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9 August 2011

Dear Shareholder

Zambezi's pro rata non-renounceable rights issue

As announced on 25 July 2011, Zambezi Resources Limited (**Zambezi** or **the Company**) is undertaking a pro rata renounceable rights issue (**Rights Issue**) to eligible shareholders on the basis of 1 new Zambezi ordinary share (**New Share**) for every 5 Zambezi ordinary shares held as at 5:00pm (Perth time) on 16 August 2011 (**Record Date**) at an offer price of $0.02 per new share.

The Rights Issue is part of a funding package announced on 25 July 2011, which also includes a $10 million secured convertible note facility with LinQ Capital Limited as responsible entity of the LinQ Resources Fund. No shareholder approval is required for the Rights Issue, but Zambezi will seek shareholder approval for certain aspects of the convertible note facility.

Broadly, the proceeds of the Rights Issue, together with the funds available under the convertible note facility, will be used by Zambezi towards working capital and exploration and development costs associated predominantly with its Kangaluwi Copper Project. Zambezi anticipates that the funding will be sufficient to finalise the above activities over the ensuing 12-18 months.

The Rights Issue is being made to all Zambezi shareholders as at 5:00pm (Perth time) on 16 August 2011 whose registered address is in Australia or New Zealand (**Eligible Shareholders**). Shareholders not satisfying those criteria will not be eligible to participate in the Rights Issue.

New Shares issued under the Rights Issue will rank equally with all ordinary shares already on issue. Under the Rights Issue, Zambezi will issue up to a maximum of 251.6 million New Shares, resulting in total Zambezi ordinary shares on issue of approximately 1.510 billion.

The Rights Issue is not currently underwritten, but the Company will seek underwriters for the Rights Issue before it closes.

An offer booklet and an investor presentation detailing the Rights Issue was released on ASX on 8 August 2011 (**Offer Documentation**). Copies of the Offer Documentation are available on Zambezi's website (www.zambeziresources.com) and on ASX's website (www.asx.com.au). Eligible Shareholders will be mailed a copy of the Offer Documentation together with an Entitlement and Acceptance Form by 18 August 2011.

It is important that Eligible Shareholders read the Offer Documentation carefully before deciding whether to invest and, if in any doubt as to how to proceed, consult with their professional advisers. If Eligible Shareholders wish to participate, they should follow the directions in the Offer Documentation for the action required of Eligible Shareholders.

For the purposes of calculating each Eligible Shareholder’s entitlements, fractional entitlements to New Shares will be rounded up to the nearest whole number of shares.

Key dates for the Rights Issue

Event	Date
Lodge offer documentation	8 August 2011
Shareholders trade on ‘ex’ entitlement basis	10 August 2011
Record date for determining entitlements to participate in Rights Issue	16 August 2011
Completion of dispatch of Offer Documentation and Entitlement and Acceptance Form to shareholders	18 August 2011
Acceptance close	2 September 2011
ASX notified of under subscriptions	7 September 2011
Holding statements dispatched to shareholders	12 September 2011
Normal trading for New Shares commences	13 September 2011

NOTE: These dates (other than the date of lodgement of the Offer Documentation) are indicative only and Zambezi reserves the right to vary the dates for any reason (subject to the Corporations Act and the Listing Rules).

If you have any questions, please call Zambezi on +61 8 6555 1879.

Yours sincerely

Frank Vanspeybroeck
Chief Executive Officer
Zambezi Resources Limited