ZYL Limited
(Subject to Deed of Company Arrangement)

# Interim financial report

**for the half-year ended 31 December 2013**

ABN 15 008 720 223

# Contents

# Corporate directory

| | |
|---|---|
| **Directors** | Mr Shaun Hardcastle<br>Non-Executive Director<br><br>Ms Oonagh Malone<br>Non-Executive Director<br><br>Mr Richard Pearce<br>Non-Executive Director |
| **Company Secretary** | Ms Oonagh Malone |
| **Registered Office** | Suite 23, 513 Hay Street<br>Subiaco WA 6008 |
| **Share register** | Security Transfer Registrars Pty Ltd<br>770 Canning Highway<br>Applecross WA 6153<br>Tel: (08) 9315 2333 |
| **Auditor** | William Buck Audit (WA) Pty Ltd<br>Level 3<br>15 Labouchere Road<br>South Perth WA 6151 |
| **Securities exchange listing** | Australian Securities Exchange<br>Level 40, Central Park<br>152 – 158 St Georges Terrace<br>Perth Western Australia 6000<br>Code: ZYL |

# Directors' report

The Directors present their interim financial report, together with the consolidated financial statements of ZYL Limited and its controlled entities (ZYL, the "Company", "Consolidated Entity" or "Group"), for the half-year ended 31 December 2013.

## 1. DIRECTORS

The names of the Directors who were appointed subsequent to the end of the half-year, up to the date of this report are:

- Mr Shaun Hardcastle, who was appointed as a Non-Executive Director on 23 February 2015.
- Ms Oonagh Malone, who was appointed as a Non-Executive Director and Company Secretary on 23 February 2015.
- Mr Richard Pearce, who was appointed as a Non-Executive Director on 23 February 2015.

The names of the Directors during the half-year and who resigned prior to the date of this report are:

- Mr Phillipe Lalieu, who stepped down as an Executive in July 2013 but remained a Non-executive Director until his resignation from that position on 6 September 2013.
- Mr Alok Joshi, who was appointed as a Non-Executive Director on 5 September 2013 and resigned on 16 April 2014.
- Mr David Greenwood, who resigned from his position as a Non-Executive Director on 15 November 2013.
- Mr John Arbuckle, who was appointed as a Non-Executive Director on 5 September 2013 and as the Company Secretary on 20 December 2013. He resigned from both positions on 5 December 2014.
- Mr Stephen Woods, who was appointed as a Non-Executive Director on 20 December 2013 and resigned from this position on 23 February 2015.
- Mr Yuzheng Xie, who was appointed as Non-Executive Chairman on 11 April 2013 and resigned from this position on 23 February 2015.

## 2. COMPANY SECRETARY

The Company Secretary is Ms Oonagh Malone, who was appointed on 23 February 2015.

## 3. PRINCIPAL ACTIVITIES

ZYL Limited (subject to a Deed of Company Arrangement) (ZYL, the "Company" or "parent entity") is currently in administration, subject to a Deed of Company Arrangement (DOCA) signed on 19 February 2015. The DOCA is intended to satisfy creditors' debts through the disposal of interests in the Kangwane Central Anthracite Project and other assets, while retaining the interest in the Kangwane South Anthracite Project. Before entering into the DOCA, ZYL was actively attempting to progress its Anthracite projects in South Africa.

# Directors' report (continued)

## 4. REVIEW OF OPERATIONS

### Incomplete Financial Information

Due to turnover of previous staff and officers, and the parent entity being subject to external administration, complete accounting records have not been able to be located. For the half year ended 31 December 2013 and since, this has led to insufficient information being available to support several material contracts as well as transactions and balances of subsidiaries.

The Directors are of the opinion that it is not possible to state that the financial statements and notes are in accordance with the requirements of the Corporations Act 2001, due to the lack of records and certainty in connection with material transactions, for both the year ended 31 December 2013 and since then.

It is noted by the Directors that the intended sale of the Kangwane Central Anthracite Project to satisfy the creditors' and administrator's debts, along with the continued existence of the Kangwane South Anthracite Project, means that while historical records are affected by incomplete financial information, the absence of these records is not expected to significantly detract from the Company's ability to maintain proper books and records for the period from 23 February 2015 for Australian entities, when current directors were appointed. Therefore, the absence of records due to turnover of previous staff and officers, unavailable documents of foreign subsidiaries and the parent entity being subject to external administration, primarily affects the historical records of the economic entity rather than its ability to continue its retained business and operations.

