

ASX RELEASE
2 October 2012

MBILA BANKABLE FEASIBILITY STUDY

SCOPE TO BE EXPANDED TO INCORPORATE FURTHER DEVELOPMENT OPTIONS

- ZYL to expand the scope of the Bankable Feasibility Study (“BFS”) at the Mbila project to take advantage of the greater understanding built around the project since acquisition. The expanded scope will incorporate the following;
 - Extended Footprint – to access additional resources that are outside of the original feasibility study target area that have been identified by ZYL drilling and further technical work during 2012
 - Revised Mine Development – to enable the most optimal approach to the development of the overall resource across a greater project area
- Project development permitting/approval processes remain on schedule - the overall development timetable is not expected to be affected nor will the existing project approvals granted
- The completion of the BFS will therefore be necessarily extended to evaluate and incorporate the most favourable development option based on today's enlarged resource base and the potential of an open-pit component

Mbila Project

ZYL Limited (“ZYL” or the “Company”) (ASX: ZYL), the Perth-based emerging anthracite producer with key projects in development in South Africa, announced the Mbila transaction in September 2011, which was an instrumental step in progressing the Company's aim of becoming one of the world's leading anthracite producers.

The Mbila Project is located approximately 150km north west of the Richards Bay Coal Terminal. Key infrastructure required for the development of an anthracite mine, such as electricity, roads and railway sidings and lines are located in close proximity. The Mbila Project consists of a Mining Right covering 19,180ha (**Mbila Mining Right Area**) and a Prospecting Right covering 52,946ha (**Msebe Prospecting Right Area**). The two areas share a common boundary and are located approximately 15km to the east of the town of Nongoma.

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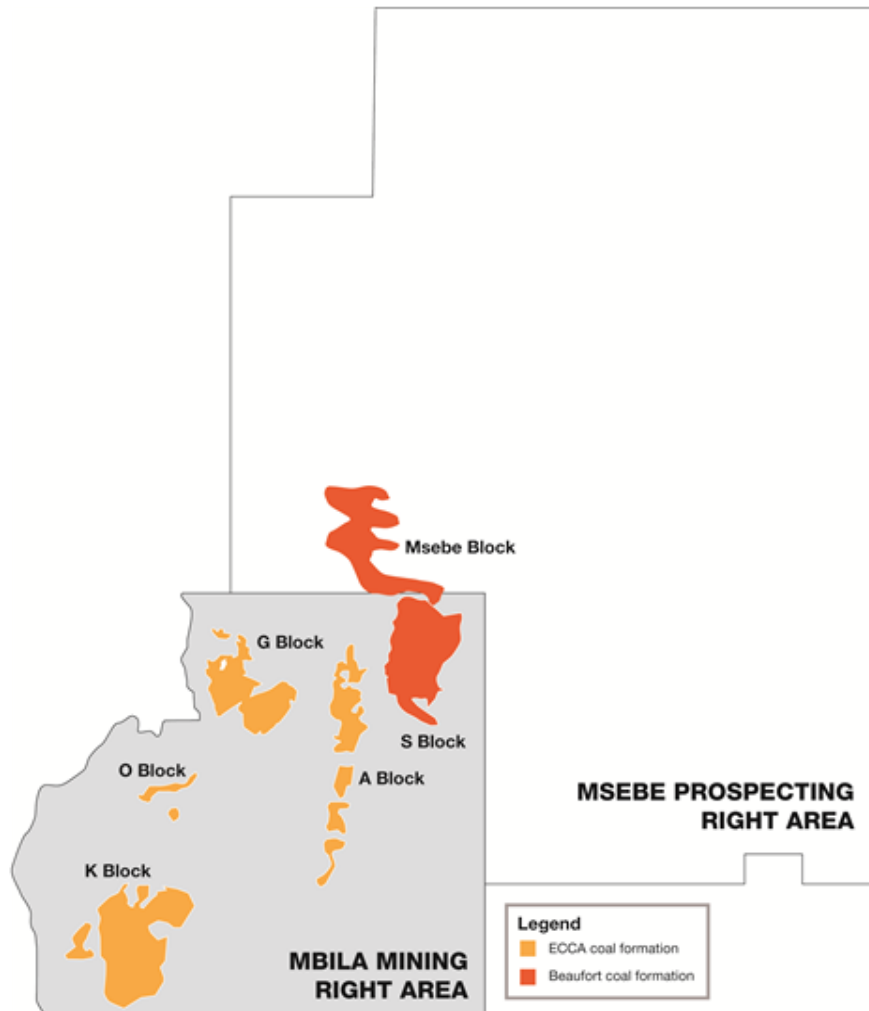
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The diagram below shows the **Mbila Mining Right Area** in relation to the **Msebe Prospecting Right Area**.



