



ASX Announcement

10 June 2009

Zambezi enters into Strategic Alliance with Clarity Capital

- Clarity to inject A\$640,000 into Zambezi by way of equity subscription
- Zambezi to retain ownership of its Uranium Assets and its 49% interest in the Cheowa Joint Venture Copper Project ("**Cheowa Project**") (Glencore 51%)
- Clarity to have the right to spend:
 - US\$5.0 million to earn a 51% in the Kangaluwi copper project ("**Kangaluwi Project**"), following which at its sole election, it may earn up to an 85% interest (upon which Zambezi will convert its interest to a 2% net smelter royalty); and
 - US\$2.0 million to earn an initial 51% interest in the balance of Zambezi's assets ("**Remaining Projects**") following which, at its sole election, it may earn up to a 70% interest (upon which Zambezi may elect to convert its interest to a 2% net smelter royalty)

Together the Kangaluwi Project and the Remaining Projects are referred to as the "**Joint Venture Projects**".

Zambezi Resources Limited ("**Zambezi**"; ASX: ZRL) today announces that it has signed a binding Term Sheet with Clarity Capital Ltd ("**Clarity**") and has agreed the form of definitive equity subscription agreements. Under the terms of the Term Sheet and the agreements, Clarity will invest A\$640,000 in Zambezi at 2 cents per ordinary share in two tranches over the next 10 weeks and will be granted a two year option to purchase additional shares. Following the exercise of the options, this would give Clarity a fully diluted shareholding of 18% in Zambezi. In addition, Clarity has the right to invest US\$7.0 million to earn an initial 51% interest in the Joint Venture Projects.

Clarity Minerals is an African-based, integrated, private mining house wholly-owned by Jersey-headquartered Clarity (www.claritycapital.com). Clarity's international mineral team, headquartered in South Africa, consists of more than twenty-five highly experienced technical and commercial specialists that thrive on building successful mineral companies in Africa. Clarity also owns assaying, drilling, construction and engineering businesses in Southern Africa providing it with a strategic edge in terms of response time and quality assurance. Clarity's current portfolio consists of 8 projects with operational offices in South Africa, Tanzania, Namibia, Zambia, Madagascar and Zimbabwe. Clarity, with corporate offices in the UK, South Africa and Canada, strives to deliver extraordinary capital appreciation through responsible mineral exploration and development.

Equity Placement: Under the terms of the Terms Sheet and the agreements, Clarity will invest A\$640,000 in Zambezi at 2 cents per share in two tranches. Tranche 1 will be for A\$256,000 and is expected to take place by 29 June 2009 and Tranche 2 will be for A\$384,000 and is expected to take place on or before 17 August 2009, subject to satisfaction or waiver of certain conditions precedent summarised below.

Tranche 1 - Under the terms of the Equity Placement, in Tranche 1, Clarity will subscribe for 12.8 million shares at 2 cents per share, within 5 business days of the approval of the resolutions before shareholders at the Extraordinary General Meeting scheduled for 22 June 2009 ("EGM"). The Tranche 1 placement is conditional on the approval of the resolutions before shareholders at that meeting and the verification of title of Zambezi's exploration licences in Zambia.

Tranche 2 - Tranche 2 comprises a placement of 19.2 million shares at 2 cents per share together with the grant of 52,284,000 unlisted options to Clarity. The options will expire on the 2nd anniversary of the date of issue and will have an exercise price of 2.5 cents per share if exercised in the first 12 months and 3 cents per share if exercised in the second 12 months of the term of the options.

Conditions precedent to Tranche 2 - The key conditions precedent to the Tranche 2 placement and options issue are:

- Clarity being satisfied with its technical and financial due diligence investigations;
- completion of the issue of the Tranche 1 shares to Clarity;
- the entry into the definitive Joint Venture Agreements, the key terms of which are summarised below;
- ASX granting all waivers required, including in relation to the Top Up Right summarised below;
- Completion of the issue of 161,685,161 shares to Zambezi's major creditors in exchange for the extinguishment of the debts owed to them following shareholder approval of the issue at the EGM; and
- Zambezi lodging a prospectus in connection with the issue of the Tranche 2 shares and options.

Other rights for Tranche 2 – As part of and with effect from completion of the Tranche 2 placement, Clarity will have the following ongoing rights:

- Top Up Right – the right for two years to participate in any issue of shares or other securities issued by Zambezi to the extent necessary to prevent Clarity's percentage shareholding (calculated as if it had exercised all options held by it) being diluted by the share or security issue – this is subject to receipt of a necessary ASX waiver of Listing Rule 6.18;
- First Right of Refusal to Underwrite – a first right of refusal for one year from the Tranche 2 placement to underwrite any proposed issue of securities by Zambezi; and
- Nominee Director – the right to appoint a nominee director to the board of Zambezi.

Joint Venture Agreements: As a condition of the placements, the parties will also enter into detailed Joint Venture Agreements for the Kangaluwi Project and the Remaining Projects.