### Summary of Results

The Group's net loss for the period attributable to members of the Group for the half year ended 31 December 2013 was $871,670 (2012: $2,421,518).

At 31 December 2013, the Group had a net asset deficit of $934,414 (30 June 2013: $784,568) and the Company had 612,747,560 (30 June 2013: 561,667,899) shares on issue.

### Revised Mbila Project Settlement

At the end of the 2012/2013 financial year, ZYL announced that that it would no longer proceed with the acquisition of the Mbila project and the Settlement Agreement, announced earlier in the year, had been varied to effect this.

Under the terms of the revised Settlement Agreement, ZYL agreed to pay to the Mbila Vendors the amount of AUD$350,000 by 3 July 2013 and a further AUD$150,000 on 25 September 2013. All payments were made during the half year, pursuant to the revised Settlement Agreement and the respective parties released each other from any further claims.

### Kangwane Central Project

On 4 February 2013, ZYL entered into a Memorandum of Understanding ("**MOU"**) with its partners in the Kangwane Central Anthracite Project. The MOU sought to restructure the original transaction that was executed and announced on 13 December 2010 between Siyanda Resources (Pty) Ltd ("**Siyanda"**), Double Ring Resources (Pty) Ltd ("**Double Ring"**) and Opes Capital (Pty) Ltd (collectively the "**Partners"**).

# Directors' report (continued)

The finalisation of the MOU was subject to the fulfilment of a number of conditions precedent by 30 April 2013. The conditions precedent were not fulfilled and the MOU consequently lapsed and as such the original transaction remained binding.

**Kangwane South Project**

The Kangwane South Project is located in the Mpumalanga Province of South Africa, approximately 150km from the coast to the Matola Terminal at Maputo Port in Mozambique and approximately 25 kilometres to the south of the Company's Kangwane Central Project.

**5. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

- **Extension of bridging facility with Prestige Glory**

On 8 April 2014, ZYL announced that it had executed a third deed of extension and forbearance with Prestige Glory whereby Prestige Glory (PGL) agreed to extend the termination date of the bridging facility to 30 June 2014 and advance ZYL a further $300,000. Before this date, PGL had provided $2,000,000, to ZYL under the bridging facility, with this deed agreeing provision of a further $150,000 immediately and $150,000 on 31 May 2014.

- **Appointment of voluntary administrator**

On 8 January 2015, ZYL's then board comprised ofMr Yuzheng Xie and Mr Stephen Woods resolved to appoint Jack James of Palisade Business Consulting as voluntary administrator to the Company.

- **Resolution to enter Deed of Company Arrangement (DOCA)**

On 13 February 2015 at the second meeting of creditors, ZYL's creditors resolved that the Company execute a Deed of Company Arrangement and that Jack James be appointed Administrator of the DOCA. The Company executed the DOCA with Konkera Corporate on 19 February 2015. The end date of the DOCA was extended to 19 February 2016 on 15 July 2015, then to 19 August 2016 on 25 January and finally on 16 August 2016 the end date was extended to 19 February 2017.

**6. AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 6 for the half-year ended 31 December 2013.

This report is signed in accordance with a resolution of the Board of Directors, made persuant to s.306(3) of the Corporations Act 2001.

On behalf of the Board of Directors.

**Mr Shaun Hardcastle**
**Non-Executive Director**
DATED this 26th day of August 2016

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF ZYL LIMITED**

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2013 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

