



ASX Code: ZYL

28 January 2011

ASX Media Release

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



ZYL QUARTERLY CASH FLOW STATEMENT AND ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2010

Kangwane Anthracite Project

Bankable Feasibility Study (BFS) Planning:

- ZYL has appointed SRK Consulting (SRK) to manage the Bankable Feasibility Study (BFS) at the Kangwane Anthracite Project.
- The Company continues to progress the exploration and development at Kangwane with the planning of the BFS and associated drilling program in an advanced stage.
- During the initial stage of the BFS, SRK will conduct an independent review and evaluation of the historical exploration and drilling undertaken by Mining Corporation Limited (MCL) in the 1980's. As part of this initial review a preliminary economic assessment of the Project will be conducted. This preliminary assessment will be used as the basis for the detailed Feasibility Study.
- The BFS will initially focus on the open-pit target areas of the South Pit and North Pit.
- A geomagnetic flyover will be completed and, commensurate with this, an additional drilling program will commence at the Kangwane Project. The drill program will consist of a combination of confirmatory, in-fill and step-out development drilling. This drilling program is designed to enhance the quality of the existing exploration results, increase the global resource base and delineate Proven and Probable Reserves to enable the rapid exploitation of the Kangwane deposit.

Conceptual Pit Designs:

- Conceptual pit designs were prepared for the North and South Pits at the Kangwane Project which illustrated the anticipated depth and width of the pits including the geological dip of the coal.
- The North and South Pits, illustrated in Figure 1 below, will be the focus of the Company during the Bankable Feasibility Study (BFS) due to the near surface nature of the coal. The coal is known to sub-crop on the western side of the potential mining areas and has been measured to dip gently at 6° to 7° to the east of the potential mining area, providing an opportunity to extend mining to an underground regime once the open-cut areas have been economically depleted.

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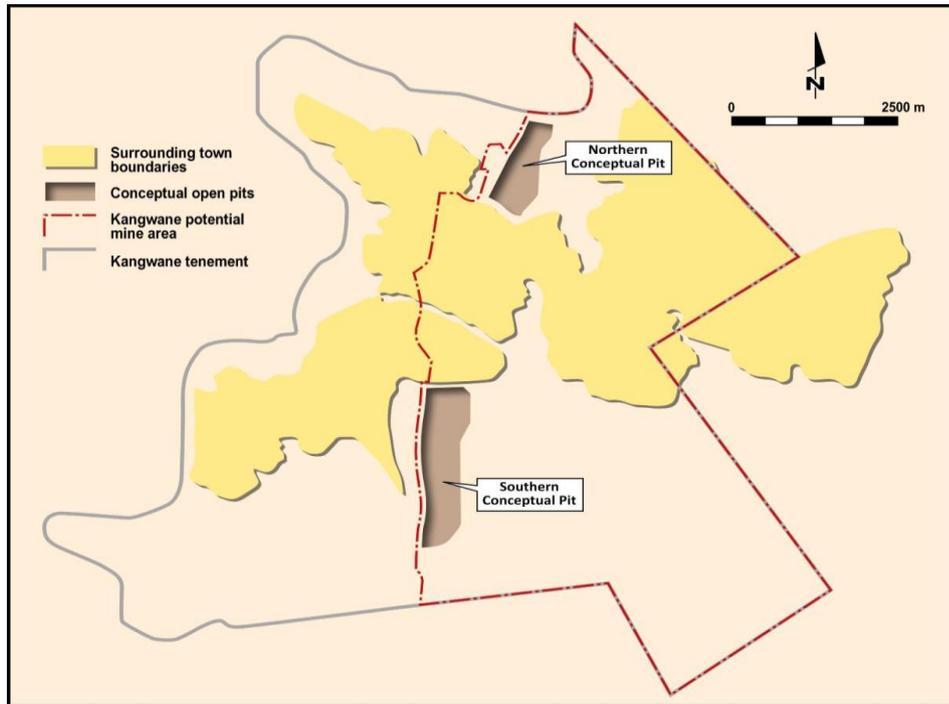


Figure 1: Kangwane location diagram illustrating the Northern and Southern Conceptual Pit

- It is believed that the conceptual pit designs for the proposed North and South Pits will enable the Company to plan further drilling to upgrade the status of the open-cut resources and focus the framework of the BFS around delineating Proven and Probable Reserves in these target areas and thereafter the planned economic exploitation of these defined reserves.

