

ZYL LIMITED

ACN 008 720 223

PROSPECTUS

For the offer of 150,000,000 Shares at an issue price of \$0.20 each in order to raise \$30,000,000.

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for re-listing following a change to the nature and scale of the Company's activities.

Joint Lead Managers



RBC Capital Markets®



RBC Capital Markets

Patersons Securities Limited

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

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CHANGE IN NATURE AND SCALE AND RE-COMPLIANCE WITH CHAPTERS 1 AND 2 OF THE ASX LISTING RULES

The Company has historically operated as an information technology company which undertook research and development on the Smart G™ Enterprise Protection Software. As announced to ASX on 13 December 2010, the Company entered into definitive agreements, including the Call Option Deed to acquire 100% of the issued capital of Exsteen Pty Ltd (**Exsteen**), the holder of the joint venture at the Kangwane Project (**Exsteen Option**). Please refer to Section 13 for further details of the definitive agreements.

On 22 February 2011, the Company exercised the Call Option Deed to acquire 100% of the issued capital of Exsteen. The acquisition of Exsteen has resulted in a significant change in the nature and scale of the Company's activities which requires approval of its Shareholders under Chapter 11 of the ASX Listing Rules. The Company has convened a general meeting to be held on 18 April 2011 to seek Shareholder approval for, amongst other approvals, the acquisition pursuant to the definitive agreements and the change in the nature and scale of the Company's activities.

The Offer under this Prospectus is conditional on receipt of the relevant shareholder approvals at the meeting to be held on 18 April 2011.

The Company must comply with ASX requirements to re-list on the ASX, which include re-complying with Chapters 1 and 2 of the ASX Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.

IMPORTANT NOTICE

This Prospectus is dated 15 April 2011 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates.

The expiry date of this Prospectus is at 5.00pm WST on that date which is 13 months after the date this Prospectus was lodged with the ASIC (**Expiry Date**). No securities may be issued on the basis of this Prospectus after the Expiry Date.

Application will be made to ASX within seven days after the date of this Prospectus for Official Quotation of the Shares the subject of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered speculative.

WEB SITE – ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from the website of the Company at www.zyllimited.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

CONSOLIDATION

Unless stated otherwise, all references to securities of the Company as set out in this Prospectus are on the basis that the Consolidation (which is to be approved at the General Meeting) has occurred.

EXCHANGE RATE

The exchange rate used in this Prospectus to convert the South African Rand amounts to Australian Dollars is 1 AUD = 7.1277 ZAR

COMPETENT PERSON

The information in this Prospectus that relates to exploration results, mineral resources or ore reserves of the Prospecting Rights 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 this Prospectus of the matters based on this information in the form and context in which it appears.

KEY INFORMATION

Lodgement of Prospectus with the ASIC	15 April 2011
Opening Date	15 April 2011
Closing Date	5pm WST on 2 May 2011
Despatch of Holding Statements	4 May 2011
Expected date for re-quotation on ASX	9 May 2011

The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without notice.

Key Offer Statistics

Offer Price **\$0.20 per share**

	Full Subscription (\$30.0m)
Number of Shares available under the Offer	150 million
Total proceeds from the Offer	\$30.0 million
Total number of Shares on issue following the Offer	482,585,786
Total number of Options on issue following the Offer	22,000,000

The following unlisted options will be on issue at the date of this Prospectus:

	Number	Exercise Price	Expiry Date
Series One Unlisted Options	1,500,000	\$0.06	30/09/2012
Series Two Unlisted Options	3,000,000	\$0.10	30/09/2012
Series Three Unlisted Options	2,500,000	\$0.06	21/02/2013
Series Four Unlisted Options *	15,000,000	\$0.20	18/04/2015

* These unlisted options will be issued to Selentium Capital Sarl subject to shareholder approval at a General Meeting to be held on 18 April 2011.

ANSWERS TO KEY QUESTIONS

Topic	Summary	Where to find more information
Who is ZYL Limited?	ZYL Limited was incorporated on 1 June 1986 and is a public company listed on the ASX. ZYL is acquiring an effective interest of up to 50.12% in a South African anthracite coal project.	Section 5.1
What is being offered?	150 million new fully paid ordinary shares (Shares) are being offered by ZYL to raise \$30.0 million. Shares issued under the Offer will represent approximately 31.1% of the paid-up capital of the Company following the Offer (on an undiluted basis).	Section 4
What is the Offer Price?	The Offer Price is \$0.20 per Share.	Section 4.1
What are the key dates of the Offer?	The key dates of the Offer are detailed on the Key Information page at the front of this Prospectus.	Key Information
How do I apply for Shares?	Applications for Shares under the Offer can be made by completing the Application Form accompanying this Prospectus (including a paper copy of an Application Form issued and distributed with an electronic version of this Prospectus), in accordance with the instructions relating to it.	Application
What are the costs of the Offer and who is paying them?	The cash costs of the Offer (including Broker commissions, expert's fees, legal and accounting costs, ASIC fees and ASX fees) based on \$30.0 million being raised are estimated to total approximately \$1.8 million and will be paid by the Company. This includes the payment of brokerage and fees pursuant to the Offer of 5% plus GST.	Section 14.7
When will I receive dividends?	As the Company is not generating revenue or making profits, the Directors do not anticipate that the Company will pay dividends in the immediate future.	
How can I obtain further information?	<ul style="list-style-type: none"> By reading this Prospectus in its entirety. By speaking to your accountant, stockbroker or other professional adviser. If you require assistance or additional copies of this Prospectus, please contact the Company on (08) 9486 4036. 	
If my Application is accepted, when will I receive confirmation of my allocation?	Statements confirming successful Applicants' allocations under the Offer are expected to be despatched to Shareholders on or around 4 May 2011.	Section 4.5
Contact details	For further details, see the Corporate Directory at the beginning of this Prospectus.	Section 1

INVESTMENT HIGHLIGHTS

The information set out below is a selective overview only and should be read in conjunction with the more detailed information set out in this Prospectus. This Prospectus should be read in its entirety and, in particular, investors should consider the risk factors that could affect the financial and operating performance of the Company.

Key highlights include:

- ZYL is a South African focussed coal company with a right to acquire an effective 50.12% interest in the Kangwane Anthracite Project (**Kangwane Project**), located in the Mpumalanga Province of South Africa.
- The Company, through its joint venture partners, is well advanced in the development and conduct of a Bankable Feasibility Study (**BFS**) at the Kangwane Project with an initial **7,000 metre drilling program** currently underway with **four drill rigs mobilised** on site.
- The Kangwane Project is located adjacent to an existing anthracite operation and has a current JORC compliant resource of **114.1Mt** with a **Measured Resource** of **21.4Mt**.
- The Kangwane Project contains an Exploration Target of **400Mt** to **450Mt¹** of coal at an expected calorific value of **6,635kcal** to **6,712kcal**.
- The Kangwane Project is strategically positioned near key infrastructure including road, power and water and is located within **100km by rail from the Matola Coal Terminal** at the **Maputo Port** in **Mozambique**. A rail siding is located on the southern end of the Kangwane Project which has a loading capacity of 100,000 tonnes per month.
- An existing box-cut on the Kangwane Project provides an opportunity to access further bulk samples for metallurgical testing and marketing trials.
- The Company and its joint venture partners have entered into a non-binding memorandum of understanding with an International Power Utility for off-take at the Kangwane Project. The MoU allows the International Power Utility to construct and operate a 600MW to 1,200MW Power Plant (**Power Plant**) in close proximity to the Kangwane Project. Should the Power Plant be constructed and subject to the outcome of the BFS, receipt of all regulatory approvals and commencement of mining by the Company, it is intended that the Kangwane Project may supply anthracite to the Power Plant.
- The Company has an experienced team of directors, senior managers and geoscientists with extensive expertise in both coal exploration and mining in South Africa and who have a proven track record of project development.

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.

INVESTMENT RISKS

The key risks associated with an investment in the Company are outlined in Section 12.

The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company.

The Company aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which the Company can effectively manage them is limited. Accordingly, an investment in the Company should be considered speculative.

Prospective investors should read this Prospectus in its entirety and, in particular, before deciding on whether to apply for Securities under this Prospectus, consider the risk factors set out in Section 12, which include, but are not limited to, the risks outlined below:

Re-quotations of shares on ASX

As the Company has no prior involvement in the coal industry, the acquisition of Exsteen which holds the joint venture interest in the Kangwane Project constitutes a significant change in the nature and scale of the Company's activities and the Company needs to comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX. There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotations of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all.

Joint Venture Risk

The Definitive Agreements are a complex set of incorporated joint venture agreements involving a number of different parties. The Directors are unable to predict the risk of financial failure or default by a party to the Definitive Agreements (or any joint venture to which the Company is or may become a party). As a party to the Kangwane Anthracite Joint Venture (through the Company's acquisition of Exsteen), the Company could be exposed to such risks.

Government Actions and Political Risk

The impact of actions by governments may affect the Company's and its joint venture partners' activities including such matters as access to lands and infrastructure, compliance with environmental regulations, taxation and royalties.

The Company and its joint venture partners' are conducting activities in South Africa. The Directors believe that the Government of South Africa supports the development of natural resources by foreign investors. However, there is no assurance that future political and economic conditions in South Africa will not result in the Government of South Africa adopting different policies regarding foreign development and ownership of mineral resources. Any changes in policy may result in legislative changes affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return on capital, all of which may affect the Company's and its joint venture partners' ability to develop the Prospecting Right.

International Operations

Any potential future South African operations of the Company's and its joint venture partners' are subject to a number of risks, including:

- (a) potential difficulties in enforcing agreements and collecting receivables through foreign local systems;
- (b) potential difficulties in protecting rights and interests in assets;
- (c) increases in costs for transportation and shipping; and
- (d) restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors could materially and adversely affect the Company's and its joint venture partners' business, results of operations and financial condition.

South Africa experiences economic, social and political volatility. As a result, the Company's and its joint venture partners' future operations may be impacted by currency fluctuations, political reforms, changes in South African government policies and procedures, civil unrest, social and religious conflict and deteriorating economic conditions. The likelihood of any of these changes, and their possible effects, if any, cannot be determined by the Company with any clarity at the present time, but they may include disruption, increased costs and, in some cases, total inability to establish or to continue to operate mining exploration or development activities.

Operating Risks

The operations of the Company and its joint venture partners' may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, logistics around the final product including port allocation, adverse weather conditions, industrial and environmental accidents, industrial disputes, and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment. No assurances can be given that the Company and its joint venture partners' will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company and its joint venture partners' are able to realise value from their projects, the Company and its joint venture partners' are likely to incur ongoing operating losses.

Resource Estimates

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's and its joint venture partners' operations.

Commodity Price Volatility

If the Company and its joint venture partners' achieve success leading to mineral production, the revenue the Company and its joint venture partners' will derive through the sale of commodities exposes the potential income of the Company and its joint venture partners' to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company and its joint venture partners'. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors. Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in South African or Australian currency. This exposes the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the South African Rand or Australian dollar as determined in international markets.

Foreign Exchange Rate Risk

Any revenue received by the Company and its joint venture partners' would likely be in South African Rand and US dollars derived from the sale of coal and the Company's and its joint venture partners' operating expenses would be incurred principally in South African Rand. Coal is sold throughout the world based principally on a US dollar price, however domestically within South Africa, the coal price is set in South African Rand. Furthermore the income and expenditure accounts will be initially prepared in the Australian dollars (AUD). Therefore, Australian dollar reported revenue will be directly impacted by movements in the US dollar coal price, the South African Rand coal price and the USD/AUD and ZAR/AUD exchange rates. Movements in the USD/AUD or ZAR/AUD exchange rates and/or the US dollar coal price or South African Rand coal price may adversely or beneficially affect the Company's results or operations and cash flows.

Environmental Risks

The operations and proposed activities of the Company and its joint venture partners' are subject to regulation concerning the environment. As with most exploration projects and mining operations, the Company's and its joint venture partners' activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

Occupational Health and Safety Risk

The Company is committed to providing a healthy and safe environment for its personnel, contractors and visitors. Mining activities have inherent risks and hazards. The Company provides appropriate instructions, equipment, preventative measures, first aid information and training to all stakeholders through its occupational, health and safety management systems.

No Geographical Diversification

The Company's projects will all be located in South Africa. Any circumstance or event which negatively impacts the ownership or development of these areas or which negatively affects South Africa could materially affect the financial performance of the Company and more significantly than if it had a diversified asset base.

Anthracite Coal Price Volatility

Substantially all of the Company's revenues and cash flows (should the Company enter production) will be derived from the sale of coal, and more specifically, anthracite coal. Therefore, the financial performance of the Company would be exposed to fluctuations in the coal price. Historically, the coal price has fluctuated widely and has experienced periods of significant decline. Coal prices are affected by numerous factors and events that are beyond the control of the Company. These factors and events include general economic activity, world demand, forward selling activity as well as general global economic conditions and political trends.

Electricity Supply

The major producer and distributor of electricity in South Africa is the State-owned utility Eskom which provides over 95% of the country's energy usage. During 2008, South Africa experienced load shedding and rolling blackouts due to the shortage of electricity generating capacity. Eskom's current reserve margin is between 5% and 10% whilst an acceptable margin would be 15% to 20%. Although the situation appears to have stabilised, major new generation capacity is needed. Historically, the price of electricity in South Africa is low compared to other countries. Power rationing, increased prices and availability of electricity all pose potential risks to the viability and profit margins of the Company's and its joint venture partners' Prospecting Rights.

Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's and its joint venture partners' exploration, development and production activities, as well as on the Company's and its joint venture partners' ability to fund those activities.

Water Supply

Water supply for the Kangwane Project, and any future projects, will be sourced from individual locations. The Company and its joint venture partners will be required to apply for and obtain water use licences from the relevant governmental authorities. The process for obtaining a water use licence is a lengthy one and the Company's and its joint venture partners' operations may be adversely affected in the event that the relevant licences are not obtained in a timely fashion. An inadequate water supply would negatively affect the Kangwane Project and any future projects.

Labour Risk

The Company's and its joint venture partners' operations may be adversely affected by labour disputes or changes in South African labour laws. In South Africa a number of trade unions have close links to various political parties and have had a significant influence as vehicles for social and political reform and in the collective bargaining process. Since 1995, South Africa has enacted various labour laws that enhance the rights of employees, which may impose costs on the Company and its joint venture partners'. Significant labour disputes, work stoppages, increased employee expenses as a result of collective bargaining and the cost of compliance with labour laws could disrupt operations and affect the profitability of the prospecting rights and any future mining and exploration activities undertaken by the Company and its joint venture partners'.

HIV/AIDS

South Africa has one of the highest HIV infection rates in the world. The exact impact of increased mortality rates due to HIV/AIDS related deaths on the cost of doing business in South Africa and the potential growth in the economy is unclear at this time although employee related costs in South Africa could increase as a result of the HIV/AIDS epidemic. The Company's and its joint venture partners' results may be adversely affected by the loss of productivity and increased costs arising from any effect of HIV/AIDS on the Company's and its joint venture partners' workforce.

Mining and Prospecting Rights

Acquisition and retention of prospecting rights and mining rights in South Africa is a detailed and time-consuming process. There is no guarantee the joint venture entity in which the Company is acquiring an interest will be granted the mining rights necessary to develop the prospecting rights on acceptable terms in a timely manner or at all. A wide range of factors and principles must be taken into account by the South African Minister of Mineral Resources when considering applications for mining rights. The factors taken into account include the applicant's access to financial resources, the applicant's technical ability to conduct the proposed mining operation optimally in accordance with the mining work programme, the mining must not result in unacceptable pollution, ecological degradation or damage to the environment, the applicant must provide financially and otherwise for the prescribed social and labour plan, the applicant must have the ability to comply with the relevant provisions of the Mine Health and Safety Act (South Africa) and the granting of the application must substantially and meaningfully expand opportunities for historically disadvantaged South Africans (including women) to enter the mineral and petroleum industry and to benefit from the exploitation of the nation's mineral resources, promote employment and advance the social and economic welfare of all South Africans in accordance with the approved social and labour plan. In addition, the grant of a mining or prospecting right may be disputed or challenged by third parties in the event that the correct procedures were not followed.

Competition for Mining Rights

There is generally competition for prospecting and mining rights in South Africa. The Minerals and Petroleum Resources Development Act (South Africa) provides that applications for mining rights and/or prospecting rights must be dealt with in the order of receipt (save for applications for the same mineral and land received on the same date, in which case preference must be given to applications from historically disadvantaged persons). In respect of new applications for prospecting rights and mining rights which the Company may wish to bring, as part of the Company's future growth strategy, there is a risk that such applications may not be successful if other applicants have already applied for such minerals and land. There is also no guarantee that suitable deposits will be available in future.

Exploration Risk

Mining exploration is inherently associated with risk. Notwithstanding the experience, knowledge and careful evaluation a company brings to an exploration project there is no assurance that recoverable mineral resources will be identified. Even if identified, other factors such as technical difficulties, geological conditions, adverse changes in government policy or legislation or lack of access to sufficient funding may mean that the resource is not economically recoverable or may otherwise preclude the Company and its joint venture partners' from successfully exploiting the resource.

Black Economic Empowerment and Social Development

The Company and its joint venture partners must comply and remain compliant with the South African Mining Charter, the Mining Codes and the black economic empowerment participation requirements and the approved social and labour plan in order to retain prospecting and mining rights. Any failure by the Company and its joint venture partners to satisfy and to continue to satisfy the black economic empowerment requirements of the Minerals and Petroleum Resources Development Act (South Africa), the Charter the approved social and labour plan and/or the Mining Codes could jeopardise any prospecting rights held by the Company and its joint venture partners' and impede the Company's and its joint venture partners' ability to acquire, develop or maintain any additional prospecting and mining rights.

Exploration and operating costs

The proposed exploration expenditure of the Company and its joint venture partners' is based on certain assumptions with respect to the method and timing of exploration and feasibility work. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company and Shareholders should refer to the risk factors set out in full in Section 12 of this Prospectus before making a decision to subscribe for Shares under this Prospectus.

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1. CORPORATE DIRECTORY

Directors

Bevan Tarratt
Chairman / Director

Eric Lilford
Managing Director

Gino D'Anna
Executive Director

David Greenwood
Non Executive Director

Company Secretary

Gino D'Anna

Registered Office

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Investigating Accountant

William Buck Corporate Advisory Services
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Sydney NSW 2000

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Perth WA 6000

ASX Code : ZYL

* This entity is included for information purposes only and has not been involved in the preparation of this Prospectus.

2. CHAIRMAN'S LETTER

Dear Investor

On behalf of the Directors, I am pleased to present this Prospectus for ZYL Limited (**ZYL** or the **Company**).

This Prospectus has been issued by ZYL to enable the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules and is for the offer of 150,000,000 shares at 20 cents per share to raise \$30,000,000 (**Offer**).

On 14 December 2010, the Company announced that it had executed definitive transaction agreements with Siyanda Resources, Double Ring Mineral Resources and Opes Capital and had entered into a Call Option Deed (**Call Option**) to acquire 100% of the issued capital of Exsteen Pty Ltd (**Exsteen**), the holder of the joint venture at the Kangwane Anthracite Project (**Kangwane Project**).

As announced to ASX on 22 February 2011, the Company exercised the Call Option and successfully completed the acquisition of 100% of the issued capital of Exsteen.

Through Exsteen, ZYL has the right to earn up to an effective 50.12% interest in the advanced Kangwane Project through funding exploration and is rapidly accelerating the development of this project.

The Kangwane Project, located in Mpumalanga South Africa, has an existing **JORC-compliant resource** of **114.1Mt** of which **21.4Mt** is in the **Measured** category.

Located approximately 100km from the coast by rail to the Matola Terminal at the Maputo Port in Mozambique, the Kangwane Project offers potential significant advantages given its close proximity to rail, port, water, electricity and roads.

The Company, through its joint venture partners, is actively progressing a Bankable Feasibility Study (**BFS**) at the Kangwane Project with a 7,000 metre drilling program currently underway utilising four drill rigs.

The acquisition of Exsteen and the joint venture at the Kangwane Project represent an exciting opportunity and a significant change in direction for the Company.

The funds raised under this Prospectus will support the ongoing exploration and development of the Kangwane Project and provide working capital.

The Company has also been actively evaluating new acquisition and joint venture opportunities in the metallurgical coal sector as part of the Company's corporate strategy of becoming an emerging producer of high quality metallurgical coal, which demonstrates the intent of the Company to diversify its project exposure.

The Board considers this to be an excellent opportunity for the Company to transform to an emerging metallurgical coal explorer and potential producer in one of the world's prime coal producing regions. The Board looks forward to welcoming you as a Shareholder.

Yours sincerely,

Bevan Tarratt
Chairman
ZYL Limited

3. INVESTMENT OVERVIEW

3.1 Important Notice

This Section is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

3.2 Summary of the Offer

By this Prospectus, the Company invites investors to apply for 150,000,000 Shares at an issue price of \$0.20 each in order to raise \$30,000,000.

3.3 Indicative Timetable

Lodgement of Prospectus with the ASIC	15 April 2011
Opening Date	15 April 2011
Prospectus Offer Closing Date	5.00pm WST on 2 May 2011
Despatch of Holding Statements	4 May 2011
Expected date for re-quotation on ASX	9 May 2011

The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without notice.

3.4 Purpose of the Offer

The purpose of this Offer is to provide additional funds to enable the Company to:

- (a) assist the Company to meet the requirements of the ASX and re-comply with Chapters 1 and 2 of the ASX Listing Rules;
- (b) complete the bankable feasibility study for the Kangwane Project, associated drilling program, an aerial geophysical survey and further preparation of the box cut to potentially extract a bulk sample from the Kangwane Project;
- (c) fund ZYL's equity contribution for capital expenditure items in connection with mine construction and development;
- (c) meet the costs of the Offer; and
- (d) provide general working capital.

On completion of the Offer, the Board believes the Company will have sufficient capital to achieve these objectives.

3.5 Risk Factors

Potential investors should be aware that subscribing for Shares the subject of this Prospectus involves a number of risks and an investment in the Company is

highly speculative. Potential investors are urged to consider the risk factors of the Company set out in Section 12 of the Prospectus and consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

The risk factors set out in Section 12 of this Prospectus, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Shares. Accordingly, an investment in the Company should be considered highly speculative.

3.6 Use of Proceeds

The table below sets out the intended application of funds raised under the Offer over a two year period:

Item ¹	Full Subscription \$30,000,000 (\$)
Current Cash Balance (as at the date of this Prospectus)	\$6,082,760
Add: Funds to be raised under this Prospectus	\$30,000,000
Total Cash Available	\$36,082,760
YEAR 1	
Exploration, evaluation and development of the Kangwane Project including drilling, an aerial geophysical survey, the completion of the Bankable Feasibility Study and the further preparation of the box cut to potentially extract a bulk sample ²	\$2,805,954
Equity contribution for capital expenditure items in connection with mine construction and development pursuant to the Exsteen Subscription Agreement ³	\$4,500,000
Subscription for Main St 795 "A" Preference Shares pursuant to the Exsteen Subscription Agreement ⁴	\$9,000,000
Shareholder Loan to Double Ring and Siyanda pursuant to the ZYL Double Ring Loan Agreement and ZYL Siyanda Loan Agreement respectively ⁵	\$700,000
Costs of Offer	\$1,766,293
Working Capital	\$1,810,513
Administration Costs	\$1,200,000
TOTAL YEAR 1	\$21,782,760
YEAR 2	
Exploration, evaluation and development of the Kangwane Project including mine maintenance and expansions ⁶	\$3,000,000
Exploration and evaluation of other project opportunities	\$2,300,000
Subscription for Main St 795 "B" Preference Shares pursuant to the Call Option, Subscription and Shareholders Agreement ⁷	\$6,000,000
Working Capital	\$2,000,000
Administration Costs	\$1,000,000
TOTAL YEAR 2	\$14,300,000
TOTAL YEARS 1 & 2	\$36,082,760

Notes:

1. This table outlines the commitments of the Company in relation to its joint venture expenditure on the Kangwane Project. The subscriptions for shares by the Company, through Exsteen, are commitments under the Definitive Agreements to subscribe for shares in Main St 795 and, accordingly, Main St 800. These subscription funds will be applied by the BFS Committee to the joint venture operations which will include items such as: i) the drilling and the airborne geomagnetic survey; ii) capital commitments for long lead items (such as transformers and wash plants); iii) further drilling for reserve upgrades and underground resource delineation; iv) order and part-payment for the electrical transformer; v) order and part-payment for the components of the wash plant; and vi) order and part-payment for the components of the mill.
2. These funds will be advanced by the Company to Siyanda pursuant to the BFS Loan Agreement summarised in Section 13.4.8 of this Prospectus. These funds will be used to fund the BFS. In the interim period until SARB Approval is received, expenses associated with the BFS are paid directly to the external contractors and offset against the BFS Loan. Please refer to Section 13.4.8 for further details.
3. The Company, through Exsteen, will subscribe for deferred ordinary shares in Main St 795 pursuant to the Exsteen Subscription Agreement summarised in Section 13.4.2 of this Prospectus. These funds will be used for Main St 795 to subscribe for shares in Main St 800, the funds received by Main St 800 through this subscription will be used for capital commitments for long lead items (such as transformers and wash plants), exploration and commencement of development activities in respect of the Kangwane Project (See Note 1 above). Please refer to Section 13.4.4 for further details.
4. The Company, through Exsteen, will subscribe for further "A" Preference shares in Main St 795 pursuant to the Exsteen Subscription Agreement summarised in Section 13.4.2 of this Prospectus. These funds will be used for Main St 795 to subscribe for shares in Main St 800, the funds received by Main St 800 through this subscription will be used for exploration and commencement of development activities in respect of the Kangwane Project (see note 1 above). Please refer to Section 13.4.2 for further details.
5. These funds will be advanced by the Company to Siyanda and Double Ring pursuant to the ZYL Double Ring Loan Agreement and the ZYL Siyanda Loan Agreement summarised in Section 13.4.6 and Section 13.4.7 (respectively) of this Prospectus. These funds will be used to facilitate the participation of the Community in the Kangwane Project as broad based BEE partners to Main St 800. Please refer to Section 13.4.7 for further details.
6. These funds will be applied to working capital associated with the development of the potential mine and the expansion of the potential mine.
7. The Company, through Exsteen, will subscribe for further shares in Main St 795 pursuant to the Call Option, Subscription and Shareholders Agreement summarised in Section 13.4.3. These funds will be used for Main St 795 to subscribe for shares in Main St 800, the funds received by Main St 800 through this subscription will be used for the payment of a special dividend to Siyanda pursuant to the Call Option, Subscription and Shareholders Agreement summarised in Section 13.4.3. Please refer to Section 13.4.3 for further details.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve its objectives.

The above tables are a statement of current intentions as of the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

In addition, to capitalise on other opportunities that may arise, depending on the success of its current activities, the Company may require debt or further equity fundraisings.

3.7 Capital Structure

The capital structure of the Company following completion of the Offer is summarised below:

	Full Subscription \$30,000,000
FULLY PAID ORDINARY SHARES	
Shares on Issue at Prospectus Date	332,585,786
Shares now on Offer	150,000,000
Total Fully Paid Ordinary Shares	482,585,786
OPTIONS	
Options (unlisted) exercisable at \$0.06 on or before 30 September 2012 (Class One)	1,500,000
Options (unlisted) exercisable at \$0.1 on or before 30 September 2012 (Class Two)	3,000,000
Options (unlisted) exercisable at \$0.06 on or before 21 February 2013 (Class Three)	2,500,000
Options (unlisted) exercisable at \$0.2 on or before 18 April 2015 (Class Four)	15,000,000
Total Options	22,000,000

Notes:

- Refer to the Investigating Accountant's Report for further information.
- The rights attaching to the Shares and Options are summarised in Section 14.1 and 14.2 of this Prospectus respectively.
- ASX has granted the Company a waiver in respect of Condition 11 of ASX Listing Rules 1.1 to allow the Company to have the Class One, Class Two and Class Three Options on issue with an exercise price of less than \$0.20.

3.8 Restricted securities

Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules, certain Shares to be issued may be classified by the ASX as restricted securities and will be required to be held in escrow for such time as prescribed by ASX.

4. DETAILS OF THE OFFER

4.1 The Offer

By this Prospectus, the Company invites investors to apply for 150,000,000 Shares at an issue price of \$0.20 each in order to raise \$30,000,000.

The Shares offered under this Prospectus will rank equally with the Company's existing Shares on issue. Please refer to Section 14.1 for further information regarding the rights and liabilities attaching to the Shares.

4.2 Change in nature and scale of activities

At a General Meeting of Shareholders to be held on 18 April 2011, Shareholders will vote on the following resolutions:

- (a) the issue of shares to fund the Kangwane Project and for general working capital requirements;
- (b) a change in the nature and scale of the Company's activities;
- (c) the Consolidation;
- (d) the re-election of Directors;
- (e) the issue of unlisted Options to Selentium Capital Sarl;
- (f) the ZYL Employee Share Plan (**ZYL ESP**); and
- (g) the ratification of a prior placement of shares.

The Offer is conditional on the Company's existing Shareholders approving the resolutions listed in paragraphs (a), (b) and (c) above.

4.3 Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

The Company will be suspended from quotation on the ASX from 18 April 2011, the date of its General Meeting to approve the transactions associated with change to the nature and scale of the Company's activities. The Company's shares will not be reinstated to Official Quotation until ASX approves the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

In the event that the Company does not receive conditional approval for re-quotation on ASX, it will not proceed with the Offer and will repay all application monies received. Should this occur, then the change to the nature and scale of the Company's activities will not eventuate and the Company's securities may remain suspended from quotation on ASX.

4.4 How to apply for Shares

Applications for Shares under this Prospectus must be made using the Application Form.

Payment for the Shares must be made in full at the issue price of \$0.20 per Share. Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares.

Completed application forms and accompanying cheques must be mailed or delivered to:

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

or

Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6953

Cheques should be made payable to **“ZYL Limited – Share Offer Account”** and crossed **“Not Negotiable”**. Completed application forms must reach one of the above addresses by no later than the Closing Date.

The Company reserves the right to close the Offer early.

4.5 Allotment

The Directors and the Joint Lead Managers will determine the allottees of all the Shares in their discretion. The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for.

Subject to the Company being satisfied that it will meet the requirements of Chapters 1 and 2 of the ASX Listing Rules, Shares issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. Where the number of Shares issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

4.6 ASX Listing

The Company's Shares will be suspended from trading on ASX from the time of the General Meeting and will not be reinstated to trading until the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules.

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus will be made within seven (7) days after the date of this Prospectus. If the Shares are not admitted to quotation on ASX within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, the Company will not issue any Shares under this Prospectus and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

4.7 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

4.8 Minimum Subscription

The minimum subscription in respect of the Offer is \$30,000,000 being the full subscription.

If the minimum subscription has not been raised within four months after the date of this Prospectus, the Company will either repay the application monies to Applicants or issue a supplementary or replacement prospectus to allow Applicants one month to withdraw their Application and be repaid their application money. No interest will be paid on this money.

4.9 Underwriter

The Offer is not underwritten.

4.10 Joint Lead Managers

RBC Capital Markets and Patersons Securities Limited will act as Joint Lead Managers to the Company in relation to the Offer.

Please refer to Section 13.11 of this Prospectus for further details including the fees and terms of the engagement.

4.11 CHESS

The Company participates in the Clearing House Electronic Subregister System (**CHESS**). CHESS is operated by ASX Settlement Pty Ltd (**ASXS**), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, the Company will not issue certificates to investors. Instead, Share and Option holders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASXS will send a CHESS statement.

4.12 Risk factors

Prospective investors in the Company should be aware that subscribing for Shares the subject of this Prospectus involves a number of risks. These risks are set out in Section 12 of this Prospectus and investors are urged to consider those risks

carefully (and if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 12, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Shares. Accordingly, an investment in the Company should be considered speculative.

4.13 Forecast Financial Information

Given the speculative nature of mineral exploration and development and the fact the Company is not currently producing any coal, there are significant uncertainties associated with forecasting future revenues and expenses of the Company. On this basis and after considering Regulatory Guide 170, the Directors believe that reliable financial forecasts for the Company cannot be prepared and accordingly have not included financial forecasts in this Prospectus.

4.14 Privacy Statement

If you complete an application for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers; regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

4.15 Withdrawal

The Directors may at any time decide to withdraw this Prospectus and the Offer, in which case the Company will return all application monies without interest within 28 days of giving notice of their withdrawal.

4.16 Queries

Any questions concerning the Offer should be directed to Mr Gino D'Anna, Company Secretary, on + 61 8 9486 4036.

5. OVERVIEW OF THE COMPANY AND ITS PROJECTS

5.1 Company Overview

The Company is a public company listed on the Official List of the ASX (**ASX code: ZYL**).

The Company previously sought to develop a business model based on the provision of mobile surveillance equipment. However, due to difficulties in the Company being able to commercialise the technology and react to the dynamic market in which it was operating, the Company evaluated a number of other opportunities both within the mobile camera surveillance industry and in industries outside of its existing business in an attempt to enhance shareholder returns.

On 20 July 2010, the Company announced that it had entered into a memorandum of understanding (**MoU**) to acquire 100% of the issued capital of Exsteen Pty Ltd (**Exsteen**), the holder of the joint venture at the Kangwane Anthracite Coal Project located in the Mpumalanga province in South Africa (**Kangwane Project**).

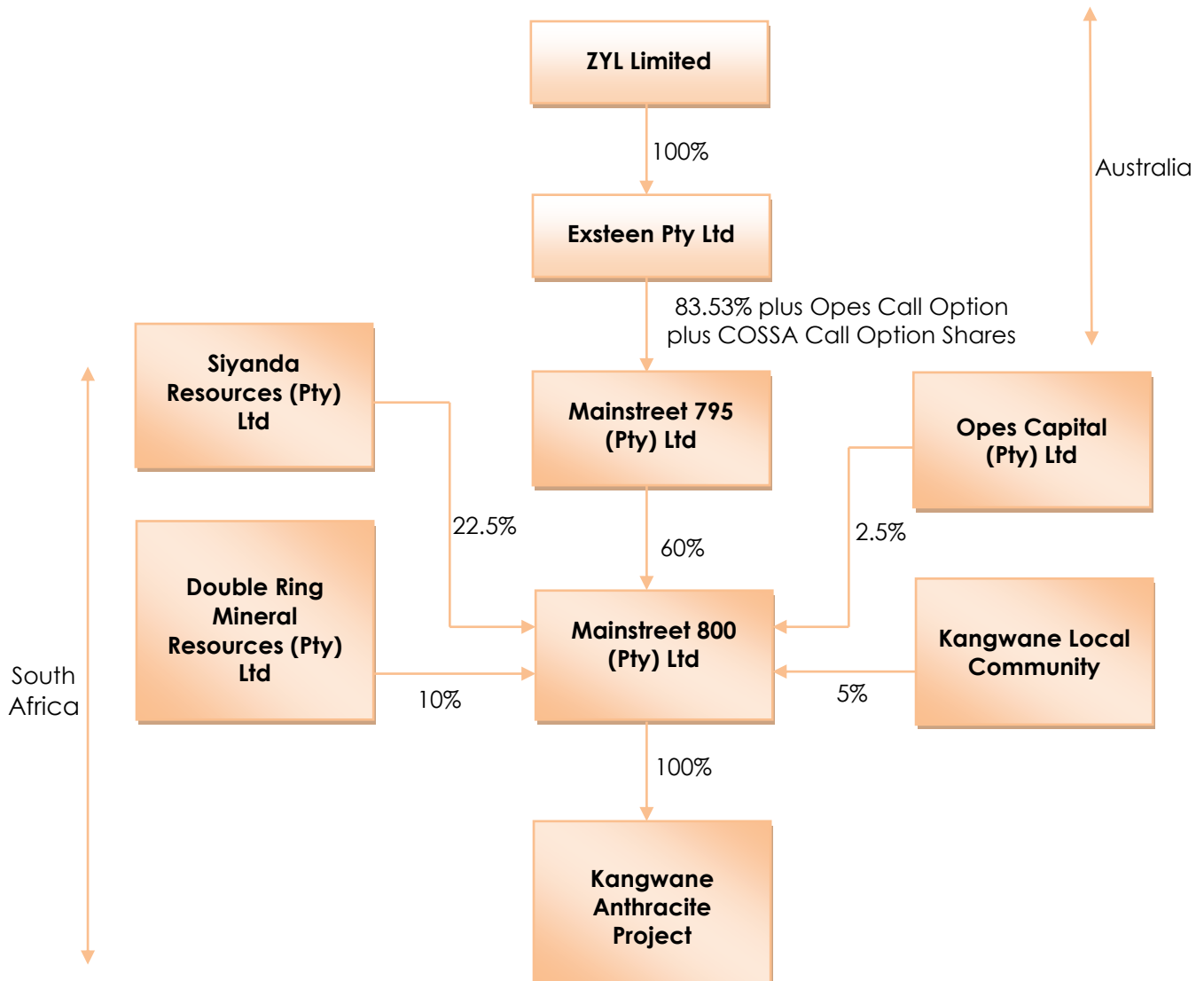
The MoU provided for Exsteen to be granted the right to earn an effective interest of up to 50.12% (**ZYL Interest**), in two tranches, via an incorporated joint venture in the Kangwane Project with Siyanda Resources (Pty) Limited (**Siyanda**) and its empowerment partners. Siyanda and its empowerment partners will hold the remaining 49.88% interest as the South African partner. The MoU required the Company to enter into an agreement to acquire 100% of the issued capital of Exsteen Pty Ltd (**Exsteen**).

On 14 December 2010, the Company announced that it had executed the definitive transaction agreements with Siyanda, Exsteen, Double Ring Mineral Resources (Pty) Ltd (**Double Ring**), Opes Capital (Pty) Ltd (**Opes**) and others to earn an effective interest of up to 50.12% in the Kangwane Project (**Definitive Agreements**).

In addition, the Company executed a call option deed (**Call Option Deed**) to acquire 100% of the issued share capital of Exsteen (**Exsteen Option**).

The Definitive Agreements and the Call Option Deed have replaced the MoU.

Following completion of the various transactions contemplated under the Definitive Agreements (including the various share subscriptions outlined below), the group structure of the Company will be as set out in the diagram below:



The Definitive Agreements provide that ZYL, upon satisfaction of the conditions precedent, is entitled to acquire up to a 50.12% interest in the Kangwane Project in two tranches, as follows:

- (a) an initial interest of 42.85% over the duration of the conduct of the BFS; and
- (b) a further 7.27% interest acquired through additional expenditure on the construction and commissioning of the mine development at the Kangwane Project.

The capital investment amounts and the associated project interest ownership are detailed below:

Description	Amount Invested (ZAR)	Amount Invested (AUD)	Ownership Interest in Main St 795	Cumulative Interest in Main St 795	Ownership Interest in Main St 800	Cumulative Interest in Main St 800
Subscription for Main St 795 Ordinary Shares upon conversion of BFS Loan funds pursuant to the BFS Loan Agreement	20,000,000	3,000,000	100.00%	100.00%	60.00%	60.00%
Subscription for Main St 795 "A" Preference Shares pursuant to the Exsteen Subscription Agreement	60,500,000	9,000,000	0.00%	100.00%	0.00%	60.00%
Subscription for Main St 795 Ordinary Shares pursuant to the Exsteen Subscription Agreement	30,000,000	4,500,000	100.00%	100.00%	60.00%	60.00%
Siyanda Resources exercises the call option to acquire Main St 795 Call Option Shares pursuant to the COSSA Agreement	-	-	-16.47%	83.53%	-9.88%	50.12%
Subscription for Main St 800 "B" Preference Shares pursuant to the Exsteen Subscription Agreement	40,000,000	6,000,000	0.00%	83.53%	50.12%	50.12%

In addition to the capital investment items outlined above, after 36.6Mt of anthracite has been sold (assuming mining occurs at the Kangwane Project in the future), the original shareholders (Siyanda and Double Ring) will receive a royalty of ZAR2/tonne sold (~A\$0.30/tonne) above 36.6Mt (approximately 56Mt of RoM).

A summary of the specific Definitive Agreements is set out in Section 13.4.

On 22 February 2011, the Company announced that it had successfully exercised the Exsteen Option and reaffirmed its intention to change the focus of its activities to coal exploration and, if warranted, production. This change of focus is as a consequence of a review of the Company's information technology business, which resulted in the Board forming the view that it was necessary to expand its business beyond the information technology sector.

As announced on 23 February 2011, the Company intends to change the nature and scale of its activities to include anthracitic coal exploration and, if warranted, production in South Africa. The Company will be seeking Shareholder approval to change the nature and scale of its activities, among other things, at its General Meeting scheduled to be held on 18 April 2011.

Please refer to Section 13 of this Prospectus for summaries of the material contracts executed by the Company, including the Definitive Agreements.

5.2 Summary of the acquisition of the ZYL Interest by the Company

Two new South African entities have been established to facilitate the Company earning the ZYL Interest, which are Main St 795 (Pty) Ltd (**Main St 795**) and Main St 800 (Pty) Ltd (**Main St 800**). Siyanda will transfer the prospecting licence and mining licence application which comprise the Kangwane Project to Main St 800, subject to obtaining the Section 11 Approval (defined below), pursuant to the Sale of Prospecting Right Agreement summarised in Section 13.4.1.

Accordingly, Main St 800 will undertake the mining exploration activities in respect of the Kangwane Project.

Main St 795 will hold up to a 60% interest in the share capital of Main St 800, and Double Ring, the Kangwane Local Community and Opes will each hold the remaining interests (refer to the diagram in Section 5.1 for details of each interest). These parties are permitted to subscribe for these interests pursuant to separate subscription agreements each party has entered into with Main St 800. The subscription agreement between Main St 795 and Main St 800 is summarised in Section 13.4.4 (**Newco Subscription Agreement**). Main St 795 is required to subscribe for shares in Main St 800 up to a total value of R110,500,000 (~A\$16 million) pursuant to the Newco Subscription Agreement. By Main St 795 and the other parties subscribing for these shares in Main St 800 they are providing Main St 800 with funds to undertake the mining exploration and commencement of development activities in respect of the Kangwane Project. The rights of each party as shareholders of Main St 800 are set out in the Newco Shareholders' Agreement, summarised in Section 13.4.5.

Exsteen will hold up to an initial 81.7% interest in the share capital of Main St 795, and Siyanda and Opes will hold the remaining interests (refer to the diagram in Section 5.4 for details of each interest). These parties are permitted to subscribe for these interests pursuant to separate subscription agreements each party has entered into with Main St 795. The subscription agreement between Exsteen and Main St 795 is summarised in Section 13.4.2 (**Exsteen Subscription Agreement**). Exsteen also has the option of subscribing for shares in Main St 795 pursuant to the Call Option, Subscription and Shareholders Agreement, which is summarised in Section 13.4.3 (**Call Option, Subscription and Shareholders Agreement**). Exsteen is required to subscribe for up to a total value of R110,500,000 (~A\$16 million) shares in Main St 795 pursuant to the Exsteen Subscription Agreement and further shares to the value of R40,000,000 (~A\$6 million) pursuant to the Call Option, Subscription and Shareholders Agreement. Exsteen has also entered into a separate call option agreement with Opes whereby it may purchase Opes' interest in Main St 795 to increase its interest to 83.53% (**Opes Call Option Agreement**), a copy of the Opes Call Option Agreement is summarised in Section 13.5. By Exsteen and the other parties subscribing for these shares in Main St 795 they are providing Main St 795 with funds to subscribe for the shares in Main St 800 referred to above, which will in turn provide funds to Main St 800 to undertake the mining exploration activities in respect of the Kangwane Project. The rights of each party as shareholders of Main St 795 are set out in the Call Option, Subscription and Shareholders' Agreement, summarised in Section 13.4.3.

The Company has also agreed to provide loans of up to R20,000,000 (~A\$3 million) to Siyanda pursuant to the BFS Loan Agreement summarised in Section 13.4.8, to fund the bankable feasibility study on the Kangwane Project prior to the Section 11 Approval being granted but after the SARB Approval (defined below) has been granted. In the interim period before SARB Approval is granted, the Company is permitted to directly advance funds the relevant contractors undertaking work on the Kangwane Project (**Contractor Funds**). These Contractor Funds will be set off against the amounts to be advanced by the Company pursuant to the BFS Loan Agreement.

A committee will be established under the Newco Shareholders' Agreement (summarised in Section 13.4.5), to implement and manage the BFS and the expenditure required for the BFS (**BFS Committee**). The BFS Committee will comprise of a maximum of five members. Two members will be appointed by

Siyanda, and prior to the date the last of the conditions precedent under the Newco Shareholders' Agreement are satisfied (**Fulfilment Date**) two members will be appointed by the Company and after the Fulfilment Date two members will be appointed by Main St 795. The remaining member shall be appointed by Double Ring. The members appointed by Main St 795 are likely to be representatives of the Company as its wholly owned subsidiary, Exsteen, will hold an interest of up to 83.53% in Main St 795.

At any meeting of the BFS Committee, each member shall have one vote, providing that member has not committed a breach of the Definitive Agreements. Decisions of the BFS Committee shall be taken by majority vote. In the event of an equality of votes at any meeting of the BFS Committee:

- (a) prior to the Fulfilment Date, such matter on which there is an equality of votes shall, within 24 hours, be escalated to each party who appointed a member to the BFS Committee. If such escalation does not bring about resolution to the matter, then the matter shall be referred for arbitration; and
- (b) after the Fulfilment Date, one of the members of the BFS Committee appointed by Main St 795, shall have a casting vote.

Further details of the BFS Committee are summarised in 13.4.5.

The Company has also agreed to provide loans of up to R5,000,000 (~A\$700,000) to Siyanda and Double Ring pursuant to the ZYL Double Ring Loan Agreement and the ZYL Siyanda Loan Agreement summarised in Section 13.4.6 and 13.4.7 respectively, to facilitate the participation of the Community in the Kangwane Project as broad based BEE partners to Main St 800.

A summary of the obligations of the parties under these Definitive Agreements is set out in Section 5.3 below and further details of each individual agreement is summarised in Section 13.

5.3 Obligations of the Company under the Definitive Agreements

Siyanda is the holder of Prospecting Right 583/2006 (**Prospecting Right**) and needs funding for the conduct of a bankable feasibility study (**BFS**) on the Kangwane Project.

The main objectives of the Definitive Agreements are:

- (a) to procure funding for the project through the participation of ZYL, Exsteen and Main St 795 in the project;
- (b) to facilitate the participation of the Community and Double Ring, in the project as broad based BEE partners to the Main St 800; and
- (c) to procure the successful establishment of an economically viable coal mine in the areas covered by the Prospecting Right and the associated mining right application (**MR Application**), in the Mpumalanga Province of South Africa for the benefit of the Community and all the other parties to the project.

The Definitive Agreements provide that:

- (a) funding of the BFS will be undertaken by ZYL and Exsteen provided it is conducted in accordance with the requirements of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 Edition. Funding of the establishment of the coal mine will be made by ZYL and Exsteen if the findings of the BFS show that the establishment of a viable coal mine is possible;
- (b) there are various regulatory approvals (including the Section 11 approval under the Mineral and Petroleum Resources Development Act, No. 28 of 2002 (**MPRDA**) (**Section 11 Approval**) and the approval of the exchange control department of the South African Reserve Bank (**SARB**) (**SARB Approval**), required before all of the conditions to the Definitive Agreements can be satisfied (refer to Section 5.4 below for further details);
- (c) during the period after the approval of the SARB and before all of the Definitive Agreements have become fully unconditional in accordance with their terms (**Interim Period**), Exsteen will advance a loan directly to Siyanda to be used solely for the conduct of the BFS (**BFS Loan**). Exsteen's obligations under the BFS Loan will be guaranteed by ZYL;
- (d) pending the grant of the Section 11 Approval, prospecting activities can continue by Siyanda in accordance with the Prospecting Right. A committee has been established comprising, inter alia, representatives of Siyanda and ZYL, to administer the drawdown and application of the BFS Loan;
- (e) after the expiry of the Interim Period, Exsteen will no longer advance funds to Siyanda under the BFS Loan and will instead fund the conduct of the BFS through subscriptions for ordinary shares in the share capital of Main St 795. After such subscriptions are complete, Exsteen will hold 100% of the issued share capital of Main St 795;
- (f) in order to ensure that the funds flow to Main St 800, Main St 795 will in turn use the proceeds received from the subscriptions by Exsteen to subscribe for shares in the share capital of the Main St 800, resulting in Main St 795 holding 30% of the issued share capital of Main St 800;
- (g) upon completion of the BFS, Exsteen will be entitled to elect, based on the findings of the BFS, whether or not it wishes to continue being involved in and providing funding for the project; and
- (h) if Exsteen elects to continue with the project (which will ultimately depend on the outcome of the BFS), it will advance funding which will be used to establish a coal mine in the areas covered by the Prospecting Right and the MR Application by way of further subscriptions for preference shares and ordinary shares in the share capital of Main St 795. To ensure that the proceeds of such subscriptions are passed on to Main St 800, Main St 795 will in turn subscribe for shares in the share capital of Main St 800, in corresponding amounts to those subscriptions made by Exsteen for shares in the share capital of Main St 795, resulting in Main St 795 holding 60% of the issued share capital of the Main St 800.

Upon satisfaction of the conditions to the Definitive Agreements:

- (a) the Prospecting Right will be ceded and transferred from Siyanda to Main St 800; and
- (b) Main St 800 shall be substituted as the applicant in respect of the MR Application. Should the MR Application be granted on this basis, Main St 800 shall become the holder of the mining right applied for.

5.4 Conditions to Definitive Agreements

The following conditions precedent are outstanding as at the date of lodgement of this Prospectus and must be satisfied or waived in order for the Definitive Agreements to become unconditional and subsequently allow the Company to earn an interest in the Kangwane Project:

- (a) consent must be obtained from the Minister of the Department of Mineral Resources of South Africa to transfer the prospecting licence and mining licence application which comprise the Kangwane Project from Siyanda to Main St 800 pursuant to Section 11 of the Minerals and Petroleum Resources Development Act (South Africa) (**Section 11 Approval**). Siyanda and the Company are currently in the process of seeking the Section 11 Approval. The Company is not aware of any reason why the Section 11 Approval will not be granted;
- (b) approval from the Exchange Control Department of the South African Reserve Bank must be obtained to the transactions contemplated by the Definitive Agreements (**SARB Approval**). As at the date of lodgement of this Prospectus SARB Approval has been granted in respect of the BFS Loan Agreement and Letters of Credit, the ZYL Siyanda Loan Agreement and the ZYL Double Ring Loan Agreement (summarised in Section 13). Siyanda and the Company are currently in the process of seeking SARB Approval to the remaining Definitive Agreements. The Company is not aware of any reason why the SARB Approval will not be granted; and
- (c) execution of the Community Subscription Agreement and the Newco "C" Preference Share Subscription Agreement. These agreements cannot be signed until the Community Trust is formed. The Community is currently in the process of establishing the Community Trust to allow them to execute these agreements. The Company is not aware of any reason why the Community will not be able to execute these agreements.

