

ASX RELEASE
4 February 2013

BENEFICIAL RENEGOTIATION OF THE KANGWANE TRANSACTION

- ZYL executes a Memorandum of Understanding (“MOU”) with its partners in the Kangwane Central Anthracite Project for the restructuring of the transaction concluded in 2010
- Execution of the MOU provides ZYL the opportunity to gain control (50.1%) of the Kangwane Central Anthracite Project in the near-term for a significantly reduced cash outlay
- Simplification of the existing complicated funding structure and alignment of interests between ZYL and its partners
- Parties to fund proportionally to mine development

The Board of ZYL Limited (“ZYL” or the “Company”) (ASX: ZYL) is pleased to announce that the Company, through its subsidiaries, has executed a binding Memorandum of Understanding (“MOU”) with its partners in the Kangwane Central Anthracite Project (the “Project”). This MOU serves to restructure the original transaction that was executed and announced on 13 December 2010 with our partners Siyanda Resources (Pty) Ltd (“Siyanda”), Double Ring Resources (Pty) Ltd (“Double Ring”) and Opes Capital (Pty) Ltd (collectively the “Partners”).

The execution of the MOU has created an opportunity for the Company to obtain control of the Project in the near term at a significantly reduced up-front payment of ZAR40million (~A\$4.21million) compared to ZAR100.5 million (~A\$10.53 million) as was originally anticipated under the original transaction. Furthermore, the restructuring significantly simplifies the current, more complicated funding structure and increases transparency for the benefit of all our stakeholders. The execution of this MOU shifts the focus of ZYL’s obligations towards advancing the Project towards development by reducing the magnitude of the required upfront payments to the Vendors. This aligns the interests of ZYL and its Partners and highlights our joint commitment as partners in pursuit of the successful development of the Project.

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



The revised transaction steps agreed in the MOU are as follows:

1. The cancellation of ZYL's obligation (through its subsidiaries) to subscribe for preference shares. This alleviates the previously envisaged ZAR100.5 million (~A\$10.53 million) total preference share subscription amounts to be paid by ZYL that would be distributed upfront to Siyanda and Double Ring (Collectively the "**Vendors**").
2. This is replaced by a ZAR40million (~A\$4.21million) ordinary share subscription. The subscription amount is payable, by way of a special dividend, to the Vendors upon the fulfilment of the various conditions precedent of the MOU.
3. The salient conditions precedent include the successful amendment and registration of the existing definitive transaction agreements in accordance with the terms agreed in the MOU and the Parties agreeing upon an amendment to provisions of the Shareholders Agreement which govern future funding, in particular, the manner in which any disproportionate funding is to be treated.

It is agreed that Shareholders are to fund their proportionate share of any expenditure in the Project. Should a shareholder elect not to, or not be in a position to do so, and one of the other shareholders elect to fund such shortfall, the Shareholders are to agree on how to treat such disproportionate funding.

4. The fulfilment of the set of conditions precedent is currently expected to take place by 1 March 2013, although this deadline can be extended through written agreement between ZYL and its Partners.
5. After successful completion of the renegotiated transaction, ZYL, through it's a wholly owned subsidiary MS795, will own a controlling interest of 50.1% of the ordinary shares in the Project.
6. The obligation to contribute a further ZAR30 million (~A\$3.22 million) into the Project, by way of an equity subscription along with the ZAR5 million loans to the Vendors, payable in the original transaction on the election to proceed with the project, are now only payable following the approval and granting of all the licenses and permits required in order to undertake mining activities. These licences include, but are not limited to the mining right and a water use license. (This is expected to be in the 4th quarter of 2013.) The additional equity subscription does not increase ZYL's stake in the business but is instead made to capitalise the business.

CEO Ian Benning commented, "The revised proposal is required to consolidate the ownership structure and to reduce the complex funding issues, which in turn significantly enhances ZYL's prospects of securing the necessary funding to develop the Project. This is an important milestone for ZYL as it is the first step in rebuilding the Company and refocusing the business towards the development of the Kangwane Central Project following the announcement in December to tender the return of the Mbila Resources (Pty) Ltd shares to the vendors."

ENDS

Contact:**Ian Benning, CEO, ZYL LIMITED****T: +27 (0) 10 591 0634****M: +27 (0) 83 702 8221****E: ian.benning@zyllimited.co.za****Head Office - Perth Australia****T: +61 (0) 8 9486 4036****E: info@zyllimited.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 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.

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.