# ZYL Limited
# (Subject to Deed of Company Arrangement)

## Annual Report

## For the year ended 30 June 2013

ABN 15 008 720 223

# Contents

# Corporate Directory

| | |
|---|---|
| **Directors** | Mr Shaun Hardcastle<br>Non-executive Director<br><br>Ms Oonagh Malone<br>Non-executive Director<br><br>Mr Richard Pearce<br>Non-executive Director |
| **Company Secretary** | Ms Oonagh Malone |
| **Registered Office** | Suite 23, 513 Hay Street<br>Subiaco WA 6008 |
| **Share register** | Security Transfer Registrars Pty Ltd<br>770 Canning Highway<br>Applecross WA 6153<br>Tel: (08) 9315 2333 |
| **Auditor** | William Buck Audit (WA) Pty Ltd<br>Level 3<br>15 Labouchere Road<br>South Perth WA 6151 |
| **Securities exchange listing** | Australian Securities Exchange<br>Level 40, Central Park<br>152 – 158 St Georges Terrace<br>Perth Western Australia 6000<br>Code: ZYL |

# Directors' Report

The Directors present their report on the consolidated group (referred to hereafter as the group) for the year ended 30 June 2013 and the auditors' report thereon.

## 1. PRINCIPAL ACTIVITIES OF THE GROUP

ZYL Limited (subject do a Deed of Company Arrangement) (ZYL or the Company) is currently in administration, subject to a Deed of Company Arrangement (DOCA) signed on 19 February 2015. The DOCA is intended to satisfy creditors' debts through the disposal of interests in the Kangwane Central Anthracite Project and other assets, while retaining the interest in the Kangwane South Anthracite Project. Before entering into the DOCA, ZYL was actively attempting to progress its Anthracite projects in South Africa.

## 2. RESULTS AND REVIEW OF OPERATIONS

**Incomplete Financial Information**

Due to turnover of previous staff and officers, and the parent entity being subject to external administration, complete accounting records have not been able to be located. For the year ended 30 June 2013 and since, this has led to insufficient information being available to support several material contracts as well as transactions and balances of foreign subsidiaries.

The Directors are of the opinion that it is not possible to state that the audited Remuneration disclosures, financial statements and notes are in accordance with the requirements of the Corporations Act 2001, due to the lack of records and certainty in connection with material transactions, for both the year ended 30 June 2013 and since then.

It is noted by the Directors that the intended sale of the Kangwane Central Anthracite Project to satisfy the creditors' and administrator's debts, along with the continued existence of the Kangwane South Anthracite Project, means that while historical records are affected by incomplete financial information, the absence of these records is not expected to significantly detract from the Company's ability to maintain proper books and records for the period from 23 February 2015 for Australian entities, when current directors were appointed. Therefore, the absence of records due to turnover of previous staff and officers, unavailable documents of foreign subsidiaries, and the parent entity being subject to external administration, primarily affects the historical records of the economic entity rather than its ability to continue its retained business and operations.

**Summary of Results**

The Group's net loss for the year attributable to members of the Company for the financial year ended 30 June 2013 was $35,103,741 (2012: $4,425,491). The loss was largely the result of impairment expenses totalling $26,758,166, recognised to impair assets down to expected realisable values.

At 30 June 2013, the Group had a net asset deficit of $784,568 (2012: net asset surplus of $35,803,123) and the Company had 561,667,899 (2012: 492,007,899) shares on issue.

# Directors' Report

**Revised Mbila Project Settlement**

At the end of the 2012/2013 financial year, ZYL announced that that it would no longer proceed with the acquisition of the Mbila project and the Settlement Agreement, announced earlier in the year, had been varied to effect this.

Under the terms of the revised Settlement Agreement, ZYL agreed to pay to the Mbila Vendors the amount of AUD$350,000 by 3 July 2013 and a further AUD$150,000 on 25 September 2013. All payments were made pursuant to the revised Settlement Agreement and the respective parties released each other from any further claims.

**Kangwane Central project**

On 4 February 2013, ZYL entered into a Memorandum of Understanding ("**MOU"**) with its partners in the Kangwane Central Anthracite Project. The MOU sought to restructure the original transaction that was executed and announced on 13 December 2010 between Siyanda Resources (Pty) Ltd ("**Siyanda"**), Double Ring Resources (Pty) Ltd ("**Double Ring"**) and Opes Capital (Pty) Ltd (collectively the "**Partners"**).

The finalisation of the MOU was subject to the fulfilment of a number of conditions precedent by 30 April 2013. The conditions precedent were not fulfilled and the MOU consequently lapsed and as such the original transaction remained binding.

**Kangwane South Project**

The Kangwane South Project is located in the Mpumalanga Province of South Africa, approximately 150km from the coast to the Matola Terminal at Maputo Port in Mozambique and approximately 25 kilometres to the south of the Company's Kangwane Central Project.

**3. DIRECTORS**

The Directors of ZYL at the date of this report are:

**Mr Shaun Hardcastle – Non-executive Director (appointed 23 February 2015)**

Mr Hardcastle has over 10 years' experience as a corporate and finance lawyer and extensive experience in corporate governance, risk management and compliance. He has been involved in a broad range of cross-border and domestic transactions including joint ventures, corporate restructuring, project finance, resources and asset/equity sales and acquisitions. Mr Hardcastle has practiced law both in Australia and overseas and currently works with Bellanhouse Legal, a boutique corporate law firm in West Perth. He graduated from the University of Western Australia in 2005 with a Bachelor of Laws and a Bachelor of Arts and is currently completing a Graduate Diploma in Energy Law.

| | |
|---|---|
| *Other Current Directorships:* | None |
| *Former Directorships in Last Three Years:* | None |

# Directors' Report

**Ms Oonagh Malone – Non-executive Director and Company Secretary (appointed 23 February 2015)**

Ms Malone is a principal of a corporate advisory firm which provides company secretarial and administrative services. She has over 6 years' experience in administrative and company secretarial roles for listed companies and is a member of the Governance Institute of Australia. She currently acts as company secretary for ASX-listed Attila Resources Ltd, Boss Resources Ltd, Carbine Resources Ltd, Primary Gold Ltd and ZYL Limited.

| | |
|---|---|
| *Other Current Directorships:* | None |
| *Former Directorships in Last Three Years:* | Boss Resources Ltd (resigned 20 August 2013) |

**Mr Richard Pearce – Non-executive Director (appointed 23 February 2015)**

Mr Pearce is an experienced professional in the global mining and mining technology industries, the private investment sector and in the agricultural sector. His experience in the mining industry spans the value chain, including board directorships, exploration, operation management, mining finance, M&A, business strategy and operational improvement. With a career of over 20 years, Richard has worked in multiple commodities and geographies, including iron ore, coal, uranium, mineral sands, gold and copper, in Europe, the Middle East, North and South America, South East Asia, New Zealand and Australia.

Mr Pearce is a Member of the Australian Institute of Company Directors and his qualifications include: MBA; Bachelor of Science (Hons); Diploma in Mining Finance; and Diploma in Geostatistics.

| | |
|---|---|
| *Other Current Directorships:* | None |
| *Former Directorships in Last Three Years:* | None |

**FORMER DIRECTORS**

The names and profiles of each person who were directors and resigned prior to the date of this report are:

**Mr John Arbuckle – Non-executive Director (appointed 15 November 2013, resigned 5 December 2014) and Company Secretary (appointed 20 December 2013, resigned 5 December 2014)**

Mr Arbuckle is an accountant with extensive experience in the resources industry in Australia and overseas. He operates a corporate advisory business that provides corporate and capital financing advice to resource industry companies.

**Mr Stephen Woods – Non-executive Director (appointed 20 December 2013, resigned 23 February 2015)**

Mr Woods was a registered Mine Manager and Field Manager for manganese explorer, Auvex Resources Ltd, for the Ant Hill & Sunday Hill. He has worked for the Geological Survey of Western Australia and has successfully prospected for gold at the Horseshoe region for many years.

**Mr Yuzheng Xie – Non-executive Chairman (appointed 11 April 2013, resigned 23 February 2015)**

Mr Xie is an experienced iron ore trader with an extensive steel material marketing and trading background.

**Mr David Greenwood – Non-executive Director (appointed 1 March 2011, resigned 15 November 2013)**

# Directors' Report

Mr Greenwood has over 29 years of geological and mining experience with a number of coal, precious metal and base metal producers.

**Mr Alok Joshi – Non-executive Director (appointed 6 September 2013, resigned 16 April 2014)**

Mr Joshi is a commerce graduate from the prestigious Sydenham College of Commerce and Economics, Mumbai, India, and a member of the Institute of Chartered Accountants of India.

**Mr Phillipe Lalieu – Executive Director (appointed 31 October 2011, resigned 6 September 2013)**

Mr Lalieu has more than 15 years' experience in corporate finance and business development and is the co-founder of Opes Capital, a niche corporate finance and resource investment firm based out of Johannesburg South Africa.

**Mr Ian Benning – Chief Executive Officer & Executive Director (appointed 31 October 2011; resigned 18 April 2013)**

Mr Benning is a registered mining engineer with experience in specialised mining finance, mining operations and production.

**Mr Glenn Whiddon – Non-executive Chairman (appointed 8 June 2012; resigned 28 March 2013)**

Mr Whiddon has an extensive background in equity capital markets, banking and corporate advisory, with specific focus on natural resources.

**Mr Bevan Tarratt – Executive Director (appointed 2 December 2009; resigned 14 November 2012)**

Mr Tarratt has an extensive background in the accounting industry having worked in various local accounting firms for the past 10 years; in addition he has a comprehensive practical business background having owned various medium sized retail businesses. Mr Tarratt also has extensive experience in primary and secondary capital raisings and corporate strategic consulting.

**Dr Eric Lilford – Non-executive Director (appointed 15 August 2010; resigned 20 July 2012)**

Dr Lilford held the positions of National Head of Mining for Deloitte Touche Tohmatsu, Partner of Deloitte Corporate Finance.

# Directors' Report

## 4. FORMER COMPANY SECRETARY

**Mr (Nicholas) Chen Chik Ong**

Mr Ong was a Principal Adviser at the Australian Securities Exchange (ASX) in Perth with experience in listing rules compliance and corporate governance to the board.

## 5. TRADING RESULTS

The net amount of the loss after income tax attributable to the members of the consolidated group for the year ended 30 June 2013 was $35,103,774 (2012: $4,425,496).

## 6. DIVIDENDS

No dividends were paid or are proposed to be paid to members during the financial year (2012: Nil).

## 7. FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Future developments for the Group depend on resolution of the DOCA and ongoing activity regarding the retained Kangwane South Anthracite Project.

## 8. FINANCIAL POSITION

The net assets of the Company have decreased by $36,587,691 from $35,803,123 at 30 June 2012 to a net deficit of $784,568 at 30 June 2013. This net decrease is due to the group using existing cash reserves to fund its activities.

## 9. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The following events have occurred since the end of the reporting period:

- **Mbila vendor payments**
  ZYL paid agreed amounts to the Mbila Vendors of AUD$350,000 on 3 July 2013 and a further AUD$150,000 on 25 September 2013. All payments were made pursuant to the revised Settlement Agreement and the respective parties released each other from any further claims.

- **Equity issue to Selentium Capital SARL**
  On 24 July 2013, in accordance with resolutions of the shareholders' meeting held on 24 June 2013, 39,779,661 ordinary shares and 7,500,000 share options with an exercise price of $0.20 per share and an expiry date of 24 July 2016 were issued to Selentium Capital SARL. Selentium Capital SARL is associated with former director Mr Phillipe Lalieu.

- **ASIC Infringement Notices**
  On 12 August 2013 the Australian Securities and Investment Commission (ASIC) issued two infringement notices to ZYL alleging that ZYL failed to comply with the continuous disclosure obligations contained in the Corporations Act.

# Directors' Report

The basis of ASIC's allegation in the first Infringement Notice was that when the Bridging Facility, originally announced to the market on 10 September 2012, was drawn down on the 24 October 2012, ZYL was aware that the Bridging Facility was repayable on the earlier of 31 December 2012 and the date that ZYL issued convertible notes to Prestige Glory, or such other date agreed by ZYL and Prestige Glory and that disclosure of that information should have been made by ZYL to the market prior to its inclusion in the replacement Annual Report released to the market on 29 November 2012.

The basis of ASIC's allegation in the second Infringement Notice was that by 14 November 2012, ZYL was aware that the 'Mbila mining ratification workshop' held on 8 November 2012 confirmed a lower than expected conversion from Resources to Reserves within the Badger Study Area and that the proven reserves of anthracite in the Beaufort and Ecca seams of the Mbila Project were substantially lower than those indicated by Badger Mining and Consulting and that ZYL's announcements to the market on 5 November 2012 and on 4 January 2013 regarding the lower than expected conversion rate were insufficiently detailed to satisfy ZYL's continuous disclosure obligations.

- **Additional Funding Secured**

  On 20 August 2013, ZYL announced that it had entered into a memorandum of understanding (MoU) with Finevest Investment FZE (Finevest) whereby Finevest agreed to provide ZYL an advance of up to AUD$1,000,000 by way of four convertible notes, each with a face value of AUD$250,000. The tranches of convertible notes were to be staggered with the first tranche being immediate, the second tranche in early October 2013, third tranche in early December 2013 and the final tranche in early February 2014. Only the first tranche was received, with cash received on 23 August 2013.

