



ZYL  
LIMITED

INVESTOR  
PRESENTATION:

KANGWANE  
ANTHRACITE  
COAL PROJECT

JUNE 2011



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## **Competent person statement**

Information in this presentation 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 Company 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.

# CORPORATE OVERVIEW



## Capital Structure and Introduction (post-consolidation)

ASX Code:	<b>ZYL</b>
Current shares on issue	<b>482,585,899</b>
Options on issue (6c ex.)	<b>4,000,000</b>
Options on issue (10c ex.)	<b>3,000,000</b>
Options on issue (20c ex.)	<b>20,000,000</b>
Market Capitalisation *	<b>\$104.4 million</b>
Cash on hand	<b>\$33.5 million</b>
Share price range (H/L)	<b>\$0.300 - \$0.034</b>

\* Market Capitalisation calculated as at 23 March 2011, includes \$30m raising

## Market History



Source: ASX.com.au (pre-consolidation)

# KEY EMPLOYEES AND CONSULTANTS



## **Bevan Tarratt - Chairman**

Director of a number of ASX listed companies with strategic consulting experience

## **Dr Eric Lilford – Managing Director, Kangwane BFS Committee**

Over 23 years of combined production, management, project development, research analyst and investment banking experience the resources sector, covering coal, gold, base metals and other commodities in numerous jurisdictions.

## **Mzwandile Nombewu – Director of Siyanda Resources, Kangwane BFS Committee**

Over 15 years of coal (Ingwe) and gold (AngloGold) mining experience in South Africa with additional experience in mining education. Currently holds the position of Technical Director, Coal and Mineral Rights in Siyanda Resources.

## **Nicholas Ong– Company Secretary**

Has executive managerial experience with the ASX and has approved and listed over 100 companies whilst at the ASX. Mr Ong has a demonstrated detailed knowledge and understanding of all facets of the listing process, company restructurings and compliance with industry codes.

## **David Greenwood –Non-Executive Director**

Has 29 years of geological and mining experience with a number of coal, precious metal and base metal producers. Extensive operational knowledge of the South African coal environment. Previously section head of new business and international operations within the coal division at Gold Fields of South Africa Limited.

## **Ian Benning – Country Director**

Has over 25 years of mining industry experience in production and mine management, as well as investment banking in corporate and specialised finance and asset management.

National Head of Mining for Deloitte Touche Tohmatsu, **>23 years operational experience** across the global resources sector, including large underground gold, platinum, copper and coal mines

Mine Overseer for Randcoal Limited's Rietspruit and Khutala coal mines; **responsible for producing over 3Mtpa of coal**

