



ASX Announcement

June 2008 Quarterly Report

25 July 2008

HIGHLIGHTS FOR THE QUARTER

COPPER PROJECTS

- Cheowa CC2 Resource more than doubled to 6.5 million tonnes
Indicated Resource of 3.5mt @ 1.1% copper and 0.23g/t gold
Inferred Resource of 2.9mt @ 1.1% copper and 0.38 g/t gold
- Deep Diamond Drilling at CC2 demonstrates mineralisation continues to depths of at least 500m. Drilling now 95% complete and scheduled to complete in July 2008.
- New results include:
 - 4.4m at 2.73% copper from the 200m - 400m panel
 - 2.0m at 3.63% copper from the 200m - 400m panel
 - 2.6m at 3.97% copper from the 400m - 600m panel
- Kangaluwi RC drilling returns substantial mineralised widths in multiple zones including: 18m at 1.42% copper, 17m at 1.24% copper, 10m at 1.97% copper, and 15m at 0.86% copper.
- Kangaluwi Diamond drilling confirms down dip continuity of mineralisation, returning significant results including: 19.2m at 1.14% copper, 8.07m at 2.98% copper, 7.32m at 1.40% copper and 6.14m at 1.29% copper.
- Mineralisation remains open along strike and at depth.

PROJECT GENERATION

- Regional Helimagnetic, Radiometric and VTEM Surveys completed

URANIUM PROJECTS

- Regional Helimagnetic, Radiometric and VTEM Surveys completed
- Zambezi and Rio Tinto agree to expand JV area to incorporate newly identified prospective area
- Lithic Uranium JV identifies first in-situ uranium bearing mineral davidite at several trench locations and in drilling at Oryx



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Stock Exchange Listings:

ASX: ZRL
AIM: ZRL

Issued Capital:

188,185,279 ordinary shares
12,250,000 options

Directors:

Non-Executive Chairman:
Brian Rear
Managing Director:
Julian Ford
Exploration Director:
Geoff Johnson
Non-Executive Director:
Jeremy Wrathall

Chief Financial Officer:
Lloyd Flint

CORPORATE

The issued share capital of the Company as at 30 June 2008 was 188,185,279 shares.

OPERATIONS

During the Quarter ended 30 June 2008, further significant progress was made on the Company's priority Zambian projects. Drilling continued at Cheowa with two diamond drilling rigs, and recommenced at Kangaluwi after the conclusion of the wet season, with up to six RC and diamond rigs. Encouraging assay results were received for both Cheowa and Kangaluwi (Fig 1). Further regional helimagnetic and radiometric geophysical surveys were completed on the Mpande project, and regional VTEM surveys were completed on the Mulofwe project (including the Rio Tinto Uranium JV area) and the Kangaluwi Copper Project.

Approximately 95% of results for 2007-2008 drilling were received and reported to 30 June. Assay turnarounds on priority samples have improved significantly from 110 days in April 2008 to approximately 30 days at present, following concerted efforts by the Company and its analytical laboratory contractors to streamline sample preparation and analytical procedures. To ensure that the improved sample turnaround times are maintained, the Company previously announced that it had entered into a Memorandum of Understanding with a world-leading analytical services company to install and manage a dedicated sample preparation facility in Lusaka. Installation of this facility is underway and it is expected to be operational in Q3 2008.