  All tranches after the first tranche were subject to conditions that did not eventuate, including ZYL acquiring at least a 50.1% interest in the Kangwane Central Project. As conversion was subject to shareholder approval, and such approval never occurred, the outstanding $250,000 note is an unsecured borrowing with no conversion feature. Relevant terms of this $250,000 borrowing are:

  - Term: One year from drawdown on 23 August 2013.
  - Interest rate: 15% per annum.
  - Interest payable: at noteholder's election on the termination date.
  - Principal repayment due: The earlier to occur of twelve months from the date of the Convertible Note, if the Noteholder elects for repayment to occur, following an event of default occurring in relation to the Company, or the date upon which shareholders do not approve the facility, or the date agreed between the parties by which shareholder approval must be obtained if shareholders have not approved the facility. There is no evidence available that this note has yet been repaid.

- **Issue of adviser shares**

  On 3 September 2013, in accordance with resolutions of the shareholders' meeting held on 24 June 2013, ZYL issued 10,000,000 shares and 1,300,000 shares to Breamline and Macquarie respectively. The shares were issued to Breamline as part payment of a fee for the introduction of assets to the Company and the shares were issued to Macquarie as payment of a fee to provide capital raising advisory services to the Company.

# Directors' Report

- **Cessation of York Energy Transaction**
  On 6 September 2013, ZYL announced that it had elected not to proceed with the transaction with York Energy NL regarding the Kangwane North Project. Consequently, all formerly recognised assets of the Group relating to the Kangwane North project have been written off as at 30 June 2013.

- **Final payment to Mbila Vendors**
  On 30 September 2013, ZYL announced that it had made the final $150,000 payment required to the Mbila vendors, releasing ZYL from all further claims for the Mbila project.

- **Breach of secured loan agreement with Prestige Glory**
  On 30 September 2013, ZYL announced that it had failed to make the required repayment of principal plus interest to secured creditor Prestige Glory Limited, that negotiations with Prestige Glory were continuing, and that the 30 June 2013 financial statements of ZYL had consequently not been approved by directors. The extension of the bridging facility with Prestige Glory on 8 April 2014 and the entering of the Deed of Company Arrangement with Konkera Corporate (referred to in the points below) have resolved this issue to the extent that the 30 June 2013 financial statements can be approved by the directors.

- **Extension of bridging facility with Prestige Glory**
  On 8 April 2014, ZYL announced that it had executed a third deed of extension and forbearance with Prestige Glory whereby Prestige Glory (PGL) agreed to extend the termination date of the bridging facility to 30 June 2014 and advance ZYL a further $300,000. Before this date, PGL had provided $2,000,000, to ZYL under the bridging facility, with this deed agreeing provision of a further $150,000 immediately and $150,000 on 31 May 2014.

- **Appointment of voluntary administrator**
  On 8 January 2015, ZYL's then board comprised of Mr Yuzheng Xie and Mr Stephen Woods resolved to appoint Jack James of Palisade Business Consulting as voluntary administrator to the Company.

- **Resolution to enter Deed of Company Arrangement (DOCA)**
  On 13 February 2015 at the second meeting of creditors, ZYL's creditors resolved that the Company execute a Deed of Company Arrangement and that Jack James be appointed Administrator of the DOCA. The Company executed the DOCA with Konkera Corporate on 19 February 2015. The end date of the DOCA was extended to 19 February 2016 on 15 July 2015, then to 19 August 2016 on 25 January 2016 and then to 19 February 2017 on 16 August 2016.

# Directors' Report

## 10. OPTIONS

Unissued ordinary shares of ZYL Limited under option at the date of this report are as follows:

| Expiry date | Issue price of shares | Number under option | |
|---|---|---|---|
| | | 2013 | 2012 |
| 24 July 2016 | $0.20 | 7,500,000 | - |
| Total | | 7,500,000 | - |

## 11. DIRECTORS' MEETINGS

Based on the best information available, the numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2013, and the numbers of meetings attended by each director were:

| | Directors' meetings | |
|---|---|---|
| Name | No. of meetings eligible to attend | No. of meetings attended |
| Yuzheng Xie | 3 | 3 |
| Phillipe Lalieu | 11 | 11 |
| David Greenwood | 11 | 11 |
| Glenn Whiddon | 8 | 8 |
| Ian Benning | 8 | 8 |
| Bevan Tarratt | 3 | 3 |
| Dr Eric Lilford | 0 | 0 |

## 12. AUDIT COMMITTEE

The Company does not have a formally constituted audit committee of the directors and secretary as the Board considers that the Company's current position in respect of the composition of the Board, the size of the Company and the minimal complexities involved in its financial activities, the Company is not in a position to justify the establishment of an audit committee. The full Board performs the duties of this committee.

# Directors' Report

## 13. REMUNERATION REPORT (AUDITED)

The remuneration report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration
2. Remuneration committee and board charter
3. Details of remuneration

## 14. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

i. competitiveness and reasonableness;
ii. acceptability to shareholders;
iii. performance linkage / alignment of executive compensation;
iv. transparency; and
v. capital management.

The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

i. focuses on sustained growth in shareholder wealth; and
ii. attracts and retains high calibre executives.

Alignment to program participants' interests:

i. rewards capability and experience; and
ii. provides a clear structure for earning rewards.

The relationship between the remuneration policy for key management personnel and the Company's performance cannot be determined due to the Company being under administration and entering a Deed of Company Arrangement with Konkera Corporate. Accordingly, the Company is unable to determine the specific relationship between the remuneration policy, the Company's earnings and the consequences of the Company's performance on shareholders wealth.

**Executive and Non-Executive Directors**

Fees and payments to directors reflect the demands which are made on, and the responsibilities of, the directors. Directors' fees and payments are reviewed annually by the Board. The Board also ensures that directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined together with those of the directors.

# Directors' Report

**Retirement allowances and benefits for directors**

There are no retirement allowances or other benefits paid to directors.

## 14.1. REMUNERATION COMMITTEE AND BOARD CHARTER

The Charter of the Remuneration Committee extends the duties to that of a Nominations Committee. The Board considers that the Group is not yet of sufficient size to warrant the establishment of a separate Nominations Committee.

The Remuneration Committee, consisting of at least two directors, is responsible for making recommendations on remuneration policies and packages applicable to Board members and for approval of remuneration for executive officers of the Company taking into account the financial position of the Company. The broad remuneration policy per the formal Charter is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Given the present size of the Company, each of the directors on the Board of the Company is also a member of the Remuneration Committee.

It is the Remuneration Committee's policy to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities though taking into account the financial position of the Company and the Company's shareholder approved limits. The Constitution of the Company specifies that the aggregate remuneration of Directors, other than salaries paid to executive directors, shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is divided between those directors as they agree. The latest determination was at the Annual General Meeting held on the 20 April 2007 when shareholders approved an aggregate remuneration of $250,000 per year.

The Board as a whole determines the amount of the fees paid to each non-executive director.
All Directors may be allocated options to acquire shares in the Company under the Director and Employee Share Option Plan approved by shareholders from time to time. The last such scheme was approved by shareholders at the Annual General Meeting of shareholders held on the 18 April 2011.

The Board approves remuneration packages for Executive officers based on performance criteria and the Group's financial performance. Other employee remuneration packages are determined and approved by the Board or Chief Executive Officer based on salary market rate indicators, press advertisements, performance criteria and against the Group's financial state of affairs.

# Directors' Report

## 14.2. DETAILS OF REMUNERATION

| 30 June 2013 | Position held as at 30 June 2012 and any change during the year | Contract details (duration & termination) | Proportions of elements of remuneration related to performance | | | Proportions of elements of remuneration not related to performance | |
|---|---|---|---|---|---|---|---|
| | | | Non-salary cash-based incentives % | Shares/ Units % | Options/ Rights % | Fixed Salary/ Fees % | Total % |
| ***Directors*** | | | | | | | |
| Glenn Whiddon | Non-executive director resigned 28 March 2013 | Terminated 28 March 2013 | - | - | - | 100 | 100 |
| Ian Benning | Chief Executive Officer resigned 18 April 2013 | Service agreement / In accordance with Constitution, terminated 18 April 2013 | - | - | - | 100 | 100 |
| Phillipe Lalieu | Executive director | Service agreement / In accordance with Constitution | - | - | - | 100 | 100 |
| Bevan Tarratt | Executive director resigned 14 November 2012 | Service agreement / In accordance with Constitution, terminated 14 November 2012 | - | - | - | 100 | 100 |
| David Greenwood | Non-executive director | commenced 1 March 2011 | - | - | - | 100 | 100 |
| Eric Lilford | Managing director / Non-executive director resigned 20 July 2012 | 2 year term / 3 months, terminated 20 July 2012 | - | - | - | 100 | 100 |
| ***Other Key management personnel*** | | | | | | | |
| Nicholas Ong | Company secretary | Commenced June 2011 | - | - | - | 100 | 100 |
| Garth Reardon | Business development director, terminated 20 July 2012 | Service agreement / In accordance with Constitution, terminated 20 July 2012 | - | - | - | 100 | 100 |

The employment terms and conditions of key management personnel and Company executives are formalised in contracts of employment.

Terms of employment required that the relevant Company entity provide an executive contracted person with a minimum of 3 months notice prior to termination of contract. A contracted person deemed employed on a permanent basis may terminate their employment by providing at least 2 months notice. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

# Directors' Report

Non-executive directors employed during 2013 were subject to similar contracts requiring 1 month notice to be given on termination. No termination payments are payable. Aggregate remuneration of non-executive directors was less than the approved aggregate remuneration of $250,000.

### 14.3. CHANGES IN DIRECTORS AND EXECUTIVES SUBSEQUENT TO YEAR-END

In July 2013 Phillipe Lalieu stepped down as an Executive but remained a Non-executive Director until his resignation from that position on 6 September 2013.

Mr Alok Joshi was appointed as a Non-Executive Director on 5 September 2013 and resigned on 16 April 2014.

Mr David Greenwood resigned from his position as a Non-Executive Director on 15 November 2013

Mr Nicholas Ong resigned from his position of Company Secretary on 20 December 2013.

Mr John Arbuckle was appointed as a Non-Executive Director on 5 September 2013 and as the Company Secretary on 20 December 2013 He resigned from both positions on 5 December 2014.

Mr Stephen Woods was appointed as a Non-Executive Director on 20 December 2013 and resigned from this position on 23 February 2015.

Mr Jack James was appointed as the voluntary administrator on 9 January 2015 and subsequently as deed administrator on 19 February 2015.

Mr Yuzheng Xie resigned from this position as Non-Executive Chairman on 23 February 2015.

Mr Shaun Hardcastle was appointed as a Non-Executive Director on 23 February 2015.

Ms Oonagh Malone was appointed as a Non-Executive Director and Company Secretary on 23 February 2015.

Mr Richard Pearce was appointed as a Non-Executive Director on 23 February 2015.

### 14.4. REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2013

The following table of benefits and payments details, in respect to the financial year, the components of remuneration for each member of the key management personnel (KMP) of the Consolidated Group:

# Directors' Report

**Table of Benefits and Payments for the Year Ended 30 June 2013**

| | | Short-term benefits | | | | Post-employment benefits | Long-term benefits | | Equity-settled share-based payments | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary, fees and leave (i) | Profit share and bonuses | Non-monetary | Other | Pension and superannuation | Incentive plans | Long Service Leave | Shares/ Units (ii) | Options/ Rights (ii) | Cash-settled share-based payments | Termination benefits | Total |
| | | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| ***Directors*** | | | | | | | | | | | | | |
| Y Xie | 2013 | - | - | - | - | - | - | - | - | - | - | - | - |
| | 2012 | - | - | - | - | - | - | - | - | - | - | - | - |
| P Lalieu | 2013 | 294,997 | - | - | - | - | - | - | - | - | - | - | 294,997 |
| | 2012 | 225,000 | - | - | - | - | - | - | - | - | - | - | 225,000 |
| D Greenwood | 2013 | 33,028 | - | - | - | 2,972 | - | - | - | - | - | - | 36,000 |
| | 2012 | 32,805 | - | - | - | 3,195 | - | - | - | - | - | - | 36,000 |
| I Benning | 2013 | 330,352 | - | - | - | - | - | - | - | - | - | - | 330,352 |
| | 2012 | 262,500 | - | - | - | - | - | - | 510,000 | - | - | - | 772,500 |
| B Tarratt | 2013 | 116,666 | - | - | - | 13,125 | - | - | - | - | - | - | 129,791 |
| | 2012 | 317,179 | - | - | - | 16,136 | - | - | - | - | - | - | 333,315 |
| E Lilford | 2013 | 1,776 | - | - | - | 160 | - | - | - | - | - | - | 1,936 |
| | 2012 | 177,676 | 137,615 | - | - | 28,376 | - | - | - | - | - | - | 343,667 |
| G Whiddon | 2013 | 55,819 | - | - | - | - | - | - | - | - | - | - | 55,819 |
| | 2012 | 2,300 | - | - | - | - | - | - | - | - | - | - | 2,300 |
| J Beck | 2013 | - | - | - | - | - | - | - | - | - | - | - | - |
| | 2012 | 13,839 | - | - | - | - | - | - | - | - | - | - | 13,839 |
| G D'Anna | 2013 | - | - | - | - | - | - | - | - | - | - | - | - |
| | 2012 | 1,376 | - | - | - | 124 | - | - | - | - | - | - | 1,500 |
| ***Other key management personnel*** | | | | | | | | | | | | | |
| Nicholas Ong | 2013 | 39,000 | - | - | - | - | - | - | - | - | - | - | 39,000 |
| | 2012 | 18,000 | - | - | - | - | - | - | 288,000 | - | - | - | 306,000 |
| G Reardon | 2013 | 61,063 | - | - | - | 5,569 | - | - | - | - | - | - | 66,632 |
| | 2012 | 146,049 | - | - | - | 13,144 | - | - | 221,000 | - | - | - | 380,193 |
| ***Total*** | 2013 | 932,701 | - | - | - | 21,826 | - | - | - | - | - | - | 954,527 |
| | 2012 | 1,196,724 | 137,615 | - | - | 60,975 | - | - | 1,019,000 | - | - | - | 2,414,314 |

**(i) South African Salary and Fees**

Salary and Fees for Mr Lalieu and Mr Benning are the best estimates available, however insufficient source documents are available to appropriately support these amounts.

