



Annual Report

For the year ended 30 June 2012

ABN 15 008 720 223

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Corporate Directory

Directors

Mr Glenn Whiddon
Non-executive Chairman

Mr Ian Benning
Chief Executive Officer

Mr Phillipe Lalieu
Commercial Director

Mr Bevan Tarratt
Executive Director

Mr David Greenwood
Non-executive Director

Company Secretary

Mr Nicholas Ong

Registered Office

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Perth WA 6000
Telephone: +618 9486 4036
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Website: www.zyllimited.com.au

Share register

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Applecross WA 6153
Tel: (08) 9315 2333
Fax: (08) 9315 2233

Auditor

William Buck (NSW)
Level 29
66 Goulburn Street
Sydney NSW 2000

Stock exchange listing

Australian Securities Exchange
Exchange Plaza
2 The Esplanade
Perth Western Australia 6000
Code: ZYL

Chairman's Letter

Dear Shareholder and fellow investor,

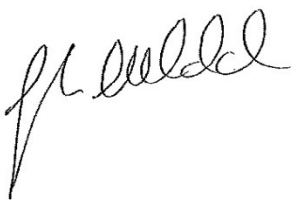
On behalf of the Board of Directors of ZYL Limited I am pleased to report on the Company's activities during the 2012 financial year.

The past year has been both an exciting and challenging year for ZYL and the resources sector worldwide. Despite this your Company has achieved a number of significant milestones on its way to becoming one of the world's leading anthracite coal producers. This has been achieved via the consolidation of material positions in the South African anthracite sector through its holdings in the Kangwane and Mbila anthracite projects.

As ZYL advances from being an exploration based company through to a production orientated enterprise we are confident of continuing to mature the company's projects over the next year. In particular, we look forward to presenting shareholders with the Bankable Feasibility Studies for both the Mbila and Kangwane Central projects. The company sees this as a key milestone and catalyst for progressing project financing discussions, offtake agreements and the subsequent advancement towards production.

As we strive to become a dominant influence in the anthracite coal market targeting both export and domestic markets the Board of ZYL Limited and I would like to thank our shareholders, partners & stakeholders for their continued support and we are pleased to present this Annual Report for 2012.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Glenn Whiddon', written in a cursive style.

Glenn Whiddon
NON-EXECUTIVE CHAIRMAN
ZYL Limited



Directors' Report

Directors' Report

The Directors present their report on the consolidated group (referred to hereafter as the group) for the year ended 30 June 2012 and the auditors' report thereon.

1. PRINCIPAL ACTIVITIES OF THE GROUP

ZYL Limited is listed on the Australian Securities Exchange (**ASX**) and aims to become one of the world's leading anthracite coal producers. The mission of ZYL is to develop high-margin metallurgical coal deposits for domestic and export markets. Flagship projects are the Mbila and Kangwane projects in South Africa, located close to rail, port, power and water infrastructure.

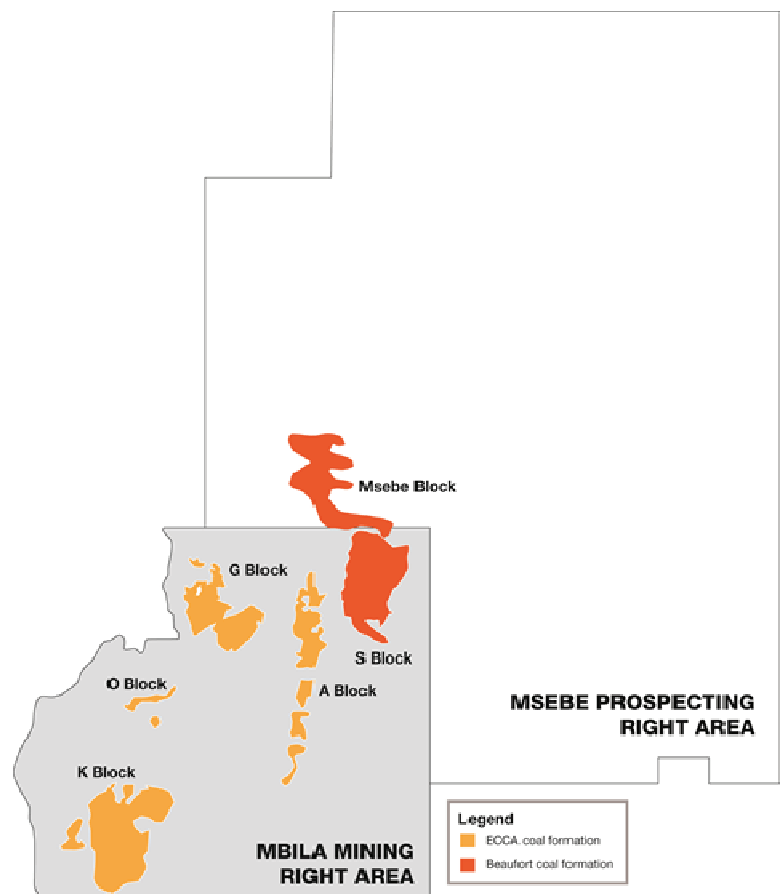
2. REVIEW OF OPERATIONS

Mbila Project

The Mbila Project is located approximately 150km north west of the Richards Bay Coal Terminal. Key infrastructure required for the development of an anthracite mine, such as electricity, roads and railway sidings and lines are located in close proximity.

The Mbila Project consists of a Mining Right covering 19,180ha (**Mbila Mining Right Area**) and a Prospecting Right covering 52,946ha (**Msebe Prospecting Right Area**). The two areas share a common boundary and are located approximately 15km to the east of the town of Nongoma. The diagram to the right shows the Mbila Mining Right Area in relation to the Msebe Prospecting Right Area.

As at the end of the reporting period, the resource base at the Mbila Project was 124.7Mt (see table below), and there remains considerable potential for additional open pit and underground resources within the Mbila Mining Right Area and the Msebe Prospecting Right Area.



Directors' Report (continued)

Mbila Project: JORC Compliant Resource Estimate – Gross tonnes in situ (GTIS) Mt	
Total measured coal resource	24.8
Total indicated coal resource	67.1
Total inferred coal resource	32.8
Total JORC-compliant coal resource	124.7

On 29 August 2012, ZYL announced a 23% increase in JORC Code compliant resource at Mbila to 154Mt, see table below.

Mbila Project: JORC Compliant Resource Estimate – Gross tonnes in situ (GTIS) Mt		
	Previous GTIS Mt	Current GTIS Mt
Total measured coal resource	24.8	36.2
Total indicated coal resource	67.1	23.2
Total inferred coal resource	32.8	94.8
Total JORC-compliant coal resource	124.7	154.2



Directors' Report (continued)

Capital expenditure¹

The Interim Feasibility Study (IFS) indicates initial capital expenditure (capex) to production for the Mbila Project of AU\$85m for an owner-operated mine, including a contingency of AU\$10.8m (13% of capex).

Capex for the Mbila Project Mining Right Area – owner-operated (AU \$)		
Operating area description	Initial capex to production	Life of mine capital
Off-mine infrastructure	2 884 207	6 121 052
On-mine infrastructure	19 495 136	26 651 918
Processing	9 600 427	9 600 427
Underground capital	35 589 885	43 220 139
TOTAL CAPITAL	67 569 656	85 593 536
EPCM* costs/ preliminaries and generals	5 067 724	6 419 515
Owners costs	1 031 545	1 283 903
Contingency	10 837 133	13 727 886
TOTAL OTHER COSTS	16 918 402	21 431 304
TOTAL CAPITAL	84 488 058	107 024 840

*Engineering, procurement and construction management

Operational expenditure¹

The operational expenditure (opex) is based on a production rate of 840 000tpa ROM and 580,000tpa saleable product, sourced from both the Eccca and Beaufort seams as per the table below.

ROM production and saleable (tonnes) for the Mbila Project Mining Right Area		
	ROM production rate	Saleable product
Eccca Seam	420 000	270 000
Beaufort Seam	420 000	310 000
TOTAL	840 000	580 000

¹ Based on exchange rate 1AUD:8.05ZAR

Directors' Report (continued)

Based on the above ROM production rates, the mining cost for the narrow Ecca Seam, with three drill and blast sections, is estimated at \$32 per tonne and the wider Beaufort Seam, with a single drill and blast section, is estimated at \$16 per tonne.

Opex per ROM and produced tonne for the Mbila Project Mining Right Area (AU \$) ¹	
Mining	24.14
Transport and loading cost to plant	1.89
Process plant	4.46
Electricity	0.81
On-mine services	3.77
Rehabilitation	0.62
TOTAL ROM COSTS	35.69
Average yield	67.6%
TOTAL PRODUCED COST	52.80

1. Opex excludes royalties and Social and Labour Plan costs

Based on a run of mine operating cost of \$35.69 per tonne and an average yield of 67.6%, Mbila will produce saleable product at \$52 per tonne. Based on proven and probable reserves the Mbila Project will have a mine life of 12 years. The potential to increase the output from the Mbila Project as a Phase 2 expansion will be investigated in due course.



Directors' Report (continued)

Indicative product pricing¹

The IFS indicates mine gate pricing at Mbila for the Ecca and Beaufort primary product of, on average, \$135 and \$112 per tonne² respectively at current exchange rates. ZYL received various non-binding expressions of interest (EOIs), representing more than 2.8Mt per annum, for offtake in respect of production from its Mbila Project. ZYL is continuing to re-engage with parties who expressed interest in the Mbila product prior to the Company's investment in the project, and is seeking to formalise the EOIs received to date.

Due to significant local demand, the product at Mbila will be sold at mine gate with customers managing the necessary logistical requirements in terms of trucking and railing the product from the mine. ZYL is currently targeting the domestic market; however, opportunities to achieve a higher sale price may exist through targeting a speciality export market.

Indicative product pricing at mine gate (\$AU) ²			
Product	Ecca seam	Beaufort primary product	Beaufort secondary product
Ash content (%)	10	15	22
Product size			
Duff (0 * 10 mm)	130.43	108.70	76.40
Peas (10 * 20mm)	136.65	111.80	76.40
Small nuts (20 * 45mm)	142.86	118.01	86.96

Coal Processing

The proposed coal washing and screening facility will be erected approximately 18km east of Nongoma at the spatial centre of the project area. The anthracite products to be produced from the Mbila Mining Right Area are of differing ash contents; as such, the washing plant at the mine has been designed to incorporate the variations in wash yields encountered throughout the life of the mine, allowing ZYL the flexibility to cater to the differing needs of end-users.

The coal plant design incorporates a two-module dense medium cyclone washing circuit followed by product screening of the coarser fractions and will be capable of batch-treating 70 000 tonnes per month of feed coal when operating on a three-shift basis. Ecca and Beaufort series coals will be batch-washed and the Beaufort Series discard will be re-washed and sold as a high-ash middlings product.

¹ Based on exchange rate 1AUD:8.05ZAR

² Based on anthracite prices as at January 2012

Directors' Report (continued)

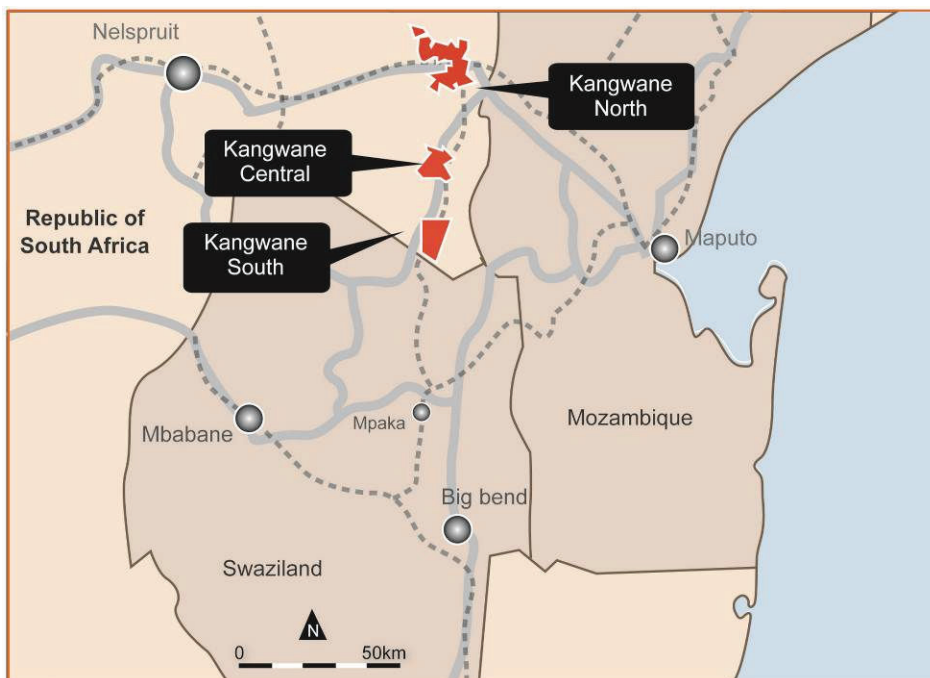
Saleable products will include small nuts, peas and duff coal with varying ash contents to suit the market's demand.

Bankable Feasibility Study

The Bankable Feasibility Study (BFS) is due to be completed during Q4 2012. The results of the BFS will be released to the market once received.

Kangwane Central Project

The Kangwane Central Project is located in South Africa's Mpumalanga province, and is well located for trucking of its low-sulphur, low moisture content product to the port of Maputo in Mozambique for export to key global markets.



ZYL received various non-binding expressions of interest (EOIs), representing more than 1.7Mt per annum, for offtake in respect of production from its Kangwane Central Project. The Kangwane product will target export markets due to its characteristics being ideal to meet the requirements of these export consumers and in order to take advantage of the growing global anthracite shortfall in general.

A Prospecting Right is held over Kangwane Central and a Mining Right Application for this area has been lodged with the Department of Mineral Resources (**DMR**).

The results of the recently completed phase 3 drilling programme, along with historical data, have been included in the geological model leading to a 200Mt JORC compliant resource at Kangwane Central. More importantly, all of the previously announced Inferred and Indicated Resources have been upgraded into the

Directors' Report (continued)

Measured category (see table below), substantially increasing the geological confidence at the Kangwane Central project.

Kangwane Central: JORC Compliant Resource Estimate – Gross in situ tonnes (GIST) Mt	
	Current GIST Mt
Total measured coal resource	200.0
Total indicated coal resource	-
Total inferred coal resource	-
Total JORC-compliant coal resource	200.0

The Kangwane Central Project also has a JORC Code compliant probable reserves of 26.7Mt (see table below).

Kangwane Central Reserves Estimate – Southern Open Pit only							
Seam	Classification	Seam thickness (m)	Volume (m ³)	RAW density (t/m ³)	In situ tonnage (pit shell)	*MTIS (mineable tonnage in-situ)	**Ore Reserve
S4U	Probable	1.35	2 167 178	1.54	3 337 454	2 336 218	2 476 391
S4L	Probable	1.82	4 092 427	1.75	7 161 746	5 013 222	5 314 016
S3	Probable	0.97	1 753 440	1.69	2 963 313	2 074 319	2 198 779
S2	Probable	6.19	13 962 839	1.61	22 480 170	15 736 119	16 680 286
			21 975 883		35 942 684	25 159 879	26 669 472

*Geological loss of 25% and mining & layout loss of 5% applied to in situ tonnage to calculate MTIS

**6% dilution applied to MTIS to calculate the ore reserve

Project permitting

Permitting at Kangwane Central is progressing ahead of schedule, with public participation through the Interested and Affected Parties (I&AP's) process ongoing. The National Environmental Management Authority (NEMA) application, Integrated Water Use License (IWULA) and the Environmental Management Plan (EMP) are advancing ahead of schedule, with submission expected by the end of 2012.