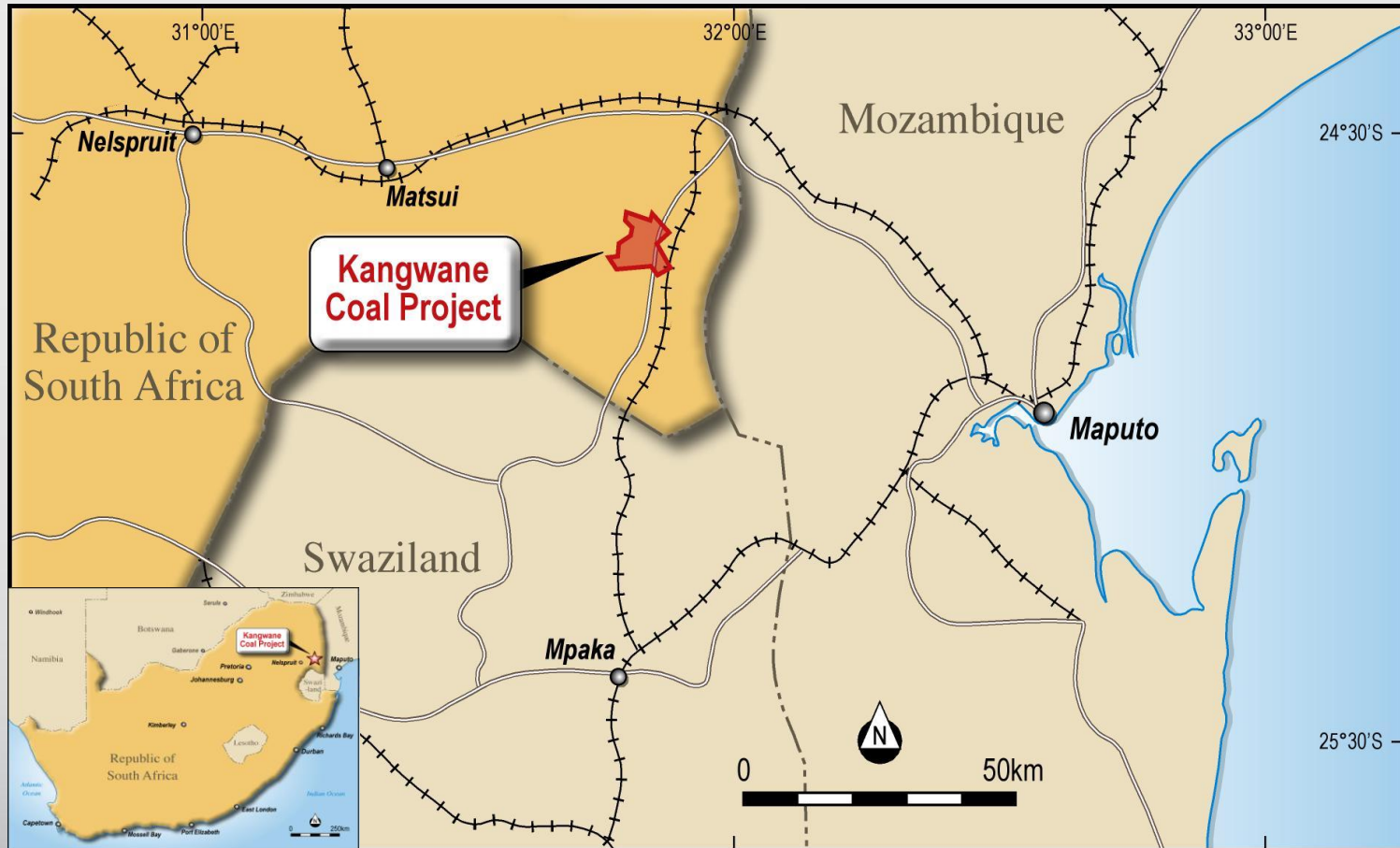
Previous Director of Project and Business Development at Beny Steinmetz Group Resources, managed aspects of **\$500 million dollar copper-cobalt mine** and refinery in Zambia

Experience includes completion of both **pre feasibility and bankable feasibility studies** (BFS) in numerous jurisdictions

**12 years** of investment banking and commodities research experience, including corporate finance and project finance



# PROJECT LOCATION – RAIL INFRASTRUCTURE



Comprehensive drilling **database of 149 diamond holes** totalling **18,567 metres over 33km strike length**, plus 40 holes in 2011 at 4,000m

**Existing box-cut** on the property enables the removal of a **bulk sample for metallurgical testing and marketing trials**

Project located approximately **100km from Maputo Port by direct rail link**, with an existing rail siding on the property. **Road, power and water all located nearby**

Coal seam widths between **4m and 6m, dipping to the East at 6°**

**Siyanda Resources (BEE partner)** has extensive experience in South African coal mining; **currently operating two mines** and previous owners of the Koornfontein Coal Mine

First production within **24 months** from commencement of the BFS

High quality metallurgical coal has the potential to generate premium pricing (estimates of **US\$120 per tonne @ mine gate**)

**JORC Compliant Resources of 114Mt** including a **Measured Resource of 21.4Mt**

Adjacent Anthracite mine and processing facility indicates **low operating costs**

BFS to focus on early stage production from open pit operations (**1.5 – 4.5Mt per annum ROM**)