**(ii) Securities Received that are Performance Related**

The above shares were issued subject to certain vesting conditions. See the table in section 14.6 of this Directors' report for details of shares vested during 2012 and the percentage of shares remaining unvested as at 30 June 2012.

In addition to remuneration disclosed above, 39,779,661 ordinary shares and 7,500,000 share options were authorised to be issued at the general meeting on 24 June 2013 to Selentium Capital SARL, a related party of Mr Lalieu, before being issued on 24 July 2013. These shares and options had values of $666,000 and $11,850 respectively. These shares and options were issued to Selentium Capital SARL for its role in providing advisory

# Directors' Report

services to the Company and were not performance related. According to the notice of meeting for the general meeting on 24 June 2013, Mr Lalieu may have had a potential indirect beneficial interest in Selentium Capital SARL at the time.
There were no other known transactions with Key Management Personnel.

**Securities Received that are not Performance Related**

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

## 14.5. KMP SHAREHOLDINGS

The number of ordinary shares in ZYL Limited held by each KMP of the Company during the financial year is as follows:

| 30 June 2013 | Balance at beginning of year | Granted as remuneration during the year | Issued on exercise of options during the year | Other changes during the year | Balance at end of year or resignation |
|---|---|---|---|---|---|
| Y Xie (appointed 11 April 2013) | - | - | - | 1,474,888 | 1,474,888 |
| P Lalieu | - | - | - | - | - |
| D Greenwood | - | - | - | - | - |
| G Whiddon (resigned 28 March 2012) | 538,272 | - | - | - | 538,272 |
| I Benning (resigned 18 April 2013) | 3,000,000 | - | - | - | 3,000,000 |
| B Tarratt (resigned 14 November 2012) | 4,769,444 | - | - | - | 4,769,444 |
| E Lilford (resigned 20 July 2012) | 6,583,334 | - | - | - | 6,583,334 |
| N.Ong | 1,200,000 | - | - | - | 1,200,000 |
| G. Reardon (resigned 20 July 2012) | 1,300,000 | - | - | - | 1,300,00 |

| 30 June 2012 | Balance at beginning of year | Granted as remuneration during the year | Issued on exercise of options during the year | Other changes during the year | Balance at end of year |
|---|---|---|---|---|---|
| G Whiddon (appointed 6 June 2012) | - | - | - | 538,272 | 538,272 |
| I Benning (appointed 31 October 2011) | - | 3,000,000 | - | - | 3,000,000 |
| P Lalieu (appointed 31 October 2011) | - | - | - | - | - |
| B Tarratt | 4,769,444 | - | - | - | 4,769,444 |
| D Greenwood | - | - | - | - | - |
| E Lilford (resigned 20 July 2012) | 6,583,334 | - | - | - | 6,583,334 |
| J Beck (resigned 25 May 2012) | - | - | - | - | - |
| N.Ong | - | 1,200,000 | - | - | 1,200,000 |
| G. Reardon (resigned 20 July 2012) | - | 1,300,000 | - | - | 1,300,000 |

# Directors' Report

### 14.6. KMP OPTIONS AND RIGHTS HOLDINGS

The number of options over ordinary shares held by each KMP of the Company during the financial year is as follows:

| 30 June 2013 | Balance at beginning of year | Granted as remuneration during the year | Exercised during the year | Other changes during the year (i) | Balance at end of year or resignation | Vested during the year | Vested and exercisable | Vested and unexercisable |
|---|---|---|---|---|---|---|---|---|
| Y Xie (appointed 11 April 2013) | - | - | - | - | - | - | - | - |
| P Lalieu | - | - | - | - | - | - | - | - |
| D Greenwood | - | - | - | - | - | - | - | - |
| G Whiddon (resigned 28 March 2013) | - | - | - | - | - | - | - | - |
| I Benning (resigned 18 April 2013) | - | - | - | - | - | - | - | - |
| B Tarratt (resigned 14 November 2012) | 1,500,000 | - | - | (1,500,000) | - | - | - | - |
| E Lilford (resigned 20 July 2012) | 2,500,000 | - | - | - | 2,500,000 | - | - | - |
| N Ong | - | - | - | - | - | - | - | - |
| G Reardon (resigned 20 July 2012) | - | - | - | - | - | - | - | - |

(i) Mr Tarratt's options expired on 30 September 2012.

| 30 June 2012 | Balance at beginning of year | Granted as remuneration during the year | Exercised during the year | Other changes during the year | Balance at end of year | Vested during the year | Vested and exercisable | Vested and unexercisable |
|---|---|---|---|---|---|---|---|---|
| G Whiddon (appointed 6 June 2012) | - | - | - | - | - | - | - | - |
| I Benning (appointed 31 October 2011) | - | - | - | - | - | - | - | - |
| P Lalieu (appointed 31 October 2012) | - | - | - | - | - | - | - | - |
| B Tarratt | 1,500,000 | - | - | - | 1,500,000 | - | 1,500,000 | - |
| D Greenwood | | | | | | | | |
| E Lilford (resigned 20 July 2012) | 2,500,000 | - | - | - | 2,500,000 | - | 2,500,000 | - |
| J Beck (resigned 25 May 2012) | - | - | - | - | - | - | - | - |
| N Ong | - | - | - | - | - | - | - | - |

# Directors' Report

### 14.7. TABLE OF CASH BONUSES, PERFORMANCE-RELATED BONUSES AND SHARE-BASED PAYMENTS

There were no cash bonuses, performance related bonuses or share based payments made to any key management personnel in the year ended 30 June 2013 financial year.

The benefits paid in 2012 are as follows:

| 2012 | Remuneration Type | Grant Date | Reason for Grant | Grant Value $ | Percentage Vested/Paid during Year % | Percentage Forfeited during year % | Percentage Remaining as Unvested % |
|---|---|---|---|---|---|---|---|
| ***Directors*** | | | | | | | |
| I Benning | Shares | 05/08/11 | (a) | 510,000 | 7 | - | 93 |
| E Lilford | Cash | 22/02/12 | (a) | 137,615 | 100 | - | - |
| ***Other key management personnel*** | | | | | | | |
| N Ong | Shares | 01/08/11 | (a) | 288,000 | 8 | - | 92 |
| G Reardon | Shares | 05/08/11 | (a) | 221,000 | - | - | 100 |
| ***Total Key Management Personnel*** | | | | **1,156,615** | **-** | **-** | **-** |

**(a)** The above cash bonus and shares were awarded as part of the Company's scheme for the retention of key executives. The above shares are subject to voluntary escrow until satisfaction of relevant performance milestones.

No options were issued to key management personnel during the year to 30 June 2013.

### 14.8. DIRECTORS' INTERESTS

The relevant interest of each director in the share capital of the Company, as notified by the directors to the Australian Securities Exchange in accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Securities Exchange, at the date of this report is as follows:

| Name of Director | Beneficial Interest in Shares | Beneficial Interests in Options |
|---|---|---|
| Shaun Hardcastle | - | - |
| Oonagh Malone | - | - |
| Richard Pearce | - | - |

**[END OF AUDITED REMUNERATION REPORT]**

### 15. ENVIRONMENTAL REGULATION

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

# Directors' Report

**16. INDEMNITY AND INSURANCE OF DIRECTORS AND OFFICERS**

The Company entered into an agreement indemnifying the directors and secretary of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position of holding office of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreements stipulate that the Company will meet the full amount of any such liabilities, including costs and expenses.

**17. PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

**18. NON-AUDIT SERVICES**

The Directors are satisfied that:

(a) any non-audit services provided during the financial period by William Buck as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act; and

(b) any non-audit services provided during the financial period by William Buck as the external auditor did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

  i. William Buck services have not involved partners or staff acting in a managerial or decision making capacity within or been involved in the processing or originating of transactions; and

  ii. a description of all non-audit services undertaken by William Buck and the related fees have been monitored by the Board to ensure complete transparency in relation to services provided;

  iii. none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants;

William Buck did not provide any non-audit services.

**19. AUDITORS' INDEPENDENCE DECLARATION**

The auditors' independence declaration for the year ended 30 June 2013 has been received and is included on page 20.

Signed in accordance with a resolution of the directors:

**Mr Shaun Hardcastle**
Non-executive Director
Dated at Perth this 26th day of August 2016

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF ZYL LIMITED**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2013 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

Conley Manifis
Director
Dated this 26th day of August, 2016

CHARTERED ACCOUNTANTS & ADVISORS
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South Perth WA 6151
PO Box 748
South Perth WA 6951
Telephone: +61 8 6436 2888
williambuck.com

# Corporate Governance Statement

**ZYL LIMITED AND ITS CONTROLLED ENTITIES**

Due to turnover of previous staff and officers, the parent entity being subject to external administration, and complete records not able to be located, the current Directors of ZYL Limited ("Company") are of the opinion that it is not possible to confirm compliance during previous periods in relation to the adoption of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Guidelines" or "the Recommendations").

As part of the process of re-listing the Company on the ASX, the present Board intends to structure a Corporate Governance Statement with reference to the ASX Guidelines in order to achieve the highest standards of corporate governance. In the future the Company intends to follow each Recommendation where the Board has considered the Recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company, the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the Recommendations, the Board will offer disclosure of the nature of, and reason for, the adoption of its own practice.

# Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2013

| | | Consolidated Group | |
|---|---|---|---|
| | | 2013 | 2012 |
| | Note | $ | $ |
| Revenue | 3 | 151,052 | 1,081,930 |
| | | | |
| Sales and marketing expenses | | (80,675) | (205,553) |
| Employee benefit expenses | | (541,576) | (240,477) |
| Director benefits expense | | (757,276) | (1,247,608) |
| Consulting and advisory fees | | (407,384) | (241,432) |
| Consultant benefit expenses | | (863,850) | (1,127,000) |
| Corporate and regulatory expenses | | (37,781) | (96,546) |
| Exploration and evaluation | | (8,321) | (281,646) |
| Legal fees | | (1,257,812) | (229,364) |
| Occupancy expenses | | (184,606) | (177,297) |
| Depreciation | 4(c) | (47,789) | (17,775) |
| Finance costs | | (143,470) | (167,301) |
| Travel and accommodation | | (192,686) | (401,170) |
| Administrative expenses | 4(a) | (1,120,181) | (1,047,600) |
| Share of net loss of associate | | (2,853,253) | (26,657) |
| Impairment of Mbila project, loan receivable and exploration and evaluation expenditure | 4(b) | (26,758,166) | - |
| **Loss before related income tax expense** | | **(35,103,774)** | **(4,425,496)** |
| | | | |
| Income tax expense | 6 | - | - |
| | | | |
| **Net loss for the year** | | **(35,103,774)** | **(4,425,496)** |
| | | | |
| **Net loss for the year** | | **(35,103,774)** | **(4,425,496)** |
| - attributable to non-controlling interests | | **(33)** | **(5)** |
| - attributable to members of the parent | | **(35,103,741)** | **(4,425,491)** |
| | | | |
| **Other comprehensive income** | | | |
| Exchange difference on translation of foreign operations | | (3,028,307) | (6,610) |
| **Other comprehensive income for the year** | | **(3,028,307)** | **(6,610)** |
| | | | |
| **Total comprehensive loss for the year** | | **(38,132,081)** | **(4,432,106)** |
| - attributable to non-controlling interests | | (33) | (5) |
| - attributable to members of the parent | | **(38,132,048)** | **(4,432,101)** |
| | | | |
| Basic (loss) per share in cents | 25 | **(6.872)** | **(0.914)** |
| Diluted (loss) per share in cents | 25 | **(6.872)** | **(0.914)** |

The accompanying notes form part of these financial statements.

# Consolidated statement of financial position as at 30 June 2013

| | Note | 30 June 2013 $ | 30 June 2012 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 7 | 978,239 | 4,559,037 |
| Trade and other receivables | 8 | 75,448 | 1,237,573 |
| Other financial assets | 9 | - | 32,722,210 |
| | | | |
| **TOTAL CURRENT ASSETS** | | **1,053,687** | **38,518,820** |
| | | | |
| **NON-CURRENT ASSETS** | | | |
| Mineral exploration & evaluation expenditure | 10 | 536,480 | 7,358,613 |
| Plant & equipment | 12 | 156,311 | 236,337 |
| Other financial assets | 9 | 2,303,682 | 2,226,678 |
| Investment in associate | 13 | - | 2,799,503 |
| | | | |
| **TOTAL NON-CURRENT ASSETS** | | **2,996,473** | **12,621,131** |
| | | | |
| **TOTAL ASSETS** | | **4,050,160** | **51,139,951** |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 14 | 1,565,196 | 1,507,084 |
| Borrowings | 15 | 2,751,725 | - |
| Financial liabilities | 16 | 500,000 | 13,778,197 |
| Provisions | 17 | 17,807 | 51,547 |
| | | | |
| **TOTAL CURRENT LIABILITIES** | | **4,834,728** | **15,336,828** |
| | | | |
| **TOTAL LIABILITIES** | | **4,834,728** | **15,336,828** |
| | | | |
| **NET (LIABILITIES)/ ASSETS** | | **(784,568)** | **35,803,123** |
| | | | |
| **EQUITY** | | | |
| Issued capital | 18 | 55,041,931 | 53,509,391 |
| Reserves | 19 | 939,133 | 3,955,590 |
| Non-controlling interests | | - | 33 |
| Accumulated losses | | (56,765,632) | (21,661,891) |
| | | | |
| **TOTAL EQUITY** | | **(784,568)** | **35,803,123** |

The accompanying notes form part of these financial statements.

