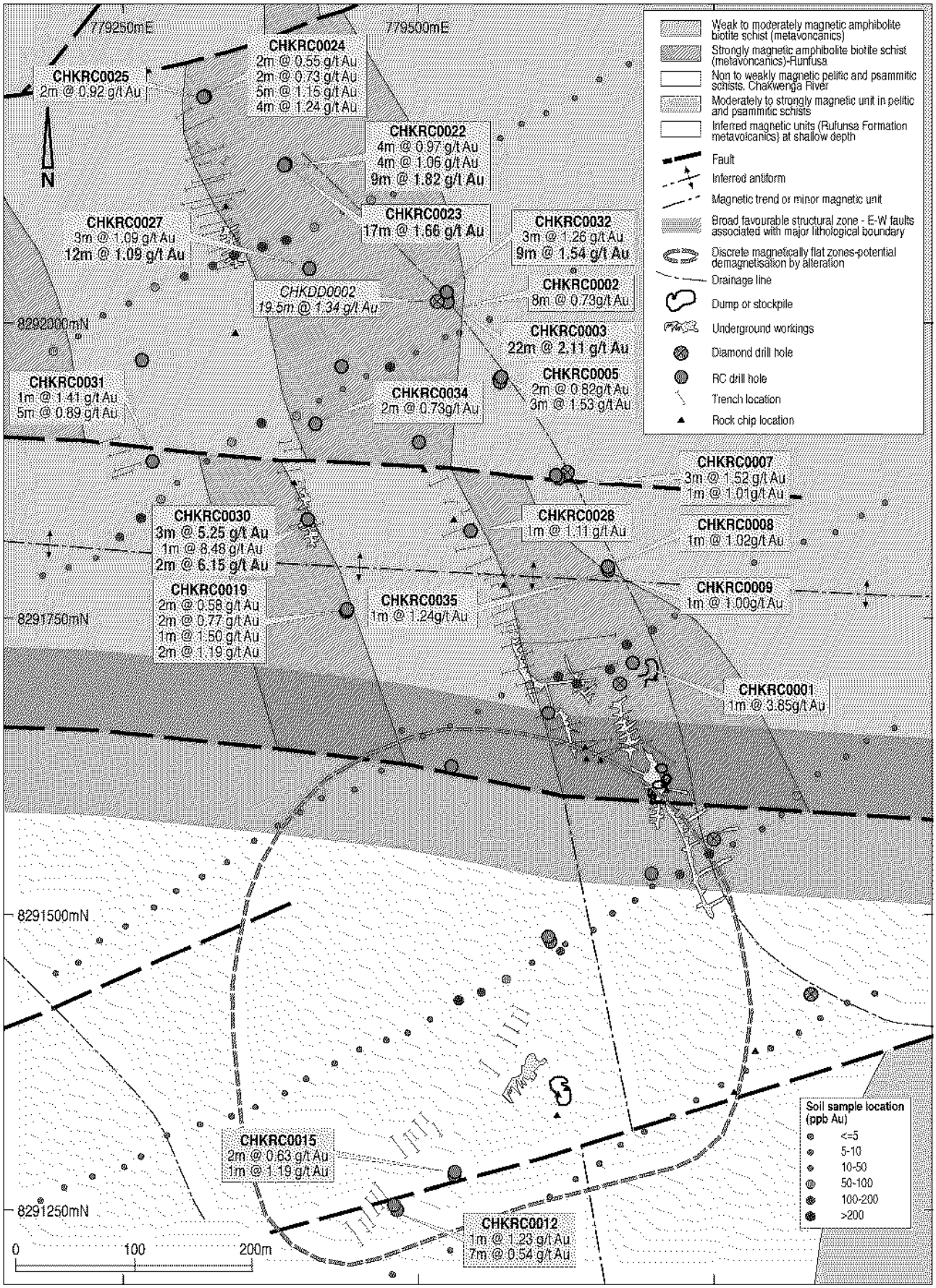


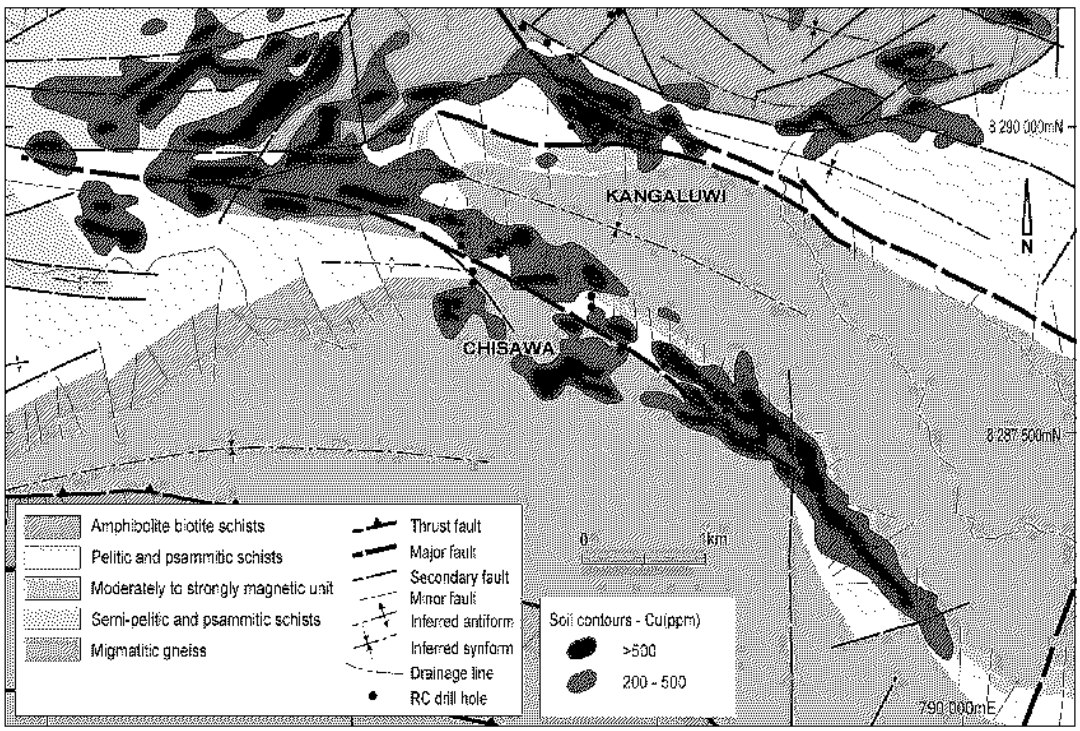
Table 4.3 RC drilling results (>1 g/t Au) from the Chakwenga mine area

Hole Number	Easting	Northing	From (m)	To (m)	Intercept width (m)	Grade (g/t Au)
CHKRC0001	77958	8291692	82	83	1	3.85
CHKRC0003	779458	8291980	119	141	22	2.11
CHKRC0005	779489	8291910	146	149	3	1.53
CHKRC0007	779606	8291868	33	36	3	1.52
CHKRC0007	779606	8291868	74	75	1	1.01
CHKRC0008	779619	8291780	111	112	1	1.02
CHKRC0009	779623	8291775	69	70	1	1.00
CHKRC0012	779488	8291254	6	7	1	1.23
CHKRC0015	779520	8291286	30	31	1	1.19
CHKRC0022	779375	8292125	35	61	26	1.05
CHKRC0023	779373	8292123	29	46	17	1.66
CHKRC0028	779543	8291825	20	21	1	1.11
CHKRC0030	779412	8291837	9	10	1	14.95
CHKRC0030	779412	8291837	116	121	5	4.29
CHKRC0032	779553	8292039	129	133	4	2.60
CHKRC0035	779667	8291796	102	103	1	1.24
CHKRC0039	779230	8292237	60	61	1	1.30
CHKRC0048	779447	8291970	74	92	18	1.04
CHKRC0049	779511	8291906	121	128	7	1.66

Kangaluwi prospect area

As a result of Zambezi's 2005 geochemical and aeromagnetic programmes, the soil sampling grid at Kangaluwi was extended to cover the hinge and southern limbs of a shallowly, east plunging synform. This programme extended the Kangaluwi copper-in-soil anomaly to a strike length exceeding 15 km at values greater than 200 ppm Cu (Figure 4.3).

Figure 4.3 Copper in soil geochemical anomaly over the Kangaluwi-Chisawa area, including the location of Zambezi's 2006 RC drill holes.



In addition to its exploration activities in the Chakwenga mine area, in October 2006 Zambezi completed 24 RC drill holes for a total of 2,477 m in the Kangaluwi and Chisawa area, located some 8 km east of Chakwenga. The drill holes were designed to target anomalous copper-in-soil geochemical anomalies coincident with copper-stained metasedimentary units and pegmatite intrusives, as well as anomalous trench assays at Kangaluwi prospect. Drilling was undertaken over an 800 m strike length at Kangaluwi and 3,600 m strike length at Chisawa.

Significant results from this drill programme are presented in Table 4.4 and Table 4.5.

Table 4.4 Significant RC drilling results (>1 % Cu) from the Kangaluwi prospect

Hole	Easting	Northing	From (m)	To (m)	Intercept width (m)	Grade (% Cu)	Grade (g/t Au)
KNGRC0001	787000	8289900	101	102	1	1.40	0.11
KNGRC0002	787000	8289000	10	24	14	1.13	0.08
KNGRC0002	787000	8289000	26	42	16	1.95	0.15
KNGRC0002	787000	8289000	59	61	2	4.03	0.19
KNGRC0005	787609	8289998	62	63	1	1.09	0.01
KNGRC0005	787609	8289998	67	76	9	1.57	0.02
KNGRC0006	786803	8290022	83	104	21	1.88	0.16
KNGRC0007	786800	8290125	31	37	6	1.09	0.04

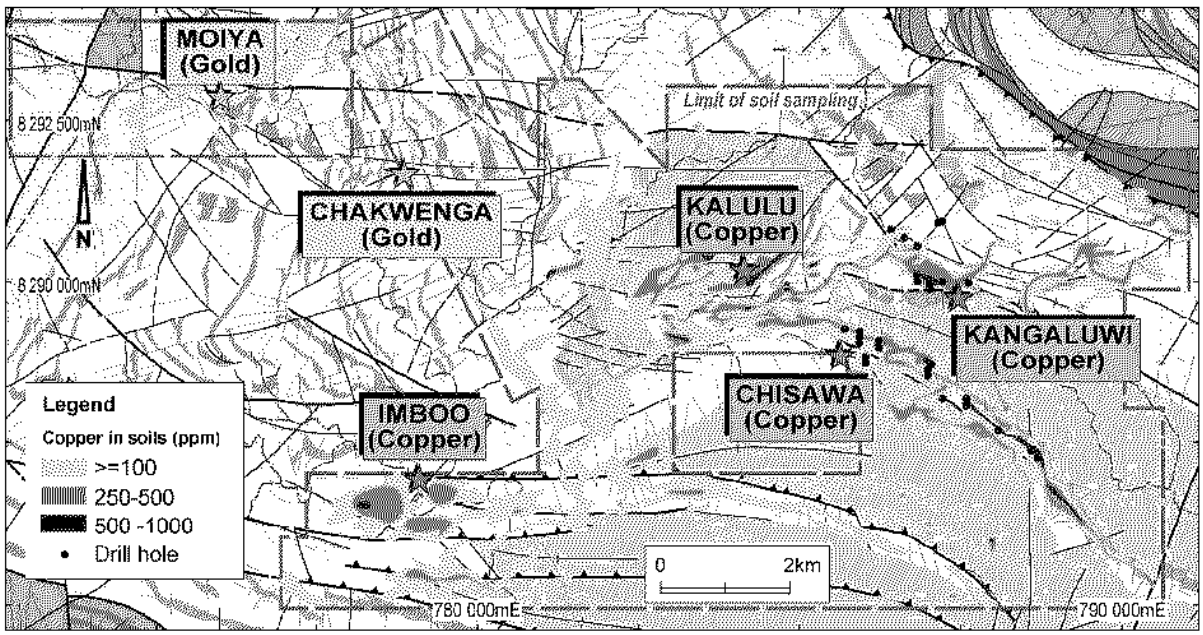
Table 4.5 Significant RC drilling results (>1 % Cu) from the Chisawa prospect

Hole	Easting	Northing	From (m)	To (m)	Intercept width (m)	Grade (% Cu)	Grade (g/t Au)
CHSRC0008	786206	8289089	17	19	2	1.09	0.10
CHSRC0016	788660	8287280	17	42	25	1.34	0.01

Other prospects in proximity to the Chakwenga mine area

In addition to the Chakwenga, Kangaluwi and Chisawa prospect areas, soil geochemical sampling by Zambezi has identified two significant copper-in-soil geochemical anomalies at Kalulu and Imboo (Figure 4.4). Kalulu lies approximately 3 km west of Kangaluwi within the nose of the regional scale synform hosting both the Kangaluwi and Chisawa copper prospects. The Imboo area lies within a separate domain some 7 km west of Chisawa. Follow-up soil sampling and geological mapping is currently underway over these prospects.

Figure 4.4 Regional soil geochemical sampling including Zambezi's copper prospect areas



Cheowa copper-gold project

The Cheowa copper-gold project is located 95 km southeast of Lusaka and is one of two projects held under joint venture with Glencore. The project area encompasses shear hosted copper-gold mineralisation extending over a 15 km strike length and a width of up to 500 m using a 200 ppm copper cut-off (Figure 3.3).

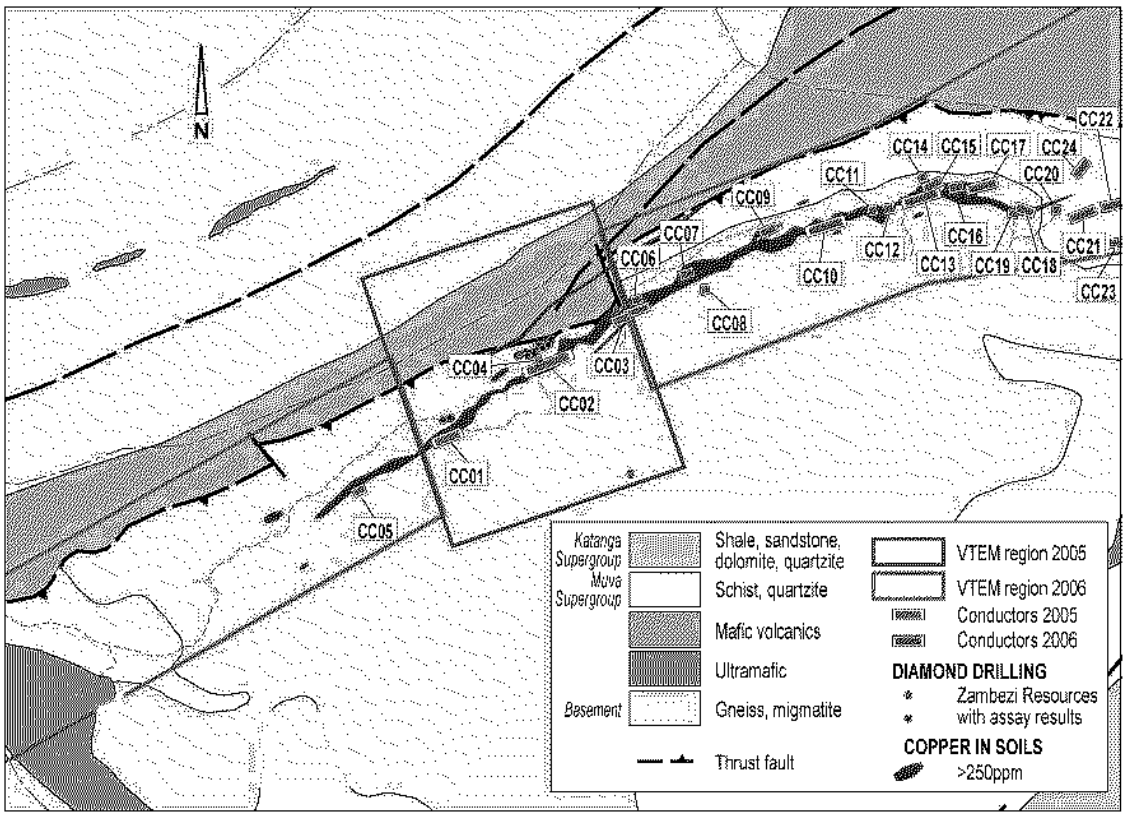
Initial exploration by Zambezi at Cheowa was designed to confirm the extent and tenor of a 14 km long historical copper-in-soil geochemical anomaly defined in the 1960s. Limited trenching of soil anomalies at Cheowa and the adjacent Neningombe prospects in the 1960s had reportedly encountered significant intercepts of 13 m at 1.12% Cu and 3.8 m at 1.11% Cu. Follow-up diamond drilling returned a best intercept of 2.3 m grading 5.41% Cu from 70 m downhole depth. Little attention was given to the gold potential of the diamond core, despite limited assays returning values of up to 7.78 g/t gold over 0.49 m from a down hole depth of 68 m in CP2-redrill.

The results of Zambezi's soil sampling programme confirmed the extent of the historic soil anomaly, whilst its trench re-sampling programme encountered low-grade copper and gold mineralisation over moderate widths. Zambezi's trench sampling results include 9 m grading 1.32% Cu and 3 m at 1.59g/t Au, 8 m grading 1.51% Cu and 2 m at 0.64g/t Au, 2 m grading 3.71% Cu, and 7 m grading 1.07% Cu.

In 2005, Zambezi conducted a high resolution heli-borne magnetic ("Helimag") geophysical survey over the entire Cheowa project area and an orientation airborne transient electromagnetic ("VTEM") survey over a small geochemically anomalous area. The VTEM survey was conducted in order to test for the presence of conductive massive sulphides at depth. The VTEM system proved well suited to the Cheowa area identifying three discrete bedrock conductors, which are closely related to the known copper-gold mineralisation and correspond to the presence of massive sulphide mineralisation.

Following the success of the VTEM technique at Cheowa, the geophysical survey was extended to the east and west in May 2006. This survey yielded 20 further targets, which all remain to be assessed during the 2007 field season.

Figure 4.5 Location of conductors and VTEM survey outline in the Cheowa area



Due to the rugged terrain in the Cheowa-Neningombe area, Zambezi's 2006 diamond drilling programme was largely directed towards the Cheowa Number 2 Conductor ("CC2") which was defined during the orientation VTEM survey. A number of diamond drill holes were also completed at the Cheowa Number 1 ("CC1") and Number 3 ("CC3") Conductors. A total of 25 diamond holes for 4,525.5 m were completed, of which 21 holes (for 3,826.5 m) were targeted at the CC2 anomaly.

Significant results from this drill programme are presented in Table 4.6.

Table 4.6 Significant diamond drilling results (>1 % Cu) from the Cheowa CC2 anomaly

Hole	Easting	Northing	From (m)	To (m)	Intercept width (m)	Grade (% Cu)	Grade (g/t Au)
CHEDD0002	728286	8266312	74	78	4	3.34	0.56
CHEDD0008	728267	8266338	100	107	7	1.48	0.38
CHEDD0009	728151	8266251	96.50	100.50	4	3.18	2.46
CHEDD0011	728584	8266510	136	140.5	4.50	2.72	4.89
CHEDD0012	728538	8266496	165	172	7	1.43	0.19
CHEDD0017	728188	8266271	87	92	5	2.02	0.37
CHEDD0018	728187	8266274	111	120	9	1.99	0.37
CHEDD0020	728241	8266295	74	82.30	8.30	2.34	0.32
CHEDD0021	728339	8266350	89.80	95.80	6	3.48	0.32
CHEDD0023	728476	8266398	82	87.50	5.50	1.40	0.30
CHEDD0024	728529	8266401	77	79	2	1.08	0.28
CHEDD0025	728614	8266440	67	68	1	1.25	0.15

Based on these results, Zambezi commissioned Cube Consulting Pty Ltd ("Cube") to prepare a resource estimate of the copper-gold mineralisation at CC2 (refer to Section 4.5).

Oryx uranium project

The Oryx uranium project area is located within the Chumbwe Prospecting Licence (PL227) approximately 80 km southeast of Lusaka, and is subject to a uranium rights joint venture with Zambezi Nickel Limited (Figure 3.3). The project covers an area of some 15 km^2 and was discovered by Zambezi's helimag and radiometric geophysical survey of the Chumbwe tenement in 2005. The radiometric anomaly consists of a uranium response of up to 25 times background levels and occurs over a 6 km strike length (Figure 4.6).

Four lines of orientation soil sampling were subsequently completed over the Oryx radiometric anomaly and followed up by further soil, rock chip and trench sampling programmes which led to the identification of the uranium-bearing mineral, davidite ((La,Ce,Ca)(Y,U)(Ti,Fe3+)20O38). Trench samples from the Oryx anomaly returned significant uranium grades over widths of up to 50 m and peak one metre values of 1,527 ppm U_3O_8. Further results in excess of 500 ppm U_3O_8 have also been returned from broad lower grade (100 ppm) zones of up to 5 m in width.

A high resolution helicopter borne radiometric survey was also completed at Oryx in order to further define areas of high radiometric response.

