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ASX Market Announcements

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## ASX RELEASE

### EXALT TO ENTER INDONESIAN COAL INDUSTRY

Exalt Resources Limited (“**Exalt**” or “**the Company**”) is pleased to announce that it has signed a Term Sheet which gives Exalt exclusive rights to investigate and negotiate the acquisition of 100% of the issued capital of Odni Holdings (Pte.) Ltd (“**ODNI**”) a Singapore incorporated coal investment company (“**Proposed Transaction**”).

**Appendix A** to this announcement outlines the key commercial terms of the Proposed Transaction.

ODNI has secured the rights to acquire an interest in a number of prospective coal mining projects in the Kalimantan, Sumatra and West Papua regions of Indonesia. ODNI’s aim is to build a substantial diverse portfolio of Indonesian coal assets encompassing the following key parameters:

- Projects in an early stage exploration phase through to producing coal assets;
- A range of coal types including low to high grade thermal coal and coking coal suitable for both domestic and export markets;
- Concession areas spread across multiple Indonesian geographies, which are close to key infrastructure; and
- Projects supported by strong local partners.

With well-established export and domestic markets, and competitive transport costs, the Company is confident of the opportunities to be found in Indonesia. The rights acquired offer the ability for Exalt to apply International/Australian capital to further delineate and develop the coal mining opportunities identified by ODNI, and attract first class international management expertise to maximise their potential.

ODNI has developed solid in-country relationships with the assistance of Corpac Partners, which maintains a growing presence in Indonesia. Links with reputable local business partners will be strengthened through further co-development agreements in order to identify and secure new prospective coal exploration and production opportunities in strategic locations that will drive future growth and expansion of the Company.

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ODNI's strategy is to discover and develop quality thermal and coking coal deposits located in proximity to established mining operations or defined deposits and in locations with access or potential access to existing or developing infrastructure. The concessions in South Sumatra and East Kalimantan are adjacent to areas held by established coal industry participants, including leading Indonesian producer PT Kaltim Prima Coal, and the large Indian multi-national Reliance Group. Any commercial coal discoveries falling within ODNI's concessions have the potential to supply a wide range of coal products for electricity generation and steel production to markets in Indonesia, India and China.

Accordingly, counterparties include well known and successful Indonesian companies with established connections in the Indonesian economic and political spheres – critical for achieving positive outcomes on resource projects involving foreign investment. In particular Sugico is a large established Indonesian mining and energy company which has rapidly expanded its coal, gas, and mineral assets throughout the country. Sugico has previously sold major coal projects to Reliance Coal of India and is currently involved in significant oil and gas projects with a number of large international partners including ExxonMobil, Santos, Pertamina and BP.

ODNI's objective for the Initial Projects is to advance each of them through exploration and drilling phases with the aim of delineating a resource and reserve defined in accordance with the JORC Code as well as undertaking any mine and infrastructure development required to progress to the production and marketing of coal. An additional objective is to examine the potential for coal beneficiation including coal briquetting, gasification and other value adding streams through strong alliances with specialised parties at selected sites within ODNI's concession areas.

With the successful acquisition of ODNI, the Company's objective is to become a significant mid-tier Indonesian coal producer with a pipeline of compelling exploration, development and producing projects in strategic locations in proximity to established mining operations, and in locations with access or potential access to existing or developing infrastructure that will assist future growth and expansion.

ODNI has secured the right to acquire varying degrees of ownership interests in a total of six Indonesian coal projects ("**Initial Projects**"). Three of these Initial Projects are currently the subject of due diligence and formal documentation, which is expected to be complete in the second quarter of 2012:

**Damanka** - an existing production concession in East Kalimantan covering 4,923 hectares in the Muara Wahau Coal Field coal area, in which ODNI has secured the option to acquire a 70% ownership interest by the initial payment of USD\$250,000 (which has been paid) and a further payment of USD\$800,000 upon the execution of a Share Purchase Agreement, funding an agreed exploration program and thereafter paying an agreed amount of USD\$1.95 per tonne of Reserve delineated and defined in accordance with the JORC Code. Initial exploration expenditure on the Damanka Project is expected to be in the order of USD\$1.5 million.