— no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

Conley Manifis
Director
Dated this 26th day of August, 2016

CHARTERED ACCOUNTANTS & ADVISORS
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South Perth WA 6151
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South Perth WA 6951
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# Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2013

| | Note | 31 December 2013 $ | 31 December 2012 $ |
|---|---|---|---|
| Revenue | 2 | 5,651 | 83,653 |
| | | | |
| Sales and marketing expenses | | (345) | (68,372) |
| Employee benefit expenses | 3(b) | (10,320) | (343,591) |
| Director benefits expense | 3(b) | (162,252) | - |
| Directors fees | 3(b) | - | (445,105) |
| Consulting and advisory fees | | (53,536) | (93,504) |
| Corporate and regulatory expenses | | (22,248) | (33,915) |
| Exploration and evaluation | | - | (8,321) |
| Occupancy expenses | | (46,562) | (107,613) |
| Legal Fees | | (61,834) | (596,172) |
| Depreciation | | (6,083) | (24,182) |
| Finance costs | | (202,098) | (29,806) |
| Travel and accommodation | | (3,647) | (135,166) |
| Administrative expenses | 3(a) | (233,802) | (604,330) |
| Share of net loss of associate | | - | (15,094) |
| Impairment of loan receivable | | (74,594) | - |
| **Loss before related income tax expense** | | **(871,670)** | **(2,421,518)** |
| Income tax benefit | | **-** | **-** |
| | | | |
| **Net loss attributable to members of the parent** | | **(871,670)** | **(2,421,518)** |
| | | | |
| **Other comprehensive income** | | | |
| **Items that will subsequently be reclassified to P&L** | | | |
| Exchange differences on translation of foreign operations | | **34,704** | **(357,093)** |
| -attributable to non-controlling interest | | - | (9) |
| -attributable to members of the parent | | 34,704 | (357,084) |
| | | | |
| **Total comprehensive loss attributable to members of the parent** | | **(836,966)** | **(2,778,611)** |
| -attributable to non-controlling interest | | - | (9) |
| -attributable to members of the parent | | (836,966) | (2,778,602) |
| | | | |
| Basic (loss) per share in cents | 4 | **(0.14)** | **(0.5)** |
| Diluted (loss) per share in cents | 4 | **(0.14)** | **(0.5)** |

The accompanying notes form part of these financial statements.

# Consolidated statement of financial position as at 31 December 2013

| | Notes | 31 December 2013 $ | 30 June 2013 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | 39,183 | 978,239 |
| Trade and other receivables | 5 | 89,698 | 75,448 |
| | | | |
| **TOTAL CURRENT ASSETS** | | **128,881** | **1,053,687** |
| | | | |
| **NON-CURRENT ASSETS** | | | |
| Mineral exploration & evaluation expenditure | 6 | 536,480 | 536,480 |
| Plant & Equipment | | 2,885 | 156,311 |
| Other financial assets | 7 | 2,216,515 | 2,303,682 |
| Investment in associate | 8 | - | - |
| | | | |
| **TOTAL NON-CURRENT ASSETS** | | **2,755,880** | **2,996,473** |
| | | | |
| **TOTAL ASSETS** | | **2,884,761** | **4,050,160** |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | | 613,838 | 1,565,196 |
| Borrowings | 9 | 3,203,731 | 2,751,725 |
| Financial liabilities | 10 | - | 500,000 |
| Provisions | | 1,606 | 17,807 |
| | | | |
| **TOTAL CURRENT LIABILITIES** | | **3,819,175** | **4,834,728** |
| | | | |
| **TOTAL LIABILITIES** | | **3,819,175** | **4,834,728** |
| | | | |
| **NET LIABILITIES** | | **(934,414)** | **(784,568)** |
| | | | |
| **EQUITY** | | | |
| Issued capital | 11 | 55,729,051 | 55,041,931 |
| Reserves | | 973,837 | 939,133 |
| Non-controlling interests | | - | - |
| Accumulated losses | | (57,637,302) | (56,765,632) |
| | | | |
| **TOTAL EQUITY** | | **(934,414)** | **(784,568)** |

The accompanying notes form part of these financial statements.

