

ASX RELEASE
19 February 2013

ACQUISITION OF KANGWANE NORTH via revised YORK ENERGY acquisition

ZYL Limited (“ZYL” or the “Company”) (ASX: ZYL), is pleased to advise that it has negotiated an agreement with York Energy SA (Pty) Ltd (“York SA”), a wholly owned subsidiary of York Energy NL (“York”), to acquire its rights and obligations in the Kangwane North Project (“the Acquisition”). This transaction replaces the York transaction that was announced on the 25th May 2012. The key benefits for the Company include the following:

- A right to acquire up to a 70% interest in the Kangwane North Project
- Consolidates ZYL’s strategic anthracite holdings within the Kangwane Coal field
- Enhances the flexibility and synergies that can be harnessed with the nearby Kangwane Central and Kangwane South projects

The original York transaction that was announced to the market on the 25th May 2012, valued the acquisition of York at \$12 million, with funding provisions until completion. Under the revised agreement ZYL, through its subsidiaries, will now only acquire York SA’s rights and obligations in respect of the Kangwane North Project, enabling ZYL to acquire up to a 70% interest in the Kangwane North Project for the issue of 35 million shares in ZYL (“Consideration Shares”) and the retirement of a loan between the parties arising in respect of the 25 May 2012 agreement that was used to fund Yorks operational obligations in respect of the Mbila transaction.

CEO Ian Benning commented, “This acquisition provides ZYL with interests in three strategic anthracite projects within the Kangwane coal field. It will provide the Company with potential synergies with Kangwane Central and Kangwane South in terms of management, coal washing plant and technical facilities and the blending of different product qualities, as well as offering the prospect of reducing capital expenditure and operating costs. It will also provide the company with an access to an additional rail siding on the main rail line between Maputo and Gauteng, the economic hub of South Africa”.

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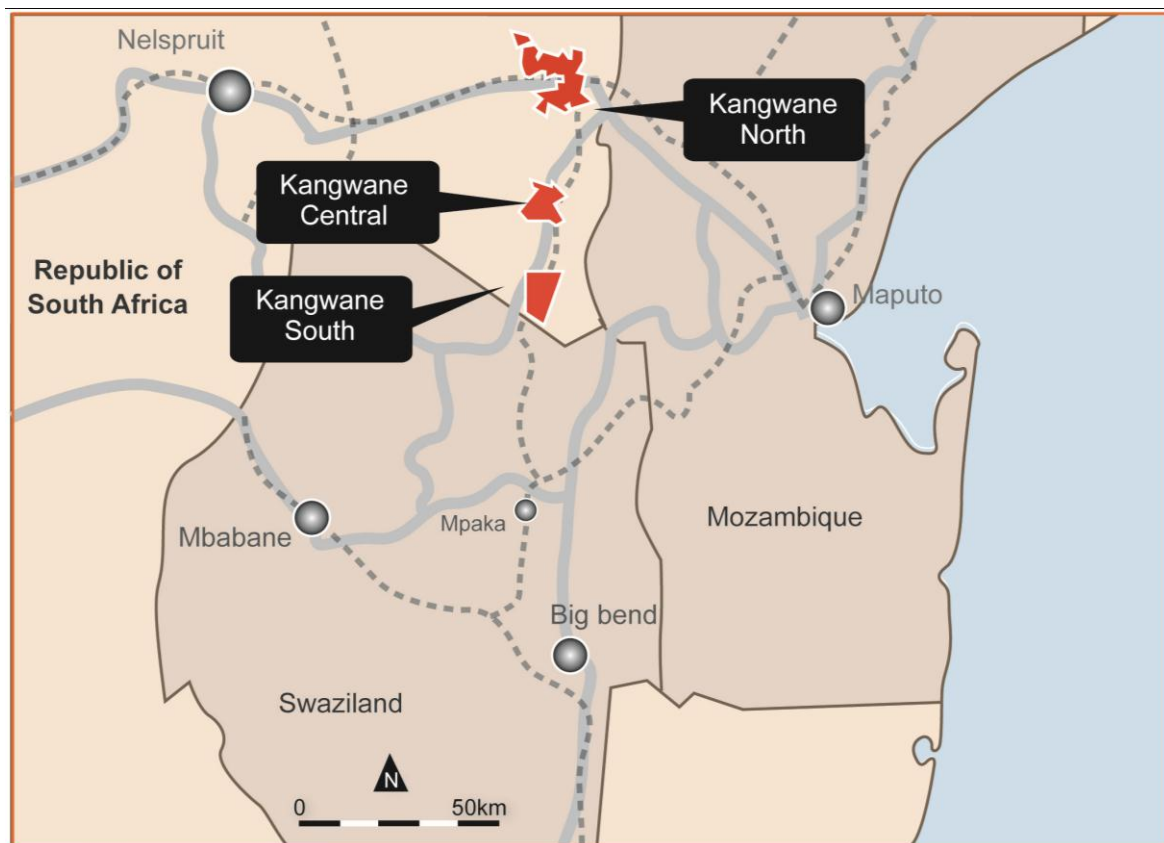
Complementary Asset Portfolio