Please refer to Section 13 for further details on the conditions precedent to the Definitive Agreements.

5.5 Information relating to the Project

5.5.1 Project Overview

The Kangwane Project is located in the Mpumalanga province of South Africa, approximately 100km from the coast by rail to the Matola Terminal at Maputo Port in Mozambique.

The Kangwane Project is positioned north of Swaziland within close proximity to the major town of Nelspruit, which is situated less than 100km to the west, and is

ideally located for both the internal and export markets should the Kangwane Project produce anthracite in the future.

The Kangwane Project contains a **JORC-compliant resource of 114.1Mt**, of which **21.4Mt is in the Measured** category with the balance being a combination of Indicated and Inferred Resources (refer to Section 5.5.3 for further details).

The strategic location of the Kangwane Project offers significant opportunities given its **proximity to rail, port, water, electricity and roads**.

The **rail siding**, which is located on the southern tip of the Kangwane tenement feeds **directly into the main rail line** which ultimately continues eastward to the Matola Port Terminal in Maputo and, in the other direction, to the **inland markets established on the Highveld in South Africa**.

The Kangwane Project is also located **to the immediate north of an existing anthracite operation** which currently transports its washed product to internal customers on the Highveld where various ferro-chrome, ferro-manganese, vanadium and platinum producers operate.

The Company intends to seek to develop relationships in China, India, Korea and Japan for the export market and inland South Africa for domestic sales.

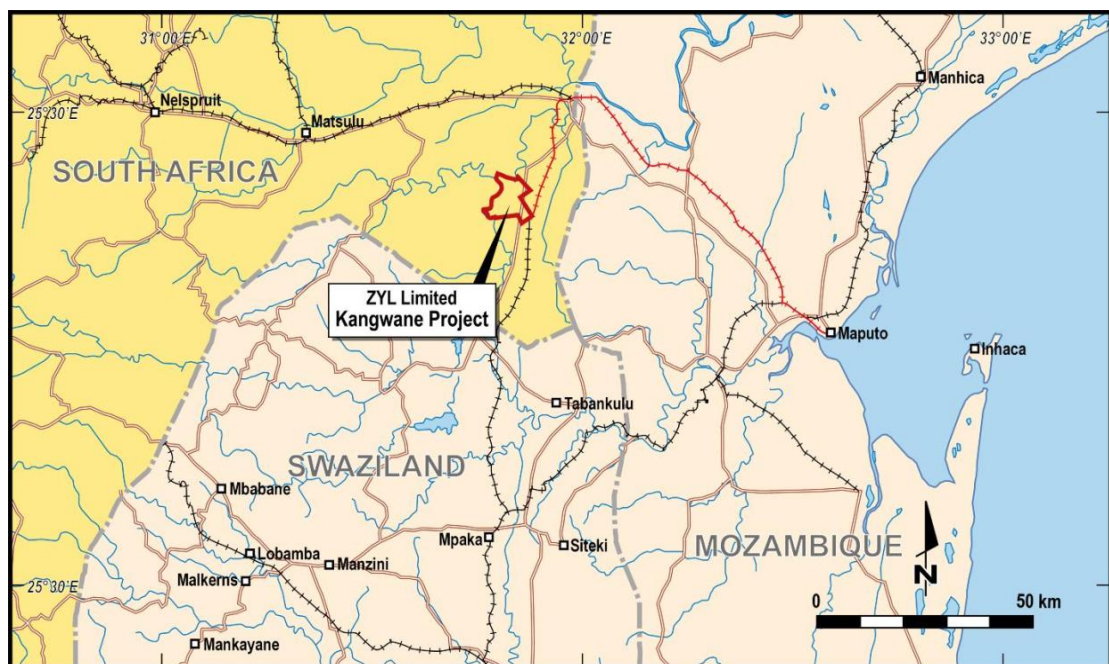


Figure 1: Kangwane Anthracite location map, illustrating rail infrastructure, proximity to port and nearest major cities

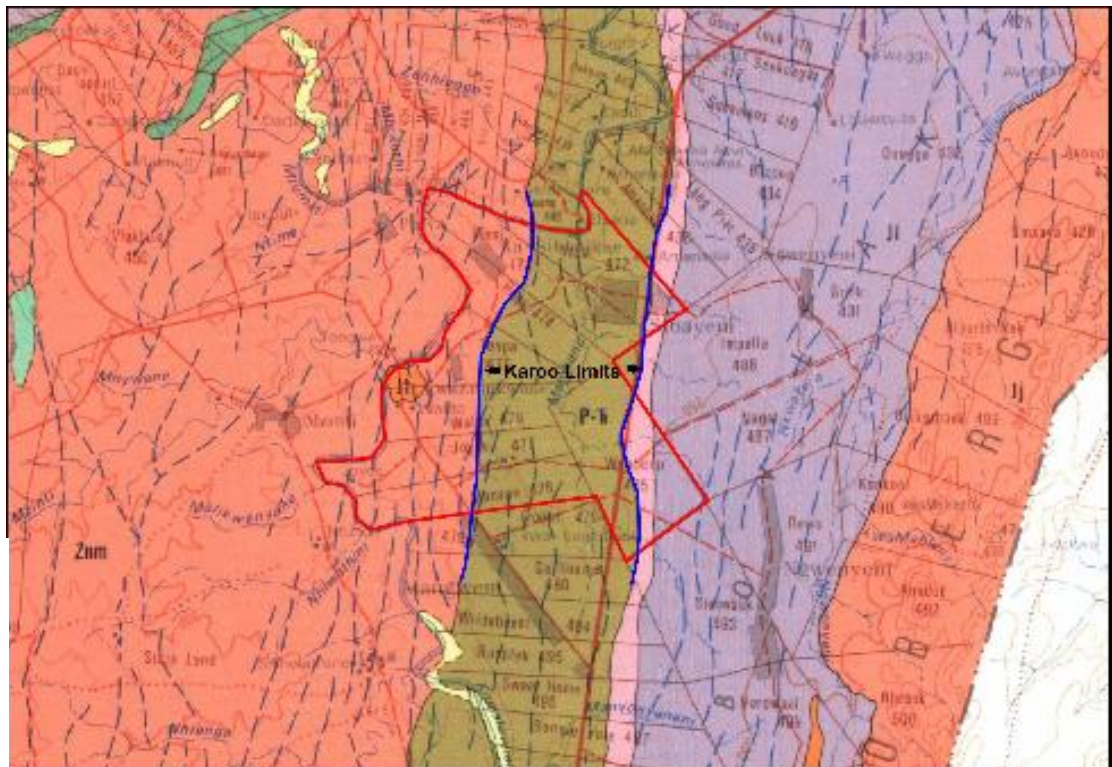
The Kangwane Project offers the following key highlights:

- Existing **JORC Compliant Resources of 114Mt** including a **Measured resource of 21.4Mt**.
- Comprehensive drilling database of **149 diamond drill holes** for a total of 18,567 metres over 33km strike length.

- **Exploration Target of 400Mt to 450Mt²** at an expected calorific value range of **6,635 kcal to 6,712 kcal**.
- The **open-cut target areas to the north and south** of the project will be the focus of the BFS due to the near surface nature of the coal.
- 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**. Road, power and water all located nearby.
- An existing rail siding is located on the southern end of the Kangwane Anthracite Project which has a loading capacity of 100,000 tonnes per month.
- **Coal seam widths between 4m and 6m**, dipping to the east at 6°.
- 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.

5.5.2 Kangwane Project Coal Geology

A comprehensive drilling database of 149 diamond drill holes with a combined depth of 18,567 metres over a strike length of 33km was completed by Mining Corporation Limited (**MCL**) in the 1980s. This extensive drilling database provides a thorough understanding of the regional geology. The regional geology of the area is shown on the geological plan below.



² The potential quantity and grade of the 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

The Karoo Supergroup was deposited unconformably on the Achaean granite floor. The Karoo sediments found in the area are; Dwyka, Middle Ecca, Upper Ecca and the Stormberg Group. The first three formations consist of sedimentary deposits, while the Stormberg Group consists of sedimentary and volcanic extrusions.

The coal seams were deposited in the Middle Ecca. The sedimentary succession was followed by the extrusion of volcanics. Dolerite dykes and sills intruded at the time of the Stormberg volcanics. It is thought that these volcanics together with minor folding caused the devolatilisation of the coal. The devolatilisation is not localised to areas near the volcanics but is regional and thus must also be due to the structural folding.

The Middle Ecca is correlated with the Vryheid Formation. The Vryheid formation is considered to be of fluvial origin and consists predominantly of arenaceous sediments, namely, sandstones with subordinate grits, mudstones, shales and carbonaceous sediments which include coal seams. Pebble bands are locally developed while scattered grits occur frequently. The sandstones vary from fine grained to coarse grained.

The sedimentary units intersected in the boreholes indicated that deposition in the western area, where the anthracite seams are found, was on a stable platform resulting in a relatively thin sequence of sandstones and subordinate shales. On the western margin deposition and contemporaneous erosion occurred. The sediments in which the anthracite seams are found dip gently at angles 5 to 8 degrees to the east. A steepening of the dip to 20 degrees will be found further to the east as the Lebombo monocline is approached. Faulting occurs generally in a north / south direction with displacements up to and exceeding 50 metres. In addition dykes intruded in the fault panes and sills displaced and burnt the anthracite seams.

The topography of the Pre-Karoo floor influenced the deposition of the anthracite seams. Anthracite seams are well developed in troughs and are less well developed or absent where Pre-Karoo paleo highs occur.

The Middle Ecca Formation thins from the south to the north on strike as determined by the sandstone partings between the different anthracite seams. In the southern area, the Upper and Middle Seams are separated by 50 metres of sediments, while the Middle and Lower are separated by 20 metres of sediments. In the northern area this decreases to 8.5 and 0.7 metres respectively. From west to east, however, the succession thickens.

The anthracite seams have a tendency to thicken from south to north on a regional scale while a thinning is normally encountered from west to east.

5.5.3 Coal Resources and Coal Quality

Historical drilling on the Kangwane Project by Mining Corporation Limited (**MCL**) in the 1980s has provided the Company with a significant platform from which additional drilling and resource upgrades can be established. A comprehensive drilling database of **149 diamond drill holes** for a total of 18,567 metres over 33km strike length currently exists on the Kangwane Project.

Based on exploration undertaken to date on the Kangwane Project, a JORC compliant resource has been established as outlined in the table below.

Coal Resource Estimate Statement (JORC and SAMREC Compliant) for Kangwane Project (gross tonnes in situ – GTIS)	
Total Measured Coal Resource (GTIS)	21.4 Mt
Total Indicated Coal Resource (GTIS)	25.5 Mt
Total Inferred Coal Resource (GTIS)	67.2 Mt
Total JORC Compliant Coal Resources at Kangwane Project	114.1 Mt

A Measured Resource of **9.7Mt** has been identified within the open-cut target area of the northern proposed mining area and an Indicated Resource of **6.6Mt** within the open-cut target area of the southern proposed mining area. The resources within these open-cut target areas form part of the primary focus for the Company as it undertakes the BFS on the Kangwane Project, due to the near surface nature of the coal and the sub-crop on the western side of the Kangwane Project area.

Open Cut Resources (included in JORC Compliant Resources above)	
Northern Open Cut Measured (In Situ)	9.7 Mt
Southern Open Cut Indicated (In Situ)	6.6 Mt

Based on prior drilling and analysis, the Company has been able to identify the following washed coal qualities at the Kangwane Project:

Specification	Kangwane Anthracite Project
Ash %	16% to 22%
Volatile Matter %	4.80% to 7.80%
Fixed Carbon %	74.75% to 78.81%
Sulphur Average %	0.52%
Phosphor Content %	0.02% to 0.002%
Calorific Value MJ/kg	27.78 MJ/kg to 28.1 MJ/kg
Calorific Value kcal	6,635 kcal to 7,200 kcal

The existing box-cut on the property provides an opportunity to access further bulk samples for metallurgical testing and marketing trials.

Part of the Company's intended strategy for the ongoing development of the Kangwane Project is the further preparation of the box cut to potentially extract a bulk sample from the Kangwane Project, which the Company intends to potentially provide to the International Power Utility for testing and analysis in the furnaces (see Section 5.5.7 for further details).

5.5.4 Bankable Feasibility Study at Kangwane Project

ZYL has appointed SRK Consulting (**SRK**) to manage the Bankable Feasibility Study (**BFS**) at the Kangwane Project.

The Company is progressing the exploration and intended development at the Kangwane Project with the continuance of the BFS and associated drilling program progressing on schedule.

During the initial stage of the BFS, SRK conducted an independent review and evaluation of the historical exploration and drilling undertaken by Mining Corporation Limited (**MCL**) in the 1980s. As part of this initial review, a preliminary economic assessment of the project was conducted. These preliminary assessments have been used as the basis for the detailed BFS.

The BFS will initially focus on the open-pit target areas of the South Pit and North Pit (refer to Section 5.5.6 of this Prospectus for further details).

An aerial geophysical survey will be completed and the additional drilling program has commenced 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.

5.5.5 Commencement of Drilling at Kangwane Project

ZYL has appointed Olympic Park Trading (Pty) Ltd (**Olympic Park**), a specialist mining engineering consultant, as the independent mining engineers to the Kangwane Project. Olympic Park, in conjunction with SRK will oversee the drilling program during the BFS at the Kangwane Project.

Olympic Park and SRK have completed the review of the historical exploration and drilling undertaken by MCL in the 1980's enabling the identification of key areas to target during the drilling program.

The Company is presently drilling and has four (4) drill rigs mobilised on the site as part of the initial drilling program for the 7,000 metres which is being drilled predominantly on the open-cut target areas.

The drill program is designed to complement the quality of the existing JORC-compliant resources, increase the total resource base and define reserves for development.

The Company intends to complete the drilling and associated analysis in the next 2 months. Once logged and analysed, the results will be compiled into a geological model with the intention of upgrading the resources and delineating reserves and completing the open-cut mine schedule.

5.5.6 Conceptual Pit Designs – North and South Open Pit Areas

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 2 below, will be the focus of the Company during the BFS due to the near surface nature of the coal.

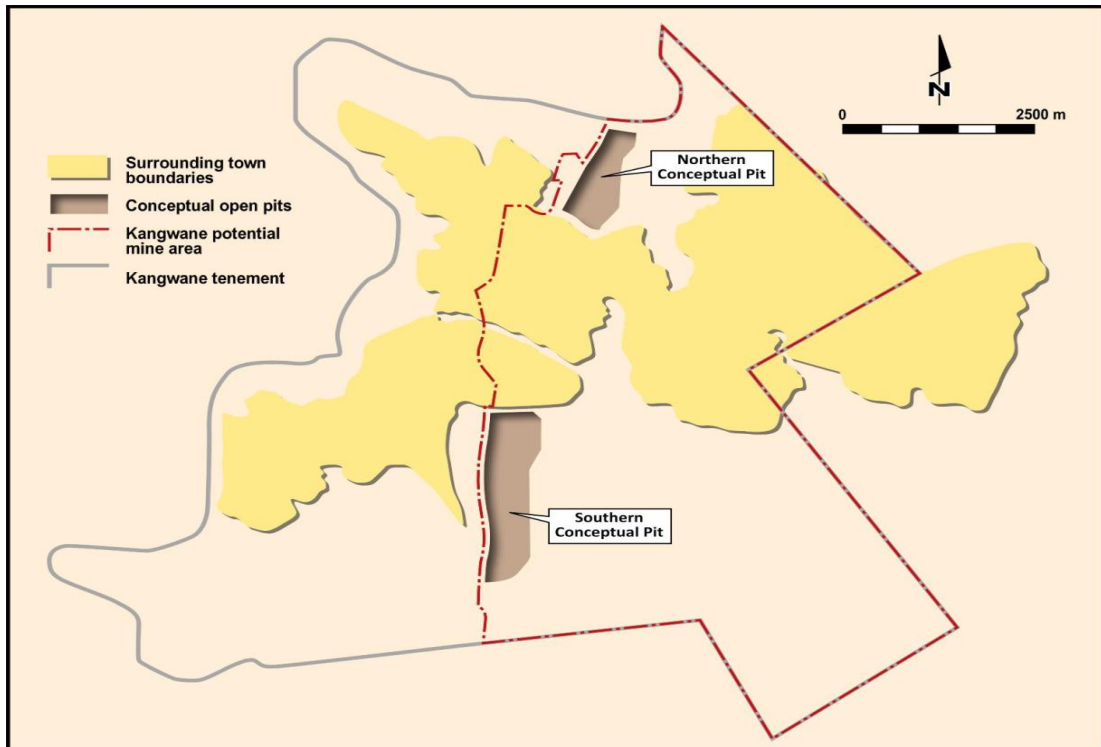


Figure 2: Kangwane location diagram illustrating the Northern and Southern Conceptual Pit

The conceptual pit designs for the proposed North and South Pits are intended to enable the Company to plan further drilling with a view to upgrading the status of the resources within the open-cut target areas and focus the framework of the BFS around delineating proven and probable reserves in these target areas.

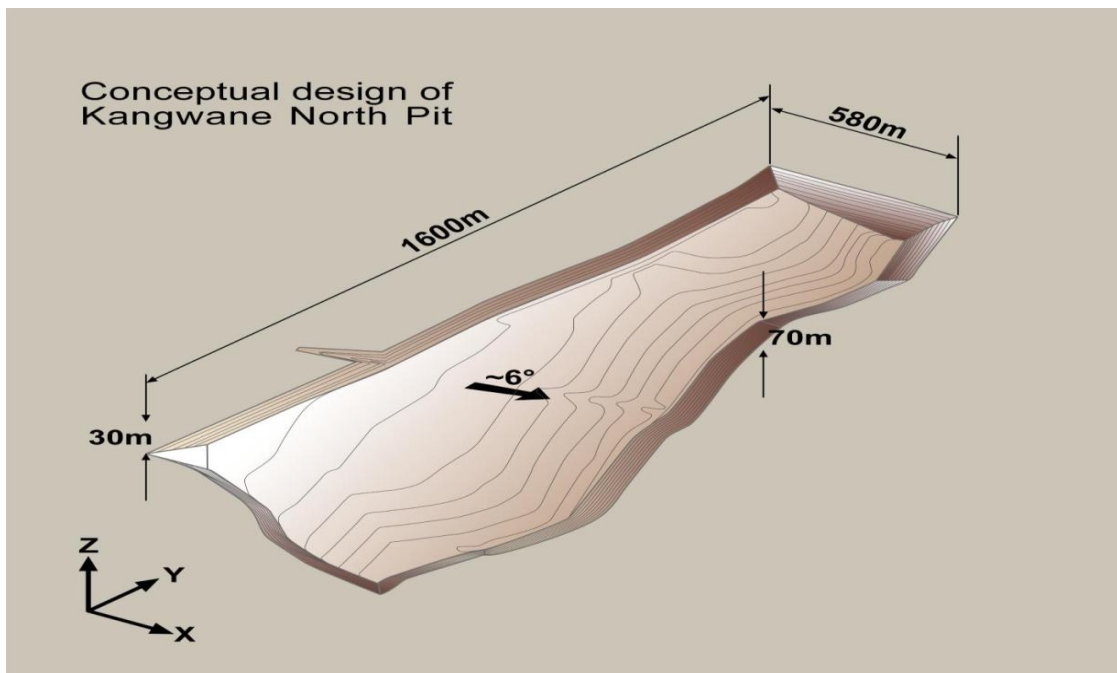


Figure 3: Conceptual Pit Design – North Pit, Kangwane Anthracite Project

The Conceptual Pit Design for the proposed North Pit (Figure 3) 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 Conceptual Pit Design, the minimum cumulative coal thickness is indicated at 6.2m with an average cumulative width of 7.2m.

The Conceptual Pit Design for the proposed South Pit (Figure 4) 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 is indicated at 4.4m with an average cumulative width of 7.7m.

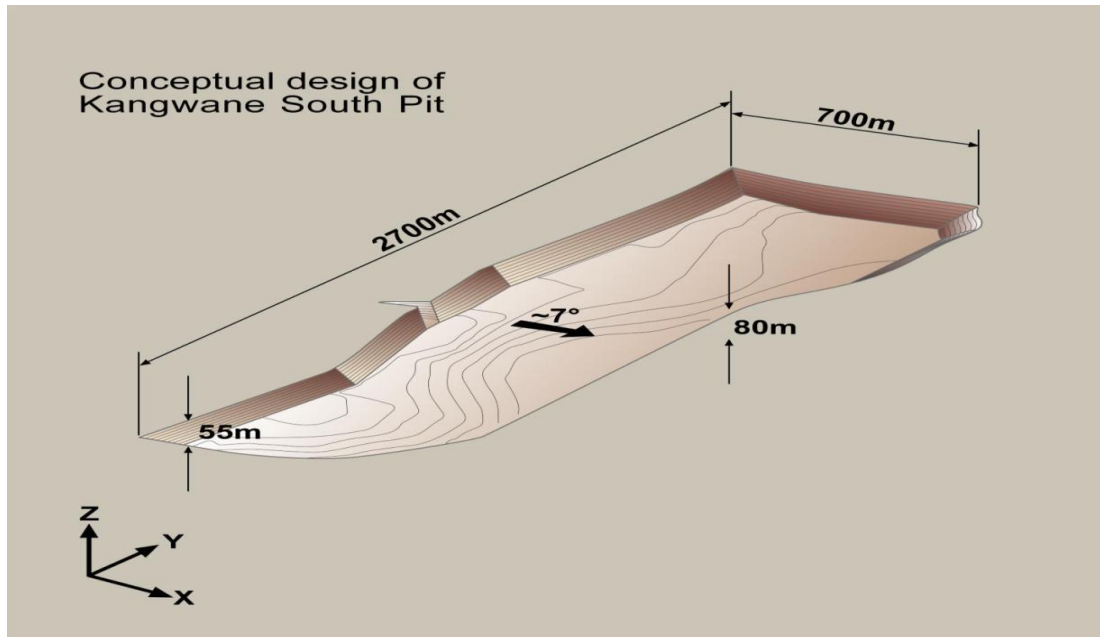


Figure 4: Conceptual Pit Design – South Pit, Kangwane Anthracite Project

5.5.7 Coal Offtake Agreement – International Power Utility

Main St 800 has executed a non-binding Memorandum of Understanding (**IPU MoU**) for off-take with an International Power Utility (**IPU**) at the Kangwane Anthracite Project (**Kangwane**).

The IPU specialises in the construction and operation of specifically engineered and designed modular power stations whereby the furnaces and boilers are exclusively designed to accommodate the characteristics of high energy coal.

The IPU MoU contemplates the IPU potentially constructing and operating a 600MW to 1,200MW Power Plant (**Power Plant**) in close proximity to the Kangwane Project. Should the Power Plant be constructed and subject to the outcome of the BFS, receipt of all regulatory approvals and commencement of mining by the Company, it is intended that the Kangwane Project may supply anthracite to the Power Plant.

The execution of the IPU MoU also contemplates a potential capital expenditure funding arrangement whereby the IPU may provide loan funds to the Kangwane Project for mine development and expansion of additional open-cut resources.

The precise terms of the coal pricing mechanism as well as the capital expenditure and investment mechanisms remain subject to further negotiation and agreement between the parties.

The potential construction and operation of the Power Plant near the Kangwane Project presents significant strategic advantages because it would potentially secure a consistent consumer of any coal that the Company is able to mine in the future (assuming mining operations ever commence).

The Company also intends to maintain the option of product sales to the inland markets in the Highveld region and the export option via Maputo should it achieve production in excess of the minimum threshold requirement of the IPU.

5.5.8 Kangwane Project – Photo Gallery



Figure 5: Kangwane Project, rail siding



Figure 6: Kangwane Project, main rail line to Matola Terminal at Maputo Port (Mozambique)



Figure 7: Kangwane Project, mail rail line to inland Highveld specialist steel producers



Figure 8: Kangwane Project, neighbouring mine anthracite stockpile

5.6 Other Projects

The Company also intends to continue to actively pursue new projects in the metallurgical coal sector, both in South Africa and worldwide, by way of acquisition or investment.

6. DIRECTORS AND SENIOR MANAGEMENT

6.1 Directors

Mr Bevan Tarratt – Chairman / Non-Executive Director

Bevan Tarratt has an extensive background in the accounting industry having worked in various local accounting firms for the past 10 years and is currently a Partner at Marlston Taxation & Financial Services. In addition Mr Tarratt has a comprehensive practical business background having owned various medium sized retail businesses and is currently involved in residential and commercial property development. Mr Tarratt also has extensive experience in primary and secondary capital raisings and corporate strategic consulting. Mr Tarratt is currently a director of ASX Listed Stonehenge Metals Limited and ASX Listed Agri Energy Limited.

Dr Eric Lilford – Managing Director

Immediately prior to his appointment, Dr Lilford, PhD (Mineral Economics), NHD (Coal Mining), BSc and MSc Eng (Mining) held the positions of National Head of Mining for Deloitte Touche Tohmatsu and Partner of Deloitte Corporate Finance. He has over 23 years operational and investment experience across the global resources sector.

Dr Lilford has mine production experience at multi-billion dollar underground gold, platinum, copper and coal mines. Specifically, Dr Lilford was Director of Project and Business Development at Beny Steinmetz Group Resources, where he managed aspects of a \$500 million dollar copper-cobalt mine and refinery in Zambia producing 30,000tpa of copper and 6,500tpa of special grade cobalt metal. In addition Dr Lilford was in production as a Mine Overseer for Randcoal Limited's Rietspruit and Khutala coal mines; he was responsible for producing over 3Mtpa of coal from three operating sections in the underground coal mine.

Dr Lilford's experience includes the completion of both pre feasibility and bankable feasibility studies in numerous jurisdictions including the Democratic Republic of Congo, Zambia and Macedonia. Dr Lilford jointly managed the bankable feasibility study of the Nikanor copper and cobalt project in the DRC and was appointed Non-Executive Director of Nikanor plc, a role he relinquished on emigration to Australia.

Mr Gino D'Anna – Executive Director / Company Secretary

Mr D'Anna has experience in financial markets having been involved in a number of Initial Public Offerings and secondary listings. Mr D'Anna has been involved in the reconstruction and recapitalisation of various ASX listed companies and has previously been involved in structuring investments and acquisitions for ASX listed companies.

Mr D'Anna has also been involved in a number of secondary capital raisings and brings experience and knowledge in private equity and debt markets and has specialist understanding and experience in dealing with ASX Listing Rules and compliance requirements. Mr D'Anna is currently a Director of ASX Listed Solverdi Worldwide Limited and was previously Executive Director of ASX Listed Ferrum Crescent Limited (formerly Washington Resources Limited).

Mr David Greenwood – Non-Executive and Technical Director

Mr Greenwood is currently the Executive General Manager – External Affairs and Exploration with Straits Resources Limited where he is involved in investor relations, exploration, marketing and corporate budget development and strategic business planning.

Mr Greenwood has 29 years of geological and mining experience with a number coal, precious metal and base metal producers. His extensive experience in the South African coal industry includes working for Johannesburg Consolidated Investment Company Limited at Tavistock Collieries and the Randfontein Estates Gold Mine and Randex Limited as the senior exploration geologist. He was previously the section head of new business and international operations at Gold Fields of South Africa Limited.

6.2 Corporate Governance

The Directors monitor the business affairs of the Company on behalf of Shareholders and have formally adopted a corporate governance policy which is designed to encourage Directors to focus their attention on accountability, risk management and ethical conduct.

6.2.1 The Board of Directors

The Company's Board of Directors are responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

6.2.2 Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (b) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisors, has been committed to by the Board.

6.2.3 Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

6.2.4 Remuneration arrangements

The remuneration of an Executive Director will be decided by the Board, without the affected Executive Director participating in that decision-making process.

The total maximum remuneration of Non-executive Directors is the subject of a Shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-executive Director. The current limit, which may only be varied by Shareholders in general meeting, is an aggregate amount of \$150,000 per annum.

The Board may award additional remuneration to Non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

6.2.5 External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

6.2.6 Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

6.2.7 Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

AN INDEPENDENT PERSON'S REPORT ON

The prospecting area PR 583/2006 in KwaZulu Natal

The PR consists of the 8 farms Naas 572 JU, Ronel 473 JU, Rags 474 JU, Tonga 475 JU, Walda 476 JU, Joyce 477 JS, Monsoon 478 JS and Wanhoop 485 JS.

“THE KANGWANE COAL PROJECT”

Prepared for ZYL LIMITED

By GeoCoal Services

April 2011

26 Croydon Circle

Telephone +27 46 624 4791

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1. INTRODUCTION

GeoCoal Services (IT 5961/96) ("GeoCoal") was appointed by ZYL LIMITED to conduct an independent competent person's report on the KANGWANE FARMS, collectively referred to as the KANGWANE ANTHRACITE PROJECT with specific reference to the techno-economic status of the project. The Competent Person's Report is to assess the reliability of the information available from the exploration area and the potential of the coal occurrence.

This Competent Person's Report is to be included in a Prospectus prepared by ZYL LIMITED to be lodged with the Australian Securities and Investments Commission on or about 15 April 2011 ("Prospectus").

The results of the evaluation of the available information and the expected future exploration are set out in the Independent Competent Person's Report ("CPR"), which follows. The CPR describes and evaluates the status of the available information and potential resources of the exploration area.

1.1 CPR Author and Background

GeoCoal is a South African based consultancy that has as its proprietor David le Roux van Wyk. David has more than 30 years' experience in the South African Coal industry. He has B.Sc. Geology from Rhodes University; is a Past President, Fellow and Member of the GSSA. He has also written a number of published and unpublished articles on coal. He is also a qualified coal plant operator. Neither GeoCoal nor any of the associates employed in the preparation of this report have any beneficial interest in the assets of ZYL LIMITED or any of their subsidiary companies, or Siyanda Resources the owner of the KANGWANE COAL PROJECT. GeoCoal's independence is assured by the fact that it holds no equity in any projects and only derives income from Consulting and writing CPRs.

David van Wyk is also a registered natural scientist (Pr. Sci. Nat No. 401964/83). David is familiar with and adheres to the JORC 2004 code (the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition) which references the 2003 edition of the 'Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves'. David resides at 26 Croydon Circle and being registered with SACNASP and having membership of the GSSA qualifies as a "ROPO" or recognized overseas professional.

1.2 Date

This report is based on 133 boreholes drilled, logged and sampled by the Mining Corporation during the 1980's (now the Industrial Development Corporation). The historical data was supplied in hard copy by the Council for Geosciences. This CPR is dated April 2011.

1.3 Information

This report is based on all the boreholes and any other geological data available on and around the eight farms; made available by the Council for Geosciences. The analytical data from the Geosciences boreholes were used but shale bands within the coal seams were often excluded in the sampling process compromising the true yields of the coal seam in a number of boreholes. GeoCoal has attempted to remedy this oversight by creating “dummy values” where shales within coal seams were not sampled. No geophysical logging was done making the correlation of the numerous coal intersections per borehole problematic.

1.4 Interest of Competent Person

GeoCoal is an independent Geological Consultancy and consults to a number of coal companies in South Africa and Internationally. GeoCoal will be paid the normal consulting fee for the generation of this report. GeoCoal has provided previous consulting on a fee basis for ZYL LIMITED. Neither GeoCoal nor their proprietors have any equity or interest in ZYL LIMITED, SIYANDA RESOURCES, the KANGWANE COAL PROJECT or any of the associated companies.

1.5 Compliance

Independence is assured by the fact that, the Competent Person, or any of the Competent Person’s staff and associates involved in this report, do not hold any equity in ZYL LIMITED or its subsidiary or associated companies, or have a direct or indirect interest in any project that is the subject of this report. Fees for the preparation of this report are being charged at standard rates with expenses reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report.

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1.6 JORC and SAMREC Codes

This CPR has been written using the Joint Ore Reserves Committee (“JORC”) code of 2004 with updated comments from the Australian Securities Exchange (“ASX”). The report also uses as a guideline the updated 2007 SAMREC code with special reference to section 6 as a guideline to coal reporting, and the addendum to the SAMREC code, namely SANS 10320:2003, the South African Guide to the systematic evaluation of coal resources and coal reserves which has recently been revised (due to the location of the Kangwane Project).

1.7 History of Exploration

The total area investigated by the Mining Corporation extended from the border of the Republic of South Africa, 35 km south of Komatipoort for 50 km in a southerly direction towards the Swaziland border. The central block and the southern blocks are not covered in this report.

The exploration programme over the total area included geological mapping, magnetic surveys and percussion and diamond drilling. A total of 149 diamond drill holes with a combined depth of 18 567,81 metres were drilled over the total strike length of 33 kilometres. 133 boreholes were drilled on Kangwane Anthracite Coal project Area. None of the holes were geophysically logged and as a result seam correlation and sampling was problematic. Analyses including phosphorus were done on some of the coal intersections. All yields had to be re-calculated as the yield reported included the -0.5 mm fraction.

The intervals between the drill holes varied from 300 to 1 500 metres north south and 100 to 1 500 metres east west. An exploratory box cut was sunk by Trans Natal but the results are not available.

1.7.1 Google Earth view and picture of box cut



1.8 Recent Drilling

Seven holes have recently been drilled, but core recoveries in the coal seam were very poor making the data unrepresentative.

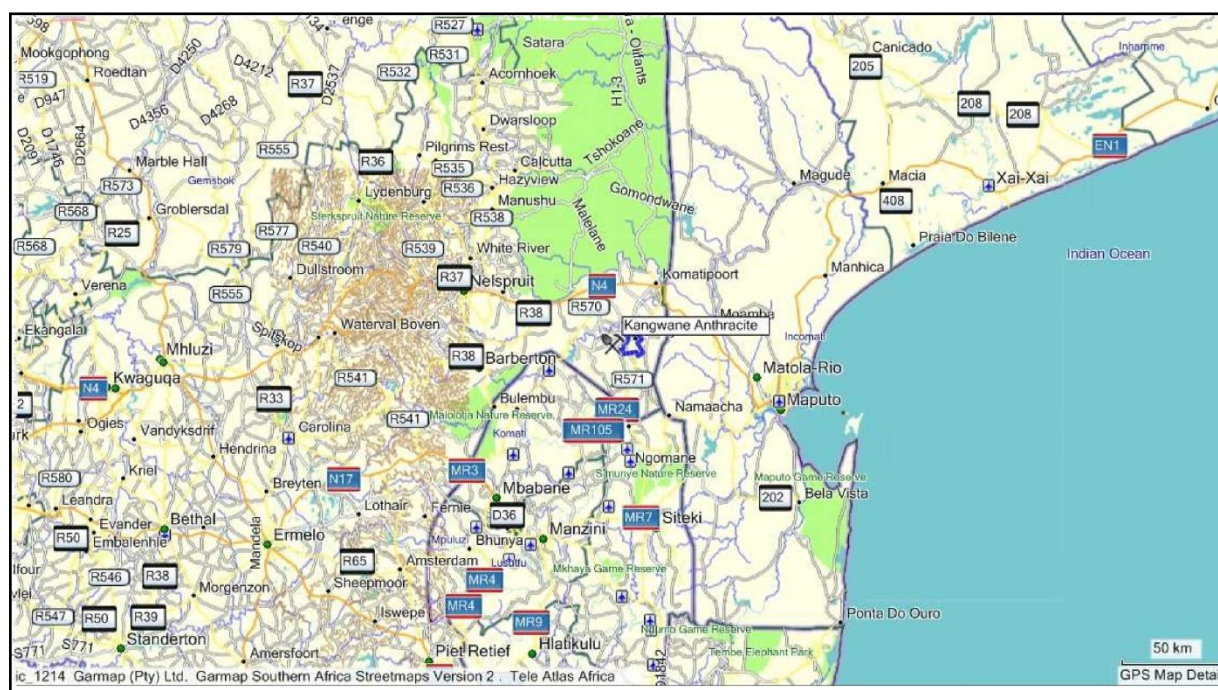
1.9 Data Location, Digital Terrain Model and Topographic Control

All new boreholes will be surveyed by certified land surveyors. For the current geological modelling the borehole collar elevations were used to create a digital terrain model ("DTM"). Going forward a detailed and accurate DTM needs to be digitized from orthophotos or calculated from an aerial survey before the new geological model is created. All borehole and analytical data are kept in electronic format and backed up on an external hard drive. Borehole collars were plotted using "Mapsource" to compare them to the contour elevations and no discrepancies were encountered.

2. LOCALITY

The Project area is situated less than 100km east of Nelspruit and less than 100 km west of Maputo

2.0 1 Locality Map



2.1 Farms

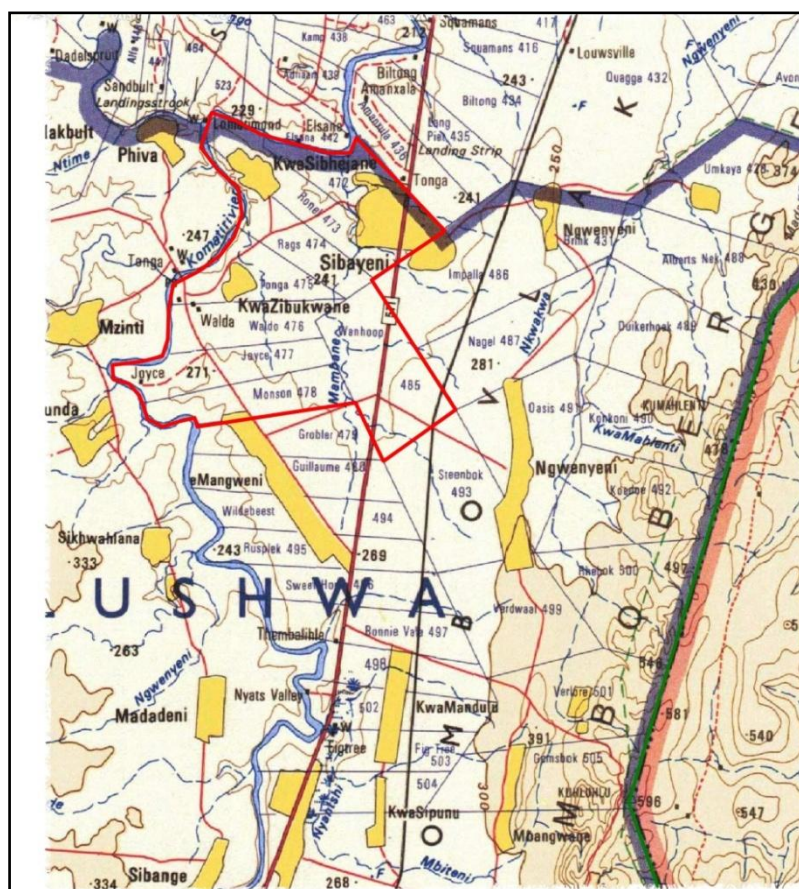
The KANGWANE COAL PROJECT consists of 8 farms, and is situated in the KwaZulu Natal province of South Africa. It is understood that a legal audit is being done on the validity of the New Order prospecting rights, detail of which will be included in a separate report independent to this in the Prospectus.

2.1_1 Table showing summary of granted prospecting rights

PR 207/2006	PL 11/206
Farm Name	Reg. Number
Naas	472JU
Ronel	473JU
Rags	474JU
Tonga	475JU
Walda	476JU
Joyce	477JU
Monson	478JU
Wanhoop	485JU
Total hectares	7,203.5775

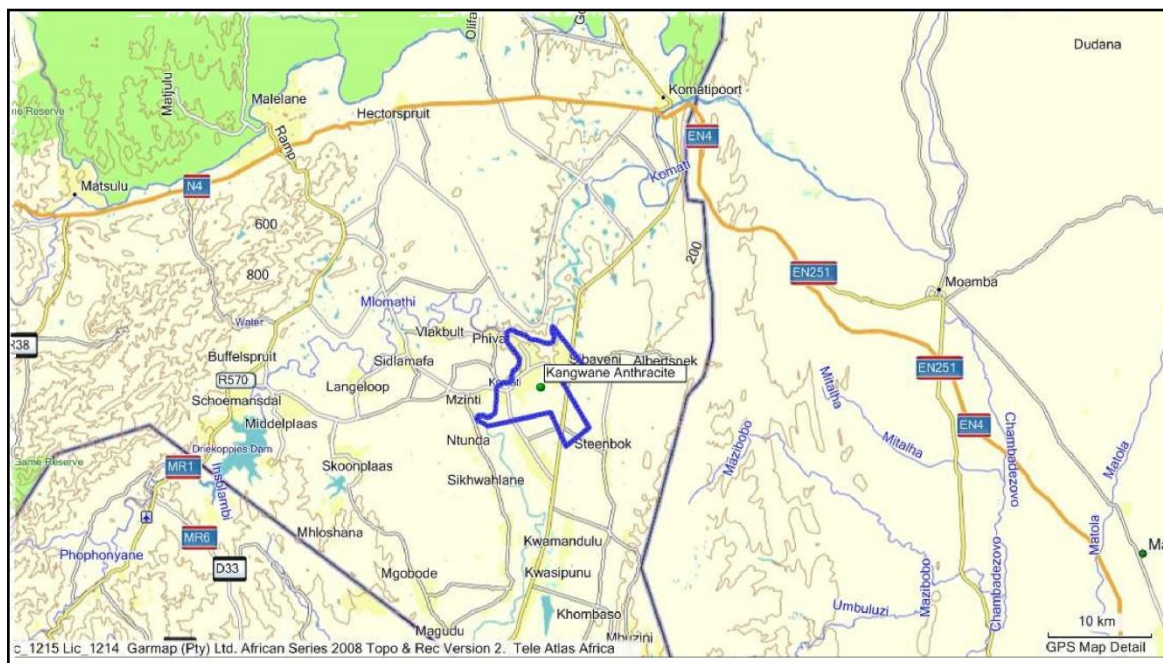
The author of the CPR has inspected copies of the issued and notarized prospecting rights.

2.1_2 Map showing the farms



2.2 Location

2.2_1 Infrastructure Map



3. DATA

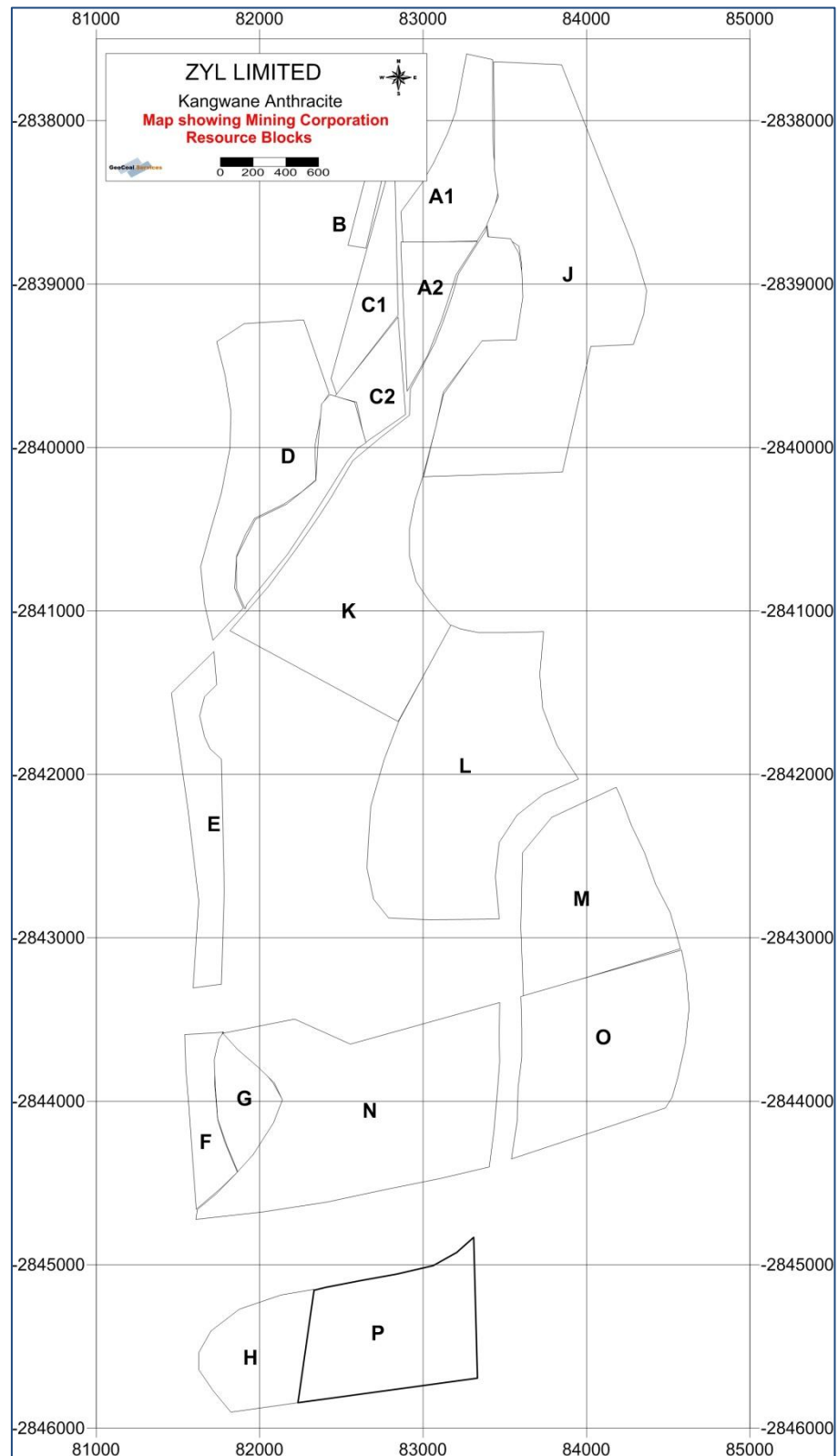
3.1 Data Distribution

3.1_2 Different coal blocks in the KANGWANE coal project as per Mining Corporation report

Mining Corp. Block Number	Seam	No of boreholes	Area (sq. m)	Volume (cu m)	RD (g/cc)	GTIS	Jorc Category
A1	Top	7	377,479	610,559	1.5	915,838	Indicated
A1	Mid	6	377,472	485,653	1.5	728,479	Indicated
A1	Bot	6	344,194	609,045	1.5	913,568	Indicated
A2	Top	6	197,750	472,304	1.5	708,456	Indicated
A2	Mid	4	198,006	190,497	1.5	285,745	Indicated
A2	Bot	4	198,140	1,484,889	1.5	2,227,334	Indicated
C1	Top	8	220,369	480,784	1.5	721,175	Indicated
C1	Mid	5	220,418	1,180,247	1.5	1,770,371	Indicated
C1	Bot	5	210,475	184,662	1.5	276,993	Indicated
C2	Top	5	151,117	219,066	1.5	328,599	Indicated
C2	Mid	3	151,104	455,211	1.5	682,816	Indicated
C2	Bot	3	132,660	214,015	1.5	321,022	Indicated
D	Top	19	747,642	1,190,644	1.5	1,785,966	Indicated
D	Mid	17	747,624	1,379,913	1.5	2,069,870	Indicated

Mining Corp. Block Number	Seam	No of boreholes	Area (sq. m)	Volume (cu m)	RD (g/cc)	GTIS	Jorc Category
D	Bot	17	747,093	3,280,744	1.5	4,921,116	Indicated
E	Top	3	341,914	318,271	1.5	477,406	Indicated
E	Mid	2	341,662	1,831,926	1.5	2,747,890	Indicated
E	Bot	1	296,745	98,800	1.5	148,200	Indicated
G	Top	2	200,138	400,903	1.5	601,355	Indicated
G	Mid	1	194,716	150,419	1.5	225,629	Inferred
G	Bot	1	194,766	500,855	1.5	751,282	Inferred
H	Top	2	202,828	253,535	1.5	380,303	Indicated
H	Mid	2	202,828	288,016	1.5	432,024	Indicated
H	Bot	2	202,828	330,610	1.5	495,915	Indicated
I	Top	8	264,160	400,480	1.5	600,720	Indicated
I	Mid	6	230,629	179,000	1.5	268,500	Indicated
I	Bot	6	226,126	388,168	1.5	582,253	Indicated
J	Top	6	1,762,552	2,071,113	1.5	3,106,670	Inferred
J	Mid	3	1,725,198	1,914,357	1.5	2,871,535	inferred
J	Bot	3	1,762,561	8,133,967	1.5	10,669,548	Inferred
K	Top	11	1,556,151	1,739,434	1.5	2,609,151	Indicated
K	Mid	9	1,556,230	4,111,633	1.5	6,167,449	Indicated
K	Bot	8	1,556,180	8,870,947	1.5	13,306,420	Indicated
L	Top	3	1,474,964	3,286,909	1.5	4,930,363	Inferred
L	Mid	2	1,474,952	1,860,264	1.5	2,790,397	inferred
L	Bot	2	1,461,116	3,041,389	1.5	4,562,083	Inferred
M	Top	1	806,973	903,810	1.5	1,355,715	Inferred
M	Mid	1	806,973	3,833,122	1.5	5,749,683	inferred
M	Bot	1	806,973	6,020,019	1.5	9,030,028	Inferred
N	Top	1	1,507,869	1,357,082	1.5	2,035,623	Inferred
N	Mid	1	1,507,869	3,317,312	1.5	4,975,968	inferred
N	Bot	1	1,507,869	9,047,215	1.5	13,570,822	Inferred
Total						114,100,285	

3.1_2 Plan showing Resource Blocks (as per Mining Corporation Report 1980's)



3.2 Audits

GeoCoal has reviewed the data and information provided by third parties using a number of verification methodologies such as visual scans of borehole logs versus data base entries, log depths and widths compared to core logs depths and widths, and used algorithms to check the figures for partings, seam widths and elevations in the electronic database. The standard of the coal logging and sampling was not up to accepted international standards and additional verification drilling and sampling has been proposed.