# Consolidated statement of changes in equity for the half-year ended 31 December 2013

| | Issued capital $ | Share based payment reserve $ | Accumulated losses $ | Foreign translation reserve $ | Non-controlling interests $ | Total $ |
|---|---|---|---|---|---|---|
| **At 1 July 2012** | **53,509,391** | **3,962,200** | **(21,661,891)** | **(6,610)** | **33** | **35,803,123** |
| Shares issued during the period | 60,000 | - | - | - | - | 60,000 |
| Transaction cost of share issues | (8,186) | - | - | - | - | (8,186) |
| Loss for the period | - | - | (2,421,518) | - | - | (2,421,518) |
| **Other comprehensive income for the period** | **-** | **-** | **-** | (357,084) | (9) | (357,093) |
| **Total comprehensive loss for the period** | **-** | **-** | **(2,421,518)** | **(357,084)** | **(9)** | **(2,778,602)** |
| **At 31 December 2012** | **53,561,205** | **3,962,200** | **(24,083,409)** | **(363,694)** | **24** | **33,076,326** |
| | | | | | | |
| **At 1 July 2013** | **55,041,931** | **3,974,050** | **(56,765,632)** | **(3,034,917)** | **-** | **(784,568)** |
| Shares issued during the period | 692,000 | - | - | - | - | 692,000 |
| Transaction cost of share issues | (4,880) | - | - | - | - | (4,880) |
| Loss for the period | - | - | (871,670) | - | - | (871,670) |
| **Other comprehensive income for the period** | - | - | - | 34,704 | - | 34,704 |
| **Total comprehensive loss for the period** | **-** | **-** | **(871,670)** | **34,704** | **-** | **(836,966)** |
| **At 31 December 2013** | **55,729,051** | **3,974,050** | **(57,637,302)** | **(3,000,213)** | **-** | **(934,414)** |

The accompanying notes form part of these financial statements

# Consolidated statement of cash flows for the half-year ended 31 December 2013

| | 31 December 2013 $ | 31 December 2012 $ |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Payments to suppliers and employees | (810,588) | (2,645,159) |
| Interest received | 5,651 | 45,667 |
| Interest paid | (2) | (49,282) |
| Other income/(payments) | - | 27,282 |
| | | |
| **Net cash used in operating activities** | **(804,939)** | **(2,621,492)** |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| | | |
| Repayment of Mbila liability | (500,000) | - |
| Proceeds from sale of plant and equipment | 83,366 | - |
| Payments for property, plant and equipment | - | (8,641) |
| Payments for exploration, evaluation and development expenditure | - | (790,652) |
| Loan to associate | - | (811,352) |
| Other loans | - | (1,008,256) |
| | | |
| **Net cash (used in)/provided by investing activities** | **(416,634)** | **(2,618,901)** |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds/(cost) of share issues | (4,880) | 51,813 |
| Proceeds from borrowings | 250,000 | 2,000,000 |
| | | |
| **Net cash (used in)/ provided by financing activities** | **245,120** | **2,051,813** |
| | | |
| Net increase/(decrease) in cash and cash equivalents | **(976,453)** | **(3,188,580)** |
| | | |
| **Cash and cash equivalents at the beginning of the period** | **978,239** | **4,559,037** |
| Effects of exchange rate changes on cash and cash equivalents | 37,397 | (84,675) |
| **Cash and cash equivalents at the end of the period** | **39,183** | **1,285,782** |

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The interim financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting", Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards.

The interim financial report covers ZYL Limited ("the Company") and controlled entities ("the Group"). The Company is limited by shares, incorporated and domiciled in Australia.

The interim financial report has been prepared on an accruals basis and is based on historical cost modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. All amounts are presented in Australian Dollars.

The interim report does not include full disclosures of the type normally included in an annual financial report.

The interim financial report, including comparatives, should be read in conjunction with the annual Financial Report of ZYL Limited for the year ended 30 June 2013 and any public announcements made by ZYL Limited during the half year in accordance with the continuous disclosure obligations arising under the Australian Securities Exchange Listing Rules and Corporations Act 2001 (where possbile – see note 1(b)).

**Significant Accounting Policies**

The significant accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2013 and have been consistently applied by the entities in the Consolidated Entity. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### (b) Incomplete Financial Information

Due to turnover of previous staff and officers, and the parent entity being subject to external administration, complete accounting records have not been able to be located. For the year ended 30 June 2013 and since, this has led to insufficient information being available to support several material contracts as well as transactions and balances of foreign subsidiaries.

The Directors are of the opinion that it is not possible to state that the financial statements and notes are in accordance with the requirements of the Corporations Act 2001, due to the lack of records and certainty in connection with material transactions, for both the year ended 30 June 2013 and since then.