The Damanka Project has been granted a production license (IUP Operasi Produksi Decree No. 540.I/K/493/HK/V/2010) and currently coal is mined from multiple seams in three open pit areas in the southern section of the concession area. Approximately 50 hectares of the area is currently in use for

mine operations. The mine is close to the established PT Kaltim Prima Coal (KPC) main operating pit and has simple logistics, requiring under 10km road haulage followed by short barging to a mother vessel, as well as being an easily accessible location for management.

**Sugico South Sumatra** - eleven mostly adjacent concessions in the Pendopo coal area in South Sumatra covering approximately 250,000 hectares, on which ODNI has secured the option to acquire a 50% ownership interest by paying an initial sum of USD\$10 million and by funding an exploration program of up to USD\$20 million and the payment of a production and sales based royalty of USD\$2.00 per tonne. The payment of the royalty will be subject to the project remaining economic. In addition, based on the size of the resource delineated and defined in accordance with the JORC Code, further cash consideration may be payable. Initial exploration expenditure on this project is expected to be approximately USD\$5.0 million. The concessions typically are around 20,000 hectares each, comprising over 250,000 hectares in total area.

**Project BIG** - the PT Bakti Initi Guna (“**BIG**”) Project consists of a concession area covering a total area of 4,969 hectares in the Antutan region of the Bulungan Regency in East Kalimantan province, Indonesia. The area is held as an exploration IUP (Izin Usaha Pertambangan Eksplorasi) under the new Indonesia Mining Act and allows for all exploration activities in relation to coal deposits. It is also conveniently located close to another of the Initial Projects. The area is approximately 40km from the nearest river jetty point. An option agreement has been secured with the owner of the PT Bakti Inti Guna which enables ODNI to acquire up to 100% of the Project. An Option fee of USD\$100,000 has been paid. ODNI is required to fund an exploration program and pay an agreed amount of USD\$1.00 per tonne of Reserve delineated and defined in accordance with the JORC Code. Initial exploration expenditure on Project BIG is expected to be in the order of USD\$1 million.

A two phase preliminary mapping exercise has been carried out in the first three months of this year over the northern and eastern parts of the concession area which included topographical mapping and coal outcrop mapping, sampling and analysis. Further mapping activity is planned to cover more of the western and southern parts of the concession area and to conduct more detailed research and analysis.

Summary details of the other initial three Projects that are subject to option to purchase agreements, as part of the ODNI acquisition are:

<b>Project Name</b>	<b>Status, Location &amp; Concession Area</b>
<b>MMBP</b>	Option fee of USD\$100,000 has been paid. Additional consideration of USD\$1 per tonne of Reserve delineated and defined in accordance with the JORC Code to acquire up to 100%. Status: Subject to due diligence. IUP Holder: PT Mitra Maju Bangun Persada IUP Eksplorasi No: 437/K-IV/540/2010 Location: Tanjung Palas Barat District, Bulungan Regency, East Kalimantan Province Concession area: 5,312 hectares

Project Name	Status, Location & Concession Area
<b>West Papua</b>	<p>No Option fee payable.</p> <p>Additional consideration of approximately USD\$2 per tonne of Reserve delineated and defined in accordance with the JORC Code to acquire up to 50% interest.</p> <p>Status: Subject to due diligence.</p> <p>IUP Holder: PT Delapan Inti Power</p> <p>IUP Eksplorasi No: 97/545/V/2011</p> <p>Location: Datatran Isim District, Manokwari Regency, West Papua Province</p> <p>Concession area: 14,960 hectares</p> <p>IUP Holder: PT Sumber Daya Energi</p> <p>IUP Eksplorasi No: 27 Tahun 2011</p> <p>Location: Puncak Jaya Regency, Papua Province</p> <p>Concession area: 23,990 hectares</p>
<b>Karin</b>	<p>Option fee of USD\$25,000 has been paid.</p> <p>Additional consideration of USD\$1 per tonne of Reserve delineated and defined in accordance with the JORC Code to acquire up to 100% interest.</p> <p>Status: Subject to due diligence.</p> <p>IUP Holder: PT Karindangan</p> <p>IUP Eksplorasi No: 188.45/439/2010</p> <p>Location: Montallat District, North Barito Regency, East Kalimantan Province</p> <p>Concession area: 2,586 hectares</p>

**Appendix B** to this announcement provides further information in relation to the Damanka and Sugico South Sumatra Projects.