Laboratory analyses were captured from the Council for Geosciences hard copies and were then electronically transferred into a database which uses Wash Product Software® applying standard accepted methodologies for compositing samples. This software also verifies that all qualities are correct, for example Calorific Value ("CV") must always decrease with increasing relative density, ash must always increase with increasing density and yields must always add up to 100%. A number of CV's on the sink fractions were not done and had to be interpreted from ash CV correlation curves. A number of sulphur analyses were not done and as a result the sulphur values have a low confidence level.

3.3 History

Coal was first discovered in Swaziland on the Forbes Ranch during 1897. Also during 1897 Dr. Molengraaff reported outcrops of coal to the north of Kangwane. In 1906, Kynaston published a memoir on the Komatipoort coalfield. After this memoir four boreholes were drilled and a trial shaft was sunk. The drilling and trial shafts were situated to the north of Kangwane. The results were disappointing and no further work was done until the 1950's.

From 1953 to 1957, the Geological Survey mapped the entire area and drilled fifteen boreholes to the north of Kangwane. The majority of the boreholes were positioned to intersect the Upper Eccca sequence. The quality of the anthracite intersected was poor and analytical results indicated low yields with high ash contents. During 1975, the Geological Survey drilled a further two boreholes, which were situated in Kangwane, 3,5 kilometres to the north of the Swaziland border. One hole which was sited to test the Upper Eccca coals, intersected dolerite and minor sediments, but no coal. The second hole intersected the Middle Eccca coal seam, at a depth exceeding 200 metres. Analytical results indicated coal with low ash contents (9,8% –10%) and yields varying from 4% to 90%. Mining Corporation then mapped the area and drilled two more boreholes during 1978 which produces better results than the earlier northern coalfield drilling. During the 1980's, the Mining Corporation conducted extensive drilling programs in the area. This report is based on that drilling. The structural blocks delineated by the Mining Corporation were used as basis for the resource delineation as no new drilling has been done.

4 Geological Data

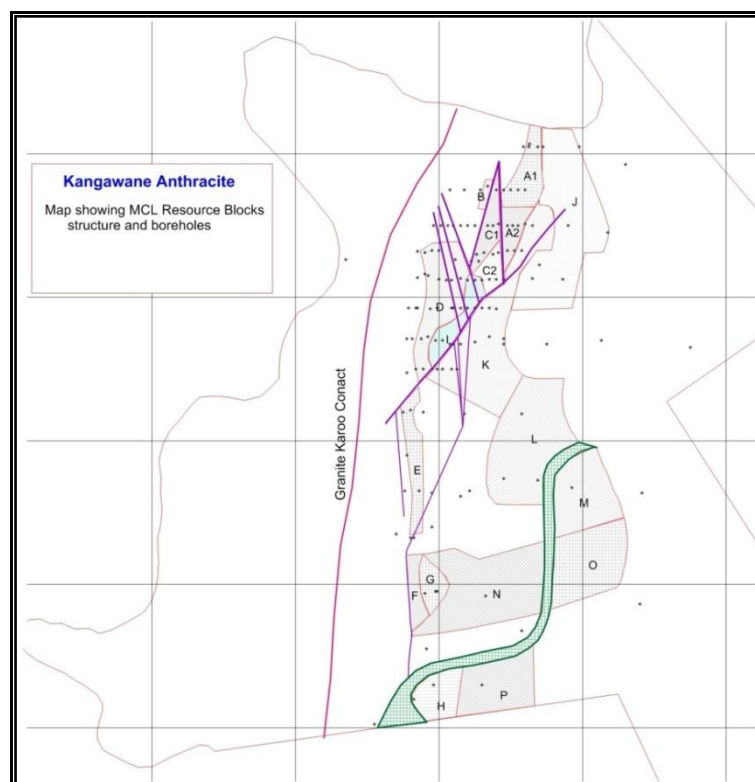
All the physical data from the borehole logs and laboratory results were verified and transferred into an excel database. These databases were made read only to prevent any of the data being corrupted. The analytical data were transferred in a similar manner to three CSV files; a header file, a samples file and an analyses file. These files were also read only to prevent data being corrupted.

The physical database consisted of the Borehole ID, their X & Y co-ordinates, the collar elevation and the depth to the roof and floor of each seam. From this information the widths of each seam, as well as the elevations of the roof and floor of each seam were calculated. A number of check algorithms were run to check for negative seam widths and partings.

In the wash simulation software algorithms standardize wash fractions, calculate raw RDs from the raw ashes as well as using the standard methodologies for compositing samples using width and raw RD.

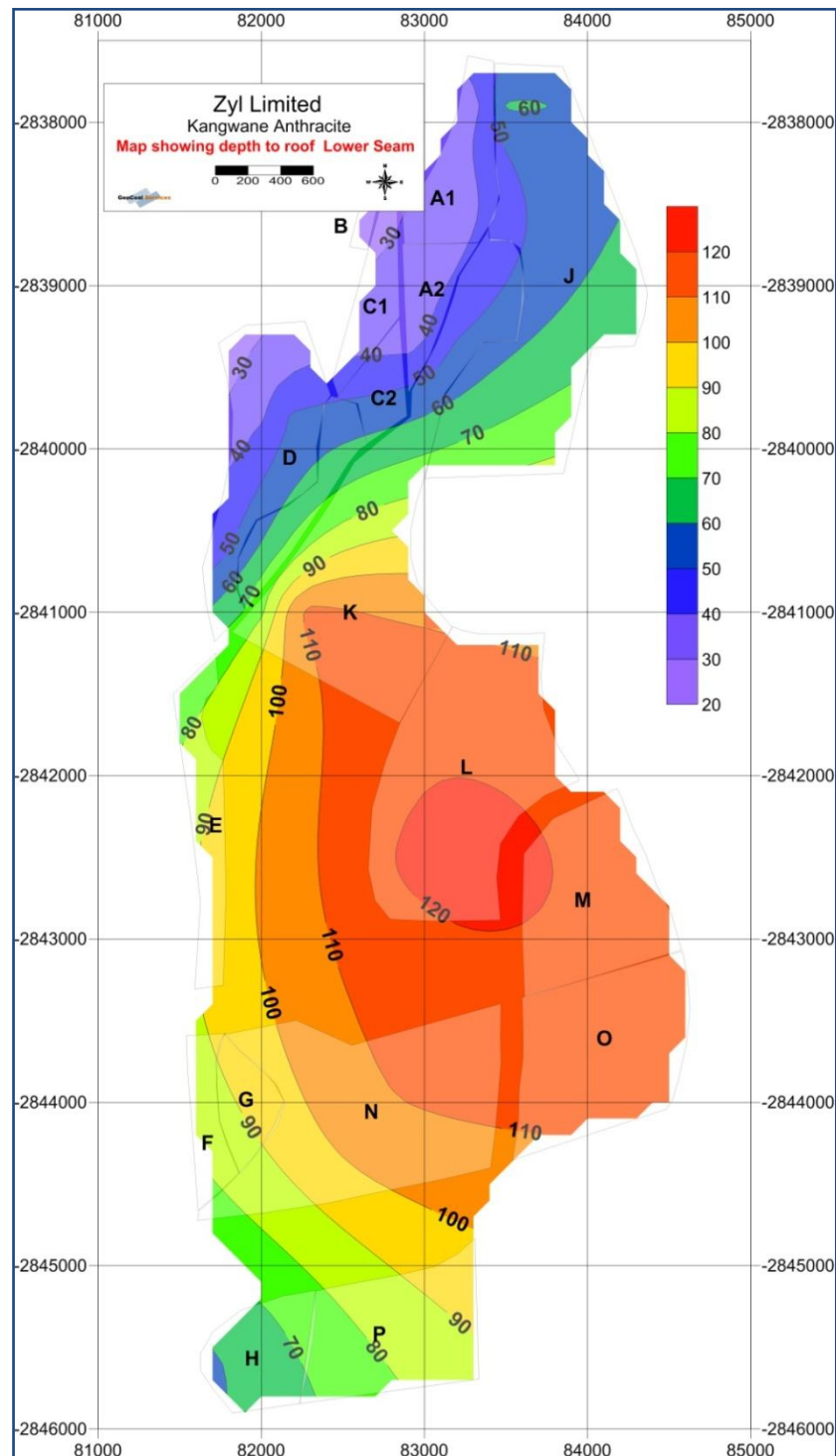
The analyses files were uploaded into verification, compositing and washing simulation database where numerous check routines verified the data, composited the samples as well as simulating and reporting quality outputs, the detail of which is listed in the Reserve/Resource reports.

4.1.1 Map showing resource blocks and structure done by the Mining Corporation

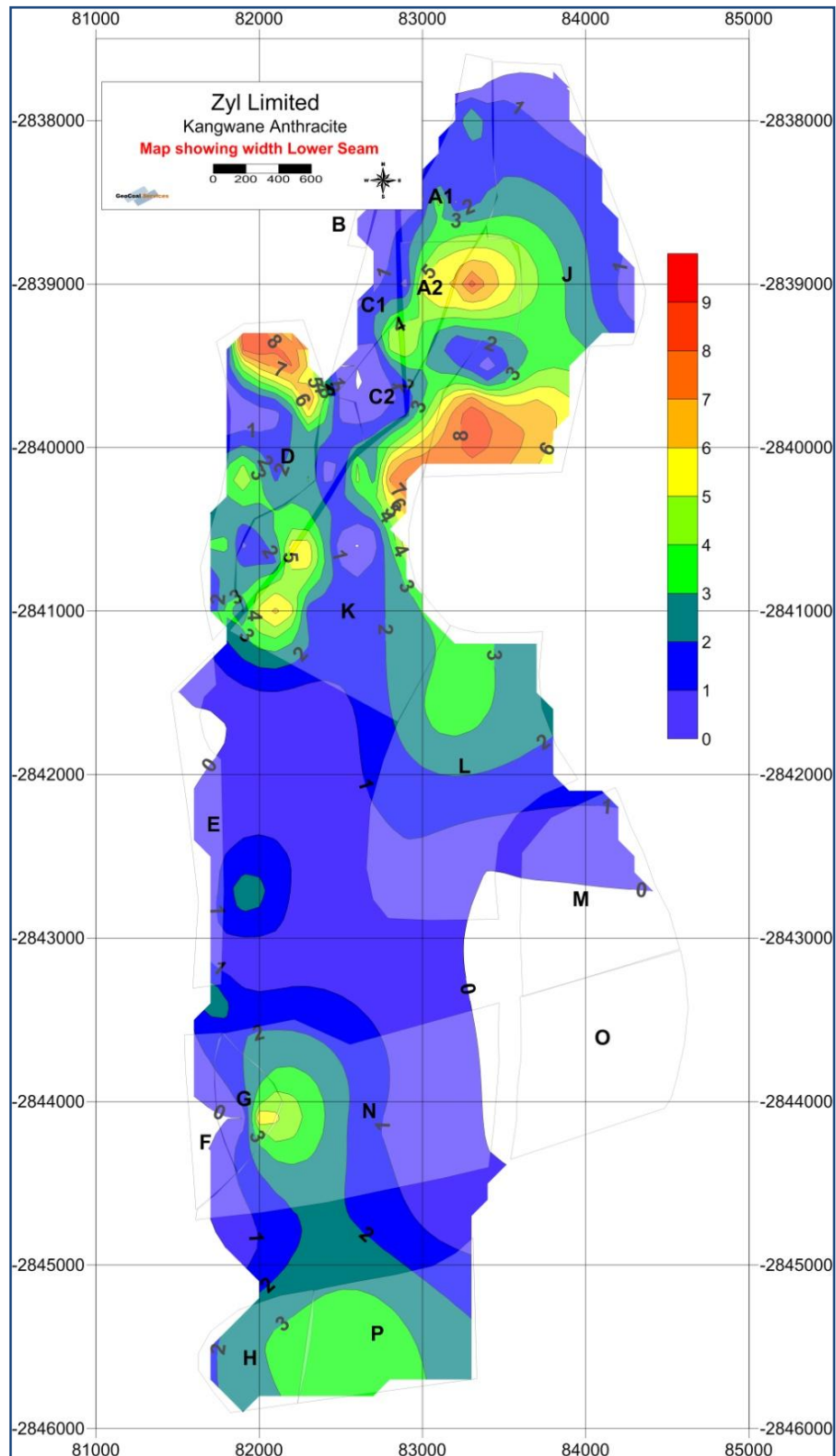


The iso-contours below depict average depths and widths across the possible fault lines. In the model a data base was created for each resource block containing only the boreholes in that resource block. Volumes were calculated using the roof and floor grids created using only the boreholes present in each block.

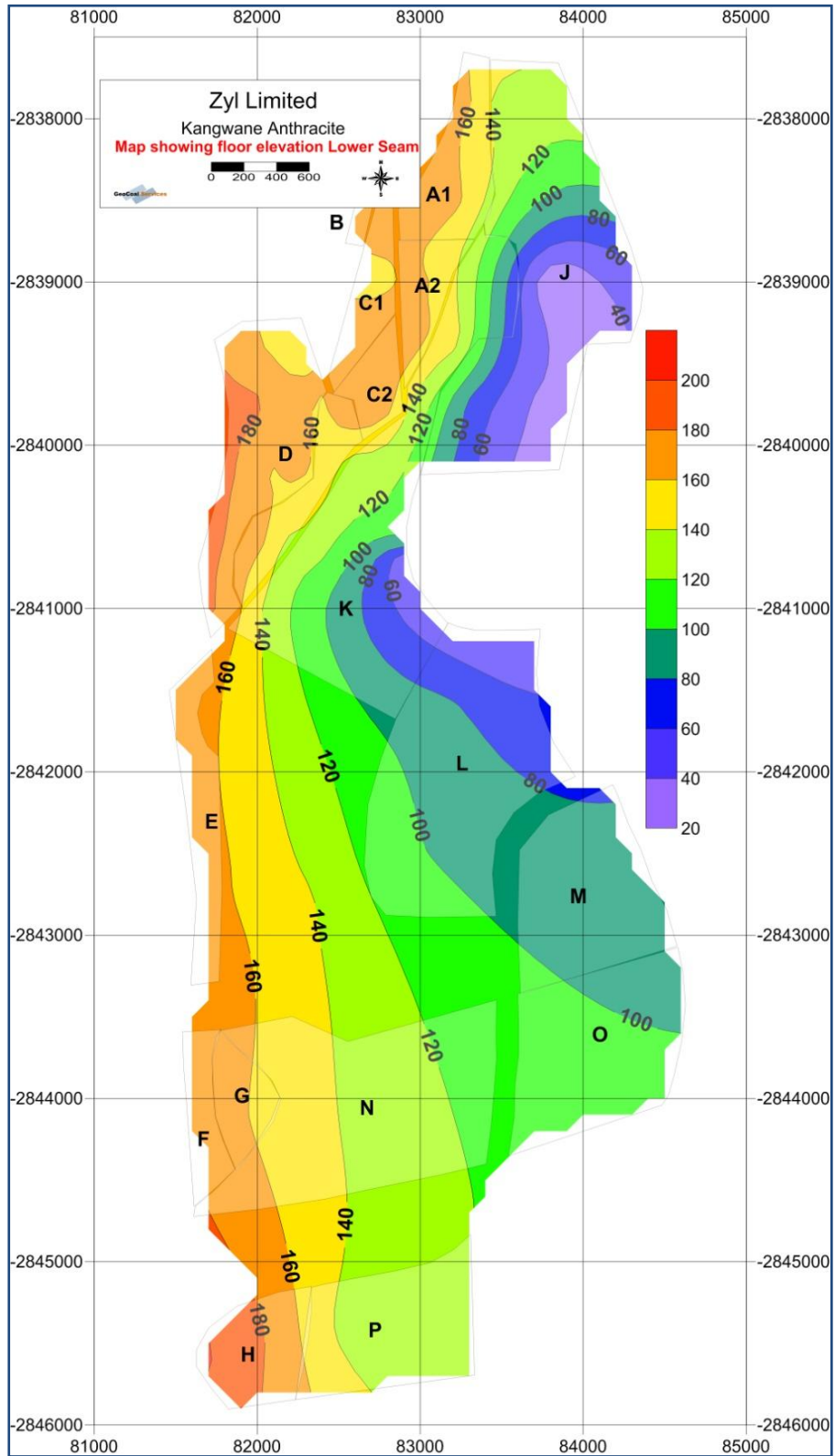
4.1.2 Depth to roof Lower Seam (metres)



4.1.3 Width Lower Seam (metres)

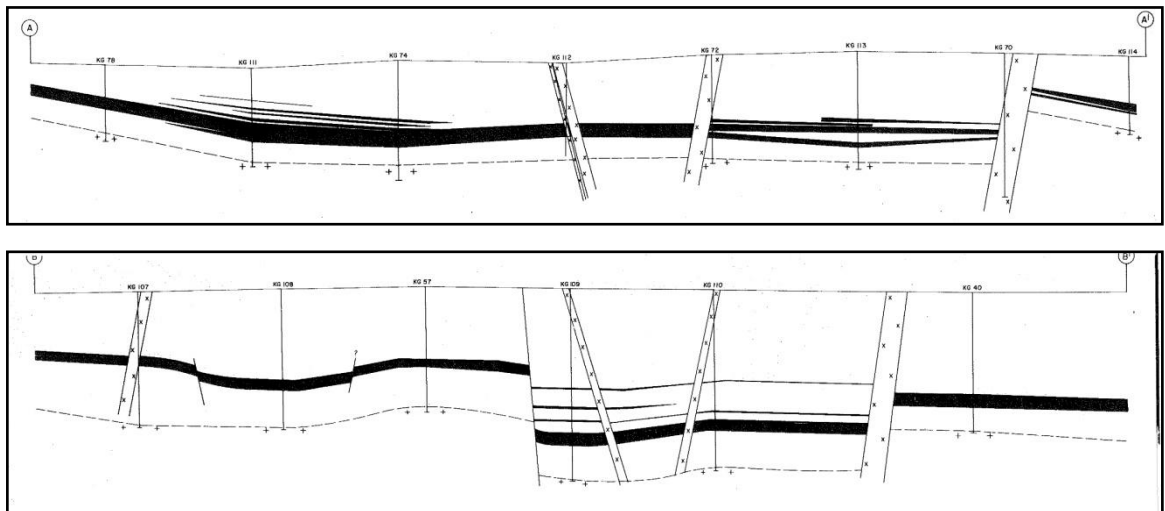


4.1.4 Map showing floor elevation Lower Seam (m.a.s.l.)



It is clear from the floor elevation plan together with the depth below surface elevation plan that there are some major faults running north south. The cross sections below confirm this.

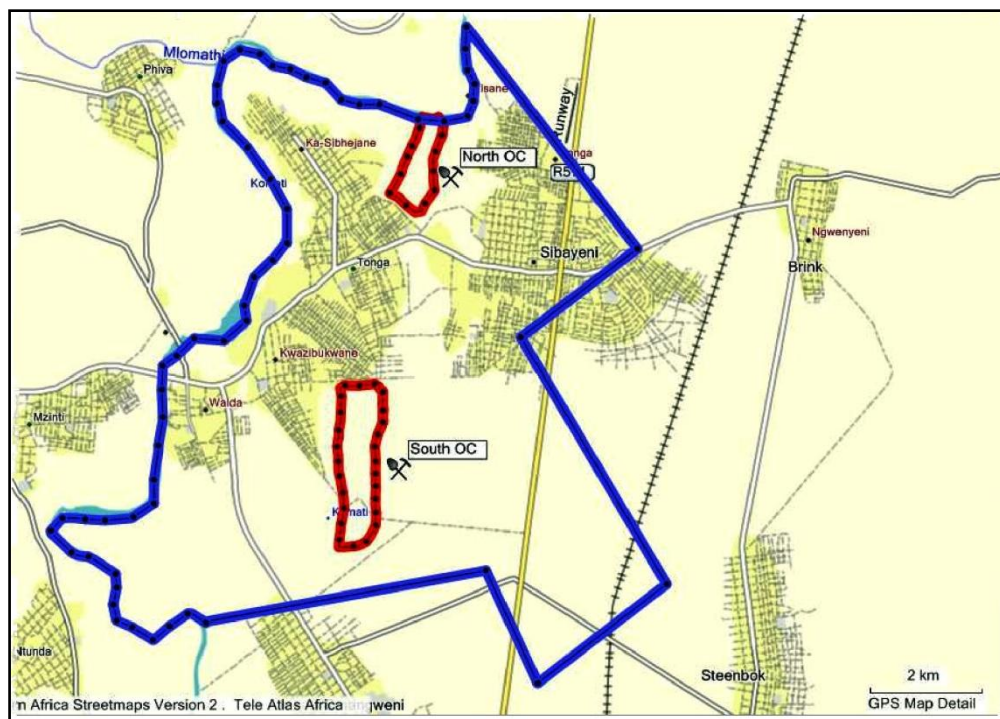
Typical East West Sections across the coal resource area



The fault delineated blocks as proposed by the Mining Corporation were used as resource blocks until further drilling and magnetic surveys clarify the structure.

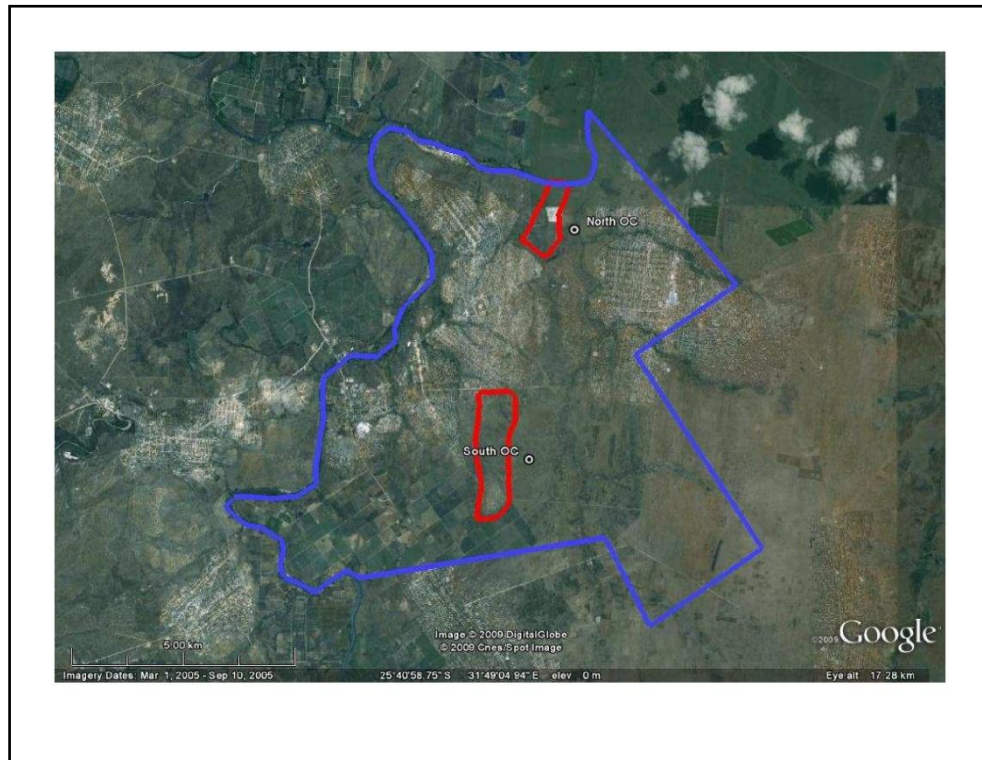
Two potential opencast areas have been identified from the Mining Corporation Data

4.1.5 Northern Opencast & Southern Opencast Areas

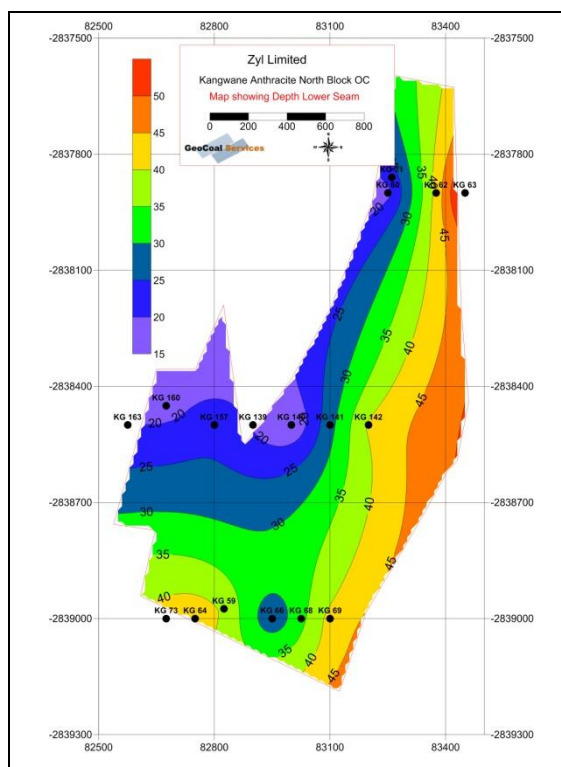


4.1.6

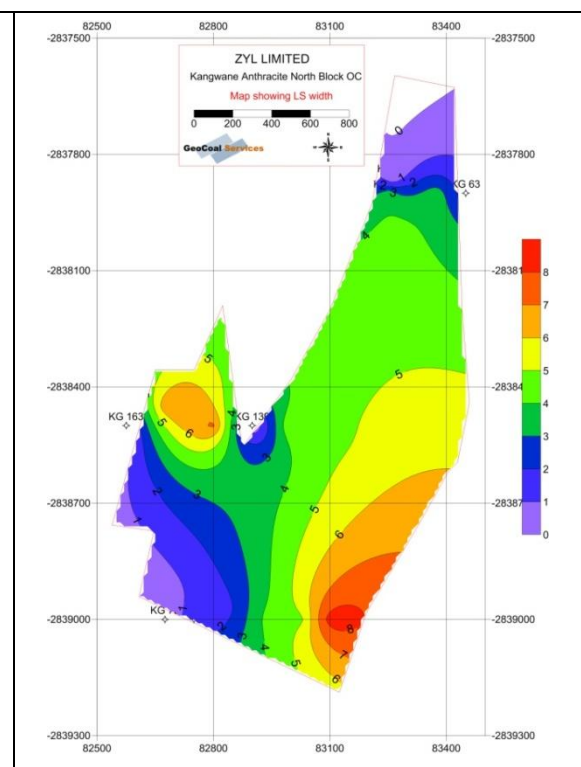
A Google Earth View of the potential opencast areas



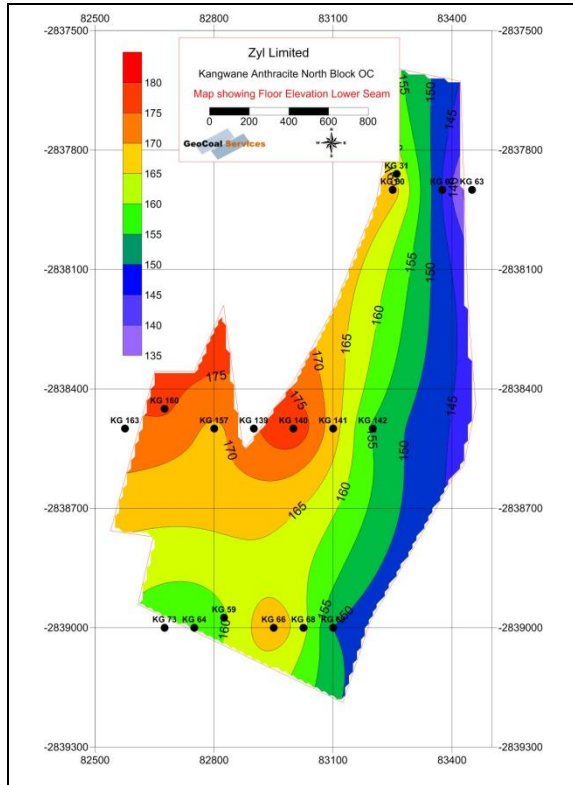
4.1.7 Northern OC Depth LS (Lower Seam) (metres)



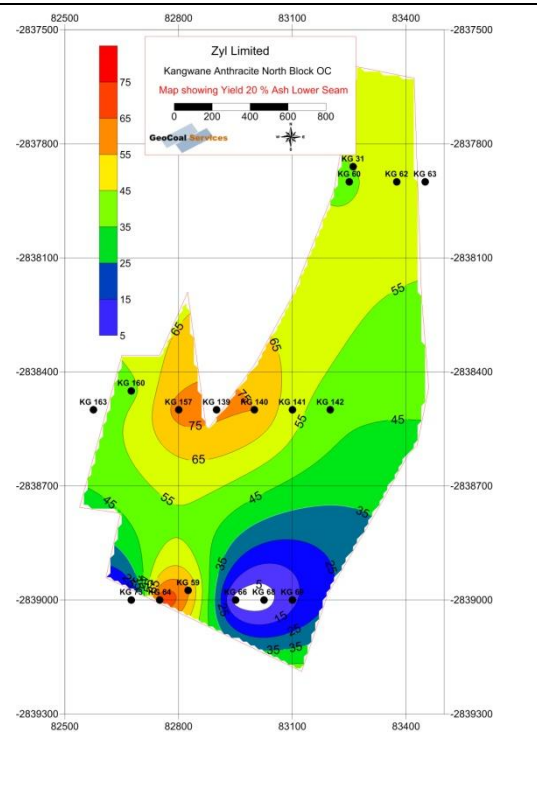
4.1.8 Northern OC Width LS (metres)



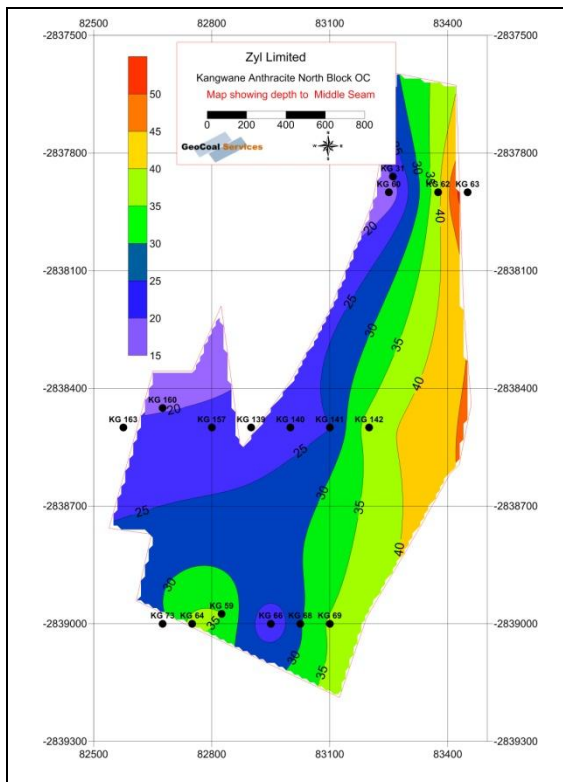
4.1.9 Northern OC Floor Elevation LS (m.a.s.l.)



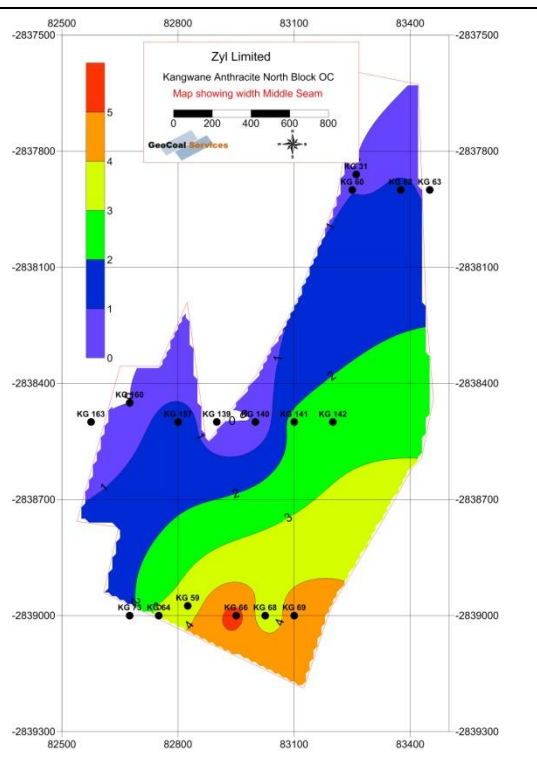
4.1.10 Northern OC Yield LS for a 20% Ash



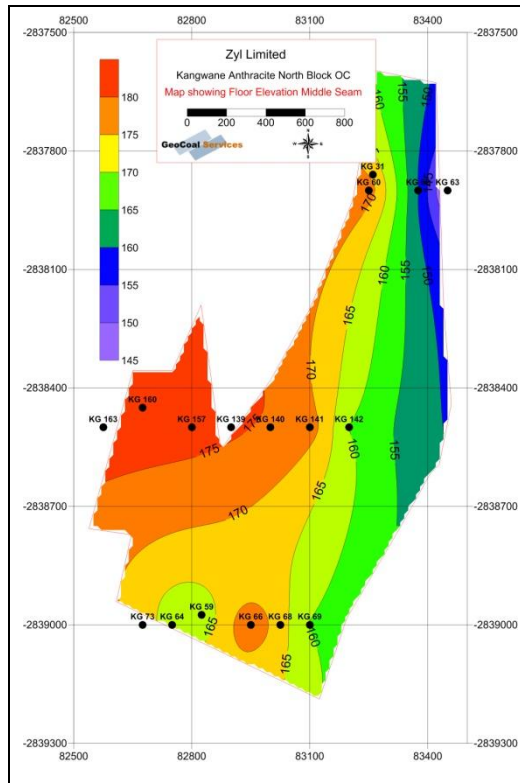
4.1.11 North O C Middle Seam (MS) depth (metres)



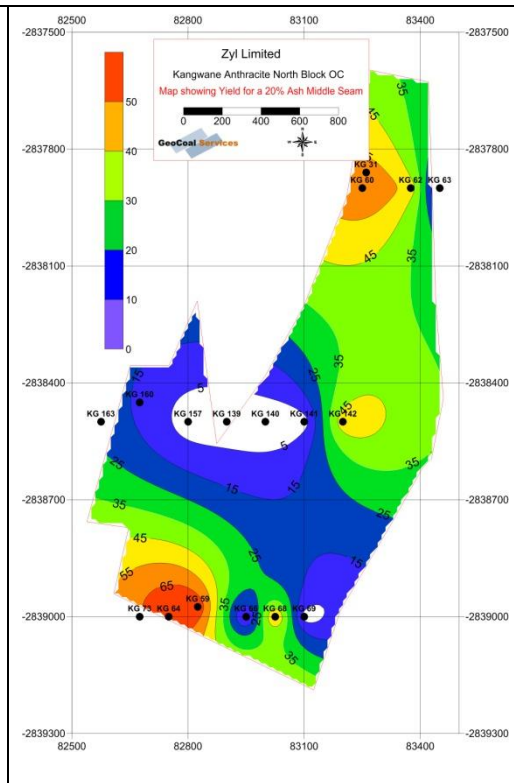
4.1.12 North OC MS width (metres)



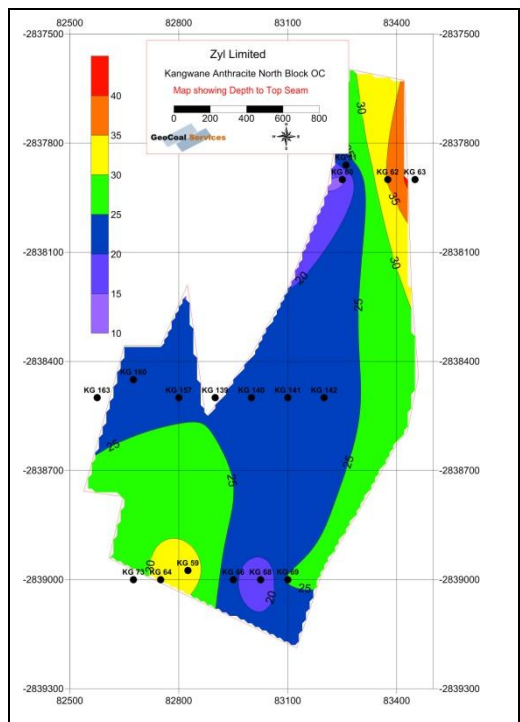
4.1.13 North O C MS floor elevation (m.a.s.l.)



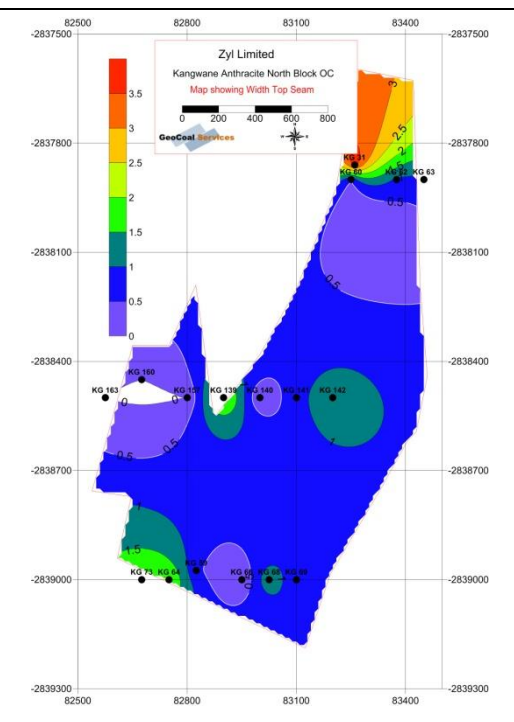
4.1.14 North OC MS Yield for a 20% Ash



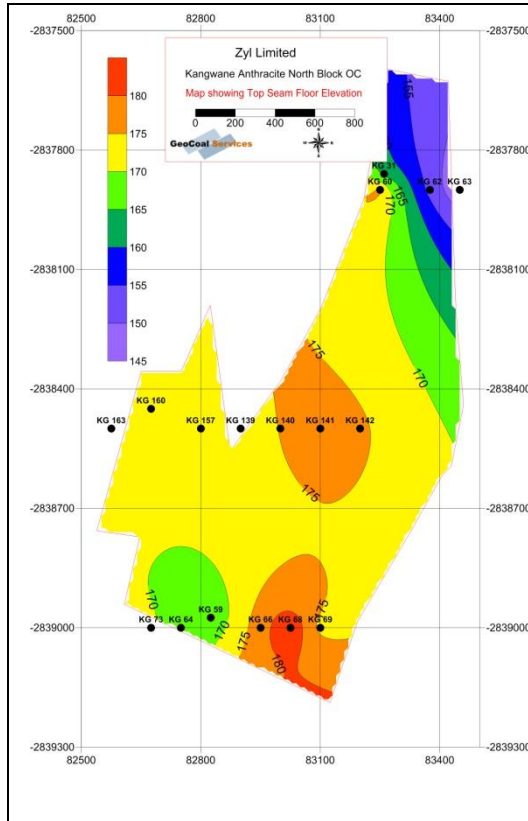
4.1.15 North OC TS (Top Seam) depth (metres)



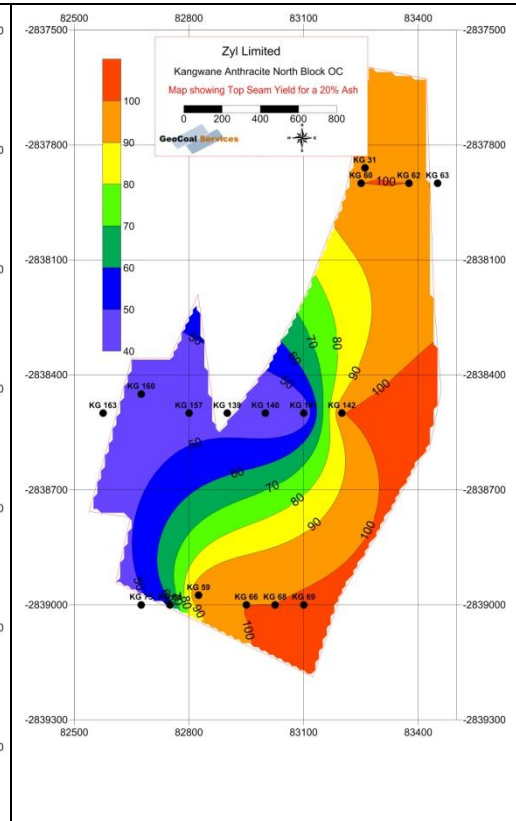
4.1.16 North OC TS width (metres)



4.1.17 North OC TS floor elevation (m.a.s.l.)



4.1.18 North OC TS Yield for a 20% Ash



4.1.19 Table showing North Opencast washing simulation for 16% & 20 % ash levels

LS Washed for a 16% Ash Northern OC

	Product RD	Moisture	Ash	Volatiles	FC	Sulphur	CV	Yield	Raw RD
Wgt. Ave	1.29	1.44	12.90	5.98	60.33	0.27	22.68	29.60	1.59
Max	1.71	5.10	16.00	12.32	76.80	0.53	28.82	85.79	1.71
Min	1.53	0.96	16.00	4.40	67.87	0.19	25.28	14.14	1.52

LS Washed for a 20% Ash Northern OC

	Product RD	Moisture	Ash	Volatiles	FC	Sulphur	CV	Yield	Raw RD
Wgt. Ave	1.69	2.23	20.00	7.74	70.03	0.31	25.96	63.69	1.59
Max	1.77	5.10	20.00	12.90	72.80	0.53	27.10	96.12	1.71
Min	1.64	1.06	20.00	4.40	63.00	0.19	22.98	48.43	1.52

MS Washed for a 16% Ash Northern OC

	Product RD	Moisture	Ash	Volatiles	FC	Sulphur	CV	Yield	Raw RD
Wgt. Ave	1.64	1.98	16.00	6.80	75.21	0.31	27.87	42.70	1.60
Max	1.70	4.30	16.00	8.04	75.74	0.53	28.92	56.78	1.79
Min	1.60	1.15	16.00	4.80	74.80	0.18	26.88	32.12	1.57

MS Washed for a 20% Ash Northern OC

	Product RD	Moisture	Ash	Volatiles	FC	Sulphur	CV	Yield	Raw RD
Wgt. Ave	1.71	1.96	20.00	7.17	70.87	0.31	26.62	64.33	1.60
Max	1.74	4.30	20.00	8.20	71.13	0.55	27.14	74.79	1.79
Min	1.69	1.10	20.00	4.80	70.40	0.19	26.12	52.03	1.57

TS Washed for a 16% Ash Northern OC

	Product RD	Moisture	Ash	Volatiles	FC	Sulphur	CV	Yield	Raw RD
Wgt. Ave	1.69	1.10	20.00	4.80	70.40	0.19	26.12	52.03	1.57
Max	1.74	4.30	20.00	8.20	75.74	0.55	28.92	74.79	1.79
Min	1.60	1.15	16.00	4.80	70.87	0.18	26.62	32.12	1.57

LS Washed for a 20% Ash Northern OC

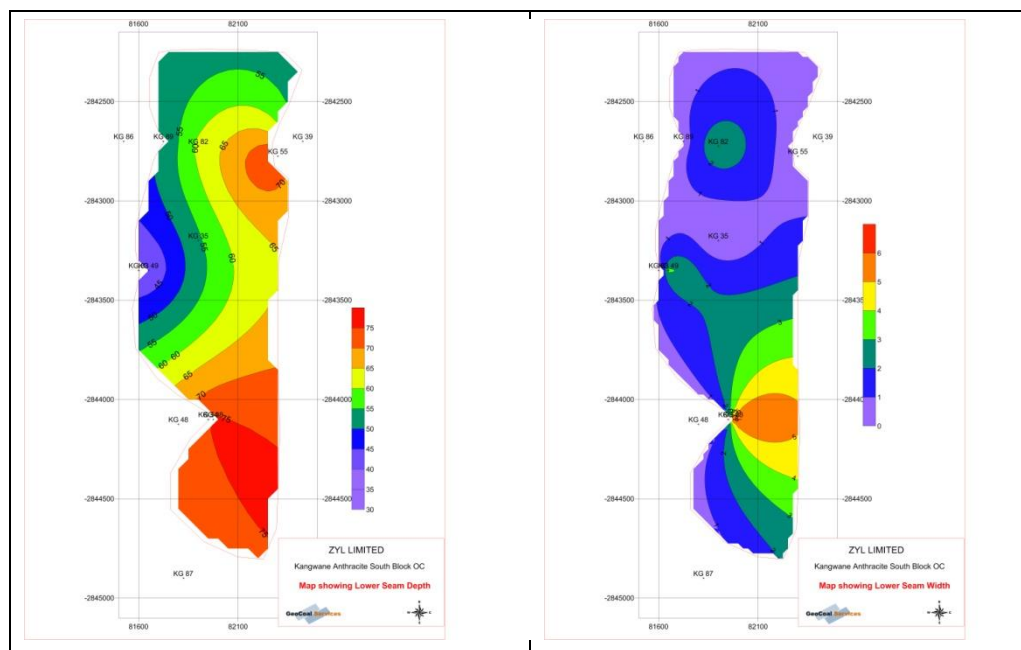
	Product RD	Moisture	Ash	Volatiles	FC	Sulphur	CV	Yield	Raw RD
Wgt. Ave	1.77	4.39	18.81	7.68	69.12	0.42	25.28	79.72	1.53
Max	1.80	7.80	20.00	15.80	80.80	0.71	28.23	100.00	1.61
Min	1.74	1.20	12.20	5.00	58.60	0.21	19.06	39.39	1.41

4.1.20 Tonnage statement North Opencast Area (JORC Compliant)

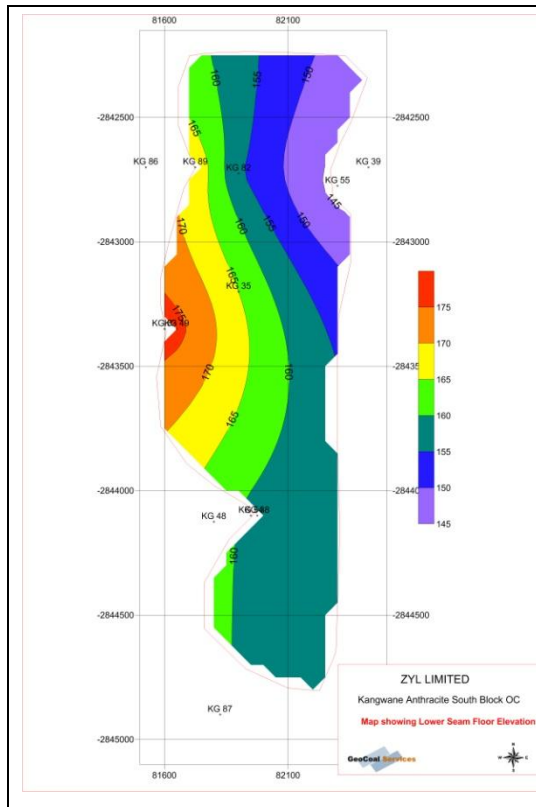
Block	Area	Volume	Width	RD	GTIS	JORC Category
North OC						
Top Seam	685,864	962,242	1.40	1.54	1,481,853	Measured
Middle Seam	685,860	1,732,131	2.53	1.62	2,806,052	Measured
Lower Seam	685,885	3,426,041	5.00	1.58	5,429,829	Measured
Total					9,717,734	

4.1.21 South OC LS (Lower Seam) depth (metres)

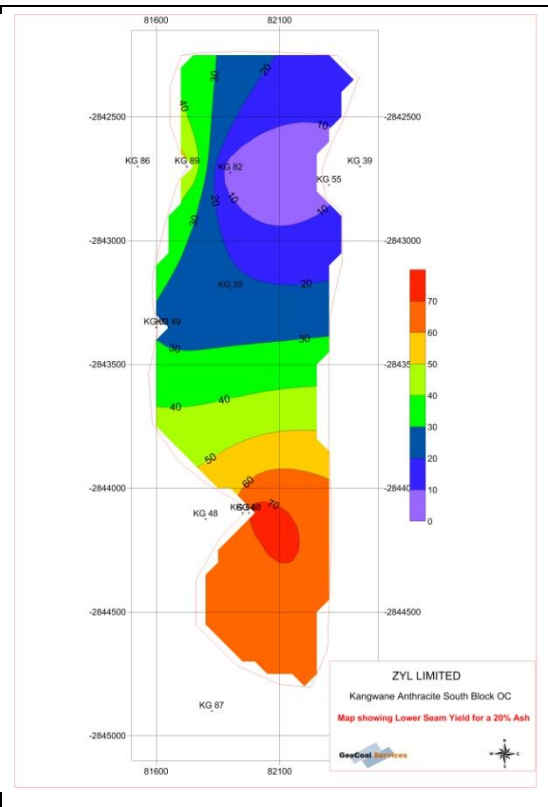
4.1.22 South OC LS width (metres)



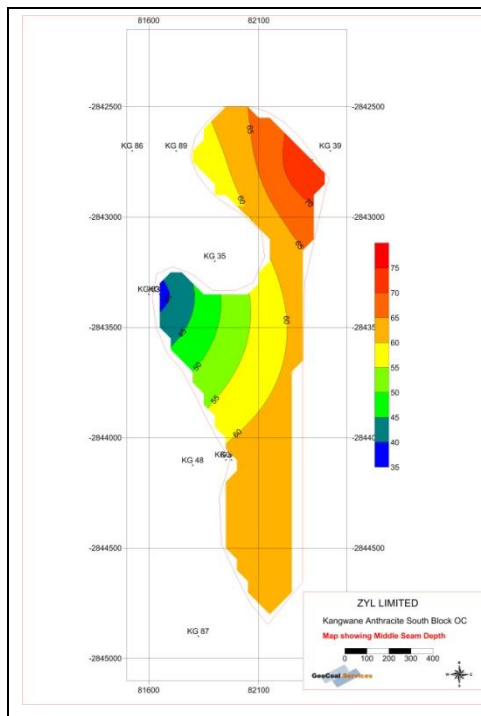
4.1.23 South OC LS floor elevation (m.a.s.l.)