It is noted by the Directors that the intended sale of the Kangwane Central Anthracite Project to satisfy the creditors' and administrator's debts, along with the continued existence of the Kangwane South Anthracite Project, means that while historical records are affected by incomplete financial information, the absence of these records is not expected to significantly detract from the Company's ability to

# Notes to the financial statements (continued)

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

maintain proper books and records for the period from 23 February 2015 for Australian entities, when current directors were appointed. Therefore, the absence of records due to turnover of previous staff and officers, unavailable documents of foreign subsidiaries and the parent entity being subject to external administration, primarily affects the historical records of the economic entity rather than its ability to continue its retained business and operations.

**(c) Going Concern**

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

The Group has incurred a loss for the period of $871,670 (2012: $2,421,518) and net cash outflows from operating activities of $804,939 (2012: $2,621,492). The losses are mainly due to continued administrative costs without revenue. In the 2013 financial report, projects were impaired down to values expected to be received following the administration of the Company in the financial report for the year ended 30 June 2013.

The Group had cash assets of $39,183 at 31 December 2013 (30 June 2013: $978,239). These conditions indicate a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern.

The directors believe that it is appropriate preparing the financial information on a going concern basis for the following reasons:

- The Directors expect the Deed of Company Arrangement (DOCA) will result in the extinguishment of all secured and unsecured liabilities. Under the DOCA, it is proposed that:
  - the Kangwane Central Project will be disposed of to satisfy the secured creditor and, with other available funds, satisfy identifiable unsecured creditors;
  - the 70% interest in the Kangwane South project will be retained by the Company;
  - all prior employment and service contracts will be terminated; and
  - the issued capital will be consolidated on the basis of 1 share for every 100 shares held;

- The Group expects to variously realise or continue developing its assets following completion of the DOCA; and

- The Group expects to recapitalise following completion the DOCA with sufficient funds to continue as a going concern. The DOCA requires a capital raising of at least $1,250,000 before completion, however, to satisfy ASX’s conditions for reinstatement, the capital raising will be for an amount of $2,000,000. Following the capital raising, the DOCA requires:
  - payment of fees to the Trustee, Administrator and the Proponent totalling approximately $200,000;
  - the Company to reimburse the proponent for all costs in relation to the ASX relisting and capital raising; and
  - post consolidation shares representing 27.6% of the Company’s issued share capital as at the completion of the issues will be issued to the Proponent and a compliance manager appointed by the Proponent (or their nominees).

# Notes to the financial statements (continued)

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

It is for these reasons that the Directors consider the Group 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.

## 2 REVENUE FROM ORDINARY ACTIVITIES

| | 31 December 2013 $ | 31 December 2012 $ |
|---|---|---|
| **Other revenue:** | | |
| *From operating activities* | | |
| Interest received | 5,651 | 83,653 |
| | | |
| **Total revenue from ordinary activities** | **5,651** | **83,653** |

## 3 EXPENSES FROM ORDINARY ACTIVITIES

(a) Individually significant items included in administration expenses due to their size or nature includes:

| | 31 December 2013 $ | 31 December 2012 $ |
|---|---|---|
| Audit Fees | 13,575 | 41,084 |
| Professional Services Fees | 31,763 | 39,297 |
| Insurance | 16,722 | 29,040 |
| Loan establishment costs | - | 179,192 |
| Share registry fees | 5,810 | 11,866 |
| Contractor Fees | - | 71,239 |
| Other | 165,932 | 232,612 |
| Total | **233,802** | **604,330** |

**(b)** The reduction in expenditure in relation to employees and directors during the half year was due to the termination of employment of South African based employees and directors. Due to the lack of accounting records, the termination payments during the period have conservatively been classified as director benefits expense as it included the termination payment of a South African based executive director.