# Consolidated statement of changes in equity for the year ended 30 June 2013

| | Issued capital<br>$ | Share based payment reserve<br>$ | Foreign translation reserve<br>$ | Accumulated losses<br>$ | Non-controlling interests<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| | | | | | | |
| **At 1 July 2011** | 52,886,385 | 2,905,200 | - | (17,326,400) | - | 38,535,185 |
| Shares issued during the period | 660,240 | 1,057,000 | - | - | - | 1,717,240 |
| Non-controlling interest on acquisition of subsidiary | - | - | - | - | 38 | 38 |
| Transaction cost of share issue | (17,234) | - | - | - | - | (17,234) |
| Loss for the period | - | - | - | (4,425,491) | (5) | (4,425,496) |
| Other comprehensive income for the year | - | - | (6,610) | - | - | (6,610) |
| Total comprehensive loss for the year | - | - | (6,610) | (4,425,491) | (5) | (4,432,106) |
| **At 30 June 2012** | **53,509,391** | **3,962,200** | **(6,610)** | **(21,661,891)** | **33** | **35,803,123** |
| | | | | | | |
| Shares issued during the period | 1,433,200 | - | - | - | - | 1,433,200 |
| Shares to be issued at period end | 160,000 | 11,850 | - | - | - | 171,850 |
| Transaction cost of share issues | (60,660) | - | - | - | - | (60,660) |
| Loss for the period | - | - | - | (35,103,741) | (33) | (35,103,774) |
| Other comprehensive income for the year | - | - | (3,028,307) | - | - | (3,028,307) |
| Total comprehensive loss for the year | - | - | (3,028,307) | (35,103,741) | (33) | (38,132,081) |
| **At 30 June 2013** | **55,041,931** | **3,974,050** | **(3,034,917)** | **(56,765,632)** | **-** | **(784,568)** |

The accompanying notes form part of these financial statements.

# Consolidated statement of cash flows for the year ended 30 June 2013

| | Note | 30 June 2013 $ | 30 June 2012 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Payments to suppliers and employees | | (6,140,314) | (3,554,924) |
| Interest received | | 151,052 | 1,109,093 |
| Interest paid | | (96,852) | - |
| Other payments (GST/VAT) | | - | (41,804) |
| | | | |
| **Net cash used in operating activities** | 27(ii) | **(6,086,114)** | **(2,487,635)** |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for acquisition of subsidiary | | - | (970,177) |
| Payments for investment in associates | | - | (2,826,160) |
| Payments for investments | | - | (2,595,750) |
| Payments for other financial assets | | - | (16,348,264) |
| Payments for exploration, evaluation and development expenditure | | (588,765) | (3,447,013) |
| Loan to associate | | (909,278) | (649,849) |
| Payment for plant and equipment | | (27,804) | (243,087) |
| | | | |
| **Net cash (used in)/provided by investing activities** | | **(1,525,847)** | **(27,080,300)** |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds of share issues | | 1,433,200 | - |
| Costs of shares issues | | (60,660) | (17,234) |
| Proceeds from borrowings | | 2,703,553 | - |
| | | | |
| **Net cash (used in)/ provided by financing activities** | | **4,076,093** | **(17,234)** |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **(3,535,868)** | **(29,585,169)** |
| | | | |
| Cash and cash equivalents at the beginning of the period | | 4,559,037 | 34,217,485 |
| Effects of exchange rate changes on cash and cash equivalents | | (44,930) | (73,279) |
| **Cash and cash equivalents at the end of the period** | 7 | **978,239** | **4,559,037** |

The accompanying notes form part of these financial statements

# Notes to the financial statements

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements include the consolidated financial statements and notes of ZYL Limited and controlled entities (the 'Group').

The significant policies which have been adopted in the preparation of these financial statements are:

### (a) Basis of preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 (where possible – see note 1(b)).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements of the Group comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities based on directors' estimates of Net Realisable Value. The financial statements are presented in Australian dollars.

The financial statements were authorised for issue by the directors on 26th August 2016.

ZYL Limited is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

### (b) Incomplete Financial Information

Due to turnover of previous staff and officers, and the parent entity being subject to external administration, complete accounting records have not been able to be located. For the year ended 30 June 2013 and since, this has led to insufficient information being available to support several material contracts as well as transactions and balances of foreign subsidiaries.

The Directors are of the opinion that it is not possible to state that the audited Remuneration disclosures, financial statements and notes are in accordance with the requirements of the Corporations Act 2001, due to the lack of records and certainty in connection with material transactions, for both the year ended 30 June 2013 and since then.

It is noted by the Directors that the intended sale of the Kangwane Central Anthracite Project to satisfy the creditors' and administrator's debts, along with the continued existence of the Kangwane South Anthracite Project, means that while historical records are affected by incomplete financial information, the absence of these records is not expected to significantly detract from the Company's ability to maintain proper books and records for the period from 23 February 2015 for Australian entities, when current directors were appointed. Therefore, the absence of records due to turnover of previous staff and officers, unavailable documents of

# Notes to the financial statements (continued)

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

foreign subsidiaries, and the parent entity being subject to external administration, primarily affects the historical records of the economic entity rather than its ability to continue its retained business and operations.

### (c) Going Concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the normal course of business.

The Group has incurred a net loss for the year of $35,103,774 (2012: $4,425,496) and net cash outflows from operating activities of $6,086,114 (2012: $2,487,635). The losses are mainly due to projects being impaired down to values expected to be received following the administration of the Company.

The Group had cash assets of $978,239 at 30 June 2013 (2012: $4,559,037). These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The directors believe that it is appropriate preparing the financial information on a going concern basis for the following reasons:

- The Directors expect the Deed of Company Arrangement (DOCA) will result in the extinguishment of all secured and unsecured liabilities. Under the DOCA, it is proposed that:
  - the Kangwane Central Project will be disposed of to satisfy the secured creditor and, with other available funds, satisfy identifiable unsecured creditors;
  - the 70% interest in the Kangwane South project will be retained by the Company;
  - all prior employment and service contracts will be terminated; and
  - the issued capital will be consolidated on the basis of 1 share for every 100 shares held;

- The Group expects to variously realise or continue developing its assets following completion of the DOCA; and

- The Group expects to recapitalise following completion the DOCA with sufficient funds to continue as a going concern. The DOCA requires a capital raising of at least $1,250,000 before completion, however, to satisfy ASX's conditions for reinstatement, the capital raising will be for an amount of $2,000,000. Following the capital raising, the DOCA requires:
  - payment of fees to the Trustee, Administrator and the Proponent totalling approximately $200,000;
  - the Company to reimburse the proponent for all costs in relation to the ASX relisting and capital raising; and
  - post consolidation shares representing 27.6% of the Company's issued share capital as at the completion of the issues will be issued to the Proponent and a compliance manager appointed by the Proponent (or their nominees).

It is for these reasons that the Directors consider the Group to be a going concern. Notwithstanding the material uncertainties of future events inherent in the above, the Directors consider it is appropriate to prepare the financial information on a going concern basis and hence no adjustments have been made to the financial information relating to the recoverability and classification of the asset carrying amounts or the

# Notes to the financial statements (continued)

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

amounts and classification of liabilities that might be necessary if the entity does not continue as a going concern.

### (d) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

- (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
- (b) exploration and evaluation activities in the area of interest have not, at the end of the reporting period, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities.

General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Accumulated costs in relation to an area of interest that has been abandoned are written off in full against the profit or loss in the year in which the decision to abandon the area is made.

When production commences the accumulated costs for the relevant area are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

### (e) Basis of consolidation

A controlled entity is any entity over which ZYL Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 20 to the financial statements.

As at the end of the reporting period, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

# Notes to the financial statements (continued)

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All inter-Company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation.

### (f) Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of the subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity instruments issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously equity interest in the acquiree over the fair value of the Company's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the profit and loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

### (g) Trade and other receivables

Trade debtors to be settled within 60 days are carried at amounts due. The collectability of debts is assessed at the end of the reporting period based on the length of time a debt has been outstanding, the past default experience of the debtor and an analysis of the debtor's current financial position, and a specific provision is made for any doubtful accounts.

### (h) Impairment of assets

At the end of the reporting period, the Group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

# Notes to the financial statements (continued)

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Plant and equipment

Items of plant and equipment are recorded at cost on acquisition less accumulated depreciation and impairment losses.
The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

**Depreciation**
The depreciable amount of all fixed assets is depreciated on a diminishing value basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| | |
|---|---|
| Office furniture and equipment | 10 - 67% |
| Leasehold Improvements | 20% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

### (j) Leases

Leases in which a significant portion of the risks and rewards of ownership remain with the lessor are classified as operating leases.
Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

# Notes to the financial statements (continued)

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Group which is Australian Dollars at the rates of exchange prevailing at the dates of the transaction. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

### (l) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit and loss is the tax payable on the taxable income using applicable income tax rates enacted or substantially enacted as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Where temporary differences exist in relation to investments in subsidiaries and associates, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.
Research and development expenditure tax offsets receivable under Section 73Q of the Income Tax Assessment Act are recognised upon lodgement of the income tax return, when the Company has made the required election.

### (m) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

# Notes to the financial statements (continued)

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Share based payment transactions

The Group recognises the fair value of options granted to directors, employees and consultants as remuneration as an expense on a pro-rata basis over the vesting period in the statement of profit or loss and other comprehensive income with a corresponding adjustment to equity.

The Group provides benefits to employees (including directors) of the Group in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The cost of these equity-settled transactions with employees (including directors) is measured by reference to fair value at the date they are granted. The fair value is determined using the Black Scholes option pricing model.

### (o) Provisions and contingencies

Provisions are recognised when the Group has a legal or constructive obligation, as a result of a past event, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### (p) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade payables are normally settled within 30 days.

### (q) Financial Instruments

*Recognition and Initial Measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and subsequently measured as set out below.

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

*Classification and Subsequent Measurement*

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

# Notes to the financial statements (continued)

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

*Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

*Impairment*

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

### (r) Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and at bank, short term deposits with financial institutions maturing within less than three months and net of outstanding bank overdrafts.

### (s) Research and development costs

All research and development costs are expensed as incurred.

### (t) Revenue and income recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest income is recognised as it accrues.

### (u) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

# Notes to the financial statements (continued)

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### (w) New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

— *AASB 9: Financial Instruments (applicable for annual reporting periods commencing on or after 1 January 2018)*

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The changes also incorporate the classification and measurement requirements for financial liabilities, and the recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

The changes made to accounting requirements include:
- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows.

— *AASB 10 Consolidation (applicable for annual reporting periods commencing on or after 1 January 2013)*

This standard supersedes AASB 127 and establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

The Standard:
- requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and
- sets out the accounting requirements for the preparation of consolidated financial statements.

This change in accounting standard has had no effect on the Group's financial report.

# Notes to the financial statements (continued)

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

— *AASB 127 Separate Financial Statements (applicable for annual reporting periods commencing on or after 1 January 2013).*

AASB 127 was amended as a result of the issuance of AASB 10 and now contains only the accounting requirements to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. AASB 127 requires investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with AASB 9 Financial Instruments.

This change in accounting standard has had no effect on the Group's financial report.

— *AASB 11 Joint Arrangements (applicable for annual reporting periods commencing on or after 1 January 2013)*

This standard supersedes AASB 131 and under AASB 11 there are only two types of joint ventures, joint operations and joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement. Joint operations will be accounted for by the operator recognising:
- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The option to proportionately consolidate joint ventures has been removed and accordingly, all joint ventures must be accounted for using the equity method.

This change in accounting standard has had no effect on the Group's financial report.

— *AASB 128 Investments in Associates and Joint Ventures (applicable for annual reporting periods commencing on or after 1 January 2013)*

AASB 128 was amended as a result of the issuance of AASB 10 and AASB 11 and prescribes the accounting requirements for investments in associates and the application of the equity method when accounting for investments in associates and joint ventures.

This change in accounting standard has had no effect on the Group's financial report.

— *AASB 12 Disclosure of Interests in Other Entities (applicable for annual reporting periods commencing on or after 1 January 2013)*

AASB 12 provides the disclosure requirements for entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. As such, it consolidates and replaces disclosure requirements contained in many existing Standards.
This change in accounting standard has had no effect on the Group's financial report.

# Notes to the financial statements (continued)

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

— *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013)*

These standards provide a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets, but not liabilities.

This change in accounting standard has had no effect on the Group's financial report.

— *AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] (applicable for annual reporting periods commencing on or after 1 July 2013).*

This standard removes all the individual key management personnel disclosures contained in Aus paragraphs 29.1 to 29.9.3 of AASB 124. The changes apply to each disclosing entity, or group of which a disclosing entity is the parent that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act for their first annual reporting period beginning on or after 1 July 2013. This standard is not available for early adoption. This change in accounting standard has had no effect on the Group's financial report.

— *AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, AASB 128 & AASB 131] (applicable for annual reporting periods commencing on or after 1 July 2013)*

This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements, as stated above. This change in accounting standard has had no effect on the Group's financial report.

— *AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & AASB 132] (applicable for annual reporting periods commencing on or after 1 January 2013)*

This standard principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This change in accounting standard has had no effect on the Group's financial report.

