

ASX Announcement
28 October 2011

September 2011 Quarterly Operations Report & Appendix 5B

1.0 Kangaluwi Copper Project

- Ⓢ A secured A\$10 million Convertible Note Facility was entered into with LinQ Capital Limited in two tranches of A\$5 million each
- Ⓢ First tranche of A\$5 million drawn down
- Ⓢ 13,530 m from 55 DD holes completed at the 100% owned Kangaluwi Copper Project
- Ⓢ Excellent results received during the quarter from Kalulu and Chisawa include:-

Chisawa Project	Kalulu Project
• 25 m @ 1.27% Cu from 159 m	• 10 m @ 1.13% Cu from 78 m
• 11 m @ 1.25% Cu from 131 m	• 10 m @ 1.20% Cu from 194 m
• 5 m @ 1.58% Cu from 87 m	• 8 m @ 1.28% Cu from 113 m
• 7 m @ 1.14% Cu from 145 m	• 14 m @ 0.99% Cu from 87 m

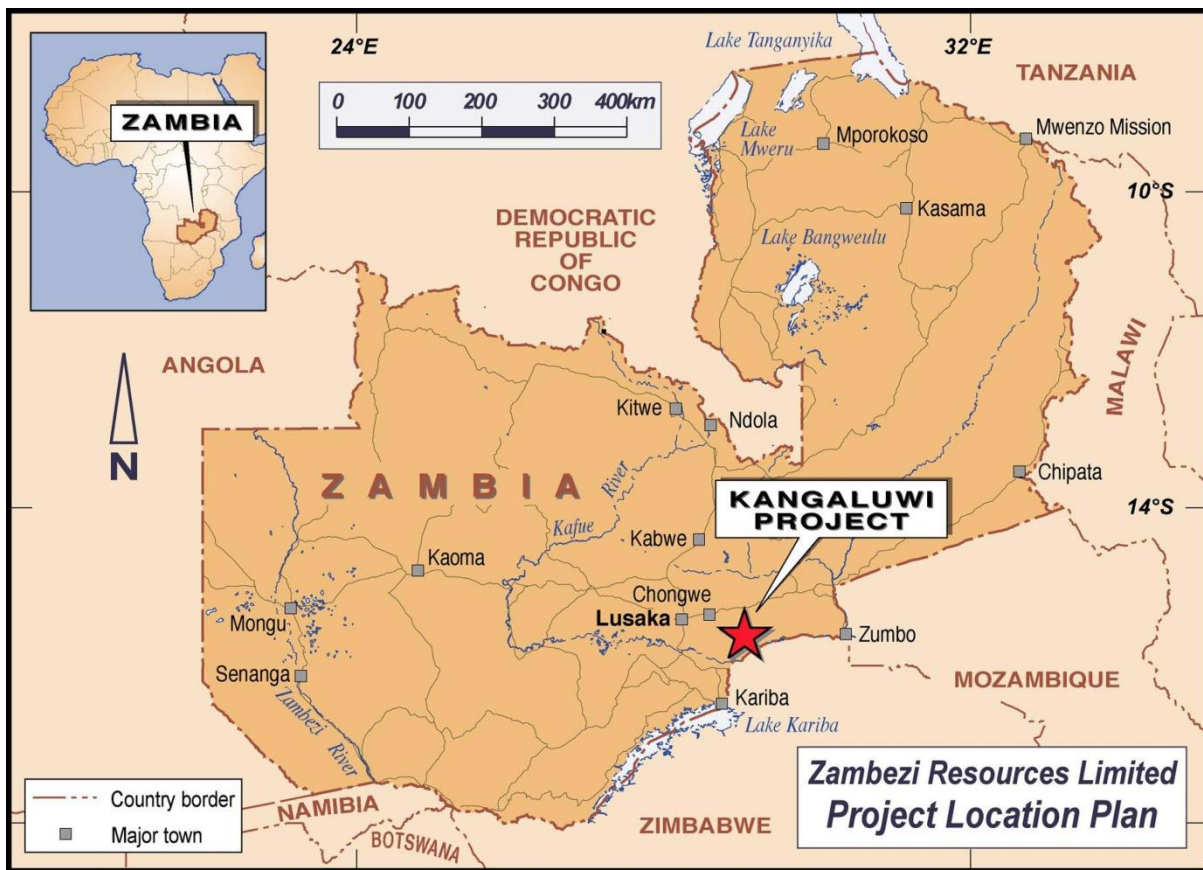
2.0 Introduction

2.1 Project Background

The Kangaluwi, Chisawa and Kalulu prospects are three high quality prospects within the 100% owned Kangaluwi Copper Project. The Project is covered by a 250 km² Mining Licence, 180 km east of Lusaka, Zambia. Numerous geophysical targets in the Project area are yet to be evaluated, with only one quarter of the 28 km strike length drill tested to date.

Current Mineral Resource estimates for the Project stands at 23.4 Mt grading 0.85% Cu for approximately 200 kt contained copper from the Kangaluwi and Chisawa prospects. Additional resource is anticipated from the Kalulu prospect.

The current 25,000 m drilling program will form the basis of a revised Mineral Resource estimate for copper and gold, as a basis for a future Bankable Feasibility Study.



