EXALT RESOURCES LIMITED
ANNUAL REPORT

ABN 17 145 327 617

FOR THE YEAR ENDED 30 JUNE 2012

DIRECTORS' REPORT

The Directors present their report on the Company for the year ended 30 June 2012.

DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

Emmanuel Correia, B.Bus ACA, Non-Executive Chairman (Appointed on 21 July 2010)
Member of Audit Committee

Emmanuel Correia is a Chartered Accountant and has extensive experience in the corporate finance and equity capital markets. Emmanuel has had over 20 years' public accounting and corporate finance experience both in Australia, North America and the United Kingdom. He has held various senior positions with Deloitte and other accounting firms and boutique corporate finance houses.

Emmanuel provides corporate advice to a diverse client base both in Australia and in overseas markets. Emmanuel has previously held a number of public company Directorships and his key areas of expertise include initial public offerings and secondary capital raisings, corporate strategy and structuring and merger and acquisitions.

Emmanuel is also a Director of Forge Resources Limited, Director/Company Secretary of Ambassador Oil & Gas Limited and Company Secretary of Bluglass Limited.

Emmanuel was originally appointed to the Board as Executive Chairman; however with the recent appointment of Mr Barry Tudor to the role of Managing Director, Mr Correia has resumed the role of Non-Executive Chairman.

Barry Tudor, CEO & Managing Director (Appointed 3 May 2012)

Mr Tudor was most recently the Managing Director of Noble Resources Australia, responsible for Noble's operations and investments in Australia. He was also Senior Vice President – Strategy for the Energy Coal & Carbon Complex division of the Noble Group.

Prior to this, Mr Tudor was CEO and Managing Director of Gloucester Coal Ltd, an ASX-listed coal producer with operations in NSW and Queensland. During his time as CEO the market value of the company increased more than 300% to more than 1.8 billion dollars and Mr Tudor was named as a "top 100 value creator" in 2007 for his role in the executive leadership of Gloucester Coal.

Mr Tudor has extensive experience in a variety of senior leadership roles in Australian and International coal mining. He has led significant acquisitions, capital raisings and mining expansions, and has demonstrated his ability to formulate strategic vision and advance expansion plans with proven value creation.

Jim Malone, Non-Executive Director (Appointed on 15 February 2011)
Member of Audit Committee

Jim Malone has worked successfully as an accountant, stockbroker, business analyst and CEO of a medium sized business for the past 24 years.

Jim holds a Bachelor of Commerce from the University of Western Australia and is a f Certified Practicing Accountant.

Since 2000, Jim has worked in the resources industry and has been involved with the start up, successful listing and ongoing management and development of six ASX listed and two unlisted resource companies and has experience with a diverse range of commodities including gold, base metals, uranium, oil and gas and industrial minerals. These companies have operated projects in Latin America, Europe, Africa, the US and Australia.

Jim also serves on the boards of Australian-American Mining, Latin Gold Limited and Erin Resources Limited.

DIRECTORS' REPORT

Shane Hartwig, Non-Executive Director (Appointed on 21 July 2010)
Member of Audit Committee

Shane Hartwig is a Certified Practicing Accountant and Chartered Company Secretary and holds a Bachelor of Business degree, Majoring in Accounting and Taxation from Curtin University of Technology in Western Australia.

Shane is involved in the areas of initial public offerings, capital raisings, prospectus and information memorandum preparation and project management, company assessments and due diligence reviews, mergers and acquisitions and providing general corporate advice. Shane has over 20 years' experience in the finance industry both nationally and internationally with exposure to both the debt and equity capital markets.

Shane is also Company Secretary of Anteo Diagnostics Limited, and Forge Resources Limited.

COMPANY SECRETARY

The name of the company secretary of the Company as at the end of the financial year and at the date of this report is:

Shane Hartwig, Company Secretary

PRINCIPAL ACTIVITIES

The Company's principal activity is as a resource and energy exploration company.

OPERATING RESULTS

The net loss of the company after income tax for the year was $993,412 (2011: $ 70,229)

DIVIDENDS

No dividends have been paid or declared by the Company since the beginning of the year.

FINANCIAL POSITION

The net assets of the company at 30 June 2012 were $2,780,558. This resulted from proceeds from shares issued by public placement. At 30 June 2012 the company had a cash balance of $2,555,950.

STATE OF AFFAIRS

There were no significant changes in the state of affairs of the company during the year.

REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS

Exalt was incorporated in 2010 as a resource and energy exploration company.

Total equity decreased to $2,780,558 from $3,139,470, a decrease of $358,912. The movement was largely the result of increased losses. The company issued 3,750,000 shares as part of a capital raising which resulted in proceeds of $675,000.

DIRECTORS' REPORT

BACKGROUND

During the 2011/12 year Exalt commenced the implementation of its business plan as set out in its Initial Public Offering prospectus. The Company undertook its first exploration program on both the Mineral Hill South and Nyngan Projects (discussed in further detail below) as well as reviewing a number of other potential project acquisitions.

During the year the Company reviewed the potential "Odni Transaction" and subsequently has entered into conditional agreements which contemplate the purchasing of a Singaporean coal investment company which has certain rights to some exciting and prospective Indonesian based coal projects as outlined below.

To lead this strategy of becoming an Indonesian coal exploration and development company, Exalt announced the appointment of Mr Barry Tudor as CEO and Managing Director of the Company.

Mr Tudor was most recently the Managing Director of Noble Resources Australia, responsible for Noble's operations and investments in Australia. He was also Senior Vice President – Strategy for the Energy Coal & Carbon Complex division of the Noble Group.

