

ASX RELEASE
20 August 2013

Additional Funding Secured

ZYL Limited (**ZYL**) advises that it has entered into a memorandum of understanding (**MoU**) with Finevest Investment FZE (**Finevest**) pursuant to which Finevest has agreed to provide ZYL an advance of up to AUD\$1,000,000 by way of four convertible notes, each with a face value of AUD\$250,000. The tranches of convertible notes will be staggered with the first tranche being immediate, the second tranche in early October 2013, third tranche in early December 2013 and the final tranche in early February 2014. This will provide ZYL with on-going working capital to fund its business (as agreed with Finevest). Finevest is an investment company, with investments across diversified sectors including energy resources and telecoms, in South Africa, Australia and other countries. It has existing coal investments and relationships in the South African resources sector which it wishes to leverage by developing the assets of ZYL.

All tranches of payments for the convertible notes, other than the first tranche of convertible note, are subject to ZYL acquiring at least a 50.1% interest in the Kangwane Central Project on terms approved by Finevest (**Kangwane Central Condition**) and Prestige Glory procuring an extension of the bridging facility between ZYL and Prestige Glory (**Bridging Facility**) until 30 September 2014 (**Bridging Facility Condition**), following satisfaction of the Kangwane Central Condition. Further key terms of the convertible notes are contained in the annexure to this announcement.

Under the MoU, ZYL has agreed to undertake a non-renounceable pro-rata rights issue on a one for one and a half basis at \$0.005 per share (or a similar capital raising transaction with equivalent financial effect) (**Rights Issue**). The Rights Issue will be fully underwritten by Finevest (or a party procured by Finevest) provided that the Kangwane Central Condition and Bridging Facility Condition are met. Finevest will be entitled to receive an underwriting commission of 5% of the amount underwritten in respect of the Rights Issue. AUD\$500,000 of the Bridging Facility will be repaid within five business days following conclusion of the Rights Issue.

To the extent that Finevest does not obtain 50.1% of the issued capital of ZYL post completion of the Rights Issue, even after taking up shares under its underwriting commitment, Finevest will have the right, but not the obligation, subject to ZYL shareholder approval, to subscribe for such number of shares as will provide it with 50.1% of the issued capital of ZYL pursuant to a placement of shares each at an issue price of AUD\$0.006 (**Top Up Right**).

Following Finevest meeting its underwriting commitments in relation to the Rights Issue, Finevest will have the right, but not the obligation, to nominate such number of directors to the Board of ZYL as is equal to Finevest's percentage shareholding in ZYL rounded down to the nearest number of directors provided that if Finevest holds a greater than 50.1% shareholding interest in ZYL, then Finevest will have the right to appoint the majority of directors to the Board of ZYL.

ZYL will seek to obtain the necessary shareholder approvals required for the conversion of the convertible notes into shares, for Finevest to fully underwrite the Rights Issue and for Finevest to exercise the Top Up Right by 31 October 2013.

Corporate Office:

Level 4, 15 Ogilvie Road, Mount Pleasant 6153 Western Australia
ABN: 15 008 720 223

Tel: +61 8 9317 9700
Fax: +61 8 9316 4448

Email: info@zylimited.com.au
Web: www.zylimited.com.au



Non-Executive Chairman, Yuzheng Xie, commented, "The investment by Finevest in ZYL is seen as an extremely positive development. The funds provided by way of the convertible notes will provide valuable working capital to ZYL, whose primary goal is to advance the Kangwane Central anthracite project towards development. Finevest recognize the strategic significance of the Kangwane asset and their experience in the resources sector will be invaluable to ZYL as we move forward."

Registered Office - Perth Australia

T: +61 (0) 8 9317 9700

E: info@zyllimited.com.au

About ZYL Limited

ZYL Limited is listed on the Australian Securities Exchange (ASX) and aims to become one of the world's leading anthracite coal producers. The mission of ZYL is to develop high-margin metallurgical coal deposits for domestic and export markets. The Company's flagship project is the Kangwane Central Project in South Africa, located close to rail, port, power and water infrastructure.

Annexure – Key Terms of Convertible Notes

Key Terms	Description
Term	One year from drawdown for each Convertible Note
Face Value	AUD\$250,000 per Convertible Note.
Draw Downs	Tranche 1 – immediate; Tranche 2 - 9 October 2013; Tranche 3 - 9 December 2013; Tranche 4 - 7 February 2014. On the execution date of the Convertible Note.
Conversion price	AUD\$0.005 per share.
Interest Rate	15% per annum.
Interest Payable	Interest will be payable at the Noteholder's election on the termination date in cash or convertible to shares at the Conversion price on conversion of the Convertible Note.
Repayment	The earlier to occur of twelve months from the date of the Convertible Note, if the Noteholder elects for repayment to occur following an event of default occurring in relation to the Company, or the date upon which shareholders do not to approve the facility or the date agreed between the parties by which shareholder approval must be obtained assuming that shareholders have not approved the facility.
Default in payment of Convertible Notes	If the Kangwane Central Condition and Bridging Facility Condition have been met and the Noteholder subsequently fails to make payment for any of the second, third or fourth tranche of the Convertible Notes in accordance with the relevant timeframe in the MoU (Payment Default), then the Company will have the right within 60 days of the Payment Default to elect at its sole discretion to either repay the Convertible Note or convert the Convertible Note at the higher of \$0.005 or the volume weighted average price of shares on the ASX calculated over the 20 trading days prior to the date on which the Company makes the election provided that, conversion of the Convertible Note will be subject to the Company obtaining shareholder approval to convert the Convertible Note into shares (if required).
Security	The Convertible Notes will be unsecured.
Conversion conditions	Conversion is subject to shareholder approval to be obtained by the date agreed between the parties. Conversion is at the election of the Noteholder at any time during the term of the facility other than in the event that a Payment Default has occurred.