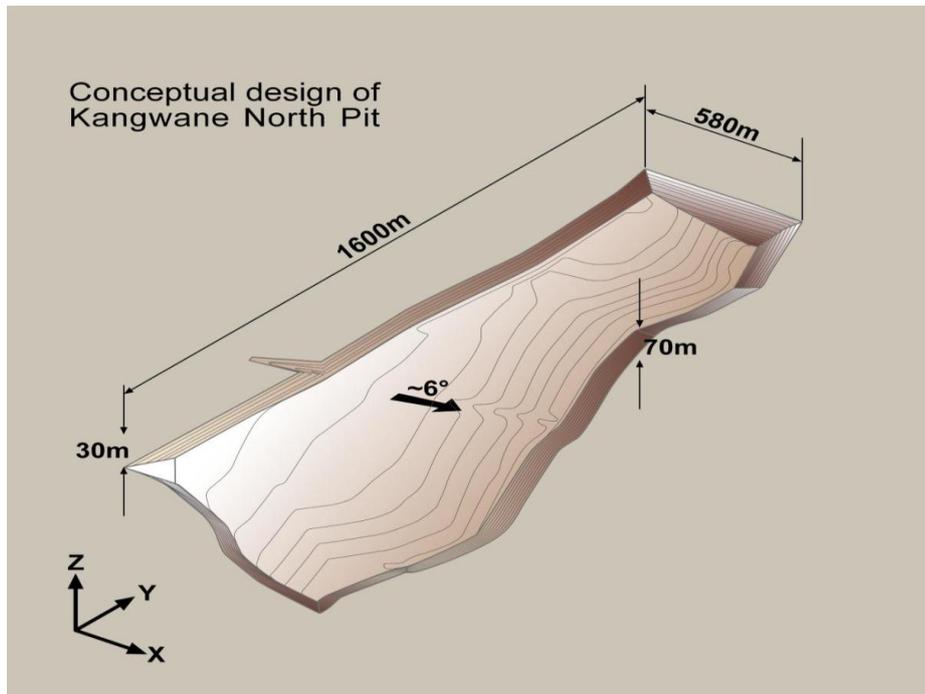


Figure 2: Conceptual Pit Design – North Pit, Kangwane Anthracite Project

+ See chapter 19 for defined terms.

- The Conceptual Pit Design for the proposed North Pit (Figure 2) has been completed to an overall depth of 70m. The coal sub-crops to the west of the proposed North Pit and gently dips at approximately 6° to the east. In the pit design, the minimum cumulative coal thickness to be mined from the North Pit is indicated at 6.2m with an average cumulative width of 7.2m.
- The Conceptual Pit Design for the proposed South Pit (Figure 3) has been completed to an overall depth of 80m. The coal sub-crops to the west of the South Pit and gently dips at approximately 7° to the east. In the design of the South Pit, the minimum cumulative coal thickness to be mined was indicated at 4.4m with an average cumulative width of 7.7m.