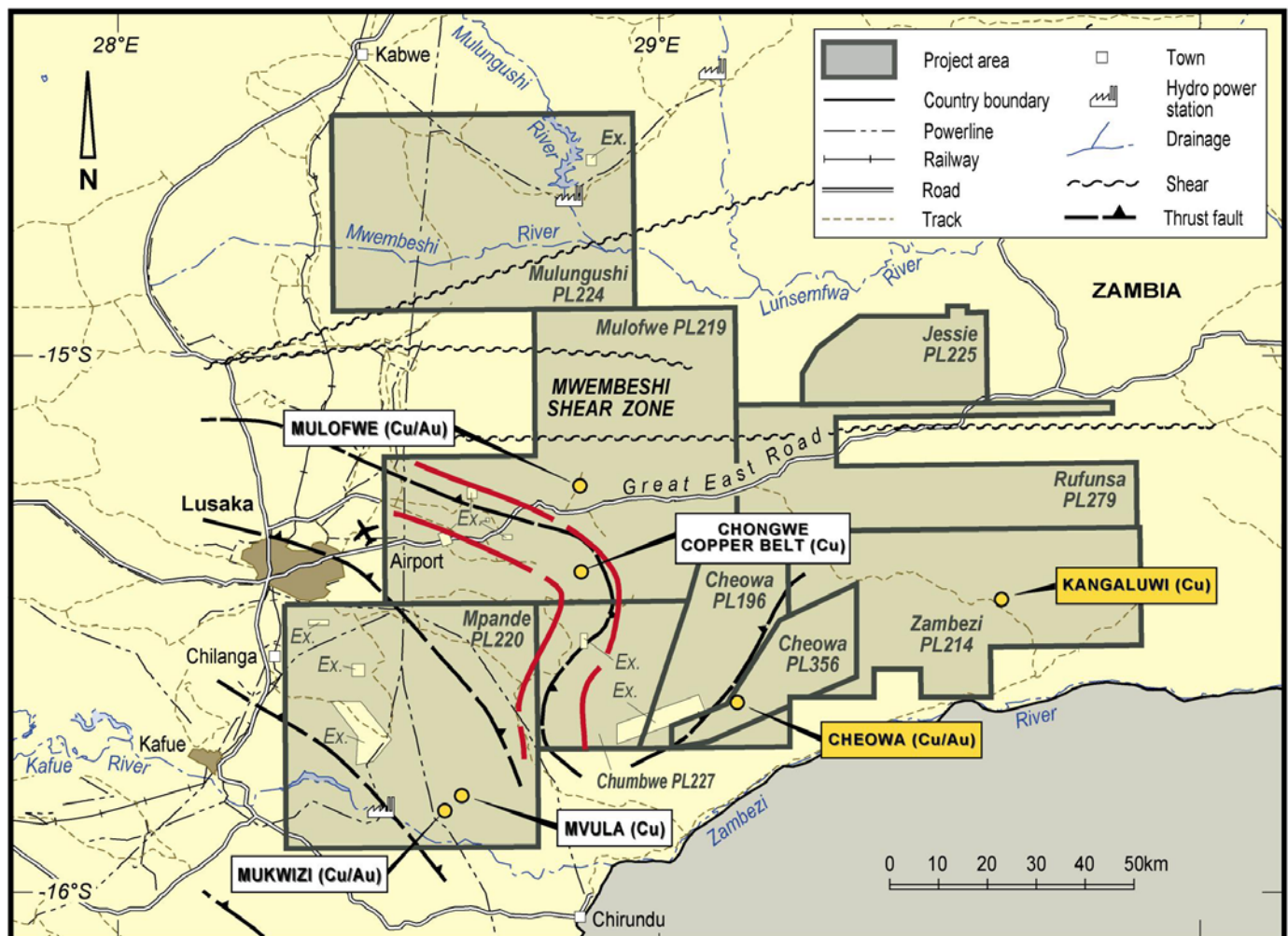


Figure 1: Lusaka East Project Locations

COPPER PROJECTS

At the **Cheowa Copper-Gold Project**, where Glencore International AG (“Glencore”) is earning an initial 51% interest by spending US\$10 million, the Company continued drilling with between 2 and 4 diamond drilling rigs. To date, approximately 18,500m of the deep drilling program testing the 200-400m and 400-800m vertical depth panels at the CC2 prospect has been completed, with 8,950m completed during the Quarter, as part of the objective of building the Cheowa resource inventory towards 10 million tonnes.

Approximately 95% of the planned holes are now completed. This drilling includes a suite of holes to provide samples for further metallurgical testwork. Assays are awaited, but visible mineralisation intersected to date is consistent with that previously reported throughout this panel.

The Company has recently focussed its attention on CC2 which is perceived to be the most highly mineralised zone within an overall corridor of up to 14km. The rationale behind this was that should sufficient ore grade material be defined at CC2, the Company, together with its joint venture partner Glencore, would embark on a Prefeasibility Study with the aim of putting the deposit into production.

Subsequent to the Quarter, a revised Mineral Resource estimate has been completed in accordance with the 2004 JORC Code for CC2, with an Indicated Resource of 3.5mt @ 1.1% copper and 0.23g/t gold and an Inferred Resource of 2.9mt @ 1.1% copper and 0.38 g/t gold (Table 1, Fig 2).

The total contained resource at CC2 has more than doubled from 2.9mt to 6.5mt. The new estimate was calculated over a strike length of 1,700m and incorporates for the first time an inferred category for the 200m-400m vertical panel below surface at CC2 where diamond drilling is ongoing (Fig 2).

Table1: Mineral Resource Estimate, Cheowa Copper Gold Project¹

	Tonnes²	Cu³ %	Au⁴ (g/t)	Copper (t)	Gold (oz)
Indicated Resource					
CC2	3,545,000	1.14	0.23	40,000	26,000
Inferred Resource					
CC2	2,961,000	1.12	0.38	33,000	36,000
TOTAL	6,506,000	1.13	0.30	73,000	62,000

¹ Glencore earning 51%; ² SG 2.35 for oxide zone, 2.71 for transition zone, 2.81 for fresh rock; ³ At a lower cut of 0.3% copper, and a top cut of 7.3% copper;

⁴ Reported within the comparable copper volume, top cut of 2.3 g/t gold.

The 200m-400m panel at CC2 has now been tested with 51 diamond holes, of which results have been received for only 14 holes. Further increases are anticipated from an additional 37 diamond drill holes drilled during the March quarter that intersected visible mineralisation consistent in width and copper sulphide percentages with those intersected within the 0-400m Mineral Resource. Samples have been dispatched for these holes and all assays are expected by end September, when a new global resource will be calculated and used for the Prefeasibility Study. These holes have primarily been drilled at depth below CC2 and the interpreted plunging higher grade copper zone (>1.5%), and have been targeted to intercept mineralisation between 400m and 600m below surface. Recent results received from the deep diamond drilling at CC2 include 4.4m at 2.73% copper and 0.25 g/t gold (CHEDD0083, 261.6-266m), 2m at 3.63 % copper and 0.50 g/t gold (CHEDD0074, 290-292m) and 2.6m at 3.97% copper and 0.23 g/t gold (CHEDD0080, 486.4-489m) (see Table 2) These results suggest that mineralisation may be increasing with depth. Any further drilling at these depths may be best carried out from underground if an underground mining operation is established at the project going forward.

A diamond drill rig is now testing the 600m-800m panel, although the drill density in this panel will not be sufficient at this stage for estimation of a JORC resource. Rather, drilling of the deeper panel is designed to test for mineralisation for the last few years of a conceptual 10 year Life of Mine “LOM” plan.

Elsewhere at Cheowa, scout drilling at the CC3-CC6 envelope to the east of CC2 has returned a copper grade in the order of 0.5% in a mineralised wireframe over a strike length of approximately 400m to a vertical depth of 100m. Scout diamond and RC drilling carried out on the eastern conductors at CC12 has also returned a copper grade in the order of 0.5% in a mineralised wireframe over a strike length of approximately 830m to a vertical depth of 150m. In both these zones, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. The Prefeasibility is expected to be based on the CC2 target only and not include any resources from the other conductors which have also been tested in the 2007/08 drill campaign. These other areas may be brought to account if a mining operation is successfully established at CC2.

Joint Venture partners Glencore and Zambezi have agreed to combine the Cheowa and Chongwe Copper Belt (“CCB”) joint ventures into a single joint venture. To earn a 51% interest in the original Cheowa and CCB joint ventures, Glencore had to spend US\$10 million and US\$6 million respectively, for a total of US\$16 million. In the period to 30 June 2008, Glencore have collectively spent US\$14.7m and are expected to reach the 51% threshold on both projects in the September 2008 quarter.

