
ZYL LIMITED
ACN 008 720 223

NOTICE OF GENERAL MEETING

General Meeting of the Company will be held at The Heritage Boardroom, The Melbourne Hotel, 942 Hay St Perth, Western Australia on 24 June 2013 at 3:00pm (WST).

This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on (08) 9486 4036.

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Shareholders of ZYL Limited (**Company**) will be held at The Heritage Boardroom, The Melbourne Hotel, 942 Hay St Perth Western Australia on 24 June 2013 at 3:00pm (WST) (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 22 June 2013 at 3:00pm (WST).

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Section 15.

AGENDA

1. Resolution 1 – Approval of acquisition of interest in Mbila Project

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to Resolutions 2, 5, 6 and 7 being passed, for the purposes of Listing Rule 7.1, and for all other purposes, Shareholders approve the issue of up to 588,402,532 Shares (**Mbila Vendor Shares**) to the Mbila Vendors as consideration for the acquisition by the Company of an interest in the Mbila Project pursuant to the terms of the Settlement Agreement on the terms and conditions as set out in the Explanatory Memorandum accompanying this Notice.”*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who may participate in the issue of the Mbila Vendor Shares and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Resolution 2 – Approval of issue of Shares to MTI

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

“That, subject to Resolutions 1, 5, 6 and 7 being passed, for the purposes of section 611 item 7 of the Corporations Act, and all other purposes, Shareholders approve the issue of 80% of the Mbila Vendor Shares (up to 470,722,026 Shares) (MTI Shares) to MTI on the terms and conditions as set out in the Explanatory Memorandum.”

Stantons has prepared an independent expert’s report on the proposed issue of the MTI Shares to MTI and has concluded that the proposed issue of the MTI Shares to MTI is fair and reasonable to the existing Shareholders. Refer to Section 3.6 for further information.

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by MTI and any of its associates.

3. Resolution 3 - Ratification of Prior Placement

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue by the Directors of 68,660,000 Shares (Prior Placement Shares) each at an issue price of \$0.02 per Share on the terms and conditions as set out in the Explanatory Memorandum accompanying this Notice (Prior Placement).”

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who participated in the Prior Placement and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. Resolution 4 – Confirmation of appointment of Director – Mr Yuzheng Xie

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

“That in accordance with Article 98 of the Constitution, Shareholders confirm the appointment of Mr Yuzheng Xie, who was appointed a Director by the other Directors, as a Director.”

5. Resolution 5 – Approval of issue of Placement Shares

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to Resolutions 1, 2, 6 and 7 being passed, for the purposes of Listing Rules 7.1 and for all other purposes, Shareholders approve the issue of up to 280,000,000 Shares (**Placement Shares**) each at an issue price of \$0.02 per Share on the terms and conditions as set out in the Explanatory Memorandum accompanying this Notice (**Placement**).”*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who may participate in the Placement and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. Resolution 6 – Approval of issue of Shares to Prestige Glory (LR 10.11)

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to Resolutions 1, 2, 5 and 7 being passed, for the purposes of Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of up to 280,000,000 Shares each at an issue price of \$0.02 to Prestige Glory either pursuant to the Placement and/ or pursuant to an additional placement (**Top Up Placement**) of up to 280,000,000 Shares each at an issue price of \$0.02 (**Top Up Shares**) on the terms and conditions as set out in the Explanatory Memorandum accompanying this Notice.”*

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by Prestige Glory and any of its associates.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. Resolution 7 – Approval of issue of Shares to Prestige Glory (Section 611 item 7)

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, subject to Resolutions 1, 2,5 and 6 being passed, for the purposes of section 611 item 7 of the Corporations Act, and all other purposes, Shareholders approve the issue of up to 280,000,000 Shares to Prestige Glory on the terms and conditions as set out in the Explanatory Memorandum."

Stantons has prepared an independent expert's report on the proposed issue of up to 280,000,000 Shares to Prestige Glory and has concluded that the proposed issue of up to 280,000,000 Shares to Prestige Glory is fair and reasonable to the existing Shareholders. Refer to Section 4.6 for further information.

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by Prestige Glory and any of its associates.

8. Resolution 8 – Authority to issue Shares to Breamline

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*"That, for the purposes of Listing Rule 7.1, and for all other purposes, Shareholders approve and authorise the Directors to issue 10,000,000 Shares (**Breamline Shares**) to Breamline on the terms and conditions as set out in the Explanatory Memorandum."*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Breamline and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. Resolution 9 – Authority to issue Shares to Selentium

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*"That, for the purposes of Listing Rule 10.11, and for all other purposes, Shareholders approve and authorise the Directors to issue 39,779,661 Shares (**Selentium Shares**) to Selentium on the terms and conditions as set out in the Explanatory Memorandum."*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Selentium and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. Resolution 10 – Authority to grant Adviser Options to Selentium

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, for the purposes of Listing Rule 10.11, and for all other purposes, Shareholders approve and authorise the Directors to grant 7,500,000 Adviser Options each exercisable at \$0.20 on or before the date that is three years from the date of grant to Selentium on the terms and conditions as set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Selentium and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11. Resolution 11 – Authority to issue Shares to Macquarie

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*"That, for the purposes of Listing Rule 7.1, and for all other purposes, Shareholders approve and authorise the Directors to issue 1,300,000 Shares (**Macquarie Shares**) to Macquarie on the terms and conditions as set out in the Explanatory Memorandum."*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Macquarie and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

However, the Company will not disregard a vote if:

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- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
 - (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated 22 May 2013

BY ORDER OF THE BOARD

Nicholas Ong
Company Secretary

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at The Heritage Boardroom, The Melbourne Hotel, 942 Hay St Perth, Western Australia on 24 June 2013 at 3:00pm (WST).

This Explanatory Memorandum should be read in conjunction with, and forms part of, the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions set out in the Notice.

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

3. Summary of acquisition of interest in Mbila Project

3.1 Background

As announced on 2 April 2013 the Company has entered into a settlement agreement with the Mbila Vendors and Prestige Glory (**Settlement Agreement**) pursuant to which the parties have agreed to settle all disputes in relation to the acquisition of the Company's interest in the Mbila Project and to recapitalise the Company.

Pursuant to the terms of the Settlement Agreement:

- (a) The Company will acquire a 74% interest in the Mbila Project for the issue of such number of Shares as is equal to 35% of the issued capital of the Company, on a fully diluted basis, following completion of the Revised Mbila Acquisition, the Placement, the issue of the Breamline Shares, Selentium Securities and Macquarie Shares and assuming the issue of 200,000,000 Shares on conversion of the Convertible Notes, regardless of whether the Convertible Notes are issued (but not including any Top Up Shares issued (if any)) (**Revised Mbila Acquisition**) (as compared to AUD\$27,000,000 cash under the original acquisition agreements).
- (b) Prestige Glory will immediately subscribe for 68,660,000 Shares at \$0.02 per Share to raise AUD\$1,373,000, before costs (the Company is seeking ratification of this placement under Resolution 3).
- (c) The Company will undertake a capital raising transaction to raise a minimum of AUD\$5,600,000. The Company is proposing to undertake the Placement to satisfy this obligation. Refer to Section 4.1 for further information on the Placement.
- (d) All disputes between the Mbila Vendors and the Company will be settled with effect from completion of the Revised Mbila Acquisition referred to in Section 3.1(a) and the Placement referred to in Section 3.1(c).

If completion of the Revised Mbila Acquisition and the Placement are not completed by 28 June 2013, or such later date agreed by the parties, then the settlement will not proceed. The effect of this is that the Mbila Vendors will own 74% of the Mbila Project, the Mbila Vendors will retain their claims against the Company under the existing acquisition agreement and the Company will have no ability to make any claim against the Mbila Vendors. Accordingly, if Shareholders do not approve the terms of the Revised Mbila Acquisition then the settlement will not proceed with the above effect.

MTI holds 80% of the shares to be transferred to the Company under the Revised Mbila Acquisition. Accordingly, 80% of the Mbila Vendor Shares will be issued to MTI as its portion of the consideration for the Revised Mbila Acquisition. John Beck, Lowry Beck and John Makepeace (together the **Trustees**) control 67% of MTI as trustees of the Trust. Neither MTI nor the Trustees currently hold any Shares in the Company.

Following completion of the Revised Mbila Acquisition, the Placement and the issue of the Breamline Shares, Selentium Securities and Macquarie Shares, MTI will hold up to the following number of Shares and exercise the following voting power in the Company:

	Number of Shares	Voting Power
MTI	470,722,026 ⁽¹⁾	31.78% ⁽²⁾⁽³⁾⁽⁴⁾

- (1) The number of Shares to be issued to MTI on completion of the Revised Mbila Acquisition will be 80% of the Mbila Vendor Shares.
- (2) Assumes that no Options are exercised prior to completion of the Revised Mbila Acquisition.
- (3) Assumes that the Company issues the Breamline Shares, Selentium Shares and Macquarie Shares. If none of these Shares are issued, the voting power of MTI will be 32.92%.
- (4) The Company is currently considering a proposal to issue the Convertible Notes. If the Company does so then the voting power of MTI may be reduced if the Convertible Notes are converted into Shares. Refer to Section 4.1 for further information on the Convertible Notes.

As a consequence of MTI's voting power in the Company on completion of the Revised Mbila Acquisition, the Company will need Shareholder approval to complete the issue of the MTI Shares to MTI as part of the Revised Mbila Acquisition. Specifically, Shareholder approval is required pursuant to Item 7 of section 611 of the Corporations Act because the Revised Mbila Acquisition will result in MTI acquiring ownership of more than 20% of the issued share capital of the Company.

3.2 Effect of the Revised Mbila Acquisition on the Company

(a) Capital Structure

Below is a table showing the Company's current capital structure and the possible capital structure on completion of the Revised Mbila Acquisition, the Placement and the issue of the Breamline Shares, Selentium Securities and Macquarie Shares (assuming none of the Options are exercised prior to completion of the Revised Mbila Acquisition).

	Shares	Options
Balance at the date of this Notice	561,667,899	22,500,000
Balance following completion of the Placement	841,667,899	22,500,000
Balance Following the issue of the Breamline Shares, Selentium Securities and Macquarie Shares	892,747,560	30,000,000
Balance following completion of the Revised Mbila Acquisition	1,481,150,092	30,000,000

(b) Pro Forma Balance Sheet following the Revised Mbila Acquisition

Refer to pages 12 and 13 of the Independent Expert's Report for an unaudited consolidated statement of financial position (balance sheet) of the Company as at 28 February 2013 along with a pro-forma consolidated statement of financial position following completion of the Revised Mbila Acquisition and the Placement and based on the assumptions stated in the Independent Expert's Report.

(c) MTI's Voting Power

The following table outlines the maximum voting power of MTI following completion of the Revised Mbila Acquisition, the Placement and the issue of the Breamline Shares, Selentium Securities and Macquarie Shares.

In addition, the Trustees, who as trustees of the Trust control 67% of MTI, will also be deemed to have the voting power set out below.

Event causing the Share issue	Number of Shares held by MTI	% of Share capital held by MTI on issue of the Shares
Prior to completion of the Revised Mbila Acquisition	Nil	0%
On completion of the Revised Mbila Acquisition	470,722,026 ⁽¹⁾	31.78% ⁽²⁾⁽³⁾⁽⁴⁾

- (1) The number of Shares to be issued to MTI on completion of the Revised Mbila Acquisition will be 80% of the Mbila Vendor Shares.
- (2) Assumes that no Options are exercised prior to completion of the Revised Mbila Acquisition.
- (3) Assumes that the Company issues the Breamline Shares, Selentium Shares and Macquarie Shares. If none of these Shares are issued, the voting power of MTI will be 32.92%.
- (4) The Company is currently considering a proposal to issue the Convertible Notes. If the Company does so then the voting power of MTI may be reduced if the Convertible Notes are converted into Shares. Refer to Section 4.1 for further information on the Convertible Notes.

(d) MTI's Voting Power Increase/Decrease

MTI's voting power in the Company may change as follows:

- (i) Increase in MTI's voting power:
- (A) Acquisition of Shares by MTI on and off market. MTI could increase its Shareholding under the creep provisions of the Corporations Act allowing it to acquire 3% every 6 months.
- (B) Cancellation of Shares held by Shareholders other than MTI.
- (ii) Decrease in MTI's voting power:
- (A) Disposal of Shares held by MTI.
- (B) Issue of Shares by the Company to Shareholders other than MTI.
- (C) Exercise of Options by Option holders.

3.3 Advantages of the Revised Mbila Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 2. Refer to sections 9.2 to 9.8 of the Independent Expert's Report for further advantages:

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- For personal use only
- (a) Settlement pursuant to the Settlement Agreement will result in the Company acquiring immediate ownership of 74% of the Mbila Project without paying any further cash acquisition costs to the Mbila Vendors. The original acquisition agreement contemplated a significantly higher cash cost for the Company to secure a 74% stake in the Mbila Project.
 - (b) Failure to settle with the Mbila Vendors would have resulted in a protracted legal dispute between the Mbila Vendors and the Company, the outcome of which was uncertain. This uncertainty, coupled with the limited financial cash resources of the Company, could have resulted in the Company going into some form of external administration.
 - (c) As a consequence of entering into the Settlement Agreement, the Company is in a position to raise additional funding (refer to Section 3.1 for further details) and following completion of the Revised Mbila Acquisition, the Company's general ability to raise funds and attract expertise will be improved.
 - (d) Ownership and control of the Mbila Project provide the Company with a platform to become a producing mining company. The Mbila Project has an existing mining right. Therefore the Company has the potential to start mining activities shortly after completion of the Revised Mbila Acquisition (although full scale production on the Mbila Project can only commence once a water use license is granted).
 - (e) The nature of the resource on the Mbila Project is possibly suitable to initial small scale mining activities. Given the current economic environment and the difficulties experienced by junior mining companies in raising capital, the ability to start small scale operations with a limited capital budget on the Mbila Project offers an opportunity for the Company to generate cash while preparing to scale up its mining operations.
 - (f) The anthracite to be mined at the Mbila Project is of a particularly high grade. This product commands a premium and is in demand domestically in South Africa. The demand for this anthracite is expected to increase as local supplies of this product reduce following the depletion of existing high grade anthracite mining resources in South Africa.
 - (g) The Company will be able to increase its value if it is able to achieve exploration success in Msebe Prospecting Right Area of the Mbila Project.

3.4 Disadvantages of the Revised Mbila Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote of Resolution 2. Refer to sections 9.9 to 9.15 of the Independent Expert's Report for further disadvantages:

- (a) Should the MTI Shares be issued to MTI on completion of the Revised Mbila Acquisition, the Company's Shareholders will have their voting powers reduced. As such, the ability of the existing Shareholders to influence decisions, including the composition of the Board or the acquisition or disposal of assets will be reduced accordingly.
- (b) Following the issue of the MTI Shares upon completion of the Revised Mbila Acquisition, MTI will become the largest shareholder of the Company. In this scenario, MTI may have the ability to significantly influence or control the Company.

- (c) Following completion of the Revised Mbila Acquisition, the Company will have increased funding commitments to develop the Mbila Project.

3.5 Risk Factors

If the issue of the MTI Shares to MTI is not approved by Shareholders, completion of the Revised Mbila Acquisition will not occur and the settlement pursuant to the Settlement Agreement will not proceed. The effect of this is that the Mbila Vendors will own 74% of the Mbila Project, the Mbila Vendors will retain their claims against the Company under the existing acquisition agreement and the Company will have no ability to make any claim against the Mbila Vendors. Accordingly, if Shareholders do not approve the terms of the Revised Mbila Acquisition, including the issue of the MTI Shares to MTI then the settlement pursuant to the Settlement Agreement will not proceed with the above effect.

For the sake of clarity failure to conclude the settlement pursuant to the Settlement Agreement would result in ZYL writing off its initial investment in the Mbila Project with no prospect of recovering these funds.

3.6 Independent Expert's Report

The Directors resolved to appoint Stantons as an independent expert and commissioned it to prepare a report to provide an opinion as to whether or not the proposal in Resolution 2 is fair and reasonable to the existing Shareholders.

What is fair and reasonable must be judged by the independent expert in all the circumstances of the proposal. This requires taking into account the likely advantages to Shareholders if the proposal is approved and comparing them with the disadvantages to them if the proposal is not approved.

Stantons has concluded that the proposed issue of the MTI Shares to MTI as part of the Revised Mbila Acquisition is fair and reasonable to the existing Shareholders.

The Company strongly recommends that you read the Independent Expert's Report in full, a copy of which is in Annexure A to this Explanatory Memorandum.

3.7 Section 611 Corporations Act

- (a) Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of the Company if, because of the acquisition, that person's or another person's voting power in the Company increases from:
- (i) 20% or below to more than 20%; or
 - (ii) a starting point that is above 20% and below 90%.
- (b) The voting power of a person in the Company is determined by reference to section 610 of the Corporations Act. A person's voting power in the Company is the total of the votes attaching to the Shares in the Company in which that person and that person's associates (within the meaning of the Corporations Act) have a relevant interest.
- (c) Under section 608 of the Corporations Act, a person will have a relevant interest in Shares if:
- (i) the person is the registered holder of the Shares;

- (ii) the person has the power to exercise or control the exercise of votes or disposal of the Shares; or
 - (iii) the person has over 20% of the voting power in a company that has a relevant interest in Shares, then the person has a relevant interest in said Shares.
- (d) For the purpose of determining who is an associate you need to consider section 12 of the Corporations Act. Any reference in chapters 6 to 6C of the Corporations Act to an associate is as that term is defined in section 12. The definition of 'associate' in section 12 is exclusive. If a person is an associate under section 11, 13 or 15 of the Corporations Act then it does not apply to chapters 6 to 6C. A person is only an associate for the purpose of chapter 6 to 6C if he is an associate under section 12.
- (e) A person (second person) will be an associate of the other person (first person) if:
 - (i) the first person is a body corporate and the second person is:
 - (A) A body corporate the first person controls;
 - (B) A body corporate that controls the first person: or
 - (C) A body corporate that is controlled by an entity that controls the first person;
 - (ii) the second person has entered, or proposes to enter into, a relevant agreement with the first person for the purpose of controlling or influencing the composition of the board of a body corporate or the conduct of the affairs of a body corporate; and
 - (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the affairs of a body corporate.
- (f) The Corporations Act defines 'control' and 'relevant agreement' very broadly as follows:
 - (i) Under section 50AA of the Corporations Act control means the capacity to determine the outcome of decisions about the financial and operating policies of the Company. In determining the capacity you need to take into account the practical influence a person can exert and any practice or pattern of behaviour affecting the financial or operating policies of the Company.
 - (ii) Under section 9 of the Corporations Act relevant agreement means an agreement, arrangement or understanding:
 - (A) whether formal or informal or partly informal and partly informal;
 - (B) whether written or oral or partly written and partly oral; and
 - (C) whether or not having legal or equitable force and whether or not based on legal or equitable rights.

- (g) Associates are determined as a matter of fact. For example where a person controls or influences the Board or the conduct of the Company's business affairs, or acts in concert with a person in relation to the entity's business affairs.
- (h) Section 611 of the Corporations Act has exceptions to the prohibition in section 606 of the Corporations Act. Item 7 of section 611 of the Corporations Act provides a mechanism by which Shareholders may approve an issue of Shares to a person which results in that person's or another person's voting power in the Company increasing from:
- (i) 20% or below to more than 20%; or
 - (ii) a starting point that is above 20% and below 90%.
- (i) To comply with the requirements of the Corporations Act (as contained in ASIC Regulatory Guide 74), the Company provides the information in Section 6 of the Explanatory Memorandum to Shareholders in relation to Resolution 2.

4. Summary of Placement and potential Top Up Placement

4.1 Background to Placement and potential Top Up Placement

As noted in Section 3.1, the Company has agreed pursuant to the Settlement Agreement to undertake a capital raising transaction to raise a minimum of AUD\$5,600,000. To satisfy this obligation the Company proposes to undertake the Placement of up to 280,000,000 Shares to raise AUD\$5,600,000.

Although Prestige Glory has committed to subscribe for all of the Placement Shares pursuant to the Placement, the Company will also approach other new investors and existing Shareholders that are sophisticated or professional investors to participate in the Placement. To the extent that these investors participate in the Placement, the obligation of Prestige Glory to subscribe for Placement Shares will be reduced. However Prestige Glory will have the right, but not the obligation, pursuant to the Top Up Placement to top up its subscription for Shares to 280,000,000 Shares to the extent that other investors participate in the Placement. Prestige Glory will receive a fee from the Company equal to 5% of the firm allocation for which it actually subscribes under the Placement and/or Top Up Placement on completion of the Placement and Top Up Placement.

In addition to the Placement and the potential Top Up Placement:

- (a) the Company will also offer Shareholders the right to buy new shares in the Company at an issue price of \$0.02 per share pursuant to a share purchase plan with a total limit of AUD\$1,500,000; and
- (b) the Company may issue 60 convertible notes each with a face value of \$100,000 to raise \$6,000,000 (**Convertible Notes**). As part of the recapitalisation agreed pursuant to the Settlement Agreement, Prestige Glory will, on a best endeavours basis, seek to subscribe for 100% of the Convertible Notes. Shareholder approval of the issue of the Convertible Notes and the Shares to be issued on conversion of the Convertible Notes is not being sought at this Meeting because the terms of the Convertible Notes and who will subscribe for them (currently intended to be Prestige Glory) have not yet been finalised. The Company will however seek the necessary Shareholder approvals at a subsequent general meeting of the Company prior to issuing the Convertible Notes.

Prestige Glory currently holds 88,692,092 Shares in the Company. Mr Song Kun is the sole director and shareholder of Prestige Glory and consequently controls Prestige Glory. Mr Kun does not currently hold any Shares in the Company.

Following completion of the Placement, the Revised Mbila Acquisition, and the issue of the Breamline Shares, Selentium Securities and Macquarie Shares, Prestige Glory may hold up to the following number of Shares and exercise the following voting power in the Company:

	Number of Shares	Voting Power
Prestige Glory	368,692,092	24.89% ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

- (1) Assumes that no Options are exercised prior to completion of the Placement. Prestige Glory subscribes for all of the Placement Shares pursuant to the Placement and consequently the Top Up Placement is not undertaken as this would result in Prestige Glory acquiring the maximum voting power in the Company. If the Company issues all of the Placement Shares to investors other than Prestige Glory and Prestige Glory exercises its right to subscribe for all of the Top Up Shares pursuant to the Top Up Placement, the voting power of Prestige Glory will be 20.93%. If Prestige Glory subscribes for some, but not all of the Placement Shares and/or some but not all of the Top Up Shares then this will have a consequential effect on Prestige Glory's voting power.
- (3) Assumes that the Company issues the Breamline Shares, Selentium Shares and Macquarie Shares. If none of these Shares are issued, the voting power of Prestige Glory will be 25.78% (assuming Prestige Glory subscribes for all of the Placement Shares pursuant to the Placement and consequently the Top Up Placement is not undertaken) and 21.56% (assuming the Company issues all of the Placement Shares to investors other than Prestige Glory and Prestige Glory exercises its right to subscribe for all of the Top Up Shares pursuant to the Top Up Placement).
- (4) The Company is currently considering a proposal to issue the Convertible Notes. If the Company issues the Convertible Notes to Prestige Glory then the voting power of Prestige Glory may increase if the Convertible Notes are converted into Shares. However if the Convertible Notes are issued to investors other than Prestige Glory then the voting power of Prestige Glory may decrease if the Convertible Notes are converted into Shares. Refer to Section 4.1 for further information on the Convertible Notes.

As a consequence of Prestige Glory's voting power in the Company on completion of the Placement and Top-Up Placement (if applicable), the Company will need Shareholder approval to complete the issue of all of the Shares to Prestige Glory pursuant to the Placement and Top Up Placement (if applicable). Specifically, Shareholder approval will be required pursuant to Item 7 of section 611 of the Corporations Act because the Placement and Top Up Placement (if applicable) will result in Prestige Glory acquiring ownership of more than 20% of the issued share capital of the Company.

4.2 Effect of the Placement and potential Top Up Placement on the Company

(a) Capital Structure

Below is a table showing the Company's current capital structure and the possible capital structure on completion of the Placement, the Revised Mbila Acquisition, and the issue of the Breamline Shares, Selentium Securities and Macquarie Shares (assuming none of the Options that are currently on issue are exercised).

	Shares	Options
Balance at the date of this Notice	561,667,899	22,500,000

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Balance following completion of the Placement	841,667,899 ⁽¹⁾	22,500,000
Balance following the issue of the Breamline Shares, Selentium Securities and Macquarie Shares	892,747,560	30,000,000
Balance following completion of the Revised Mbila Acquisition	1,481,150,092	30,000,000

(1) Assumes Prestige Glory subscribes for all of the Placement Shares pursuant to the Placement and consequently the Top Up Placement is not undertaken as this would result in the maximum voting power that Prestige Glory could acquire in the Company. May include up to an additional 280,000,000 Shares if the Company issues all of the Placement Shares to investors other than Prestige Glory and Prestige Glory exercises its right to subscribe for all of the Top Up Shares pursuant to the Top Up Placement.

(b) Pro Forma Balance Sheet following the Placement

Refer to pages 12 and 13 of the Independent Expert's Report for an unaudited consolidated statement of financial position (balance sheet) of the Company as at 28 February 2013 along with a pro-forma consolidated statement of financial position following completion of the Placement and the Revised Mbila Acquisition and based on the assumptions stated in the Independent Expert's Report.

(c) Prestige Glory's Voting Power

The following table outlines the voting power of Prestige Glory following completion of the Placement, the Revised Mbila Acquisition and the issue of the Breamline Shares, Selentium Shares and Macquarie Shares.

In addition, Mr Song Kun, who controls Prestige Glory as sole director and shareholder of Prestige Glory, will also be deemed to have the voting power set out below.

Event causing the Share issue	Number of Shares held by Prestige Glory	% of Share capital held by Prestige Glory on issue of the Shares
Prior to completion of the Placement	88,692,092	15.79%
On completion of the Placement	368,692,092	24.89% ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

(1) Assumes that no Options are exercised prior to completion of the Placement.

(2) Assumes Prestige Glory subscribes for all of the Placement Shares pursuant to the Placement and consequently the Top Up Placement is not undertaken as this would result in Prestige Glory acquiring the maximum voting power in the Company. If the Company issues all of the Placement Shares to investors other than Prestige Glory and Prestige Glory exercises its right to subscribe for all of the Top Up Shares pursuant to the Top Up Placement, the voting power of Prestige Glory will be 20.93%. If Prestige Glory subscribes for some, but not all of

the Placement Shares and/or some but not all of the Top Up Shares then this will have a consequential effect on Prestige Glory's voting power.

- (3) Assumes that the Company issues the Breamline Shares, Selentium Shares and Macquarie Shares. If none of these Shares are issued, the voting power of Prestige Glory will be 25.78% (assuming Prestige Glory subscribes for all of the Placement Shares pursuant to the Placement and consequently the Top Up Placement is not undertaken) and 21.56% (assuming the Company issues all of the Placement Shares to investors other than Prestige Glory and Prestige Glory exercises its right to subscribe for all of the Top Up Shares pursuant to the Top Up Placement).
- (4) The Company is currently considering a proposal to issue the Convertible Notes. If the Company issues the Convertible Notes to Prestige Glory then the voting power of Prestige Glory may increase if the Convertible Notes are converted into Shares. However if the Convertible Notes are issued to investors other than Prestige Glory then the voting power of Prestige Glory may decrease if the Convertible Notes are converted into Shares. Refer to Section 4.1 for further information on the Convertible Notes.

(d) Prestige Glory's Voting Power Increase/Decrease

Prestige Glory's voting power in the Company may change as follows:

- (i) Increase in Prestige Glory's voting power:
 - (A) Acquisition of Shares by Prestige Glory on and off market. Prestige Glory could increase its Shareholding under the creep provisions of the Corporations Act allowing it to acquire 3% every 6 months.
 - (B) Cancellation of Shares held by Shareholders other than Prestige Glory.
 - (C) Issue of Shares to Prestige Glory upon conversion of the Convertible Notes, if the proposed Convertible Note issue proceeds with Shareholder approval.
- (ii) Decrease in Prestige Glory's voting power:
 - (A) Disposal of Shares held by Prestige Glory.
 - (B) Issue of Shares by the Company to Shareholders other than Prestige Glory.
 - (C) Exercise of Options by Option holders.

4.3 Advantages of the Placement and potential Top Up Placement

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 7. Refer to sections 9.2 to 9.8 of the Independent Expert's Report for further advantages:

- (a) The Placement and Potential Top Up Placement provide the Company with the necessary capital to maintain its assets and to work towards fully capitalizing its business through development of its assets.
- (b) Prestige Glory is already a significant shareholder of the Company. However, by increasing its stake in the Company, Prestige Glory will strengthen its commitment to the long term development of the Company.

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- (c) Prestige Glory's nominee to the Board of the Company, Mr Yuzheng Xie, brings a new set of skills and funding options to the Company. Refer to Section 8 for further information on Mr Xie.
 - (d) The additional funding to be provided by Prestige Glory through the Placement and/or Top Up Placement ensured that the Settlement Agreement could be secured with the Mbila Vendors and thus facilitated the benefits of the Revised Mbila Acquisition in Section 3.3 above.

4.4 Disadvantages of the Placement and potential Top Up Placement

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote of Resolution 7. Refer to sections 9.9 to 9.15 of the Independent Expert's Report for further disadvantages:

- (a) Should Shares be issued to Prestige Glory on completion of the Placement and/or Top Up Placement, the Company's Shareholders will have their voting powers reduced. As such, the ability of the existing Shareholders to influence decisions, including the composition of the Board or the acquisition or disposal of assets will be reduced accordingly.
- (b) Following the issue of the Prestige Glory Shares upon completion of the Placement and/or Top Up Placement, Prestige Glory will become the second largest shareholder of the Company. In this scenario, Prestige Glory may have the ability to significantly influence or control the Company.

4.5 Risk Factors

The Placement and the Settlement Agreement collectively have ensured that the company is in a position to continue as a going concern. Should either or both of these not be executed then the future solvency of the Company will be in jeopardy and some form of external administration may follow.