Bankable Feasibility Study

The BFS for Kangwane Central is due to be completed during Q4 2012. The results of the BFS will be released to the market once received.

Directors' Report (continued)

Kangwane South Project

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

Similar to Kangwane Central, the strategic location of the Kangwane South Project offers significant opportunities given its proximity to rail, port, water, electricity and roads.

ZYL has a 70 per cent ownership interest in Kangwane South. A Mining Right Application has been lodged with the DMR for the Project; this was accepted but has yet to be granted. The granting of the Mining Right is subject to a number of approvals which the Company anticipates to receive as the project progresses.

The Kangwane South Project has a 99.7 Mt of JORC Code compliant resources, which is made up of 73.9 Mt of Indicated Resources and 25.8 Mt of Inferred Resources (see table below).

Kangwane South: JORC Compliant Resource Estimate – Gross in situ tonnes (GIST) Mt	
	Current GIST Mt
Total measured coal resource	-
Total indicated coal resource	73.9
Total inferred coal resource	25.8
Total JORC-compliant coal resource	99.7

Acquisition of York Energy NL

The Group announced on 25 May 2012 that it had entered into a binding heads of agreement for the acquisition of 100% of York Energy NL (**York**) (**Acquisition**). York, through its wholly owned subsidiaries, has the following rights and interests in three South African-based anthracite projects:

- (a) a 2% interest in the Mbila Project, the right to a 5% interest in the Mbila Project which is currently held in an escrow account (to be released upon York SA and ZYL SA contributing additional funds to the Mbila Project); and the right to earn up to an additional 23% interest in the Mbila Project.

This will give the Group up to 74% of the Mbila Project, in the event shareholders approved the transaction and all outstanding acquisition payments were made.

- (b) rights to earn up to a 60% interest in the Marble Project (located 30km west of the Mbila Project); and
- (c) rights to earn up to a 70% interest in the Kangwane North Project (located 30km north of the Company's Kangwane Central Project).

Directors' Report (continued)

Subject to shareholder approval, the Acquisition will increase ZYL's economic interest both in the Mbila Project and in the Kangwane project area providing ZYL with control of the Mbila Project and in respect of the Kangwane assets improved flexibility and economies of scale in respect of infrastructure and processing alternatives. In addition, the transaction will allow ZYL the opportunity to target both the domestic and export anthracite markets via multiple port and transport alternatives.

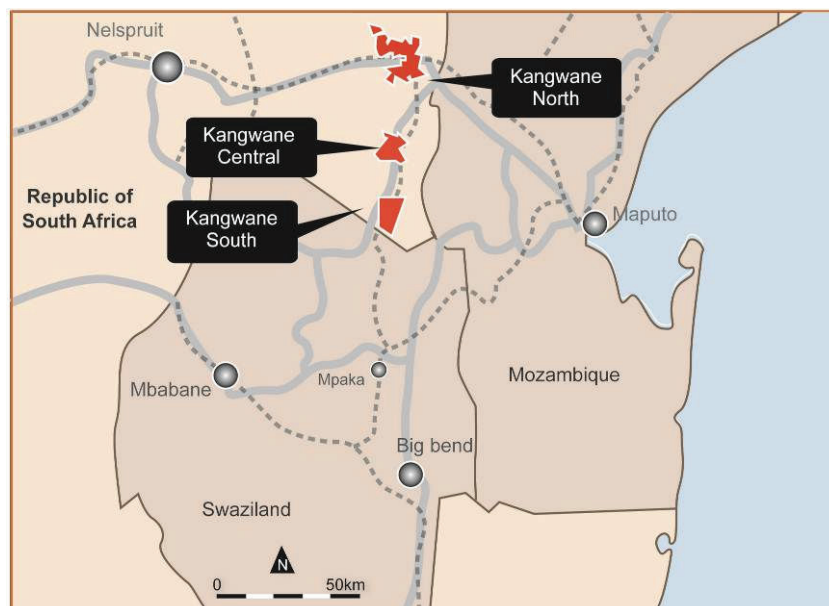
The Company has subsequently entered into a sale and purchase agreement with the vendors of York to acquire 100% ownership of York for total consideration of \$12million which will be satisfied through the issue of up to 66,777,963 new ZYL shares at a deemed issue price of \$0.1797 per share.

In addition, the consideration will be reduced by the amount of \$492,490 which was loaned by ZYL to York for outgoings due and payable by York in respect of York's interests in the York Projects at the date of the binding heads of agreement and any convertible notes on issue between York and the Convertible Note holders to be repaid at completion of the Acquisition.

Kangwane North Project

Following the conclusion of regulatory approvals York will own 51% of the Kangwane North project. York has the right to earn a further 19%, thereby increasing its holding to 70% of the project through the funding of a Bankable Feasibility Study.

The project is approximately 30km north of ZYL's Kangwane Central Project and within the same Nkomati coal field. The New Order Prospecting Right over the Kangwane North project consists of 3 properties covering 17,913ha in the Mpumalanga province of South Africa. Well-developed road and rail networks exist adjacent to and on the properties, including a rail siding, which link the project to Maputo Port located 100 km to the south east.



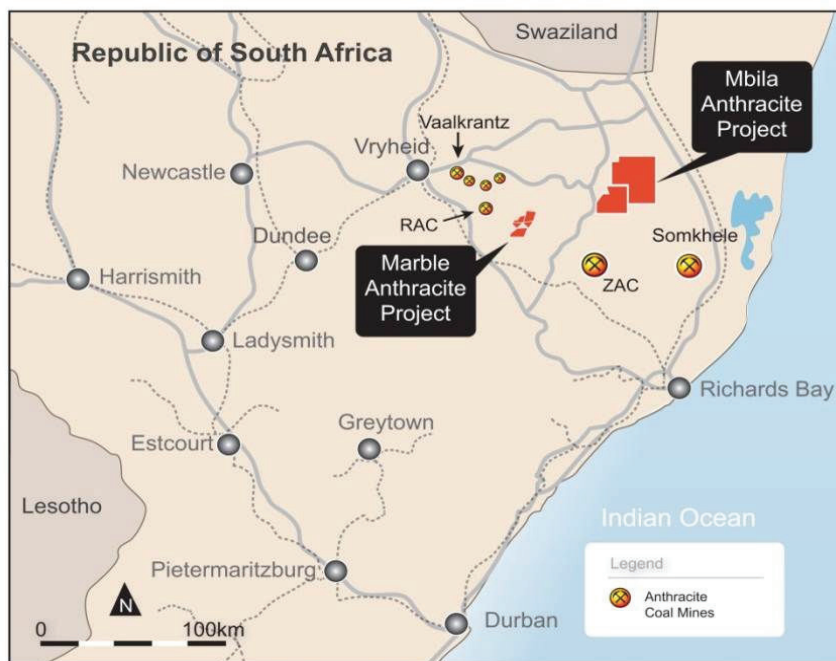
Directors' Report (continued)

Due to the expectation of similar coal characteristics and its location, the Kangwane North Project will form part of the ZYL's Kangwane suite of projects consisting of Kangwane North, Central and South which cover a north-south extent of 60km. The map above shows the location of the Kangwane Projects in relation to port, rail and road.

Marble Project

York has the right to earn up to 60% of the Marble project which is located 30 km to the west of the Mbila project. The project is situated within the Vryheid coal field, approximately 70km by road east of Vryheid in the Kwa ZuluNatal province of South Africa. A New Order Prospecting Right is held over the project which covers 7,787ha.

The Kwa ZuluNatal province hosts numerous anthracite colliers including Rio Tinto's Zululand Anthracite Colliery, Petmin's Somkhele Colliery and ZYL's Mbila project. Marble is within close proximity to existing processing plants, port, rail and other logistical infrastructure. The map below depicts the location of the Marble project in respect of ZYL's Mbila project and surrounding infrastructure and anthracite mines.



The Marble project has an exploration target of 15 - 21Mt¹ with the product expected to be low-ash, low-sulphur with a high calorific value. A geological database including adit sampling and 36 drill holes totalling 11,830m was completed by Anglo American and Rand London in the 1980's. The seams present at the Marble project are the Alfred and Gus seams of the Vryheid formation.

¹ The potential quantity and grade is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Directors' Report (continued)

Competent Persons Statement:

Information in this report that relates to exploration results, minerals resources or ore reserves is based on information compiled by: Mr Dawie van Wyk in respect of Kangwane Central, Kangwane South and Mbila Mr Bob Hatherly of Kangwane North; Mr Petrus Meyer in respect of Kangwane Central; and Mrs Liz de Klerk in respect of Mbila. Mr Hatherly is an Associate of the MSA Group. Messrs van Wyk and Meyer and Mrs de Klerk are consultants to the Company. Mr van Wyk is a member and fellow of the Geological Society of South Africa and South African Council for Natural Scientific Professions, a Recognised Overseas Professional Organisation. Mr Meyer is a member of the Geological Society of South Africa. Mrs de Klerk is a member and on the council of the Geological Society of South Africa. Messrs van Wyk, Hatherly and Meyer and Mrs de Klerk have sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activities they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australian Code of Reporting of Exploration, Mineral Resources and Ore Reserves'. Messrs van Wyk, Hatherly and Meyer and Mrs de Klerk consent to the inclusion in this presentation of the matters based on their information in the form and context in which it appears.

3. DIRECTORS

The Directors of ZYL at any time during or since the end of the financial year are:

Mr Glenn Whiddon – Non-executive Chairman (appointed 6 June 2012)

Mr Whiddon has extensive background in equity capital markets, banking and corporate advisory, with specific focus on natural resources. He worked for many years in banking with the Bank of New York in Australia, Europe and Russia. Mr Whiddon holds an economics degree and has extensive corporate and management experience. Mr Whiddon is currently a director of a number of Australian and international public listed companies in the resources sector.

Other Current Directorships

Non-executive Chairman of TSX-listed Statesman Resources Limited (appointed May 2004).

Non-executive Director of ASX-listed Agri Energy Limited (appointed 18 August 2011.)

Former Directorships in the Last Three Years

Non-executive Chairman of North River Resources plc, a company listed on the Alternative Investment Market in London, from December 2008 to November 2009.

Director of TSX-listed Stream Oil & Gas Limited from June 2007 to March 2009.

Executive Chairman of ASX-listed Rialto Energy Limited from July 2010 to March 2012.

Non-executive chairperson of ASX, AIM and JSE-listed Ferrum Crescent Limited from August 2009 to March 2010.

Non-executive director of ASX-listed Excelsior Gold Limited from November 2009 to May 2011.

Non-executive director of ASX-listed AAQ Holdings Limited from March 2011 to June 2011.

Non-executive director and Executive Chairman of ASX-listed Segue Resources Limited from October 2005 to June 2011.

Directors' Report (continued)

Mr Ian Benning – Chief Executive Officer & Executive Director (appointed 31 October 2011)

Mr Benning is a registered mining engineer with experience in specialised mining finance, mining operations and production. He spent 13 years with Anglo American Corporation in mining operations and production roles and worked for 16 years in investment banking and private equity, specialising in mining finance with FirstRand Group at Rand Merchant Bank, Absa Capital and African Global Capital.

Other Current Directorships

Non-executive Chairman of ASX-listed Segue Resources Limited (appointed 15 June 2011).

Former Directorships in the Last Three Years

Non-executive Director of AIM and TSX-listed Noventa Limited from April 2011 to January 2012.

Mr Phillippe Lalieu – Commercial Director (appointed 31 October 2011)

Mr Lalieu has more than 13 years' experience in corporate finance and business development and is the co-founder of Opes Capital, a niche corporate finance and resource investment firm based out of Johannesburg South Africa. He has led numerous transactions in Sub-Saharan Africa including the acquisition and disposal of a number of significant mining assets, the raising of exploration and mine development funding for green and brown field mining projects, resource specific regulatory and compliance advisory and the principle negotiation of off-take and other partnership agreements. Prior to Opes he established and jointly managed Invescape Growth Partnership South Africa, the South African private equity and investment management arm of a Dubai-based Investment House and has also worked for Anglo Platinum in corporate finance and business development roles.

Mr Bevan Tarratt – Executive Director (appointed 2 December 2009)

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

Other Current Directorships

Non-executive Chairman of Pura Vida Energy NL (appointed 1 August 2011).

Non-executive Director of Stonehenge Metals Limited (appointed 12 June 2007).

Non-executive Director of Minerals Corporation Limited (appointed 17 February 2011).

Former Directorships in the Last Three Years

Non-executive Director of Atom Energy Limited from February 2010 to May 2010.

Non-executive Director of Agri Energy Limited from July 2009 to April 2011.

Directors' Report (continued)

Mr David Greenwood – Non-executive Director (appointed 1 March 2011)

Mr Greenwood is currently the Executive General Manager – External Affairs and Exploration with Straits Resources Limited where he is involved in investor relations, exploration, marketing and corporate budget development and strategic business planning. Mr Greenwood has 29 years of geological and mining experience with a number coal, precious metal and base metal producers. His extensive experience in the South African coal industry includes working for Johannesburg Consolidated Investment Company Limited at Tavistock Collieries and the Randfontein Estates Gold Mine and Randex Limited as the senior exploration geologist. He was previously the section head of new business and international operations at Gold Fields of South Africa Limited.

4. COMPANY SECRETARY

Mr (Nicholas) Chen Chik Ong

Mr Ong was a Principal Adviser at the Australian Securities Exchange (ASX) in Perth and brings seven years' experience in listing rules compliance and corporate governance to the board. He was an active member of the ASX JORC Company and has overseen the admission of over 100 companies on to the official list of the ASX. Mr Ong is a member of Chartered Secretaries Australia is currently a director of ASX listed Excelsior Gold Limited (appointed 24 May 2011), AAQ Holdings Limited (appointed 1 June 2011) and Segue Resources Limited (appointed 15 June 2011).

5. FORMER DIRECTORS

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

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

Dr Lilford held the positions of National Head of Mining for Deloitte Touche Tohmatsu, Partner of Deloitte Corporate Finance. He has over 23 years operational and investment banking experience across the global resources sector. Dr Lilford has mine production experience at multi-billion dollar underground gold, platinum, copper and coal mines. Dr Lilford's experience includes the completion of both pre-feasibility and bankable feasibility studies in numerous jurisdictions including the Democratic Republic of Congo, Zambia and Macedonia.

Mr John Beck – Non-executive Director (appointed 12 December 2011, resigned 25 May 2012)

Mr Beck is a chartered accountant and company director with more than 32 years' experience. Since 2000 he has been the CEO and Director of his own company, Mineral Technologies International SA which has an exclusive Marketing Agreement with Leeuw Mining & Exploration for the sales and marketing of all of their

Directors' Report (continued)

anthracite. He has also been extensively involved in the purchase and sales of Vietnamese anthracite. He was the Chairman and CEO of Mbila Resources Pty Ltd.

Mr Beck remains a consultant to the Group.

6. TRADING RESULTS

The net amount of the loss after income tax attributable to the members of the consolidated group for the year ended 30 June 2012 was \$4,425,496 (2011: \$2,310,327).

7. DIVIDENDS

No dividends were paid or are proposed to be paid to members during the financial year (2011: Nil).

8. FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

ZYL aims to become one of the world's leading anthracite coal producers. The mission of ZYL is to develop high-margin metallurgical coal deposits for domestic and export markets. Flagship projects are the Mbila and Kangwane projects in South Africa, located close to rail, port, power and water infrastructure.