— *AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (applicable for annual reporting periods commencing on or after 1 January 2014)*

# Notes to the financial statements (continued)

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This standard adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. This change in accounting standard has had no effect on the Group's financial report.

- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2] *(applicable for annual reporting periods commencing on or after 1 January 2013)*

This standard makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including permitting the repeat application of AASB 1 and clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements). This change in accounting standard has had no effect on the Group's financial report.

The Group does not anticipate early adoption of any of the above Australian Accounting Standards or Interpretations.

# Notes to the financial statements (continued)

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these Financial Statements the Group has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

### (a) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

**Deferred tax assets**
The Group expects to have carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

### (b) Significant accounting estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

**Impairment of capitalised exploration and evaluation expenditure**
The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

**Share-based payment transactions**
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model. Should the assumptions used in these calculations differ, the amounts recognised could significantly change. Details of estimates used can be found in Note 18.

**Conservativism when dealing with Incomplete Financial Information**
When a lack of financial information makes it difficult estimating a balance, the Group has erred towards conservatively undervaluing assets and overvaluing liabilities.

# Notes to the financial statements (continued)

## 3 REVENUE

| | Consolidated Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Interest received | 151,052 | 1,081,930 |
| **Total revenue** | **151,052** | **1,081,930** |

## 4 LOSS BEFORE INCOME TAX

### (a) Individually significant items in administration expenses include:

| | Consolidated Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Accounting and audit fees | 115,873 | 50,301 |
| Contractor fees | 84,952 | 216,202 |
| Corporate secretarial | 39,000 | 18,000 |
| Insurance | 50,820 | 49,448 |
| Leasing fees | 8,040 | 12,776 |
| Meeting expenses | 45,737 | 40,983 |
| Professional fees | 40,570 | 95,706 |
| Share registry | 22,159 | 43,225 |
| Seminars and conferences | 22,053 | 65,848 |
| Recruitment costs | - | 131,397 |
| Loan establishment costs | 345,638 | - |
| Other | 345,339 | 323,714 |
| Total | 1,120,181 | 1,047,600 |

### (b) Individually significant items in impairment of Mbila project, loan receivable and exploration and evaluation expenditure include:

| | Consolidated Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Impairment of current loan to York Energy NL | 997,187 | - |
| Impairment of rental bond (225 St Georges Terrace) | 79,917 | - |
| Impairment of loan to Main Street 800 Pty Ltd | 237,795 | - |
| Impairment of loan – Mandlakazi Trust | 512,965 | - |
| Impairment of investment in Mbila Resources (Proprietary) Limited | 17,519,404 | - |
| Impairment of capitalised exploration and evaluation expenditure | 7,410,898 | - |
| Total | 26,758,166 | - |

### (c) Loss before income tax has been arrived at after charging/(crediting) the following items:

| | Consolidated Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Depreciation of plant and equipment | 47,789 | 17,775 |

# Notes to the financial statements (continued)

## 5 AUDITORS' REMUNERATION

| | Consolidated Group | |
|---|---|---|
| | 2013 $ | 2012 $ |
| Remuneration of the auditor for: | | |
| Audit or review of the financial report of the Company and controlled entities: | | |
| - William Buck (NSW) Pty Ltd | 36,909 | 46,521 |
| - William Buck Audit (WA) Pty Ltd | 23,100 | - |
| - BDO (South Africa) | 12,398 | - |
| Other assurance services: | - | - |
| | 72,407 | 46,521 |

## 6 TAXATION

### (a) Income tax expense/(benefit)

| | Consolidated Group | |
|---|---|---|
| | 2013 $ | 2012 $ |
| Current tax | - | - |
| Deferred tax | - | - |
| | - | - |

### (b) Reconciliation of income tax expense to prima facie tax payable:

| | Consolidated Group | |
|---|---|---|
| | 2013 $ | 2012 $ |
| Profit/(loss) from continuing operations before income tax expense | (35,103,774) | (4,425,496) |
| Tax at the Australian tax rate of 30% | (10,531,132) | (1,327,649) |
| Foreign Tax Rate Adjustment | (140,217) | 20,382 |
| Tax effect amounts not deductible (taxable) in calculating taxable income: | 8,582,341 | 338,100 |
| Deferred tax asset not brought to account on tax losses and temporary differences | 2,089,008 | 969,167 |
| Total income tax (benefit) | - | - |

### (c) Unrecognised deferred tax assets:

| | Consolidated Group | |
|---|---|---|
| | 2013 $ | 2012 $ |
| Timing differences | 8,581,401 | 491,824 |
| Tax losses - revenue | 4,117,904 | 2,064,895 |
| | 12,699,305 | 2,556,719 |
| Deferred tax assets not brought to account. | 12,699,305 | 2,556,719 |

# Notes to the financial statements (continued)

## 6 TAXATION (continued)

The group entity has not recognised any deferred tax assets or liabilities.

The ability of ZYL to utilise the tax losses is subject to the company satisfying either the continuity of ownership test or the same business test.

### (d) Franking credits

The Company has no franking credits available.

## 7 CASH AND CASH EQUIVALENTS

| | | Consolidated Group | |
|---|---|---|---|
| | | 2013 $ | 2012 $ |
| Cash at bank | | 938,257 | 150,171 |
| Term deposit ZAR | (a) | 39,982 | 42,863 |
| Term Deposit AUD | (b) | - | 15,000 |
| Deposits at call | (c) | - | 4,351,003 |
| | | 978,239 | 4,559,037 |

**(a) Term Deposits ZAR**
ZAR 360,197 (A$39,982) bearing an interest rate of 4.9%

**(b) Term Deposits**
$15,000 matured on 23/11/12 bearing an interest rate of 5%

**(c) Deposits at call**
The deposits are at call in 2012 had floating interest rates between 3.5% and 4.85%.

## 8 TRADE & OTHER RECEIVABLES

| | | Consolidated Group | |
|---|---|---|---|
| | | 2013 $ | 2012 $ |
| **CURRENT** | | | |
| Other receivables | | 55,129 | 210,750 |
| Prepayments | | 20,319 | 29,636 |
| Loan – York Energy NL | (a) | - | 997,187 |
| | | 75,448 | 1,237,573 |

**(a) Loan – York Energy NL**
Pursuant to the terms of the Heads of Agreement between ZYL Limited and York Energy NL, ZYL Limited provided a loan facility for the purpose of providing funding to York Energy NL for outgoings in respect of York Energy NL's interests in the Mbila, Manzolwandle, and Marble Gold Projects. The loan was repayable in full on the earlier of :
(i) 120 days of termination for any reason of the Heads of Agreement; or
(ii) 31 December 2012
Interest was payable on maturity at a rate of 9.25% per annum. This loan has been fully impaired based on expected recovery. This loan was related to the ceased Mbila agreement and not repaid before the date of this report.

# Notes to the financial statements (continued)

## 9 OTHER FINANCIAL ASSETS

| | | Consolidated Group | |
|---|---|---|---|
| | | 2013 | 2012 |
| | | $ | $ |
| **CURRENT** | | | |
| Mbila Resources (Proprietary) Limited (tranche 1) - *cost* | (a) | - | 2,595,750 |
| Mbila Resources (Proprietary) Limited (tranche 2, payments 1, 2 and 3) | (b) | - | 30,126,460 |
| | | - | 32,722,210 |
| **NON CURRENT** | | | |
| Rental bond (225 St Georges Terrace) | | - | 79,917 |
| Loan – Mandlakazi Trust | (c) | - | 512,965 |
| Loan to associate | (d) | 2,303,682 | 1,632,199 |
| Loan – York Energy Pty Ltd | (e) | - | - |
| Other receivables | | - | 1,597 |
| | | 2,303,682 | 2,226,678 |

**(a) Mbila Resources (Proprietary) Limited (tranche 1)**

On 15 September 2011 ZYL entered into agreements with the shareholders of Mbila Resources (Proprietary) Ltd (Mbila) to acquire an initial interest in the Mbila Anthracite Project. On 16 September ZYL Limited acquired an initial 5% of the share capital of Mbila Resources (Proprietary) Limited for US$2.8 million (A$2,595,750) (first tranche payment date). This interest has been fully impaired based on expected recovery.

**(b) Mbila Resources (Proprietary) Limited (tranche 2 payments 1, 2 and 3)**

Included in other financial assets is the following payments paid or payable in respect of the second tranche sale shares of the Mbila Resources share repurchase and subscription agreement.

In accordance with the above agreement the second tranche sale shares comprise 44% of the issued share capital of Mbila Resources (Proprietary) Limited. The shares were issued upon payment 1 and are held in escrow until all payments in respect of Tranche 2 have been settled.
The payment for the second tranche sale shares were due on the following dates:

| Tranche 2 | Amount $ | Date Paid/Payable |
|---|---|---|
| Payment 1 | 16,348,263 | 19/05/12 |
| Payment 2 | 7,472,197 | 01/09/12 |
| Payment 3 | 6,306,000 | 01/11/12 |
| **Total** | **30,126,460** | |

Subsequent to the completion of the second tranche payments and shareholder approval for the acquisition of York Energy NL the Group will beneficially own 51% of the issued capital of Mbila Resources (Proprietary) Limited and the entity will be accounted for as a subsidiary. On 24 June 2013 the Company determined to not proceed with the Mbila transaction and a settlement was organised with the vendors. This loan has been fully impaired based on expected non-recovery.

# Notes to the financial statements (continued)

## 9 OTHER FINANCIAL ASSETS (continued)

### (c) Loan – Mandlakazi Trust

The Mandlakazi Mineral Development Trust is a Black Economic Empowerment partner and shareholder in Mbila Resources Pty Ltd “the Mbila project”. The above loan represents expenses incurred on behalf of the Mandlakazi Trust during the Bankable Feasibilty Study phase of the Mbila project. The loan has no fixed repayment terms and is interest free. This loan has been fully impaired based on expected recovery.

### (d) Loan – Main Street 800 Pty Ltd (Associate)

ZYL has provided additional funding to Main Street 800 Pty Ltd for the Bankable Feasibilty Study on the Kangwane Central project. The loan has no fixed repayment terms and is interest free. This loan has been impaired by $237,795 during the period based on the amount expected to be received subsequent to the date of this report.

### (e) Loan – York Energy NL

Pursuant to the terms of the Heads of Agreement between ZYL Limited and York Energy NL, ZYL Limited provided a loan facility for the purpose of providing funding to York Energy NL for outgoings in respect of York Energy NL’s interests in the Mbila, Manzolwandle, and Marble Gold Projects. The loan was repayable in full on the earlier of :
(i) 120 days of termination for any reason of the Heads of Agreement; or
(ii) 31 December 2012
Interest was payable on maturity at a rate of 9.25% per annum. This loan has been fully impaired based on expected recovery.

## 10 MINERAL EXPLORATION AND EVALUATION EXPENDITURE

| | Consolidated Group | |
|---|---|---|
| | **2013** | **2012** |
| | **$** | **$** |
| **Opening Balance** | **7,358,613** | **3,509,854** |
| Exploration expenditure incurred | **588,765** | **2,288,418** |
| Additions on acquisition | **-** | **1,560,341** |
| Less: Impairment charge | **(7,410,898)** | **-** |
| **Closing Balance** | **536,480** | **7,358,613** |

The balance carried forward represents projects in the exploration and evaluation phase. Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas. Other than the Kangwane South Anthracite Project, capitalised exploration expenditure has been fully impaired based on expected recovery. The interest in the Kangwane South Anthracite Project has been impaired down to the estimated realisable value following the potential completion of the Deed of Company Arrangement.

# Notes to the financial statements (continued)

## 11 BUSINESS COMBINATIONS

**Exsteen Pty Ltd**
On 21 February 2011, ZYL exercised its option to acquire 100% of the issued capital of Exsteen Pty Limited. Via Exsteen Pty Limited the Group will acquire an effective interest of up to 50.12% in the Kangwane Anthracite Coal Project. The consideration for the acquisition was made up of the following components:

The cash component for the option to acquire 100% of the issued capital of Exsteen Pty Limited was $100,000. ZYL Limited also issued an initial 20,000,000 shares at an agreed value of $0.050 per share ($1,000,000).

A contingent consideration amount consisting of the issue of 20,000,000 new fully paid ordinary shares in ZYL to be issued upon ZYL realising its interest in the Kangwane Project of 50.12%.

The fair value of this contingent consideration on the date of acquisition was assessed by the Company to be $2,300,000.

**Southern Anthracite Project**
On 8 November 2011, ZYL signed the share sale agreement in respect of the acquisition of the Southern Anthracite Project in the Mpumalanga Province in South Africa.

ZYL acquired a 70 per cent interest in the Southern Project as a result of the following transactions:

**Summary of acquisition**

**Acquisition of 50% of the issued share capital of Altius Trading 404 (Proprietary) Limited**
Zyl Limited acquired 50% of the share capital of Altius Trading 404 Proprietary for ZAR500 (A$64) being the nominal value of the shares.

**Acquisition of 100% of the issued share capital of Oakleaf**
The new Share Sale Agreement allowed ZYL to acquire 100 per cent of the issued share capital of Oakleaf Investment Holdings 61 (Proprietary) Limited (Oakleaf) from Prosperitas Capital S.A.R.L. (Prosperitas). Oakleaf owns 20 per cent of the issued share capital of Altius Trading 404 (Proprietary) Limited, which owns a 100 per cent interest in the Southern Anthracite Project.

