



ZYL Limited

ABN 15 008 720 223

Appendix 4D and Half -Year Financial Report

31 December 2010

Corporate Office

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Australia

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Corporate Directory

Directors

Bevan Tarratt
Director and Chairman

Dr Eric Lilford
Director

Gino D'Anna
Director

Company Secretary

Gino D'Anna

Registered Office

Ground Floor
1306 Hay Street
West Perth WA 6005
Tel: (08) 9486 4036
Fax: (08) 9486 4799

Share Register

Security Transfer Registrars Pty Ltd
779 Canning Highway
Applecross WA 6153
Tel: (08) 9315 2333
Fax: (08) 9315 2233

Auditor

William Buck (NSW)
Level 29
66 Goulburn Street
Sydney NSW 2000

Stock Exchange Listing

Australian Securities Exchange
Exchange Plaza
2 The Esplanade
Perth Western Australia 6000
Code: ZYL

Appendix 4D

ZYL Limited

ABN 15 008 720 223

Half-Year Report – 31 December 2010

RESULTS FOR ANNOUNCEMENT TO THE MARKET

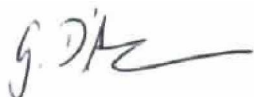
(This information should be read in conjunction with the last annual report and any announcements to the market by ZYL Limited (Formerly Zylotech Limited) during the period)

	Half - Year Ended 31/12/10 \$A	Half - Year Ended 31/12/09 \$A	Amount change \$A	Percentage change %
Revenue from ordinary activities	41,102	606,712	(565,610)	Down 93.23%
Loss from ordinary activities after tax attributable to members	(644,647)	(724,646)	79,999	Down 11.04%
Dividends (distributions)				
There are no dividends proposed by the Company.				

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	1.30 cents	(0.67) cents

Independent Auditor's Review Report

The Independent Auditor's Review Report can be found on page 23 of the attached financial report for the Half Year ended 31 December 2010.



Gino D'Anna
Executive Director
20 February 2011

The information required by listing rule 4.2A is contained in both this Appendix 4D and the attached half-year report. This half-yearly reporting information should be read in conjunction with the most recent annual financial report of the company.

ZYL Limited

Half -Year Financial Report

31 December 2010

Directors' Report

The Directors present their interim financial report on ZYL Limited ("the Company") and its controlled entities (together referred to as the "Economic Entity") for the half-year ended 31 December 2010.

1. DIRECTORS

The name of each person who was a director during the half-year and to the date of this report are:

Bevan Nigel Hugh Tarratt appointed 3 December 2009 and continues in office at the date of this report.

Dr Eric Vernon Lilford appointed 15 August 2010 and continues in office at the date of this report.

Gino D'Anna appointed 18 May 2010 and continues in office at the date of this report.

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

Patrick Nicolas Burke appointed 3 December 2009 and resigned 20 July 2010.

Morgan James Barron appointed 3 December 2009 and resigned 13 December 2010.

Company Secretary

The Company Secretary is Gino D'Anna who was appointed on 4 December 2009.

2. PRINCIPAL ACTIVITIES

The principal activity of the Economic Entity during the course of the half year ended 31 December 2010 was the conceptualisation, planning and exploration of a high grade metallurgical anthracite coal deposit known as the Kangwane Anthracite Project (**Kangwane Project**), located in the Mpumalanga Province of South Africa.

During the half year ended 31 December 2010, the Company was also engaged in the research and development of the Smart G Enterprise Protection range of products. ZYL continued to spend funds on the research and development of the Smart G range of products over the period. Energy Saving Partners Pty Ltd, the license partner of the software and code that relates to Smart G, investigated the advantages and potential of having the software and code re-designed in an effort to commercialise the technology and ensure that the competitive advantage of Smart G is retained.

2. REVIEW AND RESULTS OF OPERATIONS

On 14 December 2010, the Group announced that it had executed the Definitive Transaction Agreements (**Agreements**) with Siyanda Resources (Pty) Ltd (**Siyanda**) and had executed the Call Option (**Option**) with Exsteen Pty Ltd (**Exsteen**) in relation to the acquisition of up to a 50.12% interest in the Kangwane Project. The Group's acquisition of an interest in the Kangwane Project is subject to the fulfilment of certain conditions precedent, including the approval of the Exchange Control Department of the South African Reserve Bank and of the South African Minister of Mineral Resources.