4.6 Independent Expert's Report

The Directors resolved to appoint Stantons as an independent expert and commissioned it to prepare a report to provide an opinion as to whether or not the proposal in Resolution 7 is fair and reasonable to the existing Shareholders.

What is fair and reasonable must be judged by the independent expert in all the circumstances of the proposal. This requires taking into account the likely advantages to Shareholders if the proposal is approved and comparing them with the disadvantages to them if the proposal is not approved.

Stantons has concluded that the proposed issue of up to 280,000,000 Shares to Prestige Glory as part of the Placement and/or Top Up Placement is fair and reasonable to the existing Shareholders.

The Company strongly recommends that you read the Independent Expert's Report in full, a copy of which is in Annexure A to this Explanatory Memorandum.

4.7 Section 611 Corporations Act

- (a) Refer to section 3.7 for summary of the requirements of section 611 item 7 of the Corporations Act and ASIC Regulatory Guide 74.

- (b) To comply with the requirements of the Corporations Act (as contained in ASIC Regulatory Guide 74), the Company provides the information in Section 11 of the Explanatory Memorandum to Shareholders in relation to Resolution 7.

5. Resolution 1 – Approval of acquisition of interest in Mbila Project

5.1 Background

As announced on 2 April 2013 the Company has entered into the Settlement Agreement pursuant to which the parties have agreed to settle all disputes in relation to the acquisition of the Company's interest in the Mbila Project and to recapitalise the Company.

Pursuant to the Settlement Agreement, the Company will acquire a 74% interest in the Mbila Project for the issue of up to 588,402,532 Shares to the Mbila Vendors. The number of Mbila Vendor Shares to be issued will be such number of Shares as is equal to 35% of the issued capital of the Company, on a fully diluted basis, following completion of the Revised Mbila Acquisition, the Placement, the issue of the Breamline Shares, Selentium Securities and Macquarie Shares and assuming the issue of 200,000,000 Shares on conversion of the Convertible Notes, regardless of whether the Convertible Notes are issued (but not including any Top Up Shares issued (if any)).

Resolution 1 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of the Mbila Vendor Shares to the Mbila Vendors as consideration for the Revised Mbila Acquisition.

Resolution 1 is an ordinary Resolution and is subject to the passing of Resolutions 2, 5, 6 and 7.

5.2 Information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3 information regarding the issue of the Mbila Vendor Shares is provided as follows:

- (a) The maximum number of Shares the Company will issue to the Mbila Vendors is 588,402,532.
- (b) The Company will issue the Mbila Vendor Shares no later than three months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules).
- (c) The Mbila Vendor Shares will be issued for nil cash consideration as consideration for the Revised Mbila Acquisition and accordingly no funds will be raised from the issue of the Mbila Vendor Shares.
- (d) The Mbila Vendor Shares will be issued to the Mbila Vendors.
- (e) The Shares to be issued are fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.
- (f) The Mbila Vendor Shares will be issued progressively.
- (g) A voting exclusion statement is included in the Notice.

6. Resolution 2 – Approval of issue of Shares to MTI

6.1 General

Resolution 2 seeks Shareholder approval under item 7 of section 611 of the Corporations Act to issue securities exceeding 20% of the Company's fully diluted share capital to a party.

A company is not required to obtain Shareholder approval under Listing Rule 7.1 where Shareholder approval is granted under item 7 of section 611 of the Corporations Act. Accordingly, Shareholder approval to issue the MTI Shares to MTI is not required pursuant to Listing Rule 7.2 exception 16.

Resolution 2 is an ordinary resolution and is subject to the passing of Resolutions 1, 5, 6 and 7.

6.2 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

The information that Shareholders require under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 is as follows:

(a) **The identity of MTI and any person who will have a relevant interest in the MTI Shares to be issued to MTI**

MTI is a South African based company.

The Trustees have a relevant interest in the MTI Shares to be issued to MTI because they control 67% of MTI as Trustees of the Trust.

(b) **Full particulars (including the number and percentage) of the Shares in the Company to which MTI will be entitled immediately before and after the Revised Mbila Acquisition**

Neither MTI nor the Trustees hold any Shares in the Company prior to completion of the Revised Mbila Acquisition.

Refer to Section 3.2(c) for full particulars (including the number and percentage) of MTI Securities in which MTI and the Trustees as trustees of the Trust have, or will have, a relevant interest in immediately before and after completion of the Revised Mbila Acquisition.

(c) **The identity, associations (with the Company, MTI or any of their associates) and qualifications of any person who is intended to become a director if Shareholders agree to the issue of Shares to MTI in consideration of the Revised Mbila Acquisition**

It is not intended that any person will become a director of the Company if Shareholders agree to issue the MTI Shares to MTI.

(d) **MTI's intentions regarding the future of the Company if Shareholders agree to the Revised Mbila Acquisition and the issue of Shares to MTI in consideration of the Revised Mbila Acquisition**

MTI will be a Shareholder in the Company following completion of the Revised Mbila Acquisition and:

- (i) there is no intention to change the business of the Company;
- (ii) there is no intention to inject further capital into the Company (other than as disclosed in this Notice);
- (iii) there is no intention to change the future employment of the present employees of the Company;
- (iv) there is no proposal whereby any property will be transferred between the Company and MTI or any parties associated with MTI; and
- (v) there is no intention to otherwise redeploy any of the fixed assets of the Company.

(e) **Particulars of the terms of the proposed issue of Shares and any contract or proposed contract between MTI and the Company or any of their associates which is conditional upon, or directly or indirectly dependent on, Shareholders agreement to the issue of Shares to MTI in consideration of the Revised Mbila Acquisition**

Other than the Settlement Agreement, there are no contracts or proposed contracts between MTI and the Company or any of their associates which are conditional upon, or directly or indirectly dependent on, Shareholder agreement to the issue of the MTI Shares to MTI in consideration of the Revised Mbila Acquisition.

Although it is not conditional or dependent on Shareholders agreement to the issue of the Shares to MTI in consideration of the Revised Mbila Acquisition, it is noted that the Company proposes to enter into a consultancy agreement with John Beck, who holds 67% of MTI, the key terms of which are as follows:

- (i) Mr Beck will provide business consulting services to the Company which may include assisting the Company with strategic and organisational planning, sales and marketing, human resources, operations, technical, legal, accounting, strategic, management and customer relations services.
- (ii) Mr Beck will receive a consulting fee of ZAR4,750 per hour for the actual time spent providing the consulting services to the Company with a monthly retainer of ZAR38,000 which is the minimum amount required to be paid by the Company to Mr Beck regardless of how many hours he works.
- (iii) In addition to the consulting fee, Mr Beck will be reimbursed for all reasonable expenses incurred in providing the consulting services.
- (iv) The initial term of the agreement is 12 months following which the agreement can be renewed on a monthly basis. If the consultancy is terminated within the first 12 months (including in the event of a change of control of the Company), the outstanding retainer for the first 12 month period will be payable.

(f) **When the issue of Shares to MTI as consideration under the Settlement Agreement is to be made**

The MTI Shares will be issued to MTI on completion of the Revised Mbila Acquisition. Completion is expected to occur shortly after approval of the Revised Mbila Acquisition by Shareholders.

(g) **An explanation of the reasons for the proposed issue of Shares to MTI**

MTI Shares will be issued to MTI on completion of the Revised Mbila Acquisition as part of the consideration for the Revised Mbila Acquisition.

(h) **The interests of the Directors in Resolution 2**

None of the Directors have an interest in Resolution 2.

(i) **Identity of the Directors who approved or voted against the proposal to put Resolution 2 to Shareholders and the Explanatory Memorandum**

All of the Directors voted in favour of the proposal to put the issue of the MTI Shares to MTI to the approval of Shareholders.

(j) **Any intention of MTI to change significantly the financial or dividend policies of the Company**

MTI does not intend to change significantly the financial or dividend policies of the Company at this time.

(k) **Recommendation or otherwise of each Director as to whether Shareholders should agree to the proposed issue and the reasons for the recommendation or otherwise**

See Section 6.3 in respect to the Directors Recommendation.

(l) **An analysis of whether the proposed issue of Shares to MTI in consideration of the Revised Mbila Acquisition is fair and reasonable when considered in the context of the interests of the Shareholders other than MTI.**

Refer to section 3.6 of this Explanatory Memorandum.

6.3 Directors' Recommendation

Based on the information available, including:

- (a) the information contained in this Explanatory Memorandum; and
- (b) the Independent Expert's Report in Annexure A, including the advantages and disadvantages of approving the issue of the MTI Shares to MTI,

the Directors consider that Resolution 2 is fair and reasonable insofar as Shareholders are concerned in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 2.

Before making any decision about the issue of the MTI Shares to MTI, Shareholder should read the Notice (including the Independent Expert's Report in Annexure A) in its entirety and if in doubt about what action to take contact their professional advisers.

7. Resolution 3 – Ratification of Prior Placement

7.1 Background

Resolution 3 seeks Shareholder approval pursuant to Listing Rule 7.4 for ratification of the Prior Placement. The Company completed the Prior Placement on 26 March 2013 and issued

68,660,000 Shares each at an issue price of \$0.02 per Share to Prestige Glory to raise \$1,373,200 before costs.

Resolution 3 is an ordinary resolution.

7.2 Specific information required by Listing Rule 7.5

For the purposes of Listing Rule 7.5 information regarding the issue of the Placement Shares is provided as follows:

- (a) The number of Shares issued by the Company was 68,660,000 Shares.
- (b) The Prior Placement Shares were issued at \$0.02 per Share.
- (c) The Shares issued were fully paid ordinary shares and rank equally in all respects with the Company's existing Shares on issue.
- (d) The Prior Placement Shares were issued to Prestige Glory.
- (e) Proceeds from the issue of the Prior Placement Shares will be used to:
 - (i) pay MTI's legal fees pursuant to the Settlement Agreement;
 - (ii) fund the development of the Mbila Project as directed by the Board of Mbila Resources (Proprietary) Limited up to the equivalent of ZAR2,500,000 per month until 28 June 2013; and
 - (iii) the balance will be used for working capital requirements.
- (f) A voting exclusion statement is included in the Notice.

8. Resolution 4 – Confirmation of appointment of Director – Mr Yuzheng Xie

Article 92 of the Constitution allows the Board to appoint a person as a Director to fill a casual vacancy or as an additional Director. Mr Yuzheng Xie was appointed a Director of the Company by the Board in April 2013 as a nominee of Prestige Glory.

Article 98 of the Constitution provides that the Company may by ordinary resolution at a general meeting confirm the appointment of Directors. If the Company did not seek confirmation of Mr Xie's appointment as a Director at this Meeting, then Mr Xie would be required to retire from office at the Company's next Annual General Meeting and seek re-election.

Accordingly, Mr Xie seeks confirmation of his appointment as a Director.

Mr Xie has an extensive steel material marketing and trading background and is a seasoned dealmaker with experience in securing project finance and capitalizing junior mining companies. He brings to the Company a network of financiers who will assist the Company in its future objectives. The Board unanimously supports the re-election of Mr Xie.

9. Resolution 5 – Approval of issue of Placement Shares

9.1 Background

As detailed in Section 4.1 the Company intends to undertake the Placement of up to 280,000,000 Shares each at an issue price of \$0.02 to raise \$5,600,000. Funds raised from the Placement will be used to fund the Company's working capital and compliance activities required for the Company's various projects. The Placement Shares will be issued to Prestige Glory and/or new investors and existing Shareholders that are sophisticated or professional investors.

Resolution 5 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of the Placement Shares to new investors and existing Shareholders that are sophisticated or professional investors. The Company is seeking Shareholder approval to issue Placement Shares to Prestige Glory in accordance with Listing Rule 10.11 pursuant to Resolution 6 (refer to Section 10.1 for further information).

Resolution 5 is an ordinary Resolution and is subject to the passing of Resolutions 1, 2, 6 and 7.

9.2 Information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3 information regarding the issue of the Placement Shares is provided as follows:

- (a) The maximum number of Shares the Company will issue pursuant to the Placement is 280,000,000.
- (b) The Company will issue the Placement Shares no later than three months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules).
- (c) Each Placement Share will be issued at an issue price of \$0.02 per Share.
- (d) The Placement Shares will be issued to Prestige Glory and/or new investors and existing Shareholders that are sophisticated or professional investors (such new investors not being related parties of the Company). Refer to Section 10.1 for information on Resolution 6 which seeks Shareholder approval to issue Placement Shares to Prestige Glory pursuant to Listing Rule 10.11.
- (e) The Shares to be issued are fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.
- (f) Funds raised from the Placement will be used to fund the Company's working capital and compliance activities required for the Company's various projects.
- (g) The Placement Shares will be issued progressively.
- (h) A voting exclusion statement is included in the Notice.

10. Resolution 6 – Approval of issue of Shares to Prestige Glory (LR 10.11)

10.1 Background

As detailed in Section 4.1, Prestige Glory has committed to subscribe for all of the Placement Shares pursuant to the Placement. However the Company will also approach other new investors and existing Shareholders that are sophisticated or professional investors to participate in the Placement. To the extent that these investors participate in the Placement, the obligation of Prestige Glory to subscribe for Placement Shares will be reduced. However Prestige Glory will have the right, but not the obligation, pursuant to the Top Up Placement to top up its subscription for Shares to 280,000,000 Shares to the extent that other investors participate in the Placement. Prestige Glory will receive a fee from the Company equal to 5% of the firm allocation for which it actually subscribes under the Placement and Top Up Placement on completion of the Placement and Top Up Placement.

Resolution 6 seeks Shareholder approval pursuant to Listing Rule 10.11 for the issue of up to 280,000,000 Shares to Prestige Glory either pursuant to the Placement and/or pursuant to the Top Up Placement (**Prestige Glory Shares**).

Prestige Glory has advised that it is not a related party of the Company. However, given the size of its Shareholding and the fact that Mr Yuzheng Xie is its nominee on the Board of the Company, the Company believes that the relationship between Prestige Glory and the Company is such that approval pursuant to Listing Rule 10.11 should be sought. Accordingly, the Company has decided to seek Shareholder approval of the issue of the Prestige Glory Shares to Prestige Glory pursuant to Listing Rule 10.11.

Resolution 6 is an ordinary Resolution and is subject to the passing of Resolutions 1, 2, 5 and 7.

10.2 Information required by Listing Rule 10.13

For the purposes of Listing Rule 10.13 information regarding the issue of the Prestige Glory Shares is provided as follows:

- (a) The Prestige Glory Shares will be issued to Prestige Glory.
- (b) The maximum number of Shares the Company will issue to Prestige Glory is 280,000,000.
- (c) The Company will issue and grant the Prestige Glory Shares no later than one month after the date of the Meeting (or such later date to the extent permitted by an ASX waiver or modification of the Listing Rules).
- (d) Prestige Glory has advised it is not a related party of the Company. However, given the size of its Shareholding and the fact that Mr Yuzheng Xie is its nominee on the Board of the Company, the Company believes that the relationship between Prestige Glory and the Company is such that approval pursuant to Listing Rule 10.11 should be sought and accordingly, the Company has decided to seek Shareholder approval of the issue of the Prestige Glory Shares to Prestige Glory pursuant to Listing Rule 10.11
- (e) Each Prestige Glory Share will be issued at an issue price of \$0.02 per Share pursuant to the Placement and/or pursuant to the Top Up Placement.
- (f) A voting exclusion statement is included in the Notice.

- (g) Funds raised from the issue of the Prestige Glory Shares will be used to fund the Company's working capital and compliance activities required for the Company's various projects.

11. Resolution 7 – Approval of issue of Shares to Prestige Glory (section 611 item 7)

11.1 General

Resolution 7 seeks Shareholder approval under item 7 of section 611 of the Corporations Act to issue securities exceeding 20% of the Company's fully diluted share capital to a party.

Resolution 7 is an ordinary resolution and is subject to the passing of Resolutions 1, 2, 5 and 6.

11.2 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

The information that Shareholders require under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 is as follows:

- (a) **The identity of Prestige Glory and any person who will have a relevant interest in the Prestige Glory Shares to be issued to Prestige Glory**

Prestige Glory is a Samoan based company.

Mr Song Kun has a relevant interest in the Prestige Glory Shares to be issued to Prestige Glory because he controls Prestige Glory as its sole shareholder and director.

- (b) **Full particulars (including the number and percentage) of the shares in the Company to which Prestige Glory will be entitled immediately before and after the issue of the Prestige Glory Shares to Prestige Glory**

Prestige Glory holds 88,692,092 Shares in the Company prior to completion of the Placement/Top Up Placement. Mr Kun does not hold any Shares in the Company prior to completion of the Placement/Top Up Placement.

Refer to Section 4.2(c) for full particulars (including the number and percentage) of Shares in which Prestige Glory and Mr Kun have, or will have, a relevant interest in immediately before and after completion of the Placement/Top Up Placement.

- (c) **The identity, associations (with the Company, Prestige Glory or any of their associates) and qualifications of any person who is intended to become a director if Shareholders agree to the issue of the Prestige Glory Shares to Prestige Glory**

It is not intended that any person will become a director of the Company if Shareholders agree to issue the Prestige Glory Shares to Prestige Glory. However, Prestige Glory currently has a nominee director, Mr Yuzheng Xie, on the Board of the Company.

- (d) **Prestige Glory's intentions regarding the future of the Company if Shareholders agree to and the issue of the Prestige Glory Shares to Prestige Glory pursuant to the Placement/Top Up Placement**

Prestige Glory will be a Shareholder in the Company following completion of the Placement/Top Up Placement and:

- (i) there is no intention to change the business of the Company;
- (ii) there is no intention to inject further capital into the Company (other than as disclosed in this Notice);
- (iii) there is no intention to change the future employment of the present employees of the Company;
- (iv) there is no proposal whereby any property will be transferred between the Company and Prestige Glory or any parties associated with Prestige Glory; and
- (v) there is no intention to otherwise redeploy any of the fixed assets of the Company.

- (e) **Particulars of the terms of the proposed issue of Shares and any contract or proposed contract between Prestige Glory and the Company or any of their associates which is conditional upon, or directly or indirectly dependent on, Shareholders agreement to the issue of the Prestige Glory Shares to Prestige Glory**

Other than the subscription agreement pursuant to which Prestige Glory has agreed to subscribe for the Prestige Glory Shares, there are no contracts or proposed contracts between Prestige Glory and the Company or any of their associates which are conditional upon, or directly or indirectly dependent on, Shareholder agreement to the issue of the Prestige Glory Shares to Prestige Glory pursuant to the Placement/Top Up Placement.

- (f) **When the issue of the Prestige Glory Shares to Prestige Glory pursuant to the Placement/Top Up Placement is to be made**

The Prestige Glory Shares will be issued to Prestige Glory on completion of the Placement/Top Up Placement. Completion is expected to occur shortly after approval of the Placement/Top Up Placement by Shareholders.

- (g) **An explanation of the reasons for the proposed issue of the Prestige Glory Shares to Prestige Glory**

The Company proposes to issue the Prestige Glory Shares to Prestige Glory to meet its obligation to undertake a rights issue to raise up to AUD\$5,600,000 or a similar capital raising transaction with equivalent financial effect pursuant to the Settlement Agreement.

- (h) **The interests of the Directors in Resolution 7**

None of the Directors have an interest in Resolution 7.

- (i) **Identity of the Directors who approved or voted against the proposal to put Resolution 7 to Shareholders and the Explanatory Memorandum**

All of the Directors voted in favour of the proposal to put the issue of the Prestige Glory Shares to Prestige Glory to the approval of Shareholders.

- (j) **Any intention of Prestige Glory to change significantly the financial or dividend policies of the Company**

Prestige Glory does not intend to change significantly the financial or dividend policies of the Company at this time.

- (k) **Recommendation or otherwise of each Director as to whether Shareholders should agree to the proposed issue and the reasons for the recommendation or otherwise**

See Section 11.3 in respect to the Directors Recommendation.

- (l) **An analysis of whether the proposed issue of the Prestige Glory Shares to Prestige Glory pursuant to the Placement/Top Up Placement is fair and reasonable when considered in the context of the interests of the Shareholders other than Prestige Glory.**

Refer to section 4.6 of this Explanatory Memorandum.

11.3 Directors' Recommendation

Based on the information available, including:

- (a) the information contained in this Explanatory Memorandum; and
- (b) the Independent Expert's Report in Annexure A, including the advantages and disadvantages of approving the issue of the Prestige Glory Shares to Prestige Glory,

the Directors consider that Resolution 7 is fair and reasonable insofar as Shareholders are concerned in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 7.

Before making any decision about the issue of the Prestige Glory Shares to Prestige Glory, Shareholder should read the Notice (including the Independent Expert's Report in Annexure A) in its entirety and if in doubt about what action to take contact their professional advisers.

12. Resolution 8 – Authority to issue Shares to Breamline

12.1 Background

Resolution 8 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of 10,000,000 Shares to Breamline as part of the fee for the introduction of assets to the Company.

Resolution 8 is an ordinary Resolution.

12.2 Information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3 information regarding the issue of the Breamline Shares is provided as follows:

- (a) The maximum number of Shares the Company will issue to Breamline is 10,000,000.
- (b) The Company will issue the Breamline Shares no later than three months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules).

- (c) The Breamline Shares will be issued for nil consideration as part of the fee for the introduction of assets to the Company and accordingly no funds will be raised from the issue of the Breamline Shares.
- (d) The Breamline Shares will be issued to Breamline.
- (e) The Shares to be issued are fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.
- (f) The Breamline Shares will be issued progressively.
- (g) A voting exclusion statement is included in the Notice.

13. Resolutions 9 and 10 – Authority to issue Shares and Adviser Options to Selentium

13.1 Background

Resolution 9 seeks Shareholder approval pursuant to Listing Rule 10.11 for the issue of 39,779,661 Shares to Selentium. The Company has an existing obligation to pay ZAR6,000,000 to Selentium for its role in providing advisory services to the Company. The Company proposes to issue the Selentium Shares to Selentium in lieu of the ZAR6,000,000.

Resolution 10 seeks Shareholder approval pursuant to Listing Rule 10.11 for the grant of 7,500,000 Adviser Options each exercisable at \$0.20 on or before the date that is three years from the date of grant to Selentium. The Company proposes to issue the 7,500,000 Adviser Options to Selentium for its role in providing advisory services to the Company.

Selentium has advised that it is not a related party of the Company. However Director, Mr Phillipe Lalieu may have a potential indirect beneficial interest in Selentium. Accordingly, the Company has decided to seek Shareholder approval of the issue of the Selentium Shares and 7,500,000 Adviser Options (together the **Selentium Securities**) pursuant to Listing Rule 10.11. It should be noted that Mr Lalieu was not a Director when the original agreement to pay ZAR6,000,000 was entered into.

Resolutions 9 and 10 are ordinary Resolutions.

13.2 Information required by Listing Rule 10.13

For the purposes of Listing Rule 10.13 information regarding the issue of the Selentium Securities is provided as follows:

- (a) The Selentium Securities will be issued to Selentium.
- (b) The maximum number of Shares the Company will issue to Selentium is 39,779,661 and the maximum number of Adviser Options the Company will issue to Selentium is 7,500,000.
- (c) The Company will issue and grant the Selentium Securities no later than one month after the date of the Meeting (or such later date to the extent permitted by an ASX waiver or modification of the Listing Rules).
- (d) Selentium has advised it is not a related party of the Company. However, Director Mr Lalieu may have a potential indirect beneficial interest in Selentium and

accordingly the Company has decided to seek Shareholder approval of the issue of the Selentium Securities pursuant to Listing Rule 10.11.

- (e) The Selentium Shares will be issued for nil consideration in lieu of the cash payment of ZAR6,000,000 that the Company has an existing obligation to pay Selentium for its role in providing advisory services to the Company and the Adviser Options will be issued to Selentium for its role in providing advisory services to the Company. Accordingly no funds will be raised from the issue of the Selentium Securities.
- (f) A voting exclusion statement is included in the Notice.

14. Resolution 11 – Authority to issue Shares to Macquarie

14.1 Background

Resolution 11 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of 1,300,000 Shares to Macquarie. Macquarie was mandated to provide capital raising advisory services to the Company and a fee is payable to Macquarie by the Company pursuant to the mandate agreement. The Company has negotiated to issue the Macquarie Shares to Macquarie in lieu of paying the fee.

Resolution 11 is an ordinary Resolution.

14.2 Information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3 information regarding the issue of the Macquarie Shares is provided as follows:

- (a) The maximum number of Shares the Company will issue to Macquarie is 1,300,000.
- (b) The Company will issue the Macquarie Shares no later than three months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules).
- (c) The Macquarie Shares will be issued for nil consideration in lieu of the fee payable to Macquarie pursuant to the mandate agreement and accordingly no funds will be raised from the issue of the Macquarie Shares.
- (d) The Macquarie Shares will be issued to Macquarie.
- (e) The Shares to be issued are fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.
- (f) The Macquarie Shares will be issued progressively.
- (g) A voting exclusion statement is included in the Notice.

15. Definitions

\$ means Australian Dollars.

Adviser Option means an Option exercisable at \$0.20 on or before the date that is three years from the date of grant and otherwise on the terms and conditions in Schedule 1.

Article means an article of the Constitution.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

Board means the board of Directors.

Breamline means Breamline Investments Limited.

Breamline Shares has the meaning in Resolution 8.

Chairman means the chairman of this Meeting.

Company means ZYL Limited ACN 008 720 223.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Explanatory Memorandum means the explanatory memorandum attached to the Notice.

Independent Expert's Report means the independent expert's report prepared by Stantons in Anneuxre A of this Notice.

Listing Rules means the listing rules of ASX.

Macquarie means Macquarie Bank Limited.

Macquarie Shares has the meaning in Resolution 11.

Mbila Holdco means Mbila Coal Investment Holdings (South Africa) (Proprietary) Limited.

Mbila Project means the high grade mining and exploration project held by the Company, in the Kwazulu Natal Province of South Africa. The title over the project is held by way of a Mining Right and a Prospecting Right.

Mbila Vendor Shares has the meaning in Resolution 1.

Mbila Vendors means MTI, William James Ronald and Gert Pieter Brits.

Meeting has the meaning in the introductory paragraph of the Notice.

MTI means Mineral Technologies International (South Africa) (Proprietary) Limited.

MTI Shares has the meaning in Resolution 2.

Notice means this notice of meeting.

Option means an option to acquire a Share.

Placement has the meaning in Resolution 5.

Placement Shares has the meaning in Resolution 5.

Prestige Glory means Prestige Glory Limited a limited liability company duly incorporated under the laws of Samoa with registration number L.T.C. 474.

Prestige Glory Shares has the meaning in Section 10.1.

Prior Placement has the meaning in Resolution 3.

Prior Placement Shares has the meaning in Resolution 3.

Proxy Form means the proxy form attached to the Notice.

Resolution means a resolution contained in this Notice.

Revised Mbila Acquisition has the meaning in Section 3.1(a).

Section means a section contained in this Explanatory Memorandum.

Selentium means Selentium Capital Sarl.

Selentium Securities has the meaning in Section 13.1.

Selentium Shares has the meaning in Resolution 9.

Settlement Agreement has the meaning in Section 3.1.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Stantons means Stantons International Audit and Consulting Pty Ltd (trading as Stantons International Securities).

Top Up Placement has the meaning in Resolution 6.

Top Up Shares has the meaning in Resolution 6.

Trust means the Westchester Trust, a discretionary trust controlled by the Trustees.

Trustees has the meaning in Section 3.1.

VWAP means the volume weighted average price.

WST means Western Standard Time, being the time in Perth, Western Australia.

ZAR means South African Rand.

In this Notice, words importing the singular include the plural and vice versa.

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Schedule 1 – Terms and Conditions of Adviser Options

The general rights and liabilities attaching to Adviser Options can be summarised as follows:

- (a) Each Adviser Option entitles the holder to subscribe for and be issued one ordinary share in the capital of the Company.
- (b) Each Adviser Option has an exercise price of \$0.20 (**Exercise Price**) and an expiry date of the date that is three years from the date of grant (**Expiry Date**).
- (c) Each Adviser Option is exercisable at any time after grant and on or prior to the Expiry Date.
- (d) Adviser Options may be exercised by notice in writing to the Company (**Notice of Exercise**) and payment of the Exercise Price for each Adviser Option being exercised. Any Notice of Exercise of an Adviser Option received by the Company will be deemed to be a notice of the exercise of that Adviser Option as at the date of receipt.
- (e) Shares will be issued pursuant to the exercise of Adviser Options not more than 10 business days after receipt of a properly executed Notice of Exercise and payment of the requisite application moneys.
- (f) Shares issued upon exercise of the Adviser Options will rank equally in all respects with the Company's then issued Shares. The Company will apply for Official Quotation by ASX of all Shares issued upon the exercise of Adviser Options.
- (g) There are no participating rights or entitlements inherent in the Adviser Options and holders will not be entitled to participate in new issues of capital offered or made to the Shareholders during the currency of the Adviser Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holders of Adviser Options the opportunity to exercise their Adviser Options prior to the date for determining entitlements to participate in any such issue.
- (h) There are no rights to a change in the Exercise Price, or in the number of Shares over which the Adviser Options can be exercised, in the event of a bonus issue or a pro rata issue to the existing Shareholders by the Company.
- (i) No application for quotation of the Adviser Options will be made by the Company.
- (j) The Adviser Options are transferable provided that the transfer of Options complies with section 707(3) of the Corporations Act.
- (k) In the event of any re-organisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an option holder will be changed to the extent necessary to comply with the Listing Rules applying to a re-organisation at the time of the re-organisation.
- (l) Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Adviser Options with the appropriate remittance should be lodged at the Company's share registry.

Annexure A – Independent Expert’s Report

Enclosed as separate document

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9 May 2013

The Directors
ZYL Limited
Level 8
225 St George Terrace
PERTH WA 6000

Dear Sirs

The proposals as noted in Resolutions 2 and 7 are on balance considered to be fair and reasonable to the non-associated shareholders of ZYL Limited at the date of this report.