The purchase price was payable as follows:
US$500,000 (A$491,787) on signing of the Share Sale Agreement (paid 15 November 2011).
US$500,000 (A$478,325) on the 60th day following the signing of the Share Sales Agreement (paid 23 January 2012).
3,472,000 fully paid ordinary shares in ZYL Limited on the date on which the Department of Minerals and Resources formally accepts the Mining Right application. (Shares issued on 28 May 2012). The value of the shares at 28 May 2012 was $0.17 per share, total value $590,240.

Exploration and evaluation expenditure of $1,560,341 was recognised in relation to the acquisition of mining rights and information.

# Notes to the financial statements (continued)

## 12 PLANT AND EQUIPMENT

| | Consolidated Group 2013 $ | Consolidated Group 2012 $ |
|---|---|---|
| Owned plant & equipment - at cost | 204,265 | 257,855 |
| Less: Accumulated depreciation | (47,954) | (21,518) |
| | 156,311 | 236,337 |
| | | |
| Total plant and equipment | 156,311 | 236,337 |

| | Consolidated Group 2013 $ | Consolidated Group 2012 $ |
|---|---|---|
| **Reconciliation** | | |
| *Owned plant & equipment* | | |
| Carrying amount at beginning of year | 236,337 | 10,904 |
| Additions - at cost | 27,804 | 243,087 |
| Disposals | (60,041) | - |
| Depreciation | (47,789) | (17,654) |
| Carrying amount at end of year | 156,311 | 236,337 |
| | | |
| Total plant and equipment | 156,311 | 236,337 |

## 13 INVESTMENT IN ASSOCIATE

| | Consolidated Group 2013 $ | Consolidated Group 2012 $ |
|---|---|---|
| **(a) Movements in carrying amounts** | | |
| **Opening balance** | 2,799,503 | - |
| Cost of investment | 53,750 | 2,826,160 |
| Less: Share of post-acquisition change in reserves of associate | (2,853,253) | (26,657) |
| Closing balance | - | 2,799,503 |
| | | |
| Included in consolidated statement of comprehensive income | | |
| Share of net loss of associate | (2,853,253) | (26,657) |

**(b) Summarised financial information**

| | Ownership Interest % | Assets $ | Liabilities $ | Reserves $ | Profit/(Loss) $ |
|---|---|---|---|---|---|
| **Main Street 800 Pty Ltd** | **46.15** | 2,303,682 | 2,303,682 | - | **(2,853,253)** |

Included in liabilities above is a loan from ZYL Limited to Main Street 800 Pty Ltd, a South African entity that holds the Kangwane Central Anthracite project, for the funding of the Kangwane Central Bankable Feasibility Study. The balance of the loan at 30 June 2013 was A$2,541,477 (2012:$1,632,199). However, this loan has been impaired down to the expected recoverable value of $2,303,682 (see note 9).

# Notes to the financial statements (continued)

## 14 TRADE & OTHER PAYABLES

| | Consolidated Group | |
|---|---|---|
| | 2013 | 2012 |
| CURRENT | $ | $ |
| Unsecured liabilities: | | |
| Trade payables | 441,639 | 1,203,614 |
| Other payables | 1,123,557 | 303,470 |
| | 1,565,196 | 1,507,084 |

Included in the balance of other payables are the following liabilities which were paid in shares subsequent to year end:

- $26,000 for 1,300,000 shares issued to Macquarie at a value of $0.02 per share, in lieu of a consulting fee owing, on 3/09/2013 following shareholder approval at the general meeting on 24/06/2013.
- $666,000 for a ZAR6,000,000 liability that was extinguished by the issue of 39,779,661 shares to Selentium, an entity related to Phillipe Lalieu, on 24/07/2013 following shareholder approval at the general meeting on 24/06/2013.

## 15 BORROWINGS

| | | Consolidated Group | |
|---|---|---|---|
| | | 2013 | 2012 |
| **SECURED** | | $ | $ |
| Prestige Glory Limited | (i) | 2,000,000 | - |
| | | 2,000,000 | - |
| **UNSECURED** | | | |
| Prestige Glory Limited | | 751,725 | - |
| | | 751,725 | - |
| **Total** | | 2,751,725 | - |

(i) The termination date of the above secured loan from Prestige Glory Limited was extended from 30 September 2013 to 30 June 2014 and is secured by a fixed and floating charge over the assets of the Company.
The movements in the balances of both Prestige Glory loans were due to funds drawn down. Both loans have remained unpaid to the date of this report.

## 16 FINANCIAL LIABILITY

| | | Consolidated Group | |
|---|---|---|---|
| | | 2013 | 2012 |
| **CURRENT** | | $ | $ |
| Mbila Resources (Proprietary) Limited | (i) | 500,000 | 13,778,197 |
| | | 500,000 | 13,778,197 |

(i) The above amount represents the amount payable for the Mbila settlement.

# Notes to the financial statements (continued)

## 17 PROVISIONS

| | Consolidated Group 2013 $ | Consolidated Group 2012 $ |
|---|---|---|
| CURRENT | | |
| Employee benefits | **17,807** | **51,547** |
| | **17,807** | **51,547** |

## 18 ISSUED CAPITAL

### (a) Share Capital

| | Number of shares 2013 | Number of shares 2012 | 2013 $ | 2012 $ |
|---|---|---|---|---|
| Opening balance – (fully paid ordinary shares) | **492,007,899** | **482,585,899** | **53,509,391** | **52,866,385** |
| Issued during the period | **69,660,000** | **9,422,000** | **1,372,540** | **643,006** |
| 10,000,000 shares to be issued subsequent to period end | **-** | **-** | **160,000** | **-** |
| Closing balance - (fully paid ordinary shares) | **561,667,899** | 492,007,899 | **55,041,931** | 53,509,391 |

### (b) Movements in ordinary share capital

| Date | Details | Number of shares | $ |
|---|---|---|---|
| **01/07/11** | Opening balance | **482,585,899** | 52,866,385 |
| **15/12/11** | Fully paid ordinary shares | **5,950,000** | 70,000 |
| **29/05/12** | Fully paid ordinary shares | **3,472,000** | 590,240 |
| | Less: transaction costs | **-** | (17,234) |
| **30/06/12** | Closing balance | **492,007,899** | 53,509,391 |
| | | | |
| **04/10/12** | Fully paid ordinary shares - exercise of options | **1,000,000** | 60,000 |
| **26/03/13** | Fully paid ordinary shares - placement | **68,660,000** | 1,373,200 |
| **24/06/13** | Shares granted at general meeting that were issued on 3 September 2013 | **-** | 160,000 |
| | Less: transaction costs | **-** | (60,660) |
| **30/06/13** | Closing balance | **561,667,899** | 55,041,931 |

# Notes to the financial statements (continued)

## 18 ISSUED CAPITAL (continued)

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of the winding up of the Company ordinary shareholders rank after creditors and are fully entitled to any net proceeds on liquidation.

Ordinary shares have no par value, and the Company does not have a limited amount of authorised capital. At 30 June 2013 there were 22,500,000 options to acquire fully paid ordinary shares in the Company (2012: 27,000,000).

## 19 RESERVES

| | | | Consolidated Group | |
|---|---|---|---|---|
| **Share-based payment reserve** | | | **2013** | **2012** |
| | | | **$** | **$** |
| | Opening Balance | | 3,962,200 | 2,905,200 |
| **01/08/11** | Shares issued in accordance with the Employee Share Scheme. | **(a)** | **-** | **396,000** |
| **05/08/11** | Shares issued in accordance with the Employee Share Scheme. | **(b)** | **-** | **731,000** |
| | Shares vested | | **-** | **(70,000)** |
| **24/06/13** | Share options granted at exercise price of $0.20 per share and expiring 24 July 2016. | **(c)** | **11,850** | **-** |
| | Closing balance | | **3,974,050** | **3,962,200** |
| **Foreign translation reserve** | | | | |
| | Opening balance | | **(6,610)** | **-** |
| | Foreign translation difference on consolidation | | **(3,028,307)** | **(6,610)** |
| | Closing balance | | **(3,034,917)** | **(6,610)** |
| **Net reserves** | | | **939,133** | **3,955,590** |

**Share-based payment reserve:**
The shares-based payment reserve relates to shares and share options granted by the Company to its employees under its employee share plan.

**Foreign translation reserve:**
Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign translation reserve. Exchange differences previously accumulated in the foreign translation reserve (in respect of translating the net assets of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

Included as an expense in the statement of comprehensive income is $11,850 (2012: $1,127,000) relating to share based payments.

# Notes to the financial statements (continued)

## 19 RESERVES (continued)

**(a)** *01/08/2011*
1,650,000 shares issued to employees of ZYL Limited in accordance with the Company's Employee Share Plan. 150,000 of these shares vested during the reporting period. The fair value of these shares is the closing share price on the date of issue. The Employee Share Plan was approved by Shareholders on 18 April 2011.

**(b)** *05/08/2011*
4,300,000 shares issued to employees of ZYL Limited in accordance with the Company's Employee Share Plan. 300,000 of these shares vested during the reporting period. The fair value of these shares is the closing share price on the date of issue.
The Employee Share Plan was approved by Shareholders on 18 April 2011. Shares issued under the Employee Share Plan were for nil consideration and initially subject to voluntary escrow until satisfaction of relevant performance milestones.

**(c)** *24/06/2013*
7,500,000 shares options were authorised and effectively granted to Selentium Pty Ltd. a related party of Mr Lalieu. These share options were issued, vesting immediately, on 24 July 2013 with an exercise price of $0.20 per share and an expiry date of 24 July 2016. These options have been valued using the Black-Scholes formula with a term of 3 years, an spot price at grant date of $0.009, an interest rate of 3%pa and a volatility of 167%, for a value per option of $0.00474.

## 20 CONTROLLED ENTITIES

| | Percentage Interest | | Country of |
|---|---|---|---|
| | **2013** | **2012** | **incorporation** |
| **Parent entity** | | | |
| ZYL Limited | | | |
| **Particulars in relation to controlled entities** | | | |
| Exsteen Pty Limited | **100%** | **100%** | Australia |
| ZYL Mining (SA) Proprietary Limited | **100%** | **100%** | South Africa |
| Main Street 795 (Proprietary) Limited | **100%** | **100%** | South Africa |
| Oakleaf Investment Holdings (Proprietary) Limited | **100%** | **100%** | South Africa |
| Altius Trading 404 (Proprietary) Limited | **70%** | **70%** | South Africa |
| Mbila Coal Investment Holdings SA (Pty) Ltd | **-** | **100%** | South Africa |

# Notes to the financial statements (continued)

## 21 PARENT ENTITY DISCLOSURES

The following details information related to the parent entity, ZYL Limited at 30 June 2013. The information presented has been prepared using consistent accounting policies as presented in Note 1.

### (a) Summary financial information

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Current assets | 811,581 | 4,210,004 |
| Non-current assets | 2,675,544 | 32,947,046 |
| **Total assets** | **3,487,125** | **37,157,050** |
| | | |
| Current liabilities | 4,428,004 | 327,808 |
| Non-current liabilities | - | - |
| **Total liabilities** | **4,428,004** | **327,808** |
| | | |
| Contributed equity | 55,041,931 | 53,509,392 |
| Reserves | 3,974,050 | 3,962,200 |
| Accumulated losses | (59,956,860) | (20,642,350) |
| **Total equity** | **(940,879)** | **36,829,242** |
| | | |
| Loss for the year | (39,194,510) | (3,405,908) |
| Other comprehensive income/ (loss) for the year | - | - |
| **Total comprehensive income/ (loss) for the year** | **(39,194,510)** | **(3,405,908)** |

**(b)** The parent entity had not provided any material guarantees as at 30 June 2013.

**(c)** The parent entity did not have any material contingent liabilities as at 30 June 2013.

**(d)** The parent entity did not have any material contractual commitments as at 30 June 2013.

# Notes to the financial statements (continued)

## 22 SEGMENT INFORMATION

The Group's operations are in one reportable business segment being the exploration of coal. The Group operates in one geographical segment being South Africa.

## 23 KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

| | Consolidated Group 2013 $ | Consolidated Group 2012 $ |
|---|---|---|
| Short-term cash benefits | **932,701** | **1,334,339** |
| Post-employment benefits | **21,826** | **60,975** |
| Share based payments | **-** | **1,019,000** |
| | **954,527** | **2,414,314** |

**KMP Shareholdings**

The number of ordinary shares in ZYL Limited held by each KMP of the Company during the financial year is as follows:

| 30 June 2013 | Balance at beginning of year | Granted as remuneration during the year* | Issued on exercise of options during the year | Other changes during the year | Balance at end of year |
|---|---|---|---|---|---|
| Y Xie (appointed 11 April 2013) | - | - | - | 1,474,888 | 1,474,888 |
| P Lalieu | - | - | - | - | - |
| D Greenwood | - | - | - | - | - |
| G Whiddon (resigned 28 March 2013) | 538,272 | - | - | (538,272) | - |
| B Tarratt (resigned 14 November 2012) | 4,769,444 | - | - | (4,769,444) | - |
| E Lilford (resigned 20 July 2012) | 6,583,334 | - | - | (6,583,334) | - |
| I Benning (resigned 18 April 2013) | 3,000,000 | - | - | (3,000,000) | - |
| N Ong | 1,200,000 | - | - | - | 1,200,000 |
| G Reardon (resigned 20 July 2012) | 1,300,000 | - | - | (1,300,000) | - |

# Notes to the financial statements (continued)

## 23 KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

| 30 June 2012 | Balance at beginning of year | Granted as remuneration during the year* | Issued on exercise of options during the year | Other changes during the year | Balance at end of year |
|---|---|---|---|---|---|
| G Whiddon (appointed 6 June 2012) | - | - | - | 538,272 | 538,272 |
| P Lalieu (appointed 31 October 2011 | - | - | - | - | - |
| D Greenwood | - | - | - | - | - |
| B Tarratt | 4,769,444 | - | - | - | 4,769,444 |
| E Lilford | 6,583,334 | - | - | - | 6,583,334 |
| I Benning | - | 3,000,000** | - | - | 3,000,000 |
| N Ong | - | 1,200,000 | - | - | 1,200,000 |
| G Reardon | - | 1,300,000 | - | - | 1,300,000 |

* The above shares were issued subject to certain vesting conditions. See section 14 of the Directors' report for details of shares vested during the reporting period.