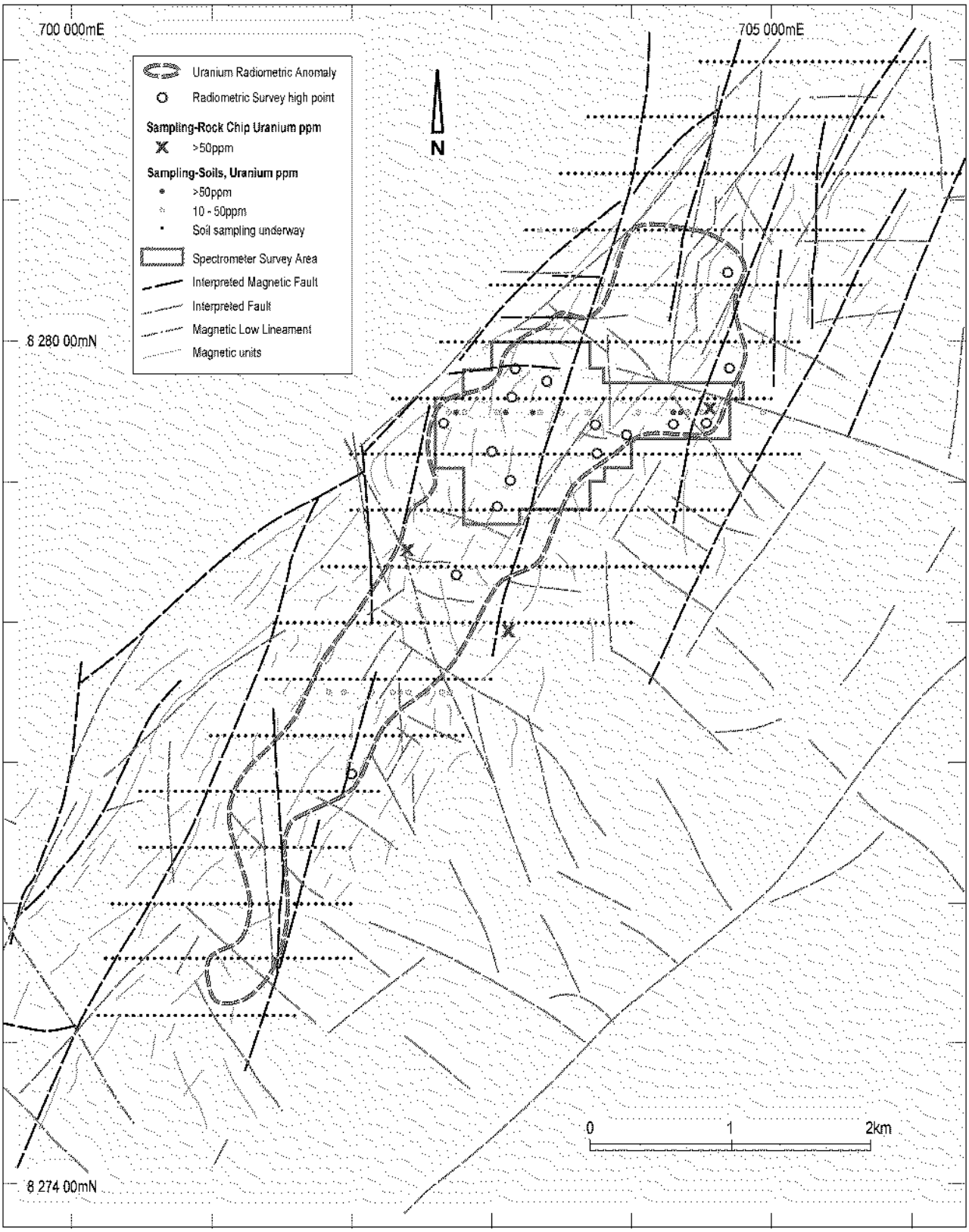
Zambezi also collected samples of davidite-bearing material to be submitted for metallurgical testwork to confirm the likely metallurgical characteristics of the Oryx uranium mineralisation. Testwork on a low-grade (160 ppm U) bulk 50 kg sample suggested that gravity separation alone is unable to effectively upgrade the uranium and that low intensity magnetic separation would be required. X-ray diffraction ("XRD") revealed the presence of substantial quantities of amorphous material due to the presence of metamict uranium-bearing minerals. Pressure acid leaching on a high grade sample (sorted by spectrometer by Zambezi) grading 4.4% U extracted 68% of the uranium over a 6 hour period.

A further 50 kg sample was collected to assess the potential to upgrade the davidite mineralisation in order to form a high grade concentrate. The results of this metallurgical programme remain pending.

Towards the end of 2006, diamond drilling was carried out at the Oryx uranium project targeting a northeastern radiometric anomaly where previous trench sampling had returned up to 760 ppm U_3O_8 and extensive davidite float was evident at surface

along a northeast trending ridge. The diamond drill holes reportedly intersected sheared pegmatite, biotite schist, amphibolite and dolerite. Initial results were disappointing with only one sample returning a value of greater than 300 ppm U_3O_8 over a sample length of 0.6 m.

Figure 4.6 Location of trenching completed at the Oryx uranium prospect



Chumbwe gold mine area

Between 2004 and 2005, Zambezi completed 46 RC and three diamond drill holes totalling 5,124 m at the historic Chumbwe underground workings.

Significant results from this programme are presented in Table 4.7.

Table 4.7 Significant drill results (>1 g/t Au) from the Chumbwe gold prospect

Hole	East	North	From (m)	To (m)	Width (m)	Au (g/t)
CHGRC0001	695356	8275180	0	3	3	1.91
CHGRC0001	695356	8275180	50	51	1	14.21
CHGDD0001	695261	8275215	49.6	51.57	1.97	1.25
CHGDD0002	695105	8275235	43.6	45.24	1.64	8.41
CHGDD0003	695108	8275264	78.45	79.75	1.3	27.12
CHGRC0001	695356	8275180	0	3	3	1.91
CHGRC0001	695356	8275180	50	51	1	14.21
CHGRC0006	695262	8275217	21	23	2	53.82
CHGRC0006	695262	8275217	26	33	7	5.20
CHGRC0008	695104	8275237	0	1	1	1.84
CHGRC0008	695104	8275237	41	44	3	3.55
CHGRC0015	694700	8275040	10	11	1	2.22
CHGRC0017	695800	8275670	30	32	2	4.95
CHGRC0017	695800	8275670	38	39	1	1.66
CHGRC0018	695279	8275235	0	1	1	1.28
CHGRC0021	695108	8275266	71	73	2	2.54
CHGRC0022	695073	8275251	53	54	1	1.04
CHGRC0023	695072	8275261	40	41	1	4.29
CHGRC0026	694901	8275135	11	13	2	3.81
CHGRC0033	695510	8275381	3	6	3	1.26
CHGRC0037	695600	8275460	76	77	1	7.02
CHGRC0038	695600	8275420	13	14	1	1.41
CHGRC0038	695600	8275420	25	26	1	3.85
CHGRC0038	695600	8275420	99	100	1	2.04
CHGRC0046	695505	8275156	42	45	3	5.12

No further work has been carried out at the Chumbwe gold mine since this time.

4.5 MINERAL RESOURCES

4.5.1 Introduction

Snowden has reviewed documentation on the Cheowa Mineral Resource estimate carried out by Cube Consulting ("Cube") in January 2007 on behalf of Zambezi. This estimate defined an Inferred Resource classified under the 2004 JORC Code. The estimate was subject to desktop review by Snowden without any access to the underlying digital data. Snowden has therefore accepted the figures generated by Cube at face value.

4.5.2 Cheowa

Cube reported an Inferred Resource (according to the 2004 JORC Code) of 1.7 Mt at a grade of 1.5% copper and 0.5 g/t gold using a lower cut-off of 0.3% copper.

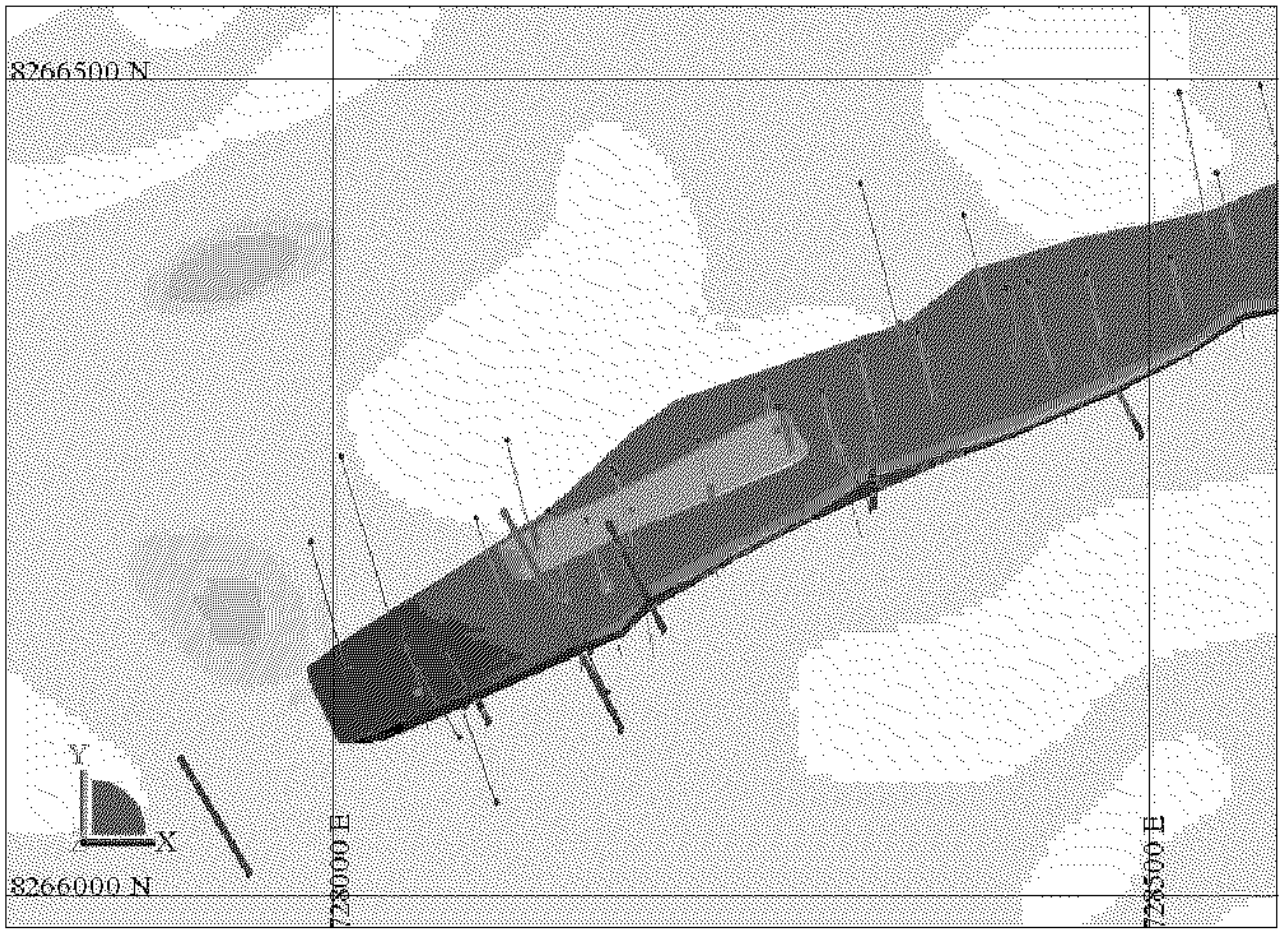
The copper-gold mineralisation at Cheowa occurs as two parallel, moderately dipping sheet-like bodies: a deeper, more continuous sheet ("the main zone") and a shallower, less continuous sheet (Figure 4.7). At a 0.3% Cu cut-off, the mineralisation within the main

mineralised zone has a 700 m strike length and extends to a depth of 200 m below surface. This mineralised zone is associated with a shear-hosted breccia that has an average true width of 4.5 m.

In addition, a parallel zone of mineralisation lies within the hangingwall to, and approximately 6 m above, the main mineralised zone. This parallel mineralised zone extends over a 200 m strike length and for some 50 m down dip.

Both the main and parallel zones remain to be closed off along strike and down dip by drilling.

Figure 4.7 Plan view of the Cheowa copper-gold deposit showing the trace of drill holes



Cube's database used in the resource estimate was restricted to previous diamond drilling programmes carried out by Zambezi. Other than monitoring laboratory check samples and standards, Cube noted that Zambezi did not provide (nor apparently carried out) any quality assurance-quality control ("QAQC") procedures for the Cheowa drilling data. Snowden agrees with Cube that this situation will need to be rectified before the Cheowa estimate can be reclassified at a higher level of confidence. Snowden understands that Zambezi has instigated a rigorous QAQC programme for the forthcoming field season.

The lower copper cut-off (0.3% Cu) used by Cube was derived from visual inspection of the diamond core with only minimal statistical support. Cube notes that there is a strong correlation between copper and gold and has therefore used the copper domains to constrain the gold mineralisation.

Due to the orientation and narrow thickness of the interpreted domains Cube elected to use a two-dimensional accumulation technique for the Cheowa grade estimation. This method has a number of associated pitfalls, all of which Cube has avoided, although the documentation mentions density weighting of composites which apparently was not used at Cheowa.

The Cheowa estimate was prepared using a horizontal projection onto a longitudinal section from which grades were derived by dividing an accumulation variable (copper times horizontal thickness) by a width variable (horizontal thickness). Snowden endorses the block size and the fact that Cube carried out kriging neighbourhood analysis to optimise the estimation parameters. However, Cube has not provided any validation evidence, either visual or numerical, that the estimated grades match the input grades, and Snowden has no way of knowing whether or not the model validates well. Cube states that validation has been carried out and

that the model matched the data. Furthermore on the advice of Zambezi, Cube did not use a reduction in bulk density for oxidised material (a value of 2.9 t/m^3 was used for all mineralisation), and thus Snowden suggests that there may be an overestimation of ore tonnage in this horizon.

In summary, Snowden endorses the methodology, estimation parameters and classification criteria used by Cube as being sound and compliant with best practice. However, without examination of the digital model and drill hole data has no way of validating the model and tonnages stated by Cube. It is noted that the reported model copper grade of 1.5% is some 7.5% lower than the average of the composites presented, but this latter figure has not been declustered.

Snowden endorses Cube's statement that the model is suited only for global reporting and is not suited for detailed mine scheduling.

4.6 SNOWDEN SITE VISIT

To confirm the work completed by Zambezi within its Lusaka East Projects, Mr G Greenway from Snowden's South African office visited the projects from 15th to 19th March 2007. Snowden also visited the Zambezi's offices in Lusaka and undertook discussions with Mr Fergus Jockel (Country and Business Development Manager) and Mr Jay Klopper (Exploration Manager). Diamond drill hole core, reverse circulation percussion chips, drill hole logs and maps were inspected at this time.

At the time of Snowden's site visit, no field work was being undertaken by Zambezi, as the wet season had not yet concluded and staff were preparing for the 2007 field season. During the site visits Snowden inspected evidence of Zambezi's exploration activities and any historical exploration. Where possible, discussions were held with the responsible project geologist regarding the work completed and the exploration planned for the 2007 field season.

The following summarised Snowden's site observations and discussions.

4.6.1 Cheowa copper project

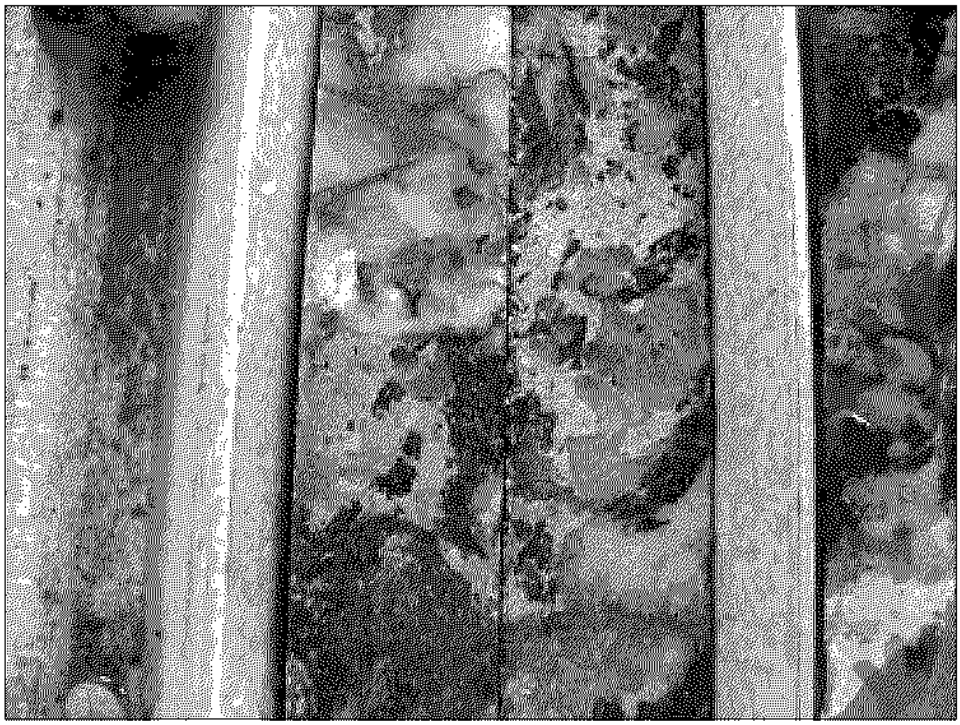
The Cheowa – Neningombe project is located approximately 95 km southeast of Lusaka. The Cheowa Project is situated in an area of rugged topography (Figure 4.8). Little infrastructure, other than a dirt track into the area is present. Water is available from a borehole or a local river a couple of kilometres away. The majority of the area is relatively easily accessed by drilling equipment with only some minor road building required. The rest of the strike length is planned to be drilled using man portable drilling equipment.

Figure 4.8 Topography of the Cheowa area

The copper mineralisation occurs within a shear zone hosted by schistose and gneissic country rocks. The mineralised shear zone is commonly brecciated and highly deformed. The shear zone strikes approximately northeast and dips to the northwest. There are a number of trenches and a vertical shaft excavated along the shear zone and in close proximity to Zambezi's recent RC and diamond drill holes. Malachite staining is evident on float material and in quartz vein outcrop within the trenches.

Snowden sighted the collar positions of three of the diamond drill holes completed by Zambezi. Diamond drill core was also examined at Zambezi's offices in Lusaka. Sulphide mineralisation composed of chalcopyrite, pyrrhotite and pyrite contained within a quartz shear zone is evident in the core (Figure 4.9).

Figure 4.9 Diamond drill core from the Cheowa prospect showing chalcopyrite mineralisation within a coarse quartz breccia



4.6.2 Chakwenga gold project

The Chakwenga project is situated within the Lower Zambezi National Park some 140 km east of Luaska. The project is in an area of rugged topography. No infrastructure, other then a dirt track is present. Water is available from a local river a couple of kilometres away.

Zambezi's exploration work is focussed around the old mine workings that were abandoned in 1941. The old workings consist of numerous shafts and trenches with a relatively deep vertical shaft being equipped with wire rope guides. The remains of an old boiler and steam engine indicate that the operation must have operated at a reasonable scale. The old tailing residue dump reportedly has gold grades as high as 3 g/t Au.

The mineralisation at Chakwenga is contained within sheared quartz vein systems hosted by micaceous schists interlayered with deformed and sheared amplibolites. The country rocks strike approximately northeast and have been tightly folded by north-northwesterly trending shears. These quartz veins occur within the shear zones and have plunges as steep as 40°. The quartz vein appears to occur as boundinaged pods within the shear systems forming multi-lode systems.

Zambezi's exploration activities are focussed on the delineation of extensions to the shear system and defining the extents of the individual mineralised pods. As part of this programme, Zambezi reopened, cleaned and re-sampled the old trenches. Zambezi has also completed RC and diamond drilling to confirm the position and continuity of the mineralisation.

Snowden sighted visible evidence of mineralised quartz veins in the trenches of the Chakwenga area.

4.6.3 Kangaluwi-Chisawa copper-gold project

The Kangaluwi-Chisawa area is located 148 km east of Lusaka. The project occurs in an area of fairly rugged topography. No infrastructure, other then the dirt track in is present. Water is possibly available from a local river a couple of kilometres away.

The Kangaluwi prospect occurs along the northern limb of a regional-scale, east-plunging synform with the lithologies dipping shallowly to the southwest. The Chisawa prospect lies along the southern limb of this same synform. Snowden did not visit the Chisawa area.

The Kangaluwi-Chisawa area covers a sequence of interlayered amphibolite, epidosite and iron-rich quartzite rocks, which are cut by a mineralised, coarse-grained pegmatite. Copper and gold mineralisation is stratabound within this interlayered sequence. A number of small shafts and adits occur in the area. Available information suggests that three shallow diamond drill holes were drilled in this area although their position has not been located on the ground.

Snowden inspected two RC collars, a recent trench, a historical shaft and an adit. Strong malachite staining was visible in the adit (Figure 4.10). Malachite and azurite was also seen in float material.

Figure 4.10 Kangaluwi adit (width is approximately 0.75 m). Note strong malachite staining.

4.6.4 Chumbwe gold project

The Chumbwe gold project is located approximately 60 km southeast of Lusaka. Several open pits and underground workings associated with the former gold mining operation can be seen in the area. Mining was carried out between 1939 and 1953 and again between 1977 and 1981.

The former gold mining operation focussed on a narrow upright, east-northeast striking quartz vein system hosted within schistose rocks. The quartz veining is generally less than 35 cm in width and exposed over a strike length of 244 m. Faulting has offset the

vein to produce three east-plunging shoots. Gold occurs in association with magnetite and pyrite within the vein and reportedly as disseminated mineralisation within the surrounding country rock.

Approximately 400 m north of the Chumbwe mine are a series of copper occurrences, expressed as malachite within quartzitic rocks. As yet these occurrences have not been investigated in detail by Zambezi.

The exploration activities conducted by Zambezi at Chumbwe largely consist of trenching and drilling to the east and west of the old mine in order to delineate the along strike extents of the previously worked gold mineralisation. Further exploration is on hold, until potential joint venture partners can be identified.