2.2 Kangaluwi Project

Diamond drilling continued during the quarter in Chisawa, Kalulu and Kangaluwi prospects by OX and INFRACA Drilling Contractors. A total of 13,530 metres were reported from 55 DD holes (Table 1). Of the 55 holes, 34 holes comprised Phase I drilling at Kalulu and Chisawa, 19 holes were deep from the Phase II drilling program in Kalulu, Kangaluwi and Chisawa and two holes at Kalulu (KLUDD0040 and KLUDD0041) were shallow in-fill from Phase III drilling program. Three holes were still in progress at the time of reporting in Kangaluwi, Chisawa and Kalulu (Tables 2, 3).

Table 1: Drilling and Samples collected

Project Zambezi	RC M	Sample Dispatched	DD m
Kangaluwi	0	845	3,810.74
Kalulu	0	2007	3,886.20
Chisawa	0	1423	5,833.56
TOTAL	0	4275	13,530.50

Sampling and sample dispatch continued during the quarter and a total of 4,275 half split core samples, QA/QC samples inclusive were dispatched for assay to Alfred H Knight Laboratory in Kitwe.

Table 2: Details of completed DD holes at Kangaluwi in the Quarter (INFRACA Rigs)

BH_ID	Easting	Northing	Azim	Incli	Date Started	Date Completed	End of hole
	ARC1950	ARC1950					
KNGDD0039	787,098	8,289,774	360	-60	20/06/2011	04/07/2011	291.00
KNGDD0040	787100	8289721	360	-50	18/07/2011	27/07/2011	450.29
KNGDD0041	786790	8289610	360	-60	28/07/2011	06/08/2011	410.35
KNGDD0042	787242	8289725	360	-60	06/08/2011	13/08/2011	416.15
KNGDD0043	787389	8289600	360	-60	09/08/2011	18/08/2011	450.00
KNGDD0044	787098	8289625	360	-60	19/08/2011	30/08/2011	450.00
KNGDD0045	787587	8289603	360	-60	23/08/2011	04/09/2011	399.00
KNGDD0046	787695	8289528	360	-60	01/09/2011	09/09/2011	353.60
KNGDD0047	787803	8289364	360	-60	05/09/2011	12/09/2011	350.35
KNGDD0048	786941	8289577	360	-60	10/09/2011	In progress	240.00
Total							3,810.74

Table 3: Details of completed DD holes at Chisawa in Quarter (Ox Drilling)

BH_ID	Easting	Northing	Azim	Incli	Date Started	Date Completed	End of Hole
	ARC1950	ARC1950					
CHSDD0017	787,890	8,287,245	42.5	-50	20/06/2011	05/07/2011	386.98
CHSDD0018	788,468	8,287,154	42.5	-50	23/06/2011	26/06/2011	200.24
CHSDD0019	788,515	8,287,245	42.5	-50	27/06/2011	30/06/2011	150.20
CHSDD0020	788,654	8,287,145	42.5	-50	01/07/2011	07/07/2011	200.60
CHSDD0021	788,610	8,286,980	85	-50	06/07/2011	12/07/2011	142.89
CHSDD0022	788,717	8,287,223	42.5	-50	09/07/2011	10/07/2011	71.60
CHSDD0023	788,836	8,286,996	85	-50	11/07/2011	15/07/2011	150.30
CHSDD0024	788,726	8,286,991	85	-50	12/07/2011	17/07/2011	200.05
CHSDD0025	788,841	8,286,817	55	-50	20/07/2011	22/07/2011	101.14
CHSDD0026	788,752	8,286,765	55	-50	23/07/2011	27/07/2011	176.20
CHSDD0027	788,674	8,286,704	55	-50	28/07/2011	31/07/2011	180.30
CHSDD0028	788,861	8,286,515	42.5	-50	02/08/2011	05/08/2011	203.10
CHSDD0029	788,914	8,286,611	42.5	-50	05/08/2011	07-08-2011	101.30
CHSDD0030	788,991	8,286,419	42.5	-50	08/08/2011	10/08/2011	150.12
CHSDD0031	789,192	8,286,289	42.5	-50	10/08/2011	14/08/2011	152.13
CHSDD0032	789354	8286164	42.5	-50	15/08/2011	18/08/2011	151.00
CHSDD0033	788902	8286111	42.5	-50	15/08/2011	22/08/2011	388.68
CHSDD0026	788752	8286765	55	-50	23/07/2011	27/07/2011	176.20
CHSDD0027	788674	8286704	55	-50	28/07/2011	31/07/2011	180.30
CHSDD0028	788861	8286515	42.5	-50	02/08/2011	05/08/2011	203.10
CHSDD0029	788914	8286611	42.5	-50	05/08/2011	07/08/2011	101.37
CHSDD0030	788991	8286419	42.5	-50	08/08/2011	10/08/2011	150.12
CHSDD0031	789192	8286289	42.5	-50	10/08/2011	14/08/2011	152.13
CHSDD0034	789470	8286018	42.5	-50	18/08/2011	20/08/2011	150.00
CHSDD0035	789330	8285683	42.5	-50	22/08/2011	03/09/2011	342.19

BH_ID	Easting	Northing	Azim	Incli	Date	Date	End of
CHSDD0036	788334	8287022	42.5	-50	23/08/2011	02/09/2011	400.00
CHSDD0037	789099	8285971	42.5	-50	03/09/2011	11/09/2011	350.00
CHSDD0038	788551	8286970	42.5	-50	05/09/2011	12/09/2011	276.62
CHSDD0039	788587	8286362	42.5	-50	11/09/2011	in progress	244.70
Total							5,833.56