ZYL and its joint venture partners are progressing with the completion of a BFS for each of the Mbila and Kangwane Central projects to determine the economic attractiveness and continue into development and production.

The acquisition of York Energy NL will increase ZYL's economic interest both in the Mbila Project and in the Kangwane Project area allowing for improved flexibility through greater economies of scale. In addition, the transaction will allow ZYL the opportunity to target both the domestic and export anthracite markets via multiple port and transport alternatives.

9. FINANCIAL POSITION

The net assets of the Company have decreased by \$2,732,062 from \$38,535,185 at 30 June 2011 to \$35,803,123 at 30 June 2012. This net decrease is due to the group using existing cash reserves to fund its activities.

10. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 10 September 2012, ZYL entered into a term sheet for an \$18 million, 35 month term, Convertible Note with a sophisticated investor (**Investor**) via a special purpose entity. The term Sheet was executed by ZYL and the Investor in conjunction with an Approval Letter for a Term Bilateral Loan for \$18 million from a Chinese Bank based in Australia and formal agreements are expected to be executed shortly after.

The issue of the Convertible Note is conditional upon execution of final documentation by the parties and the usual regulatory approvals, amongst other things; shareholder approval to allow conversion of the

Directors' Report (continued)

Convertible Notes into ordinary ZYL shares and Foreign Investment Review Board (FIRB) approval. It is anticipated that these approvals will be obtained in early November 2012 with drawdown shortly thereafter. In the interim, the Investor has agreed to provide a bridging facility of \$2 million, subject to FIRB approval, within approximately one month. This bridging facility is part of and not in addition to the \$18 million facility.

Mbila Resources (Proprietary) Limited Share Subscription and Repurchase Agreement (Third Addendum)

On 10 September 2012 ZYL Limited signed the Third Addendum to the above agreement. In accordance with the Third Addendum the payment date for Tranche 2 (payments 2 and 3) was extended from 1 September and 1 November respectively to 31 December 2012.

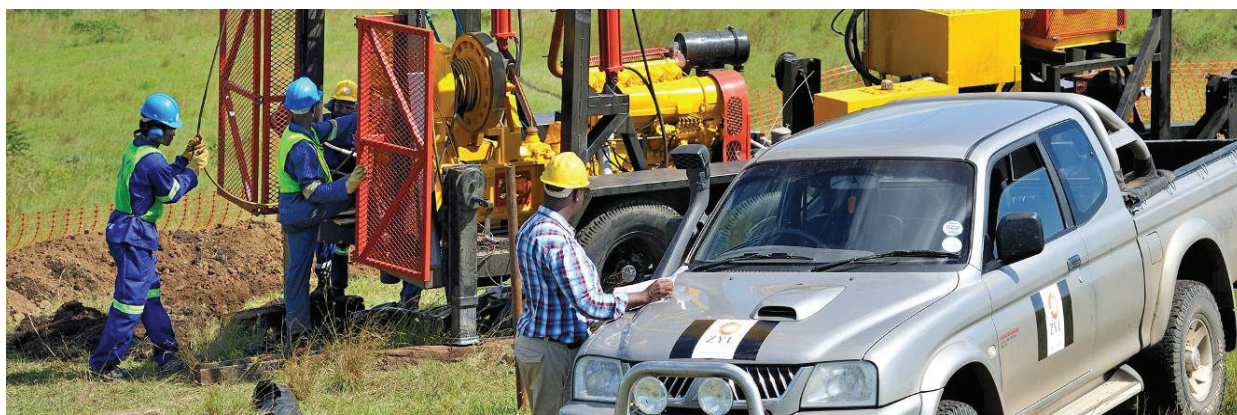
The revised payment details are as follows:

Tranche 2	Amount	Date Paid/Payable	Revised payment date	Revised payment amount (including interest)
	\$			\$
Payment 2	7,472,197	01/09/12	31/12/12	8,148,040
Payment 3	6,306,000	01/11/12	31/12/12	6,560,760
	13,778,197			14,708,800

11. OPTIONS

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

Expiry date	Issue price of shares	Number under option	
		2012	2011
30 September 2012	\$0.06	1,500,000	1,500,000
21 February 2013	\$0.06	2,500,000	2,500,000
30 September 2013	\$0.10	3,000,000	3,000,000
18 April 2014	\$0.20	20,000,000	20,000,000
Total		27,000,000	27,000,000



Directors' Report (continued)

12. DIRECTORS MEETINGS

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2012, and the numbers of meetings attended by each director were:

Name	Directors' meetings	
	No. of meetings eligible to attend	No. of meetings attended
Glenn Whiddon	1	1
Ian Benning	7	7
Phillipe Lalieu	7	7
Bevan Tarratt	7	7
David Greenwood	7	7
Dr Eric Lilford	7	7
John Beck	5	5

13. AUDIT COMMITTEE

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

14. REMUNERATION REPORT (AUDITED)

The principles adopted have been approved by the current board of the Company following the release from external administration on 26 February 2010. The remuneration report is set out under the following main headings:

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

14.1 PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

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

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

Directors' Report (continued)

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

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

Executive and Non-Executive Directors

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

Retirement allowances and benefits for directors

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

14.2 REMUNERATION COMMITTEE AND BOARD CHARTER

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

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

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

It is the Remuneration Committee's policy to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities though taking into account the financial position of the Company and the Company's shareholder approved limits. The Constitution of the Company specifies that the aggregate remuneration of Directors, other than salaries paid to executive directors, shall be determined from time to time by a general meeting. An amount not exceeding the amount determined

Directors' Report (continued)

is divided between those directors as they agree. The latest determination was at the Annual General Meeting held on the 20 April 2007 when shareholders approved an aggregate remuneration of \$250,000 per year.

The Board as a whole determines the amount of the fees paid to each non-executive director. The amount paid to non-executive directors during the year was \$52,139 (2011: \$83,508). The remuneration reflects a general fee structure more in line with market rates for comparable companies and additional contributions by Directors over the last year.

All Directors may be allocated options to acquire shares in the Company under the Director and Employee Share Option Plan approved by shareholders from time to time. The last such scheme was approved by shareholders at the Annual General Meeting of shareholders held on the 18 April 2011. Mr Ian Benning was issued 3,000,000 shares under the Employee Share Plan in August 2011 whilst he was employed as a consultant to the Company.

On 2 May 2012, shareholder approved the issue of 6,000,000 shares each to Mr Ian Benning, Mr Phillippe Laliou and Mr Bevan Tarratt. Mr Tarratt however will only accept 2,820,000 shares as announced by the Company on 24 April 2012. These shares are yet to be issued by the Company.

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



Directors' Report (continued)

14.3 DETAILS OF REMUNERATION

30 June 2012								
	Position held as at 30 June 2012 and any change during the year	Contract details (duration & termination)	Proportions of elements of remuneration related to performance			Proportions of elements of remuneration not related to performance		
			Non-salary cash-based incentives	Shares/ Units	Options/ Rights	Fixed Salary/ Fees	Total	
			%	%	%	%	%	%
Directors								
Glenn Whiddon	Non-executive director	Ongoing commencing 6 June 2012	-	-	-	100	100	
Ian Benning	Chief Executive Officer	Service agreement / In accordance with Constitution	-	66	-	34	100	
Phillipe Lalieu	Executive director	Service agreement / In accordance with Constitution	-	-	-	100	100	
Bevan Tarratt	Executive director / executive chairman	Service agreement / In accordance with Constitution	-	-	-	100	100	
David Greenwood	Non-executive director	Ongoing commencing 1 March 2011	-	-	-	100	100	
Eric Lilford	Managing director / Non-executive director resigned 20 July 2012	2 year term / 3 months	-	-	-	100	100	
John Beck	Non-executive director resigned 25 May 2012	Terminated 25/05/12	-	-	-	100	100	
Other Key management personnel								
Nicholas Ong	Company secretary	Ongoing commencing June 2011	-	94	-	6	100	
Garth Reardon	Business development director	Service agreement / In accordance with Constitution, terminated July 2012	-	58	-	42	100	

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

Directors' Report (continued)

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

Non-executive directors are subject to similar contracts requiring 1 month notice to be given on termination. No termination payments are payable.

14.4 CHANGES IN DIRECTORS AND EXECUTIVES SUBSEQUENT TO YEAR-END

In July 2012 Mr Garth Reardon resigned as Director of Business Development of the Company.

In July 2012 Eric Lilford resigned as Non-executive Director of the company.

14.5 REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2012

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



Directors' Report (continued)

Table of Benefits and Payments for the Year Ended 30 June 2012

		Short-term benefits				Post-employment benefits		Long-term benefits	Equity-settled share-based payments		Cash-settled share-based payments	Termination benefits	Total
		Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Pension and superannuation	Incentive plans	Long Service Leave	Shares/ Units (i)	Options/ Rights			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Directors													
G Whiddon	2012	2,300	-	-	-	-	-	-	-	-	-	2,300	
	2011	-	-	-	-	-	-	-	-	-	-	-	
I Benning	2012	262,500	-	-	-	-	-	-	510,000	-	-	772,500	
	2011	-	-	-	-	-	-	-	-	-	-	-	
P Lalieu	2012	225,000	-	-	-	-	-	-	-	-	-	225,000	
	2011	-	-	-	-	-	-	-	-	-	-	-	
B Tarratt	2012	317,179	-	-	-	16,136	-	-	-	-	-	333,315	
	2011	102,707	-	-	-	8,793	-	-	-	6,400	-	117,900	
D Greenwood	2012	32,805	-	-	-	3,195	-	-	-	-	-	36,000	
	2011	11,009	-	-	-	991	-	-	-	-	-	12,000	
E Lilford	2012	177,676	137,615	-	-	28,376	-	-	-	-	-	343,667	
	2011	190,409	25,000	-	-	17,323	-	-	-	437,200	-	669,932	
J Beck	2012	13,839	-	-	-	-	-	-	-	-	-	13,839	
	2011	-	-	-	-	-	-	-	-	-	-	-	
G D'Anna	2012	1,376	-	-	-	124	-	-	-	-	-	1,500	
	2011	30,275	-	-	-	1,982	-	-	-	6,400	-	38,657	
M Barron	2012	-	-	-	-	-	-	-	-	-	-	-	
	2011	16,258	-	-	-	-	-	-	-	6,400	-	22,658	
P Burke	2012	-	-	-	-	-	-	-	-	-	-	-	
	2011	2,000	-	-	-	-	-	-	-	-	-	2,000	
Other key management personnel													
N Ong	2012	18,000	-	-	-	-	-	-	288,000	-	-	306,000	
	2011	-	-	-	-	-	-	-	-	-	-	-	
G Reardon	2012	146,049	-	-	-	13,144	-	-	221,000	-	-	380,193	
	2011	-	-	-	-	-	-	-	-	-	-	-	
Total	2012	1,196,724	137,615	-	-	60,975	-	-	1,019,000	-	-	2,414,314	
	2011	352,658	25,000	-	-	29,089	-	-	-	456,400	-	863,147	

(i) Securities Received that are Performance Related

The above shares were issued subject to certain vesting conditions. See table 14.8 for details of shares vested during the year and the percentage of shares remaining unvested as at 30 June 2012.

Directors' Report (continued)

Securities Received that are not Performance Related

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

14.6 KMP SHAREHOLDINGS

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

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

30 June 2011					
	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year ¹	Balance at end of year
B Tarratt	5,000,000	-	4,400,000	(4,630,556)	4,769,444
D Greenwood	-	-	-	-	-
E Lilford (appointed 20 July 2010)	-	-	5,333,333	1,250,001	6,583,334
G D'Anna (resigned 15 June 2011)	4,250,000	-	2,500,000	(6,750,000)	-
M Barron (resigned 13 December 2010)	13,800,000	-	-	(13,800,000)	-
P Burke (resigned 22 July 2010)	3,500,000	-	-	(3,500,000)	-

¹ Includes consolidation of capital

Directors' Report (continued)

14.7 KMP OPTIONS AND RIGHTS HOLDINGS

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

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



Directors' Report (continued)

14.8 TABLE OF CASH BONUSES, PERFORMANCE-RELATED BONUSES AND SHARE-BASED PAYMENTS

30 June 2011	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested during the year	Vested and exercisable	Vested and unexercisable
B Tarratt	4,400,000	3,000,000	(4,400,000)	(1,500,000)	1,500,000	1,500,000	1,500,000	-
E Lilford (appointed 20/07/10)	-	10,333,333	(5,333,333)	(2,500,000)	2,500,000	2,500,000	2,500,000	-
D Greenwood (appointed 01/03/11)	-	-	-	-	-	-	-	-
G D'Anna (resigned 15/06/11)	2,500,000	3,000,000	(2,500,000)	(3,000,000)	-	-	-	-
M Barron (resigned 13/12/10)	5,875,000	3,000,000	-	(8,875,000)	-	-	-	-
P Burke (resigned 22/07/10)	1,000,000	-	-	(1,000,000)	-	-	-	-

Options are exercisable at one ordinary share per option

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

(a) The above cash bonus and shares were awarded as part of the Company's Incentive and Motivation Scheme for the retention of key executives. The above shares are subject to certain vesting conditions.

Directors' Report (continued)

2011	Remuneration Type	Grant Date	Reason for Grant	Grant Value \$	Percentage Vested/Paid during Year %	Percentage Forfeited during year %	Percentage Remaining as Unvested %
Directors							
B Tarratt	Options	30/09/10	(a)	3,600	100	-	-
	Options	30/09/10	(a)	2,800	100	-	-
Dr E Lilford	Options	30/09/10	(a)	19,200	100	-	-
	Options	21/02/10	(a)	418,000	100	-	-
	Cash	04/03/11	(a)	25,000	100	-	-
M Barron	Options	30/09/10	(a)	3,600	100	-	-
	Options	30/09/10	(a)	2,800	100	-	-
G D'Anna	Options	30/09/10	(a)	3,600	100	-	-
	Options	30/09/10	(a)	2,800	100	-	-
Total Key Management Personnel				481,400	-	-	-

(a) The above cash bonus and options were awarded as part of the Company's Incentive and Motivation Scheme for the retention of key executives.

No options were issued to key management personnel during the year to 30 June 2012.

15. DIRECTORS' INTERESTS

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

Name of Director	Beneficial Interest in Shares	Beneficial Interests in Options
G Whiddon	538,272	-
I Benning	3,000,000	-
P Lalieu	-	-
B Tarratt	4,769,444	1,500,000
D Greenwood	-	-
E Lilford	6,583,334	2,500,000

16. ENVIRONMENTAL REGULATION

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

Directors' Report (continued)

17. INDEMNITY AND INSURANCE OF DIRECTORS AND OFFICERS

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

18. PROCEEDINGS ON BEHALF OF THE COMPANY

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

19. NON-AUDIT SERVICES

The Directors are satisfied that:

- (a) any non-audit services provided during the financial period by William Buck as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act; and
- (b) any non-audit services provided during the financial period by William Buck as the external auditor did not compromise the auditor independence requirements of the Corporations Act for the following reasons:
 - i. William Buck services have not involved partners or staff acting in a managerial or decision making capacity within or been involved in the processing or originating of transactions; and
 - ii. a description of all non-audit services undertaken by William Buck and the related fees have been monitored by the Board to ensure complete transparency in relation to services provided;
 - iii. none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants;

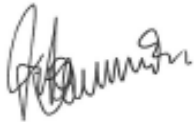
The fees paid to the auditors, William Buck for non-audit services have been disclosed in note 5 to the financial statements.

Directors' Report (continued)

18. AUDITORS' INDEPENDENCE DECLARATION

The auditors' independence declaration for the year ended 30 June 2012 has been received and is included on page 32.

