

ASX RELEASE
5th November 2012

**MBILA BANKABLE FEASIBILITY STUDY
INTERIM UPDATE**

Further to the announcement on 2 October 2012 regarding the expansion of the scope of work at the Mbila project, the Company provides the following interim update on progress related to the Bankable Feasibility Study (BFS).

- Detailed technical studies undertaken by RSV Enco as part of the BFS have highlighted a lower than expected conversion from Resources to Reserves within the Badger Study Area (the implication being that reduced Reserves leads to a shorter mine life) while simultaneously confirming a larger Resource base within the area known as the Mbila Project Area (refer Diagram 1 & 2).
- A technical mining workshop will be conducted this week to examine detailed mine scheduling and its impact on Reserves contained within the Badger Study Area.
- Following the workshop, if the scope of the BFS is expanded, the majority of the feasibility work undertaken to date will be included in the revised scope, although it is envisaged that additional drilling will be required. This expansion refers to the broadening of the scope of the BFS which may or may not result in a bigger project.
- The Company has informed the vendors of the Reserve status and will continue to engage actively on the scope of work expansion.
- All financial commitments relating to the Mbila Project transaction have been put on hold until engagements with the vendors are concluded.
- The objectives and rationale for the York Energy NL transaction remain in place. The Independent Experts Report and Notice of Meeting for the transaction have been completed, with dispatch timing dependent on the outcome of the mining workshop and conclusion of the engagements with the Mbila vendors

Corporate Office:

Level 8, 225 St Georges Terrace, Perth 6000, Western Australia
PO Box 7653, Cloisters Square, Perth 6850, Western Australia

Tel: +61 8 9486 4036
Fax: +61 8 9486 4799

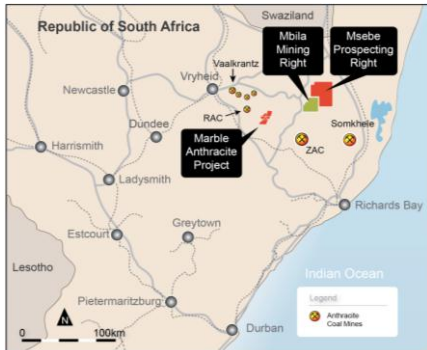
Email: info@zylimited.com.au
Web: www.zylimited.com.au



Mbila Project

The Mbila Project is located in the KwaZulu Natal region (see Diagram 1 below) and consists of a Mining Right covering 19,180ha (**Mbila Mining Right Area**) and a Prospecting Right covering 52,946ha (**Msebe Prospecting Right Area**).

Diagram 1. Location of the Mbila Project Area



Badger Study Area – 2008 GTIS (Mt)	
Total measured	13.03
Total indicated	0.97
Total inferred	6.11
Total JORC-compliant coal resources	20.11

Mbila Project Area – Aug 2012 Total GTIS (Mt)	
Total measured	36.2
Total indicated	23.2
Total inferred	94.8
Total JORC-compliant coal resources	154.2

Legend	Total GTIS (Mt) 2012
ECCA coal formation	14.03
Beaufort coal formation	140.12
Total JORC-compliant coal resources	154.2