Table 4: Details of completed DD holes at Kalulu in the Quarter

BH_ID	Easting	Northing	Azim	Incli	Date Started	Date Completed	End of hole
	ARC1950	ARC1950					
KLUDD0026	784,747	8,290,392	320	-60	29/06/2011	01/07/2011	156.00
KLUDD0027	784,845	8,290,292	320	-60	02/07/2011	07/07/2011	248.50
KLUDD0028	784,815	8,290,331	320	-60	06/07/2011	12/07/2011	204.00
KLUDD0029	784,851	8,290,356	320	-60	07/07/2011	10/07/2011	200.50
KLUDD0030	784,884	8,290,383	320	-60	11/07/2011	15/07/2011	204.00
KLUDD0031	784,927	8,290,423	320	-60	13/07/2011	16/07/2011	201.00
KLUDD0032	784,999	8,290,429	320	-60	15/07/2011	19/07/2011	242.90
KLUDD0033	784,968	8,290,461	320	-60	17/07/2011	19/07/2011	200.80
KLUDD0034	784,896	8,290,494	320	-60	19/07/2011	21/07/2011	160.00
KLUDD0035	784,950	8,290,493	320	-60	20/07/2011	22/07/2011	179.80
KLUDD0036	785,030	8,290,206	320	-60	24/07/2011	07/08/2011	401.70
KLUDD0037	784,430	8,289,717	320	-60	26/07/2011	01/08/2011	261.00
KLUDD0038	784,573	8,289,832	320	-60	01/08/2011	11/08/2011	400.00
KLUDD0039	784144	8289740	320	-60	14/08/2011	21/08/2011	400.00
KLUDD0040	784662	8290114	320	-60	14/09/2011	20/09/2011	231.00
KLUDD0041	784740	8290254	320	-60	21/09/2011	In progress	195.00
Total							3,886.20

(Of deep holes KLUDD0036, KLUDD0037, KLUDD0038 and KLUDD0039, all bar KLUDD0039 were designed to test the down-dip extension of the mineralisation at depth. KLUDD0039 was drilled to test the lateral, strike extension of the mineralisation intersected in KLUDD0005.)

3.0 Drilling at Kalulu

3.1 Drilling

A total of 3,886 metres from 16 DD holes were completed by INFRACA drilling at Kalulu over the quarter. The 16 holes comprise 10 shallow holes from Phase I, 4 deep holes from Phase II and 2 shallow holes from Phase III. Figure 1 outlines all current and historical holes drilled at Kalulu.

3.2 Results

Current results are sourced from 9 DD holes drilled along sections 10300E, 10400E, 10450E, 10550E and 10600E, with significant intersections tabulated below.

Hole KLUDD011 drilled on section 10300E went through variably altered quartz-biotite schist and garnet altered biotite-amphibole schist lenses. The main ore zone comprising chalcopyrite (cpy) and disseminated bornite (bn) is observed from 194 - 204 m.

On sections 10400E at flat ore zone of well mineralised, disseminated chalcopyrite and massive pyrite was intersected in KLUDD0012 (82 - 85 m) KLUDD0015 (113 - 121 m) and KLUDD0017 (94 - 99 m) in the garnet-biotite-muscovite schist.

On section line 10450E, chalcopyrite mineralisation is visible from 79 - 85 m in KLUDD0016 and in KLUDD0018 on section 10550E from 67 - 77 m.

On section line 10600E, KLUDD0020 intersected malachite from 48 - 50 m and disseminated chalcopyrite from 92 - 104 m, and KLUDD0021 had disseminated chalcopyrite from 68 - 75 m.

