

20 August 2012

Dear Option Holder

Notice to option holder - Participation in non-renounceable rights issue

Overview of rights issue

As announced to the ASX on 20 August 2012, Zambezi Resources Limited (**Zambezi**) advises that it intends to conduct a pro rata non-renounceable rights issue (**Rights Issue**) to eligible shareholders on the basis of 2 new Zambezi ordinary shares for every 3 Zambezi ordinary shares held as at 5:00pm (Perth time) on 28 August 2012 (**Record Date**) at an offer price of \$0.004 per new share.

Your participation

The terms and conditions of your options do not entitle you to participate in the Rights Issue unless you exercise some or all of your options into shares, and are entered onto Zambezi's share register before the Record Date.

The purpose of this letter is to give you notice of the Rights Issue before the Record Date to allow you to exercise your options should you wish to participate in the Rights Issue.

If you wish to participate in the Rights Issue (in respect of shares that would be issued to you on exercise of any of your options), please deliver your notice of exercise of options together with a cheque for the relevant exercise price to Computershare at GPO Box D182, Perth Western Australia 6840, so that it is received **prior to** 28 August 2012 (Record Date).

If you do not wish to participate in the Rights Issue (in respect of your options), you do not need to take any action.

This letter is not an offer or an invitation to acquire shares in Zambezi or to participate in the Rights Issue. If you are in doubt as to the action you should take in relation to this notice, you should consult your professional advisers.

Further details

Details of the Rights Issue are contained in an offer booklet lodged with the ASX today. It is important that you read the offer booklet carefully before deciding whether to exercise your options.

If you have any questions, please contact Computershare Investor Services Pty Limited on 1300 850 505 (inside Australia) or +61 3 9415 4000 (outside Australia).

Yours faithfully

Frank Vanspeybroeck
Chief Executive Officer
Zambezi Resources Limited