Re: ZYL LIMITED (“ZYL” OR “THE COMPANY”) (ABN 15 008 720 223) ON THE PROPOSAL TO ISSUE UP TO 470,722,026 SHARES TO MINERAL TECHNOLOGIES (SOUTH AFRICA) (PROPRIETARY) LIMITED (“MTI”) AS PART OF THE PROPOSAL TO ACQUIRE FROM MTI, GERT PIETER BRITS (“BRITS”) AND WILLAM JAMES RONALD (“RONALD”) ALL OF THE SHARES IN MBILA COAL INVESTMENT HOLDINGS (SOUTH AFRICA) PROPRIETARY LIMITED (“MBILA HOLDCO”) THAT WILL HAVE A 74% SHAREHOLDING INTEREST IN MBILA RESOURCES (PROPRIETARY) LIMITED (“MBILA”) THAT OWNS THE MBILA ANTHRACITE COAL PROJECT IN SOUTH AFRICA IN RETURN FOR THE ISSUE OF 588,402,532 FULLY PAID SHARES IN ZYL - MEETING PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001 (“TCA”)

ZYL ON THE PROPOSAL TO ALLOW PRESTIGE GLORY LIMITED (“PRESTIGE GLORY”) A SUBSTANTIAL SHAREHOLDER OF THE COMPANY TO SUBSCRIBE FOR UP TO 280,000,000 SHARES IN ZYL AT 2 CENTS PER SHARE AND INCLUDING ALLOW PRESTIGE GLORY TOP UP RIGHTS AS DESCRIBED BELOW - MEETING PURSUANT TO SECTION 611 (ITEM 7) OF TCA AND/OR AUSTRALIAN SECURITIES EXCHANGE (“ASX”) LISTING RULE 10.11

1. Introduction

1.1 We have been requested, inter-alia by the directors of ZYL to prepare an Independent Expert’s Report to determine the fairness and reasonableness of issuing shares to MTI as noted below as part of a proposal by ZYL to issue up to 588,402,532 shares in ZYL (“ZYL Vendor Shares”) to acquire (via its wholly owned subsidiary, ZYL Mining (SA) (Proprietary) Limited (“ZYL SA”) an effective 100% of the issued capital of Mbila Holdco, which will own 74% of the issued capital of Mbila that holds the coal project in South Africa called the Mbila Anthracite Coal Project. The vendors of the 220 shares that will be on issue in Mbila Holdco (“Mbila Holdco Sale Shares”) are MTI (176 Mbila Holdco Sale Shares – 80% of Mbila Holdco), Brits (22 Mbila Holdco Sale Shares - 10% of Mbila Holdco) and Ronald (22 Mbila Holdco Sale Shares - 10% of Mbila Holdco) and MTI, Ronald and Brits are known in this report as the Vendors. The acquisition of the Mbila Holdco Sale Shares in Mbila Holdco from the Vendors is known as the Acquisition. John de la Harpe Beck (“Beck”), Lowry Beck and John Makepeace are trustees of the Westchester Trust which is a discretionary trust that owns 67% of MTI and Beck is a director of MTI and Mbila Holdco. Beck, Lowry Beck and John Makepeace as trustees of the Westchester Trust are thus deemed to hold a relevant interest in any shares in ZYL issued to MTI, a Vendor shareholder of Mbila Holdco.

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Details of the acquisition of Mbila Holdco, Mbila and the Mbila Anthracite Coal Project are as noted below and in the Notice of Meeting of Shareholders (“the Notice”) with accompanying Explanatory Memorandum to Shareholders (“EMS”) to be forwarded to the shareholders of ZYL in May 2013. The valuation report of The MSA Group (Pty) Ltd (refer below) also refers to details on the Mbila Anthracite Coal Project.

Resolution 1 specifically refers to the approval to issue up to 588,402,532 ZYL Vendor Shares to the Vendors. As MTI (and Beck, Lowry Beck and John Makepeace as trustees of the Winchester Trust) will obtain an interest in ZYL of greater than 20%, shareholders are being asked to approve the issue of up to 470,722,026 ZYL Vendor Shares (80% of the ZYL Vendor Shares to be issued to the Vendors) to MTI pursuant to Section 611 (Item 7) of TCA. Resolution 2 refers to such proposed share issue to MTI. Refer to comments in paragraph 1.7 below regarding the number of Vendor Shares that may be issued.

- 1.2 In September 2011, the Company (via a South African subsidiary) entered into an agreement (the 20 September 2011 Share Repurchase and Subscription Agreement (“2011 SRSA”) with MTI, Brits, Ronald and the Mabdlakazi Development Trust (a Black Empowerment Company) to acquire 44% of Mbila for a total consideration of US\$45,000,000. Mbila owns 100% of the Mbila Anthracite Coal Project. The payments were to be made in three tranches being Tranche 1 of US\$4,000,000 due in September 2011, Tranche 2 of US\$27,000,000 due in September 2012 and a Tranche 3 of US\$14,000,000 due in March 2013 via a call/put option. The Tranche 2 payment was further tranching into three payments, STP1, 2 and 3.

On or around 25 May 2012, the Mbila Vendors agreed to delay payments on the Tranche 2 payment amount with the result of revised payments due of US\$29,666,893 due on 25 May 2012 (STP1 - US\$16,028,493), 1 October 2012 (STP2 –US\$7,423,400) and 1 November 2012 (STP3 –US\$6,215,000). The STP 2 and 3 payments were subsequently delayed to 31 December 2012. Mbila Holdco did not make the STP 2 or STP 3 by the due date, and consequently the Vendors issued a breach notice (“Payment Breach Notice”) calling on Mbila Holdco to make payment of the outstanding amounts. Should Mbila Holdco fail to make payment of the outstanding amounts, Mbila Holdco shall lose all entitlements to the Second Tranche Subscription Shares and the Vendors may unwind the Second Tranche Repurchase. The Vendors may elect to purchase the First and Second Tranche Shares or purchase 100% of the shares in Mbila Holdco in effect for ZAR 100.

On 2 October 2012 and 5 November 2012, the Company announced that “detailed technical studies undertaken by RSV Enco as part of the BFS have highlighted a lower than expected conversion from Resources to Reserves within the Badger Study Area (the implementation being that reduced Reserves leads to a shorter mine life) whole simultaneously confirming a larger Resource base within the area known as the Mbila Project area”. “All final commitments relating to the Mbila Project transaction have been put on hold until engagements with the vendors are concluded”. On 31 December 2012, the Company announced that “the Company and the subscribers under the agreement in terms of which they were to acquire shares in Mbila Resources (Pty) Ltd have informed the vendors of the Mbila project that they do not consider themselves bound by the agreement and that consequently no further payments in terms of the agreement are to be made. The subscribers have tendered return of the Mbila shares and have demanded the repayment of all amounts paid to date for such shares. Shareholders of the Company are advised that if the vendors do not accept the position adopted by the Company and the subscribers, dispute resolution proceedings are likely to follow. A response from the vendors is awaited”. On 24 January 2013, the Company advised via ASX that it had received a response from the Vendors who indicated that they do not accept the position adopted by the Company and the subscribers. On 14 February 2013, the Company advised that dispute resolution procedures have commenced.

- 1.3 On 2 April 2013, the Company announced that it had settled all outstanding disputes with the Mbila vendors (MTI, Brits and Ronald), subject to certain conditions. Under the Settlement Agreement, ZYL has agreed to pay legal costs of the Mbila vendors (ZAR 3,000,000 or approximately \$315,789) and transfer its current interest in the Mbila Anthracite Coal Project to the Mbila vendors. This transfer is undertaken to provide the

Mbila Vendors with security pending the completion of a share placement to Prestige Glory (refer below), the rights issue (refer below) and appropriate regulatory approvals, which are conditions to the Settlement Agreement. On completion of the share placement and the New Placement (initially was to be a rights issue) (but not the convertible note issue) (refer below), which collectively are to raise approximately a gross \$6,973,200, ZYL will acquire a 74% interest in the Mbila Anthracite Coal Project as noted above. Should ZYL not complete the rights issue (now the New Placement) or fail to secure appropriate approvals, then the Mbila vendors will be entitled to retain ownership of 100% of the Mbila Anthracite Coal Project and proceed with their existing claims they may have in respect of the original Share Repurchase and Subscription Agreement of May 2012, namely payment of the outstanding amounts (approximately \$27,600,000 partially disclosed as a liability (\$13,778,197) in the ZYL Group statement of financial position as at 30 June 2012).

- 1.4 By agreement, a total of up to 10,000,000 shares are to be issued to Breamline Investment Limited as part of the fee for introduction of assets to ZYL. Furthermore, Selentium Capital Sarl is to receive up to 39,779,661 shares ("Selentium Shares") in ZYL as settlement of an existing fee obligation of ZAR 6,000,000 for its role in providing advisory services to ZYL. The Notice refers to 10,000,000 of such shares as the Breamline Shares and 39,779,661 of such shares as the Selentium Shares. In addition, Selentium is to receive 7,500,000 share options ("Adviser Options"), exercisable at 20 cents each, on or before three years from grant date (estimated to be on or around 30 June 2013). Further details are referred to in the EMS.
- 1.5 The 2 April 2013 announcement also noted Prestige Glory having subscribed for and ZYL having issued and allotted 68,660,000 shares ("the Placement Shares") at an issue price of 2 cents per share to raise a total of \$1,373,200 ("the Placement"). The Placement Shares were issued on 26 March 2013.

It also announced a non-renounceable, pro-rata rights issue pursuant to a Prospectus on the basis of a minimum of one share for every two shares held at the Record Date at a minimum of 2 cents per share to raise a minimum of \$5,617,000 (net of fees) ("the Rights Issue") or a similar capital raising transaction with equivalent effect. The Company has now withdrawn the planned Rights Issue and has decided to place 280,000,000 shares at 2 cents each (the "New Placement Shares") to Prestige Glory to raise a gross \$5,600,000 (the New Placement). However, other institutional shareholders and new institutional investors will be approached to take up (participate in) some of the New Placement Shares and to the extent other shareholders/investors participate in the New Placement, Prestige Glory will have the right (but not the obligation) to top up to \$5,600,000 (any shares issued to Prestige Glory would be known as the Top Up Shares). In conjunction with the New Placement, a Share Purchase Plan is to be offered to the existing shareholders of ZYL to take up shares in ZYL at 2 cents each to the extent of a total of \$1,500,000. In total up to 75,000,000 shares ("SPP Shares") may be issued under the Share Purchase Plan.

The 2 April 2013 announcement also referred to an extension of the existing bridging facility (\$2,000,000 owing) for a further six months to 30 September 2013 and negotiations are underway to increase the bridging facility to \$3,000,000. It is intended that the bridging facility amount will be repaid out of the proceeds of the issue of the Convertible Notes (refer below).

The 2 April 2013 announcement also noted that ZYL proposes to issue sixty convertible notes ("Convertible Notes") each with a face value of \$100,000 to raise a gross \$6,000,000. The Convertible Notes will mature after a period of three years from date of issue, have a coupon interest rate of 12% and are convertible into ordinary shares in ZYL at the election of the Convertible Note Holder(s) (during specified periods) at 3 cents per share ("Convertible Note Shares"). As part of the recapitalisation of ZYL, Prestige Glory will, on a best endeavour basis, seek to subscribe for 100% of the Convertible Notes. Shareholders are not being requested at the meeting of shareholders to approve the Convertible Note Facility and the right to allow Prestige Glory to convert any Convertible Notes issued to it to Convertible Note Shares (and shareholder approval will be sought subsequently) as final details on the Convertible Note Facility and who may take up all of the Convertible Notes (planned to be Prestige Glory) have yet to be finalised.

As part of the settlement, Glenn Whiddon agreed to resign from the Board of ZYL and this occurred on 26 March 2013. A representative of Prestige Glory, Mr Yuzheng Xie has been appointed to the Board as a non-executive Chairman. Beck, a South African businessman will become a consultant to ZYL to facilitate the development process and provide access to otherwise unavailable opportunities.

1.6 The issue of the ZYL Vendor Shares was subject to a number of conditions precedent, that includes, inter-alia:

- On or before 28 June 2013 (formerly 21 June 2013), ZYL obtaining all necessary shareholder and regulatory approvals and obtaining an expert's report which concludes that the Acquisition is fair and reasonable;
- Prestige Glory having subscribed for and ZYL having issued and allotted 68,600,000 Placement Shares at an issue price of 2 cents per share to raise a total of \$1,373,200 (completed 26 March 2013);
- On or before 21 June 2013, ZYL undertakes the Rights Issue on the terms noted above or a similar capital raising transaction with equivalent effect. As noted above, the Rights Issue has been replaced with the proposed New Placement to raise a gross \$5,600,000 (to Prestige Glory with top up rights as noted) (and a Share Purchase Plan to raise a gross \$1,500,000).

1.7 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company approved by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

If the Acquisition proceeds, after the issue of the up to 588,402,532 ZYL Vendor Shares, the Placement Shares (68,660,000 issued), the New Placement Shares (280,000,000), the issue of 10,000,000 Breamline Shares, 39,779,661 Selentium Shares and 1,300,000 shares to Macquarie Bank (refer below), the Vendors collectively would own approximately 39.73% of the expanded issued capital of ZYL (1,481,150,192 shares on issue before the issue of any SPP Shares and before any ZYL Convertible Note Shares issued on conversion of the Convertible Notes) (approximately 37.81% after the issue of 75,000,000 SPP Shares – 1,556,140,192 shares on issue). MTI's shareholding will be 470,722,026 shares representing approximately 31.78% of the expanded issued capital of ZYL (before the issue of any SPP Shares and before the issue ZYL Convertible Note Shares issued on conversion of the Convertible Notes once they are issued at a later date) (approximately 30.25% after the issue of 75,000,000 SPP Shares). Assuming the issue of 588,404,542 Vendor Shares, 10,000,000 Breamline Shares, 39,779,661 Selentium Shares, 1,300,000 Macquarie Shares, 280,000,000 New Placement Shares and the issue of 200,000,000 Convertible Note Shares on conversion of \$6,000,000 of Convertible Notes, the collective Vendors shareholding interest in ZYL will be 35% (the issue of the Convertible Notes and potential conversion of principal and any unpaid accrued interest will be subject to shareholder approval at another time).

Under the agreement reached with the Vendors (as amended in May 2013), the Vendors will be issued that number of shares that equates to 35% of the expanded issued capital of the Company after the issue of the 280,000,000 New Placement Shares, the 10,000,000 Breamline Shares, the 39,779,661 Selentium Shares, the 1,300,000 Macquarie Shares and assuming the issue of 200,000,000 Convertible Note Facility Shares (principal conversion only) but regardless of whether the Convertible Notes are issued. In the event that any or all of the Breamline, Selentium and Macquarie Shares are not issued (due to any rejection

of resolutions in the Notice involving the issue of such shares), the Vendors (including MTI) would be issued a lesser number of Vendor Shares so that the percentage interest of the Vendors would equal 35% on a diluted basis as described above. We have for the purposes of this report assumed the issue of 588,402,532 Vendor Shares (of which, MTI will receive 470,722,026) (assumes all resolutions will be passed).

Prestige Glory as at 6 May 2013 has a 15.79% shareholding in ZYL. Mr Song Kun is the sole director and shareholder of Prestige Glory and consequently controls Prestige Glory. Mr Kun is thus deemed to hold a relevant interest in any shares in ZYL issued to Prestige Glory. Mr Kun does not currently hold any shares in the Company. Prestige Glory's shareholding in ZYL, post consummation of the Acquisition but before the issue of the 75,000,000 SPP Shares, the \$6,000,000 Convertible Note Facility and before the potential issue of any Convertible Note Shares (the Convertible Note Facility and right for Prestige Glory to take up Convertible Note Shares will be put to shareholders at a later stage) is approximately 24.89% (368,692,092 shares that includes the 68,660,000 Placement Shares issued on 26 March 2013 and 280,000,000 New Placement Shares assumed to be issued to Prestige Glory (approximately 23.69% if all SPP Shares are issued to shareholders not associated with Prestige Glory). In the event that 280,000,000 New Placement Shares are issued to new investors and Prestige Glory exercises its Top Up Rights to the extent of a further 280,000,000 shares (the "Top Up Shares"), then Prestige Glory's shareholding in ZYL would approximate 20.93% (368,692,092 shares out of 1,761,150,192 shares on issue) (approximately 20.08% if the 75,000,000 SPP Shares are also issued). Prestige Glory will receive a fee from the Company equal to 5% of the firm allocation for which it actually subscribes under the Placement and/or Top Up Placement on completion of the Placement and Top Up Placement. In the event that all of the proposed Convertible Notes to be issued at a later stage (and subject to shareholder approval at a later stage) are taken up by Prestige Glory and are exercised at 3 cents per share a total of a minimum of 200,000,000 Convertible Note Shares would be issued to Prestige Glory and thus its shareholding in ZYL would increase to approximately 35.00% (assuming Prestige Glory takes up all of the New Placement Shares and no Top Up Shares are issued) (1,681,150,192 shares on issue). If all interest on the Convertible Notes (once issued) is capitalised and at the end of the three year period of the Convertible Notes issue the amount owing under the Convertible Notes approximates \$8,587,397 and if converted to shares in ZYL, Prestige Glory, if it held all of such Convertible Notes would be issued approximately 286,246,567 Convertible Note Shares. Prestige Glory's shareholding could approximate up to 654,938,659 shares, representing approximately 37.06% of the expanded issued capital of ZYL (1,767,396,759 shares on issue).

- 1.8 ASX Listing Rule 10.11 provides that an entity must not issue, or agree to issue, equity securities to a related party. Equity securities include convertible notes that may be convertible into ordinary shares of the Company at a later date in time. For the purposes of ASX Listing Rule 10.11, Prestige Glory may be deemed to be a related party of ZYL as Prestige Glory is a substantial shareholder of ZYL (and Prestige Glory has nominated Mr Yuzheng Xie to the Board of ZYL). Prestige Glory as a substantial shareholder of ZYL is to be issued up to 280,000,000 New Placement Shares via the New Placement and/or Top Up Right noted above. Accordingly, ASX Listing Rule 10.11 approval is required to issue up to 280,000,000 New Placement Shares to Prestige Glory. However, due to time constraints the proposed issue of the Convertible Notes will be delayed and thus at the meeting of shareholders the Company will not be seeking shareholder approval for the purpose of ASX Listing Rule 10.11 for the potential issue of the Convertible Note Shares to Prestige Glory that may be converted up to a maximum of 286,246,567 shares in ZYL. Once the Convertible Note Deed and detailed terms are drawn up, a new shareholders meeting will be called that will request shareholders approval to issue the Convertible Note Facility and allow the issue of up to 286,246,567 shares in ZYL.
- 1.9 A notice prepared in relation to a meeting of shareholders convened for the purposes of Section 611 (Item 7) of TCA must be accompanied by an Independent Expert's Report stating whether the issue of 470,722,026 ZYL Vendor Shares to MTI as part of the Acquisition is fair and reasonable and whether the issue of up to 280,000,000 New Placement Shares and/or Top Up Shares to Prestige Glory is fair and reasonable. To assist shareholders in making a decision on the issue of ZYL Vendor Share to MTI as part of the

Acquisition (Resolution 2 refers) and the issue of up to 280,000,000 New Placement Shares and/or Top Up Shares to Prestige Glory pursuant to Resolution 7, the directors have requested that Stantons International Securities prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the issue of up to 470,722,026 ZYL Vendor Shares to MTI as part of the Acquisition and the issue of up to 280,000,000 New Placement Shares and/or Top Up Shares to Prestige Glory are fair and reasonable to the non-associated shareholders of ZYL (not associated with MTI and Prestige Glory respectively).

1.10 In addition to Resolution 2 (and having to consider Resolution 1 to arrive at our opinion on the proposal under Resolution 2) and Resolution 7 (relating to the issue of up to 280,000,000 New Placement Shares and/or Top Up Shares to Prestige Glory) on which we are reporting, there are nine other resolutions being put to the shareholders. Resolution 1 refers to the proposed issue of the up to 588,402,532 ZYL Vendor Shares pursuant to ASX Listing Rule 7.1; Resolution 3 relates to seeking shareholder approval to ratify the Placement of 68,660,000 shares to Prestige Glory; Resolution 4 relates to the re-election of Yuzheng Xie as a Director of the Company (Yuzheng Xie was appointed to the Board on 11 April 2013); Resolution 5 relates to the issue of the 280,000,000 New Placement Shares pursuant to ASX Listing Rule 7.1; Resolution 6 relates to the issue of up to 280,000,000 New Placement Shares or Top Up Shares to Prestige Glory pursuant to ASX Listing Rule 10.11; Resolution 8 relates to the issue of 10,000,000 Consultants Shares to Breamline as an introductory fee regarding the Kangwane Central Project; Resolution 9 relates to the issue of 39,779,661 Consultants Shares to Selentium to settle advisory fees in relation to the Kangwane central Project; Resolution 10 relates to the issue of 7,500,000 Adviser Options to Selentium; and Resolution 11 relates to the issue of 1,300,000 shares ("Macquarie Shares") to Macquarie Bank to settle outstanding fees. To arrive at the conclusion on Resolution 2 in relation to the issue of ZYL Vendor Shares to MTI, we have had to consider the fairness and reasonableness of the Acquisition as a whole and considered the fairness and reasonableness of the proposal to issue the ZYL Vendor Shares to the Vendors (as noted in Resolution 1). Other than for Resolutions 2 and 7, we are not reporting on the fairness and reasonableness of any other proposals disclosed in other Resolutions in the Notice and EMS, however we note Resolutions 5 and 6 also refer to the issue of 280,000,000 Placement Shares and Top Up Shares. Under Resolution 5 the 280,000,000 New Placement Shares may be issued to investors other than Prestige Glory and thus resolutions 6 and 7 allow Prestige Glory to take up the 280,000,000 New Placement Shares or allow Prestige Glory to top up to the extent of 280,000,000 Top Up Shares if all of the 280,000,000 New Placement Shares are taken up by other investors.

1.11 Apart from this introduction, this report considers the following:

- Summary of opinions
- Implications of the proposals
- Corporate history and nature of business of ZYL and the Mbila Anthracite Coal Project
- Future direction of ZYL
- Basis of valuation of ZYL shares
- Value of consideration for the Acquisition
- Basis of valuation of 100% of Mbila Holdco being acquired from the Vendors
- Conclusion as to fairness
- Reasonableness of the offers/proposals
- Conclusion as to reasonableness
- Sources of information
- Appendices A and Financial Services Guide
- Valuation Report of The MSA Group Pty Ltd (refer below)

1.12 In determining the fairness and reasonableness of the acquisition of 100% of Mbila Holdco that will own 74% of Mbila that owns the Mbila Anthracite Coal Project (and the issue of up to 280,000,000 New Placement Shares and/or Top Up Shares to Prestige Glory) more fully described above, we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be

attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair. An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. It also states that, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, it is desirable to commission a report by an independent expert stating whether or not the proposal is fair and reasonable, having regard to the proposed allottee (in this case MTI and Prestige Glory) and whether a premium for potential control is being paid by the allottee's.

Accordingly, our report relating to the issue of shares to MTI as part of the Acquisition and the issue of up to 280,000,000 New Placement Shares and/or Top Up Shares to Prestige Glory is concerned with the fairness and reasonableness of the proposals with respect to the existing non-associated shareholders of ZYL (not associated with MTI and Prestige Glory respectively) and whether MTI and Prestige Glory are paying premiums for potential control.

- 1.13 In our opinion, taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 9 of this report and based on the pre announcement ZYL share prices, the proposed issue of up to 588,402,532 ZYL Vendor Shares to the Vendors as part of the Acquisition as outlined in paragraphs 1.1 and 1.5 and Resolution 1 in the Notice is, on balance, considered to be fair and reasonable to the shareholders of ZYL not associated with the Vendors at the date of this report. **Thus we conclude that the issue of up to 470,722,026 ZYL Vendor shares to MTI as noted in Resolution 2 is fair and reasonable to the shareholders of ZYL not associated with MTI at the date of this report.**

In our opinion, taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 9 of this report and based on the pre announcement ZYL share prices, the proposed issue of up to 280,000,000 New Placement Shares and/or Top Up Shares to Prestige Glory as outlined in paragraphs 1.3 and 1.5 and Resolution 7 in the Notice is, on balance, considered to be fair and reasonable to the shareholders of ZYL not associated with Prestige Glory at the date of this report.

Notwithstanding that the ZYL share price last traded on ASX at 1.6 cents on 4 March 2013 (suspended from trading from 5 March 2013 to 11 April 2013) and the lowest share price on 9 May 2013 of 0.8 cents, each shareholder needs to examine the market conditions at the time of exercise of vote to ascertain the impact, if any, on Resolutions 1, 2 and 7.

- 1.14 The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report, including the 25 April 2013 Independent Technical Valuation Report called "Valuation of the Mbila Mining Area and Msebe Exploration Project") ("MSA Valuation Report") on the Mbila Anthracite Coal Project and the Msebe Exploration Project owned by Mbila prepared by The MSA Group (Pty) Ltd ("MSA"), a copy of which is attached as Appendix B to this report.

2. Implications of the Proposals (Acquisition)

- 2.1 As at 8 May 2013, there are 561,667,899 ordinary fully paid shares on issue in ZYL after the issue of 68,660,000 Placement Shares to Prestige Glory on 26 March 2013. The significant fully paid shareholders as at 4 April 2013 based on the top 20 shareholders list were believed to be:

	No. of fully paid shares	% of issued fully paid shares
Prestige Glory Limited	85,160,000	15.16
Macquarie Bank Limited	39,705,883	7.07
Sin-Tang Developments Pte Ltd	27,297,523	4.86
HSBC Custody Nominees Australia Limited	12,340,463	2.20
Breamline Investments Limited	10,000,000	1.67
	<u>175,503,869</u>	<u>30.96</u>

The top 20 shareholders at 4 April 2013 owned approximately 45.22% of the ordinary issued capital of the Company. On 10 April 2013, Prestige Glory acquired a further 3,532,092 shares in ZYL to take its shareholding to 88,692,092 or approximately 15.79% of the issued capital.

2.2 The movement in the issued capital of the Company could be:

Shares on issue 25 March 2013	493,007,899
Issue of the Placement Shares on 26 March 2013	<u>68,660,000</u>
Shares in issue as at 8 May 2013	561,667,899
Issue of the New Placement Shares	280,000,000
Issue of the Breamline and Selentium Shares	49,779,661
Issue of the ZYL Vendor Shares	588,402,532
Issue of Macquarie Shares	<u>1,300,000</u>
Shares on Issue post the Acquisition but before the issue of SSP Shares (see below)	1,481,150,092
Issue of SSP Shares	<u>75,000,000</u>
Potential issue of further shares following Shareholder' approval of the issue of the Convertible Note Facility and potential conversion of the Convertible Notes to shares in ZYL	1,556,150,092
Convertible Note Facility Shares (assume all Notes Converted and no capitalised interest)	<u>200,000,000</u>
Shares on Issue post the Acquisition and Prestige Glory Convertible Note Conversion	1,756,150,092
Issue of further Convertible Note Shares if all interest capitalised and all Convertible Notes converted	<u>86,246,567</u>
Potential shares on issue before the exercise of existing share options	<u>1,842,396,659</u>

In the event that 280,000,000 Top Up Shares are issued to Prestige Glory (as 280,000,000 New Placement Shares are issued to other investors, the potential number of shares on issue prior to the issue of the SPP Shares would be 1,761,150,092 (and 1,836,150,092 after the issue of 75,000,000 SPP Shares).

There are 20,000,000 share options exercisable at 20 cents each, on or before 18 April 2018 and 2,500,000 share options exercisable at 6 cents each, on or before 21 September 2013 outstanding as at 20 April 2013. The Company proposes to issue 7,500,000 Adviser Options, exercisable at 20 cents each, on or before three years from grant date.

In the event that the Convertible Note Facility is approved at a later stage and \$6,000,000 is drawn down, if the Convertible Note Shares are not issued, ZYL will be required to repay \$6,000,000 (and any unpaid interest that could be up to approximately \$2,587,397) cash to Prestige Glory (or the Note Holder if not Prestige Glory).

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If the Acquisition is completed and all ZYL Vendor Shares are issued, the Vendors collectively could increase their ordinary shareholding interest from nil ordinary shares to up to 588,402,532 ordinary shares representing an approximate up to 39.73% interest in the expanded capital of the Company (before the exercise of any share options, the issue of SPP Shares or any Convertible Note conversions). MTI's interest would approximate 31.78% (approximately 30.25% after the issue of the SPP Shares). In the event that 280,000,000 New Placement Shares and 280,000,000 Top Up Shares were issued, MTI's shareholding would reduce to approximately 26.73% (approximately 25.64% after the issue of the SPP Shares).

Prestige Glory's shareholding may range from the existing 88,692,092 shares held (including the 68,600,000 Placement Shares issued on 26 March 2013) to up to 368,692,092 (if all New Placement Shares were taken up by Prestige Glory) (approximately 24.89% before the issue of the 75,000,000 SPP Shares and approximately 23.69% after the issue of the 75,000,000 SPP Shares in which it is assumed Prestige Glory will not participate in). In reality, the Prestige Glory shareholding will fall between the 15.79% and 24.89%. In the event that existing institutional shareholders and new institutional investors took up all of the 280,000,000 New Placement Shares and Prestige Glory did not take up any Top Up Shares, the percentage interest of Prestige Glory on ZYL may fall and may well fall below 20% (deemed control as noted above) to around 5.99%. In the event that 280,000,000 New Placement Shares were issued to other investors and Prestige Glory took up 280,000,000 Top Up Shares, Prestige Glory's shareholding prior to the SPP Shares being issued would approximate 20.93% and approximately 20.08% after the issue of the SPP Shares.

In the event that at a later stage the shareholders approved the Convertible Note Facility and \$6,000,000 is drawn down and if we have assumed that the \$6,000,000 of Convertible Notes via the Convertible Note Facility granted to Prestige Glory, will be converted into 200,000,000 Convertible Note Shares (principal of \$6,000,000 converted at a minimum of 3 cents per share), then the Vendors collective shareholding would decrease from approximately 39.73% to approximately 35.00% of the ordinary capital in ZYL (MTI's shareholding would decrease from approximately 31.78% to approximately 27.95%) but Prestige Glory's shareholding may increase from 15.79% as at 8 May 2012 to approximately 33.83%, post issuance of the Convertible Note Shares (and assuming Prestige Glory takes up all of the New Placement Shares). In the event that Prestige Glory held 368,692,093 shares plus the 200,000,000 Convertible Note Shares, Prestige Glory's shareholding may approximate to 37.06% if a further 86,246,567 Convertible Note Shares are issued to Prestige Glory from the capitalisation of all interest on the Convertible Notes over three years. Prestige Glory could then hold 654,938,659 shares in ZYL (1,767,396,759 shares on issue assuming no SPP Shares are issued). These percentages would alter if 280,000,000 Top Up Shares were issued to Prestige Glory as all 280,000,000 New Placement Shares were issued to investors other than Prestige Glory (and would also alter if SPP Shares were issued to parties not associated with Prestige Glory).

