

ASX RELEASE  
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## SETTLEMENT WITH MBILA VENDORS AND SHARE PLACEMENT CONCLUDED

- Settlement of the legal dispute with the Mbila Vendors
- Completion of a placement of 68 million shares at AUD0.02 to raise approximately AUD1.4 million
- Extension of the Bridge Facility
- Clear path to recapitalise ZYL and the development of the anthracite projects

ZYL Limited (“ZYL”) advises that it has settled all outstanding legal disputes with the Mbila vendors subject to certain conditions being fulfilled as detailed below.

The Board of ZYL are of the opinion that this is an excellent outcome for shareholders as the interests of all stake holders are now aligned, and in a strong position to accelerate development of ZYL’s anthracite coal projects.

The uncertainty of litigation was a deterrent to potential joint venture partners, off-take partners and equity investors. These matters may now be progressed.

The key points of the settlement are outlined below, which include the process to re-capitalise ZYL. More information will be contained in the Prospectus and Notice of Meeting that will be circulated to shareholders in the coming weeks.

### Mbila Project Settlement

Under the terms of the Settlement Agreement ZYL is to pay legal costs of the Mbila vendors and transfer its current interest in the Mbila 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, the rights issue as described below and appropriate shareholder and regulatory approvals, which are conditions to the Settlement Agreement.

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On completion of the share placement, rights issue and convertible note, which collectively are to raise a minimum of AUD13 million, ZYL will acquire a 74% interest in the Mbila project for the consideration, in shares, that equate to 35% of the issued share capital of ZYL on a fully diluted basis. Should ZYL not complete the rights issue or fail to secure appropriate approvals then the Mbila vendors will be entitled to proceed with their existing claims they may have in respect of the original Share Repurchase and Subscription Agreement, namely payment of the outstanding amounts.

At AUD0.02 per share, the ZYL shares issued as consideration to acquire 74% of the Mbila project is AUD12 million, which compares more than favourably with the approximate AUD27.6 million cash payment under the previous agreement.

### **Placement**

ZYL has placed 68 million shares to Prestige Glory Limited at an issue price of AUD0.02 to raise approximately AUD1.4 million before costs, thus fulfilling the first of the conditions necessary to complete the settlement with the Mbila Vendors

Prestige Glory is an entity that was formed to acquire or invest in international resource projects of interest and value to China. Prestige Glory is backed by a group of wealthy and influential Chinese investors.

### **Rights Issue**

The Company proposes to undertake an underwritten non-renounceable rights issue, pursuant to a Prospectus, on the basis of at least one ZYL share for every two ZYL shares held at the record date at a minimum issue price of AUD0.02 per share. Prestige Glory will fully underwrite the rights issue or procure that the rights issue is fully underwritten. The issue will raise a minimum of AUD5.6 million net of costs. The proceeds of the Rights Issue are to be used to fund general working capital, ongoing compliance as well as requirements of the Company's projects.

### **Bridging Facility**

The maturity of the existing bridging facility has been extended for a further 6 months, until 30 September 2013.

In addition ZYL has commenced discussions to extend the facility from AUD2 million to AUD3 million.

### **Convertible Note**

It is the intention of the Company to raise further capital through the issue of Convertible Notes. The bridging facility will be repaid using the proceeds of the Convertible Notes. It is proposed that 60 Convertible Notes be issued, each with a face value of at least AUD100,000, to raise AUD6 million.

The Convertible Notes will mature after a period of 3 years from date of issue at a coupon rate of 12% per annum and are convertible at AUD0.03 per ZYL share.

As part of the recapitalization, Prestige Glory will, on a best endeavors basis, seek to subscribe for 100% of the Convertible Notes.

### **Revised Capital Structure**

Following completion of the placement, the rights issue and the Convertible Notes, the Company will have raised approximately AUD13million and the Mbila Vendors and Prestige Glory will hold approximately 35% and 21% respectively of the issued share capital of ZYL on a fully diluted basis. The percentage shareholding of Prestige Glory can increase to approximately 34% should it take up all of the shares to be issued pursuant to the rights issue.

The shares subscribed for in the placement by Prestige Glory and the shares issued to the Mbila Vendors pursuant to the Settlement Agreement will be escrowed for 12 months.

### **Ownership of the Projects**

Following the completion of the various conditions precedent in Kangwane Beneficial Renegotiation announced 3 February 2013, the York Transaction announced on 17 February 2013 and the Settlement Agreement, ZYL will own 50.1% of the Kangwane Central Project, 50.1% Kangwane North Project, 70% of the Kangwane South Project and 74% of the Mbila Project respectively.

### **Board Restructure**

After having reached settlement with the Mbila Vendors, Mr Glenn Whiddon has agreed to resign from the Board of ZYL. The Board of ZYL and I would like to thank Mr Whiddon for his valuable advice and contribution to the Company during his tenure.

It is proposed that a representative of Prestige Glory will be appointed to the Board as the Non-Executive Chairman.

Mr John Beck, a senior South African businessman, will become a consultant to ZYL. Mr Beck's involvement with ZYL will facilitate the development process and provide access to otherwise unavailable opportunities.

### **Trading Update**

The Company anticipates the lifting of the suspension of its official quotation following release of half-yearly report, which is being updated to reflect matters in this announcement.

## Conclusion

I would like to take this opportunity to thank all stakeholders for their patience and support through what has been a very complex time in the Company's development. In particular, the settlement agreement could not have been completed without the support of Mr Beck and Prestige Glory.

ENDS

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### About ZYL Limited

ZYL Limited is listed on the Australian Securities Exchange (ASX) and aims to become one of the world's leading anthracite coal producers. The mission of ZYL is to develop high-margin metallurgical coal deposits for domestic and export markets. The Company's flagship project is the Kangwane Central Project in South Africa, located close to rail, port, power and water infrastructure.

### Important information

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