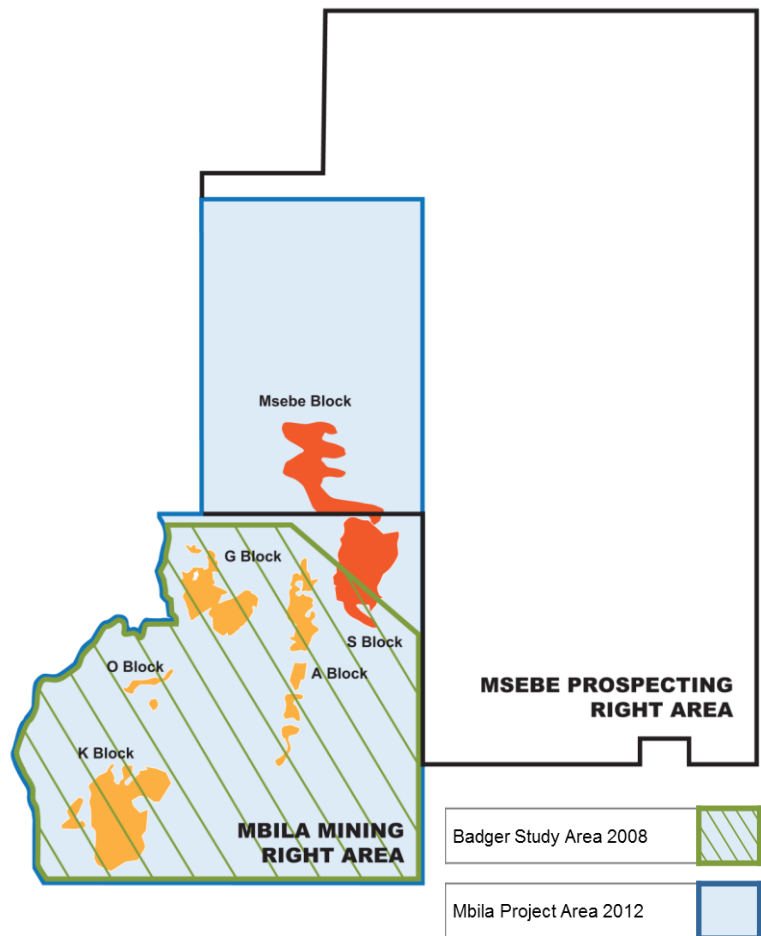


Diagram 2. The Badger Study Area located within the Mbila Project Area

In 2008 a Feasibility Study (the **Badger Study**) was undertaken on the Resources within the Mbila Mining Right Area located in *G Block, the southern section of S Block, and some portions of the A and K Blocks* (see Diagram 2). The Badger Study produced a JORC-compliant Resource in the Badger Study Area totalling 20.11 Mt. The Mining Right, Environmental Management Programme, and Social and Labour Plan approvals were granted upon the basis of this study.

Since the completion of the Badger Study the Resources within the Mbila Project Area have grown considerably and the JORC-compliant Resource is now 154.2 Mt (see table below). The occurrence of the Beaufort seams has proven to extend beyond the Badger Study Area into the Msebe Prospecting Right Area. The Badger Study Area together with the area where the additional coal resources have been defined since the Badger Study is referred to as the **Mbila Project Area** (see Diagram 2).

The area within the Msebe Prospecting Right Area is under-explored and represents significant potential for the project. An exploration programme for this area, which hosts both the ECCA and Beaufort geology, has already been planned for 2013.

Mbila Project Area: JORC-Compliant Resource Estimates - GTIS (Mt)		
	2008 – GeoCoal Resource Estimate	August 2012 – PC Meyer Resource Estimate*
Total measured coal resource	13.03	36.2
Total indicated coal resource	0.97	23.2
Total inferred coal resource	6.11	94.8
Total JORC-compliant coal resources	20.11	154.2

* Resources includes the Mbila Mining Right Area and the Msebe Prospecting Right Area

Findings of the Badger Study Update

The decision to focus on validating and updating the Badger Study and ensuring it was to the level of a Bankable Feasibility Study (“**BFS**”) was detailed in the 2 October 2012 media release, with the objective of a Phased early stage production scenario, especially considering the significant number of expressions of interest for domestic offtake which exceeded the initial planned production of anthracite.

The Badger Study indicated a 12 year life-of-mine, which led ZYL to have the view that this would support a robust mining operation, with the additional Resources outside of the Badger Study Area providing a significant upside to future production and mine life. A preliminary review of the Badger Study by ZYL’s technical consultants provided the basis upon which the Interim Feasibility Study (**IFS**) was developed and released in March 2012. The results of the IFS provided the Company with the comfort to continue with the strategy of proving the integrity of the Badger Study, whilst considering possible options to bring the rest of the project potential to account.

During detailed mine scheduling for the project between August and October 2012, ZYL's consultants were unable to duplicate the Resources to the Proven Reserves conversion detailed in the narrow scope of the Badger Study. Whilst it was believed that there are more effective and efficient development plans for the Mbila Project, the Company has adhered to the strategy of validating the Badger Study. Until the uncertainty around the Reserve estimates can be resolved it was decided that considering alternative development options should be pursued, and the plan to expand the scope of the BFS was announced in the media release of 2 October 2012.

The objective of the expansion is aimed at broadening the scope of the BFS to take into account the full extent of the known Resources and maximising the potential within both the Mining Right Area and the Prospecting Right Area. It should be stressed that the expansion relates to the scope of the BFS and not necessarily an expansion in the size of the project.