Signed in accordance with a resolution of the directors:



Mr Ian Benning

Chief Executive Officer

Dated at Perth this 28th day of September 2012



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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2012 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck
Chartered Accountants
ABN 16 021 300 521

L.E. Tutt

L.E. Tutt
Partner
Sydney, 28 September 2012

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland



Corporate Governance Statement

Corporate Governance Statement

This statement outlines the main corporate Governance practices that were in place during the financial year. This Corporate Governance Statement sets out the Group's current compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations). The ASX Recommendations are not mandatory. However, the Group will be required to provide a statement in its future annual reports disclosing the extent to which the Group has followed ASX Recommendations.

The Directors' of ZYL Limited are responsible for Corporate Governance of the Company and its controlled entities (the Group) and support the principles of the ASX Recommendations. To date, due to the size of the Group, the Board has not formally adopted all policies or guidelines required for complete compliance with the ASX Recommendations. The Board considers that where a policy or guideline has not been adopted completely that alternate policies adopted would be considered appropriate under the circumstances.

ASX RECOMMENDATION

1. *Lay solid foundations for management and oversight*

- 1.1 *Companies should establish and disclose the respective roles and responsibilities of board and management.*

The Group's Corporate Governance Plan includes a Board Charter, which discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for day-to-day operations and administration of the Company to the Chief Executive Officer and Company Secretary.

The Corporate Governance Plan is posted on the Group's website.

- 1.2 *Companies should disclose the process for evaluating the performance of senior executives.*

The Board will monitor the performance of senior management, including measuring actual performance against planned performance.

- 1.3 *Companies should provide the information indicated in the Guide to reporting on Principle 1.*

The Board Charter is set out in the Corporate Governance Plan which is posted on the Group's website. The Board Charter discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Group to the Chief Executive Officer.

Corporate Governance Statement (continued)

2. *Structure the board to add value*

2.1 *A majority of the board should be independent directors.*

The Board does not comprise a majority of independent directors. Mr Glenn Whiddon and David Greenwood are the Directors classified as independent.

2.2 *The chairperson should be an independent director.*

Mr Bevan Tarratt was a non-executive Chairman of the Group until December 2011 when he accepted the role as executive Chairman of the Group through to the balance date. Mr Glenn Whiddon was subsequently elected as non-executive independent Chairman of the Group in July 2012.

2.3 *The roles of chairperson and chief executive officer should not be exercised by the same individual.*

Mr Bevan Tarratt was a non-executive Chairman of the Group until December 2011 when he accepted the role as executive Chairman of the Group through to the balance date. Mr Ian Benning is the Chief Executive Officer of the Group. Mr Glenn Whiddon was subsequently elected as non-executive independent Chairman of the Group in July 2012.

2.4 *The board should establish a nomination committee.*

Given the size and scope of the Group's operations and stage of its development, the Directors do not consider this to be inappropriate to establish a formal nomination committee or procedures for the identification, appointment and review of the Board membership. An informal assessment process, facilitated by the Chairman in consultation with the Group's professional advisors, has been committed to by the Board.

2.5 *Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.*

An informal assessment process, facilitated by the Chairman in consultation with the Group's professional advisors, has been committed to by the Board.

2.6 *Provide the information indicated in Guide to Reporting on Principle 2.*

The Group has provided details of each director, such as their skills, experience and expertise relevant to their position, together with an explanation of any departures from the ASX Recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 in its annual reports. The Corporate Governance Plan is posted on the Group's website.

Corporate Governance Statement (continued)

3. *Promote ethical and responsible decision-making*

- 3.1 *Companies should establish a code of conduct and disclose the code or a summary of the code as to:*
- (a) the practices necessary to maintain confidence in the group integrity;*
 - (b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders*
 - (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Group's Corporate Governance Plan includes a Corporate Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment.

The Corporate Governance Plan is posted on the Group's website.

- 3.2 *Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.*

The Group has adopted a diversity policy to address equal opportunities in the hiring, training and career advancement of Directors, officers and employees.

- 3.3. *Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.*

The Group has not yet set measurable objectives for achieving diversity. The Board continues to monitor diversity across the organisation and is satisfied with the current level of gender diversity within the Company. Due to the size of the Group, the Board does not consider it appropriate at this time, to formally set measurable objectives for gender diversity.

- 3.4 *Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.*

As at 30 June 2012, the Group has no female employees or Board members.

- 3.5 *Companies should provide the information indicated in the Guide to reporting on Principle 3.*

The Group has explained any departures from ASX Recommendations 3.2, 3.3 and 3.4 in its Annual Reports. The Corporate Governance Plan is posted on the Company's website.

Corporate Governance Statement (continued)

4. *Safeguard integrity in financial reporting*

4.1 *The board should establish an audit committee.*

The Board has not formed a separate audit committee.

4.2 *Structure the audit committee so that it consists of:*

- (a) only non-executive directors;*
- (b) a majority of independent directors;*
- (c) an independent chairperson, who is not chairperson of the board; and*
- (d) at least three members.*

Given the present size of the Group, the role of the audit committee has been assumed by the full Board operating under the audit committee charter adopted by the Board.

4.3 *The audit committee should have a formal charter.*

The Group's Corporate Governance Plan includes a formal charter for the audit and risk committee.

4.4 *Provide the information indicated in Guide to Reporting on Principle 4.*

The Group has explained any departures from ASX Recommendations 4.1, 4.2, 4.3 and 4.4 in its annual report.

The Corporate Governance Plan is posted on the Group's website.

5. *Make timely and balance disclosure*

5.1 *Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

The Group has a continuous disclosure program in place designed to ensure the factual presentation of the Group's financial position.

5.2 *Provide the information indicated in Guide to Reporting on Principle 5.*

The Corporate Governance Plan, includes a continuous disclosure policy, and is posted on the Group's website.

Corporate Governance Statement (continued)

6. *Respect the rights of shareholders*

- 6.1 *Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

The Group's Corporate Governance Plan includes a shareholder communications strategy, which aims to ensure that the shareholders are informed of all major developments affecting the Group's state of affairs.

- 6.2 *Provide the information indicated in the Guide to reporting on Principle 6.*

The Corporate Governance Plan, includes a communications policy, and is posted on the Group's website.

7. *Recognise and manage risk*

- 7.1 *Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*

The Board determines the Group's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The Board anticipates that it will delegate to the Chief Executive Officer responsibility for implementing the risk management system.

- 7.2 *The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.*

The Board's collective experience will enable accurate identification of the principal risks that may affect the Group's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

- 7.3 *The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.*

The Board will seek the relevant assurance from the Chief Executive Officer and Chief Financial Officer (or their equivalents) at the relevant time.

Corporate Governance Statement (continued)

7.4 *Provide the information located in Guide to Reporting on Principle 7.*

The Group has explained any departures from ASX Recommendations 7.1, 7.2 and 7.3 in its annual reports.

The Corporate Governance Plan, including the charter of the audit and risk committee is posted on the Group's website.

8. *Remunerate fairly and responsibly*

8.1 *The board should establish a remuneration committee.*

The Group has established a remuneration committee.

8.2 *The remuneration committee should be structured so that it:*

- (a) consists of a majority of independent directors;*
- (b) is chaired by an independent director; and*
- (c) has at least three members*

Given the present size of the Group, each of the directors on the Board of the Company is also a member of the remuneration committee.

8.3 *Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

The Board will distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives. The Company's constitution also provides that the remuneration of non-executive Directors will not be more than the aggregate fixed sum determined by a general meeting.

The Board is responsible for determining the remuneration of the executive directors (without the participation of the interested director).

Corporate Governance Statement (continued)

Principle 1: Lay Solid Foundations for Management and Oversight

Board of Directors

The Board of Directors oversees the business and affairs of the Group, establishes the strategies and financial objectives to be implemented by management and monitors standards of performance. The Group's framework is designed to provide strategic guidance for the Group and effective oversight management; provides for a clear understanding of the respective roles of the Board members and senior executives in order to facilitate Board and Management accountability to the Group and its shareholders and ensures a balance of authority so that no single individual has unfettered powers.

The Board has established a framework for the management of the Group including internal controls, a business risk management process and the establishment of appropriate ethical standards.

The names of the directors of the Group in office at the date of this Statement, together with details of their experience and qualifications, are set out in the Directors' Report of these financial statements.

The Board currently consists of five directors of whom two do not carry out an executive role. The executive members of the Board are Mr Ian Benning, Mr Phillippe Lalieu and Mr Bevan Tarratt. The Board is of the view that the current status of two non-executive Directors ensures adequate independence and objectivity in view of the size and current activities of the Group.

After consultation with the Chairman, each director has the right to seek independent professional advice at the Group's expense.

The Constitution of the Company specifies the number of directors shall be not less than three nor more than ten. The Board may at any time appoint a director to fill a casual vacancy and at each annual general meeting, one-third of directors together with any director appointed since the last annual general meeting retire from office and may stand for re-election.

The composition of the Board is reviewed to ensure that the range of expertise and experience of Board members is appropriate for the activities and operations of the Group. Where, through whatever cause, it is considered that the Board would benefit from the services of a new director with particular skills, the Board would then appoint the most suitable candidate who must stand for re-election at a general meeting of shareholders.

The Constitution specifies that the aggregate remuneration of directors, other than salaries paid to executive directors, shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is divided between those directors as they agree. The latest determination was at the Annual General Meeting held on 20 April 2007 when shareholders approved an aggregate remuneration of \$250,000 per year.

The Board has the power and overall responsibility for the strategic direction and the setting of the financial objectives of the Group; sole approval of the issue of any securities in the Group or of the organisational structure of the Group (subject to shareholder approval where required); approval of business plans, budgets; monitoring and assessing management's performance against approved strategic plans and budgets on a regular basis; determining the remuneration and conditions of service for the

Corporate Governance Statement (continued)

executive Directors, appointing and reviewing the performance of the Managing Director and the Chief Financial Officer and overseeing the appointment of senior executives.

The Chairman is responsible for providing leadership of the Board in the discharge of its duties, facilitating effective discussion at Board meetings, ensuring procedures are in place, monitoring performance against approved benchmarks and communicating with shareholders as required.

The Chief Executive Officer is responsible for the management of the Group and keeping the Board informed of any material matters which may affect the operations on a timely basis. The Chief Executive Officer may make recommendations to the Board on major strategic issues though ultimate approval rests with the Board.

The Group is small in terms of the size of its operations; management and staffing levels and in the number of Board members. The Group recognises the need to review these responsibilities from time to time as the Group expands its operations.

Principle 2: Structure the Board to Add Value

The Group has five Directors at the date of this report made up of two non-executive and three executive Directors. The Chairman is a non-executive director. During the year ended 30 June 2012, the Group has at all times had a minimum of three Board members.

The Board of Directors has adopted a formal Board of Directors Charter.

A Director of the Group is regarded as being independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement. In assessing the independence of each Director the following criteria has been adopted by the Group:

- is a non-executive.
- is not a substantial shareholder within the meaning of the Corporations Act.
- has not within the last three years been employed in an executive capacity by the Group.
- has not been a principal of a material professional adviser or a material consultant to the Group or an employee materially associated with the service provider.
- is not a material supplier or material customer of the Group, or an officer of or otherwise associated with a material supplier or customer.
- has no material contractual relationship with the Group other than as a director.
- has not served on the Board for a period which could, or could reasonably be perceived to materially interfere with the directors' ability to act in the best interests of the Group.
- is free from any interest and any business or other relationship, which could reasonably be perceived to materially interfere with the directors' ability to act in the best interests of the Group.
- no immediate family member of the director is an executive officer of the Group within the previous five years

Corporate Governance Statement (continued)

The term, skills, experience and expertise held by each Director in office at the date of this annual report may be found in the Directors' Report.

In accordance with the Corporations Act 2001 and the Company's constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Details of director related entity transactions with the Company are set out in note 21.

The Group does not have a separate formally constituted nomination committee for the nomination of directors. The Remuneration Committee has been assigned the duties and responsibilities of a Nominations Committee as part of its formal Charter. The Board considers the Group and the Board itself, is not yet of sufficient size to warrant a separate nominations committee. The remuneration committee performs the duties of this nominations committee in line with the recommendation 2.4 of the ASX Recommendations.

The composition of the Board is reviewed regularly to ensure that the range of expertise and experience of Board members is appropriate for the activities and operations of the Group. Where, through whatever cause, it is considered that the Board would benefit from the services of a new director with particular skills, the Board would then appoint the most suitable candidate who must stand for re-election at a general meeting of shareholders.

Principle 3: Promote ethical and responsible decision-making

The Group recognises the importance of ethical and responsible decision-making and the Board has adopted a formal code of ethical business standards for the Group. The Board has and does require of itself and its employees the highest ethical standards when carrying out their duties and when acting on behalf of the Group. In particular:

Directors' Code of Conduct

- That each director must act honestly and with integrity in all commercial dealing and must uphold high moral and ethical standards in the conduct of business
- Directors must separate their personal dealings from their dealings as a Director of the Group and not use any information obtained in the course of their directional duties for personal financial gains or for the benefit of any other person or business.
- Confidential information received by the Director in the course of their duties must not be disclosed to third parties without the authorisation of the Group, the person from whom the information is provided or where disclosure is required by law.
- A director has an obligation to promptly disclose private or business interest or any other matters, which may lead to a potential or actual conflict of interest or which may impair their independence.
- Each Director is required and has an obligation to comply with the law at all times.
- Each Director must only use resources or assets of the Group in accordance with agreed terms of use. Further, Directors must refrain from using their official capacity to gain undue advantage in personal transactions or accept personal gain of any material significance.

These principles are actively promoted within the Group and its key executives and all employees are encouraged to observe these standards. The Group has established a Directors Charter and a Code of Conduct that can be viewed on the Group's web site.

Corporate Governance Statement (continued)

Diversity Policy

The Group adopted a policy specifically addressing diversity during the 2011-2012 financial year. The Group intends to develop a culture of diversity whereby a mix of skills and diverse backgrounds are employed by the Group at all levels. The Group values the benefits brought to the Group by employees from a variety of backgrounds including:

- gender
- experience
- education
- age
- geographical location
- ethnicity
- cultural and religious background

The Group has not yet set measurable objectives for achieving diversity. The Board continues to monitor diversity across the organisation and is satisfied with the current level of gender diversity within the Group. Due to the size of the Group, the Board does not consider it appropriate at this time, to formally set measurable objectives for gender diversity.

Principle 4: Safeguard integrity in financial reporting

The Group recognises that processes must be in place to ensure the integrity of the financial statements of the Group and the independence of the external auditor.

Audit Committee

The Group does not have a formally constituted audit committee of the Directors as the Board considers that the Group is not yet of sufficient size to warrant such a committee. The full Board performs the duties of this committee.

The Board of the Group does however require the Chief Executive Officer and the Chief Financial Officer to state in writing to the Board that the Company's financial reports present a true and fair view, in all material aspects, of the Group's financial condition and operational results and are prepared in accordance with relevant accounting standards.

The Board is presented with monthly financial reports including a report by the Chief Executive Officer on the monthly activities and a report on both current and future developments. The Board is encouraged to seek explanations on any aspects they may require further elaboration.

The Group, notwithstanding the low staffing levels employed in performing the day to day financial functions, have systems of internal control in place to ensure the financial integrity of the information.

The Board acknowledges that it is responsible for the overall internal control framework but recognizes that no cost effective internal control system will preclude all errors and irregularities. The system is based upon policies and guidelines and the careful selection and training of qualified personnel.

