ZAMBEZI
RESOURCES

Mr Mauro Piccini
Adviser, Listings (Perth)
ASX Compliance Pty Ltd
Level 8 Exchange Plaza
2 The Esplanade
PERTH WA 6000

9 February 2011

Dear Mauro

PRICE AND VOLUME QUERY : ZAMBEZI RESOURCES LTD ("Company")

I refer to your email letter received this morning dated 9 February 2011.

I respond as follows to each of the questions raised in your letter:

1. (a) The Company, through its wholly owned subsidiary Mwembeshi Resources Limited, lodged an application for a Large Scale Mining Licence in respect of its Kangaluwi copper project on 8 December 2010. The ASX Announcement of the Company which followed the lodgement stated, inter alia the following:

"Zambezi Resources Limited ("Zambezi" or "the Company") has completed and submitted the Large Scale Mining Licence Application for a Mining Right within the Zambezi Prospecting Licence HQ-LPL8085, in the Lower Zambezi National Park, held by its subsidiary Mwembeshi Resources Limited.

The Mining Licence Application was submitted on 8th December 2010 at the Registry of Mining Rights in Lusaka, and in terms of the Mines and Minerals Development Act,

Zambezi can expect a response within 60 days of this submission."

(b) The December 2010 Quarterly Operations Report & Appendix 5 B of the Company was lodged with ASX on 7 January 2011. Under the heading **"Kangaluwi Project"** the report stated, inter alia the following:

> **"The major focus during the quarter was the compilation of the required technical and legal documentation required for the Large Scale Mining Licence Application for the Kangaluwi Copper Project. This included significant preparation for the important Public Consultations that form part of the application process.**
>
> **The Large Scale Mining Licence application was finally submitted to the authorities in Lusaka on 8th December 2010 and the relevant departments have 60 days in which to response to the application."**

(c) Pursuant to the *Mines and Minerals Development Act 2008* of the Republic of Zambia, the Director of Mines has a period of 60 days within which to indicate whether or not the application will be granted. This 60 day period reckoned from 8 December 2010 (date on which the application was lodged) expires today on the basis that the day on which the application is lodged is excluded from the calculation of the 60 day period.

(d) There is never any guarantee that any application for a Mining Licence in Zambia will be granted by the Zambian authorities. Each application is dealt with strictly on its merits. Notwithstanding, there clearly appears to be a sentiment among investors who have been monitoring the situation that the application will be granted. This is most likely the reason for the price and volume change referred to in your query.

(e) As to the outcome of the Company's application for a Large Scale Mining Licence, at 12.43am this morning (Perth time) our Zambian Country Manager circulated to the Board of the Company a letter dated 8 February 2011 which Mwembeshi Resources Limited received from the Mines Development Department of Zambia, signed by the Acting Director of Mines, confirming that the Company's application will be granted. However, the formal grant of the application is dependent upon a form of ratification by the Mining Advisory Committee (**"MAC"**) of the Mines Development Department. We have been advised that the next meeting of the MAC at which ratification will take place is scheduled to take place in Lusaka on Thursday 10 February 2011. Consequently, until such time as this meeting has taken place, we are firmly of the view that an announcement by the Company regarding the granting of its Mining Licence Application cannot be made. Further, even though we have been assured that the meeting of the MAC will take place tomorrow and that our application is on the agenda for that meeting, there can be no guarantee that meeting will take place. Consequently, it is premature for any announcement to be made.

(f) We do <u>not</u> accept that the information referred to above has ceased to be confidential. On the contrary, only a handful of people within the Company would be aware of the matters referred to above. The fact that the Company has made no announcement in relation to its application for a Mining Licence (for the reasons above) suggests perhaps that investors are assuming that in the absence of such announcement, the application has been granted. The timing of the intra day high is consistent with the expiry of the 60 day period suggesting speculation about the outcome of the application.

2 As pointed out above, the meeting of the MAC is scheduled to take place on Thursday 10 February 2011. As soon we receive confirmation that the necessary formalities have been complied with (our CEO will be arriving in Lusaka tonight), the Company will make an announcement immediately.

Our view on a trading halt is that it is not appropriate in this situation, given we have no control over the meeting of the MAC tomorrow and cannot guarantee that it will take place even though we have received assurances that it will. We do not want to be in a position where, in the (unlikely) event that the scheduled meeting does not take place, and is for some reason adjourned, the Company will need to seek a suspension of its securities from quotation. This, we submit, will not be a fair outcome for investors.

3 There is no other explanation than that above for the price and volume change in the securities of the Company.

4 We are able to confirm that the Company is in full compliance with the listing rules and in particular listing rule 3.1.

Finally, I confirm your agreement this morning to extend the deadline for a response to your query from **11am to 12pm today.**

Should you have any queries please contact the writer.

Yours sincerely,

ZAMBEZI RESOURCES LTD

<u>PIERRE MALHERBE</u>
Chief Financial Officer

ASX
COMPLIANCE

ASX Compliance Pty Limited
ABN 26 087 780 489
Level 8 Exchange Plaza
2 The Esplanade
PERTH WA 6000

GPO Box D187
PERTH WA 6840

Telephone 61 8 9224 0000
Facsimile 61 8 9221 2020
www.asx.com.au

9 February 2011

Mr. Pierre Malherbe
Chief Financial Officer
Zambezi Resources Limited
Ground Floor, 17 Ord Street
WEST PERTH WA 6872

By e-mail: pierre.malherbe@zambeziresources.com

Dear Pierre,

Zambezi Resources Limited (the "Company")

PRICE AND VOLUME QUERY

We have noted a change in the price of the Company's securities from 2.2 cents on 3 February 2011 to an intra day high of 3.5 cents today.

In light of the price and volume change, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

   Please note that as recent trading in the Company's securities could indicate that information has ceased to be confidential, the Company is unable to rely on the exceptions to listing rule 3.1 contained in listing rule 3.1A when answering this question.

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

   Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any other explanation that the Company may have for the price and volume change in the securities of the Company?

4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by **email on mauro.piccini@asx.com.au or by facsimile number (08) 9221 2020.** It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, **not later than 11:00 am (W.S.T) today.**

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 suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure: listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please contact me on 9224 0000.

Yours sincerely,

Mauro Piccini
Adviser, Listings (Perth)