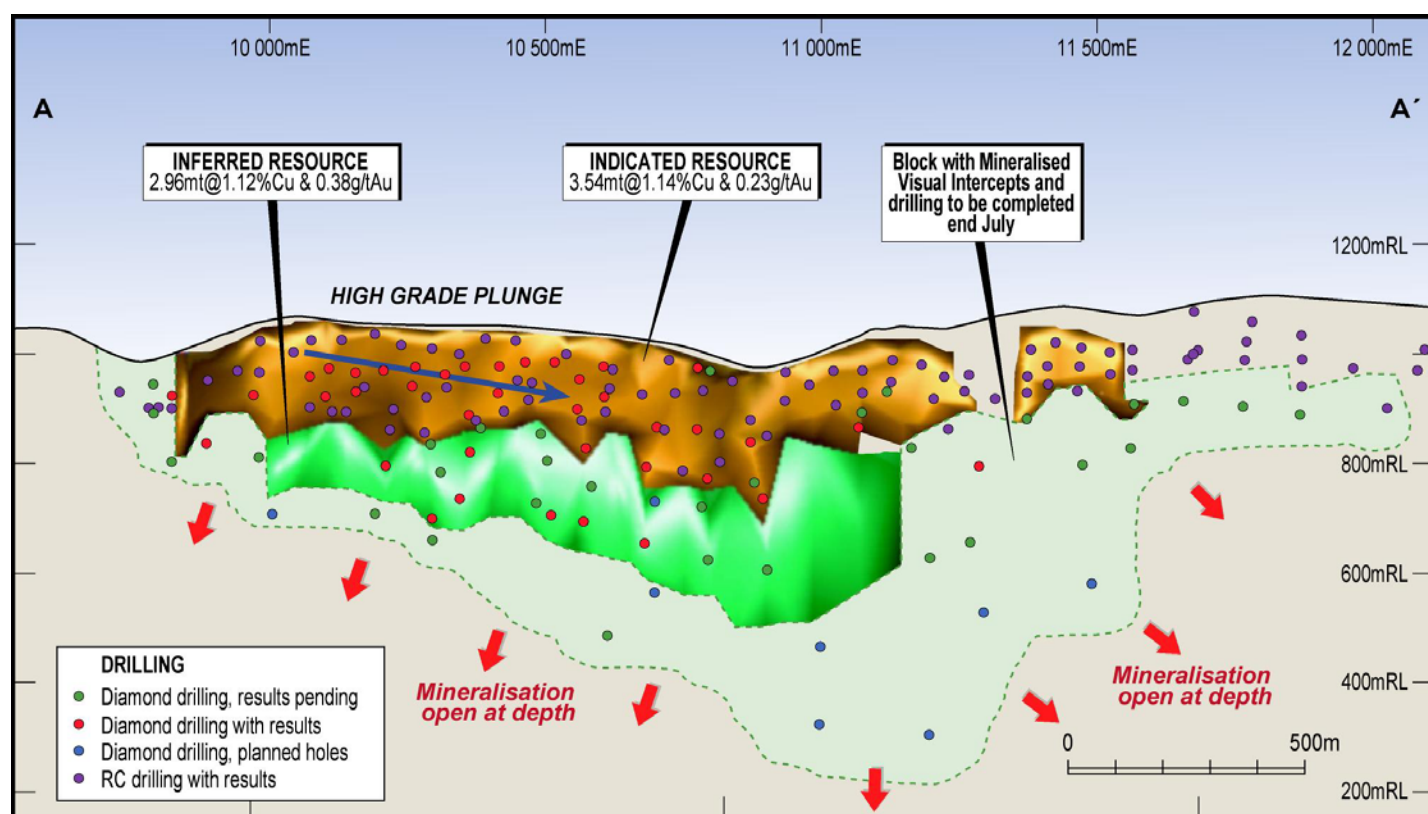


Figure 2: Cheowa Copper-Gold Project Long Section view of the CC2 Extended mineralisation outline.

Table 2: Cheowa Project RC and Diamond Drill Hole Assay Results

No.	Drillhole	Coordinates		Collar Elevn.	Dip	Azi	Total Depth (m)	From (m)	To (m)	Interval Width (m)	Cu %	Au g/t
		N	E									
CC2	CHEDD067	728500	8266663	1004	-45	154.5	351.2	278	288	10.0	0.65	0.14
CC2	CHEDD074	728790	8266765	1021	-60	154.5	351.1	290	292	2.0	3.63	0.50
CC2	CHEDD080	728750	8266913	998	-75	158.3	666.4	486.4	489	2.6	3.97	0.23
CC2	CHEDD083	728611	8266703	983	-45	161.5	313.6	261.6	266	4.4	2.73	0.25
CC2	CHEDD084	728611	8266703	983	-65	159.5	354.5	348	354	6.0	1.11	0.32
CC2	CHEDD088	728423	8266640	1004	-65	159.5	360.2	341	344	3.0	1.28	0.22
CC1	CHERC0054	726606	8265138	1155	-60	160	150	33	38	5	0.60	0.08
CC1	CHERC0104	726666	8265376	1194	-60	160	249	207	210	3	2.32	0.31
CC3	CHERC0155	729502	8267162	1096	-60	170.5	180	132	142	10	2.14	2.60
CC6	CHERC0132	730502	8267670	1074	-60	160	200	23	27	4	1.31	0.16
CC6	CHERC0134	730488	8267715	1079	-60	165.5	230	124	128	4	1.01	0.17
CC6	CHERC0142	730662	8267790	1091	-60	165.5	150	108	117	9	0.45	0.10
CC9	CHEDD0060	732487	8268859	1007	-70	355.5	138.7	120	126	6	0.54	0.18
CC10	CHEDD0069	733490	8268872	778	-60	175.5	177	152	155	3	1.84	0.16
CC10	CHEDD0071	733410	8268851	809	-60	175.5	153	83	88	5	0.68	0.10
CC12	CHERC0112	734371	8269220	874	-60	160	150	96	99	3	1.29	0.27
CC12	CHERC0114	734471	8269237	889	-60	165	145	56	57	1	3.31	0.95
CC12	CHERC0116	734560	8269284	905	-60	170.5	150	95	97	2	1.66	0.07
CC13	CHEDD0047	734852	8269355	910	-75	200	260	76.1	80.7	4.6	0.94	0.30
								101.5	103.5	2	1.66	0.32
CC13	CHEDD0049	734852	8269355	910	-65	120	240.5	78	81	3	2.29	0.92
CC13	CHEDD0054	734924	8269457	877	-60	165	198.5	147.5	152	4.5	0.72	0.09
CC13	CHERC0122	734848	8269393	894	-60	170.5	155	101	105	4	0.76	0.19
CC13	CHERC0124	734944	8269410	882	-60	165	155	96	98	2	2.37	0.31