Prior to this, Mr Tudor was CEO and Managing Director of Gloucester Coal Ltd, an ASX-listed coal producer with operations in NSW and Queensland. During his time as CEO of Gloucester Coal the market value of the company increased more than 300% to more than 1.8 billion dollars.

Mr Tudor has extensive experience in a variety of senior leadership roles in Australian and International coal mining. He has led significant acquisitions, capital raisings and mining expansions, and has demonstrated his ability to formulate strategic vision and advance expansion plans with proven value creation.

To assist in the costs of assessing and developing the Odni Transaction the Company undertook a capital raising of $675,000 (before costs) in May 2012.

Subsequent to the year end, the Company held a general meeting and passed a number of resolutions associated with the Odni Transaction and on the 7th September 2012 lodged a Prospectus with Australian Securities & Investments Commission seeking to raise up to $20 million to contribute to funding the exploration costs of the Odni projects, costs of the offer, working capital and certain project option fees.

EXISTING NSW PROJECTS

The Mineral Hill South Project covers 112km^2 of land located 3km to the south of the Mineral Hill Mine in NSW and the Nyngan Project covers 160km^2 of land in central west NSW targeting porphyry copper and epithermal gold mineralisation.

MINERAL HILL SOUTH PROJECT (EL 7945)

The Company's Mineral Hill South Project is adjacent to the Mineral Hill Project owned by KBL Mining. EL7945 has replaced EL 7663, representing an increase in the tenement by 2.95km^2 to 112.6km^2. EL7945 expires in June 2014.

Exploration at Mineral Hill South commenced shortly after the Company's ASX listing in May 2011 with detailed 3D IP surveys over three prospect areas within EL7945 Mineral Hill South.

The Mineral Hill mineralisation was highlighted as subtle chargeability anomalies in induced polarisation (IP) surveys in 1970 by Cyprus Mines Corporation. Since then sensitivity and modelling of IP surveys has advanced significantly; at Mineral Hill chargeability anomalies are spatially related to the mineralisation. The Mineral Hill South IP surveys are designed to delineate areas of chargeability under shallow cover along strike to the south and south-east of Mineral Hill.

The IP surveys were conducted over three prospect areas, being Gunawalye, Yellow Shaft and Brooklyn.

DIRECTORS' REPORT

Two phases of reverse circulation (RC) drilling were designed to follow up the chargeability anomalies within Yellow Shaft and Brooklyn.

Yellow Shaft Prospect

Four RC holes were drilled at Yellow Shaft, the first two were designed to drill into the strongest chargeability anomalies, and the third was designed to test the margin of chargeability high.

The third hole (YLW003) drilled into a structure with elevated arsenic, the hole was terminated at 127m in the structure because of difficult drilling conditions. Lab results indicated this interval had no gold associated with the elevated arsenic.

The mineralised structure intersected in hole YLW003 was followed up with another hole. YLW004 successfully intersected an 89m zone of anomalous arsenic between 87m and 176m with arsenic values ranging between 45ppm and 971ppm. The arsenic anomalism in hole LYW003 and YLW004 appears to represent a northwest south-east oriented zone of arsenic mineralisation.

Brooklyn Prospect

Three of four holes were drilled into chargeability highs at the Brooklyn Prospect and they intersected significant amounts of pyrite within fine grained sediments which explains the results of the IP surveys without any significant economic mineralisation.

One hole was designed to test the L'empires shaft at depth. The L'empires shaft was sunk in 1900-1906 within the Brooklyn iron stone (a known surface hematite deposit which outcrops over a circular area of approximately 150m in diameter). Historical information suggests that the shaft was related to gold mineralisation although no veining was visible at surface. Regional aerial magnetic data shows an unexplained magnetic high below the shaft position which is similar to that seen at Mineral Hill and the Cobar Deposits to the north-west.

The hole collared within the Brooklyn iron stone and successfully intersected two quartz vein zones at 75m vertically beneath the shaft. The veins were very strongly weathered and consisted of quartz crystals and clay. Any sulphide minerals that may have been present in the veins have been completely destroyed, but should persist below the base of weathering.

The drill hole encountered difficult drilling conditions and was terminated at 120m without penetrating through the iron stone. The samples were sent to ALS for XRF iron ore analysis and highlighted significant widths of greater than 50% iron with low contaminants.

NYNGAN PROJECT (EL 7667)

The Nyngan Project comprises 160km² of land located approximately 12km south of Nyngan, in central-west NSW. El 7667 expires on 10 December 2012. The Company intends to renew this license.

EXPLORATION ACTIVITY TO DATE

Eight aircore holes (614m) were drilled at the Nyngan Project testing one of the copper-gold porphyry targets.

Access was limited due to winter cropping. All holes successfully drilled to basement under the transported sand and clay around the Bogan River and intersected unaltered monzogranite without any significant geochemistry.

There is currently a registered native title claim overlapping the areas covered by EL 7667. A registered native title claim allows claimants to access certain procedural rights set out in the Native Title Act 1993 (Cth) including the right to be consulted on or be involved in future acts or negotiations about certain proposed developments or activities in the claim area while their native title application is underway.

A further 2 year exploration program has been outlined for these assets.

