

ASX RELEASE  
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## KANGWANE CENTRAL RESOURCE INCREASE & PIT EXTENSION

- **Measured resource increase to 200Mt from 47.7Mt**
  - 153.2Mt upgraded to the Measured category providing significantly greater confidence in the resource
- **Chemical analysis of Phases 3 drill core indicates low phosphorus and sulphur levels**
  - increased suite of potential end users – both domestic and export
  - suitable for use as a metallurgical coke replacement
- **Updated pit optimisation results at the Kangwane Central – Southern Open Pit**
  - pit extended by 700 metres, to 3,000 meters, providing for a larger scale and shallower open pit
  - coal sub-outcrop now occurs at 30m which will reduce the pre-strip for initial production
- **Project permitting at Kangwane Central is progressing well and is ahead of schedule**
- **Technical team reviewing draft Competent Person's Report with finalisation expected in August 2012**

**ZYL Limited** ("ZYL" or the "**Company**") (**ASX: ZYL**), the Perth-based emerging anthracite producer with key projects in development in South Africa, is pleased to announce a number of significant advances at its Kangwane Central Project; including a 200Mt JORC compliant Measure Resource and a 700m extension to the Southern Open Pit.

### Resource increase

The results of the recently completed phase 3 drilling programme, along with historical data, have been included in the geological model leading to a 200Mt JORC resource at Kangwane Central, a 22.3Mt increase from previously announced results (177.7Mt). More importantly, all of the previously announced Inferred and Indicated Resources have been upgraded into the Measured category (Table 1), substantially increasing the geological confidence at the Kangwane Central project.

#### Corporate Office:

Level 8, 225 St Georges Terrace, Perth 6000, Western Australia  
PO Box 7653, Cloisters Square, Perth 6850, Western Australia

**Tel:** +61 8 9486 4036  
**Fax:** +61 8 9486 4799

**Email:** [info@zylimited.com.au](mailto:info@zylimited.com.au)  
**Web:** [www.zylimited.com.au](http://www.zylimited.com.au)



Kangwane Central: JORC Compliant Resource Estimate – Gross in situ tonnes (GIST) Mt		
	Previous GIST Mt 24 May 2012	Current GIST Mt 24 July 2012
Total measured coal resource	47.7	200.0
Total indicated coal resource	107.3	-
Total inferred coal resource	22.7	-
<b>Total JORC-compliant coal resource</b>	<b>177.7</b>	<b>200.0</b>

Table 1: The Kangwane Central JORC compliant resource estimate

### Offtake - Product specification update

Comprehensive laboratory analysis has been carried out on the core collected from the phase 3 drilling programme to determine the Kangwane Central – Southern Open Pit’s potential suite of anthracite products, and ultimately end users. The key highlight from the analysis has been the confirmation of lower levels of phosphorus and sulphur than originally anticipated. Table 2 details the recently completed chemical analysis for the Kangwane Central – Southern Open Pit.

Kangwane Central – Southern Open Pit total coal resource estimate							
Washed for 17% ash content							
Seam	Wash yield (%)	Calorific Value (MJ/kg)	Moisture content (%)	Volatile content (%)	Carbon content (%)	Sulphur content (%)	Phosphorus content (%)
S7	83.31	29.86	1.03	6.16	79.19	0.77	0.009
S6	35.15	22.90	1.05	5.08	76.23	0.59	0.006
S5	18.21	26.42	1.42	6.33	75.67	0.46	0.013
S4U	75.05	28.56	1.22	6.74	75.37	0.46	0.005
S4L	22.88	25.64	1.35	6.24	74.65	0.38	0.005
S3	48.79	26.31	1.67	5.95	74.69	0.36	0.009
S2	61.78	27.53	1.89	6.55	75.07	0.25	0.048
S1	65.09	25.24	1.76	4.92	76.77	0.57	0.013
<b>Average</b>	<b>53.14</b>	<b>27.06</b>	<b>1.69</b>	<b>6.41</b>	<b>75.11</b>	<b>0.32</b>	<b>0.032</b>

Table 2: Kangwane Central – Southern Open Pit: coal seam analysis

Commenting on the recent laboratory analysis, CEO Ian Benning stated: “The results from Kangwane Central are highly encouraging. Some of the seams have a phosphorus level as low as 0.005% which is an ultra-low phosphorus content. This type of ultra-low phosphorus and low sulphur product opens up the possibility of providing Kangwane Central product to a wider suite of end users.”

Anthracite is categorised as standard grade (SG), which is used mainly in power generation, high grade (HG) and ultra-high grade (UHG), which are used in the metallurgical coal sector. In determining the grade of anthracite, one of the most critical chemical analyses is the level of phosphorus present, which has been found to be as low as 0.005% in some areas. Phosphorus in coal is a highly deleterious element and in high concentrations it can cause steel to become brittle.