The key Kangwane North Project is highly complementary to ZYL's existing anthracite rights and interests in South Africa:

Kangwane North Project

York has the right to earn up to 70% of the Kangwane North Project. The Kangwane North Project contains an **exploration target of 50 – 70 Mt¹**. The Project is approximately 30km north of ZYL's Kangwane Central Project and is within the same Nkomati coal field.

The New Order Prospecting Right over the Kangwane North Project consists of three properties covering 17 913ha in the Mpumalanga province of South Africa. Well-developed road and rail infrastructure and access to a rail siding exist adjacent to the properties, and link the Project to the Port of Maputo located 100 km to the south-east.



Following granting of a Section 11 approval by the Department of Mineral Resources and payment of ZAR4 million (~A\$0.88 million) to the original owners of the Project, ZYL will own 51% of the Project. In addition, the following expenditures are anticipated:

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.

- Further expenditure of ZAR 20 million (A\$2.12 million) on the BFS will secure ZYL a further 19% in the Project (York SA has already spent approximately ZAR 2.6 million or ~A\$0.275 million on the BFS, which will be offset against the ZAR 20 million)
- Additional funding for feasibility work, if required, will be provided on normal arm's length commercial terms by the parties.
- ZYL will pay a consulting fee of ZAR 100 000 per month to the original owners of Kangwane North until expiry of a consultancy agreement in October 2013

This transaction is subject of the fulfillment of the following outstanding conditions precedent:

- Approval of the Acquisition by the exchange control authorities in South Africa
- To the extent required, ZYL obtains all regulatory and/or statutory approvals necessary for the implementation of this transaction and the issuing and listing of the Consideration Shares, including from its shareholders in terms of the ASX Listing Rules.
- York enters into a written agreement with its Note Holders to transfer the requisite portion of the Consideration Shares as full and final satisfaction of the indebtedness to the York Note Holders
- ZYL has obtained the necessary funding undertakings and commitments from its shareholders in order to fulfill its obligations in terms of the Acquisition, which is key for the ongoing operations of ZYL. These negotiations are ongoing however there can be no certainty of a positive outcome.
- ZYL Mining SA (Pty) Ltd ("ZYL SA") enters into a written agreement with York SA pursuant to which a settlement is reached for the acquisition of shares in Mbila Resources (Pty) Ltd pursuant to the May 25th, 2012 agreements.

This transaction is a key milestone in consolidating the anthracite properties within the Kangwane Coalfield of the Mpumalanga Province. It will also allow ZYL to benefit from synergies provided by the Kangwane Central, Kangwane South and Kangwane North Projects, all of which are in close proximity to the Port of Maputo.

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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. ZYL's flagship project is the Kangwane Central Project 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 Persons Statement

Information in this announcement that relates to exploration results, minerals resources or ore reserves is based on information compiled by Mr Bob Hatherly. Mr Hatherly is an Associate of the MSA Group and is a member of South African Council for Natural Scientific Professions, a Recognised Professional Organisation. Mr Hatherly has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code of Reporting of Exploration, Mineral Resources and Ore Reserves'. Mr Hatherly consents to the inclusion in this Notice of the matters based on his information in the form and context in which it appears.

Appendix 1

ZYL loan facility with York Energy NL

In May 2012, the Company entered into a loan agreement with York Energy NL, whereas ZYL would provide a \$2,000,000 drawdown facility to York for costs related to project funding and for general working capital purposes.

As at 13th February 2013, the drawn down amount under the facility is approximately \$1,200,000. ZYL has agreed to retire this facility as part consideration for Kangwane North acquisition.