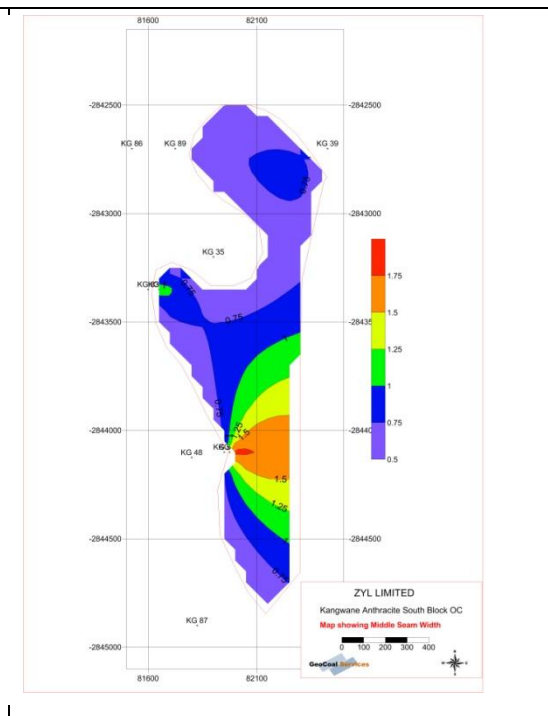
4.1.24 South OC LS Yield for a 20% Ash



4.1.25 South OC MS (Middle Seam) depth (metres)

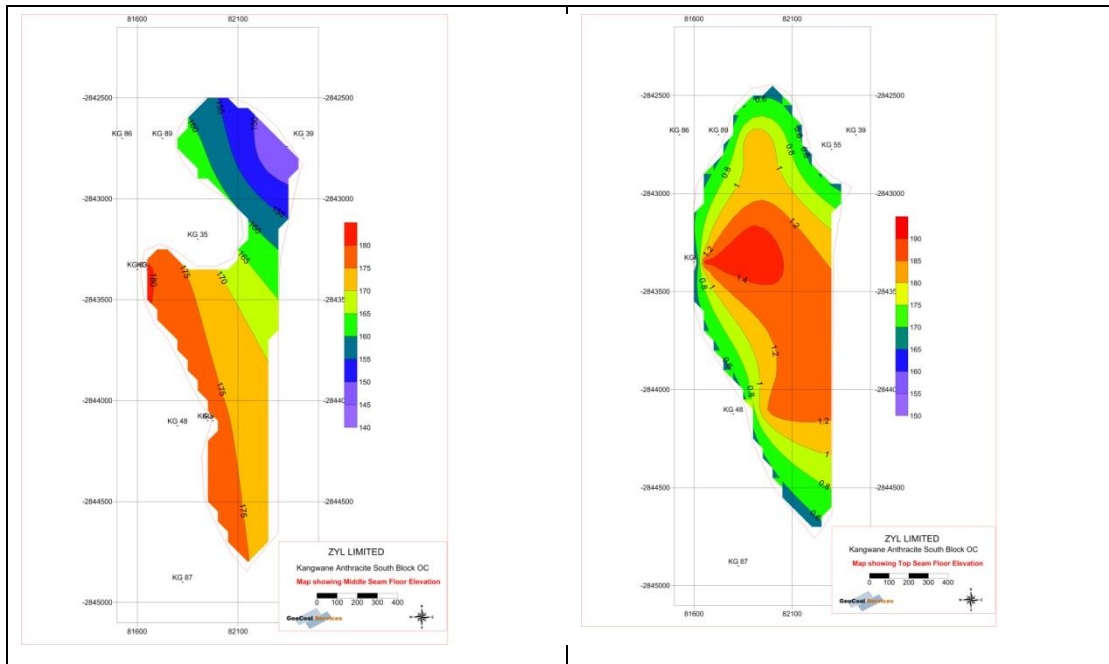


4.1.26 South OC MS width (metres)



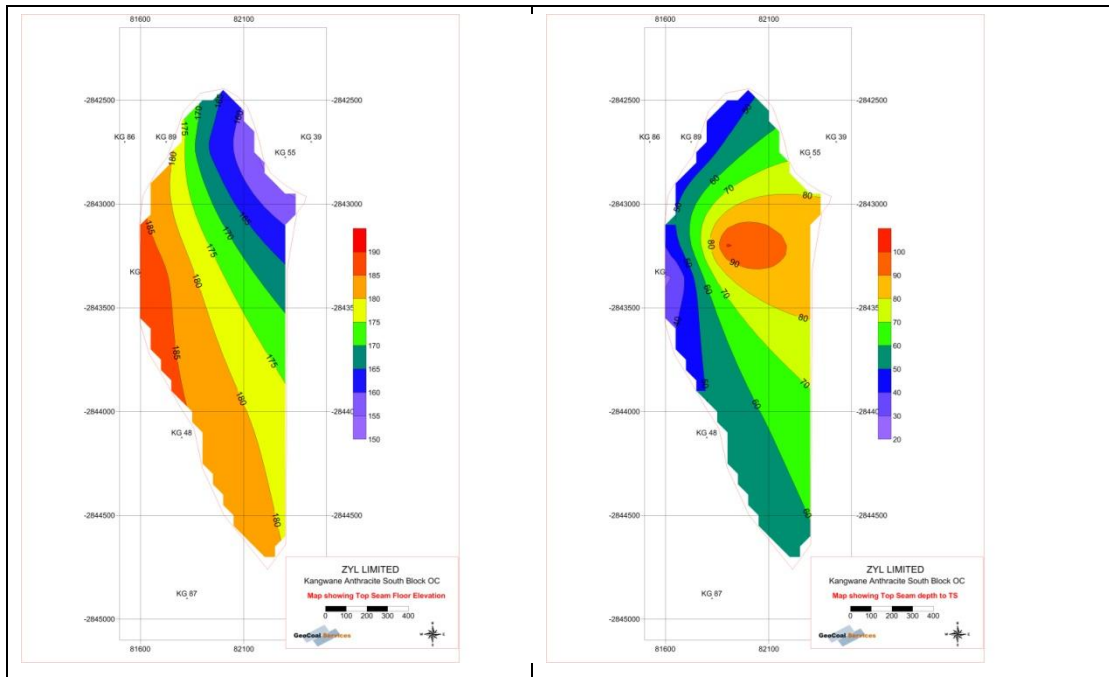
4.1.27 South OC MS floor elevation (m.a.s.l.)

4.1.28 South OC TS width (metres)



4.1.29 South OC TS floor elevation (m.a.s.l.)

4.1.30 South OC TS depth (metres)



Note that due to insufficient data points no quality parameters could be contoured for the Top and Middle Seams in the southern opencast area.

4.1.31 Table showing South Opencast washing simulation for 16% & 20 % ash levels

LS Washed for a 20% Ash Southern OC

	Product RD	Moisture	Ash	Volatiles	FC	Sulphur	CV	Yield	Raw RD
Wgt. Ave.	1.73	2.81	20.00	7.55	69.64	0.26	26.30	69.89	1.63
Max	1.75	5.73	20.00	8.00	70.40	0.50	26.97	88.57	1.86
Min	1.70	1.60	20.00	6.01	68.26	0.08	23.68	3.37	1.54

MS Washed for a 20% Ash Southern OC

	Product RD	Moisture	Ash	Volatiles	FC	Sulphur	CV	Yield	Raw RD
Wgt. Ave.	1.73	5.54	20.00	5.26	69.20	0.36	23.57	19.36	1.79
Max	1.74	5.67	20.00	6.19	71.20	0.50	24.39	58.32	1.86
Min	1.73	5.30	20.00	3.50	68.14	0.08	23.14	0.00	1.62

TS Washed for a 20% Ash Southern OC

	Product RD	Moisture	Ash	Volatiles	FC	Sulphur	CV	Yield	Raw RD
Wgt. Ave.	1.68	1.53	20.00	6.73	71.74	0.26	27.74	23.23	1.63
Max	1.80	1.55	20.00	7.40	72.32	0.31	27.78	100.00	1.86
Min	1.58	1.50	20.00	6.13	71.10	0.21	27.70	0.00	1.50

LS Washed for a 16% Ash Southern OC

	Product RD	Moisture	Ash	Volatiles	FC	Sulphur	CV	Yield	Raw RD
Wgt. Ave	1.69	2.76	16.00	7.42	73.82	0.29	27.64	59.37	1.61
Max	1.72	6.00	16.00	7.95	74.46	0.50	28.67	79.92	1.86
Min	1.67	1.61	16.00	5.13	72.86	0.21	25.23	0.00	1.54

MS Washed for a 16% Ash Southern OC

	Product RD	Moisture	Ash	Volatiles	FC	Sulphur	CV	Yield	Raw RD
Wgt. Ave	1.72	5.71	16.00	4.71	73.58	0.36	25.16	14.39	1.79
Max	1.72	5.93	16.00	5.34	75.20	0.50	26.16	44.66	1.86
Min	1.72	5.30	16.00	3.50	72.73	0.08	24.63	23.42	1.65

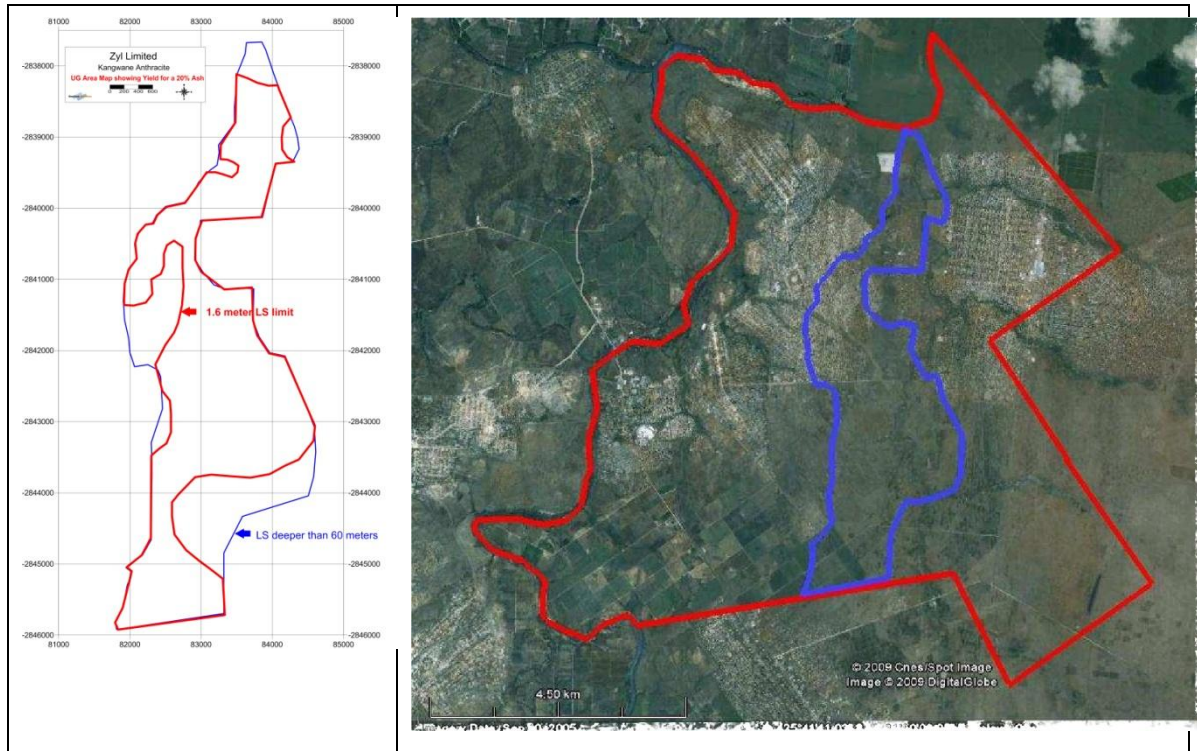
T S not enough data points

4.1.32 Tonnage statement South Opencast Area (JORC Compliant)

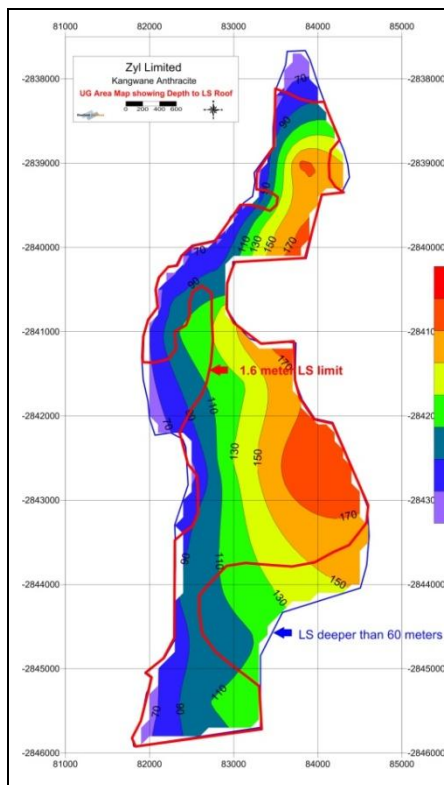
Block	Area	Volume	Width	RD	GTIS	Jorc Category
South OC						
Top Seam	1,077,501	1,307,769	1.21	1.63	2,131,664	Inferred
Middle Seam	803,750	1,313,505	1.63	1.79	2,351,174	Inferred
Lower Seam*	588,763	4,741,967	8.05	1.63	7,729,406	Indicated
Total						

* 35% Yield for a 20% Ash cut off for LS

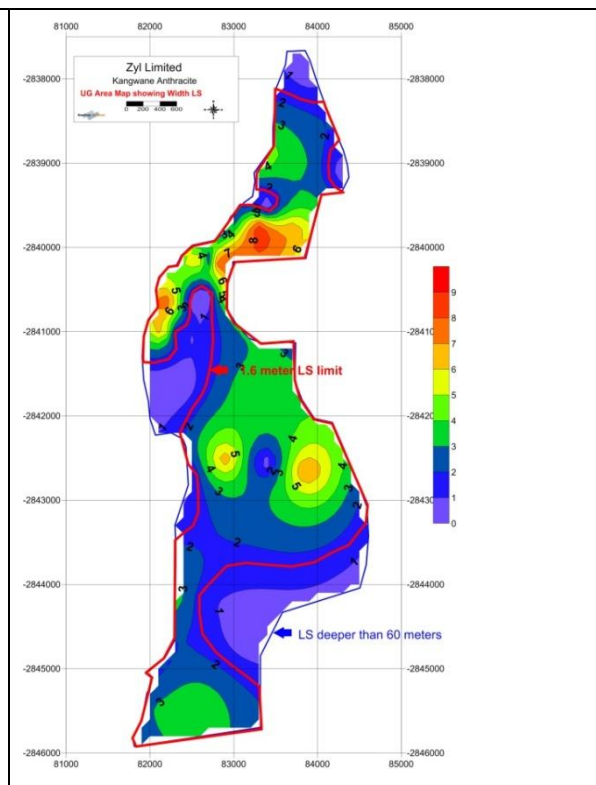
4.1.33 Map showing potential Underground area



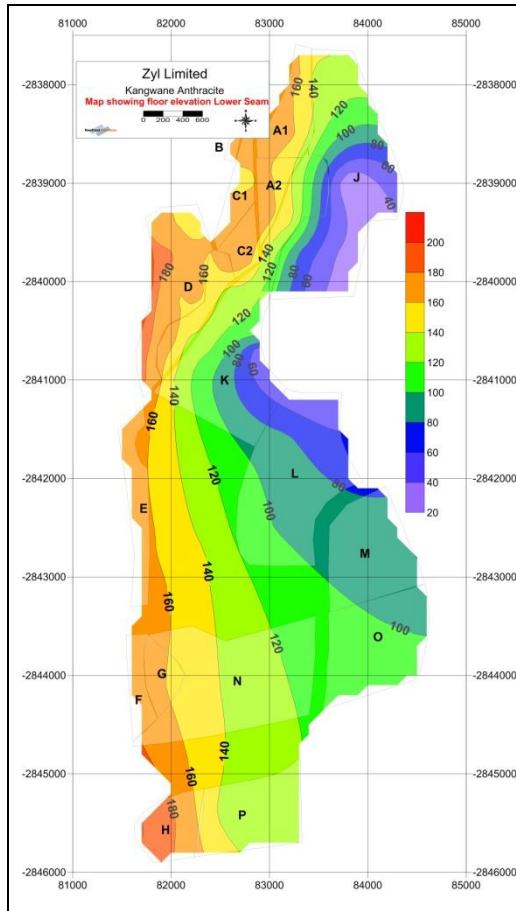
4.1.34 Underground LS depth to roof



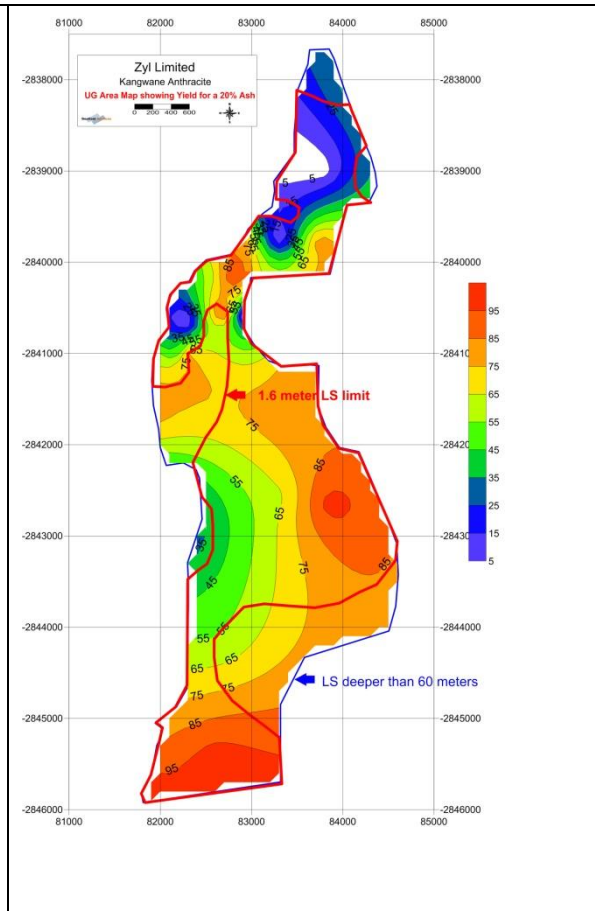
4.1.35 Underground LS width



4.1.36 Underground LS floor elevation



4.1.37 Underground LS Yield for a 20% Ash



4.1.38 Table showing underground LS wash simulations for 16% and 20% Ash

Lower Seam wash for a 20% Ash product

	Product RD	Moisture	Ash	Volatiles	FC	Sulphur	CV	Yield	Raw RD
Wgt. Ave	1.74	2.04	19.86	7.12	70.97	0.34	26.52	43.96	1.58
Max	1.80	8.60	20.00	18.30	74.20	0.50	28.00	100.00	1.86
Min	1.59	0.90	19.00	3.50	53.10	0.07	21.86	0.00	1.49

Lower Seam wash for a 16% Ash product

	Product RD	Moisture	Ash	Volatiles	FC	Sulphur	CV	Yield	Raw RD
Wgt. Ave	1.67	1.93	15.99	7.07	75.01	0.35	28.24	33.66	1.57
Max	1.73	8.60	16.00	18.30	79.10	0.55	29.44	100.00	1.86
Min	1.52	0.90	14.50	3.50	57.10	0.04	22.16	0.00	1.43

4.1.39 Table showing Tonnage Statement UG Area (JORC Compliant)

	Area	Volume	Ave width	RD	GTIS	JORC Category
UG > 60 metres LS**	6,020,066	31,515,459	5.24	1.58	49,794,426	*

** Yield cut off 35% for a 20% Ash product & 1.6 meter width

* See detailed summary for individual block JORC Categories

4.1 Assumptions Made

- A Yield cut off of 35% for a 20% Ash product was used,
- A seam width cut off of 0.5 metres was used, for the OC and 1.6 for the UG
- Analyses and lithologies supplied electronically and are accurate,
- All < 0.5 mm qualities were ignored,
- All washed qualities were > 0.5 mm and < 25 mm,
- The boreholes were accurately surveyed,
- All sampling was correctly labelled and reported against the correct sample IDs and sample interval,
- Core recoveries and core losses were accurately determined, and
- The laboratory results were correctly reported.

4.2 Other Exploration

The historical drilling on Kangwane been used to determine the current resource estimate. The new (proposed) drilling on the northern, southern opencast and underground blocks is expected to upgrade the category of the resource estimate to a measured and indicated respectively and to provide more reliable correlations and washing characteristics of the anthracite. The underground area will only be drilled after the opencast has been completed.

4.3 Planned Exploration

Diamond boreholes have been planned to be drilled. Additional and complimentary information to be collected will include, inter alia:

- Down-hole geophysics,
- Core photography,
- Identification of the coal seams and thus sampling intervals (from geological logging and down-hole wire line logging),
- All coal quality analyses will be undertaken by Advanced Coal Technology (Pty) Ltd.
- Aeromagnetic survey to confirm the position of dykes.

5. COAL RESOURCE ESTIMATE STATEMENT

Detailed Resource Summary:

Mining Corp. Block Number	Seam	No of boreholes	Area (sq. m)	Volume (cu m)	RD (g/cc)	GTIS
A1	Top	7	377,479	610,559	1.5	915,838
A1	Mid	6	377,472	485,653	1.5	728,479
A1	Bot	6	344,194	609,045	1.5	913,568
A2	Top	6	197,750	472,304	1.5	708,456
A2	Mid	4	198,006	190,497	1.5	285,745
A2	Bot	4	198,140	1,484,889	1.5	2,227,334
C1	Top	8	220,369	480,784	1.5	721,175
C1	Mid	5	220,418	1,180,247	1.5	1,770,371
C1	Bot	5	210,475	184,662	1.5	276,993
C2	Top	5	151,117	219,066	1.5	328,599
C2	Mid	3	151,104	455,211	1.5	682,816
C2	Bot	3	132,660	214,015	1.5	321,022
D	Top	19	747,642	1,190,644	1.5	1,785,966
D	Mid	17	747,624	1,379,913	1.5	2,069,870
D	Bot	17	747,093	3,280,744	1.5	4,921,116
E	Top	3	341,914	318,271	1.5	477,406
E	Mid	2	341,662	1,831,926	1.5	2,747,890
E	Bot	1	296,745	98,800	1.5	148,200
G	Top	2	200,138	400,903	1.5	601,355
G	Mid	1	194,716	150,419	1.5	225,629
G	Bot	1	194,766	500,855	1.5	751,282
H	Top	2	202,828	253,535	1.5	380,303
H	Mid	2	202,828	288,016	1.5	432,024
H	Bot	2	202,828	330,610	1.5	495,915
I	Top	8	264,160	400,480	1.5	600,720
I	Mid	6	230,629	179,000	1.5	268,500
I	Bot	6	226,126	388,168	1.5	582,253
J	Top	6	1,762,552	2,071,113	1.5	3,106,670
J	Mid	3	1,725,198	1,914,357	1.5	2,871,535
J	Bot	3	1,762,561	8,133,967	1.5	10,669,548
K	Top	11	1,556,151	1,739,434	1.5	2,609,151
K	Mid	9	1,556,230	4,111,633	1.5	6,167,449
K	Bot	8	1,556,180	8,870,947	1.5	13,306,420
L	Top	3	1,474,964	3,286,909	1.5	4,930,363
L	Mid	2	1,474,952	1,860,264	1.5	2,790,397
L	Bot	2	1,461,116	3,041,389	1.5	4,562,083
M	Top	1	806,973	903,810	1.5	1,355,715

Mining Corp. Block Number	Seam	No of boreholes	Area (sq. m)	Volume (cu m)	RD (g/cc)	GTIS
M	Mid	1	806,973	3,833,122	1.5	5,749,683
M	Bot	1	806,973	6,020,019	1.5	9,030,028
N	Top	1	1,507,869	1,357,082	1.5	2,035,623
N	Mid	1	1,507,869	3,317,312	1.5	4,975,968
N	Bot	1	1,507,869	9,047,215	1.5	13,570,822
Total						114,100,285

In summary the total coal resource estimate for the Kangwane Coal Project (JORC Compliant) is as follows:-

COAL RESOURCE ESTIMATE STATEMENT FOR KANGWANE ANTHRACITE – 13 April 2011	
Total Measured Coal Resource Gross Tonnes In Situ	21.4 million
Total Indicated Coal Resource Gross Tonnes In Situ	25.5 million
Total Inferred Coal Resource Gross Tonnes In Situ	67.2 million
Total	114.1 million

Inclusive in the above statement the potential opencast and underground areas are:

Northern Opencast Measured In Situ	9,7 million
Southern Opencast Indicated In Situ	6,6 million
Underground Indicated In Situ	39,8 million

5.1 Assumptions and Modifying Factors

- Geological losses of between 10% and 35% were assumed
- All tonnages and qualities are quoted air dry uncontaminated, and
- Raw RDs as reported or calculated were used to calculate tonnages.
- All shallow coal with housing/infrastructure on has been taken out of the opencast resource

6. DATA

6.1 Calculation Methods and Algorithms

In this report any coal whose yield for a 20% Ash product was less than 35% was excluded. The mineable in situ tonnage estimate excluded any coal with a width of less than 1.6 metres for the underground area and 0.5 metres for the open cast areas.

6.2 Tonnage & Quality Calculations

Tonnages were estimated using Surfer Software ®. All roof and floor elevations were gridded using a normalised kriging algorithm. Grid sizes were determined by borehole spacing and a minimum grid size of 50 metres. Grids in areas that were to be excluded out of the resource area were blanked out. Volumes were then calculated for each of the resource blocks by subtracting the elevation floor grid from the elevation of the roof grid surface. The volume was then multiplied by the average raw RD as reported by the laboratory or calculated in the wash simulation software. Varying modifying factors as listed above were then applied to arrive at an estimate of the gross insitu tonnage for each resource block. Qualities and yields were simulated using the Washproduct Software®. Yields and qualities for each resource block were simulated and then tabulated for the report.

6.3 Mining Tonnage and Qualities

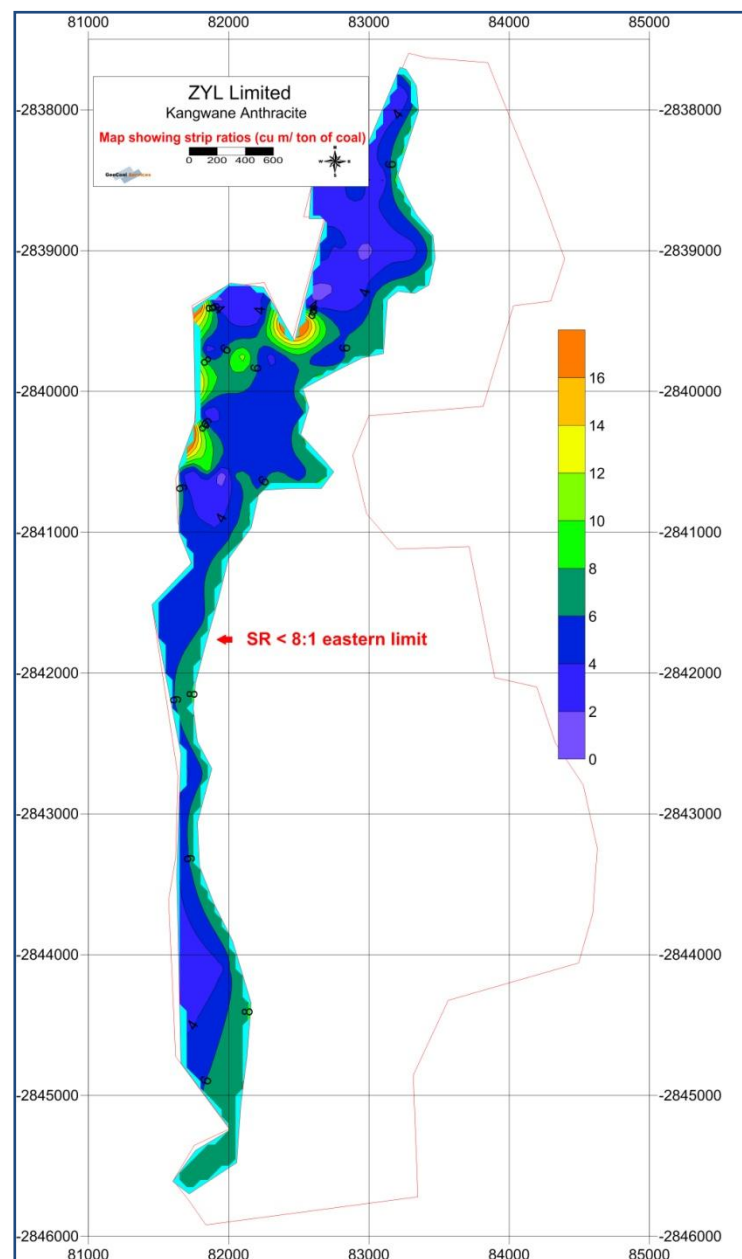
The estimated gross insitu coal tonnage contained within the Kangwane Coal project has been estimated to be 114 million tonnes.

6.4 Revenue and Cost Assumptions

No revenue or cost assumptions have been made as no CP has not undertaken any mine planning. The CPR author believes that from the strip ratio plans there are two potential opencast areas and the remaining coal would be mined from underground. The coal in the project area is medium ash anthracite, and the coal has low phosphorus and calcium oxide percentages. Analyses from the historical reports show low phosphorus and calcium oxide results. This makes it an ideal product to be used as a reductant. It is close to Maputo harbour which gives it a distinct advantage over most anthracite producers.

The market for anthracite is a niche market but there is a strong local demand for low phosphorus anthracite in the metallurgical market. With Vietnam and China exporting less anthracite the export market has recently seen an increase in pricing. Production problems at Zululand Anthracite have also resulted in the local price increasing.

6.4_1 Strip Ratios (bcm/ton)



6.5 Estimation Methodology

The estimation methodology was referred to in section 6.2; Surfer Software ® and Washproduct Software ® were used. The algorithms were also explained. A number of parallel exercises by the author with other modelling packages such like Datamine ® and Minex have been completed for audit purposes and no significant differences were observed.

6.6 Database Integrity

The databases were created in excel and then made read only. The analytical database is imbedded in the Washproduct Software ®.

6.7 Geological Modelling

This has been described in detail in 6.2 where 3D Surfer Software ® was used to do the physical modelling.

6.8 Coal Cut Off Parameters

These modifying factors are listed below the resource statements in section 5.

6.9 Mining modifying factors

No mining plans have been developed yet; a total geological and insitu loss of 10% to 35% was used.

6.10 Tonnage Factors and RDs

All tonnages are quoted on an air dry basis. Averaged RDs for each seam in each area calculated in Washproduct were used in the tonnage calculations.

6.11 Classification and Confidence Levels

Drilling density varies and averages between 5 and 60 hectares per borehole. It is intended that the additional proposed drilling will be sufficient to report the resources at a JORC measured/indicated category.

6.12 Reviews and audits

All data from the historic drilling was verified by the author using a number of algorithms.

7. ADDITIONAL DOCUMENTATION

The Prospecting Rights were granted under the terms and conditions of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002) ("MRPDA 2002"). This Act grants the owner of the prospecting right certain rights which include prospecting as well as the right to apply for a Mining Right.

The new order Prospecting Rights were granted on the 15th of November 2006 for five years until the 14th November 2011. Appropriate location plans, geological statements and a full listing of surface rights and titles were included in the documentation.

The environmental management programme ("EMP") as required in Section 39 of the Mineral and Petroleum Resources Development Act of 2002 ("MRPDA 2002") has been approved by the Regional Manager. The necessary financial guarantees have been signed and paid.

The author has inspected copies of the executed notarised prospecting permits.

8. ANALYTICAL DATA

The analytical data used in the CPR were obtained from the Geosciences data. A number of ash CV correlations needed to be done as no CV's were done on the sink fractions. The yields included the 0.5 mm fraction and all had to be re-adjusted so that the cumulative yield of 100% excluded the -0.5mm fraction.

The analyses from the new drilling program will be sent to Advanced Coal Technology (Pty) Ltd. in Pretoria.

8.1 Laboratory Procedures

The procedure includes, inter alia, the following:

- Raw Relative Density ("RD") determination,
- Sample conditioning to eliminate all surface moisture,
- Sample screened and divided into –0.5mm and +0.5 to 25 mm fractions,
- Proximate analysis to include the equilibrium inherent moisture content, ash content, volatile matter content and fixed carbon content (by difference) on each sample portion,
- CV (heat value) and total sulphur content determination on each sample portion,
- Washability* tests (Float & Sink) on all selected samples, conducted at between five and nine density cut-points with determination of proximate analyses, CV and total sulphur content on each fraction thereof, and
- Calculation of cumulative wash values for each cut-point density and of reconstituted raw coal values for each washability test sample.

Typically once screened the coal is submerged in a chemical solution at specific densities starting with the lowest (in this case F1.40). The float is removed, dried and weighed and the sink moved onto the next barrel containing a higher density solution. This process is repeated until the maximum requested density (in this case F1.80) is reached. After this washing process the different float densities are submitted for a variety of laboratory tests, including CV, moisture, volatile (Vol.), sulphur (S) and ash (Ash) contents, which are calculated as percentages.

Normally coal material surplus to requirements is retained at the laboratory's premises in case any QAQC checks are required, or for later petrographic evaluation of the coal. Unfortunately in the case of the historic sampling there is no record of any stored material.

Inspections of the laboratory in Pretoria have been regularly made by the Competent Person

8.2 Methodology Used in Verifying and Simulating Analytical Data

The methodology used was discussed earlier.

9. EXPLORATION – HISTORIC AND PROPOSED

9.1 Legality of Exploration

The historic drilling was completed under the previous Mines Act. It is assumed that all the statutory appointments according to, inter alia; the Mines Health and Safety Act at that time were performed.

Going forward, there is, as far as the author is aware, no legal reason or outstanding legal proceedings that could influence or curtail any activities that will be conducted by ZYL LIMITED.

9.2 Cost of Proposed Exploration

Exploration costs estimated at the time of application for the prospecting right(s) are detailed in the work program submitted to the DMR. Historic exploration costs to date are not known. Future exploration will be funded from internal cash flows of ZYL LIMITED

9.3 Historical Data

All the historical geological data have been documented and, if reliable, used in this report. Only historical data was available and the structural interpretation made by the Mining Corporation was used in this study.



D le R van Wyk (BSc. Pr.Sci. Nat. MGSSA FGSSA)

Date 13 04 2011

10 DEFINITION OF TERMS

Abbreviation	Description
"Analyses"	Chemical properties of a coal sample.
"Anthracite"	A high quality low volatile coal used as a reductant in the metals industry and for low smoke fuels
"Ash"	Is a measure of the non-combustible material in coal expressed as a percentage.
"Beneficiation"	The separation of non-coal and poor coal in a floatation process.
"Bituminous coal"	A medium quality coal mostly used in for raising steam for the generation of electricity.
"Borehole log"	A graphical representation of the information revealed by vertical diamond drilling.
"Borehole"	Core or chips extracted from a cylindrical hole during drilling.
"cm"	A centimetre.
"CPR"	Competent persons report (defined in JORC and SAMREC).
"CV"	Calorific Value is a measure of contained heat measured in MJ/kg.
"daf vm"	Dry ash free volatiles.
"DEAT"	Department of Environment and Tourism (South Africa).
"DM"	Dense Medium or Media.
"DME"	Department of Minerals and Energy; the statutory body that licenses and controls mining and exploration activities in South Africa.
"DMS"	Dense medium separation.
"DTM"	Digital terrain model.
"DWAF"	Department of Water Affairs and Forestry.
"ECA"	Environmental Conservation Act (South Africa).
"EIA"	Environmental Impact Assessment.
"EMP"	Environmental Management Programme.
"EMPR"	Environmental Management Programme Report.
"Eskom"	The South African Government body responsible for Power Generation.
"g"	Grammes.
"GeoCoal Services"	An independent coal consultancy to the mining and exploration industry.
"GIS"	Geographical Information System
"GSSA"	Geological Society of South Africa.
"Ha"	A measurement of area 100 metres by 100 metres.
"HQ"	Diamond drill core size 63.5mm in diameter.
"in situ tonnage"	An estimated measure of mass of coal in the ground containing inherent moisture.
"ISO"	International Standards Organisation.
"JORC"	The Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition).
"JSE"	JSE Securities Exchange South Africa.
"m"	Metre.
"MASL"	Above mean sea level.

Abbreviation	Description
“Moisture”	Inherent water content in coal expressed as a percentage.
“LS, MS & TS”	Are the three main seams in the Kangwane coalfield
“No.”	Number.
“OHS”	Occupational health and safety.
“Pr. Sci. Nat.”	Registration with the statutory body the South African Council for Natural Scientists.
“RAW”	Quality of the whole coal that has not been beneficiated.
“RD”	Relative density measured in g/cm ³ .
“RDs”	Relative Density.
“ROM”	Run of mine.
“SABS”	South African Bureau of Standards.
“SAIMM”	South African Institute of Mining and Metallurgy.
“SAMREC”	South African Code for Reporting of Mineral Resources and Mineral Reserves.
“SANS”	South African National Accreditation System.
“SARS”	South African Revenue Service.
“SHE”	Safety, Health and Environment.
“Slimes”	The unrecoverable fine coal during coal beneficiation.
“Surfer”	Geological contouring and modelling software.
“TNW”	Diamond drill core size 57.5mm in diameter.
“UG”	Underground.
“Vols”	Volatile or (combustible gasses in coal) expressed as a percentage.
“Washproduct”	An analytical compositing verification and simulation software program.
“Yield”	The amount of coal of a certain quality expressed as a percentage of whole coal after beneficiation.
“ZAR”	Rand based South African currency.

11 PERSONAL DETAILS OF COMPETENT PERSON

Personal Details	David le Roux van Wyk (Associate Consultant – GeoCoal Services). Residential Address: 26 Corydon Circle Port Alfred, South Africa	
Qualifications	BSc Geology and Geography (Rhodes University)	
Experience	David has 30 years' experience in the coal industry with exposure ranging from the management of geological information for colliery production to managing exploration programmes, design and maintenance of geological database and filing systems, due diligence and evaluations. As the Principal of GeoCoal Services he has been involved in numerous technical reviews and mineral rights investigations.	
Employment Summary	1998 – present	GeoCoal Services Principal
	1994 – 1998	Ingwe Coal Corporation Manager – Geology RSA and Resources
	1987 – 1994	RandCoal Services Assistant Consulting Geologist
	1983-1987	Douglas Collieries Chief Geologist
	1980 – 1983	Rietspruit and Duvha Opencast Services Chief Geologist
	1978 – 1980	Vandyksdrift Colliery Mine Geologist
	1973 – 1978	Stilfontein Gold Mining Co (Gencor) Mine Geologist / Chief Geologist
	1971 – 1973	St. Albans College Pretoria Geography and Science teacher
Areas of Expertise	Planning and management of coal exploration programmes, coal database management, coal resource estimation, due diligence, qualified coal plant operator.	

Report on the Kangwane Anthracite Project



Report prepared for:

ZYL Limited



April 2011

Report on the Kangwane Anthracite Project

Report prepared for:

ZYL Limited

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April 2011

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Report on the Kangwane Anthracite Project

We have pleasure in presenting our report on the Kangwane Anthracite Project.

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Report on the Kangwane Anthracite Project

1 Introduction


Mr A Birtles of SRK Consulting (South Africa) (Pty) Limited ("SRK") was requested by Dr E. Lilford of ZYL Limited ("ZYL" or "the Client") at a meeting at the ZYL offices in Witbank, on 16th November 2010, to prepare a Report on the Kangwane Anthracite Project. The anthracite project is located near Komatipoort in Mpumalanga Province, South Africa, in the Kangwane Coalfield.

Subsequent to the receipt of the signed proposal acceptance on the 2nd February 2011, SRK commenced work on this project.

SRK has had sight of various project reports submitted for this project area. These include:

- Project Status Review Report, completed by Turgis Consulting (Pty) Ltd ("Turgis") in March 2009;
- Conceptual Openpit Mine Design and Production Study, completed by Rock and Stock for Siyanda Resources in October 2009; and
- "Independent Persons Report", completed by GeoCoal Services for Tonehill Investments in December 2009.
- A Resource Statement for the "Kangwane Anthracite Project" derived from the data used for the above mentioned "Independent Persons Report" compiled by GeoCoal Services dated March 2009, signed April 2011.

Where reference is made to the above reports, appropriate reference will be noted where applicable.

	Partners	JCJ Boshoff, AH Bracken, MJ Braune, JM Brown, CD Daigliesh, JR Dixon, DM Duthe, BM Engelsman, R Gardiner, T Hait, GC Howell, WC Joughin, PR Labrum, DJ Mahlangu, RRW McNeill, HAC Meintjes, MJ Morris, WA Naismith, GP Nel, VS Reddy, PN Rosewarne, PE Schmidt, PJ Shepherd, VM Simposya, AA Smithen, KM Uderstadt, DJ Venter, ML Wertz, A Wood	Cape Town	+27 (0) 21 659 3060
	Directors	AJ Barrett, JR Dixon, DM Duthe, PR Labrum, DJ Mahlangu, VS Reddy, PE Schmidt, PJ Shepherd	Durban	+27 (0) 31 279 1200
	Associate Partners	DJD Gibson, M Hinsch, DA Killian, SA McDonald, M Ristic, MJ Sim, JJ Slabbert, CF Steyn, HFJ Theart, D Visser, DP Van den Berg, MD Wanless	East London	+27 (0) 43 748 6292
	Consultants	AC Burger, BSc (Hons); IS Cameron-Clarke, PrSci Nat, MSc; JAC Cowan, PrSci Nat, BSc (Hons); JH de Beer, PrSci Nat, MSc; GA Jones, PrEng, PhD; TR Stacey, PrEng, DSc; OKH Steffen, PrEng, PhD; PJ Terbrugge, PrSci Nat, MSc; DW Warwick, PrSci Nat, BSc (Hons)	Johannesburg	+27 (0) 11 441 1111
			Kimberley	+27 (0) 53 861 5798
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			Pretoria	+27 (0) 12 361 9821
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			Dar-es-Salaam	+25 (5) 22 260 1881
			Harare	+263 (4) 49 6182
			Lubumbashi	+243 (0) 81 870 1753
	SRK Consulting (South Africa) (Pty) Ltd		Reg No 1995.012890.07	

This document has the intention of providing ZYL with a document in support of the reporting requirements set by the ASX and should be read in conjunction with The Resource Statement on Kangwane Anthracite addressed to ZYL Limited, by GeoCoal Services, of 1 April 2011.

The opinions expressed by SRK in this document are based on its own limited investigations and on information provided to SRK by ZYL/Siyanda and ZYL/Siyanda's third party service providers and advisers/consultants throughout the course of SRK's investigations which in turn reflect the various technical and economic conditions at the time of preparing this report.

In respect of information provided to SRK by ZYL/Siyanda, SRK places reliance on the directors that all such technical information is both valid and appropriate for compiling this Report.

SRK does not make any claim or state any opinion as to the validity of ZYL/Siyanda's title to the coal assets. This does not constitute a legal due diligence review, nor does it state any opinion on the validity, legality or status of the legal title held or purported to be held.

SRK confirms that it is satisfied with the existence of the natural resources (Anthracitic Coal), both from site visits and review of past exploration results, which has been provided by the client.

The effective date of this report is 8th April 2011.

Technical analysis carried out and presented by SRK will in many cases require subsequent calculations to derive sub-totals, totals and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where this occurs, SRK does not consider that these errors bare material consequence.

Datum used for the drilling program at Kangwane Anthracite is WGS84.

Datum used for maps and diagrams (where applicable) is standard latitude, longitude system of coordinates.

2 Background and Scope

2.1 ZYL Limited and the Kangwane Anthracite Project

ZYL Limited is an Australian listed Coal Mining and Development Company operating in Southern Africa focused on becoming a producer of high quality metallurgical coal for niche export and domestic markets.

Kangwane Anthracite, ZYL's primary project, is located in the Mpumalanga province of South Africa and ZYL has been granted the exclusive prospecting rights for coal in respect of an area spanning 7,000ha.

ZYL's shares are listed on the Australian Stock Exchange (ASX: ZYL).

The location of the Kangwane project is reasonably central to infrastructure and coal mining support services and a rail siding, which is located on the southern boundary of the Kangwane tenement feeds directly into the main rail line which continues eastward to the Matola Port Terminal in Maputo and, in the other direction, the Highveld in South Africa.

As with the existing anthracite operation, immediately south of the Kangwane Project, the Project may be able to serve the inland market.

Project highlights include:

- A drilling program, which is currently underway, is expected to redefine a Mineral Resource (refer to the GeoCoal Services report dated April 2011);
- The potential opencast areas to the north and south of the project will be the focus of the FS;
- An existing box-cut, once drained of water, will facilitate the removal of a bulk sample for metallurgical testing and marketing trials as well as, possibly, provide the starting position for the North Opencast Pit;
- The Project is located approximately 100km from Maputo by direct rail link. Road, power and water are all also located nearby;
- An existing rail siding, located on the southern boundary of the Project has extra capacity for 100,000 tonnes per month;
- Management Team (Siyanda Resources, JV/BEE partner), has experience in the South African coal mining industry.

2.2 Background of the Project

The Kangwane Anthracite Project, documented as a known anthracite deposit, in the Kangwane Coalfield, is located in the Mpumalanga province of the Republic of South Africa, approximately 100 km from the Mozambican Coast by rail to the Maputo Port's Matola Terminal. The Project is located just north of Swaziland and approximately 100 km from a major city in Mpumalanga, Nelspruit. The Project is ideally located for both the internal and export markets for future anthracite production.

During the 1980's, General Mining Corporation drilled 133 boreholes, which were logged and sampled. This information was archived by the Council for Geosciences. The historical data has been supplied, as hard copy information, by Siyanda Resources, to SRK.

Exploratory drilling to verify and strengthen the classification of the historical borehole information is currently underway.

The figures below provide an overview of the location with respect to The Republic of South Africa (Figure 2.1), the province of Mpumalanga (Figure 2.2) and immediate region (Figure 2.3).



Figure 2.1

Kangwane Coal Project (South Africa)



Figure 2.2 Kangwane Coal Project (Mpumalanga Province)

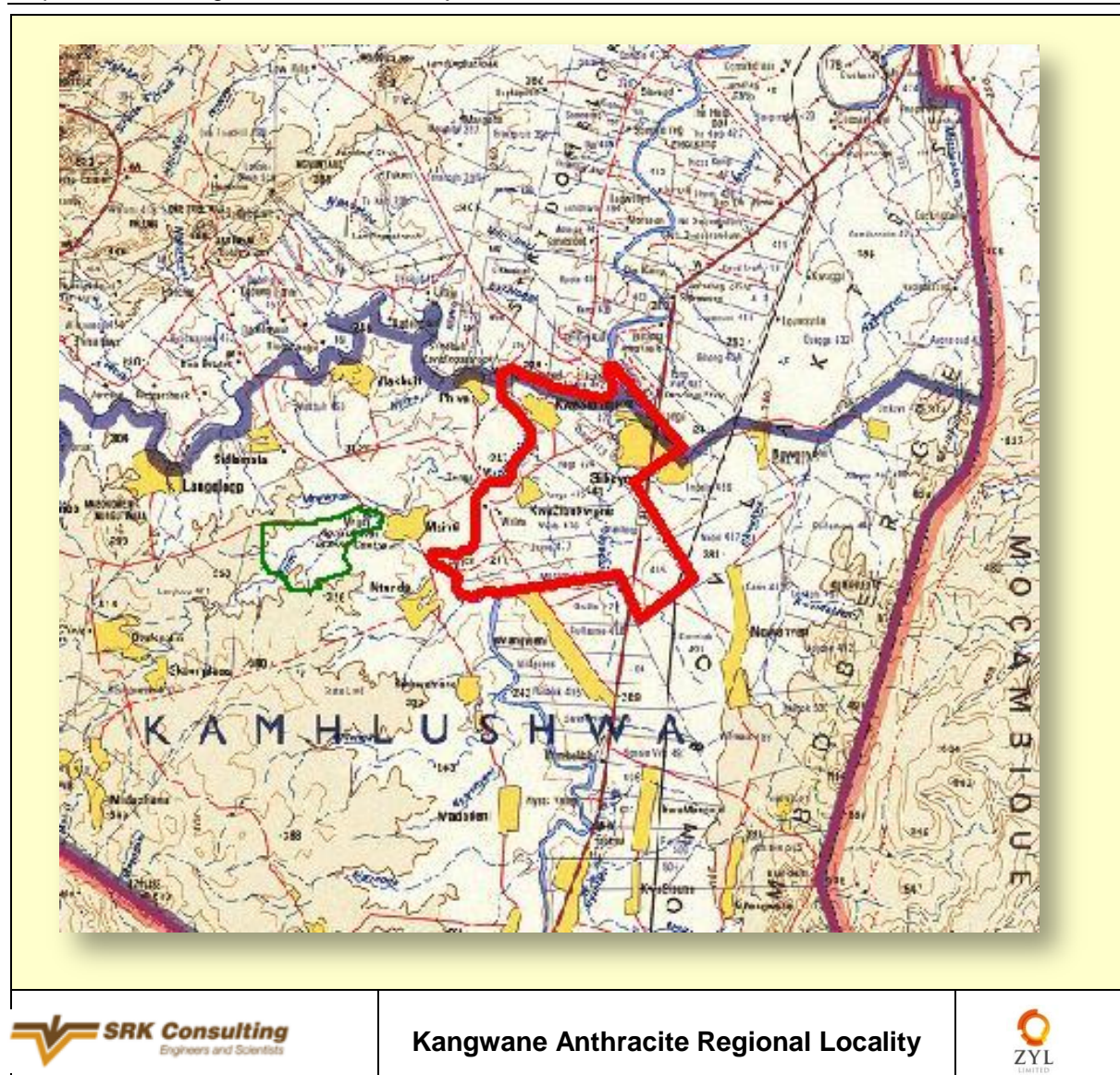


Figure 2.3 **Regional locality of the Kangwane Anthracite Project Area**

2.3 General

SRK has been commissioned to undertake a FS for Siyanda Resources (Joint Venture partner of ZYL Limited).

SRK is acting as lead consultant for the FS and is coordinating the work of a number of sub consultants which have been appointed for:

- coal preparation and beneficiation;
- infrastructure, bulk services;
- transportation and logistics.

This report excludes any discussion or reference to exploitation, mining and beneficiation of the coal.