It is believed that the incorporation of the Resources outside of the Badger Study area into the BFS will provide greater flexibility and the opportunity to exploit larger blocks of anthracite with fewer adits, including the possibility of defining an open pit area in the Beaufort zone. An open pit will allow the mining of multiple seams in the Beaufort package and lead to greater extraction of the mineable resource. The establishment of an open pit would potentially support a quicker build up to sustainable production with lower operating costs.

In parallel with this, work has continued on resolving the uncertainty on the Resource to Reserve conversion. Since the exploitation of the Reserves is reliant on the accuracy of the geological model, a decision was taken to conduct an investigative geological workshop as a further verification process of the geological data and model. To ensure its integrity, the key geologists involved in the project since 2006 participated in the workshop, which was conducted in October, under the control of a neutral independent facilitator.

All geological data, processes and Resource reports produced since 2006 were reviewed during the workshop, with particular attention being paid to the development of the geological model over this time. The outcome of the workshop was that there was general agreement that the geological model as of October 2012 is fundamentally correct and the stated Resources as of August 2012 for the whole Mbila Project are largely accurate.

The conversion from Resources to Reserves is a mining engineering function and is achieved by using the relevant Resources within the targeted mining areas and applying coal qualities and yields and a suite of technical parameters (modifying factors) such as seam thickness, geotechnical factors, extraction rates and mining losses, as well as financial parameters, to estimate mineable Reserves. The Reserves are the result of detailed mine scheduling which are in turn used to calculate the actual qualities and tonnages of run-of-mine production that are delivered to the coal processing plant.

Although there has been general agreement on the extent of Resources in the Mbila Project Area, ZYL's consultants have been unable to achieve the same level of conversion to Reserves as indicated within

the Badger Study Area. This is of particular importance as the Reserves dictate the mine life that can be modelled for the project and subsequently debt financed.

A technical mining workshop will take place this week with various mining engineers to re-examine the detailed mine planning and scheduling and verify ZYL's position on the Reserves. It is expected that this workshop will confirm the view expressed in the media release of 2 October 2012, that a mine plan tied to the Badger Study will result in the Resources not being optimally mined.

Permitting and Overall Development Timeline

The timeline for the final permitting process remains on schedule for completion in mid-2013 (the water use licence (IWUL) is pending). Other than the finalisation of the mine scheduling and the Reserves, the majority of the feasibility work has been completed under the current scope of the BFS, however it should be pointed out that material changes in a re-scoped BFS, as a result of the discussions contemplated above, will likely affect the timing of the permitting.

The outcome of any discussions with vendors may result in an extensive revamp of the scope of the BFS which is likely to incorporate additional drilling and geological modelling, particularly in the Msebe Block. Although no timelines can be placed on this until the extent of the re-scoping is known, it is possible that it could run into late 2013.

York Energy Transaction Update

The Independent Expert's Report, Independent Technical Reports and the Notice of Meeting (**NOM**) to Shareholders have been completed and signed off by the Australian Securities Exchange. The documents were lodged with the Australian Securities and Investments Commission (**ASIC**) late September. We received comments from ASIC on 11th October 2012 which have been incorporated by the independent experts.

The suite of documents and the regulatory approval processes have resulted in an extended timetable. Notwithstanding the extended timetable, the Independent Experts concluded that the transaction recommended by the Directors and Macquarie First South Capital (Pty) Limited is fair and reasonable.

The various reports and the NOM include valuations of the Mbila Project based on the original BFS scope. The Directors of ZYL remain strongly of the view that rationale of securing control of the Mbila Project and strengthening the ZYL anthracite portfolio remains. Pending the outcome of the mining technical workshop and engagements with the vendor on Mbila Project, the distribution of the NOM to shareholders will be placed on hold.

Convertible Note Financing

The providers of the Convertible Note and ZYL are working constructively to finalise the facility. We have received approval from the Foreign Investment Review Board and drawn down on the initial bridging facility to the tune of \$2 million.

The Way Forward

The process of updating the Badger Study and verifying the mineable Reserves has been challenging and there have been some unexpected inconsistencies that have been addressed as they have come to light. The Company understands the frustration that has been created by these delays, but the Company's staff and its technical consultants have worked tirelessly to complete this feasibility work in the shortest time possible.