“Based on these results we now plan to produce high-grade anthracite at Kangwane Central which will fetch a premium price compared to standard grade. High Grade anthracite can be used as a coke or metallurgical coal substitute in various metallurgical applications, for example sintering, Pulverised Coal Injection, direct blast furnace charge and pelletizing. It plays an important role in cost reduction in the steel making process and is used in the production of ferroalloys, silicon-manganese, calcium-carbide and silicon-carbide”, said Benning.

### **Pit optimisation and mining**

As announced on 13 July, Kangwane Central has the potential to be one of the largest open pit anthracite mines in Southern Africa. In the Southern Open Pit alone, the Probable Reserves will support in excess of 10 years of production at a forecast production rate of 1.8Mtpa. Further optimisation of the pit design, to be included in the final Competent Person’s Report (CPR), has led to an extension of the pit by over 700 metres, which now totals around 3km in length.

The mine design is ongoing however and the recent drilling programmes and the detailed feasibility work undertaken by RSV Enco have identified eight potentially mineable coal seams. Kangwane Central is slated to be a large scale open pit operation, with a life of mine stripping ratio of 8.4:1. The final CPR, due in August, will detail the initial stripping ratio for the Kangwane Central – Southern Open Pit which, due to the depth of the seams, will be lower than the life of mine stripping ratio.

### **Project permitting**

Permitting at Kangwane Central is progressing ahead of schedule, with public participation through the Interested and Affected Parties (I&AP’s) process ongoing. The National Environmental Management Authority (NEMA) application, Integrated Water Use License (IWULA) and the Environmental Management Plan (EMP) are advancing ahead of schedule, with submission expected by the end of 2012.

## Competent Persons Report

RSV Enco, ZYL's project manager, has issued the draft CPR for the Kangwane Central project. Following the completion of the final mine design and resource modelling, RSV will be able to release the completed CPR with the Proven Reserve estimate (current reserves at Kangwane Central total 26.7Mt in the probable category). The finalisation of the CPR is expected to be completed in August and is a key component of the final feasibility study.

"We are extremely pleased with the latest advances at Kangwane Central. The measured resource increase/upgrade coupled with the pit extension and favorable developments in relation to the coal quality make Kangwane Central even more encouraging than originally anticipated", stated Mr Benning.