3 QUALIFICATIONS OF THE CONSULTANT

SRK is part of the SRK Group that comprises over 1,000 staff, in over 40 offices worldwide, offering expertise in a wide range of resource engineering disciplines. The SRK Group's independence is ensured by the fact that it holds no equity in any project. This permits the SRK Group to provide its clients with conflict-free and objective recommendations on crucial judgement issues. The SRK Group has a demonstrated track record in undertaking independent assessments of resources and reserves, project evaluations and audits, independent technical reports and independent feasibility evaluations to international standards on behalf of exploration and mining companies and financial institutions worldwide. The SRK Group has also worked with a large number of major international mining companies and their projects, providing mining industry consultancy service inputs. SRK also has specific experience in commissions of this nature.

Neither SRK nor any of its employees and associates employed in the preparation of this report has any significant beneficial interest in ZYL or its parent/subsidiary companies or in the assets of ZYL or its parent/subsidiary companies.

The individuals responsible for this report, Table 0.1, have extensive experience in the mining industry.

Table 0.1 Reporting responsibility

Consultant Name	Qualification	Reporting Responsibility
Andre Dougall	MSc Eng / BTech	Mining and Review
Kevin Botes	NHDip Tech (Mining)	Mining Design and Review
Mbali van der Steen	Pr.Sci.Nat (Geology)	Geology and Data Review

Responsible for mining advice and review is Mr Andre Dougall, Principal Mining Engineer and Senior Project Manager with SRK.

Mr Kevin Botes, an associate Mining Consultant with SRK, has more than 30 years' experience in the mining industry. Kevin's expertise includes Mine Design Layouts and Mine Planning and Scheduling in Opencast Gold and Coal Mines. Kevin is responsible for the collation and compilation of information to produce this report.

Ms Mbali Van de Steen is a coal geologist working for SRK. Mbali has more than 5 years' experience working as a coal geologist in the Witbank Coalfields. Mbali's expertise includes evaluation geological data, conducting geological evaluations and compiling competent person's reports. Mbali's responsibility was to review the available geological information.

The team mentioned above are also team members responsible for the development of the FS for Siyanda Resources, for this project.

4 LEGAL TENURE

4.1 Introduction

Kangwane Anthracite is located 26 km south-west of Komatipoort, in the Mpumalanga Province of South Africa. It is situated in the northern part of the Kangwane Coalfield. The coal field extends 33 km northwards from the Swaziland border.

The coalfield is divided into three ownership blocks: Kangwane Anthracite, Nkomati Anthracite and Southern Anthracite. This Report covers Coal Resources, due to borehole distribution, in the farms Naas 472JU, Ronel 473JU, Rags 474JU, Tonga 475JU, Walda 476JU, Joyce 477JU, Monson 478JU and Wanhoop 485JU.

The prospect is bounded by the Komati River in the north and west and by Nkomati Anthracite in the south. The surface is reasonably flat and sandy. In the north of the prospect is a flooded boxcut (Figure 0.1) and associated spoils dump from earlier prospecting work done by Trans Natal, the results of which are not available. Some subsistence farming occurs in the area adjacent to the spoils dump.

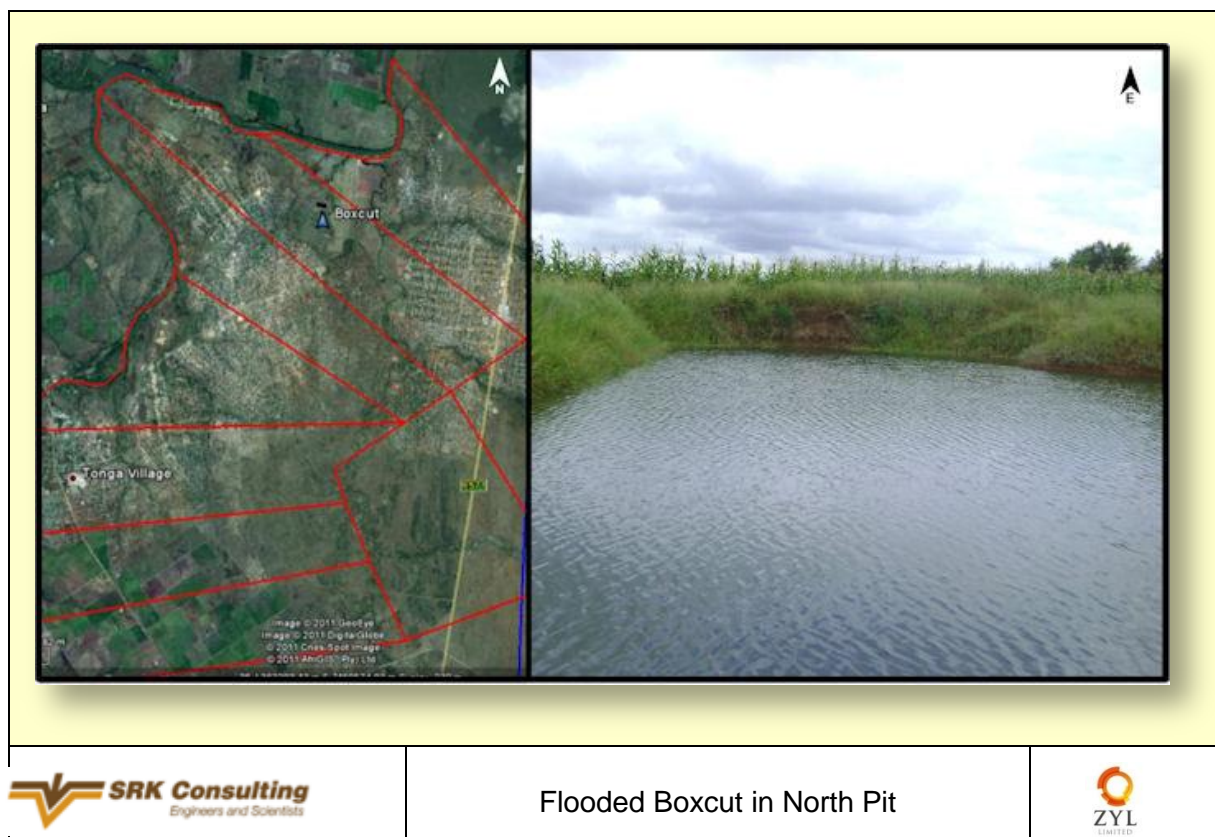


Figure 0.1 Flooded Boxcut in proposed North Pit

The northern half of the prospect is largely inhabited and subsistence farming occurs in the southern half of the prospect.

The railway line between Swaziland and Komatipoort crosses the south-eastern corner of the prospect where there is a siding suitable for stockpiling and loading coal. A tarred road (R571) traverses the Naas and Wanhoop farms in a north/south direction, running between Komatipoort and Swaziland.

Openpit and underground anthracite mining currently takes place south of the Kangwane Anthracite prospect, in the adjacent Nkomati Anthracite property, which is operated by an independent group.

SRK has inspected, from a technical perspective and can confirm that the areas covered for the presence of *in situ* Coal Resources (refer to the GeoCoal Services report dated April 2011), do appear in the current title deeds. These are reflected in Figure 0.2 and in Table 0.2.

The coal resource described in the report “The Kangwane Coal Project” Is contained within the area of the Prospecting right depicted in Figure 0.2 and tabled in Table 0.2.

4.2 Surface Right, Prospecting Right and Mining Right Status

The 8 farms which make up the Kangwane Anthracite Project are state owned. Portions of the area covered in the Prospecting Right are inhabited and farmed by local communities.

The Prospecting Right is a new order right and has been notarially registered. The details of the Prospecting Right are set out in Table 0.1 and the details of the farms over which such Prospecting Right has been granted are listed in Table 0.2. Figure 0.2 depicts the farms over which the Prospecting Right has been granted and the farms covered by the Project Area.

Table 0.1 Granted Prospecting Right

Property	Prospecting Right No	Valid To	Date Granted	Area of Title (ha)
Kangwane Anthracite ¹	11/206 (DMR reference 227/2006)	14 Nov 2011	15 Nov 2006	7,203.5755

Note 1 Magisterial District = Barberton

Table 0.2 Farms making up the Prospecting Right

Farm Name	Number	Registration	Portion
Monson	478	JU	Entire farm
Naas	472	JU	Entire farm
Rags	474	JU	Entire farm
Ronel	473	JU	Entire farm
Tonga	475	JU	Entire farm
Walda	476	JU	Entire farm
Joyce	477	JU	Entire farm
Wanhoop	485	JU	Entire farm

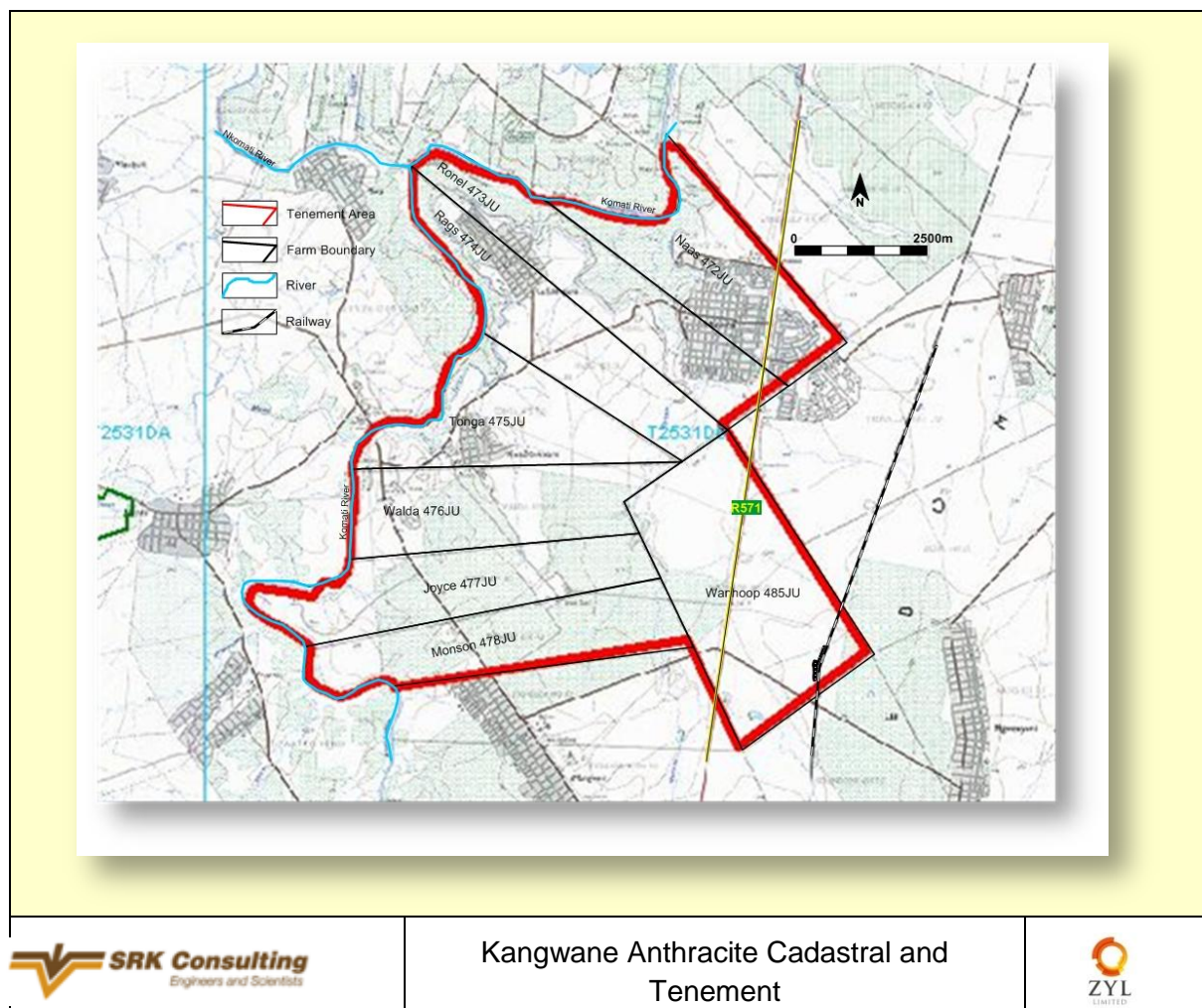


Figure 0.2 Kangwane Anthracite Prospecting Rights (cadastral) and Tenement

SRK has been informed by ZYL that ZYL is unaware of any immediate threat to the Project as a result of Land Claims, whether instituted by local inhabitants, the State, or any other party or parties.

SRK is aware that Siyanda has submitted a new order Mining Right application to the Department of Mineral Resources (“DMR”).

5 GEOLOGY

5.1 Introduction

This section describes the geology of the Material Assets comprising:

- the nature, geometry and structural features of the ore body; and
- the regional geology (Figure 2.3) and local geology setting of the deposit.

The Kangwane Coalfield, in relation to the South African Coalfields is shown in Figure 0.1.

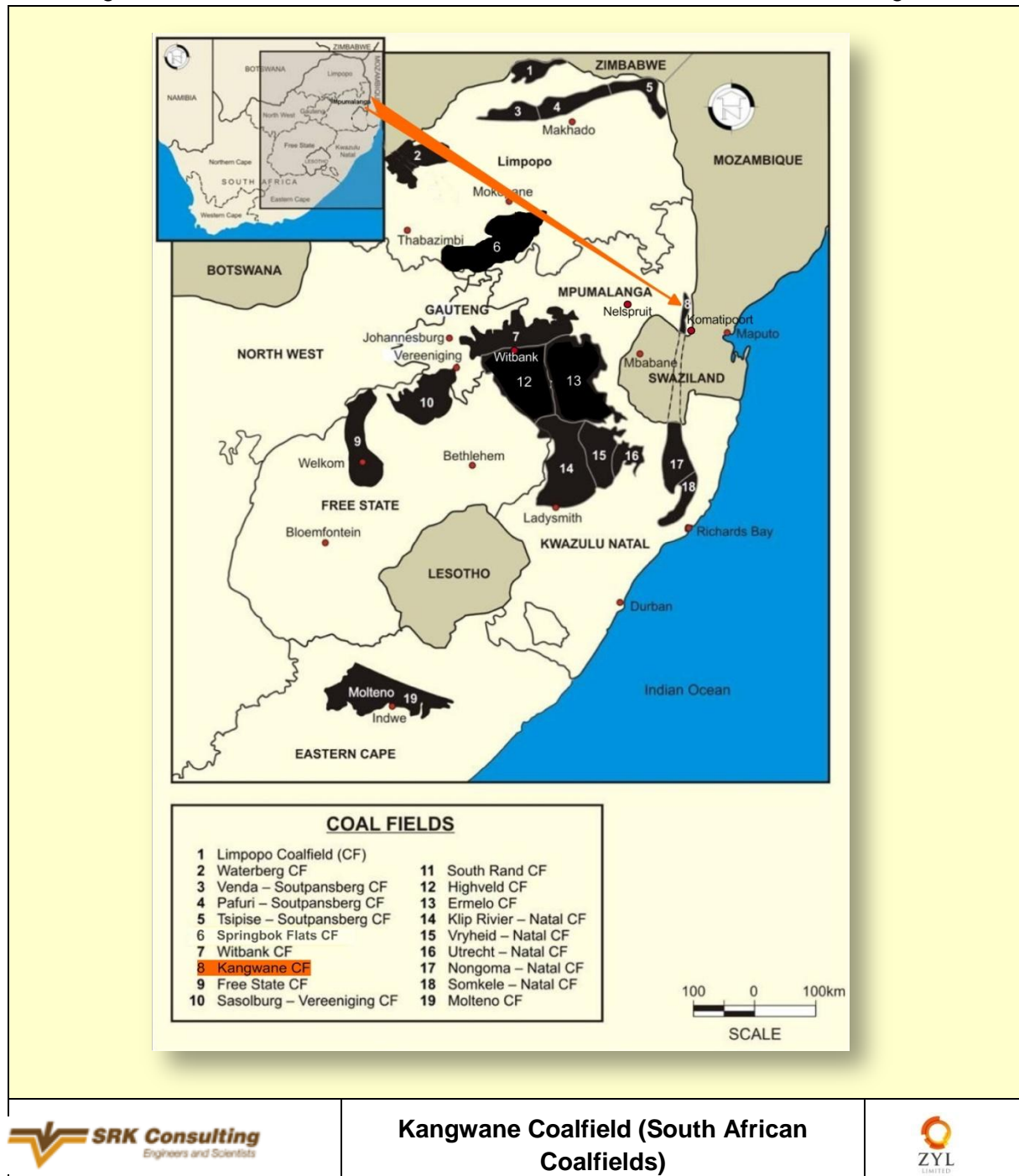


Figure 0.1

Kangwane Coalfield in relation to South African Coalfields.

5.2 Regional Geology

The Kangwane Coalfield is divided in two; there is a northern sector and a southern sector. The coal measures of the Kangwane Coalfield are lithostratigraphically confined to the north-eastern Volksrust Formation and the Vryheid Formation of the Ecca Group of the Karoo Supergroup (Table 0.1). The Kangwane Coal Field has subsequently been sub-divided into a Northern portion referred to as Kangwane Anthracite; a Central portion referred to as Nkomati Anthracite and a Southern portion referred to as Southern Anthracite.

The deeply sand-covered area produced by extensive weathering in the area gently slopes in a easterly direction away from the Komati River. As a result of the deep sand cover, outcrops are limited and geological mapping was essentially based on borehole information.

The strike of the sedimentary sequence is generally north-northeast south-southwest and the regional dip of the strata ranges between 3° and 20° eastwards and steepens from west to east defining the Lebombo monocline with a north-northeast south-southwest trending fold axis.

Prominent faults which have affected the coal horizons appear to be strike faults with vertical throws of up to 100m. These faults dissect the coal measures into isolated blocks. Tensional forces that prevailed during the deformation history of the area probably contributed to fault formation including graben structures delineated by exploration drilling.

Table 0.1 A simplified correlation of the Karoo rocks in different outcrop areas in the Republic of South Africa

Group	Subgroup	Formation					
LEBOMBO		Jozini					
		Drakensberg					
		Letaba Basalt					
		Clarens					
		Elliot					
		Molteno					
BEAUFORT	Tarkastad	Burgersdorp					
		Katberg					
	Adelaid	Balfour					
		Middleston	Koonap				
		Normandien					
ECCA		Waterford	Ripon	Volksrust	Grootegeluk	Mikambeni	
		Fort Brown					
		Laingsburg					
		Vischkuil		Vryheid			
		Collingham					
		Whitchill		Pietermaritzburg			
Prince Albert							
DWYKA							

A number of dolerite intrusions into the sedimentary sequence have negatively affected the coal measures in places. A major transgressive dolerite sill outcrops in two geographic areas in the northern part of the Nkomati Anthracite. Numerous sub-vertical north-south trending dolerite dykes of variable thickness have been identified. These dolerite dykes have occasionally been seen to break through the coal measures in underground operations, consequently limiting previous underground operations due to a loss of coal and bad ground conditions resulting from abnormal stress conditions. The structural complexity in the northern sector has discouraged exploitation in that region.

The upper Volksrust Formation in the northern sector contains the much thinner (rarely more than 2 m thick).

5.3 Project Geology

In the study area, anthracite occurs in 4 seams and named, for clarification, from the base upwards, the Lower Seam (1 Seam), Middle Seam (2 Seam), Upper Seam (2 Upper Seam) and the Top Seam (3 Seam). The occurrence of anthracite generally thickens towards the east. With this thickening of the carbonaceous sequence the anthracite becomes increasingly inter layered to such an extent that the units are referred to as zones rather than individual seams.

The Lower Seam seemingly contains the bulk of the anthracite resource of the Kangwane coal field. It is well developed over the project area and varies from 1 m to 4.5 m.

The Middle Seam occasionally comprises a single seam, but usually consists of two seams separated from each other by a carbonaceous mudstone parting. The upper part of the Middle Seam, above the carbonaceous shale parting, has distinctly lower ash content in comparison with the anthracite below the shale layer.

The Upper Seam is generally not developed across the whole project area.

5.4 Local Geology

It is reported that the coal seams were deposited in the Middle Ecca Formation, which consists mainly of sedimentary successions. The sedimentary succession was followed by the extrusion of a volcanic sequence. Contemporaneously with this occurrence dolerite dykes and sills intruded, which caused a general devolatilisation of the coal seams and resulted in the formation of anthracite.

The coal seams are reported to have a tendency to thicken from south to north on a regional scale while a thinning is normally encountered from west to east.

It is also reported that where anthracite is intersected at relatively deep depths (from 100 m to 200 m) the sedimentary succession is predominantly arenaceous in character. From 60% to 70% of the succession then consists of sandstone varying in grain size from fine to coarse - grained. The remainder consists of minor anthracite seams, carbonaceous shale and shale. The current drilling programme that is underway at Kangwane Anthracite Project has been designed to enhance the understanding of the local geology and facilitate the understanding of how the anthracite occurs at differing depths.

Figure 0.2 depicts the local geology showing (between the blue lines) the coal bearing Karoo Sediments. This information was obtained by accessing Government Maps (updated 2005).

A typical Stratigraphic Column, of the Kangwane Coalfield, is shown in Figure 0.3, however, not all 5 seams are present in the Kangwane Project Area.

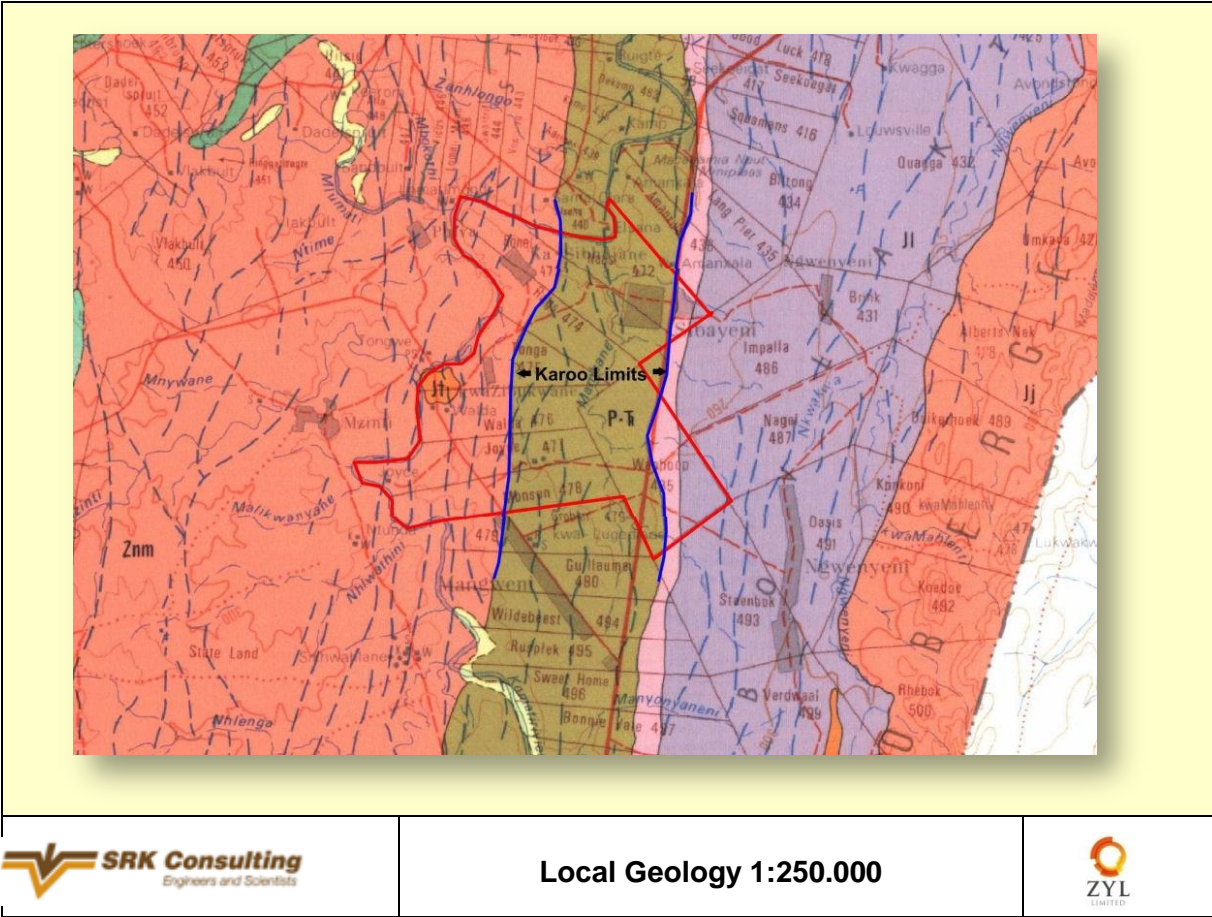


Figure 0.2 Local Geology (Government Map 1:250,000).

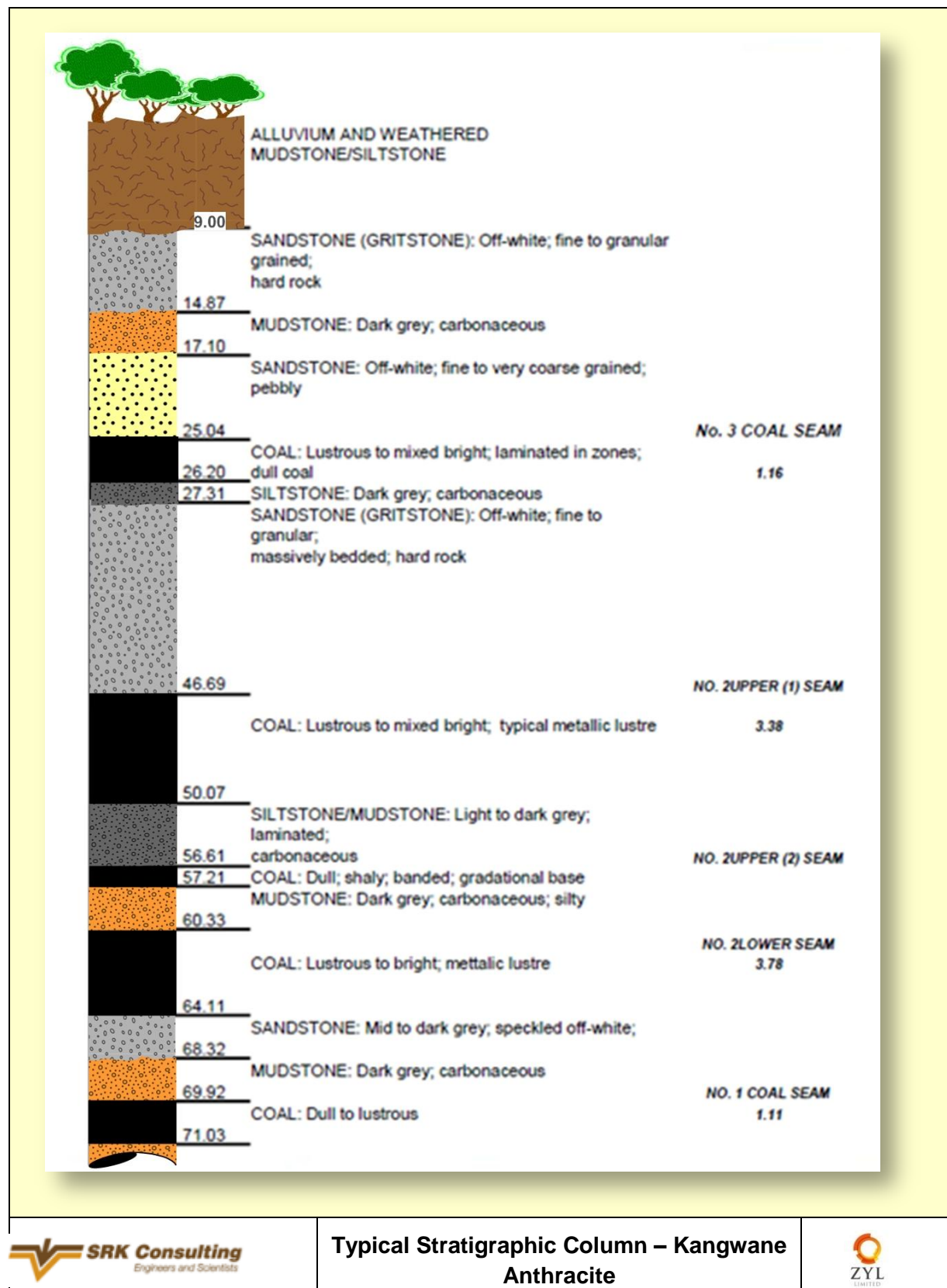


Figure 0.3 Typical Stratigraphic Column for the Project Area

6 EXPLORATION AND SAMPLING

A drilling and exploration programme is currently underway, managed and operated by Olympic Park (Pty) Ltd, a drilling contracting company. Some of the exploration boreholes include “twin-hole” drilling, which will verify and validate historical data and information.

To date 29 of the 40 planned holes have been completed on the Kangwane Project and logged. 6 of the completed holes have not intersected coal. The completed boreholes represent some 2,400m. The remaining 11 boreholes to be drilled on the Kangwane Project are expected to be completed by month-end.

Drilling costs, which include the surveyed positions of the planned boreholes, the drilling of the boreholes, geological logging, wireline logging and the laboratory analyses of samples taken from the drilled borehole cores, are not expected to exceed \$850,000.

An airborne magnetic survey is due to be undertaken by the company GeoTech Airborne Geophysical Surveys, at an expected cost of approximately \$50,000, in the latter half of April 2011. The purpose of this survey is to identify the main lithological structures, with magnetic signatures, that may be important to the development of the project and, to identify alterations in the lithological sequence which may be of significance.

The focus of the drilling programme that is being exercised during this programme is to prove the viability of and validate the areas identified for openpit mining operations.

Figure 0.1 depicts current exploration drilling operations underway in the proposed North Openpit Area.



Current Exploration Drilling

Date: 11 February 2011



Figure 0.1 Current Exploration Drilling

Sampling, of the boreholes on the Kangwane Project, is being carried out and analysed at Midlabs in Middleburg, Mpumalanga Province, for relative density, moisture, ash, volatile matter, total sulphur, calorific value and float and sink at 1.4, 1.5, 1.6, 1.7 and 1.8 densities.

Current exploration includes a drilling programme of 40 boreholes on the Kangwane Project and to date 29 boreholes have been drilled for a total of 2,378m allowing for 124 samples to be collected.

An airborne magnetic survey has been planned to commence in an effort to further understand the geology of the area. The magnetic survey will also allow for an additional drilling programme to be planned if necessary, designed to extend the resources and delineate further reserves.

The results of this exploration programme will be used to justify the FS of this project.

Figure 0.2 below shows core recovered from a recently drilled borehole (SYT008).



Figure 0.2 Recovered borehole core

6.1 Quality Assurance and Quality Control

SRK undertook a site visit in relation to the preparation of this report. SRK geologists will also be conducting site visits to inspect the current Exploration and Drilling Campaign. The inspections and audits will cover the borehole drilling and borehole logging operations and processes. SRK will be auditing the drilling and logging operations against a set of Quality Assurance and Quality Control (“QA/QC”) procedures for all aspects of site investigations. Results of these audits will be included in the FS.

7 INFRASTRUCTURE AND LOGISTICS

7.1 Rail and Road Access

A national road (R571), traversing the eastern portions of the Naas and Wanhoop farms connects the Project Area with the town of Komatipoort in the north and the country of Swaziland in the south.



Figure 7.1 R571 travelling in a Southerly Direction from Komatipoort

A railway line between Swaziland and Komatipoort, traverses the south-eastern portion of the Wanhoop Farm. The portion of the railway line, within the Wanhoop Farm, contains a working rail-siding currently being used by the operators of Nkomati Anthracite. SRK understands that this railway and siding has a capacity of 100,000 tonnes/month. This railway meets up with the mainline at Komatipoort and links directly with the Matola Bulk Terminal in Maputo, Mozambique.

Matola Bulk Terminal in Maputo, Mozambique has a current capacity to handle 2.5 mtpa, however, a South African firm is to launch a feasibility study into the expansion of the Matola Coal Terminal, to 12 mtpa. It is apparent that finance has already been provided for the first expansion of the port which will increase the capacity to 6 mtpa .of which 4.5 mtpa will be dedicated to coal and 1.5 mtpa for magnetite.

Figure 7.2 below shows the rail-siding on the Wanhoop Farm.



Figure 7.2 **Rail-siding on South-East of Prospecting Area.**

7.2 Power Supply and Access to Power

Pending further investigation, a 32kV powerline, 18km from the project area, may be used to supply electricity for the project.

7.3 Water supply

A potential for water supply from the Komati River which traverses north of the project exists. Refer to Figure 0.2.

8 PROJECT DEVELOPMENT (EXPLORATION AND FS)

8.1 Further Exploration

These planned exploratory boreholes are expected to support the classification of most of the Project Area to at least an indicated category, in terms of the JORC code. This classification is necessary to support the compilation of a FS.

The coal washability also requires further investigation to validate historical investigation and to supply reliable information where information was lacking in the historical data. These investigations will also assist in the determination of possible products.

8.2 Development of the FS

A project plan for the development of a FS has been developed. The FS will follow the general aspects of a FS as set out below:

1. Verification of tenure, permitting;
2. Geology;
3. Resource modelling/estimation review;
4. Water management;
5. Geotechnical investigations;
6. Mine design and mine planning;
7. Anticipated production schedules / build-up;
8. Metallurgical test work review;
9. Process plant design;
10. Tailings dam and waste rock dump design;
11. Environmental/rehabilitation aspects;
12. Surface infrastructure and services;
13. Manpower requirements;
14. Capital expenditure estimate;
15. Operating cost estimate;
16. Marketing aspects / sales agreements;
17. Project implementation plan;
18. Economic evaluation; and
19. Risk assessment.

Consultancy fees for the development and completion of the FS are \$265,000 and is expected to be completed for review around end June 2011 (as per the attached Gantt Chart).

9 PROJECT DEVELOPMENT TIMELINE

The Gantt chart shown below (**Table 0.1**) indicates the project development stage, through the exploration programme during the last quarter of 2010, the development and finalisation of the BFS submitted in the first half of 2011, the preparation and construction for production start-up and a ramp-up to full production in the first and second quarters of 2012.

Table 0.1 Project timing from BFS to Anticipated Production

Kangwane	Oct - Dec Q4 '10	Jan - Mar Q1 '11	Apr - Jun Q2 '11	Jul - Sep Q3 '11	Oct - Dec Q4 '11	Jan - Mar Q1 '12	Apr - Jun Q2 '12
Feasibility Study Commencement							
Drilling, Sampling and Geological Modelling							
Mine Modelling							
Coal Processing Systems Design							
Engineering and Surface Infrastructure							
Eskom Power Supply Discussions							
Water Security and Use Discussions							
Railage Access Discussions							
Export Allocation Discussions							
Finalisation of BFS Reports							
Construction							
Anticipated Production and Ramp-up							

10 CONCLUDING REMARKS

SRK were commissioned by ZYL to prepare a report on the Kangwane Anthracite Project, on ZYL's coal assets in the Kangwane Coalfield.

The Kangwane Project contains four seams and is part of a geologically complex coalfield.

SRK has not confirmed or validated the coal resource statement as supplied by GeoCoal Services.

The project is central to both the internal markets of South Africa and the export markets through the use of the Maputo Terminal at the Matola Port in Mozambique.

A rail siding on the project tenement feeds directly into the main rail line between Maputo in Mozambique and the Highveld in South Africa.

SRK does not make any claim or state any opinion as to the validity of ZYL/Siyanda's legal title to the coal assets.



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11 GLOSSARY OF ABBREVIATIONS AND ACRONYMS

Ash	Ash content;
CV	Calorific Value (expressed in mega joules per kilogram or MJ/kg or expressed in kilocalories per kilogram or kcal/kg);
GTIS	Gross tonnes in situ, before any discounts;
ha	Hectare (an area of 10 000 square metres);
JORC resources);	Joint Ore Reserves Committee (Australian standard of reporting resources);
km	Kilometre;
LoM	Life of mine, normally expressed in years;
Mt	Million tonnes;
MTIS	Mining Tonnes in Situ (expressed as MIST in the GeoCoal Report);
Mtpa	Million tonnes per annum;
MW	Mega Watt;
Phos	Phosphorous content of the coal;
RD	Relative density being the ratio of the density (mass of a unit volume) of a substance to the density of water;
RoM	Run of Mine;
SAMREC	The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (2007);
SANS 10320	The South African Guide to the Systematic Evaluation of Coal resources and Coal Reserves (2004);
SR	Stripping ratio expressed as a ratio between Overburden Bcm's mined per tonne of Coal mined;
TS	Total sulphur content;
TTIS	Total tonnes in situ; and
VM	Volatile Matter.

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9. INVESTIGATING ACCOUNTANT'S REPORT

15 April 2011

The Directors
ZYL Limited
Ground Floor, 1306 Hay Street
WEST PERTH WA 6005

Dear Sirs,

ZYL Limited **Investigating Accountant's Report**

1. Introduction

This Report has been prepared by William Buck Corporate Advisory Services (NSW) Pty Limited ("**William Buck**") for inclusion in a prospectus to be dated on or about 15 April 2011 (the "**Prospectus**") relating to the Offer by ZYL Limited ACN 008 720 223 ("**ZYL**" or the "**Company**") for the issue of 150,000,000 Shares at an issue price of \$0.20 per Share to raise \$30 million before the costs of the Offer.

The minimum number of Shares offered under this Prospectus is 150,000,000 Shares at an Offer price of \$0.20 per Share to raise \$30 million before costs of the Offer. If this minimum subscription of \$30 million is not achieved within four months from the opening date, the Company will either repay all application monies to Applicants or issue a supplementary or replacement prospectus to allow Applicants one month to withdraw their Application and be repaid their application monies. No interest will be paid on this money.

The Offer is not underwritten.

All terms used in this Report have the same meaning as the terms used and defined in the Prospectus unless otherwise defined in this Report.

2. Background

ZYL is a public company whose shares are listed on the Australian Securities Exchange ("**ASX**").

Until recently, ZYL had sought to develop a business model based on the provision of mobile surveillance equipment. Due to difficulties in the Company being able to commercialise the technology, ZYL has sought and evaluated a number of other opportunities both within the mobile camera surveillance industry and in other industries in an attempt to enhance shareholder returns.

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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williambuck.com

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INDEPENDENT FIRMS

In July 2010, ZYL announced that it had entered into a memorandum of understanding (“**MoU**”) to acquire 100% of the issued capital of Exsteen Pty Limited (“**Exsteen**”), a company which has entered into a number of agreements which will enable Exsteen to acquire an effective interest of up to 50.12% in the Kangwane Anthracite Coal Project (the “**Kangwane Project**”).

In February 2011, ZYL announced that it had exercised its option to acquire 100% of the issued capital of Exsteen.

The Kangwane Project is located in the Mpumalanga province of South Africa, approximately 100km by rail to the Matola Terminal at Maputo Port in Mozambique. The Kangwane Project contains a JORC-compliant resource of 114.1Mt of which 21.4Mt is in the “Measured” category, with the balance being a combination of “Indicated” and “Inferred” resources.

In January 2011, ZYL appointed SRK Consulting to manage the Bankable Feasibility Study (“**BFS**”) in respect of the Kangwane Project. The initial stage of the BFS will focus on the review and analysis of the historical exploration and drilling undertaken in the 1980s as well as preparing an initial review of a preliminary economic assessment of the Kangwane Project.

The BFS will include an aerial geophysical survey and an additional drilling program which are designed to enhance the quality of the existing exploration results, increase the global resource base and delineate proven and probable reserves.

In addition to the Kangwane Project, ZYL has entered into a non-binding MoU for the provision of coal extracted from the Kangwane Project to an international power utility for use in a power plant to be constructed in close proximity to the Kangwane Project. This MoU remains subject to further due diligence, negotiation and formal agreements being entered into.

The Prospectus to which this Report relates has been prepared by ZYL to enable the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules and to raise funds to enable the Company to acquire its 50.12% interest in the Kangwane Project.

3. Financial Information

This Report deals with the financial information included in Section 10 of the Prospectus (the “**Financial Information**”) which comprises:

- Historical statement of comprehensive income for the six months ended 31 December 2010;
- Historical statement of financial position as at 31 December 2010 and restated historical statement of financial position as at 31 December 2010;
- Pro forma statement of financial position as at 31 December 2010;
- A reconciliation of the cash (and cash equivalents), intangibles and equity balances contained in the pro forma statement of financial position to the opening balances in the restated historical statement of financial position as at 31 December 2010;
- Assumptions underlying the pro forma statement of financial position; and
- Accounting policies adopted in the preparation of the Financial Information.

The pro forma statement of financial position as at 31 December 2010 has been prepared to illustrate the financial position of the Company on completion of the Offer and has been prepared on

the basis of the assumptions and material accounting policies as set out in Section 10 of the Prospectus.

The Directors of the Company are responsible for the preparation and presentation of the Financial Information including the assumptions and material accounting policies on which they are based. We disclaim any responsibility for any reliance on this Report or the Financial Information to which it relates for any purpose other than that for which it was prepared. This Report should be read in conjunction with the full Prospectus.

The Directors are not making any forecasts with respect to the future earnings of the Company.

4. Scope

We have conducted an independent review of the Financial Information included in Section 10 of the Prospectus in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the Financial Information is not presented fairly in accordance with the assumptions and material accounting policies adopted and summarised in Section 10 of the Prospectus.

Our review has been conducted in accordance with Australian Auditing Standards on Review Engagements (“**ASRE**”) 2405 “Review of Historical Information other than a Financial Report” and guidance provided in Auditing and Assurance Guidance Statement (“**AGS**”) 1062 “Reporting in Connection with Proposed Fund Raisings”. We have made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, which were limited primarily to:

- a) Analytical procedures on the pro forma statement of financial position;
- b) A review of working papers, accounting records and other documents;
- c) Review of relevant working papers detailing the pro forma adjustments, the assumptions on which they were made and other supporting documentation, as appropriate;
- d) A comparison of consistency in application of the recognition and measurement principles prescribed in Australian Accounting Standards, Australian Accounting Interpretations, other mandatory or authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 and the accounting policies adopted by the Company as disclosed in Section 10.5 of the Prospectus; and
- e) Enquiries with the Company’s Directors, management and advisors.

The procedures undertaken do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Financial Information.

5. Review Statement on Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- a) The historical Financial Information is not presented fairly in accordance with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards, Australian Accounting Interpretations, other mandatory or

authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 and the accounting policies adopted by the Company;

- b) The pro forma Financial Information has not been properly prepared on the basis of the pro forma transactions so as to present fairly the pro forma financial position of the Company; and
- c) The assumptions and material accounting policies adopted and summarised at Sections 10.4 and 10.5 of the Prospectus do not form a reasonable basis for the preparation of the pro forma statement of financial position set out in Section 10.3 of the Prospectus.

We note that Independent Auditor's Review Report in relation to ZYL's 31 December 2010 financial statements contained an Emphasis of Matter paragraph in respect of a material uncertainty regarding ZYL's ability to continue as a going concern. The Emphasis of Matter draws the attention to Note 1 to the financial statements which indicates that the company incurred a net loss of \$644,647 (2009: \$724,646) and had net cash outflows from operating activities of \$660,039 (2009: \$137,439) during the half year ended 31 December 2010. Accordingly, we draw attention to the matters disclosed in Note 1(b) of Section 10.5 of the Prospectus as to why the Directors of ZYL believe it is appropriate prepare the Financial Information as set out in Section 10 to the Prospectus on a going concern basis.

7. Subsequent Events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no other material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

8. Sources of Information

We have made enquiries of the Directors of the Company and other parties as considered necessary during the course of our review. We have also referred to the Prospectus and material documents which relate to the operations of the Company.

We have no reason to believe that the information supplied is not reliable.

9. Declarations

William Buck has prepared this Report for inclusion in the Prospectus. We have not acted in any other capacity in relation to the Prospectus, and have not been involved in the preparation of any part thereof.

William Buck Chartered Accountants, an entity associated with William Buck, has provided audit services to the Company for which professional fees at standard market rates are received.

Apart from that noted above, William Buck does not have any interest in the outcome of this Issue other than a fee in connection with the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received. No pecuniary or other benefit, direct or indirect, has been received by William Buck for or in connection with the making of this Report.

This Report has been prepared by Domenic Quartullo and Leo Tutt of William Buck.

Other than as disclosed above, Domenic Quartullo, Leo Tutt, the other Directors of William Buck and the staff involved with the preparation of this Report have, at the date of this Report, no interest in or financial relationship with ZYL.

William Buck has consented to the inclusion of this Report in the Prospectus in the form and context it appears. At the date of this Report, the consent has not been withdrawn. William Buck has not authorised this issue of this Prospectus and accordingly makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, this Prospectus.

Yours faithfully,

William Buck Corporate Advisory Services (NSW) Pty Limited

ABN 50 133 845 637

Authorised Representative No. 333393

AFSL 240769



Domenic Quartullo
Director



Leo Tutt
Director

Financial Services Guide

Dated 15 April 2010

William Buck Corporate Advisory Services (NSW) Pty Ltd ABN 50 133 845 637 ("William Buck" or "we" or "us" or "our" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of general financial product advice and to ensure that we comply with our obligations as an authorised representative of a financial services licensee.

The FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide as an Authorised Representative of William Buck Financial Services (NSW) Pty Ltd (Licence No: 240769);
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial Services We are Licensed to Provide

We are an authorised representative of William Buck Financial Services (NSW) Pty Ltd who holds an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
 - basic deposit products;
 - deposit products other than basic deposit products;
- derivatives limited to old law securities options contracts and warrants;
- debentures, stocks or bonds issued or proposed to be issued by a government;

- life products including:
 - investment life insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds; and
 - life risk insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds;
- interests in managed investment schemes including investor directed portfolio services;
- retirement savings accounts products (within the meaning of the Retirement Savings Account Act 1997);
- securities; and
- superannuation.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as an authorised representative of a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits That We May Receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither William Buck, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or Other Benefits Received by Our Employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are authorised to provide.

Associations and Relationships

From time to time William Buck may provide professional services including financial advisory services to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal Complaints Resolution Process

As an authorised representative of a holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Compliance Officer,

William Buck, Level 29, 66 Goulburn Street, Sydney NSW 2000.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service. The Financial Ombudsman Service is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry.

Further details about the Financial Ombudsman Service are available at the website www.fos.org.au or by contacting them directly at: the Financial Ombudsman Service, GPO Box 3, Melbourne VIC 3001, or by telephone on 1300 780 808 or by facsimile on (03) 9613 6399.

Professional Indemnity Insurance

William Buck has professional indemnity insurance in place which covers any work done by us, as an authorised representative of William Buck Financial Services (NSW) Pty Ltd and by representatives/employees after they cease to work for us. The compensation arrangements we have in place comply with sec.912B of the Corporations Act.

Contact Details

You may contact us at William Buck, Level 29, 66 Goulburn Street, Sydney, NSW 2000 or by telephone on (02) 8263 4000.

10. FINANCIAL INFORMATION

10.1 Introduction

This section of the Prospectus contains a summary of the actual historical and pro forma financial information for ZYL that the Directors consider relevant to potential investors. All financial information presented in this section should be read in conjunction with the assumptions and pro forma transactions set out in Section 10.4, the summary of significant accounting policies set out in Section 10.5, the Investigating Accountant's Report set out in Section 9 and other information contained in this Prospectus.

The historical and pro forma financial information comprises the following:

- the reviewed actual historical statement of comprehensive income for the six months ended 31 December 2010;
- the reviewed actual historical statement of financial position as at 31 December 2010;
- the restated actual historical statement of financial position as at 31 December 2010; and
- the pro forma statement of financial position as at 31 December 2010.

10.2 Historical Statements of Comprehensive Income

On 20 August 2009, ZYL entered into voluntary administration. ZYL announced that it had effected a deed of company arrangement on 26 February 2010 resulting in the resignation of its administrator following a significant reorganisation of its capital together with a recapitalisation by way of the issue of new shares. ZYL's principal continuing activity during the year ended 30 June 2010 was the ongoing development and commercialisation of surveillance technology. On 20 July 2010, the Company announced a significant change in its future activities with the acquisition of an anthracite coal project in South Africa. Accordingly, ZYL's historical earnings prior to 30 June 2010 are not considered relevant to potential investors.

Set out below is the actual reviewed historical statement of comprehensive income for the six months ended 31 December 2010.

	Section 10.5 Note	Six Months Ended 31 December 2010 (Reviewed)	Six Months Ended 31 December 2010 (Restated)
Revenue		41,102	41,102
Technical Development & Services	5	(165,124)	(221,216)
Share-Based Payments	7(b)	(38,400)	(164,400)
Occupancy Expenses		(24,118)	(24,118)
Depreciation		(1,537)	(1,537)
Administrative Expenses		(456,570)	(456,570)
Loss Before Related Income Tax Expense		(644,647)	(826,739)
Income Tax Benefit		-	-
Net Loss from Continuing Operations Attributable to Members of the Parent		(644,647)	(826,739)
Profit from Discontinued Operations After Income Tax Expense		-	-
Other Comprehensive Income		-	-
Total Comprehensive Loss Attributable to Members of the Parent		(644,647)	(826,739)

The actual reviewed statement of comprehensive income for the six months ended 31 December 2010 has been extracted from ZYL's Half Year Accounts for the period ended 31 December 2010 lodged with the ASX Limited on 25 February 2011.

ZYL has made certain correction of error adjustments that, as outlined in Notes 5 and 7(b) of Section 10.5 below, have caused a restatement of earnings for the six months ended 31 December 2010. As such, in accordance with AASB101, a restated statement of comprehensive income has been presented for the six months ended 31 December 2010.

The errors resulted in an understatement of losses in the amount of \$182,092 during the six months ended 31 December 2010 and an overstatement of net assets in the amount of \$56,093 as at 31 December 2010.

10.3 Historical and Pro Forma Statements of Financial Position

The historical and pro forma statements of financial position set out below have been prepared to illustrate the financial position of the Company following certain transactions that have taken place since 31 December 2010, and the completion of the Offer and the expenditure of funds noted in this Prospectus.

The actual reviewed statement of financial position as at 31 December 2010 has been based on ZYL's Half Year Accounts for the period ended 31 December 2010 lodged with the ASX Limited on 25 February 2011.

The pro forma statement of financial position as at 31 December 2010 has been prepared on the basis of the successful completion of the Offer as detailed in Section 4 of this Prospectus and the proposed expenditure of funds as detailed in Section 3.6 of this Prospectus. The pro forma statement of financial position as at 31 December 2010 should be read in conjunction with the accompanying notes set out in Section 10.4 and Section 10.5 of this Prospectus.