4.6.5 Oryx uranium project

The Oryx uranium project is located approximately 67 km east-southeast of Lusaka. The area is accessible by reasonable to poor dirt roads, although a river has to be crossed which poses problems during the rainy season.

The Oryx uranium anomaly was identified by a low level (25 m altitude) heli-borne magnetic and radiometric geophysical survey. The radiometric anomaly indicates that there has been minimal dispersion of uranium within the surrounding drainages. Furthermore, the uranium anomaly is parallel to the north-south trend of the regional foliation indicating that the uranium may be associated with in situ material.

In order to follow up the radiometric anomalies, Zambezi conducted a ground based gamma ray spectrometer survey and soil sampling programme. This exercise confirmed the results of the heli-borne geophysical survey. A more recent ultra-high resolution helicopter-borne radiometric survey was subsequently completed in 2006. This survey has an improved definition resulting from a line spacing of 25 metres and resulted in areas of stronger and more extensive radiometric anomalies being identified. These areas are located approximately 1 km to the west of the area trenched by Zambezi during the 2006 field season. This area will be targeted with further trenching and drilling as a priority during the forthcoming 2007 field season.

Zambezi considers that the style of mineralisation at Oryx is a hydrothermal intrusive environment, with uranium mineralisation occurring within the mineral, davidite, in association with multiple quartz and pegmatite veins.

Snowden sighted the trenching completed by Zambezi during the 2006 field season (Figure 4.11). Exposed within these trenches are schistose rocks intruded by pegmatites (Figure 4.12). Assay results indicate that uranium mineralisation is associated with a sheared contact between the pegmatites and the schists.

Figure 4.11 Trenching at Oryx

Figure 4.12 Pegmatite exposed within the trenching at Oryx

4.7 MINING, METALLURGICAL AND PROCESSING CONSIDERATIONS

4.7.1 Mining

Zambezi's Lusaka East Projects have been the subject of historical small-scale mining activity, with much of this work occurring in the period 1930s to 1960s. No recent mining activity is recorded within the project area.

Snowden understands that a number of the former underground mining operations had previously experienced ground stability difficulties. These problems were reportedly the result of inappropriate mining methods and poor ground conditions. Snowden recommends that detailed geotechnical studies be completed for any mine planning purposes and that these studies are supported by ongoing monitoring during any future mine developments.

4.7.2 Metallurgy

Cheowa

In early 2007, Zambezi commissioned Mineral Engineering Technical Services Pty Ltd ("METS") to carry out metallurgical testwork on mineralised material from the Cheowa copper-gold deposit.

The results from this test work is summarised as follows:

- flotation tests on coarse grind (106 micron) material returned a 99% recovery of copper to produce a concentrate grading 19.3% Cu and a 95% recovery of gold to concentrate grading 6.3 g/t Au;
- flotation tests on fine grind material (75 micron) with regrinding of the concentrate, returned over 97% recovery of copper at a concentrate grade of over 31% copper and a 90% recovery of gold at a concentrate grade of 6.4 g/t gold;
- crushing and grinding parameters returned values within normal ranges;
- the Abrasion Index reported 0.187, which is considered as an industry average;
- a Bond Ball Mill Work Index of 20.7, which is within the normal range; and
- mineralogical analysis showed most of the sulphide assemblage occurs as chalcopyrite, pyrite and pyrrhotite and comprises 95% of the concentrate.

Oryx

Zambezi carried out mineralogical characterisation on a bulk sample of davidite mineralisation from the Oryx deposit in February 2007. The minerals identified are summarised in Table 4.8.

Table 4.8 Major and minor minerals identified in bulk sample, Oryx prospect

Major (>20%)	Minor (<20%)
Quartz – SiO_2 Haematite – Fe_3O_3	Magnetite – Fe_3O_4 Ilmenite – $FeTiO_3$ Goethite FeO(OH) Rutile – TiO_2

The uranium enrichment is predominantly associated with the titanium and iron oxide phases, with a preferential affinity towards titanium. Quartz, haematite and magnetite were generally barren with respect to uranium mineralisation.

Additional observations from the testwork include:

- gravity separation alone is unable to effectively upgrade the uranium due to the presence of haematite and magnetite;
- magnetite could be removed from the sample by means of low intensity magnetic separation prior to gravity separation and leaching; and
- higher intensity magnets were not able to upgrade the uranium to the nonmagnetic fraction due to the close association of uranium with iron-titanium bearing minerals (e.g. ilmenite).

Further testwork on a larger and more representative sample is recommended.

4.8 EXPLORATION POTENTIAL

Snowden has drawn the following conclusions on the exploration potential of the Zambezi project area from its discussions with Zambezi's representatives and review of the available data:

- the Zambezi project area is located over a highly metamorphosed and deformed sequence of metasedimentary and volcanic rocks which have been intruded by numerous late stage graniotoid bodies;
- much of the known mineralisation displays an association with major faults or shear zones;
- a series of structurally hosted polymetallic base metal and gold deposits have been previously identified and mined on a small-scale within the project area;
- most of the previous mining and exploration activity was focused within the Chongwe Copperbelt, with little modern exploration completed over the project area since the early 1970s;
- recent exploration by Zambezi outside of the Chongwe Copperbelt has enhanced the prospectivity of the Zambezi project for bulk tonnage, low grade gold and base metal mineralisation associated with higher grade copper-gold deposits; and
- whilst initial results appear positive, the presence of economically viable uranium mineralisation at Oryx remains to be established. Other uranium-bearing occurrences are also recorded throughout Zambezi's remaining mineral properties and are currently the subject of follow-up exploration.

Based on the available technical information, Snowden considers the probability of expanding the Zambezi project's resource base through on-going exploration is good. In Snowden's opinion, it is realistic to expect a further discovery although it is important to note, that should an additional discovery be made, the tonnage, grade, metallurgy, depth or poor ground conditions may limit the potential for development. In particular, Snowden considers the Chisawa-Kangaluwi, Cheowa-Neningombe and Chakwenga prospects to offer good potential for the discovery of further gold and base metal deposits.

Furthermore, outside of the known prospect areas, Snowden considers the Zambezi project area remains prospective for IOCG style copper-gold and structurally-hosted and lode-style gold deposits. Snowden's opinion is based on (1) the structural and geological

setting of the project area; (2) the close spatial and temporal relationship between the known mineral occurrences and several shallowly buried granitic bodies; (3) the mineralogy, alteration and geochemistry of much of the mineralisation encountered to date; (4) the project's previous mining history; and (5) the lack of modern, systematic exploration over much of the project, particularly along the strike extents to the former mining areas.

5. MULOFWE PROJECT

5.1 Project description

The Mulofwe project area comprises a single granted Prospecting Licence (PL219) located between 10 km and 40 km east-northeast of Lusaka and covering a total area of 3,183 km^2. Access throughout the project is gained by numerous gravel roads and tracks which extend from the Great East Road and which cut east-west across the project area. The topography of the project area is characterised by undulating hills locally incised by shallow rivers, the most significant being the southeast draining Chongwe River.

5.2 GEOLOGICAL SETTING

5.2.1 Project geology

The geology of the Mulofwe project is dominated by massive to foliated granitoid-gneiss containing lenses of amphibolite and quartzite overlain by a flat-lying package of metasedimentary rocks belonging to the Katangan Supergroup. Within the Luano River Valley, Basement granitoid-gneiss is either in faulted contact or unconformably overlain by sedimentary units of the Karoo Group.

The central and northern portions of the project area are cut by two major east to east-northeast trending shears interpreted to represent splays to the regionally significant Mwembeshi Shear Zone.

Based on previous mapping and airphotograph interpretation carried out over the project area, a number of circular features are evident within the central portions of the project. These features have been interpreted by Zambezi to represent zones of domal warping formed in response to the intrusion of a granitoid body at depth. For the purpose of this report, this area is informally named the Mulofwe Dome.

5.2.2 Mineralisation

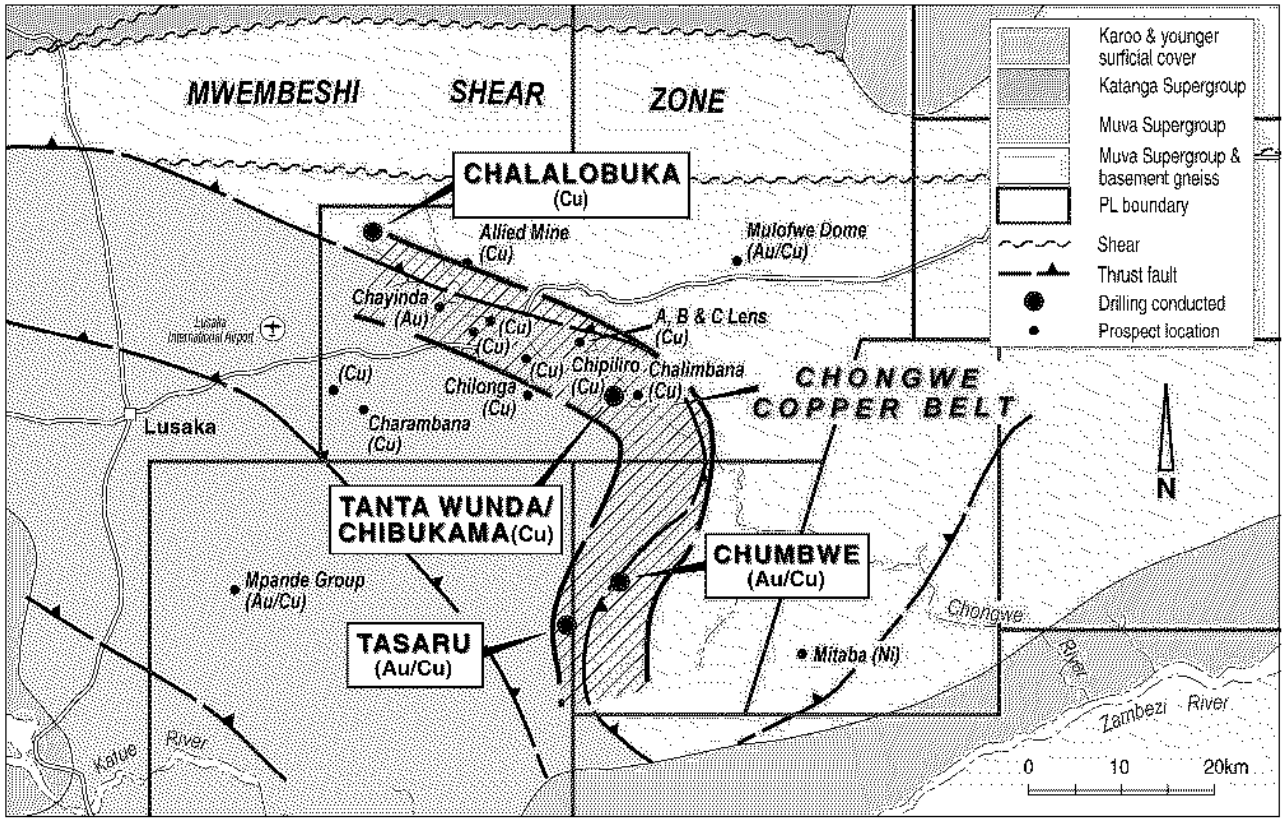
The base metal and gold mineralisation within Zambezi's Mulofwe project area is concentrated within the informally named "Chongwe Copperbelt", a 3 km wide mineralised corridor extending over a 40 km strike length within the southern portion of the project area. The "Chongwe Copperbelt" extends into Zambezi's adjacent Chumbwe (PL227) and Mpande (PL220) tenements. The Chongwe Copperbelt largely coincides with the southeastern contact between basement granitoid-gneisses and the overlying Katangan Supergroup metasedimentary rocks (Figure 5.1).

Two types of copper mineralisation are recorded within the Chongwe Copperbelt and include (1) structurally hosted copper oxide and sulphide mineralisation within basement rocks (e.g. Allies mine, Chalalobouka, Kanakantapa, Zones A, B, C and D); and (2) stratabound copper oxide and sulphide mineralisation within carbonaceous sedimentary units of the Katangan Supergroup (e.g. Chalimbana).

Gold mineralisation has previously been reported from the Chayinda prospect occurring within ferruginous quartz mica schist.

Recent exploration activities by Zambezi have shown the Mulofwe Dome area to be a polymetallic terrain characterised by the presence of anomalous copper, gold, silver, cobalt, bismuth and uranium. According to geological mapping carried out by Zambezi in 2005, this anomalism is associated with silicified quartz-haematite veining and brecciation. Zambezi suggests this may indicate that the Mulofwe Dome area represents a new IOCG province.

Figure 5.1 Location of the known mineral occurrences in the Chongwe Copperbelt



5.3 PROJECT HISTORY

A significant amount of exploration and small-scale mining has been conducted over Zambezi's Mulofwe project area since the turn of the 20th century due in part to the project's proximity to Lusaka and good access throughout much of the project area. The majority of this activity was focused on the Allies copper mine in the Chongwe Copperbelt which was first worked between 1914 and 1922 and then again in the 1970s. The production details for the Allies mine are not known.

Despite most of the known mineral occurrences being discovered in the 1920s and 1930s it was not until the 1950s that concerted, systematic exploration was carried out over much of the project area. Exploration activities undertaken in the 1950s and 1960s included regional-scale geological mapping, stream and soil sampling, pitting, trenching, electrical, gravity and magnetic geophysical surveying, auger and diamond drilling and metallurgical testwork. Whilst a number of reserve estimates were prepared for the Chalimbana, Chongwe South and Chalalobouka prospects, outlining small tonnages at low to moderate grade (typically less than 3% Cu), these do not meet current minimum reporting requirements of the JORC Code. Zambezi however, commissioned RSG in 2004 to carry out a resource estimate on the historic Chalimbana (also known as Chongwe East) reserve estimate (see details in Section 5.5.2 below). Feasibility studies were completed for the Chalimbana and Chalalobouka prospects in the early to mid-1970s, but no mining was undertaken.

Exploration at the Chayinda gold prospect in the mid-1970s resulted in the estimation of a small reserve with an average grade in the order of 5 g/t Au. No further work was carried out at the prospect after this time.

Prior to Zambezi's acquisition of the Mulofwe project in 2004, only cursory exploration had been conducted over the area since the 1970s.

5.4 RECENT EXPLORATION

5.4.1 Copper-gold exploration

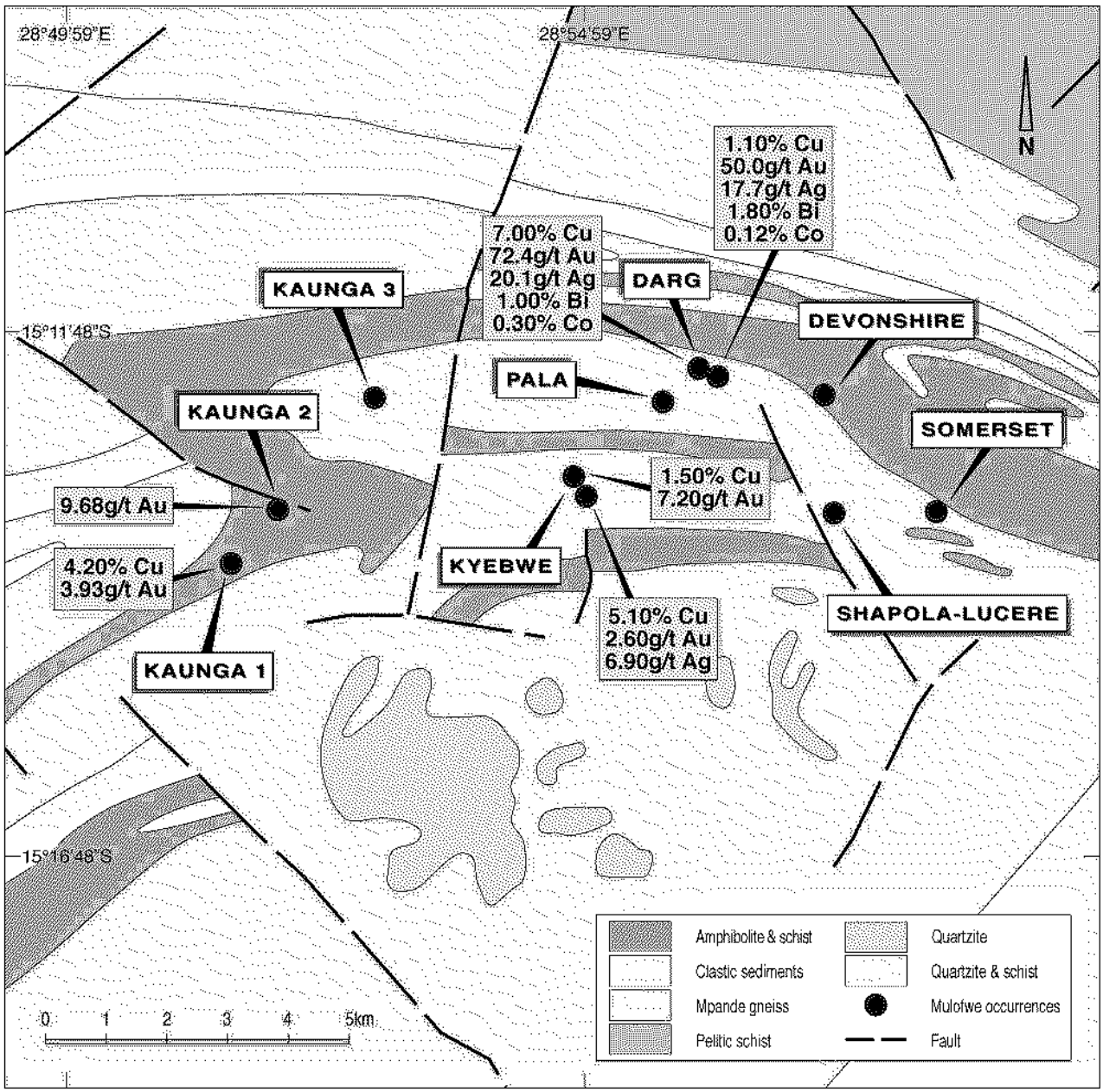
Zambezi's preliminary investigations of the project area upon listing in 2004 comprised reconnaissance rock chip and soil sampling over a 27 km by 7 km area at Mulofwe Dome in the central part of the Mulofwe project area. A number of significant copper-gold rock chip assay results were returned from the Pala-Darg, Kyebwe and Kaunga 2 prospects including 7.0% Cu and 72.4 g/t Au and

1.1% Cu and 57.8 g/t Au from Pala-Darg, 1.5% Cu and 7.20g/t Au and 5.1% Cu and 2.60 g/t Au at Kyebwe and 9.68 g/t Au from the Kaunga 2 (Figure 5.2).

Subsequent exploration focused on the Chongwe Copperbelt and comprised further geological mapping, reconnaissance soil and rock chip sampling programmes.

In 2005, Zambezi completed RC drilling over four prospect areas, namely Tanta Wunda-Chibukama, Chalalobuka, Tasaru and Chalimbana East.

Figure 5.2 Location of the known mineral occurrences in the Mulofwe Dome area, including the results of Zambezi's rock chip sampling programme



At the Tanta Wunda-Chibukama prospect, malachite and pyrite-chalcopyrite mineralisation was observed in 13 of the 19 holes (for 2,167 m) drilled. This mineralisation showed a close association with magnetite. Significant intersections are presented in Table 5.1.

Table 5.1 Significant drill results (>1% Cu) from the Tanta Wunda-Chibukama copper- gold prospect

Hole	East	North	From (m)	To (m)	Width (m)	Cu (%)	Au (g/t)
CHBRC0001	694920	8297470	24	31	7	1.13	
CHBRC0003	695125	8297425	66	67	1	1.31	0.15
CHBRC0005	695142	8297324	138	143	5	1.02	
CHBRC0007	695205	8297300	106	108	2	1.16	
CHBRC0007	695205	8297300	129	130	1	1.76	
CHBRC0010	694366	8296633	17	19	2	1.07	
CHBRC0014	694820	8297310	25	26	1	1.10	

Targeted RC drilling programmes at the Chalalobuka, Tasaru and Chalimbana East prospects encountered only narrow zones of anomalous to low-grade copper mineralisation, with significant results including 6 m grading 0.75% Cu at a downhole depth of 93 m in CHARC0009, 8 m grading 0.25% Cu at a downhole depth of 12 m in CHARC0017 and 16 m grading 0.12% Cu at a downhole depth of 38 m in CHARC0019 at Chalalobuka.

In addition to soil sampling and RC drilling at various prospects, Zambezi completed high resolution heli-magnetic and radiometric geophysical surveys over the southern part of the Chongwe Copperbelt and over the Mulofwe Dome. This was followed in late 2005 by orientation helicopter-borne VTEM electromagnetic surveys over the Chalalobuka and Chalimbana prospects.

A total of 33 target areas were defined by the heli-mag survey of which 15 are related to highly prospective flexures along fault zones and a further 12 targets appear related to intrusive bodies or alteration zones. Many of these targets remain to be tested during the 2007 field season.

The Chalimbana prospect was the only target within the Mulofwe project to be drill tested in 2006, with a four diamond holes totalling 911.6 m completed. The holes were designed to test possible multiple mineralised zones at depth. A shallow angle fault was intersected below the mineralised zone in all four holes, with a thick sequence of barren quartzites of at least 150 m in thickness immediately below the fault. This has reduced the potential for further mineralised zones below an estimated vertical depth of approximately 150 m. Significant intersections are presented in Table 5.2.