Corporate Governance Statement (continued)

The Group does however agree with the principle of the establishment of an audit committee and plans to establish such a committee as the Group expands its operations and activities.

External Auditors

The Board monitors the performance of the external auditors and requires annual confirmation of auditor independence.

The current external auditors were appointed on 30 November 2007.

The Board reviews the performance of the external auditors on an annual basis and members of the Board normally meets with them during the year as follows:

- to discuss the outcome of the annual audit and half-year review.
- to review and discuss the impact of any proposed changes in accounting policies on the financial statements.
- to discuss any significant issues that may be foreseen.
- to review the nature and impact of any changes in accounting policies adopted by the Group during the year.
- The external auditor is provided with the opportunity, at their request, to meet with the Board of Directors without management being present.

Principle 5: Make timely and balanced disclosure

The Directors are aware of the importance of timely and balanced disclosure of all material matters concerning the Group. It is the policy of the directors to provide shareholders and the public as soon as practicable with financial information and commentary on results sufficient to enable an investor to make informed assessments of the Group's activities.

The Group has a procedure in place (Continuous Disclosure and Shareholder Communication policies which can be viewed on the Group web site) to ensure that comprehensive and accurate market relevant information and in particular price sensitive information, is released in a timely and controlled manner. The Chief Executive Officer is responsible for communicating any price sensitive information to the Board together with any standard reporting obligations required under either the ASX listing requirements and/or those required under the Corporations Act. All announcements are approved by at least an Executive Director and the Company Secretary. The Chief Executive Officer or Company Secretary then makes the formal communication to the ASX. Copies of the ASX announcements are posted on the Group's web site.

The Disclosure Committee is responsible for making key decisions regarding disclosure of information to the market under Listing Rule 3.1. The Chief Executive Officer attends Board meetings where issues that may fall under the disclosure requirements are raised and the Board may delegate the reporting to the Company Secretary when announcement is required.

Other requirements ordinarily assigned to a Company Secretary such as Directors' share trading reporting or the lodgement of approved financial reports, Board approved appointments or quarterly cash flow reports, are generally processed by the Company Secretary.

Corporate Governance Statement (continued)

All senior executives of the Group who in their everyday activities are likely to become aware of material or price sensitive information are made aware of the requirement to communicate to either the Chief Executive Officer, or the Company Secretary, if they become aware of the existence of any material and or any likely price sensitive development information. These senior executives are instructed on the need for the information to remain confidential until such time as the Disclosure Committee and the Board if required, determines if disclosure is required.

All employees of the Group have been instructed that all shareholders, media and other inquiries relating to the Group's affairs are to be directed to either the Chief Executive Officer or the Company Secretary and not to discuss any matters regarding the affairs of the Group other than general day to day operational enquiries.

Principle 6: Respect the rights of shareholders

The Board of Directors aims to ensure the shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders as follows:

- The annual report is distributed to all shareholders who elected to receive a printed copy of electronically. The Board ensures that the annual report includes relevant information about the operations of the Group during the year, changes in the state of affairs of the Group and details of future developments, in addition to the other disclosures required by the Corporations Act 2001.
- The half-yearly report contains summarised financial information and a review of the operations of the Group during the period. Half-year financial statements prepared in accordance with the requirements of Accounting Standards and the Corporations Act 2001 are lodged with the Australian Securities and Investments Commission and the Australian Securities Exchange Ltd. The half-year financial statements are sent to any shareholder who requests them.
- The Group provides a cash flow statement each quarter as part of the Company's ASX Listing Requirements.
- The Group posts all announcements to its web site and retains past Annual and half yearly reports, past announcements over several years as well as the registered office particulars, its major customers and extensive details on its entire product range.
- The Group has video conferencing capability and this medium is available for communication with shareholders, analysts or media if reasonable notice is given.
- The Group posts copies of all current communication documents with shareholders such as current prospectuses, notices of meetings, proxy forms etc onto its web site.
- The Company Secretary and the Chief Executive Officer are available to field calls from any shareholder and to assist in either providing hard copy information or verbal advice to questions where it is possible, given the requirements of ASX Listing Rules in respect of market sensitive information.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategy and goals.

Corporate Governance Statement (continued)

Principle 7: Recognise and manage risk

The Board is responsible for ensuring that the Group's risk management procedures are effective. The Group has not formed an audit committee nor a risk management committee of Directors as the Board considers that the Group is not yet of sufficient size to warrant such committees. The full Board performs the duties of these committees.

The Board of the Group does however require the Chief Executive Officer and the Chief Financial Officer to state in writing to the Board on a bi-annual basis that their statement regarding the financial integrity of the Group's financial statements is founded on a sound system of risk management and internal compliance and control and that the risk management and internal compliance and internal control system is operating efficiently and effectively in all material respects.

During the year there were regular meetings by the Board with a full report of operational and financial matters from the Chief Executive Officer, the Company Secretary and/or the Chief Financial Officer.

The Company has identified key elements of potential risk as follows:

- Marketing
- Legal
- Operational
- Quality assurance
- Financial
- Occupational health and safety
- Exploration
- Resource estimates

The Company manages significant business through the following internal procedures and controls.

Financial Risk

- Adherence to the signing authorities assigned for various aspects covering payments and documents which bind the Group in contractual arrangements with external parties.
- Segregation of conflicting duties wherever practical given the limited staff resources employed.
- The Board obtains assurance from both the Chief Executive Officer and Chief Financial Officer that declaration provided in accordance with s295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Insurance

The Group has a comprehensive insurance program covering major risk areas associated with a public company operating within the resources sector. Maintaining workers compensation, public and product liability policies. The Group has entered into a Directors and Officers insurance policy (refer to Directors' Report).

Corporate Governance Statement (continued)

Quality Assurance

- ensuring that all electrical products the Company markets are CE approved as well as those of the individual components.
- sourcing from reputable suppliers.
- training of employees.
- clearly defined operating instructions.
- maintaining a product liability insurance policy.
- ensuring all goods purchased have adequate warranty.

Occupational Health and Safety

- an active Occupational Health and Safety (OH&S) Committee.
- regular meetings of the OH&S committee.
- circularise minutes of the OH&S meetings to staff and management.
- conduct routine site inspections by management, fire prevention consultants and insurance assessors.
- regular fire drills and training for wardens and sending employees on first aid courses.

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 Group and its joint venture partners' from successfully exploiting the resource.

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 Group's and its joint venture partners' operations.

Financial Reports

The Board is presented with regular financial reports including a report by the Chief Financial Officer on the monthly basis. The Board is encouraged to seek explanations on any aspects they may require further elaboration.

The Group, notwithstanding the low staffing levels employed in performing the day to day financial functions have systems of internal controls in place to ensure the financial integrity of the information.

Corporate Governance Statement (continued)

Principle 8: Remunerate fairly and responsibly

The Board reviews the performance of key executives through the attendance of both the Chief Executive Officer and the Chief Financial Officer at Board meetings.

The current non-executive and executive members of the Board have either had experience as Board members or are well versed on the formal requirements of directorships.

After consultation with the Chairman, each director has the right to seek independent professional advice at the Company's expense.

The Board has established a Remuneration Committee and adopted a Charter for that Committee.

The essential elements of the Remuneration Committee's charter are designed to:

- Develop and facilitate a process for Board and Director evaluation;
- Assess the availability of Board candidates including nominations put to the Committee by other non-Committee Board members or others, obtain approval of the Board to proceed and then, in conjunction with the Chairman of the Board, to undertake the necessary due diligence and negotiation;
- Make specific recommendations to the Board on remuneration and incentive plans for Directors (subject to previously approved limits as approved by shareholders) and approve remuneration and incentive plans for senior management;
- Advise the Board on the recruitment, retention and termination policies for senior management; and
- Undertake a review of the Chief Executive Officer's performance, at least annually, including recommending to the Board the Chief Executive Officer's goals for the coming year and reviewing progress in achieving these goals.

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

All Directors are entitled and encouraged to take up any entitlements they may have under rights issues made by the Group from time to time.

All Directors may be allocated shares in the Group under the Employee Share Plan approved by shareholders from time to time. The last such scheme approved by shareholders at the General Meeting of shareholders held on the 18 April 2011. No shares have been allocated to directors under this scheme. Mr Ian Benning was issued 3,000,000 shares under this scheme in August 2011 whilst he was employed as a consultant to the Group.

Corporate Governance Statement (continued)

The overall objective of the Group is to ensure that remuneration policies and practices are designed to attract and retain key employees who will most effectively contribute towards achieving positive outcomes for the Group subject to the financial condition of the Group.

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

Details of Director and senior executive remuneration payments can be found in Note 22 and the Directors' Report.



Financial Report

Consolidated statement of comprehensive income for the year ended 30 June 2012

	Note	Consolidated Group	
		2012 \$	2011 \$
Revenue	3	1,081,930	344,912
Sales and marketing expenses		(205,553)	(79,357)
Employee benefit expenses		(240,477)	(294,214)
Director benefits expense		(1,247,608)	(841,668)
Consulting and advisory fees		(241,432)	(338,793)
Consultant benefit expenses		(1,127,000)	-
Corporate and regulatory expenses		(96,546)	(171,897)
Exploration and evaluation		(281,646)	-
Legal fees		(229,364)	(95,909)
Occupancy expenses		(177,297)	(81,694)
Depreciation		(17,775)	(3,846)
Finance costs		(167,301)	(117,003)
Travel and accommodation		(401,170)	(127,705)
Administrative expenses	4	(1,047,600)	(503,153)
Share of net loss of associate		(26,657)	-
Loss before related income tax expense		(4,425,496)	(2,310,327)
Income tax expense	6	-	-
Net loss for the year		(4,425,496)	(2,310,327)
Net loss for the year		(4,425,496)	(2,310,327)
- attributable to non-controlling interests		(5)	-
- attributable to members of the parent		(4,425,491)	(2,310,327)
Other comprehensive income			
Exchange difference on translation of foreign operations		(6,610)	-
Other comprehensive income for the year		(6,610)	-
Total comprehensive loss for the year		(4,432,106)	(2,310,327)
- attributable to non-controlling interests		(5)	-
- attributable to members of the parent		(4,432,101)	(2,310,327)
Basic (loss) per share in cents	24	(0.009)	(0.005)
Diluted (loss) per share in cents	24	(0.009)	(0.005)

The accompanying notes form part of these financial statements.

Consolidated statement of financial position as at 30 June 2012

	Note	30 June 2012 \$	30 June 2011 \$
CURRENT ASSETS			
Cash and cash equivalents	7	4,559,037	34,217,485
Trade and other receivables	8	1,237,573	1,126,976
Other financial assets	9	32,722,210	-
TOTAL CURRENT ASSETS		38,518,820	35,344,461
NON-CURRENT ASSETS			
Intangible assets	10	4,960,341	3,400,000
Mineral exploration & evaluation	11	2,398,272	109,854
Plant & equipment	12	236,337	10,904
Receivables	8	2,226,678	79,917
Investment in associate	13	2,799,503	-
TOTAL NON-CURRENT ASSETS		12,621,131	3,600,675
TOTAL ASSETS		51,139,951	38,945,136
CURRENT LIABILITIES			
Trade and other payables	14	1,507,084	409,098
Financial liabilities	15	13,778,197	-
Provisions	16	51,547	853
TOTAL CURRENT LIABILITIES		15,336,828	409,951
TOTAL LIABILITIES		15,336,828	409,951
NET ASSETS		35,803,123	38,535,185
EQUITY			
Issued capital	17	53,509,391	52,866,385
Reserves	18	3,955,590	2,905,200
Non-controlling interests		33	-
Accumulated losses		(21,661,891)	(17,236,400)
TOTAL EQUITY		35,803,123	38,535,185

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity for the year ended 30 June 2012

	Contributed equity	Share based payment reserve	Foreign translation reserve	Accumulated losses	Non- controlling interests	Total
	\$	\$	\$	\$	\$	\$
At 1 July 2010	16,044,980	-	-	(14,926,073)	-	1,118,907
Shares issued during the period	39,036,648	2,905,200	-	-	-	41,941,848
Transaction cost of share issue	(2,215,243)	-	-	-	-	(2,215,243)
Loss for period	-	-	-	(2,310,327)	-	(2,310,327)
At 30 June 2011	52,866,385	2,905,200	-	(17,236,400)	-	38,535,185
At 1 July 2011	52,866,385	2,905,200	-	(17,236,400)	-	38,535,185
Shares issued during the period	660,240	1,057,000	-	-	-	1,717,240
Non-controlling interest on acquisition of subsidiary	-	-	-	-	38	38
Transaction cost of share issues	(17,234)	-	-	-	-	(17,234)
Loss for period	-	-	-	(4,425,491)	(5)	(4,425,496)
Other comprehensive income for the year	-	-	(6,610)	-	-	(6,610)
Total comprehensive loss for the year	-	-	(6,610)	(4,425,491)	(5)	(4,432,106)
At 30 June 2012	53,509,391	3,962,200	(6,610)	(21,661,891)	33	35,803,123

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows for the year ended 30 June 2012

	Note	30 June 2012 \$	30 June 2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(3,554,924)	(2,050,015)
Interest received		1,109,093	317,749
Other payments (GST/VAT)		(41,804)	(733)
Net cash used in operating activities		(2,487,635)	(1,732,999)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of subsidiary	10(b)	(970,177)	(100,000)
Payments for investment in associates		(2,826,160)	
Payments for investments	9	(2,595,750)	-
Payments for other financial assets	9	(16,348,264)	-
Payments for exploration, evaluation and development expenditure		(3,447,013)	(920,543)
Loan to associate	13	(649,849)	(500)
Payment for plant and equipment	12	(243,087)	(14,201)
Net cash (used in)/provided by investing activities		(27,080,300)	(1,035,244)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of share issues		-	35,812,292
Costs of shares issues	17	(17,234)	(2,215,243)
Net cash (used in)/ provided by financing activities		(17,234)	35,812,292
Net increase/(decrease) in cash and cash equivalents		(29,585,169)	33,044,049
Cash and cash equivalents at the beginning of the period		34,217,485	1,173,436
Effects of exchange rate changes on cash and cash equivalents		(73,279)	(117,003)
Cash and cash equivalents at the end of the period	7	4,559,037	34,217,485

The accompanying notes form part of these financial statements

Notes to the financial statements

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Basis of preparation

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

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

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

The financial statements were authorised for issue by the directors on 28th September 2012.

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

(b) Going Concern

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

The Group has incurred a total comprehensive loss of \$4,432,106 (2011: loss of \$2,310,327) and net cash outflows from operating activities of \$2,487,635 (2011: \$1,732,999). The losses are due to the projects being in exploration phase and not yet generating revenue.

The Group had cash assets of \$4,559,037 at 30 June 2012 (2011: approximately \$34 million).

On 10 September 2012, ZYL entered into a term sheet for an \$18 million, 35 month term, Convertible Note with a sophisticated investor (**Investor**) via a special purpose entity. The term Sheet was executed by ZYL and the Investor in conjunction with an Approval Letter for a Term Bilateral Loan for \$18 million from a Chinese Bank based in Australia and formal agreements are expected to be executed shortly after.

Notes to the financial statements (continued)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The issue of the Convertible Note is conditional upon execution of final documentation by the parties and the usual regulatory approvals, amongst other things; shareholder approval to allow conversion of the Convertible Notes into ordinary ZYL shares and Foreign Investment Review Board (**FIRB**) approval. It is anticipated that these approvals will be obtained in early November 2012 with drawdown shortly thereafter. In the interim, the Investor has agreed to provide a bridging facility of \$2 million, subject to FIRB approval, within approximately one month. This bridging facility is part of and not in addition to the \$18 million facility.