The execution of the Definitive Agreements results in ZYL Limited becoming entitled, upon fulfilment of the conditions precedent and upon exercise of the Option, to **acquire up to a 50.12% interest in the Kangwane Anthracite Project.**

In support of the Company's strategy to focus on high quality metallurgical coal, ZYL Limited considers the Kangwane project to be an exciting opportunity for its shareholders to participate in the development of an advanced stage, high grade coal project.

Directors' Report (continued)

Bankable Feasibility Study (BFS) Planning:

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

Conceptual Pit Designs:

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

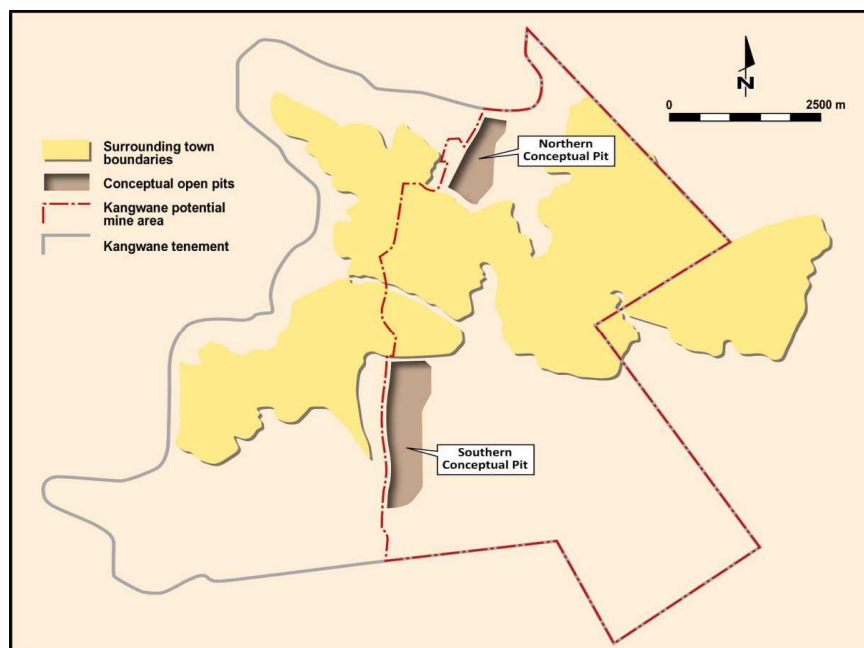


Figure 1: Kangwane location diagram illustrating the Northern and Southern Conceptual Pit

Directors' Report (continued)

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

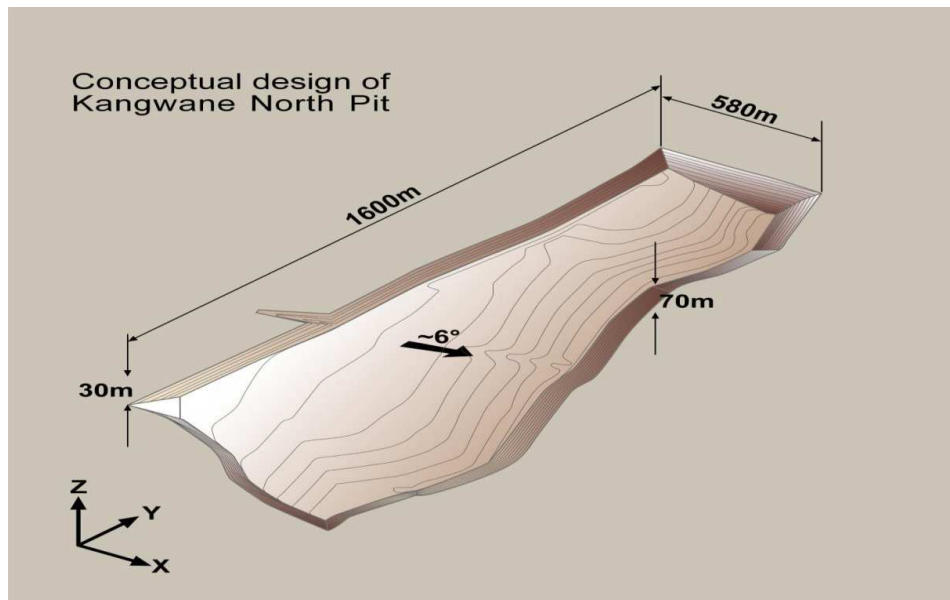


Figure 2: Conceptual Pit Design – North Pit, Kangwane Anthracite Project

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

Directors' Report (continued)

