



11 January 2013

Elizabeth Harris
Principal Adviser, Listings Compliance (Perth)
ASX Compliance Pty Limited
Level 8 Exchange Plaza, 2 The Esplanade
Perth WA 6000

By Email: Elizabeth.harris@asx.com.au

Dear Beth

ZYL Limited (the “Company”)

We refer to your letter dated 9 January 2013.

We respond to the questions contained in it, as follows:

1. What was the outcome of the technical workshop described in the Interim BFS Update and referred to in the Further Update (“Technical Workshop”)?

The Technical Workshop confirmed the Company’s announcement on 5 November 2012.

The Company announced on 5 November 2012 that a detailed technical study undertaken by RSV Enco, as part of the BFS, has highlighted a lower than expected conversion from resources to reserves within the Badger Study Area.

The Company also explored alternative mine planning and scheduling options however the evaluation of these options was incomplete and inconclusive.

2. Does the Company consider the outcome of the Technical Workshop to be material to the Company?

No.

3. If the answer to question 2 is “no”, please advise the basis on which the Company did not consider the outcome of the Technical Workshop to be material to the Company.

The engineers who participated in the Technical Workshop reached consensus that the resource to reserve conversion is lower than expected, thus confirming the announcement by the Company on 5 November 2012.

The consensus on the resource to reserve conversion reached in the workshop is to be captured in a final competent persons report. The Company has not received a final competent persons report and as such does not have additional, sufficiently definitive, information to warrant further disclosure.

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The Company explored alternative mine planning and scheduling options however the evaluation of these options was incomplete and inconclusive at the time the Company tendered the return of the Mbila shares.

4. If the answer to question 2 is “yes”, please address the following:

4.1. When did the Company become aware of the outcome of the Technical Workshop? Please include details of the relevant time and circumstances of the Company becoming aware of the outcome of the Technical Workshop.

Not applicable.

4.2. If it was aware of the outcome of the Technical Workshop prior to the release of the Further Update, please advise why the Company did not make an announcement at an earlier time or request a trading halt at an earlier time? Please comment specifically on the application of listing rule 3.1.

Not applicable.

5. What condition(s) precedent have not been fulfilled by the vendors of the Mbila Project (“Vendors”) pursuant to the acquisition agreement entered into by the Company with the Vendors (“Acquisition Agreement”) of the Mbila Project?

The Vendors failed to timeously fulfil a condition precedent contained in the Acquisition Agreement. The relevant clauses read as follows:

“3.1 The provisions of this Agreement...are subject to the fulfilment of the following conditions precedent:

...

3.1.2 that the Sellers, Mandlakazi Trust, Subco (now ZYL Mining SA (Pty) Ltd) and Micawber (now York SA (Pty) Ltd) (being the shareholders of Mbila as at the Signature Date) adopt the necessary changes to the memorandum of incorporation of Mbila to reflect the introduction of Mbila Holdco into the transaction and sign all documents necessary to lodge same with the Companies and Intellectual Property Commission.”

“3.3 If the conditions precedent are not fulfilled by 15 May 2012, this Agreement shall be null and void *ab initio*...and no Party shall have any claim against any other Party of any nature...”

The Company and the subscribers contend that as a consequence of this condition precedent not having been fulfilled, the Acquisition Agreement has lapsed and has become null and void *ab initio*.

The Company and the subscribers communicated the foregoing to the Vendors on 27 December 2012 and a response is awaited.

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6. Does the Company consider the non-fulfilment of a condition(s) precedent by the Vendors to be material to the Company pursuant to listing rule 3.1?

Yes. More particularly, the Company considers the effect of the non-fulfilment of the condition precedent (that the Acquisition Agreement is null and void *ab initio* and accordingly the Company is not bound by the agreement) to be material.

7. If the answer to question 6 is “no” please advise the basis on which the Company does not consider the non-fulfilment of the condition(s) precedent by the Vendors to be material to the Company.

Not applicable.

8. If the answer to question 6 is “yes”, please address the following:

8.1. When did the Company become aware that a condition(s) precedent with respect to the Acquisition Agreement had not been fulfilled by the Vendors as announced in the Further Update? Please include details of the relevant time and circumstances of the Company becoming aware of the non-fulfilment of a condition(s) precedent.

During November 2012 the Company and the subscribers commenced a review of the Acquisition Agreement. The non-fulfilment of the condition precedent was discovered and brought to the Company’s attention on or about 14 December 2012. This discovery necessitated further investigation which was finalised and brought to the Company’s attention on 24 December 2012. The Company finalised and resolved on 26 December 2012 its view on the non-fulfilment of the condition precedent and to notify the Vendors that, as a consequence of the condition precedent having not been fulfilled, it regarded the whole agreement as void *ab initio*. The subscribers under the Acquisition Agreement resolved the same on 27 December 2012. Notification was communicated to the Vendors on 27 December 2012. The Company issued an announcement to this effect on 31 December 2012.

As previously advised in the Company’s ASX announcements of 31 December 2012 and 4 January 2013, the Company anticipates that dispute resolution and/or litigation will ensue. A further announcement will be made upon receipt of the Vendors’ response.

8.2. If it was aware of the non-fulfilment of the condition(s) precedent prior to the release of the Further Update please advise why the Company did not make an announcement at an earlier time or request a trading halt at an earlier time? Please comment specifically on the application of listing rule 3.1.

The Company did make an announcement at an earlier time in the Mbila Update on 31 December 2012, to the effect that it did not consider itself bound by the agreement. This arose as a consequence of the determination of the non-fulfilment of the condition precedent.

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9. Please confirm the Company is in compliance with listing rule 3.1.

Yes.