- 2.3 The current Board of Directors is not expected to change as a result of the Acquisition and recapitalisation of ZYL. As at 8 May 2013, the Board comprises of Phillipe Lalieu, David Greenwood and Yuzheng Xie (appointed on 11 April 2013 and nominated by Prestige Glory). Glenn Whiddon resigned as non executive chairman on 26 March 2013 and Ian Benning resigned on 18 April 2013.
- 2.4 Mbila Holdco will become a legally wholly owned 100% owned subsidiary of ZYL and Mbila will effectively become a 74% owned subsidiary of ZYL as Mbila Holdco on Completion will own 74% of Mbila. The Acquisition (of all of the shares in Mbila will not be accounted for under the International Financial Reporting Standards ("IFRS") applicable to reverse acquisition accounting.

3. Corporate History and Nature of Business

ZYL Group

3.1 ZYL is listed on the ASX. Its focus to date has been on coal exploration in South Africa. Its main areas of interest are or are to be as follows:

- The Kangwane Central Project. The Kangwane Central Project (coal) is located on South Africa's Mpumalanga province. A Prospecting Right is held over the Kangwane Central Project and a Mining Right Application for this area has been lodged with the Department of Mineral Resources ("DMR"). The Company has reported that the Kangwane Central Project has a 200 million tonne JORC compliant resource (measured coal resource) and has JORC compliant probable resources estimated at approximately 27,700,000 tonnes. The Bankable Feasibility Study ("BFS") was completed in the last quarter of 2012. The ZYL Group has an option to increase its current 42.86% stake in the Kangwane Central Project to 51% by paying ZAR 100,500,000 (approximately \$10.58 million) and thus no liability has been taken up in the ZYL Group's books until the option is exercised. This includes an obligation to contribute a further ZAR 30,000,000 (approximately \$3.158 million) into the Kangwane Central Project, by way of an equity subscription along with ZAR 5,000,000 (approximately \$0.526 million) loans to the vendors, payable on the election to proceed with the project. If the option is not exercised, the other party has a call option (12 months) to acquire the Project at a 25% discount to Market. The Company is in negotiations to amend the current arrangements. Pursuant to prior announcements via the ASX, ZYL estimates start up costs of US\$67,600,000 with additional capital expenditure ("capex") required in years 6, 7 and 12 of US\$70,800,000 to establish underground coal mines. The latest Net Present Value (NPV) of such project (100%) approximates US\$147.823 million after applying a nominal 8% discount rate.
- The Kangwane South Project. The Kangwane South Project (coal) is located on South Africa's Mpumalanga province and approximately 25km from the Kangwane Central Project. ZYL has a 70% interest in the Kangwane South Project. A Mining Right Application for this area has been lodged with the DMR and this has been accepted but not yet granted. The Company has reported that the Kangwane South Project has a 99.7 million tonne JORC compliant resource made up of 73.9MT Indicated Coal resource and 25.8MY inferred coal resource.

Mbila Anthracite Coal Project – refer section 1.2 above and as noted below. The effective 74% interest in the Mbila Anthracite Coal Project pursuant to the 25 May 2012 Share Repurchase and Subscription Agreement is to be cancelled and re-acquired via the Settlement Agreement as noted elsewhere and in the EMS attached to the Notice.

Mbila Holdco and Mbila and the Mbila Anthracite Coal Project

Mbila Holdco, following completion of the Settlement Agreement will own 74% of the issued capital of Mbila that holds the Mbila Anthracite Coal Project. The vendors of the 220 Mbila Holdco Sale Shares are MTI (176 Mbila Holdco Sale Shares – 80% of Mbila Holdco), Brits (22 Mbila Holdco Sale Shares - 10% of Mbila Holdco) and Ronald (22 Mbila Holdco Sale Shares - 10% of Mbila Holdco). The Mbila Anthracite Coal Project is located approximately 150km north west of the Richards Bay Coal Terminal in South Africa's KwaZulu-Natal province. The property consists of a Mining Right covering 19,120 ha ("Mining Right Area") and a Prospecting Right covering 53,000 ha ("Msebe Prospecting Right"). The two areas share a common boundary and are located in the Nogoma coal field. A resource update announced to the market on 22 April 2013 disclosed a JORC compliant resource of 125MT of which measured and indicated resources now comprise 69% of the total resources (53 MT as measured, 33.6 MT as indicated) and 37.5MT as inferred.

A summary on the Mbila Anthracite Coal Project is noted in the MSA Valuation Report.

It is assumed that other than the Mbila Anthracite Coal Project owned by Mbila, Mbila and Mbila Holdco will have no material assets and liabilities as at the date of Acquisition. As at 28 February 2013, Mbila Holdco discloses in the unaudited balanced sheet a ZAR

249,518,500 (approximately \$26.265 million) investment in Mbila and a loan due to Mbila of ZAR 115,783,165 (approximately \$12.188 million). In the unaudited balance sheet of Mbila, Mbila discloses capitalised costs relating to the Mbila Anthracite Coal Project of ZAR 37,115,989 (approximately \$3.907 million), cash funds and VAT receivable of ZAR 196,126 (approximately \$20,645), a loan due by MTI of ZAR 550,000 (approximately \$57,894), a provision for future expenses (liability) of ZAR 636,131 (approximately \$66,961), a liability due to Mbila Holdco as noted above, a liability of ZAR 23,604,876 (approximately \$2.487 million) due to ZYLSA and a liability of ZAR 13,511,112 (approximately \$1.422 million) due to York Energy SA. For the purposes of this report, we have assumed that all cash and receivables after paying out the liability of \$66,961 will be nil at the date of Acquisition or their fair value is nil. Thus, in Australian dollar terms, the net assets of the Mbila Holdco Group will approximate nil made up of \$3,906,946 capitalised mineral costs and liabilities due to ZYLSA and York Energy SA totalling \$3,906,946.

4. Future Directions of ZYL

4.1 We have been advised by the directors and management of ZYL that:

- There are no proposals currently contemplated either whereby ZYL will acquire any further properties or assets from the Vendors (however ZYL will issue ordinary share to the Vendors as outlined above in relation to the Acquisition) or where ZYL would transfer any of its property or assets to the Vendors (after the Acquisition);
- The composition of the Board is not expected to change in the short term;
- The Company may, subject to prevailing market conditions seek to raise further working capital by way of share issues in 2014 and thereafter (in addition to the monies to be raised from the New Placement and Share Purchase Plan). The Company proposes to obtain at a later stage shareholder approval to enter into the Convertible Note Facility and obtain monies (\$6,000,000) from the Convertible Note Facility);
- No dividend policy has been set and it is not proposed to be set until such time as the Company is profitable and has a positive cash flow;
- The Company will endeavour to enhance the value of its interests in its existing South African coal projects and the Mbila Anthracite Coal Project to be acquired (effectively re-acquired) from the Acquisition; and
- The Company may increase its Bridging Facility from \$2,000,000 to \$3,000,000 but will repay in full the Bridging Facility amount out of the proceeds of the Convertible Note.

5. Basis of Valuation of ZYL Shares

5.1 Shares

5.1.1 In considering the proposal to acquire Mbila Holdco and in considering the issue of up to 280,000,000 New Placement Shares and/or Top Up Shares to Prestige Glory we have sought to determine if the consideration payable by ZYL to the Vendors and the issue price of the New Placement Shares and/or Top Up Shares to Prestige Glory are fair and reasonable to the existing non-associated shareholders of ZYL (not associated with the Vendors and Prestige Glory respectively).

5.1.2 The Acquisition would be fair to the existing non-associated shareholders if the value of the shares in Mbila Holdco (that will own 100% of Mbila that will have a 74% interest in the Mbila Anthracite Coal Project) being acquired by ZYL are greater than the implicit value of the shares in ZYL being offered as consideration. In considering the proposals as outlined in Resolution 7, we have sought to determine whether the issue price of the New Placement Shares (or Top Up Shares) to Prestige Glory is in excess of the current fair value of the shares in ZYL on issue and whether the proposed New Placement is at a price that ZYL could make to unrelated third parties and then conclude whether the proposal with Prestige Glory is fair and reasonable to the existing non associated shareholders of ZYL. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on ZYL shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining a theoretical value of a ZYL share are:

- Capitalised maintainable earnings/discounted cash flow;
- Takeover bid - the price at which an alternative acquirer might be willing to offer;
- Adjusted net asset backing and windup value; and
- The market price of ZYL shares trading on ASX.

5.2 Capitalised maintainable earnings and discounted cash flows.

5.2.1 Due to ZYL's current operations, a lack of profit history arising from business undertakings and the lack of a reliable future cash flow from a current business activity, we have considered these methods of valuation not to be relevant for the purpose of this report. The Company is currently undertaking completion of BFS's on a number of the South African coal projects as noted above. Whilst proved and probable coal reserves are noted we believe it may be too early to use a discounted cash flow model given the uncertainty regarding the legal actions and any effects thereof impacting upon ZYL and its working interest in the various coal projects. It is noted that there is a preliminary NPV on the Kangwane Central Project of around US\$147 million but estimated start up costs are US\$67,600,000 with additional capital expenditure ("capex") required in years 6, 7 and 12 of US\$70,800,000 to establish underground coal mines. We took this implied value into account in arriving at our conclusion, however the weighting of the implied value was significantly discounted due to the many hurdles that ZYL and its joint venture partners need to overcome before any development occurs, including, inter-alia approvals to proceed to development by all JV partners, environmental approvals, and funding. These take time and there is always the risk that not all hurdles can be achieved at all or in a reasonable time frame. We considered it premature to value the Company on a DCF basis or ascribing a technical value to the potential 50.1% interest (currently 42.86%) in the Kangwane Central Coal Project based on the NPV (100%) noted above. The market has and is expressing its views on value and at the time of the announcement of the proposals regarding the Acquisition, Placement, Rights Issue and Convertible Note Facility, for the several months leading up to the announcement on 2 April 2013 (voluntarily suspended from trading from 5 March 2013), in the main the share price was below 2 cents.

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for ZYL could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of ZYL have formed the view that there is unlikely to be any takeover bids made for ZYL in the immediate future. We concur with this view in the absence of any evidence however, if the Acquisition of Mbila Holdco is consummated, the collective interests of the Vendors may control up to approximately 39.73% of the expanded ordinary issued capital of ZYL if all of the ZYL Vendor Shares are issued to the Vendors (MTI would own approximately 31.78%) and prior to the issue of any potential Convertible Note Shares that may be issued to Prestige Glory and Prestige Glory may also hold up to an approximate 24.89% shareholding interest in ZYL as noted above (if Prestige Glory took up 100% of the New Placement Shares (actual percentage may lie between 15.79% to 24.89% as noted above).

5.4 Adjusted Net Asset Backing

5.4.1 We set out below an unaudited consolidated statement of financial position (balance sheet) of ZYL as at 28 February 2013, along with a pro-forma consolidated statement of financial position "A" assuming the following:

- The payment of administration and exploration costs for the period 1 March 2013 to 31 May 2013 estimated at \$1,125,000;
- The issue of the 68,660,000 Placement Shares to Prestige Glory to raise a gross \$1,373,200 in March 2013;
- The completion of the New Placement and the issue of 280,000,000 New Placement Shares to raise a gross \$5,600,000 and incurring New Placement issue costs of approximately \$350,000;

- The borrowing of a further \$1,000,000 under a bridging facility;
- The issue of 10,000,000 Breamline Shares and 39,779,661 Selentium Shares at say 1.6 cents each at a deemed cost of \$796,475;
- The carrying forward of \$18,737,605 net capitalised other financial assets in the balance sheet relating to the original acquisition of an interest in the Mbila Anthracite Coal Project (shares in Mbila) after writing write back \$13,778,197 of current liabilities representing the amount owing in respect of Tranche 2 (Payments 2 and 3) under the 25 May 2012 Share Repurchase and Subscription Agreement (but reclassifying the net \$18,737,605 as capitalised exploration and evaluation costs in the group balance sheet;
- Settlement of legal fees of ZAR 3,000,000 or approximately \$315,769 as per the Settlement Agreement;
- The issue of 75,000,000 SPP Shares at 2 cents each to raise a gross \$1,500,000;
- The issue of 1,300,000 Macquarie Shares to settle outstanding fees at say 2 cents each (\$26,000);
- The issue of 7,500,000 Adviser Options at an assessed fair value of say \$45,000;
- The Acquisition of Mbila Holdco by way of an issue of 588,402,532 ZRL Vendor Shares to the Vendors at an assumed share price of 2 cents for a total consideration of \$11,748,051 (and effectively re-obtaining a 74% indirect interest in the Mbila Anthracite Coal Project) (includes taking over a liability of approximately \$1,422,000 in the books of Mbila); and
- The payment of an estimated \$100,000 indirect costs relating to the Acquisition and preparation of the Notice and which have all been expensed.

We also set out below an unaudited consolidated statement of financial position (balance sheet) of ZYL as at 28 February 2013, along with a pro-forma consolidated statement of financial position "B" assuming the above and:

- The raising of \$6,000,000 from the Convertible Note Facility (but not split between debt and equity). The raising of the \$6,000,000 is still to be subject to a further shareholders meeting to be held after the meeting proposed to allow the issue of the Acquisition; and
- The repayment of the \$3,000,000 Bridging Loan.

	ZYL Consolidated 31 December 2012 \$000's	ZYL Consolidated Pro-forma A 31 December 2012 \$000's	ZYL Consolidated Pro-forma B 31 December 2012 \$000's
Current Assets			
Cash	743	8,325	11,325
Receivables/prepayments	171	171	171
Other financial assets	-	-	-
	914	8,496	11,496
Non Current Assets			
Plant and equipment	222	222	222
Investments in associates	2,788	2,788	2,788
Goodwill	4,960	4,960	4,960
Capitalised exploration costs (including excess of cost of acquisition over the net assets acquired)	3,672	35,600	35,600
Receivables	5,571	5,571	5,571
Investment in Mbila	18,738	-	-
	35,951	49,141	49,141
Total Assets	36,865	57,637	60,637
Current Liabilities			
Trade and other payables	736	736	736
Provisions	99	99	99
Financial liabilities	2,000	3,000	-
Total Current Liabilities	2,835	3,835	835

	ZYL Consolidated 31 December 2012 \$000's	ZYL Consolidated Pro-forma A 31 December 2012 \$000's	ZYL Consolidated Pro-forma B 31 December 2012 \$000's
Non Current Liabilities			
Convertible Notes	-	-	6,000
Owing to York	-	1,422	1,422
Total non-current liabilities	-	1,422	7,422
Total liabilities	2,835	5,257	8,257
Net Assets	34,030	52,380	52,380
Equity			
Issued capital	53,561	74,275	74,275
Reserves	3,135	3,180	3,180
Accumulated losses	(24,499)	(26,908)	(26,908)
	32,197	50,547	50,547
Non controlling interests	1,833	1,833	1,833
Net Equity	34,030	52,380	52,380

- 5.4.2 The book net tangible asset backing as at 28 February 2013 equates to approximately 6.90 cents (493,007,899 ordinary shares on issue at that date). The above pro-forma consolidated statements of financial position A and B of ZYL has been prepared on the basis that the acquisition of Mbila Holdco is not prepared using reverse acquisition principles. Based on the book values, this equates to a book value per fully paid ordinary share post the Acquisition (1,556,150,192 ordinary shares on issue) of approximately 3.35 cents for Pro-forma A and approximately 3.36 cents for Po-forma B (both ignoring the value, if any, of non-booked tax benefits).
- 5.4.3 We have accepted the amounts for all current assets and non-current assets. We have been assured by the management of ZYL that they believe the carrying value of all current assets, fixed assets and liabilities at 31 December 2012 are fair and not materially misstated. However, included in the statement of financial position are net costs totalling approximately \$18,737,605 described as Investment in Mbila (Other Financial Assets) and this relates to the initial acquisition costs of Mbila pursuant to the 25 May 2012 agreement to acquire Mbila less the \$13,778,197 liability representing the amount owing in respect of Tranche 2 (Payments 2 and 3) under the 25 May 2012 Share Repurchase and Subscription Agreement. It is noted that prior to the new agreement with the Vendors, the ZYL Group owed the Vendors under the 25 May 2012 agreement the sum of \$13,778,197 (revised on 10 September 2012 to total \$14,708,800 inclusive of interest) of which \$8,148,040 was due for repayment on 31 December 2012 (initially \$7,472,107 due on 1 September 2012) and \$6,560,760 due for repayment on 31 December 2012 (initially \$6,306,000 due for repayment on 1 November 2011) yet the Company had insufficient funds to repay such debts. In the absence of a restructure, there was the possibility that the Company may have fallen into some sort of Administration. The Settlement Agreement results in the debt liability being reduced to \$nil and offset against the Other Financial Asset capitalised costs for a net figure of approximately \$18,737,505. In effect the net cost could be expensed as legally the shares in Mbila are being sold back to the Vendors (minimal consideration) and via Court Orders and the Settlement Agreement, the ZYL Group will acquire 100% of Mbila Holdco who in turn will own 74% of Mbila that owns the Mbila Anthracite Coal Project. However, we have treated this net cost as an additional sunk cost in acquiring 100% of Mbila Holdco notwithstanding that technically the new consideration payable is the issue of up to 588,402,532 ZYL Vendor Shares. In effect, the shares in Mbila are being returned to the Vendors for minimal consideration and shares in Mbila Holdco that will own 74% of Mbila is being acquired.
- 5.4.4 We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between ZYL and other parties. We also note it is not the present intention of the directors of ZYL to liquidate the Company and therefore

any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in ZYL based on the market perceptions of what the market considers a ZYL share to be worth.

The market has either generally valued the vast majority of mineral exploration companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that there is an orderly market for ZYL shares and the market is kept fully informed of the activities of the Company. It is noted that under IFRS, the value ascribed to the ZYL Vendor Shares to be issued to the Vendors would be accounted for at the market value (as noted on ASX) of a ZYL share at date of issue. It is noted that the cash reserves of ZYL are not high taking into account its exploration and administration commitments and over time, in the absence of further capital raisings, the Company would run out of cash reserves. For accounting purposes under IFRS, the consideration (in the form of ZYL Vendor Shares to acquire 100% of Mbila Holdco could be booked at the fair value of the Mbila Group (in effect mainly 74% of the fair value of the Mbila Anthracite Coal Project) and not at the fair value of an ZYL ordinary share at the date of the Acquisition. However from ZYL's point of view as the legal parent entity it will book the shares at market value at date of issue of the ZYL Vendor Shares that will assume to lie in the range of 1.6 cents to 2.1 cents per share. It is noted that before the Acquisition can be completed, the Company was required to make the Placement (completed in late March 2013) and undertake a New Placement (formerly a Rights Issue) both at 2 cents per share. This to a great extent establishes a current fair market value of a ZYL share. Accordingly, for the reasons outlined above, we believe that for the purpose of this report, it is not appropriate to use any technical value of a ZYL share in assessing whether the proposal to acquire Mbila Holdco is fair and reasonable. We believe a pre-announcement market-based approach is a more suitable basis of assessing whether the proposed Acquisition is fair and/or reasonable but it is also appropriate to also consider the Placement and proposed Rights Issue price (of 2 cents per share). In the case of the Acquisition, the pre announcement price has been taken as prior to 2 April 2013 but we note that the shares had been temporarily suspended from trading from 5 March 2013 (requoted from 12 April 2013).

5.5 Market Price of ZYL Fully Paid Ordinary Shares

5.5.1 We set out below a summary of the fully paid share prices of ZYL since 1 December 2012 to the last trading date being immediately prior to the announcement of the details of the consideration to acquire all of the shares in Mbila Holdco and the recapitalisation proposals.

	High Cents	Low Cents	Last Sale Cents	Volume Trade (000's)
December 2012	4.6	2.8	2.9	10,753
January 2013	4.5	1.6	1.6	230,712
February 2013	2.1	1.4	1.5	46,381
March 2013 (to 4 th)	1.7	1.5	1.6	1,974

The share price has been steadily falling over the past 12 months and has been as high as 19 cents in April 2012. The news surrounding ZYL particularly in relation to the Mbila Anthracite Coal Project and the disputes with the vendors has depressed the share price. On 5 November 2012, the Company announced that detailed technical studies as part of a BFS have highlighted lower than expected conversion from resources to reserves relating to the Mbila Anthracite Coal Project. The shares dropped from around 7 cents to 9 cents range to the low to high 4's (cents) in November 2012. On 4 January 2013, the Company announced that a condition precedent to the original 25 May 2012 agreement had not been met and thus ZYL informed the Vendors that the agreement had lapsed and that all monies paid to date must be refunded (re Mbila). Between 4 January 2013 and to 23 January 2013 over 179 million shares were traded on ASX (including over 137 million on 4, 7 and 8 January 2013). Further announcements in January 2013 continued to depress the share price.

Between 16 January 2013 and to 4 March 2013, the shares traded between 1.4 cents and 2.1 cents. Post 11 April 2013, when the shares in ZYL recommenced trading on ASX (after lodgement of the audit reviewed financial statements for the six months ended 31 December 2013) the shares in ZYL have traded in the range of 0.8 cents and 1.8 cents with a last sale on 6 May 2013 of 1.3 cents and a lowest price of 0.8 cents on 9 May 2013.

- 5.5.2 Generally, the market is a fair indicator of what a share is worth, however the theoretical technical value based on the underlying value of assets and liabilities may be lower or higher. In the case of ZYL, current cash liquidity is reasonable however the Company will eventually need to undertake a capital raising of some significance. The Company as part of its recapitalising so it may acquire Mbila Holdco and in effect regain a 74% interest in the Mbila Anthracite Coal Project has in conjunction with this Acquisition agreed to issue a Convertible Note Facility from Prestige Glory to the value of \$6,000,000, which is repayable within three years of initial drawdown (expected to be in August 2013). Furthermore, as a condition of the Acquisition, the Placement was required to be made and the Rights Issue was to be completed (now completion of the New Placement). The Company from the Convertible Note Facility (if approved at a later stage), Placement, New Placement and the Share Purchase Plan will raise a gross approximately \$14,473,200 million (capital raising costs may be around \$350,000). Before the proceeds of the Convertible Note Facility, the gross proceeds will approximate \$8,473,200.

It is noted that over the past several years, the vast majority of mineral exploration companies listed on the ASX are trading at significant discounts or premiums to appraised technical values and in some cases have traded at a discount to cash asset backing. In the case of ZYL, the monthly volume of trades on the ASX is deemed large enough to argue that an orderly market exists for the Company's shares. The "market" arguably is fully informed of the Company's activities. It is our opinion that it is most appropriate to use a range of recent pre-announcement trading market values as fair values to attribute to the ZYL Vendor Shares to be issued to the Vendors but at the same time acknowledging that the 2 cent Placement price and 2 cent proposed New Placement price (and the SPP issue price also at 2 cents per SPP Share) is also some indication of fair market value of a ZYL share in the current circumstances. The market has and is expressing its views on value and at the time of the announcement of the proposals with the Vendors and Prestige Glory, for the several months leading up to the announcement, in the main the share price was below 2 cents. Notwithstanding the excellent prospectivity of the Kangwane Central Coal Project, without cash the Company cannot continue to conduct further exploration and evaluation on the Kangwane Central Coal Project (and other Coal projects) and the share price may fall below current levels. As noted above, the market is kept fully informed of the operations of the Company and thus the pre announcement share price is a fair indicator of what the market considers the Company's shares to be worth. Even though the net asset backing is significantly higher than the above range, the Company cannot exploit its main assets without further cash and thus we have not put a great weighting on to the asset backing approach. In conclusion, we consider that the pre-announcement fair value of a ZYL fully paid share falls in the range of 1.6 cents to 2.1 cents that is the range of share prices since mid January 2013 through to 4 March 2013. As stated, the share prices do not necessarily reflect fair values in the current economic circumstances of the Company. If funds can be raised, and the disputes with the Vendors settled (proposed to be settled via the Settlement Agreement but this will depend on the Company raising funds from the New Placement) and thus further development of the Kangwane Central Coal Project proceeds, then arguably the fair value of a ZYL share may be in excess of the current share price (9 May 2013) of around 0.8/0.9 cents (closed at 0.9 cents) and the proposed issue price of the New Placement Shares and possible Top Up Shares of 2.0 cents as envisaged in Resolutions 5, 6 and 7. The share price in the future is unknown but it may be fair to say that if the dispute issues surrounding the Mbila Anthracite Coal Project are finally resolved, and/or the Kangwane Central Coal Project did proceed to production then it is likely that the share price would be higher than the lowest price on 9 May 2013 price of 0.8 cents (closed at 0.9 cents) and thus higher than the 2 cent New Placement price payable by Prestige Glory for the New Placement Shares.

As noted above there is potential upside to the share price if the Kangwane Central Coal Project proceeds but conclude the most appropriate methodology is to use pre-

announcement share prices. From discussion with Directors, we confirm that there was no other firm capital raising proposal but discussions were held with several stockbroking firms on raising new equity capital. We have been informed by the Directors that all fundraising options presented to ZYL involved a very significant discount to the prevailing ZYL share price, and therefore a significantly greater dilution of the interests of existing shareholders. The Directors have confirmed that, from a ZYL shareholder perspective, the Prestige Glory proposal was clearly the most attractive alternative, and the only fundraising alternative that took the form of a committed offer. Therefore, based on the information presented to us, we believe that the Prestige Glory proposal in relation to fund raising is the best option available to the Company.

5.5.3 The future value of a ZYL share will depend upon, inter alia:

- The successful exploitation of the current coal mineral assets of the Company and/or the Mbila Anthracite Coal Project being partially re-acquired via the Acquisition;
- The state of the coal markets (and prices) in South Africa and other countries overseas;
- The cash position of the Company;
- The state of Australian and overseas stock markets;
- The potential risk of operating outside Australia;
- Foreign Exchange rates;
- Membership and control of the Board and the quality of management
- General economic conditions; and
- Liquidity of shares in ZYL.

5.5.4 We thus consider the fair value of a ZYL share for the purposes of this report to lie in the range of 1.6 cents and 2.1 cents in the absence of the Acquisition as the preferred range of pre announcement fair value of the ordinary shares to be issued. For the purposes of this report, we have considered that it is appropriate to use a range of prices for the ZYL ordinary shares in determining our opinion on fairness as to the proposal with the Vendors (including MTI). The Directors of ZYL will need to consider the accounting standards in determining the final price attributable to the shares to be issued to acquire Mbila Holdco. It is noted that the directors of ZYL considered that the market value of a ZYL share at the time of discussions with the Vendors was approximately between 1.6 cents and 2 cents and the 2 cents was the price accepted for the Placement and the proposed Rights Issue (now to be a New Placement involving Prestige Glory). The closing price of a ZYL share on ASX as at 4 March 2013 was 1.6 cents (the last day of trading of shares in ZYL before the announcement of the Acquisition and recapitalisation). It would be expected that the share price could drift even lower if the Acquisition does not proceed and the legal issues surrounding Mbila were to continue and no other significant acquisition was proceeded with in the short term or further cash funds were not raised in the near future.

6. Value of Consideration for the Acquisition

6.1 Based on pre announcement share prices and the 2 cent Placement and proposed New Placement issue price the consideration range could be:

	Low \$	Preferred \$	High \$
588,402,532 ZYL Vendor Shares at pre-announcement prices	9,414,441	11,768,051	12,356,453
Sunk cost represented by the net write off of prior acquisition costs to acquire Mbila less finance liabilities no longer payable (refer paragraph 5.4.3 above)	<u>18,737,605</u>	<u>18,737,605</u>	<u>18,737,605</u>
Total deemed consideration	<u>28,152,046</u>	<u>30,505,656</u>	<u>31,094,058</u>
Share price assumed to be	<u>1.6 cents</u>	<u>2.0 cents</u>	<u>2.1 cents</u>

If we used the range of fair values pre the announcement of the Acquisition and recapitalisation of ZYL, the consideration for the ZYL Vendor Shares could lie in the range of \$9,414,441 and \$12,356,453 (preferred cost of approximately \$11,768,051) however with the sunk costs included as noted above, the total deemed cost would lie in the range of \$28,152,046 and \$31,094,058 with a preferred deemed cost of \$30,505,656. It is noted that the directors of ZYL at the time of negotiation of the Acquisition with the directors of ZYL allocated around 2.0 cents to the ZYL Vendor Shares. MTI has a relevant interest in 80% of the Vendor Shares to be issued to the Vendors.

Based on post announcement share prices from 12 April 2013 to 9 May 2013 (0.8 cents to 2.0 cents), the share consideration cost would lie in the range of \$4,707,220 and \$11,748,051 and after taking into the sunk costs as noted above, the total accounting cost may fall in the range of \$23,444,825 to \$30,505,656.

7. Basis of Valuation of Mbila Holdco (and interests in Mbila and the Mbila Anthracite Coal Project)

7.1 The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market.

7.2 Mbila Holdco and its to be 74% owned Mbila are unlisted and prior to the Acquisition Mbila Holdco will be 100% owned by the Vendors and therefore valuing the shares on a takeover basis and on a market based approach are not that relevant. There are no indications that other parties wished to acquire all of the shares in Mbila Holdco or Mbila other than ZYL.

7.3 The Company has commissioned MSA to prepare a valuation report of the Mbila Anthracite Coal Project owned by Mbila. The MSA Valuation Report of 25 April 2013 should be read in its entirety and a full copy of the MSA Valuation Report is attached as Appendix B to our report. The MSA Valuation Report ascribes a range of values to the Mbila Anthracite Coal Project and for the purposes of our report we have used the low, high and mid range valuations referred to in the MSA Valuation Report.