** Mr Ian Benning was issued 3,000,000 shares under the Employee Share Plan in August 2011 whilst he was employed as a consultant to the Company.

# Notes to the financial statements (continued)

## 23 KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

### KMP Options and Rights Holdings

The number of options over ordinary shares held by each KMP of the Company during the financial year is as follows:

| 30 June 2013 | Balance at beginning of year | Granted as remuner-ation during the year | Exercised during the year | Other changes during the year | Balance at end of year | Vested during the year | Vested and exer-ciseable | Vested and unexer-cisable |
|---|---|---|---|---|---|---|---|---|
| Y Xie appointed 11 April 2013 | - | - | - | - | - | - | - | - |
| B Tarratt (resigned 14 November 2012) | 1,500,000 | - | - | (1,500,000) | - | - | - | - |
| E Lilford (resigned 20 July 2012) | 2,500,000 | - | - | (2,500,000) | - | - | - | - |
| I Benning (resigned 18 April 2013) | - | - | - | - | - | - | - | - |
| D Greenwood | - | - | - | - | - | - | - | - |
| P Lalieu | - | - | - | - | - | - | - | - |
| G Whiddon (resigned 28 March 2013) | - | - | - | - | - | - | - | - |
| N Ong | - | - | - | - | - | - | - | - |
| G Reardon (resigned 20 July 2012) | - | - | - | - | - | - | - | - |

# Notes to the financial statements (continued)

## 23 KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

| 30 June 2012 | Balance at beginning of year | Granted as remuner-ation during the year | Exercised during the year | Other changes during the year | Balance at end of year | Vested during the year | Vested and exer-ciseable | Vested and unexer-cisable |
|---|---|---|---|---|---|---|---|---|
| B Tarratt | 1,500,000 | - | - | - | 1,500,000 | - | 1,500,000 | - |
| E Lilford (resigned 20 July 2012) | 2,500,000 | - | - | - | 2,500,000 | - | 2,500,000 | - |
| I Benning (appointed 31 October 2011) | - | - | - | - | - | - | - | - |
| D Greenwood | - | - | - | - | - | - | - | - |
| P Lalieu (appointed 31 October 2012) | - | - | - | - | - | - | - | - |
| G Whiddon (appointed 6 June 2012) | - | - | - | - | - | - | - | - |
| J Beck (resigned 25 May 2012) | - | - | - | - | - | - | - | - |
| N Ong | - | - | - | - | - | - | - | - |
| G Reardon (resigned July 2012) | - | - | - | - | - | - | - | - |

# Notes to the financial statements (continued)

## 24 RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

Share and option holdings in the Company by the directors or their director-related entities and specified executives are set out in note 23.

The Company incurred $320,030 (2012: $1,023,727) in rent, administration, labour and general office expenses to Hemisphere Corporate Services Pty Ltd (Hemisphere), a company in which Mr Bevan Tarratt and Mr Glenn Whiddon have a financial interest. $21,384 was owed to Minerva at 30 June 2013. The Group owed $117,485 to Hemisphere at 30 June 2013.

Hemisphere provides its services to a number of ASX Listed companies on a shared services basis and charges on a cost plus arrangement; thereby the fees charged to the Group can be directly correlated to the services provided by Hemisphere.

The Group incurred a liability of $17,000 to Minerva Corporate Services Pty Ltd (Minerva) for company secretarial services provided by Mr Nicholas Ong, a company in which Mr Ong has a financial interest. The Group owed $21,384 to Minerva at 30 June 2013.

On 24 May 2012 ZYL Ltd paid A$16,348,263 to Mbila Resources (Proprietary) Ltd in accordance with the payments terms for the second tranche of the Mbila Share Repurchase and Subscription Agreement. Mr John Beck was a director of ZYL Ltd at the time of payment in 2012 and a vendor of the shares in Mbila Resources (Proprietary) Ltd.

The above amounts exclude GST. All transactions were on normal commercial terms

### (b) Loans to/from related parties

| | Consolidated Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| **Loans to associate (see Note 9)** | | |
| Opening balance | 1,632,199 | - |
| Loans advanced | 909,278 | 1,632,199 |
| Impairment | (237,795) | |
| | 2,303,682 | 1,632,199 |

# Notes to the financial statements (continued)

## 25 LOSS PER SHARE

| | Consolidated Group | |
|---|---|---|
| | 2013<br>$ | 2012<br>$ |
| Basic/diluted (loss) per share in cents | **(6.872)** | **(0.914)** |
| Weighted average number of ordinary shares used in the calculation of basic/diluted (loss) per share | **510,803,406** | **484,402,310** |
| Basic/diluted earnings/(loss) | **(35,103,741)** | **(4,425,491)** |

The 22,500,000 options on issue are anti-dilutive, and therefore diluted loss per share is the same as basic loss per share.

## 26 FINANCIAL INSTRUMENTS

The Group has exposure to various risks from the use of financial instruments. The Company's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, and loans to and from subsidiaries.

The main purpose of non-derivative financial instruments is to raise finance for Company operations.

### (a) Financial risk exposure and management

Financial risks including credit risk, liquidity risk, and market risk (interest rate risk, and foreign currency risk) are managed such to maintain on optimal capital structure. The Group does not enter into derivative transactions to manage financial risks. In the current period, the Group's financial risk arises principally from cash financial assets. The Group invests its cash in term deposits and other appropriate bank accounts to obtain market interest rates.

### (b) Capital risk management

The Group chose to incur significant debts to finance project acquisition and development. The Group is not subject to externally imposed capital requirements.

The capital structure of the Group consists of net debt (borrowings as detailed in note 15 offset by cash and bank balances) and equity of the Group (comprising issued capital and reserves as detailed in notes 18 and 19, retained earnings and non-controlling interests).

### (c) Market rate risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk in relation to the acquisition of goods and services in South African Rand (ZAR) and US dollars (USD). The Group does not hedge this exposure by using financial instruments.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

# Notes to the financial statements (continued)

## 26 FINANCIAL INSTRUMENTS (continued)

| | | Consolidated Group 2013 $ | Consolidated Group 2012 $ |
|---|---|---|---|
| **Financial Assets** | | | |
| Cash at bank | | 230,894 | 1,705,939 |
| Other financial assets | (a) | - | 13,778,197 |
| **Financial Liabilities** | | | |
| Financial liability | (a) | - | 13,778,197 |
| Trade payables ($US) | | - | - |
| Trade payables (ZAR) | | 390,315 | 1,218,018 |

(a) The financial asset and liability above represents amounts payable in respect of Tranche 2, payments 2 and 3 of the Mbila Share Repurchase and Subscription Agreement (see Note 16). This liability has been valued at $AUD500,000 at 30 June 2013.

(ii) Interest rate risk

The following table details the Group's exposure to interest rate risk at the end of the reporting period.

| | Average Interest Rate | Floating Interest Rate | Fixed Interest Rate | Non Interest Bearing | Total |
|---|---|---|---|---|---|
| | % | $ | $ | $ | $ |
| | | | Maturing within 12 months | | |
| **2013** | | | | | |
| *Financial assets* | | | | | |
| Cash at bank | 0.00% | 938,257 | - | - | 938,257 |
| Term Deposit ZAR | 4.90% | - | 39,982 | - | 39,982 |
| | | 938,257 | 39,982 | - | 978,239 |
| *Financial liabilities* | | | | | |
| Trade and other payables | | - | - | 1,565,196 | 1,565,196 |
| Borrowings | 12.82% | - | 2,751,725 | - | 2,751,725 |
| Other financial liabilities | | - | - | 500,000 | 500,000 |
| | | - | 2,751,725 | 2,065,196 | 4,816,921 |

# Notes to the financial statements (continued)

## 26 FINANCIAL INSTRUMENTS (continued)

| | Average Interest Rate | Floating Interest Rate | Fixed Interest Rate | Non Interest Bearing | Total |
|---|---|---|---|---|---|
| | % | $ | $ | $ | $ |
| | | | Maturing within 12 months | | |
| **2012** | | | | | |
| *Financial assets* | | | | | |
| Cash at bank | **0.00%** | **148,429** | **-** | **-** | **148,429** |
| Deposits at call | **4.17%** | **4,351,003** | **-** | **-** | **4,351,003** |
| Term Deposit ZAR | **4.90%** | **-** | **42,863** | **-** | **42,863** |
| Term Deposit | **5.00%** | **-** | **15,000** | **-** | **15,000** |
| Other financial assets | | **-** | **-** | **13,778,179** | **13,778,179** |
| | | **4,499,432** | **57,863** | **13,778,179** | **18,335,474** |
| *Financial liabilities* | | | | | |
| Trade and other payables | | **-** | **-** | **1,203,614** | **1,203,614** |
| Other financial liabilities | | **-** | **-** | **13,778,179** | **13,778,179** |
| | | **-** | **-** | **14,981,793** | **14,981,793** |

*Sensitivity analysis*

At 30 June 2013, the effect on the Group's loss and equity as a result of changes in the interest rates, with all other variables remaining constant, would be as follows:

| | | 2013 Interest rate risk | | 2012 Interest rate risk | |
|---|---|---|---|---|---|
| | | + 1% | -1% | +1% | -1% |
| *Financial assets* | | | | | |
| Deposits at call | 4.17% | 400 | (400) | 43,510 | (43,510) |
| *Financial liabilities* | | | | | |
| Borrowings | | (27,517) | 27,517 | - | - |
| | | (27,117) | 27,117 | 43,510 | (43,510) |

### (d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. As detailed in Note 28, the Group failed to meet financial obligations as they fell due subsequent to the year end.

# Notes to the financial statements (continued)

## 26 FINANCIAL INSTRUMENTS (continued)

Maturities of financial liabilities

The table below analyses the group's financial liabilities into relevant maturity groupings based in their contractual maturities for all financial liabilities:

| Contractual maturities of financial liabilities | Less than 6 months | 6-12 months | Over 12 months |
|---|---|---|---|
| **2013** | **$** | **$** | **$** |
| **Non-derivatives** | | | |
| Trade and other payables | **1,565,196** | **-** | **-** |
| Borrowings | **2,751,725** | **-** | **-** |
| Other financial liabilities | **500,000** | **-** | **-** |
| **Total non-derivatives** | **4,816,921** | **-** | **-** |

### (e) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents and trade and other receivables.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the end of the reporting period to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Group has adopted the policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The term deposits are held by a AA rated bank thereby mitigating the risk of default on these deposits. The Groups policy is to review all outstanding debtors at the end of the reporting period and, based on directors' view on credit risk, an appropriate provision for impairment is raised. At the end of the reporting period, examination of the Group's trade debtors ledger reveals no reason for an impairment adjustment.

The Group does not have any material credit risk exposure to any single receivable or Company or any receivables under financial instruments entered into by the Group.

The directors' view is that the receivables past due but not impaired are of good credit quality.

### (f) Net fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements is considered a reasonable approximation of their respective net fair values.

# Notes to the financial statements (continued)

## 27 NOTES TO STATEMENTS OF CASH FLOWS

### (i) Reconciliation of Cash

For the purpose of the statements of cash flow, cash includes cash on hand and at bank and short term deposits at call.

Cash at the end of the financial year is reconciled to the related items in the statement of financial position as follows:

| | Consolidated Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Cash | 938,257 | 4,501,174 |
| Short term deposits | 39,982 | 57,863 |
| | 978,239 | 4,559,037 |

### (ii) Reconciliation of (Loss) After Income Tax to Net Cash (Used In) Operating Activities

| | Consolidated Group | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Net (loss) after income tax | (35,103,774) | (4,425,496) |
| Add/(less) non-cash items: | | |
| Depreciation | 47,789 | 17,655 |
| (Gain)/loss on Sale of Property Plant & Equipment | (1,595) | 2,032 |
| Net exchange differences | (2,690,300) | 167,300 |
| Non-cash consultant benefit expense | 863,850 | 1,127,000 |
| Impairment of investment in associate | 2,853,253 | |
| Provision for: | | |
| Impairment of assets | 26,758,166 | 22,359 |
| Net cash (used in) operating activities before change in assets and liabilities | (7,272,611) | (3,089,150) |
| Change in assets and liabilities: | | |
| (Increase)/decrease in receivables | 1,152,808 | 18,163 |
| (Increase)/decrease in prepayments | 9,317 | (21,176) |
| (Decrease)/increase in payables | 58,112 | 553,835 |
| (Decrease)/increase in provisions | (33,740) | 50,693 |
| Net cash (used in) operating activities | (6,086,114) | (2,487,635) |

### (iii) Financing Facilities

There were no financing facilities in place at the end of the period (2012: Nil).

# Notes to the financial statements (continued)

## 28 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The following events have occurred since the end of the reporting period:

- **Mbila vendor payments**
  ZYL paid agreed amounts to the Mbila Vendors of AUD$350,000 by 3 July 2013 and a further AUD$150,000 on 25 September 2013. All payments were made pursuant to the revised Settlement Agreement and the respective parties released each other from any further claims.

