



ASX Announcement

28 January 2009

Placing and Convertible Note

Zambezi Resources Limited ("Zambezi" or the "Company") (AIM:ZRL; ASX:ZRL) today announces that it has received an application from Astron Limited ("Astron") for a share placement of 29 million shares, representing approximately 12.78% of the enlarged share capital of the Company, at a price of A\$0.02 per share to raise A\$580,000 ("Tranche 1"). The Zambezi Board has approved the issue and allotment of the Tranche 1 shares to Astron under the 15% capacity available for the issue of securities of ASX Listing Rule 7.1.

Tranche 1 is the first part of a proposed three stage transaction (the "Transaction") to raise approximately AUD\$13m, subject to various conditions including shareholder approval.

Zambezi has today entered into a Share Subscription Agreement and a Convertible Note Agreement with Astron.

Under the terms of the Share Subscription Agreement, Astron has agreed to subscribe for a further 171 million shares at a price of A\$0.02 per share to raise a further A\$3.42m ("Tranche 2"). Tranche 2 is conditional upon Zambezi shareholder approval, requisite regulatory approvals in Zambia, the execution of a voluntary escrow agreement and the execution of the Convertible Note agreement (below). Completion of Tranche 2 is scheduled for early March 2009.

Under the terms of the Convertible Note Agreement (Tranche 3), Zambezi has agreed to issue an unsecured convertible note in the Company to Astron at a Face Value of US\$6,000,000 (the "Note"). The Note does not carry an interest charge and has a maturity date of 31 December 2010 ("Maturity Date"). The Note is convertible, at the option of Astron, to shares in the Company up to the Maturity Date at a conversion price of the lower of A\$0.02 per share or a 20% discount to the volume weighted average price of the Company's shares on the ASX in the 30 trading days immediately prior to the conversion of the Note. The issue of the Note is conditional upon Zambezi shareholder approval and completion of the Tranche 2 share placement. Astron has an



ARBN 124 462 826

Bermuda:
Canon's Court
22 Victoria Street
Hamilton HM12

Australia:
17 Ord Street
West Perth
PO Box 1796 WA 6872
Tel: (+61-8) 9216 9000
Fax: (+61-8) 9216 9090

Zambia:
Mwembeshi Resources Limited
Plot 5777N
Great East Road
Kalundu
Lusaka
Tel: (+26) (021) 1291 645
Fax: (+26) (021) 1292 411

Stock Exchange Listings:
ASX: ZRL
AIM: ZRL

Issued Capital:
197,876,174 ordinary shares
3,230,214 listed options
13,150,000 unlisted options

Directors:
Non-Executive Chairman:
Brian Rear
Managing Director:
Julian Ford
Non Executive Director:
Geoff Johnson

Chief Financial Officer:
Lloyd Flint

For personal use only

absolute discretion to elect to subscribe for the Note, to be exercised within three months after Zambezi shareholder approval

A notice of meeting for a shareholder meeting to consider the ratification of Tranche 1 and approval for Tranche 2 and the Note will be published in due course.

The board of Zambezi believes that the Transaction will secure necessary funding for the foreseeable future and at the same time provides the Company with a strategic investor. The Transaction will allow the Company to continue work on the exploration portfolio in Zambia.

Astron is listed on the ASX and located in Sydney, Australia, but also has a strong presence in China with an office in Shenyang. Astron's interest in Zambezi is principally as a strategic opportunity to ultimately supply copper from Zambia into China leveraging off Zambezi's copper/gold projects and facilitating Zambezi's entry into Chinese markets. The transaction will ensure the survival of the Company and add longevity to its existing projects.

The Company's shares were suspended from trading on ASX on 31 October 2008 and AIM on 3 November 2008 pending clarification of the Company's financial position. The Company's shares will only be restored to trading following this clarification and a further announcement on this will be made following the general meeting to be held as detailed above.

For Further Information please contact:

Julian Ford, Managing Director
Zambezi Resources (Australia)
+61 (08) 9216 9000
+61 (0) 418 949 580

Simon Edwards / Adam Lloyd
Evolution Securities Ltd
+ 44 20 7071 4300

Fiona Owen
Grant Thornton UK LLP
+44 20 7383 5100

ADDITIONAL INFORMATION

Zambezi is listed on London's AIM market and the Australian Securities Exchange (ASX & AIM Ticker: ZRL) and currently has two main projects, Cheowa and Kangaluwi. The Company is focused on discovering and developing large Copper-Gold projects in southern Zambia. The Cheowa project is a joint venture with Glencore International AG, who have earned a 51% interest in the project. The Company believes that the Kangaluwi project has the potential to be a world class open pit copper deposit. To date the Company has spent over US\$ 10 million on the project and drilled over 50,000metres, testing 8km's of the 28km's of strike length. The Company also has entered into two Uranium Joint Ventures on approximately 50% of its tenement area, one with Rio Tinto and the other with Lithic Metals and Energy.