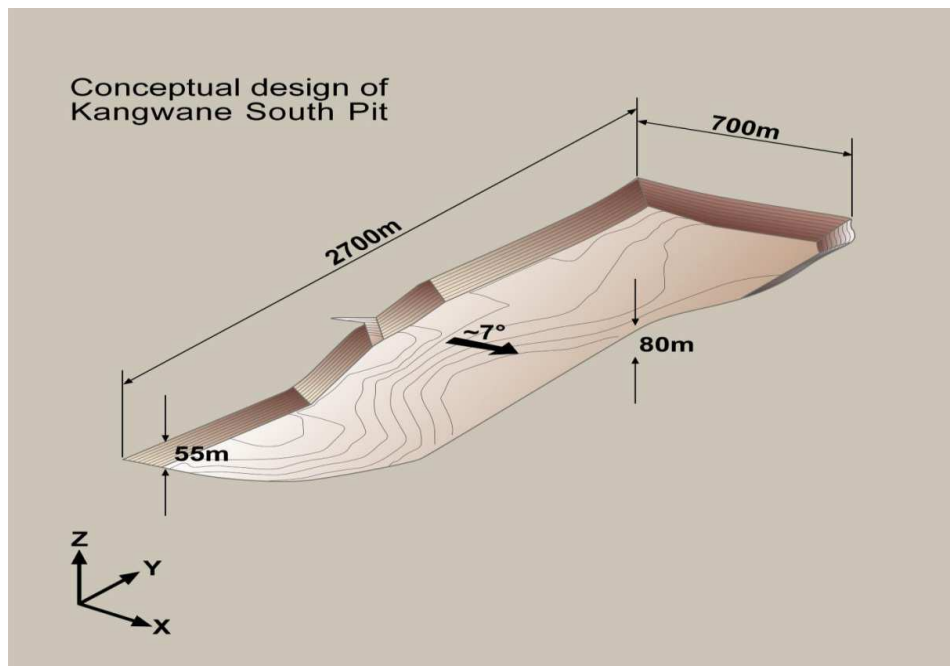


Figure 3: Conceptual Pit Design – South Pit, Kangwane Anthracite Project

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

Appointment of Managing Director:

- The Group has also appointed a highly experienced Managing Director, Dr Eric Lilford. Other than notable corporate finance and project finance experience, 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 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 BFSs in numerous jurisdictions including the Democratic Republic of Congo (DRC), Zambia and Macedonia. Dr Lilford jointly managed the full 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.

Key Project Highlights:

- The Kangwane Project, located in the Mpumalanga Province in South Africa and adjacent to an existing anthracite operation, has a current JORC compliant resource of **114.1Mt** with a **Measured Resource** of **21.4Mt**.

Directors' Report (continued)

- Exploration Target of **400Mt to 450Mt¹** (*non-JORC compliant*) at an expected calorific value of **6,635kcal to 6,712kcal**.
- Independent geologists have identified and confirmed a Measured Resource of **9.7Mt** within the open-cut area of the northern proposed mining area and an Indicated Resource of **6.6Mt** within the open-cut area of the southern proposed mining area.
- A comprehensive drilling database of 149 diamond drill holes with a combined depth of 18,567 meters over a strike length of 33km was completed by Mining Corporation Limited (MCL) in the 1980s.
- Advanced discussions with the local community leaders are underway providing a clear path forward for the development of the Kangwane Project.
- The existing box-cut on the property provides an opportunity to access further bulk samples for metallurgical testing and marketing trials.
- The Kangwane Project is strategically located near key infrastructure, being within 100km by rail from the Matola Coal Terminal at the Maputo Port in Mozambique.
- An existing rail siding is located on the southern end of the Anthracite Project which has a loading capacity of 100,000 tonnes per month. The Anthracite Project is also located near well established infrastructure and coal mining support services including main power lines and reliable water sources.