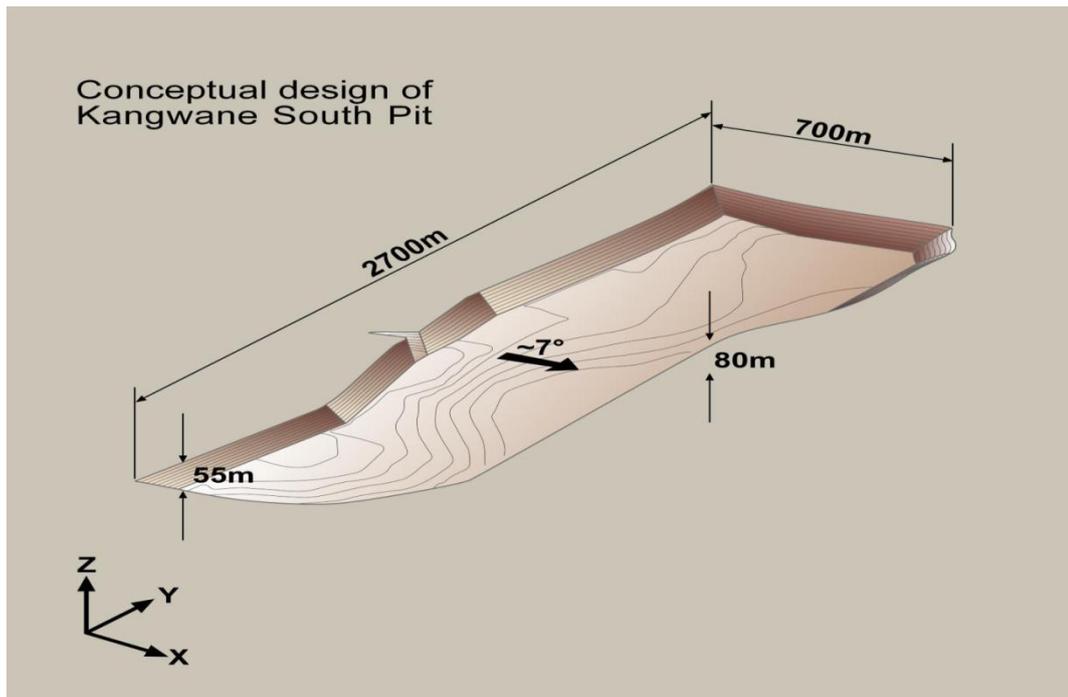


Figure 3: Conceptual Pit Design – South Pit, Kangwane Anthracite Project

- It is believed that further drilling could lead to an increase in the total resource contained within the proposed North and South Pit areas. Additional determination of the project economics combined with mine optimisation investigations could potentially increase the depth of the pit floor and extend the width of the pit, thereby possibly increasing the total resource and either extending the proposed mine life or motivating an increased extraction rate.
- The conceptual pit designs will enable the Company to plan additional drilling to further delineate and upgrade the open-cut resources and focus the BFS around the primary exploitation of these resources.

Execution of Definitive Agreements:

- ZYL has executed the Option Agreement (**Option**) with Exsteen Pty Ltd (**Exsteen**) and the Definitive Agreements with Siyanda Resources (Pty) Ltd (**Siyanda**) in relation to the acquisition of the Kangwane Anthracite Project (**Kangwane** or **the Project**).

+ See chapter 19 for defined terms.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments



- The execution of the Definitive Agreements results in ZYL becoming entitled, upon fulfilment of the conditions precedent and upon exercise of the Option, to **acquire up to a 50.12% interest in the Kangwane Anthracite Project.**
- In support of the Company's strategy to focus on high quality metallurgical coal, ZYL considers the Kangwane Project to be an exciting opportunity for its shareholders to participate in the development of an advanced stage, high grade coal project.

Key Project Highlights:

- The Kangwane Project, located in the Mpumalanga Province in South Africa and adjacent to an existing anthracite operation, has a current JORC compliant resource of **114.1Mt** with a **Measured Resource of 21.4Mt.**
- Exploration Target of **400Mt to 450Mt¹** (*non-JORC compliant*) at an expected calorific value of **6,635kcal to 6,712kcal.**
- A comprehensive drilling database of 149 diamond drill holes with a combined depth of 18,567 meters over a strike length of 33km was completed by Mining Corporation Limited (MCL) in the 1980s.
- Advanced discussions with the local community leaders underway providing a clear path forward for the development of the Kangwane Project.
- The existing box-cut on the property provides an opportunity to access further bulk samples for metallurgical testing and marketing trials.
- The Kangwane Project is strategically located near key infrastructure, being within 100km by rail from the Matola Coal Terminal at the Maputo Port in Mozambique.

Smart G Enterprise Protection

- ZYL continued to spend funds on the research and development of the Smart G range of products over the quarter. Energy Saving Partners Pty Ltd, the license partner of the software and code that relates to Smart G, have investigated the possibility of having the software and code re-designed in an effort to commercialise the technology and ensure that the competitive advantage of Smart G is retained.
- Software and code writing has commenced with the outsourcing of the development aspects being coordinated through a specialist IP camera code writer located in Indonesia. A workshop has been scheduled to take place before the end of January 2011 where the software re-development will be reviewed and timelines discussed.

