

ZYL Limited
(to be renamed “Hawkstone Mining Limited”)
ACN 008 720 223
(Subject to Deed of Company Arrangement)

PROSPECTUS

Public Offer

For the conditional offer of 200,000,000 Shares to the public at an issue price of \$0.01 each to raise \$2,000,000 before costs (**Public Offer**).

Conversion Offer

For the conditional offer of up to 20,000,000 Shares at an issue price of \$0.005 each in consideration for the repayment of up to \$100,000 of loans (**Conversion Offer**).

Recapitalisation Offer

For the conditional offer of:

- (a) 40,000,000 Shares to the Proponent Nominees at an issue price of \$0.002 each for \$80,000 worth of Shares (**Proponent Shares**); and
- (b) 10,000,000 Shares to the Proponent (or its nominees) (**Compliance Advisor Shares**),

to facilitate completion of the Recapitalisation Proposal (together, the **Recapitalisation Offer**).

Conditions

The Offers are conditional upon certain events occurring. Please refer to Section 2.2 for further details.

Underwriting

The Offers are not underwritten.

IMPORTANT NOTICE

This is an important document and investors should read the document in its entirety and are advised to consult with their professional advisers before deciding whether to apply for securities pursuant to this Prospectus. Any investment in the Company under this Prospectus should be considered highly speculative in nature and prospective investors should be aware that they may lose some or all of their investment.

Table of Contents

Section	Page No
Important Information	ii
Corporate Directory	iv
Letter from the Board.....	2
1. Investment Overview	3
2. Details of the Offers	18
3. Company and Project Overview	26
4. Risk Factors.....	38
5. Independent Geologist's Report	47
6. South African Solicitor's Report	48
7. Investigating Accountant's Report	49
8. Material Contracts.....	50
9. Additional information	54
10. Authorisation.....	63
11. Glossary of Terms	64

IMPORTANT INFORMATION

Prospectus

This Prospectus is dated 30 September 2016 and was lodged with ASIC on that date. ASIC, ASX and their respective officers do not take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Within 7 days of the date of this Prospectus, the Company will make an application to ASX for the Shares offered pursuant to the Prospectus to be admitted for quotation on ASX.

Securities will not be issued pursuant to this Prospectus later than 13 months after the date of this Prospectus.

Persons wishing to apply for Shares pursuant to the Offers must do so using the applicable Application Form attached to or accompanying this Prospectus. Before applying for Shares potential investors should carefully read the Prospectus so that they can make an informed assessment of:

- the rights and liabilities attaching to the Securities;
- the assets and liabilities of the Company; and
- the Company's financial position and performance, profits and losses, and prospects.

Investors should carefully consider these factors in light of their own personal financial and taxation circumstances.

No person is authorised to give any information or to make any representation in relation to the Offers which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company or the Directors in relation to the Offers.

Conditional Offer

The Offers contained in this Prospectus are conditional on certain events occurring. If these events do not occur, the Offers will not proceed and investors will be refunded their application monies without interest. Please refer to Section 2.3 for further details on the conditions attaching to the Offers.

Administrator

The Company is presently subject to a deed of company arrangement.

The Administrator has not been involved in the preparation of this Prospectus and has taken no part in the preparation of any documents and expresses no opinion regarding the Recapitalisation Proposal. The Administrator has not independently verified any of the information contained in this Prospectus. Neither the Administrator nor his servants, agents or employees make any representation or warranty (express or implied) as to the accuracy, reasonableness or completeness of the information contained in this Prospectus. To the extent permissible by law, all such parties and entities expressly disclaim any and all liability for, or based on or relating to, any such information contained in, or errors in or omissions from this Prospectus.

Electronic Prospectus

In addition to issuing this Prospectus in printed form, a read-only version of this Prospectus is also available on the Company's website at www.zyl-limited.com. Applications cannot be made online. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access this Prospectus from within Australia. The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy

of this Prospectus or it accompanies the complete and unaltered electronic version of this Prospectus.

Application for Shares

Investors wishing to apply for Shares under an Offer must do so using the relevant Application Form attached to or accompanying this Prospectus. By returning a completed Application Form, the applicant acknowledges that it has received and read this Prospectus, has acted in accordance with the terms of the relevant Offer, agrees to all of the terms and conditions set out in this Prospectus and makes the statements set out in the Application Form.

Offer restrictions

The offers of Shares made pursuant to this Prospectus are not made to persons or in places to which, or in which, it would not be lawful to make such an offer of Shares. No action has been taken to register this Prospectus or otherwise permit an offer of Shares in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law in those jurisdictions and therefore persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws.

Risk factors

Any investment in the Company should be considered speculative. Before deciding to invest in the Company, investors should read the entire Prospectus. In considering the prospects for the Company, investors should consider the assumptions underlying the prospective financial information and the risk factors set out in Section 4 that could affect the performance of the Company. Investors should carefully consider these factors in light of personal circumstances (including financial and taxation issues) and seek professional advice from a stockbroker, accountant or other independent financial adviser before deciding to invest.

Representations

No person is authorised to give any information or to make any representation in relation to the Offers which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company or the Directors in relation to the Offers.

Forward-Looking Statements

This Prospectus contains forward looking statements which incorporate an element of uncertainty or risk, such as 'intends', 'may', 'could', 'believes', 'estimates', 'targets' or 'expects'. These statements are based on an evaluation of current economic and operating conditions, as well as assumptions regarding future events. These events, as at the date of this Prospectus, are expected to take place, but there is no guarantee that such will occur as anticipated or at all given that many of the events are outside the Company's control.

Accordingly, the Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur. Further, the Company may not update or revise any forward looking statement if events subsequently occur or information subsequently becomes available that affects the original forward looking statement.

Competent Person's statement

Information contained in this Prospectus that relates to exploration results and mineral resources is based on, and fairly represents, information compiled by Mr Dawie van Wyk, who is

a Member of the South African Council for Natural Scientific Professions, a “Recognised Overseas Professional Organisation” included in a list promulgated by the ASX from time to time. Mr van Wyk is the proprietor of GeoCoal Services CC which provides geological consulting services.

Mr van Wyk has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking in respect of the Kangwane South Project to qualify as a “Competent Person” within the meaning set out in the JORC Code 2012. Mr van Wyk consents to the inclusion of the matters based on his information in the form and context in which it appears in this Prospectus.

Interpretation

A number of terms and abbreviations used in this Prospectus have defined meanings which are set out in Section 11.

A reference to \$ in this Prospectus is a reference to Australian currency unless otherwise stated.

All references to time in this Prospectus relate to the time in Perth, Western Australia.

CORPORATE DIRECTORY

Directors

Shaun Hardcastle Non-Executive Director
Oonagh Malone Non-Executive Director
Richard Pearce Non-Executive Director

Company Secretary

Oonagh Malone

ASX Code

ZYL

Registered and Principal Office

Suite 23, 513 Hay Street
SUBIACO WA 6008
Phone: +61 8 6143 6705
Fax: +61 8 9388 8824
Email: info@zyl-limited.com
Website: www.zyl-limited.com

Share Registry*

Security Transfer Australia Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Phone (within Australia): +61 8 9315 2333
Phone (outside Australia): +61 8 9315 2333
Fax: +61 8 9315 2233

Australian Legal Adviser

Bellanhouse Legal
Ground Floor
11 Ventnor Avenue
WEST PERTH WA 6005

Auditor*

William Buck Audit (WA) Pty Ltd
Level 3, 15 Labouchere Road
SOUTH PERTH WA 6151

Investigating Accountant

William Buck Consulting (WA) Pty Ltd
Level 3, 15 Labouchere Road
SOUTH PERTH WA 6151

South African Legal Adviser

Malan Scholes Attorneys
East Building
No 85 Central Street
Houghton, Johannesburg
SOUTH AFRICA

Independent Geologist

Dawie van Wyk
GeoCoal Services CC
PO Box 102
Port Alfred, 6170
SOUTH AFRICA

Deed Administrator*

Mr Jack James
Palisade Business Consulting
22 Lindsay Street
PERTH WA 6000

* These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus.

LETTER FROM THE BOARD

Dear Investor

On behalf of the Board, I am pleased to present you with this Prospectus and an opportunity to become part of the recapitalisation of ZYL Limited (Subject to Deed of Company Arrangement) (to be renamed "Hawkstone Mining Limited").

The Company has successfully obtained the approval of Shareholders to a number of resolutions to give effect to the Recapitalisation Proposal. Once completed, the Recapitalisation Proposal will give the Company a new capital structure with new working capital, and the Company will no longer be subject to the Deed of Company Arrangement (DOCA).

Following completion of the Recapitalisation Proposal and the DOCA, the Company will maintain a 70% interest in the Kangwane South Project, an anthracite coal project located in the Mpumalanga province of South Africa. Details of the Kangwane South Project are in Section 3 (Company and Project Overview), Section 5 (Independent Geologist's Report) and Section 6 (Solicitor's Report) of this Prospectus.

The Offers pursuant to this Prospectus are subject to various conditions which are summarised in Section 2.2.


The Company proposes to raise \$2,080,000 under the Offers. These funds will be used to:

- provide funds to develop the Company's Kangwane South Project;
- provide funds to cover the financial provision required by the South African Department of Mineral Resources;
- provide funds for the identification, acquisition and development of other value-creating investments;
- meet the costs of the recapitalisation and general administration costs of the Company.

Details about the risks of investing in the Company are contained in Section 4 and we recommend that investors read these carefully and obtain any necessary professional advice before deciding to invest.

If you do decide to invest in the Company then we would like to welcome you as a Shareholder.

Yours faithfully



**For and on behalf of the Board
Richard Pearce
Non-Executive Director**

1. Investment Overview

This Section 1 provides a summary only of the Offers and is not intended to provide full information. Investors should read and consider this Prospectus in its entirety before making a decision on whether or not to invest in the Company.

1.1 The Company

The Company is a mineral exploration company currently subject to a deed of company arrangement (**DOCA**). The Company was incorporated on 1 May 1969 and admitted to the Official List of ASX on 8 July 1971. Its focus since completing a re-compliance listing in July 2011 has been on coal exploration and development in South Africa.

The Company's securities have been suspended from official quotation since 1 October 2013. On 8 January 2015, Mr Jack James of Palisade Business Consulting was appointed as voluntary administrator of the Company (**Administrator**) pursuant to section 436A of the Corporations Act. After the meeting of the Company's Creditors that is referred to in Section 1.10, the Company executed the DOCA on 19 February 2015.

As part of the administration process the Company will dispose of all of its assets except for its interests in the Kangwane South Project, an anthracite coal project acquired by the Company in July 2011 and located in the Mpumalanga province of South Africa.

Further details of the Company's history, the Kangwane South Project and its plans are set out in Section 3.

1.2 Structure of the Offers

The Company is undertaking the following 3 conditional offers of Shares under this Prospectus:

- (a) **Public Offer:** The offer to the public of up to 200,000,000 Shares at an issue price of \$0.01 each to raise \$2,000,000 before costs.
- (b) **Conversion Offer:** The offer of up to 20,000,000 Shares at an issue price of \$0.005 each in consideration for the repayment of up to \$100,000 of loans.
- (c) **Recapitalisation Offer:** The offer of:
 - (i) 40,000,000 Shares to the Proponent Nominees at an issue price of \$0.002 each for \$80,000 worth of Shares (**Proponent Shares**); and
 - (ii) 10,000,000 Shares to the Proponent (or its nominees) (**Compliance Advisor Shares**),

to facilitate completion of the Recapitalisation Proposal.

All Shares issued under the Offers will rank equally with existing Shares on issue and will otherwise be on the terms set out in Section 9.1.

The Offers are conditional upon the satisfaction of the conditions referred to in Section 2.2.

1.3 Purpose of the Offers

The principal purpose of the Offers is to:

- (a) facilitate the reinstatement of the Company's securities to trading on the ASX;
- (b) provide funds to develop the Company's Kangwane South Project;
- (c) provide funds to cover the financial provision required by the Department of Mineral Resources in South Africa;
- (d) provide funds for the identification, acquisition and development of other value-creating investments; and
- (e) meet the costs of the recapitalisation and general administration costs of the Company.

1.4 Use of funds

The Company proposes to raise \$2,080,000 pursuant to the Offers. The Company intends to apply the funds raised under the Offers as follows (exclusive of any GST payable):

Expenditure plans	Year 1	Year 2	Total
Costs of recapitalisation process	\$224,600	-	\$224,600
Unsecured creditors' trust payment (Proponent Payment)	\$160,000	-	\$160,000
Review and further exploration and development of Kangwane South Project	\$269,715	\$215,285	\$485,000
Financial Provision (required by Department of Mineral Resources (South Africa))	\$530,000	-	\$530,000
Review of new projects and/or opportunities	\$25,000	\$25,000	\$50,000
General working capital	\$362,700	\$267,700	\$630,400
Total funds utilised	\$1,572,015	\$507,985	\$2,080,000

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

Whilst the Directors are satisfied that upon completion of the Offers the Company will have sufficient working capital to meet its stated objectives, investors should be aware that the Company may use and expend its cash reserves more quickly than contemplated. This may or may not leave the Company in a negative cash flow situation which may ultimately affect the value of the Company's Shares.

Further, any future investments that may be contemplated by the Company may exceed the current or projected working capital of the Company. Accordingly, any such acquisition may need to be funded by debt and/or equity issues, as required and may be subject to Shareholder approvals (if required).

1.5 Indicative timetable

The indicative timetable for the Offers is as follows:

Event	Date
Lodgement of this Prospectus with ASIC	30 September 2016
Opening Date	4 October 2016
Closing Date	28 October 2016
Issue of Shares under this Prospectus	28 November 2016
DOCA effectuated and Administrator retires	5 December 2016
Re-commencement of trading Shares on ASX	12 December 2016

The date of quotation of the Shares on ASX is subject to ASX approval. The dates shown in the table above are indicative only and may vary subject to the Corporations Act, the Listing Rules and other applicable laws. In particular, the Company reserves the right to vary the Opening Date and the Closing Date without prior notice, which may have a consequential effect on the other dates. Applicants are therefore encouraged to lodge the applicable Application Form(s) as soon as possible after the Opening Date if they wish to invest in the Company. The Company also reserves the right not to continue with the Offers at any time before the issue of Shares to successful applicants. The issue of Shares under the Offers will occur as soon as practicable after the Closing Date. Please refer to Section 5.7 for further details.

1.6 Reinstatement to official quotation

The Company's securities have been suspended from official quotation since 1 October 2013.

The Company has received a letter from ASX confirming that it sees no reason why the Company's securities should not be reinstated to official quotation conditional on completion of the following material conditions:

- (a) confirmation that the DOCA has been fully effectuated;
- (b) the Company's shareholders approving all resolutions at the General Meeting;
- (c) completion of the Consolidation;
- (d) confirmation that the Company has retained its interest in the Kangwane South Project and the tenements comprising the Kangwane South Project are in good standing;
- (e) receipt of a legal opinion from a reputable independent South African law firm opining (to the satisfaction of ASX) as to the legality of the Company conducting its proposed activities on the Kangwane South Project as at the

date of reinstatement and confirming that it has an unfettered right to access the tenements comprising the Kangwane South Project;

- (f) confirmation by the Company that the Company has unfettered access to conduct its proposed activities on the Kangwane South Project;
- (g) confirmation the Security has been released and discharged and there are no outstanding security interests over the Company's interest in the Kangwane South Project;
- (h) compliance with ASX Listing Rules 12.1 to 12.4, including:
 - (i) the Company's business objectives meeting ASX Listing Rule 12.1;
 - (ii) confirmation of completion of the Capital Raising and that, after payment of the costs of the capital raising (if any) and payments to the deed administrators to satisfy obligations under the DOCA, the Company can demonstrate to ASX that it will have a minimum of \$1,000,000 in cash, net of all liabilities, at the date of reinstatement, to satisfy ASX Listing Rule 12.2;
 - (iii) the Company demonstrating to ASX that it has at least 300 Shareholders each holding at least \$500 worth of fully paid ordinary shares;
- (i) lodgement of any outstanding financial reports.

The Company has until 30 September 2016 to meet the ASX conditions.

In accordance with Guidance Note 33 to the ASX Listing Rules, any company that has been in continuous suspension for three years will be automatically delisted on the three year anniversary of their suspension. Accordingly, the Company has until 30 September 2016 to implement a transaction that will result in the resumption of trading in its securities before it will be automatically removed from the Official List on Monday, 3 October 2016.

Pursuant to Guidance Note 33, ASX may agree to a short extension of this deadline if the Company can demonstrate to ASX's satisfaction that it is in the final stages of implementing a transaction that will lead to the resumption of trading in its securities within a reasonable period. For these purposes, ASX defines "final stages" as:

- (a) having announced the transaction to the market;
- (b) having signed definitive legal agreements for the transaction (including any financing required in respect of the transaction);
- (c) if the transaction requires a prospectus or product disclosure statement to be lodged with ASIC, having lodged that document with ASIC; and
- (d) if the transaction requires security holder approval, having obtained that approval.

The Company can only apply to ASX for an extension to the de-listing deadline following lodgement of this Prospectus, and will also request an extension to meeting the ASX conditions. If granted, in accordance with Guidance Note 33, the extension is likely to be for 3 months from the date of this Prospectus.

Though the Directors are confident the extensions will be granted, there is no guarantee they will be. In the event an extension is not granted and the Company is removed from the Official List, then the Company will not be able to complete the Recapitalisation Proposal. If that occurs, the DOCA will likely be terminated and the Administrator will, in the absence of any other deed of company arrangement proposal or a variation to the terms of the DOCA, have no other option but to recommend to creditors that the Company be put into liquidation. In those circumstances, it is unlikely that there will be any return to Shareholders.

If ASX does not provide the relevant extensions, then this Prospectus will be withdrawn and Application Monies will be refunded.

The Company will make an ASX announcement with respect to the outcome of the ASX's decision. Should the extensions be granted the Company will proceed with the Offers, subject to the conditions set out in Section 2.2.

1.7 Capital Structure

The proposed capital structure of the Company upon completion of the Offers is set out in the following table:

Basis for issue	Number of Shares	Percentage holding
Shares on issue at date of Prospectus (post-Consolidation and subject to rounding)	6,127,476	2.2%
Shares issued under Public Offer	200,000,000	72.4%
Shares issued under Conversion Offer	20,000,000	7.2%
Shares issued under Recapitalisation Offer	50,000,000	18.1%
Total	276,127,476	100%

Notes:

1. The Company does not have any Options on issue.

1.8 Business model

Following the onset of the Company's financial difficulties leading to its administration in 2015, the Company is presently undertaking a significant restructure which will, among other things, see the Company dispose of nearly all of its previously held assets. Upon ASX Reinstatement, the Company will have minimal current liabilities and it will no longer be subject to the DOCA.

The Company's business model is to enhance Shareholder wealth by undertaking exploration work programmes with a view to determining possible mine development options on mineral projects it holds or acquires an interest in, while continuing to identify and evaluate opportunities to create shareholder value.

Upon reinstatement the Company's main asset will be the Kangwane South Project.

The Kangwane South Project (also known as the Southern Anthracite Project) is an anthracite project located approximately 100 kilometres from the coast to the Matola

Terminal at Maputo Port in Mozambique and approximately 25 kilometres to the south of the Kangwane Central Project.

The Company intends to undertake a ten hole drill program to enhance the already extensive database for use in mine design and engineering studies, as well as increasing the confidence of the current JORC Resource at the asset. Feasibility studies will be conducted following on from the proposed drill program assuming the program and resulting analysis is positive, so that the Company can determine future work programs for the asset.

In May 2013 the Company announced a mining right was granted for the Kangwane South Project to Altius Trading 404 (Pty) Ltd (an entity controlled by the Company) (**Altius**). The Company announced the mining right would be issued following the submission of statutorily prescribed information required by the South African Department of Mineral Resources (**DMR**).

As at the date of this Prospectus:

- (a) despite the mining right having been granted, Altius cannot utilise the right until such time as the environmental authorisation is approved and the right is notarially executed following the payment of the requisite financial provision (i.e. environmental bond) provided to the DMR. Under South African law no person may go onto the property, which is the subject of the mining/prospecting right, and commence with mining and/or prospecting activities without a validly granted and notarially executed mining/prospecting right;
- (b) the Company has received confirmation from the DMR that:
 - (i) the mining right has been granted; and
 - (ii) permission to perform further exploration and engineering work in order to delineate mine design has been granted (once the mining right has been notarially executed); and
- (c) Altius is making arrangements for the notarial execution of the mining right and provision of the financial provision. There is no specified time period for when a right must be executed in terms of the relevant South African mining law. The date on which a right is notarially executed is agreed to between the DMR and right holder and is not prescribed in the applicable legislation. Therefore, a right cannot be invalidated if it is not notarially executed within a specific time period.

Per Section 1.6 above, it is noted that ASX requires that the Company have an unfettered right to access the tenements comprising the Kangwane South Project before it will reinstate the Company's securities to trading. This means the Company will be required to hold an executed mining right and meet ASX's other conditions as set out in Section 1.6 above prior to ASX re-commencing trading in the Company's securities.

Further information on the status of the Kangwane South Project mining right can be found in Section 3.2 and Section 6 (Solicitor's Report).

1.9 Key risks

Before deciding on whether to apply for Shares under this Prospectus, investors should read this Prospectus in its entirety and consider the key risk factors summarised in the

table below. The table below should not be taken as an exhaustive list of the risks faced by the Company. Investors should refer to the risk factors set out in full in Section 4 before making a decision on whether or not to subscribe for Shares under this Prospectus.

Risk	Description	Section
Termination of the DOCA	If the terms and conditions of the DOCA are not satisfied then the Company may be placed back into administration or proceed to being wound up. Any Application Monies received would be returned to applicants in accordance with Section 2.8.	4.1(a)
Re-Quotation of shares on ASX	<p>There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotations of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it meets ASX's reinstatement conditions as set out in Section 1.6.</p> <p>If the Company is unable to obtain an extension from ASX preventing the mandatory removal of the Company on 3 October 2016, the Company will be removed from the Official List.</p>	4.1(b)
Mining right execution and title risk	<p>As set out in Section 6 (Solicitor's Report), the mining right for the Kangwane South Project, whilst granted, is yet to be executed.</p> <p>The Company cannot utilise the mining right until such time as the environmental authorisation is approved and the right is notarially executed. Under South African law no person may go onto the property, which is the subject of the mining/prospecting right, and commence with mining and/or prospecting activities without a validly granted and notarially executed mining/prospecting right.</p> <p>Acquisition and retention of prospecting rights and mining rights in South Africa is a detailed and time-consuming process. There is no guarantee the Company will be able to execute the mining right on acceptable terms in a timely manner or at all. In addition, the grant of a mining or prospecting right may be disputed or challenged by third parties.</p>	4.2(a)

Risk	Description	Section
	<p>Holders of mining rights must comply with the terms and conditions of South African law relating to their rights, together with the terms and conditions of the rights themselves. Failure to comply may cause the suspension or cancellation of the mining right (albeit not automatic). Further, there is no guarantee that amendments to mining rights will be granted on terms requested, or at all.</p>	
<p>Incomplete records</p>	<p>The Company's securities have been suspended since 1 October 2013. Since that time, and in the six months leading up to the suspension, numerous changes to the directors and officers of the Company occurred. The existing board was appointed by the Administrator in February 2015 in accordance with the DOCA, and did not have oversight of the Company's and its proposed retained subsidiaries' activities prior to that time.</p> <p>In the independent auditor's opinion set out in the Company's annual financial reports for the period ended 30 June 2013 to 30 June 2016 (Annual Accounts), due to the Company's records being incomplete as a result of the turnover of previous staff and officers, the independent auditor was unable to, and did not express, an opinion as to whether the lodged Annual Accounts were in accordance with the Corporations Act. The Company notes, however, that the DOCA process ensures that liabilities of the Company up to the date of appointment of the Administrator are compromised through the administration process.</p> <p>Due to there being incomplete records, there may be actions that were taken by the previous directors and officers of the Company and its subsidiaries that the existing board is not aware of. Whilst the Directors are confident the DOCA process deals with any outstanding liabilities relating to the Company, and the investigations and correspondence with the DMR have confirmed Altius has been granted the mining right, there is a risk that previous unknown actions may adversely affect the Company's operations and financial position, including those of its proposed retained subsidiaries.</p>	<p>4.2(b)</p>

Risk	Description	Section
Government actions and political risk	<p>The impact of actions by governments may affect the Company's activities including such matters as access to lands and infrastructure, compliance with environmental regulations, taxation and royalties.</p> <p>The Company's assets are located in South Africa. The Directors believe that the Government of South Africa supports the development of natural resources by foreign investors. However, there is no assurance that future political and economic conditions in South Africa will not result in the Government of South Africa adopting different policies regarding foreign development and ownership of mineral resources. Any changes in policy may result in legislative changes affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return on capital, all of which may affect the Company's ability to develop Kangwane South Project.</p>	4.2(c)
International operations	<p>Any potential future South African operations of the Company are subject to a number of risks, including:</p> <ul style="list-style-type: none"> • potential difficulties in enforcing agreements and collecting receivables through foreign local systems; • potential difficulties in protecting rights and interests in assets; • increases in costs for transportation and shipping; and • restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes. <p>Any of these factors could materially and adversely affect the Company's business, results of operations and financial condition.</p> <p>South Africa experiences economic, social and political volatility. As a result, the Company's future operations may be impacted by currency fluctuations, political reforms, changes in South African government policies and procedures, civil unrest, social and religious conflict and deteriorating economic conditions. The likelihood of any of these changes, and their</p>	4.2(d)

Risk	Description	Section
	possible effects, if any, cannot be determined by the Company with any clarity at the present time, but they may include disruption, increased costs and, in some cases, total inability to establish or to continue to operate mining exploration or development activities.	
Resource estimates	Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.	4.2(e)
Future capital requirements	<p>The Company has no operating revenue and is unlikely to generate any operating revenue unless and until the Kangwane South Project is successfully developed and production commences. The future capital requirements of the Company will depend on many factors including its business development activities. The Company believes its available cash and the net proceeds of this Offer should be adequate to fund its business development activities, exploration program and other Company objectives in the short term as stated in this Prospectus.</p> <p>In order to successfully develop the Kangwane South Project and for production to commence, the Company will require further financing in the future, in addition to amounts raised pursuant to the Offer. Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the then market price or may involve restrictive covenants which limit the Company's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities.</p>	4.2(f)

Risk	Description	Section
	<p>No assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its activities and this could have a material adverse effect on the Company's activities and could affect the Company's ability to continue as a going concern.</p> <p>The Company may undertake additional offerings of Shares and of securities convertible into Shares in the future. The increase in the number of Shares issued and outstanding and the possibility of sales of such shares may have a depressive effect on the price of Shares. In addition, as a result of such additional Shares, the voting power of the Company's existing shareholders will be diluted.</p>	
Coal price volatility	<p>In the event the Company enters production, substantially all of the Company's revenues and cash flows will be derived from the sale of coal. Therefore, the financial performance of the Company would be exposed to fluctuations in the coal price. Historically, the coal price has fluctuated widely and has experienced periods of significant decline. Coal prices are affected by numerous factors and events that are beyond the control of the Company. These factors and events include general economic activity, world demand, forward selling activity as well as general global economic conditions and political trends.</p>	4.2(h)
Water supply	<p>Water supply for the Kangwane South Project, and any future projects, will be sourced from individual locations. The Company will be required to apply for and obtain water use licences from the relevant governmental authorities. The process for obtaining a water use licence is a lengthy one and the Company's operations may be adversely affected in the event that the relevant licences are not obtained in a timely fashion. An inadequate water supply would negatively affect the Kangwane South Project and any future projects.</p>	4.2(i)
Labour risk	<p>The Company's operations may be adversely affected by labour disputes or changes in South African labour laws. In South Africa a</p>	4.2(j)

Risk	Description	Section
	number of trade unions have close links to various political parties and have had a significant influence as vehicles for social and political reform and in the collective bargaining process. Since 1995, South Africa has enacted various labour laws that enhance the rights of employees, which may impose costs on the Company. Significant labour disputes, work stoppages, increased employee expenses as a result of collective bargaining and the cost of compliance with labour laws could disrupt operations and affect the profitability of the prospecting rights and any future mining and exploration activities undertaken by the Company.	
Competition for mining rights	There is generally competition for prospecting and mining rights in South Africa. The Minerals and Petroleum Resources Development Act (South Africa) provides that applications for mining rights and/or prospecting rights must be dealt with in the order of receipt (save for applications for the same mineral and land received on the same date, in which case preference must be given to applications from historically disadvantaged persons). In respect of new applications for prospecting rights and mining rights which the Company may wish to bring there is a risk that such applications may not be successful if other applicants have already applied for such minerals and land. There is also no guarantee that suitable deposits will be available in future.	4.2(l)

1.10 Key financial information

On 1 October 2013, the securities of the Company were suspended from official quotation on the ASX and on 8 January 2015 the Administrator was appointed.

At a meeting of the Creditors on 13 February 2015, the Creditors resolved that the Company enter into a Deed of Company Arrangement which was executed on 19 February 2015 (**DOCA**), and included a proposal made by the Proponent to reconstruct and recapitalise the Company substantially on the terms of the Recapitalisation Proposal (see Section 8.1 for further information). The DOCA remains in effect at the date of this Prospectus.

In the independent auditor's opinion set out in the Company's annual financial reports for the period ended 30 June 2013 to 30 June 2016 (**Annual Accounts**), due to the Company's records being incomplete as a result of the turnover of previous staff and officers, the independent auditor was unable to, and did not express, an opinion as to whether the lodged Annual Accounts were in accordance with the Corporations Act.

The Company notes, however, that the DOCA process ensures that liabilities of the Company up to the date of appointment of the Administrator are compromised through the administration process.

As a result, it is not possible to evaluate the Company's future prospects based on past performance. The Directors are confident that the Company's past performance will not impact on the future operations of the Company.

A reviewed pro-forma statement of financial position for the Company is included in the Investigating Accountant's Report in Section 7. The Company notes that in accordance with ASX conditions, the Company must have \$1,000,000 in cash net of all liabilities in order for its securities to be reinstated to trading by ASX.

1.11 Directors

(a) Background

The Directors of the Company are as follows:

(i) Richard Pearce (Non-Executive Director)

Mr Pearce is an experienced professional in mining and mining technology industries, 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, Mr Pearce 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.

This experience has been gained working for global mining and technology companies, junior exploration and development companies and private investment companies.

Beyond mining, Mr Pearce has been an executive and main board director of one of Australia's largest private agricultural groups for over five years. His experience has comprised working on group structuring, finance, M&A and business strategy, supporting the domestic and international operations and expansion of the group.

Mr Pearce was previously a director of Nova Energy Limited (now Toro Energy Limited) and Wildhorse Energy Limited.

Mr Pearce holds an MBA, Bachelor of Science (Hons), Diploma in Mining Finance, Diploma in Geostatistics and is a Member of the Australian Institute of Company Directors.

(ii) Shaun Hardcastle (Non-Executive Director)

Mr Hardcastle is a resources lawyer with experience on a broad range of cross-border and domestic transactions including asset/equity sales and acquisitions, joint ventures, corporate restructuring, and project finance. He has worked both domestically and internationally for top-tier law firms, and spent time as in-house

counsel for a major international oil and gas company. Mr Hardcastle holds a Bachelor of Laws.

(iii) Oonagh Malone (Non-Executive Director)

Ms Malone is a member of the Governance Institute of Australia and principal of a corporate advisory firm which provides company secretarial and administration services. She currently acts as company secretary for ASX-listed Attila Resources Limited, Boss Resources Limited, Carbine Resources Limited and Primary Gold Limited.

(b) Directors' interests

Other than as disclosed in this Prospectus, no Director or proposed Director holds at the date of this Prospectus or held at any time during the last 2 years, any interest in:

- (i) the formation or promotion of the Company;
- (ii) property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offers; or
- (iii) the Offers.

Further, other than as disclosed in this Prospectus, the Company has not paid any amount or provided any benefit, or agreed to do so, to any Director or proposed Director, either to induce that Director to become, or to qualify them as a Director, or otherwise, for services rendered by them in connection with the formation or promotion of the Company or the Offers.

(c) Directors' security holdings

The Directors do not have an interest in any Shares of the Company.

(d) Directors' remuneration

Other than as set out in this Section 1.11 or elsewhere in this Prospectus, the Directors have not received any financial benefit from the Company in the last 12 months.

Each of the directors will receive fees of \$20,000 per annum (inclusive of statutory superannuation) for their services, commencing from their appointment. As at the date of this Prospectus, no such fees have been paid, with each of the Directors agreeing to accrue their fees and be paid upon the Company's securities being reinstated to official quotation. As at the date of this Prospectus, a total of \$32,000 per Director has accrued.

(e) Agreements with Directors

- (i) Each Director has entered into a deed of access, indemnity and insurance with the Company. Under each deed, the Company agrees to:
 - (A) allow the Director to inspect Board papers in certain circumstances;

- (B) indemnify the Director to the extent permitted by the Corporations Act against any liability arising as a result of the Director acting as a Director of the Company; and
 - (C) maintain insurance policies for the benefit of the Director.
- (ii) Shaun Hardcastle has an interest in a contract as a result of being a director of Bellanhouse Pty Ltd. The Company has engaged Bellanhouse Pty Ltd (trading as Bellanhouse Legal) to provide legal services to the Company on arm's length terms. Further details of the legal services provided by Bellanhouse Legal and the fees paid or payable by the Company for these services are set out in Section 12.4(e).

2. Details of the Offers

2.1 Structure of the Offers

(a) Public Offer

Under the Public Offer, the Company is offering 200,000,000 Shares to the public at an issue price of \$0.01 each to raise \$2,000,000 before costs.

There is no allowance for oversubscriptions. The Public Offer is subject to a minimum level of subscription of 200,000,000 Shares.

The Shares to be issued pursuant to the Public Offer are of the same class and will rank equally in all respects with existing Shares on issue. The rights and liabilities attaching to the Shares are further described in Section 9.1.

Applications for Shares under the Public Offer must be made using the **PUBLIC OFFER APPLICATION FORM** and must be received by the Company before 5.00pm (WST) on the Closing Date.

(b) Conversion Offer

Under the Conversion Offer, up to 20,000,000 Shares will be issued at an issue price of \$0.005 each in consideration for the repayment of up to \$100,000 of loans made by the Lenders.

The Shares to be issued under the Conversion Offer are of the same class and will rank equally in all respects with existing Shares on issue. The rights and liabilities attaching to the Shares are further described in Section 9.1.

Applications for Shares under the Conversion Offer may only be made by the Lenders (or their nominees) using the **CONVERSION OFFER APPLICATION FORM** and must be received by the Company before 5.00pm (WST) on the Closing Date.

(c) Recapitalisation Offer

Under the Recapitalisation Offer, the Company is offering:

- (i) 40,000,000 Shares to the Proponent Nominees at an issue price of \$0.002 each for \$80,000 worth of Shares (**Proponent Shares**);
- (ii) 10,000,000 Shares to the Proponent (or its nominees) (**Compliance Advisor Shares**),

to assist with and facilitate completion of the Recapitalisation Proposal (together, the **Recapitalisation Offer**).

The Shares to be issued pursuant to the Recapitalisation Offer are of the same class and will rank equally in all respects with existing Shares on issue. The rights and liabilities attaching to the Shares are further described in Section 9.1.

Applications for Shares under the Recapitalisation Offer may only be made by using the **RECAPITALISATION OFFER APPLICATION FORM** and must be received by the Company before 5.00pm (WST) on the Closing Date.

2.2 Conditions

The Offers made under this Prospectus are subject to the conditions set out below. In the event that any of these conditions are not met within 3 months of the date of this Prospectus, all Application Monies will be returned to applicants without interest as soon as practicable thereafter.

(a) Minimum subscription

The minimum level of subscription for the Public Offer is 200,000,000 Shares to raise \$2,000,000. No Shares will be issued under the Offers unless and until the minimum subscription has been raised. Please see Sections 2 and 2.8 for further information.

(b) Satisfaction of ASX requirements

The Company has received approval from ASX to have its securities reinstated to trading on the ASX subject to satisfying certain conditions, including that the Company has an unfettered right to access the tenements comprising the Kangwane South Project (please see Section 1.6 for further information). The approval expires on 30 September 2016 and the Company will request ASX extend the date by which the Company must meet the conditions. The Offers are conditional upon the ASX extending the deadline to meet the conditions and the Directors being reasonably satisfied of its ability to satisfy the requirements of the ASX for ASX reinstatement.

(c) Termination of the DOCA

The Offers are conditional upon the Company being reasonably satisfied that there is no impediment to the effectuation and termination of the DOCA. The Directors anticipate that the required payments to the Administrator will be made within one month of the Closing Date, at which time the DOCA will terminate fully consummated and the Administrator will retire (please refer to Section 8.1 for further details of the DOCA). Please see Section 2.8 for further information.

2.3 Applications for Shares

(a) Public Offer

If you wish to participate in the Public Offer, you should complete the Public Offer Application Form. Applicants may apply for a minimum parcel of 50,000 Shares, representing a minimum investment of \$500. Applicants seeking additional Shares must apply thereafter for Shares in multiples of 50,000 (equivalent to \$500).

All applications must be completed in accordance with the detailed instructions on the Public Offer Application Form and be accompanied by a cheque or bank cheque drawn on an Australian bank and made payable to "ZYL Limited - Share Application Account" (**Subscription Account**) and should be crossed "Not Negotiable". No brokerage or stamp duty is payable.

Completed Public Offer Application Forms and accompanying cheques must be received by the Company before 5.00pm (WST) on the Closing Date by either being delivered to, or posted to, the following address:

By Hand	By Post
ZYL Limited (Subject to Deed of Company Arrangement) Suite 23, 513 Hay Street Subiaco WA 6008	ZYL Limited (Subject to Deed of Company Arrangement) PO Box 1311 Subiaco WA 6904

All Application Monies received with duly completed Public Offer Application Forms will be paid into the Subscription Account in accordance with Section 2.8.

The Company will deal with the Application Monies held in the Subscription Account in accordance with the following instructions of the Directors:

- (i) transfer all of the Application Monies received under this Prospectus and held in the Subscription Account to the Company; and
- (ii) issue the Shares offered under this Prospectus.

An original, completed and lodged Public Offer Application Form together with a cheque for the Application Monies constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in each Public Offer Application Form. The Public Offer Application Form does not need to be signed to be valid.

If the Public Offer Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may still be treated by the Company as valid. The Directors' decision as to whether to treat a Public Offer Application Form as valid and how to construe, amend or complete the Public Offer Application Form is final, however an applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque for the Application Monies.

Applicants are encouraged to lodge their Public Offer Application Forms as soon as possible as the Offer may close early without notice.

(b) Conversion Offer

For Lenders to apply for Shares under the Conversion Offer they must complete the Conversion Offer Application Form. Conversion Offer Application Forms must be received by the Company before 5.00pm (WST) on the Closing Date by either being delivered to, or posted to, the following address:

By Hand	By Post
ZYL Limited (Subject to Deed of Company Arrangement) Suite 23, 513 Hay Street Subiaco WA 6008	ZYL Limited (Subject to Deed of Company Arrangement) PO Box 1311 Subiaco WA 6904

An original, completed and lodged Conversion Offer Application Form constitutes a binding and irrevocable offer to subscribe for Shares. The Conversion Offer Application Form does not need to be signed to be valid.

If the Conversion Offer Application Form is not completed correctly, it may be treated by the Company as valid. The Directors' decision as to whether to

treat a Conversion Offer Application Form as valid and how to construe, amend or complete the Conversion Offer Application Form is final.

(c) Recapitalisation Offer

For the Proponent or Proponent Nominees to apply for Shares under the Recapitalisation Offer they must complete the Recapitalisation Offer Application Form. Recapitalisation Offer Application Forms must be received by the Company before 5.00pm (WST) on the Closing Date by either being delivered to, or mailed to, the following address:

By Hand	By Post
ZYL Limited (Subject to Deed of Company Arrangement) Suite 23, 513 Hay Street Subiaco WA 6008	ZYL Limited (Subject to Deed of Company Arrangement) PO Box 1311 Subiaco WA 6904

An original, completed and lodged Recapitalisation Offer Application Form constitutes a binding and irrevocable offer to subscribe for Shares. The Recapitalisation Offer Application Form does not need to be signed to be valid.

If the Recapitalisation Offer Application Form is not completed correctly, it may be treated by the Company as valid. The Directors' decision as to whether to treat such an Application Form as valid and how to construe, amend or complete the Recapitalisation Offer Application Form is final.

2.4 Minimum subscription

The Offers are all conditional on the Company achieving the minimum level of subscription for the Public Offer, being 200,000,000 new Shares to raise \$2,000,000. No Shares will be issued under the Offers unless and until the minimum subscription has been reached. If the minimum subscription has not been raised within 3 months of the date of this Prospectus, all Application Monies will be refunded without interest in accordance with the Corporations Act.

There is no minimum level of subscription for the Conversion Offer or the Recapitalisation Offer however, as noted above, no Shares will be issued under the Conversion Offer or the Recapitalisation Offer unless and until the minimum subscription is raised under the Public Offer.

No oversubscriptions will be accepted for any of the Offers.

2.5 No underwriting

The Offers are not underwritten.

2.6 Commission

The Company reserves the right to pay a commission of up to 5% (exclusive of GST) of amounts subscribed through any Australian financial services licensee in respect of any Applications lodged and accepted by the Company and bearing the stamp of the Australian financial services licensee. Payment will be made subject to the receipt of a proper tax invoice from the Australian financial services licensee.

2.7 Allocation and issue of Shares

In respect of the Public Offer, the Directors reserve the right to reject any Application Form or to issue a lesser number of Shares than that applied for. If the number of Shares allocated is less than that applied for, or no issue is made, the surplus Application Monies will be promptly refunded without interest.

The issue of Shares pursuant to this Prospectus will occur as soon as practicable after the Closing Date. Upon the Shares being issued, holding statements will be dispatched to Shareholders as required by ASX. It is the responsibility of applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their holding statement will do so at their own risk.

If Shares are not issued to an applicant, a cheque will be drawn and the relevant Application Monies will be refunded as soon as practicable after the Closing Date.

2.8 Application Monies and failure of conditions

The Application Monies for Shares to be issued pursuant to the Public Offer will be held in the Subscription Account on behalf of applicants until the Shares are issued or, if the Shares are not issued, until the Application Monies are returned to applicants.

If any of the conditions set out in Section 2.2 are not satisfied within 3 months of the date of this Prospectus, all Application Monies will be refunded to applicants in full without interest in accordance with the Corporations Act. All interest earned on Application Monies (including those which do not result in the issue of Shares) will be retained by the Company.