### **Executive Management**

Exalt is in the process of finalising negotiations with a senior mining executive who it is proposed would become the Managing Director of the Company. Exalt will keep the market informed as to any material developments in this regard. Under the provisions of the Term Sheet the Vendors of ODNI have the right to appoint up to two Directors to the Board of Exalt.

### **Recent Changes to Indonesian Mining Regulations**

Exalt has noted the recent announcements made by the Indonesian Government on changes to Mining Regulations and in particular the aspects relating to the position of foreign investors into Indonesian mining assets. These regulations stipulate amongst other things that from 21 February 2012, companies holding IUPs (standard mining licenses) must now gradually increase their Indonesian participation to a 51% shareholding by the tenth year following the company entering the production operation phase, in accordance with the following scale:

- 6th year following production commencement – 20%;
- 7th year following production commencement – 30%;
- 8th year following production commencement – 37%;
- 9th year following production commencement – 44%;
- 10th year following production commencement – 51%.

Damanka is the only one of the six Initial Projects which currently holds a production license which was originally granted in 2010. As ODNI is proposing to acquire 70% ownership of the project at this stage, Exalt's obligations under the new regulations will be satisfied for the period until the start of the eighth year of production in 2018. ODNI will acquire 50% of the Sugico South Sumatra Project and will satisfy the regulations until the tenth year of production (following exploration and development of a mine) at which point it will be required to divest a further 1% of the Project to Indonesian participants. Exalt intends to partner with strong Indonesian counterparties at all stages of the value adding exploration and production phases of its Projects and does not anticipate substantial issues arising from these revised Regulations in the near term.

### Capital Structure

The capital structure of the Company pre and post the Proposed Transaction is outlined below:

	Currently on Issue	Issued pursuant to proposed acquisition of ODNI	On issue after proposed acquisition of ODNI
<b>Shares</b>	25,125,003	25,000,000	50,125,003
<b>Options</b>	16,008,568	30,000,000 <sup>(1)</sup>	46,008,568
<b>Performance Shares</b>	Nil	66,000,000 <sup>(2)</sup>	66,000,000

- (1) 10,000,000 options exercisable at \$0.20 on or before 2 years of the issue date; and  
20,000,000 options exercisable at \$0.50 on or before 3 years of the issue date.

- (2) Refer Appendix A for the terms and conditions of the Performance Shares

As outlined in Appendix A to this announcement, the Proposed Transaction is subject to the completion of a minimum capital raising of \$10 million on terms acceptable to Exalt. In order to successfully complete the acquisition of the Sugico South Sumatra project on the basis outlined, the Company is likely to raise in the order of \$20 million, which will be undertaken via a full form Prospectus. The terms of this capital raising have not yet been determined however as the ASX has determined the Company will have to comply with Chapters 1 and 2 of the ASX Listing Rules, the proposed Capital Raising will be conducted at a price not less than \$0.20 per share.

## Development Costs Re-imbusement

Subject to the ASX Listing rules, Exalt will pay the following amounts as part reimbursement of expenditure incurred in the development of the Indonesian Initial Projects:

- i. \$1,500,000 provided Exalt has raised at least \$20,000,000 in the Capital Raising;
- ii. a pro-rated amount between \$750,000 to \$1,500,000 provided Exalt has raised between \$10,000,000 to \$19,999,999 in the Capital Raising; or,

an amount agreed in good faith, if Exalt raises less than \$10,000,000 in the Capital Raising.