Coordinate system Arc50 UTM Zone 35S. Mineralised intervals calculated on basis of lower cutoff of 0.3% Cu, minimum mineralised interval of 0.5m, maximum internal waste of 1m. Mineralised intervals $\geq 3\text{m}\%$ copper reported here. No cut applied to gold values. At CC2, mineralisation dipping to north at 50-55 degrees. Mineralised widths reported on downhole basis, true width approximately downhole width $\times 0.9$. For all other prospects, mineralised widths reported on downhole basis, true widths not yet established. Cherc prefix denotes RC drillholes, CHEDD prefix denotes diamond drillholes.

At the 100% owned **Kangaluwi Copper Project**, RC drilling carried out in 2007 has returned significant copper mineralisation over substantial widths in multiple zones (Table 3, Figs 3, 4, 5). Results include 18m at 1.42% copper from 114m, 17m at 1.24% copper from 49m, 10m at 1.97% copper from 30m, 15m at 0.86% copper from 39m, 10m at 0.86% copper from 112m, 10m at 0.83% copper from 6m, and 18m at 0.63% copper from surface. Diamond drilling carried out in 2007 has confirmed down dip continuity of mineralisation (Table 3, Figs 3, 4, 5). Results include 19.2m at 1.14% copper from 92m,

8.07m at 2.98% copper from 145.34m, 6.14m at 1.29% copper from 157.68m, 7.32m at 1.40% copper from 161m, 5.46m at 1.66% copper from 108.54m, and 6.43m at 1.02% copper from 125.98m.

Two other prospects at Chisawa and Kalulu have been tested to date by limited drilling in 2006 and 2007, respectively. Initial results suggest that mineralisation at these prospects is similar to that encountered at Kangaluwi. These will be tested in 2008 along with the currently untested Imboo prospect and two newly identified soil geochemical copper anomalies, which are all of equivalent tenor to the initial Kangaluwi soil geochemical anomaly, and are considered highly prospective.

Re-establishment of road access to the project after the wet season was completed and drilling recommenced during mid May. The 2007 drilling campaign initially focused on 3km of strike length at Kangaluwi, which was later narrowed down to an 800m section drilled to a 50m by 50m pattern. The Company chose to intensively drill a small area in order to evaluate the possible economic potential of the mineralisation. Due to the encouraging results from this drilling, the Company has decided that the mineralisation has sufficient potential to justify a much more extensive drilling program at Kangaluwi and on the remaining five zones identified. The 2008 RC and diamond drilling program utilising up to six drilling rigs is designed to test the strike and down dip extensions of copper mineralisation at the Kangaluwi prospect, and to follow up encouraging preliminary results from Kalulu and Chisawa. To 30 June, 67 RC and diamond holes were completed for a total of 12,155m at Kangaluwi, and 28 RC holes were completed for a total of 4,641m at Chisawa. Further encouragement has been received from recent drilling with excellent continuity both down dip and along strike. Assay results are awaited.

Mineralisation at Kangaluwi consists of chalcopyrite, bornite, malachite and azurite with chalcopyrite being the dominant ore mineral in fresh rock at depth. The host rocks consist of sheared and brecciated metasediments and metavolcanics. Mineralisation dips moderately to the south west at approximately 30-40° and occurs within the sheared northern limb of an overturned ESE- plunging regional synformal fold. Mineralised zones average approximately 10m in thickness, with some broader zones of up to 32m in thickness. Drilling also suggests the potential for multiple mineralised zones which broaden at depth (Fig 4, 5).