- **Equity issue to Selentium Capital SARL**
  On 24 July 2013, in accordance with resolutions of the shareholders' meeting held on 24 June 2013, 39,779,661 ordinary shares and 7,500,000 share options with an exercise price of $0.20 per share and an expiry date of 24 July 2016 were issued to Selentium Capital SARL. Selentium Capital SARL is associated with former director Mr Phillipe Lalieu.

- **ASIC Infringement Notices**
  On 12 August 2013 the Australian Securities and Investment Commission (ASIC) issued two infringement notices to ZYL alleging that ZYL failed to comply with the continuous disclosure obligations contained in the Corporations Act.

  The basis of ASIC's allegation in the first Infringement Notice was that when the Bridging Facility, originally announced to the market on 10 September 2012, was drawn down on the 24 October 2012, ZYL was aware that the Bridging Facility was repayable on the earlier of 31 December 2012 and the date that ZYL issued convertible notes to Prestige Glory, or such other date agreed by ZYL and Prestige Glory and that disclosure of that information should have been made by ZYL to the market prior to its inclusion in the replacement Annual Report released to the market on 29 November 2012.

  The basis of ASIC's allegation in the second Infringement Notice was that by 14 November 2012, ZYL was aware that the 'Mbila mining ratification workshop' held on 8 November 2012 confirmed a lower than expected conversion from Resources to Reserves within the Badger Study Area and that the proven reserves of anthracite in the Beaufort and Ecca seams of the Mbila Project were substantially lower than those indicated by Badger Mining and Consulting and that ZYL's announcements to the market on 5 November 2012 and on 4 January 2013 regarding the lower than expected conversion rate were insufficiently detailed to satisfy ZYL's continuous disclosure obligations.

# Notes to the financial statements (continued)

## 28 EVENTS OCCURRING AFTER THE REPORTING PERIOD (continued)

- **Additional Funding Secured**

  On 20 August 2013, ZYL announced that it had entered into a memorandum of understanding (MoU) with Finevest Investment FZE (Finevest) whereby Finevest agreed to provide ZYL an advance of up to AUD$1,000,000 by way of four convertible notes, each with a face value of AUD$250,000. The tranches of convertible notes were to be staggered with the first tranche being immediate, the second tranche in early October 2013, third tranche in early December 2013 and the final tranche in early February 2014. Only the first tranche was received, with cash received on 23 August 2013.

  All tranches after the first tranche were subject to conditions that did not eventuate, including ZYL acquiring at least a 50.1% interest in the Kangwane Central Project. As conversion was subject to shareholder approval, and such approval never occurred, the outstanding $250,000 note is an unsecured borrowing with no conversion feature. Relevant terms of this $250,000 borrowing are:

  - Term: One year from drawdown on 23 August 2013.
  - Interest rate: 15% per annum.
  - Interest payable: at noteholder's election on the termination date.
  - Principal repayment due: The earlier to occur of twelve months from the date of the Convertible Note, if the Noteholder elects for repayment to occur following an event of default occurring in relation to the Company, or the date upon which shareholders do not to approve the facility or the date agreed between the parties by which shareholder approval must be obtained assuming that shareholders have not approved the facility. There is no evidence available that this note has yet been repaid.

- **Issue of adviser shares**

  On 3 September 2013, in accordance with resolutions of the shareholders' meeting held on 24 June 2013, ZYL issued 10,000,000 shares and 1,300,000 shares to Breamline and Macquarie respectively. The shares were issued to Breamline as part payment of a fee for the introduction of assets to the Company and the shares were issued to Macquarie as payment of a fee to provide capital raising advisory services to the Company.

- **Cessation of York Energy Transaction**

  On 6 September 2013, ZYL announced that it had elected not to proceed with the transaction with York Energy NL regarding the Kangwane North Project. Consequently, all formerly recognised assets of the Group relating to the Kangwane North project have been written off as at 30 June 2013.

- **Final payment to Mbila Vendors**

  On 30 September 2013, ZYL announced that it had made the final $150,000 payment required to the Mbila vendors, releasing ZYL from all further claims for the Mbila project.

# Notes to the financial statements (continued)

## 28 EVENTS OCCURRING AFTER THE REPORTING PERIOD (continued)

- **Breach of secured loan agreement with Prestige Glory**
  On 30 September 2013, ZYL announced that it had failed to make the required repayment of principal plus interest to secured creditor Prestige Glory Limited, that negotiations with Prestige Glory were continuing, and that the 30 June 2013 financial statements of ZYL had consequently not been approved by directors. The extension of the bridging facility with Prestige Glory on 8 April 2014 and the entering of the Deed of Company Arrangement with Konkera Corporate (referred to in the points below) have resolved this issue to the extent that the 30 June 2013 financial statements can be approved by the directors.

- **Extension of bridging facility with Prestige Glory**
  On 8 April 2014, ZYL announced that it had executed a third deed of extension and forbearance with Prestige Glory whereby Prestige Glory (PGL) agreed to extend the termination date of the bridging facility to 30 June 2014 and advance ZYL a further $300,000. Before this date, PGL had provided $2,000,000, to ZYL under the bridging facility, with this deed agreeing provision of a further $150,000 immediately and $150,000 on 31 May 2014.

- **Appointment of voluntary administrator**
  On 8 January 2015, ZYL's then board comprised ofMr Yuzheng Xie and Mr Stephen Woods resolved to appoint Jack James of Palisade Business Consulting as voluntary administrator to the Company.

- **Resolution to enter Deed of Company Arrangement (DOCA)**
  On 13 February 2015 at the second meeting of creditors, ZYL's creditors resolved that the Company execute a Deed of Company Arrangement and that Jack James be appointed Administrator of the DOCA. The Company executed the DOCA with Konkera Corporate on 19 February 2015. The end date of the DOCA was extended to 19 February 2016 on 15 July 2015, then to 19 August 2016 on 25 January 2016 and then to 19 February 2017 on 16 August 2016.

## 29 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at the end of the reporting period the directors were not aware of any other contingent liabilities or contingent assets.

## 30 COMPANY DETAILS

The registered office and principal place of business is:

Suite 23
513 Hay Street
Subiaco WA 6008
Tel: (08) 9317 9700
Fax: (08) 9316 4448

# Directors' Declaration

1) In the opinion of the Directors of ZYL Limited, :

   a) the financial statements and notes, set out on pages 22 to 63, subject to the qualification set out in paragraph 2 below, are in accordance with the Corporations Act 2001, including to:

      (i) comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Reporting Standards (IFRS); and

      (ii) give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the company and consolidated Company;

   b) in the Directors' opinion, as indicated in Note 1(c), subject to the successful recapitalisation of the Company there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2) Due to turnover of previous staff and officers, and the parent entity being subject to external administration, complete accounting records have not been able to be located. For the year ended 30 June 2013 and since, this has led to insufficient information being available to support several material contracts as well as transactions and balances of foreign subsidiaries.

   The Directors are of the opinion that it is not possible to state that the audited Remuneration disclosures, financial statements and notes are in accordance with the requirements of the Corporations Act 2001, due to the lack of records and certainty in connection with material transactions, for both the year ended 30 June 2013 and since then.

   It is noted by the Directors that the intended sale of the Kangwane Central Anthracite Project to satisfy the creditors' and administrator's debts, along with the continued existence of the Kangwane South Anthracite Project, means that while historical records are affected by incomplete financial information, the absence of these records is not expected to significantly detract from the Company's ability to maintain proper books and records for the period from 23 February 2015 for Australian entities, when current directors were appointed. Therefore, the absence of records due to turnover of previous staff and officers, unavailable documents of foreign subsidiaries, and the parent entity being subject to external administration, primarily affects the historical records of the economic entity rather than its ability to continue its retained business and operations.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001, which is also subject to the qualification in paragraph 2 above.

Signed in accordance with a resolution of the directors:

**Mr Shaun Hardcastle**
Non-executive Director
Dated at Perth this 26th day of August 2016

William Buck

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZYL LIMITED AND CONTROLLED ENTITIES

### Report on the Financial Report

We were engaged to audit the accompanying consolidated financial report of ZYL Limited (the company) and the entities it controlled at year's end or from time to time during the financial year (the consolidated entity) on pages 22 to 64. The consolidated financial report comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on conducting the audit in accordance with Australian Auditing Standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

*Basis for Disclaimer of Opinion*

a) As disclosed in Note 1(c) to the financial report, the directors state that the consolidated entity's financial report has been prepared on a going concern basis. In assessing the going concern basis of preparation, the consolidated entity has made a number of assumptions including the assumption that the consolidated entity is able to raise capital of at least $1,250,000 before completion of the Deed of Company Arrangement, however, to satisfy ASX's conditions for reinstatement, a capital raising of $2,000,000 is required.

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South Perth WA 6151
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South Perth WA 6951
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williambuck.com

We have been unable to obtain alternative evidence which would provide sufficient appropriate audit evidence as to whether the company may be able to raise such capital, and hence remove significant doubt of its ability to continue as a going concern within twelve months of the date of this auditor's report.

b) On 8 January 2015, ZYL Limited went into administration and new Directors were appointed on 23 February 2015. As stated in Note 1(b) of the Annual Report, due to the turnover of previous staff and officers, a number of subsidiaries located overseas, and the parent entity being subject to external administration, complete accounting records have not been able to be located for the year ended 30 June 2013 and since then.

   As a result of the matters above, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded amounts in the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows.

*Disclaimer of Opinion*
We do not express an opinion on the accompanying consolidated financial report of the consolidated entity. Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this consolidated financial report.

**Report on the Remuneration Report**
Our responsibility is to express an opinion on the Remuneration Report included on pages 11 to 18 of the directors' report for the year ended 30 June 2013 in accordance with section 300A of the Corporations Act. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

*Disclaimer of Opinion*
Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Remuneration Report of ZYL Limited for the year ended 30 June 2013.

Report on Other Legal and Regulatory Requirements
As described under the Basis of Disclaimer of Opinion, we have not been given all information, explanations and assistance necessary for the conduct of the audit and the company has not kept all financial records sufficient to enable the financial report to be prepared and audited as required by the Corporations Act 2001.

William Buck

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

Conley Manifis
Director
Dated this 26th day of August, 2016

# ASX ADDITIONAL INFORMATION

The following additional information is required by the ASX Ltd in respect of listed public companies only.

The following information is based on share registry information processed up to 25 August 2016

**Ordinary Share Capital**

612,747,560 shares are held by 2,554 individual holders.

**Voting Rights**

The voting rights attaching to ordinary shares are that on a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote. Options do not carry any voting rights.

**Restricted Securities**

The Company has no restricted securities on issue.

**Distribution of Holders of Equity Securities – Fully Paid Ordinary Shares**

| | Holders | Total Units | % |
|---|---|---|---|
| 1 – 1,000 | 447 | 105,390 | 0.02 |
| 1,001 – 5,000 | 237 | 726,518 | 0.12 |
| 5,001 – 10,000 | 215 | 1,832,191 | 0.30 |
| 10,001 – 100,000 | 1,088 | 49,483,548 | 8.07 |
| 100,001 and over | 567 | 560,599,913 | 91.49 |
| **Total** | **2,554** | **612,747,560** | **100** |

**Unmarketable Parcels**

| | |
|---|---|
| Holders: | 1,766 |
| Units: | 32,481,256 |

**On-market Buy Back**

There is no current on-market buy-back.

**Substantial Shareholders**

| Name | Number of Shares | % |
|---|---|---|
| Prestige Glory Limited | 68,660,000 | 11.21 |
| Macquarie Bank Limited | 41,005,883 | 6.69 |
| Selentium Capital Sarl | 39,779,661 | 6.49 |

**Twenty Largest Holders of Fully Paid Ordinary Shares**

| Name | Number of Shares | % |
|---|---|---|
| Prestige Glory Limited | 68,660,000 | 11.21 |
| Macquarie Bank Limited | 41,005,883 | 6.69 |
| Selentium Capital Sarl | 39,779,661 | 6.49 |
| Sin-Tang Development Pte Ltd | 27,297,523 | 4.45 |
| Citicorp Nominees Pty Limited | 26,670,733 | 4.35 |
| Prestige Glory Limited | 16,500,000 | 2.69 |
| HSBC Custody Nominees | 13,927,114 | 2.27 |
| Breamline Investments Limited | 10,700,000 | 1.75 |
| Breamline Investments Limited | 10,000,000 | 1.63 |
| Parasnath Derivatives Pte Ltd | 9,400,000 | 1.53 |
| Frass Pty Ltd | 6,600,000 | 1.08 |
| Mrs Sarah Hathway | 6,000,000 | 0.98 |
| Mr David Parker & Mrs Helen Parker | 5,000,000 | 0.82 |
| Mr Christopher James Weed | 4,560,172 | 0.74 |
| Oodachi Pty Ltd | 4,550,000 | 0.74 |
| Frass Pty Ltd | 4,450,000 | 0.73 |
| Hire IQ Pty Ltd | 3,988,942 | 0.65 |
| Mighty River International | 3,532,092 | 0.58 |
| Cotsham Pty Ltd | 3,505,000 | 0.57 |
| Mr Stephen Lance Baudinette & Mrs Deborah Jose Baudinette | 3,500,000 | 0.57 |
| **TOTAL** | **309,627,120** | **50.53** |

**Company Secretary**

Oonagh Malone

**Registered Office in Australia**

Suite 23, 513 Hay Street, Subiaco WA 6904
08 9388 8812

**Share Registry**

Security Transfer Registrars
770 Canning Highway, Applecross WA 6153
08 9315 2333

**Schedule of Mining Tenements**

| Tenement | Location | Interest |
|---|---|---|
| Kangwane Central | Mpumalanga, South Africa | 42.85% |
| Kangwane South | Mpumalanga, South Africa | 70% |