2.9 ASX quotation and reinstatement to official quotation

The Company's securities have been suspended from trading on the ASX since 1 October 2013. The Company will apply to ASX no later than 7 days from the date of this Prospectus to have the Shares to be issued pursuant to this Prospectus quoted on the ASX.

If approval for quotation of the Shares is not granted within 3 months of the date of this Prospectus, all Application Monies will be refunded to applicants in full without interest in accordance with the Corporations Act.

Neither ASX nor ASIC take responsibility for the contents of this Prospectus. The fact that ASX may grant quotation of the Shares issued pursuant to this Prospectus is not to be taken in any way as an indication by ASX as to the merits of the Company or the Shares.

The Company has received a letter from ASX confirming that it sees no reason why the Company's securities should not be reinstated to official quotation conditional on completion of the following material conditions:

- (a) confirmation that the DOCA has been fully effectuated;
- (b) the Company's shareholders approving all resolutions at the General Meeting;
- (c) completion of the Consolidation;
- (d) confirmation that the Company has retained its interest in the Kangwane South Project and the tenements comprising the Kangwane South Project are in good standing;

- (e) receipt of a legal opinion from a reputable independent South African law firm opining (to the satisfaction of ASX) as to the legality of the Company conducting its proposed activities on the Kangwane South Project as at the date of reinstatement and confirming that it has an unfettered right to access the tenements comprising the Kangwane South Project;
- (f) confirmation by the Company that the Company has unfettered access to conduct its proposed activities on the Kangwane South Project;
- (g) confirmation the Security has been released and discharged and there are no outstanding security interests over the Company's interest in the Kangwane South Project;
- (h) compliance with ASX Listing Rules 12.1 to 12.4, including:
 - (i) the Company's business objectives meeting ASX Listing Rule 12.1;
 - (ii) confirmation of completion of the Capital Raising and that, after payment of the costs of the capital raising (if any) and payments to the deed administrators to satisfy obligations under the DOCA, the Company can demonstrate to ASX that it will have a minimum of \$1,000,000 in cash, net of all liabilities, at the date of reinstatement, to satisfy ASX Listing Rule 12.2;
 - (iii) the Company demonstrating to ASX that it has at least 300 Shareholders each holding at least \$500 worth of fully paid ordinary shares;
- (i) lodgement of any outstanding financial reports.

The Company has until 30 September 2016 to meet the ASX conditions.

In accordance with Guidance Note 33 to the ASX Listing Rules, any company that has been in continuous suspension for three years will be automatically delisted on the three year anniversary of their suspension. Accordingly, the Company has until 30 September 2016 to implement a transaction that will result in the resumption of trading in its securities before it will be automatically removed from the Official List.

Pursuant to Guidance Note 33, ASX may agree to a short extension of this deadline if the Company can demonstrate to ASX's satisfaction that it is in the final stages of implementing a transaction that will lead to the resumption of trading in its securities within a reasonable period. For these purposes, ASX defines "final stages" as:

- (j) having announced the transaction to the market;
- (k) having signed definitive legal agreements for the transaction (including any financing required in respect of the transaction);
- (l) if the transaction requires a prospectus or product disclosure statement to be lodged with ASIC, having lodged that document with ASIC; and
- (m) if the transaction requires security holder approval, having obtained that approval.

The Company can only apply to ASX for an extension to the de-listing deadline following lodgement of this Prospectus, and will also request an extension to meeting the ASX conditions.

Though the Directors are confident the extensions will be granted, there is no guarantee they will be. In the event an extension is not granted and the Company is removed from the Official List, then it is likely that the Company will not be able to complete the Recapitalisation Proposal. If that occurs, the DOCA will likely be terminated and the Administrator will, in the absence of any other deed of company arrangement proposal or a variation to the terms of the DOCA, have no other option but to recommend to creditors that the Company be put into liquidation. In those circumstances, it is unlikely that there will be any return to Shareholders.

If ASX does not provide the relevant extensions, then this Prospectus will be withdrawn and Application Monies will be refunded.

The Company will make an ASX announcement with respect to the outcome of the ASX's decision. Should the extensions be granted the Company will proceed with the Offers, subject to the conditions set out in Section 2.2.

2.10 CHESS

The Company will participate in the Clearing House Electronic Subregister System (CHESS). ASX Settlement Pty Ltd (ASX Settlement), a wholly-owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules.

ASX Settlement will send a CHESS statement to Shareholders who are broker sponsored as soon as reasonably practicable following the issue of Shares under the Offers. Each CHESS statement will set out the number of Shares issued to the Shareholder under this Prospectus, and provide details of the Shareholder's holder identification number and the participant identification number of the sponsor. CHESS issue advices will be sent by the Share Registry.

The Share Registry will send a statement to Shareholders who are registered on the Issuer Sponsored sub-register as soon as reasonably practicable following the issue of Shares under the Offers. Each statement will contain the number of Shares issued to the Shareholder under this Prospectus and the Shareholder's security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes.

2.11 Overseas investors

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or to extend such an invitation. No action has been taken to register this Prospectus or otherwise permit an offer of Shares in any jurisdiction outside Australia. It is the responsibility of non-Australian resident investors to obtain all necessary approvals for the issue to them of Shares offered pursuant to this Prospectus.

2.12 Major activities and financial information

A summary of the activities and financial information relating to the Company for the financial year ended 30 June 2016 is in the Annual Report which was lodged with ASX on 28 September 2016.

The Company's continuous disclosure notices (i.e. ASX announcements) since the lodgement of its Annual Report on 28 September 2016 are listed in Section 9.4.

Copies of these documents are available free of charge from the Company. Directors strongly recommend that potential applicants review these and all other announcements prior to deciding whether or not to participate in the Offers.

2.13 Privacy disclosure

Persons who apply for Shares pursuant to this Prospectus are asked to provide personal information to the Company, either directly or through the Share Registry. The Company and the Share Registry collect, hold and use that personal information to assess applications for Shares, to provide facilities and services to security holders, and to carry out various administrative functions. Access to the information collected may be provided to the Company's agents and service providers and to ASX, ASIC and other regulatory bodies on the basis that they deal with such information in accordance with the relevant privacy laws. If the information requested is not supplied, applications for Shares will not be processed. In accordance with privacy laws, information collected in relation to specific Shareholders can be obtained by that Shareholder through contacting the Company or the Share Registry.

2.14 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or financial projection would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projections.

2.15 Taxation

It is the responsibility of all investors to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offers, by consulting their own professional tax advisers. Neither the Company nor its Directors or officers accept any liability or responsibility in respect of the taxation consequences of the matters referred to in this Prospectus.

2.16 Enquiries

This document is important and it should be read in its entirety. If you are in any doubt as to the contents of this Prospectus, you should consult your stockbroker, lawyer, accountant or other professional adviser without delay.

Questions relating to the Offers can be directed to the Company on +61 8 6143 6705 during normal business hours in Perth, Western Australia.

3. Company and Project Overview

3.1 Background

(a) History

The Company was admitted to the Official List of the ASX on 8 July 1971. Its focus since completing a re-compliance listing in July 2011 has been on coal exploration and development in South Africa.

(b) Administration

On 8 January 2015, the Administrator was appointed as the administrator of the Company pursuant to section 436A of the Corporations Act. The Company's securities have been suspended from official quotation on the ASX since 1 October 2013 for failure to lodge its financial statements for the year ended 30 June 2013.

In or about February 2015, the Proponent made a proposal to reconstruct and recapitalise the Company substantially on the terms of the Recapitalisation Proposal (see Section 3.1(c)).

At a meeting of the Company's Creditors on 13 February 2015 it was resolved that the Company enter into a deed of company arrangement which embodied the Recapitalisation Proposal. On 19 February 2015, the Company and the Administrator, amongst others, executed the DOCA and the Administrator became the administrator of the DOCA.

Further to extensions announced by the Administrator on 15 July 2015 and 25 January 2016, on 16 August 2016, the Company announced that the end date of the DOCA had been extended until 19 February 2017.

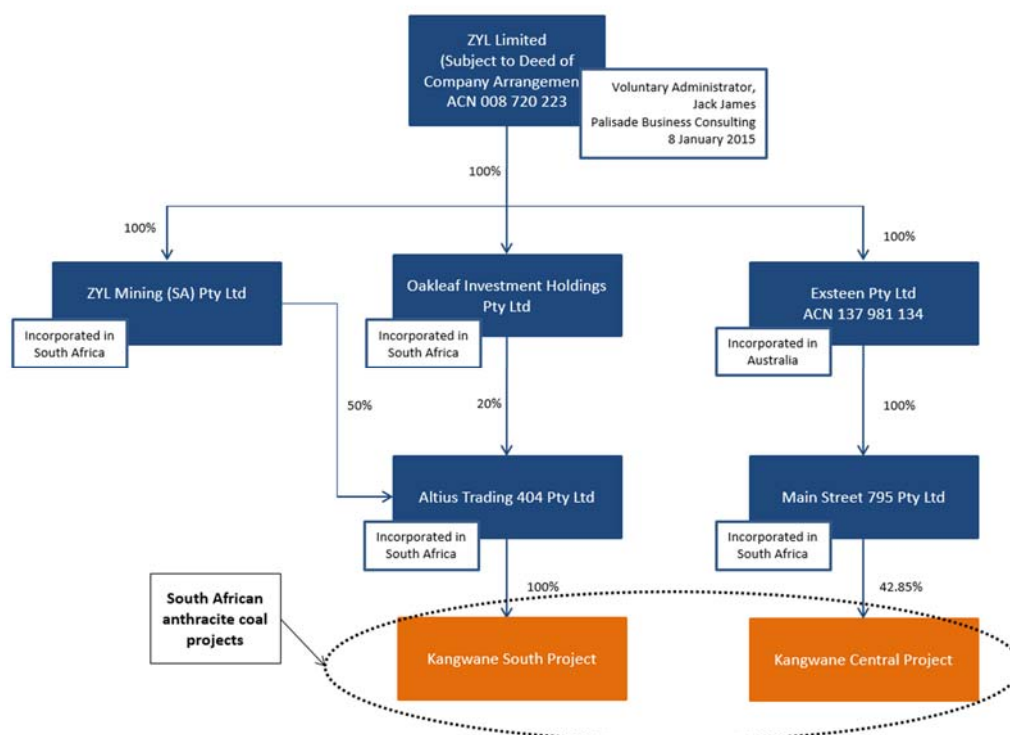
On the date of the appointment of the Administrator the Company's main assets comprised:

- (i) a 42.85% interest in the Kangwane Central Project; and
- (ii) a 70% interest in the Kangwane South Project.

The Kangwane Central Project is an anthracite project located in South Africa's Mpumalanga province. A bankable feasibility study was completed on the project in the last quarter of 2012.

The Kangwane South Project (also known as the Southern Anthracite Project) is an anthracite project located approximately 100 kilometres from the coast to the Matola Terminal at Maputo Port in Mozambique and approximately 25 kilometres to the south of the Kangwane Central Project. For further information about the Kangwane South Project see Section 3.2.

A diagram of the corporate structure at the time of the Administrator's appointment is set out below:



On or about 8 October 2012, the Company granted security over all of its assets (**Security**) to Prestige Glory Limited (**Prestige**), in consideration for Prestige providing a \$2 million bridging facility as part of a broader \$18 million financing facility. Prestige is a Samoan incorporated entity. Its sole director is Mr Song Kun. Currently Prestige holds approximately 13.90% of the Company's fully paid ordinary shares.

On 1 February 2015 (post-appointment of the Administrator) the Company received a conditional binding offer from Centaur Asset Management Ltd (**Centaur**) for the purchase of Main Street 800 (Pty) Ltd (the entity holding the Kangwane Central Project) (**MS800**) for a total of up to ZAR 110 million.

Subsequently, in October 2015 MS800 (and each of its respective shareholders) received a conditional binding letter of offer from Centaur superseding the February 2015 letter. In the October 2015 letter, Centaur and its partner, UMS Resources (Pty) Ltd (**UMS**), offer to purchase the Kangwane Central Project for ZAR 120 million (the **Proposed Transaction**), payable to MS800 as follows:

- (i) (*First Tranche*) ZAR 45 million is payable upon fulfilment of the conditions precedent (set out below);
- (ii) (*Second Tranche*) five annual payments of ZAR 15 million each (for a total of up to ZAR 75 million), with the first such payment being due on the earlier of:
 - (A) the third anniversary of the date of the formal sale agreement; or

- (B) 12 calendar months after the date on which the first off-take of coal mined at the Kangwane Central Project is received by an off-taker; or
- (C) 18 calendar months after the date on which the mining right for the Kangwane Central Project is executed.

The remaining four annual instalments of ZAR 15 million each are due on each anniversary of the Second Tranche.

The Proposed Transaction is subject to the following conditions (**Transaction Conditions**):

- (i) due diligence;
- (ii) MS800 being granted a mining right;
- (iii) obtaining various regulatory and third party consents or approvals; and
- (iv) entry into formal agreements.

Centaur and UMS are both unrelated parties with no connection to the Company, the Proponent or Prestige.

As at the date of this Prospectus, the Administrator has advised that:

- (i) Centaur has completed due diligence;
- (ii) the parties are working towards fulfilment of the Transaction Conditions; and
- (iii) formal transaction documents are yet to be executed.

(c) Recapitalisation Proposal

A recapitalisation proposal typically involves an injection of new cash into a company that is either in financial distress or has been placed into voluntary administration. In the ordinary course, the entity will retain some or all of its assets and seek reinstatement to trading following completion of the recapitalisation.

At a creditors' meeting on 13 February 2015 it was resolved the Company execute a deed of company arrangement. On 19 February 2015 the Company, the Proponent, the Administrator and Prestige executed the DOCA, which embodied a proposal by the Proponent for the recapitalisation of the Company (**Recapitalisation Proposal**).

The Recapitalisation Proposal was approved by Shareholders at the General Meeting. If the DOCA completes, all claims of creditors against the Company will be extinguished, discharged and released.

A summary of the material terms of the Recapitalisation Proposal is set out below:

- (i) the assets of the Company (other than the Kangwane South Project which shall remain with the Company) will be transferred to either

- the Secured Creditor's Trust or the Unsecured Creditors' Trust, with the Administrator acting as trustee of both trusts;
- (ii) the Secured Creditor's Trust will be comprised of the Company's shares in Exsteen Pty Ltd (**Exsteen**) (**Sale Assets**). Exsteen holds shares in entities that ultimately have an interest in the Kangwane Central Project, for which that project's holder, MS800, has received the conditional binding letter of offer from Centaur (see Section 3.1(b));
 - (iii) in consideration for the transfer of the Sale Assets to the Secured Creditor's Trust, Prestige shall release and discharge the Security over the Company (and any other entities associated with the Kangwane South Project). The Security over the assets and entities associated with the Kangwane Central Project remains until those assets are sold;
 - (iv) Prestige and the trustee will use their best endeavours to complete the Proposed Transaction (or any other transaction acceptable to the Secured Creditor) within 6 months of completion of the DOCA. Upon completion occurring the sale proceeds will be distributed as follows:
 - (A) first, payment of any outstanding administration, DOCA and trustee liabilities, claims, costs, expenses and outstanding administrator, deed administrator and trustee remuneration;
 - (B) second, payment of employee entitlements to the extent that they remain unpaid at Completion under the DOCA;
 - (C) third, to Prestige (or such other amount representing the secured amount owed (including interest and fees) to Prestige); and
 - (D) finally, the remaining portion of consideration (if any) to be distributed to unsecured creditors;
 - (v) where the Proposed Transaction is not completed within 6 months of completion of the DOCA, then the Sale Assets will be transferred to Prestige in full and final satisfaction its claim;
 - (vi) Prestige agrees to meet the trustee's costs in administering the Secured Creditor's Trust, such funds being recoverable from the proceeds of the Proposed Transaction;
 - (vii) Prestige will be a party to the DOCA in order to consummate the transfer of the Sale Assets and release of the Security described above;
 - (viii) the unsecured creditors of the Company will be required to prove their claims against the Unsecured Creditors' Trust. In certain circumstances, namely where surplus funds are available pursuant to Secured Creditor's Trust following satisfaction of the debt owing to Prestige, unsecured creditors may have an entitlement to also prove their claims against Secured Creditor's Trust;

- (ix) the consideration payable by the Proponent, for distribution to unsecured creditors in full and final satisfaction of all unsecured creditor claims consists of:
 - (A) a payment of \$40,000 which was paid upon execution of the DOCA (non-refundable);
 - (B) a residual payment of \$160,000 upon completion of the recapitalisation (**Proponent Payment**);
- (x) on receipt of a written request from the Proponent, the Administrator will do those things necessary to:
 - (A) resolve to appoint persons nominated by the Proponent as directors to the Company; and
 - (B) remove the incumbent directors of the Company;
- (xi) the Company undertaking the Consolidation;
- (xii) the Proponent will complete a capital raising by the Company of up to \$1,250,000 by way of a firm placement and/or underwritten rights issue (or such greater amount as required to satisfy ASX's conditions for reinstatement) (**Capital Raising**). In order to satisfy ASX's conditions for reinstatement, the Capital Raising will be for an amount of \$2,000,000; and
- (xiii) upon completion of the Capital Raising, the Company will:
 - (A) issue 10,000,000 post-Consolidation shares in the Company to the Proponent (or its nominees) (Compliance Advisor Shares); and
 - (B) issue 40,000,000 post-Consolidation shares in the Company to the Proponent Nominees.

Key conditions precedent for completion of the DOCA include:

- (i) the Proponent being satisfied that the effect of the DOCA and the trust deeds, is to extinguish all claims against the Company as at the completion date;
- (ii) the Proponent receiving a reinstatement conditions letter from the ASX, confirming quotation of the shares in the Company will be reinstated on the ASX after the relevant conditions are satisfied, without the need for the Company to meet the requirements of chapters 1 and 2 of the Listing Rules;
- (iii) security over the Kangwane South Project or registered against the Company being discharged and/or released, including the Security and any other security interest;
- (iv) the Security being replaced or amended so that Prestige has security over the Sale Assets (including Exsteen) in a form reasonably acceptable to Prestige and the Administrator;

- (v) transfer of the Sale Assets by the Company to the Secured Creditor's Trust, as at completion of the DOCA;
- (vi) if legal title of the Sale Assets cannot be transferred due to a delay in obtaining regulatory approval (including Ministerial consent for the transfer in accordance with South African law), entry into a bare trust deed which shall provide that the Company will hold the Sale Assets without any beneficial interest in them and without any further duty to perform, except to convey the Sale Assets to the Trustee of the Secured Creditor's Trust;
- (vii) payment of the Proponent Payment;
- (viii) the Company raising no less than \$1,250,000 pursuant to the Capital Raising (noting however the Company has determined it requires \$2,000,000 to meet ASX's conditions);
- (ix) all subsidiaries being excised from the Company, other than those who hold interests in the Kangwane South Project; and
- (x) shareholder approval being obtained to give effect to the Recapitalisation Proposal.

For the avoidance of doubt, upon completion of the DOCA no security will exist over the Company or its retained asset, the Kangwane South Project.

The conditions precedent in the DOCA must be satisfied by 19 February 2017, or such later date as may be agreed in writing between the Administrator and Proponent, acting reasonably.

From execution of the DOCA, control of the Company reverted to the officers of the Company.

(d) Shareholder approval

On 29 September 2016, the Company held a General Meeting at which Shareholders were asked to consider and, if thought appropriate, pass resolutions in respect of the following matters, among others:

- (i) **Consolidation of capital:** The consolidation of the Company's Share capital on a 1 for 100 basis.
- (ii) **Issue of Shares under the Conversion Offer:** The issue of 100,000,000 Shares to the Lenders pursuant to the conversion of the Loans.
- (iii) **Issue of Shares under the Public Offer:** The issue of 200,000,000 Shares at an issue price of \$0.01 each to raise \$2,000,000 under this Prospectus.
- (iv) **Issue of Shares under the Recapitalisation Offer:** The issue of 50,000,000 Shares to the Proponent Nominees and Proponent to facilitate completion of the Recapitalisation Proposal.

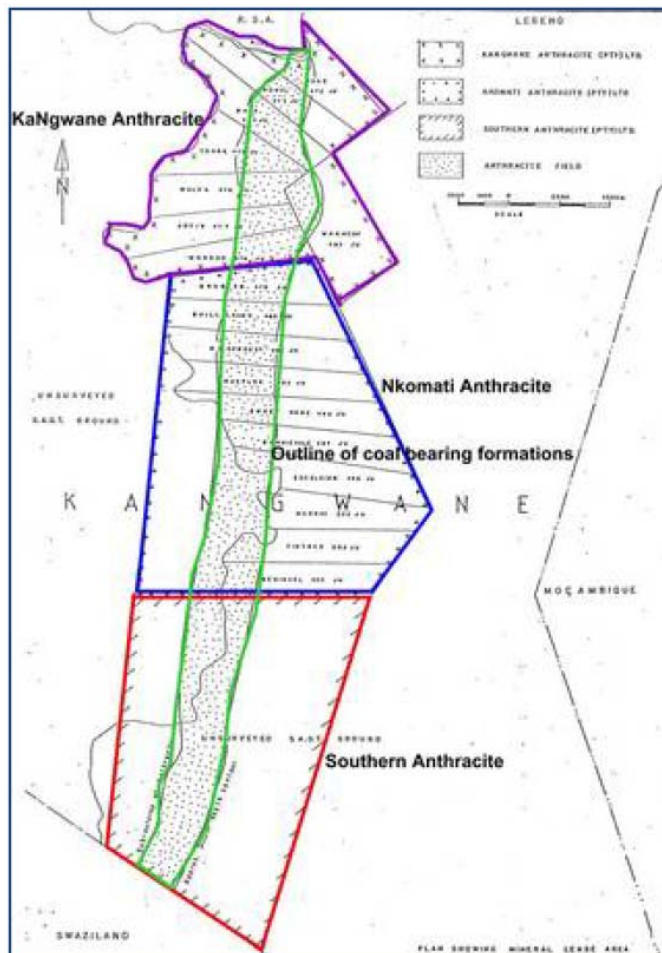
All resolutions in respect of the above matters were approved by Shareholders at the General Meeting.

3.2 Kangwane South Project

The Kangwane South Project (also known as the Southern Anthracite Project) is an anthracite project located approximately 100 kilometres from the coast to the Matola Terminal at Maputo Port in Mozambique and approximately 25 kilometres to the south of the Kangwane Central Project. The Company announced the acquisition of the Kangwane South Project on 28 July 2011.

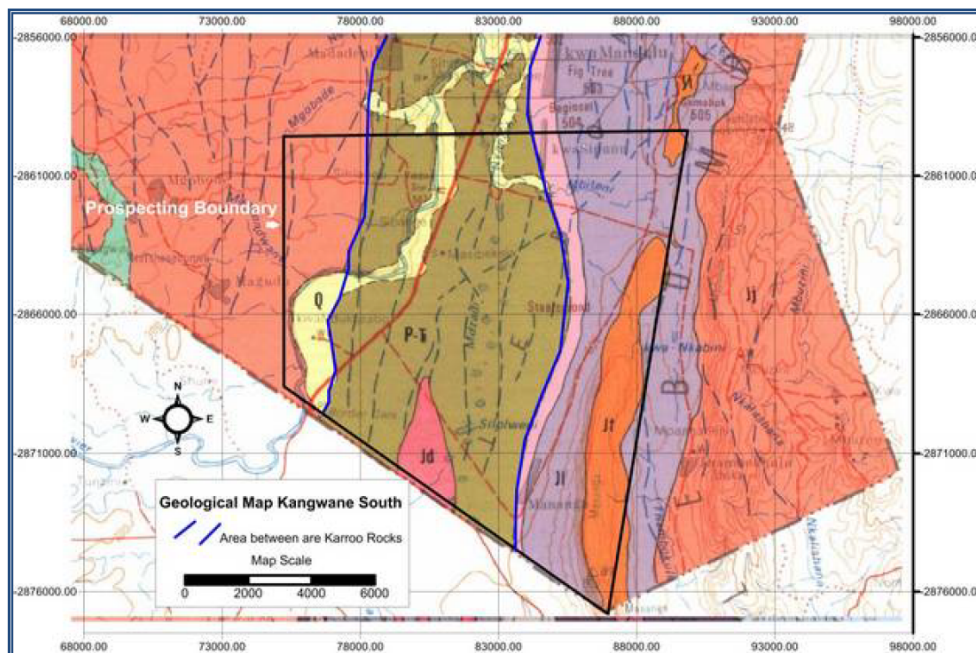


The Kangwane South Project is the southernmost area of the Kangwane anthracite deposit, as depicted below.

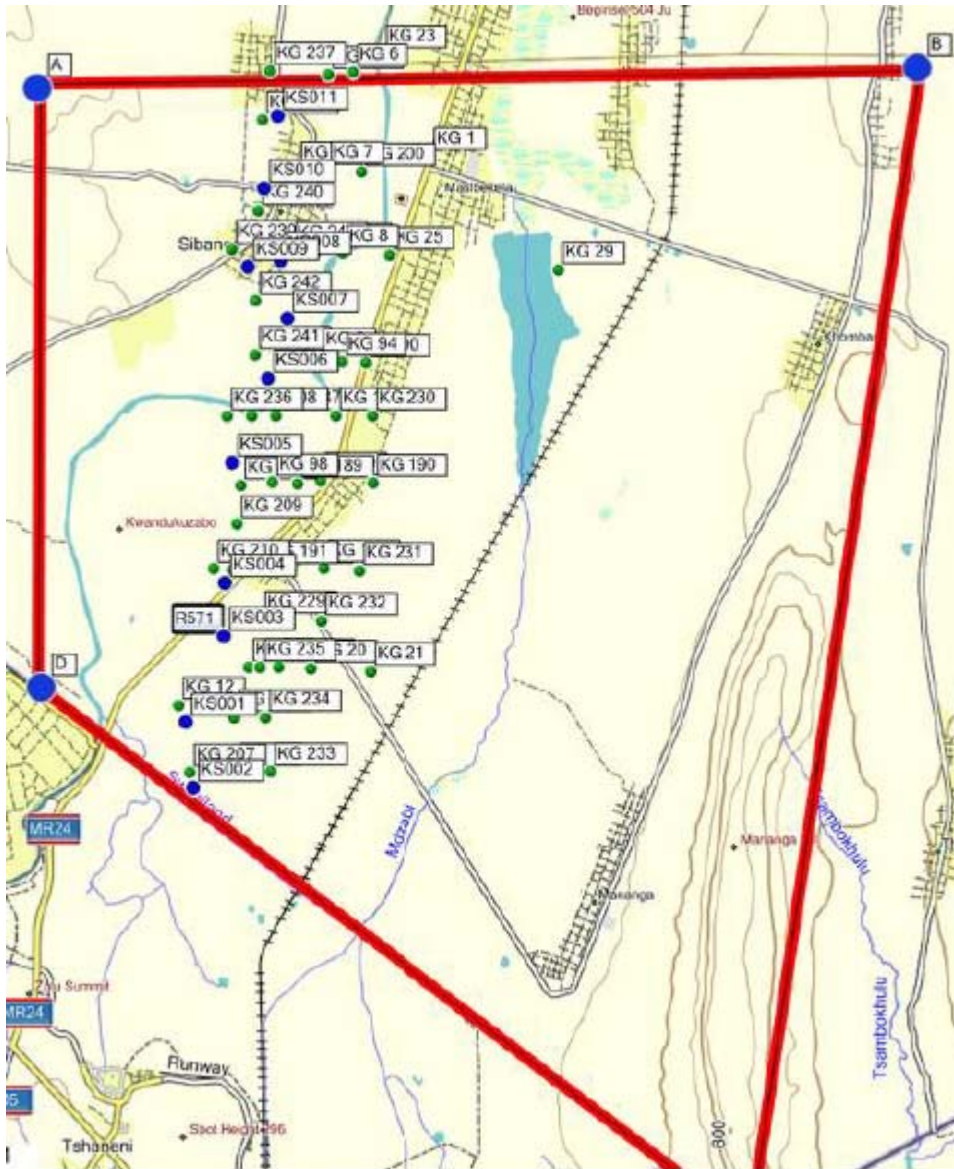


The Kangwane South Project area falls between the Meloma coal mine in Swaziland and the Nkomati coal mine, also in the Mpumalanga province in South Africa.

The regional geology of the Kangwane South Project is shown on the map below.



The coal in the Kangwane South Project area is essentially a medium to high ash anthracite. Drilling of 50 boreholes was completed in 1982 by the Mining Corporation, and a further 49 holes were drilled in 1987, identifying a total of 14 coal seams. The coal seams were intersected at depths varying from 20 metres below surface to 400 metres below surface. Of these 14 seams 3 (seams 3, 5 and 6) were reported as having the potential to be mined. A map of the borehole positions is set out below.



During the period 2006 to 2011 Black Ginger 285 (Pty) Ltd acquired the prospecting right for Kangwane South. Various desk top studies were completed but none of the previous drilling and analyses was captured and used in the modelling of the resource. Ten new boreholes were drilled during 2009, but no geological report was issued.

The Company previously reported an estimate of indicated and inferred resources under the JORC Code 2004 in December 2011, as set out below:

Kangwane South - Resource estimate	Mt
Total Measured Coal Resource	-
Total Indicated Coal Resource	73.9
Total Inferred Coal Resource	25.8
Total Resources	99.7

This resource estimate has, as part of the recapitalisation process, been updated to comply with the JORC Code 2012, and has not changed. Full details are set out in the Independent Geologist's Report set out in Section 5.

The Company intends to undertake a ten hole drill program to enhance the already extensive database for use in mine design and engineering studies, as well as increasing the confidence of the current JORC Resource at the asset (see the Independent Geologist's Report at Section 5 for further information). Feasibility studies will be conducted following on from the proposed drill program assuming the program and resulting analysis is positive, so that the Company can determine future work programs for the asset.

In May 2013 the Company announced a mining right was granted for the Kangwane South Project to Altius. The Company announced the mining right would be issued following the submission of statutorily prescribed information required by the DMR.

As at the date of this Prospectus:

- (a) despite the mining right having been granted, Altius cannot utilise the right until such time as the environmental authorisation is approved and the right is notarially executed. Under South African law no person may go onto the property, which is the subject of the mining/prospecting right, and commence with mining and/or prospecting activities without a validly granted and notarially executed mining/prospecting right;
- (b) the Company has received confirmation from the DMR that:
 - (i) the mining right has been granted; and
 - (ii) permission to perform further exploration and engineering work in order to delineate mine design has been granted (once the mining right has been notarially executed); and
- (c) Altius is making arrangements for the notarial execution of the mining right. There is no specified time period in the applicable legislation for when a right must be executed in terms of the relevant South African mining law. The date on which a right is notarially executed is agreed to between the DMR and right holder and is not prescribed by law. Therefore, a right cannot be invalidated if it is not notarially executed within a specific time period.

In conjunction with the execution of the mining right and prior to recommencing planned activities at Kangwane South, the Company must also first provide the DMR with a financial provision (equivalent of an environmental bond).

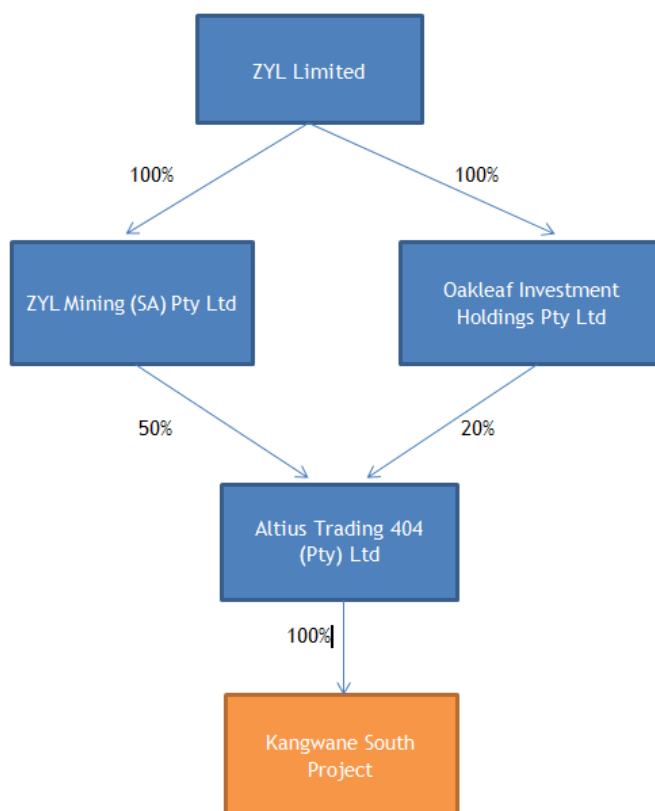
As at the date of this Prospectus, and based on the Company undertaking mining activities at Kangwane South, the financial provision has been set by the DMR at ZAR 5,574,974 (approximately \$530,000) (**Financial Provision**). Given the Company's present circumstances, the Company is requesting that the DMR execute the mining right on the basis of a reduced Financial Provision which will cover the rehabilitation of the initial exploration activities which the Company has received permission from the DMR to undertake, which Financial Provision will be provided prior to the execution of the right. Once such Financial Provision is provided to the DMR and it is satisfied with the quantum, Altius will be in a position to execute the mining right. The remainder of the Financial Provision will be paid in the event that mining operations commence.

If the DMR does not permit a reduced Financial Provision, then the Company will be required to provide a bank guarantee for the requisite Financial Provision in order for the mining right to be notarially executed and become effective. The Company is raising sufficient funds pursuant to this Prospectus to cover the full Financial Provision.

See Section 6 (South African Solicitor's Report) for further details.

3.3 Corporate structure

Post-completion of the recapitalisation the Company's corporate structure will be as follows:



The remaining 30% of Altius is to be held by Black Economic Empowerment parties in accordance with South African law. See Section 6 (Solicitor's Report) for further information.

3.4 Future acquisitions

The Directors have a broad range of commercial and public company experience. The Directors also have broad experience in project development, finance and corporate transactions for various listed and non-listed entities, which will be relevant to the assessment of potential projects for the Company. The Directors consider that their contacts and relevant experience will provide assistance in attracting and securing new projects for investment and acquisition.

The Directors are committed to the highest standards of corporate governance and they will make themselves readily available to meet the requirements of the Company and its operations going forward. The Directors will ensure that they devote sufficient time, attention and skill to the duties of their position and the Company's business.

Investment strategies may be adopted as and when suitable opportunities are identified by the Board. The Company may be subject to additional risks in the future relating to these investments that cannot be identified as at the date of this Prospectus.

4. Risk Factors

As with any share investment, there are risks associated with an investment in the Company. The numerous risk factors are both of a specific and a general nature. Some can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated.

This Section 4 identifies the major areas of risk associated with an investment in the Company, but should not be taken as an exhaustive list of the risk factors to which the Company and its Shareholders are exposed. Potential investors should read the entire Prospectus and consult their professional adviser before deciding whether to apply for Shares.

4.1 Risks to ASX Reinstatement

(a) Termination of the DOCA

As the Company is currently subject to a Deed of Company Arrangement, there is a risk that if the terms and conditions of the DOCA are not satisfied then the Company may proceed into liquidation. The terms and conditions of the DOCA are summarised in Section 8.1. If the DOCA is terminated then investors will be repaid their Application Monies in accordance with Section 2.8.

(b) Re-quotations of shares on ASX and removal from ASX

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotations of its Shares on the ASX as set out in Sections 1.6 and 2.9. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the Listing Rules.

If the Company is unable to obtain an extension from ASX preventing the mandatory removal of certain long term suspended entities on 30 September 2016, the Company will be removed from the Official List on Monday, 3 October 2016.

4.2 Specific risks

(a) Execution of mining right and title risk

As set out in Section 6 (Solicitor's Report), the mining right for the Kangwane South Project, whilst granted, is yet to be notarially executed and registered at the Mineral and Petroleum Titles Registration Office.

The Company cannot utilise the mining right until such time as the right is notarially executed. Under South African law no person may go onto the property, which is the subject of the mining/prospecting right, and commence with mining and/or prospecting activities without a validly granted and notarially executed mining/prospecting right.

Acquisition and retention of prospecting rights and mining rights in South Africa is a detailed and time-consuming process. There is no guarantee the Company will be able to execute the mining right on acceptable terms in a timely manner or at all. In addition, the grant of a mining or prospecting right may be disputed or challenged by third parties.

Holders of mining rights must comply with the terms and conditions of South African law relating to their rights, together with the terms and conditions of the rights themselves. Failure to comply may cause the suspension or cancellation of the mining right (albeit not automatic). Further, there is no guarantee that amendments to mining rights will be granted on terms requested, or at all.

Other regulatory approvals are generally required prior to any work being undertaken on mining right areas. The granting of such approvals may take time and there is no assurance that the approvals will be granted at all.

(b) Incomplete records

The Company's securities have been suspended since 1 October 2013. Since that time, and in the six months leading up to the suspension, numerous changes to the directors and officers of the Company occurred. The existing board was appointed by the Administrator in February 2015 in accordance with the DOCA, and did not have oversight of the Company's and its proposed retained subsidiaries' activities prior to that time.

In the independent auditor's opinion set out in the Company's annual financial reports for the period ended 30 June 2013 to 30 June 2016 (**Annual Accounts**), due to the Company's records being incomplete as a result of the turnover of previous staff and officers, the independent auditor was unable to, and did not express, an opinion as to whether the lodged Annual Accounts were in accordance with the Corporations Act. The Company notes, however, that the DOCA process ensures that liabilities of the Company up to the date of appointment of the Administrator are compromised through the administration process.

Due to there being incomplete records, there may be actions that were taken by the previous directors and officers of the Company and its subsidiaries that the existing board is not aware of. Whilst the Directors are confident the DOCA process deals with any outstanding liabilities relating to the Company, and the investigations and correspondence with the DMR have confirmed Altius has been granted the mining right, there is a risk that previous unknown actions may adversely affect the Company's operations and financial position, including those of its proposed retained subsidiaries.

(c) Government actions and political risk

The impact of actions by governments may affect the Company's activities including such matters as access to lands and infrastructure, compliance with environmental regulations, taxation and royalties.

The Company's assets are located in South Africa. The Directors believe that the Government of South Africa supports the development of natural resources by foreign investors. However, there is no assurance that future political and economic conditions in South Africa will not result in the Government of South Africa adopting different policies regarding foreign development and ownership of mineral resources. Any changes in policy may result in legislative changes affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return on capital, all of which may affect the Company's ability to develop Kangwane South Project.

(d) International operations

Any potential future South African operations of the Company are subject to a number of risks, including:

- (i) potential difficulties in enforcing agreements and collecting receivables through foreign local systems;
- (ii) potential difficulties in protecting rights and interests in assets;
- (iii) increases in costs for transportation and shipping; and
- (iv) restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors could materially and adversely affect the Company's business, results of operations and financial condition.

South Africa experiences economic, social and political volatility. As a result, the Company's future operations may be impacted by currency fluctuations, political reforms, changes in South African government policies and procedures, civil unrest, social and religious conflict and deteriorating economic conditions. The likelihood of any of these changes, and their possible effects, if any, cannot be determined by the Company with any clarity at the present time, but they may include disruption, increased costs and, in some cases, total inability to establish or to continue to operate mining exploration or development activities.

(e) Resource estimates

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

(f) Future capital requirements

The Company has no operating revenue and is unlikely to generate any operating revenue unless and until the Kangwane South Project is successfully developed and production commences. The future capital requirements of the Company will depend on many factors including its business development activities. The Company believes its available cash and the net proceeds of this Offer should be adequate to fund its business development activities, exploration program and other Company objectives in the short term as stated in this Prospectus.

In order to successfully develop the Kangwane South Project and for production to commence, the Company will require further financing in the future, in addition to amounts raised pursuant to the Offer. Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the then market price or may involve restrictive covenants which

limit the Company's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities.

No assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its activities and this could have a material adverse effect on the Company's activities and could affect the Company's ability to continue as a going concern.

The Company may undertake additional offerings of Shares and of securities convertible into Shares in the future. The increase in the number of Shares issued and outstanding and the possibility of sales of such shares may have a depressive effect on the price of Shares. In addition, as a result of such additional Shares, the voting power of the Company's existing shareholders will be diluted.

(g) No geographical diversification

The Company's project is located in South Africa. Any circumstance or event which negatively impacts the ownership or development of these areas or which negatively affects South Africa could materially affect the financial performance of the Company and more significantly than if it had a diversified asset base.

(h) Coal price volatility

In the event the Company enters production, substantially all of the Company's revenues and cash flows will be derived from the sale of coal. Therefore, the financial performance of the Company would be exposed to fluctuations in the coal price. Historically, the coal price has fluctuated widely and has experienced periods of significant decline. Coal prices are affected by numerous factors and events that are beyond the control of the Company. These factors and events include general economic activity, world demand, forward selling activity as well as general global economic conditions and political trends.

(i) Water supply

Water supply for the Kangwane South Project, and any future projects, will be sourced from individual locations. The Company will be required to apply for and obtain water use licences from the relevant governmental authorities. The process for obtaining a water use licence is a lengthy one and the Company's operations may be adversely affected in the event that the relevant licences are not obtained in a timely fashion. An inadequate water supply would negatively affect the Kangwane South Project and any future projects.

(j) Labour risk

The Company's operations may be adversely affected by labour disputes or changes in South African labour laws. In South Africa a number of trade unions have close links to various political parties and have had a significant influence as vehicles for social and political reform and in the collective bargaining process. Since 1995, South Africa has enacted various labour laws that enhance the rights of employees, which may impose costs on the Company. Significant labour disputes, work stoppages, increased employee expenses as

a result of collective bargaining and the cost of compliance with labour laws could disrupt operations and affect the profitability of the prospecting rights and any future mining and exploration activities undertaken by the Company.

(k) HIV/AIDS

South Africa has one of the highest HIV infection rates in the world. The exact impact of increased mortality rates due to HIV/AIDS related deaths on the cost of doing business in South Africa and the potential growth in the economy is unclear at this time although employee related costs in South Africa could increase as a result of the HIV/AIDS epidemic. The Company's results may be adversely affected by the loss of productivity and increased costs arising from any effect of HIV/AIDS on the Company's workforce.

(l) Competition for mining rights

There is generally competition for prospecting and mining rights in South Africa. The Minerals and Petroleum Resources Development Act (South Africa) provides that applications for mining rights and/or prospecting rights must be dealt with in the order of receipt (save for applications for the same mineral and land received on the same date, in which case preference must be given to applications from historically disadvantaged persons). In respect of new applications for prospecting rights and mining rights which the Company may wish to bring there is a risk that such applications may not be successful if other applicants have already applied for such minerals and land. There is also no guarantee that suitable deposits will be available in future.