Table 5.2 Significant drill results (>0.3% Cu) from the Chalimbana East copper prospect

Hole	East	North	From (m)	To (m)	Width (m)	Cu (%)
CMBDD0001	698140	8297491	72	90	18	0.35
CMBDD0002	698077	8297391	39	40	1	0.32
CMBDD0003	697642	8297541	98	99	1	0.86
CMBDD0004	697590	8297459	12	17.6	5.6	0.42
CMBDD0004	697590	8297459	80	97	17	0.41

5.4.2 Uranium exploration

In addition to its Oryx project, Zambezi has identified two smaller uranium anomalies in the Mulofwe Dome area from its radiometric geophysical surveys carried out in 2005. These two anomalies, known as Nkala and the greater Mulofwe Dome area, are located 40 km to the north of Oryx and were subject to rock chip sampling and hand held spectrometer surveying in 2005.

At Mulofwe Dome a total of 59 rock chip samples were collected with best results including 296 ppm U_3O_8, 7.2 g/t Au, 1.5% Cu and 5.8 g/t Ag; and 397 ppm U_3O_8, 0.1 g/t Au, 0.2% Cu and 4.9 g/t Ag. In mid-2006, several rock chip samples from the western Mulofwe Dome area were resubmitted for uranium analysis, returning assays of up to 467 ppm U_3O_8. Other results included 7% Cu and 293 ppm U_3O_8; 2.33% Cu and 391 ppm U_3O_8; and 5.05% Cu, 2.36 g/t Au and 122 ppm U_3O_8.

At Nkala, 17 km east of the Mulofwe Dome, spectrometer surveying along three lines recorded total counts in excess of 2,000 counts per minute on each line against a background of 650 counts per minute. Trenching and soil and rock chip sampling was completed over the Nkala area. Trench samples generally returned values less than 20 ppm U with a maximum result of 44 ppm U.

5.5 MINERAL RESOURCES

5.5.1 Introduction

Snowden reviewed documentation on the Chalimbana (Chongwe East) Mineral Resource Estimate carried out by RSG Global ("**RSG**") in 2004. The Chalimbana resource was classified as Inferred under the 1999 and 2004 JORC Codes. This estimate was subject to desktop review by Snowden without any access to the underlying digital data. Snowden has therefore accepted the figure generated by RSG Global at face value.

5.5.2 Chalimbana

In 2004, Zambezi requested that RSG carry out a programme of data compilation, prepare a resource estimate and recommend further drilling at Zambezi's Chalimbana prospect. Rhodesian Selection Trust ("**RST**") reportedly carried out a feasibility study in 1975 which involved a polygonal resource estimate, metallurgical testwork and an open pit design. This resulted in an open pit 'reserve' (not JORC-compliant) of 3.25 Mt at a grade of 0.8% copper above a 0.3% copper cut-off.

Historical data captured by RSG includes 6,467 m of vertical surface diamond drill holes, 271 m of sub-horizontal underground diamond drill holes, 14 five foot-long channel samples and 15 channel samples from an inclined winze. RSG elected to combine all of this information into a single dataset for estimation. No statistical justification was presented for this; however, in Snowden's opinion the non-diamond drilling data is so scant as to have virtually no impact on overall statistics. RSG reports that no core recovery data or QAQC data is available for the Chalimbana diamond drilling.

RSG created a three-dimensional wireframed solid based upon a 0.3% total copper assay, which statistical analysis suggests is a natural cut-off for the data. RSG also interpreted an oxide boundary on the basis of logging codes. There were a significant number of missing assays and RSG assumed in its reported model that these were not assayed because they were visually barren of copper. Snowden endorses this level of conservatism and notes that this may indicate some slight upside in grade, notwithstanding that the majority of missing assays are within a low-grade domain. RSG has also applied upper grade cuts which, in Snowden's opinion, are unnecessary and which may also lead to a slight grade upside when removed.

RSG generated a conventional ordinary kriged block model based upon 3 m composites. The block size used for reporting was 20 m by 20 m by 6 m, which Snowden endorses as appropriate given the 25 m by 25 m to 50 m by 25 m drill spacing. RSG generated median indicator variograms, which are inappropriate for an ordinary kriged grade model and which understate the nugget effect; however, Snowden does not see this as a critical issue given the Inferred classification of the resource.

RSG states that the model was validated visually against the drilling but presents no numerical validation of the model. This is a source of some concern as RSG reports a total Inferred Resource of 5.34 Mt at a grade of 0.8% copper above a 0.5% copper cut-off. This cannot be compared to the RST model as it is not constrained by a pit and is reported at a higher copper cut-off (0.5% versus 0.3%); nonetheless, the contained copper in the RSG model is almost twice as much as the RST model (about which there are scant details).

RSG has classified the Chalimbana resource as Inferred on the basis of drill spacing, the degree of extrapolation, the lack of QAQC, and some positional doubts regarding some of the data. Snowden considers that the resource estimate has been derived using fair to good practice, and while it has not reported or validated RSG's model has no reason to doubt that it is a fair representation of the mineral inventory at Chalimbana. Snowden cautions, however, that any Ore Reserve which may be ultimately generated may be significantly less in tonnage than RSG's quoted Inferred Resource. Snowden agrees with RSG's recommendations that twinned sampling and QAQC are required to validate the resource estimate.

5.6 SNOWDEN SITE VISIT

Snowden's observations from its site visit and discussions with company personnel are summarised below.

5.6.1 Chalimbana copper project

The Chalimbana project is located within gently undulating topography. No infrastructure, other than a reasonable dirt track into the project area is present. Water is sourced from local bore holes.

At Chalimbana East, a copper target was defined by regional and infill soil sampling. The anomaly occurs approximately 1.2 km southeast of the previously identified Chalimbana copper deposit. Copper mineralisation is associated with a 150 m thick schistose sequence. Sulphide mineralisation occurs within millimetre-scale cracks, which are predominantly parallel to the foliation.

The Chalimbana East geochemical anomaly occurs over an interpreted 1,000 m strike length of approximately and to a width of 300 m. Zambezi has completed 52 RC drill holes along this anomaly. Snowden sighted the collar beacons for two of these RC holes at Chalimbana East.

The Chalimbana area was previously visited by Snowden in May 2006. Subsequent to that visit, Zambezi completed four diamond drill holes totalling 911.6 m.

5.6.2 Mulofwe polymetallic prospect

The Mulofwe prospect occurs in a flat-lying area inhabited by subsistence farmers approximately 60 km northeast of Lusaka. Extensive alluvial cover is present over much of the area. A number of old pits are evident within the prospect area. Quartz veining, gossans and fresh sulphide mineralisation is evident within spoil material derived from the pits. The surrounding country rock largely comprises of schist.

Zambezi has previously conducted trench and grab sampling over the area. Metals of interest are copper, gold, bismuth and uranium.

5.7 EXPLORATION POTENTIAL

Snowden has drawn the following conclusions on the exploration potential of the Mulofwe project area from its discussions with Zambezi's representatives and review of the available data:

- the Mulofwe project area has been subject to previous exploration and small-scale mining with the most recent activity, prior to Zambezi's involvement, ceasing in the 1970s;
- since that time no concerted exploration has been undertaken over the project area;
- whilst it was Zambezi's intent to thoroughly explore the Mulofwe tenement, particularly the Chongwe Copperbelt, upon its admission to AIM, continued exploration success has lead to the company's focus shifting towards the assessment of its key projects at Chakwenga, Cheowa and Oryx within the Zambezi project area;
- recent drilling programmes by Zambezi within the Chongwe Copper belt area have confirmed the prospectivity of the area encountering low level polymetallic mineralisation within deformed, sheared, intensely altered and veined volcanic and sedimentary units; and
- at Mulofwe Dome, previous rock chip sampling by Zambezi has returned elevated levels of copper, gold, silver and uranium. Given the location of this mineralised zone around the periphery of a buried granitoid domal structure, these results are considered highly encouraging for potential iron-oxide copper-gold deposits.

6. OTHER EXPLORATION ASSETS

Zambezi holds a 100% interest in a number of additional exploration projects scattered throughout southern and eastern Zambia and northwestern Mozambique. These project areas cover copper-gold or uranium targets in the early stages of assessment which have been generated conceptually or from Zambezi's previous exploration activities.

6.1 MWEMBESHI PROJECT

The Mwembeshi project is located to the immediate north and east of Zambezi's Mulofwe project and covers an area of approximately 2,987 km^2 (Figure 3.3). The project tenements (PL224 and PL225) are predominantly located on the top of a plateau surrounded by undulating hills. The Mulungushi hydroelectric dam lies approximately 16 km to the northeast. The Mulungushi tenement (PL224) is the subject of a uranium rights joint venture agreement with Zambezi Nickel, who can earn a 51% interest in the project.

The project area covers the regionally significant Mwembeshi shear system. The project hosts hornblende schist, mica schist, migmatites, gabbros and other metavolcanic units of the Rufunsa Volcanic terrane which have been structurally emplaced against Proterozoic basement gneisses and granitoids.

Previous exploration of the project area has been undertaken by a number of companies since the 1930s, resulting in the discovery of shear zone hosted gold deposits associated with intrusive bodies at the Iron Cap, Mwomboshi and Jessie prospects. The Iron Cap and Jessie deposits reportedly produced some 189 oz Au (at a grade of 2.2 g/t Au) and 12,500 oz Au (at a grade of 3.1 g/t Au) respectively in the 1940s and 1950s.

Zambezi's Mwomboshi poly-metallic prospect lies within the Basement Complex comprising a central core of Mwomboshi and Mkushi Gneisses flanked by younger Muva Supergroup rocks (mica schists and quartzites) to the north and south. Predominant lithologies encountered include granite/granitic gneisses and schistose rocks (mainly hornblende schists, mica schists, migmatites and gabbros). These lithologies have been cut by occasional quartz and pegmatite veins however, the schistose rocks appear to host the majority of the known mineralisation. The regional strike is east-northeast with a south-southeasterly dip.

Recent exploration by Zambezi has comprised stream sediment and soil sampling, geological mapping, trenching, aeromagnetic and ground based induced polarization ("IP") geophysical surveying and RAB and diamond drilling. These programmes identified numerous conceptual, geochemical and geophysical targets however intensive follow-up exploration remains to be undertaken. This will be the focus of the 2007 field season.

Based on its site visit and review of the available technical data, Snowden considers the Mwembeshi project area remains prospective given (1) the project's location adjacent to the Mwembeshi shear system, (2) the presence of a sheared and mineralised gneiss contact within the tenements, from which small tonnages of low to medium-grade gold mineralisation have reportedly been mined, and (3) the lack of systematic exploration previously completed over the remaining tenement area. Snowden is therefore of the opinion that the Mwembeshi project is of merit and that the work programme proposed by Zambezi is appropriate.

6.2 MPANDE PROJECT

The Mpande project area is located immediately south and west of Zambezi's Mulofwe and Zambezi project areas, respectively (Figure 3.3). The Mpande project is the subject of a uranium rights joint venture agreement with Zambezi Nickel, who can earn a 51% interest in the project. The project covers an area of approximately 2,497 km^2 over the Mpande Dome, which consists of augen gneiss and schist faulted against Muva Supergroup sedimentary rocks. The dome has been intruded by granitic bodies correlated with the Hook Granite of central Zambia and is considered prospective for IOCG style mineralisation. The geological setting is considered prospective for gold and copper mineralisation, and has been the subject of widespread reconnaissance-style exploration. The project area hosts no historic workings apart from minor alluvial gold occurrences around the Mpande Dome.

The project area has not previously been subject to intensive exploration by Zambezi. In December 2006, Zambezi conducted a high resolution aeromagnetic and radiometric geophysical survey over parts of the Mpande project area. This survey identified four discrete and one elongate lithological/shear related surface radiometric anomalies. The discrete anomalies range in size from 0.25 km^2 to 1.5 km^2. Further work is required to adequately assess these anomalies.

At present, Zambezi has not proposed a dedicated work programme for the Mpande project. Rather the project is to be reviewed as part of an integrated regional targeting programme. Within this context, Snowden considers that the Mpande project is worthy of evaluation to the extent being proposed by Zambezi.

6.3 RUFUNSA PROJECT

The Rufunsa project is surrounded by Zambezi's Mwembeshi project to the north, Mulofwe project to the west and Zambezi project to the south. The Rufunsa project is the subject of a uranium rights joint venture agreement with Zambezi Nickel, who can earn a 51% interest in the project. The project covers an area of approximately 1,464 km^2 and incorporates basement granitoid-gneisses overlain by sedimentary units of the Muva Supergroup. Numerous historic gold and base metal occurrences are evident within the Muva sedimentary rocks however no substantial production has been recorded from the project despite its location lying directly along strike of the significant Chakwenga gold deposit. During 2006, a comprehensive stream sampling programme was conducted with a total of 1,255 samples being collected. Eight samples returned values greater than 10 ppb Au against a background of less than 1 ppb Au, with a maximum value of 201 ppb Au. Fourteen samples returned values of greater than 100 ppm Cu against a background of less than 20 ppm Cu, with a maximum value of 550 ppm Cu. These gold and copper targets remain to be followed up.

At present, Zambezi has not proposed a dedicated work programme for the Rufunsa project, which comprises a single granted Prospecting Licence. Rather the project is to be reviewed as part of an integrated regional targeting programme. Within this context, Snowden considers that the Rufunsa project is worthy of evaluation to the extent being proposed by Zambezi.

6.4 CHIPATA PROJECT

Zambezi's Chipata project surrounds the regional centre of Chipata and lies adjacent to the Mozambique and Malawi borders in eastern Zambia (Figure 2.4). The project comprises a single granted Prospecting Licence (PL226) covering a total area of 2,427 km^2.

The project area overlies a number of small quartz vein hosted gold occurrences including those at Cymric and Madzimoyo, which occur within granitoid-gneisses of the Basement Complex and sedimentary rocks of the overlying Muva Supergroup. This sequence has been extensively intruded by late-stage granitoid and syenite bodies of Pan-African age.

Zambezi acquired this project area as a conceptual IOCG target based on the known mineral occurrences and the broad similarities with the geology of southern Zambia. Due to its commitments at the Cheowa, Chakwenga and Oryx, Zambezi has not commenced significant exploration at Chipata.

6.5 MOZAMBIQUE PROJECTS

Zambezi has recently acquired four tenements located immediately adjacent to and south of Zambezi's Chipata project area approximately 240 km north of the regional centre of Tete in northwestern Mozambique. A further tenement is in the process of being transferred to Zambezi's local subsidiary, Africa Austral Mineraçao Limitada (refer to section 2.4.1). At the time of writing, Zambezi's project tenements covered a total area of 592 km^2 which upon transfer of the outstanding tenement will increase to 850 km^2.

The project tenements represent an extension of the company's Chipata exploration concept to the south targeting gold mineralisation associated with Pan-African granitoids which have intruded schistose metasedimentary and mafic volcanic rocks of the Neoproterozoic Fingoe Group.

Gold and silver mineralisation has previously been encountered within drilling over the project tenements, however the results of these programmes are not known.

The Mozambique tenements will be evaluated by Zambezi as part of the regional targeting exercise to generate drill targets with the potential to significant tonnages of IOCG style copper-gold deposits.

6.6 OPINION

Based on its review of the available technical data, Snowden considers the Mwembeshi project to currently represent the most prospective of Zambezi's regional projects. Snowden notes that the project lies within a highly prospective geological setting where recent exploration has identified zones of anomalous silver, cobalt and bismuth mineralisation associated with disseminated and vein-style copper and gold mineralisation within a sheared metasedimentary and basement sequence. This sequence has been intruded by altered granitoid bodies. Snowden considers the Mwembeshi project to be a potential source of IOCG mineralisation. The project is also considered prospective for the discovery of low grade, structurally hosted uranium deposits.

The remaining projects have been the subject to varying levels of exploration to date which has mostly provided limited encouragement despite the presence of several small historic mining centres. Zambezi has not proposed a concerted work programme for these project areas other than an assessment of targets generated through an integrated regional review of its Lusaka East, Chipata and Mozambique tenements. Snowden recommends that the projects are subject to a rapid appraisal using Zambezi's geologically-driven approach to determine their resource potential and that surplus tenements are joint ventured, or if deemed to be unprospective are relinquished to reduce Zambezi's statutory holdings costs (i.e. rents and rates).

7. PROPOSED EXPLORATION PROGRAMME AND EXPENDITURE

Zambezi has proposed a staged programme of exploration for its Lusaka East and Chipata projects over a 2 year period following its listing on the ASX. Zambezi's programme going forward will focus on its strategic alliance with Glencore at the Cheowa and Chongwe Copperbelt JV projects. Under the terms of these joint venture agreements, Glencore have committed to spend US$16 million (minimum US$6.4 million) over two years.

The 2007 programme proposed by Zambezi comprises a 60,000 m targeted drilling campaign at the Cheowa copper-gold project and the Chalimbana copper project in order to delineate targets capable of containing between 200,000 t to 350,000 t of contained copper equivalent metal.

In addition, the company has proposed a further 30,000 m of drilling at its 100%-owned Kangaluwi/Chisawa area, which has the potential to host a copper deposit of comparable size or larger than the Cheowa mineralised system.

Going forward, Zambezi will focus on the critical assessment of the geology and historical exploration data to generate new exploration targets for subsequent follow-up assessment. Zambezi proposes to assess these targets through geological mapping, soil and rock chip geochemical sampling, geophysical surveying, interpretation of satellite and aeromagnetic imagery and RAB, RC

and diamond drilling. Potential targets include the Nkala and Mulofwe Dome uranium mineralisation within the Mulofwe project and the Mwomboshi area within the Mwembeshi project.

Zambezi also plans to:

- undertake further evaluation drilling at the advanced Chakwenga gold and Oryx uranium projects with a view to upgrading and expanding the currently defined mineralisation; and
- re-evaluate advanced targets such as historical gold workings and favourable structural-stratigraphic positions to define drill targets capable of hosting moderate to high-grade copper and/or gold resources. Zambezi plans to initially assess these targets through geological mapping, detailed geochemical and geophysical surveys, interpretation and modelling and RC drilling. Potential targets include the currently defined mineralisation at Mulofwe Dome and Chongwe Copperbelt within the Mulofwe project and the Mpande Dome within the Mpande project.

Snowden considers the work programme proposed by Zambezi to be well conceived and provides adequate consideration of the differing styles of mineralisation and maturity of the targets to be assessed. These work programmes have been designed to realise the potential of the project areas in a prudent and efficient manner. The exploration programmes currently planned by Zambezi total US$18.7 million in Year 1 and US$16.98 million in Year 2 following its listing on the ASX (Table 7.1).

Snowden notes that for budgeting purposes, Zambezi has divided its budget into funds provided by the Glencore JV (designated as "JV" in Table 7.1) and funds coming directly from Zambezi (designated as "Zambezi" in Table 7.1).

Should the minimum subscription of $10 million be achieved, then Zambezi will reduce its exploration spend by $2.5 million which will be distributed proportionally across all projects.

In Snowden's opinion, Zambezi's proposed expenditures are realistic in the context of the available working capital currently held by the company. It should be possible to gain a good appreciation of the economic potential of its key resource target areas at Cheowa, Chakwenga, Chisawa-Kangaluwi and Oryx in the 2 year period. Furthermore the budget proposed should permit a meaningful assessment of the potential of key targets identified within its regional projects of Mwembeshi, Mpande, Rufunsa, Chipata and Mozambique. Snowden cautions, however, that the proposed exploration programmes may change in Year 2 from that currently stated and will be dependent on the results from the Year 1 programme.

Table 7.1 Zambezi Resources Limited – Exploration Budget Summary (US$ M)

	Year 1 (US$ M)			Year 2 (US$ M)			Total
	JV	Zambezi	Total	JV	Zambezi	Total	(US$ M)
Cheowa JV	6.22	-	6.22	4.66	2.54	7.20	13.42
Chongwe Copperbelt JV	2.97	-	2.97	2.54	0.49	3.03	6.00
Zambezi project	0.80	5.16	5.96	0.11	4.89	5.00	10.96
Mulofwe project	-	1.11	1.11	-	1.00	1.00	2.11
Mwembeshi project	0.50	0.49	0.99	0.21	0.19	0.40	1.39
Mpande project	0.50	0.41	0.91	-	0.35	0.35	1.26
Rufunsa project	0.25	0.29	0.54	-	-	-	0.54
Chipata project	-	-	-	-	-	-	-
Mozambique projects	-	-	-	-	-	-	-
TOTAL	**11.24**	**7.46**	**18.70**	**7.52**	**9.46**	**16.98**	**35.68**

8. DECLARATIONS BY SNOWDEN MINING INDUSTRY CONSULTANTS PTY LTD

8.1 INDEPENDENCE

Snowden is an independent firm of consultants providing a comprehensive range of specialist technical and financial services to the mining industry in Australia and overseas, through offices in Perth, Brisbane, Johannesburg, Vancouver and London. Our corporate services include technical audits, project reviews, valuations, independent expert reports, project management plans and corporate advice.

This report has been prepared independently and in accordance with the Code of the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts Reports ('the VALMIN Code") and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code"). The authors do not hold any interest in Zambezi, its associated parties, or in any of the mineral properties which are the subject of this report. Fees for the preparation of this report are being charged at Snowden's standard rates, whilst expenses are being reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report.

8.2 QUALIFICATIONS

The principal personnel responsible for the preparation and review of this report are Mr Graham Greenway (Divisional Manger – Resource Evaluation), Mr Jeames McKibben (Divisional Manger – Corporate Services), Mr Ian Glacken (Group General Manager Resources) and Dr Philip Snowden (Executive Consultant) respectively.