DIRECTORS' REPORT

THE PROPOSED ODNI TRANSACTION

On 23 July 2012, the Company signed a Share Purchase Agreement for the acquisition of 100% of the issued capital of Odni, a Singapore incorporated coal Investment Company. Odni has secured rights to acquire an interest in three prospective coal mining projects in the Kalimantan region of Indonesia (Projects BIG, MMBP, Sugico and Karin). Odni has also substantially negotiated the terms of acquiring an interest in a prospective coal mining project in the Sumatran region of Indonesia, project Sugico. These projects are outlined below.

Pursuant to the Share Sale Agreement, the Company has agreed to issue or grant, as the case may be, the following consideration to the Odni Sellers:

i. 25,000,000 Shares which shall be placed in voluntary escrow for a 12 month period (or as otherwise determined by the ASX);
ii. 10,000,000 Class W Options to acquire Shares with an exercise price of $0.20 and an expiry period of two years from the date of issue;
iii. 20,000,000 Class X Options to acquire Shares with an exercise price of $0.50 and an expiry period of three years from the date of issue;
iv. 22,000,000 Class A Performance Shares which, upon satisfaction of certain exploration and production milestones being achieved, will convert into fully paid Shares;
v. 22,000,000 Class B Performance Shares which, upon satisfaction of certain exploration and production milestones being achieved, will convert into fully paid Shares; and
vi. 22,000,000 Class C Performance Shares which, upon satisfaction of certain exploration and production milestones being achieved, will convert into fully paid Shares,

(together, the Consideration Securities).

For further details on the terms and conditions of the Consideration Securities reference should be made to section 10 of the Prospectus lodged with ASIC on 7th September 2012. Completion of the Proposed Transaction is subject to the satisfaction or waiver of a number of conditions precedent, including that the Company obtains the minimum subscription under the Offer, being $10 million. For further details on the Share Sale Agreement, including the conditions precedent, reference should be made to section 10.5.1 of this Prospectus.

In addition to the Indonesian Projects, the Company (via Odni) intends to continue to assess and review a number of greenfield, brownfield and producing projects in Indonesia, with the aim of building a substantial diverse portfolio of Indonesian coal assets.

THE INDONESIAN PROJECTS:

PROJECT SUGICO

Project Sugico represents an extensive combined exploration region comprising 11 mostly adjacent IUP areas located approximately 100 kilometres south of Palembang, the provincial capital of the South Sumatra Province on the island of Sumatra. The total area of all concessions combined is approximately 250,000 hectares; the equivalent of an area 50 kilometres long and 50 kilometres wide.

The coal most likely to be found in Project Sugico would be lignites. There are no known or identified volcanic intrusions reported in Project Sugico concession areas which could improve the quality of the coal, however, as the area is so large and mostly unexplored, intrusions may exist.

PROJECT BIG

Project BIG consists of a concession area covering a total area of 4,969 hectares in the Antutan region of the Bulungan Regency in the East Kalimantan Province of Indonesia. The area is approximately 40 kilometres from the nearest river jetty point. The main coal bearing formation of potential economic significance is the Sembakung Formation. 100% of the concession area overlies the Sembakung Formation.

DIRECTORS' REPORT

PROJECT MMBP

Project MMBP consists of a concession area covering 5,312 hectares and is located in the Antutan, Central Tanjung Palas sub districts, Bulungan Regency, approximately 340 kilometres north of Samarinda, the capital of the East Kalimantan Province in Indonesia. The main coal bearing formation of potential economic significance is the Sembakung Formation. Approximately 27% of the total concession area overlies the Sembakung Formation.

PROJECT KARIN

The Project Karin concession is located in the Barito Utara Regency, approximately 150 kilometres northeast of Palangkaraya, the provincial capital of the province of Central Kalimantan, Indonesia. The main coal bearing formations of potential economic significance are the Tanjung, Warukin and Montalat Formations. Approximately 50% of the project area overlies the coal bearing Warukin Formation.

ODNI ACQUSITION

On 23 July 2012, the Company entered into the Share Purchase Agreement with the Odni Sellers in respect of the acquisition by the Company of 100% of the issued capital of Odni. Odni has rights to acquire an interest, or in the case of Project Sugico has substantially negotiated the terms of acquiring an interest, in the Indonesian Projects, details of which are set out above and in section 3 of the Company's Prospectus.

The Company announced on 23 August 2012 its intention to appoint two new non-executive Directors. Mr Romy HR Soekarno and Mr Edward Lee Kwong Foo will be appointed to the Board as Independent Non-Executive Directors of Exalt Resources after the Company's acquisition of Indonesian coal interests and the associated capital raising. Both Directors have sound, long standing relationships with business, government and the wider community in Indonesia and the wider region.

RECOMPLIANCE WITH CHAPTERS 1 and 2 of the ASX LISTING RULES

If completed, the Odni Transaction will constitute a significant change in the scale of the Company's activities. The Company has obtained Shareholder approval for this change and is now in the process of re-complying with Chapters 1 and 2 of the ASX Listing Rules. Completion of the Odni Transaction is subject to the satisfaction or waiver of a number of conditions precedent, including that the Company obtains the minimum subscription under the Offer, being $10 million.

On 7 September 2012 the Company lodged a Prospectus with the Australian Securities & Investments Commission seeking to raise up to $20 million through the offer of 20,000,000 fully paid ordinary shares at an issue price of $0.20 ("the Offer"). The funds raised from the Offer are to be applied towards funding the development and exploration of the Indonesian projects acquired through the acquisition of Odni, as well as funding the existing NSW projects and meeting the costs of the offer.