The pro forma statement of financial position is intended to be illustrative only and will not reflect the actual position and balances as at the date of this Prospectus or at the conclusion of the Issue.

	Section 10.5 Note	As at 31 December 2010		
		Reviewed	Restated	Pro-forma
Current Assets				
Cash & Cash Equivalents	2	6,742,553	6,742,553	33,276,806
Trade & Other Receivables		81,139	81,139	81,139
Financial Assets at Fair Value				
Through Profit & Loss	3	-	1,100,000	-
Other Financial Assets	4	-	-	2,805,954
Total Current Assets		6,823,692	7,923,692	36,163,899
Non-Current Assets				
Mining Exploration & Evaluation	5	1,156,092	-	-
Plant & Equipment		11,101	11,101	11,101
Intangible Assets	6	-	-	3,400,000
Total Non-Current Assets		1,167,193	11,101	3,411,101
TOTAL ASSETS		7,990,885	7,934,793	39,575,000
Current Liabilities				
Trade & Other Payables		255,022	255,022	255,022
Provisions		5,466	5,466	5,466
Total Current Liabilities		260,488	260,488	260,488
Non-Current Liabilities				
-		-	-	-
Total Non-Current Liabilities		-	-	-
TOTAL LIABILITIES		260,488	260,488	260,488
NET ASSETS		7,730,397	7,674,305	39,314,512
Equity				
Issued Capital	7	23,262,717	23,388,717	53,649,778
Reserves	7	38,400	38,400	2,338,400
Retained Earnings	7	(15,570,720)	(15,752,812)	(16,673,666)
TOTAL EQUITY		7,730,397	7,674,305	39,314,512

ZYL has made certain correction of error adjustments that, as outlined in Notes 3, 5 and 7(b) of Section 10.5 below, have caused a restatement of the current asset, non-current assets, issued capital and retained earnings as at 31 December 2010. As such, in accordance with AASB101, a restated statement of financial position has been presented as at 31 December 2010.

The errors resulted in an understatement of losses in the amount of \$182,092 during the six months ended 31 December 2010 and an overstatement of net assets in the amount of \$56,092 as at 31 December 2010.

10.4 Assumptions and Pro Forma Transactions

The pro forma statement of financial position has been based on ZYL's restated statement of financial position as at 31 December 2010 as set out in the Section 10.3 of the Prospectus adjusted for the following events and transactions and on the assumption that they had occurred as at 31 December 2010:

- a) A number of significant events and transaction have occurred since 31 December 2010 to the date of this Prospectus. These events and transactions relate to the following issues of shares and options in ZYL:
 - (i) On 2 February 2011, ZYL issued 2,500,000 fully paid ordinary shares to Dr Eric Lilford pursuant to the satisfaction of performance hurdles. The fair value of these shares on the date of issue has been assessed by the Company to be \$240,670.
 - (ii) On 14 February 2011, ZYL issued 6,000,000 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of \$0.015 per option.
 - (iii) ZYL completed the acquisition of 100% of the issued capital of Exsteen on or around 21 February 2011. Deferred consideration payable by ZYL in relation to the acquisition of Exsteen consists of the issue of 20,000,000 fully paid ordinary shares in ZYL. The fair value of this deferred consideration on the date of acquisition has been assessed by the Company to be \$2,300,000.
 - (iv) On 21 February 2011, ZYL issued 5,333,333 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of \$0.03 per option.
 - (v) On 21 February 2011, ZYL issued 5,000,000 unlisted options to Dr Eric Lilford pursuant to the satisfaction of performance hurdle. The options have an exercise price of \$0.03 per option and a term of two years from the date of issue. The fair value of these options on the date of issue has been assessed by the Company to be \$442,422.
 - (vi) On 3 March 2011, ZYL issued 33,000,000 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of \$0.015 per option.
 - (vii) On 14 March 2011, ZYL issued 6,000,000 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of \$0.015 per option.
 - (viii) On 12 April 2011, ZYL issued 18,100,000 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of \$0.015 per option.
- b) In the pro forma statement of financial position, it is assumed that 150,000,000 new fully paid ordinary Shares will be issued to Applicants under this Prospectus at an Offer Price of \$0.20 per share to raise a total of \$30,000,000 before costs of the Offer.

- c) Costs of the Offer (including advisory, legal, accounting, listing and administrative fees and printing) have been offset directly against equity or retained earnings as follows:

	Offer Costs
Total Costs of the Offer	1,766,293
<i>Allocated as follows:</i>	
Offset against equity	1,528,488
Expensed	237,805

- d) In accordance with the BFS Loan Agreement ZYL, through Exsteen will forward loan funds totalling ZAR20,000,000 to Siyanda.

The loan funds of ZAR20,000,000 have been converted to Australian dollars at an exchange rate of AU\$1.00 = ZAR7.1277 resulting in a loan amount of \$2,805,954.

We note that as at the date of this Report, Exsteen had forwarded amounts totalling approximately AU\$365,000 to Siyanda under the BFS Loan Agreement.

- e) The Definitive Agreements, which, when completed, are the instruments under which ZYL will acquire an effective interest of up to 50.12% in the Kangwane Project, remain conditional as at the date of this Prospectus. The Definitive Agreements will become unconditional at such time that, amongst other events occurring:

- Section 11 approval is granted by the Department of Minerals and Energy ("DME") in South Africa in relation to the transfer of the prospecting and mining right from Siyanda to the JV Company;
- Foreign Exchange Control Approvals are granted by the South African Reserve Bank for the entire transaction;
- Approval is received from the Financial Surveillance Departments of the South African Reserve Bank for the entire transaction;
- Approval is received from the South African competitive authorities for the entire transaction (if required); and
- At its conclusion, the BFS presents results that are to the satisfaction of ZYL or presents results confirming that at least 36,000,000 tons of economically minable coal are available at the Kangwane Project.

Accordingly, the pro forma statement of financial position has been prepared on the basis that the current interest of ZYL in the Kangwane Project is limited to the provision of loan funds advanced to Siyanda in the amount of ZAR 20 million (refer

to 10.4(d) above), to be used by Siyanda for the conduct of the BFS and does not take into account cash outflows attributable to exploration and evaluation expenses relating to the Kangwane Project beyond conclusion of the BFS.

- f) All amounts are stated in Australian dollars unless otherwise stated. Where amounts have been required to be converted into Australian dollars, such amounts have been converted on the basis of exchange rates published by the Reserve Bank of Australia at relevant dates.
- g) Any interest earned by the Company during the Offer period has not been taken into account.
- h) It has been assumed that Resolution 3 as set out in the Notice of Meeting dispatched to Shareholders on 16 March 2011 ("**Resolution 3**") will be passed by Shareholders.

Should Resolution 3 be passed by Shareholders, the number of fully paid ordinary shares and options on issue by ZYL will be consolidated on the basis that:

- Every 2 Shares will be consolidated into 1 Share; and
- Every 2 Options will be consolidated into 1 Option with the exercise price amended in inverse proportion to that ratio.

Further details of how the above pro forma adjustments have been reflected in the pro forma statement of financial position of ZYL as at 31 December 2010 are set out in Notes 2 to 8 of Section 10.5 below.

10.5 Notes to the Historical and Pro Forma Financial Information

NOTE 1: MATERIAL ACCOUNTING POLICIES

The financial information has been prepared in accordance with the measurement but not all of the disclosure requirements of Australian Accounting Standards and Urgent Issues Group Consensus Views. In the view of the Directors of ZYL, the omitted disclosure would not provide further relevant information to potential investors.

(a) Basis of Preparation

The financial information has been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial information of ZYL comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial information are presented below. They have been consistently applied unless otherwise stated.

The financial information has been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities based on Directors' estimates of net realisable value. The financial information is presented in Australian dollars.

ZYL is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

(b) Going Concern

The financial information has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Directors believe that it is appropriate to prepare the financial information on a going concern basis for the following reasons:

- On 16 March 2011, the Company announced that it had received firm commitments from institutional investors to complete a \$30 million placement via a re-compliance Prospectus. The institutional placement will be completed via the issue of 150 million shares at an issue price of 20 cents per share;
- On 14 December 2010, 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;

- On 22 July 2010, the Company announced that it had completed the placement of approximately 48 million shares at an issue price of 1.6 cents per share to raise a total of approximately \$770,000;
- On 30 September 2010, the Company undertook a Share Purchase Plan which raised a total of \$759,580 via the issue of 42,198,889 shares;
- The Company has put in place appropriate mechanisms to monitor the capital requirements of the Company and to ensure that sufficient working capital remains within the Company to be able to meet the short term capital commitments as and when they fall due;
- The Company has put in place adequate mechanisms to ensure that cash flows of the business remain sufficient to ensure that ZYL can fund its ongoing business plan;
- The Directors continue to monitor the capital requirements of the Company to ensure sufficient funding is available to enable it to adequately meet its obligations under the joint venture at the Kangwane Anthracite Project and to ensure that funds remain available for the continued research and development of the Smart G business. In accordance with the capital management mechanisms that the Company has implemented, the Directors continue to monitor the ongoing obligations matched against the capital on hand, and if required the Directors will procure the Company to raise additional capital via a private placement, rights issue, share purchase plan or another means of capital injection;
- The Directors have prepared a 24 month business plan and associated budget which reflects the overall costs of each of the joint venture on the Kangwane Anthracite Project, the research and development of the Smart G software and the general administrative costs associated with operating a public company. This budget assists the Directors in monitoring the cash requirements of the Company and to ensure that sufficient contingencies remain in place such that the Company is adequately funded;
- The revised business plan and the new focus on the Kangwane Anthracite Project in South Africa underpins the future success of the Company. The Directors believe that the Kangwane Anthracite Project offers shareholders the opportunity to invest in an exciting advanced development project with a clear path to production. The Directors continue to monitor the cash requirements of the Company to ensure that adequate funds remain in place to fund the expenditure plans in relation to the exploration and development of the Kangwane Anthracite Project.

It is for these reasons that the Directors consider the Company to be a going concern.

Notwithstanding the material uncertainties of future events inherent in the above, the Directors consider it is appropriate to prepare the financial information on a going

concern basis and hence no adjustments have been made to the financial information relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary if the entity does not continue as a going concern.

(c) Basis of Consolidation

A controlled entity is any entity over which ZYL has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

As at the end of the reporting period, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial information as well as their results for the period then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-group balances and transactions between entities in the group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(d) Trade and Other Receivables

Trade debtors to be settled within 60 days are carried at amounts due. The collectability of debts is assessed at the end of the reporting period and a specific provision is made for any doubtful accounts.

(e) Impairment of Assets

At the end of the reporting period, ZYL reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Plant and Equipment

Items of plant and equipment are recorded at cost on acquisition less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to ZYL and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to ZYL commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

- Office furniture and equipment 6 - 33%
- Leasehold Improvements 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(g) Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency of ZYL which is Australian Dollars at the rates of exchange prevailing at the dates of the transaction. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

(h) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit and loss is the tax payable on the taxable income using applicable income tax rates enacted or substantially enacted as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Research and development expenditure tax offsets receivable under Section 73Q of the Income Tax Assessment Act are recognised upon lodgement of the income tax return, when the Company has made the required election.

(i) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Equity-settled compensation

The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(j)

(k) Provisions

Provisions are recognised when ZYL has a legal or constructive obligation, as a result of a past event, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) Trade and Other Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to ZYL. Trade payables are normally settled within 30 days.

(m) Financial Instruments***Recognition and Initial Measurement***

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and subsequently measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement**(i) Financial assets at fair value through profit or loss**

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is ZYL's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

(vi) Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, ZYL assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

(n) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and at bank, short term deposits with financial institutions maturing within less than three months and net of outstanding bank overdrafts.

(o) Revenue and Income Recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest income is recognised as it accrues.

(p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Adoption of New and Revised Accounting Standards

ZYL adopts all new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of ZYL.

AASB 6: Exploration and Evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

- (b) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Accumulated costs in relation to an area of interest that has been abandoned are written off in full against the profit or loss in the year in which the decision to abandon the area is made.

When production commences the accumulated costs for the relevant area are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

NOTE 2: CASH & CASH EQUIVALENTS

A reconciliation of the cash balances contained in the pro forma statement of financial position is as follows:

	Note	Amount
Historical balance as at 31 December 2010 (Restated)		6,742,553
Proforma Adjustments:		
14/02/2011: Issue of 6,000,000 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of 1.5 cents per option	10.4(a)(ii)	90,000
21/02/2011: Issue of 5,333,333 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of 3.0 cents per option	10.4(a)(iv)	160,000
03/03/2011: Issue of 33,000,000 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of 1.5 cents per option	10.4(a)(vi)	495,000
14/03/2011: Issue of 6,000,000 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of 1.5 cents per option	10.4(a)(vii)	90,000
12/04/2011: Issue of 18,100,000 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of 1.5 cents per option	10.4(a)(viii)	271,500
Proceed of the Offer	10.4(b)	30,000,000
Costs of the Offer	10.4(c)	(1,766,293)
Loan funds to be provided by ZYL (through Exsteen) in accordance with the BFS Loan Agreement	10.4(d)	(2,805,954)
Pro-forma balance as at 31 December 2010		33,276,806

NOTE 3: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT & LOSS

As at 31 December 2010, restated financial assets at fair value through profit and loss ("FVTPL") in the amount of \$1,100,000 relates to the fair value of the consideration paid for the option to acquire 100% of the issued capital of Exsteen.

We note that these amounts had previously been classified as Mining Exploration & Evaluation costs as at 31 December 2010. Refer to Note 5 below for further information.

On or around 21 February 2011, ZYL exercised its option to acquire 100% of the issued capital of Exsteen Pty. Accordingly, the restated financial assets at FVTPL balance as at 31 December 2010 formed part of the consideration paid for 100% of the issued capital of Exsteen in accordance with AASB 3 *Business Combinations*. Accordingly, the pro forma balance of financial assets at FVTPL as at 31 December 2010 is nil. Refer to Note 6 below for further information.

NOTE 4: OTHER FINANCIAL ASSETS

In accordance with the BFS Loan Agreement, Siyanda has the right to draw down amounts of up to ZAR20,000,000 (in aggregate) in order to fund the BFS. Accordingly, a pro forma adjustment has been taken up to reflect the total amount available to Siyanda from Exsteen.

An exchange rate of AU\$1.00 = ZAR7.1277 has been used to convert the available loan into the reporting currency of ZYL, resulting in a loan amount of \$2,805,954.

We note that as at the date of this Report, Exsteen had to date, forwarded amounts totalling approximately AU\$365,000.

NOTE 5: MINING EXPLORATION & EVALUATION

As at 31 December 2010 had capitalised \$1,156,092 in costs as Mining Exploration & Evaluation costs. These costs were incorrectly classified as at 31 December 2010.

Of the total amount capitalised, \$1,100,000 relates to the fair value of the consideration paid in relation to the option to acquire 100% of the issued capital of Exsteen Pty Limited and accordingly, should have been recognised as a financial asset at fair value through profit and loss. The correct treatment is reflected in the restated statement of financial position as at 31 December 2010.

The remaining \$56,092 related to various professional and consulting costs incurred by ZYL in relation to the option to acquire 100% of the issued capital of Exsteen Pty Limited, the BFS Loan Agreement and the Definitive Agreements and accordingly, should have been recognised as an expense. The correct treatment is reflected in the restated statement of financial position as at 31 December 2010.

The error resulted in an understatement of losses during the six months ended 31 December 2010 and an overstatement of net assets as at 31 December 2010 in the amount of \$56,092.

NOTE 6: INTANGIBLE ASSETS

Reconciliations of the carrying amounts for each class of intangible assets are set out below:

	Note	As at 30 June 2010 (Audited)	As at 31 December 2010		
			Reviewed	Restated	Pro-forma
Goodwill					
Carrying Value at the Beginning of the Period		-	-	-	-
Additions on Acquisition	6(a)	-	-	-	3,400,000
Other		-	-	-	-
Impairment Charge		-	-	-	-
Carrying Value at the End of the Period		-	-	-	3,400,000
Total Intangible Assets					
Carrying Value at the Beginning of the Period		-	-	-	-
Additions on Acquisition		-	-	-	3,400,000
Impairment Charge		-	-	-	-
Carrying Value at the End of the Period		-	-	-	3,400,000

Note 6(a): Business Combinations

On or around 21 February 2011, ZYL exercised its option to acquire 100% of the issued capital of Exsteen Pty Limited. Accordingly, a pro forma adjustment has been made to the statement of financial position as at 31 December 2010 to reflect the acquisition in accordance with AASB 3 *Business Combinations*.

The consideration for the acquisition was made up of the following components:

- The initial option fee of \$1,100,000 in relation to the option to acquire 100% of the issued capital of Exsteen (refer to Note 3 above); and
- A contingent consideration amount consisting of the issue of 20,000,000 new fully paid ordinary shares in ZYL to be issued upon ZYL realising its interest in the Kangwane Project of 50.12%.

The fair value of this contingent consideration on the date of acquisition has been assessed by the Company to be \$2,300,000 (refer to Section 10.4(a)(iii) above).

As at the date of this Prospectus, the initial accounting for this business combination is only provisionally complete as the acquisition only occurred on or around 21 February 2011.

NOTE 7: EQUITY

A reconciliation of equity balances contained in the pro forma statements of financial position is as follows:

	Note	Issued Capital	Reserves	Retained Earnings
Historical balance as at 31 December 2010 (Restated)		23,388,717	38,400	(15,752,812)
Proforma Adjustments:				
09/02/2011: Issue of 2,500,000 fully paid ordinary shares to Dr Eric Lilford pursuant to satisfaction of performance hurdles	10.4(a)(i)	240,627		(240,627)
14/02/2011: Issue of 6,000,000 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of 1.5 cents per option	10.4(a)(ii)	90,000		
21/02/2011: Deferred consideration on the acquisition of Exsteen Pty Limited, being 20,000,000 fully paid ordinary shares in ZYL	10.4(a)(iii)		2,300,000	
21/02/2011: Issue of 5,333,333 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of 3.0 cents per option	10.4(a)(iv)	160,000		
21/02/2011: Issue of 5,000,000 unlisted options to Dr Eric Lilford pursuant to satisfaction of key performance hurdles	10.4(a)(v)	442,422		(442,422)
03/03/2011: Issue of 33,000,000 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of 1.5 cents per option	10.4(a)(vi)	495,000		
14/03/2011: Issue of 6,000,000 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of 1.5 cents per option	10.4(a)(vii)	90,000		
12/04/2011: Issue of 18,100,000 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of 1.5 cents per option	10.4(a)(viii)	271,500		
Proceeds from Offer	10.4(b)	30,000,000		
Costs of the Offer	10.4(c)	(1,528,488)		(237,805)
Pro-forma balance as at 31 December 2010		53,649,778	2,338,400	(16,673,666)

Note 7(a): Number of Shares on Issue

A reconciliation of number of shares on issue after the completion of the Offer is as follows:

	Note	Qty
Historical balance as at 31 December 2010		594,238,239
Proforma Adjustments:		
09/02/2011: Issue of 2,500,000 fully paid ordinary shares to Dr Eric Lilford pursuant to satisfaction of performance hurdles	10.4(a)(i)	2,500,000
14/02/2011: Issue of 6,000,000 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of 1.5 cents per option	10.4(a)(ii)	6,000,000
21/02/2011: Issue of 5,333,333 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of 3.0 cents per option	10.4(a)(iv)	5,333,333
03/03/2011: Issue of 33,000,000 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of 1.5 cents per option	10.4(a)(vi)	33,000,000
14/03/2011: Issue of 6,000,000 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of 1.5 cents per option	10.4(a)(vii)	6,000,000
12/04/2011: Issue of 18,100,000 fully paid ordinary shares pursuant to the exercise of unlisted options with an exercise price of 1.5 cents per option	10.4(a)(viii)	18,100,000
Shares on issue prior to the Offer prior to the Consolidation of the Company's Shares		665,171,572
Shares on issue prior to the Offer after the Consolidation of the Company's Shares	10.4(h)	332,585,786
Shares issued under the Offer	4.1 & 4.8	150,000,000
Proforma balance as at 31 December 2010		482,585,786

Note 7(b): Correction of Error

In July 2010, ZYL entered into an agreement with Selentium Capital Sarl ("**Selentium Capital**") under which Selentium Capital was to provide consultancy and advisory fees to ZYL in relation to the ZYL's interest in and acquisition of the Kangwane Project.

On 8 December 2010 and in accordance with the agreement between ZYL and Selentium Capital, Selentium Capital become entitled to be issued with 15,000,000 options in ZYL. The options are to have an exercise price of \$0.20 per option and a term of four years.

We note that as at 31 December 2010 these options were yet to be issued however, in accordance with AASB 3 *Share Based Payments*, these options should have been recognised at the date they became payable. As at 31 December 2010, ZYL had not recognised the options due to be issued to Selentium Capital.

ZYL has assessed the fair value of the 15,000,000 options due to be issued to Selentium Capital on 8 December 2010 to be \$126,000. Accordingly, issued capital and retained earnings has been restated as at 31 December 2010 by an amount of \$126,000 to correct this error.

The error resulted in an overstatement of profit in the amount of \$126,000.

NOTE 8: CONTINGENT LIABILITIES

During the period ended 31 December 2010 ZYL provided an irrevocable standby letter of credit in favour of Siyanda for a maximum amount of ZAR10,000,000.

The letter of credit was provided in relation to the BFS Loan Agreement entered into between ZYL, Siyanda and Exsteen concerning the Kangwane Project and provides that the credit will be made available to Siyanda on receipt of Siyanda providing a Beneficiary's certificate certifying that any one of the following has occurred and stating the amount claimed:

- (a) ZYL has failed to become the sole registered and beneficial shareholder of Exsteen on or before 7 March 2011 in accordance with the terms and conditions of the BFS Loan Agreement; or
- (b) ZYL or Exsteen have committed a material breach of any of the transaction agreements contemplated in the BFS Loan Agreement; or
- (c) Exsteen has failed to make payment of the first draw down of ZAR10,000,000 in accordance with the terms and conditions of the BFS Loan Agreement on the due date.

The standby letter of credit will automatically become null and void upon payment of ZAR10,000,000 to Siyanda.

The Directors of ZYL are of the opinion that payment under the irrevocable standby letter of credit in favour of Siyanda will not be drawn upon. The Company has satisfied its obligations under part (a) above and the Directors believe that neither part (b) nor part (c) above will occur.

11. MINING TITLE OPINION

The Directors
ZYL Limited
Ground Floor, 1306 Hay Street
West Perth WA 6005

Date
13 April 2011

Dear Sirs

Legal Opinion:
The South African Mineral Titles held by Siyanda Resources (Proprietary) Limited

1. Introduction

- 1.1 Webber Wentzel has been requested by the Australian incorporated entity ZYL Limited (Australian registration number ACN 008 720 223) ("**ZYL**") to prepare and issue a limited opinion regarding the South African mineral titles held by Siyanda Resources (Proprietary) Limited (South African registration number 2005/006343/07) ("**Siyanda**") and in the process of being acquired by Main Street 800 (Proprietary) Limited (South African registration number 2010/005759/07) ("**MS 800**") in relation to the transaction summarised in paragraph 7 below ("**the/this Title Opinion**").
- 1.2 This Title Opinion is prepared for the purposes of the proposed fund raising and associated re-instatement of the securities of ZYL to the Official List of the Australian Securities Exchange ("**ASX**") following ZYL's re-compliance with Chapters 1 and 2 of the ASX Listing Rules.
- 1.3 We understand that this title opinion will be included in a prospectus to be prepared by ZYL under the Australian Corporations Act and we consent to the inclusion of this opinion in that prospectus on the form and context set out herein.
- 1.4 This Title Opinion will provide a brief legislative background to prospecting rights and mining rights in terms of South African law and set out the rights held by Siyanda in relation to the transaction summarised in paragraph 7 below, and in terms of which ZYL is to acquire an interest in the commercial entity to which the mineral titles, held by Siyanda, are to be transferred.
- 1.5 For purposes of rendering this Title Opinion, Webber Wentzel examined the documents which were made available by Siyanda ("**the Documents**"). A list of the Documents is attached as **Annex "A"**.

ZYL Limited - Prospectus 15 04 11 (Final)

Senior Partner: DM Lancaster Partners: RB Africa NG Alp B Aronoff BA Baillie WR Beech JM Bellow DHL Booysen AR Bowley PG Bradshaw JL Buckland MS Burger-van der Walt A Christie RS Coelho KM Colman CD Coquell KE Coster K Couzyn Z Dasoo JH Davies BT de Lange JHB de Lange BEC Dickinson DA Dingley HJ du Preez CP du Toit SK Edmundson JC Els MJR Evans GA Fichardt LC Fitton JB Forman CP Gaul CL Giliomee CI Gouws JP Gouws PD Grealy SN Gumede VW Harrison MH Hathorn JS Henning WA Hiepner NA Hlatshwayo XNC Hlatshwayo S Hockey CM Hoffeld PM Holloway MGH Honiball SJ Hutton AR James ME Jarvis S Jooste N Joubert M Kennedy A Keyser JE King R Kruger J Lamb PSG Leon DB le Roux L Marais S McCafferty MC McIntosh SI Meltzer CS Meyer AJ Mills JA Milner D Milo A Milovanovic L Morphet NN Moshesh VM Movshovich MM Mtshali MB Nzimande N Paige AS Parry GR Penfold SE Phajane MER Phooko NJA Robb DC Rudman DR Scholtz JW Scholtz KE Shepherd DH Short GM Sibanda AJ Simpson J Simpson MP Spalding L Stein PS Stein LJ Swaine ER Swanepoel A Toefy D Vallabh PZ Vanda GJ van der Linde JP van der Poel ED van der Vyver JG van der Vyver M van der Walt D Venter B Versfeld MG Versfeld TA Versfeld JWL Westgate P Williams RH Wilson M Yudaken Chief Operating Officer: WMH Thompson
Johannesburg • Cape Town • London

- 1.6 Except for the Documents and information obtained from Mr Mzwandile Nombewu, of Siyanda, Webber Wentzel has not made any other enquiries or searches, save where explicitly noted, concerning Siyanda or considered any other commercial transactions or arrangements pertaining to Siyanda.

2. Assumptions

In rendering this Title Opinion, Webber Wentzel has assumed (unless otherwise expressly stated):

- 2.1 the genuineness of all stamps and seals on, and authenticity of all Documents, whether as originals or as copies (whether certified, copied, faxed, electronic or otherwise);
- 2.2 that all copies (whether certified, photocopied, faxed, electronic or otherwise) of the Documents are true and correct copies of the authentic original of which it is a copy and that both the original and the copies are complete;
- 2.3 that each of the parties to the respective Documents has the requisite capacity, power and authority and is lawfully able to enter into, to exercise its rights and to perform its obligations under each of the Documents to which it is a party;
- 2.4 that Siyanda and any other South African entities referred to herein have been duly incorporated and registered in the Republic of South Africa in terms of the South African Companies Act, No. 61 of 1973 ("**the Companies Act 1973**") and are in good standing;
- 2.5 that the Documents are comprehensive and complete and constitute all of the documentation which is available and necessary to consider to render this Title Opinion;
- 2.6 that all signatures on the Documents are authentic and each signatory was duly authorised and appointed to properly and validly sign such Document in his or her stated capacity;
- 2.7 that none of the parties to the Documents are or have been subject to or responsible for any duress or undue influence, misrepresentation, mistake, corruption, collusion or any other circumstances that in law (whether in the Republic of South Africa or elsewhere) would or may render any of the Documents void and/or unenforceable;
- 2.8 that the conclusion and entry into of any of the Documents is not and would not be deemed to be a fraudulent preference and that all such Documents were entered into in good faith;
- 2.9 as regards the legality, validity, binding effect and enforceability in the Republic of South Africa of obligations, agreements, Documents, matters or things referred to hereunder, that same are not illegal, invalid, non-binding or unenforceable under or by virtue of any applicable laws of any jurisdiction other than the Republic of South Africa;
- 2.10 the accuracy of any and all representations expressed in or implied by any of the Documents and made available by Siyanda to Webber Wentzel for purposes of rendering this Title Opinion;

- 2.11 that no review applications or proceedings have been instituted for the review or setting aside of any of the Documents reviewed;
- 2.12 that no proceedings have been instituted and no other steps have been taken for the winding-up, provisional or final liquidation of or for the appointment of an administrator, judicial manager or liquidator in respect of or in relation to Siyanda and any other South African entities referred to herein; and
- 2.13 that no order has been made or issued by a court of any other similar competent authority in relation to the winding-up, liquidation, administration or judicial management of Siyanda and any other South African entities referred to herein.

3. Qualifications

- 3.1 This Title Opinion is subject to the following qualifications:
 - 3.1.1 this Title Opinion is given only:
 - 3.1.1.1 with respect to South African law in force as at the date of this Title Opinion, as applied by the South African courts; and
 - 3.1.1.2 in the context of practices and standards developed under South African law which have been applied and observed in light of Webber Wentzel's experience as attorneys practising in the Republic of South Africa;
 - 3.1.2 no opinion is expressed or implied as to the laws of any jurisdiction other than the Republic of South Africa and Webber Wentzel does not hold itself to be an expert on, or even generally familiar with, any laws other than the laws of the Republic of South Africa;
 - 3.1.3 no opinion is expressed or implied on any legal matters other than the entitlement of Siyanda and any other South African entities referred to herein to conduct prospecting and/or mining operations in the Republic of South Africa under South African law;
 - 3.1.4 no opinion is expressed or implied on the legal compliance by Siyanda and any other entities referred to herein with their respective memorandum and articles of association, any matters relating thereto and/or their obligations in terms of the Companies Act 1973 and/or the effect of the Companies Act, No. 71 of 2008 when said Act takes effect;
 - 3.1.5 no opinion is expressed or implied as to the possible commercial, technical, financial or tax consequences of any particular arrangement and/or agreement;
 - 3.1.6 although Webber Wentzel will review, comment and report on material permits licences, consents, approvals, authorisations, certificates, applications, registrations and declarations required to be issued to or made in respect of the operation of the entities under review in connection with their respective businesses, Webber Wentzel cannot confirm that all requisite permits, licences, consents, approvals, authorisations, certificates, applications, registrations and declarations have been issued to or obtained by such entities;

- 3.1.7 Webber Wentzel shall not be liable for any inaccuracies in the Title Opinion arising from the actions and/or omissions and/or wilful statements or representations on the part of Siyanda and any other entities referred to herein and/or any of their officers, representatives or agents which may take place or which may be made in connection with the preparation and/or rendering of this Title Opinion;
- 3.1.8 any views which are expressed in respect of, or on the basis of, any law, statute, regulation or similar rules, are expressed in respect of the relevant law, statute, regulation or similar rules as it was in force, and on the basis of the provisions hereof, at the date of this Title Opinion; and
- 3.1.9 equitable remedies such as interdicts or orders for specific performance are discretionary and will not be granted automatically by a South African court and such remedies will only be granted if certain requirements are satisfied. Nothing in this Title Opinion is to be taken as indicating that such remedy would be available in respect of the obligations of any party under the Documents.
- 3.2 Webber Wentzel will have no liability of any nature, whether in contract, delict or otherwise, for any losses, damages, costs or expenses ("**losses**") whatsoever and howsoever caused arising from or in any way connected with the Title Opinion, except where such losses are caused by Webber Wentzel's gross negligence or wilful default.
- 3.3 Webber Wentzel's liability to ZYL and any other person or entity entitled to rely and relying on the contents of this Title Opinion for any reason or purpose in any manner, for any claim whatsoever arising out of, or as a result of, or in connection with the Title Opinion, shall be limited to and shall not exceed an aggregate amount (inclusive of costs) equal to the amount recoverable, and actually recovered, under Webber Wentzel's professional indemnity cover, which is at present limited to ZAR1 000 million.
- 3.4 This Title Opinion is given solely in connection with the Documents for the benefit and information of ZYL for the purposes described in paragraph 1.2 above.
- 3.5 This Title Opinion and the opinions expressed herein (in whole or in part) may accordingly not:
- 3.5.1 be transmitted or disclosed to or be used or relied upon by any other person or entity whatsoever for any purposes whatsoever; or
- 3.5.2 be quoted or referred to or made public or filed with any third party for any purpose whatsoever, without Webber Wentzel's written consent, except that reference may be made to this Title Opinion in documentation reasonably required for the purposes of ZYL described in paragraph 1.2 above.

4. Principle Legislative Background

This paragraph is intended as background information in relation to paragraphs 5 to 8 of this Title Opinion. As such, it is only a summary of the more pertinent provisions of the Mineral and Petroleum Resources Development Act, No. 28 of 2002 ("**the MPRDA**") and not comprehensive and/or complete. The MPRDA is the principal legislation regulating the grant of rights to conduct prospecting and mining operations in the

Republic of South Africa. The MPRDA took effect on 1 May 2004 and repealed the previous mineral legislation (ie the South African Minerals Act, No. 50 of 1991).

- 4.1 In terms of section 19(1) of the MPRDA the holder of a prospecting right has:
 - 4.1.1 the exclusive right to apply for and be granted a renewal of the prospecting right in respect of the mineral and prospecting area in question once for a period not exceeding three years;
 - 4.1.2 the exclusive right to apply for and be granted a mining right in respect of the mineral and prospecting area in question; and
 - 4.1.3 subject to obtaining the requisite consent in terms of section 20 of the MPRDA, the exclusive right to remove and dispose of any mineral to which such right relates and which is found during the course of prospecting.
- 4.2 To avail itself of the rights in terms of section 19(1) of the MPRDA, the holder of a prospecting right must:
 - 4.2.1 lodge such right for registration at the Mining Titles Office within 30 days of the date on which the right:
 - 4.2.1.1 becomes effective in terms of section 17 (5); or
 - 4.2.1.2 is renewed in terms of section 18 (3);
 - 4.2.2 commence with prospecting activities within 120 days from the date on which the prospecting right becomes effective in terms of section 17 (5) or such an extended period as the Minister may authorise;
 - 4.2.3 continuously and actively conduct prospecting operations in accordance with the prospecting work programme;
 - 4.2.4 comply with the terms and conditions of the prospecting right, relevant provisions of this Act and any other relevant law;
 - 4.2.5 comply with the requirements of the approved environmental management programme;
 - 4.2.6 pay the prescribed prospecting fees to the State; and
 - 4.2.7 subject to section 20, pay the State royalties in respect of any mineral removed and disposed of during the course of prospecting operations
- 4.3 With regards to the requirements for an application for a mining right in terms of section 22 of the MPRDA:
 - 4.3.1 any person who wishes to apply to the Minister for a mining right must lodge the application:
 - 4.3.1.1 at the office of the Regional Manager in whose region the land is situated;
 - 4.3.1.2 in the prescribed manner; and

- 4.3.1.3 together with the prescribed non-refundable application fee;
- 4.3.2 the Regional Manager must accept an application for a mining right if:
 - 4.3.2.1 the requirements contemplated in paragraph 0 are met; and
 - 4.3.2.2 no other person holds a prospecting right, mining right, mining permit or retention permit for the same mineral and land.
- 4.3.3 if the application does not comply with the requirements of this section, the Regional Manager must notify the applicant in writing of that fact within 14 days of the receipt of the application and return the application to the applicant;
- 4.3.4 if the Regional Manager accepts the application, the Regional Manager must, within 14 days from the date of acceptance, notify the applicant in writing:
 - 4.3.4.1 to conduct an environmental impact assessment and submit an environmental management programme for approval in terms of section 39; and
 - 4.3.4.2 to notify and consult with interested and affected parties within 180 days from the date of the notice.
- 4.4 With regards to the requirements for the grant of a mining right in terms of section 23(1) of the MPRDA, the MPRDA provides that the Minister must grant a mining right if:
 - 4.4.1 the mineral can be mined optimally in accordance with the mining work programme;
 - 4.4.2 the applicant has access to financial resources and has the technical ability to conduct the proposed mining operation optimally;
 - 4.4.3 the financing plan is compatible with the intended mining operation and the duration thereof;
 - 4.4.4 the mining will not result in unacceptable pollution, ecological degradation or damage to the environment;
 - 4.4.5 the applicant has provided financially and otherwise for the prescribed social and labour plan;
 - 4.4.6 the applicant has the ability to comply with the relevant provisions of the Mine Health and Safety Act, No. 29 of 1996;
 - 4.4.7 the applicant is not in contravention of any provision of the MPRDA; and
 - 4.4.8 the granting of such right will further the objects referred to in sections 2(d) and (f) and in accordance with the charter contemplated in section 100 and the prescribed social and labour plan.³

³ Sections 2(d) and (f) of the MPRDA provide that the objects of the MPRDA are *inter alia*, to substantially and meaningfully expand opportunities for historically disadvantaged persons,

- 4.5 The holder of a mining right has the exclusive right to apply for and be granted a renewal of the mining right for periods which may not exceed 30 years at a time in respect of the mineral and mining area in question subject to meeting the requirements of the MPRDA.
- 4.6 With regards to the transferability and/or encumbrance of prospecting and mining rights, section 11(1) of the MPRDA provides that a prospecting right or a mining right or an interest in any such right, or a controlling interest in a company or close corporation, may not be ceded, transferred, let, sublet, assigned, alienated or otherwise disposed of without the written consent of the Minister, except in the case of a change of a controlling interest in listed companies. Section 11(2) of the MPRDA provides that the consent to the transfer of a prospecting or a mining right must be granted if the cessionary, transferee, lessee, sublessee, assignee or the person to whom the right will be alienated or disposed of:
- 4.6.1 is capable of carrying out and complying with the obligations and the terms and conditions of the right in question; and
- 4.6.2 satisfies the requirements contemplated in section 17 (requirements for the grant of a prospecting right) or 23 (requirements for the grant of a mining right) of the MPRDA, as the case may be.
- 4.7 With regards to the cancellation or suspension of a right granted in terms of the MPRDA, the MPRDA provides as follows:
- 4.7.1 Section 47(1) of the MPRDA provides that, subject to sections 47(2), (3) and (4), the Minister may cancel or suspend any prospecting right or mining right if the holder thereof:
- 4.7.1.1 is conducting any reconnaissance, prospecting or mining operation in contravention of the MPRDA;
- 4.7.1.2 breaches any material term or condition of such right;
- 4.7.1.3 is contravening the approved environmental management programme;
or
- 4.7.1.4 has submitted inaccurate, incorrect or misleading information in connection with any matter required to be submitted under the MPRDA.
- 4.7.2 Section 47(2) of the MPRDA provides that, before acting under section 47(1), the Minister must:
- 4.7.2.1 give written notice to the holder indicating the intention to suspend or cancel the right;
- 4.7.2.2 set out the reasons why she is considering suspending or cancelling the right;
- 4.7.2.3 afford the holder a reasonable opportunity to show why the right should not be suspended or cancelled; and

including women, to enter the mineral and petroleum industries and to benefit from the exploitation of the nation's mineral and petroleum resources; and to promote employment and advance the social and economic welfare of all South Africans.

- 4.7.2.4 notify the mortgagor, if any, of the prospecting right or mining right concerned of his or her intention to suspend or cancel the right or permit.
- 4.7.3 Section 47(3) of the MPRDA provides that the Minister must direct the holder to take specified measures to remedy any contravention, breach or failure.
- 4.7.4 Section 47(4) of the MPRDA provides that if the holder does not comply with the direction given under section 47(3), the Minister may act under section 47(1) against the holder after having:
 - 4.7.4.1 given the holder a reasonable opportunity to make representations; and
 - 4.7.4.2 considered any such representations.
- 4.7.5 Section 47(5) of the MPRDA provides that the Minister may by written notice to the holder lift a suspension if the holder:
 - 4.7.5.1 complies with a directive contemplated in section 47(3); or
 - 4.7.5.2 furnishes compelling reasons for the lifting of the suspension.
- 4.8 For the purposes of this Title Opinion, unless specifically stated, we have not provided a summary of the regulations published pursuant to the MPRDA ("**the Regulations**") which holders of prospecting rights and mining rights, as the case may be, or applicants for such rights are to comply with.

5. Rights held, and applied for, by Siyanda

5.1 Prospecting Right 583/2006 PR

- 5.1.1 Siyanda is the holder of a prospecting right, notarially executed on 15 November 2006 and registered in South African Mineral and Petroleum Titles Registration Office ("**the MPTRO**") on 17 November 2006 under registration number 583/2006 PR ("**583/2006 PR**").
- 5.1.2 583/2006 PR grants Siyanda the sole and exclusive right to prospect for coal in, on and under the farms Monsin 478 JU; Naas 472 JU; Rags 474 JU; Ronel 472 JU; Tonga 475 JU; Walda 476 JU; Joyce 477 JU and Wanhoop 485 JU, in the district of Barberton, in the Mpumalanga Province of South Africa measuring 7203.5755 hectares, for a period of five years commencing on 15 November 2006 and ending on 14 November 2011.
- 5.1.3 As at the date of this Title Opinion, Siyanda's compliance with the terms of 583/2006 PR is as follows:
 - 5.1.3.1 **583/2006 PR**
 - 5.1.3.1.1 Siyanda verbally confirmed that it commenced prospecting operations within 120 days from the date on which 583/2006 PR commenced, in accordance with clause 3.2 of 583/2006 PR.
 - 5.1.3.1.2 Siyanda confirmed that it has made payment of annual prospecting fees in accordance with section 19(2)(f) and Regulation 76 of the MPRDA, in accordance with clause 5.1 of

583/2006 PR for the period 2006 - 2010, and provided proof thereof to Webber Wetzel. Siyanda has not yet complied with its obligation to pay prospecting fees for the year 2011, which were payable on 15 November 2010. In this regard, we draw your attention to the provisions of paragraph 5.1.4 below.

5.1.3.1.3 Siyanda confirmed that it has maintained all such books, plans and records in relation to its prospecting operations as required by the MPRDA. Siyanda has not complied with its obligation to furnish the said documentation to the office of the Regional Manager of the Department of Mineral Resources ("**the DMR**"), in accordance with clause 13.1 of 583/2006 PR. In this regard, we draw your attention to the provisions of paragraph 5.1.4 below.

5.1.3.1.4 Siyanda confirmed that it has, in compliance with section 21(1)(b) of the MPRDA and Regulation 8:

5.1.3.1.4.1 kept proper records, at its registered office or place of business, of prospecting operations and the results and expenditure connected therewith, as well as borehole core data and core-log data, where appropriate; and

5.1.3.1.4.2 submitted progress reports and data, in the prescribed manner and at the prescribed intervals, to the Regional Manager of the DMR regarding the prospecting operations,

in compliance with clause 13.2 of 583/2006 PR. Siyanda verbally confirmed that it has submitted the relevant progress reports for the years 2007, 2008, 2009 and 2010 to the DMR and that the progress report in relation to 2011 is in the process of being compiled and submitted.

5.1.3.1.5 Siyanda confirmed that it has at the end of each year following commencement of 583/2006 PR informed the Regional Manager of the DMR, via written reports, of new developments and of the future prospecting activities pursuant to 583/2006 PR, in compliance with clause 13.3 of 583/2006 PR.

5.1.3.2 **the Prospecting Works Programme relating to 583/2006 PR**

Webber Wentzel has had sight of the Prospecting Works Programme relating to 583/2006 PR. Webber Wentzel is not able to comment further on this technical document and we refer you to the provisions of paragraph 5.1.4.

5.1.3.3 **the Environmental Management Plan relating to 583/2006 PR**

5.1.3.3.1 Webber Wentzel has had sight of the approved Environmental Management Plan ("**EMPlan**") relating to 583/2006 PR.

5.1.3.3.2 Amongst other things, the EMPlan provides that:

5.1.3.3.2.1 the land to which 583/2006 PR relates is owned by the Siboshwa Traditional Authority ("**the STA**"), Siyanda consulted with the Chief and councillors of the STA for

purposes of 583/2006 PR and the STA has no objections to 583/2006 PR;

5.1.3.3.2.2 in relation to its obligation to make financial provision for the rehabilitation or management of the potential negative environmental impacts arising from its prospecting activities, Siyanda has, pursuant to section 41 of the MPRDA and Regulations 52 and 53, made financial provision in the amount of R10 000.00, as required by the DMR, and provided proof thereof to Webber Wentzel. Siyanda verbally confirmed that it has not been requested by the DMR to annually assess its potential environmental liability and make any increases to the said financial provision in terms of section 41 of the MPRDA; and

5.1.3.3.2.3 Siyanda will conduct environmental audits every two months and based upon the audit reports thereby generated, Siyanda will rectify the identified inadequacies, pursuant to Regulation 55 of the MPRDA. Siyanda verbally confirmed that it has not complied with its obligations to conduct the said audits. In this regard, we draw your attention to the provisions of paragraph 5.1.4 below.

5.1.4 **validity of 583/2006 PR**

5.1.4.1 As discussed in paragraph 4.6.1 above, before cancelling or suspending a prospecting right under section 47(1) of the MPRDA, the Minister must give the holder written notice of her intention to suspend or cancel the right, and the reasons therefor, and direct the holder to take specified measures to remedy a contravention, breach or failure.

5.1.4.2 In relation to Siyanda's non-compliance with certain provisions of 583/2006 PR (as discussed in paragraphs 5.1.3.1.2, 5.1.3.1.3 and 5.1.3.2.3 above) the Minister may not summarily suspend or cancel 583/2006 PR without giving Siyanda written notice of her intention to suspend or cancel 583/2006 PR, directing Siyanda to take specified measures to remedy the non-compliance and affording Siyanda an opportunity to do so. Webber Wentzel was not provided with copies of any written notices addressed to Siyanda in terms of section 47(2) of the MPRDA regarding the suspension or cancellation of 583/2006 PR as a result of any breach by Siyanda of section 47(1) of the MPRDA or the terms of 583/2006 PR and was advised by, Mr Mzwandile Nombewu, of Siyanda, that no such notices have been received by Siyanda.

5.1.4.3 Accordingly, Siyanda appears to validly hold, and comply with the terms of, 583/2006 PR. The discussion in relation to 583/2006 PR is also relevant to the discussion in paragraph 5.1.1 below.

5.2 **mining right application**

5.2.1 Section 19(1)(b) of the MPRDA provides that the holder of a prospecting right has the exclusive right to apply for and be granted a mining right by the Minister in respect of the mineral and prospecting area in question if such holder has complied with its obligations in terms of section 19(2) of the

MPRDA. We note that the Minister has no discretion in this regard to not grant a mining right application if the provisions of section 19(2) of the MPRDA have been complied with.

5.2.2 Pursuant to it being the holder of 583/2006 PR, Siyanda submitted an application for a mining right on 13 July 2010 under reference number MP 30/5/1/2/2/482 MR, to mine for coal for a period of 30 years, in, on and under land to which 583/2006 PR relates ("**the MR Application**").

5.2.3 **the MR Application**

5.2.3.1 Webber Wentzel has not had sight of the MR Application (in the form that such application was lodged at the offices of the DMR). Webber Wentzel has, however, had sight of a letter addressed to Siyanda from the DMR, and dated 26 August 2010 ("**the Acceptance Letter**"), which provides that:

5.2.3.1.1 the MR Application relates to an area which includes the following residential areas: Sibayeni, Ka-Sibhejane and KwaZibukwane;

5.2.3.1.2 the MR Application was accepted by the DMR (accordingly, the MR Application complied with section 22(1) of the MPRDA as discussed in paragraphs 0 and 0 above) but only in respect of the farms Walda 476 JU; Joyce 477 JU; Monsin 478 JU; Wanhoop 485 JU and certain portions of the farms Naas 472 JU; Ronel 473 JU and Rags 474 JU; and

5.2.3.1.3 accordingly, the MR Application was not accepted in relation to the farm Tonga 475 JU and certain other portions of the farms Naas 472 JU; Ronel 473 JU and Rags 474 JU ("**the Excluded Areas**"). The MR Application in so far as it relates to the Excluded Areas, requires compliance with the provisions of section 48(2) of the MPRDA, before the MR Application can be considered in relation to the Excluded Areas.

5.2.3.2 Section 48 of the MPRDA provides that:

"48. Restriction or prohibition of prospecting and mining on certain land.

(1) Subject to section 20 of the National Parks Act, 1976 (Act No. 57 of 1976), and subsection (2), no reconnaissance permission, prospecting right, mining right or mining permit may be issued in respect of—

(a) land comprising a residential area;

(b) any public road, railway or cemetery;

(c) any land being used for public or government purposes or reserved in terms of any other law; or

(d) areas identified by the Minister by notice in the Gazette in terms of section 49.

(2) *A reconnaissance permission, prospecting right, mining right or mining permit may be issued in respect of the land contemplated in subsection (1) if the Minister is satisfied that—*

(a) having regard to the sustainable development of the mineral resources involved and the national interest, it is desirable to issue it;

(b) the reconnaissance, prospecting or mining will take place within the framework of national environmental management policies, norms and standards; and

(c) the granting of such rights or permits will not detrimentally affect the interests of any holder of a prospecting right or mining right."

5.2.3.3 The Acceptance Letter further provides that should Siyanda wish not to proceed with the MR Application, Siyanda must inform the DMR thereof in writing. The Acceptance Letter also indicates various matters which Siyanda is requested to address in relation to the MR Application, should Siyanda wish to proceed with the MR Application. These matters are, *inter alia*:

5.2.3.3.1 Siyanda is to apply in terms of section 48(2) of the MPRDA to include the Excluded Areas in the MR Application;

5.2.3.3.2 Siyanda is required to revise the prescribed application form, the Mining Works Programme and the Regulation 2(2) plan to exclude the residential areas Sibayeni, Ka-Sibhejane and KwaZibukwane and submit the revised documentation to the DMR within 30 days of the date of the Acceptance Letter;

5.2.3.3.3 the description of the farm Wanhoop 485 JU on the Regulation 2(2) plan must be rectified, as it reads "Manhoop JU";

5.2.3.3.4 six copies of a scoping report are to be submitted to the DMR on or before 26 September 2010;

5.2.3.3.5 Siyanda is required to notify and consult with the landowner or lawful occupier and any other interested and affected parties, including the residents of Sibayeni, Ka-Sibhejane, KwaZibukwane, eManweni, Ngwenyi, Phiva and the surrounding townships and submit the results of the consultations to the DMR on or before 26 February 2011;

5.2.3.3.6 six copies of an Environmental Management Programme and an Environmental Impact Assessment in terms of section 39 of the MPRDA must be submitted to the DMR on or before 26 February 2011; and

5.2.3.3.7 Siyanda is requested, in terms of section 17(4) of the MPRDA to give effect to the object referred to in section 2(d) of the MPRDA and submit documentation (such as shareholder's agreements, share certificates, Articles and Memorandum of Association, details of its funding and all relevant information that may be necessary) evidencing such compliance.