Mr J A J McKibben (BSc (Hons), MBA, MAIG) has more than 13 years experience gained as an exploration geologist in Australia, Zambia and Morocco, and as a geologist/analyst with the government agency, Tasmania Development and Resources. Having completed his MBA at Macquarie University, Mr McKibben joined the Corporate Services Division at Snowden, where he is involved in independent technical reviews, audits and valuations of mining and exploration assets.

Mr G M Greenway (BSc (Hons), MGSSA, Pr.Sci.Nat., MSAIMM) is a geologist with more than 16 years experience in the African mining industry. His career included stints as a Mine Geologist in gold, tin, copper and uranium, as well as an Exploration Geologist working in the Bushveld Complex of South Africa and as a Resource Evaluation Geologist for Gold Fields Ltd, including projects ranging from West African Wits type multiple reef gold deposits, coal, porphyry copper-gold to massive sulphide base metal deposits. He also spent four years as Chief Geologist for the opencast Rössing Uranium mine in Namibia. Since joining Snowden in February 2003, Graham has consulted on projects in South Africa, Namibia, Brazil, Burkina Faso, Zambia, Guinea and Mali regarding resource evaluation, audits and technical reviews. His work in the last three years has included uranium, diamonds, kaolin, platinum group metals, chrome, gold, iron ore, tin, coal, tantalum pegmatites, zinc and nickel.

Mr I Glacken (BSc (Hons), MSc Mining Geology, MSc Geostatistics, FAusIMM, MAIG, MIMMM, MGAA, CEng, DIC, CPGeo) has 25 years experience in the mining industry, and worked with WMC Resources in senior mine geological and ore reserve positions at Kambalda, Olympic Dam, and in Perth, working and consulting on resource projects worldwide. Ian joined Snowden in March 1998 and has specialist skills which include project management, resource estimation, due diligence and auditing, conditional simulation, sampling theory and applications, and reconciliation studies.

Dr P A Snowden (BSc (Hons), PhD, FAusIMM) is a Principal and Founding Director of Snowden Mining Industry Consultants Pty Ltd and has been consulting internationally in the fields of exploration and mining geology since January 1988. His previous experience includes five years with Anglo American Corporation in South Africa specialising in structural geology, five years lecturing in the Geology Department at Rhodes University in South Africa and four years lecturing at the University of Zimbabwe. Phil specialises in technical reviews and independent audits, valuation of exploration and mining assets, structural geology and exploration and mining geology.

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10. GLOSSARY OF TECHNICAL TERMS

Abbreviations	oz – ounce, km – kilometre, m – metre, M – million, t – tonne, ha – hectare, bcm – bulk cubic metres, tpa – tonnes per annum, µm – microns.
Aeromagnetics	A geophysical technique utilised from an airborne craft.
Alteration	A change in mineralogical composition of a rock commonly brought about by reactions with hydrothermal solutions or by pressure changes.
Aircore drilling	An inexpensive drilling method whereby an annular bit is used to cut a thin core of relatively soft material (such as clay or saprolite) and is brought up to the surface up the centre of the drill rods via air pressure.
Amphibolite	A metamorphic rock composed predominantly of amphibole and plagioclase.
Andesite	A fine grained volcanic rock with phenocrysts of plagioclase and mafic minerals.
Anomalous	A departure from the expected norm. In mineral exploration this term is generally applied to either geochemical or geophysical values higher or lower than the norm.
Anticline	Applied to strata which dip in opposite directions from a common ridge or axis.
Archaean	The oldest rocks of the Earth's crust - older than 2 400 million years.

Arsenopyrite	An iron sulphide mineral containing arsenic.
Azurite	A copper carbonate mineral found in oxidised zone of copper deposits
Banded Iron Formation	A sedimentary rock that consists of repeated layers of iron oxide, silica and shale.
Basalt	A dark, fine-grained extrusive igneous rock composed of feldspar and iron and magnesium rich minerals.
Bedrock	Solid rock that underlies soil or other unconsolidated material.
Biotite	A dark coloured mica mineral.
Breccia	Fragmented rock with angular components.
Carbonaceous	Containing carbon or coal particles.
Carbonate	Common mineral type consisting of carbonates of calcium, iron, and/or magnesium.
Chalcopyrite	A copper iron sulphide mineral, the most important ore of copper.
Chemical symbols	Au – Gold, Ni – Nickel, Cu – Copper, Zn – Zinc, Co – Cobalt, Pb – Lead, W – Tungsten, As – Arsenic, Ag – Silver.
Chert	A hard, extremely fine grained sedimentary rock consisting almost entirely of interlocking quartz crystals, of which flint is a dark variety.
Clastic	Term to describe sedimentary rocks that consist of fragments of rock or other material that have been transported from their place of origin.
Colluvium	Loose soil or rock fragments accumulated by slow down-slope creep or rain-wash, as found at the base of slopes or hillsides.
Compression	Tectonic forces acting to reduce volume or shorten material.
Dacite	A medium grained felsic intrusive rock composed mostly of quartz and feldspar.
Dambo	Colloquial term for seasonally saturated wetlands associated with shallow depressions.
Diamond drilling	Method of obtaining a cylindrical core of rock by drilling with a diamond impregnated bit.
Differentiated	The process by which more than one rock type is derived from a parent magma.
Dilatant	Deformation characterised by an increase in volume while maintaining the overall shape
Dip	The angle at which rock stratum or structure is inclined from the Horizon.
Disseminated	Scattered particles (of gold, silver, copper etc) in the rock.
Dolerite	A medium grained basic intrusive rock composed mostly of pyroxenes and sodium-calcium feldspar.
Dyke	A tabular intrusion of igneous rock that cuts across the planar structure of the surrounding rock.
Extensional	The elongation or separation of material during a tectonic event, often perpendicular to the direction of maximum compressive stress.
Fault	A fracture in rocks along which rocks on one side have been moved relative to the rocks on the other.
Felsic	Light coloured rock containing an abundance of any of the following: feldspars, felspathoids and silica.
Footwall	The underlying side of a fault, ore body or mine workings.
Gabbro	A coarse grained intrusive rock, which is low in silica and has relatively high levels of magnesium minerals.
Geochemical exploration	Used in this report to describe a prospecting technique which measures the content of certain metals in soils and rocks and defines anomalies for further testing.
Geophysical exploration	The exploration of an area in which physical properties (e.g. resistivity, gravity, conductivity, magnetic properties) unique to the rocks in the area are quantitatively measured by one or more geophysical methods.

Gossan	The oxidised, near surface part of underlying primary sulphide minerals.
Grade	g/t - grams per tonne, ppb – parts per billion, ppm – parts per million, dwt – pennyweight.
Granite	A medium to coarse-grained felsic intrusive rock which contains 10-50% quartz.
Granodiorite	A coarse grained igneous rock containing quartz, plagioclase (sodium - calcium feldspar) and potassium feldspar, with biotite, hornblende or pyroxene.
Greenschist metamorphism	A low-grade, low temperature regional metamorphism that results in a mineral assemblage typically containing chlorite, epidote and/or actinolite.
Hangingwall	The overlying side of a fault, ore body or mine workings.
Hydrothermal	A term applied to magmatic emanations rich in water and to the alteration products and mineral deposits produced by them.
Igneous	A rock that has solidified from molten material or magma.
Intrusion/Intrusive	A body of igneous rock that invades older rocks.
Ironstone	An iron rich sedimentary rock either deposited directly as ferruginous sediment or resulting from chemical replacement.
Isoclinal fold	A fold whose limbs are parallel.
JORC	Joint Ore Reserves Committee (of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia).
Komatiite	An extrusive ultramafic rock.
Limb	The side of a fold.
Lineament	A linear feature of regional extent, generally recognisable in the topography; commonly detected by satellite imagery.
Lithology	A term pertaining to the general characteristics of rocks. It generally relates to descriptions based on hand sized specimens and outcrops rather than microscopic or chemical features.
Lode deposit	A vein or other tabular mineral deposit with distinct boundaries.
Mafic (composition)	Igneous rocks composed dominantly of iron and magnesium minerals.
Malachite	A copper carbonate mineral found in oxidised zone of copper deposits.
Metamict	A term used to describe a mineral which although possessing external crystal form fails to yield a normal X-ray diffraction pattern. This is usually as the result of radioactive bombardment from adjacent uranium or thorium bearing minerals.
Metamorphism (metamorphic rocks)	The process by which changes are brought about in earth's crust by the agencies of heat, pressure and chemically active fluids.
Metasediment	Metamorphosed sedimentary rock.
MgO	Magnesium oxide, often used as a measure of talc within mafic and ultramafic rocks.
Monzogranite	An intrusive igneous rock similar in composition to granite with minor quartz.
Mylonite	Chert-like rock with a streaky or banded structure produced by extreme granulation and shearing of rocks.
Oxide zone	Near surface material affected by weathering and leaching of minerals.
Paragneiss	A gneiss presumed to have been formed from an original sedimentary rock.
Pelitic	A metamorphosed fine grained sedimentary rock.
Peridotite	An ultramafic rock consisting predominantly of olivine with or without pyroxene
Plunge	The inclination of a linear geological structure from the Horizon.
Porphyry	An igneous rock that contains conspicuous crystals in a fine-grained matrix.
Primary	Un-oxidised.

Proterozoic	The Precambrian era after Archaean.
Psammitic	A metamorphosed sandstone.
Pyrite, pyrrhotite	A common pale bronze iron sulphide mineral.
Quartz	Mineral species composed of crystalline silica.
Radiometrics	Geophysical technique measuring emission from radioactive isotopes.
Regolith	The layer of unconsolidated rock material, of whatever origin, that underlies the surface and rests on bedrock.
Rotary Air Blast (RAB) drilling	An inexpensive method of drilling whereby the rock chip samples are recovered via the void between the drill rods and the surrounding rock which results in potential sample contamination.
Reverse Circulation (RC) drilling	A method of drilling whereby rock chips are recovered by air flow returning inside the drill rods rather than outside, thereby providing usually reliable samples.
Reverse fault	A fault on which the hanging wall appears to have moved upward in relation to the footwall.
Rock chip sample	A series of rock chips or fragments taken at regular intervals across a rock exposure.
Rotary Air Blast (RAB) drilling	Method of drilling in which the cuttings from the bit are carried to the surface by pressurised air returning outside the drill pipe. Most "RAB" drills are very mobile and designed for shallow, low-cost drilling of relatively soft rocks.
Saprolite	A weathered or decomposed, clay-rich rock.
Schist	Fine grained micaceous metamorphic rock with laminated fabric.
Sericite	A white, fine grained potassium mica.
Sedimentary rock	Rocks formed by deposition of particles carried by air, water or ice.
Shale	Fine-grained sedimentary rock with well defined bedding planes.
Shear zone	A generally linear zone of stress along which deformation has occurred by translation of one part of a rock body relative to another part.
Silicified	Alteration of a rock by introduction of silica.
Sinistral	A geological structure with a leftward offset.
Stockwork	A network of veins.
Stratigraphy	The study of formation, composition and correlation of sedimentary rocks.
Strike	The direction of bearing of a bed or layer of rock in the horizontal plane.
Sulphides	Minerals consisting of a chemical combination of sulphur with a metal.
Supergene	An enrichment or deposit formed by descending fluids in weathered rock.
Tectonic	Forces or movements resulting in the formation of structural features.
Thrust, thrust contact	An overriding movement of one crustal unit over another; the juxtaposition of two rock types caused by thrusting.
Tpd	Tonnes per day.
Ultramafic	An igneous rock comprised chiefly of mafic minerals.
Vergence	The direction of overturning or inclination of a fold.
Volcanics	Collective term for extrusive igneous rocks.
Volcaniclastic	Sediments comprising rock fragments derived by explosion or eruption from a volcanic vent.

Zambezi Resources Ltd

Section 6 INDEPENDENT ACCOUNTANT'S REPORT

Grant Thornton Western Australian Partnership
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Chartered Accountants, Business Advisers and Consultants

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PRIVATE & CONFIDENTIAL

The Board of Directors

Zambezi Resources Limited

Ground Floor, 17 Ord Street

WEST PERTH WA 6005

6 June 2007

Dear Sirs

INDEPENDENT ACCOUNTANT'S REPORT

1. INTRODUCTION

We have prepared this Independent Accountant's Report ("Report") at the request of the Directors of Zambezi Resources Limited ("Company") and its controlled entities herein referred to as the Company for inclusion in a Prospectus dated on or about 6 June 2007 relating to the placement of 33,333,333 ordinary shares at an issue price of 45 cents per share to raise $15,000,000 before capital raising costs ("Capital Raising"). The offer is not underwritten.

This Report covers the Historical Financial Information and Proforma Information set out in Section 7 of this Prospectus.

Expressions defined in the Prospectus have the same meaning in this report.

2. SCOPE

We have been requested to prepare an Independent Accountant's Report covering the following financial information:

- Historical Financial Information comprising the Consolidated Historical Balance Sheet as at 31 December 2006 and the Consolidated Historical Income Statement, Consolidated Historical Statement of Changes in Equity and the Consolidated Historical Cash Flow Statement for the period ended 31 December 2006 as set out in Section 7 of this Prospectus; and
- Proforma Financial Information comprising the Consolidated Proforma Balance Sheet as at 31 December 2006 which assumes completion of the following contemplated transactions as at that date as set out in Section 7 of this Prospectus:

Proforma $10 million minimum offer

- The issue of 22,222,222 ordinary shares at 45 cents per share through the Prospectus.
- The payment and recognition directly into equity of costs incurred by the company in relation to the capital raising estimated to be $642,257.
- Adjusted for the following significant transactions which have taken place since 31 December 2006:
  - The private placement of 21,649,050 shares at an issue price of 45 cents per share.

- The recognition directly into equity of costs incurred by the Company in relation to the capital raising estimated to be $298,519.
- Payment of advanced drilling costs of $256,410.
- Advanced $256,410 to Titeline Drilling.
- $2,122,500 in exploration and evaluation expenditure being capitalised.
- Net expenses incurred in the profit and loss of $1,525,000 being incurred.
- Minority interest movements of $102,500.
- Repayment of accounts payables of $1,275,000.

– Adjusted for the following:

- Translation of all transactions anticipated to be settled in British Pounds (£) as well as the 31 December 2006 Historical Balance Sheet at an exchange rate of £0.40:$1AUD to present the Proforma Balance Sheet in the Company's anticipated functional and presentation currency basis of Australian dollars.
- Reclassification of the Share Premium Account to the Issued Capital Account to conform with Australian Equivalents to International Financial Reporting Standards (AIFRS), under which shares have no par value.

Proforma $15 million offer

– The issue of 33,333,333 ordinary shares at 45 cents per share through the Prospectus.

– The payment and recognition directly into equity of costs incurred by the Company in relation to the capital raising estimated to be $892,257.

– Adjusted for the following significant transactions which have taken place since 31 December 2006:

- The private placement of 21,649,050 shares at an issue price of 45 cents per share.
- The recognition directly into equity of costs incurred by the Company in relation to the capital raising estimated to be $298,519.
- The private placement of 6,153,847 shares at an issue price of 40 cents per share.
- Payment of advanced drilling costs of $256,410.
- $2,122,500 in exploration and evaluation expenditure being capitalised.
- Net expenses incurred in the profit and loss of $1,525,000 being incurred.
- Minority interest movements of $102,500.
- Repayment of accounts payables of $1,275,000.

– Adjusted for the following:

- Translation of all transactions anticipated to be settled in British Pounds (£) as well as the 31 December 2006 Historical Balance Sheet at an exchange rate of £0.40:$1AUD to present the Proforma Balance Sheet in the Company's anticipated functional and presentation currency basis of Australian dollars.
- Reclassification of the Share Premium Account to the Issued Capital Account to conform with Australian Equivalents to International Financial Reporting Standards (AIFRS), under which shares have no par value.

The Historical and Proforma Financial Information set out in Section 7 of this Prospectus have been prepared in accordance with the measurement and recognition of Australian Accounting Standards except for the Proforma Financial Information, where the measurement standards of AASB 121, *The Effects of Changes in Foreign Exchange Rates ("AASB121")*, which specifically relates to the translation to a functional currency of Australian Dollars have not been applied. Not all of the annual financial statement disclosures requirements of Australian Accounting Standards or the Corporations Act 2001 have been provided.

The Historical Financial Information has been extracted from the audited records of the Company for the period ended 31 December 2006, which was audited by Grant Thornton Western Australian Partnership and on which an unqualified audit opinion was issued.

The Directors have prepared and are responsible for the historical and proforma financial information. We disclaim any responsibility for any reliance on this report or the financial information to which it relates for any purposes other than that for which it was prepared. This report should be read in conjunction with the full prospectus.

REVIEW OF HISTORICAL FINANCIAL INFORMATION

We have conducted a review of the Historical Financial Information in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that the Historical Financial Information is not presented fairly in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of Applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

Our review has been conducted in accordance with Australian Accounting Standards applicable to review engagements and has been limited to reading of relevant Board minutes, inquiries of management personnel, analytical procedures applied to the financial data and certain limited verification procedures. The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and accordingly we do not express an audit opinion on this Historical Financial Information.

REVIEW OF PROFORMA BALANCE SHEET

We have conducted a review of the Proforma Financial Information in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that the Proforma Financial Information has not been prepared in accordance with the basis of preparation set out in Section 7 of this Prospectus and is not in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of Applicable Accounting Standards and other mandatory professional reporting requirements in Australia except for the measurement standards of AASB 121, which specifically relates to the translation of the Proforma Balance Sheet to a functional currency of Australian Dollars, as if the Proforma transactions set out above had occurred at 31 December 2006.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements and has been limited to the reading of relevant Board minutes, inquiries of management personnel, analytical procedures applied to the financial data and certain limited verification procedures. We have also determined whether the Proforma transactions form a reasonable basis for the preparation of the Proforma Balance Sheet. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and accordingly, we do not express an opinion on the Proforma Balance Sheet.

3. REVIEW STATEMENTS

HISTORICAL FINANCIAL INFORMATION

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the Consolidated Historical Financial Information of the Company set out in Section 7 of this Prospectus is not prepared in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of Applicable Accounting Standards and other mandatory professional reporting requirements, to present, the Consolidated Historical Financial Position of the Company as at 31 December 2006 and its performance as represented by the Consolidated Historical Results of its Operations and its Consolidated Historical Cash Flows for the period ended 31 December 2006.

PROFORMA BALANCE SHEET

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the Proforma financial information as set out in Section 7 of this report:

a) Has not been prepared in accordance with the basis of preparation as set out in Section 7 of this Prospectus; and

b) Is not applying the measurement and recognition requirements (but not all of the disclosure requirements) of Applicable Accounting Standards and other mandatory professional reporting requirements in Australia, except for the measurement

standards of AASB 121, which specifically relates to the translation of the Proforma Balance Sheet to a functional currency of Australian Dollars, as if the Proforma transactions set out in Section 7 had occurred at that date.

4. SUBSEQUENT EVENTS

Since 31 December 2006 and to the date of this report the Company has incurred costs associated with the production of this Prospectus and managing of the Company's assets.

Apart from the matters dealt with in this report and having regard to the scope of our Report, to the best of our knowledge and belief there have been no material transactions or events outside the ordinary business of the Company subsequent to 31 December 2006 which have come to our attention and require comment on or adjustment to the information referred to in our Report or that would cause such information to be misleading or deceptive.

5. INDEPENDENCE AND DISCLOSURE OF INTEREST

Grant Thornton does not have any interest in the outcome of this issue other than for the preparation of this report and for acting as auditors of the Company for which normal professional fees will be received.

The Company has agreed to indemnify and hold harmless Grant Thornton and its employees from any claims arising out of misstatements or omission in any material or information supplied by the Company.

Consent to the inclusion of the Independent Accountant's Report in the Prospectus in the form and context in which it appears, has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully

GRANT THORNTON WESTERN AUSTRALIAN PARTNERSHIP

SEAN MCGURK

Partner

Section 7 FINANCIAL INFORMATION

OVERVIEW

This Section contains historical information, provided on both an actual and pro-forma basis for Zambezi Resources Limited and its controlled entities (the Group).

The historical financial information comprises :

- the consolidated Income Statement for the period from 1 April 2006 to 31 December 2006;
- the consolidated Balance Sheet as at 31 December 2006;
- the consolidated Cashflow Statement for the period from 1 April 2006 to 31 December 2006;
- the consolidated Statement of Changes in Equity for the period from 1 April 2006 to 31 December 2006; and
- the notes to the historical and pro-forma information.

The pro- forma financial information comprises:

- the consolidated Balance Sheets of the Group proposed on the basis that the pro-forma transactions set out in the notes have occurred; and
- the notes to the historical and pro-forma information.