ENDS

### Contact:

**Ian Benning, CEO, ZYL LIMITED**

**T: +27 (0) 10 591 0634**

**M: +27 (0) 83 702 8221**

**E: [ian.benning@zylimited.co.za](mailto:ian.benning@zylimited.co.za)**

**Phillipe Lalieu, Commercial Director, ZYL Limited**

**T: +27 (0) 10 591 0638**

**M: +27 (0) 83 455 6867**

**E: [plalieu@zylimited.co.za](mailto:plalieu@zylimited.co.za)**

**Head Office - Perth Australia**

**T: +61 (0) 8 9486 4036**

**E: [www.zylimited.com.au](http://www.zylimited.com.au)**

**Media - Australia**

**Annette Ellis, Purple Communications**

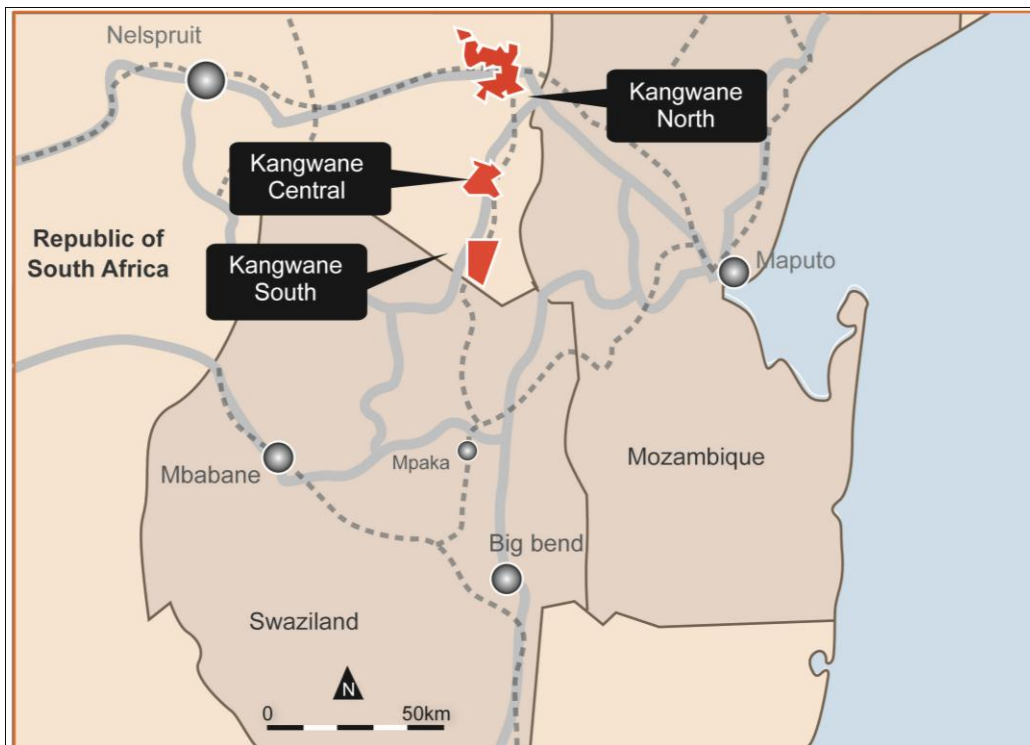
**T: +61 (0) 8 6314 6300**

**M: +61 (0) 458 200 039**

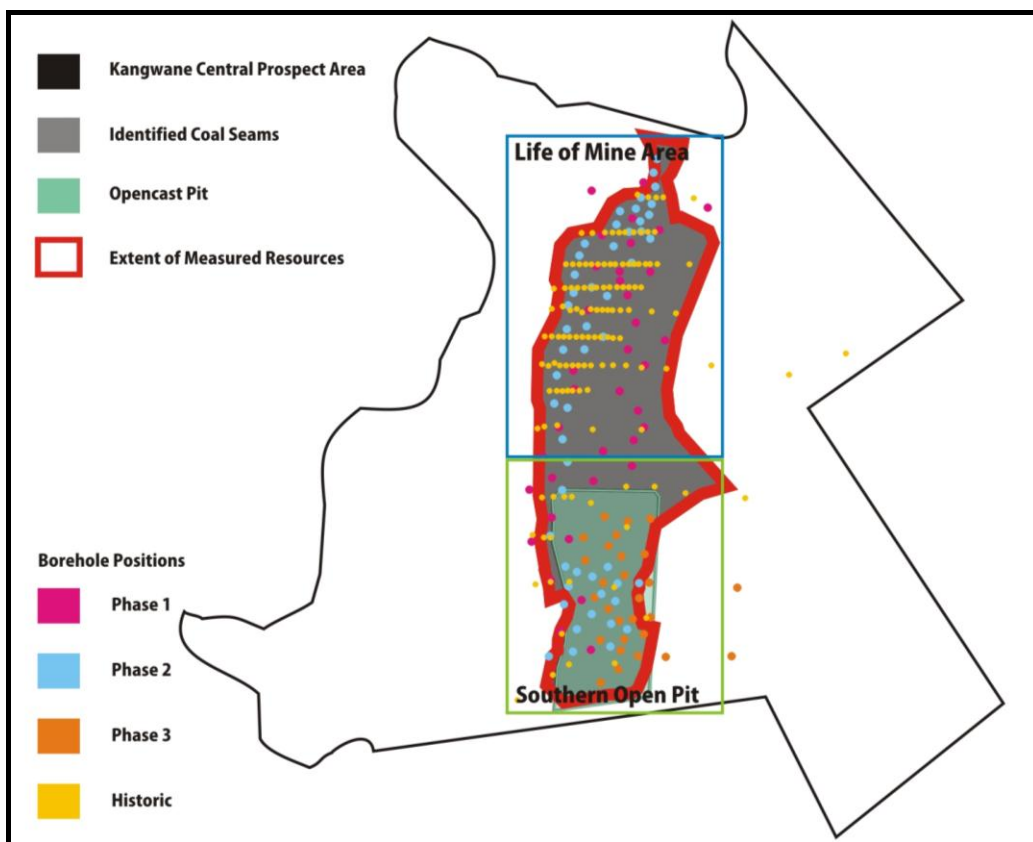
**E: [aellis@purplecom.com.au](mailto:aellis@purplecom.com.au)**

### 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. Flagship projects are the Mbila and Kangwane projects in South Africa, located close to rail, port, power and water infrastructure.



Map 1: The location of the Kangwane Projects



Map 2: The Kangwane Central – Southern Open Pit and Life of Mine Area

## **Important information**

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## **Competent Persons Report**

*Information in this report that relates to exploration results and minerals resources is based on information compiled by Mr Peet Meyer, who is a consultant to the company. Mr Meyer, a member of the Geological Society of South Africa, has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activities he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code of Reporting of Exploration, Mineral Resources and Ore Reserves'. Mr Meyer consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*