(m) Black economic empowerment and social development

The Company must comply and remain compliant with the South African Mining Charter, the Mining Codes and the black economic empowerment participation requirements and the approved social and labour plan in order to retain prospecting and mining rights. Any failure by the Company to satisfy and to continue to satisfy the black economic empowerment requirements of the Minerals and Petroleum Resources Development Act (South Africa), the Charter the approved social and labour plan and/or the Mining Codes could jeopardise any prospecting rights held by the Company and impede the Company's ability to acquire, develop or maintain any additional prospecting and mining rights.

(n) Breaches of financial reporting obligations

The Company's securities were suspended on 1 October 2013 for failure to lodge the Company's 2013 annual financial statements. Following this date the Company failed to comply with its ongoing financial reporting obligations under Chapter 2M of the Corporations Act. The Company has since lodged all outstanding financial reports with ASX and ASIC. In addition, the Company has failed to hold its annual general meeting for the financial years 30 June 2013, 2014 and 2015. The Company proposes to issue a notice of meeting for those annual general meetings following reinstatement of the Company's securities to ASX. The Company cannot guarantee that ASIC will not take enforcement action against the Company in respect of the past breaches outlined above.

4.3 Other specific risks

(a) **Exploration risk**

Mining exploration is inherently associated with risk. Notwithstanding the experience, knowledge and careful evaluation a company brings to an exploration project there is no assurance that recoverable mineral resources will be identified. Even if identified, other factors such as technical difficulties, geological conditions, adverse changes in government policy or legislation or lack of access to sufficient funding may mean that the resource is not economically recoverable or may otherwise preclude the Company from successfully exploiting the resource.

(b) **Operating risks**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, logistics around the final product including port allocation, adverse weather conditions, industrial and environmental accidents, industrial disputes, and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from the Project, the Company is likely to incur ongoing operating losses.

(c) **Exploration and operating costs**

The proposed expenditure of the Company is based on certain assumptions with respect to the method and timing of exploration and feasibility work. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice.

(d) **Commodity price volatility**

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors. Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in South African or Australian currency. This exposes the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the South African Rand or Australian dollar as determined in international markets.

(e) Foreign exchange rate risk

Any revenue received by the Company would likely be in South African rand and United States dollars derived from the sale of coal and the Company's operating expenses would be incurred principally in South African rand. Coal is sold throughout the world based principally on a United States dollar price, however domestically within South Africa, the coal price is set in South African rand. Furthermore the income and expenditure accounts will be initially prepared in Australian dollars. Therefore, Australian dollar reported revenue will be directly impacted by movements in the United States dollar coal price, the South African rand coal price and the USD/AUD and ZAR/AUD exchange rates. Movements in the USD/AUD or ZAR/AUD exchange rates and/or the United States dollar coal price or South African rand coal price may adversely or beneficially affect the Company's results or operations and cash flows.

(f) Environmental risks

The operations and proposed activities of the Company are subject to regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

(g) Occupational health and safety risk

The Company is committed to providing a healthy and safe environment for its personnel, contractors and visitors. Mining activities have inherent risks and hazards. The Company provides appropriate instructions, equipment, preventative measures, first aid information and training to all stakeholders through its occupational, health and safety management systems.

(h) Economic risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on the Company's ability to fund those activities.

(i) Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(j) Reliance on Key Personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its Board and contractors in South Africa. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these people cease their involvement with the Company.

4.4 General risks

(a) Economic risks

The future viability of the Company is also dependent on a number of factors which may affect the performance of all industries and not just the exploration and mining industries including, but not limited to, the following:

- (i) general economic conditions;
- (ii) changes in Government policies, taxation and other laws;
- (iii) the strength of the equity and share markets in Australia and throughout the world and, in particular, investment sentiment towards the commodities sector;
- (iv) movement in, or outlook on, exchange rates, interest rates and inflation rates; and
- (v) natural disasters, social upheaval or war.

(b) Investment risks

The Shares to be issued pursuant to this Prospectus should be considered highly speculative due to the nature of the Company's business. There is no guarantee as to the payment of dividends, return of capital or the market value of the Shares. The prices at which an investor may be able to trade the Shares may be above or below the price paid by the investor for the Shares.

Prospective investors must make their own assessment of the likely risks and determine whether an investment in the Company is appropriate to their own circumstances.

(c) Share market risks

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. The market price of the Shares may be subject to fluctuation and may be affected by many factors including, but not limited to, the following:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;

- (iii) currency fluctuations;
- (iv) commodity price fluctuations;
- (v) changes in investor sentiment toward particular market sectors;
- (vi) the demand for, and supply of, capital; and
- (vii) terrorism or other hostilities.

There is also no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few buyers or sellers of Shares on the ASX at any particular time.

(d) Competition risk

The industry in which the Company is involved is subject to domestic and global competition. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, and such activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

(e) Future capital needs

Further funding of projects may be required by the Company to support its ongoing activities and operations. There can be no assurance that such funding will be available on satisfactory terms or at all. Any inability to obtain funding will adversely affect the business and financial condition of the Company and, consequently, its performance.

4.5 Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Prospectus. Therefore, the securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to this Prospectus.

5. Independent Geologist's Report

An Independent Geological Report for
ZYL Limited (Subject to Deed of Company Arrangement)



An Independent Geological Report on the Kangwane South Project
By GeoCoal Services August 2011
Updated September 23rd September 2016 to comply with the JORC 2012 Edition

Prepared for ZYL Limited

By GeoCoal Services

Dated September 2016

Index		Page
	Background	4
1	Introduction	5
Figure 1	Map showing the three areas	5
Table 1	Summary of the Resources reported in the three historical reports	6
2	Geology	7
2.1	Regional Geology	7
Figure 2	Plan showing the limits of Karroo	7
Figure 3	Profile showing coal seams	8
2.2	Magnetic Survey	9
2.3	Structure	9
Figure 4	Typical cross section west to east in the middle of the resource area	9
Figure 5	Map showing the outcrops, faults and dykes	10
Figure 6	Map Showing 9 Resource Blocks	10
3	Historical Data 1982 and 1987 Reports	11
Figure 7	Map showing 1987 diamond and percussion borehole positions	11
3.1	2009 Drilling	12
3.2	All Drill hole co-ordinates, collars and orientation	12
Figure 8	Plan showing boreholes drilled during 2009	14
3.3	Site visits	15
4.1	JORC Section 4.1 – Sampling Techniques and Data	15
4.2	JORC Section 4.2 – Reporting of Exploration Results	21
4.3	JORC Section 4.3 – Estimation and Reporting of Mineral Resources	23
5	Geological Modelling	26
5.1	North Block 01 3 Seam	27
Figure 9	Block 01 3 Seam width	27
Figure 10	Block 01 3 Seam Depth	27
Figure 11	Block 01 3 Seam floor elevation	27
Figure 12	Block 01 3 Seam Yield for a 17% Ash product	27
5.2	North Block 01 5+6 Seam	28
Figure 13	Block 01 5+6 Seam width	28
Figure 14	Block 015+6 Seam depth	28
Figure 15	15 Block 01 5+6 Floor elevation	28
Figure 16	Block 01 5+6 Yield for 17% Ash Product	28
5.3	North Block 02 3 Seam	29
Figure 17	Block 02 3 Seam width	29
Figure 18	Block 02 3 Seam depth	29
Figure 19	Block 02 3 Seam floor elevation	29
Figure 20	20 Block 02 3 seam Yield for a 27% Ash product	29
5.4	North Block 02 5+6 Seam	30
Figure 21	Block 02 5+6 Seam width	30
Figure 22	Block 02 5+6 Seam depth	30
Figure 23	Block 02 5+6 Seam floor elevation	30
Figure 24	Block 02 5+6 Seam Yield for 17% Ash product	30

5.5	South Block 04 3 Seam	31
Figure 25	25 Block 04 3 Seam width	31
Figure 26	Block 04 3 Seam depth	31
Figure 27	27 Block 04 3 Seam floor elevation	31
Figure 28	Block 04 3 Seam Yield for a 17% Ash product	31
5.6	South Block 05 5+6 Seam	32
Figure 29	Block 05 5+6 Seam width	32
Figure 30	Block 05 5+6 Seam depth	32
Figure 31	Block 05 5+6 floor elevation	32
Figure 32	Block 05 5+6 Yield for a 17% Ash product	32
5.7	South Block 05 3 Seam	33
Figure 33	Block 05 3 Seam width	33
Figure 34	Block 05 3 depth	33
Figure 35	Block 05 3 Seam floor elevation	33
Figure 36	Block 05 3 Seam Yield for a 17% Ash product	33
5.8	Posting of South Blocks 06, 07 & 08 Figures 37, 38 & 39	34
5.9	South Block 09 Seam 3	35
Figure 40	Block 09 3 Seam width	35
Figure 41	Block 09 3 Seam depth	35
Figure 42	Block 09 3 Seam floor elevation	35
Figure 43	Block 09 3 Seam Yield for a 17% Ash product	35
6	Resource Calculations	36
6.1	Tonnages	36
6.1.1	Definition of an inferred coal resource	36
6.1.2	Definition of an indicated coal resource	36
6.1.3	Definition of a measured coal resource	36
6.14	Relationship between Resources, Reserves and Geological Confidence (JORC 2014)	37
6.15	Relationship between Inventory Coal, Resource and Reserve Classifications	37
6.16	Tonnage and Quality Calculations	38
6.17	Estimation of tonnages	38
6.18	Volume Calculations	38
6.19	Estimation of Qualities	39
Table 4	Drilling densities for the Nine Resource Blocks	39
Table 4a	Summary if Resource Classifications	39
Table 5	Resource Table Kangwane South	39
6.2	Kangwane anthracite qualities	40
6.2.1	3 Seam Raw Values	41
6.2.2	7 Seam Raw Values	41
6.2.3	5+6 Seam Raw Values	41
6.2.4	Map of Raw CV (MJ/Kg) 3 Seam	42
6.2.5	Map of Raw CV (MJ/Kg) 5+6 Seam	43
6.2.6	Map of Raw CV (MJ/Kg) Seam 7	44
6.3	Washed Quality Calculations	44

Table 6	3 seam statistics for a 17% Ash product	45
Table 7	5+6 seam statistic for a 17% Ash product	45
Table 8	7 seam statistic for a 17% Ash product	45
7	David van Wyk (Competent Person Comment)	45
8	Conclusions	46
9	CV David van Wyk	47

Background

GeoCoal Services was appointed by ZYL Limited (Subject to Deed of Company Arrangement) ("ZYL") to conduct an Independent Competent Person's Report on the Kangwane South Project. This report is to be included in a prospectus prepared by ZYL to be lodged with the Australian Securities and Investments Commission on or about 29 September 2016.

Neither GeoCoal nor any associates employed in the preparation of this report have any beneficial interest in ZYL or its assets. GeoCoal's independence is assured by the fact that it holds no equity in any projects and only derives its income from consulting and writing Competent Persons Reports. GeoCoal will be paid a normal emolument by ZYL for the preparation of this report. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report.

GeoCoal previously prepared a resource estimate for the Kangwane South Project for ZYL in August 2011. At the time the report was prepared in accordance with the 2004 edition of the JORC Code. This report updates the estimate for compliance with the 2012 edition of the JORC Code. No work has been undertaken on the Kangwane South Project since the August 2011 report.

GeoCoal consents to this report being included in the ZYL Limited documentation for the ASX, in full in the form and context in which it is provided, and not for any other purpose.

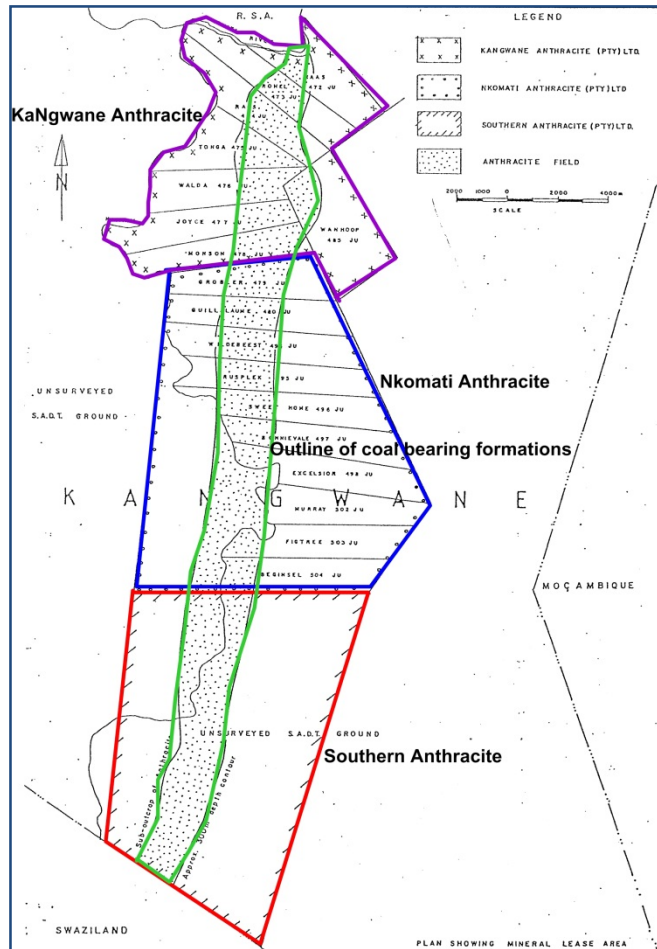
GeoCoal has provided ZYL Limited with a signed ASX Consent Document.

Kangwane South Anthracite

1. Introduction

The Kangwane Anthracite deposit has been divided into three areas, Nkomati Anthracite, Kangwane Anthracite and Southern Anthracite.

Figure 1 Map showing the three areas



This report deals with the Kangwane South Anthracite Area, known as the Kangwane South Project. The coal (anthracite) in the Kangwane South area is essentially a medium to high ash anthracite. The southern block was drilled (50 boreholes in 1982 and 49 in 1987) by the Mining Corporation. The seams were intersected at depths varying from 20 metres below surface to 400 metres below surface.

After the initial drilling program a report issued by the Southern Anthracite Company in 1982 reported a potential gross insitu tonnage of 190 million tons. If a 30% mining loss was assumed the sales tons after beneficiation would amount to 72 million tons.

Potential opencastable coal (anthracite) on the shallow eastern limit was delineated and was quoted to be in the order of 2 million tons, with the rest being mined by underground methods. 34 percussion holes were also drilled to define the western limit of coal (anthracite).

The 1989 report written after the completion of the second drilling program of 50 boreholes estimated a potential of 36.36 million insitu sales tons. This report only considered the 3 and the 5 + 6 seams.

The Minerals Corporation issued two reports. Neither of these two reports was based on capturing the historical data and building geological models but were desk top attempts to estimate coal (anthracite) tonnages.

During the period 2006 to 2011 Black Ginger 285 (Pty) Ltd. acquired the New Order Prospecting Rights. Various desk top studies were done but none of the previous drilling and analyses was captured and used in the modelling of the resource. Ten new boreholes were drilled during 2009, but no geological report was issued. A Mining Right has subsequently been awarded to Altius Trading 404 (Pty) Limited. This Mining Right was granted on 20 April 2013 but is yet to be executed. Readers should refer to the separate solicitor's report to be included in the Prospectus for further information.

GeoCoal Services issued an interim report dated March 2011 and a final report dated August 2011 which used all the data from the historical boreholes, and ten new boreholes drilled by Black Ginger 285 (PTY) Ltd. and the structure interpreted from cross sections and ground magnetometer surveys. The Resource Blocks as defined in the latest Mining Corporation Reports were used by GeoCoal to re-calculate the resources.

Section 4 in this current Competent Persons Geological Report has used JORC 2012 Table 1 as a compliance guide and updated the Report to September 2016.

Table 1 Summary of the Resources reported in the three historical reports:-

Mining Corporation 1982 - DJ Schutte (all Seams)		
Seam	GTIS (Mt)	Product Insitu (Mt)
9	27.46	18.39
7	8.06	6.38
5 + 6	78.89	43.38
3	75.73	48.54
Total	190.14	116.69
Depth constraint + 20 (metres) - 300 (metres)		
Minimum width 1.0 (metre)		
Raw RD 1.7 (g/cc)		

Mining Corporation 1989 - R P Randal (only 2 Seams)			
Area	Seam No	GTIS (Mt)	Product Insitu (Mt)
North & West	5 + 6	8.61	5.268
South & East	5 + 6	15.90	10.15
North & West	3	17.89	12.22
South & East	3	11.82	8.72
Total		54.22	36.36
Geological losses 15%			
Min seam width 1.5 (metres)			
Max Depth 300 (metres)			
Minimum Yield 50%			
Fault losses 50 metre barrier either side of fault			

Minerals Corporation September 2008 (only 2 Seams)			
Seam No	Width	GTIS (Mt)	MTIS (Mt)
5+6	2.04	41.31	26.85
3	2.2	44.55	28.96
Total		85.86	55.81

Minimum thickness 1.0 m
Maximum seam depth 200m
Area of coal is 1350 ha with positive seam intersections
Average RD for coal 1.5 g/cc
Geological loss 35%

2. Geology

2.1 Regional geology

The regional geology of the area is shown on the geological plan. The Karoo Super group was deposited unconformably on the Achaean granite floor. The Karoo sediments found in the area are; Dwyka, Middle Ecca, Upper Ecca and the Stormberg Group. The first three formations consist of sedimentary deposits, while the Stormberg Group consists of sedimentary and volcanic extrusions. Numerous faults and sills are present in the area.

Figure 2 Plan showing the limits of Karroo (coal bearing formation)

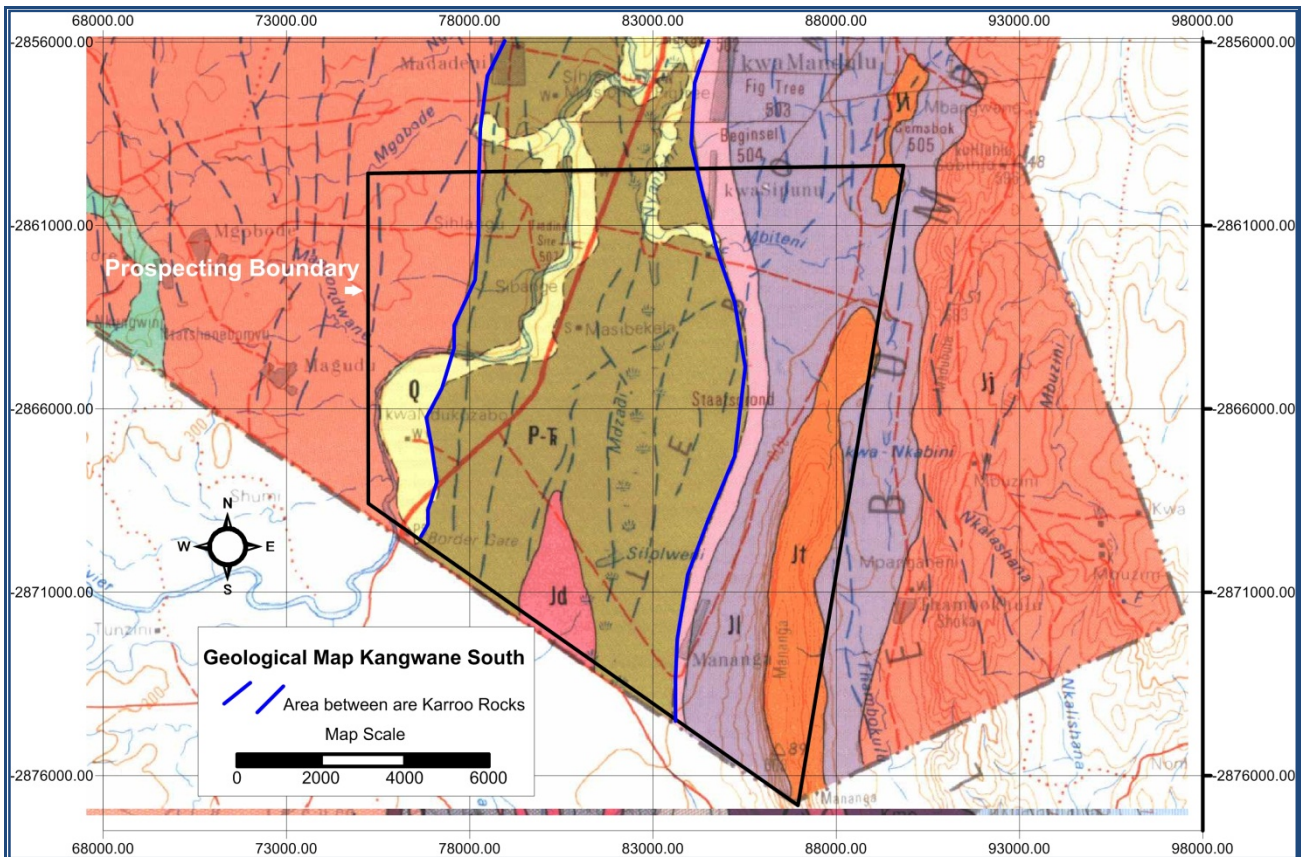
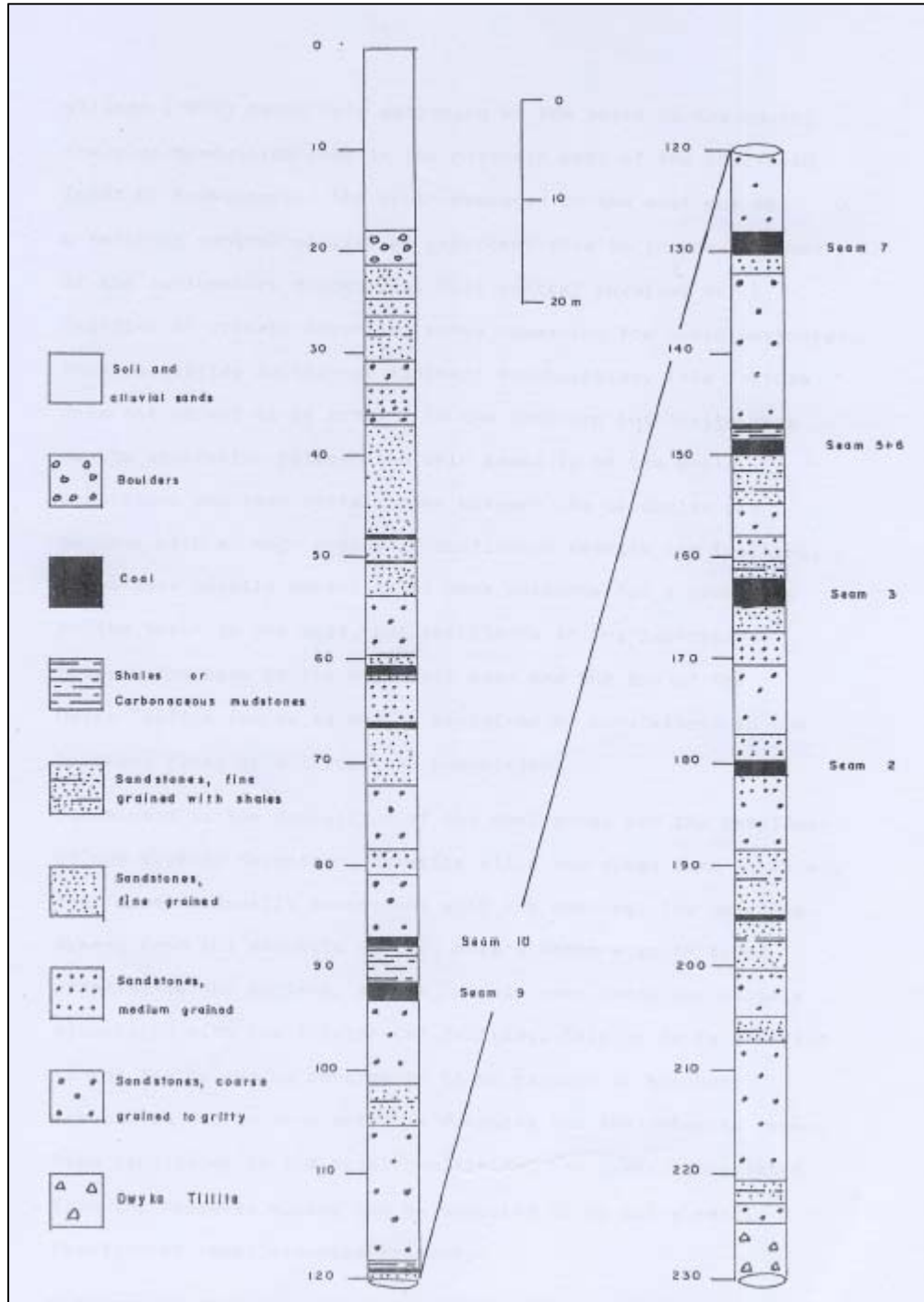


Figure 3 Profile showing coal seams



The coal seams were deposited in the Middle Ecca. The sedimentary succession was followed by the extrusion of volcanics. Dolerite dykes and sills intruded at the time of the Stormberg volcanics. It is thought that these volcanics together with minor folding caused the devolatilisation of the coal. The devolatilisation is not localised to areas near the volcanics but is regional and thus must also be due to the structural folding.

The Middle Ecca is correlated with the Vryheid Formation. The Vryheid formation is considered to be of fluvial origin and consists predominantly of arenaceous sediments, namely, sandstones with subordinates grits, mudstones, shales and carbonaceous sediments which include coal seams. Pebble bands are locally developed while scattered grits occur frequently. The sandstones vary from fine grained to coarse grained. No clear marker beds are present.

There are four possible causes of the anthratization of the coal, high geothermal gradient, intrusion of dolerite sills and dykes, formation and folding of the Lebombo monocline and the intrusion of the Mananga granophyre.

In the earlier reports 14 Seams were identified and numbered from the base upwards. The latest reports only estimated mineable tonnages in the No 3 and the No 5+6 Seams. The rest of the coal seams are locally developed and often are less than 1.5 meters thick.

2.2 Magnetic Survey

A magnetic survey was carried out prior to the 1987 drilling programme. East-West lines at right angles to strike 500 metres apart and readings were taken at 2 meters intervals. A total of 143.20 line kilometres with some 71 600 readings was completed. The profiles were used to delineate the dykes and faults. These delineations were then used to define the resource blocks. Interpretations of the geology were included in a separate report.

2.3 Structure

Using the faults and dykes delineated in the magnetic survey and resulting plans a structural interpretation the area was delineated and divided into 9 resource blocks.

Figure 4 Typical cross section west to east in the middle of the resource area

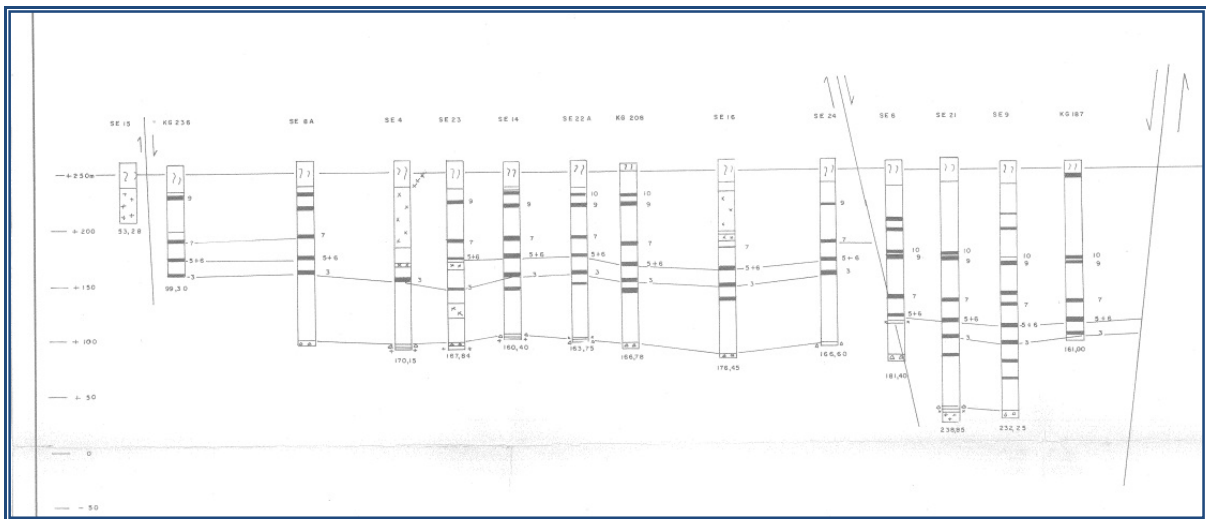


Figure 5 Map showing the outcrops, faults and dykes.

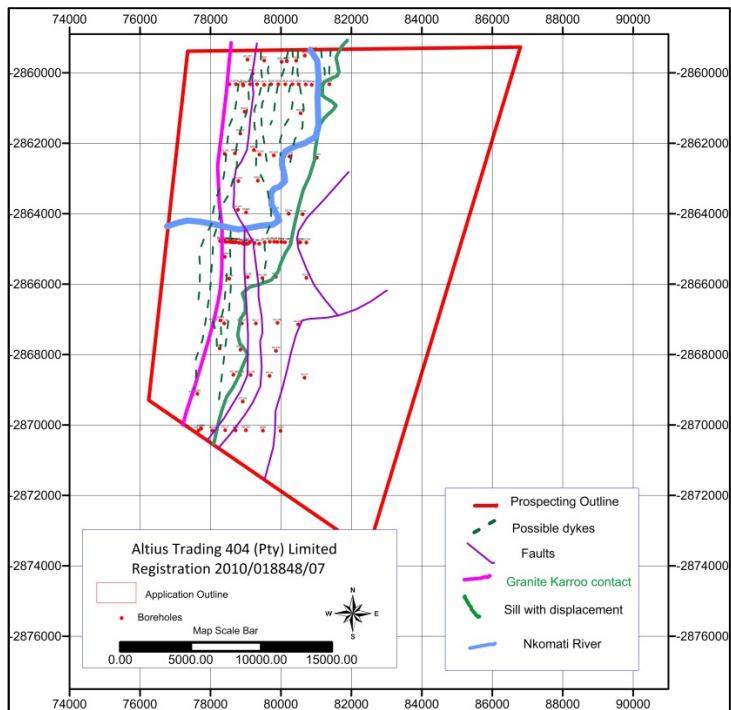
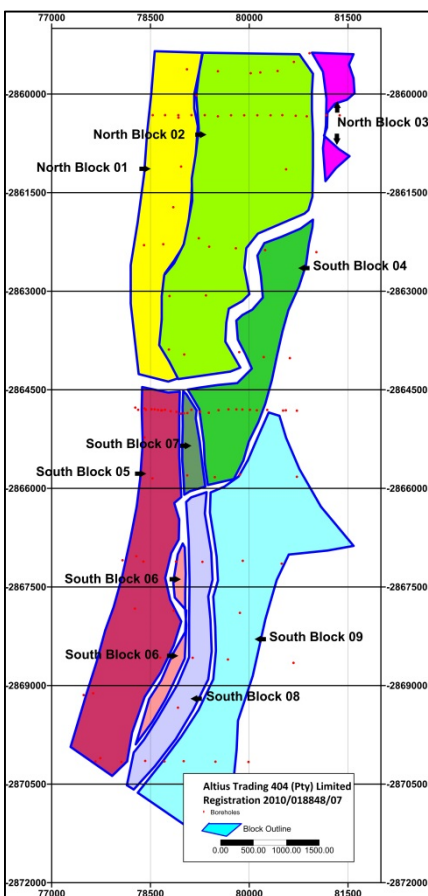


Figure 6 Map Showing 9 Resource Blocks



3 Historical Data

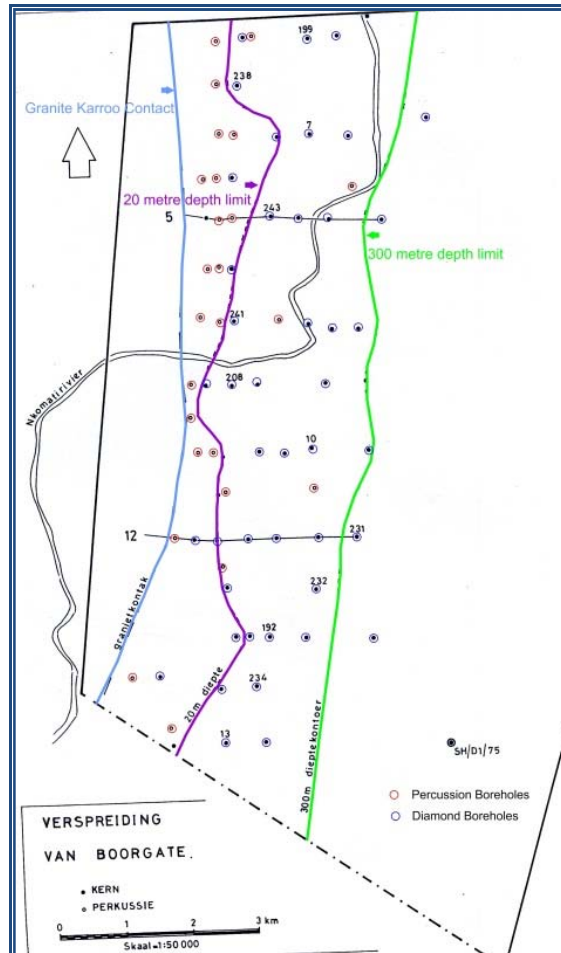
1982 Report

43 Boreholes were drilled and completed by 1981. Analyses in the tables indicate that the coal was washed at least at 3 densities 1,5 1,6 and 1,7. Proximate, Sulphur, Calorific Values and Yields are reported. Further analyses include Phosphorus, Ash Fusion Temperatures, Hargrove Indices and Ash Analyses. GeoCoal captured all the borehole data from hard copies of the borehole logs and reported analyses for all the 7, 5+6 and 3 seam coal intersections.

1987 Report

Drilling started in February 1987 and was completed in April 1988 after 43 holes had been drilled. A total of 238 samples were analysed at seven densities ranging from 1.45 to 1.80. Proximate Analyses, CV (MJ/Kg) and Total Sulphur Analyses was done on all float fractions and sinks at RD 1.80 were also done. Ash Fusion Temperatures were also determined on a number of samples. The main structural features are the dip of the coal at about 6 degrees to the east and faults and dykes striking north south. GeoCoal captured all the 7, 5+6 and 3 seam coal intersections and the analyses for the samples of the three seams.

Figure 7 Map showing 1987 diamond and percussion borehole positions



3.1 2009 Drilling

Ten boreholes were drilled and the exploration was managed by DNZ Holdings (Pty) Ltd. on behalf of Borneo Mining and Black Ginger (Pty) Ltd. No geological reports were issued except for an annual DMR return and a desk top study by the Minerals Corporation. The Minerals Corporation report was submitted using some of the historical data before all the drilling and the results of the 2009 drilling programme was available. Subsequent site visits confirmed the 2009 drilling programme.

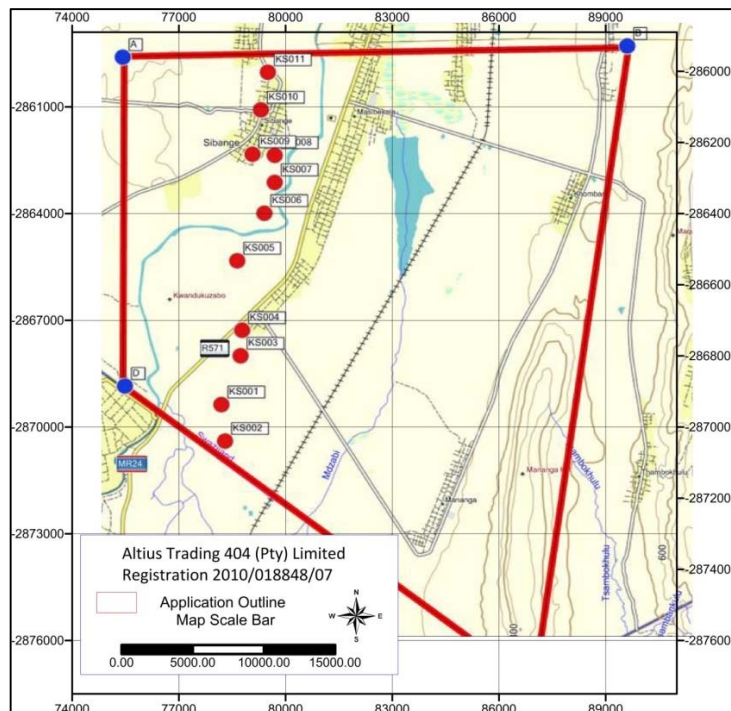
3.2 All Drill hole co-ordinates, collars and orientation

BH ID	Easting	Northing	Orientation	EOH	Collar (masl)
KG 06	80431.58	-2859650.67	Vertical	263.00	253.90
KG 08	80242.49	-2862373.45	Vertical	292.40	253.20
KG 09	79847.89	-2863927.67	Vertical	168.88	246.10
KG 10	79857.87	-2865791.50	Vertical	198.69	259.50
KG 102	78392.90	-2867115.16	Vertical	139.43	265.50
KG 11	79289.29	-2867118.89	Vertical	302.02	280.80
KG 12	77486.31	-2869144.67	Vertical	52.20	272.60
KG 13	78419.48	-2870147.36	Vertical	304.44	278.50
KG 14	78648.86	-2868575.76	Vertical	226.00	270.70
KG 152	79902.35	-2867101.74	Vertical	248.88	284.00
KG 153	78530.65	-2865848.15	Vertical	157.73	257.80
KG 187	79120.92	-2864805.51	Vertical	161.00	256.50
KG 188	80115.11	-2864811.45	Vertical	253.98	247.80
KG 189	79476.22	-2865829.75	Vertical	191.50	256.70
KG 190	80723.67	-2865824.51	Vertical	373.68	265.60
KG 191	78887.94	-2867114.37	Vertical	208.44	272.40
KG 192	79140.40	-2868578.20	Vertical	276.55	276.00
KG 199	80021.66	-2859683.74	Vertical	146.60	259.40
KG 20	79676.93	-2868604.44	Vertical	297.20	283.30
KG 200	80558.98	-2861146.28	Vertical	258.70	249.90
KG 202	79796.63	-2862346.35	Vertical	190.85	252.70
KG 207	77664.50	-2870154.06	Vertical	84.43	273.90
KG 208	78720.04	-2864804.56	Vertical	166.78	257.50
KG 21	80673.10	-2868655.71	Vertical	448.50	287.40
KG 210	78076.90	-2867094.56	Vertical	47.62	265.90
KG 229	78852.38	-2867861.45	Vertical	191.00	271.60
KG 23	80915.59	-2859378.32	Vertical	239.12	242.80
KG 230	80723.07	-2864817.38	Vertical	347.08	259.60
KG 231	80491.79	-2867145.95	Vertical	348.00	282.60
KG 232	79859.32	-2867894.17	Vertical	262.75	283.00
KG 233	79004.16	-2870150.32	Vertical	251.00	282.50
KG 234	78917.58	-2869337.26	Vertical	230.20	275.70
KG 235	78834.88	-2868578.64	Vertical	197.21	273.00

KG 236	78312.84	-2864803.97	Vertical	99.30	257.00
KG 237	79053.88	-2859623.54	Vertical	96.30	253.60
KG 238	78926.55	-2860358.10	Vertical	96.30	255.80
KG 239	78402.13	-2862298.26	Vertical	111.30	263.00
KG 240	78847.21	-2861722.71	Vertical	81.30	266.00
KG 241	78778.72	-2863887.08	Vertical	91.98	258.00
KG 242	78788.69	-2863074.54	Vertical	76.61	257.00
KG 243	79391.92	-2862322.92	Vertical	145.70	253.00
KG 25	81019.36	-2862405.04	Vertical	374.00	254.70
KG 90	80617.15	-2864018.25	Vertical	378.10	260.80
KG 94	80219.57	-2864001.71	Vertical	279.73	254.70
KG 98	79058.75	-2865803.24	Vertical	310.21	256.40
KS001	77629.00	-2869117.00	Vertical	102.11	274.16
KS002	77738.00	-2870105.00	Vertical	77.38	277.32
KS003	78263.00	-2867829.00	Vertical	84.22	270.27
KS004	78285.00	-2867033.00	Vertical	78.03	270.54
KS005	78410.00	-2865225.00	Vertical	45.09	259.40
KS006	79013.00	-2863963.00	Vertical	138.17	257.02
KS007	79343.00	-2863063.00	Vertical	70.14	257.84
KS008	79234.00	-2862194.00	Vertical	150.13	255.16
KS009	78695.00	-2862286.00	Vertical		258.70
KS010	78965.00	-2861103.00	Vertical	102.04	259.50
KS011	79198.00	-2860020.00	Vertical	108.11	280.80
SE01	79524.00	-2859653.00	Vertical	113.75	252.19
SE02	80168.00	-2859672.00	Vertical	170.55	249.29
SE03	80679.00	-2859512.00	Vertical	212.25	259.47
SE04	78516.00	-2864796.00	Vertical	170.15	261.10
SE05	80515.00	-2864816.00	Vertical	317.93	254.20
SE06	78957.00	-2864863.00	Vertical	181.40	258.94
SE07	79684.00	-2864798.00	Vertical	215.31	258.02
SE08	78411.00	-2864785.00	Vertical		261.94
SE08A	78429.00	-2864804.00	Vertical	166.83	261.26
SE09	79060.00	-2864853.00	Vertical	232.25	258.66
SE10	80555.00	-2864813.00	Vertical	336.93	254.71
SE11	80274.00	-2864807.00	Vertical	293.86	254.47
SE12	79896.00	-2864800.00	Vertical	240.90	254.43
SE13	79386.00	-2864850.00	Vertical	176.00	258.71
SE14	78613.00	-2864806.00	Vertical	160.40	260.42
SE15	78270.00	-2864771.00	Vertical	58.28	261.40
SE16	78807.00	-2864827.00	Vertical	176.45	259.66
SE17	79805.00	-2864798.00	Vertical	221.70	257.04
SE18	80011.00	-2864804.00	Vertical	242.00	250.87
SE19	79535.00	-2864811.00	Vertical	150.08	258.47
SE20	79253.00	-2864834.00	Vertical	158.36	258.28

SE21	79006.00	-2864858.00	Vertical	238.85	259.14
SE22	78664.00	-2864812.00	Vertical		297.20
SE22A	78675.00	-2864813.00	Vertical	163.75	190.85
SE23	78564.00	-2864799.00	Vertical	167.84	84.43
SE24	78896.00	-2864837.00	Vertical	166.60	448.50
SE25	78058.00	-2870162.00	Vertical	110.80	239.12
SE26	78713.00	-2870154.00	Vertical	272.00	347.08
SE27	79988.00	-2870163.00	Vertical	440.80	262.75
SE28	79487.00	-2870159.00	Vertical	368.42	251.00
SE29	79724.00	-2860323.00	Vertical	152.16	230.20
SE30	79924.00	-2860323.00	Vertical	162.39	197.21
SE31	79525.00	-2860339.00	Vertical	152.09	99.30
SE32	79324.00	-2860322.00	Vertical	145.10	96.30
SE33	79123.00	-2860322.00	Vertical	173.00	111.30
SE34	78723.00	-2860322.00	Vertical	95.38	91.98
SE35	78535.00	-2860322.00	Vertical	79.60	145.70
SE36	80124.00	-2860323.00	Vertical	171.31	374.00
SE37	80325.00	-2860323.00	Vertical	199.90	378.10
SE38	80503.00	-2860322.00	Vertical	228.80	279.73
SE39	80706.00	-2860332.00	Vertical	244.90	310.21
SE40	80874.00	-2860339.00	Vertical	225.40	252.19
SE41	78923.00	-2860322.00	Vertical	122.67	259.47
SE42	81374.00	-2860323.00	Vertical	329.25	249.29
SE43	81174.00	-2860322.00	Vertical	322.67	261.10

Figure 8 Plan showing boreholes drilled during 2009



3.3 Site Visits

Site visits by the author of the CPR and field geologists took place during 2009.