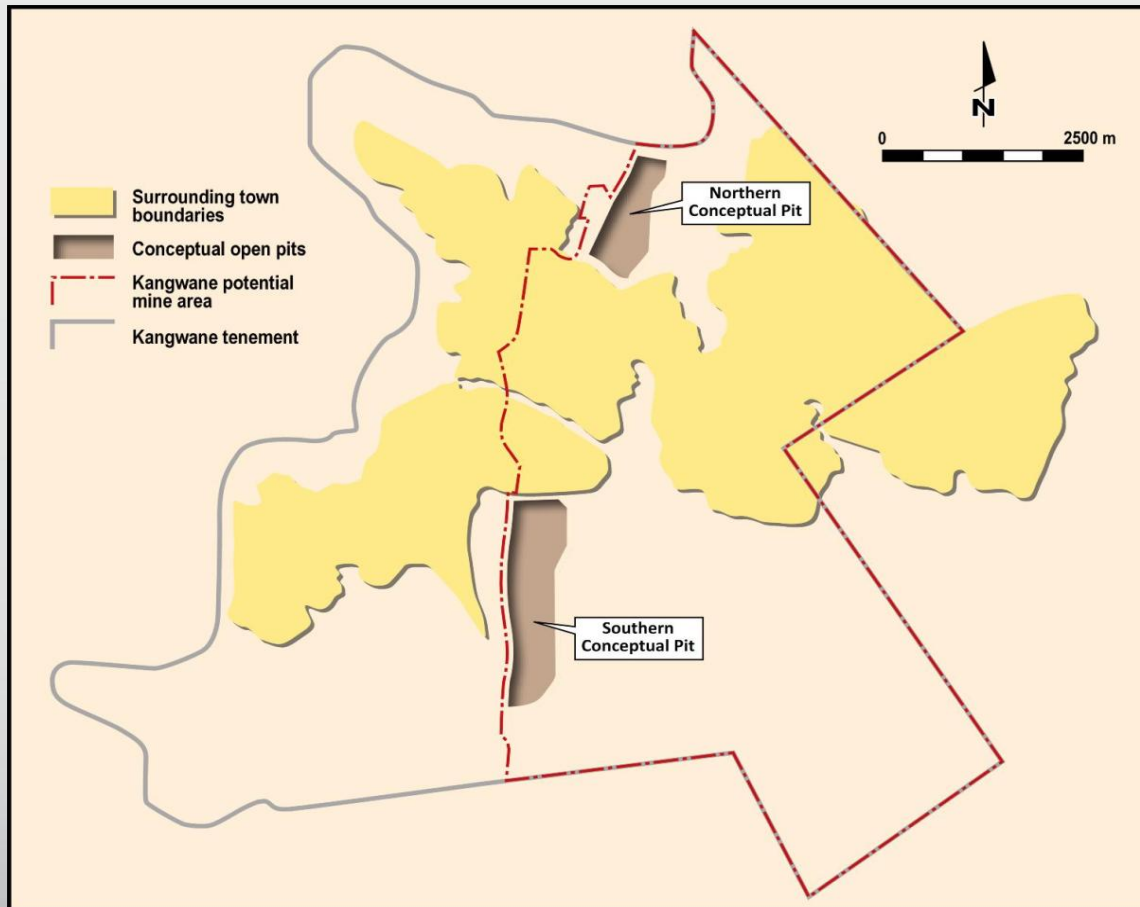
## Coal Resource Estimate Statement (JORC and SAMREC compliant) for Kangwane Anthracite (gross tonnes in situ – GTIS)

Total Measured Coal Resource (GTIS)	21.4 Mt
Total Indicated Coal Resource (GTIS)	25.5 Mt
Total Inferred Coal Resource (GTIS)	67.2 Mt
<b>Total JORC compliant Coal Resources at Kangwane anthracite</b>	<b>114.1 Mt</b>

**Exploration Target <sup>1</sup> of 400Mt to 450Mt** at an expected calorific value range of **6,635 kcal to 6,712 kcal**

*<sup>1</sup> The potential quantity and grade of the above Exploration Target is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.*

