



ASX Code: ZYL

13 April 2011

### ASX Media Release

Company Announcements Office  
Australian Securities Exchange  
Level 4 Exchange Centre  
20 Bridge Street  
Sydney NSW 2000



## Kangwane Anthracite Project: Development and Exploration Update

### Highlights:

- **Bankable Feasibility Study and drilling program is rapidly progressing with initial results from the drilling expected by May**
- **Geomagnetic flyover to be conducted in April 2011 to define the structural geology and identify any additional drilling required**
- **Potential coal offtake partner, International Power Utility, requests additional samples of anthracite from the current drilling program for further testing and analysis**
- **Discussions to secure entitlement at the Matola terminal of the Maputo Port and the rail line through Mozambique are continuing with stakeholders**
- **Currently evaluating a complimentary anthracite opportunity in the Mpumalanga Province of South Africa**

The Directors of emerging coal producer, ZYL Limited (**ZYL** or **the Company**) are pleased to update shareholders regarding the exploration and development at the Kangwane Anthracite Project (**Kangwane Project** or **Project**), located in the Mpumalanga province of South Africa.

As announced to shareholders on 19 January 2011, the Company has appointed SRK Consulting (**SRK**) to independently manage the Bankable Feasibility Study (**BFS**) and Olympic Park Trading (Pty) Ltd (**Olympic Park**) to undertake the drilling program at the Kangwane Project.

The Company has drilled 23 holes yielding 19 drill logs to date. The cores of the 19 drill logs have been sent to MidLabs in Middleburg (South Africa) for coal specification analysis and washability tests, the analytical results of which are expected in the near future. It is anticipated, given the current drilling rates, that the drilling program will be completed in early May 2011.

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A number of significant coal intersections have been identified both across the proposed open cut mining areas and the proposed underground mining areas. The coal is known to outcrop and subcrop to the western flank of the Kangwane Project tenement area with a gradual dip of 6° to the east. A deeper exploratory hole drilled approximately 300m to the east of the outcrop intersected two individual coal seams, the first at 60m measured a seam thickness of 1m and the second intersected at 80m had a measured seam thickness of 6m.

The historical drilling database will be collated and included in the new drilling information and will be collectively used to generate a preferred mine design for inclusion in the BFS.

SRK will manage an aerial geomagnetic flyover across the Kangwane Project in an effort to further understand the geology of the enlarged area. The geomagnetic flyover will also enable SRK and Olympic Park to plan an additional drilling program, if deemed necessary, designed to extend the resources and delineate further reserves.

Managing Director, Dr Eric Lilford stated that:

*“We are satisfied with the progress that SRK and Olympic Park have made to date in relation to, respectively, the drilling program and the BFS. The results of the preliminary project economics investigation should confirm the economic attractiveness of the Kangwane Project. The Company retains a strong belief in the economics of the Project and looks forward to providing shareholders with further updates.”*

Following the execution of the non-binding MoU for additional coal offtake from the Kangwane Project with the International Power Utility (IPP), ZYL is continuing discussions regarding the formation of a formal coal offtake agreement. The IPP has requested an additional anthracite coal sample from the current drilling program for further testing and analysis, the results of which will provide guidance on the specifications around which the IPP’s furnace and boiler systems will be designed.

The distinct advantage of the coal offtake with the IPP is that it does not ‘lock-up’ the Company’s ability to potentially export additional production from the Kangwane Project through the rail network leading to the Matola Terminal at the Maputo Port in Mozambique.

ZYL is engaging with relevant stakeholders regarding securing an entitlement at both the Matola Terminal of the Maputo Port in Mozambique and the rail network, from the rail siding located on the southern tip of the Kangwane Project, through Mozambique to Maputo. Securing both rail and port access would allow the Company to diversify the consumers of the anthracite from the Kangwane Project achieving optimal market pricing.

ZYL is in discussions with a number of potential export-based coal offtake partners for the Kangwane anthracite coal. A significant degree of interest has been received however the Company has not committed any of its future production to any potential partner(s).

Regular discussions with the local community and cane farmers have been taking place to ensure support of the continued development, through the BFS and into production, of the Kangwane Anthracite Project. The Company believes an agreement can be met with the relevant parties in relation to the proposed future development of mining operations at the Kangwane Project. Where plausible, the local community will be drawn from for employee staff at the operation.

The Company has been closely evaluating other anthracite project opportunities complimentary to the Kangwane Anthracite Project. One such opportunity exists in close proximity to the Company’s existing Kangwane Project, in the Mpumalanga Province of South Africa. This project is considered to

be highly prospective and may contain similar coal measures and coal characteristics as the Kangwane Project. While the broad parameters of a deal are nearing finalization, any formal deal remains materially incomplete. The Company intends to make an announcement to shareholders regarding this project in due course.

