



COMPANY UPDATE

Highlights

- Continuing to assess and undertake exploration activities on existing Indonesian concessions
- In advanced negotiations for the potential acquisition of near-term coal production assets in Kalimantan and Sumatra
- If successful with potential acquisitions and subject to financing, potential for first coal production within six months of acquisition
- Production “hub” strategy to achieve scale and diversify risk
- Seeking acquisition and development capital debt financing

Exalt Resources Ltd (ASX: ERD) is progressing with a dual strategy of exploration of existing concessions and the potential acquisition of near-term production assets in Indonesia. The Company is in an advanced stage of negotiations regarding the acquisition of several coal concessions in Indonesia, each representing a potential near-term production opportunity.

Exploration Portfolio

The Company continues to explore the existing projects in its coal portfolio. Initial mapping studies on Karin and MMBP have been somewhat delayed by wet weather. Once finalised, the results of the mapping study will determine the extent of an exploration drilling program.

Verification sampling is due to commence at the BIG concession within two weeks, with an anticipated drilling program to follow the concessions' re-admission onto the Clean and Clear list, expected when the list is next published.

The Company believes a parallel focus on delivering near term production and generating positive cash flow will deliver tangible returns in the Indonesian market and growth in shareholder value.

Acquisition of near term coal production assets

As previously advised, the Company has been actively pursuing acquisitions of several attractive coal assets with near-term production potential in Indonesia to complement the existing suite of exploration phase projects. The Company is targeting a small number of highly prospective concessions and is finalising conditional agreements with the current owners.

Preliminary legal, geological and commercial due diligence has been completed with promising results. Geological due diligence has included site visits, field mapping, detailed coal quality testing for existing and new outcrops, development of borehole/outcrop databases, geological model verification, resource statement clarification and subsequent exploration drilling proposals on two concessions. A non-binding, Memorandum of Understanding (including an exclusivity period for the benefit of Exalt) has been signed on each of three concessions, located in the Indonesian Provinces of West Sumatra and South Kalimantan.

Advanced negotiations in relation to conditional Sale and Purchase agreements are also in progress with the owners of highly prospective concessions in Central Kalimantan and West Sumatra.

The Company believes it may be possible to commence operations at certain assets within six months of transaction completion, appropriate financing and procurement of any outstanding permits required for production (all of which are held or have been applied for by the concession owners). This is obviously dependent on the Company completing these conditional agreements including obtaining the required project funding.

“Hub” production strategy being implemented

In parallel with its exploration activities, the Company is pursuing near-term coal production assets situated in a small number of selected ‘hub’ locations. The hub areas have been chosen due to their position in successful existing coal mining zones and benefit from a wealth of regional geological data, a broad range of experienced mining contractors, extensive existing infrastructure with capacity for new entrants and a supportive local community and government.

Typical projects being assessed contain potential of 500,000 tonnes to in excess of 1 million tonnes production per annum and when combined with other potential acquisitions in the same hub may represent a significant production capability in that region.

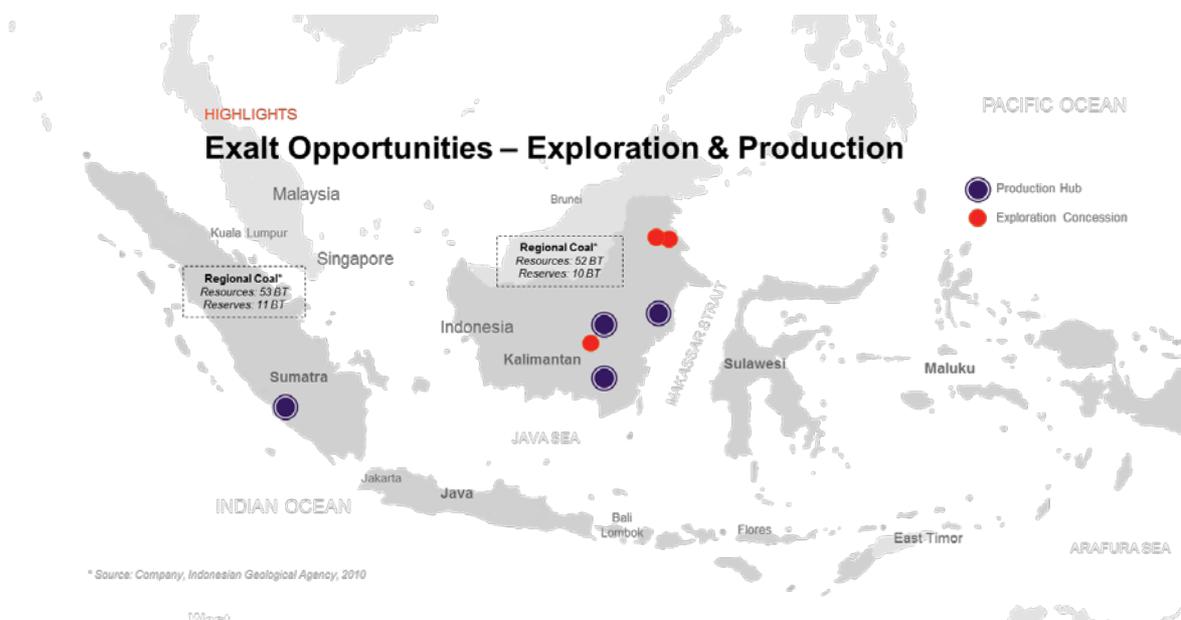
The hub production strategy offers significant risk mitigation benefits as partner and contractor relationships, logistics, and infrastructure will be leveraged across several projects in each hub area.

In addition, a very flexible production schedule can be developed in response to local conditions and market demand which will maximise profit potential (for example through coal blending opportunities).

Exalt is planning to develop production “hubs” in the following key coal regions of Indonesia:

- East Kalimantan
- South Kalimantan
- West Sumatra
- Central Kalimantan

As outlined above, the Company is assessing up to four near term production projects (with typical funding requirements of US\$1 to US\$4 million with additional funds required for mine development and working capital) which would form the foundation assets for the hub strategy if completed.



Acquisition and development financing

The Company and its advisors are currently in discussions with several potential funding sources including senior debt financiers, strategic joint venture partners and commodity trading houses to attempt to secure sufficient acquisition and working capital financing for these projects.

Additional information on these potential foundation assets of each planned production hub will be made available as appropriate during the acquisition process.

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About Exalt Resources Ltd

Exalt (ASX:ERD) is listed on the Australian Securities Exchange with the objective of becoming a significant Indonesian coal producer with a pipeline of compelling exploration, development and producing projects in strategic locations throughout Indonesia.

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