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20 Bridge Street
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ZYL Managing Director Completes Site Visit to South Africa Kangwane Anthracite Project Update

Highlights:

- Due diligence of the Kangwane Anthracite Project progressing with the formation of a BFS Committee and exploration planning underway
- Positive discussions with the owners of the neighboring anthracite mine in relation to the use of the rail siding and potential treatment options
- Advanced discussions with the local community leaders underway providing a clear path forward for the development of the Kangwane Anthracite Project
- Engagement of an Independent BFS Manager imminent with the short listing of two world-recognised independent consulting organisations
- Managing Director, Dr Eric Lilford, completes site visit to the Kangwane Anthracite Project and initiates discussions with potential domestic and export marketing partners

The Directors of ZYL Limited (**ZYL** or **the Company**) are pleased to announce that following the inaugural site visit of the Company's Managing Director, Dr Eric Lilford, the Company has made a number of significant advancements in relation to the advanced Kangwane Anthracite Project (**Kangwane** or **The Anthracite Project**).

Kangwane is located in the Mpumalanga province of South Africa, approximately 100km from the coast (Maputo Port – Matola Terminal) by rail, north of Swaziland and within close proximity to the major town of Nelspruit (less than 100km to the west) (refer to Figure 1 below).

Corporate Office

1306 Hay Street,
West Perth, 6005
Australia

PO Box 255,
West Perth 6872
Australia

T +61 (8) 9486 4036
F +61 (8) 9486 4799
E info@zyllimited.com.au

www.zyllimited.com.au

An existing rail siding is located on the southern end of the Anthracite Project which has a loading capacity of 100,000 tonnes per month. The Anthracite Project is also located near well established infrastructure and coal mining support services including main power lines and an adequate water supply.

Kangwane is located to the north of an existing anthracite operation. The Anthracite Project has the potential to host economic resources of high quality anthracite, from which a low ash and low impurity washed product can potentially be produced for the export markets and a medium ash washed anthracite product for the local markets.

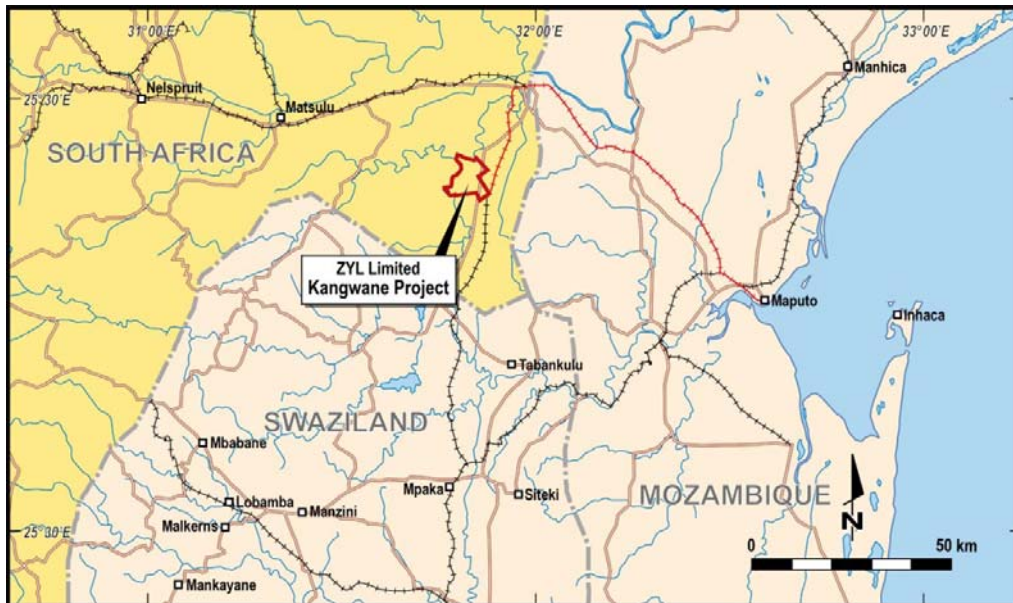


Figure 1: Kangwane Anthracite Location Map, illustrating rail infrastructure, proximity to port and nearest major cities

Due Diligence Update

Following the announcement regarding the proposed transaction to acquire a 50.12% interest in Kangwane via a farm-in and joint venture with Siyanda Resources (Pty) Ltd (**Siyanda**), the Company has progressed the due diligence investigations over the Anthracite Project.

As part of the due diligence program and development of the Anthracite Project, the Company has formed a Bankable Feasibility Study Committee (**BFS Committee**) consisting of 4 representatives with equal representation from ZYL and Siyanda. The BFS Committee meets regularly to discuss the current status of the due diligence program, the exploration planning and the commencement and timing of the BFS. The BFS Committee is also overseeing the finalisation of the legal agreements in respect of the proposed transaction.