Yours sincerely
ZYL Limited

Nicholas Ong
Company Secretary

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9 January 2013

Mr Nicholas Ong
Company Secretary
ZYL Limited
Level 8, 225 St Georges Terrace
PERTH WA 6000

Dear Nicholas

ZYL Limited (the “Company”)

ASX Limited (“ASX”) refers to the following announcements to the market with respect to the Company’s interest in the Mbila anthracite mining project in South Africa (“Mbila Project”):

- The Company’s announcement of 5 November 2012 titled “*Mbila Bankable Feasibility Study Interim Update*” and released to the market at 10:13 am (EST) in which it was stated inter alia that:
 - “*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.*”
 - “*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.*”

“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.”

“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.”

("Interim BFS Update")

- The Company's announcement of 31 December 2012 titled "Mbila Update" and released to the market at 8:30 am (EST) in which it was stated inter alia that: "*The Company and the subscribers under the agreement in terms of which they were to acquire shares in Mbila Resources (Pty) Ltd have informed the vendors of the Mbila project that they do not consider themselves bound by the agreement and that consequently no further payments in terms of the agreement are to be made*" ("Mbila Update")
- The Company's announcement of 4 January 2013 titled "Company Update" and released to the market at 10:23 am (EST) in which it was stated inter alia that:

"On 5 November 2012 the Company announced that it had been unable to duplicate the Resources to the Proven Reserves conversion detailed in the Badger Study. A technical mining workshop was subsequently conducted and it confirmed the Company's concern as disclosed in the announcement of 5 November 2012. The Company has not yet received a competent person's report on the final reserves."

"Furthermore it has recently come to light that a condition precedent to the Mbila agreement (as amended) was not timeously fulfilled by the vendors. The Company and the subscribers under the Mbila agreement have informed the vendors of the Mbila Project that as a consequence of the non-fulfilment of a condition precedent, the agreement has lapsed and that all monies paid to date must accordingly be refunded."

("Further Update")

(together the "Announcements")

We wish to draw your attention to the definition of "aware" in chapter 19 of the listing rules which states that:

"an entity becomes aware of information if a director or executive officer (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity"

Further, we wish to draw your attention to listing rule 3.1 which requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

Paragraph 18 of Guidance Note 8 states:

"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."

Please note that for disclosure not to be required under listing rule 3.1, all of the exceptions under listing rule 3.1A must apply:

3.1A.1 *A reasonable person would not expect the information to be disclosed.*

3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*

3.1A.3 One or more of the following applies.

- *It would be a breach of a law to disclose the information.*
- *The information concerns an incomplete proposal or negotiation.*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
- *The information is generated for the internal management purposes of the entity.*
- *The information is a trade secret.”*

Finally, we would like to draw your attention to ASX's policy position on the concept of “confidentiality” which is detailed in paragraphs 34 to 40 of Guidance Note 8. In particular, paragraphs 34 and 35 of the Guidance Note state that:

“Confidential’ in this context has the sense of ‘secret’.

Loss of confidentiality may be indicated by otherwise unexplained changes to the price of the entity’s securities, or by reference to the information in the media or analysts’ reports”.

Having regard to the Announcements, the above definitions, listing rule 3.1 and Guidance Note 8 - Continuous Disclosure, we ask that you answer the following questions in a format suitable for release to the market in accordance with listing rule 18.7A:

1. What was the outcome of the technical workshop described in the Interim BFS Update and referred to in the Further Update (“Technical Workshop”)?
2. Does the Company consider the outcome of the Technical Workshop to be material to the Company?
3. If the answer to question 2 is “no”, please advise the basis on which the Company did not consider the outcome of the Technical Workshop to be material to the Company.
4. If the answer to question 2 is “yes”, please address the following:
 - 4.1. When did the Company become aware of the outcome of the Technical Workshop? Please include details of the relevant time and circumstances of the Company becoming aware of the outcome of the Technical Workshop.
 - 4.2. If it was aware of the outcome of the Technical Workshop prior to the release of the Further Update, please advise why the Company did not make an announcement at an earlier time or request a trading halt at an earlier time? Please comment specifically on the application of listing rule 3.1.
5. What condition(s) precedent have not been fulfilled by the vendors of the Mbila Project (“Vendors”) pursuant to the acquisition agreement entered into by the Company with the Vendors (“Acquisition Agreement”) of the Mbila Project?
6. Does the Company consider the non-fulfillment of a condition(s) precedent by the Vendors to be material to the Company pursuant to listing rule 3.1?

7. If the answer to question 6 is “no” please advise the basis on which the Company does not consider the non-fulfillment of the condition(s) precedent by the Vendors to be material to the Company.
8. If the answer to question 6 is “yes”, please address the following:
 - 8.1. When did the Company become aware that a condition(s) precedent with respect to the Acquisition Agreement had not been fulfilled by the Vendors as announced in the Further Update? Please include details of the relevant time and circumstances of the Company becoming aware of the non-fulfillment of a condition(s) precedent.
 - 8.2. If it was aware of the non-fulfillment of the condition(s) precedent prior to the release of the Further Update please advise why the Company did not make an announcement at an earlier time or request a trading halt at an earlier time? Please comment specifically on the application of listing rule 3.1.
9. Please confirm the Company is in compliance with listing rule 3.1.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Please note the ASX reserves its right under listing rule 18.7 to release this letter and the Company's response to the market. Accordingly the Company's response should address each question separately and be in a format suitable for release to the market.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately. Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **4:00pm (WST) on Thursday, 10 January 2013**.

Your response should be sent to me by email to Elizabeth.Harris@ASX.com.au or on **facsimile number (08) 9221 2020**. It should not be sent to the Market Announcements Office.

If you have any queries regarding any of the above, please contact me on +61 8 9224 0011.

Yours sincerely

[sent electronically without signature]

Elizabeth Harris
Principal Adviser, Listings (Perth)