## Indicative Use of Funds

Assuming the Company successfully raises \$20 million, these funds would be allocated on the following indicative basis.

<u>Application</u>	<u>\$M</u>
Payment for Sugico South Sumatra acquisition	10.00
Exploration Expenditure	7.50 <sup>(1)</sup>
Working Capital	1.10
Costs of the Offer	1.40
<u>Total</u>	<u>20.00</u>

- <sup>(1)</sup> This estimate of exploration expenditure relates to three of the Initial Projects and is preliminary only. During the due diligence period, Exalt and ODNI will seek to finalise the nature and quantum of the proposed exploration activities.

## Indicative Timing

The Australian Securities Exchange (“ASX”) has determined that should the Company undertake the Proposed Transaction, it will then have to re-comply with Chapters 1 and 2 of the ASX Listing Rules. Exalt provides an indicative time table for the completion of the Proposed Transaction as follows:

Action	Indicative Timing
Announcement of proposed acquisition of ODNI	5 <sup>th</sup> April 2012
Execution of Binding Share Purchase Agreement	23 <sup>rd</sup> April 2012
Dispatch of Notice of Meeting and Explanatory Memorandum	24 <sup>th</sup> April 2012
Shareholder meeting held to consider resolutions relating to ODNI acquisition	25 <sup>th</sup> May 2012
Suspension of Exalt securities pending finalisation of ODNI acquisition and related matters	25 <sup>th</sup> May 2012
Lodgement of Prospectus	25 <sup>th</sup> May 2012
Closing date of Prospectus	8 <sup>th</sup> June 2012

The above timetable is indicative only and dates are subject to change.

The Company wishes to highlight that the Company's Securities will be suspended from trading commencing on the day of the shareholder meeting until the completion of the proposed acquisition of ODNl and compliance with Chapters 1 and 2 of the ASX Listing Rules.

#### **Other**

The Company confirms that the Proposed Transaction will not have an effect on the planned exploration activities of its NSW based exploration assets. As with all exploration projects, the quantum of exploration spend going forward will be largely determined by the exploration results of the current program being undertaken.

The Company confirms that there are no related party relationships involved in the Proposed Transaction.

#### **Next Steps**

The Company will seek to finalise transaction documentation including a Notice of Meeting and Explanatory Memorandum which the Company expects to distribute to shareholders towards late April contemplating a general meeting of shareholders in May 2012.

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## Appendix A – Key Transaction Terms and Conditions Precedent

### Key Transaction Terms

As consideration for the 100% acquisition of ODNI, Exalt agrees to pay the following consideration:

- i. 25,000,000 ordinary shares in Exalt on completion of the Proposed Transaction. It is agreed that these ordinary shares are to be placed in voluntary escrow for a 12 month period.
- ii. 10,000,000 options to acquire ordinary shares in Exalt with an exercise price of \$0.20 and an expiry period of two years from the date of issue.
- iii. 20,000,000 options to acquire ordinary shares in Exalt with an exercise price of \$0.50 per Share and an expiry period of three years from the date of issue.
- iv. additional performance based ordinary shares in Exalt to be issued to the ODNI vendors in accordance with the following terms (and subject to ASX approval):
  - a. 22,000,000 ordinary shares in Exalt if ODNI attains a minimum of 500,000 tonnes of coal production and coal sales within two years of the acquisition by Exalt from its existing project suite or suitable replacement projects;
  - b. 22,000,000 ordinary shares in Exalt if ODNI is able to delineate a minimum JORC measured and indicated coal resource of 50 million tonnes (MT) from no more than 6 of its projects within three years of the acquisition by Exalt.
  - c. 22,000,000 ordinary shares in Exalt if ODNI is able to delineate a minimum JORC inferred coal resource of 400 million MT within three years of the acquisition by Exalt.
- v. Upon completion of the Proposed Transaction, the ODNI shareholders shall have the right to appoint two Board Members to the Exalt Board of Directors.