7.1 CONSOLIDATED HISTORICAL INCOME STATEMENT PERIOD FROM 1 APRIL 2006 TO 31 DECEMBER 2006

	£
Operating income	86,264
Total income	86,264
Expenses	(1,653,279)
Operating loss	(1,567,015)
Income tax expense	0
Loss after taxation for the financial year	(1,567,015)
Loss attributable to minority equity interest	151,429
Loss attributable to members of the Group	(1,415,586)

7.2 BALANCE SHEET

	Note	Historical Consolidated As at 31 Dec 2006 £	Proforma Consolidated Minimum Subscription As at 31 Dec 2006 $	Proforma Consolidated $15.0 M offer As at 31 Dec 2006 $
Current Assets				
Trade & other receivables		223,749	815,783	815,783
Prepayments		111,156	277,890	277,890
Cash	7.5.2	2,806,805	23,139,401	27,889,400
Total Current Assets		**3,141,710**	**24,233,074**	**28,983,073**
Non Current Assets				
Property, plant and equipment		205,849	514,623	514,623
Mineral Interests		6,699,340	18,870,850	18,870,850
Total Non Current Assets		**6,905,189**	**19,385,473**	**19,385,473**
Total Assets		**10,046,899**	**43,618,547**	**48,368,546**
Current Liabilities				
Trade and other payables		878,547	921,368	921,368
Borrowings		3,593	8,983	8,983
Provisions		50,140	125,350	125,350
Total Current Liabilities		**932,280**	**1,055,701**	**1,055,701**
Non Current Liabilities				
Borrowings		10,530	26,325	26,325
Total Non Current Liabilities		**10,530**	**26,325**	**26,325**
Total Liabilities		**942,810**	**1,082,026**	**1,082,026**
Equity				
Issued capital	7.5.3	1,238,690	50,115,510	54,865,510
Share premium reserve	7.5.3	10,286,995	0	0
Reserves		107,678	269,195	269,195
Accumulated loss		(3,694,071)	(10,657,678)	(10,657,678)
Parent interest		**7,939,292**	**39,727,028**	**44,477,027**
Minority interest		**1,164,797**	**2,809,493**	**2,809,493**
Total equity and liabilities		**10,046,899**	**43,618,547**	**48,368,546**

7.3 CONSOLIDATED HISTORICAL CASH FLOW STATEMENT

	Note	Period from 1 April 2006 to 31 Dec 2006 £
Operating activities		
Payments to suppliers and employees		(1,566,994)
Interest received		86,264
Cash (outflows) from operating activities		**(1,480,730)**
Investing activities		
Payments for mineral properties		(2,838,885)
Purchase of property, plant and equipment		(84,632)
Proceeds from sale of property, plant and equipment		5,215
Cash (outflows) from investing activities		**(2,918,302)**
Financing activities		
Net cash generated from financing activities		4,018,090
Cash inflows from financing activities		**4,018,090**
Net (decrease) in cash and cash equivalents		**(380,942)**
Cash at the beginning of the period		3,187,747
Cash at the end of the period	**7.5.2**	**2,806,805**

7.4 CONSOLIDATED HISTORICAL STATEMENT OF CHANGES IN EQUITY

	Note	Period from 1 April 2006 to 31 Dec 2006 £
Issued Capital		
Opening balance		945,833
Issued during the period		292,857
Closing Balance		**1,238,690**
Share Premium Reserve		
Opening balance		6,585,788
Premium on Shares		3,807,143
Less capital raising costs		(105,936)
Closing Balance		**10,286,995**
Options & Warrants Reserve		
Opening balance		354,759
Movement during the period		70,618
Closing Balance		**425,377**
Accumulated Losses		
Opening balance		(2,278,485)
Loss for the period		(1,415,586)
Closing Balance		**(3,694,071)**
Translation Reserve		
Opening balance		(4,583)
(Loss) for the period		(359,216)
Closing Balance		**(363,799)**
Dilution Reserve		
Opening balance		22,147
Dilution on the shareholdings		23,953
Closing Balance		**46,100**
Total Parent Interest		**7,939,292**
Minority Interest		
Opening balance		1,164,627
Changes in minority interest		170
Closing Balance		**1,164,797**
Total Equity		**9,104,08**

7.5 NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL INFORMATION

7.5.1 Statement of Significant Accounting Policies

(a) Bases of preparation of financial information

The financial information has been prepared in accordance with the measurement but not all of the disclosure requirements of Australian Accounting Standards and other mandatory professional reporting requirements in Australia except for the measurement standards of AASB 121, *The Effects of Changes in Foreign Exchange Rates ("AASB121")*, which specifically relates to the translation of the Proforma Balance Sheet to a functional currency of Australian Dollars. In the view of the Directors of Zambezi Resources Limited (the "Company"), the omitted disclosures would provide no further relevant information to potential investors.

The proforma financial information includes proforma balance sheets assuming the capital raising had taken place at 31 December 2006. Separate proforma balance sheets have been prepared on the basis of the capital raising being fully subscribed and on the basis that the minimum subscription level is achieved.

(b) Principles of Consolidation

A controlled entity is any entity Zambezi Resources Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/ excluded from the date control was obtained or until the date of control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(c) Income Tax

The charge for current income tax expenses is based on the profit for the period adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful live of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold Improvements	50%
Computers & Office Equipment	33.33%
Office Furniture	33.33%
Motor Vehicles	33.33%
Plant & Equipment	33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the lease property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(g) Financial Instruments

Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising form changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the economic entity assesses whether there is objective evidence that a financial instrument has been impaired. In case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

(h) Impairment of Assets

At each reporting date, the economic entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and tangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated historical financial statements are presented in Pounds Sterling which is the parent entity's functional and presentation currency. The Proforma financial statements are presented in Australian Dollars which is the parent entity's anticipated functional and presentation currency post IPO.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-ending exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the transition of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- The historical and proforma consolidated financial statement assets and liabilities are translated at period-ending exchange rates prevailing at that reporting date;
- The historical consolidated financial statement income and expenses are translated at average exchange rates for the period; and
- The proforma consolidated financial statement income and expenses are translated at £0.40:$1AUD exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction for the historical consolidated financial statements and at the rate of £0.40:$1AUD for the proforma consolidated financial statements.

(j) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(k) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(l) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(m) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services.

(n) Share-based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of the Black Scholes model.

The fair value determined at the grant date of the equity-settled share-based payments is expenses on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

7.5.2 Cash

	Historical Consolidated As at 31 Dec 2006 £	Proforma Consolidated Minimum Subscription As at 31 Dec 2006 $	Proforma Consolidated $15 M Offer As at 31 Dec 2006 $
Cash	**2,806,805**	**23,139,401**	**27,889,400**

7.5.3 Reconciliation of Issued Capital

	Historical Consolidated As at 31 Dec 2006			Proforma Consolidated Minimum Subscription As at 31 Dec 2006		
		Issued Capital	Share Premium		Issued Capital	Share Premium
	# Issued	£	£	# Issued	$	$
At 1 April 2006	94,583,334	945,833	6,585,788	94,583,334	2,364,582	16,464,470
Capital Raising at £0.14 / $0.34 share	15,000,000	150,000	1,950,000	15,000,000	375,000	4,875,000
Share issue costs	-	-	(105,936)	-	-	(264,840)
Capital Raising at £0.14 / $0.34 share	14,285,715	142,857	1,857,143	14,285,715	357,143	4,642,858
	123,869,049	**1,238,690**	**10,286,995**	**123,869,049**	**3,096,725**	**25,717,488**
Capital Raising at £0.18 / $0.45 share	21,649,050	216,490	3,680,339	21,649,050	9,742,073	-
Share issue costs	-	(119,407)	-	-	(298,519)	-
Capital Raising at £0.16 / $0.40 share	6,153,847	61,538	938,462	6,153,847	2,500,000	-
IPO Raising at $0.45 per share	-	-	-	22,222,222	10,000,000	-
Share Issue costs	-	-	-	-	(642,257)	-
Reclassification required under AIFRS	-	-	-	-	25,717,488	(25,717,488)
	151,671,946	**1,397,311**	**14,905,796**	**173,894,168**	**50,115,510**	**-**

7.5.4 Reconciliation of Options

				Proforma Consolidated Minimum Subscription As at 31 Dec 2006	Proforma Consolidated $15 M Offer As at 31 Dec 2006
			Historical Consolidated As at 31 Dec 2006		
			£	$	$
Options outstanding at 1 April 2006	4,510,000	4,510,000	4,510,000		
Granted during the period to 31 Dec 2006	1,240,000	1,240,000	1,240,000		
Options outstanding and exercisable	**5,750,000**	**5,750,000**	**5,750,000**		

7.5.5 Basis on which the Proforma Balance Sheet has been prepared

The Proforma Balance Sheet of the Company following the capital raising have been prepared for illustrative purposes only to show the effect of the transactions set out below.

The Proforma Balance Sheet, because of its nature, may not give a true picture of the financial position of the Company. It is based on the historical financial statements as contained in this prospectus and adjusted for the transactions as described below:

Proforma Consolidated $15 M Offer As at 31 Dec 2006		
	Issued Capital	Share Premium
# Issued	$	$
94,583,334	2,364,582	16,464,470
15,000,000	375,000	4,875,000
-	-	(264,840)
14,285,715	357,143	4,642,858
123,869,049	**3,096,725**	**25,717,488**
21,649,050	9,742,073	-
-	(298,519)	-
6,153,847	2,500,000	-
33,333,333	15,000,000	-
-	(892,257)	-
-	25,717,488	(25,717,488)
185,005,279	**54,865,510**	**-**

a) Proforma $15 million offer

BALANCE SHEET

	Note	Historical Consolidated As at 31 Dec 2006 £	Translation to Australian Dollars*	Consolidated Proforma Adjustments* $	Proforma Consolidated As at 31 Dec 2006 $
Current Assets					
Trade & other receivables	c	223,749	559,373	256,410	815,783
Prepayments		111,156	277,890	-	277,890
Cash	a	2,806,805	7,017,013	20,872,387	27,889,400
Total Current Assets		**3,141,710**	**7,854,276**	**21,128,797**	**28,983,073**
Non Current Assets					
Property, plant and equipment		205,849	514,623	-	514,623
Mineral Interests	d	6,699,340	16,748,350	2,122,500	18,870,850
Total Non Current Assets		**6,905,189**	**17,262,973**	**2,122,500**	**19,385,473**
Total Assets		**10,046,899**	**25,117,249**	**23,251,297**	**48,368,546**
Current Liabilities					
Trade and other payables	e	878,547	2,196,368	(1,275,000)	921,368
Borrowings		3,593	8,983	-	8,983
Provisions		50,140	125,350	-	125,350
Total Current Liabilities		**932,280**	**2,330,701**	**(1,275,000)**	**1,055,701**
Non Current Liabilities					
Borrowings		10,530	26,325	-	26,325
Total Non Current Liabilities		**10,530**	**26,325**	**-**	**26,325**
Total Liabilities		**942,810**	**2,357,026**	**(1,275,000)**	**1,082,026**
Equity					
Issued capital	b	1,238,690	3,096,725	51,768,785	54,865,510
Share premium reserve	f	10,286,995	25,717,488	(25,717,488)	0
Reserves		107,678	269,195	-	269,195
Accumulated loss	g	(3,694,071)	(9,235,178)	(1,422,500)	(10,657,678)
Parent interest		**7,939,292**	**19,848,230**	**24,628,797**	**44,477,027**
Minority interest	h	**1,164,797**	**2,911,993**	**(102,500)**	**2,809,493**
Total equity and liabilities		**10,046,899**	**25,117,249**	**23,251,297**	**48,368,546**

*The Consolidated Proforma adjustments and the Historical Consolidated Information as at 31 December 2006 have been translated from British Pounds to Australian Dollars using an exchange rate of £0.40: $1AUD

The Proforma Balance Sheet has been prepared as if the following transactions had taken place as at 31 December 2006:

- The issue of 33,333,333 ordinary shares at 45 cents per share
- The payment and recognition directly into equity of costs incurred by the company in relation to the capital raising estimated to be $892,257
- The private placement of 21,649,050 shares at 45 cents per share
- The recognition directly into equity of costs incurred by the company in relation to the capital raising estimated to be $298,519.
- The private placement of 6,153,847 shares at 40 cents per share
- Payment of advanced drilling costs of $256,410.
- $2,122,500 in exploration and evaluation expenditure being capitalised
- Net expenses incurred in the profit and loss of $1,525,000 being incurred.
- Minority interest movements of $102,500.
- Repayment of accounts payables of $1,275,000.
- Reclassification of the Share Premium Account to Issued Capital to conform with AIFRS, under which shares have no par value.

Except for the matters described above, no adjustments have been made for events or transactions that have taken place since 31 December 2006.

a) Reconciliation of adjustments to Cash

	$
Balance as at 31 December 2006	7,017,013
Proceeds from Share Issue (33,333,333 shares)	15,000,000
Share issuance costs	(892,257)
Proceeds from Share Issue (21,649,050 shares)	9,742,073
Share issuance costs	(298,519)
Proceeds from Share Issue (6,153,847 shares)	2,500,000
Drilling Advance	(256,410)
Capitalized exploration and evaluation assets	(2,122,500)
Net expenses incurred	(1,525,000)
Repayment of 31 December 2006 accounts payable	(1,275,000)
Proforma cash balance as at 31 December 2006	**27,889,400**

b) Reconciliation of Issued Capital

	$
Balance as at 31 December 2006	3,096,725
Proceeds from Share Issue (33,333,333 shares)	15,000,000
Share issuance costs	(892,257)
Proceeds from Share Issue (21,649,050 shares)	9,742,073
Share issuance costs	(298,519)
Proceeds from Share Issue (6,153,847 shares)	2,500,000
Reclassification of share premium account to issued capital	25,717,488
Proforma Issued Capital as at 31 December 2006	**54,865,510**

c) Reconciliation of Trade and other receivables

	$
Balance as at 31 December 2006	559,373
Drilling Advance	256,410
Proforma Trade and other receivables at 31 December 2006	**815,783**

d) Reconciliation of Mineral Interests

	$
Balance as at 31 December 2006	16,748,350
Capitalized exploration and evaluation assets	2,122,500
Proforma Mineral Interests at 31 December 2006	**18,870,850**

e) Reconciliation of Trade and other payables

	$
Balance as at 31 December 2006	2,196,368
Repayment of 31 December 2006 accounts payable	(1,275,000)
Proforma Trade and other payables at 31 December 2006	**921,368**

f) Reconciliation of Share premium reserve

	$
Balance as at 31 December 2006	25,717,488
Reclassification of share premium account to issued capital account	(25,717,488)
Proforma Share premium reserve at 31 December 2006	**0**

g) Reconciliation of Accumulated loss

	$
Balance as at 31 December 2006	(9,235,178)
Net expenses incurred	(1,422,500)
Proforma Accumulated loss at 31 December 2006	**(10,657,678)**

h) Reconciliation of Minority Interest

	$
Balance as at 31 December 2006	2,911,993
Minority interest movement	(102,500)
Proforma Minority Interest at 31 December 2006	**2,809,493**

b) Proforma $10 million offer

BALANCE SHEET

	Note	Historical Consolidated As at 31 Dec 2006 £	Translation to Australian Dollars*	Consolidated Proforma Adjustments* $	Proforma Consolidated As at 31 Dec 2006 $
Current Assets					
Trade & other receivables	c	223,749	559,373	256,410	815,783
Prepayments		111,156	277,890	-	277,890
Cash and cash equivalents	a	2,806,805	7,017,013	16,122,388	23,139,401
Total Current Assets		**3,141,710**	**7,854,276**	**16,378,798**	**24,233,074**
Non Current Assets					
Property, plant and equipment		205,849	514,623	-	514,623
Mineral Interests	d	6,699,340	16,748,350	2,122,500	18,870,850
Total Non Current Assets		**6,905,189**	**17,262,973**	**2,122,500**	**19,385,473**
Total Assets		**10,046,899**	**25,117,249**	**18,501,298**	**43,618,547**
Current Liabilities					
Trade and other payables	e	878,547	2,196,368	(1,275,000)	921,368
Borrowings		3,593	8,983	-	8,983
Provisions		50,140	125,350	-	125,350
Total Current Liabilities		**932,280**	**2,330,701**	**(1,275,000)**	**1,055,701**
Non Current Liabilities					
Borrowings		10,530	26,325	-	26,325
Total Non Current Liabilities		**10,530**	**26,325**	**-**	**26,325**
Total Liabilities		**942,810**	**2,357,026**	**(1,275,000)**	**1,082,026**
Equity					
Issued capital	b	1,238,690	3,096,725	47,018,785	50,115,510
Share premium reserve	f	10,286,995	25,717,488	(25,717,488)	0
Reserves		107,678	269,195	-	269,195
Accumulated loss	g	(3,694,071)	(9,235,178)	(1,422,501)	(10,657,678)
Parent interest		**7,939,292**	**19,848,230**	**19,878,797**	**39,727,027**
Minority interest	h	**1,164,797**	**2,911,993**	**(102,500)**	**2,809,493**
Total equity and liabilities		**10,046,899**	**25,117,249**	**18,501,298**	**43,618,546**

* The Consolidated Proforma adjustments and the Historical Consolidated Information as at 31 December 2006 have been translated from British Pounds to Australian Dollars using an exchange rate of £0.40: $1AUD

The Proforma Balance Sheet has been prepared as if the following transactions had taken place as at 31 December 2006:

- The issue of 22,222,222 ordinary shares at 45 cents per share
- The payment and recognition directly into equity of costs incurred by the company in relation to the capital raising estimated to be $642,257
- The private placement of 21,649,050 shares at 45 cents per share
- The recognition directly into equity of costs incurred by the company in relation to the capital raising estimated to be $298,519.
- The private placement of 6,153,847 shares at 40 cents per share
- Payment of advanced drilling costs of $256,410.
- $2,122,500 in exploration and evaluation expenditure being capitalised
- Net expenses incurred in the profit and loss of $1,525,000 being incurred.
- Minority interest movements of $102,500.
- Repayment of accounts payables of $1,275,000.
- Reclassification of the Share Premium Account to Issued Capital to conform with AIFRS, under which shares have no par value.

Except for the matters described above, no adjustments have been made for events or transactions that have taken place since 31 December 2006.

a) Reconciliation of adjustments to Cash

	$
Balance as at 31 December 2006	7,017,013
Proceeds from Share Issue (22,222,222 shares)	10,000,000
Share issuance costs	(642,257)
Proceeds from Share Issue (21,649,050 shares)	9,742,073
Share issuance costs	(298,519)
Proceeds from Share Issue (6,153,847 shares)	2,500,000
Drilling Advance	(256,410)
Capitalized exploration and evaluation assets	(2,122,500)
Net expenses incurred	(1,525,000)
Repayment of 31 December 2006 accounts payable	(1,275,000)
Proforma cash balance as at 31 December 2006	**23,139,400**

b) Reconciliation of Issued capital

	$
Balance as at 31 December 2006	3,096,725
Proceeds from Share Issue (22,222,222 shares)	10,000,000
Share issuance costs	(642,257)
Proceeds from Share Issue (21,649,050 shares)	9,742,073
Share issuance costs	(298,519)
Proceeds from Share Issue (6,153,847 shares)	2,500,000
Reclassification of share premium account to issued capital account	25,717,488
Proforma Issued Capital as at 31 December 2006	**50,115,510**

c) Reconciliation of Trade and other receivables

	$
Balance as at 31 December 2006	559,373
Titeline Drilling Advance	256,410
Proforma Trade and other receivables at 31 December 2006	**815,783**

d) Reconciliation of Mineral Interests

	$
Balance as at 31 December 2006	16,748,350
Capitalized exploration and evaluation assets	2,122,500
Proforma Mineral Interests at 31 December 2006	**18,870,850**

e) Reconciliation of Trade and other payables

	$
Balance as at 31 December 2006	2,196,368
Repayment of 31 December 2006 accounts payable	(1,275,000)
Proforma Trade and other payables at 31 December 2006	**921,368**

f) Reconciliation of Share premium reserve

	$
Balance as at 31 December 2006	25,717,488
Reclassification of share premium account to issued capital account	(25,717,488)
Proforma Share premium reserve at 31 December 2006	**0**

g) Reconciliation of Accumulated loss

	$
Balance as at 31 December 2006	(9,235,178)
Net expenses incurred	(1,422,500)
Proforma Accumulated loss at 31 December 2006	**(10,657,678)**

h) Reconciliation of Minority Interest

	$
Balance as at 31 December 2006	2,911,993
Net Expenses	(102,500)
Proforma Minority Interest at 31 December 2006	**2,809,493**

7.5.6 Subsequent Events

Since 31 December 2006 and to the date pf this report the Company has incurred costs associated with the production of this Prospectus and managing of the Company's assets.

On 21 May 2007, the Company entered into a Heads of Agreement with Zambezi Nickel Ltd (ZNI) to enter into a Joint Venture under which ZNI can earn an equity interest in the Company's subsidiaries controlling uranium rights over four Zambian Prospecting Licenses.

Section 8 RISK FACTORS

8.1 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.

8.2 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 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 are endeavours which may be hampered by mining, heritage, community and environmental legislation, industrial disputes, cost overruns, land claims and compensation, and other unforeseen events.

The success of the Company also depends on the delineation of economically mineable 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 attract adequately resourced 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.

As stated elsewhere in this Prospectus, the Company is party to two joint venture agreements with Glencore. The Company's budget plans are based on the assumption that Glencore makes the full contributions to the joint venture as set out in the joint venture agreements and if Glencore does not continue with the joint venture, the Company will need to find other joint venture partners to fund the budgeted expenditure.

(f) Environmental Risk

The Company's Zambezi tenement, which contains the Chakwenga gold prospect and part of the Cheowa-Neningombwe prospect, and the Kangaluwi-Chisawa copper project, 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. Zambezi 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 and some of the named experts referred to in this document are not residents 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 on those persons 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 the 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.

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 to 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 fifteen Small Scale Mining Leases ("SML") and one Prospecting Licence within the Zambezi tenement portfolio. Eight of the SML's are subject to Memoranda of Understanding between the holders and Mwembeshi Resources Limited (Zambezi's Zambian subsidiary, "Mwembeshi") , and on two others, Mwembeshi is in the process of entering Memoranda of Understanding with the holders. Three of the SML's and the Prospecting Licence were in place prior to the grant of Mwembeshi's tenements. Mwembeshi has raised objections to the granting of two further SML's and awaits the outcome of this process. 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) Company Tax Status

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

8.3 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 Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares in the Company.

Section 9 ADDITIONAL INFORMATION

9.1 Corporate Information

The Company was incorporated in Bermuda on 29 March 2004 under the Bermuda Companies Act as an exempted company limited by shares with registered number 35116.