# Notes to the financial statements (continued)

## 4 LOSS PER SHARE

| | 31 December 2013 $ | 31 December 2012 $ |
|---|---|---|
| Basic/diluted earnings/(loss) per share in cents | (0.14) | (0.5) |
| Weighted average number of ordinary shares used in the calculation of basic/diluted (loss) per share | 603,628,474 | 486,885,920 |
| Basic/diluted earnings/(loss) | (871,670) | (2,421,518) |

## 5 TRADE AND OTHER RECEIVABLES

| | 31 December 2013 $ | 30 June 2013 $ |
|---|---|---|
| **CURRENT** | | |
| Other receivables | 85,261 | 55,129 |
| Prepayments | 4,437 | 20,319 |
| | **89,698** | **75,448** |

## 6 MINERAL EXPLORATION AND EVALUATION EXPENDITURE

| | 31 December 2013 $ | 30 June 2013 $ |
|---|---|---|
| **Opening Balance** | 536,480 | 7,358,613 |
| Exploration expenditure incurred | - | 588,765 |
| Less: Impairment charges | **-** | **(7,410,898)** |
| **Closing Balance** | **536,480** | **536,480** |

The balance carried forward represents projects in the exploration and evaluation phase. Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas. Other than the Kangwane South Anthracite Project, capitalised exploration expenditure has been fully impaired based on expected recovery. The interest in the Kangwane South Anthracite Project has been impaired down to the estimated value that would be reasonably expected to be realised following the potential completion of the Deed of Company Arrangement.

## 7 OTHER FINANCIAL ASSETS

| | 31 December 2013 $ | 30 June 2013 $ |
|---|---|---|
| **NON CURRENT** | | |
| Loans | | |
| - Main Street 800 Pty Ltd (Kangwane Central Anthracite Project) | 2,216,516 | 2,303,682 |
| | **2,216,516** | **2,303,682** |

The loan was impaired to its recoverable amount as at 30 June 2013, therefore, the movement in other financial assets for the half year was solely due to foreign exchange movements on the previously recognised balance.

# Notes to the financial statements (continued)

## 8 INVESTMENT IN ASSOCIATE

| | | 31 December 2013 $ | 30 June 2013 $ |
|---|---|---|---|
| **(a)** | **Movements in carrying amounts** | | |
| | **Opening balance** | - | 2,799,503 |
| | Cost of investment | - | 53,750 |
| | Less: Share of post-acquisition change in reserves of associate | **-** | **(2,853,253)** |
| | Closing balance | **-** | **-** |
| | | | |
| | Included in consolidated statement of profit or loss and other comprehensive income | | |
| | Share of net loss of associate | **-** | **(2,853,253)** |

**(b) Summarised financial information**

| | Ownership Interest % | Assets $ | Liabilities $ | Reserves $ | Profit/(Loss) $ |
|---|---|---|---|---|---|
| **Main Street 800 Pty Ltd** | **46.15** | 2,216,516 | 2,216,516 | - | - |

Included in liabilities above is a loan from ZYL Limited to Main Street 800 Pty Ltd, a South African entity that holds the Kangwane Central Anthracite project, for the funding of the Kangwane Central Bankable Feasibility Study. This loan was impaired down to the expected recoverable value as at 30 June 2013. As at 31 December 2013, the loan balance was $2,216,516 after foreign exchange movements during the half year.

## 9 BORROWINGS

| | 31 December 2013 $ | 30 June 2013 $ |
|---|---|---|
| **Secured** | | |
| Prestige Glory Limited | 2,134,373 | 2,000,000 |
| **Unsecured** | | |
| Prestige Glory Limited | 806,599 | 751,725 |
| Finevest Investment FZE | 262,759 | - |
| **Total current borrowings** | **3,203,731** | **2,751,725** |

The termination date of the secured loan from Prestige Glory Limited has been extended from 30 September 2013 to 30 June 2014 and is secured by a fixed and floating charge over the assets of the Company. Movements in the Prestige Glory Loans were solely due to interest accruing on unpaid loan balances.

The Finevest Investment borrowing was for a term of one year from drawdown on 23 August 2013 at an interest rate of 15%pa. The 31 December 2013 balance of $262,759 is due to $250,000 drawn down plus $12,759 of accrued interest payable. No evidence is available that this loan has ever been repaid.

# Notes to the financial statements (continued)

## 10 FINANCIAL LIABILITIES

| | 31 December 2013 $ | 30 June 2013 $ |
|---|---|---|
| **CURRENT** | | |
| Mbila Resources (Proprietary) Limited | - | 500,000 |
| | **-** | **500,000** |

The Mbila Resources (Proprietary) Limited liability was repaid during the half year.