### Key Conditions Precedent to the Proposed Transaction

- a) **Completed Transaction Documents:** Exalt and ODNI having agreed to and executed all required formal Transaction Documents;
- b) **Due Diligence:** Each Party having completed to its satisfaction due diligence in relation to the other;
- c) **Capital Raising:** Exalt having successfully completed a Capital Raising of at least \$10 million on terms acceptable to it;
- d) **Board and Shareholders' Approval:** The Board of Directors and Shareholders of each of Exalt and ODNI having approved the Proposed Transaction and/or the Capital Raising and any other associated approvals if required;
- e) **Regulatory Approval:** All regulatory approvals (such as from ASX, ASIC and the like) required in relation to the Proposed Transaction having been obtained either unconditionally or on conditions acceptable to the relevant Party (acting reasonably); and
- f) **Other Approvals:** The Parties having obtained all government approvals (local, state, or federal), joint venture waivers of pre-emptive rights and rights of first refusal as required and other consents and approvals required for completion of the Proposed Transaction.

## Appendix B – Additional Information on Damanka and Sugico South Sumatra

### DAMANKA PROJECT

The Damanka Project is situated approximately 30km from the town of Sangatta, the capital of the East Kutai Regency, in the East Kalimantan province of Indonesia. The town is on the Sangatta River, 50 km north of the equator on the east coast of Kalimantan Island, 120 km north of the provincial capital Samarinda. The concession area is located on the Muara Wahau Coal Field which is in the Bengalon area of the north-east part of East Kalimantan Province.