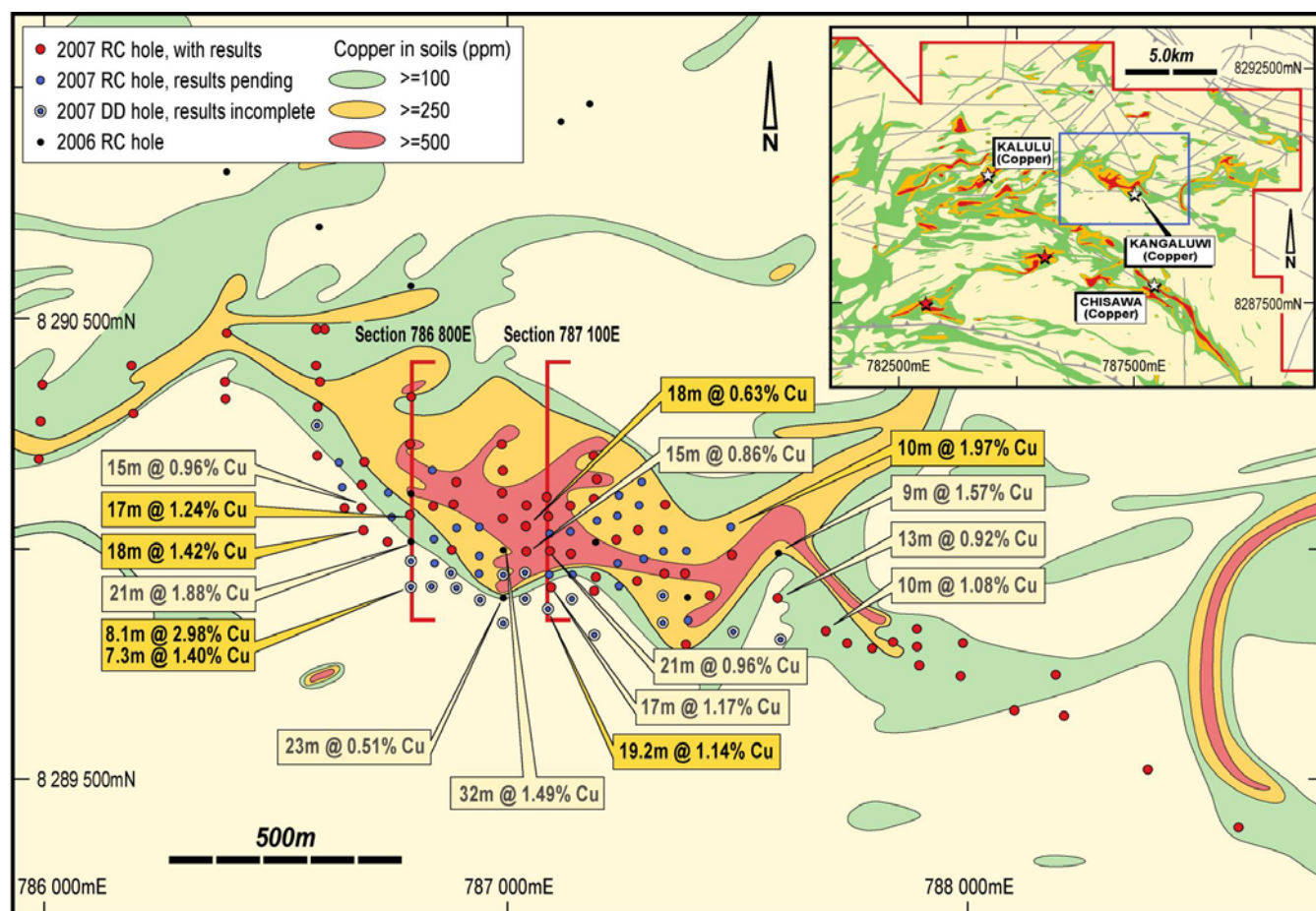


Figure 3: Kangaluwi Prospect Drillhole Location Plan and Assays, and Soil Geochemical Copper Contours and Identified Copper Prospects (inset).

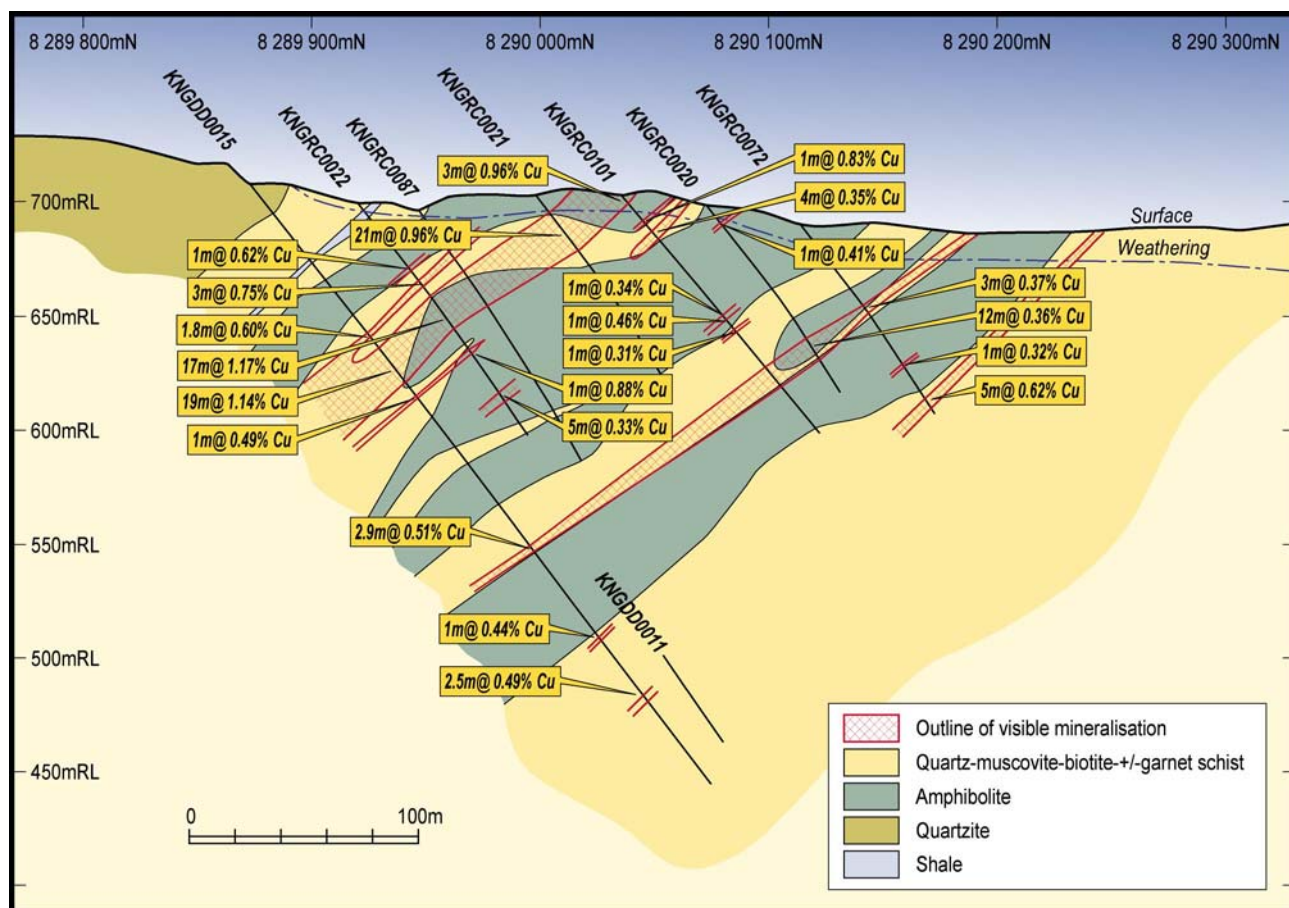


Figure 4: Kangaluwi Prospect Drill Cross Section 787100E (see Fig 3 for section location)

