



ASX Code: ZYL

29 July 2011

Company Announcement Office
Australian Securities Exchange
Level 4, Exchange Centre
20 Bridge Street
Sydney NSW 2000



QUARTERLY CASH FLOW STATEMENT AND ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2011

Kangwane Anthracite Project

Bankable Feasibility Study (BFS) and Drilling

- The full BFS is expected to be completed in the fourth quarter of this year.
- RSV Enco Consulting (Pty) Ltd is being engaged to manage the finalisation of the BFS at the Kangwane Anthracite Project.
- The Company has completed the first phase of drilling totaling approximately 4,000 metres. Significant coal intersections include:

Potential Open-cut Coal Intersections -

- 3.52m seam from 26.42 metres to 29.94 metres (SYT001P)
- 4.92m seam from 29.95 metres to 34.87 metres (SYT001P)
- 9.74m seam from 11.28 metres to 21.02 metres (SYT003P)
- 8.68m seam from 48.85 metres to 57.53 metres (SY012P)
- 10.18m seam from 41.34 metres to 51.52 metres (SY016P)
- 4.86m seam from 54.48 metres to 59.34 metres (SY035)
- 8m seam from 31.31 metres to 39.31 metres (SY043P)
- 3.96m seam from 32.71 metres to 36.67 metres (SY049P)
- 3.35m seam from 40.13 metres to 43.48 metres (SY054P)
- 6.99m seam from 72.75 metres to 79.74 metres (SY068P)

Potential Underground Coal Intersections -

- 11.11m seam from 137.57 metres to 148.68 metres (SYT007P)
- 5.64m seam from 149.23 metres to 154.87 metres (SY017P)
- 3.71m seam from 88.34 metres to 92.05 metres (SY035)
- 7.83m seam from 135.15 metres to 142.98 metres (SY083)

Corporate Office

Level 8
225 St Georges Tce
Perth WA 6000

PO Box 7653
Cloisters Square
Perth WA 6850

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

www.zylimited.com.au

- The results of phase one of the drilling confirm the near surface nature of the coal present, supporting the decision to focus the BFS on the proposed North Open-pit Mining Area and the proposed South Open-pit Mining Area. These results will be collated with the existing drilling data base and will form part of the initial mine planning and resource/reserve estimation.
- The second phase of the drilling program, targeting 3,000 meters, is expected to be completed in August 2011. Six drill rigs are currently mobilised to further drill areas potentially amenable to open-cut mining.
- ZYL will update shareholders as additional drill results and specific laboratory test-work results are received.

Aerial Geophysical Survey

- The helicopter aerial geomagnetic survey at the Kangwane Project has been completed. The aerial survey covered approximately 417 line-km over the Kangwane Project and extended to the north of the Kangwane Project covering an additional area of approximately 283 line-km.
- The aerial geomagnetic survey will provide a more detailed understanding of the structural geology, associated features and the dip and depth of the anthracite coal seams.
- The geomagnetic images are being interpreted and the Company will update shareholders as the results are received.

International Power Utility Coal Off-take Agreement

- The Company has entered into a MoU with an International Power Utility (IPP) allowing the IPP to construct and operate a 600MW to 1,200MW power plant in close proximity to Kangwane. It is envisaged that Kangwane will supply between 1.3Mt and 1.5Mt of washed anthracite per year over an initial period of 25 years, subject to renewal. Kangwane would be required to maintain a minimum stockpile of 150,000t to 200,000t of anthracite on site at all times.
- The IPP specialises in the construction and operation of specifically engineered and designed modular power stations whereby the furnaces and boilers are exclusively designed to accommodate the characteristics of high energy coal.
- The IPP has requested additional samples of anthracite from the current drilling program for further testing and analysis. Split core samples from the current drilling program were delivered to the IPP in April 2011, with the remainder of the split cores being sent to MidLabs for analysis.
- The distinct advantage of the coal off-take with the IPP is that it does not 'lock-up' any infrastructure and hence the Company's ability to potentially exploit and export additional production from the Kangwane Project through the rail network leading to the Matola Terminal at the Maputo Port in Mozambique.