- 5.2.3.4 Webber Wentzel has had sight of a letter from Siyanda, addressed to the DMR and dated 27 September 2010, in response to the Acceptance Letter. Siyanda's response provides that attached to the letter:
- 5.2.3.4.1 was a document dealing with issues in respect of section 48 of the MPRDA. We have had sight of an electronic copy of Siyanda's justification for the inclusion of the Excluded Areas in the MR Application; and
- 5.2.3.4.2 were copies of the other documentation, requested by the DMR in terms of the Acceptance Letter. In relation to the documents stated as being attached to Siyanda's response, we have had sight of the documents listed in **Annex "A"**.
- 5.2.3.5 Siyanda verbally confirmed that it is awaiting the DMR's response to its letter dated 27 September 2010.
- 5.2.4 **the Mining Works Programme ("MWP") relating to the MR Application**
- Webber Wentzel has had sight of the MWP lodged by Siyanda in support of the MR Application. Whilst the MWP appears to comply with the requirements of Regulation 11, we cannot opine on whether the contents of the MWP will be acceptable to the DMR, as this is a technical document.
- 5.2.5 **the Social and Labour Plan ("SLP") relating to the MR Application**
- 5.2.5.1 Webber Wentzel has had sight of a letter from the DMR, dated 18 January 2011 and addressed to Siyanda which details the revisions to the SLP (lodged by Siyanda in support of the MR Application) requested by the DMR ("**the SLP Letter**").
- 5.2.5.2 We draw your attention to Regulation 42 (1)(b) which provides that:
- "The Regional Manager may refer the said social and labour plan back to the applicant with proposals for amendments and the revised social and labour plan must then be re-lodged within a period specified by the Regional Manager."*
- 5.2.5.3 Siyanda verbally confirmed that the SLP Letter constituted a fifth request from the DMR to amend the SLP. Webber Wentzel has had sight of the revised SLP submitted by Siyanda pursuant to the SLP Letter. Whilst the SLP appears to comply with the requirements of Regulation 46 and the SLP Letter, we cannot opine on whether the contents of the SLP will be acceptable to the DMR, as this is a technical document. In Webber Wentzel's experience, the DMR often requests various amendments to the SLP before it is satisfied.
- 5.2.6 **the Environmental Management Programme ("EMP") relating to the MR Application**
- 5.2.6.1 Siyanda verbally confirmed that the EMP has not yet been finalised.
- 5.2.6.2 Section 39(1) of the MPRDA provides that:

"Every person who has applied for a mining right in terms of section 22 must conduct an environmental impact assessment and submit an environmental management programme within 180 days of the date on which he or she is notified by the Regional Manager to do so."

5.2.6.3 Regulation 48 provides that:

"An environmental impact assessment contemplated in section 39 (1) of the Act is a process which results in the compilation of:

- (a) a scoping report contemplated in regulation 49; and*
- (b) followed by an environmental impact assessment report contemplated in regulation 50."*

5.2.6.4 Webber Wentzel has had sight of the afore-mentioned scoping report and environmental impact assessment reports (together with supporting reports). The documents provided to the DMR by Siyanda, and relevant to this clause 5.2.6.4, are delineated in **Annex "A"**. Siyanda has verbally confirmed that it is awaiting further communication from the DMR as to whether the afore-mentioned scoping report and environmental impact assessment reports are satisfactory and in relation to the submission of the EMP.

5.2.7 the BEE credentials relating to the MR Application

5.2.7.1 Clause 16 of 583/2006 PR provides that in furthering the objects of the MPRDA, Siyanda is bound by *"the provisions of an agreement or arrangement dated 13th September 2005 entered into between the Holder/empowering partner and Mzwandile Nombewu, Xolile Mazabane and Lindani Mthwa (the empowerment partner) which agreement or arrangement was considered by the Department for purposes of compliance with the requirements of the Act and or Broad Based Economic Empowerment Charter developed in terms of the Act and such agreement shall form part of this right."* (sic)

5.2.7.2 The agreement referred to paragraph 5.2.7.1 above is a Shareholders' Agreement entered into between Siyanda, Siyanda Business Management (Proprietary) Limited (South African registration number 2000/020411/07), the Madawudza Women's Trust (Master of the High Court's reference number IT 6598/05), the Siyanda Employee Trust (Master of the High Court's reference number IT 7570/05) and Investec Bank Limited (South African registration number 1969/004763/06) ("**the Initial Shareholder's Agreement**") and forms part of 583/2006 PR.

5.2.7.3 Siyanda verbally confirmed that it has lodged the said Shareholders' Agreement in support of its BEE credentials for purposes of the MR Application. Siyanda has not advised the DMR that Investec Bank Limited sold its shares to the remaining shareholders as this is an aspect which (i) was authorised by the provisions of the Initial Shareholder's Agreement and (ii) resulted in an increase in the Black Economic Empowerment ("**BEE**") credentials relating to 583/2006 PR.

5.2.8 the status of the MR Application

As at the date of this Title Opinion, the MR Application has not been granted. In Webber Wentzel's experience, it can take in excess of a year for the DMR to grant a mining right application.

6. The Application for Ministerial consent to transfer 583/2006 PR and substitute MS 800 as the 'Applicant' in relation to the MR Application

- 6.1 Pursuant to the provisions of section 11 of the MPRDA and in relation to the transaction summarised in paragraph 7 below, Siyanda lodged an application for Ministerial consent to transfer 583/2006 PR to MS 800 ("**the Section 11 Application**") and to, from the date on which the Section 11 Application is approved and the notarial execution and registration of the cession of 583/2006 PR to MS 800, substitute MS 800 as the 'applicant' in respect of the MR Application.
- 6.2 Webber Wentzel attended to the preparation and lodgement of the Section 11 Application, which was lodged at the Mpumalanga Regional Office of the DMR on 21 December 2010. The DMR acknowledged receipt of the said application, in writing, in terms of a letter dated 2 March 2011.
- 6.3 As part of the transaction summarised in paragraph 7 below, Siyanda and MS 800 entered into a Sale of Prospecting Right Agreement on 8 December 2010. The said agreement provides that each of the parties thereto shall assist each other and Webber Wentzel in all reasonable and necessary ways to procure the substitution of Siyanda with MS 800 as the 'applicant' in respect of the MR Application, from the date on which the deed of cession is executed in terms whereof Siyanda shall cede 583/2006 PR to MS 800.
- 6.4 In terms of the Section 11 Application, MS 800 agreed to be bound by, and undertook to comply with, the Prospecting Work Programme and EMPlan relating to 583/2006 PR. In order for MS 800 to be properly substituted as the 'applicant' in respect of the MR Application, MS 800 will:
- 6.4.1 be required to undertake to comply with the MWP, SLP and EMP submitted in support of the MR Application; and
- 6.4.2 have to satisfy the BEE requirements of the MPRDA in order to ensure that MS 800, as applicant, satisfies the BEE objective of the MPRDA, as set out in section 2(d) of the MPRDA.

7. The Kangwane Transaction

- 7.1 Siyanda, as the holder of 583/2006 PR, requires funding for the conduct of a bankable feasibility study ("**BFS**") as part of a transaction, with a view to establishing a coal mine in the areas covered by 583/2006 PR and the MR Application ("**the Kangwane Transaction**").
- 7.2 The parties in the Kangwane Transaction are:
- 7.2.1.1 ZYL;
- 7.2.1.2 Exsteen (Proprietary) Limited, Australian registration number ACN 137 981 134 ("**Exsteen**"), a wholly owned subsidiary of ZYL;
- 7.2.1.3 Opes Capital (Proprietary) Limited, South African registration number 2007/031955/07 ("**Opes**");

- 7.2.1.4 Double Ring Mineral Resources, South African registration number 2005/033476/07 ("**Double Ring**");
- 7.2.1.5 Main St 795 (Proprietary) Limited, South African registration number 2010/005727/07 ("**Main St 795**");
- 7.2.1.6 a Community Trust to be established for the benefit of the community residing in the area to which 583/2006 PR relates ("**Community**");
- 7.2.1.7 Siyanda; and
- 7.2.1.8 MS 800.
- 7.3 The main objectives of the Kangwane Transaction are:
 - 7.3.1 to procure funding for the project through the participation of ZYL, Exsteen and Main St 795 in the project;
 - 7.3.2 to facilitate the participation of the Community and Double Ring, in the project as broad based BEE partners to the MS 800; and
 - 7.3.3 subject to the outcome of the BFS and receipt of the required regulatory approvals, to procure the successful establishment of an economically viable coal mine in the areas covered by 583/2006 PR and the MR Application, in the Mpumalanga Province of South Africa for the benefit of the Community and all the other parties to the project.
- 7.4 In terms of the Kangwane Transaction:
 - 7.4.1 funding of the BFS will be undertaken by ZYL and Exsteen provided it is conducted in accordance with the requirements of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 Edition. Funding of the establishment of the coal mine will be made by ZYL and Exsteen if the findings of the BFS show that the establishment of a viable coal mine is possible;
 - 7.4.2 there are various regulatory approvals (including the Section 11 Application and the approval of the exchange control department of the South African Reserve Bank ("**SARB**")), required before the Kangwane Transaction can be implemented;
 - 7.4.3 during the period after the approval of the Kangwane Transaction by SARB and before all of the agreements recording the Kangwane Transaction have become fully unconditional in accordance with their terms ("**Interim Period**"), Exsteen will advance a loan directly to Siyanda to be used solely for the conduct of the BFS ("**BFS Loan**"). Exsteen's obligations under the BFS Loan will be guaranteed by ZYL. As the holder of 583/2006 PR, Siyanda is entitled to conduct exploration activities (including the BFS) during the Interim Period;
 - 7.4.4 pending the grant of the Section 11 Approval, prospecting activities can continue by Siyanda in accordance with 583/2006 PR. A committee has been established in terms of the Kangwane Transaction, comprising, *inter alia*, representatives of Siyanda and ZYL, to administer the drawdown and application of the BFS Loan;

- 7.4.5 after the expiry of the Interim Period, Exsteen will no longer advance funds to Siyanda under the BFS Loan and will instead fund the conduct of the BFS through subscriptions for ordinary shares in the share capital of Main St 795. After such subscriptions are complete, Exsteen will hold 100% of the issued share capital of Main St 795;
- 7.4.6 in order to ensure that the funds flow to MS 800, Main St 795 will in turn use the proceeds received from the subscriptions by Exsteen to subscribe for shares in the share capital of the Main St 795, resulting in Main St 795 holding 30% of the issued share capital of MS 800;
- 7.4.7 upon completion of the BFS, Exsteen will be entitled to elect, based on the findings of the BFS, whether or not it wishes to continue being involved in and providing funding for the project; and
- 7.4.8 if Exsteen elects to continue with the project, it will advance funding which will be used with the intention of establishing a coal mine in the areas covered by 583/2006 PR and the MR Application by way of further subscriptions for preference shares and ordinary shares in the share capital of Main St 795. To ensure that the proceeds of such subscriptions are passed on to MS 800, Main St 795 will in turn subscribe for shares in the share capital of MS 800, in corresponding amounts to those subscriptions made by Exsteen for shares in the share capital of Main St 795, resulting in Main St 795 holding 60% of the issued share capital of the MS 800.
- 7.5 Upon the implementation of the Kangwane Transaction:
- 7.5.1 subject to the Section 11 Application being granted, 583/2006 PR will be ceded and transferred from Siyanda to MS 800 and such cession will be notarialy attended to and registered in the MPTR0; and
- 7.5.2 as discussed in paragraph 6 above, MS 800 shall be substituted as the applicant in respect of the MR Application. Should the MR Application be granted on this basis, MS 800 shall become the holder of the mining right applied for.
- 7.6 Webber Wentzel is not aware of any reason why the Section 11 Application will not be granted.

8. Other Salient Aspects of General Application

8.1 MPRDA Empowerment Requirements

This paragraph is intended as background information in relation to the empowerment requirements in terms of the MPRDA. As such, it is only a summary of the more pertinent empowerment provisions and not comprehensive and/or complete.

- 8.1.1 The MPRDA contains provisions and requirements relating to BEE and social upliftment (collectively referred to as "**Empowerment Requirements**").
- 8.1.2 Sections 2(d) and (f) of the MPRDA provide that the objects of the MPRDA are to:

"(d) *substantially and meaningfully expand opportunities for historically disadvantaged persons, including women, to enter the mineral and petroleum industries and to benefit from the exploitation of the nation's mineral and petroleum resources; and*

"(f) *promote employment and advance the social and economic welfare of all South Africans*".

8.1.3 Section 100 of the MPRDA requires the Minister to develop a Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry that will set the framework, targets and timetable for effecting the entry of historically disadvantaged South Africans into the mining industry and allowing such South Africans to benefit from the exploitation of mining and mineral resources. The Minister developed the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry, which was published on 13 August 2004 ("**the 2004 Charter**"). The 2004 Charter defines Historically Disadvantaged South Africans ("**HDSAs**") as *"any person, category of persons or community, disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa, 1993 came into operation"*. The 2004 Charter further defines HDSA Companies as *"those companies that are owned or controlled by Historically Disadvantaged South Africans"*.

8.1.4 Subsequent to the publication of the 2004 Charter, the Minister published a scorecard ("**the 2004 Scorecard**") pursuant to section 100(2)(a) of the MPRDA under Government Gazette No. 26661 of 13 August 2004. The 2004 Charter and the 2004 Scorecard deal with nine elements of BEE, namely:

8.1.4.1 human resource development;

8.1.4.2 employment equity;

8.1.4.3 migrant labour;

8.1.4.4 mine community and rural development;

8.1.4.5 housing and living conditions;

8.1.4.6 procurement;

8.1.4.7 ownership and joint ventures;

8.1.4.8 beneficiation; and

8.1.4.9 reporting.

8.1.5 In respect of the ownership and joint venture elements of BEE, the 2004 Charter distinguishes between:

- 8.1.5.1 active involvement, in the form of:
 - 8.1.5.1.1 HDSA controlled companies (50% plus one vote), which includes management control;
 - 8.1.5.1.2 strategic joint ventures and partnerships (25% plus one vote), which would include a management agreement that provides for joint management control and dispute resolution; and
 - 8.1.5.1.3 collective investment through employee share option schemes and mining dedicated unit trusts. The majority of these would need to be HDSA based. Such empowerment vehicles will allow the HDSA participants to vote collectively; and
- 8.1.5.2 passive involvement: between 0% and 100% ownership with no management involvement.
- 8.1.6 The 2004 Charter states that, in order to measure progress on the broad transformation front, the following indicators are important:
 - 8.1.6.1 the currency of measures of transformation and ownership could, *inter alia*, be market share as measured by attributable units of South African production controlled by HDSAs;
 - 8.1.6.2 that there would be capacity for offsets which would entail credits/offsets to allow for flexibility; and
 - 8.1.6.3 the continuing consequences of all previous deals would be included in calculating such credits/offsets in terms of market share as measured by attributable units of production.
- 8.1.7 The 2004 Charter reflects that, in order to increase participation and ownership by HDSAs in the mining industry, mining companies agree:
 - 8.1.7.1 to achieve 26% HDSA ownership of the mining industry assets in 10 years by each mining company;
 - 8.1.7.2 that, where a company has achieved HDSA participation in excess of any set target in a particular operation, such excess may be utilised to offset any shortfall in its other operations. Stakeholders agree to meet after five years to review the progress and to determine what further steps, if any, need to be made to achieve the 26% target.
- 8.1.8 The 2004 Scorecard states that it gives effect to the provisions contained in the 2004 Charter and facilitates the application of the 2004 Charter for conversion of all old order rights into new order rights. The 2004 Scorecard, however, does not indicate how compliance with the 2004 Charter will be measured. It is merely a "tick-list" in respect of each of the elements of the 2004 Charter. In respect of the ownership and joint ventures elements contained in the 2004 Charter, the 2004 Scorecard asks the question "*Has the mining company achieved HDSA participation in terms of ownership or equity or attributable units of production of 15% in HDSA hands within five years and 26% in 10 years?*".

- 8.1.9 On 20 September 2010, the Minister published an Amendment of the Broad-Based Socio-Economic Empowerment Charter for the South African Mining and Mineral Industry ("**the 2010 Charter**").
- 8.1.10 The 2010 Charter and the "**2010 Scorecard**" deal with nine elements of BEE, namely:
- 8.1.10.1 reporting;
 - 8.1.10.2 ownership;
 - 8.1.10.3 housing and living conditions;
 - 8.1.10.4 procurement and enterprise development;
 - 8.1.10.5 employment equity;
 - 8.1.10.6 human resource development;
 - 8.1.10.7 mine community development;
 - 8.1.10.8 sustainable development and growth; and
 - 8.1.10.9 beneficiation.
- 8.1.11 With regards to ownership, the 2010 Charter requires, *inter alia*, that a minimum of 26% "meaningful economic participation" is achieved by 2014 and defines "meaningful economic participation" to include, *inter alia*, the following key attributes:
- 8.1.11.1 BEE transactions must be concluded with identifiable beneficiaries in the form of BEE entrepreneurs, workers (including employee share options schemes) and communities ("**BEE Partner**");
 - 8.1.11.2 barring any unfavourable market conditions, some of the cash flow should flow to the BEE Partner throughout the term of the investment, and for this purpose, stakeholders will engage the financing entities in order to structure the BEE financing in a manner where a percentage of the cash flow is used to service the funding of the structure, while the remaining amount is paid to the BEE Partner;
 - 8.1.11.3 the BEE Partner shall have full shareholder rights such as being entitled to full participation at annual general meetings and exercising of voting rights; and
 - 8.1.11.4 ownership (measured with reference to the rights held by natural persons of any category of black people in a measured enterprise) shall vest within the timeframes agreed with the BEE Partner, taking into account market conditions.
- 8.1.12 With regards to procurement, the 2010 Charter requires that:
- 8.1.12.1 a minimum of 40% of capital goods are procured from one or more entities of which a minimum of 25% + 1 vote of share capital is directly owned by HDSAs (when measuring the rights of ownership held by

- natural persons of any category of black people in a measured enterprise, that is to say on a "flow-through principle") ("**BEE Entities**");
- 8.1.12.2 the mining industry must ensure that multinational suppliers of capital goods annually contribute a minimum of 0.5% of annual income generated from local mining companies towards socio-economic development of local communities into a social development fund from 2010; and
- 8.1.12.3 70% of services and 50% of consumer goods are procured from BEE Entities by 2014.
- 8.1.13 In order to ensure HDSA participation at all decision-making levels, every mining company must achieve a minimum of 40% HDSA demographic representation by 2014 at executive management (board) level, senior management, core and critical skills, middle management level and junior management level.
- 8.1.14 With regards to human resource development, the 2010 Charter requires that the mining industry must invest a percentage of annual payroll (as per relevant legislation) in essential skills development activities reflective of the demographics, but excluding the mandatory skills levy, including support for South African based research and development initiatives intended to develop solutions in exploration, mining, processing, technology efficiency (energy and water use in mining), beneficiation as well as environmental conservation and rehabilitation in accordance with annually increased targets leading to 5% in 2014.
- 8.1.15 The 2010 Charter sets further targets in respect of contribution towards mine community development, measures to improve housing and living conditions and the implementation of the *Stakeholders' Declaration on Strategy for the sustainable growth and meaningful transformation of South Africa's Mining Industry*, dated 30 June 2010.
- 8.1.16 The 2010 Charter provides that non-compliance with the provisions of the 2010 Charter shall render the mining company in breach of the MPRDA and vulnerable to suspension or cancellation of its mining and/or prospecting rights in terms of the MPRDA.
- 8.1.17 Section 100(1) of the MPRDA provides that the Minister must, within five years from the date on which the MPRDA took effect and after consultation with the Minister of Housing, develop a housing and living conditions standard for the minerals industry and develop a code of good practice for the minerals industry in South Africa, which documents were gazetted on 29 April 2009 ("**the Mining Codes**"). The purpose of the Mining Codes is stated therein to:
- 8.1.17.1 set out administrative principles in order to facilitate the effective implementation of the minerals and mining legislation;
- 8.1.17.2 enhance the implementation of the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry ; and
- 8.1.17.3 give effect to the object of developing a code of good practice for the minerals industry in South Africa.

- 8.1.18 The elements of the Mining Codes include ownership, management control, employment equity, human resource development, preferential procurement, mine community and rural development, beneficiation and housing and living conditions standards. The general principles for measuring the ownership element in terms of the Mining Codes are as follows:
- 8.1.18.1 Ownership participation by HDSAs in the minerals industry is measured by using an ownership score posing the questions whether the mining company has achieved HDSA participation of 15% within five years and 26% within 10 years in respect of voting rights, economic interest and net value. Ownership is measured as voting rights (defined as the control of the enterprise, through the exercise of voting rights at a shareholder meeting), economic interest (defined as a claim against an entity representing a return on ownership of the entity similar in nature to a dividend right, measuring using the flow-through, and where applicable, the modified flow-through principles) and net value (defined as the value of the equity instruments held by HDSAs determined on the date of measurement less the carrying value of any acquisition debts of the relevant HDSA participants on the date of measurement expressed as a percentage of the value of the measured entity on the date of measurement). Net value will only be applicable two years after the date of the agreement.
- 8.1.18.2 The owner of the voting rights must be able to exercise his/her voting rights. Such voting rights exercisable directly in the measured entity are expressed as a percentage of the voting rights held by HDSAs in relation to all the votes within the measured entity.
- 8.1.18.3 Economic interest in the measured business is expressed as a percentage held by HDSAs in relation to all the economic interest within the measured entity. The Minister must guard against the dilution of ownership in the hands of HDSAs by exercising the powers vested in her in terms of section 11 of the MPRDA, which section makes the transfer and encumbrance of rights subject to the receipt of Ministerial consent.
- 8.1.19 The Mining Codes make it clear that the ownership element can be measured by using (i) general principles; (ii) the flow-through principle; or (iii) the modified flow-through principle.
- 8.1.19.1 **General principles**
- 8.1.19.1.1 A measured entity receives percentage points for participation by HDSAs in its rights of ownership (which is a collective term for the right to economic interest and the right to exercisable voting rights).
- 8.1.19.1.2 HDSAs may hold their rights of ownership in the measured entity as direct participants.
- 8.1.19.1.3 Only ownership rights in the hands of HDSAs are measured.

8.1.19.2 **Flow-through principle**

8.1.19.2.1 If the rights of ownership of HDSAs pass through a juristic person, the rights of ownership of HDSAs in that juristic person are measured using this principle of measurement.

8.1.19.2.2 This principle applies across every tier of ownership in a multi-tiered chain of ownership until that chain ends with an HDSA holding rights of ownership.

8.1.19.3 **Modified flow-through principle**

8.1.19.3.1 This principle applies to any HDSA-owned or HDSA-controlled company in the ownership of the measured entity. An HDSA-controlled company is a company that is controlled by HDSAs.

8.1.19.3.2 An effective flow-through interest in excess of 50% may be treated as a 100% black shareholding only once in a chain of ownership in calculating exercisable voting rights and economic interest.

8.1.19.3.3 The principle allows for the participation of non-HDSA funders at one tier of ownership. A measured entity can elect to apply the modified flow-through principle at any time in a chain of ownership, but limited to one tier only.

8.1.20 In order to ensure continued compliance with the HDSA ownership requirement, section 25(2)(h) of the MPRDA requires the holder of a mining right to submit the prescribed annual report, detailing the extent of the holder's compliance with sections 2(d) and (f) of the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry and the social and labour plan. In terms of section 47(1) of the MPRDA, the Minister may cancel or suspend any mining right if the holder thereof is in contravention of the MPRDA, breaches a material term or condition of the right, contravenes the approved environmental management programme or has submitted inaccurate, incorrect or misleading information in connection with any matter required to be submitted under the MPRDA and if the holder failed to comply with a notice to remedy the non-compliance. Continued compliance with the HDSA ownership requirements is therefore a requirement to retain a mining right.

8.1.21 The social upliftment component of the Empowerment Requirements is only relevant to mining rights whereas the BEE requirements may be relevant to both prospecting and mining rights. The Minister may, having regard to the type of mineral concerned and the extent of the proposed prospecting project, request the applicant for a prospecting right to give effect to the object referred to in section 2(d) of the MPRDA.

8.1.22 In summary, the holder of a right granted in terms of the MPRDA is required to comply with the BEE requirements stipulated in the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry, together with the scorecard published in terms thereof, and the Mining Codes as well as the rights.

8.1.23 In applying the above, Siyanda must show, for as long as it is the holder of 583/2006 PR, that it had at least 15% meaningful economic participation by

HDSAs as at 1 May 2009 and should the Section 11 Application be granted, on the terms described above, MS 800 must be able to show that it will have at least 26% meaningful economic participation by HDSAs by 1 May 2014.

8.2 Surface Access

8.2.1 Section 5(3)(a) of the MPRDA provides that the holder of a prospecting right or a mining right may enter the land to which such right relates together with his or her employees, and may bring onto that land any plant, machinery or equipment and build, construct or lay down any surface or underground infrastructure which may be required for, and to conduct prospecting or mining, as the case may be, subject to, *inter alia*, the provisions of section 5(4)(c) of the MPRDA, which provides that no person may prospect or mine or commence with any work incidental thereto on any area without notifying and consulting with the landowner or lawful occupier of the land in question.

8.2.2 In practice, difficulties are frequently experienced in situations where the holder of a prospecting or mining right is faced with an uncooperative or obstructive surface owner. In such circumstances, the holder of the prospecting or mining right is required to follow due process in terms of section 54 of the MPRDA to enforce its rights granted under the prospecting or mining right, as the case may be. Section 54 of the MPRDA provides for the procedure to be followed if the holder of a prospecting or a mining right is prevented from commencing or conducting prospecting or mining operations, as the landowner or lawful occupier of the land in question:

8.2.2.1 refuses to allow such holder to enter the land;

8.2.2.2 places unreasonable demands in return for access to the land; or

8.2.2.3 cannot be found in order to apply for access.

8.2.3 In terms of section 54 of the MPRDA, the owner or lawful occupier of land is entitled to compensation for losses and damages suffered or likely to be suffered as a result of prospecting or mining.

8.2.4 In practice, the holders of prospecting and/or mining rights conclude access/land use and compensation arrangements with the landowner or lawful occupier of the land in question to ensure access for purposes of conducting prospecting or mining operations.

8.2.5 In relation to Siyanda's access to the land which comprises the prospecting areas covered by 583/2006 PR and the mining areas to be covered upon the grant of the MR Application, Siyanda verbally advised that it consulted with the Chief and councillors of the STA, as communal land owners and the STA has confirmed in writing that it has no objections to the Kangwane Transaction.

9. Conclusion

9.1 As at the date of this Title Opinion, Siyanda appears to validly hold 583/2006 PR.

9.2 In relation to Siyanda's non-compliance with certain provisions of 583/2006 PR (as discussed in paragraphs 5.1.3.1.2, 5.1.3.1.3 and 5.1.3.3.2.3 above), the Minister may

- not summarily suspend or cancel 583/2006 PR without giving Siyanda written notice of her intention to suspend or cancel 583/2006 PR, directing Siyanda to take specified measures to remedy the non-compliance and affording Siyanda an opportunity to do so, as discussed paragraph 4.6.1 above.
- 9.3 Webber Wentzel was not provided with copies of any written notices addressed to Siyanda in terms of section 47(2) of the MPRDA regarding the suspension or cancellation of 583/2006 PR as a result of any breach by Siyanda of section 47(1) of the MPRDA or the terms of 583/2006 PR and was advised by Mr Mzwandile Nombewu, of Siyanda, that no such notices have been received by Siyanda.
- 9.4 Pursuant to it being the holder of 583/2006 PR, Siyanda submitted the MR Application in terms of section 19(1)(b) of the MPRDA which provides that the holder of a prospecting right has the exclusive right to apply for and be granted a mining right by the Minister in respect of the mineral and prospecting area in question if such holder has complied with its obligations in terms of section 19(2) of the MPRDA. We note that the Minister has no discretion in this regard to not grant a mining right application if the provisions of section 19(2) of the MPRDA have been complied with.
- 9.5 As at the date of this Title Opinion, the MR Application has not been granted. In Webber Wentzel's experience, it can take in excess of a year for the DMR to grant a mining right application.
- 9.6 For purposes of the Kangwane Transaction and pursuant to the provisions of section 11 of the MPRDA, as discussed in paragraph 4.6 above, Webber Wentzel attended to the preparation and lodgement of the Section 11 Application on behalf of Siyanda. There are various regulatory approvals (including the Section 11 Application) which are required before the Kangwane Transaction can be implemented. As at the date of this Title Opinion, Ministerial consent pursuant to the Section 11 Application is still outstanding.
- 9.7 Upon the implementation of the Kangwane Transaction:
- 9.7.1 subject to the Section 11 Application being granted, 583/2006 PR will be ceded and transferred from Siyanda to MS 800 and such cession will be notarialy attended to and registered in the MPTR0; and
- 9.7.2 as discussed in paragraph 6 above, MS 800 shall be substituted as the applicant in respect of the MR Application. Should the MR Application be granted on this basis, MS 800 shall become the holder of the mining right applied for.
- 9.8 Webber Wentzel is not aware of any reason why the Section 11 Application will not be granted.

Yours faithfully

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Schedule of Documents

[A] 583/2006 PR

Item	Document	WW Comment
10.	583/2006 PR	Webber Wentzel has not had sight of the Regulation 2(2) plan stated to appear as Annexure A to 583/2006 PR
11.	The Prospecting Work Programme relating to 583/2006 PR	none
12.	A letter dated 23 November 2009, from Siyanda and addressed to Mike Harrison, of Harrison Attorneys	none
13.	A copy of the approved Environmental Management Plan relating to 583/2006 PR	none
14.	A letter dated 16 March 2010, from the DMR addressed to Siyanda relating to payment of annual prospecting fees	Siyanda confirmed that its has made payment of all prospecting fees up to the year 2010 and provided proof thereof to Webber Wentzel
15.	A letter from FirstRand Bank Limited addressed to the DMR, and dated 24 November 2006 confirming that an amount of R10 000 is available to the DMR as Siyanda's financial guarantee for the rehabilitation of land disturbed by mining in relation to the environmental management programme of Siyanda	none

[B] the MR Application

Item	Document	WW Comment
16.	A resolution passed by the directors of Siyanda resolving that a mining right be applied for in respect of the properties relating to 583/2006 PR and resolving that Mr Mzwandile Nombewu is authorised to give effect to the aforementioned resolution to sign the applications for the mining right (or any other relevant document) on behalf of Siyanda and to do anything necessary to give effect to the aforementioned resolution	none
17.	A standard form DMR Mining Right Application lodgement receipt in respect of the MR Application lodged (with attachments), and dated 13 July 2010	Webber Wentzel has not had sight of the documents comprising the MR Application, in the form that same was lodged at the DMR by Siyanda
18.	DMR receipt no. Ah 685945 AH, confirming that Siyanda made payment of the prescribed fee of R1000.00 for lodgement of the MR Application	none
19.	A letter addressed to Siyanda from the DMR, and	Please refer to point 21 being

Item	Document	WW Comment
	<p>dated 26 August 2010 ("the Acceptance Letter"), which provides that:</p> <p>(i) the MR Application relates to an area which includes the following residential areas: Sibayeni, Ka-Sibhejane and KwaZibukwane;</p> <p>(ii) the MR Application was accepted by the DMR but only in respect of the farms Walda 476 JU; Joyce 477 JU; Monsin 478 JU; Wanhoop 485 JU and certain portions of the farms Naas 472 JU; Ronel 472 JU and Rags 474 JU; and</p> <p>(iii) accordingly, the MR Application was not accepted in relation to the farm Tonga 475 JU and certain other portions of the farms Naas 472 JU; Ronel 472 JU and Rags 474 JU.</p> <p>The Acceptance Letter further provides that should Siyanda wish not to proceed with the MR Application Siyanda must inform the DMR thereof in writing. The Acceptance Letter also indicates various matters which Siyanda is requested to address in relation to the MR Application, should Siyanda wish to proceed with the MR Application. These matters are, <i>inter alia</i>:</p> <p>(i) Siyanda is to apply in terms of section 48(2) of the MPRDA to include the Excluded Areas in the MR Application;</p> <p>(ii) Siyanda is required to revise the prescribed application form, the Mining Works Programme and the Regulation 2(2) plan to exclude to exclude the residential areas Sibayeni, Ka-Sibhejane and KwaZibukwane and submit the revised documentation to the DMR within 30 days of the date of the Acceptance Letter;</p> <p>(iii) the description of the farm Wanhoop 485 JU on the Regulation 2(2) plan must be rectified, as it reads "Manhoop JU";</p> <p>(iv) six copies of a scoping report are to be submitted to the DMR on or before 26 September 2010;</p> <p>(v) Siyanda is required to notify and consult with the landowner or lawful occupier and any other interested and affected parties, including the residents of Sibayeni, Ka-Sibhejane, KwaZibukwane, eManweni, Ngwenyi, Phiva and the surrounding townships and submit the results of the consultations to the DMR on or before 26 February 2011;</p> <p>(vi) six copies of an Environmental Management Programme and an Environmental Impact Assessment in terms of section 39 of the MPRDA must be submitted to the DMR on or before 26 February 2011; and</p> <p>(vii) Siyanda is requested, in terms of section 17(4) of the MPRDA to give effect to the object referred to in section 2(d) of the MPRDA and submit documentation (such as shareholder's agreements, share certificates, Articles and Memorandum of Association, details of its</p>	<p>Siyanda's response to the Acceptance Letter.</p>

Item	Document	WW Comment
	funding and all relevant information that may be necessary) evidencing such compliance.	
20.	An electronic copy of the Mining Works Programme ("MWP") relating to the MR Application and prepared by Siyanda in accordance with Regulation 11.	None
21.	A letter from Siyanda, addressed to the DMR and dated 27 September 2010 in response to the Acceptance Letter.	Siyanda verbally confirmed that it is awaiting the DMR's response
22.	A letter addressed to Siyanda from the DMR, and dated 18 January 2011, which provides that the SLP submitted by Siyanda does not meet the requirements of the MPRDA and Siyanda is requested, by the Regional Manager to submit, on or before 21 February 2011, a revised SLP which complies with Regulation 46, in terms of Regulation 42(1)(b).	Please see item 23
23.	An electronic copy of the amended Social and Labour Plan titled " <i>Kangwane Anthracite Mine Social and Labour Plan (5th Submission) January 2011</i> " ("SLP") relating to the MR Application and prepared by Siyanda in accordance with Regulation 46 and submitted in response to the DMR letter referred to in item 22.	Siyanda is awaiting further communication from the DMR in this regard.
24.	A letter from the Mpumalanga Provincial Government's Department of Agriculture and Land Administration dated 23 September 2008, and addressed to the DMR	The letter provides that upon review of the scoping report related to the MR Application, the Department objects to the grant of the MR application based upon, <i>inter alia</i> , the recommendations of Mpumalanga Tourism and Parks Agency and Mpumalanga Biodiversity Conservation Plan. Siyanda verbally confirmed that the matter has been resolved and that all environmental concerns are being addressed in the environmental impact assessment process.
25.	A letter from Siyanda addressed to the DMR and dated 28 September 2008	Siyanda advises that the DMR that in light of the fact that it had received a DMR letter, dated 7 April 2008, only on 26 May 2008, Siyanda will submit the EMP and EIA on 26 November 2008, counting 180 days from the date of receipt of the DMR's letter
26.	The Kangwane Anthracite Environmental Assessment Scoping Report dated 6 March 2009	none
27.	A printed version of a presentation titled " <i>Kangwane Anthracite EIA/EMP Workshop 'open day' 7 March 2009, Zibokwana HP School, Kwalugendlane</i> "	none
28.	A document titled " <i>Nkomazi IDP 2006/7 Nkomazi</i> "	none

Item	Document	WW Comment
	<i>Municipality Executive Summary"</i>	
29.	A document titled " <i>Kangwane Anthracite: EIA/EMP Public Participation Workshop "Open Day" 7 March 2009</i> "	The document provides background information to the MR Application
30.	A document prepared by Nepid Consultants, for Siyanda, dated 23 March 2009 and titled " <i>Environmental Study for the Proposed Kangwane Anthracite Mine - Specialist Report: Baseline Assessment - Aquatic Ecosystems</i> " and related documents prepared by the Agricultural Recourses Council	none
31.	A Traffic Impact Study prepared by SSI Engineers and Environmental Consultants, for Siyanda, and dated May 2009 and titled " <i>Proposed Nkomazi Anthracite Mine, Mpumalanga Province, Nkomazi Local Municipality</i> "	none
32.	A document prepared by Natural Scientific Services, for Siyanda, dated April 2009 and titled " <i>Kangwane Anthracite Mine Terrestrial Flora and Fauna Assessment</i> "	none
33.	A copy of Siyanda's Environmental Impact Assessment (EIA) Announcement dated 30 January 2009 inviting interested and affected parties to a informative consultation public open day	none
34.	A document prepared by Airshed Planning Professionals (Pty) Limited, for Siyanda's consultant SPM Consulting (Pty) Limited, dated August 2009 and titled " <i>BASELINE AIR QUALITY IMPACT ASSESSMENT FOR THE PROPOSED DEVELOPMENT OF THE KANGWANE ANTHRACITE RESOURCES BY SIYANDA RESOURCES (PTY) LTD</i> "	none
35.	A document dated September 2009 and titled " <i>Kangwane Anthracite Environmental Management Plan Report</i> "	none

[C] the Section 11 Application

Item	Document	WW Comment
36.	Siyanda's application for Ministerial consent to transfer 583/2006 PR to MS 800 and to, from the date on which the Section 11 Application is approved substitute MS 800 as the applicant in respect of the MR Application (" the Section 11 Application ").	none
37.	The DMR's written acknowledgment of receipt of the Section 11 Application dated 2 March 2011.	none

12. RISK FACTORS

12.1 General

The Shares offered under this Prospectus should be considered speculative because of the nature of the Company's business.

There are numerous risk factors involved with the Company's business. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which securities will trade.

The following is a summary of the more material matters to be considered. However, this summary is not exhaustive and potential investors should examine the contents of this Prospectus in its entirety and consult their professional advisors before deciding whether to apply for the Shares.

Based on the information available, a non-exhaustive list of risk factors which may affect the Company's financial position, prospects and the price of its listed securities include the following.

12.1.1 Re-quotation of shares on ASX

As the Company has no prior involvement in the coal industry, the acquisition of Exsteen which holds the joint venture interest in the Kangwane Project constitutes a significant change in the nature and scale of the Company's activities and the Company needs to comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX. There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all.

12.1.2 Joint Venture Risk

The Definitive Agreements are a complex set of incorporated joint venture agreements involving a number of different parties. The Directors are unable to predict the risk of financial failure or default by a party to the Definitive Agreements (or any joint venture to which the Company is or may become a party). As a party to the Kangwane Anthracite Joint Venture (through the Company's acquisition of Exsteen), the Company could be exposed to such risks.

12.1.3 Government Actions and Political Risk

The impact of actions by governments may affect the Company's and its joint venture partners' activities including such matters as access to lands and infrastructure, compliance with environmental regulations, taxation and royalties.

The Company and its joint venture partners' are conducting its activities in South Africa. The Directors believe that the Government of South Africa supports the development of natural resources by foreign investors. However, there is no assurance that future political and economic conditions in South Africa will not result in the Government of South Africa adopting different policies regarding

foreign development and ownership of mineral resources. Any changes in policy may result in legislative changes affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return on capital, all of which may affect the Company's and its joint venture partners' ability to develop the Prospecting Right.

12.1.4 International Operations

Any potential future South African operations of the Company's and its joint venture partners' are subject to a number of risks, including:

- (a) potential difficulties in enforcing agreements and collecting receivables through foreign local systems;
- (b) potential difficulties in protecting rights and interests in assets;
- (c) increases in costs for transportation and shipping; and
- (d) restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors could materially and adversely affect the Company's and its joint venture partners' business, results of operations and financial condition.

South Africa experiences economic, social and political volatility. As a result, the Company's and its joint venture partners' future operations may be impacted by currency fluctuations, political reforms, changes in South African government policies and procedures, civil unrest, social and religious conflict and deteriorating economic conditions. The likelihood of any of these changes, and their possible effects, if any, cannot be determined by the Company with any clarity at the present time, but they may include disruption, increased costs and, in some cases, total inability to establish or to continue to operate mining exploration or development activities.

12.1.5 Operating Risks

The operations of the Company and its joint venture partners' may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, logistics around the final product including port allocation, adverse weather conditions, industrial and environmental accidents, industrial disputes, and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company and its joint venture partners' are able to realise value from their projects, the Company and its joint venture partners' are likely to incur ongoing operating losses.

12.1.6 Resource Estimates

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise

and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's and its joint venture partners' operations.

12.1.7 Commodity Price Volatility

If the Company and its joint venture partners' achieve success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company and its joint venture partners' to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company and its joint venture partners'. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors. Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in South African or Australian currency. This exposes the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the South African Rand or Australian dollar as determined in international markets.

12.1.8 Foreign Exchange Rate Risk

Any revenue received by the Company and its joint venture partners' would likely be in South African Rand and US dollars derived from the sale of coal and the Company's and its joint venture partners' operating expenses would be incurred principally in South African Rand. Coal is sold throughout the world based principally on a US dollar price, however domestically within South Africa, the coal price is set in South African Rand. Furthermore the income and expenditure accounts will be initially prepared in the Australian dollars (AUD). Therefore, Australian dollar reported revenue will be directly impacted by movements in the US dollar coal price, the South African Rand coal price and the USD/AUD and ZAR/AUD exchange rates. Movements in the USD/AUD or ZAR/AUD exchange rates and/or the US dollar coal price or South African Rand coal price may adversely or beneficially affect the Company's results or operations and cash flows.

12.1.9 Environmental Risks

The operations and proposed activities of the Company and its joint venture partners' are subject to regulation concerning the environment. As with most exploration projects and mining operations, the Company's and its joint venture partners' activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

12.1.10 Occupational Health and Safety Risk

The Company is committed to providing a healthy and safe environment for its personnel, contractors and visitors. Mining activities have inherent risks and hazards. The Company provides appropriate instructions, equipment, preventative measures, first aid information and training to all stakeholders through its occupational, health and safety management systems.

12.1.11 No Geographical Diversification

The Company's projects will all be located in South Africa. Any circumstance or event which negatively impacts the ownership or development of these areas or which negatively affects South Africa could materially affect the financial performance of the Company and more significantly than if it had a diversified asset base.

12.1.12 Coal Price Volatility

Substantially all of the Company's revenues and cash flows (should the Company enter production) will be derived from the sale of coal. Therefore, the financial performance of the Company would be exposed to fluctuations in the coal price. Historically, the coal price has fluctuated widely and has experienced periods of significant decline. Coal prices are affected by numerous factors and events that are beyond the control of the Company. These factors and events include general economic activity, world demand, forward selling activity as well as general global economic conditions and political trends.

12.1.13 Electricity Supply

The major producer and distributor of electricity in South Africa is the State-owned utility Eskom which provides over 95% of the country's energy usage. During 2008, South Africa experienced load shedding and rolling blackouts due to the shortage of electricity generating capacity. Eskom's current reserve margin is between 5% and 10% whilst an acceptable margin would be 15% to 20%. Although the situation appears to have stabilised, major new generation capacity is needed. Historically, the price of electricity in South Africa is low compared to other countries. Power rationing, increased prices and availability of electricity all pose potential risks to the viability and profit margins of the Company's and its joint venture partners' Prospecting Rights.

12.1.14 Water Supply

Water supply for the Kangwane Project, and any future projects, will be sourced from individual locations. The Company and its joint venture partners' will be required to apply for and obtain water use licences from the relevant governmental authorities. The process for obtaining a water use licence is a lengthy one and the Company's and its joint venture partners operations may be adversely affected in the event that the relevant licences are not obtained in a timely fashion. An inadequate water supply would negatively affect the Kangwane Project and any future projects.

12.1.15 Labour Risk

The Company's and its joint venture partners' operations may be adversely affected by labour disputes or changes in South African labour laws. In South Africa a number of trade unions have close links to various political parties and have had a significant influence as vehicles for social and political reform and in the collective bargaining process. Since 1995, South Africa has enacted various labour laws that enhance the rights of employees, which may impose costs on the Company and its joint venture partners'. Significant labour disputes, work stoppages, increased employee expenses as a result of collective bargaining and the cost of compliance with labour laws could disrupt operations and affect the profitability of the prospecting rights and any future mining and exploration activities undertaken by the Company and its joint venture partners'.

12.1.16 HIV/AIDS

South Africa has one of the highest HIV infection rates in the world. The exact impact of increased mortality rates due to HIV/AIDS related deaths on the cost of doing business in South Africa and the potential growth in the economy is unclear at this time although employee related costs in South Africa could increase as a result of the HIV/AIDS epidemic. The Company's and its joint venture partners' results may be adversely affected by the loss of productivity and increased costs arising from any effect of HIV/AIDS on the Company's and its joint venture partners' workforce.

12.1.17 Mining and Prospecting Rights

Acquisition and retention of prospecting rights and mining rights in South Africa is a detailed and time-consuming process. There is no guarantee the joint venture entity in which the Company is acquiring an interest will be granted the mining rights necessary to develop the prospecting rights on acceptable terms in a timely manner or at all. A wide range of factors and principles must be taken into account by the South African Minister of Mineral Resources when considering applications for mining rights. The factors taken into account include the applicant's access to financial resources, the applicant's technical ability to conduct the proposed mining operation optimally in accordance with the mining work programme, the mining must not result in unacceptable pollution, ecological degradation or damage to the environment, the applicant must provide financially and otherwise for the prescribed social and labour plan, the applicant must have the ability to comply with the relevant provisions of the Mine Health and Safety Act (South Africa) and the granting of the application must substantially and meaningfully expand opportunities for historically disadvantaged South Africans (including women) to enter the mineral and petroleum industry and to benefit from the exploitation of the nation's mineral resources, promote employment and advance the social and economic welfare of all South Africans in accordance with the approved social and labour plan. In addition, the grant of a mining or prospecting right may be disputed or challenged by third parties in the event that the correct procedures were not followed.

12.1.18 Competition for Mining Rights

There is generally competition for prospecting and mining rights in South Africa. The Minerals and Petroleum Resources Development Act (South Africa) provides that applications for mining rights and/or prospecting rights must be dealt with in the order of receipt (save for applications for the same mineral and land received on the same date, in which case preference must be given to applications from historically disadvantaged persons). In respect of new applications for prospecting rights and mining rights which the Company may wish to bring, as part of the Company's future growth strategy, there is a risk that such applications may not be successful if other applicants have already applied for such minerals and land. There is also no guarantee that suitable deposits will be available in future.

12.1.19 Exploration Risk

Mining exploration is inherently associated with risk. Notwithstanding the experience, knowledge and careful evaluation a company brings to an exploration project there is no assurance that recoverable mineral resources will be identified. Even if identified, other factors such as technical difficulties,

geological conditions, adverse changes in government policy or legislation or lack of access to sufficient funding may mean that the resource is not economically recoverable or may otherwise preclude the Company and its joint venture partners' from successfully exploiting the resource.

12.1.20 Black Economic Empowerment and Social Development

The Company and its joint venture partners must comply and remain compliant with the South African Mining Charter, the Mining Codes and the black economic empowerment participation requirements and the approved social and labour plan in order to retain prospecting and mining rights. Any failure by the Company and its joint venture partners to satisfy and to continue to satisfy the black economic empowerment requirements of the Minerals and Petroleum Resources Development Act (South Africa), the Charter the approved social and labour plan and/or the Mining Codes could jeopardise any prospecting rights held by the Company and its joint venture partners' and impede the Company's and its joint venture partners' ability to acquire, develop or maintain any additional prospecting and mining rights.

12.1.21 Exploration and operating costs

The proposed exploration expenditure of the Company and its joint venture partners' is based on certain assumptions with respect to the method and timing of exploration and feasibility work. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice.

12.2 Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's and its joint venture partners' exploration, development and production activities, as well as on the Company's and its joint venture partners' ability to fund those activities.

12.3 Market Conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's and its joint venture partners' operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital; and
- (f) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and

resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company and its joint venture partners' or any return on an investment in the Company.

12.4 Reliance on Key Personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

12.5 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Prospectus. Therefore, the securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to this Prospectus.

13. MATERIAL CONTRACTS

13.1 Directors' Deeds of Indemnity

The Company has entered into a deed of indemnity, insurance and access with each of its Directors. Under these deeds, the Company agrees to indemnify each Director to the extent permitted by the Corporations Act against any liability arising as a result of the Director acting in the capacity as a director of the Company. The Company is also required to maintain insurance policies for the benefit of the Director and must also allow the Directors to inspect Company documents in certain circumstances.

13.2 MoU and Joint Venture Agreement with Siyanda Resources (Pty) Ltd

On 29 June 2010, ZYL Limited (**Company**), Siyanda Resources (Pty) Ltd (**Siyanda**), Exsteen Pty Ltd (**Exsteen**), Main St 795 (Pty) Ltd (**Main St 795**) and Main St 800 (Pty) Ltd (**Main St 800**) entered into the memorandum of understanding (**MoU**).

The MoU provides that:

- (a) the Company will be granted an option to purchase Exsteen (**Exsteen Option**); and
- (b) Exsteen has the right to earn an effective interest of up to 50.12%, in two tranches, via a joint venture in the Kangwane Project with Siyanda. Siyanda will hold the remaining 49.88% interest as the South African partner,

(together the **Transaction**).

The MoU sets out the terms and proposed structure of the Transaction. The MoU requires the Company to enter into formal documentation to effect the Transaction.

The MoU is subject to a number of conditions precedent which must be satisfied on or before 30 June 2011:

- (a) the approval of the transaction by the South African competitive authorities (if required);
- (b) the granting of Foreign Exchange Control Approvals from the South African Reserve Bank for the entire transaction;
- (c) the granting of Section 11 approval from the Department of Minerals and Energy in South Africa (**DME**) for the transfer of the prospecting right and the mining right;
- (d) the execution and exercise of a call option deed between the Company and Exsteen giving the effect of Exsteen becoming a wholly owned subsidiary of the Company(although this may be waived in writing by Siyanda); and
- (e) amendments to the Articles of Main St 795 and Main St 800 to allow for the subscription of shares by Exsteen.