Table 5: Kalulu Prospect – DD Drilling Assay Result

Hole ID	Northing	Easting	RL	EOH Depth	Inclination	Azimuth	mFrom	mTo	mWidth	Cu%	Intercept
KLUDD0011	8289981	784444	669	213.00	-60	320	13.00	17.00	4.00	0.62	4m @ 0.62 % TCu
KLUDD0011	8289981	784444	669	213.00	-60	320	133.00	139.00	6.00	0.83	6m @ 0.83 % TCu
KLUDD0011	8289981	784444	669	213.00	-60	320	145.60	148.46	2.86	0.57	2.86m @ 0.57 % TCu
KLUDD0011	8289981	784444	669	213.00	-60	320	188.80	191.00	2.20	0.55	2.2m @ 0.55 % TCu
KLUDD0011	8289981	784444	669	213.00	-60	320	194.00	203.87	9.87	1.20	9.87m @ 1.20 % TCu
KLUDD0012	8290087	784464	650	177.00	-60	320	56.00	59.70	3.70	0.70	3.70m @ 0.70 % TCu
KLUDD0012	8290087	784464	650	177.00	-60	320	82.00	83.35	1.35	1.54	1.35m @ 1.54 % TCu
KLUDD0012	8290087	784464	650	177.00	-60	320	84.00	85.00	1.00	0.57	1m @ 0.57 % TCu
KLUDD0013	8290159	784413	627	149.90	-60	320	125.00	127.00	2.00	0.43	2m @ 0.43 % TCu
KLUDD0015	8290010	784536	627	207.00	-60	320	84.00	86.00	2.00	0.48	2m @ 0.48 % TCu
KLUDD0015	8290010	784536	627	207.00	-60	320	108.00	108.80	0.80	3.96	0.80m @ 3.96 % TCu
KLUDD0015	8290010	784536	627	207.00	-60	320	113.00	121.00	8.00	1.28	8m @ 1.28 % TCu
KLUDD0016	8290078	784568	617	198.00	-60	320	75.00	76.00	1.00	0.57	1m @ 0.57 % TCu
KLUDD0016	8290078	784568	617	198.00	-60	320	79.00	85.00	6.00	0.66	6m @ 0.66 % TCu
KLUDD0017	8290050	784513	625	206.00	-60	320	82.00	89.00	7.00	0.77	7m @ 0.77 % TCu
KLUDD0017	8290050	784513	625	206.00	-60	320	94.00	99.00	5.00	1.07	5m @ 1.07 % TCu
KLUDD0017	8290050	784513	625	206.00	-60	320	197.00	198.00	1.00	0.45	1m @ 0.45 % TCu
KLUDD0018	8290150	784628	628	193.90	-60	320	67.80	77.00	9.20	0.88	9.2m @ 0.88 % TCu
KLUDD0018	8290150	784628	628	193.90	-60	320	163.00	165.00	2.00	0.89	2m @ 0.88 % TCu
KLUDD0020	8290154	784696	643	225.00	-60	320	48.00	50.00	2.00	0.75	2m @ 0.75 % TCu
KLUDD0020	8290154	784696	643	225.00	-60	320	92.00	95.50	3.50	1.49	3.5m @ 1.49 % TCu
KLUDD0020	8290154	784696	643	225.00	-60	320	97.00	100.00	3.00	0.51	3.0m @ 0.51 % TCu
KLUDD0020	8290154	784696	643	225.00	-60	320	103.00	104.00	1.00	1.65	1m @ 1.65 % TCu
KLUDD0020	8290154	784696	643	225.00	-60	320	165.00	166.00	1.00	0.39	1m @ 0.39 % TCu
KLUDD0021	8290179	784660	636	201.00	-60	320	68.00	75.00	7.00	0.77	7m @ 0.77 % TCu
KLUDD0021	8290179	784660	636	201.00	-60	320	143.00	145.00	2.00	0.82	2m @ 0.82 % TCu

Intercepts were calculated @ 0.30% Cu minimum cut off downhole width.