# KANGWANE OPEN CUT RESOURCES



BFS will focus on the **North and South Open Pits** due to the near surface nature of the coal

Coal is known to sub-crop on the western side and has been measured to dip at **6° to 7° to the east**

# KANGWANE COAL QUALITY RANGES

## Washed coal specifications based on exploration to date

	Kangwane Anthracite Project	Neighbouring Nkomati Anthracite Mine
Ash (%)	16% to 22%	20.3%
Volatile Matter (%)	4.80% to 7.80%	7.6%
Fixed Carbon (%)	74.75% to 78.1%	75.1%
Sulphur Average (%)	0.52%	0.7%
Phosphor Content (%)	0.02% to 0.002%	
Calorific Value (MJ/kg)	27.78 MJ/kg to 28.1 MJ/kg	28.4 MJ/kg
Calorific value (kcal)	6,635 kcal to 6,712 kcal	6,783 kcal



# KANGWANE EXPLORATION – SELECTED DRILL RESULTS

Significant coal intersections at the Kangwane Project include:

## Potential Open-cut Coal Intersections -

- **3.52m seam** from 26.42 metres to 29.94 metres (SYT001P)
- **4.92m seam** from 29.95 metres to 34.87 metres (SYT001P)
- **9.74m seam** from 11.28 metres to 21.02 metres (SYT003P)
- **4.60m seam** from 33.55 metres to 38.15 metres (SYT005P)
- **3.99m seam** from 54.73 metres to 58.72 metres (SYT009PM)
- **3.43m seam** from 45.50 metres to 48.93 metres (SYT010P)
- **8.68m seam** from 48.85 metres to 57.53 metres (SY012P)
- **10.18m seam** from 41.34 metres to 51.52 metres (SY016P)
- **4.65m seam** from 71.73 metres to 76.38 metres (SY019PM)

## Potential Underground Coal Intersections -

- **11.11m seam** from 137.57 metres to 148.68 metres (SYT007P)
- **4.51m seam** from 126.37 metres to 130.88 metres (SYT008P)
- **5.64m seam** from 149.23 metres to 154.87 metres (SY017P)
- **7.23m seam** from 153.11 metres to 160.34 metres (SY018P)





## Rail:

- Rail siding access adjacent to tenement
- Capacity of 100,000 tonnes/month at rail siding
- 100km by direct rail link to Maputo Port



## Port:

- Matola Bulk Terminal at Maputo Port operates 24 hrs
- Port can handle 6Mt of coal per annum
- Direct rail link access to port facilities
- Capacity upgrade occurring



## Power Lines:

- Mains power 18km from project
- Power currently supplied to neighbouring Nkomati Anthracite Mine
- Sealed road passes through Kangwane allowing for power line extensions



## Water:

- Nkomati River traverses north of the Kangwane Project to provide water
- Water currently being supplied to neighbouring Nkomati Anthracite Mine

# ANTHRACITE OFFTAKE – KANGWANE PRODUCTION

Executed non-binding MoU with an **International Power Utility for off-take at Kangwane**

International Power Utility specialises in the construction and operation of specifically engineered and designed modular power stations

MoU envisages the construction and operation of a **600MW to 1,200MW Power Plant** in close proximity to the Kangwane Project

Off-take contract encompasses the **supply of approximately 1.5Mt of anthracite per year** over an initial 25 year period

**150,000t – 200,000t stockpile** of anthracite to be maintained at all times

Kangwane presents an attractive opportunity for the International Power Utility due to the **high energy characteristics of the anthracite**

**Offtake secures a consistent consumer** of the product and keeps open the rail and associated infrastructure for additional sales

**Maintains the option of product sales to the inland markets** in the Highveld region and the **export option via Maputo** for any excess production