Trading in the Company's shares will only be reinstated by the ASX after the Company has completed the Proposed Odni Transaction and the Company has complied with Chapters 1 and 2 of the Listing Rules or alternatively in the event the conditions to the Offer are not satisfied or the Company does not receive conditional approval for re-quotation on ASX then the Company will not proceed with the Offer and will repay all Application Monies received without interest and the Company will seek re-quotation of its Shares continue to undertake exploration and development of its NSW Projects and review further acquisition opportunities as they arise.

OTHER CAPITAL RAISING ACTIVITY

On 9 May 2012, the Company raised $675,000 through the issue of $3,750,000 shares at $0.18 to contribute towards the costs of acquisition of the Odni project and general working capital.

DIRECTORS' REPORT

ENVIRONMENTAL ISSUES

The Company's operations are subject to significant environmental and other regulations. The Company has a policy of engaging appropriately experienced contractors and consultants to advise on and ensure compliance with environmental regulations in respect of its exploration activities. There have been no reports of breaches of environmental regulations in the financial period and at the date of this report.

REMUNERATION REPORT

Details of the nature and amount of remuneration for each Director of Exalt Resources Limited and key management personnel are set out below.

Remuneration Policy and Practices

The Company's policy for determining the nature and amount of remuneration of Board members and senior executives is as follows:

(i) Non-Executive Directors

The Board's policy is to remunerate non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to its Non-Executive Directors and will review their remuneration annually.

The maximum aggregate annual remuneration of Non-Executive Directors is subject to approval by the shareholders in general meeting. The shareholders have determined at a general meeting held on 2 November 2010 the maximum aggregate remuneration amount to be $300,000 per year. The Directors have resolved that the fees payable to non-executive Directors for all Board activities are $105,000 per year plus superannuation guarantee contributions of 9% per annum where required by legislation.

(ii) Key management personnel

To pursue the Company's objectives, the Company has assembled a group of Directors which we believe have extensive experience in the exploration and finance industries. The Company will recruit appropriate key executive management personnel commensurate with the Company's growth in activity. The remuneration structure for key executive management, including Executive Directors will be based on a number of factors, including qualifications, particular experience, general past performance of the individual concerned, overall performance of the Company and general human resources market pricing. There is no predetermined equity compensation element within the remuneration structure nor predetermined performance conditions to be satisfied.

During the year, the Company appointed Mr Barry Tudor to the role of Managing Director of the Company on terms set out below. Given the Company's proposed acquisition of a coal investment company, Mr Tudor's background of holding senior roles at an international commodity trader and with a sizeable ASX listed coal production company, Mr Tudor's appointment was considered by the Board to be an integral component of implementing the objective of Exalt becoming an Indonesian focussed coal development company.

In considering his appointment and the terms of this appointment, the Board considered many factors including:

i. Mr Tudor's extensive background at senior positions within an international commodity trading organisation and significant coal company and therefore to attract a senior coal mining executive of this calibre, an appropriate salary package was required to be contemplated;

ii. As a junior explorer, to entice a CEO/MD of Mr Tudor's background and experience the Company needed to be competitive on providing a comparable base salary for executives in his position within the resources industry and the responsibility expectations, in addition, typically, companies with a market capitalization such as Exalt usually must provide some longer term equity incentive;

DIRECTORS' REPORT

iii. Assuming the ODNI Transaction proceeds, Exalt will have a significantly different corporate and project profile and as such, having a Managing Director of Mr Tudor's background and experience is paramount in attempting to deliver the objective of becoming a significant mid-tier Indonesian coal producer with a pipeline of compelling exploration, development and producing projects;

iv. An initial key aspect of Mr Tudor's appointment is overseeing the completion of the ODNI transaction, which contemplates a minimum capital raising of $10M.Mr Tudor will be integral to the success of this aspect;

v. The proposed Longer Term Incentive component of his package is subject to ASX and shareholder approval and the Company takes the view that the potential creation of such an interest in voting shares (through the Options and the Performance Shares) is justified because the production and resource definition related Performance Criteria to be achieved in the specified time frames should represent significant growth in Shareholder wealth over a relatively short period of time;

vi. As a junior explorer wanting to develop into a mid-tier producer Exalt will be unable to make this progression without securing a CEO/MD of Barry Tudor's background and experience;

vii. Mr Tudor's specific experience in the coal sector including the expected ability to raise equity capital, build and develop a technical team, attract project deal flow, ongoing management capability and overall networks within the coal and ancillary industries represents the skill set Exalt will require to develop the ODNI projects.

Company performance and Director and executive remuneration

The aim of the Company's remuneration policy is to achieve goal congruence between the Company's shareholders, Directors and executives.

The Board adopted the Exalt Resources Limited Employee Share Option Plan on 2 November 2010 (Plan).

The Plan is designed to:

- provide eligible participants with an ownership interest in Exalt;
- provide additional incentives for eligible participants; and
- attract, motivate and retain eligible participants.

As at the date of this Report, 300,000 Options have been granted under the Plan.

As part of the ODNI Transaction and as fully outlined in the Notice of Meeting and Explanatory Memorandum dated 19th July 2012 it is proposed to issue to Mr Barry Tudor (or his nominee), , 3,000,000 Options to purchase fully paid ordinary shares in the Company.

A summary of the Plan is set out below.

General

The Plan relates to the grant of Options to subscribe for Shares. The Board may from time to time, in its absolute discretion, offer to grant Options to eligible participants under the Plan.

Each Option will be issued for no consideration and will carry the right in favour of the Optionholder to subscribe for one Share.