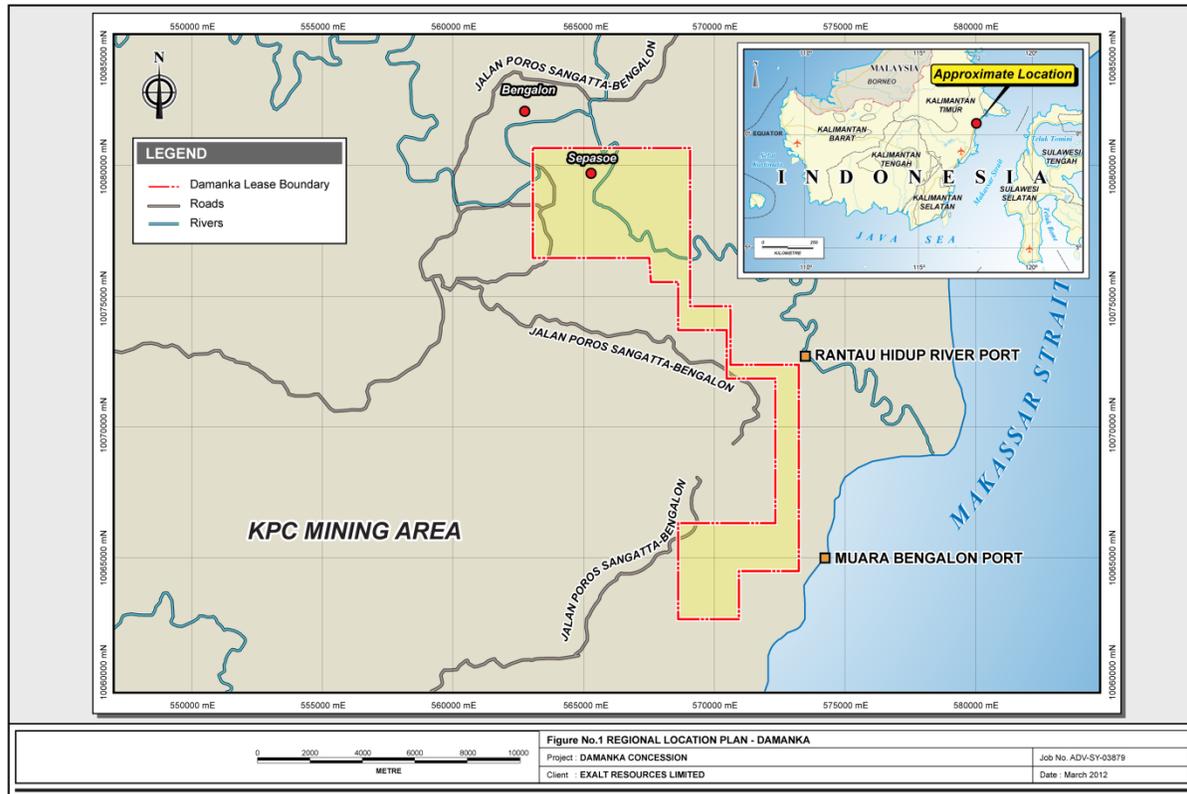


Figure 1: PT Damanka Prima IUP Area Location adjacent to existing KPC infrastructure

The Damanka Project has been granted a production license (IUP Operasi Produksi Decree No. 540.I/K/493/HK/V/2010) and coal is mined from multiple seams in three open pit areas in the southern section of the concession area. Approximately 50 hectares of the area is currently in use for mine operations. The mine is close to the established PT Kaltim Prima Coal (KPC) main operating pit and has simple logistics, requiring under 10km road haulage followed by short barging to a mother vessel, as well as being an easily accessible location for management. It is expected that coal marketing efforts will be straightforward as there are already established coal buyers for this coal grade (similar coal to KPC).

Mining at the Damanka concession is carried out by a contractor. A provincial road bisects the concession and a haul road is used to transport coal by truck to a stockpile area at the company owned jetty approximately 7 kilometres from the current mine location. From there the coal is loaded onto barges for shipment. The Tanjung Bara port terminal owned by KPC is located approximately 7km to the south of the Damanka jetty. In addition to the excavators and trucks used in mining operations other infrastructure at the site includes an 80 tonne capacity weighbridge and a crushing plant which is under construction adjacent to the ROM stockpile. The close proximity of the mine to existing infrastructure provides the advantage of low mine to port transportation costs.