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

- The Group has put in place appropriate mechanisms to monitor the capital requirements of the Group and to ensure that sufficient working capital remains within the Group to be able to meet the short term capital commitments as and when they fall due;
- The Group has put in place adequate mechanisms to ensure that cash flows of the business remain sufficient to ensure that the Group can fund its ongoing business plan;
- The Directors continue to monitor the capital requirements of the Group to ensure sufficient funding is available to enable it to adequately meet its obligations under its existing agreements. In accordance with the capital management mechanisms that the Group has implemented, the Directors continue to monitor the ongoing obligations matched against the capital on hand, and when required the Directors will procure the Group to raise additional capital via a private placement, rights issue, share purchase plan, debt financing or another means of capital injection;
- The Directors have prepared a 24 month business plan which outlines the focus on the project opportunities identified in South Africa and underpins the future success of the Group. The Directors have also prepared an associated budget which reflects the overall costs of each project, and the general administrative costs associated with operating a public company. This budget assists the Directors in monitoring the cash requirements of the Group and to ensure that sufficient contingencies remain in place such that the Group is adequately funded. Following the preparation of this business plan and associated budget the Directors believe it is likely that further capital-raising would be required within the next 12 months in order to fund these projects in full, however as the budgeted expenditure has not been committed and is therefore only planned the Directors have the ability to defer the expenditure should the required funds not be available.

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.

Notes to the financial statements (continued)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) 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.

(d) Basis of consolidation

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

A list of controlled entities is contained in Note 19 to the financial statements.

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

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

Notes to the financial statements (continued)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(e) Business Combinations

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

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

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

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

(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 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 and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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

Notes to the financial statements (continued)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

(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 statement of comprehensive income during the financial period in which they are incurred.

Depreciation

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

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

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

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

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

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

(i) Leases

Leases in which a significant portion of the risks and rewards of ownership remain with the lessor are classified as operating leases.

Notes to the financial statements (continued)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(j) Foreign currency transactions

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

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

(k) Income tax

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

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

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

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

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, 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.

Notes to the financial statements (continued)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee benefits

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

(m) Share based payment transactions

Under AASB 2 Share Based Payments, the Group must recognise the fair value of options granted to directors, employees and consultants as remuneration as an expense on a pro-rata basis over the vesting period in the statement of 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.

(n) 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.

Provision for mine restoration

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are updated annually during the life of the operation to reflect known developments, eg revisions to cost estimates and to the estimated lives of operations, and are subject to formal review at regular intervals.

The amortisation or "unwinding" of the discount applied in establishing the net present value of provisions is charged to the statement of comprehensive income in each accounting period. The amortisation of the discount is shown as a financing cost, rather than as an operating cost.

Notes to the financial statements (continued)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

(p) Financial Instruments

Recognition and Initial Measurement

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

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

Derecognition

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

Classification and Subsequent Measurement

(i) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) 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.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Notes to the financial statements (continued)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) Financial liabilities

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

(vi) Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income unless they are designated as hedges.

Fair value

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

Impairment

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

(q) **Cash and cash equivalents**

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

(r) **Research and development costs**

All research and development costs are expensed as incurred.

(s) **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.

Notes to the financial statements (continued)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(t) Intangible assets (goodwill)

Goodwill is measured as described in note 1 (e). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(u) Goods and Services Tax

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

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

(v) Comparative figures

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

(w) New Accounting Standards for application in future periods

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

- *AASB 9: Financial Instruments, AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12], AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, AASB 2009-11, AASB 2010-7, AASB 2011-7 & AASB 2011-8] (applicable for annual reporting periods commencing on or after 1 January 2015)*

Notes to the financial statements (continued)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The changes made to accounting requirements include:

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

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

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

The Standard:

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

The Group has not yet assessed the impact of this Standard

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

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

The Group has not yet assessed the impact of this Standard

Notes to the financial statements (continued)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement. Joint operations will be accounted for by the operator recognising:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

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

The Group has not yet assessed the impact of this Standard.

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

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

The Group has not yet assessed the impact of this Standard.

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

AASB 12 provides the disclosure requirements for entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. As such, it consolidates and replaces disclosure requirements contained in many existing Standards.

The Group has not yet assessed the impact of this Standard

- *AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013)*

Notes to the financial statements (continued)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This Standard gives effect to many consequential changes arising from the issuance AASB 10 *Consolidation*, AASB 11 *Joint Arrangements* and AASB 12 *Disclosure of Interests in Other Entities*, and accordingly, the Group has not yet assessed the impact of this Standard.

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

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

The Group has not yet assessed the impact of these Standards.

- AASB 119 *Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14] and 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (applicable for annual reporting periods commencing on or after 1 January 2013)*

These standards amend the accounting requirements for employee benefits and in particular pensions and other post retirement benefits. The amendments:

- Require recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements;
- Introduce enhanced disclosures about defined benefit plans;
- Require employee benefits not settled wholly before twelve months after the end of the annual reporting period to be captured as an 'other long term benefit' rather than 'short term benefits', and whilst presented as a current item in the statement of financial position such benefits would be measured differently under the amendments;
- Modify accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits;
- Clarify miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features; and
- Incorporate other matters submitted to the IFRS Interpretations Committee.

The Group has not yet assessed the impact of these Standards.

- AASB 1053 *Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140,*

Notes to the financial statements (continued)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013)

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (i.e. full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and State, Territory and Local Governments.

Subject to AASB 1049, General Government Sectors of the Australian Government and State and Territory Governments would also apply Tier 1 reporting requirements.

The following entities can elect to apply Tier 2 of the framework when preparing general purpose financial statements:

- for-profit private sector entities that do not have public accountability;
- not-for-profit private sector entities; and
- public sector entities, whether for-profit or not-for-profit, other than the Australian Government and State, Territory and Local Governments.

AASB 2010-2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific 'RDR' disclosures.

This Standard is not expected to impact the Group.

- *AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applicable for annual reporting periods commencing on or after 1 January 2012)*

This standard provides a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in AASB 140 Investment Property. This Standard is not expected to impact the Group.

- *AASB 2010-10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7] (applicable for annual reporting period commencing on or after 1 January 2013)*

This standard provides relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards. This Standard is not expected to impact the Group.

Notes to the financial statements (continued)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- *AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054] (applicable for annual reporting periods commencing on or after 1 July 2013)*

AASB 2011-2 establishes reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements in relation to the Australian additional disclosures arising from the Trans-Tasman Convergence Project. The Group has not yet assessed the impact of this standard.

- *AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).*

This Standard makes amendments to AASB 1049 Whole of Government and General Government Sector Financial Reporting to amend the definition of the ABS GFS Manual, provide relief from adopting the latest version of the ABS GFS Manual, and require related disclosures where the latest version of the ABS GFS Manual has not been applied. The standard is not expected to impact the Group.

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

This standard removes all the individual key management personnel disclosures contained in Aus paragraphs 29.1 to 29.9.3 of AASB 124. The changes apply to each disclosing entity, or group of which a disclosing entity is the parent that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act for their first annual reporting period beginning on or after 1 July 2013. This standard is not available for early adoption. The Group has not yet assessed the impact of this standard.

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

This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements, as stated above. The standard is not expected to impact the Group.

- *AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012)*

Notes to the financial statements (continued)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The amendments require entities to group items of other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The amendments further require that if items of OCI are presented before tax then the tax related to each of the two groups of OCI (those that might be reclassified to profit or loss and those that will not be reclassified) must be shown separately. The amendments do not remove the option to present profit or loss and other comprehensive income in two statements, nor do they change the option to present items of OCI either before tax or net of tax. The Group has not yet assessed the impact of this standard.

- *Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2013)*

This Interpretation outlines the accounting requirements in relation to surface mining operations, where entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is known as 'stripping' and Interpretation 20 considers when and how to account separately for the associated benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently. IFRIC 20 only deals with waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). The standard is not expected to impact the Group.

- *AASB 2011-13 Amendments to Australian Accounting Standard – Improvements to AASB 1049 (applicable for annual reporting periods commencing on or after 1 July 2012)*

This standard clarifies some of the requirements in AASB 1049 Whole of Government and General Government Sector Financial Reporting to improve the GAAP/GFS harmonisation financial reporting requirements of the Commonwealth, State and Territory Governments. The standard has not expected to impact the Group.

- *AASB 2012-1 Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141] (applicable for annual reporting periods commencing on or after 1 July 2013)*

This standard sets out reduced disclosure requirements for Tier 2 entities to apply in relation to AASB 13 Fair Value Measurement. It also amends reduced disclosure requirements of other Australian Accounting Standards that were amended as a consequence of the issuance of AASB 13 *Fair Value Measurement*. The Group has not yet assessed the impact of these Standards.

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

This standard principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The standard is not expected to impact the Group.

Notes to the financial statements (continued)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

This standard adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. The standard is not expected to impact the Group.

- AASB 2012-4 Amendments to Australian Accounting Standards – Government Loans [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2013)

This standard adds an exception to the retrospective application of Australian Accounting Standards under AASB 1 First-time Adoption of Australian Accounting Standards to require that first-time adopters apply the requirements in AASB 139 Financial Instruments: Recognition and Measurement (or AASB 9 Financial Instruments) and AASB 120 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans (including those at a below-market rate of interest) existing at the date of transition to Australian Accounting Standards. The standard is not expected to impact the Group.

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

This standard makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including permitting the repeat application of AASB 1 and clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements). The standard is not expected to impact the Group.

- AASB 2012-7 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 7, AASB 12, AASB 101 & AASB 127] (applicable for annual reporting periods commencing on or after 1 July 2013)

This Standard adds to or amends the Tier 2 disclosure requirements for AASB 7 Financial Instruments: Disclosures, AASB 12 Disclosure of Interests in Other Entities, AASB 101 Presentation of Financial Statements and AASB 127 Separate Financial Statements. The Group has not yet assessed the impact of these Standards.

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

Notes to the financial statements (continued)

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Significant accounting judgements

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

Deferred tax assets

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

(b) Significant accounting estimates and assumptions

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

Impairment of capitalised exploration and evaluation expenditure

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

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

Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1 (t). The recoverable amounts of cash generating units have been determined based on value-in-use calculations.

Share-based payment transactions

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

Notes to the financial statements (continued)

3 REVENUE

	Consolidated Group	
	2012	2011
	\$	\$
Interest received	1,081,930	344,912
Total revenue	1,081,930	344,912

4 LOSS BEFORE INCOME TAX

(a) Individually significant items in administration expenses include:

	Consolidated Group	
	2012	2011
	\$	\$
Accounting and audit fees	50,301	72,980
Contractor fees	216,202	-
Corporate secretarial	18,000	-
Insurance	49,448	11,283
Leasing fees	12,776	517
Meeting expenses	40,983	
Professional fees	95,706	415
Share registry	43,225	49,692
Research and development	-	79,500
Seminars and conferences	65,848	-
Code writing	-	75,000
Recruitment costs	131,397	-
Other	323,714	213,766
Total	1,047,600	503,153

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

	Consolidated Group	
	2012	2011
	\$	\$
Depreciation of plant and equipment	17,775	3,846

5 AUDITORS' REMUNERATION

	Consolidated Group	
	2012	2011
	\$	\$
Remuneration of the auditor for:		
Audit or review of the financial report of the Company and controlled entities	46,521	46,472
Other assurance services:		
Corporate advisory services (Investigating Accountant' Report)	-	24,000
	46,521	70,472

Notes to the financial statements (continued)

6 TAXATION

(a) Income tax expense/(benefit)

	Consolidated Group	
	2012 \$	2012 \$
Current tax	-	-
Deferred tax	-	-
	-	-

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

	Consolidated Group	
	2012 \$	2011 \$
Profit from continuing operations before income tax expense	(4,425,496)	(2,310,327)
Tax at the Australian tax rate of 30%	(1,327,649)	(693,098)
Foreign Tax Rate Adjustment	20,382	-
Tax effect amounts not deductible (taxable) in calculating taxable income:	338,100	(144,087)
Deferred tax asset not brought to account on tax losses and temporary differences	969,167	837,185
Total income tax (benefit)	-	-

(c) Unrecognised deferred tax assets:

	Consolidated Group	
	2012 \$	2011 \$
Timing differences	491,824	565,177
Tax losses – revenue	2,064,895	837,185
	2,556,719	1,402,362
Offset by deferred tax liabilities recognised	-	-
Deferred tax assets not brought to account	2,556,719	1,402,362

(d) Unrecognised deferred tax liabilities

	Consolidated Group	
	2012 \$	2011 \$
Timing differences	-	-
Offset by deferred tax assets recognised	-	-
	-	-

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

Notes to the financial statements (continued)

6 TAXATION (continued)

(e) Franking credits

The Company has no franking credits available.

7 CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2012	2011
	\$	\$
Cash at bank	148,429	66,323
Term deposit ZAR	(a) 42,863	1,382,000
Term Deposit AUD	(b) 15,000	3,074,178
Cash in hand	1,742	-
Deposits at call	(c) 4,351,003	29,694,984
	4,559,037	34,217,485

(a) Term Deposits ZAR

ZAR 360,197 (A\$42,863) bearing an interest rate of 4.9%

(b) Term Deposits

\$15,000 on a fixed 6 month term, maturing on 23/11/12 bearing an interest rate of 5%

(c) Deposits at call

The deposits are at call and are bearing floating interest rates between 3.5% and 4.85% (2011: 4.75%).

8 TRADE & OTHER RECEIVABLES

	Consolidated Group	
	2012	2011
	\$	\$
CURRENT		
Loan – Siyanda Resources	(a) -	1,061,133
Other receivables	210,750	57,384
Prepayments	29,636	8,459
Loan – York Energy NL	(b) 997,187	-
	1,237,573	1,126,976
NON CURRENT		
Rental bond (225 St Georges Terrace)	79,917	79,917
Loan – Mandlakazi Trust	(c) 512,965	-
Loan to associate	(d) 1,632,199	-
Other receivables	1,597	-
	2,226,678	79,917

Notes to the financial statements (continued)

8 TRADE & OTHER RECEIVABLES (continued)

(a) Loan – Siyanda Resources

In accordance with the BFS Loan Agreement, Siyanda had the right to draw down amounts of up to 20,000,000 South African Rand (ZAR) (in aggregate) in order to fund the Bankable Feasibility Study (BFS) on the Kangwane Central Project. This facility closed on completion of the transactions. Funding of the BFS in excess of the R20,000,000 is now through a direct loan to Main Street 800 (Proprietary) Limited. Main Street 800 (Proprietary) Limited owns the Prospecting Right over the Kangwane Central Project (see (d) below).

(b) Loan – York Energy NL

Pursuant to the terms of the Heads of Agreement between ZYL Limited and York Energy NL, ZYL Limited has provided a loan facility for the purpose of providing funding to York Energy NL for outgoings in respect of York Energy NL's interests in the Mbila, Manzolwandle, and Marble Gold Projects. The loan is repayable in full on the earlier of :

- (i) 120 days of termination for any reason of the Heads of Agreement; or
- (ii) 31 December 2012

Interest is payable on maturity at a rate of 9.25% per annum.

(c) Loan – Mandlakazi Trust

The Mandlakazi Mineral Development Trust is a Black Economic Empowerment partner and shareholder in Mbila Resources Pty Ltd "the Mbila project". The above loan represents expenses incurred on behalf of the Mandlakazi Trust during the Bankable Feasibility Study phase of the Mbila project. The loan has no fixed repayment terms and is interest free.