7.4 As the only significant asset of Mbila Holdco is its 74% shareholding interest in Mbila and both Mbila Holdco and Mbila will have no other significant assets or liabilities at the date of Acquisition other than Mbila's 74% interest in the Mbila Anthracite Coal Project, the most suitable methodology is to value the shares in Mbila Holdco on an asset backing basis using fair values for the assets.

7.5 We have used and relied on the MSA Valuation Report on the Mbila Anthracite Coal Project and have satisfied ourselves that:

- MSA is a suitably qualified geological consulting firm and has relevant experience in assessing the merits of mineral projects and preparing mineral asset valuations (also the author of the report is suitably qualified and experienced);
- MSA is independent from ZYL and the Vendors; and
- MSA has employed sound and recognised methodologies in the preparation of the valuation report on the Mbila Anthracite Coal Project.

7.6 MSA has provided a range of market values of the interests in the Mbila Anthracite Coal Project and the Msebe Exploration Project as follows:

	Low US\$	Preferred US\$	High US\$
Mbila Anthracite Coal Project	4.14	34.76	55.76
Msebe Exploration Project	1.22	9.05	16.42
	5.36	43.81	72.18

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Taking a medium term view, we have assumed that there is parity (1 for 1) between the US dollar and the AUS dollar.

- 7.7 As noted above, we have been advised that as at the date of Acquisition of Mbila Holdco by ZYL from the Vendors, the only asset of Mbila Holdco will be its investment in Mbila and the only asset of Mbila will be a 74% interest in the Mbila Anthracite Coal Project and both Mbila Holdco and Mbila will have no material liabilities other than for amounts owing to ZYLSA and York Energy SA totalling an estimated \$3,906,946, however after eliminating the loan due to ZYLSA, the external liabilities are estimated at approximately \$1,422,222.

Using the book asset (liability) value of Mbila Holdco per above, the net fair value of the Mbila Holdco Group is expected to lie in the range of approximately \$1,453,000 and \$68,237,000 with a preferred fair value of \$39,903,000. A 74% interest in the Mbila Anthracite Coal Project (Mbila Holdco will at Acquisition hold 74% of Mbila that will hold 74% of the Mbila Anthracite Coal Project) results in a net fair value of the Mbila Holdco Group at the date of Acquisition to be in the range of approximately \$1,076,000 to \$50,495,000 with a preferred fair value of \$29,528,000. If we eliminated the debt due by Mbila to ZYLSA and only accounted for the external liability owing to York Energy SA, the net fair value of the Mbila Holdco Group is expected to lie in the range of approximately \$3,937,000 and \$70,757,000 with a preferred fair value of \$42,387,000. A 74% interest in the Mbila Anthracite Coal Project (Mbila Holdco will at Acquisition hold 74% of Mbila that will hold 74% of the Mbila Anthracite Coal Project) results in a net fair value of the Mbila Holdco Group at the date of Acquisition to be in the range of approximately \$2,913,000 to \$52,360,000 with a preferred fair value of \$31,366,000.

- 7.8 We advise that we have not undertaken any further steps to ascertain ownership of Mbila Holdco and Mbila and their assets and liabilities and the Mbila Anthracite Coal Project. We have been advised that ZYL has conducted all necessary due diligence.
- 7.9 Premium for control for the purposes of this report, has been defined as the difference between the price per share, which a buyer would be prepared to pay to obtain or improve a controlling interest in the Company and the price per share which the same person would be required to pay per share, which does not carry with it control or the ability to improve (increase) control of the Company.
- 7.10 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. In this case, if Prestige Glory subscribed for 280,000,000 New Placement Shares at 2 cents each, Prestige Glory's shareholding in ZYL could increase from 15.79% as at 6 May 2013 (was approximately 3.35% before the issue of the 68,660,000 Placement Shares) to approximately 23.69% to 24.89% of the expanded issued capital of ZYL (assumes the Acquisition is also completed). Accordingly, we have addressed whether a premium for control will be paid by Prestige Glory. Not paying a premium for control (deemed to be over 20% of the shares in a company) of at least 20% does not necessarily make a proposal to take control not fair.
- 7.11 The market value of a ZYL share pre announcement of the proposals on the Acquisition (of Mbila Holdco) and recapitalisation involving Prestige Glory lies in the range of approximately 1.4 cents to 2.1 cents, with a closing value of 1.6 cents per share on 4 March 2013 with the net book asset backing disclosing a significantly higher value. The value of the up to 280,000,000 New Placement Shares and/or Top Up Shares that would be issued to Prestige Glory at 2 cents per share would lie in the range of \$3,920,000 to \$5,880,000 (\$4,480,000 based on the 4 March 2013 closing price of a ZYL share trading on ASX) compared with the New Placement issue price of 2 cents per share (\$5,600,000). The issue price of the New Placement Shares and Top Up Shares of 2 cents each is greater than the last traded price of 1.6 cents on 4 March 2013 which is at a premium to the last sale price of a ZYL share (last sale price prior to the announcement of the Acquisition (of Mbila Holdco) and recapitalisation involving Prestige Glory). It is generally accepted that the premium for control should be 20% or above (recognising that some acquirers will attempt to acquire companies as cheaply as possible with premiums below 20%) but normally premiums for control in the junior mineral companies are 20% to 40%. Therefore, Prestige Glory is considered to be paying a premium for potential control based on a 25%

premium to the last sale price of 1.6 cents on 4 March 2013. It is noted that on an un-audited net asset backing basis, the value per share is approximately 6.90 cents (but with a Company with little cash funds) compared with the New Placement price by Prestige Glory of 2 cents per ordinary ZYL share (and the then proposed Rights Issue price as noted above). On such a basis (net asset backing) Prestige Glory would not be paying a premium for control.

8. Conclusion as to Fairness on the Acquisition and New Placement to Prestige Glory

8.1 The proposal to acquire the shares in Mbila Holdco that will have at date of Acquisition as its only significant asset, a 74% interest in Mbila that owns the Mbila Anthracite Coal Project for the considerations noted in paragraph 6.1 is believed fair to ZYL's non-associated shareholders if the value of the consideration offered is equal to or less than the value of the shares in Mbila Holdco being acquired.

8.2 Due to the nature of the business of the Mbila Holdco Group, valuations are dependent upon the value placed on the mineral interests (Mbila Anthracite Coal Project) of Mbila. The valuation of mineral interests and valuing future profitability and cash flows is extremely subjective as it involves assumptions regarding future events that are not capable of independent substantiation.

8.3 We have examined below the values attributable to the shares proposed to be issued and the value of the consideration offered by ZYL to the Vendors.

	Low \$	Preferred \$	High \$
Assessed value of Mbila Holdco based on independent valuation of the Mbila Anthracite Coal Project and Msebe Exploration Project (rounded)	2,913,000	31,366,000	52,360,000
Value of <u>total</u> deemed consideration (includes the sunk costs as noted in paragraph 6.1) payable by ZYL using a pre-announcement market based approach (see paragraph 6.1 above)	<u>28,152,046</u>	<u>30,505,656</u>	<u>31,094,058</u>

The actual consideration payable to the Vendors is the ZYL Vendor Shares at a pre Acquisition cost of between \$9,414,441 and \$12,356,453 with a preferred value of \$11,768,051. However, with the sunk costs included as noted above, the total deemed cost of acquiring an effective 74% interest in the Mbila Anthracite Coal Project would lie in the range of \$28,152,046 and \$31,094,058 with a preferred deemed cost of \$30,505,656. It is noted that the directors of ZYL at the time of negotiation of the Acquisition with the directors of ZYL allocated around 2.0 cents to the ZYL Vendor Shares. As noted above, MTI will receive 80% of the Vendor Shares.

8.4 Premium for control for the purposes of this report, has been defined as the difference between the price per share, which a buyer would be prepared to pay to obtain or improve a controlling interest in the Company and the price per share which the same person would be required to pay per share, which does not carry with it control or the ability to improve control of the Company. It is generally accepted that the premium for control should be 20% or above (recognising that some acquirers will attempt to acquire companies as cheaply as possible with premiums below 20%) but normally premiums for control in the junior mineral companies are 20% to 40%.

As outlined in paragraph 5.5.4, we consider the fair value of a ZYL share to lie in the range of 1.6 cents per share to 2.1 cents per share with a preferred value of 2.0 cents per share. The Vendors are selling a 100% interest in Mbila Holdco that has a deemed fair market value of between \$2,913,000 and \$52,360,000 with a preferred fair market value of \$31,366,000 but is receiving ZYL Vendor Shares with a value of between \$9,414,441 and \$12,356,453 with a preferred value of \$11,768,051. Thus the Vendors (including MTI who

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will receive 80% of the Vendor Shares) are arguably paying a premium for control based on preferred and high valuations. However, with the sunk costs included as noted above, the total deemed cost would lie in the range of \$28,152,046 and \$31,094,058 with a preferred deemed cost of \$30,506,656 and the premium is significantly lower on a preferred value basis (but a significant premium using the high valuation basis).

- 8.5 On a pre-announcement market value, the proposed Acquisition (in effect acquiring a 74% interest in the Mbila Anthracite Coal Project through the acquisition of all of the ordinary shares in Mbila Holdco) by way of the issue of up to 588,402,532 ZYL Vendor Shares as outlined in paragraph 1.3 above and Resolution 1 (in relation to the shares component) to the Notice are considered on balance to be fair at the date of this report. **Thus, the proposal to issue up to 470,722,026 ZYL Vendor Shares to MTI as noted in Resolution 2 is deemed to be fair at the date of this report.**

In order to fully exploit the Mbila Anthracite Coal Project and the existing ZYL mineral exploration assets (and other coal projects to be acquired as noted above), further capital raisings as well as debt finance will be required. The Company's cash position is not high and a further capital raising (in addition to the proposed New Placement/Share Purchase Plan (formerly was to be a Rights Issue) and also the \$6,000,000 Convertible Note Facility that will be raised subject to shareholders' approval at a later meeting) may need to be undertaken in 2013/14 and later subject to prevailing market conditions.

- 8.6 The shares in the Company have traded post 11 April 2013 (the shares in ZYL had been suspended from trading from 5 March 2013 to 11 April 2013) at between 0.8 cents and 2.0 cents (lowest sale price on 9 May 2013 was 0.8 cents and it closed at 0.9 cents). If these range of prices were ascribed to the ZYL Vendor Shares, the deemed share cost of the Acquisition would be in the range of approximately \$6,472,428 to \$11,748,051 (\$4,707,220 using the lowest sale price of a ZYL share on 9 May 2013 of 0.8 cents) and with the sunk costs included as noted above, the total deemed consideration would lie in the range of \$23,444,825 and \$30,506,656.

- 8.7 As outlined in paragraph 5.5.4, we consider the pre announcement fair value of a ZYL share to lie in the range of 1.6 cents per share to 2.1 cents per share with a preferred value of 2.0 cents per share. The conversion price of the proposed issue of the Convertible Note Shares (to be approved at a later meeting) is set at 3 cents per share, which is at a premium of 50% based on the 2.0 cent preferred pre Announcement fair value of a ZYL share. Accordingly, Prestige Glory, by potentially increasing its shareholding in ZYL through the potential conversion of the Convertible Note Shares (post issuance of the ZYL Vendor Shares and New Placement Shares and/or Top Up Shares), would be deemed to be paying a premium for control. Purely based on the deemed value of the ZYL Vendor Shares as noted above, the Vendors are paying a premium for control.

However, it is noted that if all BFS's are completed and ZYL can obtain all necessary mining approvals and finance, the potential share price of a ZYL share would be far in excess of the share price of 1.6 cents to 2.1 cents noted above and in excess of New Placement issue price of 2 cents and the conversion price of 3.0 cents in relation to any Convertible Note Shares issued on conversion of the Convertible Note Facility (if approved by shareholders at a later date). Given the oscillating state of the market, junior exploration companies are finding it increasingly difficult to raise substantial amounts of money to fund new or ongoing exploration projects, without taking substantial discounts to their current market prices. Market evidence suggests that companies such as ZYL would need to apply at least 20% discount to their current share price to raise substantial amounts of capital.

It is not uncommon to have discounts up to 50%. Thus, assuming the fair value of a ZYL share, as per paragraph 5.5.4, is at 2.0 cents, the Company would be required at a maximum to issue shares at or significantly below 1.6 cents per share to raise capital. In the absence of a restructure, there was the possibility that the Company may have fallen into some sort of Administration.

In our opinion, taking into account the factors noted in section 8 of this report and based on the pre announcement ZYL share prices, the proposed issue of up to 280,000,000 New Placement Shares (and/or Top Up Shares) to Prestige Glory as outlined in paragraphs 1.3 and 1.5 and Resolution 7 in the Notice is, on balance, considered to be fair to the shareholders of ZYL not associated with Prestige Glory at the date of this report.

It should be noted that both MTI and Prestige Glory may have control (defined as over 20%) as MTI on its own could hold approximately 31.78% (30.25% if the SPP Shares are issued) and Prestige Glory could hold up to approximately 24.89% (23.69% if the SPP Shares are issued). It should be noted that the Vendors (including MTI) and Prestige Glory are unrelated parties.

9. Reasonableness of the Proposals (Acquisition and New Placement/Top Up)

9.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposed Acquisition and proposed issue of up to 280,000,000 New Placement Shares and/or Top Up Shares. If we assumed that at a later date, shareholders will approve the issue of the Convertible Note Facility and possible issue of Convertible Note Shares there are factors that we would consider and these are also noted below. In summary, we are of the opinion that the advantages outweigh the disadvantages of the Acquisition and the advantages outweigh the disadvantages in relation to issuing up to 280,000,000 New Placement Shares and/or Top Up Shares to Prestige Glory.

Advantages

9.2 The Company further increases its exposure in South Africa to exposure to coal assets and spreads the risk in case the existing coal assets owned by the ZYL Group are not commercially successful. The Acquisition, if successful, could lead to potential additional coal operations or the ability for ZYL to on-sell or farm-out the Mbila Anthracite Coal Project to another mining company at a profit. The Acquisition and recapitalisation of ZYL is in effect a package and as a result, all legal issues as noted in paragraph 1.2 above are removed. If the legal issues were not resolved it may well be that ZYL would have continued to own a 40% interest in Mbila (with an option to go to 74%) and have a debt owing of over \$13,750,000. The Company does not have sufficient funds to pay such debts and the existing \$2,000,000 debt facility owing and if enforced by the Vendors and debt holder could have led to ZYL going into some form of Administration. The debt of over \$13,750,000 is in effect cancelled and the shares in Mbila sold back to the Vendors under the Settlement Agreement. The \$2,000,000 debt facility owing as at 28 February 2013 will be repaid from the new funds raised. The ability of ZYL to raise funds on commercial terms without the Settlement Agreement would be severely curtailed. Under the Settlement Agreement, the debts of over \$13,750,000 are eliminated and ZYL will raise approximately a gross \$8,473,200 via the Placement (\$1,373,200 raised in late March 2013), the proposed New Placement (\$5,600,000 to be raised) (replaces the then proposed Rights Issue as noted in the Settlement Agreement) and the Share Purchase Plan (\$1,500,000) and if the Convertible Note Facility is approved at a later stage a further a further \$6,000,000 would be raised and \$2,000,000 existing debt will be repaid (from the proceeds of the New Placement). This recapitalises the Company and provide it with working capital to complete BFS's and undertake further exploration and evaluation on its coal projects. Furthermore, if investors other than Prestige Glory take up all of the 280,000,000 New Placement Shares and Prestige Glory exercises its Top Up Rights to take the maximum 280,000,000 Top Up Shares, the Company could raise a further \$5,600,000.

9.3 The Company may be able to raise further funds by way of share equity and/or debt as a result of acquiring 74% of the Mbila Anthracite Coal Project (via acquiring all of the shares in Mbila Holdco) in addition to the fund raisings noted in paragraph 9.2 above. The uncertainty of the litigation has been a deterrent to potential investors, financiers, joint venture partners and off-take partners and by entering into the Settlement Agreement and finalising the proposals, interest by various parties should be re-activated.

- 9.4 The issue price of the New Placement Shares and/or Top Up Shares is 2 cents that at a premium to the last sale price of a ZYL share traded on ASX on 4 March 2013 (last sale price prior to the announcement of the recapitalisation proposal with Prestige Glory). It is normal for brokerage fees to be approximately up to 6% of the cash raised. In the case of the proposed New Placement, no commissions are payable and the only costs are estimated not to exceed \$100,000 (relating to our costs, legal costs and costs of holding the shareholders meeting to approve the Acquisition and various share and share option issues as noted in this report and as referred to in the Notice and EMS).
- 9.5 The new board member (appointed on 11 April 2013) brings further marketing and trading experience along with financier contacts. Further detail on Yuzheng Xie has been included in the EMS.
- 9.6 There is an incentive to the new management, the Vendors (including MTI) and Prestige Glory to make ZYL a viable mineral exploration and potential coal development company as the Vendors may collectively have a significant interest in ZYL of up to approximately 39.73% (percentage before the SPP Shares and any shares issued as a result of the Convertible Note Facility being converted into ordinary ZYL shares) and MTI on its own would own up to approximately 31.78% of the expanded share capital of ZYL. The percentage interest of Prestige Glory cannot be calculated accurately as it is not yet known how many New Placement Shares and/or Top Up Shares Prestige Global may take up via the New Placement and if the Convertible Note Facility is approved at a later date how many Convertible Note Shares may be issued on conversion of the Convertible Notes to be issued. However, before the issue of any Convertible Notes and conversion thereto it is expected that the maximum shareholding of Prestige Glory may approximate 24.89%.
- 9.7 If the Convertible Note Facility is approved by shareholders at a later date and then converted into ordinary shares in ZYL by Prestige Glory, then ZYL will not have to repay the \$6,000,000 Convertible Note Facility principal amount. The election of conversion will ultimately be at the discretion of Prestige Glory.
- 9.8 The Vendors collectively (and MTI individually) are paying a premium for control in that they are receiving consideration pre the 5 April 2013 announcement of between approximately \$9,414,441 to \$12,356,453 and along with the sunk costs included as noted above, the total deemed accounting cost would lie in the range of \$28,152,046 and \$31,094,058 with a preferred deemed cost of \$30,505,656 but is giving up assets (shares in Mbila Holdco) deemed to be currently valued at between \$2,913,000 and \$52,360,000 (preferred value \$31,366,000) paragraph 8.3 above. MSA has ascribed a range of values to the Mbila Anthracite Coal Project that is greater (other than based on the low valuation) than the considerations payable on a pre-announcement basis and in particular on a preferred and high value basis. Using post announcement share prices, the deemed share cost of the Acquisition would be in the range of approximately \$4,707,220 to \$11,748,051 (\$4,707,220 using the lowest sale price of a ZYL share on 9 May 2013 of 0.8 cents) and with the sunk costs included as noted above, the total deemed consideration would lie in the range of \$23,444,825 and \$30,506,656.

Disadvantages

- 9.9 The number of fully paid ordinary shares on issue could rise by up to 1,063,142,293 to 1,556,150,192 (assumes also the issue of the SPP Shares but before exercise of any existing or proposed share options and exercise of any Convertible Note Shares on conversion of Convertible Note Debt if issued and approved by shareholders at a later meeting). This could represent an approximate 216% increase in the ordinary shares of the Company before the issue of the Placement Shares and the announcement of the Acquisition and recapitalisation. The existing shareholders (prior to the issue of the Placement Shares) interest in the expanded ZYL following the completion of the Acquisition reduces from 100% (pre Acquisition and Placement issue) to approximately 36.09% (approximately 30.39% ignoring Prestige Glory) and may ultimately reduce to approximately 31.98% (before the exercise of any existing share options but after the issuance of say 200,000,000 Convertible Note Shares on conversion of the Convertible Note Facility Debt if approved by shareholders at a later stage) (approximately 26.93% ignoring Prestige Glory). However, the Company is acquiring Mbila Holdco that will own 74% of Mbila that owns the

Mbila Anthracite Coal Project that may eventually go into production (but this cannot be guaranteed) and has been provided the mechanism to raise further capital and debt to enhance the Company's existing coal projects and potentially the Mbila Anthracite Coal Project.

Should the Convertible Note Facility Shares be approved by shareholders at a later stage and issued (after the Acquisition proceeds), the number of fully paid ordinary shares on issue could rise to 1,842,396,659 (that is by a further maximum 286,246,567 shares if all interest on the Convertible Notes are capitalised and all SPP Shares are issued), which would represent an increase of approximately 274% in the ordinary shares on issue of the Company as compared with the shares on issue as at 25 March 2013.

- 9.10 If shareholders approve the issue of the Convertible Note Facility at a later stage and the \$6,000,000 is drawn down, ZYL will be required to show a \$6,000,000 Convertible Note Facility Loan as a non current liability outstanding from Prestige Glory. Should the Convertible Note Facility Debt be not converted into shares in ZYL (ZYL Convertible Shares), ZYL would be required to repay the \$6,000,000 plus any capitalised interest (interest estimated at \$2,587,397) at the Maturity Date. It is noted that only Prestige Glory (the proposed holder of the Convertible Notes) will have the ability to convert the Convertible Note Facility Debt.
- 9.11 Currently, the Vendors own no shares in the Company and if Resolution 1 is passed, the Vendors collectively could obtain a shareholding interest of approximately 39.73% of which MTI's shareholding interest may approximate 31.78% (before the issue of SPP Shares and conversion of any Convertible Notes). However this potential significant interest can also lead to an "overhang" in the market. Also having a cornerstone investor such as Prestige Glory has advantages but it may also limit the opportunity for other parties to bid for all or part of the shares in ZYL in the future. However, a takeover bid for the Company cannot be completely ruled out.
- 9.12 ZYL may need to raise further significant working capital to spend on exploration, evaluation and possible development of the Mbila Anthracite Coal Project. The number of shares that may be issued to raise additional capital is not yet ascertained however any future capital raisings will further dilute the current non associated shareholders interests in ZYL.
- 9.13 In general terms, investments in companies with mineral assets in Africa can be of a medium to high risk profile (including political, tax, foreign exchange and environmental risks) and for those shareholders who consider that the proposed Acquisition (effectively acquisition of a 74% interest in the Mbila Anthracite Coal Project) from the Vendors is a risk worth taking, then the proposed Acquisition may be reasonable. It is noted that, in effect the Company had already entered into agreements to acquire a 74% interest in the Mbila Anthracite Coal Project but due to litigation and legal matters, the 25 May 2012 agreement is cancelled.
- 9.14 The Mbila Anthracite Coal Project may not turn out to be commercially viable and thus losses may be incurred.
- 9.15 The share price of a ZYL share at the time of any conversion of the Convertible Note Facility (if approved by shareholders at a later stage) into Convertible Note Shares may well be in excess of the share price (1.6 cents to 2.1 cents pre the announcement of the Acquisition) and the 3 cent conversion price in relation to the Convertible Note Facility. However all shareholders benefit from an increased share price.

Other Factors

- 9.16 There are annual exploration commitments in relation to the Mbila Anthracite Coal Project. ZYL may not have enough funds to meet ongoing commitments and some tenements may need to be sold or farmed out.

- 9.17 It is noted that for accounting purposes in the books of ZYL, the ZYL Vendor Shares will be booked at the market value of the ordinary shares in ZYL at the date the ZYL Vendor Shares are issued to the Vendors. ZYL, as the legal parent entity will account for the value of the ZYL Vendor Shares at the market value of the ordinary shares in ZYL that may be considered to be in the range of 1.6 cents to 2.1 cents per share. Thus, as the legal potential owner of the shares in Mbila Holdco, ZYL may record an investment of approximately between \$9,414,441 and \$12,356,453 (based on pre-announcement share prices) and also carry forward the costs capitalised (after writing back the liability of over \$13,750,000) previously pursuant to the 25 May 2012 agreement and amendments thereto. The ultimate fair value of an investment in Mbila Holdco is at this stage unknown and write downs in the investment may be required at a later stage (particularly if commercial success from the Mbila Anthracite Coal Project is not forthcoming). As noted above, the accounting cost of issuing the Vendor Shares using post announcement share prices to 9 May 2013 may be lower.
- 9.18 As part of the conversion of the Convertible Note Facility proposed to be issued to Prestige Glory at a later stage (after the Acquisition and subject to a separate shareholders meeting), the Company may issue up to 286,246,567 new ordinary shares at an effective issue price of 3.0 cents per share. The Company could in effect issue shares to Prestige Glory not at a premium to the share price over the six months to November 2012. It is noted that up to \$2,587,397 in interest may be payable in cash upon Maturity or interest may be paid on a quarterly in arrears basis at 12% per annum. This is a significant cost to the Company and in the absence of positive cash flows from existing coal projects (and/or the Mbila Anthracite Coal Project) may lead to cash flow issues in three years time. To repay the Convertible Notes in the absence of positive cash flows may lead to the Company issuing further shares at substantial discounts to share prices or even lead to some form of Administration.
- 9.19 The chances of exercise of the existing share options on issue in ZYL may be enhanced but the exercise of such share options cannot be guaranteed. The share price would need to exceed 6.0 cents for 2,500,000 of the existing share options before 21 September 2013 and exceed 20 cents for 20,000,000 existing share options before 18 April 2018 for some time before existing share option holders would consider exercising such share options.

10. Conclusion as to Reasonableness

- 10.1 After taking into account the factors referred to in 9 above (where in our opinion the advantages outweigh the disadvantages) and elsewhere in this report, we are of the opinion that the proposed Acquisition as noted in paragraphs 1.1 and 1.5 and Resolution 1 in the Notice is, on balance, reasonable to the non-associated shareholders of ZYL at the date of this report. **Thus, the issue of up to 470,722,026 ZYL Vendor Shares to MTI pursuant to Resolution 2 is considered reasonable at the date of this report.**

After taking into account the factors referred to in 9 above (where in our opinion the advantages outweigh the disadvantages) and elsewhere in this report, we are of the opinion that the proposed issue of New Placement Shares (with Top Up Rights) to Prestige Glory as noted in paragraphs 1.3 and 1.5 and Resolution 7 in the Notice is, on balance, reasonable to the non-associated shareholders of ZYL at the date of this report.

11. Sources of Information

- 11.1 In making our assessment as to whether the proposed Acquisition as noted in paragraph 1.3 and Resolution 1 in the Notice is fair and reasonable in the Notice is fair and reasonable (so we can conclude on the proposal pursuant to Resolution 2) and the proposed issue of New Placement Shares and/or Top Up Shares to Prestige Glory is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company, the Mbila Anthracite Coal Project, Mbila Holdco and Mbila that is relevant to the current circumstances. In addition, we have held discussions with the management of ZYL about the present and future operations of the Company. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of ZYL.

11.2 Information we have received includes, but is not limited to:

- Draft Notices' of ZYL and draft Explanatory Statements to Shareholders prepared to 9 May 2013;
- Discussions with management and a director of ZYL;
- Details of historical market trading of ZYL ordinary fully paid shares recorded by ASX for the period 1 September 2012 to 4 March 2013 and for the period 12 April 2013 to 9 May 2013;
- Shareholding details of ZYL as supplied by the Company's share registry as at 4 April 2013;
- Un-audited consolidated statement of financial position of ZYL as at 31 December 2012 and 28 February 2013;
- Annual Report of ZYL for the year ended 30 June 2012;
- Unaudited statement of financial position for Mbila Holdco and Mbila as at 31 December 2012 and 28 February 2013;
- Announcements made by ZYL to the ASX from 1 January 2012 to 8 May 2013;
- The signed Settlement Agreement and appendices released to the market on 2 April 2013;
- The final Independent Valuation Report of MSA on the Mbila Anthracite Coal Project of 25 April 2013;
- The cash flow forecasts of ZYL for 2013;
- The 25 May 2012 Share Repurchase and Subscription Agreement;
- The web site of ZYL to 3 May 2013; and
- Various Research Reports on ZYL prepared in 2012.

11.3 Our report includes Appendices A and B (The MSA Valuation Report) and our Financial Services Guide attached to this report.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International Securities)



John Van Dieren - FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities dated 9 May 2013, relating to the issue of New Placement Shares and/or Top Up Shares to Prestige Glory and the acquisition of Mbila Holdco and in particular the issue of up to 470,722,026 ZYL Vendor Shares to MTI as outlined in paragraphs 1.1 to 1.5 of the report and Resolutions 1, 2 and 7 respectively in the Notice of Meeting and in the Explanatory Statement proposed to be distributed to the ZYL shareholders in May 2013.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposals. There are no relationships with ZYL, the Vendors or Prestige Glory other than acting as an independent expert for the purposes of this report. Before accepting the engagement Stantons International considered all independence issues and concluded that there were no independence issues in accepting the assignment to prepare the Independent Experts Report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at \$27,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities does not hold any securities in ZYL, Mbila Holdco, Mbila or Prestige Glory. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (no 418019) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. The directors of Stantons International Audit and Consulting Pty Ltd are the directors of Stantons International Securities. Stantons International Securities has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

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DECLARATION

This report has been prepared at the request of the Directors of ZYL in order to assist them to assess the merits of the Acquisition as outlined in Resolutions 1 and 2 the EMS and the issue of the New Placement Shares and/or Top Up Shares to Prestige Glory as outlined in Resolution 7 to which this report relates. This report has been prepared for the benefit of ZYL's shareholders and does not provide a general expression of Stantons International Securities opinion as to the longer term value of ZYL, Mbila Holdco, Mbila and their assets (including the Mbila Anthracite Coal Project). Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of the ZYL Group or the Mbila Holdco Group. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DUE CARE AND DILEGENCE

This report has been prepared by Stantons International Securities with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposals set out in Resolutions 2 and 7 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolutions 2 and 7.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by ZYL and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), ZYL has agreed:

- (a) To make no claim by it or its officers against Stantons International Securities (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which ZYL may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by ZYL; and
- (b) To indemnify Stantons International Securities (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from ZYL or any of its officers providing Stantons International Securities any false or misleading information or in the failure of ZYL or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to ZYL directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

**FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International Securities)
Dated 9 May 2013**

1. Stantons International Securities ABN 84 144 581 519 and Financial Services Licence 418019 ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. **Financial Services Guide**

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 418019;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. **Financial services we are licensed to provide**

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. **General Financial Product Advice**

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. **Benefits that we may receive**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. **Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. **Associations and relationships**

SIS is ultimately a wholly division of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. Stantons International Audit and Consulting Pty Ltd also trades as Stantons International that provides audit, corporate services, internal audit, probity, management consulting, accounting and IT audits.

