

ASX RELEASE
30 April 2012

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 MARCH 2012

The first quarter of 2012 has seen ZYL move closer to becoming an anthracite producer. Key announcements made to the market during the quarter related to:

- the results of the Mbila Project's Interim Feasibility Study (**IFS**), confirming the attractive and competitive economics of the project;
- receipt of numerous non-binding expressions of interest (**EOIs**) for offtake in respect of production from both Mbila and Kangwane. The EOI offtake volumes now exceed the full saleable production of both Mbila and Kangwane;
- discussions regarding funding in exchange for offtake from both Mbila and Kangwane;
- the start of drilling at both projects, to upgrade the measured resource for the first five years of mine life at Kangwane Central and to identify additional resources at Mbila;
- the Board's decision to proceed with the preferred recommendation to target Maputo Port, Mozambique via trucking for the export to international markets of the company's Kangwane product; and
- strengthening of the company's South African-based geological team with the appointment of Mr Brian Roberts as Project Manager for the Mbila Project and Mrs Liz de Klerk as consulting geologist, overseeing both Mbila and Kangwane.

Mbila Project

The Mbila Project is located in a well-established anthracite mining region of KwaZulu-Natal province, with excellent road and rail access to South Africa's industrial heartland and the ports of Richards Bay and Durban.

The project consists of both a Mining Right covering 19 120 hectares (Mining Right Area) and a Prospecting Right covering 53 000 hectares (Prospecting Right Area). A separate Mining Right Application for a mineable extension area of approximately 180 hectares within the Prospecting Right Area has been lodged with the Department of Mineral Resources.

Interim Feasibility Study results

The IFS on Phase 1 production for the Mining Right Area was completed during March and the results were released to the market. The highlights of the IFS included an internal rate of

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return in excess of 41% over the Phase 1 life of 12 years. The basis for the IFS was an owner-operated mine, producing 840 000tpa run of mine (RoM).

The IFS indicated operational expenditure (opex) of \$52.80 based on 580 000tpa saleable product, sourced from both the Eccca and Beaufort seams.

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	36.69
Average yield	67.6%
TOTAL PRODUCED COST	52.80

The IFS illustrates mine gate pricing at Mbila for the Eccca and Beaufort primary product of, on average, AU \$135 and AU \$112 per tonne respectively. Due to the high local demand, ZYL intends to sell the Mbila product at mine gate. Opportunities to achieve a higher sales price may exist through a specialty export market. Saleable products will include small nuts, peas and duff coal with varying ash contents to suit the market's demand.

The IFS indicates initial capital expenditure (capex) to production for the Mbila Project of AU \$85m for an owner-operated mine, including a 13% contingency of AU \$10.8m. The capex may be reduced further through the introduction of third-party contractors.

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

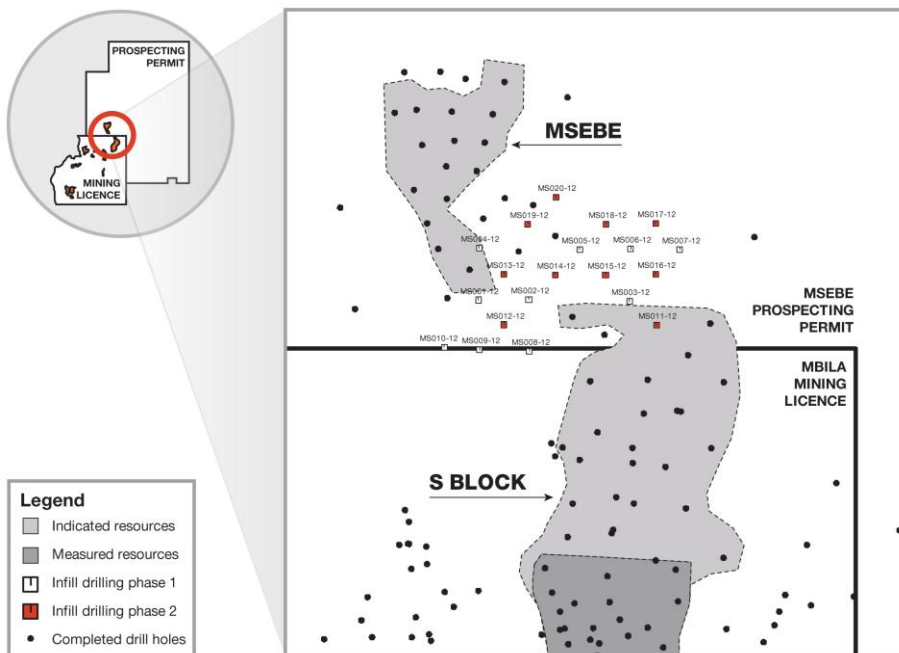
The Bankable Feasibility Study (BFS) is due to be completed at the end of Q2 2012, with scope for optimisation as the level of accuracy inherent in the BFS is improved.