Photos of core and boreholes taken:-

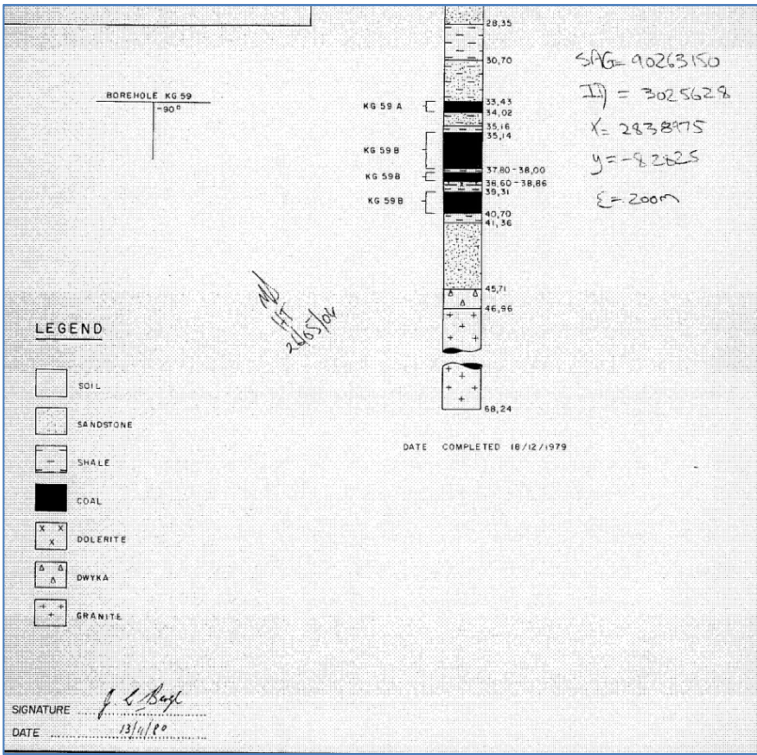


4. JORC 2012 Table 1 Compliance Update

Section 4.1 – Sampling Techniques and Data

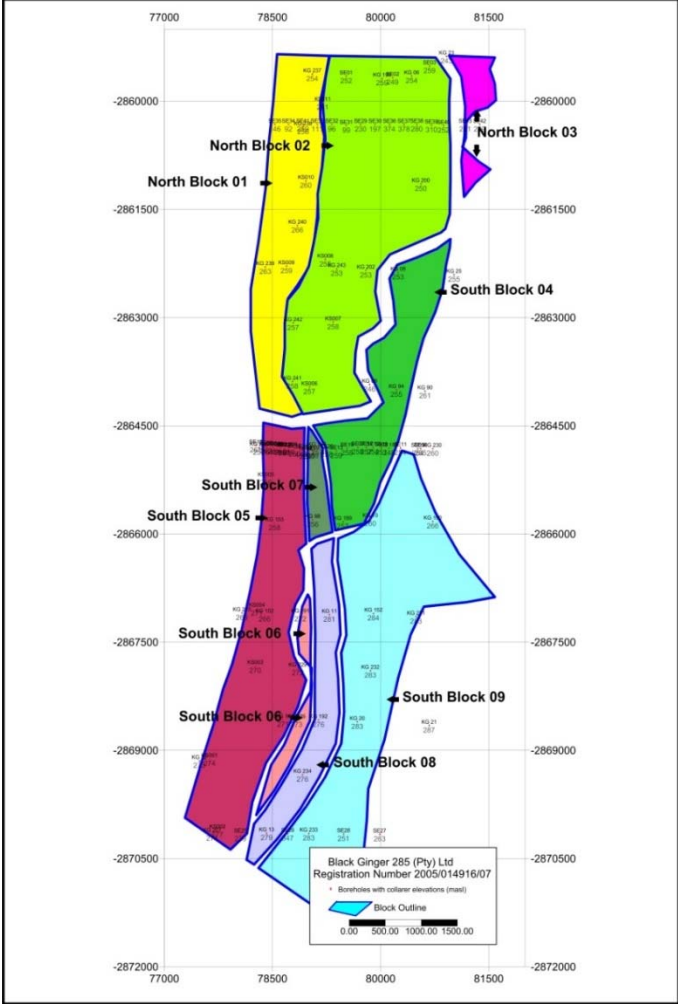
Criteria	Explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 	<p>Percussion drilling (open hole) was used to determine the limits of potential coal bearing sediments and these holes were not sampled. The rest of the drilling was cored diamond drilling (93 historical boreholes and 10 recent ones) and whole coal cores were sampled and submitted to the laboratories for analyses.</p> <p>The 1981 drilling was based on a grid spacing of between 750 meters and 1 km to cover the area whole area.</p> <p>The 1987 drilling as a result of the North South structures revealed by the Magnetic Traverses drilled on a closer spacing on East West lines to identify the structure more accurately</p> <p>Not applicable to Coal</p> <p>Open hole Percussion drilling- the chips were not sampled. This drilling was only aimed at delineating coal bearing sediments.</p> <p>All core drilling was assumed to be standard TNW drilling</p>

Criteria	Explanation	Commentary
	<p>kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.</p>	<p>Not applicable to Coal</p>
Drilling techniques	<ul style="list-style-type: none"> Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.). 	<p>The two drilling techniques used were open hole percussion and full core diamond drilling. All holes were vertical and seam widths would be as measured in the cores. It is assumed the core size was TNW but there is no documentation to support this in the historical reports.</p>
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<p>It is assumed that all standard core recovery measurements (rods plus stick up vs actual core measurements) were done as this is a standard in South African coal exploration programmes.</p> <p>It standard practise to measure core recoveries in coal seams</p> <p>The 10 recent boreholes drilled were logged and sampled according to the SANS 2010 guidelines and all sample and core recoveries etc. were documented. It is assumed that no sample bias occurred in any of the cored drilling programmes as whole coal cores of the coal seams were sampled.</p> <p>Not applicable to Coal</p>
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography. The total length and percentage of the relevant intersections logged. 	<p>Detailed hard copies of all borehole logs were compiled in a graphic form by the geologists indicating depths of coal seams and depths and widths of sampling intervals. Tables summarising these sample names widths and depths were checked by the author of this report and supports the appropriate Resource estimations made.</p> <p>Coal core logging is qualitative, sedimentary structures are noted, coal seam depths are recorded and photographs of core are normally taken. Any igneous intrusion faults etc. would be accurately recorded.</p> <p>All lengths of intersections are recorded.</p>

Criteria	Explanation	Commentary
		<p>Below is an example of an historical log of KG 59:-</p>  <p>As can be seen each seam intersection was measured, sampled and depths recorded.</p>
<p>Sub-sampling techniques and sample preparation</p>	<ul style="list-style-type: none"> • If core, whether cut or sawn and whether quarter, half or all core taken. • If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry. • For all sample types, the nature, quality and appropriateness of the sample preparation technique. • Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. • Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. • Whether sample sizes 	<p>Whole diamond cores were sampled.</p> <p>The normal procedure in the coal laboratories is assumed to be done as follows:- Condition sample to remove surface moisture Weigh sample and calculate Raw Relative density Screen out - .5 mm material Crush + 0.5 mm material to top size of 25 mm The sample preparation and analyses on all the historical boreholes was done by M & L an accredited South African Coal Laboratory. Wash in different RD from 1.35 to 1.7 in baths made up to those RD's Crush floats and sinks to 212 microns and sub sample using a riffler to obtain sufficient sub sample for analyses of each float fraction plus sinks. On sub samples for each float fraction and sinks analyse for Calorific Value (MJ/kg), Ash (%), Moisture (%), Volatile Matter (%), Sulphur (%) and Phosphorus (%) and calculate Fixed Carbon by difference. These analytical procedures are all explained in the SABS guidelines and include duplicates and blanks of known values</p> <p>Whole coal is sampled – no duplicates, twin boreholes will be drilled in the next phase of 10 boreholes to be drilled</p> <p>Sample size is usually controlled as a minimum mass is required to do a representative wash on</p>

Criteria	Explanation	Commentary																																												
	are appropriate to the grain size of the material being sampled.	each RD fraction																																												
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established. 	<p>No documentation exists on the historical laboratory procedures, but M & L the laboratory used would have use the standard The CPR author has assumed that all work carried out at the laboratory is in accordance with ISO 17025 as this is normal in all South African Laboratories. It is also assumed that all samples are treated in accordance with international standards ISO 13909 as this is normal in all South African Laboratories. All routine analyses are assumed to have been carried out in accordance with their respective ISO international standards, for Ash content ISO 1171, for Inherent Moisture content ISO 331, for Volatile Matter content ISO 562, for Total Sulphur content ASTM-D 4239 and for Calorific Value ISO 1928.</p> <p>No geophysical work has been done</p> <p>Further special analyses in accordance with ISO standards are carried out on composite samples which allows for the total nature of the resource to be established. This detailed analysis programme affords ZYL a wide field of insight as to how to best utilise the Resource economically.</p> <p>It is normal for laboratories to insert blanks and participate in Round Robin analytical and sample preparation tests</p>																																												
Verification of sampling and assaying	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	<p>It is normal procedure in South Africa to have Round Robin samples distributed between the coal laboratories and results are compared on a quarterly basis. Twin streaming is also used to verify analytical results. Data was captured by the Council for Geoscience and then presented to the client in excel spread sheets. The author then also verified these results against the original bore hole logs and analyses sheets. No twinning was done during the historical drilling but two bore holes during the proposed new drilling programme will be drilled to twin historical boreholes. Below are extracts of the three files used to create a "Washproduct" (developed by Snowdown Technologies Version 1.3.7) data base. There are algorithms in this data base checks for a number of data sets i.e. overlapping sample intervals, CV's always decrease, Ash's always increase and highlights any missing values. "Washproduct" has the capability of composting samples for each seam as well as interpreting product qualities for different Ash, RD or CV values.</p> <p style="text-align: center;">Header Records for WashProduct</p> <table border="1"> <thead> <tr> <th>BH ID</th> <th>Easting</th> <th>Southing</th> <th>Collar</th> </tr> </thead> <tbody> <tr> <td>KG08</td> <td>80242.49</td> <td>-2862373.45</td> <td>292.40</td> </tr> <tr> <td>KG09</td> <td>79847.89</td> <td>-2863927.67</td> <td>168.88</td> </tr> <tr> <td>KG11</td> <td>79289.29</td> <td>-2867118.89</td> <td>306.02</td> </tr> <tr> <td>KG13</td> <td>78419.48</td> <td>-2870147.36</td> <td>304.44</td> </tr> <tr> <td>KG152</td> <td>79902.35</td> <td>-2867101.74</td> <td>284.00</td> </tr> <tr> <td>KG153</td> <td>78530.65</td> <td>-2865848.15</td> <td>157.73</td> </tr> <tr> <td>KG187</td> <td>79120.92</td> <td>-2864805.51</td> <td>256.50</td> </tr> <tr> <td>KG188</td> <td>80115.11</td> <td>-2864811.45</td> <td>253.98</td> </tr> <tr> <td>KG189</td> <td>79476.22</td> <td>-2865829.75</td> <td>191.50</td> </tr> <tr> <td>KG190</td> <td>80723.67</td> <td>-2865824.51</td> <td>373.68</td> </tr> </tbody> </table>	BH ID	Easting	Southing	Collar	KG08	80242.49	-2862373.45	292.40	KG09	79847.89	-2863927.67	168.88	KG11	79289.29	-2867118.89	306.02	KG13	78419.48	-2870147.36	304.44	KG152	79902.35	-2867101.74	284.00	KG153	78530.65	-2865848.15	157.73	KG187	79120.92	-2864805.51	256.50	KG188	80115.11	-2864811.45	253.98	KG189	79476.22	-2865829.75	191.50	KG190	80723.67	-2865824.51	373.68
BH ID	Easting	Southing	Collar																																											
KG08	80242.49	-2862373.45	292.40																																											
KG09	79847.89	-2863927.67	168.88																																											
KG11	79289.29	-2867118.89	306.02																																											
KG13	78419.48	-2870147.36	304.44																																											
KG152	79902.35	-2867101.74	284.00																																											
KG153	78530.65	-2865848.15	157.73																																											
KG187	79120.92	-2864805.51	256.50																																											
KG188	80115.11	-2864811.45	253.98																																											
KG189	79476.22	-2865829.75	191.50																																											
KG190	80723.67	-2865824.51	373.68																																											

Criteria	Explanation	Commentary																																																																																																																																																																																																																						
		<p style="text-align: center;"><i>Sample Records for WashProduct</i></p> <table border="1"> <thead> <tr> <th>BH ID</th> <th>Sample From</th> <th>Sample To</th> <th>Sample ID</th> <th>Seam</th> </tr> </thead> <tbody> <tr> <td>KG08</td> <td>193.66</td> <td>194.28</td> <td>KG08/C</td> <td>5+6</td> </tr> <tr> <td>KG08</td> <td>213.40</td> <td>214.00</td> <td>KG08/D</td> <td>3</td> </tr> <tr> <td>KG08</td> <td>214.00</td> <td>215.25</td> <td>KG08/P</td> <td>3</td> </tr> <tr> <td>KG08</td> <td>215.25</td> <td>216.40</td> <td>KG08/E</td> <td>3</td> </tr> <tr> <td>KG09</td> <td>104.37</td> <td>105.42</td> <td>KG09/C</td> <td>7.00</td> </tr> <tr> <td>KG09</td> <td>120.70</td> <td>121.50</td> <td>KG09/D</td> <td>5+6</td> </tr> <tr> <td>KG09</td> <td>121.50</td> <td>121.93</td> <td>KG09/P</td> <td>5+6</td> </tr> <tr> <td>KG09</td> <td>121.93</td> <td>122.91</td> <td>KG09/E</td> <td>5+6</td> </tr> </tbody> </table> <p style="text-align: center;"><i>Analyses Records</i></p> <table border="1"> <thead> <tr> <th>Sample ID</th> <th>Wash RD</th> <th>C Moi</th> <th>C Ash</th> <th>C Vols</th> <th>c FC</th> <th>C S</th> <th>C CV</th> <th>C Yield</th> </tr> </thead> <tbody> <tr> <td>KS008/05</td> <td>1.35</td> <td>3.6</td> <td>16</td> <td>8.7</td> <td>71.7</td> <td>0.87</td> <td>28.65</td> <td>3.9</td> </tr> <tr> <td>KS008/05</td> <td>1.40</td> <td>3.60</td> <td>16.00</td> <td>8.70</td> <td>71.70</td> <td>0.87</td> <td>28.65</td> <td>3.90</td> </tr> <tr> <td>KS008/05</td> <td>1.45</td> <td>3.60</td> <td>16.19</td> <td>7.32</td> <td>72.89</td> <td>1.07</td> <td>28.57</td> <td>10.50</td> </tr> <tr> <td>KS008/05</td> <td>1.50</td> <td>3.53</td> <td>16.83</td> <td>6.67</td> <td>72.97</td> <td>0.83</td> <td>28.45</td> <td>35.40</td> </tr> <tr> <td>KS008/05</td> <td>1.55</td> <td>3.48</td> <td>18.37</td> <td>6.32</td> <td>71.83</td> <td>0.64</td> <td>27.77</td> <td>55.40</td> </tr> <tr> <td>KS008/05</td> <td>1.60</td> <td>3.46</td> <td>19.55</td> <td>6.22</td> <td>70.77</td> <td>0.62</td> <td>27.30</td> <td>64.90</td> </tr> <tr> <td>KS008/05</td> <td>1.65</td> <td>3.41</td> <td>20.96</td> <td>6.16</td> <td>69.47</td> <td>0.61</td> <td>26.76</td> <td>71.70</td> </tr> <tr> <td>KS008/05</td> <td>1.75</td> <td>3.34</td> <td>23.10</td> <td>6.03</td> <td>67.53</td> <td>0.63</td> <td>25.90</td> <td>83.00</td> </tr> <tr> <td>KS008/05</td> <td>1.85</td> <td>3.31</td> <td>24.79</td> <td>5.96</td> <td>65.94</td> <td>0.60</td> <td>25.23</td> <td>90.50</td> </tr> <tr> <td>KS008/05</td> <td>2.00</td> <td>3.21</td> <td>27.92</td> <td>5.87</td> <td>63.00</td> <td>0.63</td> <td>23.99</td> <td>100.00</td> </tr> </tbody> </table> <p style="text-align: center;"><i>WashProduct Outputs</i></p> <table border="1"> <thead> <tr> <th>Hole Id</th> <th>Seam</th> <th>Moisture</th> <th>Ash</th> <th>Volatiles</th> <th>FC</th> <th>Sulphur</th> <th>CV</th> <th>Yield</th> <th>Raw RD</th> </tr> </thead> <tbody> <tr> <td>SE13</td> <td>9</td> <td>0.52</td> <td>17</td> <td>7.22</td> <td>75.27</td> <td>0.3</td> <td>29.28</td> <td>9.82</td> <td>1.59</td> </tr> <tr> <td>SE14</td> <td>9</td> <td>0.5</td> <td>17</td> <td>8.6</td> <td>73.9</td> <td>0.6</td> <td>28.99</td> <td>86.78</td> <td>1.49</td> </tr> <tr> <td>SE19</td> <td>9</td> <td>0.8</td> <td>17</td> <td>6.07</td> <td>76.13</td> <td>0.43</td> <td>28.51</td> <td>84.05</td> <td>1.5</td> </tr> <tr> <td>SE30</td> <td>9</td> <td>0.79</td> <td>17</td> <td>8.4</td> <td>73.81</td> <td>0.68</td> <td>29.37</td> <td>63.86</td> <td>1.55</td> </tr> <tr> <td>SE36</td> <td>9</td> <td>0.9</td> <td>17</td> <td>9.13</td> <td>72.97</td> <td>1.23</td> <td>29.16</td> <td>63.1</td> <td>1.53</td> </tr> <tr> <td>SE37</td> <td>9</td> <td>1.48</td> <td>17</td> <td>6.95</td> <td>74.57</td> <td>1.01</td> <td>28.61</td> <td>53.67</td> <td>1.57</td> </tr> </tbody> </table>	BH ID	Sample From	Sample To	Sample ID	Seam	KG08	193.66	194.28	KG08/C	5+6	KG08	213.40	214.00	KG08/D	3	KG08	214.00	215.25	KG08/P	3	KG08	215.25	216.40	KG08/E	3	KG09	104.37	105.42	KG09/C	7.00	KG09	120.70	121.50	KG09/D	5+6	KG09	121.50	121.93	KG09/P	5+6	KG09	121.93	122.91	KG09/E	5+6	Sample ID	Wash RD	C Moi	C Ash	C Vols	c FC	C S	C CV	C Yield	KS008/05	1.35	3.6	16	8.7	71.7	0.87	28.65	3.9	KS008/05	1.40	3.60	16.00	8.70	71.70	0.87	28.65	3.90	KS008/05	1.45	3.60	16.19	7.32	72.89	1.07	28.57	10.50	KS008/05	1.50	3.53	16.83	6.67	72.97	0.83	28.45	35.40	KS008/05	1.55	3.48	18.37	6.32	71.83	0.64	27.77	55.40	KS008/05	1.60	3.46	19.55	6.22	70.77	0.62	27.30	64.90	KS008/05	1.65	3.41	20.96	6.16	69.47	0.61	26.76	71.70	KS008/05	1.75	3.34	23.10	6.03	67.53	0.63	25.90	83.00	KS008/05	1.85	3.31	24.79	5.96	65.94	0.60	25.23	90.50	KS008/05	2.00	3.21	27.92	5.87	63.00	0.63	23.99	100.00	Hole Id	Seam	Moisture	Ash	Volatiles	FC	Sulphur	CV	Yield	Raw RD	SE13	9	0.52	17	7.22	75.27	0.3	29.28	9.82	1.59	SE14	9	0.5	17	8.6	73.9	0.6	28.99	86.78	1.49	SE19	9	0.8	17	6.07	76.13	0.43	28.51	84.05	1.5	SE30	9	0.79	17	8.4	73.81	0.68	29.37	63.86	1.55	SE36	9	0.9	17	9.13	72.97	1.23	29.16	63.1	1.53	SE37	9	1.48	17	6.95	74.57	1.01	28.61	53.67	1.57
BH ID	Sample From	Sample To	Sample ID	Seam																																																																																																																																																																																																																				
KG08	193.66	194.28	KG08/C	5+6																																																																																																																																																																																																																				
KG08	213.40	214.00	KG08/D	3																																																																																																																																																																																																																				
KG08	214.00	215.25	KG08/P	3																																																																																																																																																																																																																				
KG08	215.25	216.40	KG08/E	3																																																																																																																																																																																																																				
KG09	104.37	105.42	KG09/C	7.00																																																																																																																																																																																																																				
KG09	120.70	121.50	KG09/D	5+6																																																																																																																																																																																																																				
KG09	121.50	121.93	KG09/P	5+6																																																																																																																																																																																																																				
KG09	121.93	122.91	KG09/E	5+6																																																																																																																																																																																																																				
Sample ID	Wash RD	C Moi	C Ash	C Vols	c FC	C S	C CV	C Yield																																																																																																																																																																																																																
KS008/05	1.35	3.6	16	8.7	71.7	0.87	28.65	3.9																																																																																																																																																																																																																
KS008/05	1.40	3.60	16.00	8.70	71.70	0.87	28.65	3.90																																																																																																																																																																																																																
KS008/05	1.45	3.60	16.19	7.32	72.89	1.07	28.57	10.50																																																																																																																																																																																																																
KS008/05	1.50	3.53	16.83	6.67	72.97	0.83	28.45	35.40																																																																																																																																																																																																																
KS008/05	1.55	3.48	18.37	6.32	71.83	0.64	27.77	55.40																																																																																																																																																																																																																
KS008/05	1.60	3.46	19.55	6.22	70.77	0.62	27.30	64.90																																																																																																																																																																																																																
KS008/05	1.65	3.41	20.96	6.16	69.47	0.61	26.76	71.70																																																																																																																																																																																																																
KS008/05	1.75	3.34	23.10	6.03	67.53	0.63	25.90	83.00																																																																																																																																																																																																																
KS008/05	1.85	3.31	24.79	5.96	65.94	0.60	25.23	90.50																																																																																																																																																																																																																
KS008/05	2.00	3.21	27.92	5.87	63.00	0.63	23.99	100.00																																																																																																																																																																																																																
Hole Id	Seam	Moisture	Ash	Volatiles	FC	Sulphur	CV	Yield	Raw RD																																																																																																																																																																																																															
SE13	9	0.52	17	7.22	75.27	0.3	29.28	9.82	1.59																																																																																																																																																																																																															
SE14	9	0.5	17	8.6	73.9	0.6	28.99	86.78	1.49																																																																																																																																																																																																															
SE19	9	0.8	17	6.07	76.13	0.43	28.51	84.05	1.5																																																																																																																																																																																																															
SE30	9	0.79	17	8.4	73.81	0.68	29.37	63.86	1.55																																																																																																																																																																																																															
SE36	9	0.9	17	9.13	72.97	1.23	29.16	63.1	1.53																																																																																																																																																																																																															
SE37	9	1.48	17	6.95	74.57	1.01	28.61	53.67	1.57																																																																																																																																																																																																															

Criteria	Explanation	Commentary																																								
<p>Location of data points</p>	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. 	<p>Professional land surveyors are normally used to survey the borehole positions. The grid system used was Cape LO 31. Borehole collars were checked by the author using Expert GIS and MapQuest and no significant differences were observed.</p> 																																								
<p>Data spacing and distribution</p>	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	<p>The initial KG drilling programme was done on a grid of approximately 750*750 meters. The second SE drilling programme concentrated on east west lines approximately 1 km apart and with a borehole spacing of 150 meters on each line.</p> <p>The table below indicates drilling density of boreholes in each Resource Block with analyses:-</p> <table border="1" data-bbox="764 1486 1317 1885"> <thead> <tr> <th>Block</th> <th>No of BH's</th> <th>Area (ha)</th> <th>Density Ha/BH</th> </tr> </thead> <tbody> <tr> <td>North 01</td> <td>10</td> <td>1 405 011</td> <td>14.05</td> </tr> <tr> <td>North 02</td> <td>21</td> <td>5 067 511</td> <td>24.13</td> </tr> <tr> <td>North 03</td> <td>1</td> <td>280 486</td> <td>28.05</td> </tr> <tr> <td>South 04</td> <td>13</td> <td>1 718 754</td> <td>13.22</td> </tr> <tr> <td>South 05</td> <td>9</td> <td>931 251</td> <td>10.35</td> </tr> <tr> <td>South 06</td> <td>2</td> <td>233 911</td> <td>11.70</td> </tr> <tr> <td>South 07</td> <td>4</td> <td>286 250</td> <td>7.16</td> </tr> <tr> <td>South 08</td> <td>4</td> <td>1 328 750</td> <td>33.22</td> </tr> <tr> <td>South 09</td> <td>9</td> <td>3 473 751</td> <td>38.60</td> </tr> </tbody> </table>	Block	No of BH's	Area (ha)	Density Ha/BH	North 01	10	1 405 011	14.05	North 02	21	5 067 511	24.13	North 03	1	280 486	28.05	South 04	13	1 718 754	13.22	South 05	9	931 251	10.35	South 06	2	233 911	11.70	South 07	4	286 250	7.16	South 08	4	1 328 750	33.22	South 09	9	3 473 751	38.60
Block	No of BH's	Area (ha)	Density Ha/BH																																							
North 01	10	1 405 011	14.05																																							
North 02	21	5 067 511	24.13																																							
North 03	1	280 486	28.05																																							
South 04	13	1 718 754	13.22																																							
South 05	9	931 251	10.35																																							
South 06	2	233 911	11.70																																							
South 07	4	286 250	7.16																																							
South 08	4	1 328 750	33.22																																							
South 09	9	3 473 751	38.60																																							

Criteria	Explanation	Commentary
		Sample compositing has been applied where more than one sample was taken per seam.
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<p>It is clear from the previous reports by the Mining Corporation and the Southern Anthracite Company that structures run north south and after the initial drilling on a grid east west lines were drilled at a close spacing to help resolve these structures. A number of east west magnetometer surveys were also done and their interpretation helped in defining the Resource Blocks. The close spaced drilling along east west lines would not result in any sampling bias. There is no record of historical sample security but the recent drilling and the proposed drilling have audit trails from the field geologist to the laboratory and the laboratory stores all remaining sample material as instructed by the client.</p> <p>No bias in the relationship of the coal seams, drilling orientation and sampling would occur in the coal field</p>
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	It is common practise in the field to have an audit trail of each sample. A sample ID would be inside the bag as well all attached to the outside. A sample list would sent with the samples to the laboratory where the all the samples would be validated against this list and with the geologist who took the samples in the field
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	Venmyn Rand were given a full set of data in 2013 to review the GeoCoal Geological report. No formal report was received but personal communication received was positive.

Section 4.2 – Reporting of Exploration Results

Criteria	Explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<p>A Mining Right MP 30/5/1/2/2/10013 MR has been awarded to Altius Trading 404 (Pty) Limited.</p> <p>Refer to the solicitor's report included in the Prospectus.</p>
Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	This is summarised in Section 3 above Historical Data.
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	These sections have been covered in detail in Section 2 above
Drill hole Information	<ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> easting and northing of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole down hole length and interception depth hole length. If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	<p>See section 3.2</p> <p>All borehole header records are listed that have been used in the geological model</p>
Data aggregation	<ul style="list-style-type: none"> In reporting Exploration Results, weighting averaging techniques, maximum and/or 	Coal with an Ash% of more than 50%, depth of more than 300 meters and a seam width of less than 1.3 meters have been excluded from the Resources.

Criteria	Explanation	Commentary
methods	<p>minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.</p> <ul style="list-style-type: none"> Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<p>Not applicable for Coal</p> <p>Not applicable for Coal</p>
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known'). 	<p>All coal boreholes were drilled vertically and intercept lengths of the coal seams are modelled as total seam widths.</p> <p>Not applicable to Coal</p> <p>Coal seams dip by less than 6 degrees and intersections equal seam widths.</p>
Diagrams	<ul style="list-style-type: none"> Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	<p>Numerous diagrams, plans and cross sections as required have been included in main body of this report.</p>
Balanced reporting	<ul style="list-style-type: none"> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	<p>Comprehensive report of all exploration results is not practicable but numerous plans of the different seams and their physical and analytical attributes are depicted in the main body of the report.</p>
Other substantive exploration data	<ul style="list-style-type: none"> Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	<p>Numerous magnetic traverses were done on the property. Interpolations from these traverse were used to help delineate the resource blocks. Metallurgical Tests and bulk sampling have not been done as the exploration drilling was not designed to cover these aspects of the coal deposit.</p> <p>Numerous cross sections contained in the historical reports and drawn by the Mining Corporation were used in delineating the Resources.</p> <p>No other observations were made during the historical exploration.</p>
Further work	<ul style="list-style-type: none"> The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	<p>A drilling programme has been designed at the request of ZYL. This programme will include geotechnical and geophysical testing on the coal cores. Further large diameter boreholes need to be drilled to facilitate the design of the coal beneficiation plant.</p> <p>There are no potential extensions of the Coal seams outside the delineated Resource area</p>

Section 4.3 – Estimation and Reporting of Mineral Resources

Criteria	Explanation	Commentary
Database integrity	<ul style="list-style-type: none"> Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for 	<p>See 5 below Geological Modelling where the integrity of the data bases is discussed and data verification is addressed</p>

Criteria	Explanation	Commentary
	<p><i>Mineral Resource estimation purposes.</i></p> <ul style="list-style-type: none"> • <i>Data validation procedures used.</i> 	
Site visits	<ul style="list-style-type: none"> • <i>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</i> • <i>If no site visits have been undertaken indicate why this is the case.</i> 	<p><i>The author of this geological report visited the site during November 2011. Field geologists from GeoCoal Services also visited the site to photograph the borehole sites that had been rehabilitated and met DMR representatives on site during August 2011</i></p>
Geological interpretation	<ul style="list-style-type: none"> • <i>Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.</i> • <i>Nature of the data used and of any assumptions made.</i> • <i>The effect, if any, of alternative interpretations on Mineral Resource estimation.</i> • <i>The use of geology in guiding and controlling Mineral Resource estimation.</i> • <i>The factors affecting continuity both of grade and geology.</i> 	<p><i>The author of this report is confident that the geological interpretation is as accurate as possible made on the number of borehole intersections as well as the magnetic survey observations confirming the structure. The width of the coal seams and the structure require that more drilling and structural interpretations need to be made before the Coal Resources can be upgraded to measured from indicated.</i></p> <p><i>Detailed cross sections drawn by the Mining Corporation depict the structure accurately as accurately as the data allows.</i></p> <p><i>The coal seams are continuous and thus the factors affecting the thickness and quality of the coal seams have been accurately estimated.</i></p>
Dimensions	<ul style="list-style-type: none"> • <i>The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</i> 	<p><i>The resource measures approximately 12 km north south and 2.5 km east west. The coal dips west to east at about 10 degrees and strikes north south. The shallowest coal seams occur on the west margin at about 25 meters below surface. The coal seams on the eastern margin included in the Resource were cut off at 300 meters below surface.</i></p>
Estimation and modelling techniques	<ul style="list-style-type: none"> • <i>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</i> • <i>The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</i> • <i>The assumptions made regarding recovery of by-products.</i> • <i>Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).</i> • <i>In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.</i> • <i>Any assumptions behind modelling of selective mining units.</i> 	<p><i>The modelling software used is discussed in section 5 below. The grid sizes used in the normalised kriging model were from 50 by 50 to 500 by 500 meters. Plots of contour plans (depths, widths and elevations) were superimposed on actual drill hole data to confirm the accuracy of the gridding from the data points.</i></p> <p><i>The only producing mine, Nkomati owned by Sentula Mining to the north of Kangwane South Anthracite is in the same coal field. This operating mine was also visited during the site visit in 2011. Production is still ongoing at about 20 000 tons per month using contractors for both opencast mining and underground mining.</i></p> <p><i>Previous Coal Resource estimates have been tabled in the main body of the report in Table 1</i></p> <p><i>No production records exist</i></p> <p><i>There will be no by-products</i></p> <p><i>No deleterious elements except for sulphur in the discard which has to be managed in terms of the EMP</i></p> <p><i>The average blocks varied in size from 50 meters to 500 meters depending on drilling density</i></p> <p><i>No selective mining has been contemplated.</i></p>

Criteria	Explanation	Commentary
	<ul style="list-style-type: none"> Any assumptions about correlation between variables. Description of how the geological interpretation was used to control the resource estimates. Discussion of basis for using or not using grade cutting or capping. The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available. 	<p>Correlation between variable such as Ash% and CV (MJ/Kg) have been used to verify analytical data</p> <p>This is not applicable to Coal</p> <p>Borehole values at drill hole data where plotted on contour plots to verify both interpolated and raw data</p>
Moisture	<ul style="list-style-type: none"> Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content. 	All coal tonnages and qualities are reported on an air dry basis. Due to the width of the coal seam no selective mining can take place. Acid mine drainage and other.
Cut-off parameters	<ul style="list-style-type: none"> The basis of the adopted cut-off grade(s) or quality parameters applied. 	Not applicable to Coal
Mining factors or assumptions	<ul style="list-style-type: none"> Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made. 	<p>Opencast mining will take place on the shallow western margin of the resource where the Strip Ratios are less than 6:1 (Bcm/ton)</p> <p>Underground bord and pillar mining will take place where the coal is deeper than 35 meters would give an average extraction of 65%.</p> <p>Opencast mining methods would assume a 95% extraction with a 5% dilution. Strip ratios depending on costs and revenues would normally cut off at SR of 6:1 (bcm/ton of coal)</p>
Metallurgical factors or assumptions	<ul style="list-style-type: none"> The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made. 	<p>The plant efficiencies and recoveries can only modified once the large diameter boreholes have been drilled. At this stage all yields and qualities are reported as theoretical. All qualities and yields were calculated on an "air dry" basis. Practical yields would be calculated from theoretical yields with a discount factor of 11% for Resource Reporting</p>

Criteria	Explanation	Commentary
<i>Environmental factors or assumptions</i>	<ul style="list-style-type: none"> Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfield project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made. 	<p>The risks associated with opencast and underground mining are commensurate with any coal project in a sensitive river environment and need to be managed as such during mining and rehabilitation activities.</p> <p>The EMP submitted with the granted Mining Right referenced all the environmental assumptions</p>
<i>Bulk density</i>	<ul style="list-style-type: none"> Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples. The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc.), moisture and differences between rock and alteration zones within the deposit. Discuss assumptions for bulk density estimates used in the evaluation process of the different materials. 	<p>Coal relative densities used in the tonnage calculations were either determined at sample level in the laboratory or calculated in Washproduct using the accepted Raw Ash formula. All tonnages in the Report are quoted on an "air dry basis".</p> <p>Bulk densities are not normally used in Coal Resource Calculations</p> <p>Bulk densities are not normally used in Coal Resource Calculations</p>
<i>Classification</i>	<ul style="list-style-type: none"> The basis for the classification of the Mineral Resources into varying confidence categories. Whether appropriate account has been taken of all relevant factors (i.e relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data). Whether the result appropriately reflects the Competent Person's view of the deposit. 	<p>The Resources have been classified by the Competent Person based largely on the drilling density per Resource Block. The Competent Person took into consideration the structure, topography, sensitive environmental areas, types of analyses and all geological factors in the area to classify the Coal Resources.</p> <p>The Competent Person validated all input data and has full confidence in the reliability of the data.</p> <p>The Coal Resources Table reflects the Competent Person's view of the Coal Deposit</p>
<i>Audits or reviews</i>	<ul style="list-style-type: none"> The results of any audits or reviews of Mineral Resource estimates. 	Venmyn Rand reviewed the Mineral Resource Estimates
<i>Discussion of relative accuracy/ confidence</i>	<ul style="list-style-type: none"> Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent 	The accuracy and confidence level of the Coal Resource estimation can be verified easily in a simple coal tonnage calculation by multiplying area of coal by the width of coal seam by the relative density of the coal to verify tonnages obtained by the modelling process.

Criteria	Explanation	Commentary
	<p><i>Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.</i></p> <ul style="list-style-type: none"> • <i>The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation.</i> • <i>These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</i> 	<p><i>The Resource Statements refer to local tonnages and documentation on the derivation of these tonnages can be found in section 6.1.6</i></p> <p><i>No production data is available</i></p>

5 Geological Modelling

GeoCoal validated all the electronically captured data against the seam intersection data supplied in the form of borehole logs from the various reports. The data included the borehole’s X, and Y co-ordinates (Cape LO), collar elevation information and all coal seam intersections. Sample information with the Borehole ID, the depth to the top and bottom of each individual sample and the analyses was also captured into a database. The author reviewed the data and information provided by the historical reports using verification methodologies such as visual scans of borehole logs, versus data base entries, and used algorithms to check the figures for partings, seam widths and elevations in the electronic data base. The header records, the sample records and the cumulative laboratory analyses were electronically captured into the database. The author used Wash Product Software® (“WashProduct”) applying standard accepted methodologies for compositing samples. This software also verifies that all qualities are correct, for example Calorific Value must always decrease with increasing relative density, ash must always increase with increasing density and yields must always add up to 100%. The author used Surfer® version 10.0.500 (64 bit) (Surfer”) software to calculate volumes and to produce contour maps.