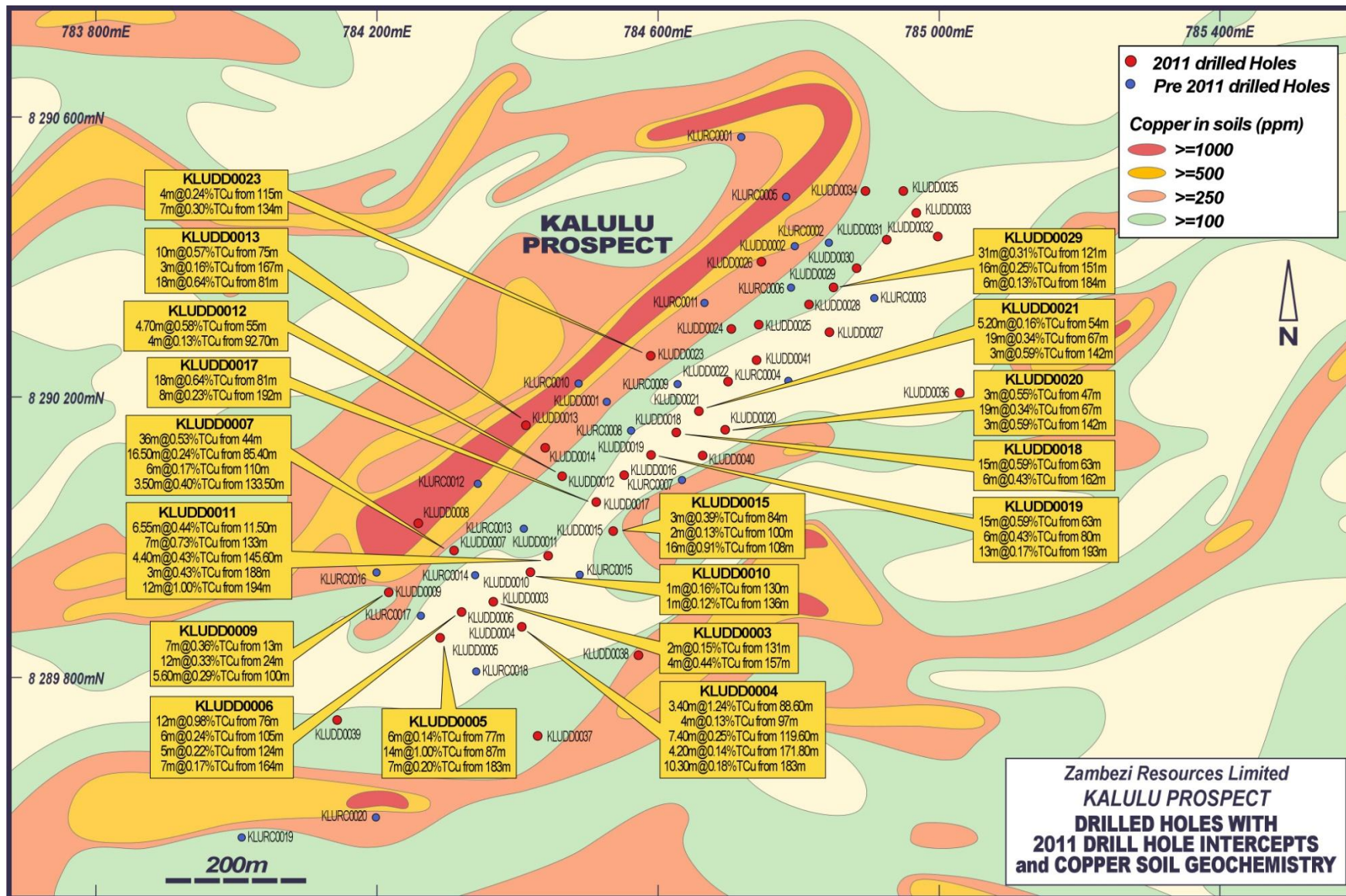


Figure 1: Showing Kalulu drilled holes and Phase III planned RC and DD drilling over Cu_ppm soil Geochem.

4.0 Drilling at Chisawa

4.1 Drilling

The Phase II drilling program undertaken by OX Drilling continued throughout the quarter. A total of 5,833.56 metres were completed from 29 DD holes (Figure 2) in Chisawa for their two rigs. Of the 29 DD holes, 6 were deep holes designed to test the down-dip extent of the mineralisation at this prospect, including CHSDD0017, CHSDD0033, CHSDD0035, CHSDD0036, CHSDD0037 and CHSDD0039. OX_16 demobilized during the month after completing CHSDD0038. One OX drill rig remains at Chisawa to complete the last hole for this years' drilling program. CHSDD0039 was still in progress at the time of reporting, with a target depth of 400 m.

4.2 Results

Results received were sourced from nine DD holes from sections 10400E, 10600E, 10800E, 11000E and 11200E. All holes intersected the same lithological units, commencing in amphibolite or amphibole-biotite schist, through foliated quartz-biotite schist and terminating in sheared garnet-biotite-chlorite schist with disseminated chalcopyrite mineralisation. Significant intersections are tabulated herewith.

Table 6: Chisawa Prospect – DD Drilling Assay Results

Hole_ID	Northing	Easting	RL	EOH Depth	Inclination	Azimuth	mFrom	mTo	mWidth	Cu%	Intercept
CHSDD0006	8287846	787711	697	152.00	-50	43.00	104.00	114.00	10.00	0.77	10m @ 0.77%TCu
CHSDD0006	8287846	787711	697	152.00	-50	43.00	131.00	142.00	11.00	1.25	11m @ 1.25%TCu
CHSDD0007	8287562	787755	690	250.97	-50	42.50	194.00	199.00	5.00	1.10	5m @ 1.10%TCu
CHSDD0008	8287768	787665	706	192.90	-50	42.50	153.17	155.00	1.83	0.64	1.83m @ 0.64%TCu
CHSDD0008	8287768	787665	706	192.90	-50	42.50	159.00	184.00	25.00	1.27	25m @ 1.27%TCu
CHSDD0009	8287442	787919	697	250.20	-50	40.00	68.00	70.00	2.00	0.56	2m @ 0.56%TCu
CHSDD0009	8287442	787919	697	250.20	-50	40.00	128.00	131.00	3.00	0.45	3m @ 0.45%TCu
CHSDD0009	8287442	787919	697	250.20	-50	40.00	134.00	135.00	1.00	1.09	1m @ 1.09%TCu
CHSDD0009	8287442	787919	697	250.20	-50	40.00	206.00	209.00	3.00	1.03	3m @ 1.03%TCu
CHSDD0010	8287655	787812	689	200.74	-50	42.50	57.00	58.00	1.00	0.35	1m @ 0.35%TCu
CHSDD0010	8287655	787812	689	200.74	-50	42.50	60.00	62.00	2.00	0.49	2m @ 0.49%TCu
CHSDD0010	8287655	787812	689	200.74	-50	42.50	141.00	143.00	2.00	0.60	2m @ 0.60%TCu
CHSDD0012	8287761	788031	682	150.34	-50	42.50	81.00	85.00	4.00	1.22	4m @ 1.22%TCu
CHSDD0013	8287420	788155	675	200.73	-50	42.50	40.00	50.00	10.00	0.77	10m @ 0.77%TCu
CHSDD0013	8287420	788155	675	200.73	-50	42.50	135.00	138.00	3.00	1.49	3m @ 1.49%TCu
CHSDD0014	8287491	788207	677	150.00	-50	42.50	87.00	92.00	5.00	1.58	5m @ 1.58%TCu
CHSDD0014	8287491	788207	677	150.00	-50	42.50	133.00	134.00	1.00	0.38	1m @ 0.38%TCu
CHSDD0015	8287292	788312	685	200.90	-50	45.00	48.00	50.00	2.00	0.49	2m @ 0.49%TCu
CHSDD0015	8287292	788312	685	200.90	-50	45.00	162.00	163.00	1.00	0.98	1m @ 0.98%TCu

Note:

Intercepts were calculated @ 0.30% Cu minimum cut off downhole width.