In 2008 a Feasibility Study (the “**Badger Study**”) was undertaken on the project by the vendors’ team of technical consultants. This Badger Study focused on the resources contained only within the Mbila Mining Right Area located in G Block, the southern section of S Block, and some portions of the A and K Blocks, which totalled 20.11 Mt at the time. The Mining Right, Environmental Management Programme, and Social and Labour Plan approvals were granted based upon this study.

Since this time, the resources have grown considerably due to additional drilling campaigns and geological modelling and the resource now sits at 154.2 Mt (see table below) and have extended beyond the **Mbila Mining Right Area** into the **Msebe Prospecting Right Area**.

Mbila Project: JORC-Compliant Resource Estimates - GTIS (Mt)		
	2008 – GeoCoal Resource Estimate	August 2012 – PC Meyer Resource Estimate*
Total measured coal resource	13.03	36.2
Total indicated coal resource	0.97	23.2
Total inferred coal resource	6.11	94.8
Total JORC-compliant coal resources	20.11	154.2

* Resource includes the Mbila Mining Right and Msebe Prospecting Right Areas

Mbila Project BFS Strategy and Scope Expansion

At the outset of ZYL’s involvement in the Mbila project, a strategic decision was made to focus initially on validating and updating the Badger Study to a Bankable Feasibility Study (“**BFS**”) within the confines of the relevant approvals granted.

While working on the various components of the Mbila BFS, the Company’s technical team and RSV ENCO (the independent project manager) have developed a greater understanding of the Mbila Project and it has become apparent that the appropriateness of the Badger Study has become less relevant and has inherent limitations as the resource continues to grow in size. The studies have identified potential alternatives to exploit the resources in a more efficient manner, both from a technical, production and financial perspective.

One of the key activities conducted during the updating of the Badger Study in 2012 was the conversion of the 2-dimensional geological model into a 3-dimensional model, which has provided greater definition and understanding of the structural geology. This understanding was further enhanced through the geotechnical drilling programme and the LIDAR survey (digital laser terrain survey) conducted in July 2012. Ultimately, this information has provided the technical team more certainty when evaluating the detailed mine planning and scheduling.

As a result of the BFS work, the current belief is that due to the expanded size of the Mbila resource, a mining plan tied to the Badger Study could result in the resource not being optimally mined. It is believed that the incorporation of the resources outside of the Badger Study area (including the **Msebe Prospecting Right Area**) into the BFS will provide greater flexibility and the opportunity to exploit larger blocks of anthracite with fewer adits, including the possibility of defining an open pit area in the Beaufort zone. An open pit will allow the mining of multiple seams in the Beaufort package and hence greater extraction of the mineable resource. The establishment of an open pit would potentially support a quicker build up to sustainable production with lower operating costs.

A further factor that has been taken into consideration in the study process has been the strong level of interest in securing off-take due to the increasing demand for anthracite in both South Africa and internationally. This interest has been demonstrated by the expressions of interest that have been received by the Company from third parties who have indicated a desire to secure off-take, provide

debt finance, project funding and infrastructure solutions. These potential strategic partners have articulated a favourable view on exploiting more tonnes of anthracite at a lower cost in a mining operation that incorporates a simple open pit component. These parties may have an influence on the development options that the Company will consider.

Permitting and Overall Development

The continued evaluation of development scenarios should not affect the overall development timeline for the Mbila Project and the final permitting process (water permit) is on schedule for completion in mid-2013

It should be noted that the majority of the BFS work completed to date can be incorporated into this additional feasibility work which will focus mainly on the geological model and the mine scheduling to determine the optimal development approach. Components of the BFS not likely to be materially affected include infrastructure, power and water, process plant design, discard disposal and logistics.

Conclusion

In summary, the Board is excited about the prospect of improving the BFS metrics despite the delay to BFS completion that the expansion creates. ZYL's priority is to ensure an optimum development strategy that avoids sterilizing recently identified resources from future exploitation and to ensure the strategy takes into account all of the latest technical information.

The BFS for the Kangwane project remains on track for November completion and ZYL is very optimistic about the findings of this study.

ENDS

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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.

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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, a Recognised Overseas Professional Organisation, 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.