5.1 North Block 01 3 Seam

Figure 9 Block 01 3 Seam width (m)

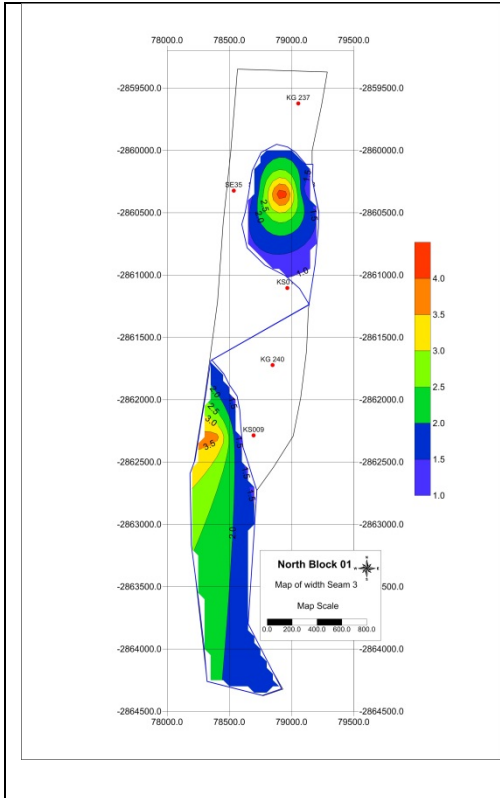


Figure 10 Block 01 3 Seam depth (m)

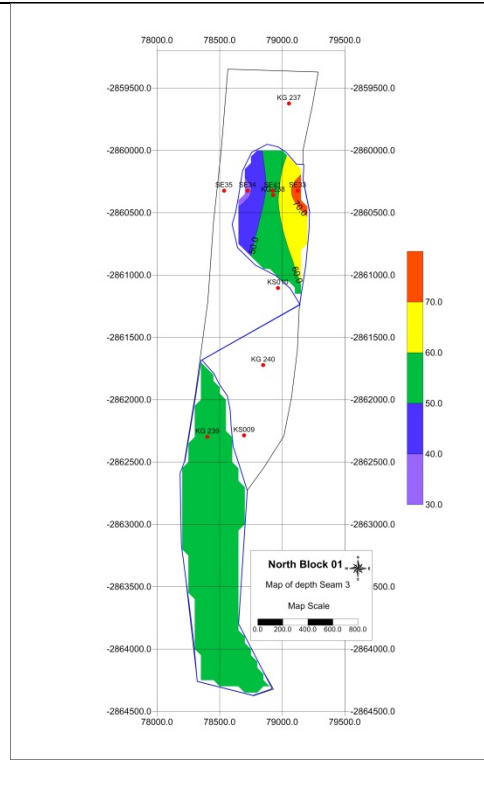


Figure 11 Block 01 3 Seam floor elevation (masl)

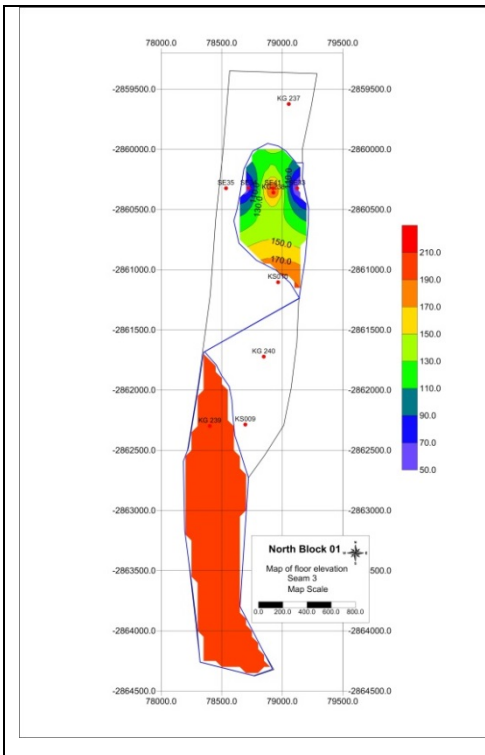
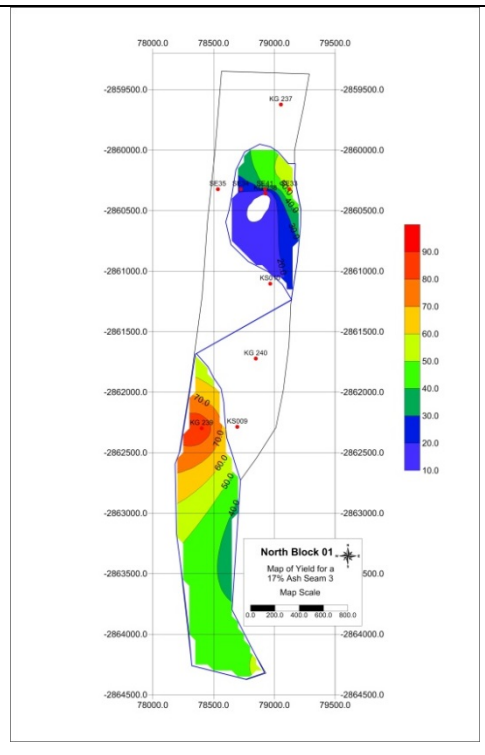


Figure 12 Block 01 3 Seam Yield for a 17% Ash product



5.2 North Block 01 5+6 Seam

Figure 13 Block 01 5+6 Seam width (m)

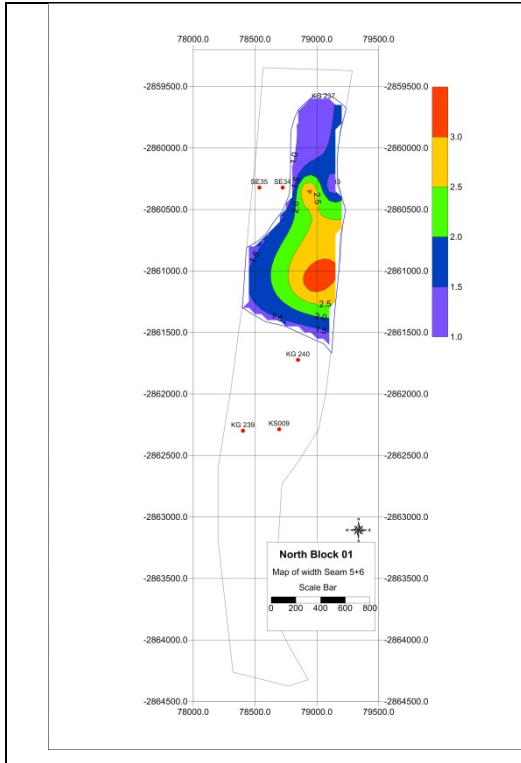


Figure 14 Block 01 5+6 Seam depth (m)

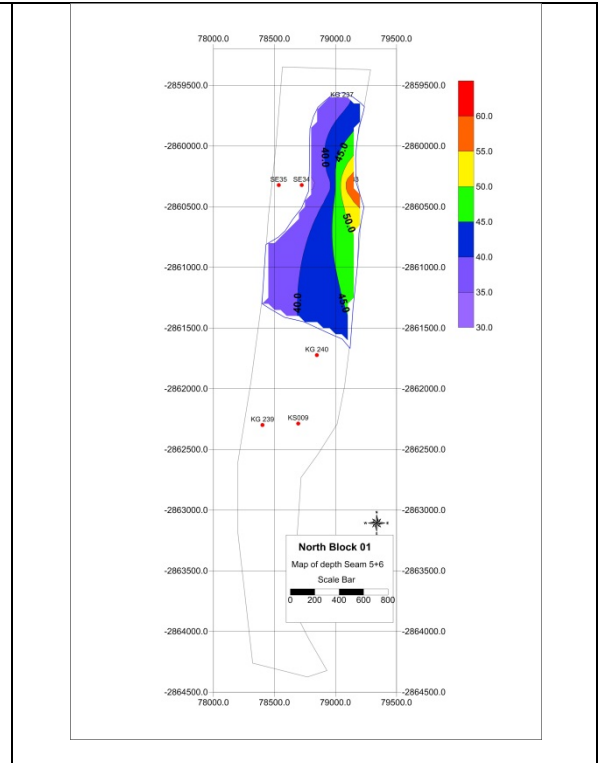


Figure 15 Block 01 5+6 Floor elevation (masl)

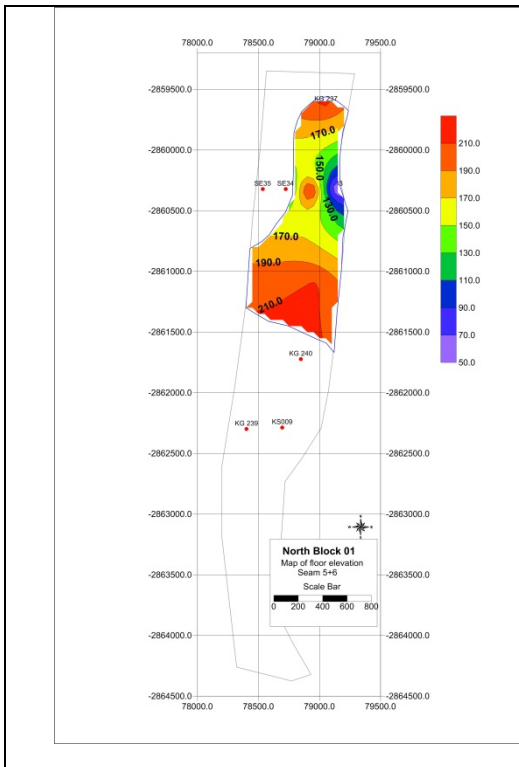
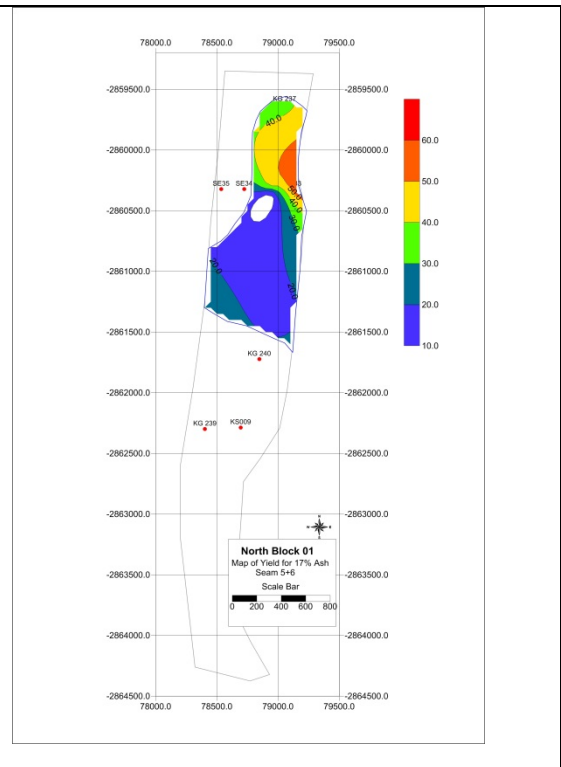


Figure 16 Block 01 5+6 Yield for 17% Ash product



5.3 North Block 02 3 Seam

Figure 17 Block 02 3 Seam width (m)

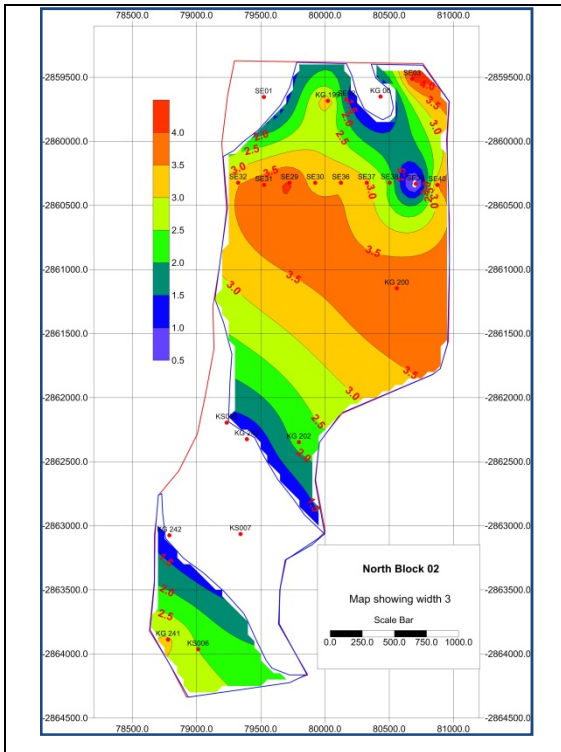


Figure 18 Block 02 3 Seam depth (m)

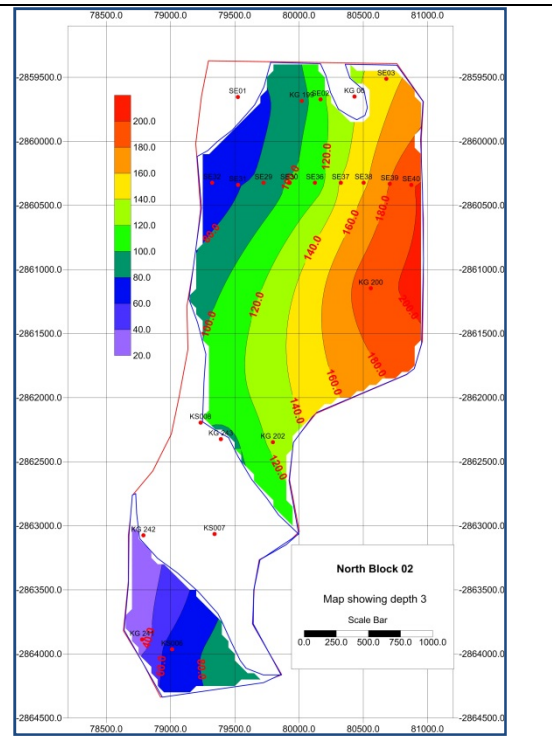
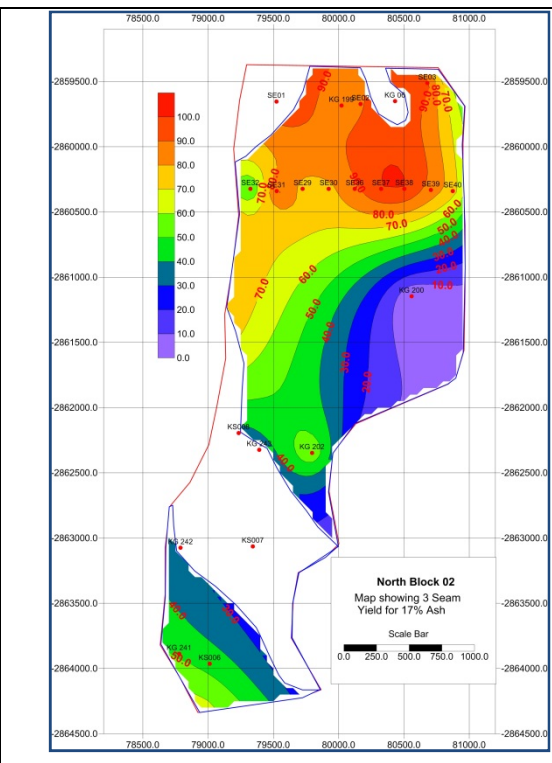
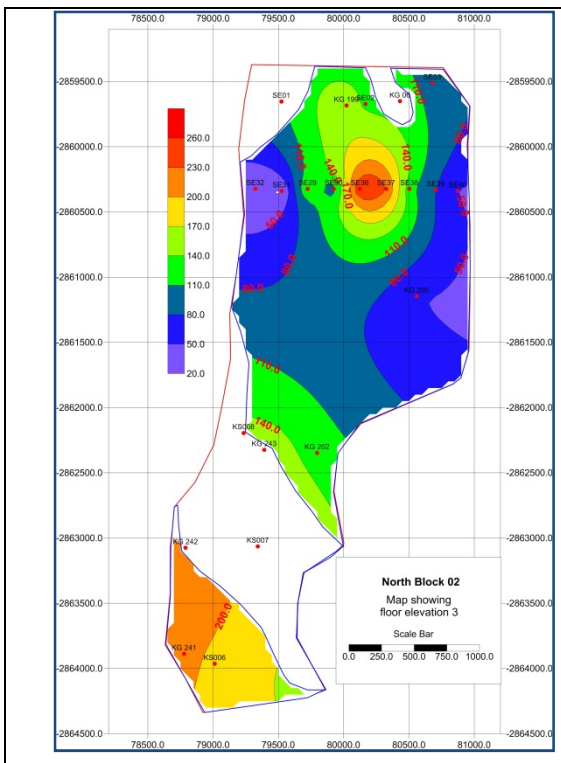


Figure 19 Block 02 3 Seam floor elevation (masl) Figure 20 Block 02 3 seam Yield for a 27% Ash product



5.4 North Block 02 5+6 Seam

Figure 21 Block 02 5+6 Seam width (m)

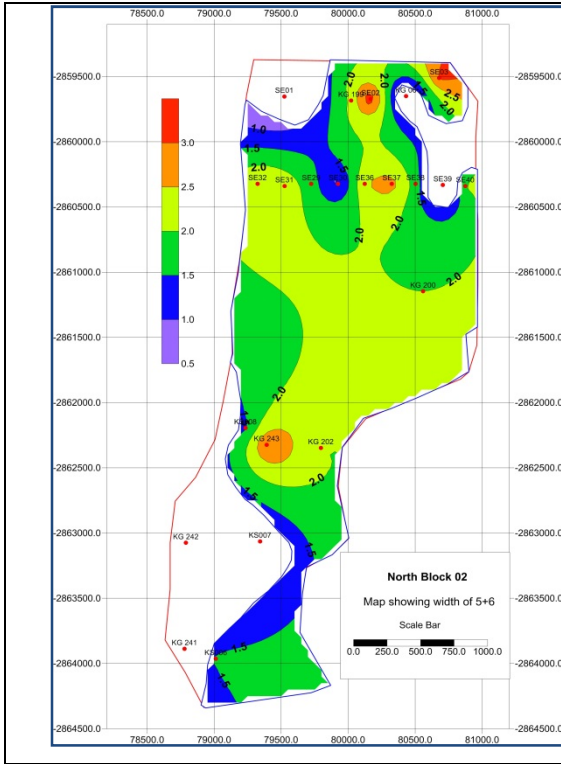


Figure 22 Block 02 5+6 Seam depth (m)

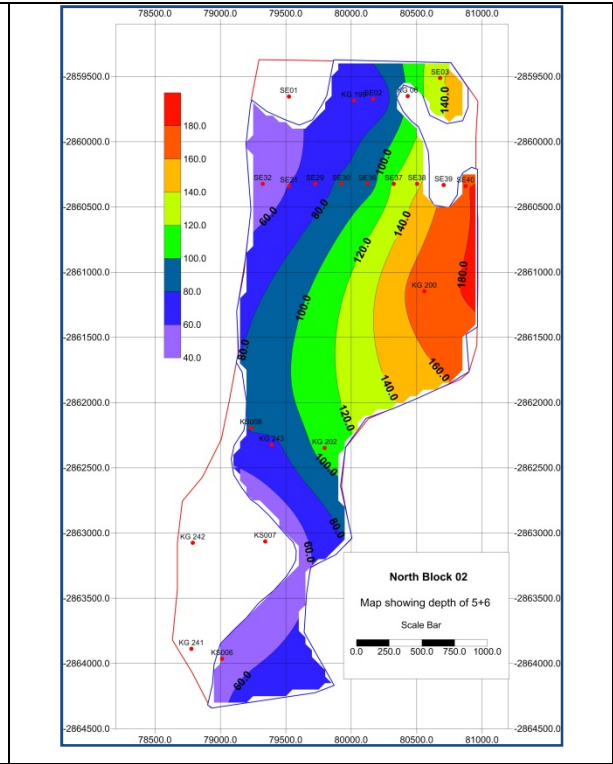
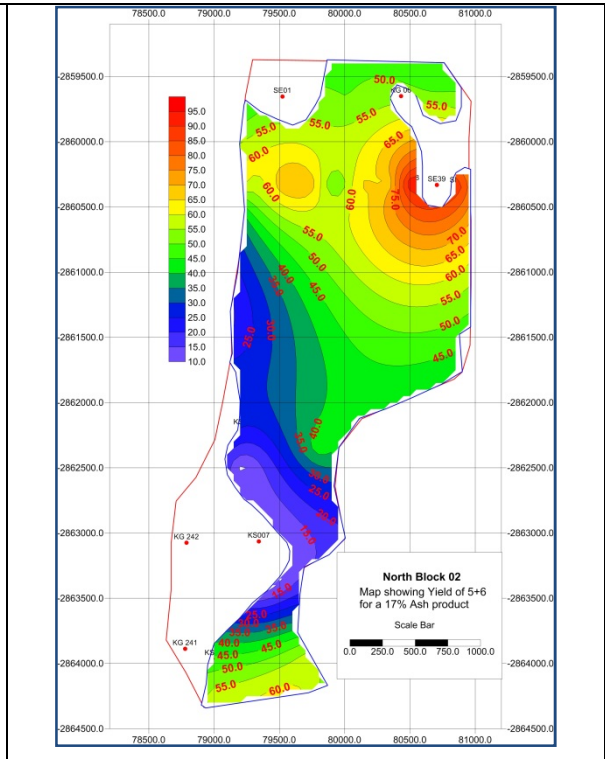
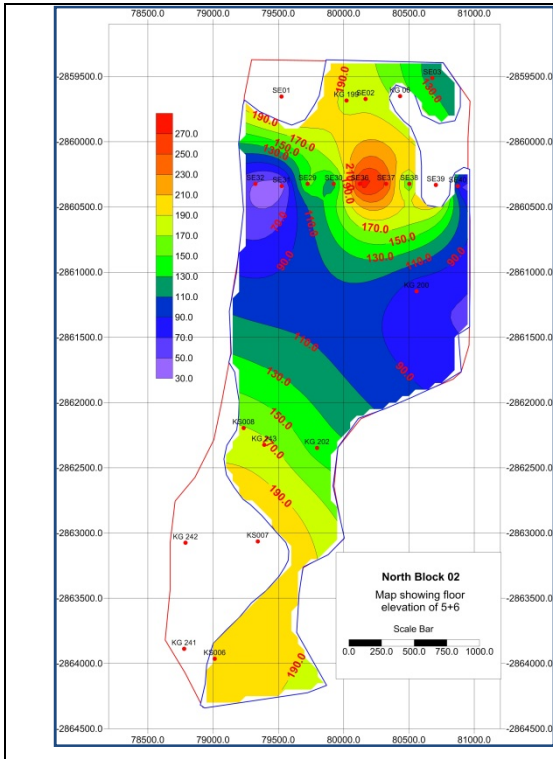


Figure 23 Block 02 5+6 Seam floor elevation (masl) Figure 24 Block 02 5+6 Seam Yield for 17% Ash product



5.5 South Block 04 3 Seam

Figure 25 Block 04 3 Seam width (m)

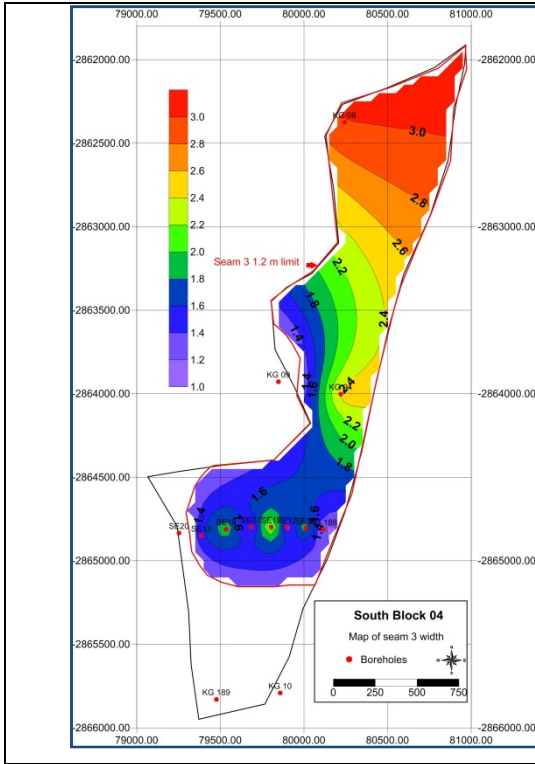


Figure 26 Block 04 3 Seam depth (m)

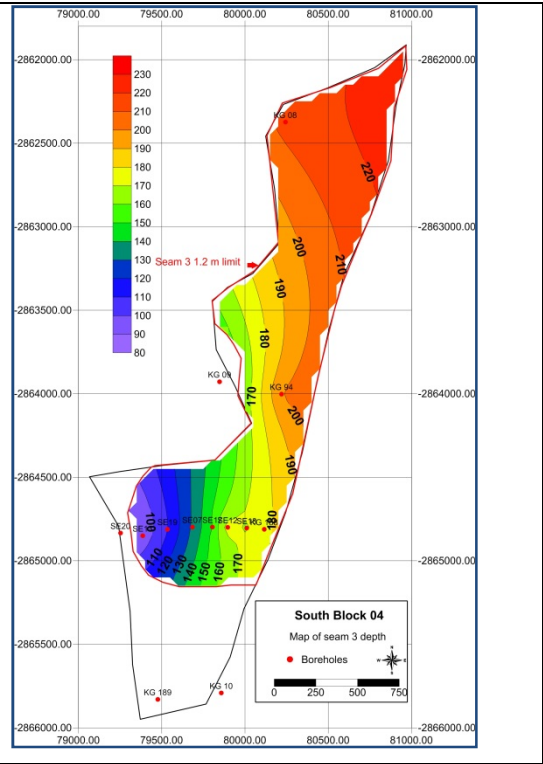
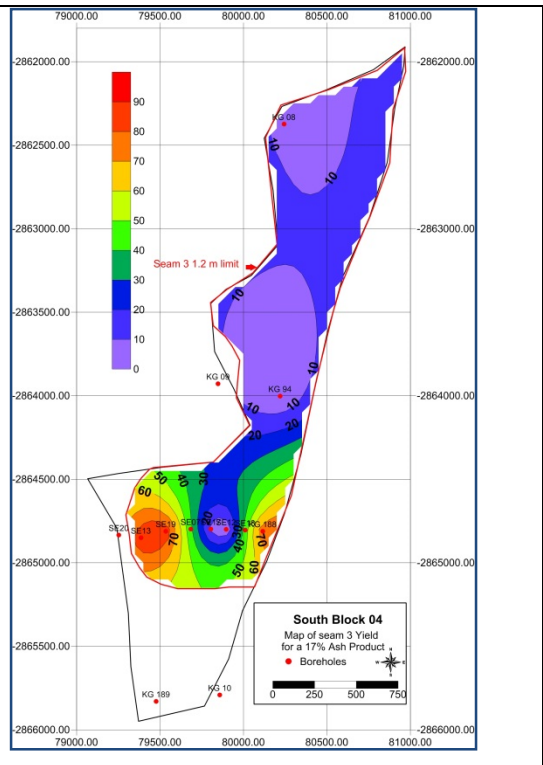
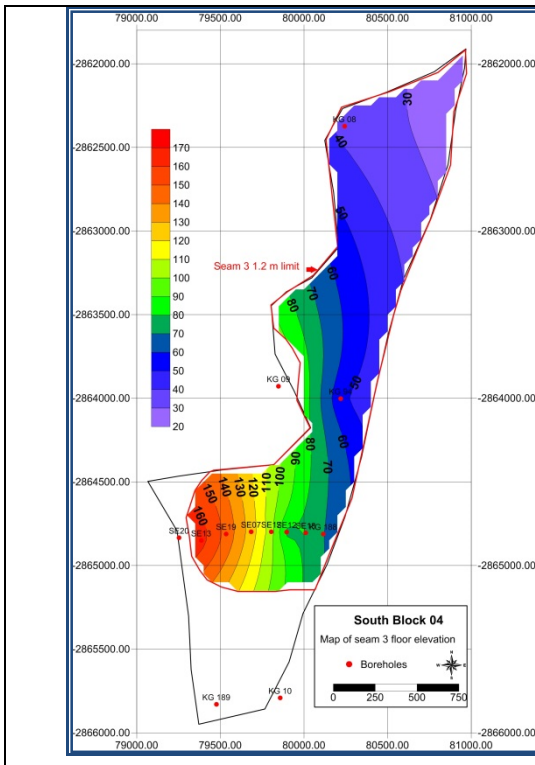


Figure 27 Block 04 3 Seam floor elevation (masl) Figure 28 Block 04 3 Seam Yield for a 17% Ash product



5.6 South Block 05 5+6 Seam

Figure 29 Block 05 5+6 Seam width (m)

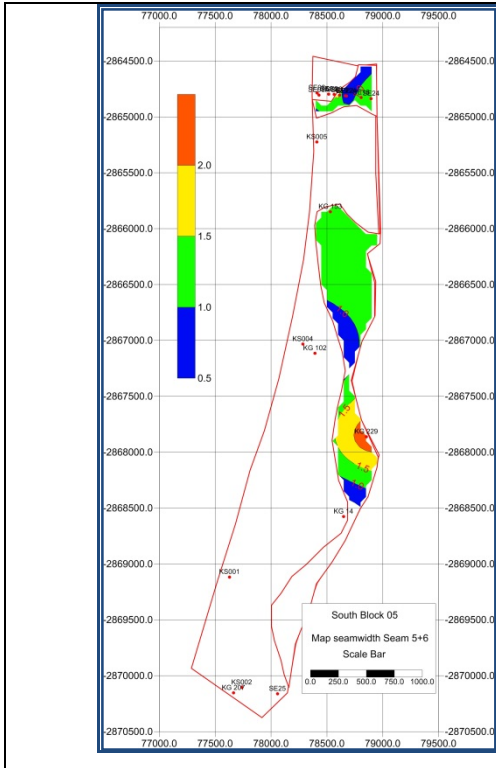


Figure 30 Block 05 5+6 Seam depth (m)

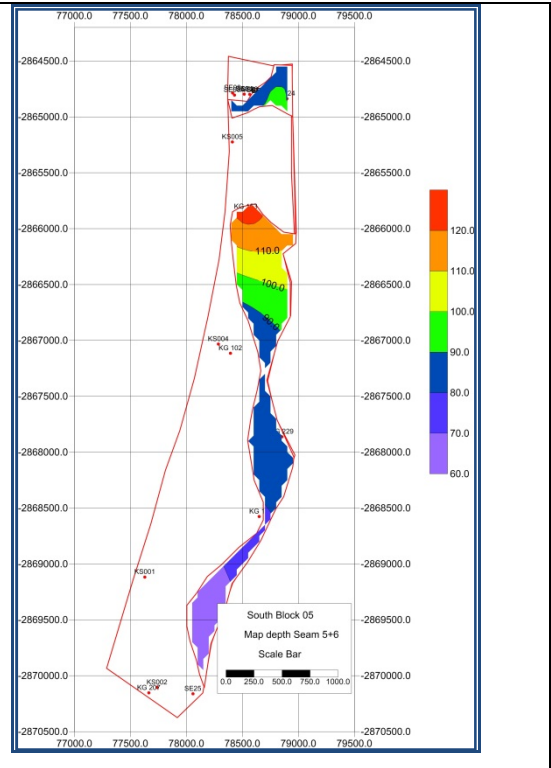


Figure 31 Block 05 5+6 floor elevation (masl)

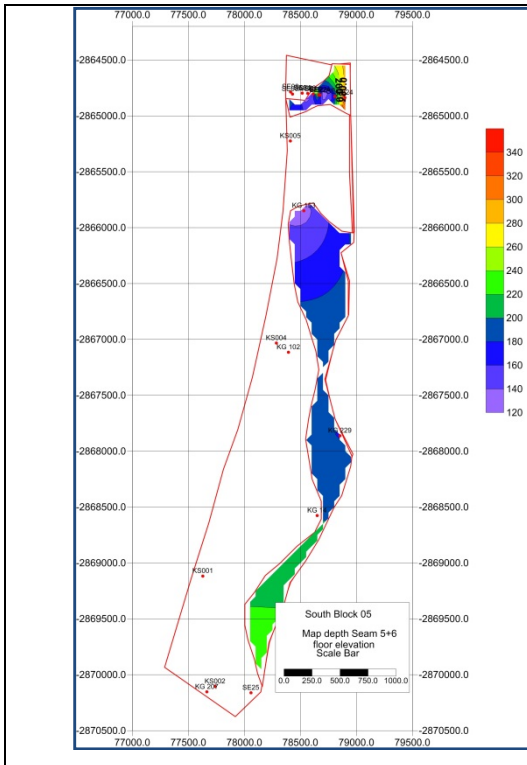
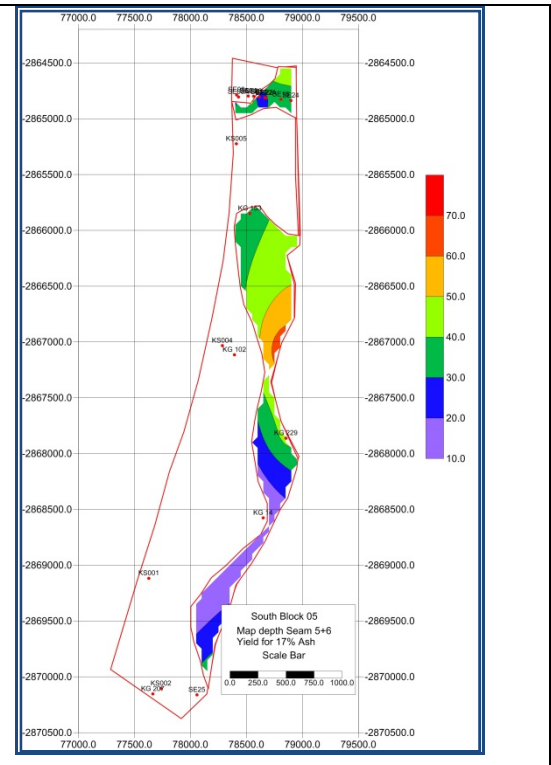


Figure 32 Block 05 5+6 Yield for a 17% Ash product



5.7 South Block 05 3 Seam

Figure 33 Block 05 3 Seam width (m)

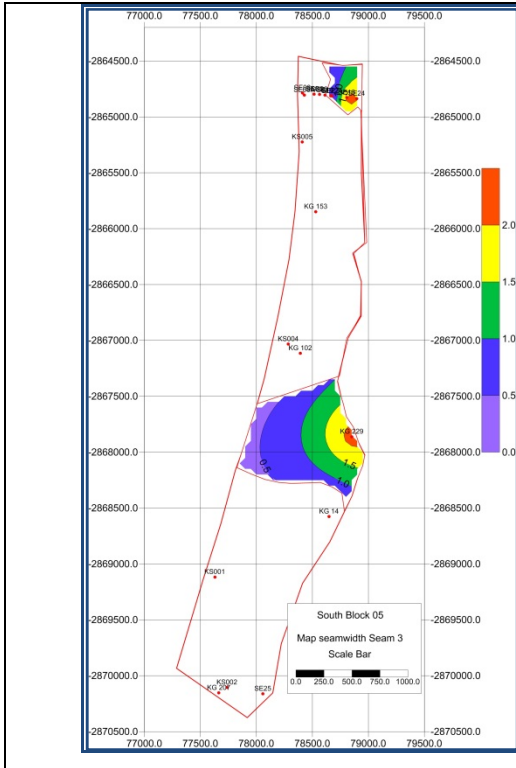


Figure 34 Block 05 3 Seam depth (m)

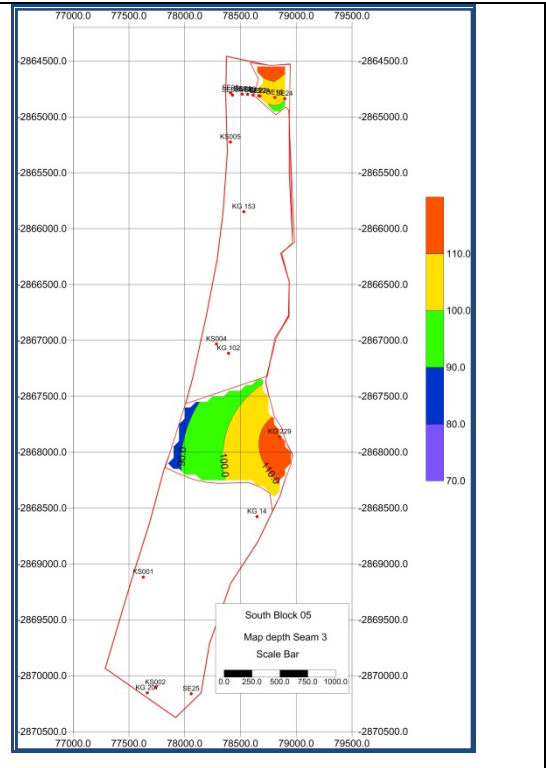


Figure 35 Block 05 3 Seam floor elevation (masl)

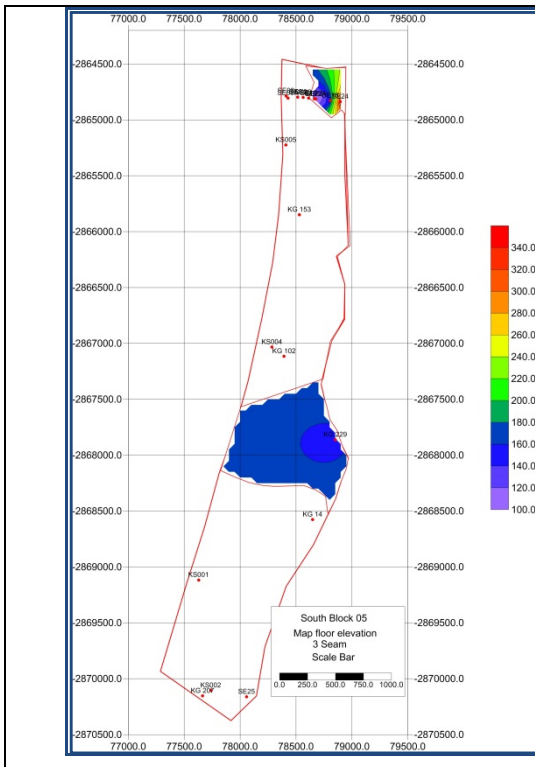
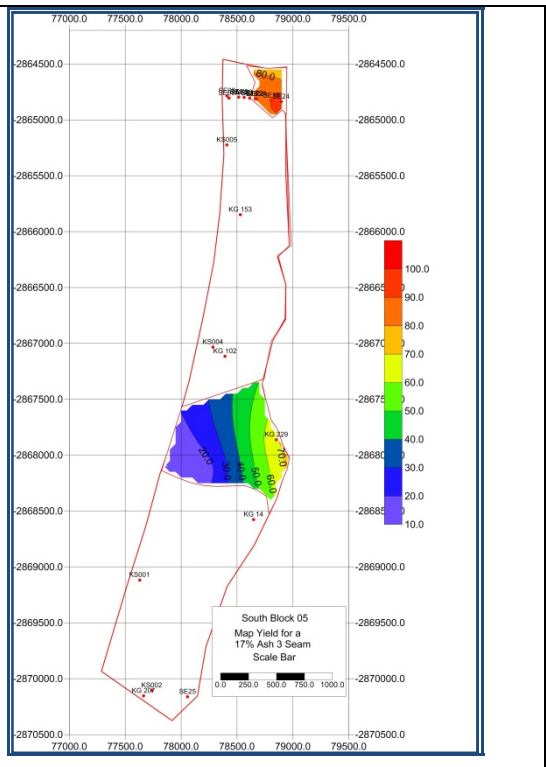
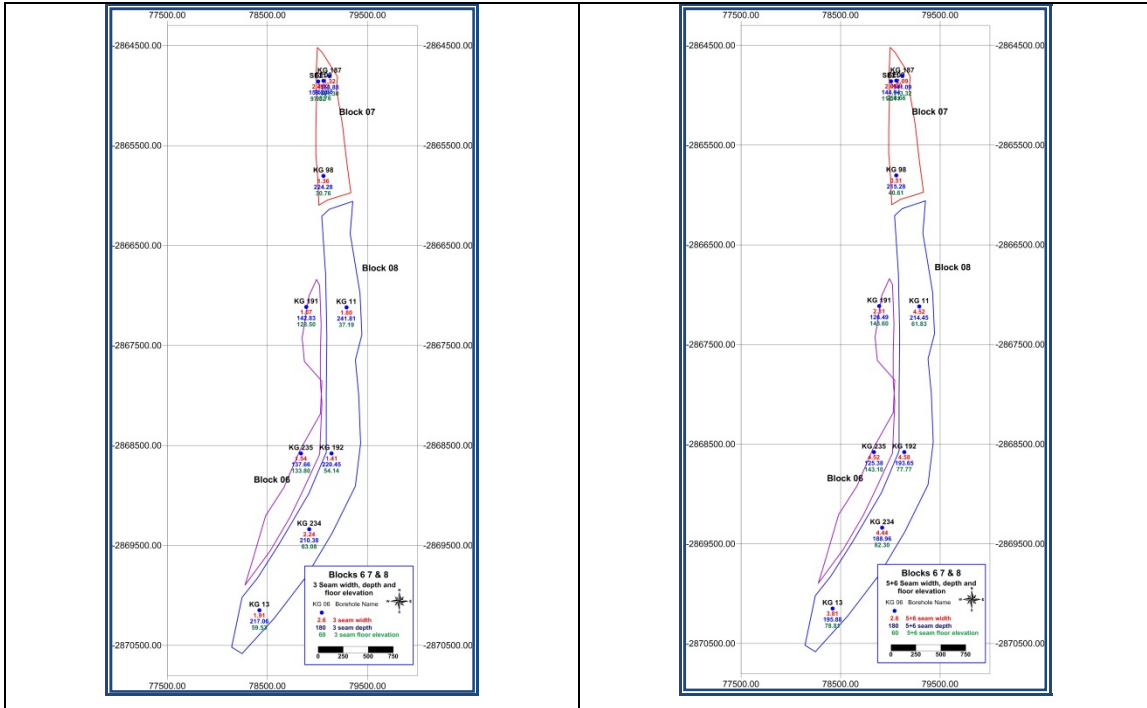


Figure 36 Block 05 3 Seam Yield for a 17% Ash product

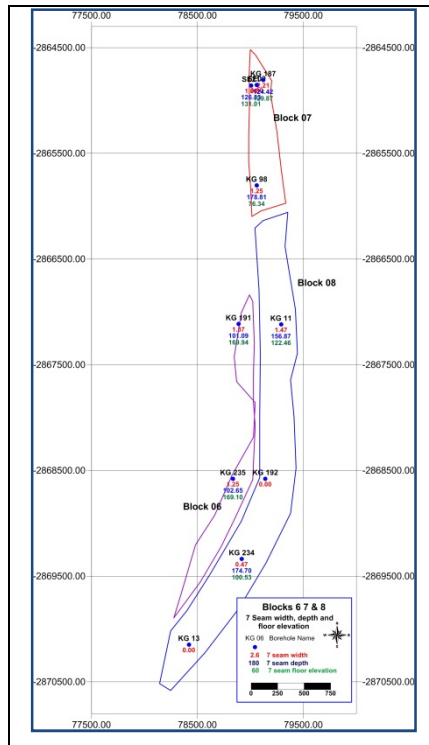


5.8 Posting of South Blocks 06, 07 & 08 Figures 37, 38 & 39

Blocks 06, 07 & 08 3 Seam width depth and floor elevation Blocks 06, 07 & 08 5+6 Seam width, depth and floor elevation



Blocks 06, 07 & 08 7 Seam width, depth and floor elevation



5.9 South Block 09 Seam 3

Figure 40 Block 09 3 Seam width (m)

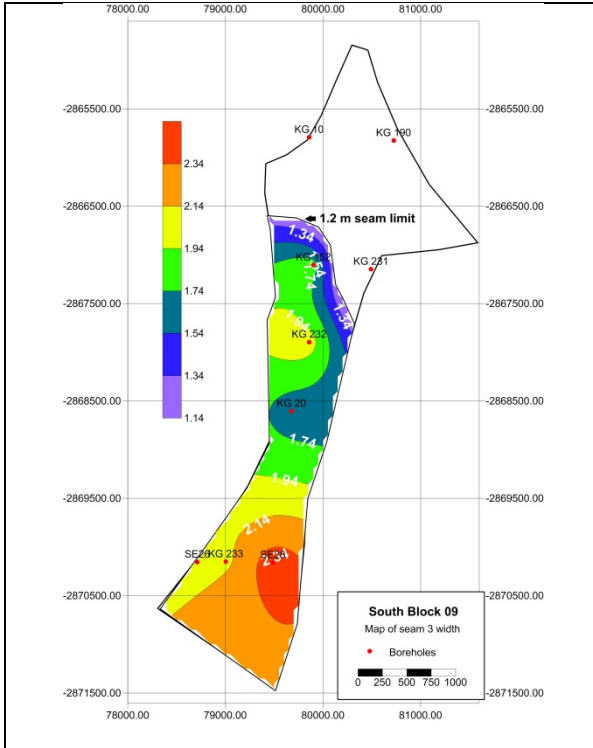


Figure 41 Block 09 3 Seam depth (m)

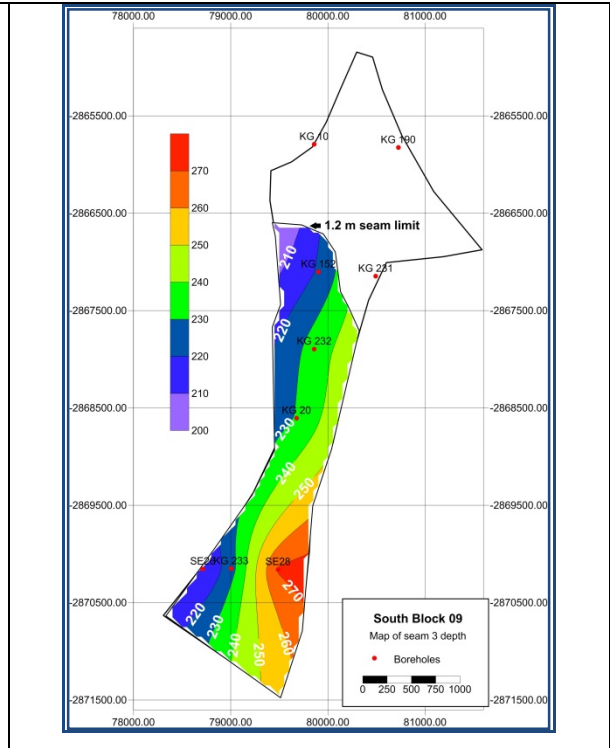
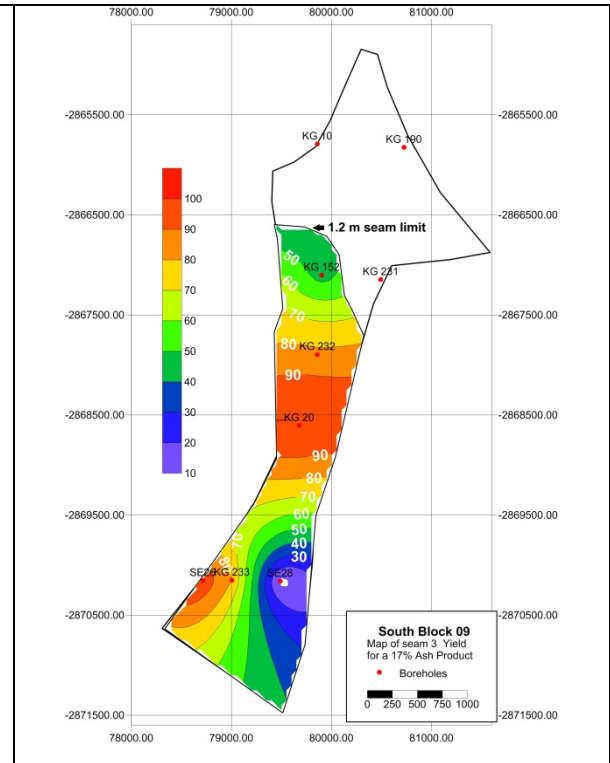
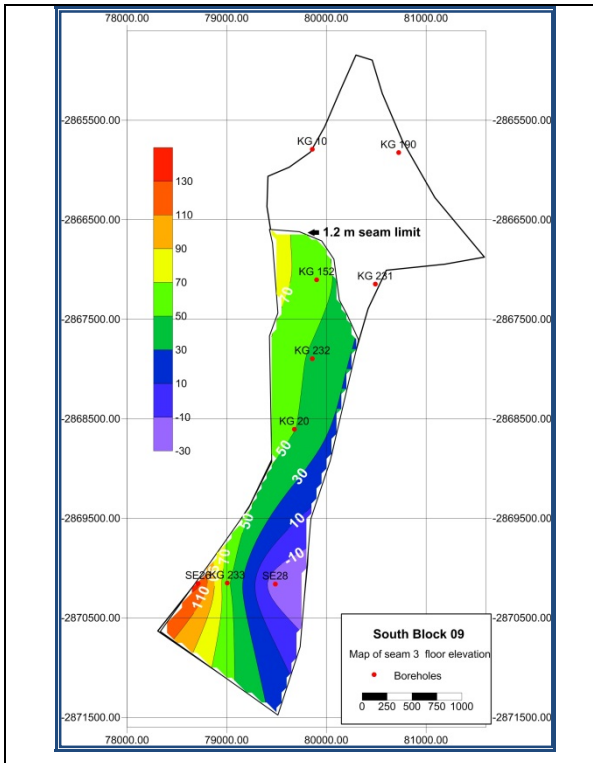


Figure 42 Block 09 3 Seam floor elevation (masl) Figure 43 Block 09 3 Seam Yield for a 17% Ash product



6 Resource Calculations

6.1 Tonnes and JORC 2012 definitions

6.1.1 Definition of an inferred coal resource

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

6.1.2 Definition of an indicated coal resource

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

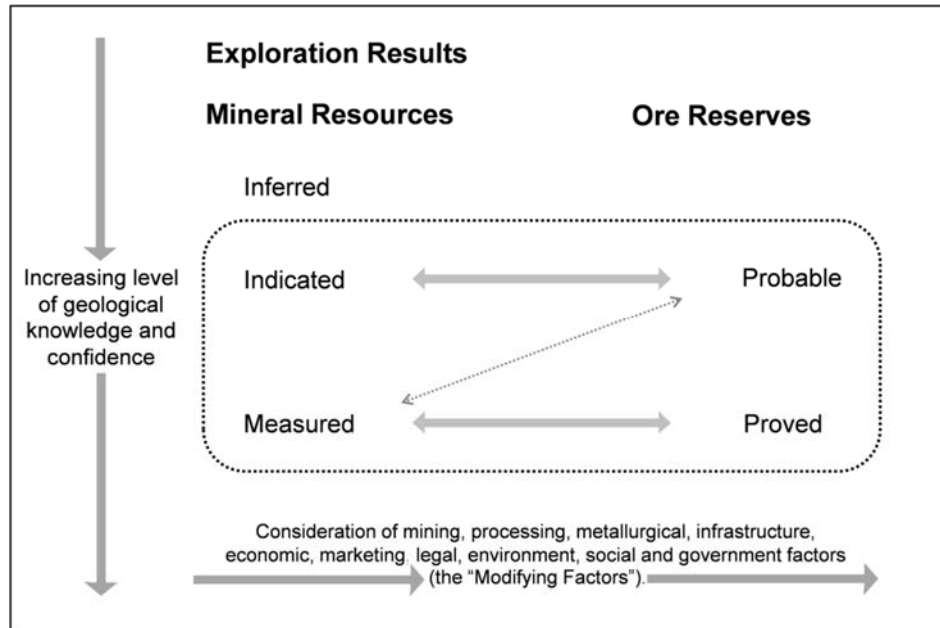
6.1.3 Definition of a measured coal resource

A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered.