The Company's application for Section 11 Ministerial Consent for the transfer of the Prospecting Right and the Foreign Exchange Control Application are still being assessed by the appropriate regulatory bodies. Siyanda, the Company's BEE and joint venture partner, has been liaising with the relevant departments to coordinate the granting process.

#### **ASX Listing Rules Chapters 1 and 2 Re-compliance**

The Company is progressing with its planned re-compliance with Chapters 1 and 2 of the ASX Listing Rules with a shareholders meeting to be convened on 18 April 2011. Shareholders will be asked to vote and consider a number of resolutions including the change in activities of the Company. A Prospectus is also due to be lodged with the ASIC in the coming weeks which will seek to raise \$30 million via a committed institutional placement as announced to shareholders on 16 March 2011.

For further information regarding the Company, please contact the Company on +61 8 9486 4036 or refer to [www.zyllimited.com.au](http://www.zyllimited.com.au)

Yours faithfully,

Eric Lilford  
Managing Director  
**ZYL LIMITED**

## About ZYL Limited

ZYL Limited is an ASX listed coal mining and development company operating in South Africa. The Company's Kangwane Anthracite project is an advanced stage high quality metallurgical coal project located in the Mpumalanga province of South Africa.

The Kangwane project is located in close proximity to all key infrastructure and coal mining support services and presents the Company with the opportunity to take advantage of both the internal markets of South Africa and the export markets through the use of the Maputo Terminal at the Matola Port in Mozambique.

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### Competent Persons Statement:

Information in this announcement that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr Dawie Van Wyk who is a consultant to the Company and is a member of a Recognised Overseas Professional Organisation. Mr Van Wyk has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration, Mineral Resources and Ore Reserves'. Mr Van Wyk consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

### Important Information - Mineral Exploration Targets:

It should be noted that the reporting of conceptual exploration targets is carried out in accordance with Clause 18 of the December 2004 JORC Code which permits the reporting of exploration target size and type with strict conditions, these being stated by the Australasian Joint Ore Reserves Committee (JORC) as :

*"Any such information relating to exploration targets must be expressed so that it cannot be misrepresented or misconstrued as an estimate of Mineral Resources or Ore Reserves. The terms Resource(s) or Reserve(s) must not be used in this context. Any statement referring to potential quantity and grade of the target must be expressed as ranges and must include (1) a detailed explanation of the basis for the statement, and (2) a proximate statement that the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource on the property and that it is uncertain if further exploration will result in discovery of a Mineral Resource on the property."*

## Kangwane Project Highlights

- Potential Production within 2 years from the commencement of the BFS – 1 year BFS and 1 year construction
- Existing **JORC Compliant Resources of 114Mt** including an export quality **Measured resource of 21.4Mt** determined by independent geologists

<b>Coal Resource Estimate Statement (JORC Code and SAMREC Compliant)</b>	
Total Measured Coal Resource (GTIS)	21.4 Mt
Total Indicated Coal Resource (GTIS)	25.5 Mt
Total Inferred Coal Resource (GTIS)	67.2 Mt
<b>Total JORC compliant Coal Resources at Kangwane Anthracite</b>	<b>114.1 Mt</b>

- **Exploration Target of 400Mt to 450Mt<sup>1</sup>** at an expected calorific value range of **6,635 kcal to 6,712 kcal**
- Comprehensive drilling database of **149 diamond drill holes** for a total of 18,567 metres over 33km strike length
- Focus on **open-cut areas to the north and south**
- The North and South Pits will be the focus of the Company during the BFS due to the near surface nature of the coal.
- Coal is known to sub-crop on the western side and has been measured to dip gently at 6° to 7° to the east
- Opportunity to extend mining to an underground regime once the open-cut areas have been economically depleted
- Existing box-cut on the property to facilitate the removal of a bulk sample for metallurgical testing and marketing trials
- Project located approximately **100km from Maputo Port by direct rail link**, with an existing rail siding on the property. Road, power and water all located nearby
- **Coal seam widths between 4m and 6m**, dipping to the East at 6°
- **Highly experienced Management Team**
- Adjacent to operating Nkomati Anthracite coal mine
- Siyanda Resources (JV / BEE partner) has extensive experience in South African coal mining, currently operating two mines and previous owners of the Koornfontein Coal Mine

<sup>1</sup> The potential quantity and grade of the above Exploration Target is conceptual in nature and 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.