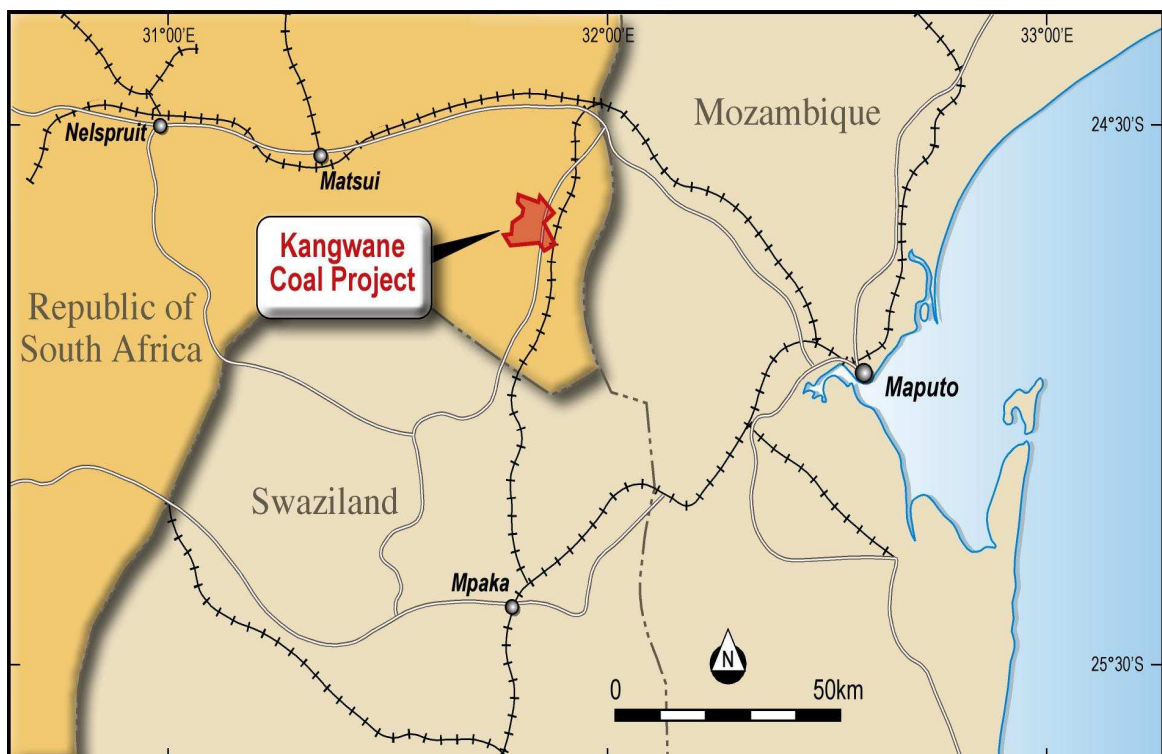


Figure 4: Kangwane Anthracite Project, Location Map

As part of the working capital budget, the Company will also pursue new projects in complementary sectors including industries outside of its current activities by way of acquisition or investment to diversify the Company's activities and enhance shareholder returns.

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.

Directors' Report (continued)

Competent Persons Statement:

Information in this announcement that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr Dawie Van Wyk who is a consultant to the Group and is a member of a Recognised Overseas Professional Organisation. Mr Van Wyk has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration, Mineral Resources and Ore Reserves'. Mr Van Wyk consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

Important Information - Mineral Exploration Targets:

It should be noted that the reporting of conceptual exploration targets is carried out in accordance with Clause 18 of the December 2004 JORC Code which permits the reporting of exploration target size and type with strict conditions, these being stated by the Australasian Joint Ore Reserves Committee (JORC) as :

“Any such information relating to exploration targets must be expressed so that it cannot be misrepresented or misconstrued as an estimate of Mineral Resources or Ore Reserves. The terms Resource(s) or Reserve(s) must not be used in this context. Any statement referring to potential quantity and grade of the target must be expressed as ranges and must include (1) a detailed explanation of the basis for the statement, and (2) a proximate statement that the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource on the property and that it is uncertain if further exploration will result in discovery of a Mineral Resource on the property.”

3. OPERATING RESULT

The net amount of the consolidated operating loss after income tax attributable to the members of the Company for the six months ended 31 December 2010 was \$644,647 (2009 loss: \$724,646). Additional information on the operations and financial position of the Company and its business strategies and prospects is set out in this directors' report and the interim financial report.

4. AFTER BALANCE DATE EVENTS

On 23 February 2011, the Company announced the exercise of the Call Option (**Option**) to acquire 100% of the issued capital of Exsteen Pty Ltd (**Exsteen**), the holder of the Kangwane Project joint venture. The exercise of the Option will enable the Company to increase its ownership interest in the Kangwane Project whilst also providing a clear path for its continued exploration and development.