Eligible Participants

Full or part time employees, Directors and consultants of the Company or an associated body corporate will be entitled to participate in the Plan.

DIRECTORS' REPORT

Amount of Options to be issued under the Plan

The formula by which the entitlements of eligible participants shall be determined will be at the absolute discretion of the Board and shall take into account skills, experience, length of service with the Company, remuneration level and any other criteria the Board considers appropriate in the circumstances.

The Board will not issue Options under the plan if the total number of Shares the subject of the Options, when aggregated with:

- the number of Options to be granted;
- the number of Shares which would be issued if all current Options granted under any employee incentive scheme, including the plan, were exercised; and
- the number of Shares which have been issued as a result of the exercise of Options granted under any employee incentive scheme, including the plan, where the Options were granted during the preceding 5 years, would exceed 5% of the total number of issued Shares at the time of the issue.

Option Terms

Options issued under the Plan will be subject to the terms determined by the Board in its sole discretion, which may include exercise conditions to be satisfied prior to the vesting of the Options.

Each Option issued under the Plan will be exercisable for one Share each at an exercise price to be determined by the Board at the time of issue and will not be quoted on the ASX.

The Shares issued on the exercise of an Option will rank equally with the other Shares on issue, and Exalt will apply to the ASX for Quotation of those Shares.

Lapse of Options

Unless the Board in their absolute discretion determine otherwise, Options shall lapse on the date which is the earlier of:

(i) two (2) years after the date of the grant of that Option, or such other date as the Board determines in its discretion with respect to that Option at the time of the grant of that Option;
(ii) the Optionholder ceases to be an employee or Director of, or to render services to the Company for any reason whatsoever (including without limitation resignation or termination for cause) and the exercise conditions imposed at the time of the grant of the Option have not been met;
(iii) or the Exercise Conditions are unable to be met.

DIRECTORS' REPORT

Participation in Future Issues

There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in the new issues of capital offered to Shareholders during the currency of the Options. However, Exalt will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least seven (7) business days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue. If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares (other than an issue in lieu or satisfaction of dividends or by way of dividend reinvestment) the exercise price of the Options shall be adjusted in accordance with the formula in the Listing Rules.

In the event of a bonus issue of Shares being made pro rata to Shareholders (other than an issue of lieu of dividends), the number of Shares issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised prior to the record date for the bonus issue. No adjustment will be made to the exercise price per Share of the Option.

Reorganisation

The terms upon which Options will be granted will not prevent the Options being reorganised as required by the Listing Rules on the reorganisation of the capital of Exalt.

Management of the Plan

The Board may appoint for the proper administration and management of the Plan, such persons as it considers desirable and may delegate such authorities as may be necessary or desirable for the administration and management of the Plan. The Board may amend the Rules of the Plan subject to the requirements of the Listing Rules. The Board may terminate the Plan, or suspend its operation for any period it considers desirable, at any time that it considers appropriate.

Remuneration of Directors for the year ended 30 June 2012

	Short-term benefits		Post employment		Share-based payments		Total remuneration represented by options and rights
	Cash salary and fees	Non-cash benefits	Super-annuation	Termi-nation benefits	Options	Total	
	$	$	$	$	$	$	%
2012							
Directors							
E Correia	35,000	-	-	-	-	35,000	-
B Tudor *	113,542	-	-	-	-	113,542	-
J Malone	35,000	-	-	-	-	35,000	-
S Hartwig	107,000	-	-	-	-	107,000	-
	290,542	-	-	-	-	290,542	-
*appointed 3 May 2012							
Other Key Management Personnel							
David Ward	-	-	-	-	-	-	-
Total	290,542	-	-	-	-	290,542	-

DIRECTORS' REPORT

2011							
Directors							
E Correia	5,833	-	-	-	-	5,833	-
J Malone	2,917	-	-	-	-	2,917	-
S Hartwig	2,917	-	-	-	-	2,917	-
G Barnes *	-	-	-	-	-	-	-
	11,667	-	-	-	-	11,667	-
*Resigned effective 15 February 2011							
Other Key Management Personnel							
David Ward	-	-	-	-	23,370	23,370	100%
Total	11,667	-	-	-	23,370	35,037	67%

Directors' securities holdings

As at the date of this report, the relevant interests of the Directors in the securities of the company were as follows:

	Number	
2012	**Fully paid ordinary shares**	**Options**
Emmanuel Correia	1,206,251	1,702,085
Barry Tudor	175,000	-
Jim Malone	120,000	40,004
Shane Hartwig	1,350,001	1,550,001
Total	2,851,252	3,292,090

	Number	
2011	**Fully paid ordinary shares**	**Options**
Emmanuel Correia	1,206,251	1,702,085
Jim Malone	120,000	40,004
Shane Hartwig	1,350,001	1,550,001
	2,676,252	3,292,090

Service Agreement

The Managing Director, Barry Tudor is an employee of the Company under an agreement signed on 2 May 2012. Under the terms of the contract:

A. Fixed Remuneration

Comprising a base salary for the first year of $625,000, plus if the Company is successful in completing the purchase of all the issues in Odni, the Company will pay to the Executive a bonus of $300,000 (both exclusive of superannuation)

DIRECTORS' REPORT

B. Short Term Incentive

The short term incentive is determined annually at the absolute discretion of the Board and will be based on the CEO's performance against key performance indicators and the Company's performance generally.