Port and Rail Access Discussions

- ZYL is engaging with relevant stakeholders regarding securing an entitlement at both the Matola Terminal of the Maputo Port in Mozambique and the rail network, from the rail siding located on the southern tip of the Kangwane Project, through Mozambique to Maputo. Securing both rail and port access would allow the Company to diversify the consumers of the Kangwane Project anthracite achieving optimal market pricing.

Other Coal Off-take Negotiations

- ZYL is in discussions with a number of potential domestic and export-based coal offtake partners for the Kangwane anthracite coal. A significant degree of interest has been received. However the Company has not committed any of its future production to any potential partner(s).

Local Community Discussions

- ZYL continues discussions with the local community and cane farmers to ensure support of the continued development, through the BFS and into production, of the Kangwane Project. Discussions to date strongly suggest that the Company will reach agreement with the relevant parties in relation to the proposed future development of mining operations at the Kangwane Project. Where plausible the local community will be drawn from for employee staff at the operation. The drafted Social and Labour Plan incorporates the probable local community's involvement in the project from labour and a commercial perspectives.

Section 11 and Exchange Control Approval Applications

- The Acting Deputy Director-General of the Department of Mineral Resources (DMR) in South Africa has granted consent to the transfer of the Prospecting Right from Siyanda Resources (Pty) Ltd to Main Street 800 (Pty) Ltd in accordance with Section 11 of the Minerals and Petroleum Resources Development Act (MPRDA).
- In order to complete the transfer of the Prospecting Right, a notarial deed of cession has to be executed at the DMR office and the Company's legal adviser in South Africa is currently seeking to meet with the DMR officials to execute the notarial deed of cession.

Key Project Highlights

- The Kangwane Project, located in the Mpumalanga Province in South Africa and adjacent to an existing anthracite operation, has a current **JORC compliant resource of 114.1Mt with a Measured Resource of 21.4Mt.**
- Exploration Target of **400Mt to 450Mt¹** of Anthracite Coal at an expected calorific value of 6,635kcal to 6,712kcal.

¹ *The potential quantity and grade of this exploration target is conceptual in nature, there has been insufficient exploration to define a Mineral Resource on the property and it is uncertain if further exploration will result in discovery of further Mineral Resources on the property.*

- A comprehensive drilling database of 149 diamond drill holes with a combined depth of 18,567 metres over a strike length of 33km was completed by Mining Corporation Limited in the 1980s.
- Advanced discussions with the local community leaders are underway providing a clear path forward for the development of the Kangwane Project.
- The existing box-cut on the property provides an opportunity to access further bulk samples for metallurgical testing and marketing trials.
- The Kangwane Project is strategically located near key infrastructure, being within 100km by rail from the Matola Coal Terminal at the Maputo Port in Mozambique.

Southern Anthracite Project

- Located in the Mpumalanga province of South Africa, approximately 120km from the coast by rail to the Matola Terminal at Maputo Port in Mozambique and approximately 25 kilometres to the south of the Company's Kangwane Project.
- Similar to the Company's primary project Kangwane, the strategic location of the Southern Anthracite Project offers significant opportunities given its proximity to rail, port, water, electricity and roads.
- Previous drilling identified fourteen coal seams with thicknesses up to 3.34 metres, with three seams presenting as the preferred targets for exploration purposes.
- Work undertaken by the Minerals Corporation Limited (**Minerals Corporation**) and other independent exploration companies confirmed an Exploration Target of **90Mt to 190Mt**² of Anthracite Coal at an expected calorific value range of 22MJ/kg to 28MJ/kg (unwashed)
- The Southern Anthracite Project is complementary to the existing Kangwane Project and has the potential to offer significant upside to shareholders due to the constrained nature of the supply of anthracite and the burgeoning global demand for the product within the steel and the ferro-alloy industries. The Company also believes that natural synergies exist between its existing Kangwane Project and the Southern Anthracite Project.

Corporate

- The securities of the Company were reinstated to the Official Quotation on 18 July 2011 following a \$30 million raising via institutional placement to existing and new institutional and sophisticated investors in Australia, Asia and Europe.
- ZYL is now well funded to develop the Kangwane Project.
- ZYL maintains a strong balance sheet with \$34,324,000 cash in hand as at 30 June 2011.

² *The potential quantity and grade of this exploration target is conceptual in nature, there has been insufficient exploration to define a Mineral Resource on the property and it is uncertain if further exploration will result in discovery of further Mineral Resources on the property.*

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.