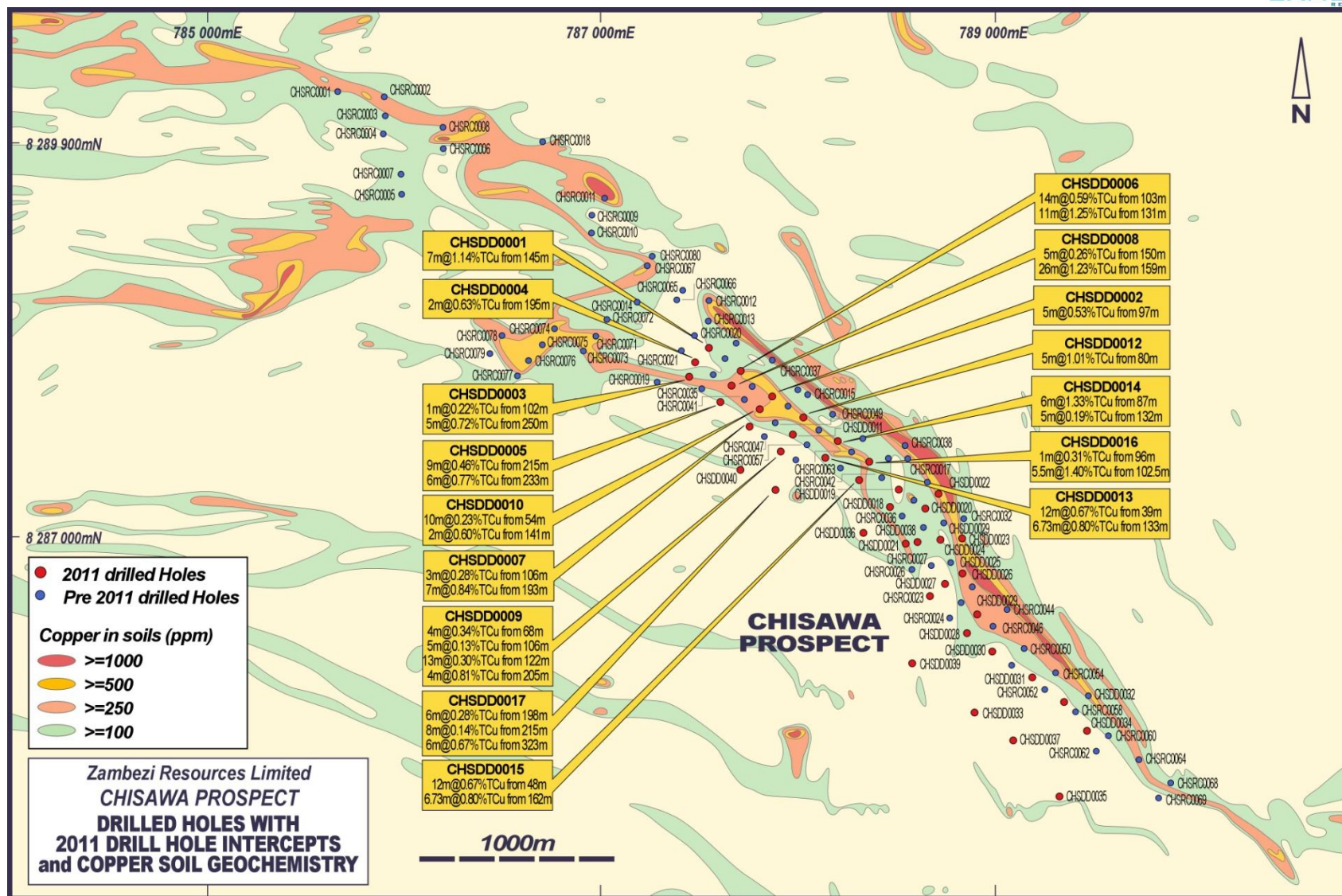


Figure 2: Plan showing historical and recent (2011) holes over soil Geochem

5.0 DRILLING AT Kangaluwi

5.1 Drilling

The Phase II program continued in Kangaluwi (Figure 3), during the quarter for a total of 3,811 m from 10 deep DD holes drilled by the two INFRACA Rigs and remaining OX rig. At the time of reporting, INFRACA Rig 1 was completing the final deep hole, KNGDD0048.

5.2 Results

On section 787100E, holes KNGDD0039 and KNGDD0040 were drilled intersecting quartz-muscovite gneiss, amphibolites, quartz-muscovite-biotite schist, epidiosites and carbonaceous shales, to depths of 291 m and 450.20 m respectively. Mineralisation in most Kangaluwi holes appears just below the carbonaceous shale horizon, which was logged in these holes between 191.30 and 192.85 m.

On section 787585E, KNGDD0045 was drilled to a final depth of 399.0 m as is KNGDD0007 and KNGRC0153 intersecting quartz-feldspar-biotite gneiss, amphibolites and amphibole-biotite schists, quartz-muscovite-biotite schists, epidiosites and pegmatite-veins. The hole intersected two main ore zones between 265.0 and 272.0 metres and between 302.30 and 309.30 metres within the garnet-chlorite-biotite schist and the quartz-biotite-muscovite schist respectively. In both zones, trace amounts of bornite and disseminated chalcopyrite was observed.

On section 787690E, KNGDD0046 was drilled to a final depth of 350.35 metres in the garnet-biotite-altered quartz-muscovite schist on the far-east of Kangaluwi after intersecting muscovite-biotite-quartz gneiss, amphibolites, amphibole-biotite schists, quartz-biotite-muscovite schists, epidiosites and micaceous quartzites.