C. Long Term Incentive

Longer term incentive package (subject to shareholder and ASX approval) comprising options to acquire ordinary shares in the Company ("Options") and Performance Shares with the following key terms:

- 600,000 Options with an exercise price of $0.20, and Expiry of four years from issue date;
- 2,400,000 Options to acquire ordinary shares in the Company with an exercise price of $0.50 per Option and Expiry of 4 years from the date of issue;
- The Options will vest on the basis of one third of each class of Options vesting at the expiration of each full year of employment with the Company;
- 18 million Performance Shares (comprising 3 tranches of 6 million shares), which will convert into 18,000,000 ordinary shares in the Company subject to the satisfaction of various performance related hurdles (consistent with those performance hurdles outlined in the announcement dated 5th April 2012), with these terms to be approved by the ASX

D. Non Completion Payment

- In the event the ONDI Transaction is not completed, Exalt can elect to terminate the executive employment with Mr Tudor by paying an amount equal to the lesser of $250,000 and the amount prescribed by law. Alternatively Exalt may elect to retain Mr Tudor's services and in certain circumstances the parties have agreed that the Company may defer a portion of his base salary.

E. In the event the ONDI transaction is completed as currently contemplated, Mr Tudor's base salary will be $925,000 plus superannuation at the commencement of Year two of his employment with the Company.

End of audited Remuneration Report

SHARE OPTIONS

Number of options over unissued ordinary shares at the date of this report was as follows:

Options exercisable at $0.20 per share on or before 31 December 2015	16,008,568

MEETINGS OF DIRECTORS

Attendances by each Director to meetings of Directors (including committee of Directors) during the year to 30th June 2012 were as follows:

	Directors Meetings		Audit Committee Meetings	
2012	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**
Emmanuel Correia	9	9	2	2
Barry Tudor *	2	2	-	-
Jim Malone	9	7	-	-
Shane Hartwig	9	9	2	2

*appointed 3 May 2012

DIRECTORS' REPORT

INDEMNIFYING OFFICERS OR AUDITORS

Since the end of the financial year, the Company has paid a premium of $8,425 (2011: $8,513) in respect of a contract insuring the Directors and officers of the Company against a liability incurred by such Directors and officers to the extent permitted by the Corporations Act 2001. The Company has not otherwise, during or since the end of the period, indemnified or agreed to indemnify the auditor of the Company, or of any related body corporate, against a liability incurred by such the auditor.

PROCEEDINGS

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings in the period.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 24 July 2012 the Company announced it has signed a Sale and Purchase Agreement to acquire 100% of the issued capital of Odni Holdings (Pte.) Ltd ("Odni") a Singapore incorporated coal investment Company.

On 24 August 2012 at a general meeting of shareholders, approval was given for a change in the nature and scale of activities, issue of consideration securities, variation of class rights and approval to raise capital up to $20m. In addition approval was also given for Directors to participate in the capital raising and for the issue of equity based remuneration for the Managing Director. (Refer ASX announcement of 25 July 2012 and 24 August 2012 for further details).

On 7 September 2012 the company issued a prospectus to raise up to $20m as approved by shareholders at the general meeting held 24 August 2012. (refer ASX announcement of 7 September 2012 for further details of the prospectus).

Except for the above acquisition, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services by the auditor during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's APES 110: Code of Ethics for Professional Accountants.

Details of the amounts paid or payable to the auditors (Hall Chadwick) for non-audit services provided during the year are set out below.

	2012	2011
	$	$
(a) Advisory Services		
Corporate services	3,000	15,000
Total remuneration for advisory services	3,000	15,000

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the Corporations Act 2001 the auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 16 of the Annual Report and form part of this report.

Signed in accordance with a resolution of the Board of Directors.

Barry Tudor
Managing Director

Dated this 28 September 2012

HALLCHADWICK
Chartered Accountants and Business Advisers

EXALT RESOURCES LIMITED
ABN 17 145327 617

AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF EXALT RESOURCES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Hall Chadwick

Hall Chadwick
Level 29, St Martins Tower
31 Market Street, Sydney NSW 2000

Graham Webb
Partner
Date: 28 September 2012

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CORPORATE GOVERNANCE STATEMENT

The Company has adopted a comprehensive system of control and accountability as the basis for the administration of corporate governance.

The Board is responsible to Shareholders for the overall management of the Company's business and affairs. The Directors' overriding objective is to increase Shareholder value within an appropriate framework which protects the rights and interests of Shareholders and ensures the Company is properly managed.

The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable, the Company has adopted the Corporate Governance Principles and Recommendations (2nd edition) ("**Principles & Recommendations**") as published by ASX Corporate Governance Council.

The Company's corporate governance principles and policies are structured with reference to the ASXCGC's Corporate Governance Principles and Recommendations (2nd edition), which are as follows

Recommendation 1 Lay solid foundations for management and oversight;
Recommendation 2 Structure the Board to add value;
Recommendation 3 Promote ethical and responsible decision making;
Recommendation 4 Safeguard integrity in financial reporting;
Recommendation 5 Make timely and balanced disclosures;
Recommendation 6 Respect the rights of shareholders;
Recommendation 7 Recognise and manage risk;
Recommendation 8 Remunerate fairly and responsibly;

In accordance with recommendations of the ASX, information published on the Company's web site includes charters of Board and its subcommittees, codes of conduct and other policies and procedures relating to the Board and its responsibilities. A copy of the Company's Corporate Governance Statement can be found on the Company's website www.exaltresources.com.au under the Corporate Governance Section.

To the extent that they are relevant to the organisation, the Company has adopted the eight Corporate Governance Principles and Recommendations (2nd edition) ("**Principles and Recommendations**") as published by the ASX Corporate Governance Council.