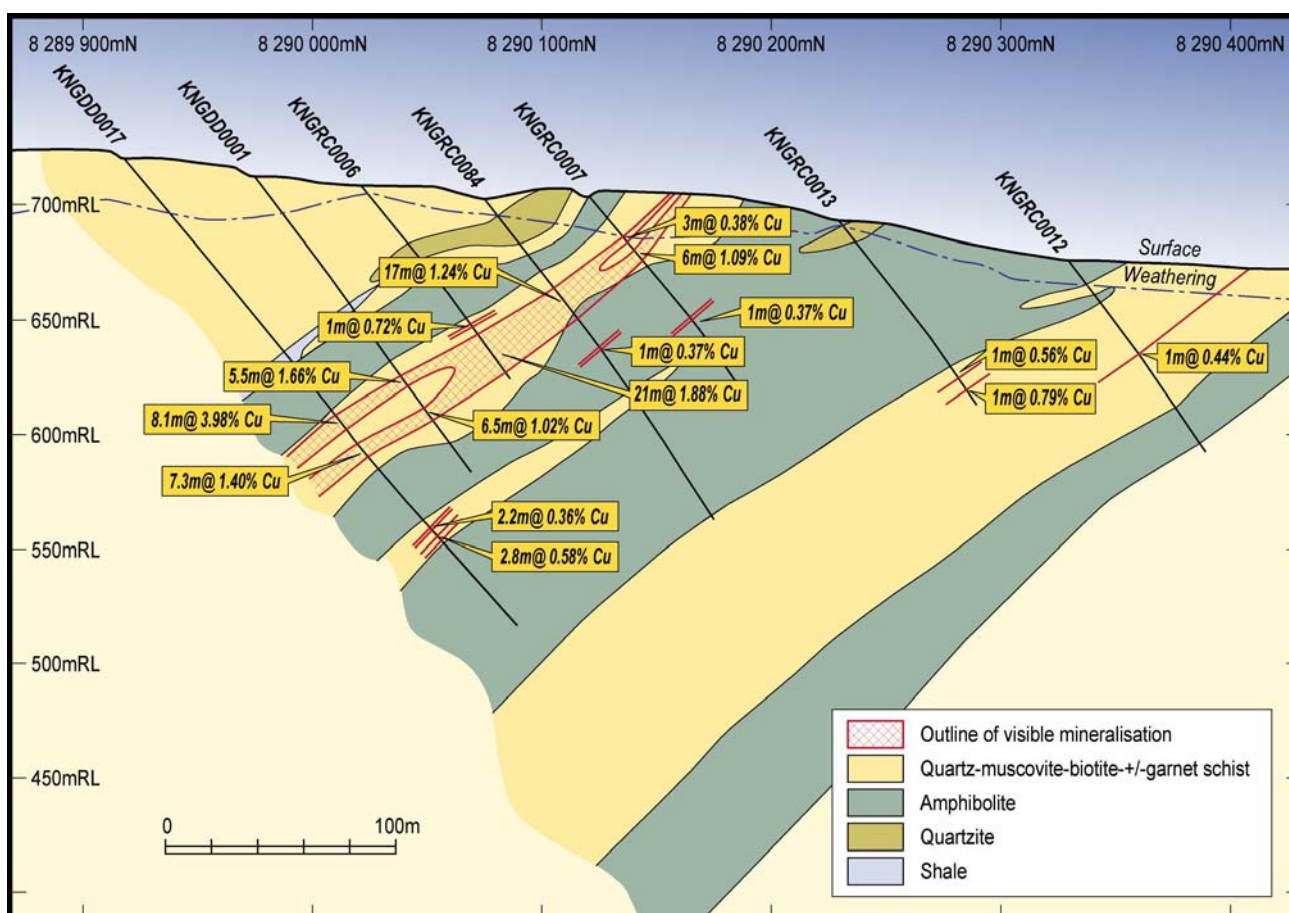


Figure 5: Kangaluwi Prospect Drill Cross Section 786800E (see Fig 3 for section location)

Table 3: Kangaluwi Copper Project – RC and Diamond Drill Hole Assay Results

Drillhole	Coordinates		Collar Elevn.	Dip	Azi	Total Depth (m)	From (m)	To (m)	Interval Width (m)	Cu %
	N	E								
KNGRC0014	786691	8290191	685	-50	360	100	42	47	5	0.6
KNGRC0016	786881	8290003	697	-50	360	150	108	114	6	0.53
KNGRC0041	785792	8290277	681	-50	360	150	30	36	6	0.72
KNGRC0061	787039	8289994	709	-50	360	150	20	28	8	0.83
KNGRC0062	787041	8290052	706	-50	360	150	0	18	18	0.63
KNGRC0070	787041	8290095	698	-50	360	144	70	75	5	0.88
KNGRC0071	787137	8290040	694	-50	360	126	83	88	5	0.66
KNGRC0072	787083	8290114	689	-50	360	102	94	99	5	0.62
KNGRC0073	786840	8290022	703	-50	360	200	41	46	5	0.87
KNGRC0075*	786841	8289971	709	-50	360	183	97	101	4	0.87
KNGRC0076	787134	8290095	687	-50	360	102	50	57	7	0.69
KNGRC0078	786938	8289949	707	-50	360	200	69	75	6	0.50
							169	171	2	1.96
KNGRC0080	786741	8290017	707	-50	360	222	68	76	8	0.66
							112	122	10	0.86
KNGRC0081	786990	8290068	701	-50	360	171	8	15	7	0.68
KNGRC0084	786790	8290075	702	-50	360	174	49	66	17	1.24
KNGRC0086	787240	8290072	684	-50	360	150	105	108	3	1.82
KNGRC0087	787091	8289947	696	-50	360	219	33	45	12	1.68
KNGRC0089*	787139	8289947	690	-50	360	153	6	16	10	0.83
							29	32	3	1.28
							35	42	7	0.81
KNGRC0091	787192	8290156	683	-50	360	144	65	66	1	3.49
KNGRC0093	787341	8290099	695	-50	360	150	48	55	7	0.63
KNGRC0094	786741	8290124	692	-50	360	169	37	44	7	0.64
							78	82	4	0.86
KNGRC0096	786748	8290071	694	-50	360	207	61	69	8	0.92
							73	77	4	1.15
KNGRC0097	787338	8290045	692	-50	360	132	74	81	7	0.5
KNGRC0099*	786641	8290137	698	-50	360	135	117	120	3	1.47
							124	129	5	0.72