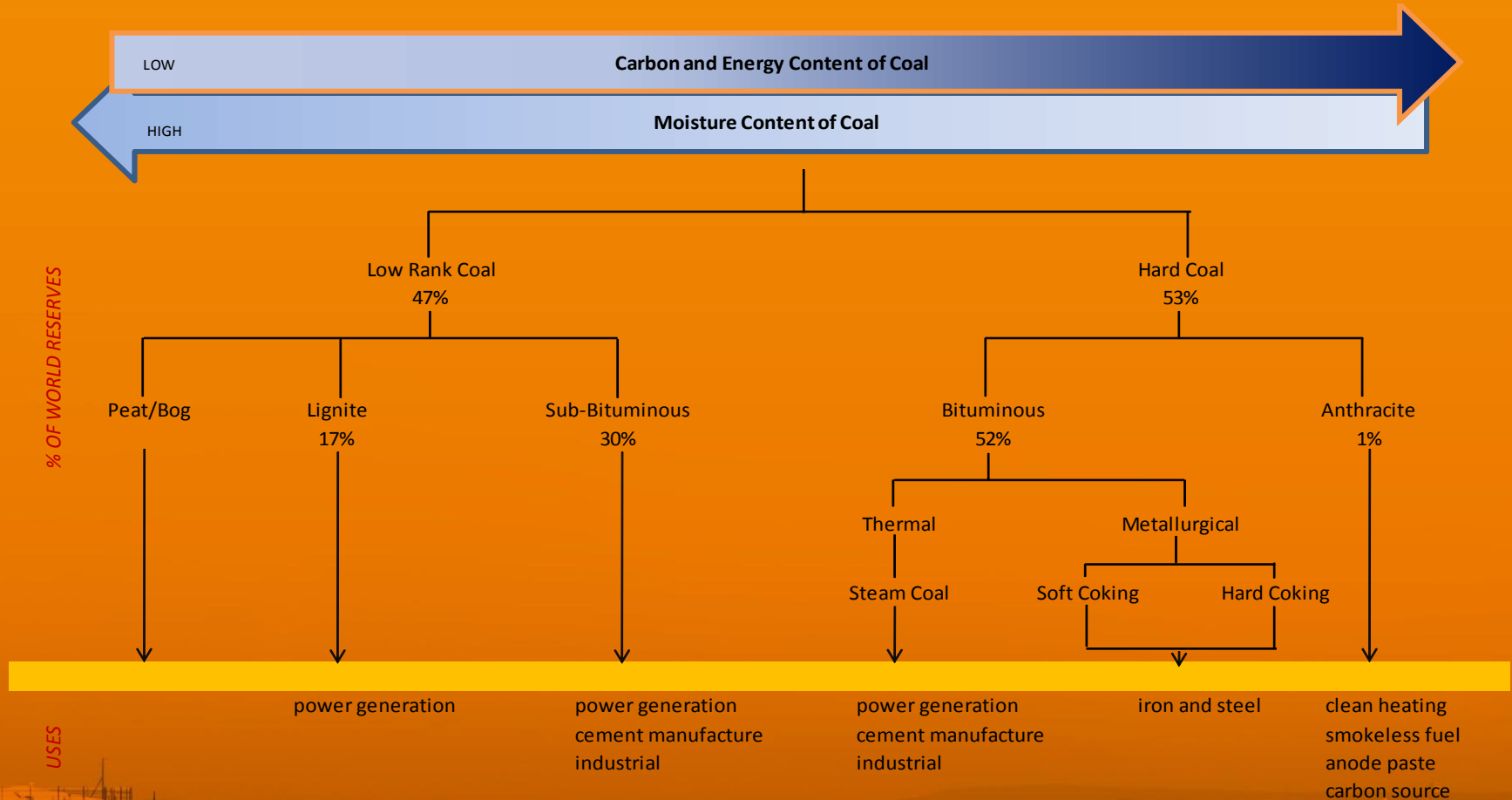


- BFS cost ~**\$1.9 million** with an independent **BFS manager**, commenced Q4 2010
- BFS expected to take approximately **8 months to complete**
- **Olympic Park engaged to oversee drilling** for the BFS with **six drill rigs mobilised** and currently drilling, commenced Q1 2011
- **7,000 metres of additional drilling to:**
  - confirm existing drilling against MCL drill program
  - infill drill for converting Resources to Reserves
  - step-out drill for Resource expansion
- Geomagnetic flyover **conducted**
- **Bulk sample to be taken** from existing box cut for metallurgical and marketing / buyer testing