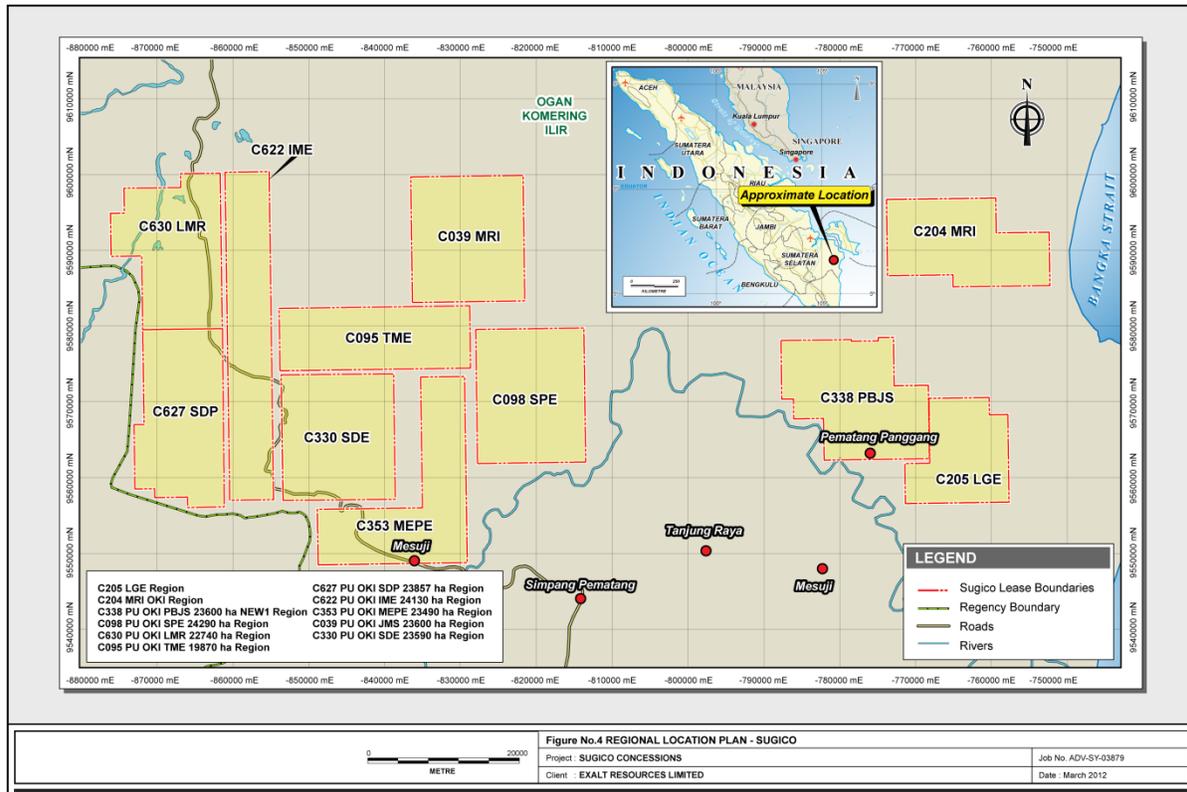


**Figure 2: Photographs showing overburden removal at Pit B and haulage from Pit C at Damanka**

Exploration activity on the concession area to date has been focussed on the current mining areas. Following completion of the Proposed Transaction, Exalt intends to advance the project through further exploration and drilling with the aim of delineating a resource and reserve as defined in accordance with the JORC Code, and undertaking mine and infrastructure development to maximise the economic potential for the production and marketing of coal.

## SUGICO SOUTH SUMATRA PROJECT

The Sugico South Sumatra Project comprises eleven mostly adjacent exploration mining business license (IUP) areas located approximately 200km south of Palembang, the provincial capital of South Sumatra Province on the island of Sumatra, as identified on the following map (Figure 3).



**Figure 3: Concession locations in South Sumatra province**

The concessions typically cover around 20,000 hectares each, comprising over 250,000 hectares in total area representing a very extensive combined exploration region over 50 times as large as the Damanka concession.

Coal has been mined for decades in the Pendopo area by the well-established PT Bukit Asam (PTBA), particularly in the Tanjung Enim mine located 130km to the west of the Sugico South Sumatra Project. Most of the coal from PTBA is transported by rail to the Tarahan Port in Lampung. Several other mining operations are also present in the area with the Pendopo Energi Batubara (PEB) and Bukit Sekundang Enim Energi concessions reported to have very substantial potential coal deposits. Coal from southern Sumatra with characteristics similar to those anticipated for these concession areas is finding ready export markets in Asia, particularly within the Indian energy generation industry, and domestic demand is forecast to expand with the continued development of the thermal energy generation sector, especially as new power station designs expand their coal specification tolerance thresholds. For example, within the last two years a subsidiary of Reliance Power, one of the largest energy companies in the Indian region, acquired a number of coal mines in South Sumatra in line with their strategy of using the coal for its major new power stations in southern India. It has also announced plans to invest several billion dollars in infrastructure projects involving rail, road and port facilities in South Sumatra.

In general, mining in South Sumatra is open cut using a truck and shovel method. Most of the coal produced is currently transported to the Kertapati and Tanjung Api-Api Port (in the Pelambang area) via provincial roads. Hauling distances range between 100 and 400 km. Coal is then transhipped from these ports to the main Muara Banyu Asin Anchorage point. The Mesuji River passes close to the Sugico South Sumatra concession areas and it is possible that this would be a potential route for transporting coal from any future coal mines in the Project area. It is anticipated that barging distances to the mother vessel position would not exceed approximately 100km in the majority of cases.

Exploration activity on the concession areas has been very limited to date. Over the coming months ODNI intends to agree and implement an initial exploration programme with the current concession owners, including as a first step a comprehensive mapping exercise to identify the areas of greatest near term development potential. A key exploration objective will be to detect geological anomalies such as volcanic intrusions which might result in the discovery of higher quality coal as found in the nearby Tanjung Enim mine area.