¹ *The potential quantity and grade of this exploration target is conceptual in nature, there has been insufficient exploration to define a Mineral Resource on the property and it is uncertain if further exploration will result in discovery of further Mineral Resources on the property.*

+ See chapter 19 for defined terms.

Corporate

- Mr Morgan Barron resigned as a non-executive director of the Company on 14 December 2010 following the execution of the definitive transaction agreements and the completion of the private placement.

Capital Raising

- The Company finalised the introduction of key strategic investors via a private placement of shares to raise approximately \$4.7 million. The placement was completed via the issue of approximately 138.5 million shares at an issue price of 3.4 cents per share.
- The private placement was successfully completed and involved a number of specialist resource funds and institutional investors. The introduction of these key strategic investors has added depth and volume to the Company's share register and enable the Company to advance its corporate objective of becoming a coal producer focusing on high quality metallurgical coal.
- The Lead Manager for the private placement was Patersons Securities Limited ("**Patersons**").
- The introduction of the key strategic investors represents the achievement of a significant milestone for the Company and provides a clear path forward for the development of the Project enabling ZYL to accelerate its ownership in the Project and fast-track its development through the Bankable Feasibility Study (**BFS**) and into production.

Other Corporate Activities

- Pursuant to the execution of the Option Agreement with Exsteen Pty Ltd (**Exsteen**), the Company issued a total of 20 million fully paid ordinary shares to the shareholders of Exsteen.
- The Company released a revised investor presentation to provide shareholders with an update on the development of the Company and its revised strategy.
- The Company is currently undergoing the development of a new corporate website which will be launched in the next 1 – 2 weeks.

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.

+ See chapter 19 for defined terms.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Name of entity

ZYL LIMITED

ABN

15 008 720 223

Quarter ended ("current quarter")

December 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers		
1.2 Payments for		
(a) staff costs	(18)	(36)
(b) advertising and marketing	(2)	(8)
(c) research and development	(51)	(106)
(d) leased assets	-	-
(e) other working capital	(287)	(502)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	26	42
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - GST	(24)	(48)
Net operating cash flows	(356)	(658)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

		Current quarter \$A'000	Year to date (6 months) \$A'000
1.8	Net operating cash flows (carried forward)	(356)	(658)
Cash flows related to investing activities			
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(2)	(6)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other	-	-
	Net investing cash flows	(2)	(6)
1.14	Total operating and investing cash flows	(358)	(664)
Cash flows related to financing activities			
1.15	Proceeds from issues of shares, options, etc.	5,142	6,574
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other (costs of issue)	(286)	(356)
	Net financing cash flows	4,856	6,218
	Net increase (decrease) in cash held	4,498	5,554
1.21	Cash at beginning of quarter/year to date	2,229	1,173
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	Cash at end of quarter	6,727	6,727

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	162
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Payments of Directors fees and salaries of \$107,500

Payments made to Hemisphere Corporate Services Pty Ltd for the provision of administrative, consultancy and tenancy related services of \$54,810. Bevan Tarratt is both a director of Hemisphere Corporate Services Pty Ltd and ZYL Ltd.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 14 December 2010, the Company issued 20 million shares to the sole shareholder of Exsteen Pty Ltd in relation to the granting of the Call Option enabling ZYL Limited to acquire the fully paid issued capital of Exsteen Pty Ltd and assume the obligations of Exsteen Pty Ltd in relation to the joint venture over the Kangwane Anthracite Project, South Africa.

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Reconciliation of cash

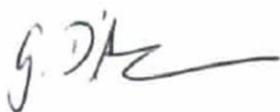
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	413	-
4.2 Deposits at call	4,800	2,229
4.3 Bank overdraft	-	-
4.4 Term Deposits	1,514	-
Total: cash at end of quarter (item 1.23)	6,727	2,229

Acquisitions and disposals of business entities

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	N/A	N/A
5.2	Place of incorporation or registration	N/A	N/A
5.3	Consideration for acquisition or disposal	N/A	N/A
5.4	Total net assets	N/A	N/A
5.5	Nature of business	N/A	N/A

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 

Date: 28 January 2011

Company secretary

Print name: Gino D'Anna

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a)- policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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