## Right to 50.12% interest subject to spend commitments:

- **ZYL to expend ZAR20 million (~A\$3 million) over 12 months** to complete a BFS and capitalise the JV; anticipated **completion 6 - 8 months**
- **ZYL will invest ZAR30 million (~A\$4.5 million)** in equity for capital expenditure items in connection with mine development
- **Loan of ZAR3.00 per tonne (~A\$0.45 per tonne)** of economically mineable coal (as demonstrated by the BFS) **capped at ZAR100.5 million (~A\$15.5 million)** provided in two tranches repaid out of profits after an initial 3 year period of operations
- **After selling 36.6Mt** of anthracite, the original shareholders will receive a royalty of ZAR2/tonne for anthracite sold (**~A\$0.30/tonne**) **above 36.6Mt**

# TYPES OF COAL - ANTHRACITE



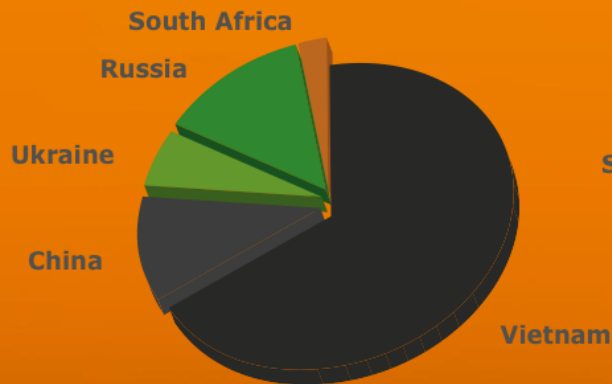


# ANTHRACITE MARKET AND OUTLOOK

- Demand driven by the metal refining industry
- Relatively inelastic – no price-competitive substitutes
- Constrained supply from major producers (Vietnam, Russia)

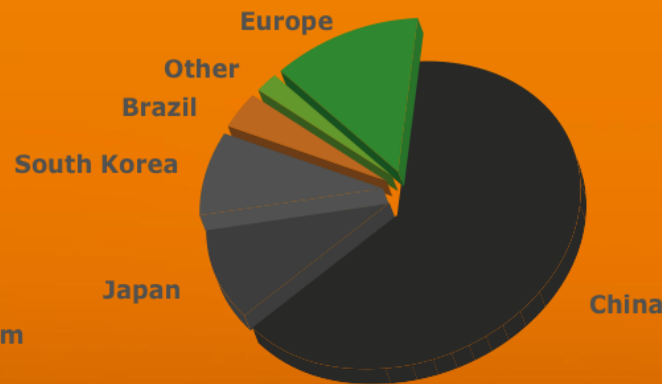
**Asian supply growth likely to be constrained**

**Supply of seaborne anthracite  
(50 million tonnes p.a.)**



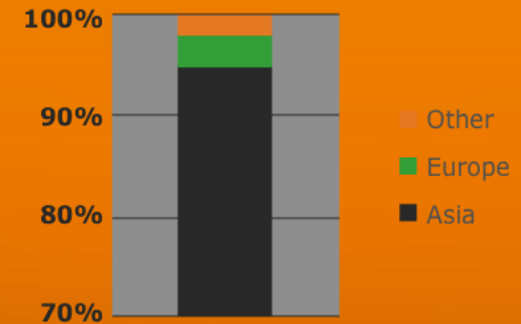
**Supply**

**Asia dominates demand for anthracite  
- Asian imports: 83% of total**



**Demand**

**Asia accounts for 95% of demand growth**



**\* Demand and growth of  
seaborne anthracite**

Source: resource-net

# THANK YOU

For further information go to **[www.zyllimited.com.au](http://www.zyllimited.com.au)**

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