The hole revealed patchy chalcopyrite disseminations over the following intervals: 191.2 to 204.0 metres and 256.70 to 261.0 metres in the garnet-chlorite-biotite schist, 286.0 to 291.0 metres and 291.0 to 329.0 metres in the quartz-muscovite-biotite schist. Most of the mineralisation is confined to calcite/dolomite veins, which cross cut most of the units.

On section 787800E, KNGDD0047 was drilled as the easternmost DD hole at Kangaluwi to test the down dip extent of the patchy ore zone intersected in KNGRC0031. The geology of KNGDD0047 is very similar to KNGDD0046 as the two holes are adjacent.

Several patchy disseminations of chalcopyrite (cpy) mineralisation are visible but the main ore zone lies between 330.20 and 342.50 m (Table 5).

Table 5: Visual intercepts in DD holes at Kangaluwi

Hole ID	From (m)	To (m)	Interval	Mineral
KNGDD0044	206.40	225.00	18.60	cpy disseminations
	234.00	241.00	7.00	cpy disseminations
	311.00	317.00	6.00	cpy disseminations
	348.00	351.00	3.00	cpy disseminations
	392.80	396.00	3.20	cpy disseminations
	415.00	427.00	12.00	cpy disseminations
KNGDD0045	265.00	272.00	7.00	bn and cpy disseminations
	302.30	309.30	7.00	cpy disseminations
KNGDD0046	199.20	204.00	4.80	cpy disseminations
	256.70	261.00	4.30	cpy disseminations, stringers
	286.00	291.00	5.00	cpy disseminations, stringers
	291.00	329.80	38.80	cpy disseminations
KNGDD0047	330.20	342.50	12.30	bn, cpy disseminations

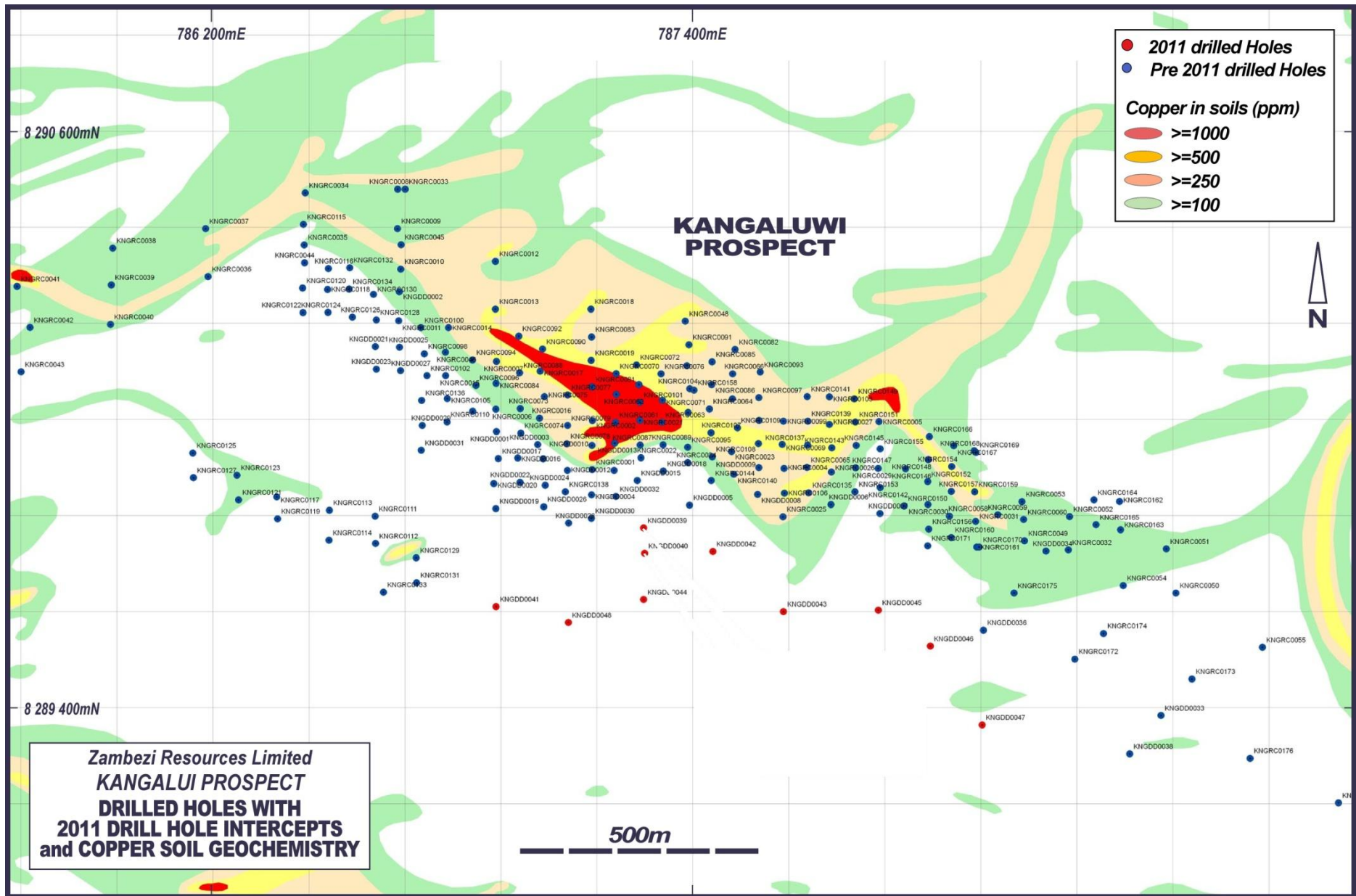


Figure 3: Map showing historical and 2011 drilled holes at Kanganluwi

6.0 Next Quarter Activities

The coming quarter will concentrate on completion of the current diamond drill program. All remaining RC and DD holes were originally planned for 2011 will now be deferred until 2012. A review of the 2011 drilling program will be undertaken prior to the commencement of any future drilling, in order to optimise drill depth to mineralised intersections.