The Board will consider on an ongoing basis its Corporate Governance procedures and whether they are sufficient as the Company's activities develop in size, nature and scope.

Set out below is a summary of the Principles & Recommendations, including an explanation of why, in the reasonable opinion of the Directors, the Company does not follow certain of the Principles & Recommendations – this is referred to as "if not, why not" analysis.

Principles & Recommendation	Compliance
Recommendation 1: Lay solid foundations for management and oversight	
Recommendation 1.1: **Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.**	Y
Recommendation 1.2: **Companies should disclose the process for evaluating the performance of senior executives.**	Y
Recommendation 1.3: **Companies should provide the information indicated in the Principles & Recommendations to reporting on Principle 1.**	N/A
Recommendation 2: Structure the Board to add value	
Recommendation 2.1: **A majority of the Board should be independent Directors.**	N
Recommendation 2.2: **The chair should be an independent Director.**	N

CORPORATE GOVERNANCE STATEMENT

Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.	Y
Recommendation 2.4: The Board should establish a nomination committee.	N
Recommendation 2.5: The Company should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Y
Recommendation 2.6: Companies should provide the information indicated in the Principles & Recommendations to reporting on Principle 2.	N/A
Recommendation 3: Promote ethical and responsible decision making	
Recommendation 3.1: The Company should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Y
Recommendation 3.2: The Company should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	Y
Recommendation 3.3: The Company should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Y
Recommendation 3.4: The Company should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Y
Recommendation 3.5: The Company should provide the information indicated in the Principles & Recommendations to reporting on Principle 3.	N/A
Recommendation 4: Safeguard integrity in financial reporting	
Recommendation 4.1: The Board should establish an audit committee.	Y
Recommendation 4.2: The audit committee should be structured so that it: • consists only of non-executive Directors; • consists of a majority of independent Directors; • is chaired by an independent chair, who is not chair of the Board; and • has at least three members.	Y
Recommendation 4.3: The audit committee should have a formal charter.	Y
Recommendation 4.4: The Company should provide the information indicated in the Principles & Recommendations to reporting on Principle 4.	N/A
Recommendation 5: Make timely and balanced disclosures	
Recommendation 5.1: The Company should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those	Y

CORPORATE GOVERNANCE STATEMENT

policies or a summary of those policies.	
Recommendation 5.2: **The Company should provide the information indicated in the Principles & Recommendations to reporting on Principle 5.**	N/A
Recommendation 6: Respect the rights of shareholders	
Recommendation 6.1: **The Company should design a communications policy for promoting effective communication with Shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.**	Y
Recommendation 6.2: **The Company should provide the information indicated in the Principles & Recommendations to reporting on Principle 6.**	N/A
Recommendation 7: Recognise and manage risk	
Recommendation 7.1: **The Company should establish policies for the oversight and management of material business risks and disclose a summary of those policies.**	Y
Recommendation 7.2: **The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.**	Y
Recommendation 7.3: **The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.**	Y
Recommendation 7.4: **The Company should provide the information indicated in the Principles & Recommendations to reporting on Principle 7.**	N/A
Recommendation 8: Remunerate fairly and responsibly	
Recommendation 8.1: **The Board should establish a remuneration committee.**	N
Recommendation 8.2: **The remuneration committee should be structured so that it:** • **consists of a majority of independent Directors;** • **is chaired by an independent chair; and** • **has at least three members.**	Y
Recommendation 8.3: **The Company should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.**	Y
Recommendation 8.4: **The Company should provide the information indicated in the Principles & Recommendations to reporting on Principle 8.**	N/A

The Company complies with Listing Rule 4.10.3 and ASX Guidance Note 9 which require each listed entity to include a statement in each Annual Report indicating the extent to which it complies with the Principles & Recommendations and giving reasons for any departures (**'if not, why not' analysis**). A copy of the Company's 2011 Annual Report (which incorporates our most recent 'if not, why not' analysis) is available on the Company's website under 'Exalt ASX Announcements' and the Company's most recent 'if not, why not' analysis is separately available on the Company's website under 'Exalt Resources Ltd Corporate Governance Statement'.

CORPORATE GOVERNANCE STATEMENT

Recommendation 2.1: A majority of the Board should be independent Directors

Recommendation 2.2: The Chair should be an independent Director

Recommendation 2.4: The Board should establish a nomination committee

Recommendation 8.1: The Board should establish a remuneration committee

Mr Correia and Mr Hartwig do not consider themselves Independent Directors. Whilst both Directors consider themselves to be independent in terms of their decision making, conduct and free from any business or other relationship that could materially interfere with their exercise of judgment as Directors, they are of the view that they do not technically meet the definition of an Independent Director set out in the Principles & Recommendations. With respect to Mr Correia, this is due to his exercise of executive functions prior to the appointment of Mr Tudor as the Chief Executive Officer and Managing Director of the Company. With respect to Mr Hartwig, this is due to him having undertaken a number of executive duties over the past twelve months.

The Company does not have a majority of independent Directors on its Board as recommended by the Principles & Recommendation. However, the Board considers that the individuals on the Board can and do make quality and independent judgments in the best interest of the Company on all relevant issues. The Board intends to increase the number of independent Directors on its Board with the appointment of the Proposed Directors as Directors on Completion. Following this appointment, half of the Board's members will be independent Directors.