The exercise of the Option follows the successful completion of a detailed technical and techno-economic due diligence on the Kangwane Project. Completion of the due diligence resulted in the Project being considered economically attractive and the results are encouraging for the Project's development through the BFS and into production.

The exercise of the Option and the completion of due diligence on the Project concludes a significant milestone for the Company and signifies the satisfaction of a key condition precedent to the definitive agreements executed by the Company in December 2010.

Other than as disclosed, there has been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

1. the Company's operations in future financial years, or
2. the results of those operations in future financial years, or
3. the Company's state of affairs in future financial years.

Directors' Report (continued)

5. STATEMENT REGARDING GOING CONCERN ASSUMPTION

The financial report 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 report on a going concern basis for the following reasons:

- 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 the Group 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; and
- 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 statements on a going concern basis and hence no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the

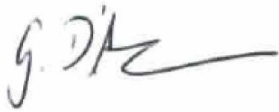
Directors' Report (continued)

amounts and classification of liabilities that might be necessary if the entity does not continue as a going concern.

6. AUDITOR'S INDEPENDENCE DECLARATION

The Corporations Act requires our auditors, William Buck, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 10 and forms part of this Directors' report for the half-year ended 31 December 2010.

Signed in accordance with a resolution of the board of Directors.

A handwritten signature in black ink, appearing to read 'G. D'Anna', with a long horizontal stroke extending to the right.

Gino D'Anna
Executive Director
Dated this 25 February 2011

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 year ended 31 December 2010 there have been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

William Buck
Chartered Accountants



L.E. Tutt
Partner
Sydney, 25 February 2011

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

Consolidated Statement of Comprehensive Income For the Half-Year Ended 31 December 2010

	Note	Economic Entity	
		31/12/10 \$	31/12/09 \$
Revenue from ordinary activities	2	41,102	606,712
Loss on sale of non current assets		-	(20,535)
		41,102	586,177
Cost of goods sold		-	(305,593)
Distribution expenses		-	(494)
Sales and marketing expenses		-	(9,753)
Technical development and services		(165,124)	(97,064)
Share-based payments	10	(38,400)	-
Occupancy expenses		(24,118)	(23,411)
Administrative expenses	3	(456,570)	(866,955)
Depreciation expenses		(1,537)	(7,553)
		(644,647)	(724,646)
Loss from ordinary activities before related income tax expense		(644,647)	(724,646)
Income tax benefit		-	-
		(644,647)	(724,646)
Net loss after income tax attributable to ZYL Limited		(644,647)	(724,646)
		(644,647)	(724,646)
Loss per share			
Basic (loss) per share in cents		(0.16) cents	(0.39) cents
Diluted (loss) per share in cents		(0.16) cents	(0.39) cents

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position as at 31 December 2010

	Note	Economic Entity	
		31/12/10 \$	30/06/10 \$
CURRENT ASSETS			
Cash and cash equivalents		6,742,553	1,173,436
Trade and other receivables		81,139	37,218
TOTAL CURRENT ASSETS		6,823,692	1,210,654
NON-CURRENT ASSETS			
Mineral exploration & evaluation	6	1,156,092	-
Plant & equipment		11,101	550
TOTAL NON-CURRENT ASSETS		1,167,193	550
TOTAL ASSETS		7,990,885	1,211,504
CURRENT LIABILITIES			
Trade and other payables		255,022	92,297
Provisions		5,466	-
TOTAL CURRENT LIABILITIES		260,488	92,297
TOTAL LIABILITIES		260,488	92,297
NET ASSETS		7,730,397	1,118,907
EQUITY			
Contributed equity	7	23,262,717	16,044,980
Reserves		38,400	-
Accumulated losses		(15,570,720)	(14,926,073)
TOTAL EQUITY		7,730,397	1,118,907

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity For the Half-Year Ended 31 December 2010

Economic Entity	Contributed equity \$	Reserves \$	Accumulated losses \$	Total \$
At 1 July 2009	14,231,200	-	(14,746,144)	(514,944)
Loss for period	-	-	(724,646)	(724,646)
At 31 December 2009	14,231,200	-	(15,470,790)	(1,239,590)
At 1 July 2010	16,044,980	-	(14,926,073)	1,118,907
Shares issued during the period	7,217,737	-	-	7,217,737
Share-based payments issued during the period	-	38,400	-	38,400
Loss for period	-	-	(644,647)	(644,647)
At 31 December 2010	23,262,717	38,400	(15,570,720)	7,730,397

The accompanying notes form part of these financial statements.