The liability of the members of the Company is limited.

Zambezi is an "exempted company" under the Bermuda Companies Act. As an "exempted company", Zambezi is authorised to carry on business outside Bermuda from a place of business in Bermuda but may not, without a specific licence granted by the Minister of Finance, or in certain circumstances permitted by the Bermuda Companies Act, conduct business within Bermuda. Zambezi is therefore permitted to establish a place of business in Bermuda to conduct business outside Bermuda.

Zambezi has been classified as non-resident of Bermuda for exchange control purposes by the BMA (Foreign Exchange). As such, Zambezi may deal in and convert currency (other than Bermuda currency) held for its account to any other currency without restriction.

The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company is the holding company of the Group. The Company currently has interests in the following subsidiaries:

Controlled Entity	Country of incorporation	% interest
Mwembeshi Resources (Bermuda) Limited	Bermuda	100
Mwembeshi Resources Limited	Zambia	100
Zambezi Resources (Australia) Pty Ltd	Australia	100
Cape Resources Limited	Bermuda	100
Southern African Resources Limited	Bermuda	100
Africa Austral Mocambique Limitada	Mozambique	100
Cheowa Resources Limited	Zambia	100
Chalimbana Resources Limited	Zambia	100
Zambezi Nickel Limited	Bermuda	35.3
MR Nickel (Bermuda) Limited	Bermuda	35.3
MR Nickel Limited	Zambia	35.3
Zambezi Niquel Mocambique Limitada	Mozambique	35.3

The current Bye-Laws of the Company were adopted on 10 May 2004 and amended 3 April 2007 for purposes of making an application to list on the ASX.

9.2 Foreign Company Registration in Australia

On 13 April 2007 the Company registered as a foreign company in Australia pursuant to the provisions of the Corporations Act. As part of this process, the Company has appointed Lloyd Flint to act as its local agent.

9.3 Company Tax Status and Financial Year

The Company is registered and domiciled in Bermuda and has a 31 March financial year end.

Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

9.4 Taxation Implications

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in Zambezi are urged to take independent financial advice about the taxation and any other consequences of acquiring and selling the above securities.

To the maximum extent permitted by law, the Company, its offices and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

9.5 Legal Proceedings

The Directors are not aware of any litigation of a material nature pending or threatened which may significantly affect the Company.

9.6 Material Contracts

Set out below is a brief summary of certain contracts which have been entered into by the Company and which have also been identified as material and relevant to potential investors. To fully understand all rights and obligations of a material contract it would be necessary to review each contract in full and these summaries should be read in that light.

(a) Joint venture with Glencore International AG – Cheowa

By Agreement dated 9 February 2007 between Mwembeshi, Glencore International, Zambezi and Glencore International's wholly owned subsidiary, Coexco Zambia Limited ("**Glencore**") ("**Cheowa JV Agreement**"), Glencore can earn 51% interest in certain parts of Prospecting Licences 196 and 214 and all successor tenements issued replacing or superseding those prospecting licences that relate to all or part of the same area.

The Cheowa JV Agreement provides that Mwembeshi shall be the manager of the joint venture until Glencore obtains a 51% interest in the joint venture, after which Glencore will become the manager and continue as manager while it holds a joint venture interest of at least 51%.

Glencore can earn its 51% interest in the joint venture by spending US$10 million on exploration during the earning period, but if it fails to make that contribution when called to do so by Mwembeshi, it will be deemed to have elected to withdraw from the joint venture.

Following completion of the earning period each participant must elect whether it wishes to participate in funding the bankable feasibility study. If a participant ("**Diluting Participant**") gives notice to the manager electing not to participate in funding then the Diluting Participant shall not be obliged or entitled to make any contribution to any programme and budget up until the completion of the bankable feasibility study and its joint venture interest shall dilute on the basis detailed below. Once a participant has commenced to be a diluting participant it will continue to dilute until the completion of the bankable feasibility study.

The contributing participant will be the "**Sole Funding Participant**". For each US$1 million of sole funding applied to the bankable feasibility study the joint venture interest of the Sole Funding Participant will increase by 2% and the joint venture interest of the Diluting Participant will decrease by the same amount, subject to the following principles:

(a) if the bankable feasibility study is completed at a cost of less than US$10 million, then:

  (i) if Glencore is the Sole Funding Participant, then its joint venture interest will increase to 70%; or

  (ii) if Mwembeshi is the Sole Funding Participant, then Mwembeshi's joint venture interest will increase to 70% and Mwembeshi will assume management of the Cheowa project if it is not already manager;

(b) if the bankable feasibility study is completed at a cost that is more than US$10 million, then:

  (i) if Glencore is the Sole Funding Participant, the maximum joint venture interest that it can earn by the sole funding is an additional 34% (that is, the maximum joint venture interest that Glencore will be entitled to is 85%); or

  (ii) if Mwembeshi is the Sole Funding Participant, then there is no limit on the joint venture interest that it can earn by sole funding; and

(c) if, after Glencore becomes manager, it proposes a bankable feasibility study with a timetable for completion exceeding 2 years and which does not contemplate expenditure of at least US$10 million, then, unless otherwise agreed by the participants, Mwembeshi will become the manager.

Glencore will only be required to contribute to the joint venture expenditure after the manager has utilised £1 million (one million) from the funds provided by Glencore International when it subscribed for shares in Zambezi, on exploration of the joint venture area.

In the event of the cost of the pre-feasibility study exceeding US$10 million, the funding of the cost in excess of US$10 million will be borne by the participants in proportion to their respective joint venture interests.

Each participant shall form the operating committee which is empowered to make all decisions in relation to matters within the scope of the joint venture. In this regard each participant shall be entitled to appoint two representatives who shall, at any meeting of the operating committee, have that number of votes equal to the joint venture interest of the participant by whom the representative was appointed.

Upon completion of a bankable feasibility study, the operating committee may resolve to commence mining operations in respect of all or part of the joint venture area.

If a participant does not wish to participate in the proposed mining operations, that participant must transfer its joint venture interest in respect of the production area to the continuing participant and in return the transferring participant will be entitled to receive a 3% net smelter royalty in respect of that production area.

If a resolution is made to commence mining operations and neither participant wishes to participate in the proposed mining operation, then the participants must consider in good faith whether it is advantageous to develop the mining operation by way of an incorporated joint venture.

If it is advantageous to proceed by way of an incorporated joint venture, the joint venture property will be transferred to a special purpose company formed for the purpose of developing and operating the mining operation, and the shareholders will enter into a shareholders' agreement, to supersede and replace the Cheowa JV Agreement.

Any participant may assign all or any of its joint venture interest to an affiliate without the other participants' consent, but, unless otherwise agreed by the other participants, the assigning participant will at all times guarantee the due performance of its affiliate. If the assignee ceases to be an affiliate, it must assign the joint venture interest back to the assigning participant.

Either participant may assign all or part of its joint venture interest to a third party provided it first complies with the pre-emptive right procedure specified in the Cheowa JV Agreement.

Any participant may by giving notice withdraw from the joint venture. Glencore is only entitled to withdraw after it has contributed US$4 million to the joint venture expenditure. Upon such a withdrawal, the withdrawing participant shall forfeit to the other participant all its joint venture interest.

The transfer, passing of possession or assignment of any interest in the tenements is subject to the necessary consent or approval by the Minister for Mines and Mineral Development or any government authority required under Zambian law.

Zambezi guarantees the obligations of Mwembeshi under the Cheowa JV Agreement and agrees to indemnify Glencore for any loss arising from Mwembeshi's failure to perform its obligations.

Glencore International guarantees the obligations of Glencore under the Cheowa JV Agreement and agrees to indemnify Mwembeshi for any loss arising from Glencore's failure to perform its obligations.

The joint venture shall continue until terminated by:

(a) unanimous agreement between the participants;

(b) the withdrawal of all participants save one;

(c) there remaining, for any reason, only one participant; or

(d) 80 years from the date of the Cheowa JV Agreement,

whichever is the earlier.

(b) Joint venture with Glencore International AG – CCB

By Agreement dated 9 February 2007 between Mwembeshi, Glencore International, Zambezi and Glencore International's wholly owned subsidiary, Coexco Zambia Limited ("**Glencore**") ("**CCB JV Agreement**"), Glencore can earn 51% interest in certain parts of Prospecting Licences 219, 220 and 227 and all successor tenements issued replacing or superseding those prospecting licences that relate to all or part of the same area.

The CCB JV Agreement provides that Mwembeshi shall be the manager of the joint venture until Glencore obtains a 51% interest in the joint venture, after which Glencore will become the manager and continue as manager while it holds a joint venture interest of at least 51%.

Glencore can earn its 51% interest in the joint venture by spending US$6 million on exploration during the earning period.

Any participant may by giving 90 days' notice in writing to the other participants withdraw from the joint venture. Glencore is only entitled to withdraw after it has contributed US$2.4 million to the joint venture expenditure. Upon such a withdrawal, the withdrawing participant shall forfeit to the other participant all its joint venture interest.

The transfer, passing of possession or assignment of any interest in the tenements is subject to the necessary consent or approval by the Minister for Mines and Mineral Development or any government authority required under Zambian law.

Zambezi guarantees the obligations of Mwembeshi under the CCB JV Agreement and agrees to indemnify Glencore for any loss arising from Mwembeshi's failure to perform its obligations.

Glencore International guarantees the obligations of Glencore under the CCB JV Agreement and agrees to indemnify Mwembeshi for any loss arising from Glencore's failure to perform its obligations.

Each participant shall form the operating committee which is empowered to make all decisions in relation to matters within the scope of the joint venture. In this regard each participant shall be entitled to appoint two representatives who shall, at any meeting of the operating committee, have that number of votes equal to the joint venture interest of the participant by whom the representative was appointed.

Any participant may assign all or any of its joint venture interest to an affiliate without the other participants' consent, but, unless otherwise agreed by the other participants, the assigning participant will at all times guarantee the due performance of its affiliate. If the assignee ceases to be an affiliate, it must assign the joint venture interest back to the assigning participant.

Either participant may assign all or part of its joint venture interest to a third party provided it first complies with the pre-emptive right procedure specified in the CCB JV Agreement.

The joint venture shall continue until terminated by:

(a) unanimous agreement between the participants;

(b) the withdrawal of all participants save one;

(c) there remaining, for any reason, only one participant; or

(d) 80 years from the date of the CCB JV Agreement,

whichever is the earlier.

(c) Heads of Agreement – Uranium Rights with Zambezi Nickel Limited

Background to Heads of Agreement

The Company's indirect wholly owned subsidiary, Mwembeshi Resources Limited ("**Mwembeshi**") is the holder of Zambian Prospecting Licences PL220, PL224, PL227 and PL279 ("**Licences**").

Pursuant to a Deed of Grant of Uranium Rights dated 16 May 2007, Mwembeshi has granted another of the Company's indirect wholly owned subsidiaries, Chalimbana Resources Limited ("**Chalimbana**"), the exclusive right to explore for and mine uranium deposits within certain Licence areas. South African Resources Limited ("**SARL**") holds all the issued capital in Chalimbana and the Company holds all the issued capital in SARL.

Heads of Agreement

By Heads of Agreement dated 16 May 2007 between the Company, Chalimbana, Mwembeshi, SARL and Zambezi Nickel Ltd ("**ZNI**") ("**Heads of Agreement**"), ZNI is entitled to acquire shares in SARL and Newco (defined below).

ZNI shall be issued shares in SARL such that it will hold 51% of the total issued capital of SARL. These shares will be held in escrow until ZNI makes equity contributions of US$5,000,000 to SARL and Newco, which it must do within 2 years of the parties signing a formal farmin and shareholders agreement ("**Stage One Earning Period**"). ZNI will be entitled to appoint the majority directors of SARL.

The Company will subscribe for 20,000,000 shares in ZNI, each at £0.05.

ZNI's equity contributions to SARL and Newco are to be made as follows:

(a) ZNI must make a minimum contribution of US$3,000,000, of which US$2,000,000 must fund exploration expenditure on the Chumbwe Title; and

(b) ZNI may elect not to make the remaining US$2,000,000 contribution.

During the Stage One Earning Period, the shareholdings of ZNI and the Company in SARL and Newco will remain at 51% and 49% respectively.

A separate tenement will be created over PL227 ("**Chumbwe**") except over any excluded areas ("**Chumbwe Title**"), which Chumbwe Title will be held by Mwembeshi. On creation of the Chumbwe Title, the parties shall cause Chalimbana to assign its uranium rights over the Chumbwe Title to a new entity ("**Newco**"). ZNI will hold 51% of Newco and the Company will hold the remaining 49%. On creation of Newco, the parties will use their best endeavours to negotiate in good faith and execute a farmin and shareholders agreement with respect to the Chumbwe Title, which will provide that upon completion of the Stage One Earning Period:

(a) the Company may elect to contribute pro rata to Newco to fund future exploration and development activities; or

(b) the Company may elect not to contribute pro rata to Newco, in which case ZNI may elect to increase its shareholding in Newco to a maximum of 75% by sole funding Newco by way of equity contributions up to the completion of a positive definitive feasibility study ("**DFS**") on a uranium deposit within the Chumbwe Title within 4 years after the Stage One Earning Period. ZNI's interest in Newco will progressively increase up to a maximum of 75% as it makes the equity contributions to Newco during the 4 year period. If ZNI does not complete the position DFS within the 4 year period, at the end of that period ZNI must transfer its shares in Newco to the Company so that the shares in Newco are held as to 51% by ZNI and 49% by the Company.

With respect to the Licences excluding Chumbwe ("**Other Licences**"), upon completion of the Stage One Earning Period:

(a) the Company may elect to contribute pro rata to SARL to fund future exploration and development activities; or

(b) the Company may elect not to contribute pro rata to SARL, in which case ZNI may elect to increase its shareholding in SARL to a maximum of 75% by sole funding Newco by way of equity contributions up to the completion of a positive DFS on a uranium deposit within the Other Licences within 4 years after the Stage One Earning Period. ZNI's interest in SARL will progressively increase up to a maximum of 75% as it makes the equity contributions to SARL during the 4 year period. If ZNI does not complete the position DFS within the 4 year period, at the end of that period ZNI must transfer its shares in SARL to the Company so that the shares in SARL are held as to 51% by ZNI and 49% by the Company.

If Chalimbana (and/or Newco, in the case of the Chumbwe Title) makes a decision to mine, ZNI must immediately notify the Company of that decision.

Within 3 months of the Company receiving notice of a decision to mine, the Company may elect to:

(a) contribute pro rata (based on its shareholding in SARL (and/or Newco, as the case may be)) to the costs of the mine development by way of equity contributions to SARL (and/or Newco, as the case may be); or

(b) not contribute pro rata (based on its shareholding in SARL (and/or Newco, as the case may be)) to the costs of the mine development in which case its shareholding in SARL (and/or Newco, as the case may be) will be diluted using an industry standard dilution formula. Where the Company's shareholding in SARL (and/or Newco, as the case may be) is diluted as a result of the issue of further shares to ZNI and this causes the Company's shareholding to dilute so that is shareholding would be different percentage than would occur due to the application of the standard dilution formula, then there will be a balancing transfer made by ZNI so as to cause the Company's shareholding to correspond to the percentage that would arise due to the application of the standard dilution formula.

If Chalimbana (or Newco, in the case of the Chumbwe Title) wishes to abandon any of its uranium rights, it must first obtain the consent of ZNI and the Company.

If ZNI does not make equity contributions of US$5,000,000 to SARL and Newco before the end of the Stage One Earning Period then all of the shares issued to ZNI in SARL and Newco will be cancelled for no return of capital.

If ZNI does make equity contributions of US$5,000,000 before the end of the Stage One Earning Period and subsequently the shareholdings in SARL (and/or Newco, as the case may be) of ZNI or the Company fall to 10% or less due to dilution,

then the relevant shareholder must transfer its remaining shareholding in SARL (and/or Newco, as the case may be) to the other shareholder in consideration for the transferring shareholder being entitled to a 2.5% net smelter return payable by Chalimbana (and/or Newco, as the case may be) on all uranium produced from the Other Licences (and/or the Chumbwe Title, as the case may be).

Should either ZNI or the Company wish to sell any or all of their respective shareholding in SARL or Newco, they must each offer the other a first right of refusal to match any credible offer presented.

The Heads of Agreement is governed by the laws of the United Kingdom.

(d) Employment Agreement for Managing Director

By an Agreement dated 2 June 2007 Zambezi has agreed to employ Mr Julian Ford as Managing Director to manage the operations of the Company. Commencement date under the Agreement is 1 May 2007.

The term of the Agreement is for two years from the commencement date and is renewable by agreement between the parties. The remuneration payable to Mr Ford is a salary of £100,000 per annum inclusive of superannuation.

(e) Employment Agreement for Executive Director

By an Agreement dated 5 June 2007, Zambezi has agreed to employ Dr Geoffrey Johnson as an Executive Director to facilitate the Company's exploration programmes, identify and procure further exploration projects and otherwise promote the Company and its assets. Commencement date under the Agreement is 1 March 2007.

The term of this Agreement is for two years from the commencement date and is renewable by agreement between the parties. The remuneration payable to Dr Johnson is a salary of £84,000 per annum inclusive of superannuation.

(f) Letter of Appointment for Non Executive Directors

(i) Brian James Rear

Zambezi appointed Brian Rear as a non-executive Chairman on 21 May 2004. Brian Rear must carry out his duties as are consistent with his position and he shall devote a minimum of 20 working days per annum as non-executive director Chairman.

Brian Rear shall receive director's fees at the rate of £30,000 per annum and will be reimbursed for any expenses which he may incur in performance of his duties.

Zambezi may terminate the agreement immediately on material breach. The agreement will also terminate in the event that Brian Rear is not re-elected as a director in accordance with the Bye-Laws.

(ii) Jeremy Bruce Earl Wrathall

Zambezi appointed Jeremy Wrathall as a non-executive director on 10 May 2004. Jeremy Wrathall must carry out his duties as are consistent with his position and he shall devote a minimum of 2 working days per month as a non-executive director.

Jeremy Wrathall shall receive director's fees at the rate of £20,000 per annum and will be reimbursed for any expenses which he may incur in performance of his duties.

Zambezi may terminate the agreement immediately on material breach. The agreement will also terminate in the event that Jeremy Wrathall is not re-elected as a director in accordance with the By Laws.

9.7 Rights Attaching to Shares

There is only one class of shares on issue in the Company being fully paid ordinary shares. The rights attaching to Shares in the Company will be 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 of the holders of Shares in the Company.

(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 Shares pursuant to this Prospectus and the free transferability of those Shares to and between any persons without the prior approval of the BMA so long as the subject 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 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 such as, 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.

9.8 Options

The Company currently has 9,500,000 Options over ordinary shares of the Company with the following exercise prices and expiry dates:

Number	Exercise price*	Expiry date
180,000	16.5p (approx. 41 cents)	22 August 2008
5,490,000	14p (approx. 35 cents)	9 June 2009
2,190,000	12p (approx. 30 cents)	26 July 2009
500,000	20p (approx. 50 cents)	23 December 2009
140,000	17.5p (approx. 44 cents)	10 June 2010
1,000,000	16p (approx. 40 cents)	22 June 2010

*assuming an exchange rate of £0.40=AUD$1

The holders of the Options are Directors and employees of the Company. Apart from differences in exercise price and expiry date, the terms and conditions of the Options are the same.

A summary of the material terms and conditions of the Options are as follows:

(a) No monies will be payable for the issue of the Options.

(b) A certificate will be issued for the Options.

(c) The Options shall expire at 5.00 pm Greenwich Mean Time ("GMT") on their respective expiry dates.

(d) Each Option will entitle the holder to subscribe for one fully paid ordinary share in Zambezi.

(e) Shares will be allotted to Option holders at their respective exercise prices.

(f) Options may be exercised at any time on or after 9.00 am GMT on the commencement date and on or before 5:00 pm GMT on the expiry date.

(g) Options not exercised on or before the expiry date will automatically lapse on such date.

(h) The exercise price of Shares the subject of Options shall be payable in full on exercise of the Options.

(i) The Company will not apply for the Options to be admitted to trading on AIM.

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 Options being exercised and must be accompanied by:

(i) payment of the exercise price for each Share to be issued on exercise of the Options specified in the notice; and

(ii) the certificate for those 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 Options will not affect the rights of the Option holder to the balance of the Options held by the Option holder.

(j) Within 10 Business Days after the notice referred to in paragraph (i) above 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 Options being exercised; and

(iii) if applicable, issue a new certificate for any remaining Options covered by the certificate accompanying the notice.

(k) Subject to any restrictions on transfer agreed between the Company and the Option holder, the Options shall be freely transferable.

(l) Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, pari passu with existing ordinary fully paid ordinary shares of the Company in all respects.

(m) If the Company's securities have been admitted to trading on AIM, the Company shall, in accordance with the AIM Rules, make application to have Shares allotted pursuant to an exercise of Options admitted to trading on AIM.

(n) In the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the issued capital of the Company, the number of the Options or the exercise price of the Options or both shall be re-organised (as appropriate) in accordance with the AIM Rules and to the extent necessary to ensure that the Option holder is not prejudiced by, but does not benefit to an extent greater than holders of Shares, from the re-organisation.

(o) The 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 Options. There is no right to change the exercise price of Options if the Company completes a bonus or entitlements issue.

(p) If the Option holder ceases to be a director of the Company for any reason (other than death) the Options issued to Directors, other than under the Staff Option Plan, will automatically lapse.