From time to time, SIS and Stantons International Audit and Consulting Pty Ltd and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. **Complaints resolution**

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 **Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

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Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out above.

Telephone 08 9481 3188
Fax 08 9321 1204
Email jvdieren@stantons.com.au

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APPENDIX B

**VALUATION REPORT BY THE SMA GROUP PTY LTD ON THE COAL ASSETS OF
MBILA HOLDCO OF 25 APRIL 2013**

For personal use only



Specialist Consultants to the Mining Industry

Independent Valuation of the Mbila Mining Area and Msebe Exploration Project

Mineral Resources
reporting ISO 9001

exploration
environmental
Mining Studies

Due Diligence



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J2649

Submitted on 25 April 2013

**Report prepared by The MSA Group (Pty) Ltd on
behalf of:
Zyl Mining SA (Pty) Ltd and Stantons International Securities**

Author(s):	Bob Hatherly John Sexton	Associate Consultant Associate Consultant	Competent Person Competent Valuator
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Date: 25 April 2013

Project Code: J2649

Primary Authors

Supervising Principal

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EXECUTIVE SUMMARY

Stantons International Securities ("SIS") has been engaged by ZYL Mining SA (Pty) Ltd, a wholly owned subsidiary of ZYL Limited ("ZYL") to prepare an Independent Expert's Report ("IER") in respect of the acquisition of a 100% interest in the issued capital of Mbila Coal Investment Holdings (South Africa) Proprietary Limited ("Mbila Holdco") and its 74% owned subsidiary, Mbila Resources (Pty) Limited (Mbila). The purpose of SIS's IER is to provide a basis for determining whether the proposed transaction is fair and reasonable to the non-associated shareholders of ZYL. The MSA Group ("MSA") has been commissioned by the directors of ZYL to provide SIS with technical assistance in placing a value on the Mbila Anthracite Project which is compliant with the Australian Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert's Reports (the VALMIN Code). The Mbila Anthracite Project comprises the Mbila Mining Right Area ("Mbila MRA") and the Msebe Prospecting Right Area ("Msebe PRA"). MSA has reviewed the information provided by ZYL, which comprises the Competent Person's Report ("CPR") dated 15 August 2012, prepared for RSV Enco Consulting (Pty) Ltd ("RSV") and the updated CPR dated 17 April 2013, both prepared for ZYL by P. C. Meyer Consulting ("PMC"), together with the supporting GBIS databases for the Mbila MRA and Msebe PRA.

The primary basis of the valuation is the updated CPR compiled by PMC on 17th April 2013. The Coal Resources have been defined in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code) and the valuations were benchmarked against published comparable transactions.

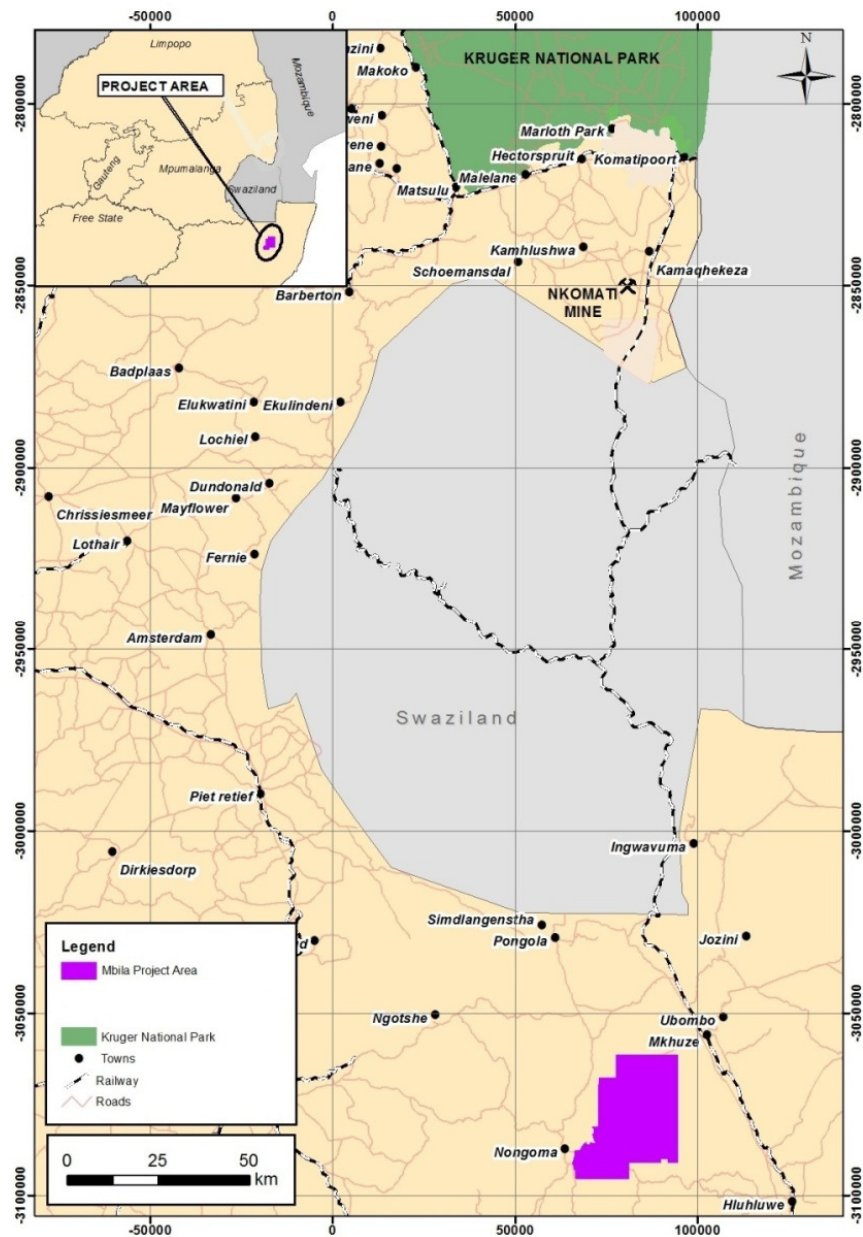
The Mbila/Msebe project area is located on Portion 9 of Reserve #12 and #15832 situated within the Nongoma Local Municipality in northern KwaZulu-Natal. The holder of both the Mining Right and Prospecting Right is Mbila Resources (Pty) Ltd, which is 74% held by Mbila Holdco. The land on which the Mbila Anthracite Project is situated is administered by the Mandlakazi Traditional council, which holds a 26% share in Mbila Resources (Pty) Ltd.

Mining and Prospecting Right details					
Area	Status	Area (ha)	License Number	Expiry	Type
Mbila	Mining to commence in 2014	19,180	KZN30/5/1/2/2/186MR	18/05/2023	Mining License
New Prospecting Area	Ongoing exploration	52,946	196/07/PR	9/12/2013	Prospecting Licence

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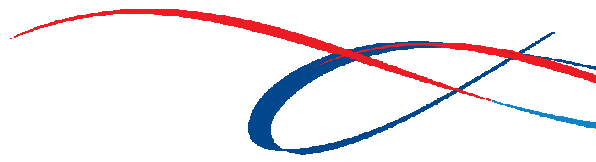


Locality map of the Mbila Project



The Mbila Anthracite Project lies in the Nongoma coalfield, which is constrained within a large “graben” structure, and in which an abnormally elevated geothermal gradient has resulted in the generation of anthracite throughout the area.

Coal occurs at two separate stratigraphic levels.



- the Ecca coals are hosted within the Vryheid Formation and there are three major coal seams, the M, the M+1 above this, and the M-1 below the M Seam, and
- the Beaufort coals occur within the Emakwazini Formation, which lies stratigraphically above the Vryheid Formation. There are three main Beaufort coal seams in the Mbila/Msebe area, being the A, B, and C Seams. The B Seam is potentially the most economic seam.

A total of 645 boreholes have been drilled on the property since 1974.

MSA has reviewed the JORC Compliant Coal Resource estimation presented in the CPR by PMC and is of the opinion that the Coal Resource tonnages provided by PMC are reasonable.

JORC Compliant Coal Resource Estimate by PMC Accepted by MSA				
JORC Classification	MBILA ECCA TTIS (Mt)	MBILA BEAUFORT TTIS (Mt)	MSEBE BEAUFORT TTIS (Mt)	TOTAL COAL RESOURCES (TTIS)
Measured Resource	7.70	24.85	15.90	48.45
Indicated Resource	1.65	18.05	8.34	28.04
Inferred Resource	2.83	27.18	0	30.02
TOTAL COAL RESOURCES (TTIS)	12.18	70.09	24.24	106.50

TTIS refers to Total Tonnes in Situ and allows for geological losses for each class of Coal Resource

As there is no reliable techno-economic study available to provide a basis for discounted cash flow model valuation, MSA has relied on historical expenditures and comparable transactions as its two valuation methods in this report. MSA's opinion is that the comparative transactions method provides a more reliable estimate of the value of these projects than the historical expenditures approach.

The table below presents the minimum, maximum and preferred (fair) value of the Mbila MRA and the Msebe PRA JORC Compliant Coal Resources in US Dollars. The preferred combined value of the Mbila MRA and Msebe PRA is USD 32.42 million.

	LOW PROJECT VALUE (US\$m)	HIGH PROJECT VALUE (US\$m)	PREFERRED PROJECT VALUE (US\$m)	74% of PREFERRED PROJECT VALUE (US\$m)
Msebe Prospecting Right Area	1.22	16.43	9.05	6.70
Mbila Mining Right Area	4.14	55.76	34.76	25.72
Total Project Value	5.36	72.18	43.81	32.42

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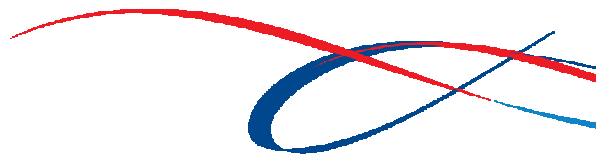
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1 INTRODUCTION

Stantons International Securities ("SIS") has been engaged by ZYL Mining SA (Pty) Ltd ("ZYL") to prepare an Independent Expert's Report ("IER") in respect of the acquisition of a 100% interest in the issued capital of Mbila Coal Investment Holdings (South Africa) Proprietary Limited ("Mbila Holdco") and its 74% owned subsidiary, Mbila Resources (Pty) Limited (Mbila). The purpose of SIS's IER is to provide a basis for determining whether the proposed transaction is fair and reasonable to the non-associated shareholders of ZYL. The MSA Group ("MSA") has been commissioned by the directors of ZYL to provide SIS with technical assistance in placing a value on the Mbila Anthracite Project which is compliant with the Australian Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert's Reports (the VALMIN Code). The Mbila Anthracite Project comprises the Mbila Mining Right Area ("Mbila MRA") and the Msebe Prospecting Right Area ("Msebe PRA"). MSA has reviewed the information provided by ZYL, which comprises the Competent Person's Report ("CPR") dated 15 August 2012, prepared for RSV Enco Consulting (Pty) Ltd ("RSV") and the updated CPR dated 17 April 2013, prepared for ZYL by P. C. Meyer Consulting ("PMC"), together with the supporting GBIS databases for the Mbila MRA and Msebe PRA.

MSA has prepared this Independent Valuation Report (IVR) based on this information.

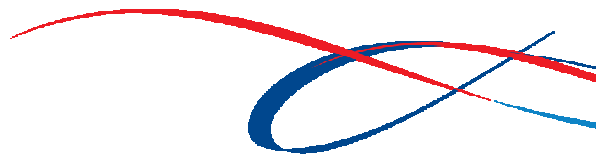
MSA understands that this IVR will be included in SIS's IER on the proposed transaction, and will be used by SIS to form its opinion regarding the value of the Mbila Project.

This IVR provides a description of the asset, which includes reference to its tenure, exploration, resources and method of valuation. MSA has prepared this IVR in accordance with the requirements of the Australian Securities and Investment Commission (ASIC), and the Australian Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code). The Coal Resources have been defined in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, namely the JORC Code.

1.1 Qualifications, Experience and Independence

MSA is an exploration and resource consulting and contracting firm which has been providing services and advice to the international mineral industry and financial institutions since 1983. This report has been compiled by Mr Bob Hatherly, Mr Mike Lynn, Mr John Sexton and Mr Rob Croll.

MSA's professional advisors and directors are Independent Experts as defined by the JORC Code. The Competent Persons involved in the preparation of this report have the required qualifications and experience as defined in the JORC and VALMIN Codes.

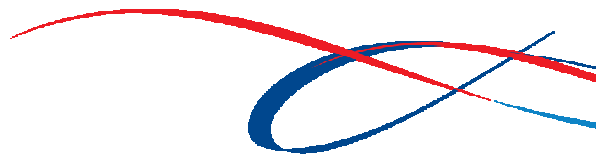


Mr Hatherly holds Honours degrees in Chemistry and Geology from the University of Rhodesia (now Zimbabwe) and a Master's degree in Mining Engineering from the University of the Witwatersrand. He is a registered professional natural scientist and Coal Consulting Geologist, with nearly 30 years' experience in the identification, exploration and evaluation of coal deposits in Africa. His field experience ranges from drill planning, and logging and sampling, through to exploration project management, and graduate and field staff training. He has a strong background in coal database construction and management, and deposit modelling, and is also skilled in Coal Resource estimation, due diligence investigations and technical audits within the frameworks of the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC) and Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC) Mineral Resource reporting codes. He has worked on a number of different types of coal deposits within Southern Africa, including thermal coal in the Witbank coal field, anthracite in Mpumalanga and KwaZulu Natal, and coking coals within the Waterberg coal field of South Africa, and in Mozambique. He has also had experience with Lignite in Turkey. He has the appropriate experience and qualifications to be a Competent Person (CP) as that term is defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 Edition). Mr Hatherly is responsible for sections 1 to 7, and sections 9-10 of this IVR.

Mr Sexton holds Bachelor's degrees in commerce and science from the University of the Witwatersrand and an MBA from the University of South Africa. He is a Mining Analyst and has been undertaking modelling for feasibility studies and budget consolidations on minerals projects for over 35 years. He has worked on a diverse range of projects, including financial modelling and valuations of underground and open cast mines, reclamation of slimes and sand dumps, and in a host of commodities, including gold, coal, fluorspar, ferrochrome, uranium, platinum and diamond mines, timber plantations (for supply of mine props). Added to this is the diversity of the countries in which valuations/feasibility studies have been done, throughout Africa, South and North America, Australia, Russia and Rumania. He has the appropriate qualifications and experience to be an Independent individual Expert as that term is defined in the VALMIN Code. Mr Sexton is responsible for section 8 of this IVR.

Mr Lynn holds an Honours degree in geology from the University of Portsmouth and a Master's degree in exploration geology from Rhodes University. He is a registered professional natural scientist and a Principal Consultant with MSA. He is a geologist with extensive experience in mineral exploration, throughout Africa and India. He has held the position of Exploration manager for De Beers in Tanzania, India and DRC. He has managed large multi-disciplinary exploration programmes for various commodities and has experience with diamonds, tin- tantalum pegmatite, coal, graphite, gold, IOCG, stratiform and VMS base metal deposits. Mr Lynn peer reviewed sections 1 to 7, and sections 9-10 of this IVR.

Mr Croll holds a Bachelor's degree in Mining Engineering and an MBA from the University of the Witwatersrand. He is a registered Competent Valuator (CV) and Principal Consultant at MSA. He is a Mining Engineer and Mining Analyst with 12 years of operational and technical experience in both De Beers Consolidated Mines Ltd. and the Gold and Uranium Division of Anglo American Corporation of S.A.



Ltd., obtaining senior management levels. He has had exposure to the financial markets, initially as an analyst, (achieving a Financial Mail rating in the coal sector for each of the 4 years as an analyst), and then in Anglo American Corporation of S.A. Ltd., where his responsibilities included providing project and mine valuation services to the Anglo American Group of Companies, and providing an understanding of the issues related to the valuation of mining companies. From 1998 he focused on the management of due diligence processes required for evaluating potential acquisition targets for AngloGold Ashanti Ltd., and subsequently moved into the consulting field, where he has undertaken several major due diligence exercises on a variety of mineral projects. Mr Croll peer reviewed the report.

Neither MSA, nor the authors of this report, have or have had previously, any material interest in ZYL or the mineral properties or associated companies in which ZYL has an interest. Our relationship with ZYL is solely one of professional association between client and independent consultant. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

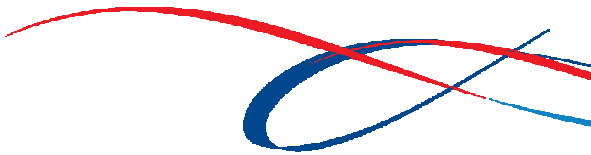
1.2 Principal Sources of Information

MSA based its review of the projects described in this IVR on reports provided by ZYL, complemented by historical drill data retrieved from the Council for Geosciences and published data, maps and reports. The primary basis of the valuation are two Competent Person's Reports compiled by PC Meyer Consulting, one on 15th August 2012 and an update of this report dated 17th April 2013. The valuations were benchmarked against published comparable transactions.

A listing of the principal sources of information is included in the references attached to this report. All reasonable enquiries have been made to confirm the authenticity and completeness of the technical data upon which this report is based. A final draft of this report was also provided to ZYL, along with a request to identify any material errors or omissions prior to final submission.

1.3 Reliance on Other Experts

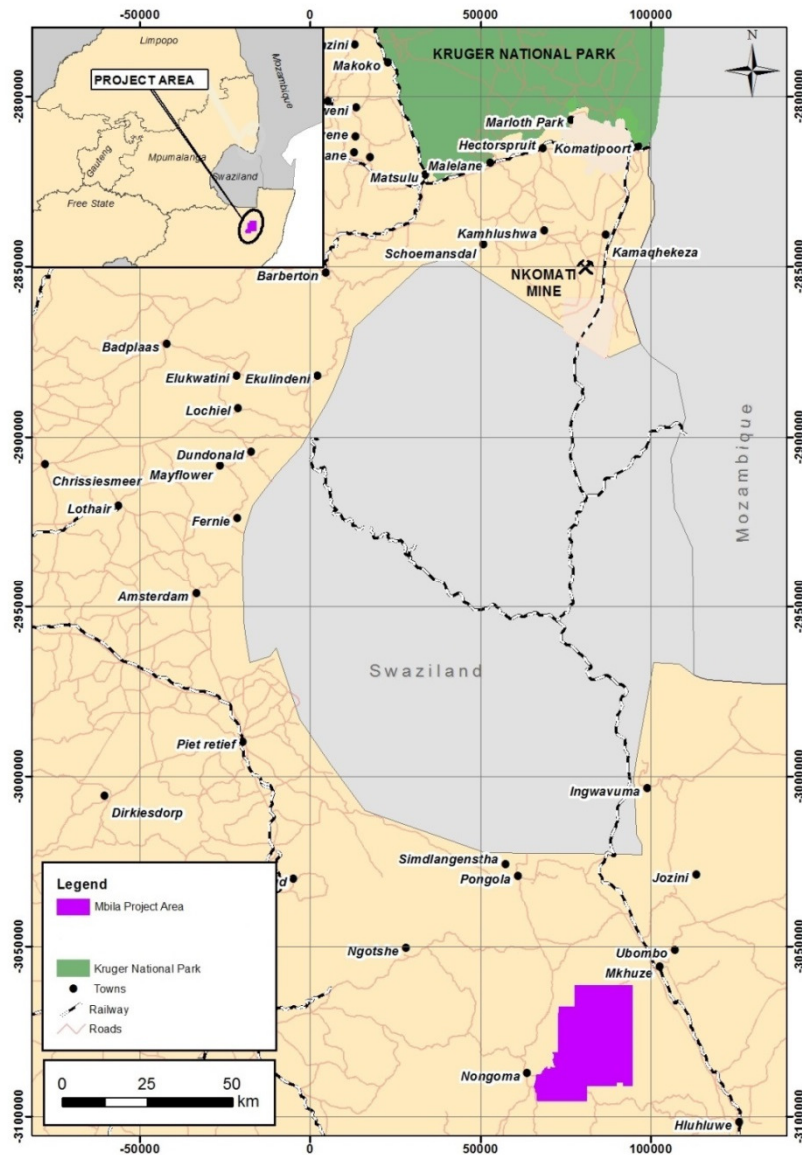
The authors have not independently verified, nor are they or MSA qualified to verify, the legal status of the licence that forms the subject of this report and are reliant on the information provided by ZYL. The reported status of the Mining and Prospecting Licenses is based on information supplied by ZYL and copies of documents provided by ZYL to MSA, and this report has been prepared on the assumption that the Mining and Prospecting Licenses are as reported by ZYL. No warranty or guarantee, be it expressed or implied, is made by MSA with respect to the completeness or accuracy of the legal aspects reported in this document. MSA does not undertake or accept any responsibility or liability whatsoever to any person or entity in respect of those parts of this document, or any errors in or omissions from it, whether arising from negligence or any other basis in law whatsoever.

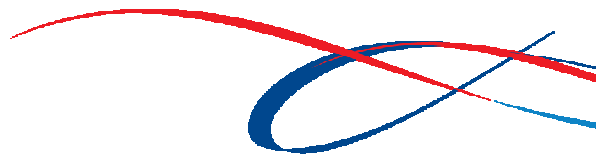


2 PROJECT OVERVIEW

2.1 Location

Figure 2-1
Locality map of the Mbila Project





Access to the area is by tarred road from Nongoma and the Project area itself is traversed by numerous dirt roads.

The area experiences a sub-tropical climate with a distinct summer rainy season and dry winters.

2.3 Legal Tenure

The holder of both the Mining Right and Prospecting Right (Figure 2-2) is Mbila Resources (Pty) Ltd, which is 74% held by Mbila Holdco (Table 2-1).

Area	Status	Area (ha)	License Number	Expiry	Type
Mbila	Mining to commence in 2014	19,180	KZN30/5/1/2/2/186MR	18/05/2023	Mining License
New Prospecting Area	Ongoing exploration	52,946	196/07/PR	9/12/2013	Prospecting Licence

The land on which the Mbila Anthracite Project is situated is administered by the Mandlakazi Traditional council, which holds a 26% share in Mbila Resources (Pty) Ltd.

2.4 History

No formal commercial extraction of coal has taken place in the past on the specific properties under review. Anthracite is currently being mined by artisanal miners and it is apparent that these deposits have been exploited and utilised by the local population since at least the turn of the last century. The amount of anthracite that has been removed in this fashion amounts to an insignificant proportion of the total estimated potential coal tonnage. The location of these workings is shown in Figure 2-3.

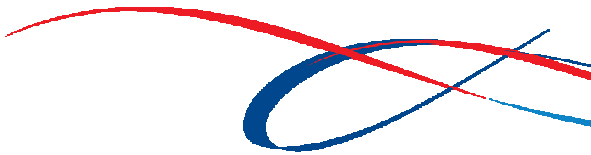
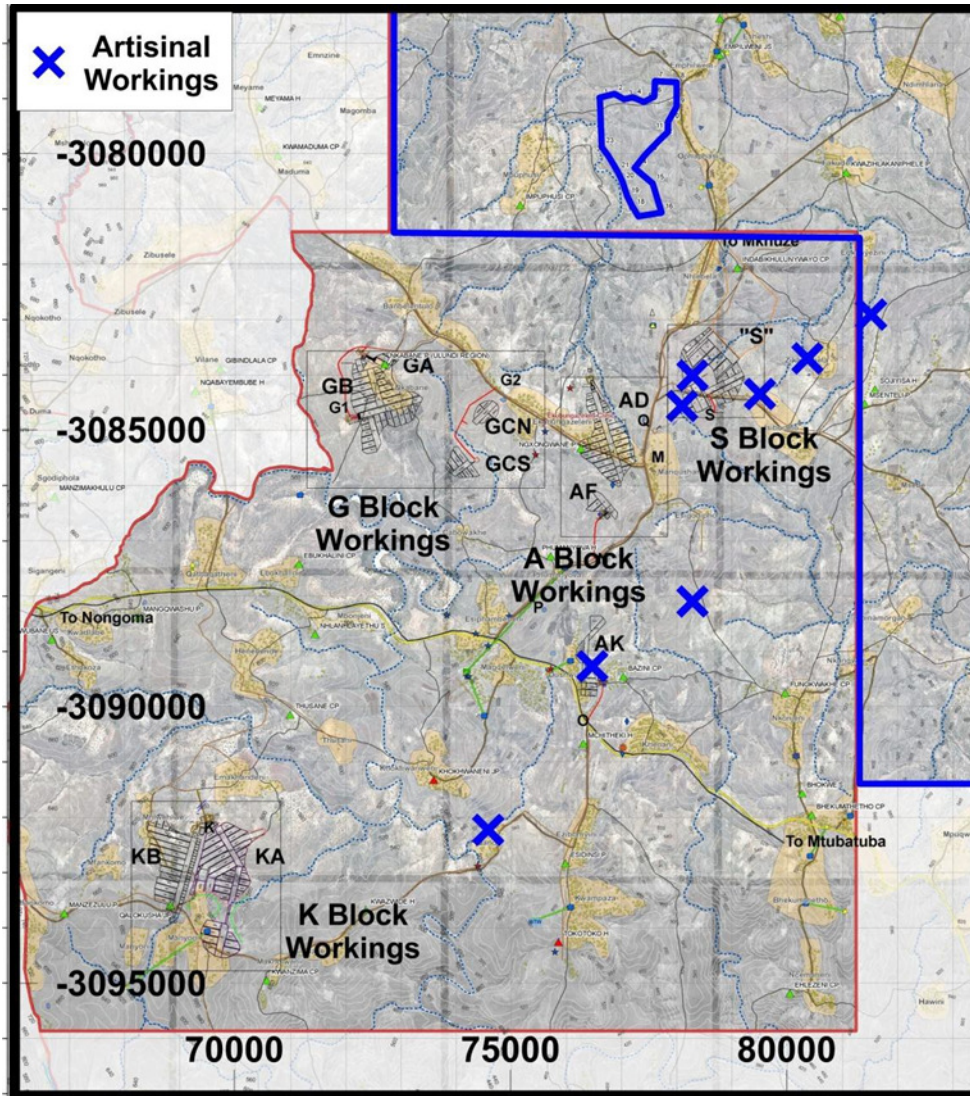


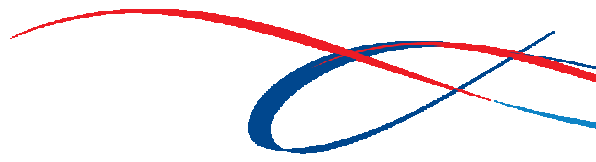
Figure 2-3

Map of artisanal coal workings within the Mbila Anthracite project area

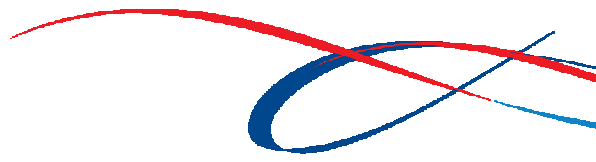


The following account of the areas' exploration history is summarised from Meyer (2012):

- 1940 The first reference was made of anthracite at Nongoma was noted by Mr F.A. Stuart.
- 1949 Interest in the area as a source of anthracite grew. F.J.J. Furter conducted a reconnaissance for coking coal on behalf of Natala Navigation Collieries. He concluded that only anthracite would be found in the area.



- 1958 The first drilling was done by Mr E. Gericke. He drilled two unsurveyed holes in the Nqongwani area. However, no record exists of his findings.
- c. 1960s Anglo American and Alpha Anthracite were companies which were showing interest in the area for coal, but had forfeited their rights due to compliance issues. Southern Prospecting was subsequently formed by a Dr Winkler to apply for coal rights for the area.
- 1974 Negotiations were concluded between Ubombo Mines (also known as the Trans-Natal Coal Corporation) and South Cape Exploration to commence a large scale prospecting programme. Initial prospecting commenced under the supervision of Mr F.J.J Furter in June. A geological mapping programme was completed, followed by drilling of 98 boreholes and excavation of six bulk samples. The data from this work was meticulously collected and stored, and divided the original prospecting area into four distinct blocks based on geological character. This data was later acquired by Mbila Resources (Pty) Ltd for incorporation into the project database.
- 1994 Ingwe was formed through the merger between Rand Coal Limited and Trans-Natal Corporation and these assets were subsequently acquired by BHP Billiton.
- 2006-2008 GeoCoal estimated the coal tonnages for blocks A, G, K, O and S. These estimates were subsequently audited by SRK Consulting (Pty) Ltd ("SRK"). A total of 80 boreholes were drilled by Mbila in Block S in 2006 to target potentially open pittable coal. This drilling programme was conducted under the supervision of qualified geologists. Two of these holes, and two further holes drilled in Block A, were intended to verify the historical drilling conducted in the 1970s.
- 2008 SRK estimated the coal tonnages at Msebe (located in the New prospecting License area).
- 2010-2011 Mbila Resources (Pty) Ltd conducted a 43 borehole drilling programme with the primary objective of improving confidence in the S Block coal tonnages. This drilling was managed by DK Exploration and provided data for an update of the Mbila coal tonnages by DK Exploration. This work was reviewed by SRK.
- 2012 Mbila Resources (Pty) Ltd drilled 68 boreholes totalling 6,331.8 m.



3 GEOLOGY

3.1 Regional Geology

South Africa's coal deposits are hosted by sedimentary rocks of Permian age which comprise part of the Karoo Supergroup (Carboniferous to Jurassic). Within the main Karoo Basin, coal is mainly hosted within the Vryheid Formation of the Ecca Group where in general the rank of the coal increases eastward. South Africa is host to 19 recognised coalfields. The Mbila Anthracite Project lies in the Nongoma coalfield (Figure 3-1).

