ZAMBEZI RESOURCES

BERMUDA
ZAMBEZI RESOURCES LIMITED
ARBN 124 462 826

TEL: (61) (08) 9216 9000
FAX: (61) (08) 9216 9090
WEB: WWW.ZAMBEZIRESOURCES.COM

GROUND FLOOR, 17 ORD STREET
WEST PERTH, WESTERN AUSTRALIA
AUSTRALIA 6005

PO BOX 1796, WEST PERTH
WESTERN AUSTRALIA 6872

5 August 2008

Dear Shareholder

INFORMATION FOR SHAREHOLDERS
PRO RATA NON-RENOUNCEABLE RIGHTS ISSUE

As you may be aware, the Company will shortly be offering to you an opportunity to acquire more shares in the Company pursuant to a pro-rata non-renounceable rights issue to shareholders of fully paid ordinary shares ("**Shares**") on the basis of one New Share for every 5.7 Shares held by you at 5.00pm Australian Western Standard Time ("**AWST**") (or 5.00pm British Summer Time ("**BST**") if you are a shareholder resident in the United Kingdom) on 12 August 2008, at an issue price of AUD$0.124 (or £0.06) per New Share, together with one free attaching New Option (exercisable at AUD$0.19 and expiring on 31 August 2009) for every three New Shares issued, to raise up to approximately AUD$4,100,000 (£1,980,250) ("**Rights Issue**"). This offer will be made pursuant to a Prospectus and if you wish to participate in the Rights Issue, you will need to complete the Entitlement and Acceptance Form that will accompany that Prospectus.

A copy of the Prospectus has been lodged with ASIC and ASX and will be despatched to persons holding shares as at the Record Date of 12 August 2008.

Pursuant to the Listing Rules of the ASX Limited ("**Listing Rules**"), the Company is required to provide to you certain information before proceeding with the Rights Issue. This letter contains all the information required by Appendix 3B of the Listing Rules.

1. Up to a maximum of 33,004,167 New Shares and 11,001,389 free attaching New Options will be issued pursuant to the Rights Issue (assuming no existing options are exercised).
2. The New Shares rank equally in all respects from the date of allotment with the existing class of quoted Shares. There are currently no existing classes of quoted options on issue.
3. The issue price of the New Shares will be AUD$0.124 (or £0.06) per New Share. The New Options are free attaching options and accordingly will be granted for nil consideration.
4. The Company will apply for quotation (in the form of CDIs) of the New Shares and the New Options issued pursuant to the Rights Issue on the official list of the ASX.
5. The New Shares are fully paid ordinary shares. The New Options are exercisable at AUD$0.19 each and expire on 31 August 2009.

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6. The purpose of the Rights Issue is, after meeting the expenses of the Rights Issue, to provide funding for exploration work at the Company's Kangaluwi project and for working capital and administration expenses.
7. It is anticipated the securities will be entered into uncertificated holdings on 9 September 2008.
8. The total number and class of all securities quoted on ASX (including the maximum number of Shares to be issued in the Rights Issue on an undiluted basis – ie. assuming none of the Company's options are exercised) is as follows:

Number	**Class**
221,189,446	Ordinary shares
11,001,389	Options (exercisable at AUD$0.19 each expiring on 31 August 2009)

9. The Company will have the following number of options not quoted on ASX:

Number	**Exercise price**	**Expiry date**
100,000	£0.165	22 August 2008
4,390,000	£0.14	9 June 2009
2,190,000	£0.12	26 July 2009
500,000	£0.20	23 December 2009
140,000	£0.175	10 June 2010
1,000,000	£0.16	22 June 2010
1,850,000	£0.13	31 March 2011
2,080,000	£0.20	31 August 2011

10. The Company currently has no dividend policy.
11. No shareholder approval for the Rights Issue is required.
12. The Rights Issue is ***non-renounceable***.
13. The Shares in the Rights Issue will be offered on the basis of one New Share for every 5.7 Shares held by the shareholder at 5.00pm AWST (or 5.00pm BST for shareholders resident in the United Kingdom) on 12 August 2008. One free attaching New Option for every three New Shares issued.
14. The offer under the Rights Issue relates to fully paid ordinary shares in the capital of the Company and options in the Company exercisable at AUD$0.19 each expiring on 31 August 2009.
15. The ***record date*** to determine entitlements is 12 August 2008.
16. Holdings on different registers (or subregisters) will be aggregated for calculating entitlements.
17. Fractional entitlements will be rounded down.
18. The Company will not be sending an offer under the Rights Issue to any security holders outside of Australia, New Zealand and the United Kingdom.

    In compliance with Listing Rule 7.7.1 of the ASX Listing Rules, the Company has decided that it is unreasonable to make the offer to security holders outside of Australia, New Zealand and the United Kingdom having regard to each of the following:

- the number of security holders outside of Australia, New Zealand and the United Kingdom;
- the number and value of the securities to be offered to security holders outside of Australia, New Zealand and the United Kingdom; and
- the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

The Company will send to each of the security holders outside of Australia, New Zealand and the United Kingdom details of the offer and advise them that the Company will not be making the offer to them.

19. The closing date for receipt of acceptances is 1 September 2008.
20. The Rights Issue is not underwritten.
21. There are no brokers to the Rights Issue.
22. The Company may pay brokers will a handling fee for acceptances lodged by them on behalf of security holders.
23. The Prospectus for the Rights Issue and the accompanying Entitlement and Acceptance Form will be sent to you on 18 August 2008.
24. Existing option holders may participate in the Rights Issue upon exercise of their options. On 1 August 2008, the Company sent a notice to holders of options to notify them of their right to participate in the Rights Issue upon exercise of their options.
25. The latest date for entry of the securities into your security holdings is 9 September 2008.

The above information was provided to the ASX on 31 July 2008.

If you have any queries regarding your entitlement or participation in the upcoming Rights Issue, please do not hesitate to contact me on +61 8 216 9000.

Yours faithfully

Lloyd Flint
Chief Financial Officer
Zambezi Resources Limited