(q) If at any time prior to the expiry date the Option holder dies, the deceased holder's legal personal representative may:

(i) elect to be registered as the new Option holder of the deceased Option holder's Options;

(ii) whether or not he or she becomes so registered, exercise those Options as if he or she were the holder of them in accordance with those terms and conditions; and

(iii) if the deceased Option holder has already given a notice of exercise of his Options, pay the exercise price in respect of those Options.

9.9 Terms and conditions of Warrants

A summary of the material terms and conditions of the Warrants are as follows:

(a) The Warrants were issued to WH Ireland as part of the placing consideration on admission to AIM.

(b) The Warrants shall expire at 5.00 pm Greenwich Mean Time ("GMT") on 26 July 2007.

(c) Each Warrant will entitle the holder to subscribe for one fully paid ordinary share in Zambezi.

(d) Shares will be allotted to Warrant holders at the exercise price being approximately AUD$0.30 (£0.12 at an exchange rate of £0.40=AUD$1).

(e) Warrants may be exercised at any time on or before 5:00 pm GMT on 26 July 2007.

(g) Warrants not exercised on or before the expiry date will automatically lapse on such date.

(h) The exercise price of Shares the subject of Warrants shall be payable in full on exercise of the Warrants.

(i) The Company will not apply for the Warrants to be admitted to trading on AIM. Warrants 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 Warrants being exercised and must be accompanied by:

(i) payment of the exercise price for each Share to be issued on exercise of the Warrants specified in the notice; and

(ii) the instrument for those Warrants, 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 Warrants will not affect the rights of the Warrant holder to the balance of the Warrants held by the Warrant holder.

(j) Within 10 Business Days after the notice referred to in paragraph (i) above becoming effective, the Company must:

(i) allot and issue the number of Shares specified in the notice to the holder;

(ii) cancel the instrument for the Warrants being exercised; and

(iii) if applicable, issue a new instrument for any remaining Warrants covered by the instrument accompanying the notice.

(k) Subject to any restrictions on transfer agreed between the Company and the Warrant holder, the Warrant shall be freely transferable.

(l) Shares allotted pursuant to an exercise of Warrants shall rank, from the date of allotment, pari passu with existing ordinary fully paid ordinary shares of the Company in all respects.

(m)If the Company's securities have been admitted to trading on AIM, the Company shall, in accordance with the AIM Rules, make application to have Shares allotted pursuant to an exercise of Warrants admitted to trading on AIM.

(o) The Warrant 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 Warrants.

9.10 Directors' Interests

Except as disclosed in this Prospectus, no Director or proposed Director holds, or during the last two years has held, any interest in:

(a) the formation or promotion of the Company;

(b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or

(c) the Offer;

and no amounts of any kind (whether in cash, Shares or otherwise) have been paid or agreed to be paid to any Director or proposed Director to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

Shareholding Qualifications

The Directors are not required to hold any Shares in the Company under the Memorandum and Bye-Laws.

Directors' Holdings

Set out in the table below are details of Directors' interests in the securities of the Company as at the date of this Prospectus:

Director Shareholders	Shares	Options[4]
J Ford	2,500,000[1]	3,000,000
G Johnson	Nil	1,950,000
B Rear	235,000[2]	500,000
J Wrathall	175,000[3]	490,000

Notes:

1. Julian Ford's shares are registered in the name of Harpendon Nominees Pty Ltd, a company controlled by him.
2. 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.
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 Shareholders	Options granted on admission that have all vested	Subsequent Options under Option Plan	Exercise Price*	Expiry date
J Ford	1,500,000		12p (Approx. 30c)	26 July 2009
		1,500,000	14p (Approx. 35c)	9 June 2009
G Johnson	200,000		12p (Approx. 30c)	26 July 2009
		500,000	16p (Approx. 40c)	22 June 2010
		1,250,000	14p (Approx. 35c)	9 June 2009
B Rear	300,000		12p (Approx. 30c)	26 July 2009
		200,000	16p (Approx. 40c)	22 June 2010
J Wrathall	190,000		12p (Approx. 30c)	26 July 2009
		300,000	16p (Approx. 40c)	22 June 2010

* Assuming an exchange rate of £0.40 = AUD$1

Further details on the Options are set out in Section 9.8

The Directors may subscribe for Shares under this Prospectus.

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.

The Managing Director, Julian Ford, and one of the Executive Directors, Geoffrey Johnson, will receive a salary from the Company as employees in accordance with the terms of their employment contracts. These contracts are summarised in Section 9.6

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 ($)	Other Remuneration ($)	Total Remuneration ($)
J Ford	390,832	345,263	736,095
G Johnson	405,000	308,750	713,750
B Rear	100,000	33,000	133,000
J Wrathall	75,000	49,500	124,500

Assuming an exchange rate of £0.40=AUD$1

9.11 Interests of Named Persons

Except as disclosed in this Prospectus, no promoter or 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, holds, or during the last two years has held, any interest in:

(a) the formation or promotion of the Company;

(b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or

(c) the Offer,

and no amounts of any kind (whether in cash, securities or otherwise) have been paid or agreed to be paid to a promoter or any 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 for services rendered by that person in connection with the formation or promotion of the Company or the Offer.

Blakiston & Crabb have acted as Australian solicitors to the Offer and in that capacity have been involved in providing legal advice to the Company in relation to the Offer. The Company will pay approximately $70,000 to Blakiston & Crabb for these services. Blakiston & Crabb have provided other professional services to the Company during the last 2 years for which the Company has aid fees totalling approximately $83,000.

Appleby have acted as Bermuda Counsel to the Offer and in that capacity have been involved in providing legal advice to the Company in relation to the Offer. The Company will pay approximately $4,000 to Appleby for these services. Appleby have provided other professional services to the Company during the last 2 years for which the Company has paid fees totalling approximately $119,000.

Corpus Legal Practitioners have acted as Zambian solicitors to the Offer in relation to conducting due diligence enquiries in Zambia and in that capacity have been involved in providing legal advice to the Company in relation to the Offer. The Company will pay approximately $19,000 to Corpus Legal Practitioners for these services. Corpus Legal Practitioners have provided other professional services to the Company during the last 2 years for which the Company has paid fees totalling approximately $7,000.

Grant Thornton Western Australian Partnership are the Company's auditors. During the last 2 years Grant Thornton Western Australian Partnership has been paid fees of $77,000 for these services.

Grant Thornton Western Australian Partnership has prepared the Independent Accountant's Report included in Section 6 and has assisted in the conduct of the due diligence program related to preparation of this Prospectus and the Offer. In respect of

this work the Company will pay approximately $11,000.

Snowden has prepared the Competent Person's Report included in Section 5. In respect of this work the Company has agreed to pay approximately $25,000 for these services. Snowden has provided services to the Company during the last 2 years for which they were paid fees of approximately $20,000.

Carmichael Capital Markets Pty Ltd have acted as a Lead Manager to the Company. Their fees are set out in section 3.8 of the Prospectus.

Bell Potter Securities Limited have acted as Broker to the issue. Their fees are set out in section 3.8 of the Prospectus.

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

9.12 Consents

Each of the parties referred to in this Section 9.12:

(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; 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.

Snowden has given its written consent to the inclusion in this Prospectus of its Competent Person's Report, and all statements referring to that report or matters derived from that Report in the Prospectus in the form and context in which they are included and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Grant Thornton Western Australian Partnership has given its written consent to the inclusion in this Prospectus of its Independent Accountant's Report and all statements referring to that report or matters derived from that Report in the Prospectus in the form and context in which they are included and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

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

(a) Blakiston & Crabb as Australian solicitors to the Company;

(b) Appleby as Bermuda Counsel to the Company;

(c) Corpus Legal Practitioners as Zambian solicitors to the Company;

(d) Grant Thornton Western Australian Partnership as auditor to the Company;

(e) Grant Thornton Western Australian Partnership as Independent Accountants to the Company;

(f) Snowden as Competent Person ;

(g) Carmichael Capital Markets Pty Limited as Lead Manager to the Issue;

(h) Bell Potter Securities Limited as a Broker to the Issue; and

(i) Computershare Investor Services Pty Ltd as share registrar for the Company.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

9.13 Dividend Policy

The Directors will not recommend the payment of a dividend on the Shares until they believe that it is appropriate and prudent to do so. The Directors are unable, at this time, to suggest when investors may expect to receive income from their Shares.

9.14 Costs of the Issue

The total estimated costs of the Issue, including legal fees incurred, registration fees, underwriting fees, fees for other advisers, Prospectus design, printing and advertising expenses and other miscellaneous expenses, will be approximately $890,000 (if $15m is raised) and $642,000 (if $10m is raised) (exclusive of any goods and services tax which may be payable on that amount).

9.15 Staff Option Plan

As an incentive to employees of Zambezi, the Company has adopted a staff option plan ("Plan").

The purpose of the Plan is to give employees of the Company an opportunity to acquire Staff Options, and ultimately Shares, in the Company. The Directors consider the Plan will enable the Company to retain and attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its employees.

Brief Overview of the Plan

A summary of the terms and conditions of the Plan is set out below:

(a) Under the Plan, the Company may offer Staff Options to subscribe for Shares in the Company to Eligible Persons. Directors and part time or full time employees of the Company or an associated body corporate of the Company are "Eligible Persons" for the purposes of the Plan. Eligible Persons may nominate a nominee to hold Staff Options in their place.

(b) The Board may determine that an Eligible Person is entitled to participate in the Plan and the extent of that entitlement, after consideration of specified matters, such as the seniority of the relevant Eligible Person and the length of service of the Eligible Person with the Company.

(c) Subject to the Plan, the rules of AIM and any other applicable law, Staff Options offered under the Plan are to be offered on such terms as the Board determines and the offer must set out specified information including the number of Staff Options, the period of the offer and calculation of the exercise price. The exercise price is to be determined by the Board with reference to the market value of the Shares at the time of resolving to offer the Staff Options. Eligible Persons may accept the whole or a lesser number of the Staff Options offered to them.

(d) No consideration is payable for the grant of the Staff Options unless the Board decides otherwise and the Company will not apply for the Staff Options to be admitted to trading on AIM.

(e) Subject to any restrictions on transfer agreed between the Company and the optionholder, the Staff Options are freely transferable.

(f) The Staff Options may be exercised in whole or part by notice to the Company accompanied by payment of the required exercise price. Within 10 business days of exercise the Board must issue the required number of Shares, which will rank pari passu with previously issued Shares.

(g) The Staff Options may be exercised prior to the expiry date determined by the Board prior to the offer of the relevant Staff Options but no longer than five years from the date of grant of the Staff Options. Any Staff Options not exercised by that time will lapse.

(h) Notwithstanding the terms of the Staff Options, the Staff Options may be exercised in the event of specified occurrences including a change of control allowing replacement of all or a majority of the Board or during the period of a takeover bid for the Company.

(i) Unless the Board determines otherwise, if an Eligible Person ceases to be an Eligible Person before the earliest date for exercise of their Staff Options:

  (i) for any reason other than a "Specified Reason" (being retirement at age 60 or over, permanent disability, redundancy or death), the Staff Options held by them or their nominee will automatically lapse; or

  (ii) for a Specified Reason, the Eligible Person or their nominee is entitled to exercise any such Staff Options within 3 months of the date of retirement, redundancy or death or the date of the Board's determination of permanent disability, or such longer period as the Board determines.

(j) Unless the Board determines otherwise, if an Eligible Person ceases to be an Eligible Person after the earliest date for exercise of their Staff Options:

(i) for any reason other than a Specified Reason, the Eligible Person or their nominee is entitled to exercise any such Staff Options within 3 months of ceasing to be an Eligible Person, or such longer period as the Board determines; or

(ii) for a Specified Reason, the Eligible Person or their nominee is entitled to exercise any such Staff Options at any time prior to its expiry date.

(k) Optionholders may only participate in new issues of securities if they have become entitled to exercise their Staff Options under the Plan and their Staff Options have been exercised and Shares allotted before the record date for determining entitlements to the new issue. If there is a bonus issue the number of Shares over which the Staff Options are exercisable will be increased by the number of Shares the optionholder would have received if the Staff Option had been exercised before the record date of the bonus issue. If there is a pro rata issue (other than a bonus issue), the exercise price of the Staff Options will be adjusted in the manner provided for in the AIM Rules. If there is a reorganisation of capital the Staff Options will be reorganised in the manner provided for in the AIM Rules.

(l) The rules of the Plan do not form part of any contract of engagement or employment of the optionholder and the holder has no rights of compensation or damages as a result of termination of his or her employments so far as those rights arise from the holder ceasing to have rights under the Plan.

(m) The Plan is administered by the Board who have the power to determine procedures for administration of the Plan and resolve questions of fact or interpretation of the Plan. The Board may also alter, delete or add to the rules of the Plan at any time, subject to the AIM Rules.

9.16 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 securities in response to an electronic application form, subject to compliance with certain provisions.

If you have received this Prospectus as an Electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company at 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 an Application Form from a person if it has reason to believe that when that person was given access to the electronic 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 moneys received will be dealt with in accordance with section 722 of the Corporations Act.

Section 10 DIRECTORS' RESPONSIBILITY STATEMENT AND 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 Shares 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 6 June 2007

Signed for and on behalf of

Zambezi Resources Limited

By Julian Ford

Section 11 DEFINED TERMS

ACH	Australian Clearing House Pty Limited ACN 001 314 503.
ACH Clearing Rules	The operating rules of ACH.
AIM	The Alternative Investment Market of the London Stock Exchange.
AIM Rules	The rules governing the admission to and operation of AIM as published by the London Stock Exchange from time to time.
Applicant(s)	Person(s) who submit valid Application Forms pursuant to this Prospectus.
Application	A valid application made to subscribe for a specified number of Shares pursuant to this Prospectus.
Application Form	The application form relating to the Offer which accompanies this Prospectus.
ASIC	Australian Securities and Investments Commission.
ASTC	ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.
ASTC Settlement Rules	The operating rules of ASTC.
ASX	ASX Limited ACN 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
Bermuda Companies Act	The Companies Act 1981 of Bermuda
BMA	The Bermuda Monetary Authority.
Board	The board of Directors.
Bye-Laws	The Bye-Laws of the Company, as amended from time to time.
CCB	Chongwe copper belt and Chalimbana projects.
CHESS	Clearing House Electronic Subregister System.
Closing Date	5.00pm WST on 19 June 2007.
Company or Zambezi	Zambezi Resources Limited ARBN 124462826
Corporations Act	The Australian Corporations Act 2001 (Cth).
Directors	The Directors of the Company.
Electronic Prospectus	An electronic version of the Prospectus.
Group	Zambezi Resources Limited and its beneficially owned subsidiary companies being Mwembeshi, Mwembeshi (Bermuda), Africa Austral Mineraçao Limitada, Southern African Resources Limited, Cape Resources Limited, Chalimbana Resources Limited, Cheowa Resources Limited and Zambezi Resources (Australia) Pty Ltd.
Issue	The issue of Shares pursuant to this Prospectus.
Issuer Sponsored	The shares issued by the issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without being admitted as an institutional participant in CHESS.
Listing Rules	The official listing rules of ASX.
Mwembeshi	Mwembeshi Resources Limited, a wholly owned subsidiary of Mwembeshi (Bermuda), incorporated and registered in Zambia.
Mwembeshi (Bermuda)	Mwembeshi Resources (Bermuda) Limited, a wholly owned subsidiary of Zambezi, incorporated and registered in Bermuda.
Offer	The offer made in this Prospectus to subscribe for Shares.
Official List	The official list of ASX.
Opening Date	9.00am WST on 13 June 2007.
Prospectus	This Prospectus and includes the Electronic Prospectus.
Section	A section of this Prospectus.
Share(s)	Fully paid ordinary share(s) in the Company.
Shareholder	The registered holder of Shares.
Staff Option	An option to be granted under the Company's Staff Option Plan, the terms of which are summarised in Section 9.15.
Staff Option Plan	The Zambezi Resources Limited Staff Option Plan adopted by the Board on 9 June 2006 and the terms of which are summarised in Section 9.15.
WST	Australian Western Standard Time.

ARBN 124 462 826

APPLICATION FORM

Share Registrar's use
Broker reference - stamp only
Broker code | Adviser code

Please read all instructions on the reverse of this form.

Please note the use of the term "Shares", "Share" or "shareholding(s)" refers to "CDIs", "CDI" or "CDI holding(s)".

A NUMBER OF SHARES APPLIED FOR

(minimum 5,000 Shares and then multiples of 1,000 Shares). Investors should be aware that the Company's Shares will be trading on the AIM market of the London Stock Exchange whilst this Offer is open.

B TOTAL AMOUNT PAYABLE

Cheque(s) to equal this amount

	AT $0.45 PER SHARE =	A$

You may be allocated all of the Shares above or a lesser

C FULL NAME DETAILS

Title, given name(s) (no initials) and surname or company name

Name of Applicant 1

Name of joint applicant 2 or <account name>

Name of joint applicant 3 or <account name>

ABN if Applicant is a Company

D TAX FILE NUMBER(S)

Or exemption category

Applicant 1/company

Joint applicant 2/trust

Joint applicant 3/exemption

E FULL POSTAL ADDRESS

Number/Street

Suburb/Town | State | Postcode

F CONTACT DETAILS

Contact name

Contact daytime telephone number

( )

Contact email address

G CHESS HIN

(If applicable)

H CHEQUE PAYMENT DETAILS

Please fill out your cheque details and make your payable to **Zambezi Resources Limited - Float Account**"

Drawer	Cheque number	BSB number	Account number	Total amount of cheque

I

Return of the Application Form with your cheque for the Application monies will constitute your offer to subscribe for Shares in the Company. I/We declare that:

(a) this Application is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the Articles of Association of the Company; and

(b) I/we have received personally a copy of this Prospectus accompanied by or attached to the Application Form or a copy of the Application Form or a direct derivative of the Application Form, before applying for Shares.

No signature is required.

You should read the Prospectus dated 6 June, 2007 carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary prospectus (whether in paper or electronic form).

Zambezi Resources Ltd

INSTRUCTIONS TO APPLICANTS

Guide to the Zambezi Resources Limited Application Form

This Application Form relates to the Offer pursuant to the Prospectus dated 6 June 2007. 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 securities of the Company and it is advisable to read this document before applying for securities. A person who gives another person access to this 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 an Application Form, on request and without charge.

Please complete all relevant sections of the Application Form using BLOCK LETTERS. These instructions are cross referenced to each section of the Application Form. Further particulars and the correct forms of registrable titles to use on the Application Form are contained below.

A Insert the number of Shares you wish to apply for. The Application must be for a minimum of 5,000 Shares and thereafter in multiples of 1,000 Shares. Investors should be aware that the Company's Shares will be trading on the AIM market of the London Stock Exchange whilst this Offer is open.

B Insert the relevant amount of Application monies. To calculate your Application monies, multiply the number of Shares applied for by the sum of A$0.45.

C Write the full name you wish to appear on the statement of shareholdings. This must be either your own name or the name of the company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected. Clearing House Electronic Sub-Register System (CHESS) participants should complete their name and address in the same format as that are presently registered in the CHESS system.

D Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each joint Applicant. Collection of TFN(s) is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application.

E Please enter your postal address for all correspondence. All communications to you from the share registry will be mailed to the person(s) and address as shown. For Joint Applicants, only one address can be entered.

F Please enter your telephone number(s), area code, email address and contact name in case we need to contact you in relation to your Application.

G The Company will apply to ASX to participate in CHESS, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of ASX Limited. In CHESS, the Company will operate an electronic CHESS subregister of securities holdings and an electronic issuer sponsored subregister of securities holdings. Together the two subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to Applicants in respect of securities allotted.

If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold securities allotted to you under this Application in uncertified form on the CHESS subregister, complete Section G or forward your Application Form to your sponsoring participant for completion of this section prior to lodgement. Otherwise, leave Section G blank and on allotment, you will be sponsored by the Company and an SRN will be allocated to you. For further information refer to the relevant section of the Prospectus.

H Please complete cheque details as requested:

Make your cheque payable to "Zambezi Resources Limited – Float Account" in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian Bank. The amount should agree with the amount shown in Section B. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

I Before completing the Application Form the Applicant(s) should read the Prospectus to which the Application relates. By lodging the Application Form, the Applicant(s) agrees that this Application is for Shares in the Company upon and subject to the terms of this Prospectus, agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Correct form of Registrable Title

Note that only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of investor	Correct form of Registrable Title	Incorrect form of Registrable Title
Individual Use names in full, no initials	Mr John Alfred Smith	JA Smith
Minor (a person under the age of 18) Use the name of a responsible adult, do not use the name of a minor.	John Alfred Smith <Peter Smith>	Peter Smith
Company Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts Use trustee(s) personal name(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use executor(s) personal name(s), do not use the name of the deceased	Ms Jane Smith <Est John Smith A/C>	Estate of late John Smith
Partnerships Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son

Lodgment of Applications

Return your completed Application Form with cheque(s) attached to:

By post to:
Zambezi Resources Limited
c/- Computershare Investor Services Pty Limited
GPO Box D182
PERTH WA 6840

Or delivered to:
Zambezi Resources Limited
c/- Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
PERTH WA 6000

Application Forms must be received no later than 5pm Australian Western Standard Time on 19 June 2007.

ARBN 124 462 826

APPLICATION FORM

Share Registrar's use
Broker reference - stamp only
Broker code | Adviser code

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c/- Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
PERTH WA 6000

Application Forms must be received no later than 5pm Australian Western Standard Time on 19 June 2007.


Zambezi
Resources Ltd

Australia
17 Ord Street, West Perth
Western Australia 6872
Tel: 61 8 9216 9000
Fax: 61 8 9216 9090

Zambezi Resources Ltd

Bermuda
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

www.zambeziresources.com