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

ZYL has provided additional funding to Main Street 800 Pty Ltd for the Bankable Feasibility Study on the Kangwane Central project. The loan has no fixed repayment terms and is interest free.

9 OTHER FINANCIAL ASSETS

		Consolidated Group	
		2012	2011
		\$	\$
Mbila Resources (Proprietary) Limited (tranche 1) - cost	(a)	2,595,750	-
Mbila Resources (Proprietary) Limited (tranche 2, payments 1, 2 and 3)	(b)	30,126,460	-
		32,722,210	-

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

Mbila Anthracite Project

On 15 September 2011 ZYL entered into agreements with the shareholders of Mbila Resources (Proprietary) Ltd (Mbila) to acquire an initial interest in the Mbila Anthracite Project subject to the following payments:

On 16 September ZYL Limited acquired an initial 5% of the share capital of Mbila Resources (Proprietary) Limited for US\$2.8 million (A\$2,595,750) (first tranche payment date).

Notes to the financial statements (continued)

9 OTHER FINANCIAL ASSETS (continued)

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

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

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

The payment for the second tranche sale shares is due on the following dates:

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

(i) Payments 2 and 3 above are included in financial liabilities (note 15)

Subsequent to the completion of the second tranche payments and shareholder approval for the acquisition of York Energy NL the Group will beneficially own 51% of the issued capital of Mbila Resources (Proprietary) Limited and the entity will be accounted for as a subsidiary.

10 INTANGIBLE ASSETS

Goodwill

Carrying value at the beginning of the period
Additions on acquisition
Carrying value at the end of the period

	Consolidated Group	
	2012	2011
	\$	\$
(a)	3,400,000	-
(b)	1,560,341	3,400,000
	4,960,341	3,400,000

(a) Business Combinations – Exsteen Pty Ltd

On 21 February 2011, ZYL exercised its option to acquire 100% of the issued capital of Exsteen Pty Limited. Via Exsteen Pty Limited the Group will acquire an effective interest of up to 50.12% in the Kangwane Anthracite Coal Project.

The consideration for the acquisition was made up of the following components:

Notes to the financial statements (continued)

10 INTANGIBLE ASSETS (continued)

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

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

The fair value of this contingent consideration on the date of acquisition has been assessed by the Company to be \$2,300,000 (see note 18 (d)).

(b) Business Combinations – Southern Anthracite Project

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

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

Summary of acquisition

Acquisition of 50% of the issued share capital of Altius Trading 404 (Proprietary) Limited

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

Acquisition of 100% of the issued share capital of Oakleaf

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

The purchase price was payable as follows:

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

The assets and liabilities recognised as a result of the above acquisition are as follows:

	Fair value	
	2012	2011
	\$	\$
Goodwill	1,560,341	-

Notes to the financial statements (continued)

11 MINERAL EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated Group	
	2012	2011
	\$	\$
Opening Balance	109,854	-
Exploration expenditure incurred	2,288,418	109,854
Less: Impairment charge	-	-
Closing Balance	2,398,272	109,854

The balance carried forward represents projects in the exploration and evaluation phase. Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas.

12 PLANT AND EQUIPMENT

	Consolidated Group	
	2012	2011
	\$	\$
Owned plant & equipment - at cost	257,855	14,768
Less: Accumulated depreciation	(21,518)	(3,864)
Less: Accumulated impairment	-	-
	236,337	10,904
Total plant and equipment	236,337	10,904

	Consolidated Group	
	2012	2011
	\$	\$
Reconciliation		
<i>Owned plant & equipment</i>		
Carrying amount at beginning of year	10,904	550
Additions - at cost	243,087	14,200
Disposals	-	-
Depreciation	(17,654)	(3,846)
Impairment	-	-
Carrying amount at end of year	236,337	10,904
Total plant and equipment	236,337	10,904

Notes to the financial statements (continued)

13 INVESTMENT IN ASSOCIATE

	Consolidated Group	
	2012	2011
	\$	\$
(a) Movements in carrying amounts		
Opening balance	-	-
Cost of investment	2,826,160	-
Less: Share of post-acquisition change in reserves of associate	(26,657)	-
Closing balance	2,799,503	-
Included in consolidated statement of comprehensive income		
Share of net loss of associate	(26,657)	-

(b) Summarised financial information

2012	Ownership Interest %	Assets	Liabilities	Reserves	Profit/(Loss)
		\$	\$	\$	\$
Main Street 800 Pty Ltd	46.15	2,314,722	1,099,961	1,214,761	(26,657)

Included in liabilities above is a loan from ZYL Limited to Main Street 800 Pty Ltd for the funding of the Kangwane Central Bankable Feasibility Study. The balance of the loan at 30 June 2012 was A\$1,632,199 (see note 8).

14 TRADE & OTHER PAYABLES

CURRENT	Consolidated Group	
	2012	2011
	\$	\$
Unsecured liabilities:		
Trade payables	1,203,614	313,027
Other payables	303,470	96,071
	1,507,084	409,098

The Group's payment policy ensures that all creditors are paid within payment terms and consequently no discounts or penalty payments arise.

15 FINANCIAL LIABILITY

CURRENT	Consolidated Group	
	2012	2011
	\$	\$
Mbila Resources (Proprietary) Limited	(i) 13,778,197	-
	13,778,197	-

- (i) The above amount represents the amount payable in respect of Tranche 2 (Payments 2 and 3) of the Share Repurchase and Subscription Agreement (see note 9)

Notes to the financial statements (continued)

16 PROVISIONS

(a) Share Capital

	Consolidated Group	
	2012	2011
	\$	\$
CURRENT		
Employee benefits	51,547	853
	51,547	853

17 ISSUED CAPITAL

(a) Share Capital

	Number of shares 2012	Number of shares 2011	2012 \$	2011 \$
Opening balance – (fully paid ordinary shares)	482,585,899	320,655,165	52,866,385	16,044,980
Issued during the period	3,822,000	494,516,407	643,006	36,821,405
Consolidation 1:2	-	(332,585,673)	-	-
Closing balance - (fully paid ordinary shares)	486,407,899	482,585,899	53,509,391	52,866,385

Notes to the financial statements (continued)

17 ISSUED CAPITAL (continued)

(b) Movements in ordinary share capital

Date	Details	Number of shares	\$
01/07/10	Opening Balance	320,655,165	16,044,980
23/07/10	Fully paid ordinary shares	48,098,274	769,572
	Less: transaction costs	-	(69,963)
30/09/10	Fully paid ordinary shares issued pursuant to Share Purchase Plan	36,805,320	662,500
	Less: transaction costs	-	(5,346)
01/10/10	Fully paid ordinary shares	5,333,333	80,000
	Less: transaction costs	-	(1,537)
28/10/10	Fully paid ordinary shares	2,500,000	37,500
	Less: transaction costs	-	(37,500)
27/10/10	Options conversion	4,400,000	66,000
04/11/10	Options conversion	500,000	7,500
18/11/10	Fully paid ordinary shares	5,393,333	97,080
14/12/10	Options conversion	1,000,000	15,000
15/12/10	Options conversion	10,000,000	150,000
17/12/10	Fully paid ordinary shares	158,552,814	5,710,796
	Less: transaction costs	-	(277,217)
22/12/10	Options Conversion	1,000,000	15,000
09/02/11	Fully paid ordinary shares	2,500,000	300,000
14/02/11	Options conversion	6,000,000	90,000
21/02/11	Options conversion	5,333,333	179,200
03/03/11	Options conversion	12,835,938	192,539
03/03/11	Options conversion	20,164,062	302,461
14/03/11	Options conversion	6,000,000	90,000
13/04/11	Options conversion	18,100,000	271,500
		665,171,572	24,690,065
02/05/11	Reconstruction 1:2	(332,585,673)	-
		332,585,899	24,690,065
10/05/11	Fully paid ordinary shares	150,000,000	30,000,000
	Less: transaction costs	-	(1,823,680)
30/06/11	Closing balance	482,585,899	52,866,385
01/07/11	Opening balance	482,585,899	52,866,385
15/12/11	Fully paid ordinary shares	350,000	70,000
29/05/12	Fully paid ordinary shares	3,472,000	590,240
	Less: transaction costs	-	(17,234)
30/06/12	Closing balance	486,407,899	53,509,391

Notes to the financial statements (continued)

17 ISSUED CAPITAL (continued)

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

Ordinary shares have no par value, and the Company does not have a limited amount of authorised capital. At 30 June 2012 there were 27,000,000 options to acquire fully paid ordinary shares in the Company (2011: 27,000,000).

18 RESERVES

		Consolidated Group	
		2012	2011
		\$	\$
Share-based payment reserve			
	Opening Balance	2,905,200	-
12/07/10	Options issued to office holders (a)	-	19,200
08/12/10	Options issued to Selentium Capital for provision of consultancy and advisory services in relation to the acquisition of the Kangwane Project. (b)	-	168,000
21/02/11	Options issued to office holders (c)	-	418,000
21/02/11	Fair value of shares to be issued upon ZYL realising its interest in the Kangwane Project of 50.12% (d)	-	2,300,000
01/08/11	Shares issued in accordance with the Employee Share Scheme. (e)	396,000	-
05/08/11	Shares issued in accordance with the Employee Share Scheme. (f)	731,000	-
	Shares vested	(70,000)	-
	Closing balance	3,962,200	2,905,200
Foreign translation reserve			
	Opening balance	-	-
	Foreign translation difference on consolidation	(6,610)	-
	Closing balance	(6,610)	-

Included as an expense in the statement of comprehensive income is \$1,127,000 (2011: \$924,400) relating to share based payments.

(a) (i) 8,333,333 3c options issued on 30/09/10, expiring 30/09/12

The assessed fair values of the options were determined using a Black-Scholes option pricing model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. The inputs to the model used were:

Notes to the financial statements (continued)

18 RESERVES (continued)

Dividend yield (%)	-
Expected volatility (%)	80
Risk-free interest rate (%)	6
Expected life of options (years)	2.0
Option exercise price (\$)	0.030
Share price at grant date (\$)	0.020
Value of option (\$)	0.0036

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

On 21 February 2011 5,333,333 \$0.03 options were exercised.

On 2 May 2011 the remaining 3,000,000 options were consolidated to 1,500,000 \$0.06 options (1:2). The balance of the above \$0.06 options at 30 June 2012 was 3,000,000.

(a) (ii) *6,000,000 \$0.05 options issued on 30/09/10, expiring 30/09/12*

In addition to the above options, on 30 September 2010 6,000,000 options were granted to the directors of ZYL Limited. These options have an exercise price of 5.0 cents each and are exercisable between 30 September 2010 and 30 September 2012.

The assessed fair values of the options were determined using a Black-Scholes option pricing model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. The inputs to the model used were:

Dividend yield (%)	-
Expected volatility (%)	80
Risk-free interest rate (%)	6
Expected life of options (years)	2.0
Option exercise price (\$)	0.050
Share price at grant date (\$)	0.020
Value of option (\$)	0.0014

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

On 2 May 2011 the 6,000,000 \$0.05c options were consolidated to 3,000,000 \$0.10 options (1:2).

The balance of the above \$0.10 options at 30 June 2012 was 3,000,000.

Notes to the financial statements (continued)

18 RESERVES (continued)

- (b) The fair value of 20,000,000 options issued to Selentium Capital in respect of consultancy and advisory fees provided to ZYL Limited in relation to the acquisition of the Kangwane Project. The fair value of each option was calculated to be \$0.0084.
- (c) The fair value of 5,000,000 \$0.03 options issued on 21/02/11 in accordance with the Executive Service Agreement executed between Dr Eric Lilford and ZYL Limited. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions.

Dividend yield (%)	-
Expected volatility (%)	100
Risk-free interest rate (%)	5
Expected life of options (years)	2.0
Option exercise price (\$)	0.030
Share price at grant date (\$)	0.110
Value of option (\$)	0.0836

On 2 May 2011 the 5,000,000 \$0.03c options were consolidated to 2,500,000 \$0.06 options (1:2)

The balance of the above \$0.06 options at 30 June 2012 was 2,500,000.

- (d) The fair value of 20,000,000 shares to be issued in respect of the contingent consideration component of the acquisition of the Kangwane Project. These shares will be issued upon ZYL Limited realising its interest in the Kangwane Project of 50.12%. The fair value of shares is ascertained as the market bid price at the date of acquisition.
- (e) *01/08/2011*
1,650,000 shares issued to employees of ZYL Limited in accordance with the Company's Employee Share Scheme. 150,000 of these shares vested during the reporting period. The fair value of these shares is the closing share price on the date of issue.
- (f) *05/08/2011*
4,300,000 shares issued to employees of ZYL Limited in accordance with the Company's Employee Share Scheme. 300,000 of these shares vested during the reporting period. The fair value of these shares is the closing share price on the date of issue.

Notes to the financial statements (continued)

19 CONTROLLED ENTITIES

	Percentage Interest		Country of incorporation
	2012	2011	
Parent entity			
ZYL Limited			
Particulars in relation to controlled entities			
Exsteen Pty Limited	100%	100%	Australia
ZYL Mining (SA) Proprietary Limited	100%	-	South Africa
Main Street 795 (Proprietary) Limited	100%	-	South Africa
Oakleaf Investment Holdings (Proprietary) Limited	100%	-	South Africa
Altius Trading 404 (Proprietary) Limited	70%	-	South Africa
Mbila Coal Investment Holdings SA (Pty) Ltd	100%	-	South Africa

20 PARENT ENTITY DISCLOSURES

The following details information related to the parent entity, ZYL Limited at 30 June 2012. The information presented has been prepared using consistent accounting policies as presented in Note 1.

(a) Summary financial information

	2012	2011
	\$	\$
Current assets	4,210,004	34,283,328
Non-current assets	32,947,046	4,661,808
Total assets	37,157,050	38,945,136
Current liabilities	327,808	409,951
Non-current liabilities	-	-
Total liabilities	327,808	409,951
Contributed equity	53,509,392	52,866,385
Reserves	3,962,200	2,905,200
Accumulated losses	(20,642,350)	(17,236,400)
Total equity	36,829,242	38,535,185
Loss for the year	(3,405,908)	(2,310,327)
Other comprehensive income/ (loss) for the year	-	-
Total comprehensive income/ (loss) for the year	(3,405,908)	(2,310,327)

- (b) The parent entity had not provided any material guarantees as at 30 June 2012.
- (c) The parent entity did not have any material contingent liabilities as at 30 June 2012.
- (d) The parent entity did not have any material contractual commitments as at 30 June 2012.

Notes to the financial statements (continued)

21 SEGMENT INFORMATION

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

22 KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Consolidated Company	
	2012	2011
	\$	\$
Short-term cash benefits	1,334,339	377,658
Post-employment benefits	60,975	29,089
Share based payments	1,019,000	-
	2,414,314	406,747

KMP Shareholdings

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

30 June 2012	Balance at beginning of year	Granted as remuneration during the year*	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
B Tarratt	4,769,444	-	-	-	4,769,444
E Lilford	6,583,334	-	-	-	6,583,334
I Benning		3,000,000**	-	-	3,000,000
N Ong	-	1,200,000	-	-	1,200,000
G Reardon	-	1,300,000	-	-	1,300,000

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

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

Notes to the financial statements (continued)

22 KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

30 June 2011	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year ⁶	Balance at end of year
B Tarratt	5,000,000	-	4,400,000	(4,630,556)	4,769,444
M Barron (resigned 13/12/10)	13,800,000	-	-	(13,800,000)	-
G D'Anna (resigned 15/06/11)	4,250,000	-	2,500,000	(6,750,000)	-
P Burke (resigned 22/07/10)	3,500,000	-	-	(3,500,000)	-
E Lilford (appointed 20/07/10)	-	-	5,333,333	1,250,001	6,583,334
D Greenwood	-	-	-	-	-



⁶ Includes consolidation of capital

Notes to the financial statements (continued)

22 KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

KMP Options and Rights Holdings

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

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

Notes to the financial statements (continued)

22 KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

30 June 2011	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested during the year	Vested and exercisable	Vested and unexercisable
B Tarratt	4,400,000	3,000,000	(4,400,000)	(1,500,000)	1,500,000	1,500,000	1,500,000	-
M Barron (resigned 13/12/10)	5,875,000	3,000,000	-	(8,875,000)	-	-	-	-
G D'Anna (resigned 15/06/11)	2,500,000	3,000,000	(2,500,000)	(3,000,000)	-	-	-	-
P Burke (resigned 22/07/10)	1,000,000	-	-	(1,000,000)	-	-	-	-
E Lilford (appointed 20/07/10)	-	10,333,333	(5,333,333)	(2,500,000)	2,500,000	2,500,000	2,500,000	-

23 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Share and option holdings in the Company by the directors or their director-related entities and specified executives are set out in note 22.