Consolidated Statement of Cashflows For the Half-Year Ended 31 December 2010

	Economic Entity	
	31/12/10	31/12/09
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	408,158
Payments for exploration, evaluation expenditure	(44,115)	-
Payments to suppliers and employees	(657,026)	(964,791)
Interest received	41,102	874
Section 73Q R&D tax offset received	-	418,320
Net cash used in operating activities	(660,039)	(137,439)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for plant and equipment	(6,702)	-
Proceeds from sale of plant and equipment	-	73,797
Net cash used in/(provided by) investing activities	(6,702)	73,797
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	6,235,858	-
Loan funds received	-	100,000
Net cash provided by financing activities	6,235,858	100,000
Net increase in cash and cash equivalents	5,569,117	36,358
Cash and cash equivalents at the beginning of the period	1,173,436	210,254
Cash and cash equivalents at the end of the period	6,742,553	246,612

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2010

1 Summary of significant accounting policies

The half-year consolidated 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”, Urgent Issues Group interpretations and other authoritative pronouncements of the Australian Accounting Standards mandatory professional reporting requirements.

The half-year financial report covers ZYL Limited as an economic entity (“the Economic Entity”). The Company is limited by shares, incorporated and domiciled in Australia.

The half-year financial report has been prepared on an accruals basis and is based on historical costs 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 half-year report does not include full disclosures of the type normally included in an annual financial report.

The half-year financial report, including comparatives, should be read in conjunction with the annual Financial Report of ZYL Limited for the year ended 30 June 2010 and any public announcements made by ZYL Limited during the half year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The 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 2010 annual financial report for the financial year ended 30 June 2010, except for the adoption of the new and revised accounting standards mentioned below.

Notes to the Financial Statements For the Half-Year Ended 31 December 2010

1 Summary of significant accounting policies (continued)

(a) *Going Concern Basis*

The financial report 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 report on a going concern basis for the following reasons:

- 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 the Group 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;
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Notes to the Financial Statements For the Half-Year Ended 31 December 2010

1 Summary of significant accounting policies (continued)

(a) *Going Concern Basis (continued)*

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 statements on a going concern basis and hence no adjustments have been made to the financial statements 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.

(b) *Accounting Standards not previously applied*

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.

Notes to the Financial Statements For the Half-Year Ended 31 December 2010

	Economic Entity	
	31/12/10	31/12/09
	\$	\$
2 REVENUE FROM ORDINARY ACTIVITIES		
Sale of goods revenue from operating activities	-	307,277
Other revenue:		
<i>From operating activities</i>		
Interest received and receivable from other corporations	41,102	874
<i>From outside operating activities</i>		
Other revenue	-	298,561
Total other revenues	41,102	299,435
Total revenue from ordinary activities	41,102	606,712

3 EXPENSES FROM ORDINARY ACTIVITIES

Individually significant items included in administration expenses include:

	Economic Entity	
	31/12/10	31/12/09
	\$	\$
• wages and salaries	81,273	99,987
• audit & professional services	5,743	132,736
• listing fees	17,595	1,005
• insurance	6,390	9,772
• legal expenses	2,211	79,009
• directors fees	45,258	8,330
• consultancy fees	66,662	2,760
• travelling expenses	52,433	5,815
• superannuation	6,823	22,674

4 SEGMENT INFORMATION

The Company continued to operate principally as a developer, purchaser and reseller of digital video surveillance and communications products, which include remote terrestrial and acoustic surveillance.

During the period the Company commenced exploration for Anthracite Coal at the Company's Kangwane project in South Africa.

Geographical segment

The Economic Entity operated wholly within Australia during the period to 31 December 2010.

Notes to the Financial Statements For the Half-Year Ended 31 December 2010

5 LOSS PER SHARE

	Economic Entity	
	31/12/10	31/12/09
	\$	\$
Basic (loss) per share in cents	(0.16) cents	(0.39) cents
Weighted average number of ordinary shares used in the calculation of basic (loss) per share	401,395,579	185,778,567
Basic earnings/(loss)	(\$644,647)	(\$724,646)

Diluted (loss) per share is not materially different from basic (loss) per share.