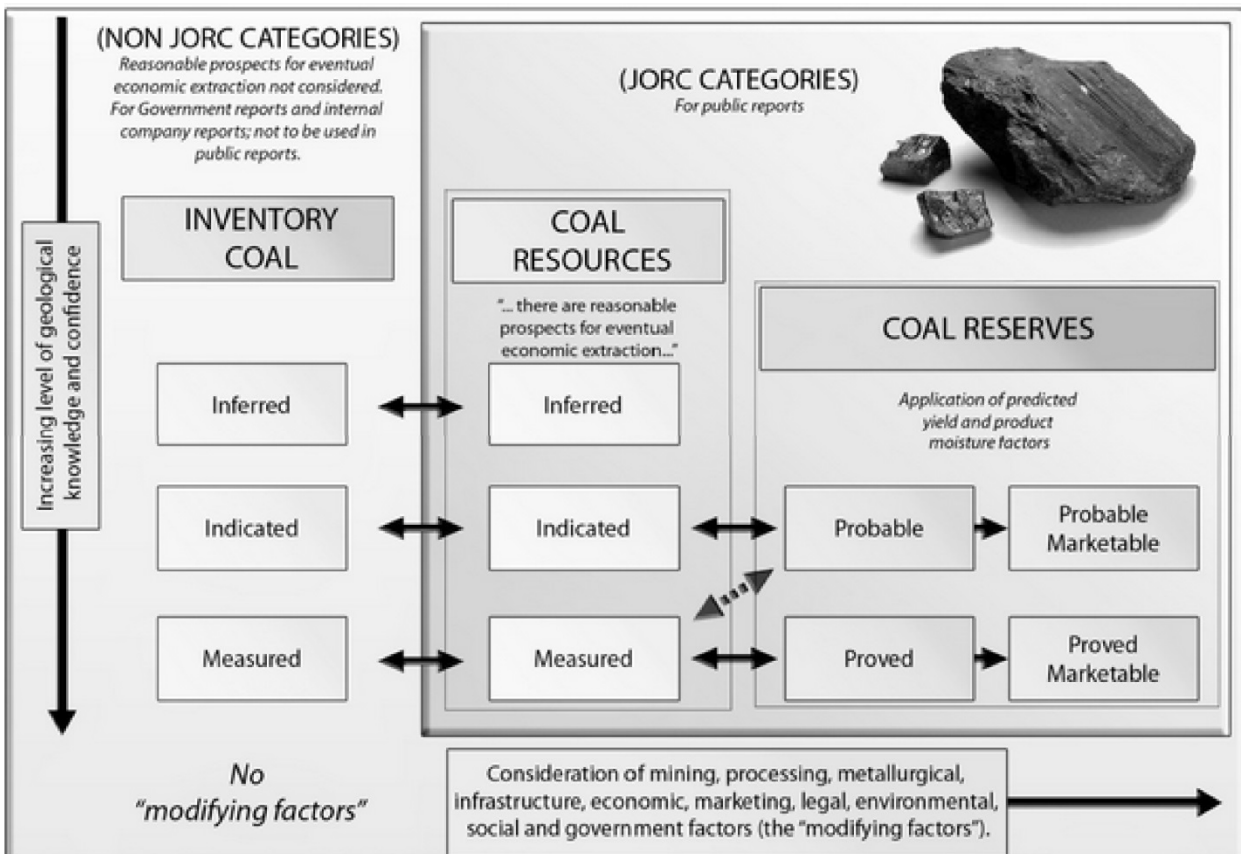
A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve.

6.1.4

Relationship between Resources, Reserves and Geological Confidence (JORC 2012)



6.15 Relationship between Inventory Coal, Resource and Reserve Classifications (Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves” or its successor document as published by the Coalfield Geology Council of New South Wales and the Queensland Resources Council)



6.16 Tonnage and Quality Calculations

6.1.7 Estimation of tonnages

Surfer Version 11.6.1159 October 2013 was used to calculate areas and volumes of coal for the various resource blocks within each blocks pre-defined coal limits. The software used normalised kriging gridding algorithms to calculate the roof and floor elevations within the delineations for the various resource blocks. The algorithms used were point gridded using a linear kriging with a normalised variogram. The grid sizes varied between 50 and 500 metres depending on the drilling density of the resource block. The volume calculation was then done by subtracting the roof elevation from the floor elevation. This volume is then multiplied by the weighted average RD (g/cc) for the particular resource block to calculate the GTIS (gross insitu tonnage). Below is a typical volume calculation report:

6.18 Volume Calculations

Grid Volume Computations

Sun Sep 25 11:08:16 2016

Upper Surface

Grid File Name: F:\Kangwane South\GeoCoal work\Surfer\North Block 02\North 02 roof 3 out.grd

Grid Size: 109 rows x 61 columns

X Minimum: 78200 X Maximum: 81200

X Spacing: 50

Y Minimum: -2864500

Y Maximum: -2859100

Y Spacing: 50

Z Minimum: 21.952622751275

Z Maximum: 259.76753652637

Lower Surface

Grid File Name: F:\Kangwane South\GeoCoal work\Surfer\North Block 02\North 02 floor 3 out.grd

Grid Size: 109 rows x 61 columns

X Minimum: 78200

X Maximum: 81200

X Spacing: 50

Y Minimum: -2864500

Y Maximum: -2859100

Y Spacing: 50

Z Minimum: 18.240934727789

Z Maximum: 256.37025468667

Volumes

Z Scale Factor: 1

Total Volumes by:

Trapezoidal Rule: 15997031.625681

Simpson's Rule: 16029380.073536

Simpson's 3/8 Rule: 15985406.595538

Cut & Fill Volumes

Positive Volume [Cut]: 15997031.625681

Negative Volume [Fill]: 0

Net Volume [Cut-Fill]: 15997031.625681

Areas

Planar Areas

Positive Planar Area [Cut]: 4916250

Negative Planar Area [Fill]: 0
 Blanked Planar Area: 11283750
 Total Planar Area: 16200000
 Surface Areas
 Positive Surface Area [Cut]: 4916258.9511166
 Negative Surface Area [Fill]: 0

6.19 Estimation of Qualities

The output from WashProduct Version 1.3.7 by Snowdon Technologies is formatted into a Surfer data base and the qualities are contoured using the same gridding algorithms as for the tonnage calculations. The weighted average maximum and minimum qualities are calculated from the WashProduct output.

Table 4 Drilling densities for the Nine Kangwane South Resource Blocks

Block	No of BH's	Area (Ha)	Density Ha/BH	SAMREC
North 01	10	1 405 011	14.05	Indicated
North 02	21	5 067 511	24.13	Indicated
North 03	1	280 486	28.05	Inferred
South 04	13	1 718 754	13.22	Indicated
South 05	9	931 251	10.35	Indicated
South 06	2	233 911	11.70	Inferred
South 07	4	286 250	7.16	Indicated
South 08	4	1 328 750	33.22	Inferred
South 09	9	3 473 751	38.60	Inferred

Table 4a Summary of Resource Classifications

	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Kangwane South	0	73.9	25.8	99.7

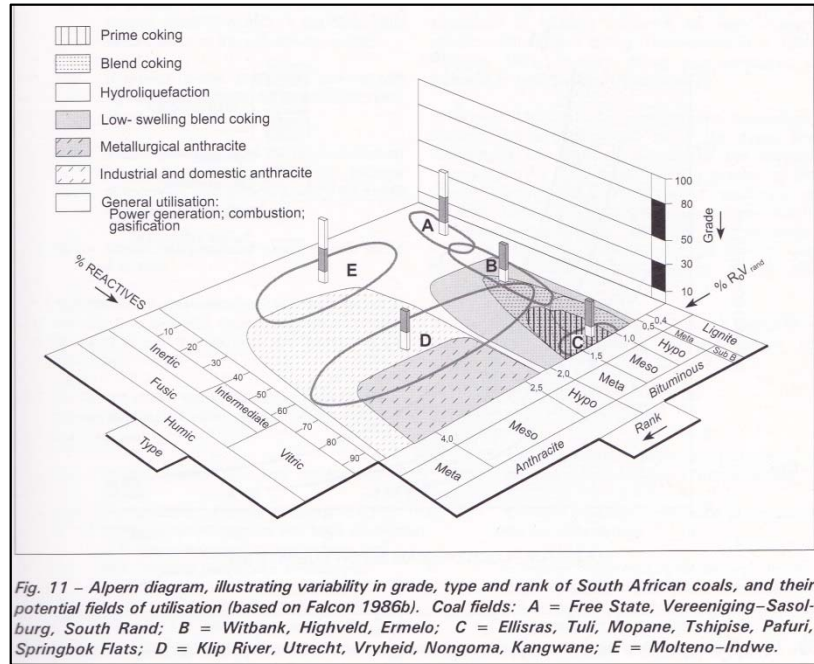
Table 5 Resource Table Kangwane South

Block	Seam	Area (ha)	Volume (m cu m)	Ave width (m)	RD (g/cc)	GTIS (m)	Geol %	MTIS (m)
North 01	5+6	90.3	2.2	2.48	1.63	3.6	25%	2.7
North 01	3	140.5	4.9	3.48	1.54	7.5	25%	5.7
North 02	5+6	506.8	10.6	2.10	1.63	17.3	25%	13.0
North 02	3	491.6	16.0	3.25	1.54	24.7	25%	18.5
South 04	7	104.4	1.6	1.53	1.55	2.5	25%	1.9
South 04	5+6	119.8	2.5	2.07	1.63	4.0	25%	3.0
South 04	3	171.9	4.2	2.45	1.54	6.5	25%	4.9
South 05	5+6	93.1	1.7	1.86	1.63	2.8	25%	2.1
South 05	3	77.1	1.6	2.08	1.54	2.5	25%	1.9
South 07	7	28.6	0.6	2.06	1.55	0.9	30%	0.6
South 07	5+6	28.6	0.3	1.21	1.63	0.6	30%	0.4
South 07	3	28.6	0.6	2.17	1.54	1.0	30%	0.7
South 08	5+6	132.9	5.8	4.33	1.63	9.4	30%	6.6
South 08	3	132.9	2.9	2.21	1.54	4.5	30%	3.2
South 09	7	Seam too thin						
South 09	5+6	Seam too thin						
South 09	3	347.4	7.7	2.23	1.54	11.9	25%	8.9
Total			63.3			99.7		74.0

Blocks 6 and 3 have insufficient boreholes to calculate resources
 Minimum seam width used 1.3 metres Maximum Depth 300 meters

6.2 Kangwane anthracite qualities

The Kangwane Anthracite (D) has been classified as a medium ash metallurgical grade anthracite according to the Alpern diagram below



Anthracite is defined as a high rank coal with a mean vitrinite random reflectance is greater than 2%. No petrographic analyses were reported on the coal sampled during the historical drilling. Typical qualities for beneficiated medium ash anthracite are listed below together with the average Kangwane South beneficiated qualities are tabled below:-

Comparative Analyses of Medium Ash Metallurgical Anthracites		
Parameter	Typical Medium Ash Anthracite	Kangwane South Anthracite Average
Rank (RoV) %	> 2.0	**
Inherent Moisture %	1.5 to 3.0	0.20 to 3.5
Ash %	15 to 25	12 to 20
Volatile Matter %	< 12.0	7.5
Fixed Carbon %	> 70.0	75
Sulphur %	< 1.0	0.6
Phosphorus %	< .01	*
Calorific Value (MJ/Kg)	25 to 30	24 to 31

* Phosphorus not always analysed

** No Petrographic Analyses

The tables below show the raw qualities for each seam

6.2.1 3 Seam Raw Values

Seam 3 Raw Values									
Statistic	Product RD	Moisture	Ash	Volatiles	Fixed Carbon	Sulphur	CV	Yield	Raw RD
Wgt Average	1.56	1.63	24.98	7.61	65.86	0.61	24.41	100	1.56
Maximum	2.00	7.30	61.66	10.80	76.20	2.70	29.25	100	2.00
Minimum	1.41	0.20	12.20	3.70	28.48	0.10	9.32	100	1.41

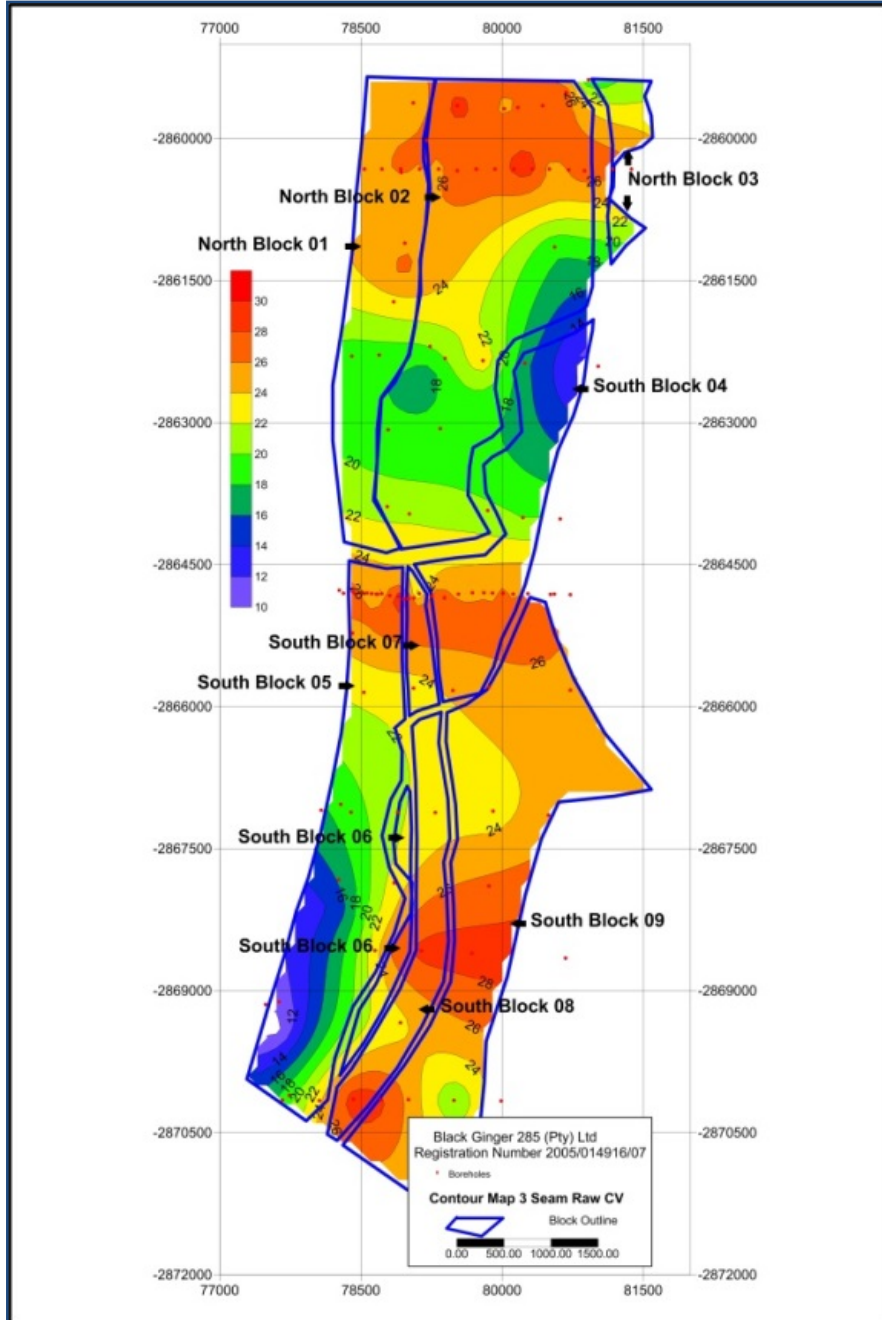
6.2.2 7 Seam Raw Values

Seam 7 Raw Values									
Statistic	Product RD	Moisture	Ash	Volatiles	Fixed Carbon	Sulphur	CV	Yield	Raw RD
Wgt Average	1.58	1.51	26.57	7.71	64.26	0.53	24.04	100	1.58
Maximum	2.28	4.4	85.21	9.4	72.8	1.42	28.1	100	2.28
Minimum	1.5	0.40	19.6	4.61	8.32	0.10	2.56	100	1.50

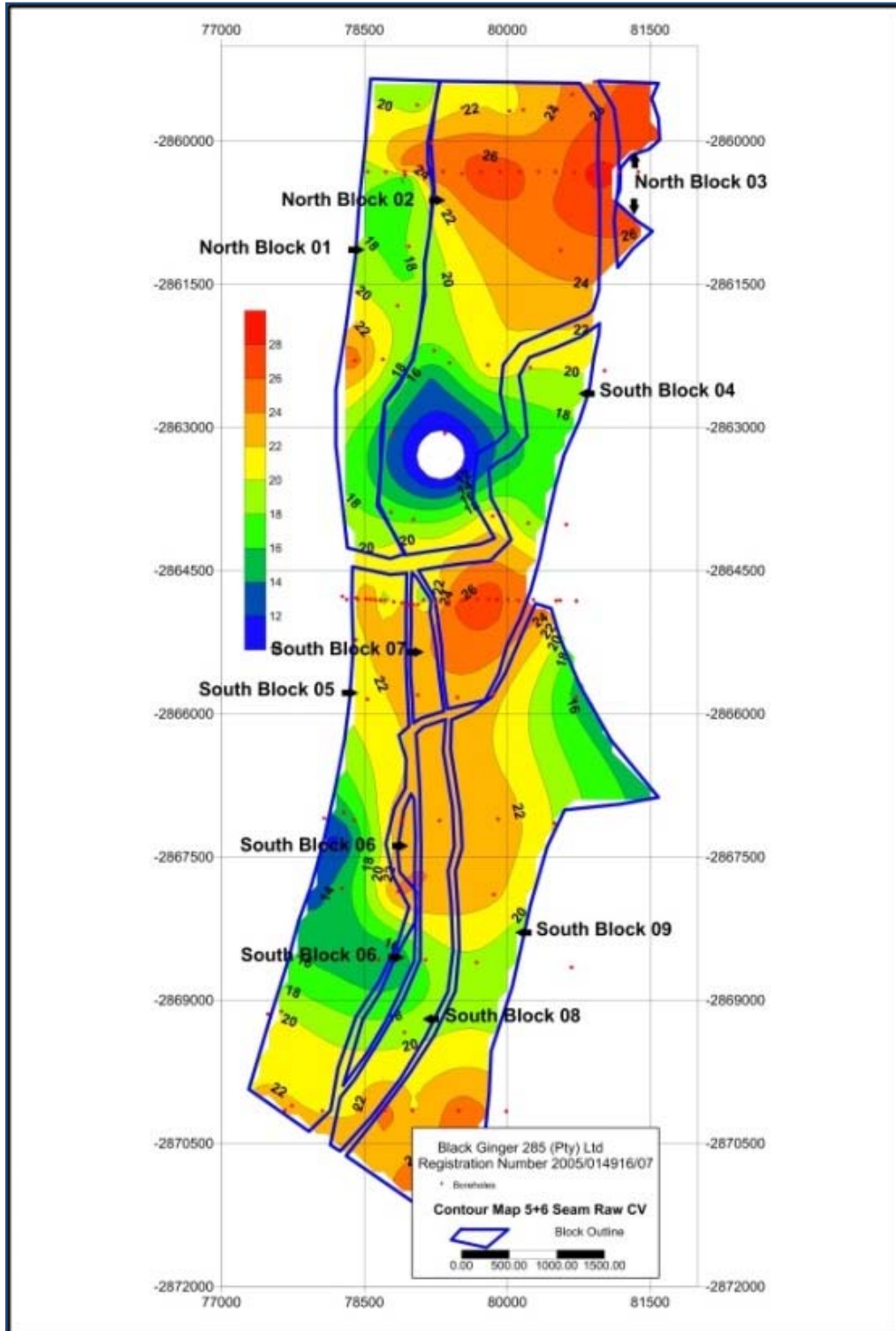
6.2.3 5+6 Seam Raw Values

Statistic	Product RD	Moisture	Ash	Volatiles	Fixed Carbon	Sulphur	CV	Yield	Raw RD
Wgt Average	1.64	1.33	31.98	7.83	58.97	0.59	21.69	100	1.64
Maximum	2.08	9.00	68.40	10.70	75.34	1.28	28.63	100	2.08
Minimum	1.47	0.10	17.56	3.90	22.20	0.13	6.04	100	1.47

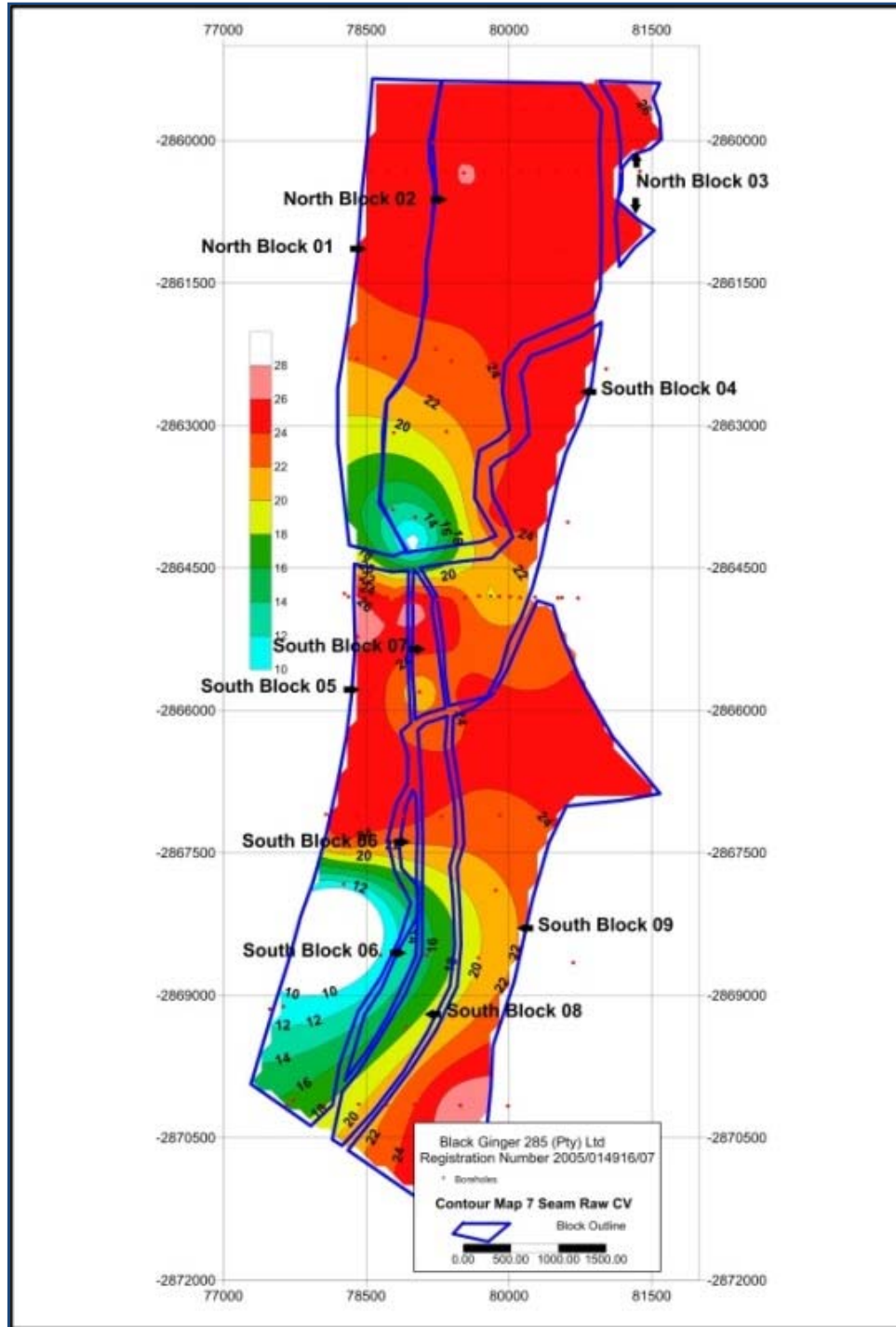
6.2.4 Map of Raw CV (MJ/Kg) 3 Seam



6.2.5 Map of Raw CV (MJ/Kg) 5+6 Seam



6.2.6 Map of Raw CV (MJ/Kg) Seam 7



6.3 Washed Quality Calculations

WashProduct was used to extract a 17% Ash product for each seam (7, 5+6 and 3). The weighted average Raw RD was used in the tonnage calculation for each seam in the Resource Blocks. The 3 seam has the highest average yields for a 17% ash product, and the 7 seam the lowest yields.

Table 6 3 seam statistics for a 17% Ash product

Seam 3 wash for 17% Ash									
Statistic	Product RD	Moisture	Ash	Volatiles	Fixed Carbon	Sulphur	CV	Yield	Raw RD
Wgt Average	1.69	1.69	16.81	7.68	73.82	0.59	28.16	64.37	1.54
Maximum	2.00	7.30	17.00	9.78	76.95	1.45	29.85	100.00	2.00
Minimum	1.44	0.18	12.20	3.70	70.34	0.10	24.50	0.00	1.41

Table 7 5+6 seam statistic for a 17% Ash product

Seam 5+6 wash for 17% Ash									
Statistic	Product RD	Moisture	Ash	Volatiles	Fixed Carbon	Sulphur	CV	Yield	Raw RD
Wgt Average	1.60	1.28	17.00	8.04	73.67	0.62	28.62	41.70	1.63
Maximum	1.83	3.85	17.00	23.27	76.96	1.04	31.40	94.72	2.08
Minimum	1.43	0.17	17.00	3.90	70.36	0.10	24.00	0.00	1.47

Table 8 7 seam statistics for a 17% Ash product

Seam 7 wash for 17% Ash									
Statistic	Product RD	Moisture	Ash	Volatiles	Fixed Carbon	Sulphur	CV	Yield	Raw RD
Wgt Average	1.09	1.05	17.00	5.41	71.88	0.40	29.02	39.60	1.51
Maximum	1.67	3.55	17.00	9.71	76.08	1.06	29.70	86.78	2.28
Minimum	1.50	0.40	17.00	5.14	70.73	0.18	26.51	0.00	1.50

7 David van Wyk (Competent Person Comment)

GeoCoal is a South African based consultancy that has as its proprietor David le Roux van Wyk. David has more than 40 years' experience in the South African Coal industry. Neither GeoCoal nor any of the associates employed in the preparation of this report have any beneficial interest in the assets of ZYL Limited or Altius Trading 404 (Pty) Limited (the holder of the Mining Right) or any of other associated subsidiary companies. GeoCoal's independence is assured by the fact that it holds no equity in any coal projects and only derives income from consulting activities and the compilation of geological reports. GeoCoal will receive an agreed emolument for the preparation of this report.

David van Wyk is also a register natural scientist (Pr. Sci. Nat No. 401964/83). David is familiar with and adheres to the South African Minerals and Petroleum Resources Development Act of 2002 (ACT No. 28 of 2002), the JORC Code (the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 edition) which references Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves" or its successor document as published from time to time by the Coalfield Geology Council of New South Wales and the Queensland Resources Council.', the updated SAMREC code and the draft updated South African coal specific reporting code namely SANS 10320:2014, the South African Guide to the systematic evaluation of coal resources and coal reserves.

David qualifies as a “ROPO” or recognised overseas professional for the purposes of the JORC Code. He has BSc. Geology from Rhodes University; is a Past President, fellow and member of the GSSA. He was a council and executive member of the South African Council for Natural Scientists and has written a number of published and unpublished articles on coal. He is also a qualified coal plant operator.

8 Conclusions

There are already two operating anthracite collieries in this coalfield namely Meloma in Swaziland (recently purchased by Shanduka Coal) and Nkomati (owned by Sentula Mining (Pty) Ltd.) to the north of this area. The Kangwane South Project area falls in-between these two mines and from the coal intersections and qualities observed in the historical data this area contains anthracite seams that could be mined from both opencast underground. The area is traversed by faults and dolerite intrusions. The anthracite has a low in phosphorus content, the sulphur percentage is also below 1% and the ash percentage is medium to high. This classifies the resource as anthracite that can be exported from the nearby Maputo harbour or sold domestically into the Ferro-metals industry as a reductant. Low phosphorus anthracite is increasingly replacing expensive imported coke as a reductant. Vietnam and Russia, the largest exporters of anthracite, are increasing their domestic consumption that has led to a shortage of low phosphorus anthracite as reductant.

Block North 02 appears to be the most favourable in terms of size and access and it is recommended that this block be drilled on a 350 metre grid to upgrade it to a Measured Resource and to finalise the structure and qualities of the 3 and 5+6 Seams and to do impact and geotechnical testing on the roof and floor conditions for underground mining.



D le R van Wyk (BSc Geology, Pr. Sci. Nat. FGGSA MGSSA)

August 2011

Revised September 2016

9 CV David van Wyk



Fax/Telephone 046 624 4791 Cell 0828526522
 Postal address PO Box 102 Port Alfred 6170
 E-mail geocoal@geocoal.co.za Vat Reg. No.4760226201

CURRICULUM VITAE

Name of Staff: David le Roux van Wyk
Position: Joint Owner & Independent Technical Advisor,
Name of Firms: GeoCoal Services and Malatleng Mining CC
Profession: Geologist
Date of Birth: June 1948
Years with Firm/Entity: 18
Nationality: South African

Membership in Professional Societies:

CLASS	PROFESSIONAL SOCIETY	YEAR OF REGISTRATION
Member (Reg. No. 401964/83)	The South Africa Council for Natural Scientific Professions	1983
President	Geological Society of South Africa	2003
Fellow	Geological Society of South Africa	2003
Member	Geological Society of South Africa	1972
Member	Underground Coal Gasification Partnership London	2009-2011
Member	Fossil Fuel Foundation	1980-2003
Council Member	The South Africa Council for Natural Scientific Professions	2000

Geological Consulting:

DATE	CLIENT	COMMODITY	PROJECT DESCRIPTION
11/1998	Ingwe Coal Corporation	Coal	Managing Exploration Drilling Waterberg
11/1999	Fossil Fuel Foundation	Coal Bed Methane	Mitigation of Methane Emissions Study with Prof P Lloyd
9/1999	Duiker Mining Ltd.	Coal	Umgeni Geological Consulting
10/1998	Hilkru Mining Ltd.	Coal	Blesboklaagte Geological Report
2/1999	F.C Miessner	Chrome	Evaluation of Chrome Properties and Prospecting Rights Applications
2/1999	Mr. Henwood	Coal	Evaluation of Coal Properties in Natal and Prospecting Rights Applications
7/1999	P Kruger	Various	Deed Searches Pretoria
8/1999	Dept. Mining & Engineering Wits	Various	Lecturing on Coal Exploration
9/1999	Duiker Mining Ltd	Coal	Duiker Natal Mines Geological Evaluations and Reports

11/1999	Badger Mining & Consulting Pty Ltd	Various	Title deed searches and Geological Reports
DATE	CLIENT	COMMODITY	PROJECT DESCRIPTION
11/1999	Karan Beef	Coal & Gold	Minerals Evaluation and Report
11/1999	EMPR Services	Coal	Springbok Flats Geological Evaluation
12/1999	Coal Consulting Services	Coal	Geological Reports
2000	Makau Mining	Coal	New Coal Due Diligence
2000-2007	ACS Drilling/Xstrata	Coal	Core Logging, Sampling, Data Capture
12/2000	Forzando Joint venture	Coal	Core Logging, & Geological Consulting
12/2000	EMPR Services	Coal	Elandsfontein Geological Evaluation & Report
5/2000	Africven Recourses	Coal	Various Coal Property Evaluations
11/2000	Ingwe Coal Corporation	Coal	Defunct Coal Mines and Uncommitted Coal Resources Study
4/2001	Badger Mining & Consulting Pty Ltd	Coal	ZAC & Vierfontein Geological Reports
6/2001	Industrial Development Corporation	Coal	Investigation of Low Phosphorus Coal in SA
6/2001	Minerals Corporation	Coal	Matla & Usutu Collieries evaluations
4/2001	Duiker Mining Ltd.	Coal	Geological reports on exploration projects
8/2001	David Campagna	Coal Bed Methane	CBM Project
8/2001	Mpumalanga Collieries Division	Coal	Spitzkop Geological Report
8/2001	Duiker Mining Ltd	Coal	Consulting on various Mines Properties
8/2001	British New Union Investments	Coal	Mineral Rights evaluation
9/2001	Century Carbon	Coal	CPR
9/2001	CSIR	Coal	Geological Reports & Coal Project ownership searches
3-6/2001	DME	Coal Discard	Discard dump evaluations
5-12/2003	Anglo Coal	Coal	Managing Zondagsfontein Exploration Drilling
6-10/2003	Eskom	Coal	Golang Coal Study
2/2003	DPP Wits	Various	Title deed Course
9/2003-2009	Imbani Coal	Coal	Geological Modelling and Managing Exploration Drilling
2/2003	Webber, Wentzel, Bowens	Coal	Woestalleen Due Diligence
9/2003	Petrex	Coal	Evaluating coal in Springs area
3/2003-2006	Eskom Enterprises	UCG	Managing Geological Aspect of the UCG Majuba Project
2/2003	Venmyn Rand	Coal	Consulting
6/2003	Vutha Fuels	Coal	Elandsfontein Geological Evaluation
8/2004	Kumba	Coal	Prediction of Eskom Coal Requirements
3/2004-2005	ESKOM	Coal	Prospecting Rights New Order Rights Conversions Usutu, Amersfoort, Majuba
3/2004-2005	Mashala Resources	Coal	Geological Modelling and managing Exploration Drilling Mooifontein & Penumbra
3/2004	Badger Mining & Consulting Pty Ltd	Various	Geological Evaluation Anglo American Orphan Rights
3/2004	Imbani Coal	Coal	Exploration Drilling and Geological Modelling Groenvallei & Paardeplaats
7/2004	Dept. Mining & Engineering Wits	Coal	GDE Lectures
3/2005	Kangra Coal	Coal	Evaluation of Geological Data in the Dirkiesdorp Coal Area
1/2005	Xstrata	Coal	Geological Modelling and Reports Various Projects
12/2005	WesCoal Mining Pty Ltd	Coal	Anker Due Diligence
3/2006	Aquila Coal Africa	Coal	Prospecting Rights Applications Waterberg
7/2006	Bayette Resources	Coal	Evaluation of Nucoal Resources
8/2006	Dlamini Coal	Coal	Geological Exploration and Report Wesselton Colliery
8/2006	Holfontien Investments	Coal	Holfontein CPR
3-12 2006	Imbani Resources	Coal	Geological Exploration, Modelling and Report
3/2006	Kusile Mining	Coal	Title Deeds Searches
9/2006-2007	Motjoli Resources-Coal of Africa	Coal	Managing Exploration Drilling Holfontein

DATE	CLIENT	COMMODITY	PROJECT DESCRIPTION
3-12 2006	Mashala Resources	Coal	Penumbra Exploration and Geological report
9/2006-2010	Mineral Technologies	Coal	Building Geological Models from Historical Geological Data-Mabila Project
7/2006	SRK	Coal	Managing Exploration Drilling and Reports on Coal Properties Breyten Area
8/2006	Venmyn Rand	Coal	Consulting
9/2006	Vischkuil	Coal	Managing Exploration Drilling and Reports on Coal Properties Breyten Area
7/2006	Vuna Mining	Coal	Prospecting Rights Application
4/2006	WesCoal Mining Pty Ltd	Coal	Consulting on various Mines Properties
2006 - 2009	Aquila Resources	Iron & Manganese	Prospecting Rights Applications Thabazimbi and Northern Cape
6/2007-2008	Stuart Coal	Coal	Managing Exploration Drilling and Reports on Coal Properties
2007-2010	Resource Generation	Coal	Managing Waterberg Exploration and CPR's
5/2007-2008	Amari Resources	Coal	Coal Geology Consulting
6/2008	Cape Deep	Coal	Chinese Power Station Coal Supply Investigations
6/2006-2009	Aquila Energy	Coal	Permits, Geological Modelling Waterberg Properties
6/2007	RSG Global	Coal	CPR's on Injula Coal Projects
2007 - 2010	Keaton Energy	Coal	Geological Modelling, Exploration and CPR's
8/2008	Serwalo Coal	Coal	Waterberg, Vogelfontein and OFS property Evaluations
9/2008	Serwalo Coal	Coal	Managing Exploration Drilling Delmas and Waterberg
11/2000	Umthombo Resources	Coal	Managing Exploration Drilling, Geological Modelling and Report
2008 - 2010	Firestone	Coal	CPR Verloren Valley Waterberg, Managing Exploration JV with Namane and Sekoko
2008 - 2010	New Order Mining Investments	Coal	Prospecting Right Applications and Coal Project Evaluations
2008 - 2009	Sekoko	Coal	Exploration Drilling and Geological Modelling Waterberg
3/2009-2010	The Herbert Agencies	Coal	Managing Exploration Drilling and updating CPR
4/2009	Mzuri Resources	Coal	Evaluation, Report and Planning Drilling Programme Tanzanian Coal Deposit
6/2009	Tonehill Investments	Coal	CPR Kangwane Anthracite
7/2009	World Wide Coal	Coal	Coal Geology Consulting
8/2009-2010	Shanduka Resources	Coal	Evaluation of Exploration Drilling Yzermyn Project
10/2009	Universal Coal	Coal	Coal Logging and Wireline Log interpretation
10/2009	Sekoko	Coal	Exploration Drilling and Geological Modelling Soutpansberg
2/2010	Tonehill Investments	Coal	Geological Consulting
5/2010	Mindset Consulting	Coal	Due Diligence Vaalkrantz and Koudelager
2008 - 2010	Keaton Energy	Coal	Sterkfontein CPR
2008-2010	CI Holdings	Coal	Managing Exploration Drilling, Geological Modelling and Resource Calculations
8/2010	Silver Unicorn Trading	Coal	Prospecting Rights Applications
9/2012	BSC Resources	Coal	Vischkuil Geology update
11/2013	SA Mining Management	Coal	Droogfontein Geology
11/2013	SA Mining Management	Coal	OFS Coal Omega Project
3/2013	Emerald Panther	Coal	Carolina Coal Report
11/2012	Webber Wentzel	Coal	Leliefontein Coal Tonnage calculations
3/2013	Ngululu Resources	Coal	Annual DMR returns for Hartbeestlaagte
3/2013	Ngululu Resources	Coal	Annual returns for Droogfontein
10/2013	Ngululu Resources	Coal	Geological Report N OFS Omega Project
11/2014	Ngululu Resources	Coal	Zandfontein Report N OFS Project
2013	Airotouch/Kuquala	Coal	Kebrafield Coal Project
2013/14	Ledjadja	Coal	Various CPR's updates and drilling
2013/14	Africary CDE	Coal & Gas	Theunissen UCG Project

2015	Namane Resources	Coal	Waterberg Coal project
2015	Burgh Holdings	Coal	Various Desk Top Studies
2015	Ngululu Resources	Coal	Droogfontein Portion 29 CPR and Exploration Programmes
2015	Humpfuna Mining	Coal	CPR on Coal Project
2016	Vogelfontein Mining	Coal	Geological Data
2016	Ledjadja Coal	Coal	Exploration Reports

Key Qualifications:

Mr van Wyk has had extensive experience in the budgeting and managing of exploration programmes. He has been an author of numerous evaluations and technical due diligence of mining and mineral projects in South Africa. He has written and compiled a large number of Geological Reports for clients in South Africa and Competent Persons Reports for both local and international stock exchanges. He has represented the South African Coal Industry during the Japanese Still Mill contract extensions. He was a Council Member of The South Africa Council for Natural Scientific Professions the President of the Geological Society of South Africa. His particular areas of expertise are in the coal industry where he has been involved in projects ranging from exploration management through to the development and evaluation of projects and mining operations. A detailed list of the projects he has completed and their respective dates are tabled above.