Drillhole	Coordinates		Collar Elevn.	Dip	Azi	Total Depth (m)	From (m)	To (m)	Interval Width (m)	Cu %
	N	E								
KNGRC0103*	787485	8290047	712	-50	360	132	30	45	15	1.47
KNGRC0104	787194	8290064	681	-50	360	129	112	117	5	1.13
KNGRC0105	786688	8290043	704	-50	360	200	114	132	18	1.42
KNGRC0105	786688	8290043	704	-50	360	200	153	160	7	0.53
KNGRC0108*	787238	8289972	690	-50	360	142	20	23	3.0	1.07
KNGDD0001	786791	8289975	712	-50	360	160	108.54	114	5.46	1.66
							125.98	132.41	6.43	1.02
KNGDD0004	786990	8289843	718	-50	360	200.5	136	147	11	0.68
KNGDD0005	787194	8289822	715	-50	360	200	105	113	8	0.8
KNGDD0009	787338	8289900	694	-50	360	242.5	157.68	163.82	6.14	1.3
KNGDD0010	786990	8289946	711	-50	360	299.6	47.24	50.25	3.01	1.44
							55.2	65	9.8	0.66
KNGDD0010	786990	8289946	711	-50	360	299.6	228	231	3	1.03
KNGDD0011*	786990	8289946	711	-50	360	311	78.67	83.45	4.78	1.86
							104	109.72	5.72	1.26
KNGDD0012	786939	8289894	713	-50	360	320	108	119.2	11.2	0.35
							204.78	207.04	2.26	1.84
KNGDD0013*	786939	8289894	713	-50	360	294	43.28	52	8.72	0.93
							62.47	72.26	9.79	0.49
							74.45	77	2.55	1.22
							91.5	104	12.5	0.97
KNGDD0015	787085	8289873	708	-50	360	332.5	92	111.2	19.2	1.14
KNGDD0016*	787085	8289873	698	-50	360	312.52	153.16	158.61	5.45	0.79
KNGDD0017	786795	8289918	720	-50	360	317	145.34	153.41	8.07	2.98
							161	168.32	7.32	1.4
KNGDD0018*	786795	8289918	702	-50	360	308.5	59	69	10.0	0.65

Coordinate system Arc50 UTM Zone 35S. Mineralised intervals calculated on basis of lower cutoff of 0.3% Cu, minimum mineralised interval of 0.5m, maximum consecutive internal waste of 2m. All intervals reported here based on aqua regia digest, ICP-OES analysis. Mineralised intervals $\geq 3\text{m}\%$ copper reported here. Mineralisation dipping to south at approx 35 degrees. Mineralised widths reported on downhole basis, true width approximately downhole width x 0.98. Azimuths reported on magnetic grid, UTM grid north = 354.5 degrees magnetic. KNGRC prefix denotes RC drillholes, KNGDD prefix denotes diamond drillholes. * denotes reported subsequent to the Quarter.

Preliminary metallurgical testwork on composite 2007 drill core from Kangaluwi has indicated favourable metallurgical characteristics. The ore is relatively soft with a Bond Mill Work Index of 11.5 kWhr/t, and a Rodmill Work Index of 8.9 kWhr/t. This is based on a single composite test. The first rougher flotation test showed recoveries in excess of 95% copper and silver which are the only metals expected to be of economic value for the Kangaluwi Project. A set of more comprehensive metallurgical tests will be undertaken commencing in September 2008.

The application of modern geophysical techniques such as high resolution aeromagnetics and VTEM has proved to be an important exploration tool for Zambezi. During the Quarter, the Company completed a major regional VTEM survey comprising a total of 1,780 line kms at Kangaluwi, in an attempt to delineate mineralised copper sulphide conductors and assist in drill targeting. The survey was flown at a line spacing of 150m, with infill to 75m over the Kangaluwi-Chisawa area, and covered all the identified soil geochemical anomalies, and additional prospective lithologies north and north west of the Kangaluwi Prospect. A persistent and discrete electrical conductor was defined at the Kangaluwi Prospect. The position of this conductor suggests that it may represent a down-dip and down plunge extension of the copper-mineralised stratigraphy previously defined by soil sampling and drilling to the north and west of the VTEM anomaly. Computer modelling was completed and suggests that there are two conductors, the main conductor extending from near surface to a considerable depth below surface, dipping shallowly to the southwest and plunging at 10 degrees to the east. Subsequent to the Quarter, the Company commenced drilling to test the conductors. Two diamond holes have been completed, but to date only minor sulphidic or graphitic lithologies have been intersected. Computer modelling of the new data is underway to determine whether these lithologies may be responsible for the VTEM conductivity. The holes are being cased to enable downhole EM to be run if considered necessary.

PROJECT GENERATION

Extensive high resolution helimagnetic and radiometric surveys commenced in Q4 2007, and were completed in Q2 2008 over the Mpande Licence. Data processing and interpretation is underway.

An airborne VTEM geophysical survey was completed at the Mulofwe project (see Fig 1) to refine and identify further drill targets. An outstanding late time electrical conductor was defined at Mulofwe, with computer modelling suggested that the VTEM response was consistent with the presence of a conductor or conductors dipping shallowly to the south and east at between 5 and 25 degrees, with a core zone of some 3 square km in area. Drilling commenced on 9 June to test the VTEM conductors. Three diamond holes were completed for 522.1m. MDGDD0001 (710290E 8312456N, total depth 130.1m) intersected graphitic schist from 68.0m to 81.10m with up to 1% disseminated pyrite along foliation and fracture surfaces. MDGDD0002 (710496E 8312142N, total depth 250m) also intersected graphitic schist from 159.03m to 173.32m with up to 1% disseminated of pyrite. MDGDD0003 (708801E 8312299N, total depth 125m) intersected a thin graphitic schist from 91.34m to 93.78m with traces of pyrite. The VTEM anomaly has been demonstrated to be almost certainly due to the presence of graphitic schists. Samples will be submitted for gold analysis.