## 11 ISSUED CAPITAL

| | Number of shares 31/12/13 | Number of shares 30/06/13 | 31/12/13 $ | 30/06/13 $ |
|---|---|---|---|---|
| Opening balance – (fully paid ordinary shares) | 561,667,899 | 492,007,899 | 55,041,931 | 53,509,391 |
| Issued during the period | 51,079,661 | 69,660,000 | 687,120 | 1,532,540 |
| **Closing balance** | **612,747,560** | **561,667,899** | **55,729,051** | **55,041,931** |

**Movements in ordinary share capital**

| | | Number of shares | $ |
|---|---|---|---|
| 01/07/13 | Opening balance | 561,667,899 | 55,041,931 |
| 24/07/13 | Fully paid ordinary shares issued in payment of $666,000 (ZAR 6,000,000) liability | 39,779,661 | 666,000 |
| 02/09/13 | Fully paid ordinary shares issued in payment of a $26,000 liability | 1,300,000 | 26,000 |
| 03/09/13 | Shares granted on 24/06/2013 that were issued on 3/09/2013 | (1) 10,000,000 | (2) - |
| | Less: transaction costs | - | (4,880) |
| **31/12/13** | **Closing balance** | **612,747,560** | **55,729,051** |

(1) Pursuant to shareholder approval granted 24 June 2013, 10,000,000 fully paid ordinary shares of the Company were issued to Breamline on 3 September 2013 as part of the fee for the introduction of assets to the Company.

(2) The 10,000,000 shares were granted on 24 June 2013, being the date of shareholder approval, and were issued to Breamline on 3 September 2013. The shares were issued to Breamline for nil consideration and had a deemed value of $160,000 as at the grant date which was accounted for in the 30 June 2013 financial statements.

## 12 FINANCIAL INSTRUMENTS

**Fair Values**

The fair value of financial assets and financial liabilities approximate their carrying amounts.

# Notes to the financial statements (continued)

## 13 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

- **Extension of bridging facility with Prestige Glory**

On 8 April 2014, ZYL announced that it had executed a third deed of extension and forbearance with Prestige Glory whereby Prestige Glory (PGL) agreed to extend the termination date of the bridging facility to 30 June 2014 and advance ZYL a further $300,000. Before this date, PGL had provided $2,000,000, to ZYL under the bridging facility, with this deed agreeing provision of a further $150,000 immediately and $150,000 on 31 May 2014.

- **Appointment of voluntary administrator**

On 8 January 2015, ZYL's then board comprised of My Yuzheng Xie and Mr Stephen Woods resolved to appoint Jack James of Palisade Business Consulting as voluntary administrator to the Company.

- **Resolution to enter Deed of Company Arrangement (DOCA)**

On 13 February 2015 at the second meeting of creditors, ZYL's creditors resolved that the Company execute a Deed of Company Arrangement and that Jack James be appointed Administrator of the DOCA. The Company executed the DOCA with Konkera Corporate on 19 February 2015. The end date of the DOCA was extended to 19 February 2016 on 15 July 2015, then to 19 August 2016 on 25 January 2016 and finally on 16 August 2016 the end date was extended to 19 February 2017.

## 14 RELATED PARTIES

The Company paid rent, administration, labour and general office expenses to Hemisphere Corporate Services Pty Ltd (Hemisphere), a company in which Mr Glenn Whiddon has a financial interest. Mr Whiddon resigned as Non-Executive Chairman of the Company on 28 March 2013.

The Board concluded that it was not economically beneficial to the Group to have a dedicated office in Australia to fulfil ZYL's Australian regulatory and reporting requirements. Hemisphere provides its services to a number of ASX Listed companies on a shared services basis and charges on a cost plus arrangement; thereby the fees charged to the Group can be directly correlated to the services provided by Hemisphere.

# Notes to the financial statements (continued)

## 14 RELATED PARTIES (continued)

The fees in the table below represent expenses incurred on behalf of the Group by Hemisphere in Australia and South Africa.

| | 31 December 2013 $ | 31 December 2012 $ |
|---|---|---|
| Rent | - | 47,203 |
| Telephone | - | 1,617 |
| Labour | - | 158,513 |
| Company secretarial services | - | 9,000 |
| Office expenses | - | 88,560 |
| Equipment leases | - | 6,742 |
| Administration charges | - | 34,939 |
| Directors fees | - | - |
| Total | - | **346,574** |

The above amounts exclude GST. All transactions were on normal commercial terms.