6 MINERAL EXPLORATION AND EVALUATION EXPENDITURE

	Economic Entity	
	31/12/10	30/06/10
	\$	\$
Opening Balance	-	-
Exploration expenditure incurred	1,156,092	-
Less: Impairment charge	-	-
Closing Balance	1,156,092	-

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.

7 ISSUED CAPITAL

	Number of shares 31/12/10	Number of shares 30/06/10	\$ 31/12/10	\$ 30/06/10
Opening balance	320,655,165	185,778,567	16,044,980	14,231,000
New shares issued	273,583,074	134,876,598	7,610,948	3,250,616
Less: transaction cost	-	-	(393,212)	-
Closing Balance	594,238,239	320,655,165	23,262,716	16,044,980

8 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 23 February 2011, the Company announced the exercise of the Call Option (**Option**) to acquire 100% of the issued capital of Exsteen Pty Ltd (**Exsteen**), the holder of the Kangwane Project joint venture. The exercise of the Option will enable the Company to increase its ownership interest in the Kangwane Project whilst also providing a clear path for its continued exploration and development.

The exercise of the Option follows the successful completion of a detailed technical and techno-economic due diligence on the Kangwane Project. Completion of the due diligence resulted in the Project being considered economically attractive and the results are encouraging for the Project's development through the BFS and into production.

Notes to the Financial Statements For the Half-Year Ended 31 December 2010

8 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD (continued)

The exercise of the Option and the completion of due diligence on the Project concludes a significant milestone for the Company and signifies the satisfaction of a key condition precedent to the definitive agreements executed by the Company in December 2010.

Other than as disclosed, there has been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

1. the Company's operations in future financial years, or
2. the results of those operations in future financial years, or
3. the Company's state of affairs in future financial years.

9 CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets and liabilities in existence at half-year ended 31 December 2010.

10 RELATED PARTIES

The Company has a service agreement with Hemisphere Corporate Services Pty Ltd to provide general office expenses at no more than \$2,500 per month, provision of undercover car parking of \$405 per month, provision of accounting, corporate and general administration services at \$2,500 per month and rental of office space at \$11,500 per month. Hemisphere Corporate Services Pty Ltd has common directorships with the Company.

11 SHARE BASED PAYMENTS

Included as an expense in the statement of comprehensive income is \$38,400 (2009: \$nil) relating to share based payments.

On 30 September 2010 8,333,333 options were granted to the directors of ZYL Limited. These options have an exercise price of 3.0 cents each and are exercisable between 30 September 2010 and 30 September 2012.

The assessed fair values of the options were determined using a Black-Scholes option pricing model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. The inputs to the model used were:

Dividend yield (%)	-
Expected volatility (%)	80
Risk-free interest rate (%)	6
Expected life of options (years)	2.0
Option exercise price (\$)	0.030
Share price at grant date (\$)	0.020
Value of option (\$)	0.0036

Notes to the Financial Statements For the Half-Year Ended 31 December 2010

11 SHARE BASED PAYMENTS (continued)

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

As at 31 December 2010 no options had been exercised.

In addition, on 30 September 2010 6,000,000 options were granted to the directors of ZYL Limited. These options have an exercise price of 5.0 cents each and are exercisable between 30 September 2010 and 30 September 2012.

The assessed fair values of the options were determined using a Black-Scholes option pricing model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. The inputs to the model used were:

Dividend yield (%)	-
Expected volatility (%)	80
Risk-free interest rate (%)	6
Expected life of options (years)	2.0
Option exercise price (\$)	0.050
Share price at grant date (\$)	0.020
Value of option (\$)	0.0014

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

As at 31 December 2010 no options had been exercised.

The total share based payment expense recognised in the current period statement of comprehensive income is \$38,400 (2009: nil).

Directors' Declaration


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

In the opinion of the Directors:

- a) the financial statements and supplementary notes, set out on pages 11 to 21, 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 31st December 2010 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) 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.



Bevan Tarratt
Director



Gino D'Anna
Director

Dated at Perth this 25th Day of February 2011.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ZYL LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of ZYL Limited, which comprises the condensed statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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 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. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of ZYL Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Perth
Adelaide
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Independence

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

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ZYL LIMITED (CONT)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ZYL Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matter - Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of \$644,647 (2009: loss \$724,646) during the half year ended 31 December 2010 and incurred a net cash outflow from operating activities of \$660,039 (2009: \$137,439). These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern, and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

William Buck
Chartered Accountants



L.E Tutt
Partner
Sydney, 25 February 2011

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