Education:

DEGREE/DIPLOMA	FIELD	INSTITUTION
B.Sc.	Geology and Geography 1971	Rhodes University
Coal Preparation	Coal Processing 1984	Witbank Tech.

Employment Record:

POSITION	COMPANY	DURATION	JOB DESCRIPTION
Manager Geology RSA	Ingwe Coal Corporation	1994 - 1998	The supervision of geological functions on 11 collieries until 1996. Departmental business plans, budgets, maintenance of mineral rights, investigations into coal bed methane and discard dumps. Evaluation of mineral rights and departmental administration. Part of New Minerals Development Bill advisory committee
Asst. Consulting Geologist	Rand Mines/Rand Coal Services	1987 - 1994	The control and supervision of geological services to 6 group collieries. The provision of geological services in the form of acquisition, exploration and evaluation of potential new and group coal reserves. Maintenance and design of the geological database and filing systems. Administer the geological department consisting of 9 geologists, filing and secretarial staff. Report to the Consulting Geologist
Chief Mine Geologist	Rand Mines-Coal Division	1980 - 1987	Duties included strategic planning, reserve rationalisation studies, computerisation of geological data and various geological and planning functions. Technical presentation for extensions of Japanese Low Ash contract
Mine Geologist	Rand Mines-Coal Division	1978 - 1980	Duties included underground grade control, coal preparation, plant-mine reconciliation's, budgeting and control of surface and underground diamond drilling
Mine/Senior Geologist	Gencor –Gold Division	1973 -1978	Functions included underground mapping, managing underground and surface diamond drilling, grade control, structural interpretations, and dolomite and sinkhole investigations
Teacher	St Alban's College Pretoria	1971 - 1973	Taught science and geography to grade 12 and coached rugby and cricket

6. South African Solicitor's Report

BY EMAIL

Bellanhouse Legal

Our Ref: Mr H Scholes/Ms L Nupen

Date: 28 September 2016

Dear Sirs

MINERAL TITLE HELD BY ALTIUS TRADING 404 (PROPRIETARY) LIMITED ("Altius")

1 INTRODUCTION

1.1 We act as South African counsel to ZYL Limited (Subject to Deed of Company Arrangement) ("**ZYL**") in relation to furnishing a report ("**Report**") in respect of the mineral title held and applied for by Altius Trading 404 (Proprietary) Limited ("**Altius**") as part of a recapitalisation exercise currently being undertaken by ZYL. This Report includes the current applicable legislative framework as at the date of this Report and applies only to those operations contemplated and authorised in terms of a Mining Right or a Prospecting Right.

1.2 We confirm that we were requested to provide the above addressee with this "**Report**" to the effect that as at the date of this Report -

1.2.1 Altius has been granted the right to carry out **Mining Operations** (as defined in 3.1.21) for Coal in the **Altius Mining Area** (as defined in 3.1.5) subject to the terms of the **Altius Mining Right** (as defined in 3.1.2), as the **Holder** (as defined in section 1 of the MPRD Act) of the Altius Mining Right; and

1.2.2 The Altius Mining Right will become **Effective** (as defined in 3.1.13) on the date on which the Altius Mining Right is notarially executed ("**Executed**") before a notary public and the **Altius EMP** (as defined in 3.1.2) is, therefore, approved; and

1.2.3 as a result of correspondence received from the **DMR** (as defined in 3.1.12) on 18 April 2016 ("**DMR April 2016 Letter**"), read with the content of the Altius

Mining Right application and the provisions of the MPRD Act, Altius has been granted permission to carry out **Prospecting Operations** (as defined in 3.1.28) for Coal in the Altius Mining Area, subject to the terms of the DMR April Letter.

- 1.3 We have examined such documents and made such enquiries as we have considered necessary or relevant in order for us to provide this Report. We have relied on information and documentation provided to us by ZYL for the preparation of this Report.

2 QUALIFICATIONS AND ASSUMPTIONS

Our Report is subject to the following limitations -

- 2.1 we are only qualified to practice law in the Republic of South Africa ("**RSA**") and do not express any opinions in this Report concerning any laws other than the current laws of the RSA;
- 2.2 we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as certified, confirmed, or photocopies of such original documents;
- 2.3 we have assumed that all agreements and other documents submitted to us have been properly executed and that the signatories thereto had the necessary legal capacity to execute them;
- 2.4 this Report considers and applies the law of the RSA that is in effect and of application as at the date of this Report. Any amendments to these laws at a future date will require a revision of this Report; and
- 2.5 this Report is limited to the application of the **MPRD Act** (as defined in 3.1.25), **NEMA** (as defined in 3.1.26) and the **NWA** (as defined in 3.1.27) being the material relevant laws that apply to the Altius Mining Right as at the date of this Report.

3 BACKGROUND TO REPORT

3.1 Definitions

In this Report, the following expressions shall bear the meanings assigned to them below and cognate expressions bear corresponding meanings –

- 3.1.1 "**Altius**" – shall bear the meaning ascribed to that term in 1.1;
- 3.1.2 "**Altius EMP**" – refers to the Environmental Authorisation to be approved pursuant to the grant of the Altius Mining Right;
- 3.1.3 "**Altius MWP**" – refers to the Mine Work Programme attaching to the approved Altius Mining Right;
- 3.1.4 "**Altius Mining Right**" – the mining right (bearing DMR reference number: MP30/5/1/2/2/10013MR), which was granted to Altius for Coal in respect of Unsurveyed State Land, in the Magisterial District of Barberton;
- 3.1.5 "**Altius Mining Area**" – for the purposes of this Report, shall be the geographical area subject to the Altius Mining Right as recorded in the Grant Letter;
- 3.1.6 "**Altius SLP**" – refers to the Social and Labour Plan attached to the approved Altius Mining Right;
- 3.1.7 "**Altius July 2013 Letter**" – is the letter sent by Altius to the DMR, dated 3 July 2013, requesting an extension to the deadlines stated in the Grant Letter, as more fully described in 3.2.2;
- 3.1.8 "**BEE**" – means Black Economic Empowerment;
- 3.1.9 "**Charter Documents**" – collectively refers to the Mining Charter, the Amendment of the Broad Based Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry, published in September 2010

and the Codes of Good Practice for the South African Minerals Industry, published in April 2009;

- 3.1.10 “**DMR April 2016 Letter**” – is the letter received by Altius from the DMR, dated 18 April 2016 authorising Altius to conduct further exploration activities pursuant to the Altius Mining Right, as more fully described in 3.2.5;
- 3.1.11 “**DMR December 2015 Letter**” – the letter, dated 11 December 2015, from the Regional Manager, addressed to ZYL, more fully described in 3.2.4;
- 3.1.12 “**DMR**” – the State Department of Mineral Resources of the RSA;
- 3.1.13 “**Effective Date**” – means the date on which the relevant permit is issued or the relevant right is executed, as defined in section 1 of the MPRD Act and “**Effective**” shall mean when the right may legally be implemented and utilised;
- 3.1.14 “**Environmental Authorisation**” – shall have the meaning ascribed to it in section 1 of NEMA, namely “...*the authorisation by a competent authority of a listed activity or specified activity in terms of this Act, and includes a similar authorisation contemplated in a specific environmental management Act*”;
- 3.1.15 “**Financial Provision**” – shall bear the meaning ascribed to that term in section 1 of NEMA and in 4.2.5 to 4.2.8;
- 3.1.16 “**Grant Letter**” – refers to the grant letter addressed to Altius from the DMR, dated 20 April 2013, informing Altius that its application for a Mining Right for Coal submitted in terms of section 22 of the MPRD Act has been granted, as more fully described in 3.2.1;
- 3.1.17 “**HDSA**” - shall bear the meaning ascribed to the term “*Historically Disadvantaged South African*” in the Mining Charter, being Black persons or with respect to companies, companies which are owned or controlled by Black persons. A reference to “*Historically Disadvantaged Persons*” (“**HDP**”) in this Report, shall include a reference to HDSAs;

- 3.1.18 "**Holder**" – shall bear the meaning ascribed to that term in section 1 of the MPRD Act;
- 3.1.19 "**Mine**" – shall bear the meaning ascribed to that term in section 1 of the MPRD Act and "**Mining**" shall have a corresponding meaning;
- 3.1.20 "**Mining Charter**" - the Broad Based Black Economic Empowerment Charter for the South African Mining Industry, promulgated pursuant to the provisions of section 100 of the MPRD Act and includes for the purposes of this Report, the amendment to the Mining Charter and the Codes of Good Practice for the Mining Industry promulgated on 29 April 2009;
- 3.1.21 "**Mining Operation**" – shall bear the meaning ascribed to that term in section 1 of the MPRD Act, namely "*...any operation relating to the act of mining and matters incidental thereto*";
- 3.1.22 "**Mining Right**" - shall bear the meaning ascribed to that term in section 1 of the MPRD Act, being a right to mine granted in terms of section 23(1);
- 3.1.23 "**MPTRO**" - shall bear the meaning Mineral and Petroleum Titles Registration Office, being the meaning ascribed to that term in section 1 of the MPRD Act, being the central registry in the RSA where, *inter alia*, Prospecting Rights and Mining Rights are registered;
- 3.1.24 "**Minister**" – the Minister of Mineral Resources of the Government of the RSA;
- 3.1.25 "**MPRD Act**" – the Mineral and Petroleum Resources Development Act, 28 of 2002, as amended;
- 3.1.26 "**NEMA**" – the National Environmental Management Act, 107 of 1998, as amended;
- 3.1.27 "**NWA**" – National Water Act, 36 of 1998, as amended;

- 3.1.28 **“Prospecting Operation”** - shall bear the meaning ascribed to that term in section 1 of the MPRD Act, namely “...*any activity carried on in connection with prospecting*”;
- 3.1.29 **“Prospecting Right”** - shall bear the meaning ascribed to that term in section 1 of the MPRD Act, being the right to prospect granted in terms of section 17(1);
- 3.1.30 **“Regional Manager”** – the Regional Manager: Mpumalanga Province, DMR;
- 3.1.31 **“RSA”** – shall bear the meaning ascribed to that term in 2.1;
- 3.1.32 **“State”** – means the Government of the RSA; and
- 3.1.33 **“ZYL”** – shall bear the meaning ascribed to it in 1.1; and
- 3.1.34 **“ZYL December Letter”** - the letter, dated 3 December 2015, from ZYL addressed to the Regional Manager, more fully described in 3.2.3.

3.2 **Documents Reviewed**

This Report is limited to the review of the following documents only –

- 3.2.1 The Grant Letter which specifies the fact that the Altius Mining Right application for Coal in respect of the Altius Mining Area was successful and stipulates certain time periods by when documentation is to be submitted to the DMR in order to ensure that the Altius Mining Right becomes Effective;
- 3.2.2 The Altius July 2013 Letter in which Altius requests an extension from the DMR to the deadlines stated in the Grant Letter by when certain documentation has to be provided to the DMR. The requested extension date in the Altius July 2013 Letter is 31 December 2013. This extension was granted to Altius on 10 July 2013 by the DMR by way of email correspondence;
- 3.2.3 The ZYL December 2015 Letter which sets out the historical and existing status of ZYL, being the majority shareholder in Altius, as well as a request for a further extension until 31 December 2017 for the Execution of the Altius Mining Right

and for the DMR to “*allow for further exploration, environmental baseline and engineering work to be carried out*” by Altius as part of the Altius Mining Right;

- 3.2.4 The DMR December 2015 Letter which is a response to the ZYL December 2015 Letter and which stipulates that the Altius Mining Right has been granted in respect of the Altius Mining Area for a period of 10 years commencing 20 April 2013, expiring on 27 May 2025¹, but which will only be Effective on the date of approval of the Altius EMP (which, in practise, is usually the Effective Date) and will only be Executed once payment of the Financial Provision has been made to the DMR;
- 3.2.5 The DMR April 2016 Letter which authorises Altius to conduct further exploration activities in respect of the Altius Mining Area pursuant to the Altius Mining Right in order to “*delineate the mine design*”; and
- 3.2.6 A letter sent by Altius to the DMR on 29 February 2012 setting out the BEE shareholding structure as part of the Altius Mining Right application;
- 3.2.7 A copy of the Altius SLP and Altius MWP which were submitted as part of the Altius Mining Right application. We will not be commenting on the content of these documents, given that we do not have the technical expertise to do so.

4 APPLICABLE LEGISLATION

4.1 Relevant Sections of the MPRD Act

- 4.1.1 The MPRD Act became effective on 1 May 2004 and is the legislation which currently governs Prospecting Operations and Mining Operations within the RSA in conjunction with the provisions of NEMA and NWA.
- 4.1.2 Prior to the promulgation of the MPRD Act, as effective legislation, mineral rights were privately held and in some instances, the State in itself, qualified as such a private mineral right holder. This gave rise to a complex system of ownership of minerals within South Africa, which system has been simplified to

¹ Which period does not amount to 10 years, however, the exact time period will be confirmed once the Altius Mining Right has been Executed.

a large degree, under the MPRD Act. The State is now the custodian of all mineral resources within South Africa and with respect to Mining Rights to carry out Mining Operations are granted by the Minister to applicants for such Mining Rights under section 23 of the MPRD Act.

4.1.3 Relevantly, section 23 of the MPRD Act provides that a granted mining right “comes into effect on the effective date” and is subject to the MPRD Act, any relevant law and the terms and conditions stated in the right and is valid for the period specified in the right, which period may not exceed 30 years.

4.1.4 Section 25 of the MPRD Act sets out the rights and obligations of a Holder of a Mining Right, once the Mining Right has been granted to the applicant and once it has become Effective. Section 25 stipulates -

“25. Rights and obligations of holder of mining right.—

(1) In addition to the rights referred to in section 5, the holder of a mining right has, subject to section 24, the exclusive right to apply for and be granted a renewal of the mining right in respect of the mineral and mining area in question.

(2) The holder of a mining right must—

(a) lodge such right for registration at the Mineral and Petroleum Titles Registration Office within 60 days and the right has become effective;

(b) commence with mining operations within one year from the date on which the mining right becomes effective in terms of section 23(5) or such extended period as the Minister may authorise;

(c) actively conduct mining in accordance with the mining work programme;

(d) comply with the relevant provisions of this Act, any other relevant law and the terms and conditions of the mining right;

(e) comply with the conditions of the environmental authorisation;

(f) comply with the requirements of the prescribed social and labour plan;

(g) in terms of any relevant law, pay the State royalties; and

(h) submit the prescribed annual report, detailing the extent of the holder’s compliance with the provisions of section 2 (d) and (f), the charter contemplated in section 100 and the social and labour plan.”

4.1.5 In the event that a Holder wishes to amend the terms of the Mining Right, mining work programme or social and labour plan attaching to the Mining Right, an application must be submitted to the DMR in terms of section 102 of the MPRD Act. If no amendment is applied for or granted, the Holder will be required to

comply with the terms (as they are set out) in the approved Mining Right, mining work programme and social and labour plan. It should be noted that it takes up to 1 year for an application submitted in terms of section 102 of the MPRD Act to be approved and the Holder is only permitted to implement such amendment on receipt of such approval from the DMR.

4.1.6 As stated above, a Mining Right only becomes Effective on the Effective Date, being the date on which the Mining Right is Executed and, the date on which the Environmental Authorisation is approved. There is no set time period in the MPRD Act by when the Mining Right is required to be Executed following the date of the grant letter, however, it must be noted that the time period for which the Mining Right has been granted (in Altius' instance, 10 years) commences on the date of the grant letter (and not the date of Execution). The date on which a right is notarially Executed is agreed to between the parties and is not prescribed by law. Therefore, a right cannot be invalidated if it is not notarially Executed within a specific time period. As stated above, the only prejudice which arises is that the time period for which the right has been granted starts running from the date of grant and, therefore, most companies wish to Execute the right as soon as possible after the date of grant so that they are able to utilise the right lawfully and access the Mining Area for the full duration of the grant of the right. This fact has been confirmed in a recent Supreme Court of Appeal judgement.

4.1.7 There are certain criteria to be satisfied by the Holder of a Mining Right prior to the Execution of a Mining Right, namely proof that the Mining Right has been granted in terms of section 23 of the MPRD Act and, *inter alia*, that the requisite Financial Provision is provided to the DMR as a means to ensure that, in the event of closure (or premature closure) of the Mining Operations, there are sufficient funds to provide for environmental rehabilitation of the Mining Area as contemplated in the Environmental Authorisation. The quantum of such Financial Provision is provided for in the Mining Right application and is confirmed or rejected by the DMR. In this instance, an amount of R5 574 974.00 is required in the form of a bank guarantee (as stated in the Altius Mining Right application). Once such Financial Provision is provided to the DMR and other procedural steps have been taken, the Mining Right can be Executed and will,

on that date, become Effective. Further detail on providing Financial Provision is referred to in 4.2.5 to 4.2.8 below.

4.1.8 It is on the Effective Date that the Holder of the Mining Right will be permitted to enter onto the Mining Area to perform such Mining Operations as approved, assuming all of the requisite authorisations and notifications referred to below, have been obtained.

4.1.9 Section 5(3) of the MPRD Act, provides that the Holder of a Mining Right has a right to enter upon the Mining Area to which that Mining Right relates and to carry out Mining Operations in the Mining Area. This section reads as follows -

- (3) *Subject to ... [the MPRD] Act, any holder of a ... prospecting right...[or] mining right ... may –*
- (a) *enter the land to which such right relates together with his or her employees, and may bring onto that land any plant, machinery or equipment and build, construct or lay down any surface, underground or under sea infrastructure which may be required for the purposes of ... prospecting , mining ...;*
 - (b) *prospect [or]... mine ... for his or her own account on or under that land for the mineral ... for which such right has been granted;*
 - (c) *remove and dispose of any such mineral found during the course of ... prospecting [or] mining, ...;*
 - (cA) *subject to section 59B of the Diamonds Act, 1986...remove and dispose of any diamond found during the course of mining operations;*
 - (d) *subject to the National Water Act... use water from any natural spring, lake, river or stream, situated on, or flowing through, such land or from any excavation previously made and used for prospecting [or] mining purposes, or sink a well or borehole required for use relating to prospecting...[or] mining...on such land; and*
 - (e) *carry out any other activity incidental to ... prospecting [or] mining ... which activity does not contravene the provisions of ... [the MPRD] Act."*

- 4.1.10 It is clear from an interpretation of section 5(3) of the MPRD Act, that the Holder of a Prospecting Right or a Mining Right, has extensive rights to use the surface of a Prospecting Area or Mining Area subject to the Prospecting Right or Mining Right in question, for the conduct of Prospecting Operations or Mining Operations.
- 4.1.11 Section 5A of the MPRD Act prohibits any person from, *inter alia*, Prospecting for or removing, Mining, exploring for and producing any mineral or commencing with any work incidental thereto on any area without an Environmental Authorisation, a Prospecting Right or Mining Right. Furthermore, the Holder of a Prospecting Right or Mining Right must give the landowner or lawful occupier of the land in question at least 21 days written notice before entering onto the Prospecting Area or Mining Area to commence with such Prospecting Operations or Mining Operations.
- 4.1.12 Section 47 of the MPRD Act empowers the Minister to suspend or cancel, *inter alia*, a Prospecting Right or a Mining Right where a Holder has failed to comply with the provisions of the MPRD Act or a material condition in the right concerned. What must, however, be noted is that a notice in terms of section 47 of the MPRD Act does not automatically suspend or cancel a Mining Right or a Prospecting Right. Section 47(3) of the MPRD Act states that the Holder must be afforded an opportunity to rectify or remedy the non-compliance in question prior to the suspension or cancellation of the right concerned or to provide reasons as to why the Holder is, in fact, not in contravention with the provisions of the MPRD Act or any of the terms of the right concerned.
- 4.2 **Relevant Sections in NEMA**
- 4.2.1 Through the introduction of the so-called “One Environmental System” in 2014, environmental regulatory obligations for Mining Operations and Prospecting Operations are now regulated under NEMA and no longer solely under the MPRD Act.
- 4.2.2 Environmental Management Plans and Environmental Management Programmes approved in accordance with the provisions of the MPRD Act are

now deemed to be Environmental Authorisations issued in accordance with the provisions of NEMA, read with the Environmental Impacts Assessment Regulations, 2014 (GNR.982 of 4 December 2014) (“**EIA Regulations, 2014**”).

- 4.2.3 Regulation 54(2) of the EIA Regulations, 2014 provides that any application for an amendment to an existing Environmental Management Plan or Environmental Management Programme after 8 December 2014 (this date being the date on which the EIA Regulations, 2014 came into operation) must be dealt with in terms of Part 1 or Part 2 of Chapter 5 of the EIA Regulations, 2014. The obligation to submit an amendment application in terms of Part 1 or Part 2 of Chapter 5 of the EIA Regulations, 2014 is in addition to the obligation in terms of section 102 of the MPRD Act to obtain approval from the DMR for an amendment to an existing Environmental Management Programme or Environmental Management Plan (now deemed to be an Environmental Authorisation). In the event that an amendment to an existing Environmental Management Plan or Environmental Management Programme triggers an activity listed under NEMA which requires an Environmental Authorisation, a new application for an Environmental Authorisation will be required to be lodged with the DMR in accordance with the EIA Regulations, 2014, prior to commencing the listed activity in question.
- 4.2.4 The commencement of listed activities under NEMA without an Environmental Authorisation or the unlawful undertaking of any activity that has caused significant pollution, is a criminal offence under NEMA. Not only for the company concerned but the director’s and senior managers of the company who were aware of the unlawful conduct of the company, are deemed to have committed a criminal offence, in their personal capacities, for such unlawful conduct and may, on conviction, be liable to pay a fine of up to R10 000 000 or a prison term not exceeding 10 years, or both.
- 4.2.5 Section 41 of the MPRD Act read with regulations 53 and 54 of the Regulations, previously regulated the obligation of a Holder of a Prospecting Right or Mining Right to make the prescribed Financial Provision for the rehabilitation or management of negative environmental impacts associated with Prospecting Operations or Mining Operations pursuant to a Prospecting Right or a Mining Right. Section 41 of the MPRD Act was, however, repealed by section 33 of the

Mineral and Petroleum Resources Development Amendment Act, 49 of 2008 (“MPRDAA”), effective 7 June 2014 and was replaced by section 24P of NEMA.

4.2.6 Sections 24P(2) and (3) of NEMA provide that –

“(2) [I]f any holder or any holder of an old order right fails to rehabilitate or to manage any impact on the environment, or is unable to undertake such rehabilitation or to manage such impact, the Minister responsible for mineral resources may, upon written notice to such holder, use all or part of the financial provision contemplated in subsection (1) to rehabilitate or manage the environmental impact in question.

(3) Every holder must annually—

(a) assess his or her environmental liability in a prescribed manner and must increase his or her financial provision to the satisfaction of the Minister responsible for mineral resources; and

(b) submit an audit report to the Minister responsible for mineral resources on the adequacy of the financial provision from an independent auditor.”

4.2.7 On 20 November 2015, the Financial Provision Regulations, 2015 were published in order to give effect to section 24P of NEMA. These Financial Provision Regulations are currently in effect, however, numerous transitional arrangements have been introduced in regulation 17 of the Financial Provision Regulations (“**Financial Provision Transitional Arrangements**”) in order to address existing Financial Provision approved in terms of the MPRD Act. Regulation 17(1) of the Financial Provision Transitional Arrangements provides that existing Financial Provision, approved in terms of the MPRD Act and the Regulations, is deemed to have been approved in terms of the Financial Provision Regulations.

4.2.8 Notwithstanding the Financial Provision Transitional Arrangements, all Holders of Prospecting Rights or Mining Rights will be required, by no later than 20 February 2017, to submit for approval, revised Financial Provision in compliance with the obligations contained in the Financial Provision Regulations. Most notably, the Financial Provision Regulations prohibit the use of a rehabilitation trust for mine closure rehabilitation. It should be noted that

any failure to comply with the Financial Provision Regulations is a criminal offence and carries the same sanction as that stated in 4.2.4 above. Further detail regarding the application of the Financial Provision Regulations to Altius exceeds the scope of this Report. It should, however, be noted that the Financial Provision Regulations are being challenged in court by the industry.

4.3 **Compliance with BEE Requirements in the MPRD Act**

4.3.1 The basis of the BEE Requirements is found in section 2(d) of the MPRD Act, which provides that one of the objects of the MPRD Act, is to substantially and meaningfully expand opportunities for "*Historically Disadvantaged Persons*" to enter the mineral and petroleum industries and to benefit from the exploitation of the Nation's mineral and petroleum resources. This objective is given effect to in terms of section 100 of the MPRD Act by the promulgation by the Minister of the Mining Charter.

4.3.2 The Mining Charter in itself is a very unclear document from a legal perspective and is currently the subject of litigation in which it stands to be set aside on the basis that it is unconstitutional given that it contravenes the rule of law. The scorecard attached to the Mining Charter refers to targets of 15% of equity or attributable units of production vesting in HDSA hands in a particular project within five years from the commencement of the MPRD Act, namely by 1 May 2009 and 26% within ten years, namely by 1 May 2014. An audit was completed in 2014 by the DMR following this date and a new Mining Charter has been published for comment, however, is not yet in final form or in effect and, therefore, the content of this new Mining Charter has not been addressed in this Report given that it is subject to change.

4.3.3 Notwithstanding the interpretational challenges posed by the Mining Charter, it is accepted by convention in the RSA that for a successful grant of a Mining Right, the applicant must have a BEE participation of no less than 26%.

4.4 **NWA**

Section 5(3)(d) of the MPRD Act expressly provides that the Holder of, *inter alia*, a Prospecting Right or a Mining Right may, subject to the provisions of the NWA,

use water for Prospecting and / or Mining purposes on land that is the subject of the Prospecting Right or Mining Right concerned. Any person who intends undertaking a water use activity listed in section 21 of the NWA is required to apply for and be granted a water use licence in accordance with the provisions of the NWA. Any person who fails to obtain a water use licence prior to commencing a water use activity listed in section 21 of the NWA is guilty of an offence and may be liable, on conviction, to a fine or to a term of imprisonment not exceeding 5 years.

5 ANALYSIS OF ALTIUS MINING RIGHT

- 5.1 On 20 April 2013, Altius was granted the Altius Mining Right for Coal in respect of the Altius Mining Area for a period of 10 years commencing on 20 April 2013, with directives to submit certain information on specified dates so as to enable the Regional Manager and Altius to Execute the Altius Mining Right. The Grant Letter specifically stipulates that the Altius Mining Right will become Effective on the date on which the Altius EMP is approved, which, in practice, usually is the date on which the Mining Right is Executed. The Altius Mining Right has, at the date of this Report, not been notarially Executed and, therefore, has not been registered in the MPTR0 as is required, 60 days following the date on which the Altius Mining Right is Executed, as set out in section 25(2)(a) of the MPRD Act referred to in 4.1.4 above.
- 5.2 A request to extend the date (to 31 December 2013) on which the Altius Mining Right was to be Executed, was sent to the DMR in July 2013 as is evident from the Altius July 2013 Letter, which request was granted. This deadline was not met. A further extension was requested by ZYL in the ZYL December 2015 Letter until 31 December 2017. The DMR responded to the ZYL December 2015 Letter by way of the DMR December 2015 Letter in which the DMR indicated that the Altius Mining Right will only be Effective on the date of approval of the Altius EMP (which, in practice, is usually the date of Execution) and that the Altius Mining Right will only be Executed once payment of the Financial Provision has been made to the DMR. The stated Financial Provision amounts to R5 574 974.00.
- 5.3 We have been advised that, as at the date of this Report, Altius (and ZYL) does not have sufficient funds to provide such Financial Provision, but we are advised it will do so following completion of a capital raising.

- 5.4 In addition, it must be noted that ZYL, in the ZYL December 2015 Letter, requested that the DMR “*allow for further exploration, environmental baseline and engineering work to be carried out*” by Altius as part of the Altius Mining Right. In April 2016, the DMR addressed the DMR April 2016 Letter to ZYL authorising Altius to conduct further exploration activities in respect of the Altius Mining Area pursuant to the Altius Mining Right in order to “*delineate the mine design*”. Notwithstanding this written permission from the DMR, a report attaching to the Altius Mining Right application, which formed the basis of the approved Altius Mining Right, contemplated further exploration activities prior to the commencement of Mining Operations. Furthermore, the definition of “**Mine**” in section 1 of the MPRD Act makes specific reference to “... *the mining of any mineral, in or under the earth, water or any residue deposit, whether by underground or open working or otherwise and includes any operation or activity incidental thereto [or emphasis], in or under the relevant mining area*”. The interpretation of the underlined phrase in the definition of Mine, would include Prospecting Operations.
- 5.5 As stated above, we have not commented on the content of the Altius MWP, given the technical nature of the document, however, it must be noted that in the event that Altius wish to amend the Altius MWP in any manner an amendment in terms of section 102 of the MPRD Act will have to be applied for in order to ensure that whatever Mining and/or Prospecting Operations Altius wishes to perform are contemplated in an amended Altius MWP and are approved by the DMR accordingly.
- 5.6 As stated above, Altius will only be able to enter onto the Altius Mining Area once the Altius Mining Right becomes Effective. The DMR will only Execute the Altius Mining Right and approve the Altius EMP (thereby resulting in the Altius Mining Right becoming Effective) if the requisite Financial Provision has been provided to the DMR as required in terms of the Grant Letter read with the provisions of the MPRD Act and NEMA.
- 5.7 Although the Grant Letter stipulates that the right will only be notarially Executed once the amount of R5 574 974.00 is paid to the DMR in the form of Financial Provision for purposes of rehabilitation, we have been advised that ZYL has approached the DMR requesting a reduced quantum of Financial Provision given that the DMR has authorised further exploration in the DMR April 2016 Letter. ZYL

has been advised to provide the DMR with proof of an assessed amount of Financial Provision in the form of a bank guarantee or a direct deposit into the DMR's allocated bank account for the Prospecting Operations only. Once such Financial Provision is provided to the DMR and the DMR is satisfied with the quantum of the Financial Provision, Altius and the DMR will then be in a position to Execute the Altius Mining Right.

- 5.8 Once the Altius Mining Right becomes Effective, Altius will be required to comply with the provisions of the MPRD Act, NEMA and the NWA read with the terms of the Altius Mining Right and its associated documents (including but not limited to the Altius MWP, Altius SLP and Altius EMP).
- 5.9 From the documentation reviewed, Altius is currently held as to 26.8% by HDSAs, with an undertaking to consider issuing a percentage of the shareholding to a Community Trust resulting in Altius being held as to 30% by HDSAs, exceeding the minimum threshold of 26% stipulated in the Charter Documents as minimum compliance with the HDSA Ownership Obligation. This compliance was the basis on which the Altius Mining Right was granted.

6 CONCLUSIONS


- 6.1 In respect of the Altius Mining Right, we are of the opinion that –
- 6.1.1 Altius has been granted the right to mine for Coal in respect of the Altius Mining Area pursuant to the provisions of section 23(1) of the MPRDA Act;
- 6.1.2 The Altius Mining Right has been granted for a period of 10 years commencing 20 April 2013. An application for the renewal of the Altius Mining Right must be lodged no later than 60 business days prior to the expiry of the Altius Mining Right (which will be determined once the Altius Mining Right has been Executed). The Altius Mining Right can be renewed for a maximum period of 30 years;
- 6.1.3 As at the date of this Report, the Altius Mining Right is not Effective, given that the Altius Mining Right has not been notorially Executed by an authorised notary public, and, therefore, Altius cannot commence with Mining Operations

until such time as, *inter alia*, the Altius Mining Right is Executed and the Altius EMP is approved;

- 6.1.4 Prior to Execution of the Altius Mining Right, Altius is required to provide the requisite Financial Provision to the DMR;
- 6.1.5 Once Executed, the Altius Mining Right will confer on Altius the exclusive right to perform Mining Operations (and those activities ancillary to Mining, which may include Prospecting Operations) in relation to the Altius Mining Area subject to the terms of the Executed Altius Mining Right and subject to compliance with the terms and conditions of the provisions of the MPRD Act, NEMA and any other applicable legislation;
- 6.1.6 As at the date of this Report, and to the best of our knowledge, there are no encumbrances against the Altius Mining Right (including, but not limited to, any consent, interest or equity of any person or any mortgage, charge, pledge, lien, assignment, security interest, title retention or any other security agreement or arrangement);
- 6.1.7 At the date of this Report and notwithstanding Altius' statutory right of access to the Altius Mining Area in terms of section 5(3) of the MPRD Act read with section 5A of the MPRD Act, Altius will only have a valid right to access the Altius Mining Area once the Altius Mining Right is Effective;
- 6.1.8 As far as we are aware, as at the date of this Report, no action has been taken by the Minister or the DMR under the MPRD Act or NEMA;
- 6.1.9 As far as we are aware, as at the date of this Report, there are no disputes with any third parties with respect to ownership of the Altius Mining Right by Altius;
- 6.1.10 We have been advised that Altius has not, as at the date of this Report, applied for and been granted a water use licence, in accordance with the provisions of the NWA, for the use of water at the Altius Mining Operations and, therefore, cannot commence any Mining Operations which trigger any water uses as stated in the NWA until such time as such authorisation has been obtained;

- 6.1.11 We have been advised that the Altius EMP has not, as at the date of this Report, been approved and, therefore, Altius cannot commence Mining Operations until such time as such Altius EMP has been approved;
- 6.1.12 Altius has submitted a Social and Labour Plan (Altius SLP) as part of the Altius Mining Right application. The Altius SLP has been approved, however, cannot be implemented until such time as the Altius Mining Right becomes Effective;
- 6.1.13 We have been advised by Altius that the requisite Financial Provision for the Altius Mining Right has not been fully provided for; and
- 6.1.14 Altius is currently held as to 26.8% by HDSAs, with an undertaking to consider issuing a percentage of the shareholding to a Community Trust resulting in Altius being held as to 30% by HDSAs, which exceeds the minimum threshold of 26% stipulated in the Charter Documents as minimum compliance with the HDSA Ownership Obligation.

Yours faithfully



MALAN SCHOLES INCORPORATED

Signed at Johannesburg on 28 September 2016.

7. Investigating Accountant's Report

30 September 2016

The Directors
ZYL Limited (Subject to Deed of Company Arrangement)
Suite 23, 513 Hay Street
Subiaco WA 6008

Dear Sirs/Madam

Investigating Accountant's Report on ZYL Limited (Subject to Deed of Company Arrangement) historical and pro forma historical financial information

Introduction

We have been engaged by ZYL Limited ("ZYL" or the "Company") to prepare this Investigating Accountant's Report (the "Report") on the historical financial information and pro forma historical financial information of the Company as at 30 June 2016 for inclusion in the Prospectus dated on or about 30 September 2016 and relating to the following offers of Shares:

- a) an offer of up to 200,000,000 Shares at an issue price of \$0.01 each to raise \$2,000,000 before costs ("**Public Offer**");
- b) an offer of up to 20,000,000 Shares at an issue price of \$0.005 each in consideration for the repayment of up to \$100,000 of loans ("**Conversion Offer**"); and
- c) to facilitate completion of the Recapitalisation Proposal ("**Recapitalisation Offer**"):
 - i) an offer of 40,000,000 Shares to the Proponent Nominees at an issue price of \$0.002 each for \$80,000 worth of Shares (Proponent Shares); and
 - ii) an offer of 10,000,000 Shares to the Proponent (or its nominees) (Compliance Advisor Shares)

(together, the "Offers")

Expressions and terms defined in the Prospectus have the same meaning in this report.

**CHARTERED ACCOUNTANTS
& ADVISORS**

Level 3, 15 Labouchere Road
South Perth WA 6151
PO Box 748
South Perth WA 6951
Telephone: +61 8 6436 2888
williambuck.com

Scope

Historical Financial Information

You have requested William Buck Consulting (WA) Pty Ltd to review the following historical financial information of the Company included in Appendix 1 of the Report:

- the Statement of Financial Position as at 30 June 2016

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The historical financial information has been extracted from the financial report of the Company for the year ended 30 June 2016, which was audited by William Buck Audit (WA) Pty Ltd in accordance with the Australian Auditing Standards. William Buck Audit (WA) Pty Ltd issued a disclaimer of opinion on the financial report for the year ended 30 June 2016 in relation to the going concern basis of preparation and incomplete financial information. The historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma historical financial information

You have requested William Buck Consulting (WA) Pty Ltd to review the pro forma historical Statement of Financial Position as at 30 June 2016 referred to as "the pro forma historical financial information" as included in Appendix 1 of the Report.

The pro forma historical financial information has been derived from the historical financial information of ZYL Limited, after adjusting for the effects of the subsequent events and pro forma transactions described in Appendix 3 & 4 of the Report. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma transactions relate, as described in Appendix 1 of the Report, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the Company's actual or prospective financial position.

The pro forma historical financial information as described in Appendix 1 of the Report has been prepared by adjusting the Statement of Financial Position of ZYL Limited as at 30 June 2016 to reflect the financial effects of the following subsequent events which have occurred in the period since 30 June 2016:

- Following the expiry of the remaining unissued ordinary shares of the Company under option on 24 July 2016, the share based payment reserve was transferred to accumulated losses;
- On 19 August 2016, loan funds of \$50,000 were received by the Company from an unrelated party. These funds were used to pay certain trade and other

payables which were in existence as at 30 June 2016 and expenses of the Company;

- On 26 August 2016, loan funds of \$10,000 were provided to the Company from Konkera Corporate. These funds were used to pay certain trade and other payables of the Company which were in existence as at 30 June 2016;
- On 9 September 2016, loan funds of \$5,000 were received by the Company from Konkera Corporate. These funds were used to pay expenses of the Company;
- On 26 September 2016, loan funds of \$25,000 were received by the Company from an unrelated party. These funds were used to pay certain expenses of the Company;
- On 27 September 2016, loan funds of \$25,000 were received by the Company from an unrelated party. These funds were used to pay certain expenses of the Company and for working capital;
- On 29 September 2016, a South African creditor of \$93,318 confirmed that it has waived and forgiven the amount owing by the Group in relation to invoices issued to the Company's South African subsidiary;

and the following pro forma transactions which are yet to occur, but are proposed to occur following completion of the capital raising and subject to the terms and conditions of the Deed of Company Arrangement:

- Consolidation of the issued capital of the Company on the basis that every 100 Shares be consolidated into 1 Share;
- The issue of 200,000,000 Shares (on a post-Consolidation basis) at an issue price of \$0.01 each to raise \$2,000,000 before costs, with a minimum subscription of \$2,000,000, pursuant to the Public Offer under the Prospectus;
- Costs of the Public Offer are estimated to be \$143,650 based on the minimum subscription, which are to be offset against contributed equity. As at the date of this report, \$15,000 of these costs had been paid resulting in the balance of \$128,650 being included as a pro forma transaction;
- Transaction costs not associated with the Public Offer are estimated to be \$180,950, which are to be expensed through accumulated losses. As at the date of this report, \$167,450 of these costs had been paid resulting in the balance of \$13,500 being included as a pro forma transaction;
- The issue of 20,000,000 Shares (on a post-Consolidation basis) to repay loans totalling \$100,000 under the Conversion Offer. The Shares issued under the Conversion Offer have an issue price of \$0.005 each;
- The issue of 40,000,000 Shares (on a post-Consolidation basis) to the Proponent Nominees (Proponent Shares) to repay loans totalling \$80,000 under the Recapitalisation Offer. The Proponent Shares issued under the Recapitalisation Offer have an issue price of \$0.002 each. This transaction assumes the receipt of a further \$15,000 of loan funds to take the total loan funds received in relation to the Recapitalisation Offer to \$80,000;
- The issue of 10,000,000 Shares (on a post-Consolidation basis) to the Proponent (or its nominees) (Compliance Advisor Shares) under the Recapitalisation Offer. The Compliance Advisor Shares are issued for nil cash consideration, however, have been valued at \$0.01 each. The Compliance

Advisor Shares are recognised as a share based payment in accordance with Australian Accounting Standards;

- Payment to the Proponent of \$160,000 under the Deed of Company Arrangement;
- The transfer of all assets and liabilities of the Company that arose before the execution of the Deed of Company Arrangement, other than interest in entities shown in Section 3.3 of the Prospectus, to the Secured Creditor's Trust or the Unsecured Creditors' Trust;
- Derecognition of foreign currency translation reserve balances for all disposed subsidiaries;
- Derecognition of accumulated losses for all disposed subsidiaries.

Directors' responsibility

The directors of ZYL Limited are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Historical financial information

We do not express a conclusion on the historical financial information, as noted in Appendix 1 of the Report of ZYL Limited for the year ended 30 June 2016 due to incomplete accounting records and insufficient appropriate evidence in relation to the going concern basis of preparation, in accordance with the stated basis of preparation, as described in Appendix 2(b) & (c) of the Report.