The Company paid rent, administration, labour and general office expenses to Hemisphere Corporate Services Pty Ltd (Hemisphere), a company in which Mr Bevan Tarratt and Mr Glenn Whiddon have a financial interest.

The Board concluded that it was not economically beneficial to the Group to have a dedicated office in Australia to fulfil ZYL's Australian regulatory and reporting requirements. Hemisphere provides its services to a number of ASX Listed companies on a shared services basis and charges on a cost plus arrangement; thereby the fees charged to the Group can be directly correlated to the services provided by Hemisphere.

The fees in the table below represent expenses incurred on behalf of the Group by Hemisphere in Australia and South Africa. All fees are charged on a cost plus basis whereby the administration charges reflects Hemisphere's fee for providing the services to, and incurring the expenses on behalf of, the Group in accordance with the Services Agreement with ZYL Limited:

Notes to the financial statements (continued)

23 RELATED PARTY TRANSACTIONS (continued)

	Consolidated Group	
	2012	2011
	\$	\$
Rent	158,283	151,994
Telephone	14,597	-
Labour	341,828	126,886
Office expenses	222,480	108,588
Equipment leases	8,608	491
Director and company secretarial fees *	147,012	-
Administration charges	130,919	39,997
Total	1,023,727	427,955

* To secure Ian Benning as CEO prior to the finalization of his contract, Hemisphere paid his wages from 1 October 2011 to 30 March 2012. ZYL reimbursed Mr Benning's salary from 1 October 2011 to 30 March 2012 during the financial period under review.

All staff and employees that have a full time position are now employed directly by the Group. These positions are predominantly based in South Africa and are within the technical team. It is expected that the above charges will reduce as the number of employees employed directly by the Group increases.

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

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

(b) Loans to/from related parties

	Consolidated Group	
	2012	2011
	\$	\$
Loans to associates (see note 8)		
Opening balance	-	-
Loans advanced	1,632,199	-
	1,632,199	-

24 LOSS PER SHARE

	Consolidated Group	
	2012	2011
	\$	\$
Basic/diluted (loss) per share in cents	(0.009)	(0.005)
Weighted average number of ordinary shares used in the calculation of basic/diluted (loss) per share	484,402,310	485,383,053
Basic/diluted earnings/(loss)	(4,425,496)	(2,310,327)

The 27,000,000 options on issue are anti-dilutive, and therefore diluted loss per share is the same as basic loss per share.

Notes to the financial statements (continued)

25 FINANCIAL INSTRUMENTS

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

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

(a) Financial risk exposure and management

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

(b) Capital risk management

The Group has equity financed the majority of all historical expenditure. The capital structure consists of no debt. The Group is not subject to externally imposed capital requirements.

(c) Market rate risk

(i) Foreign exchange risk

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

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

		Consolidated Group	
		2012	2011
		\$	\$
Financial Assets			
	Cash at bank	1,705,939	1,382,000
	Other financial assets	(a) 13,778,197	-
Financial Liabilities			
	Financial liability	(a) 13,778,197	-
	Trade payables (\$US)	-	151,843
	Trade payables (ZAR 10.2m)	1,218,018	86,402

Notes to the financial statements (continued)

25 FINANCIAL INSTRUMENTS (continued)

(a) The financial asset and liability above represents amounts payable in respect of Tranche 2, payments 2 and 3 of the Mbila Share Repurchase and Subscription Agreement (see note 9).

(ii) Interest rate risk

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

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

Notes to the financial statements (continued)

25 FINANCIAL INSTRUMENTS (continued)

	Average Interest Rate	Floating Interest Rate	Fixed Interest Rate	Non Interest Bearing	Total
	%	\$	\$	\$	\$
			Maturing within 12 months		
2011					
<i>Financial assets</i>					
Cash at bank	0.00%	66,456	-	-	66,456
Deposits at call	4.75%	29,694,984	-	-	29,694,984
Term Deposit ZAR	4.30%	-	1,382,000	-	1,382,000
Term Deposit	6.20%	-	15,000	-	15,000
Term Deposit	4.00%	-	3,059,178	-	3,059,178
Trade and other receivables		-	-	-	-
		29,761,440	4,456,178	-	34,217,618
<i>Financial liabilities</i>					
Trade and other payables		-	-	313,027	313,027
Borrowings		-	-	-	-
		-	-	313,027	313,027

Sensitivity analysis

At 30 June 2012, the effect on the Group's loss and equity as a result of changes in the interest rates, with all other variables remaining constant, would be as follows:

		2012		2011	
		Interest rate risk + 1%	Interest rate risk -1%	Interest rate risk +1%	Interest rate risk -1%
<i>Financial assets</i>					
Deposits at call	4.17%	43,510	(43,510)	296,950	(296,950)
		43,510	(43,510)	296,950	(296,950)

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity involves monthly cash flow forecasting such to ensure that sufficient funds are always available to undertake planned activities.

Maturities of financial liabilities

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

Notes to the financial statements (continued)

25 FINANCIAL INSTRUMENTS (continued)

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Over 12 months
2012	\$	\$	\$
Non-derivatives			
Trade and other payables	1,507,084		
Other financial liabilities	13,778,179	-	-
Total non-derivatives	15,285,263	-	-

(e) Credit risk

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

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

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

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

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

(f) Net fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements is considered a reasonable approximation of their respective net fair values, determined in accordance with the accounting policies described in Note 1 to the financial statements.

Notes to the financial statements (continued)

26 NOTES TO STATEMENTS OF CASH FLOWS

(i) Reconciliation of Cash

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

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

	Consolidated Group	
	2012	2011
	\$	\$
Cash	4,501,174	66,323
Short term deposits	57,863	34,151,162
	4,559,037	34,217,485

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

	Consolidated Group	
	2012	2011
	\$	\$
Net (loss) after income tax	(4,425,496)	(2,310,327)
Add/(less) non-cash items:		
Depreciation	17,655	3,846
Loss on Sale of Property Plant & Equipment	2,032	-
Net exchange differences	167,300	-
Non-cash consultant benefit expense	1,127,000	-
Provision for:		
Impairment of PPE	22,359	-
Net cash (used in) operating activities before change in assets and liabilities	(3,089,150)	(2,306,481)
Change in assets and liabilities:		
(Increase)/decrease in receivables	18,163	(107,813)
(Increase)/decrease in prepayments	(21,176)	1,177
(Decrease)/increase in payables	553,835	679,265
(Decrease)/increase in borrowings	-	-
(Decrease)/increase in provisions	50,693	853
Net cash (used in) operating activities	(2,487,635)	(1,732,999)

(iii) Financing Facilities

There were no financing facilities in place at the end of the period (2011: Nil).

Notes to the financial statements (continued)

27 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Convertible note

On 10 September 2012, ZYL entered into a term sheet for an \$18 million, 35 month term, Convertible Note with a sophisticated investor (**Investor**) via a special purpose entity. The term Sheet was executed by ZYL and the Investor in conjunction with an Approval Letter for a Term Bilateral Loan for \$18 million from a Chinese Bank based in Australia and formal agreements are expected to be executed shortly after.

The issue of the Convertible Note is conditional upon execution of final documentation by the parties and the usual regulatory approvals, amongst other things; shareholder approval to allow conversion of the Convertible Notes into ordinary ZYL shares and Foreign Investment Review Board (**FIRB**) approval. It is anticipated that these approvals will be obtained in early November 2012 with drawdown shortly thereafter. In the interim, the Investor has agreed to provide a bridging facility of \$2 million, subject to FIRB approval, within approximately one month. This bridging facility is part of and not in addition to the \$18 million facility.

Mbila Resources (Proprietary) Limited Share Subscription and Repurchase Agreement (Third Addendum)

On 10 September 2012 ZYL Limited signed the Third Addendum to the above agreement. In accordance with the Third Addendum the payment date for Tranche 2 (payments 2 and 3) was extended from 1 September and 1 November respectively to 31 December 2012.

The revised payment details are as follows:

Tranche 2	Amount \$	Date Paid/Payable	Revised payment date	Revised payment amount (including interest) \$
Payment 2	7,472,197	01/09/12	31/12/12	8,148,040
Payment 3	6,306,000	01/11/12	31/12/12	6,560,760
	<u>13,778,197</u>			<u>14,708,800</u>

28 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

29 COMPANY DETAILS

The registered office and principal place of business is:

Level 8
225 St Georges Terrace
Perth WA 6000
Tel: (08) 9486 4036
Fax: (08) 9486 4799



Director's Declaration

Directors' Declaration

In the opinion of the directors of ZYL Limited:

- a) the financial statements and notes, set out on pages 50 to 97, are in accordance with the Corporations Act 2001, including to:
 - (i) comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Reporting Standards (IFRS); and
 - (ii) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the company and consolidated Company;
- b) in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors:



Mr Ian Benning
Chief Executive Officer

Dated at Perth this 28th day of September 2012

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

Report on the Financial Report

We have audited the accompanying consolidated financial report of ZYL Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year (the Consolidated Entity). The consolidated financial report comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives and true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZYL LIMITED AND CONTROLLED ENTITIES (CONT)

Auditor's Opinion

In our opinion:

- a) the financial report of the consolidated entity ZYL Limited is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial report, which indicates that the consolidated entity incurred a total comprehensive loss of \$4,432,106 (2011: loss \$2,310,327) and had net cash outflows from operating activities of \$2,487,635 (2011: \$1,732,999) during the year ended 30 June 2012, and that the ability of the consolidated entity to continue as a going concern is dependent upon the consolidated entity being successful in accessing additional sources of funding via convertible notes.

These conditions, along with the other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in paragraph 14 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of ZYL Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

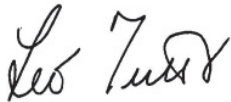
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZYL LIMITED AND CONTROLLED ENTITIES (CONT)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of ZYL Limited for the year ended 30 June 2012 included on ZYL Limited's web site. The company's directors are responsible for the integrity of the ZYL Limited web site. We have not been engaged to report on the integrity of the ZYL Limited web site. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.



William Buck
Chartered Accountants
ABN 16 021 300 521



L.E. Tutt
Partner
Sydney, 28 September 2012



ASX Additional Information

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

INFORMATION AS AT 23 AUGUST 2012

(a) Distribution of Shareholders

Category (size of holding)	Number
1 – 1,000	454
1,001 – 5,000	252
5,001 – 10,000	267
10,001 – 100,000	1,378
100,001 – and over	525
Total	2,876

(b) The number of shareholdings held in less than marketable parcels is 649

(c) Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary Shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

There are no voting rights attached to any class of options that is on issue.

(d) 20 Largest Shareholders — Ordinary Shares as at 23 August 2012

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	Macquarie Bank Ltd	39,705,883	8.07%
2.	Sin-Tang Development Pte Ltd	27,297,523	5.55%
3.	HSBC Custody Nominee Australia Ltd	20,044,095	4.07%
4.	Riverview Corp PL	14,356,731	2.92%
5.	Mighty River International Ltd	13,991,562	2.84%
6.	National Nominee Ltd	11,514,232	2.34%
7.	Breamline Investments Ltd	10,000,000	2.03%
8.	Parasnath Derivatives Pte Ltd	9,400,000	1.91%
9.	Nautical Holdings WA PL <Abandon Ship S/F A>	8,550,000	1.74%
10.	Tarratt Nigel Thomas < Nigel Tarratt S/F>	6,969,444	1.42%
11.	HSBC Custody Nominee Australia Ltd	6,000,000	1.22%
12.	Topsfield Pty Ltd	6,000,000	1.22%
13.	Frass Pty Ltd <Baudinette Family No 2 A/C>	5,750,000	1.17%
14.	Russello Mary Anastasia	5,550,000	1.13%
15.	Mimo Strategies PI <Mimo A/C>	5,437,500	1.11%
16.	Fluffy Duck Super PI <Fluffy Duck S/F A/C>	4,769,444	0.97%
17.	Canning Nominee PL	4,635,000	0.94%
18.	Oodachi Pty Ltd < P & M Kerr Family A/C>	4,550,000	0.92%
19.	Frass Pty Ltd < <The Steve Baudinette A/C>	4,450,000	0.90%
20.	Barratt G R + M < <Barratt Family Account>	4,368,939	0.89%
	Total Top 20	213,340,353	43.36%
	Balance of Register	278,667,546	56.64%
	TOTAL ON ISSUE	492,007,899	100.00%

(e) On-market Buy-Back

Currently there is no on-market buy-back of the Company's securities.

(f) Company Secretary

The name of the Company Secretary is Mr (Nicholas) Chen Chik Ong.

(g) Company address

The address of the principal registered office is:

Level 8, 225 St Georges Terrace
Perth WA 6000
Telephone: (08) 9486 4036

Registers of securities are held at:

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

(h) Stock exchange listing

Quotation has been granted for all the ordinary shares of the Company on the ASX Ltd.

(i) Unquoted securities

Options over un-issued Shares:

- (a) 20,000,000 options exercisable at \$0.20 expiring 18 April 2014;
- (b) 1,500,000 options exercisable at \$0.06 expiring 30 September 2012;
- (c) 3,000,000 options exercisable at \$0.10 expiring 30 September 2012; and
- (d) 2,500,000 options exercisable at \$0.06 expiring 21 February 2013.

(j) Securities subject to escrow

There are 20,000,000 options exercisable at \$0.20 expiring 18 April 2014 currently subject to escrow.

Unquoted Equity Securities Holders with Greater than 20% of an Individual Class

As at 23 August 2012 the following classes of unquoted securities had holders with greater than 20% of the class on issue.

Options exercisable at \$0.20 expiring 18 April 2014

Percentage Held	Name	Number of Securities held
100%	Selentium Capital SARL	20,000,000

Options exercisable at \$0.06 expiring 30 September 2012

Percentage Held	Name	Number of Securities held
33.333%	Celery Pty Ltd	500,000
33.333%	Joe Dirt Super Pty Ltd <Joe Dirt Super A/C>	500,000
33.333%	Gino D'Anna	500,000

Options exercisable at \$0.10 expiring 30 September 2012

Percentage Held	Name	Number of Securities held
33.333%	Celery Pty Ltd	1,000,000
33.333%	Joe Dirt Super Pty Ltd <Joe Dirt Super A/C>	1,000,000
33.333%	Gino D'Anna	1,000,000

Options exercisable at \$0.06 expiring 21 February 2013

Percentage Held	Name	Number of Securities held
100%	Dr Eric Lilford <EVL & Co A/C>	2,500,000





Corporate Office:

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