Advanced discussions with the local community leaders regarding the planned mining of the Anthracite Project have occurred with the intention of keeping the local community well informed as to the path to production and the proposed mining plan. The feedback received from Siyanda in relation to these discussions has been very encouraging and the support of the local community leaders (**Induna**) and the involvement of the local community in the area is welcomed.

Preliminary discussions in relation to the use of the rail siding and treatment options for future production from Kangwane have taken place with the owners of the neighboring anthracite operation. The rail siding, which is located on the southern tip of the Kangwane tenements feeds directly into the main rail line which continues directly to the Matola Port Terminal in Maputo. Return rail wagons from Matola currently transport Kangwane's neighboring mine's production to internal customers in the Highveld region where various ferro-chrome, ferro-manganese and platinum producers operate. A photograph of the rail siding and the main line is presented in Figure 2 and Figure 3 respectively.



Figure 2: Rail siding located at the southern tip of the Kangwane Anthracite Project



Figure 3: Main rail line connected to the rail siding and continuing on to the Matola Terminal in Maputo

Bankable Feasibility Study Update

The Company has made significant progress with its joint venture partners, Siyanda, in relation to the planning and commencement of the BFS for the Anthracite Project. Exploration planning is also currently underway in tandem with the commencement and planning for the BFS.

Siyanda and the Company jointly invited eight (8) technical consulting organisations to tender for the BFS Management role for Kangwane. Of these eight organisations, the Company and Siyanda have short-listed two (2) preferred tenders. The Company and Siyanda are currently working with each of these parties to finalise the scope of the BFS and to determine the timing and costs associated with each phase. The appointment of the BFS Consultant/Manager is likely to occur in the coming weeks.

The BFS for Kangwane will include the completion of an additional 7,000m of drilling, being a combination of confirmatory and step-out exploratory drilling. This drilling programme is designed to increase the global resource at Kangwane and to delineate proven and probable reserves. The BFS will initially focus on the open-pit target areas of the South pit and North pit where the Company currently has JORC-compliant resources of approximately **16.3Mt of Measured and Indicated Resources**.

The existing box-cut on the Kangwane property, while currently supporting aquatic life, will be drained in the near future so that a large bulk sample can be produced, washed and provided to potential local customers for test-work.

A project timeline for the BFS has been completed with an estimated 12-14 month duration period for the completion of the BFS in the lead up to construction, commissioning and thereafter commencement of mining.

Site Visit to Kangwane Anthracite Project, Mpumalanga Region - South Africa

The Company's Managing Director, Dr Eric Lilford, visited Kangwane in mid-August 2010 to meet the joint venture partners, review the project location and geology and discuss the proposed development of the project with the local community leaders and the joint venture partners.

During the visit, Dr Lilford met with Siyanda to discuss the progress of the necessary approvals required to continue the development of the Anthracite Project including the participation of the local community. Significant advancements have been made in obtaining the necessary approvals and the support of the local community has been overwhelmingly in favour of mining activity in the area.

Whilst in South Africa, Dr Lilford had encouraging discussions with a number of potential offtake partners for the anthracite to be produced at Kangwane. Significant interest was obtained from potential funding partners in relation to down-stream funding surrounding the completion of the BFS. Interest has also been shown in obtaining a bulk sample for the anthracite to facilitate testing with potential customers.

Discussions with the owners of the neighboring producing anthracite mine also occurred around the potential joint use of the rail siding that exists on the southern tip of Kangwane. In addition, Dr Lilford discussed the opportunity of potentially gaining access to

the washing plant at the neighboring mine for the purposes of preparing a bulk sample to facilitate the marketing trials with potential customers.

Summary

The Company will continue to update shareholders on the progress made towards the due diligence and development of the advanced Kangwane Anthracite Project in South Africa. The existing JORC compliant resources establish a solid platform for further resource upgrades and provide a basis for the formulation of a mine plan.

The Company is currently progressing with the finalisation of the definitive agreements in relation to the transaction between the Company and each of Exsteen Pty Ltd, Siyanda Resources (Pty) Ltd, Exsteen NewCo and NewCo. The Company expects to be in a position to execute the agreements in the coming weeks and will update shareholders accordingly.

For further information regarding the Company, please refer to www.zyllimited.com.au

Yours faithfully,

Eric Lilford
Managing Director
ZYL LIMITED

Competent Persons Statement:

Information in this announcement that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr Dawie Van Wyk who is a consultant to the Company and is a member of a Recognised Overseas Professional Organisation. 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 to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration, Mineral Resources and Ore Reserves'. Mr Van Wyk consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.