Pro Forma historical financial information

Based on our review, which is not an audit, other than the above disclaimer of conclusion issued on the historical financial information for the year ended 30 June 2016, nothing has come to our attention that causes us to believe that the pro forma historical financial information being the Statement of Financial Position as at 30 June 2016 is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Appendix 1 of the Report and on the basis that the terms and conditions of the Deed of Company Arrangement are satisfied.

Restriction on Use

Without modifying our conclusions, we draw attention to the Introduction paragraph of the Report, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Consent

William Buck Consulting (WA) Pty Ltd has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included.

Liability

William Buck Consulting (WA) Pty Ltd's liability is limited to the inclusion of this report in the Prospectus. William Buck Consulting (WA) Pty Ltd makes no representation regarding, and takes no responsibility for any other statements, or material in, or omissions from the document.

Declaration of Interest

William Buck Consulting (WA) Pty Ltd does not have any interest in the outcome of this transaction other than preparation of this report for which normal professional fees will be received.

Yours faithfully



William Buck Consulting (WA) Pty Ltd
ABN 74 125 178 734



Conley Manifis
Director

Dated this 30th day of September, 2016

APPENDIX 1

ZYL LIMITED

HISTORICAL AND PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Audited 30 June 2016	Subsequent events	Pro forma adjustments	Pro forma after Public Offer
		\$	\$	\$	\$
Current assets					
Cash and cash equivalents	2	4,811	19,400	1,712,850	1,737,061
Trade and other receivables	3	96,625	-	(90,961)	5,664
Total current assets		101,436	19,400	1,621,889	1,742,725
Non-current assets					
Mineral exploration & evaluation expenditure		536,480	-	-	536,480
Other financial assets	4	1,884,951	-	(1,884,951)	-
Total non-current assets		2,421,431	-	(1,884,951)	536,480
Total assets		2,522,867	19,400	(263,062)	2,279,205
Current liabilities					
Trade and other payables	5	799,150	(123,818)	(554,305)	121,027
Provisions	6	1,606	-	(1,606)	-
Borrowings	7	4,720,736	115,000	(4,787,736)	48,000
Total current liabilities		5,521,492	(8,818)	(5,343,647)	169,027
Total liabilities		5,521,492	(8,818)	(5,343,647)	169,027
Net assets		(2,998,625)	28,218	5,080,585	2,110,178
Equity					
Contributed equity	8	55,729,051	-	2,151,350	57,880,401
Reserves	9	666,915	(3,974,050)	2,326,742	(980,393)
Accumulated losses	10	(59,394,591)	4,002,268	602,493	(54,789,830)
Total equity		(2,998,625)	28,218	5,080,585	2,110,178

The above pro forma consolidated statement of financial position after the Offers is as per the consolidated statement of financial position before the Offers, adjusted for any subsequent events and the transactions relating to the issue of Shares pursuant to this Prospectus. The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 2.

APPENDIX 2

ZYL LIMITED

NOTES TO AND FORMING PART OF THE HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of the historical and pro forma financial information are set out below. These policies have been consistently applied to all periods presented unless otherwise stated:

(a) Reporting framework

The historical and pro forma financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements specified by all 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)).

The historical and pro forma financial information has 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 historical and pro forma financial information is presented in Australian dollars.

(b) Incomplete financial information

Due to turnover of previous staff and officers, and the Company 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:

1. it is not possible to state that the audited 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; and
2. it is not possible to state that the audited Remuneration disclosures for the financial years from 30 June 2013 to 30 June 2015 inclusive are in accordance with the requirements of the Corporations Act 2001, due to the lack of records.

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 Company 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 historical and pro forma financial information 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 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 Share issues will be issued to the Proponent and a compliance manager appointed by the Proponent.

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 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

The historical and pro forma financial information comprise the financial information of ZYL Limited and entities (including special purpose entities) controlled by ZYL Limited (its subsidiaries).

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial information of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the Group. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Specifically income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(f) 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.

(g) 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 consolidated 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.

(h) 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 consolidated 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 consolidated 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.

(i) 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 consolidated 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 consolidated statement of profit or loss and other comprehensive income.

(j) 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 information. 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.

(k) 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 consolidated 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.

(l) 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.

(m) 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.

(n) Financial Instruments

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.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Fair value

The Group has no assets or liabilities measured at fair value because, while assets acquired and liabilities assumed in business combinations have been measured at their acquisition date fair values, in accordance with paragraph 18 of AASB 13, these initial measurements have formed the costs of the assets acquired and liabilities assumed for the purpose of other accounting standards.

(o) Cash and cash equivalents

For the purposes of the consolidated 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.

(p) Research and development costs

All research and development costs are expensed as incurred.

(q) 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.

(r) 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 consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated 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.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial information 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. Fair values of share options are determined using the Black Scholes model. Should the assumptions used in these calculations differ, the amounts recognised could significantly change.

Conservatism 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.

NOTE 2. CASH AND CASH EQUIVALENTS	Audited as at 30 June 2016	Pro forma after Public Offer
	\$	\$
Cash and cash equivalents	4,811	1,737,061
Audited balance of ZYL at 30 June 2016		4,811
<i>Subsequent events:</i>		
Loan funds received from unrelated parties		100,000
Loan funds received from Konkera Corporate		5,000
Payment of trade and other payables and expenses		(85,600)
		19,400
<i>Pro forma adjustments:</i>		
Proceeds from shares issued under the Public Offer		2,000,000
Costs of the Public Offer & Transaction costs		(142,150)
Balance of loan funds received in relation to the Proponent Shares under the Recapitalisation Offer		15,000
Payment to the Proponent under the DOCA		(160,000)
		1,712,850
Pro forma balance		1,737,061

NOTE 3. TRADE AND OTHER RECEIVABLES	Audited as at 30 June 2016	Pro forma after Public Offer
	\$	\$
Trade and other receivables	96,625	5,664
Audited balance of ZYL at 30 June 2016		96,625
<i>Pro forma adjustments:</i>		
Transfer of receivables arising before the execution of the DOCA to the Secured Creditor's Trust or the Unsecured Creditors' Trust		(90,961)
		(90,961)
Pro forma balance		5,664

NOTE 4. OTHER FINANCIAL ASSETS	Audited as at 30 June 2016	Pro forma after Public Offer
	\$	\$
Other financial assets	1,884,951	-
Audited balance of ZYL at 30 June 2016		1,884,951
<i>Pro forma adjustments:</i>		
Transfer of other financial assets arising before the execution of the DOCA to the Secured Creditor's Trust or the Unsecured Creditors' Trust		(1,884,951)
		(1,884,951)
Pro forma balance		-

NOTE 5. TRADE AND OTHER PAYABLES	Audited as at 30 June 2016	Pro forma after Public Offer
	\$	\$
Trade and other payables	799,150	121,027
Audited balance of ZYL at 30 June 2016		799,150
<i>Subsequent events:</i>		
Payment of trade payables		(30,500)
Waiver and forgiveness of debt by creditor		(93,318)
		(123,818)
<i>Pro forma adjustments:</i>		
Transfer of trade and other payables arising before the execution of the DOCA to the Secured Creditor's Trust or the Unsecured Creditors' Trust		(554,305)
		(554,305)
Pro forma balance		121,027

NOTE 6. PROVISIONS	Audited as at 30 June 2016	Pro forma after Public Offer
	\$	\$
Provisions	1,606	-
Audited balance of ZYL at 30 June 2016		1,606
<i>Pro forma adjustments:</i>		
Transfer of provisions arising before the execution of the DOCA to the Secured Creditor's Trust or the Unsecured Creditors' Trust		(1,606)
		(1,606)
Pro forma balance		-

NOTE 7. BORROWINGS	Audited as at 30 June 2016	Pro forma after Public Offer
	\$	\$
Borrowings	4,720,736	48,000
Audited balance of ZYL at 30 June 2016		4,720,736
<i>Subsequent events:</i>		
Loans from unrelated parties		100,000
Loan from Konkera Corporate		15,000
		115,000
<i>Pro forma adjustments:</i>		
Repayment of loans via share issue under the Conversion Offer		(100,000)
Balance of loans in relation to the Proponent Shares under the Recapitalisation Offer		15,000
Repayment of loans via issue of Proponent Shares under the Recapitalisation Offer		(80,000)
Transfer of borrowings arising before the execution of the DOCA to the Secured Creditor's Trust or the Unsecured Creditors' Trust		(4,622,736)
		(4,787,736)
Pro forma balance		48,000

NOTE 8. CONTRIBUTED EQUITY	Audited as at 30 June 2016	Pro forma after Public Offer
	\$	\$
Contributed equity	55,729,051	57,880,401
Audited balance of ZYL at 30 June 2016		55,729,051
<i>Pro forma adjustments:</i>		
Proceeds from shares issued under this Prospectus		2,000,000
Costs of the Public Offer		(128,650)
Issue of Shares under the Conversion Offer		100,000
Issue of Proponent Shares under the Recapitalisation Offer		80,000
Issue of Compliance Advisor Shares under the Recapitalisation Offer		100,000
		2,151,350
Pro forma balance		57,880,401

MOVEMENT IN ORDINARY SHARE CAPITAL	Audited as at 30 June 2016	Pro forma after Public Offer
	No. of Shares	No. of Shares
Ordinary shares on issue	612,747,560	276,127,476
Audited balance of ZYL at 30 June 2016		612,747,560
<i>Pro forma adjustments:</i>		
Consolidation of share capital		(606,620,084)
Proceeds from shares issued under this Prospectus		200,000,000
Issue of Shares under the Conversion Offer		20,000,000
Issue of Proponent Shares under the Recapitalisation Offer		40,000,000
Issue of Compliance Advisor Shares under the Recapitalisation Offer		10,000,000
		(336,620,084)
Pro forma balance		276,127,476

NOTE 9. RESERVES	Audited as at 30 June 2016	Pro forma after Public Offer
	\$	\$
Reserves	666,915	(980,393)
Audited balance of ZYL at 30 June 2016		666,915
<i>Subsequent events:</i>		
Transfer of share based payment reserve to accumulated losses following expiry of remaining options		(3,974,050)
		(3,974,050)
<i>Pro forma adjustments:</i>		
Reversal of reserves of entities removed from the Group following finalisation of the DOCA		2,326,742
		2,326,742
Pro forma balance		(980,393)

NOTE 10. ACCUMULATED LOSSES	Audited as at 30 June 2016	Pro forma after Public Offer
	\$	\$
Accumulated losses	(59,394,591)	(54,789,830)
Audited balance of ZYL at 30 June 2016		(59,394,591)
<i>Subsequent events:</i>		
Payment of expenses		(65,100)
Transfer of share based payment reserve to accumulated losses following expiry of remaining options		3,974,050
Waiver and forgiveness of debt by creditor		93,318
		4,002,268
<i>Pro forma adjustments:</i>		
Transaction costs		(13,500)
Shares based payment expense regarding issue of Compliance Advisor Shares		(100,000)
Payment to the Proponent under the DOCA		(160,000)
Reversal of accumulated losses of entities removed from the Group following finalisation of the DOCA		875,993
		602,493
Pro forma balance		(54,789,830)

NOTE 11. RELATED PARTY DISCLOSURES

The Company has entered into the following related party transactions on arms' length terms:

- a. Letters of appointment with each of the existing Directors on standard terms (refer Sections 1.11(d) of the Prospectus for details); and
- b. Deeds of indemnity, insurance and access with each of its Directors on standard terms (refer Section 1.11(e) of the Prospectus for details).

NOTE 12. COMMITMENTS AND CONTINGENCIES

At the date of the pro forma financial information no material commitments or contingent liabilities exist that we are aware of, other than as follows:

- As a condition of the granting of the Kangwane South mining right, an environmental bond of ZAR5,574,974 (approximately A\$530,000) is required to be paid by the Group to the South African Department of Mineral Resources prior to the commencement of mining activities on the tenement. However, as the Group intends to undertake further exploration activities prior to any decision to mine, the environmental bond is not currently an asset or liability of the Group and, accordingly, no related liability has been included in the audited Consolidated Statement of Financial Position shown at Appendix 1. This environmental commitment will only be recognisable as a liability in the Group's financial statements for accounting purposes once a decision to mine is made.

APPENDIX 3

ZYL LIMITED

SUBSEQUENT EVENTS

The pro forma statement of financial position reflects the following event that occurred subsequent to 30 June 2016:

- Following the expiry of the remaining unissued ordinary shares of ZYL under option on 24 July 2016, the share based payment reserve was transferred to accumulated losses;
- On 19 August 2016, loan funds of \$50,000 were received by ZYL from an unrelated party. These funds were used to pay certain trade and other payables which were in existence as at 30 June 2016 and expenses of the Company;
- On 26 August 2016, loan funds of \$10,000 were provided to ZYL from Konkera Corporate. These funds were used to pay certain trade and other payables of the Company which were in existence as at 30 June 2016;
- On 9 September 2016, loan funds of \$5,000 were received by ZYL from Konkera Corporate. These funds were used to pay expenses of the Company;
- On 26 September 2016, loan funds of \$25,000 were received by ZYL from an unrelated party. These funds were used to pay certain expenses of the Company;
- On 27 September 2016, loan funds of \$25,000 were received by ZYL from an unrelated party. These funds were used to pay certain expenses of the Company of \$5,600 and for working capital;
- On 29 September 2016, a South African creditor of \$93,318 confirmed that it has waived and forgiven the amount owing by the Group in relation to invoices issued to the Company's South African subsidiary.

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no other material transaction or event outside of the ordinary business of ZYL, not described above, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

APPENDIX 4

ZYL LIMITED

ASSUMPTIONS ADOPTED IN COMPILING THE PRO FORMA STATEMENT OF FINANCIAL POSITION

Incomplete Financial Information

Due to turnover of previous staff and officers, and the Company 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:

1. it is not possible to state that the audited 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; and
2. it is not possible to state that the audited Remuneration disclosures for the financial years from 30 June 2013 to 30 June 2015 inclusive are in accordance with the requirements of the Corporations Act 2001, due to the lack of records.

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 Company 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.

Pro Forma Transactions

The pro forma historical Statement of Financial Position is shown in Appendix 1. This has been prepared based on the financial statements as at 30 June 2016, the subsequent events set out in Appendix 3, and the following transactions and events relating to the issue of Shares under this Prospectus:

- Consolidation of the issued capital of the Company on the basis that every 100 Shares be consolidated into 1 Share;
- The issue of 200,000,000 Shares (on a post-Consolidation basis) at an issue price of \$0.01 each to raise \$2,000,000 before costs, with a minimum subscription of \$2,000,000, pursuant to the Public Offer under the Prospectus;
- Costs of the Public Offer are estimated to be \$143,650 based on the minimum subscription, which are to be offset against contributed equity. As at the date of this report, \$15,000 of these costs had been paid resulting in the balance of \$128,650 being included as a pro forma transaction;
- Transaction costs not associated with the Public Offer are estimated to be \$180,950, which are to be expensed through accumulated losses. As at the date of this report, \$167,450 of these costs had been paid resulting in the balance of \$13,500 being included as a pro forma transaction;
- The issue of 20,000,000 Shares (on a post-Consolidation basis) to repay loans totalling \$100,000 under the Conversion Offer. The Shares issued under the Conversion Offer have an issue price of \$0.005 each;
- The issue of 40,000,000 Shares (on a post-Consolidation basis) to the Proponent Nominees (**Proponent Shares**) to repay loans totalling \$80,000 under the Recapitalisation Offer. The Proponent Shares issued under the Recapitalisation Offer have an issue price of \$0.002 each. This transaction assumes the receipt of a further \$15,000 of loan funds to take the total loan funds received in relation to the Recapitalisation Offer to \$80,000;

- The issue of 10,000,000 Shares (on a post-Consolidation basis) to the Proponent (or its nominees) (**Compliance Advisor Shares**) under the Recapitalisation Offer. The Compliance Advisor Shares are issued for nil cash consideration, however, have been valued at \$0.01 each. The Compliance Advisor Shares are recognised as a share based payment in accordance with Australian Accounting Standards;
- Payment to the Proponent of \$160,000 under the Deed of Company Arrangement;
- The transfer of all assets and liabilities of ZYL that arose before the execution of the Deed of Company Arrangement, other than interest in entities shown in Section 3.3 of the Prospectus, to the Secured Creditor's Trust or the Unsecured Creditors' Trust;
- Derecognition of foreign currency translation reserve balances for all disposed subsidiaries;
- Derecognition of accumulated losses for all disposed subsidiaries.

8. Material Contracts

Set out below is a summary of the material contracts to which the Company is a party that may be material in terms of the Offers, for the operation of the business of the Company, or otherwise may be relevant to a potential investor in the Company.

8.1 Deed of Company Arrangement

Pursuant to a resolution at a meeting of Creditors on 13 February 2015 held under section 439A of the Corporations Act, the Company and the Administrator entered into the DOCA on 19 February 2015.

Key conditions precedent for completion of the DOCA include:

- (a) the Proponent being satisfied that the effect of the DOCA and the trust deeds, is to extinguish all claims against the Company as at the completion date;
- (b) the Proponent receiving a reinstatement conditions letter from the ASX, confirming quotation of the shares in the Company will be reinstated on the ASX after the relevant conditions are satisfied, without the need for the Company to meet the requirements of chapters 1 and 2 of the Listing Rules (as at the date of this Prospectus this condition has been satisfied but is subject to the end date of the ASX letter being extended (see Section 2.9);
- (c) security over the Kangwane South Project or registered against the Company being discharged and/or released;
- (d) the Security being replaced or amended so that Prestige has security over the Sale Assets (including Exsteen) in a form reasonably acceptable to Prestige and the Administrator;
- (e) transfer of the Sale Assets by the Company to the Secured Creditor's Trust, as at completion of the DOCA;
- (f) if legal title of the Sale Assets cannot be transferred due to a delay in obtaining regulatory approval (including Ministerial consent for the transfer in accordance with South African law), entry into a bare trust deed which shall provide that the Company will hold the Sale Assets without any beneficial interest in them and without any further duty to perform, except to convey the Sale Assets to the Trustee of the Secured Creditor's Trust;
- (g) payment of the Proponent Payment;
- (h) the Company raising no less than \$1,250,000 pursuant to the Capital Raising (noting however the Company has determined it requires \$2,000,000 to meet ASX's conditions);
- (i) all subsidiaries being excised from the Company, other than those who hold interests in the Kangwane South Project; and
- (j) shareholder approval being obtained to give effect to the Recapitalisation Proposal.

For the avoidance of doubt, upon completion of the DOCA no security will exist over the Company or its retained asset, the Kangwane South Project.

The conditions precedent must be satisfied by 19 February 2017, or such later date as may be agreed in writing between the Administrator and Proponent, acting reasonably.

From execution of the DOCA, control of the Company reverted to the officers of the Company.

8.2 Creditors' Trust Deeds

A creditors' trust is a mechanism that is sometimes used to accelerate a company's exit from external administration (and voluntary administration and deed of company arrangement in particular). Under the terms of a deed of company arrangement that provides for a creditors' trust, a trust or trusts are created and the company's obligations to creditors which are bound by the deed of company arrangement are then compromised and transferred to the trust/s. Creditors become beneficiaries of the trust/s. The purpose of the trust/s is to deal with the debts and claims against the Company that, but for the release of claims under the deed of company arrangement, would have been payable by the Company.

A deed of company arrangement of the sort referred to above typically terminates upon creation of the trust/s. When the deed of company arrangement terminates, the company ceases to be externally administered and the directors regain full control of the company.

The DOCA provides for the creation of two separate creditors' trusts to which the assets of the Company (other than the Kangwane South Project) will be transferred and in which they will be realised in satisfaction of creditors' claims.

The Sale Assets will comprise the assets of the Secured Creditor's Trust. As discussed in Section 3.1, post-appointment of the Administrator MS800 received a conditional binding offer from Centaur for the purchase of the Kangwane Central Project for a total of up to ZAR 120 million. The Company is the ultimate holder of a 42.85% interest in MS800.

Under the terms of the DOCA and the Secured Creditor's Trust deed, the Trustee of the Secured Creditor's Trust and Prestige must use their best efforts to consummate the Proposed Transaction (or any other transaction acceptable to Prestige) within six months of completion of the DOCA. Should the Sale Assets be realised, the sale proceeds are to be distributed by the Trustee first, to satisfy the Administrator's and Trustee's costs in administering the DOCA and the Secured Creditor's Trust, next to satisfy any outstanding employee entitlements, next to Prestige to the extent of the secured amount owed (which at the date of this Prospectus was approximately \$3.0 million) and, next (if there are funds available) to unsecured creditors of the Company who have had their claims accepted by the Administrator or Trustee for the balance of an accepted claim for which a payment was received under the Unsecured Creditors' Trust, rateably.

If the Proposed Transaction or any other transaction acceptable to Prestige realising the Sale Assets is not completed within six months of completion of the DOCA (or such other time as agreed between the Trustee and Prestige) the Sale Assets are to be transferred to Prestige in full and final satisfaction of Prestige's claim.

As at the date of the Prospectus, due diligence for the Proposed Transaction is complete and the parties are working towards fulfilment of the Transaction Conditions.

The assets of the Unsecured Creditors' Trust will comprise the deposit of \$40,000 already paid by the Proponent, the Proponent Payment of \$160,000 and any remaining assets of the Company that are realised by the Administrator or Trustee. Distribution

of the fund by the Trustee is first, to satisfy the Administrator's and Trustee's costs in administering the DOCA and the Unsecured Creditors' Trust, next to satisfy any outstanding employee entitlements, and next to unsecured creditors of the Company who have had their claims accepted by the Administrator or Trustee, rateably.

8.3 Altius Shareholder Agreement

The Company, via its subsidiary entities ZYL Mining (SA) Pty Ltd and Oakleaf Investments 61 (Pty) Ltd, has an interest in a shareholders' agreement which governs the relationship between the shareholders of Altius, the entity which holds the mining right.

The main purpose of the agreement is to ensure compliance with requirements in South Africa involving the participation of 'Historically Disadvantaged Persons', being Black persons or with respect to companies, companies which are owned or controlled by Black persons. It is accepted convention in South Africa that for the successful grant of a mining right, Historically Disadvantaged Persons hold at least 26% of equity in a particular project (see Section 6 (Solicitor's Report) for further details).

On review of Altius' corporate documents, Altius is currently held as to 26.8% by Historically Disadvantaged Persons, with an undertaking to provide a community trust such shares so that the holding of Historically Disadvantaged Persons totals 30%. Historically Disadvantaged Persons are referred to in the agreement as 'Empowerment Shareholders'.

The agreement includes the following pre-emptive rights:

- (a) the shareholding of the Empowerment Shareholders cannot be below 26% of Altius and can only be transferred to other Historically Disadvantaged Persons;
- (b) shares must first be offered to other shareholders and cannot be sold for less than offer price if shareholders choose not to purchase;
- (c) new shareholders must agree to be bound by terms of shareholder agreement; and
- (d) should any one or more shareholders holding 50% or more receive an offer for purchase of entire issued share capital and such offer is first put forward to the other shareholders who reject it, the offering shareholder can accept and have the right to immediately require the other shareholders to accept the offer.

Quorum for meetings is shareholders holding 70% of shares.

The Company is entitled to appoint three directors to the board, and the Empowerment Shareholders are collectively entitled to appoint 2 directors.

None of the following decisions can be made unless a director appointed by the Empowerment Shareholders agrees:

- (a) borrowing of any monies and repayment of loans;
- (b) giving of any security or guarantee;
- (c) declaration of a dividend or other distribution of capital;

- (d) purchase, sale or hire of immovable property;
- (e) issue of further shares or debentures or varying rights to same;
- (f) profit sharing arrangements with employees;
- (g) disposal of a majority of the company's assets; and
- (h) placing of company under business rescue or liquidation.

The Empowerment Shareholders do not need to provide any funding until after completion of a bankable feasible study on the Kangwane South Project. Where the Altius board resolves further funding is required, it shall be met from Altius' own resources or borrowings from banks or third parties. Should third party funding not be available, the Altius shareholders may lend funds in accordance with their respective shareholdings. Where a shareholder elects not to contribute, those shareholders pay an additional 2% of interest on the loan amount.

The agreement includes other provisions considered standard for agreements of this nature.

8.4 Loan Agreements

The Company has entered the following loan agreements on similar terms and conditions:

- (a) an unsecured loan from the Proponent for \$40,000 payable within a 12 month period (as extended by the parties) with no interest; and
- (b) an unsecured loans from unrelated parties for \$48,000 payable within a 6 month period (as extended by the parties) with no interest.

The loan agreements include other provisions considered standard for agreements of this nature.

The Company will also enter into loan agreements with new lenders (together, the **Lenders**) in which the Lenders will make a loan facility available to the Company for an aggregate amount of up to \$100,000 (**Loans**). The term of the Loans will be 12 months.

Subject to the completion of the Recapitalisation Proposal and Shareholder approval obtained at the General Meeting, the Company must repay the Loans via the issue of Shares in the Company to the Lenders or their nominees at an issue price of \$0.005 per Share (on a post-Consolidation basis). No interest is payable on the Loans. In the event the DOCA is not effectuated by the end of the term (or such other date as may be agreed between the parties), the Loans must be repaid within 5 Business Days of expiry of the term. The Lenders acknowledge they will become an unsecured creditor of the Company in the event the Recapitalisation Proposal does not complete.

As at the date of this Prospectus, the Company has entered into Loans with unrelated parties, for an amount of \$50,000. The Company is seeking to enter further Loans from unrelated parties for the \$50,000 remaining (bringing the total of Loans to \$100,000) pursuant to the conversion facility shareholders approved at the General Meeting, prior to the Closing Date.

9. Additional information

9.1 Rights and liabilities attaching to the Shares

The following is a general description of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive. Full details of provisions relating to rights attaching to the Shares are contained in the Corporations Act, Listing Rules and the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) Ranking of Shares

At the date of this Prospectus, all shares are of the same class and rank equally in all respects. Specifically, the Shares issued pursuant to this Prospectus will rank equally with existing Shares on issue.

(b) Voting rights

Subject to any special rights or restrictions (at present there are none), at any meeting each member present in person or by proxy has one vote on a show of hands, and on a poll has one vote for each Share held.

(c) Dividend rights

Subject to any special rights (at present there are none), any dividends that may be declared by the Company are payable on all Shares in proportion to the amount paid up.

(d) Variation of rights

The rights attaching to the Shares may only be varied by the consent in writing of the holders of three-quarters of the Shares, or with the sanction of a special resolution passed at a general meeting.

(e) Transfer of Shares

Shares can be transferred upon delivery of a proper instrument of transfer to the Company or by a transfer in accordance with the ASX Settlement Operating Rules. The instrument of transfer must be in writing, in the approved form, and signed by the transferor and the transferee. Until the transferee has been registered, the transferor is deemed to remain the holder, even after signing the instrument of transfer.

In some circumstances, the Directors may refuse to register a transfer if upon registration the transferee will hold less than a marketable parcel. The Directors may refuse to register a transfer of Shares upon which the Company has a lien.

(f) General meetings

Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to Shareholders under the Constitution, the Corporations Act and Listing Rules.

The Directors may convene a general meeting at their discretion. General meetings shall also be convened on requisition by the Shareholders as provided for by the Corporations Act.

(g) Unmarketable parcels

The Constitution provides for the sale of unmarketable parcels subject to any applicable law and provided a notice is given to the minority Shareholders stating that the Company intends to sell their relevant Shares unless an exemption notice is received by a specified date.

(h) Rights on winding up

If the Company is wound up, the liquidator may, with the sanction of a special resolution:

- (i) divide among the Shareholders the whole or any part of the Company's property; and
- (ii) decide how the division is to be carried out between the Shareholders.

9.2 Corporate governance

The Board is responsible for establishing the Company's corporate governance framework, the key features of which are set out in this Section 9.2. In establishing its corporate governance framework, the Board has referred to the 3rd edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations (**Recommendations**). To the extent applicable, commensurate with the Company's size and nature, the Company has adopted the Recommendations.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and further details on the Company's corporate governance procedures, policies and practices can be obtained from the Company website at www.zyl-limited.com.

(a) Board of Directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (i) maintain and increase Shareholder value;
- (ii) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (iii) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (i) developing initiatives for profit and asset growth;
- (ii) reviewing the corporate, commercial and financial performance of the Company on a regular basis;

- (iii) acting on behalf of, and being accountable to, the Shareholders; and
- (iv) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

In light of the Company's size and nature, the Board considers that the proposed board is a cost effective and practical method of directing and managing the Company. If the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

(b) Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (i) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (ii) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

The Board consists of 3 members. The Company has adopted a Nominations Committee Charter, but has not formally adopted a Nominations and Remuneration Committee. The Directors consider that the Company is currently not of a size, nor are its affairs of such complexity, to justify the formation of a Nomination and Remuneration Committee. The responsibilities of a Nomination and Remuneration Committee are currently carried out by the Board.

Where a casual vacancy arises during the year, the Board has procedures to select the most suitable candidate with the appropriate experience and expertise to ensure a balanced and effective Board. Any Director appointed during the year to fill a casual vacancy or as an addition to the current Board, holds office until the next general meeting and is then eligible for re-election by the Shareholders.

(c) Identification and management of risk

The Board has not established a risk management committee and the full Board is responsible for overseeing the risk management function. The Board is responsible for ensuring the risks and opportunities are identified on a timely basis.

(d) Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

(e) Independent professional advice

The Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

(f) Remuneration arrangements

The total maximum remuneration of Non-executive Directors determined by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the Listing Rules, as applicable, or until so determined, as the Directors resolve. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility.

(g) Trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the Board). The policy generally provides that written notification must be satisfied prior to trading.

(h) External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

(i) Audit committee

The Company does not have an audit committee. The full Board fulfils the Company's corporate governance and monitoring responsibilities in relation to the Company's risks associated with the integrity of the financial reporting, internal control systems and the independence of the external audit function.

(j) Diversity Policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

(k) **Departures from Recommendations**

As the Company is admitted to the Official List of ASX, the Company is required to report any departures from the Recommendations in its annual financial report.

Further information can be obtained in the Company's Annual Report and Appendix 4G lodged with ASX prior to the date of this Prospectus.

9.3 Continuous disclosure

The Company is a "disclosing entity" for the purposes of Part 1.2A of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations which require it to disclose to ASX any information which it is or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of the securities of the Company. The Company's Shares are currently suspended and as such there is no current market price available.

The Company is also required to prepare and lodge with ASX yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit review or report.

Copies of documents lodged with the ASIC and ASX in relation to the Company may be obtained from ASIC and ASX (see Section 9.4 below).

9.4 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from ASIC. The Company will provide free of charge to any person who requests it during the period of the Offer, a copy of:

- (a) the Annual Report, being the last financial year for which an annual financial report was lodged with ASIC in relation to the Company before the issue of the Prospectus; and
- (b) the following notices given by the Company to notify ASX of information relating to the Company during the period from the date of lodgement of the Annual Report referred to in Section 9.4(a) and before the date of issue of this Prospectus are as follows:

Date	Description of Announcement
29/09/2016	Constitution
29/09/2016	Results of Meeting
29/09/2016	Appendix 4G
28/09/2016	Annual Report to Shareholders

The following documents are available for inspection throughout the period of the Offer during normal business hours at the registered office of the Company at Suite 23, 513 Hay Street, Subiaco, Western Australia:

- (a) this Prospectus;
- (b) the Constitution; and
- (c) the consents referred to in Section 9.8 and the consents provided by the

Directors to the issue of this Prospectus.

9.5 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules other than as is set out in this Prospectus.

9.6 Determination by ASIC

The Directors are not aware of ASIC having made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing Securities under this Prospectus.

9.7 Interests of experts and advisers

(a) No interest except as disclosed

Other than as set out below or elsewhere in this Prospectus, no persons or entity named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus holds at the date of this Prospectus, or held at any time during the last 2 years, any interest in:

- (i) the formation or promotion of the Company;
- (ii) property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offers; or
- (iii) the Offers,

and the Company has not paid any amount or provided any benefit, or agreed to do so, to any of those persons for services rendered by them in connection with the formation or promotion of the Company or the Offers.

(b) Independent Geologist

GeoCoal Services CC has prepared the Independent Geologist's Report included in Section 8 of this Prospectus. Total fees payable to GeoCoal Services CC for work done in relation to this Prospectus are approximately \$10,000.

(c) Investigating accountant

William Buck Consulting (WA) Pty Ltd has prepared the Investigating Accountant's Report included in Section 7. Total fees payable to William Buck Consulting (WA) Pty Ltd for work done in relation to this Prospectus are approximately \$8,000 plus GST.

(d) Australian legal adviser

Bellanhouse Legal has acted as Australian lawyers to the Company in relation to the Offers and the Recapitalisation Proposal. Total fees paid or payable to Bellanhouse Legal for work done in respect of the Offers and the Recapitalisation Proposal, this Prospectus and various other matters, are estimated to be approximately \$50,000 plus GST. Additional legal fees in relation to the Offers may be incurred by the Company subsequent to the

lodgement of this Prospectus and will be charged at Bellanhouse Legal's normal hourly rates.

(e) South African legal adviser

Malan Scholes Attorneys have acted as South African lawyers to the Company in relation to the mining specific legal aspects of the Recapitalisation Proposal. Total fees paid or payable to Malan Scholes Attorneys for work done in respect of the Offers and the Recapitalisation Proposal, this Prospectus and various other matters, are estimated to be approximately \$15,000. Additional legal fees in relation to the Offers may be incurred by the Company subsequent to the lodgement of this Prospectus and will be charged at Malan Scholes' normal hourly rates.

(f) Auditor

William Buck Audit (WA) Pty Ltd remains as the Company's auditor and has been and will be paid for these services on its normal hourly rates.

(g) Share Registry

Security Transfer Australia Pty Ltd remains the Company's Share Registry and has been and will be paid for these services on its normal commercial rates.

9.8 Consents

(a) General

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of Shares under this Prospectus), the Directors, any persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

In light of the above, each of the parties referred to below:

- (i) does not make the Offer;
- (ii) does not make, or purport to make, any statement that is included in this Prospectus, or a statement on which a statement made in this Prospectus is based, other than as specified below or elsewhere in this Prospectus;
- (iii) only to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement contained in this Prospectus with the consent of that party as specified below; and
- (iv) has given and has not, prior to the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion of the statements in this Prospectus that are specified below in the form and context in which the statements appear.

(b) **Dawie van Wyk**

Dawie van Wyk (the proprietor of GeoCoal Services CC) has given and has not before lodgement of this Prospectus withdrawn written consent to be named in this Prospectus as independent geologist for the purpose of the Independent Geologist's Report in Section 5 in the form and context in which he and GeoCoal Services CC are named, together with all reference to that report in this Prospectus.

(c) **William Buck Consulting (WA) Pty Ltd**

William Buck Consulting (WA) Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as investigating accountant for the purpose of the Investigating Accountant's Report in Section 7 in the form and context in which it is named, together with all references to that report in this Prospectus.

(d) **Bellanhouse Legal**

Bellanhouse Legal has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as Australian legal adviser to the Company in respect of the Offers in the form and context in which it is named.

(e) **Malan Scholes Attorneys**

Malan Scholes Attorneys has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as South African legal adviser to the Company for the purpose of the Solicitor's Report in Section 6 in the form and context in which it is named, together with all reference to that report in this Prospectus.

(f) **Auditor**

William Buck Audit (WA) Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as auditor to the Company in the form and context in which it is named, together with all references to it in this Prospectus. William Buck Audit (WA) Pty Ltd has not had any involvement in the preparation of any part of this Prospectus other than being named as auditor.

(g) **Security Transfer Australia Pty Ltd**

Security Transfer Australia Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the share registry to the Company in the form and context in which it is named, together with all references to it in this Prospectus. Security Transfer Australia Pty Ltd has not had any involvement in the preparation of any part of this Prospectus other than being named as the Share Registry.

9.9 Administrator

The Administrator has not been involved in the preparation of this Prospectus and has taken no part in the preparation of any documents and expresses no opinion regarding the Recapitalisation Proposal. The Administrator has not independently verified any of the information contained in this Prospectus. Neither the Administrator nor his servants, agents or employees make any representation or warranty (express or

implied) as to the accuracy, reasonableness or completeness of the information contained in this Prospectus. To the extent permissible by law, all such parties and entities expressly disclaim any and all liability for, or based on or relating to, any such information contained in, or errors in or omissions from this Prospectus.

9.10 Expenses of the Offers

The estimated expenses of the Offers including all aspects of the Recapitalisation Proposal (excluding any GST) are as follows:

Expense	Amount
Independent geologist's fees	\$6,000
Investigating accountant's fees	\$8,000
Australian legal fees	\$50,000
South African legal fees	\$15,000
Audit, accounting and tax fees	\$57,100
ASIC, ASX and other fees	\$69,000
Commissions associated with the Public Offer	\$50,000
Share registry and other corporate costs	\$69,500
Total	\$324,600

9.11 Litigation

As at the date of this Prospectus, the Company is not involved in any material legal proceedings and the Directors are not aware of any material legal proceedings pending or threatened against the Company.

9.12 Taxation

It is the responsibility of all investors to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offers, by consulting their own professional tax advisers. Neither the Company nor any of its Directors or officers accepts any liability or responsibility in respect of the taxation consequences of the matters referred to above.

10. Authorisation

The Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is signed for and on behalf of the Company by:

A handwritten signature in blue ink, consisting of two large loops followed by a horizontal line that ends in a small hook.

Richard Pearce
Director

Dated: 30 September 2016

11. Glossary of Terms

In this Prospectus:

Administrator means Mr Jack James of Palisade Business Consulting.

Altius means Altius Trading 404 (Pty) Ltd.

Application Form means a Public Offer Application Form, a Conversion Offer Application Form and/or a Recapitalisation Offer Application, as the context requires.

Application Monies means the amount of money in dollars and cents payable for Shares at \$0.01 per Share pursuant to the Public Offer.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires.

ASX Reinstatement means reinstatement of the Company's securities to quotation on the Official List of the ASX.

ASX Settlement means ASX Settlement Pty Limited ACN 008 504 532.

ASX Settlement Operating Rules means the settlement and operating rules of ASX Settlement.

AUD means Australian dollar.

Board means the board of Directors of the Company from time to time.

Business Day means a day on which banks are open for business in Perth, Western Australia excluding a Saturday, Sunday or public holiday.

Capital Raising has the meaning given in Section 3.1(c).

Centaur means Centaur Asset Management Ltd.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement.

Closing Date means the date that the Offers close which is 5.00pm (WST) on 21 October 2016 or such other time and date as the Directors determine.

Company means ZYL Limited (Subject to Deed of Company Arrangement) (to be renamed "Hawkstone Mining Limited") ACN 008 720 223.

Compliance Advisor Shares has the meaning given in Section 2.1(c).

Conditions has the meaning given in Section 2.2.

Consolidation means the 100 for 1 consolidation of the Company's securities approved by Shareholders at the General Meeting.

Constitution means the constitution of the Company.

Conversion Offer means the offer of up to 20,000,000 Shares at an issue price of \$0.005 each in consideration for the repayment of up to \$100,000 of Loans.

Conversion Offer Application Form means a Conversion Offer application form in the form accompanying this Prospectus pursuant to which lenders may apply for Shares under the Conversion Offer.

Corporations Act means the *Corporations Act 2001* (Cth).

Creditor means any person having a claim against the Company that has been accepted by the Administrator.

Director means a director of the Company.

DMR means the South African Department of Mineral Resources.

DOCA means the deed of company arrangement dated 19 February 2015 between the Company, the Administrator, the Proponent and Prestige as summarised in Section 8.1.

Exsteen means Exsteen Pty Ltd ACN 137 981 134.

General Meeting means the general meeting of Shareholders held on 29 September 2016 as referred to in Section 3.1(d), at which the Recapitalisation Proposal was approved.

Independent Geologist's Report means the independent geologist's report prepared by Dawie van Wyk and included in Section 5.

Investigating Accountant's Report means the investigating accountant's report prepared by William Buck Consulting (WA) Pty Ltd and included in Section 7.

JORC or JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources, 2012 Edition.

Kangwane South Project has the meaning given in Section 3.2.

Lenders has the meaning ascribed in Section 8.4.

Listing Rules means the ASX Listing Rules published and distributed by the ASX.

Loans has the meaning ascribed in Section 8.4.

MS800 has the meaning given in Section 3.1(b).

Offer means the Public Offer, the Conversion Offer and/or the Recapitalisation Offer, as the context requires.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Official List means the official list of the ASX.

Opening Date means the first date for receipt of completed Application Forms which is 4 October 2016 or such other date as the Directors determine.

Option means an option to acquire a Share.

Prestige has the meaning given in Section 3.1(b).

Proponent means Cranston and Sons Pty Ltd (ACN 057 245 345) trading as Konkera Corporate.

Proponent Nominees means the Proponent, any sophisticated or professional investors nominated by the Proponent to receive Proponent Shares, Compliance Advisor Shares and General Placement Shares, and their associates, none of whom will be related parties of the Company.

Proponent Payment has the meaning given in Section 3.1(c)(ix).

Proponent Shares has the meaning given in Section 2.1(c).

Proposed Transaction has the meaning given in Section 3.1(b).

Prospectus means this prospectus dated 30 September 2016.

Public Offer means the offer of up to 200,000,000 Shares to the public at \$0.01 each pursuant to this Prospectus to raise \$2,000,000 before costs.

Public Offer Application Form means a Public Offer application form in the form accompanying this Prospectus pursuant to which investors may apply for Shares under the Public Offer.

Recapitalisation Offer means the offer of the Proponent Shares and the Compliance Advisor Shares to facilitate completion of the Recapitalisation Proposal as described in Section 2.1(c).

Recapitalisation Offer Application Form means a Recapitalisation Offer application form in the form accompanying this Prospectus pursuant to which Strategic Investors may apply for Shares under the Recapitalisation Offer.

Recapitalisation Proposal means the proposal for the recapitalisation of the Company approved by Shareholders at the General Meeting as described in Section 3.1(c).

Recommendations has the meaning given in Section 9.2.

Relevant Interest has the meaning given in the Corporations Act.

Sale Assets has the meaning given in Section 3.1(c)(ii).

Secured Creditor's Trust means the trust established to hold and realise the Sale Assets for the benefit of Prestige.

Security has the meaning given in Section 3.1(b).

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Share Registry means Security Transfer Australia Pty Ltd ACN 008 894 488.

Subscription Account means the Company's bank account titled "ZYL Limited - Share Application Account" which has been established for the purpose of holding the Application Monies.

Trustee means Mr Jack James of Palisade Business Consulting, in his capacity of as trustee of the Secured Creditor's Trust or Unsecured Creditors' Trust, as the context requires.

UMS has the meaning given in Section 3.1(b).

Unsecured Creditors' Trust means the trust established for the benefit of the Company's unsecured creditors.

USD means United States dollar.

WST means Western Standard Time, being the time in Perth, Western Australia.

ZAR means South African rand.