3.2 Local Geology

Within the Nongoma coalfield all of the coal seams are anthracitic, and are confined within a graben structure that was active during deposition of the Karoo Supergroup. Within this graben, north-south trending faults have created numerous discrete coal blocks making the area geologically complex (Figure 3-2). An abnormally elevated geothermal gradient and consequent high heat flow has resulted in the generation of anthracite throughout the area. The coal seams dip at up to 15 degrees, with an average of approximately nine degrees. Dolerite sills occur throughout the area and are generally continuous and concordant. A 90 m thick sill in the Ecca sediments above M Seam dominates the local topography. Transgressing dykes associated with the sill have resulted in burning of the B seams in some areas. A major N-S trending fault east of the proposed mining area (i.e. the Ecca blocks) downthrows to the east and brings the Beaufort coal seams to the same elevation as the Ecca coal seams. Other smaller faults have been identified within the area, generally with throws of less than 20 m.

3.3 Stratigraphy

The Ecca coals are hosted within the Vryheid Formation, which consists of fine to coarse fluvio-deltaic sediments. There are three major coal seams, these being the Main Seam (M), with the M+1 approximately 19 m above this, and the M-1 Seam approximately 18 m below the M Seam (Figure 3-3a).

The Beaufort coals occur within the Emakwazini Formation, which lies stratigraphically above the Vryheid Formation. There are three main Beaufort coal seams in the Mbila/Msebe area, named, from bottom to top, the A, B, and C Seams. The B Seam is potentially the most economic seam, and is divided into three sub-seams, namely the B1, B2, and B3. A small area of a B4 Seam occurs in a restricted area. All of these sub-seams are separated by muddy partings (Figure 3-3b). The total B1 to B3 package is approximately 12 m in thickness, with the individual seams being between 2.8 and 3.5 m thick. The A Seam occurs 20 m below the B Seams, and is sub-divided into an A1 and an A2 Seam. The A2 Seam averages 1.5 m in thickness and the A1 averages 2.7 m thick. Both are poor quality seams. The C Seam lies approximately 50 m above the B Seams and is not considered to be economic.

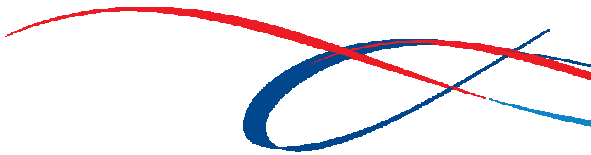
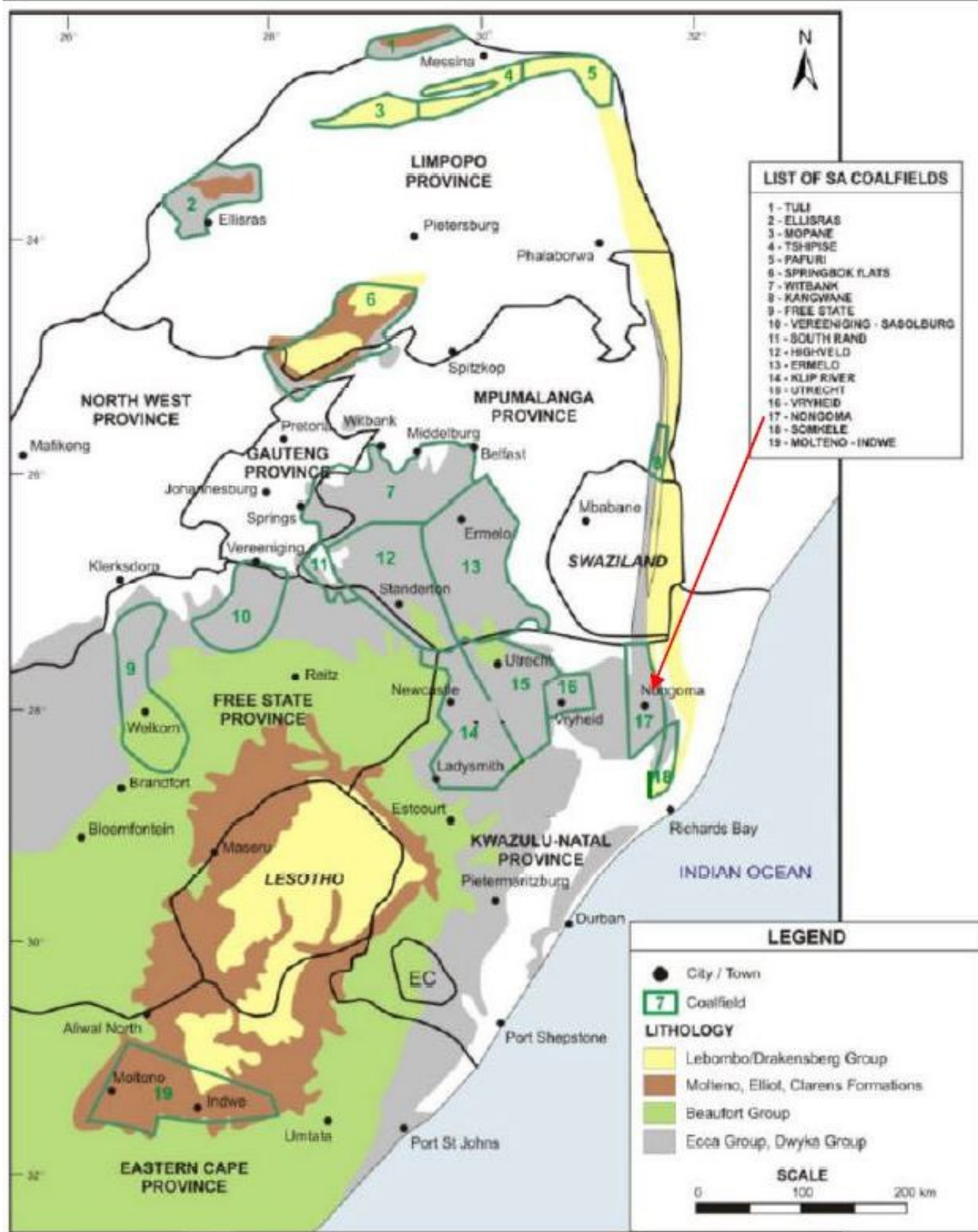


Figure 3-1

Map of the coalfields of South Africa (from Mineral Resources of South Africa, 1998)



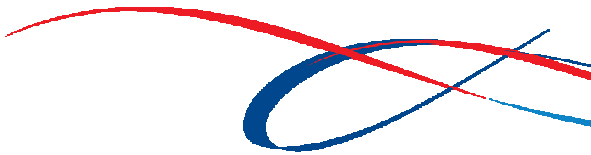
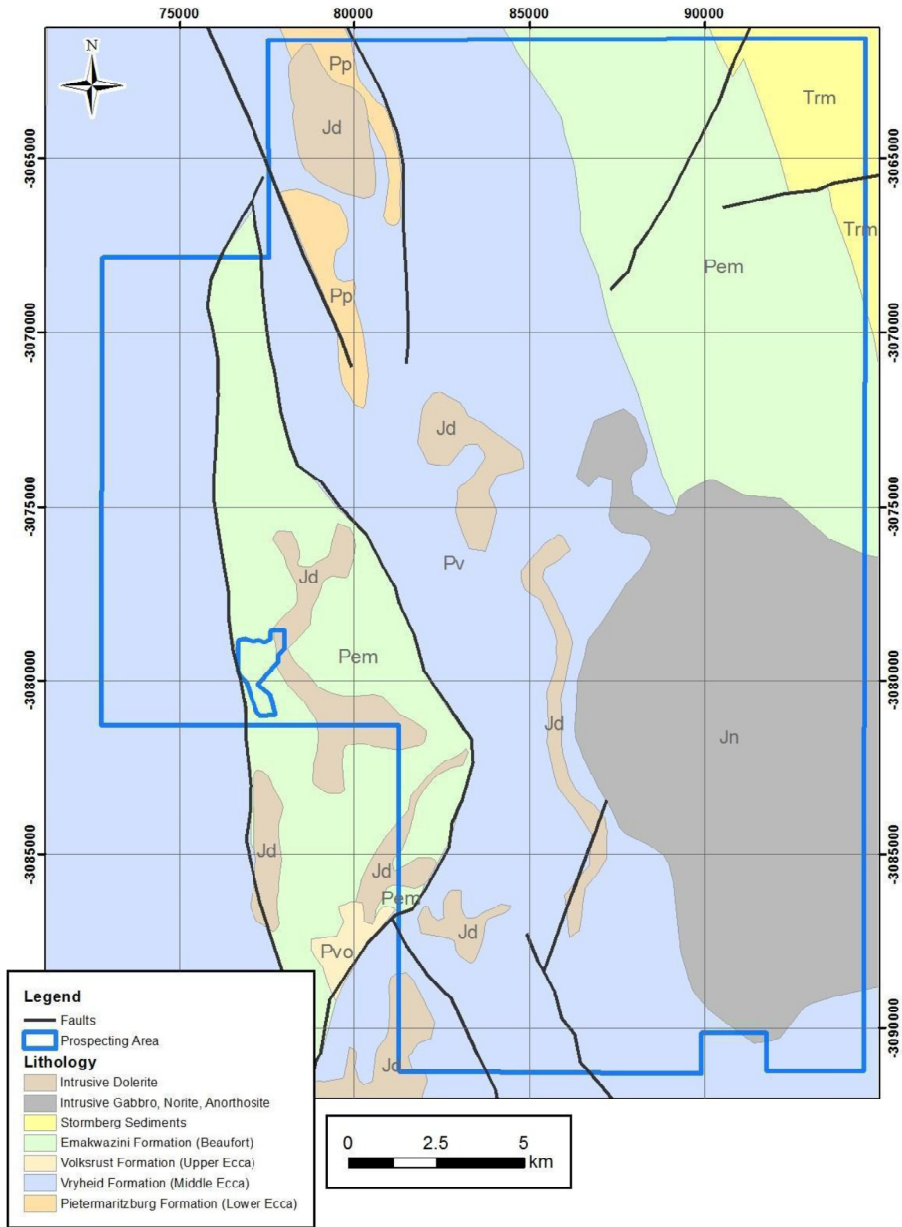


Figure 3-2
Map of structural features within the Msebe PRA



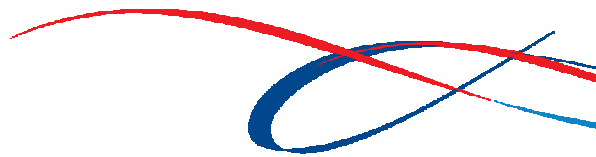
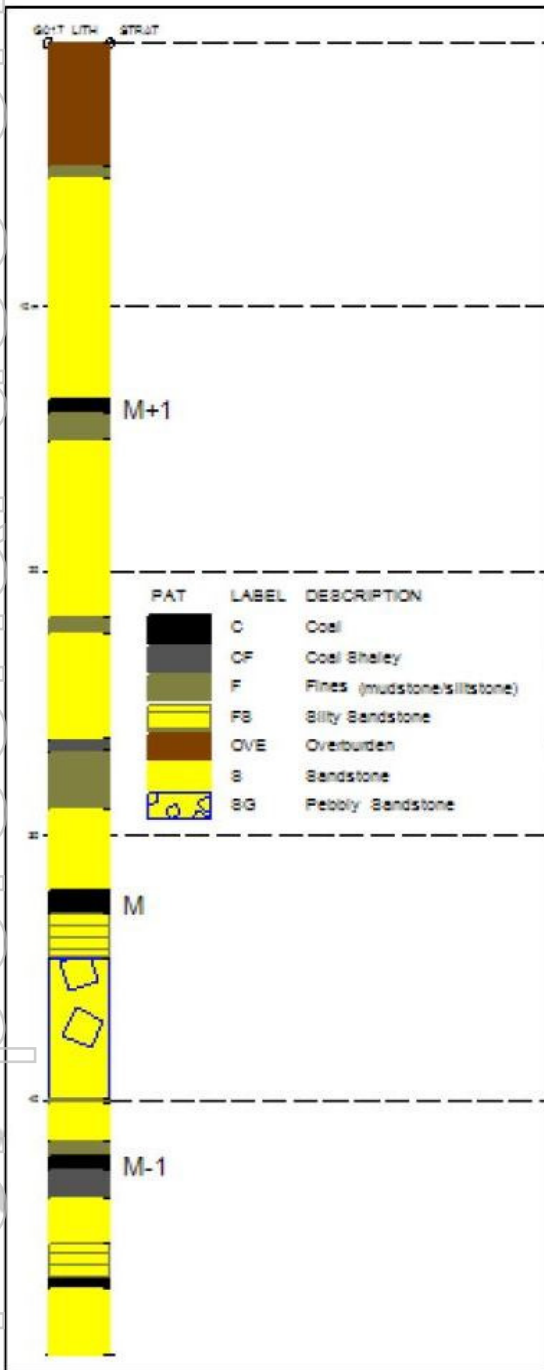


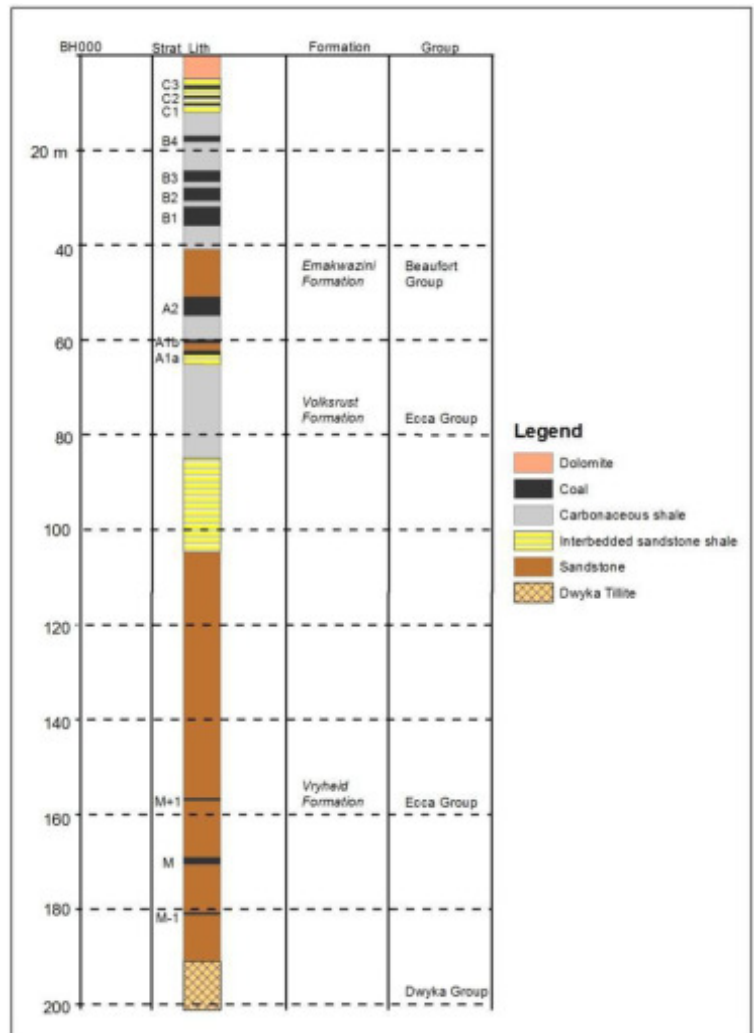
Figure 3-3

Stratigraphy of the Mbila Anthracite Project area

a) Ecca Coals

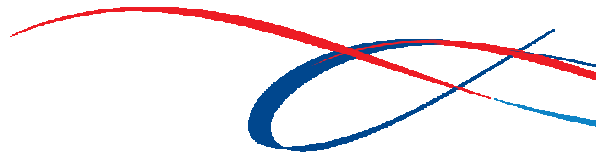


b) Beaufort Coals stratigraphically above the Ecca coals



Legend

- Dolomite
- Coal
- Carbonaceous shale
- Interbedded sandstone shale
- Sandstone
- Dwyka Tillite



4 EXPLORATION

4.1 Previous Exploration

In 1974 the first large scale exploration was undertaken by Ubombo Mines and South Cape Exploration, amounting to a total of 98 boreholes. This exploration programme also included the excavation of 6 bulk sampling pits. At this time a split was identified between Lower Ecca Group and what was then considered to be the Upper Ecca Group, later correlated with the Beaufort Group. Mbila Resources (Pty) Ltd first became involved in 2004 and the historic database was retrieved from BHP Billiton. The 1974 results were incorporated into this database. During the years 2006 to 2008, 82 boreholes were drilled by Mbila Resources (Pty) Ltd, mainly in G and S blocks.

A total of 645 boreholes have been drilled since 1974 (Figure 4-1).

4.2 Current Exploration

During 2010 and 2011 a 43 borehole drilling programme in the S Block North and the G Block was managed by DK Exploration. In 2012 the new owners, ZYL undertook a 68 hole drilling programme.

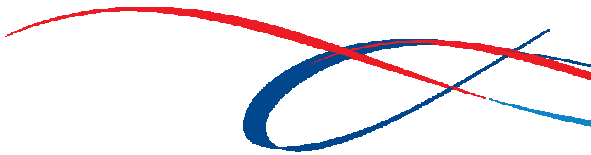
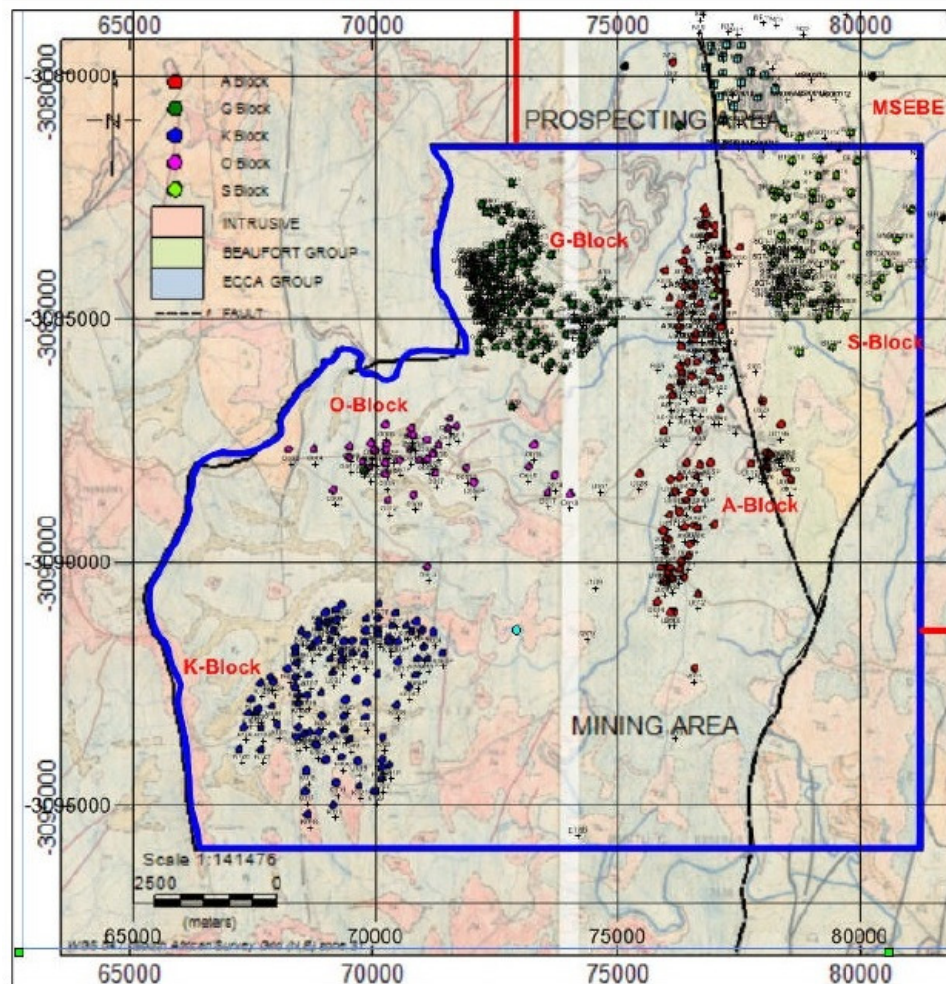


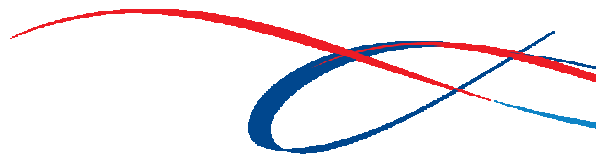
Figure 4-1
Map of boreholes within the Mbila Anthracite Project



5 DATA

5.1 Data Source

The historic data (i.e. prior to 2006) was supplied to PMC as excel worksheets and pdf scans. The data post-2006 comprised excel worksheets, csv files and GBIS data dumps. Some data from the Council for Geosciences (GGS) was acquired in 2012 and was appended to the database. The Digital terrain Model (DTM) was also supplied to PMC, but the source of this information is not recorded in either CPR by PMC.



5.2 Data Quality

PMC has stated that all of the logging of the boreholes was done by competent geologists and is therefore of an acceptable standard. MSA has assumed this to be the case.

Standard validations were carried out by PMC on the current GBIS database. For example, checks were performed for lithological overlaps, missing values, duplicates, anomalous values, yields totalling to 100%, and cumulative wash data increasing or decreases in the correct direction. This quality check revealed some issues. The database was audited by PMC in May 2012 and differences between the electronic data and the hardcopy data were corrected. Collar elevation data errors of as much as 30 m were found and were traced to the use of both Cape (Clarke 1880) datum and WGS84 datum in the same dataset.

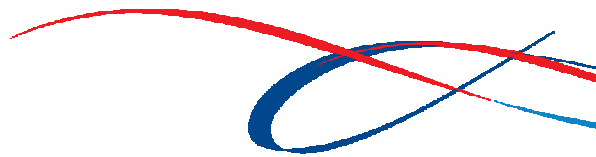
Historic boreholes were surveyed on Cape Datum (LO31) and later converted to WGS84 for incorporation into the current database. This conversion was considered by PMC to be accurate. However, there is no evidence of Certification of these historic borehole collars, and the collars could not be located in the field. From 2006 to the present, boreholes were positioned by qualified geologists and later surveyed by an accredited land surveyor.

Prior to the presentation of the updated CPR in April 2013, a validation of the borehole collar positions was carried out in the field by a certified land surveyor. The surveyor was accompanied by PC Meyer and representatives from ZYL. This exercise involved a selection of the boreholes within both the Mbila and the Msebe Project areas, and confirmed the positions of the boreholes as contained in the database.

MSA accepts that the Mbila MRA geological data that has been supplied is accurate, in that this data has been cross-validated and audited by PMC.

During the period 2010 to 2012 the drilling was undertaken by WT Drilling, and PMC reports that the required 95% core recovery was upheld throughout the 2 years. No mention is made of the instigation of re-drills. However, later in the report, the text extracted from the DK Exploration Report, indicates that boreholes were re-drilled if less than 95% core recovery was achieved within the coal seams. No figures are given regarding how many re-drills were called. All boreholes were geophysically logged (down-hole Wire Line) but the contractor engaged to do this work is not identified.

During the 2006-2008 drilling campaign, seam correlation was undertaken at the same time as the core logging, and the correlations applied in the field were verified later, as part of the validation process. This was not done during the 2010-2012 drilling programme. In this case the correlations were applied during the modelling, arbitrary seam numbering having been applied at the time the logging was done. According to DK Exploration, sampled lengths were kept between 0.5 m and 4 m.



Historically most samples were sent to Trans-Natal and Northfield Laboratories. Neither of these laboratories was accredited, and at that time SANAS accreditation was not a requirement. Prior to 1974 Vryheid Coal Laboratory (VCL) owned 16% of Mbila, and since 2006 VCL has been responsible for all of the analyses. This potential conflict of interest has been addressed in the DK Exploration Report referred to by PMC. An analysis of these results has assured PMC that VCL has not tampered with, or biased the results in any way. VCL is not accredited but takes part in inter-laboratory "round-robins" as a check on quality and performance.

It is confirmed that since 2006 all sampling has been carried out by the responsible project geologist. Samples taken on site by the geologist were collected by a representative of VCL at Nongoma, and thereafter VCL assumed responsibility for the samples.

Phosphorus analyses have been carried out since 2006. Ninety-one (91) composite samples, representing specific ash contents ranging from 8.5% to 11% for the Eccca coals and 13% to 15% for the Beaufort coals, were analysed for Phosphorus. The Phosphorus contents recorded were between 0.005 and 0.008 for the Eccca coals and 0.005 and 0.016 for the Beaufort coals.

5.3 Data Management

The historic data is currently archived electronically at the offices of RSV in Microsoft Excel files, with hardcopy handwritten backup. The data is managed by DK Exploration, and is now located at the offices of Mbila.

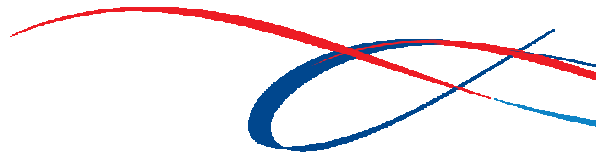
In 2010 the Geocoal database was transferred to DK Exploration and was re-formatted for compatibility with Geosoft Target and Micromine. This database comprised tables for "collar" (coordinates, elevations etc), "geological" (all lithological depths, codes and correlations) and "analysis" (laboratory results, sample ID's, raw and wash results). Standard validations were carried out on the database, including checks for lithological overlaps, missing values, and anomalous values. The last update of this database was done on 8 August 2012 for the Mbila Project area, and 22 November 2012 for the Msebe Project area.

In addition to the standard contents, the geological database also contains aeromagnetic data, mapping information, down-hole geophysical logs, and washability modelling data.

6 COAL RESOURCE MODEL

6.1 Methodology

The Eccca and Beaufort coal seams were modelled as separate JORC Compliant Coal Resources. The Eccca blocks encompass the G, A, K, and O blocks, whereas the Beaufort model includes the S Block, within the Mbila MRA, and the separate Msebe PRA. A number of iterations of the Coal tonnage estimate have been



done as further data has been generated. MSA has reviewed the JORC Compliant Coal Resource figures reported in the report by PMC and is satisfied that the Coal Resource figures are reasonable.

For the updated PMC CPR both the Mbila MRA and the Msebe PRA modelling was done by Linden Consulting using Micromine, to allow for later mine design to be undertaken.

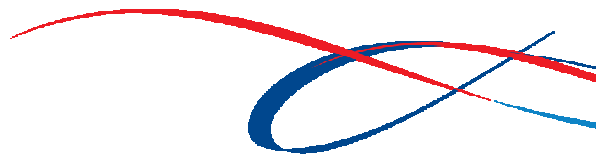
6.2 Physical Model

A description of the physical model has not been provided to MSA for review.

6.3 Coal Qualities

A preliminary assessment of the raw quality data was undertaken by MSA, using a simple statistical treatment of the databases provided. This evaluation confirmed that the quality data reported by PMC is valid and reasonable.

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7 JORC COMPLIANT COAL RESOURCE ESTIMATE

7.1 Gross Tonnage In Situ (GTIS) Coal Resource

MSA has reviewed the JORC Compliant Coal Resource estimation presented in the report by PMC and is of the opinion that the resource tonnages provided by PMC are reasonable. The Gross Tonnage In Situ (GTIS) JORC compliant Coal Resource is presented in Table 7-1.

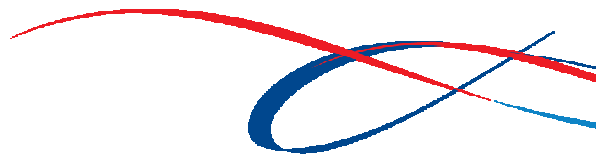
JORC Classification	MBILA ECCA GTIS (Mt)	MBILA BEAUFORT GTIS (Mt)	MSEBE BEAUFORT GTIS (Mt)	TOTAL COAL RESOURCES (GTIS) Mt
Measured Resource	8.55	27.61	17.67	53.83
Indicated Resource	1.94	21.24	10.42	33.6
Inferred Resource	3.54	33.98	0	37.52
TOTAL COAL RESOURCES (GTIS) Mt	14.03	82.83	28.09	124.95

MSA independently estimated the resource block areas, based on Surfer modelling of the 0.8 metre seam cut-offs, and combined these figures with the RD and seam width data provided by PMC, in order to arrive at estimates of the coal block tonnages that could be used to evaluate the JORC compliant Coal Resources calculated by PMC. Based on this assessment, MSA accepts that the JORC compliant Coal Resource estimates of PMC are reasonable.

An interrogation of the borehole densities derived from the collar database also leads MSA's to the opinion that the PMC resource categories are acceptable in terms of JORC guidelines.

7.2 Modifying Factors

The two main modifying factors applied by PMC during modelling of the Mbila MRA and Msebe PRA were the seam width, which was set at a minimum cut-off of 0.8 m, and an ash content of less than 50%. In addition to these criteria, the blocks were defined by the limits of known geological structures within the MRA and PRA, and a product yield cut-off of 40% in Mbila MRA blocks A, G and K. MSA has accepted this methodology.