Assays from the completed holes at Kangaluwi, Chisawa and Kalulu are expected in the next quarter with some additional samples awaiting submission. Re-sampling core to sample the missed intervals will be undertaken as well.

All assays will be reviewed and reported to a cut off of 0.1% with two metres internal dilution for the entire project area. Umpire samples will be collected and submitted as QAQC measure for JORC compliance. AMC Consultants have been contracted to both compile and audit a resource database.

Phase I of the survey works and full digital terrain model is expected to be completed in the next quarter, with Phase II deferred to next year. Phase I encompasses only the prospects Kalulu, Kangaluwi and Chisawa, while Phase II covers the remainder of the licence.

7.0 Corporate

A secured A\$10 million Convertible Note Facility was entered into with LinQ Capital Limited in two tranches of A\$5 million each.

On 28 September 2011, ZRL announced that it has drawn down A\$5 million (Tranche A) of the A\$10 million convertible note facility (Facility).

The funds raised by the Facility will be applied by Zambezi towards exploration, project evaluation and working capital costs associated predominantly with its Kangaluwi Copper Project. This Facility provides the Company funding to undertake the following:

- ⊗ Additional step out and infill drilling for resource expansion and definition at Chisawa, Kangaluwi and Kalulu deposits (Kangaluwi Copper Project);
- ⊗ Deeper drilling of the structure for strategic control as well as to determine the down dip extent of the mineralisation;
- ⊗ Testing additional oxide potential above the mineralised sulphide material with a shallow drilling program;
- ⊗ Site capital equipment and infrastructure upgrade, e.g.: vehicles, communications, site office and site accommodation; and
- ⊗ Feasibility study assessment work.

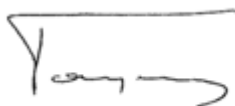
The Facility

The Facility is subject to shareholders' approval to be held within 90 days from 13 September 2011 being the date of execution of all formal legal documentation. A notice of meeting seeking approvals, including an independent expert's report, will be sent to shareholders in due course.

8.0 Competent Persons Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Ms Chiedza Nematadzira and Borniface Nquni, of Caracle Creek Consulting Zambia. Both are members of the Australian Institute of Geoscientists and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and who consent to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this announcement that relates to Exploration Results is based on information compiled by Geoffrey Booth, Consulting Geologist. Geoffrey Booth is employed as a consultant for Zambezi Resources and is also a Fellow of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Geoffrey Booth consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



Zambezi Resources Limited

Frank Vanspeybroeck

CEO

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

ZAMBEZI RESOURCES LIMITED

ARBN

124 462 826

Quarter ended ("current quarter")

30 SEPTEMBER 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(2,372) (856)	(3,743) (1,458)
1.3 Dividends received	21	71
1.4 Interest and other items of a similar nature received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	110	220
Net Operating Cash Flows	(3,097)	(4,910)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(3,097)	(4,910)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(3,097)	(4,910)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	5,000	5,000
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)		
	Net financing cash flows	5,000	5,000
	Net increase (decrease) in cash held	1,903	90
1.20	Cash at beginning of quarter/year to date	3,472	5,216
1.21	Exchange rate adjustments to item 1.20	(39)	30
1.22	Cash at end of quarter	5,336	5,336

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	31
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	5,000	5,000
3.2	Credit standby arrangements		

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	3,736
4.2	Development	-
4.3	Production	-
4.4	Administration	600
Total		4,336

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	211	172
5.2 Deposits at call	5,125	3,300
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	5,336	3,472

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2		Interests in mining tenements acquired or increased		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	1,258,456,904	1,258,456,904		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	99,500,000		AUD\$0.01	30 November 2012
	5,000,000		AUD\$0.02	5 May 2013
	30,000,000		AUD\$0.02	31 May 2013
	10,000,000		AUD\$0.025	30 September 2013
	10,000,000		AUD\$0.03	30 September 2013
	5,000,000		AUD\$0.035	1 June 2012
	5,000,000		AUD\$0.04	1 June 2013
7.8 Issued during quarter	5,000,000		AUD\$0.035	1 June 2012
	5,000,000		AUD\$0.04	1 June 2013
7.9 Exercised during quarter				

+ See chapter 19 for defined terms.

7.10	Expired during quarter	500,000		£0.20	31 August 2011
7.11	Debentures <i>(totals only)</i>	-	-		
7.12	Unsecured notes <i>(totals only)</i>	-	-		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~not~~* *(delete one)* give a true and fair view of the matters disclosed.



Sign here: Chief Financial Officer
Print name: Pierre Malherbe

Date: 27 October 2011

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.