The Company has engaged the vendors and commenced discussions regarding the findings of ZYL's consultants and the identified inconsistencies in respect of the Badger Study. The outcomes of the technical mining workshop to be held this week will be evaluated and will determine what, if any, additional technical studies, drilling or feasibility work is required. The implications in terms of costs and time will be determined from this evaluation. The Company will re-engage with the vendors on these findings and discuss with them what options can be considered going forward.

The Company has an obligation to ensure that the outcome of the discussions with the vendors provides a clear and viable future to the Mbila Project, and that an acceptable resolution is agreed with the vendors on the way forward. There is no guarantee that this outcome will be achieved and the Company will have to assess its further options should this be the case.

All financial commitments relating to the Mbila Project, other than completing the mine scheduling, have been put on hold until the results of the workshop are known and engagements with the vendors are concluded.

Conclusion

The ability to expand the scope of the BFS will provide a great opportunity to create a larger tonnage project which reflects the current demand from potential strategic partners who seek an expanded production profile. The feasibility work undertaken to date in updating the Badger Study will be applied to the expanded scope.

The Company will continue to engage with the Mbila vendors to work towards a resolution as expeditiously as possible. The outcome of these discussions is intended to provide the Company with a clear path forward at the Mbila Project and set a revised scope of work, time frame and cost implication, as well as any impact on the Company's financial commitments relating to the transaction.

It is expected that the time frame of the Mbila Project will be pushed out, and although disappointing, should not detract from the fact that the underlying project and its potential remains intact. The Company has been diligent in reviewing the Mbila Project in great detail and the difficulties that have been faced are not unusual in a complex mining project.

The directors of ZYL remain of the view that expanding the scope of the BFS to incorporate the full extent of the Resources at the Mbila Project, is the optimum development strategy and is in the shareholders' best interests. Further announcements will be provided as soon as possible setting out these details.

ENDS

Contact:**Ian Benning, CEO, ZYL LIMITED****T: +27 (0) 87 350 2751****M: +27 (0) 10 591 0634****E: ian.benning@zyllimited.co.za****Head Office - Perth Australia****T: +61 (0) 8 9486 4036****E: info@zyllimited.com.au****Media - Australia****Annette Ellis, Purple Communications****M: +61 (0) 458 200 039****E: aellis@purplecom.com.au****About ZYL Limited**

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 Mabila and Kangwane projects in South Africa, located close to rail, port, power and water infrastructure.

Important information

The information in this announcement is an overview and does not contain all information necessary to make an investment decision. To the extent permitted by law, no representation or warranty, express or implied, is made as to the accuracy, adequacy or reliability of any statements, estimates or opinions or other information contained in this announcement, any of which may change without notice. This document is not a prospectus, disclosure document or offering document under Australian law or under any other law. It does not constitute an offer or invitation to apply for securities. It is for information purposes only. This announcement is not an offer of securities for subscription or sale in the United States or any other jurisdiction in which such an offer or solicitation is not authorised or to any other person to whom it is unlawful to make such an offer or solicitation. Some of the information contained in this announcement constitutes forward-looking statements that are subject to various risks and uncertainties, not all of which may be disclosed. These statements discuss future objectives or expectations concerning results of operations or financial condition or provide other forward-looking information. Prospective investors should make their own independent evaluation of an investment in the securities. The material contained in this document does not take into account the investment objectives, financial situation or particular needs of any particular investor. No recommendation to investors regarding the suitability of the securities has been made and the recipient must make its own assessment and/or seek independent advice on financial, legal, tax and other matters, including the merits and risk involved. This announcement and its contents have been distributed to you, in confidence, solely for your information and may not be retransmitted or otherwise reproduced or disclosed to third parties or made public in any way, in whole or in part, for any purpose without written permission.

Competent Person Statement

Information in this presentation that relates to exploration results, minerals resources or ore reserves is based on information compiled by: Mr Hatherly is an Associate of the MSA Group. Mr Stewardson is a senior associate of the Mineral Corporation. Messrs van Wyk and Meyer and Mrs de Klerk are consultants to the Company. Mr van Wyk and Mr Stewardson are members and fellows 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, Stewardson 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, Stewardson and Meyer and Mrs de Klerk consent to the inclusion in this Notice of the matters based on their information in the form and context in which it appears.