7.3 Total Tonnage In Situ Coal Resource Statement

The JORC Compliant TTIS Coal Resource estimates are presented in Table 7-2 to Table 7-4, based on the geological losses as set out in PMC's CPR as follows

Mbila Measured – 10%

Mbila Indicated – 15%

Mbila Inferred – 20%

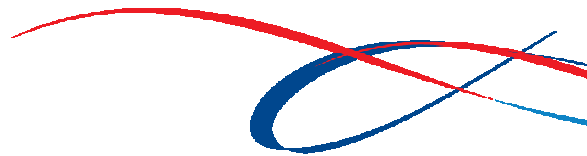
Msebe Measured – 10%

Msebe Indicated – 20%

Msebe Inferred – 20%

JORC Classification	MBILA ECCA TTIS (Mt)	MBILA BEAUFORT TTIS (Mt)	MSEBE BEAUFORT TTIS (Mt)	TOTAL COAL RESOURCES (TTIS)
Measured Resource	7.70	24.85	15.90	48.45
Indicated Resource	1.65	18.05	8.34	28.04
Inferred Resource	2.83	27.18	0	30.02
TOTAL COAL RESOURCES (TTIS) Mt	12.18	70.09	24.24	106.50

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**Table 7-3
Mbila MRA JORC Compliant Coal Resource Statement – Ecca Seams Blocks (Meyer, 2012)**

A BLOCK							
SEAM	GTIS	Measured	TTIS (Geol. Loss 10%)	Indicated	TTIS (Geol. Loss 15%)	Inferred	TTIS (Geol. Loss 20%)
M+1	1,406,100	653,500	588,150	198,000	168,300	554,500	443,600
M	3,810,900	1,771,200	1,594,080	536,700	456,195	1,502,900	1,202,320
M-1	255,800	118,900	107,010	36,000	30,600	100,900	80,720
TOTAL	5,472,800	2,543,600	2,289,240	770,700	655,095	2,158,300	1,726,640

G BLOCK							
SEAM	GTIS	Measured	TTIS (Geol. Loss 10%)	Indicated	TTIS (Geol. Loss 15%)	Inferred	TTIS (Geol. Loss 20%)
M+1	15,700	14,100	12,690	-	-	1,600	1,280
M	4,703,500	4,239,000	3,815,100	-	-	464,500	371,600
M-1	-	-	-	-	-	-	-
TOTAL	4,719,200	4,253,100	3,827,790	-	-	466,100	372,880

D BLOCK							
SEAM	GTIS	Measured	TTIS (Geol. Loss 10%)	Indicated	TTIS (Geol. Loss 15%)	Inferred	TTIS (Geol. Loss 20%)
M	329,600	-	-	329,600	280,160	-	-

K BLOCK							
SEAM	GTIS	Measured	TTIS (Geol. Loss 10%)	Indicated	TTIS (Geol. Loss 15%)	Inferred	TTIS (Geol. Loss 20%)
M	3,515,200	1,757,600	1,581,840	840,590	714,502	917,000	733,600

Total Ecca	14,036,800	8,554,300	7,698,870	1,940,890	1,649,757	3,541,400	2,833,120
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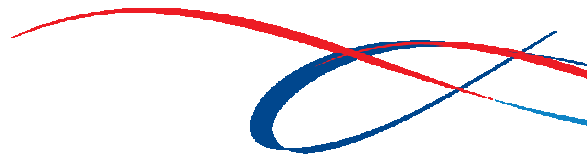
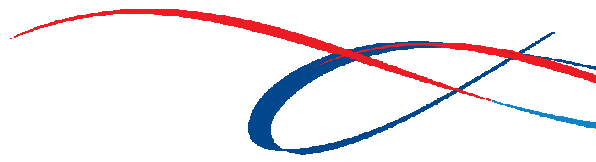


Table 7-4
Mbila MRA JORC Compliant Coal Resource Statement – Beaufort Seams Blocks (Meyer, 2012)

S BLOCK							
SEAM	GTIS	Measured	TTIS (Geol. Loss 10%)	Indicated	TTIS (Geol. Loss 15%)	Inferred	TTIS (Geol. Loss 20%)
B4	9,020,800	3,006,900	2,706,210	2,313,000	1,966,050	3,700,800	2,960,640
B3	19,253,300	6,417,800	5,776,020	4,936,700	4,196,195	7,898,800	6,319,040
B2	17,856,300	5,952,100	5,356,890	4,578,500	3,891,725	7,325,700	5,860,560
B1	26,615,900	8,872,000	7,984,800	6,824,600	5,800,910	10,919,300	8,735,440
A2	4,294,000	1,431,300	1,288,170	1,101,000	935,850	1,761,600	1,409,280
A1	5,786,200	1,928,700	1,735,830	1,483,600	1,261,060	2,373,800	1,899,040
TOTAL	82,826,500	27,608,800	24,847,920	21,237,400	18,051,790	33,980,000	27,184,000

Msebe							
SEAM	GTIS	Measured	TTIS (Geol. Loss 10%)	Indicated	TTIS (Geol. Loss 20%)	Reconnaissance	TTIS (Geol. Loss 30%)
B3	22,082,000	7,270,000	6,543,000	4,290,000	3,432,000	10,520,000	7,364,000
B2	13,648,000	4,493,000	4,043,700	2,651,000	2,120,800	6,502,000	4,551,400
B1	17,932,000	5,904,000	5,313,600	3,484,000	2,787,200	8,543,000	5,980,100
TOTAL	53,662,000	17,667,000	15,900,300	10,425,000	8,340,000	25,565,000	17,895,500

Total Beaufort	136,488,500	45,275,800	40,748,220	31,662,400	26,391,790	25,565,000	17,895,500
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8 VALUATION OF MBILA MINING RIGHT AREA (MBILA MRA) AND THE MSEBE PROSPECTING RIGHT AREA (MSEBE PRA)

Because there is no reliable techno-economic study available to provide a basis for discounted cash flow model valuation, MSA has relied on historical expenditures and comparable transactions as its two valuation methods in this report. Where practicable, the valuations indicate high, low and preferred (fair) values.

All monetary values included in this report are expressed in United States Dollars (USD) unless otherwise stated. The exchange rate between South African Rand and the US Dollar which has been applied here is ZAR 8.543 = USD 1.00, being the weekly average bid rates over the past 52 weeks.

8.1 Valuation Methods

There are a number of recognised methods used in valuing mineral assets. The most appropriate application of these various methods depends on several factors, including the level of maturity of the mineral asset, and the quantity and type of information available in relation to the asset.

The VALMIN Code, which is binding upon "Experts" and "Specialists" involved in the valuation of mineral assets and mineral securities, classifies mineral assets into the following categories:

- **Exploration Areas** refer to properties where mineralisation may or may not have been identified, but where specifically a JORC compliant Mineral Resource has not been identified.
- **Advanced Exploration Areas** refer to properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by some form of detailed geological sampling. A JORC compliant Mineral Resource may or may not have been estimated but sufficient work will have been undertaken that provides a good understanding of mineralisation and that further work will elevate a prospect to the resource category. MSA is of the opinion that any identified Mineral Resources in this category would tend to be of relatively lower geological confidence.
- **Pre-Development Projects** are those where Mineral Resources have been identified and their extent estimated, but where a positive development decision has not been made. This includes projects at an early assessment stage, on care and maintenance or where a decision has been made not to proceed with immediate development.
- **Development Projects** refers to properties which have been committed to production, but which have not been commissioned or are not operating at design levels.



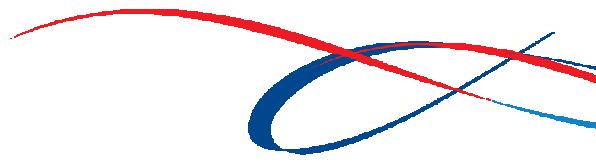
- **Operating Mines** are those mineral properties, which have been fully commissioned and are in production.

Various recognised valuation methods are designed to provide the most accurate estimate of the asset value in each of these categories of project maturity. In some instances, a particular mineral property or project may include assets that comprise one or more of these categories. When valuing Exploration Areas, and therefore by default where the potential is inherently more speculative than more advanced projects, the valuation is largely dependent on the informed, professional opinion of the valuer. There are two basic methods available to the valuer when appraising Exploration Areas; the Multiple of Exploration Expenditure ("MEE") method and the Comparable Transaction Value method.

The MEE method can be used to derive project value, and is based on past exploration expenditures which may or may not have added value and where committed future exploration expenditures are known or can be reasonably estimated. A premium or discount is applied to the exploration expenditure to date known as the Prospectivity Enhancement Multiplier ("PEM"). A premium is applied where exploration to date has been successful and whether or not there is a possibility of justifying continuing further exploration. A discount is applied where exploration does not result in any significant mineralisation being discovered and exploration expenditures will tend to decrease together with value.

The PEM Schema is as follows:

- 0.0 No further exploration is justified; the property should be relinquished.
- 0.0 - 0.5 Exploration has significantly downgraded the prospectivity. Despite considerable past and current expenditures, the property remains at the grass roots stage. Further exploration expenditure is not justified.
- 0.5 -1.0 Past and recent exploration expenditure has maintained rather than enhanced or even slightly downgraded the prospectivity. Without further geological re-assessment additional exploration is not justified.
- 1.3 -1.5 The data collected to date have increased the prospectivity of the property through identifying and defining geochemical or geophysical anomalies and other exploration targets. Further exploration is justified.
- 2.0 - 2.5 Exploration is well advanced; infill drilling is justified and is likely to define a Mineral Resource.
- 2.5 - 3.0 Current drilling is likely to define a Mineral Resource with potential down dip extension or along strike. At this stage a scoping study could be undertaken.
- 3.0 - 5.0 Resources of variable significance have been defined with economic features indicated by a pre-feasibility study that make early conversion to Mineral Reserves probable.
- The PEM rises with the number of targets involved and the mineralization found. The average PEM is ± 1.8 and depends on the success of exploration carried out to date and an assessment



of future potential. A PEM of less than 1.0 means that further exploration is not justified. A PEM of 2.0 or greater can only be justified if drilling has found mineralisation.

Comparable Transaction Value Method. The comparable transaction value method is based upon other, preferably recent, arm's length transactions of a similar nature, which determines a monetary value per unit of resource.

8.2 Material Agreements

MSA understands that all relevant New Order Prospecting Rights and Mining Rights have been granted at this point in time and are in good standing. MSA makes no other assessment or assertion as to the legality of the Prospecting/Mining Rights and is not qualified to do so.

MSA is not aware, nor has been made aware, of any other agreements that have a material effect on the provisional valuations of the mineral assets, and on this basis have made no adjustments on this account.

8.3 Mbila MRA and Msebe PRA JORC Compliant Coal Resources

The JORC Compliant Coal Resources for the Mbila MRA and the Msebe PRA as estimated by PMC, and accepted by MSA have been detailed in Section 7 of this report. The valuations are based on the total in-situ tonnages (TTIS) and categorised as shown in Tables 8-1 and Table 8-2.



**Table 8-1
Mbila MRA JORC Compliant Coal Resources**

Mbila Mining Right Area

BLOCK	Category	Gross Tonnes In-situ (GTIS)	Geological Losses	Total In-situ Coal Resource (TTIS)
A Block	Measured	2,543,600	10%	2,289,240
	Indicated	770,700	15%	655,095
	Inferred	2,158,300	20%	1,726,640
	Total	5,472,600		4,670,975
G Block	Measured	4,253,100	10%	3,827,790
	Indicated	-	15%	-
	Inferred	466,100	20%	372,880
	Total	4,719,200		4,200,670
O Block	Measured	-	10%	-
	Indicated	329,600	15%	280,160
	Inferred		20%	-
	Total	329,600		280,160
K Block	Measured	1,757,600	10%	1,581,840
	Indicated	840,590	15%	714,502
	Inferred	917,000	20%	733,600
	Total	3,515,190		3,029,942
S Block	Measured	27,608,800	10%	24,847,920
	Indicated	21,237,400	15%	18,051,790
	Inferred	33,980,000	20%	27,184,000
	Total	82,826,200		70,083,710
TOTAL:	Measured	36,163,100	10%	32,546,790
	Indicated	23,178,290	15%	19,701,547
	Inferred	37,521,400	20%	30,017,120
	TOTAL	96,862,790	15%	82,265,457

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Table 8-2
Msebe PRA JORC Compliant Coal Resources

Msebe Prospecting Right Area				
SEAM	Category	Gross Tonnes In-situ (GTIS)	Geological Losses	Total In-situ Coal Resource (TTIS)
B1 Seam	Measured	7,270,000	10%	6,543,000
	Indicated	4,290,000	20%	3,432,000
	Inferred	-	20%	-
	TOTAL	11,560,000		9,975,000
B2 Seam	Measured	4,493,000	10%	4,043,700
	Indicated	2,651,000	20%	2,120,800
	Inferred		20%	-
	TOTAL	7,144,000		6,164,500
B3 Seam	Measured	5,904,000	10%	5,313,600
	Indicated	3,484,000	20%	2,787,200
	Inferred		20%	-
	TOTAL	9,388,000		8,100,800
TOTAL:	Measured	17,667,000	10%	15,900,300
	Indicated	10,425,000	20%	8,340,000
	Inferred	-	20%	-
	TOTAL	28,092,000	14%	24,240,300

8.4 Multiple of Exploration Expenditure Valuation

The year to date expenditure on the Mbila MRA and Msebe PRA amounts to ZAR 37.116 million or USD 4.345 million. This expenditure has been split on the basis of boreholes drilled to allocate expenditure to the Mbila MRA and Msebe PRA and then the appropriate PEM applied to the category of resource.

Total boreholes drilled were 515 with 61 drilled in the Msebe PRA. On this basis, Mbila accounted for 88% of the exploration expenditure (ZAR 32.662 million; USD 3.824 million) and Msebe 12% (ZAR 4.454 million; USD 0.521 million). The subjective allocation of the PEM to various resource categories follows the schema in Table 8-3.

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Table 8-3		
Allocation of PEM per Resource Category		
PEM		
Lower	Upper	Resource Category
0.5	1.0	Inferred
1.3	1.5	Indicated & Inferred
2.0	2.5	Indicated
2.5	3.0	Measured & Indicated
3.0	5.0	Measured

The estimation of the value of the Mbila MRA and Msebe PRA on the basis of multiples of exploration expenditure is detailed in Table 8-4.

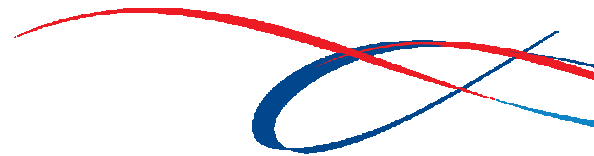


Table 8-4
Value of the Mbila MRA and Msebe PRA on the basis of Multiples of Exploration Expenditure

	TOTAL EXPLORATION EXPENDITURE (ZARm)	LOWER PEM	UPPER PEM	FAIR PEM	LOWER PROJECT VALUE (ZARm)	UPPER PROJECT VALUE (ZARm)	PREFERRED PROJECT VALUE (ZARm)	LOWER PROJECT VALUE (US\$m)	UPPER PROJECT VALUE (US\$m)	PREFERRED PROJECT VALUE (US\$m)	74% of PREFERRED PROJECT VALUE (US\$m)
Mbila MRA											
Measured	12.19	3.0	5.0	4.0	36.58	60.96	48.77	4.28	7.14	5.71	4.22
Indicated	7.82	2.0	2.5	2.3	15.63	19.54	17.59	1.83	2.29	2.06	1.52
Inferred	12.65	0.5	1.0	0.8	6.33	12.65	9.49	0.74	1.48	1.11	0.82
TOTAL Mbila MRA	32.66				58.54	93.16	75.85	6.85	10.90	8.88	6.57
Msebe PRA											
Measured	2.80	3.0	5.0	4.0	8.40	13.99	11.19	0.98	1.64	1.31	0.97
Indicated	1.65	2.0	2.5	2.3	3.30	4.13	3.72	0.39	0.48	0.43	0.32
Inferred	-	-	-	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL Msebe PRA	4.45				11.70	18.12	14.91	1.37	2.12	1.75	1.29
GRAND TOTAL	37.11				70.24	111.28	90.76	8.22	13.03	10.62	7.86



8.5 Comparable Transactions Valuation

MSA conducted a search for publicly available market transactions involving coal projects in the Kwa-Zulu Natal and Mpumalanga provinces that closely approximate the coal types and conditions or are of a similar prospectivity to the prospects under consideration. In MSA's experience, any other market transaction will not exactly match the relevant project areas. In this instance, a range of implied values on a ZAR /t basis will be used to derive high, average and preferred values.

Of the population of comparable transactions, certain transactions were eliminated:

- transactions involving producing mines
- transactions older than 5 years

The number of transactions involving anthracite is limited; hence to get a broader spread of values, transactions involving thermal or coking coal were also researched. Table 8-5 shows the publicly reported coal project transactions that meet these criteria.

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Table 8-5
Reported Market Coal Transactions – Anthracite, Coking and Thermal Coal projects, including the reconnaissance category of JORC Compliant Coal Resources

Project	Date	Coal	Category	Transaction				Resource at Time of Transaction	Consideration per Tonne
				Cash ZAR	Equity ZAR	Expenditure ZAR	Total Consideration ZAR	Tonnes	ZAR/t
Dwala	Jun-09	Anthracite	Reconnaissance				700,000	3,250,000	0.22
Majestic	May-10	Anthracite	Indicated & Inferred				1,520,000	3,510,000	0.43
Coal of Africa / Chapudi	Nov-10	Coking	Exploration/Development				580,425,000	1,040,000,000	0.56
Kangwane Coal	Jul-10	Anthracite	Indicated & Inferred	10,020,000	15,030,000	62,875,500	87,925,500	114,100,000	0.77
Sterkfontein	Mar-08	Thermal	Measured, Ind, Inf	69500000			69,500,000	51,030,000	1.36
Vlakvarkfontein P12	2010	Thermal	Indicated & Inferred	3,000,000			3,000,000	2,000,000	1.50
Silverbank	2010	Thermal	Inferred	36,980,000			36,980,000	24,500,000	1.51
Verblyden	2010	Thermal	Inferred	55,850,000			55,850,000	37,000,000	1.51
Bankfontein	2010	Thermal	Reconnaissance	7,700,000			7,700,000	5,100,000	1.51
Rietkuil Coal	2009	Thermal	Measured & Indicated	184744950	268,296,471		453,041,421	200,000,000	2.27
Mbila Coal	2010	Anthracite	Measured, Ind, Inf				364,971,240	69,400,000	5.26
KwaQubuka	Oct-08	Anthracite	Inferred				14,460,000	2,500,000	5.78
Emalehlene	Oct-08	Anthracite	Inferred				34,710,000	6,000,000	5.79
Totals/Averages:							670,570,500	1,480,490,000	2.19
								Lower Unit Value	0.22
								Higher Unit Value	5.79
								Average	2.19



MSA's analysis of coal market transactions including anthracite, coking and thermal coal indicates an implied value of between ZAR 0.22/t and ZAR 5.79/t for all reported transactions, with an average of ZAR 2.19/t. If only the anthracite transactions are considered, the results are shown in Table 8-6.

				Total Consideration	Resource at Time of Transaction	Consideration per Tonne
Project	Coal Type	Date	Category	ZAR	Tonnes	ZAR/t
Dwala	Anthracite	9-Jun	Reconnaissance	700,000	3,250,000	0.22
Majestic	Anthracite	May-10	Indicated & Inferred	1,520,000	3,510,000	0.43
Kangwane Coal	Anthracite	Jul-10	Indicated & Inferred	87,925,500	114,100,000	0.77
Mbila Coal	Anthracite	2010	Measured, Ind, Inf	364,971,240	69,400,000	5.26
KwaQubuka	Anthracite	Oct-08	Inferred	14,460,000	2,500,000	5.78
Emalehlene	Anthracite	Oct-08	Inferred	34,710,000	6,000,000	5.79
Totals/Averages:				504,286,740	198,760,000	3.04
					Lower Unit Value	0.22
					Higher Unit Value	5.79
					Average	3.04

The range remains between ZAR0.22/t and ZAR5.79/t but the average value rises to ZAR 3.04/t.

This result includes the reconnaissance category of Mineral Resources. If the reconnaissance category is excluded the results are shown in Table 8-7, MSA's analysis indicates a range of values between ZAR 0.43/t and ZAR 5.79/t, with an average of ZAR 3.19/t.

				Total Consideration	Resource at Time of Transaction	Consideration per Tonne
Project	Coal Type	Date	Category	ZAR	Tonnes	ZAR/t
Majestic	Anthracite	May-10	Indicated & Inferred	1,520,000	3,510,000	0.43
Kangwane Coal	Anthracite	Jul-10	Indicated & Inferred	87,925,500	114,100,000	0.77
KwaQubuka	Anthracite	Oct-08	Inferred	14,460,000	2,500,000	5.78
Emalehlene	Anthracite	Oct-08	Inferred	34,710,000	6,000,000	5.79
Totals/Averages:				138,615,500	126,110,000	3.19
					Lower Unit Value	0.43
					Higher Unit Value	5.79
					Average	3.19

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8.5.1 Valuation of the Msebe PRA using the Comparable Transactions Method

MSA's analysis of the coal market transactions indicates that the implied values of projects with measured, indicated and inferred JORC Compliant coal resources generally lie between ZAR0.43/t to ZAR5.79/t. Table 8-8 presents the minimum, maximum and preferred (fair) value of the Msebe PRA JORC Compliant Coal Resources in both South African Rands and US Dollars.

Table 8-8
Msebe PRA – Valuation (Comparable Transactions method)

Msebe Prospecting Right Area											
SEAM	Category	Gross Tonnes In-situ (GTIS)	Geological Losses	Total In-situ Coal Resource (TTIS)	LOWER PROJECT VALUE (ZARm) @ R0.43/t	UPPER PROJECT VALUE (ZARm) @ R5.79/t	PREFERRED PROJECT VALUE (ZARm) @R3.19/t	LOWER PROJECT VALUE (US\$m)	UPPER PROJECT VALUE (US\$m)	PREFERRED PROJECT VALUE (US\$m)	74% of PREFERRED PROJECT VALUE (US\$m)
B1 Seam	Measured	7,270,000	10%	6,543,000	2.81	37.88	20.87	0.33	4.43	2.44	1.81
	Indicated	4,290,000	20%	3,432,000	1.48	19.87	10.95	0.17	2.33	1.28	0.95
	Inferred	-	20%	-	-	-	-	-	-	-	-
	TOTAL	11,560,000		9,975,000	4.29	57.76	31.82	0.50	6.76	3.72	2.76
B2 Seam	Measured	4,493,000	10%	4,043,700	1.74	23.41	12.90	0.20	2.74	1.51	1.12
	Indicated	2,651,000	20%	2,120,800	0.91	12.28	6.77	0.11	1.44	0.79	0.59
	Inferred	-	20%	-	-	-	-	-	-	-	-
	TOTAL	7,144,000		6,164,500	2.65	35.69	19.66	0.31	4.18	2.30	1.70
B3 Seam	Measured	5,904,000	10%	5,313,600	2.28	30.77	16.95	0.27	3.60	1.98	1.47
	Indicated	3,484,000	20%	2,787,200	1.20	16.14	8.89	0.14	1.89	1.04	0.77
	Inferred	-	20%	-	-	-	-	-	-	-	-
	TOTAL	9,388,000		8,100,800	3.48	46.90	25.84	0.41	5.49	3.02	2.24
	TOTAL	28,092,000	14%	24,240,300	10.42	140.35	77.33	1.22	16.43	9.05	6.70



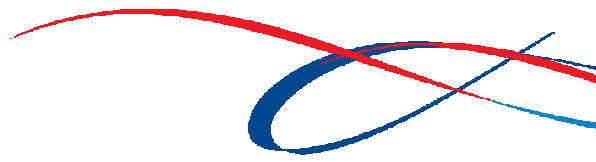
8.5.2 Valuation of the Mbila MRA using the Comparable Transactions Method

Table 8-9 presents the lower, upper and preferred (fair) value of the Mbila MRA JORC Compliant Coal Resources in both South African Rands and US Dollars.

**Table 8-9
Mbila MRA – Valuation (Comparable Transactions Method)**

Mbila Mining Right Area

BLOCK	Category	Gross Tonnes In situ (GTIS)	Geological Losses	Total In-situ Coal Resource (TTIS)	MIN PROJECT VALUE (ZARm) @ R0.43/t	MAX PROJECT VALUE (ZARm) @ R5.79/t	FAIR PROJECT VALUE (ZARm) @ R3.61/t	MIN PROJECT VALUE (US\$m)	MAX PROJECT VALUE (US\$m)	FAIR PROJECT VALUE (US\$m)	74% of FAIR PROJECT VALUE (US\$m)
A Block	Measured	2,543,600	10%	2,289,240	0.98	13.25	8.26	0.12	1.55	0.97	0.72
	Indicated	770,700	15%	655,095	0.28	3.79	2.36	0.03	0.44	0.28	0.20
	Inferred	2,158,300	20%	1,726,640	0.74	10.00	6.23	0.09	1.17	0.73	0.54
	Total	5,472,600		4,670,975	2.01	27.04	16.86	0.24	3.17	1.97	1.46
G Block	Measured	4,253,100	10%	3,827,790	1.65	22.16	13.82	0.19	2.59	1.62	1.20
	Indicated	-	15%	-	-	-	-	-	-	-	-
	Inferred	466,100	20%	372,880	0.16	2.16	1.35	0.02	0.25	0.16	0.12
	Total	4,719,200		4,200,670	1.81	24.32	15.16	0.21	2.85	1.78	1.31
O Block	Measured	-	10%	-	-	-	-	-	-	-	-
	Indicated	329,600	15%	280,160	0.12	1.62	1.01	0.01	0.19	0.12	0.09
	Inferred	-	20%	-	-	-	-	-	-	-	-
	Total	329,600		280,160	0.12	1.62	1.01	0.01	0.19	0.12	0.09
K Block	Measured	1,757,600	10%	1,581,840	0.68	9.16	5.71	0.08	1.07	0.67	0.49
	Indicated	840,590	15%	714,502	0.31	4.14	2.58	0.04	0.48	0.30	0.22
	Inferred	917,000	20%	733,600	0.32	4.25	2.65	0.04	0.50	0.31	0.23
	Total	3,515,190		3,029,942	1.30	17.54	10.94	0.15	2.05	1.28	0.95
S Block	Measured	27,608,800	10%	24,847,920	10.68	143.87	89.70	1.25	16.84	10.50	7.77
	Indicated	21,237,400	15%	18,051,790	7.76	104.52	65.17	0.91	12.23	7.63	5.64
	Inferred	33,980,000	20%	27,184,000	11.69	157.40	98.13	1.37	18.42	11.49	8.50
	Total	82,826,200		70,083,710	30.14	405.78	253.00	3.53	47.50	29.62	21.92
GRAND TOTAL		96,862,790	15%	82,265,457	35.37	476.32	296.98	4.14	55.76	34.76	25.72



8.5.3 Combined Value of the Msebe PRA and Mbila MRA

In MSA's opinion, the Comparable Transactions method provides the best valuation method for the Mbila Anthracite Project. The preferred (fair) combined value of the Msebe PRA and the Mbila MRA is USD 32.42 million for 74% of the project based on comparable transactions as shown in Table 8-10.

	LOW PROJECT VALUE (US\$m)	HIGH PROJECT VALUE (US\$m)	PREFERRED PROJECT VALUE (US\$m)	74% of PREFERRED PROJECT VALUE (US\$m)
Msebe Prospecting Right Area	1.22	16.43	9.05	6.70
Mbila Mining Right Area	4.14	55.76	34.76	25.72
Total Project Value	5.36	72.18	43.81	32.42

The combined valuation when using the multiple of exploration expenditure method is USD 7.86 million for 74% of the project. MSA does not believe that this presents a fair value of the project.

9 CONCLUSIONS

MSA's review of the JORC Compliant Coal Resource estimates presented in the report by PMC suggests that in general the resource tonnages provided by PMC are reliable and reasonable.

The JORC Compliant Coal Resource figures have been used to provide a valuation of the Mbila Anthracite Project (comprising the Mbila MRA and the Msebe PRA) using the comparative transactions method. The preferred combined value of the Mbila MRA and Msebe PRA is USD 32.42 million.

10 REFERENCES

Meyer, P.C. (2012) Independent Competent Persons Report on the Mbila Mining Right Area and the Msebe Prospecting Right Area. Prepared for RSV Enco (Pty) Ltd.

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Meyer, P.C. (2013) Updated Independent Competent Person's Report on the Resources of the Mbila Mining Area and Msebe Exploration Project. Prepared for ZYL Ltd. Dated 17 April 2013.

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ZYL LIMITED
ACN 008 720 223

PROXY FORM
The Company Secretary
ZYL Limited

By post:
PO Box 7653 Cloisters Square
PERTH WA 6850

By facsimile:
(08) 9486 4799

Step 1 – Appoint a Proxy to Vote on Your Behalf

I/We¹ _____

of _____

being a Shareholder/Shareholders of the Company and entitled to _____
votes in the Company, hereby appoint:

The Chairman of the Meeting (mark box) **OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and address of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally on my/our behalf at the Meeting of the Company to be held at The Heritage Boardroom, The Melbourne Hotel, 942 Hay St Perth, Western Australia on Monday 24 June 2013 at 3:00pm (WST) and at any adjournment or postponement of the Meeting and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit).

Important – If the Chairman of the Meeting is your proxy or is appointed your proxy by default

Important for Resolutions 3, 5, 6 and 7

If the Chairman of the Meeting is your proxy or is appointed your proxy by default and you have not directed your proxy how to vote on Resolutions 3, 5, 6 and 7 please tick this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 3, 5, 6 and 7 and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Resolutions 3, 5, 6 and 7 and your votes will not be counted in computing the required majority if a poll is called on these Resolutions.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 3, 5, 6 and 7.

Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the meeting.

Please read the voting instructions overleaf before marking any boxes with an .

Step 2 – Instructions as to Voting on Resolutions

INSTRUCTIONS AS TO VOTING ON RESOLUTIONS

The proxy is to vote for or against the Resolution referred to in the Notice as follows:

		For	Against	Abstain
Resolution 1	Approval of acquisition of interest in Mbila Project	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval of issue of Shares to MTI	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of Prior Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Confirmation of appointment of Director – Mr Yuzheng Xie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of issue of Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 6	Approval of issue of Shares to Prestige Glory (LR 10.11)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of issue of Shares to Prestige Glory (Section 611 item 7)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Authority to issue Shares to Breamline	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Authority to issue Shares to Selentium	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Authority to grant Adviser Options to Selentium	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Authority to issue Shares to Macquarie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Authorised signature/s

This section **must** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

The Chairman of the Meeting intends to vote undirected proxies in favour of each Resolution.

Individual or Shareholder 1	Shareholder 2	Shareholder 3
<input style="width: 200px; height: 20px;" type="text"/>	<input style="width: 200px; height: 20px;" type="text"/>	<input style="width: 200px; height: 20px;" type="text"/>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

¹ Insert name and address of Shareholder

Proxy Notes:

A Shareholder entitled to attend and vote at the General Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that General Meeting. If the Shareholder is entitled to cast 2 or more votes at the General Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that General Meeting, the representative of the body corporate to attend the General Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the General Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the address below no later than 48 hours prior to the time of commencement of the General Meeting (WST).

Postal address: PO Box 7653 Cloisters Square, Perth WA 6850

Facsimile: (08) 9486 4799 if faxed from within Australia or +618 9486 4799 if faxed from outside Australia.

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