Kangaluwi Project: Under the terms of the Kangaluwi Project Joint Venture, Clarity will have the right to earn (in stages) a 51% interest in the Kangaluwi Project, which includes copper, gold and any other mineral rights granted under the applicable licenses, by spending US\$5.0 million. The earn-in will occur as follows:

- Clarity must expend not less than US\$500,000 by 1 August 2010 for an initial 10% interest in the Kangaluwi Project
- Clarity has the right to expend a further US\$1.0 million by not later than 1 August 2013 to earn an additional 15% interest in the Kangaluwi Project

- Clarity has the right to expend a further US\$3.5 million by not later than 1 August 2013 to earn an additional 26% interest in the Kangaluwi Project (that is, expenditure of US\$5.0 million will earn a 51% interest)
- If Clarity earns a 51% interest in the Kangaluwi Project, Clarity may elect to either (a) continue to sole fund expenditure until the completion of a Bankable Feasibility Study for a minimum 35,000 tonnes copper concentrate per annum over a 10 year mine life, in which case Clarity will earn a further 34% interest in the Kangaluwi Project (that is, a total of 85% interest in the Kangaluwi Project), or (b) to continue to sole fund expenditure based on a formula that increases Clarity's interest and which dilutes Zambezi's interest by the same amount. Again, this sole funding may be continued by Clarity until it earns an 85% interest in the Kangaluwi Project.
- If Clarity earns an 85% interest in the Kangaluwi Project, then Zambezi's interest will convert to a 2% net smelter royalty

Remaining Projects: The Remaining Projects consist of all other mineral rights, including copper and gold, granted under Zambezi's remaining mineral licences other than the Cheowa Project and the Uranium Assets.

- Clarity must expend not less than US\$250,000 by 1 August 2010 for an initial 10% interest in the Remaining Projects
- Clarity has the right to expend a further US\$500,000 by not later than 1 August 2013 for an additional 15% interest in the Remaining Projects (that is, expenditure of US\$750,000 will earn a 25% interest)
- Clarity has the right to expend a further US\$1.25 million by 1 August 2013 for a further 26% interest in the Remaining Projects (that is, expenditure of US\$2.0 million will earn a 51% interest in all of the Remaining Projects)
- If Clarity earns a 51% interest in the Remaining Projects, Clarity may elect to sole fund the Remaining Projects, in which case its interest in the Remaining Projects will increase according to a formula and Zambezi's interest will dilute by the same amount
- If Clarity earns up to a 70% interest in the Remaining Projects, Zambezi will be entitled to elect to either commit to providing pro rata funding to maintain its 30% interest in the Remaining Projects or to convert its 30% interest into a 2% net smelter royalty

Management of Joint Venture Projects: Clarity will manage the Joint Venture Projects while it is sole funding for a fee of 10% of expenditure. If Clarity does not earn a 51% interest by 1 August 2013 or does not meet its minimum cumulative expenditure obligations, then the management rights will revert to Zambezi and the parties will fund in proportion to their respective interests in the Joint Venture Projects, subject to a right to elect to not participate and to experience dilution on usual principles.

The strategic alliance announced today with Clarity secures Zambezi's financial position following a major deterioration in both the global economy and commodity prices during 2008. This new relationship will provide numerous corporate and operational synergies as Clarity fills the role of a cornerstone equity investor and a capable joint venture partner for Zambezi's highly prospective projects. The Company will look to further consolidate its asset portfolio through the sale of its Cheowa interest and realise value for its Uranium Assets.

For more information contact:

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

Allan Dolan
Clarity Capital Management
+ 44 77 9697 3008
allan@claritycapital.com

Charles Vivian/James MacFarlane
Pelham PR – for Clarity Capital
+ 44 (0) 20 7743 6670/6375
james.macfarlane@pelhampr.com

ADDITIONAL INFORMATION

Zambezi is listed on the Australian Securities Exchange (ASX: ZRL) having delisted from the AIM market in May 2009. The Company, which originally listed on the AIM market in 2004, has been focused on discovering and developing multiple copper gold projects in Southern Zambia. The company and its partners have spent more than US\$40 million on exploration over the past 5 years after discovering multiple green field copper and gold projects over an original tenement portfolio exceeding 17,000km².

Zambezi has been suspended on the ASX since 1 November 2008 after it faced funding difficulties following the onset of the Global Financial Crisis in 2008 and the collapse of the copper price in late 2008. The company reached agreement with its major creditors at the end of April 2009 and has called an Extraordinary General Meeting scheduled for 22 June 2009 to seek shareholder approval to convert the debt into equity at a price of 2 cents per share. Following the Clarity Strategic Alliance, Zambezi will retain its uranium projects (of which approximately 50% of its tenement area is in joint venture with Lithic Metals and Energy) and its joint venture interests in the Cheowa project with Glencore International.