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31 January 2011

Mr M Piccini
Adviser, Listings (Perth)
ASX Compliance Pty Limited
GPO Box D187
PERTH WA 6840

Dear Sir,

We refer to your letter dated 28 January 2011 addressed to Mr David Vilensky, None Executive Chairman of Zambezi Resources and respond as follows:

1. The Appendix 3Y was lodged late with the ASX as a result of an administrative oversight;
2. All Directors of the Company are regularly reminded of their responsibilities to notify the Company of any change in their holdings in the Company, in accordance with the ASX Listing Rules;
3. We believe that the present arrangements now in place are adequate and are confident that this oversight will not be repeated.

Yours faithfully,

**David Russell**
**Chief Executive Officer**

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1 February 2011

Mr David Vilensky
Director
Zambezi Resources Limited
Ground, 17 Ord Close
WEST PERTH WA 6005

*By Email:* dvilensky@bbvlegal.com.au

Dear David,

Zambezi Resources Limited (the "Company") Appendix 3Y – Director's Interest Notice.

We refer to the following;

1. The Appendix 3Y lodged by the Company with ASX Limited ("ASX") on 28 January 2011 for Mr David Vilensky.

2. Listing rule 3.19A which requires an entity to tell ASX the following:

3.19A.1 The notifiable interests of a director of the entity (or in the case of a trust, a director of the responsible entity of the trust) at the following times.

- On the date that the entity is admitted to the official list.
- On the date that a director is appointed.

The entity must complete Appendix 3X and give it to ASX no more than 5 business days after the entity's admission or a director's appointment.

3.19A.2 A change to a notifiable interest of a director of the entity (or in the case of a trust, a director of the responsible entity of the trust). The entity must complete Appendix 3Y and give it to ASX no more than 5 business days after the change occurs.

3.19A.3 The notifiable interests of a director of the entity (or in the case of a trust, a director of the responsible entity of the trust) at the date that the director ceases to be a director. The entity must complete Appendix 3Z and give it to ASX no more than 5 business days after the director ceases to be a director.

3. Listing rule 3.19B which states as follows.

An entity must make such arrangements as are necessary with a director of the entity (or in the case of a trust, a director of the responsible entity of the trust) to ensure that the director discloses to the entity all the information required by the entity to give ASX completed Appendices 3X, 3Y and 3Z within the time period allowed by listing rule 3.19.A. The entity must enforce the arrangements with the director.

4. The Companies Update dated 27 June 2008, reminding listed entities of their obligation to notify ASX within 5 business days of the notifiable interests in securities held by each director and outlining the action that ASX would take in relation to breaches of listings rules 3.19A and 3.19B.

As the Appendix 3Y indicated that changes in the directors' relevant interests occurred on 11 January 2011, it appears that the Appendix 3Y should have been lodged with the ASX by 18 January 2011. As the Appendix 3Y was lodged on 28 January 2011, it appears that the Company may be in breach of listing rules 3.19A and/or 3.19B.

Please note that ASX is required to record details of breaches of the listing rules by listed companies for its reporting requirements.

ASX reminds the Company of its contract with ASX to comply with the listing rules. In the circumstances ASX considers that it is appropriate that the Company make necessary arrangements to ensure there is not a reoccurrence of a breach of the listing rules.

Having regard to listing rules 3.19A and 3.19B and Guidance Note 22: "Director Disclosure of Interests and Transactions in Securities - Obligations of Listed Entities", we ask that you answer each of the following questions:

1. Please explain why the Appendix 3Y was lodged late.

2. What arrangements does the Company have in place with its directors to ensure that it is able to meet its disclosure obligations under listing rule 3.19A?

3 If the current arrangements are inadequate or not being enforced, what additional steps does the Company intend to take to ensure compliance with listing rule 3.19B?

Your response should be sent to me by e-mail to mauro.piccini@asx.com.au or facsimile on facsimile number (08) 9221 2020. It should <u>not</u> be sent to the Company Announcements Office.

A response is requested as soon as possible (i.e. before 4.00pm W.S.T.) on **Tuesday, 1 February 2011.**

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a form suitable for release and should separately address each of the questions asked. If you have any queries or concerns, please contact me immediately

Yours sincerely,

Mauro Piccini
Adviser, Listings (Perth)