## 15 SEGMENT INFORMATION

The Company's operations are in one reportable business segment being the exploration of coal. The Company operates in one geographical segment being South Africa.

# Directors' declaration

In accordance with a resolution of the Directors of ZYL Limited and its controlled entities, we state that:

1) In the opinion of the Directors, subject to the qualification set out in paragraph 2 below:

   a) the financial statements and supplementary notes, set out on pages 7 to 18, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the financial position of ZYL Limited and its controlled entities as at 31 December 2013 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date; and

      (ii) complying with Accounting Standards AASB 134: *Interim Financial Reporting and the Corporation Regulations 2001*; and

   b) as indicated in Note 1(c), subject to the successful recapitalisation of the Company, there are reasonable grounds to believe that ZYL Limited and its controlled entities will be able to pay its debts as and when they become due and payable.

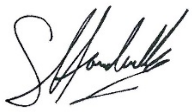
2) Due to turnover of previous staff and officers, and the parent entity being subject to external administration, complete accounting records have not been able to be located. For the year ended 30 June 2013 and since, this has led to insufficient information being available to support several material contracts as well as transactions and balances of foreign subsidiaries.

   The Directors are of the opinion that it is not possible to state that the audited financial statements and notes are in accordance with the requirements of the Corporations Act 2001, due to the lack of records and certainty in connection with material transactions, for both the year ended 30 June 2013 and since then.

   It is noted by the Directors that the intended sale of the Kangwane Central Anthracite Project to satisfy the creditors' and administrator's debts, along with the continued existence of the Kangwane South Anthracite Project, means that while historical records are affected by incomplete financial information, the absence of these records is not expected to significantly detract from the Company's ability to maintain proper books and records for the period from 23 February 2015 for Australian entities, when current directors were appointed. Therefore, the absence of records due to turnover of previous staff and officers, unavailable documents of foreign subsidiaries, and the parent entity being subject to external administration, primarily affects the historical records of the economic entity rather than its ability to continue its retained business and operations.

The directors have been given the declarations required by section 295A of the Corporations Act 2001, which is also subject to the qualification in paragraph 2 above.

Signed in accordance with a resolution of the directors:



**Mr Shaun Hardcastle**
**Non-Executive Director**
Dated this 26th August 2016

William Buck

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ZYL LIMITED AND CONTROLLED ENTITIES**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of ZYL Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity) on pages 7 to 19, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. Because of the matters described in the Basis for Disclaimer Conclusion paragraphs, however, we were unable to obtain sufficient appropriate review evidence to provide a basis for our conclusion.

*Independence*

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

*Basis for Disclaimer of Conclusion*

a) As disclosed in Note 1(c) to the half-year financial report, the directors state that the consolidated entity's half-year financial report has been prepared on a going concern basis. In assessing the going concern basis of preparation, the consolidated entity has made a number of assumptions including the assumption that the consolidated entity is able to raise capital of at least $1,250,000 before completion of the Deed of Company Arrangement, however, to satisfy ASX's conditions for reinstatement, a capital raising of $2,000,000 is required.

   We have been unable to obtain alternative evidence which would provide sufficient appropriate evidence as to whether the company may be able to raise such capital, and hence remove significant doubt of its ability to continue as a going concern within twelve months of the date of this auditor's review report.

b) On 8 January 2015, ZYL Limited went into administration and new directors were appointed on 23 February 2015. As stated in Note 1(b) of the half-year financial report, due to turnover of previous staff and officers, a number of subsidiaries located overseas, and the parent entity being subject to external administration,

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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ZYL LIMITED AND CONTROLLED ENTITIES (CONT)**

complete accounting records have not been able to be located for the year ended 30 June 2013 and since then.

As a result of the matters above, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded amounts in the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows.

*Disclaimer of Conclusion*

We do not express a conclusion on the accompanying consolidated half-year financial report of the consolidated entity. Because of the significance of the matters described in the Basis for Disclaimer of Conclusion paragraphs, we have not been able to obtain sufficient appropriate review evidence to provide a basis for a review conclusion.

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

Conley Manifis
Director
Dated this 26th day of August, 2016