Expressions of interest

Numerous EOIs for the purchase of Mbila product were received during the quarter. The EOI volumes received to date for Mbila product exceed 2.3Mtpa and surpass the full saleable production at the project. The EOIs are from various parties, including international mining houses and global commodity traders, and some specify the intent to negotiate a advance funding to assist the start of production at the project and/or an equity investment in ZYL. As announced to the market, ZYL is seeking to formalise the EOIs and associated funding.

Drilling programme

A 10-borehole infill drilling programme totaling 2 000m flagged to begin in March began in April 2012; the delay was due to interruptions caused by cyclonic weather. The programme is Phase 1 of a two-phase programme designed to identify additional resources lying between Mbila S Block and the adjacent Msebe exploration permit area. The results from Phase 1 and 2 of the drilling programme, which are now expected at the end of May, will be integrated into the existing geological model and any additional resources identified will be incorporated into Mbila’s resource base and mine planning. The map below details the infill drilling programme.



Two structural definition drilling programmes began on the GA and AD Blocks at Mbila in March 2012. The programmes, consisting of 43 percussion drill holes totalling 2 580 metres, were designed to clarify structural definition in order for ZYL to complete the mine design for these two resource blocks. A further geotechnical drilling programme was also conducted at S Block to provide further technical information required to complete the final mine design and scheduling for the Beaufort multi-seam underground mining configuration. These three programmes were completed and the results are currently being analysed.

Project Manager appointment

Mr Brian Roberts was appointed Project Manager for the Mbila Project during the quarter. Mr Roberts (B. Eng) has 30 years' experience in the coal sector, including 10 years with Anglo Coal South Africa and nine years with Total Coal South Africa, where he held the position of Project Mining Engineer. Mr Roberts has worked in both opencast and underground mining environments. His experience includes mine and associated engineering infrastructure design and construction.

Kangwane Project

The Kangwane Project – comprising the Kangwane Central and Kangwane South areas, is in the Mpumalanga province of South Africa and is well located for export, being less than 100km from Maputo Port, Mozambique. Kangwane Central consists of a New Order Prospecting Right covering 7 204ha. Mining Right applications have been lodged with the Department of Mineral Resources for both the Kangwane Central and Kangwane South properties.

Expressions of interest

EOIs for the purchase of the Kangwane product were received during the quarter. The EOIs, totaling more than 1.7Mtpa, exceed the project's full saleable production of 1.2Mtpa. As with the EOIs received for Mbila product, those received regarding Kangwane included the intent to negotiate advance funding to assist the start of production at the project and/or an equity investment in ZYL. As previously announced, ZYL is seeking to formalise the EOIs.

Trucking to Maputo

The Board decided to proceed in principle with the recommendation to target the Mozambican port of Maputo for export to international markets of anthracite product from the Kangwane Project. The option chosen, which was one of a short-list of five preferred alternatives, involves trucking Kangwane's product 150 km to Maputo using existing tarred roads that do not require upgrading. The Kangwane product is ideal for the export market due to its low-sulphur, low-moisture characteristics and ZYL is accelerating discussions with various parties for a share of their existing export allocation at Maputo.

Drilling programme

Phase 3 drilling at Kangwane Central has begun to upgrade the first five years of mineable resources to the measured category. The 25-borehole programme totalling 5 000 metres is being undertaken by GeoPractica and comprises of exploration, verification and

geotechnical drilling. Core samples will be prepared and sent for analysis at an accredited laboratory. The full drilling programme, analysis and subsequent geological modelling will be completed in Q3 and the results will be announced shortly afterwards.

Corporate

New General Meeting

The General Meeting scheduled for 10:00 on Monday, 20 February 2012 to seek shareholder approval for the issue of shares to directors of the company was cancelled in order for the company to further engage with shareholders. A new meeting has been scheduled to 10:00 on Wednesday, 2 May 2012. As announced on 24 April 2012, Executive Chairman Bevan Tarratt has voluntarily reduced the number of shares to be issued to him by 53% so they may be used instead as an incentive to attract additional management with a high level of technical experience in anthracite and/or coal production.

Appointment of Principal Consulting Geologist

ZYL strengthened its South African based geological team through the appointment of Mrs Liz de Klerk as Principal Consulting Geologist of ZYL to oversee development of both the Kangwane and Mbila projects. Mrs de Klerk was previously the Principal Geologist on the Mbila Project; as such, she has a sound knowledge of the project. Mrs de Klerk has been managing exploration projects, primarily in the coal sector, for the last six years. As principal Geologist, she will be responsible for exploration programmes, database and tenement management and geological modelling.

Board changes

Dr Eric Lilford moved from Managing Director to become a non-executive director. Dr Lilford is Perth-based and his move to non-executive status reflects ZYL's decision to have its operational base and staff in South Africa.

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 Mbila 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.

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Competent Person Statement

Information in this presentation 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 Petrus Meyer in respect of Kangwane Central; and Mrs Liz de Klerk in respect of Mbila. 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 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 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.