At the Mukwizi Copper Gold Project (see Fig 1), rock chip sampling on a 200 x 50m grid has returned values of 11.4% copper and 1.8 g/t gold, 4.8% copper and 0.4 g/t gold, and 4.0% copper and 0.9 g/t gold. Malachite, azurite, chalcopyrite and bornite have been identified at surface within an intensely fractured and brecciated assemblage of ferruginous altered carbonate, calc-silicate and amphibole schist lithologies. No known trenching or drilling has been identified in this area. Further work is underway to identify drill targets.

At the Mvula Copper Gold Project (see Fig 1), soil sampling on a 200 x 50m grid and resampling of historic trenches has confirmed significant copper and gold anomalism identified by previous explorers. The anomalous north-west striking zone occurs within a similar assemblage to that seen at Mukwizi and is defined over a strike length of 6 km. The zone is open at both ends and includes a core zone of 1 km at greater than 800 ppm copper, with peak values of 0.4% copper. Results from resampling of historic trenches from this anomalous zone include 23m at 0.43% copper, 11m at 0.45% copper and 7m at 0.56% copper. The entire strike length of 6 km has only been sparsely tested by 10 shallow historic diamond drillholes, generally to vertical depths of less than 90m. These holes reportedly intersected patchy sulphides and returned values of 0.2 to 1% copper over intervals of 0.5 to 8.5m. Further work is underway to identify drill targets.

GOLD PROJECTS

Following a review of the Company's 100% owned gold projects, and the continuing strength of the US dollar gold price, Zambezi has elected to retain all its gold projects. Zambezi has completed detailed helimagnetic and radiometric surveys at Mulungushi, Mpande and Chumbwe East. Results from 2007 exploration work including extensive soil, trench and rock chip geochemical sampling programs at pipeline projects Mulungushi and Mpande, and for 2007-2008 RAB and RC drilling at Mulungushi, are currently being compiled, in order to prioritise follow up exploration work.

URANIUM PROJECTS

Extensive high resolution helimagnetic and radiometric surveys in conjunction with joint venture partners Lithic Metals and Energy Limited ("Lithic") have now been completed over the Mulungushi, Mpande and Chumbwe licences. These surveys were designed to extend high resolution geophysical coverage into these uranium project areas, and provide vital information on the structural, lithostratigraphic and radiometric framework of the projects. Data processing and interpretation is underway.

Lithic, as JV managers, completed a total of 9,051m of new trenching at the Oryx prospect, testing peak uranium radiometric anomalies along a 2km strike length. Geological mapping and scintillometer logging of trenches identified visible in-situ davidite for the first time in association with high gamma radiation readings. Numerous other zones of elevated scintillometer readings were noted without visible davidite. To assist in the calibration of field scintillometers, 100 samples were collected from zones of background to elevated scintillometer readings from three adjacent trenches and dispatched for analysis. This initial sampling programme revealed uranium mineralised intervals including 3m at 642 ppm U_3O_8 , 3m at 292 ppm U_3O_8 , 1m at 839 ppm U_3O_8 and 1m at 272 ppm U_3O_8 . Assay results from comprehensive sampling of zones of elevated scintillometer readings are awaited.

Following the identification of uranium mineralisation in trenching, 11 diamond drillholes for 1,101.64m was completed, testing the down-dip extension of these davidite occurrences. Drilling intersected multiple zones of elevated scintillometer readings in association with the presence of a mineral interpreted to be davidite. Drill core has been sampled and submitted for analysis in conjunction with selected samples collected for confirmatory petrology. Assays are awaited.

Subsequent to the Quarter, the Uranium Mineral Rights joint venture with Rio Tinto at the Mulofwe project (see Fig 1) announced the identification of several electromagnetic conductors within a regional shear zone interpreted to form part of the continent-scale Mwembeshi Shear system, following the completion of a major VTEM survey. The shear zone is evident in electromagnetic and radiometric data over a strike length in excess of 30km, and continues beyond the survey boundary to the east and west. Preliminary interpretation suggests that the conductors are associated with the position of a regionally extensive graphitic shale unit. Previous radiometric surveys carried out by Zambezi have highlighted uranium anomalism believed to be associated with this unit. Geophysical modelling has been carried out on the eastern-most conductor within the shear zone. The modelling suggests the presence of a conductor of approximately 2km strike length dipping about 60° to the north and plunging gently to the east. The joint venture plans to conduct follow up work to investigate the potential for an association between the conductive graphitic shales, the uranium radiometric anomalism and potential uranium mineralisation. This work will commence in Q3 2008 under the management of Rio Tinto as joint venture operators, and will comprise trenching, geological mapping, PIMA surveying and drilling. In order to maximise the chances of success for the project, the joint venture partners have agreed to extend the area of the joint venture to cover the entirety of the prospective stratigraphy. This will be under the same terms of the existing Uranium Mineral Rights agreement.

For and on behalf of the Board



Julian Ford
Managing Director

25 July 2008

Competent Person Statement

The information in this report that relates to Exploration Results is based on information compiled by Exploration Director Geoffrey Johnson BSc (Hons), PhD, Grad Dip Env Sc. Dr Johnson is a full-time employee of Zambezi Resources, and a Fellow of the Australian Institute of Geoscientists. Dr Johnson is a Competent Person as defined in the December 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code) and consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to Resource Calculations is based on information compiled by Country Manager Mr Paul Weedon BAppSc (Geol), PGDipEconGeol, GradDipApp Fin, GDipManagement. Mr Weedon is a full-time employee of Zambezi Resources, and a Member of the Australasian Institute of Mining and Metallurgy. Mr Weedon is a Competent Person as defined in the December 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code) and consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to the interpretation of geophysical survey data is based on information compiled by Mr Bill Peters BSc (Hons), who is a Director and Senior Consulting Geophysicist of Southern Geoscience Consultants. Mr Peters is a Member of the Australian Institute of Geoscientists, and a Fellow of the Australasian Institute of Mining and Metallurgy, and is a Competent Person as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Peters consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.