Further terms of the MoU are as follows:

- (a) Under the terms of the MoU between Exsteen and Siyanda:
- (i) the Company will commit to farm-in expenditure of ZAR20 million (approximately A\$3 million) to be invested via Main St 795 and Main St 800 where the funds will be spent on exploration and drilling with a view to defining a suitable mine life at the Kangwane Project. This investment will fund completion of a Bankable Feasibility Study (**BFS**) on the project. Upon completion of this initial expenditure, the Company will earn an initial 30% interest in Main St 795 and Main St 800 (which will hold the prospecting right for the Kangwane Project). Siyanda will initially own the remaining 70% interest in Main St 795 and Main St 800 and will vend its prospecting right over the Kangwane Project into Main St 795 and Main St 800. Exsteen has the opportunity to withdraw from the transaction at any time;
 - (ii) the Company will, through Exsteen, proportionally earn the 30% interest based on the amount of funds invested into Main St 795 and Main St 800. For instance, an initial R4 million investment into Main St 795 and Main St 800 will entitle the Company to an effective interest in the Project of 6%. It is only when the Company spends the complete ZAR20 million (approximately A\$3 million) that the Company will have earned an effective interest in the Project of 30%;
 - (iii) the Company shall subscribe for such new shares in Main St 795's and Main St 800's capital that will deliver a shareholding of 50.12%. The new equity funds invested by the Company will be deployed by Main St 795 and Main St 800 to capitalise Main St 795 and Main St 800 with an amount of ZAR30 million (approximately A\$4.5 million) which will be the equity component required to partially fund the development of the mine and the balance of the development funds to be raised as debt; and
 - (iv) the Company will extend a loan to Main St 795 and Main St 800 to pay Siyanda for its participation in Main St 795 and Main St 800 by subscribing for shares in Main St 795.
- (b) Double Ring Mineral Resources (Pty) Ltd (**Double Ring**) may become a party to the Transaction.

The MoU contains other standard terms and conditions expected to be included in an agreement of this nature.

The MoU has now been replaced by the Definitive Agreements summarised in Section 13.4.

13.3 Call Option Deed – Exsteen Pty Ltd

On 10 December 2010, Exsteen, Breamline Investments Limited (**Breamline**) and the Company entered into the call option deed (**Call Option Deed**) whereby the Company was granted the option to acquire 100% of the shares in Exsteen (**Exsteen Option**).

On 21 February 2011, the Company exercised the Exsteen Option.

The Call Option Deed provides that if the Company exercise the Exsteen Option, it will have the right (via Exsteen) to earn an effective interest of up to 50.12% in two tranches, via a joint venture with Siyanda in the Kangwane Project. The remaining 49.88% will be held by Siyanda.

The consideration for the grant of the Exsteen Option and the acquisition of the Exsteen is as follows:

- (a) that the Company pays an option fee of US\$100,000 and issues 20,000,000 Shares (pre-consolidation) to Breamline; and
- (b) that upon the Company increasing its interest in the Kangwane Project to 50.12%, the Company will issue an additional 20,000,000 Shares (pre-consolidation) to Breamline.

The Call Option Deed provides that in the event of a reconstruction of the capital of the Company prior to settlement under the Call Option Deed, a proportionate adjustment will be made to the number and issue price of additional 20,000,000 shares issued to Breamline.

The Call Option Deed contains other standard terms and conditions, representations and warranties, and termination provisions expected to be included in an agreement of this nature.

13.4 Definitive Agreements

13.4.1 Sale of Prospecting Right Agreement

On 8 December 2010, Siyanda and Main St 800 entered into a sale of prospecting right agreement (**PRA**).

Under the PRA, Main St 800 will purchase the Prospecting Right from Siyanda. Siyanda will also sell, cede and assign all of its interests in the Bank Feasibility Study in respect of the Prospecting Right to Main St 800 (**BFS**) (together the **Sale**).

The Sale is subject to a number of conditions precedent including:

- (a) the granting of Section 11 approval from the DME in South Africa for the Sale;
- (b) the Company exercising the option under the Call Option Deed; and
- (c) the execution of the Exsteen Subscription Agreement, the Double Ring Subscription Agreement, the Newco Subscription Agreement, the Newco Shareholders' Agreement, the Community Subscription Agreement, the Opes Subscription Agreement, ZYL Siyanda Loan Agreement, ZYL Double Ring Loan Agreement and the BFS Loan Agreement, and their being made unconditional.

The consideration payable by Main St 800 for the Sale is:

- (a) the issue of 22,499 fully paid ordinary shares in the share capital of Main St 800 to Siyanda which is equal to R2,000,000; and

- (b) an amount equal to the amount of the BFS loan outstanding as at the date upon which Main St 795 first subscribes for the Main St 800 "A" deferred ordinary shares. This loan is repayable on the fifth business day after the date of the subscription for Main St 800 "A" deferred ordinary shares and shall bear interest at the Prime Rate plus 200 basis points from the date of the advance of the BFS loan.

Further terms of the PRA are as follows:

- (a) the risk in and the benefit of the Prospecting Right is to pass to Main St 800 on the date a deed of cessation is executed by the parties in respect of the Prospecting Right (**Cessation Date**);
- (b) on the Cessation Date there will be a meeting of duly authorised representatives setting out:
 - (i) that all the conditions precedent to the PRA have been met;
 - (ii) what the date when the last condition precedent was complied with is; and
 - (iii) what the Cessation Date is.
- (c) the ownership of the Prospecting Right is to pass to Main St 800 on the date of registration of the deed of cessation at the Mineral and Petroleum Titles Registration Office in South Africa;
- (d) Siyanda must also amend the application submitted by it for the mining right in respect of the Prospecting Right to reflect Main St 800 as the applicant; and
- (e) a party will be entitled to specific performance or other remedy available to it at law following a breach that has not been remedied within 30 days of receipt of written notice. Termination of the PRA is not permitted by any party after the Cessation Date.

The PRA contains other standard terms and conditions, representations and warranties, and termination provisions expected to be included in an agreement of this nature.

13.4.2 Exsteen Subscription Agreement (Main St 795)

On 8 December 2010, Exsteen and Main St 795 entered into the Exsteen Subscription Agreement (**Exsteen Subscription Agreement**).

Under the Exsteen Subscription Agreement, Exsteen is required to subscribe for:

- (a) deferred ordinary shares in Main St 795 up to a value of R20,000,000 within 2 years from satisfaction or waiver of the conditions precedent set out below;
- (b) "A" preference shares in Main St 795 up to a value of R60,500,000 following completion of the BFS if Exsteen elects to continue to participate in the Transaction; and

- (c) deferred ordinary shares in Main St 795 up to a value of R30,000,000 if the deferred ordinary shares in Main St 800 are converted (see summary of Newco Subscription Agreement below).

After Exsteen has subscribed for the relevant shares listed above in Main St 795 and upon the conversion of the deferred ordinary shares, Exsteen will hold an 83.53% interest in Main St 795.

The Exsteen Agreement is subject to a number of conditions precedent which must be satisfied or waived on or before 30 June 2011, including:

- (a) each of the PRA, the ZYL Siyanda Loan Agreement, the ZYL Double Ring Loan Agreement, the BFS Loan Agreement, the Newco Subscription Agreement, Opes Subscription Agreement, the Double Ring Subscription Agreement, the Community Subscription Agreement, the Newco Shareholders' Agreement and the Newco "C" Preference Share Subscription Agreement are concluded and each become unconditional in accordance with their terms, except for any condition to which any such agreement is subject, requiring the Exsteen Subscription Agreement to become unconditional; and
- (b) the ordinary and special resolutions of the shareholders of Main St 795 which are required for:
 - (i) the subdivision of the authorised share capital of Main St 795 from 1,000 ordinary shares at R1.00 each into 100,000 ordinary shares at R0.01 each;
 - (ii) for the creation of the "A" Preference Shares in Main St 795; and
 - (iii) to authorise the directors of Main St 795 to issue the ordinary shares contemplated in the Exsteen Subscription Agreement and the issue of "A" Preference Shares,

are duly adopted and, where necessary, registered with Companies and Intellectual Properties Registration Office in South Africa.

The Exsteen Subscription Agreement will terminate automatically if the Newco Subscription Agreement, the BFS Loan Agreement and / or the Sale of Prospecting Right Agreement are terminated for any reason whatsoever.

The Exsteen Subscription Agreement contains other standard terms and conditions, representations and warranties that are expected to be included in an agreement of this nature.

13.4.3 Call Option, Subscription and Shareholder's Agreement (Main St 795)

On 8 December 2010, Siyanda, Exsteen and Main St 795 entered into the Call Option, Subscription and Shareholders' Agreement which sets out the rights of the parties as shareholders of Main St 795 (**COSSA**).

The COSSA is subject to a number of conditions precedent to be satisfied or waived on or before 30 June 2011, which include that:

- (a) the Newco Subscription Agreement is concluded and becomes unconditional;

- (b) the Exteen Subscription Agreement is concluded and becomes unconditional; and
- (c) the shareholder and director resolutions are duly adopted and (where necessary) registered with the Companies and Intellectual Properties Registration Office in South Africa for:
 - (i) the creation, issue and allotment the "B" Preference Shares; and
 - (ii) the subdivision of the authorised share capital of Main St 795 from 1,000 ordinary shares at R1.00 each to 100,000 ordinary shares at R0.01 each.

Under the COSSA, Exteen has also granted a call option (**COSSA Call Option**) to Siyanda to purchase 16,470 ordinary shares in the capital of Main St 795 (**COSSA Call Option Shares**) from Exteen during the 12 month period commencing on the first business day following the despatch of goods and receipt of sales proceeds in terms of the first-offtake agreement entered into by Main St 795.

If Siyanda exercises the COSSA Call Option, Exteen is required to subscribe for a further 667 "B" preference shares in the capital of Main St 795 to a value of R40,000,000 within 10 business days from Siyanda's exercise of the Call Option (**Exteen Further Subscription**).

Exteen has provided Siyanda with an undertaking that immediately following the Exteen Further Subscription, it will procure Main St 795 to declare and pay a special cash dividend to Siyanda of R40,000,000. The effect of this transaction is that Exteen will effectively be funding a cash dividend to Siyanda.

A pre-emptive right to shares exists for shareholders on the following conditions:

- (a) no shares may be disposed of unless:
 - (i) a proportionate percentage of any other class of shares (ordinary shares, Exteen "A" Preference shares or Exteen "B" Preference Shares) held by the offeror and a pro rata percentage of that offeror's claims of whatsoever nature against the Company are sold or otherwise disposed of simultaneously; and
 - (ii) the shareholder serves notice on the Board;
- (b) offers will be made to the remaining shareholders immediately in the ratio in which they hold ordinary shares;
- (c) this offer will remain open for 30 days (130 for offers which require approval), after which the offeror will be entitled to dispose of the shares to a bona fide third party; and
- (d) the accepting offeree may accept more than its due portion upon an equitable basis.

The consideration payable for:

- (a) the purchase by Siyanda for the COSSA Call Option Shares from Exsteen is an amount equal to the par value of the COSSA Call Option Shares when the Call Option is exercised; and
- (b) the subscription by Exsteen for the "B" Preference Shares is R40,000,000.

Further general terms of the COSSA are as follows:

- (a) Main St 795 agreed to replace its Articles immediately to incorporate amendments as set out in the COSSA;
- (b) the provisions of the COSSA are to prevail over the Articles in the event of any inconsistencies to the fullest extent permissible in law;
- (c) no shareholders' meetings may be convened nor any resolutions proposed by the directors or shareholders of Main St 795 in respect of specified restricted matters unless Siyanda has consented to them in the period prior to exercising the Call Option and the directors representing at least 90% of the issue ordinary shares of Main St 795 have agreed in writing that such a meeting be convened or resolution proposed;
- (d) there are to be a minimum of 6 and a maximum of 8 directors of Main St 795, whereby each shareholder is entitled to appoint 1 director to the board for each completed 15% of the voting shares in Main St 795 held by that shareholder;
- (e) the Main St 795 Shareholders will from time to time have the opportunity to provide additional funding on a pro rata basis (**Main St 795 Equity Loan**). The Main St 795 Equity Loans will be ranked as senior or junior and will take priority respectively;
- (f) the issued "A" deferred shares and "B" preference shares in Main St 795 are not transferable by any shareholder unless such shareholder receives prior written consent of the holders of at least 80% of the issued voting shares under the COSSA; and
- (g) no shares may be encumbered in any manner whatsoever without the prior written consent of the remaining shareholders.

The COSSA contains other standard terms and conditions, representations and warranties expected to be included in an agreement of this nature.

13.4.4 Newco Subscription Agreement (Main St 800)

On 8 December 2010, Main St 795 and Main St 800 entered into the Newco Subscription Agreement (**Newco Subscription Agreement**).

Under the Newco Subscription Agreement, Main St 795 is required to subscribe for:

- (a) deferred ordinary shares in Main St 800 up to a value of R20,000,000 (**Ordinary Subscription**) within 2 years from satisfaction or waiver of the conditions precedent set out below;

- (b) "A" preference shares in Main St 800 up to a value of R60,500,000 following the subscription of Exsteen in the "A" preference shares in Main St 795 (set out above); and
- (c) ordinary shares in Main St 795 up to a value of R30,000,000 following the subscription of Exsteen in the deferred ordinary shares in Main St 795 (set out above).

The amounts received by Main St 800 in respect of the Ordinary Subscription will be applied to the repayment of the BFS loan, plus any accrued interest and then to the BFS.

The Newco Subscription Agreement is subject to a number of conditions which must be satisfied or waived on or before 30 June 2011, including that:

- (a) the Exsteen Subscription Agreement is concluded and becomes unconditional;
- (b) the Newco Shareholders' Agreement is concluded and becomes unconditional; and
- (c) the resolutions required for the:
 - (i) subdivision of the authorised share capital of Main St 800 from 1,000 ordinary shares at R1.00 each into 100,000 ordinary shares at R0.01 each;
 - (ii) creation of the "A" Deferred Ordinary Shares in Main St 800;
 - (iii) creation of 1,000 "A" preference shares at R60,500 per preference share in Main St 800; and
 - (iv) authorisation of the directors of Main St 800 to issue the ordinary shares, the "A" deferred ordinary, the "A" preference shares in Main St 800,

are duly adopted and, where necessary, registered with Companies and Intellectual Properties Registration Office in South Africa.

The Newco Subscription Agreement will terminate automatically if the Exsteen Subscription Agreement, the BFS Loan Agreement and/ or the PRA are terminated for any reason whatsoever.

The Newco Subscription Agreement contains other standard terms and conditions, representations and warranties, and termination provisions expected to be included in an agreement of this nature.

13.4.5 Newco Shareholders' Agreement (Main St 800)

On 8 December 2010, Main St 795, Siyanda, Exsteen, Opes Capital, the Company and Double Ring (together **Main St 800 Shareholders**) and Main St 800 entered into the Newco Shareholders' Agreement (**Newco Shareholders' Agreement**).

The Newco Shareholders' Agreement sets out the rights of the Main St 800 Shareholders as shareholders of Main St 800 and also sets out the terms upon which the Main St 800 Shareholders agree that the Community Trust will become

a shareholder of Main St 800 pursuant to the Community Subscription Agreement.

The Main St 800 Shareholders' Agreement is subject to a number of conditions precedent, including that:

- (a) the Newco Subscription Agreement being concluded and becoming unconditional; and
- (b) the Community Subscription Agreement being concluded and becoming unconditional.

Dividends are payable under the Newco Shareholders' Agreement including for the purposes of:

- (a) reimbursing Siyanda for any operational costs;
- (b) declaring and paying dividends in respect of the preference shares in Main St 800; and
- (c) redeeming the preference shares in Main St 800, if so elected by Main St 800.

Further terms of the Newco Shareholders' Agreement are as follows:

- (a) the responsibilities of Siyanda, Exsteen and Main St 800's committee to oversee the conduct of the BFS (**BFS Committee**) are set out in the Newco Shareholders' Agreement. Following the satisfaction of the conditions precedent set out above (**Fulfilment Date**), the BFS Committee will become a sub-committee of the board of directors of Main St 800;
- (b) the BFS Committee will comprise of a maximum of five members. Two members will be appointed by Siyanda, and prior to the Fulfilment Date two members will be appointed by the Company and after the Fulfilment Date two members will be appointed by Main St 795. The remaining member shall be appointed by Double Ring. Each party appointing a member to the BFS Committee is entitled to remove and replace any member appointed by it. If Exsteen and/or Main St 795 fail to subscribe for shares in accordance with the relevant subscription agreements, Siyanda is entitled to remove the Company or Main St 795 representatives from the BFS Committee and/or (depending on the stage of the subscriptions) the Company or Main St 795 shall not be permitted to appoint any members;
- (c) at any meeting of the BFS Committee, each member shall have one vote, providing that member has not committed a breach of the Definitive Agreements. If a member has committed a breach of the Definitive Agreements their voting rights will be suspended until the breach is remedied or until any of the definitive Agreements are terminated. Decisions of the BFS Committee shall be taken by majority vote. In the event of an equality of votes at any meeting of the BFS Committee:
 - (i) prior to the Fulfilment Date, such matter on which there is an equality of votes shall, within 24 hours, be escalated to each party who appointed a member to the BFS Committee. If such

escalation does not bring about resolution to the matter, then the matter shall be referred for arbitration; and

- (ii) after the Fulfilment Date, one of the members of the BFS Committee appointed by Main St 795, shall have a casting vote;
- (d) the BFS Committee is to be responsible for the implementation and management of the BFS and the expenditure required for the BFS;
- (e) the BFS is to be an extensive evaluation to be recorded in a report on the commercial and technical feasibility of the mining and production of the relevant minerals in commercial quantities;
- (f) from the date on which the BFS Loan Agreement becomes unconditional, the BFS Committee will give Siyanda, the Company, Exsteen and Main St 795 written notice specifying the Rand amounts required to be expended on the BFS when and as required. The amount is not to exceed R20,000,000 less any amount outstanding under the BFS Loan Agreement at the Fulfilment Date;
- (g) Main St 800 must take the necessary steps to replace its Articles in order to incorporate;
- (h) Main St 800's board of directors will comprise of a minimum of 5 directors and a maximum of 11 where each Main St 800 Shareholder is entitled to appoint one director to the board for each completed 10% of the voting shares in Main St 800 held by such Main St 800 Shareholder;
- (i) directors and Main St 800 Shareholders will not convene a meeting regarding a resolution concerning any specified restricted matters including:
 - (i) the issue of ordinary shares in Main St 800;
 - (ii) the granting of any option in Main St 800; and
 - (iii) any amendments to the rights attaching to any shares issued by Main St 800,

without the directors representing the holders of at least 80% of the issued voting shares in Main St 800 having agreed in writing to the meeting or resolution being proposed;
- (j) the Main St 800 Shareholders will from time to time have the opportunity to provide additional funding on a pro rata basis (**Main St 800 Equity Loan**). The Main St 800 Equity Loans will be ranked as senior or junior and will take priority respectively; and
- (k) no shares may be encumbered in any manner whatsoever without the prior written consent of the remaining shareholders.

A pre-emptive right to shares exists for Main St 800 Shareholders on the following conditions:

- (a) No shares in Main St 800 may be disposed of unless:
 - (i) a proportionate percentage of any other class of shares (ordinary shares, "A" preference shares or "A" preference shares, "B" preference shares and/ or "C" preference shares) held by the offeror and a pro rata percentage of that offeror's claims of whatsoever nature against Main St 800 are sold or otherwise disposed of simultaneously; and
 - (ii) the offeror serves notice on the board of Main St 800.
- (b) offers will be made to the remaining shareholders immediately in the ratio in which they hold ordinary shares;
- (c) this offer will remain open for 30 days (130 for offers which require approval), after which the offeror will be entitled to dispose of the shares to a bona fide third party;
- (d) the accepting offeree may accept more than its due portion upon an equitable basis;

The Newco Shareholders' Agreement will terminate if:

- (a) the Newco Shareholders' Agreement fails to become unconditional;
- (b) the Sale of Prospecting Right Agreement fails to become unconditional for any reason; or
- (c) the Newco Subscription Agreement is terminated for any reason whatsoever; or
- (d) the Community Subscription Agreement is terminated for any reason whatsoever.

The Newco Shareholders' Agreement contains other standard terms and conditions, representations and warranties expected to be included in an agreement of this nature.

13.4.6 ZYL Siyanda Loan Agreement

On 8 December 2010, the Company and Siyanda entered into the ZYL Siyanda Loan Agreement (**ZYL Siyanda Loan Agreement**) whereby ZYL has agreed to advance R2,500,000 to Siyanda. The ZYL Siyanda Loan Agreement is subject to a number of conditions precedent which include that approval from the Exchange Control Department of the South African Reserve Bank (**SARB**) is to be obtained by the Company to advance the loan. Interest shall accrue from time to time at the Prime Rate plus 2%. The amount is repayable out of 50% of the distributions received by Siyanda from time to time in its capacity as a beneficiary of the Community Trust. The agreement contains other standard terms expected to be included in a loan agreement of this nature.

13.4.7 ZYL Double Ring Loan Agreement

On 8 December 2010, the Company and Double Ring entered into the ZYL Double Ring Loan Agreement (**ZYL Double Ring Loan Agreement**) whereby ZYL has agreed to advance R2,500,000 to Double Ring. The ZYL Double Ring Loan Agreement is subject to a number of conditions precedent which include that approval from SARB is to be obtained by the Company to advance the loan. Interest shall accrue from time to time at the Prime Rate plus 2%. The amount is repayable out of 50% of the distributions received by Double Ring from time to time in its capacity as a beneficiary of the Community Trust. The agreement contains other standard terms expected to be included in a loan agreement of this nature.

13.4.8 BFS Loan Agreement

On 8 December 2010, the Company, Exsteen and Siyanda entered into the BFS Loan Agreement (**BFS Loan Agreement**) whereby ZYL has agreed to advance Siyanda up to R20,000,000 (**BFS Loan**). Siyanda is permitted to draw on this amount by way of drawdown notice in multiples of 10,000 the first drawdown to be R10,000,000.

The BFS Loan Agreement is subject to a number of conditions precedent which include:

- (a) that approval from SARB is to be obtained by the Company to advance the loan; and
- (b) ZYL must provide Siyanda with an irrevocable and unconditional letter of credit guaranteeing payment to Siyanda of R10,000,000 (summarised in Section 13.4.9 below).

Interest is payable on the BFS Loan at the Prime Rate plus 200 basis points from the date of advance on either of: i) the expiry of the loan period if the transaction agreements are entered into and become unconditional; or ii) on or before the end date if the Definitive Agreements are not concluded.

The BFS Loan is to be repaid on either of: i) the 30th business day after the expiry of the loan period if the transaction agreements are entered into and become conditional; or ii) the sixth month anniversary of the end date if the Definitive Agreements are not concluded.

The agreement contains other standard terms expected to be included in a loan agreement of this nature.

13.4.9 Letters of credit

National Australia Bank Limited (**NAB**) has provided a standby letter of credit for ZAR10,000,000 expiring on 30 November 2011 in favour of The Standard Bank of South Africa Limited dated 16 December 2010 on behalf of the Company in respect of the BFS Loan Agreement.

The Standard Bank of South Africa Limited has issued the standby letter of credit referred to above to Siyanda on behalf of NAB and the Company dated 22 December 2010.

13.5 Call Option Agreement – Opes Capital (Pty) Ltd

Pursuant to the terms of the MoU, ZYL has been granted a call option by Opes Capital (Pty) Ltd (**Opes**) to acquire the 1.83% interest in Mainstreet 795 (Pty) Ltd (**Main St 795**) currently held by Opes. This will entitle ZYL to an effective interest of 83.53% in Main St 795 and an effective interest of 50.12% in Main St 800 (Pty) Ltd (**Main St 800**), the holder of the Prospecting Right at the Kangwane Project.

The Transaction Control Fee payable is equal to R6M (~A\$900,000) payable via the issue of shares or the payment of cash or a combination of such consideration, to be at the absolute discretion of ZYL. If consideration is to be settled by way of the issue of shares, the relevant issue price of the shares will be equal to the 20-day VWAP of the securities of ZYL on the days on which securities are traded on the ASX. This consideration will be payable at the time that Exsteen exercises its option with Siyanda to increase its ownership in the Kangwane Project above 30%.

13.6 Coal Offtake Agreement – International Power Utility

A summary of the Memorandum of Understanding for the Coal Offtake Agreement with International Power Utility is set out in Section 5.5.7 of this Prospectus.

13.7 Managing Director Executive Service Agreement

On or about 15 August 2010, the Company entered into an Executive Service Agreement (**Agreement**) with Dr Eric Lilford as Managing Director, pursuant to which:

- (a) Dr Lilford has agreed to make available his services to act as Managing Director of the Company;
- (b) Dr Lilford is entitled to a salary of \$250,000 per annum (plus superannuation);
- (c) the agreement has a fixed term of 2 years commencing on 15 August 2010;
- (d) the Company may terminate the agreement in the case of a breach by Dr Lilford and otherwise by giving Dr Lilford 3 months' notice; and
- (e) Dr Lilford has agreed to standard non-competition covenants.

Dr Lilford will be issued the following share options, subject to shareholder and regulatory approvals:

Vest 6 months from commencement of employment:

- i. 5,000,000 options exercisable at 3 cents per share (*pre-consolidation*) with an expiry of 2 years from the date of issue;

Vest 12 months from commencement of employment:

- ii. 5,000,000 options exercisable at 5 cents per share (*pre-consolidation*) with an expiry of 2 years from the date of issue.

Dr Lilford will also qualify for a performance based bonus in the following circumstances outlined below:

- i. 2,500,000 shares (*pre-consolidation*) will be issued to the Dr Lilford upon the achievement of an anthracite coal resource of not less than 150Mt of anthracite coal at an average ash content of not more than 20% and at substantially similar coal specifications to that already known;
- ii. 2,500,000 shares (*pre-consolidation*) will be issued to the Dr Lilford upon the completion of the initial spend commitment of R4 million and the provision of a technical due diligence report to the board for discussion and sign-off; and
- iii. 2,500,000 shares (*pre-consolidation*) will be issued to the Dr Lilford upon the Company successfully securing a binding off-take agreement with a suitable party as agreed by the Company in respect of the anthracite coal production from the Project.

Upon successful completion of these KPI's, the Company will undertake a review of Dr Lilford's Salary and the Shares and Options package attached to performance milestones.

Additional appropriate performance based milestones will be discussed between the Dr Lilford and the Company at the time that Dr Lilford is due to have this Agreement reviewed.

13.8 Services Agreement – Gino D'Anna

In February 2010, the Company and Mr Gino D'Anna entered into a service agreement whereby Mr D'Anna was engaged as Company Secretary of the Company.

The term of the service agreement is ongoing until Company gives 1 months notice to Mr D'Anna terminating his engagement, or Mr D'Anna gives notice to the Company, subject to other standard termination provisions.

Mr D'Anna's consultancy fee is \$36,000 per annum plus GST, to be reviewed at 30 June and 31 December each year and will at least be increased by CPI, payable on 30th of each month by instalments equal to 1/12th of the annual fee. Mr D'Anna must provide the Company with an invoice on or before the 30th of each month for the relevant amount.

The Company will reimburse Mr D'Anna for all reasonable expenses incurred for general expenses incurred in the performance of his duties.

The agreement contains standard confidentiality, change of control and termination and other clauses expected to be included in an agreement of this type.

13.9 Services Agreement – Bevan Tarratt

In February 2010, the Company and Mr Bevan Tarratt entered into a service agreement whereby Mr Tarratt was engaged as a Non-Executive Director of the Company.

The term of the service agreement is ongoing until Company gives 1 months notice to Mr Tarratt terminating his engagement, subject to other standard termination provisions.

Mr Tarratt's consultancy fee is \$36,000 per annum plus GST, to be reviewed at 30 June and 31 December each year and will at least be increased by CPI, payable on 30th of each month by instalments equal to 1/12th of the annual fee. Mr Tarratt must provide the Company with an invoice on or before the 30th of each month for the relevant amount.

The Company will reimburse Mr Tarratt for all reasonable expenses incurred for general expenses incurred in the performance of his duties.

The agreement contains standard confidentiality, change of control and termination and other clauses expected to be included in an agreement of this type.

13.10 Services Agreement – David Greenwood

On 1 March 2011, the Company and Mr David Greenwood entered into a service agreement whereby Mr Tarrant was engaged as a Non-Executive Director of the Company.

The term of the service agreement is ongoing until Company gives 1 months notice to Mr Greenwood terminating his engagement, subject to other standard termination provisions.

Mr Greenwood's consultancy fee is \$36,000 per annum plus GST, to be reviewed at 30 June and 31 December each year and will at least be increased by CPI, payable on 30th of each month by instalments equal to 1/12th of the annual fee. Mr Greenwood must provide the Company with an invoice on or before the 30th of each month for the relevant amount.

The Company will reimburse Mr Greenwood for all reasonable expenses incurred for general expenses incurred in the performance of his duties.

The agreement contains standard confidentiality, change of control and termination and other clauses expected to be included in an agreement of this type.

13.11 Joint Lead Manager Agreement

On or about 7 March 2011, the Company and each of RBC Capital Markets and Patersons Securities Limited entered into the Joint Lead Manager Agreement in relation to the Offer (**Joint Lead Manager Agreement**).

Under the Joint Lead Manager Agreement, RBC Capital Markets and Patersons Securities Limited agreed to assist the Company with its re-listing on the ASX and its associated equity capital raising.

The material terms and conditions of the Joint Lead Manager Agreement are as follows:

- (a) **(Fee):** The Company will pay a Placement Fee equal to 5.0% of the gross proceeds raised by the Offer (**Placement Fee**). The Placement Fee will be paid to the Joint Lead Managers by way of deduction from the total proceeds of the Offer.

The Placement Fee will be split as follows:

- (i) 60% of the Placement Fee will be divided between the Joint Lead Managers on a pre-agreed, fixed economics basis, with RBC receiving 50% and Patersons receiving 50% of that portion of the Placement Fee, respectively.
 - (ii) 40% of the Placement Fee will be divided between the Joint Lead Managers at the sole discretion of the Company, having regard to respective performance of each of the Joint Lead Managers during the Transaction.
- (b) **(Term):** The Joint Lead Manager Agreement will have immediate effect and will remain in place until the earlier of the completion of the equity capital raising and the date which is 6 months after the date of this letter, unless extended by mutual written consent or terminated earlier.
- (c) **(Termination):** Any party may terminate the arrangements by giving 7 days of written notice to the other party, save that the Company cannot terminate the arrangements once signed confirmation letters have been received from Investors and save that the Joint Lead Managers shall reserve the right to terminate immediately should the Company commit an act of gross negligence, fraud or wilful misconduct or refuse to provide the Joint Lead Managers with information it has reasonably requested in relation to its duties for the Services or in the opinion of the Joint Lead Managers, it is not appropriate for it to continue the engagement under this letter on legal or regulatory reasons. Termination will be effective upon receipt of such notice. Termination will not affect any legal rights or obligations which may already have accrued or been incurred (including an entitlement to fees and expenses in connection with the engagement) or any representations, authorisations or confirmations given by the Company in or pursuant to the agreement constituted by this letter which will remain in full force and effect.

The Company has given RBC Capital Markets and Patersons Securities Limited standard covenants in relation to the conduct of the Company during the term of the Joint Lead Manager Agreement and in relation to the provision of information to RBC Capital Markets and Patersons Securities Limited. The Company has agreed to indemnify RBC Capital Markets and Patersons Securities Limited in relation to certain liabilities which RBC Capital Markets and Patersons Securities Limited and other associated parties may incur in relation to RBC Capital Markets and Patersons Securities Limited obligations under the Joint Lead Manager Agreement.

The Joint Lead Manager Agreement also contains standard representations and warranties to be given by the Company expected to be included in an agreement of this type.

13.12 Hemisphere Services Agreement

On 1 March 2010, the Company and Hemisphere Corporate Services Pty Ltd (**Hemisphere**) entered into the Hemisphere Services Agreement (**Hemisphere Agreement**), whereby Hemisphere provides the Company with offices and other general office administrative services.

The term of the Hemisphere Agreement is ongoing until either party gives the other 90 days written notice of their intention to terminate the agreement, subject to other standard termination provisions.

The fee for rent and variable office outgoings is \$3,400 per month exclusive of GST. The fee for general office expenses is charged on an ad hoc basis up to a maximum of \$2,000 per quarter exclusive of GST. A 20% administration charge will also be added to the invoice. Any additional management services provided by Hemisphere will be charged at a day rate of \$300 exclusive of GST. Hemisphere will also charge a fee on an ad hoc basis for any IT services required by the Company.

14. ADDITIONAL INFORMATION

14.1 Rights Attaching to Shares

Full details of the rights attaching to Shares are set out in the Company's Constitution a copy of which can be inspected, free of charge, at the Company's registered office during normal business hours.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

(a) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend Rights

Subject to the rights of persons (if any) entitled to shares with special rights to dividends, the Directors may declare a dividend in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to shares with special rights as to dividend all dividends are to be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid.

Interest may not be paid by the Company in respect of any dividend, whether final or interim.

(d) **Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, shares classified by ASX as restricted securities at the time of the commencement of the winding up shall rank in priority after all other shares.

(e) **Transfer of Shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(f) **Variation of Rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

14.2 **Rights Attaching to Options**

There are currently four separate classes of Options on issue as at the date of this Prospectus, with the specific terms as follows:

Class One

- (i) Each option (**Option**) entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company (**Share**) at an exercise price of 6 cents (**Exercise Price**).
- (ii) The Options are exercisable at any time on or before 5.00pm Western Standard Time on 30 September 2012 (**Expiry Date**).

Options may only be exercised in multiples of 1,000. Any Options not exercised by the Expiry Date shall lapse.

Class Two

- (i) Each option (**Option**) entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company (**Share**) at an exercise price of 10 cents (**Exercise Price**).
- (ii) The Options are exercisable at any time on or before 5.00pm Western Standard Time on 30 September 2012 (**Expiry Date**). Options may only be exercised in multiples of 1,000. Any Options not exercised by the Expiry Date shall lapse.

Class Three

- (i) Each option (**Option**) entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company (**Share**) at an exercise price of 6 cents (**Exercise Price**).
- (ii) The Options are exercisable at any time on or before 5.00pm Western Standard Time on 21 February 2013 (**Expiry Date**). Options may only be exercised in multiples of 1,000. Any Options not exercised by the Expiry Date shall lapse.

Class Four

- (i) Each option (**Option**) entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company (**Share**) at an exercise price of 20 cents (**Exercise Price**).
- (ii) The Options are exercisable at any time on or before 5.00pm Western Standard Time on 18 April 2015 (**Expiry Date**). Options may only be exercised in multiples of 1,000. Any Options not exercised by the Expiry Date shall lapse.

The general terms of the four classes of Options are provided below:

- (a) Options may not be exercised if the effect of such exercise and subsequent allotment of the Shares would be to create a holding of less than a marketable parcel of Shares unless the allottee is already a shareholder of the Company at the time of exercise.
- (b) Exercise of the Option is effected by completing a notice of exercise of option and delivering it to the registered office of the Company together with payment of the applicable Exercise Price per Option exercised.
- (c) A notice of exercise is only effective when the Company has received the full amount of the Exercise Price in cash or cleared funds.
- (d) The Options are freely transferable, subject to any offer for sale of the Options complying with section 707 of the Corporations Act (if applicable).
- (e) All Shares issued upon exercise of the Options and payment of the Exercise Price will rank equally in all respects with the Company's then

existing Shares. The Company will apply for Official Quotation by ASX of all Shares issued upon exercise of the Options within three days of the issue of the Shares.

- (f) A certificate will not be issued for the Options and an uncertificated holding statement will be provided.
- (g) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new entitlement issues of capital offered to shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 business days after the Issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (h) If from time to time before the expiry of the Options the Company makes an issue of shares to the holders of ordinary shares by way of capitalisation of profits or reserves (a "bonus issue") other than in lieu of a dividend payment, then upon exercise of a Option the Optionholder will be entitled to have issued to it (in addition to the shares which it is otherwise entitled to have issued to it upon such exercise) additional shares in the Company. The number of additional shares is the number of shares which would have been issued to it under that bonus issue ("bonus shares") if on the date on which entitlements were calculated it had been registered as the holder of the number of shares which it would have been registered as holder if immediately before that date it had exercised its Options. The bonus shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other shares allotted upon exercise of the Options.
- (i) The period during which the Options may be exercised cannot be extended.
- (j) In the event of any reconstruction, including a consolidation, subdivision, reduction or return of the issued capital of the Company prior to the Expiry Date, the number of Options which each holder is entitled or the Exercise Price of the Options or both will be reconstructed as appropriate in a manner which is in accordance with the Listing Rules and will not result in any benefits being conferred on Optionholders which are not conferred on shareholders, subject to such provision with respect to the rounding of entitlements as may be sanctioned by the meeting of shareholders approving the reconstruction of capital, but in all other respects the terms of exercise of the Options will remain unchanged. The rights of an Optionholder may be changed to comply with the Listing rules applying to a reorganisation of capital at the time of the reconstruction.
- (k) Shares allotted and issued pursuant to the exercise of an Option will be allotted and issued not more than 14 days after the receipt of a proper notice and payment of the exercise price in respect of the Options exercised.
- (l) Other than as referred to above, a Option does not confer the right to a change in Exercise Price, or a change to the number of underlying

securities over which it can be exercised.

14.3 Disclosure of Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner or director, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or the Offer.

Directors' relevant interests in securities of the Company at the date of this Prospectus (post-consolidation) and remuneration information for the last two financial years is set out below:

Name	Shares	Options	Total Remuneration (\$ 2010)	Total Remuneration (\$ 2011)
Eric Lilford	6,583,333	2,500,000	\$0	\$250,000
Bevan Tarratt	4,769,444	1,500,000	\$15,000	\$36,000
Gino D'Anna	3,444,444	1,500,000	\$9,994	\$36,000
David Greenwood	0	0	\$0	\$12,000 *

* Calculated on the basis that Mr Greenwood has been appointed as a Director on 1 March 2011 and as such as at 30 June 2011, would have been a Director for only 4 months.

14.4 Remuneration

The Constitution provides that the remuneration of Non-Executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for Non-Executive Directors has been set at an amount not to exceed \$150,000 per annum.

The remuneration of Executive Directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee.

The remuneration of the Directors for the 2010/2011 financial year is set out in the table below:

Name	Total Remuneration (\$ 2010/2011)
Eric Lilford	\$250,000
Bevan Tarratt	\$36,000
Gino D'Anna	\$36,000
David Greenwood	\$12,000 *

* Calculated on the basis that Mr Greenwood has been appointed as a Director on 1 March 2011 and as such as at 30 June 2011, would have been a Director for only 4 months.

14.5 Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no:

- (a) Director of the Company;
- (b) person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (c) promoter of the Company,

has, or had within two years before lodgement of this Prospectus with the ASIC, any interest in:

- (i) the formation or promotion of the Company;
- (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Shares under this Prospectus; or
- (iii) the offer of Shares under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a Director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of Shares under this Prospectus.

Mr Dawie Van Wyk has acted as a Competent Person and has prepared a report titled "The Kangwane Coal Project" which has been included in Section 7 of this Prospectus. The Company estimates that it will pay Mr Dawie Van Wyk a total of \$5,000 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Mr Dawie Van Wyk has not received any other fees from the Company in connection with other geological services.

SRK Consulting (South Africa) (Pty) Ltd has prepared a report titled "Report on the Kangwane Anthracite Project" which has been included in Section 8 of this Prospectus. The Company estimates that it will pay SRK Consulting (South Africa) (Pty) Ltd a total of \$60,000 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, SRK Consulting (South Africa) (Pty) Ltd has received approximately \$100,000 in other fees from the Company in connection with the conduct of the Bankable Feasibility Study.

RBC Capital Markets and Patersons Securities Limited have acted as joint lead manager to the Company. In respect of this work, RBC Capital Markets and Patersons Securities Limited will be paid such amounts as detailed in Section 13 of this Prospectus. During the 24 months preceding lodgement of this Prospectus at the ASIC, RBC Capital Markets has not received any fees from the Company, however Patersons Securities Limited have received approximately \$280,000 in connection with previous capital raisings undertaken by the Company.

Webber Wentzel Attorneys has acted as South African solicitors to the Company in relation to the Offer and has prepared a Mining Title Opinion on the Tenements which has been included in Section 11 of this Prospectus. The Company estimates it will pay Webber Wentzel Attorneys approximately \$25,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Webber Wentzel has not received any other fees for legal services.

Steinepreis Paganin has acted as Australian solicitors to the Company in relation to the Offer and has been involved in due diligence enquiries on Australian legal matters. The Company estimates it will pay Steinepreis Paganin approximately \$40,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received approximately \$100,000 in other fees for legal services.

William Buck Corporate Advisory Services (NSW) Pty Ltd has acted as Investigating Accountant and has prepared an Investigating Accountant's Report which has been included in Section 9 of this Prospectus. The Company estimates it will pay William Buck Corporate Advisory Services (NSW) Pty Ltd a total of \$20,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, William Buck has received approximately \$90,000 in other fees for auditing services.

14.6 Consents

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section;
- (b) does not cause or authorise the issue of the Prospectus; and
- (c) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Mr Dawie Van Wyk has given his written consent to being named as a Competent Person to the Company in this Prospectus and to the inclusion of the report titled "The Kangwane Coal Project" in Section 7 in the form and context in which the report is included. Mr Dawie Van Wyk has not withdrawn his consent prior to the lodgement of this Prospectus with the ASIC.

SRK Consulting (South Africa) (Pty) Ltd has given its written consent to being named in this Prospectus and to the inclusion of the report titled "Report on the Kangwane Anthracite Project" in Section 8 in the form and context in which the report is included. SRK Consulting (South Africa) (Pty) Ltd has not withdrawn his consent prior to the lodgement of this Prospectus with the ASIC.

RBC Capital Markets has given its written consent to being named as the Company's joint lead manager in this Prospectus. RBC Capital Markets has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Patersons Securities Limited has given its written consent to being named as the Company's joint lead manager in this Prospectus. Patersons Securities Limited has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

William Buck Corporate Advisory Services (NSW) Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 9 in the form and context in which the report is included. William Buck Corporate Advisory Services (NSW) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the Australian solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Webber Wentzel Attorneys has given its written consent to being named as the South African solicitors to the Company in this Prospectus and to the inclusion of the Mining Title Opinion on Tenements in Section 11 in the form and context in which the report is included. Webber Wentzel Attorneys has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Security Transfer Registrars Pty Ltd has given its written consent to being named the Company's Share Registry in this Prospectus and has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

14.7 Expenses of the Offer

The total expenses of the Offer are estimated to be \$1,766,293 and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Minimum Subscription (\$)
ASIC fees	\$2,068
Legal fees	\$40,000
Mining Title Opinion	\$25,000
Independent Report Preparation – Kangwane Project	\$60,000
Investigating Accountant	\$20,000
ASX fees	\$94,225
Joint Lead Manager	\$1,500,000
Printing and Other Expenses	\$15,000
Miscellaneous	\$10,000
TOTAL	\$1,766,293

14.8 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

14.9 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the relevant application forms. If you have not, please obtain a copy of the Prospectus from the Company's website at <http://www.zyllimited.com.au>

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

14.10 Financial Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad

range of potential outcomes and possibilities that is not possible to prepare a reliable best estimate forecast or projection.

14.11 Taxation

The acquisition and disposal of Shares in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares and Loyalty Bonus Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus, or Loyalty Bonus Shares as a consequence of Shares subscribed for under this Prospectus.

15. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Dr Eric Lilford
Managing Director
For and on behalf of
ZYL LIMITED

16. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

A\$ or \$ means an Australian dollar.

Applicant means a person who submits an Application Form.

Application Form means the application form accompanying this Prospectus relating to the Offer.

Articles means memorandum and articles of association of Main St 795 or Main St 800, as the context requires.

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange (as the context requires).

ASX Listing Rules means the official listing rules of ASX.

BFS means the Bankable Feasibility Study to be completed on the Kangwane Project.

BFS Committee means the committee comprised of Siyanda, Exsteen and Main St 800 that is to oversee the conduct of the BFS.

BFS Loan Agreement means the BFS Loan Agreement entered into between the Company, Exsteen and Siyanda dated 8 December 2010, summarised in Section 13.4.8 of this Prospectus.

Board means the board of Directors as constituted from time to time.

Business Day means a week day when trading banks are ordinarily open for business in Perth, Western Australia.

Call Option Deed means the call option deed between Exsteen, the Company and Breamline Investments Limited, summarised in Section 13.3 of this Prospectus.

Cessation Date means the date a deed of cessation is executed by Siyanda and the Company in respect of the Prospecting Right.

Closing Date means the closing date of the Offer as set out in Section 3.3 (subject to the Closing Date being extended or the Offer being closed early).

Community means the Siboshwa Tribal authority.

Community Subscription Agreement means the subscription agreement to be entered into between the Community Trust and Main St 800, in terms of which the Community Trust will subscribe for "B" Preference Shares in the share capital of Main St 800.

Community Trust means the trust to be established by the Siboshwa Tribal authority for purposes of the acquisition of Shares in Main St 800.

Company means ZYL Limited (ACN 008 720 223).

Competent Persons Report means the report titled "The Kangwane Coal Project" included in Section 7 of this Prospectus.

Consolidation means the proposed consolidation of share capital of the Company on a 1:2 basis.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

COSSA means the Call Option, Subscription and Shareholders' Agreement entered into between Siyanda, Exsteen and Main St 795 dated 8 December 2010, summarised in Section 13.4.3 of this Prospectus.

COSSA Call Option means call option granted by Exsteen to Siyanda to purchase the COSSA Call Option Shares.

COSSA Call Option Shares means the 16,470 ordinary shares in the capital of Main St 795 offered under the COSSA Call Option.

Definitive Agreements means all of the agreements set out in Section 13.4 of this Prospectus.

Directors means the directors of the Company at the date of this Prospectus.

DME means the Department of Minerals and Energy in South Africa.

Double Ring means Double Ring Mineral Resources (Pty) Ltd.

Double Ring Subscription Agreement means the subscription agreement entered into between Double Ring and Main St 800 whereby Double Ring will subscribe for ordinary shares in the share capital of Main St 800.

Exsteen means Exsteen Pty Ltd (ACN 137 981 134).

Exsteen Subscription Agreement means the Exsteen Subscription Agreement entered into between Exsteen and Main St 795 dated 8 December 2010, summarised in Section 13.4.2 of this Prospectus.

General Meeting means the general meeting of Shareholders to be held on 18 April 2011 to consider, amongst other things, a change in nature and scale of the Company's activities and the issue of Shares the subject of the Offer.

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004) prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

Kangwane Project means the project covered by the Prospecting Right in South Africa as more particularly described in Sections 5.4 and 7 of this Prospectus.

Letters of credit means the letters of credit summarised in Section 13.4.9 of this Prospectus.

Main St 795 means Main St 795 (Pty) Ltd.

Main St 795 Equity Loan means the loans made from time to time by Main St 795 Shareholders to Main St 795.

Main St 795 Shareholders means Exsteen, Opes Capital, Siyanda.

Main St 800 means Main St 800 (Pty) Ltd.

Main St 800 Equity Loan means the loans made from time to time by Main St 800 Shareholders to Main St 800.

Main St 800 Shareholders means Main St 795, Siyanda, Exsteen, Opes Capital, the Company and Double Ring.

MoU means the memorandum of understanding summarised in Section 13.2 of this Prospectus.

Mining Title Opinion on Tenements means the Mining Title on Tenements included in Section 11 of this Prospectus.

Newco "C" Preference Share Subscription Agreement means the subscription agreement entered into between Double Ring, Siyanda, Opes, the Community Trust and Main St 800 whereby Double Ring, Siyanda, Opes and the Community Trust will each subscribe for, and Main St 800 will allot and issue to each of them, "C" Preference Shares in the capital of Main St 800.

Newco Shareholders' Agreement means the Newco Shareholders' Agreement entered into between Main St 795, Siyanda, Main St 800, Exsteen, Opes Capital, the Company and Double Ring dated 8 December 2010, as summarised in Section 13.4.5 of this Prospectus.

Newco Subscription Agreement means the Newco Subscription Agreement entered into between Main St 795 and Main St 800 dated 8 December 2010, summarised in Section 13.4.4 of this Prospectus.

Offer means the offer of Shares pursuant to this Prospectus as outlined in Section 4.

Official List means the Official List of ASX.

Official Quotation means official quotation by ASX in accordance with the Listing Rules.

Opes Subscription Agreement means the subscription agreement entered into between Opes and Main St 800 whereby Opes will subscribe for "B" preference shares in the share capital of Main St 800.

Option means an option to subscribe for a Share.

Optionholder means a holder of Options.

Ordinary Subscription means the subscription by Main St 795 for deferred ordinary shares in Main St 800 up to a value of R20,000,000.

PRA means the Sale of Prospecting Right Agreement between Siyanda and the Company dated 8 December 2010, summarised in Section 13.4.1 of this Prospectus.

Prime Rate means the rate of interest (nominal annual compounded monthly in arrears) from time to time published by The Standard Bank of South Africa Limited as its prime overdraft lending rate (a certificate from any manager of that bank, whose appointment or authority need not be proved, as to the prime rate at any time and the usual way in which it is calculated and compounded at such time shall, in the absence of manifest or clerical error, be final and binding on the Parties).

Prospecting Right means the prospecting right in which the Company will have an indirect interest as more particularly described in Section 11.

Prospectus means this prospectus.

Rand or **R** or **ZAR** means a South African Rand.

Share means a fully paid ordinary share in the capital of the Company.

Share Registry means Security Transfer Registrars Pty Ltd.

Shareholder means a holder of Shares.

Siyanda means Siyanda Resources (Pty) Ltd.

Tenements means the tenements in which the Company has a right to earn an interest, as set out in 11 of this Prospectus.

WST means Western Standard Time, Perth, Western Australia.

ZYL Double Ring Loan Agreement means the ZYL Double Ring Loan Agreement entered into between the Company and Double Ring dated 8 December 2010, summarised in Section 13.4.7 of this Prospectus.

ZYL Siyanda Loan Agreement means the ZYL Siyanda Loan Agreement entered into between the Company and Siyanda dated 8 December 2010, summarised in Section 13.4.6 of this Prospectus.