The Company has not followed the recommendation in the Principles & Recommendation of having an independent chairman, as the Board considers that Mr Correia, while not an independent Director, can exercise independence when performing his role as chairman of the Board and can commit time to performing that role. The Board believes that Mr Correia is able to facilitate a collaborative Board and constructive relationships between the Board and management.

The Company has not established a separate nomination committee or remuneration committee.

The full Board considers those matters that would usually be the responsibility of a nomination committee and remuneration committee.

Given the size of the Board and the Company's current operations, the Board considers that no efficiencies or other benefits would be gained by establishing separate committees. Items that are usually required to be discussed by a Nomination Committee and Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination and Remuneration Committee it will operate under the Nomination and Remuneration Committee Charter. The Nomination and Remuneration Committee Charter requires the Board (as the Nomination and Remuneration Committee) to meet at least annually and otherwise as required.

Under Nomination and Remuneration Committee Charter, the role of the Board (when convening as the Nomination and Remuneration Committee) is to review the Company's remuneration practices and policies and establish appropriate remuneration levels including incentive policies for Directors and senior executives.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Note	2012	2011
		$	$
Revenue	2	119,708	24,282
Consultancy expenses		(417,578)	(15,400)
Professional fees		(34,586)	(15,000)
Legal and compliance fees		(144,305)	-
Directors' fees		(105,000)	(11,667)
Occupancy costs		(58,770)	-
Share-based compensation		-	(23,340)
Depreciation		(155)	-
Employee benefits		(155,862)	-
Exploration expenses		(132,081)	-
Other expenses		(64,783)	(29,104)
Loss before income tax	3	(993,412)	(70,229)
Income tax expense	4	-	-
Loss after income tax		(993,412)	(70,229)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Other comprehensive income for the year		-	-
Total comprehensive loss for the year attributable to members of the Parent Entity		(993,412)	(70,229)
		Cents	**Cents**
Earnings per share			
From continuing operations:			
Basic and diluted loss per share	20	3.91	9.5

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	6	2,555,950	3,238,786
Trade and other receivables	7	58,026	27,990
TOTAL CURRENT ASSETS		2,613,976	3,266,776
NON-CURRENT ASSETS			
Plant and equipment	8	2,539	-
Other non-current assets	9	671,869	140,962
TOTAL NON-CURRENT ASSETS		674,408	140,962
TOTAL ASSETS		3,288,384	3,407,738
CURRENT LIABILITIES			
Trade and other payables	10	497,135	268,268
Short term provisions	11	10,691	-
TOTAL CURRENT LIABILITIES		507,826	268,268
TOTAL LIABILITIES		507,826	268,268
NET ASSETS		2,780,558	3,139,470
EQUITY			
Issued capital	12(a)	3,820,859	3,186,359
Reserves	12(c)	23,340	23,340
Accumulated losses		(1,063,641)	(70,229)
TOTAL EQUITY		2,780,558	3,139,470

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Issued Capital	Share-based Payments Reserve	Accumulated Losses	Total
	$	$	$	$
For the year ended 30 June 2012				
Balance at 30 June 2011	3,186,359	23,340	(70,229)	3,139,470
Total comprehensive loss for the year	-	-	(993,412)	(993,412)
Transactions with owners in their capacity as owners:				
Shares issued during the year	675,000	-	-	675,000
Transaction costs	(40,500)	-	-	(40,500)
Balance at 30 June 2012	3,820,859	23,340	(1,063,641)	2,780,558
For the period 21 July 2010 to 30 June 2011				
Balance on Incorporation	3	-	-	3
Total comprehensive loss for the period	-	-	(70,229)	(70,229)
Transactions with owners in their capacity as owners:				
Shares issued during the period	3,545,000	-	-	3,545,000
Transaction costs	(358,644)	-	-	(358,644)
Options granted under employee incentive plan	-	23,340	-	23,340
Balance at 30 June 2011	3,186,359	23,340	(70,229)	3,139,470

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	Note	2012 $	2011 $
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(697,434)	(36,902)
Interest received		119,708	24,282
Net cash used in operating activities	17(b)	(577,726)	(12,620)
CASH FLOW FROM INVESTING ACTIVITIES			
Exploration and evaluation expenditure		(385,643)	(39,203)
Payment of option fees		(247,023)	-
Purchase of plant and equipment		(2,694)	-
Net cash used in financing activities		(635,360)	(39,203)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares		675,000	3,545,003
Capital raising costs		(144,750)	(254,394)
Net cash provided by/(used in) financing activities		530,250	3,290,609
Net (decrease)/increase in cash and cash equivalents held		(682,836)	3,238,786
Cash at beginning of year		3,238,786	-
Cash at end of year	17(a)	2,555,950	3,238,786

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 1 - Statement of Significant Accounting Policies

The financial statements cover the Company of Exalt Resources Limited. Exalt Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue on the 27 September 2012 by the Director of the Company.

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going concern basis of accounting

The financial statements have been prepared on a going concern basis. The Company has incurred an operating loss during the year of $993,412 (2011:$70,229). The Directors are managing the Company's cash flows carefully to meet its operational commitments. The Company has been successful in raising capital of $675,000 during the year and has $2,555,950 in cash and cash equivalents at the end of the year.

Accordingly the Company has sufficient working capital to carry out its stated objectives for at least 12 months from the date of this report. If the Company undertakes an acquisition of additional project(s) then it will have to raise additional capital to fund the development of these (refer subsequent events disclosure at Note 21 of the financial statements), however no allowance for such circumstances has been made in the financial statements.

Accounting Policies

(a) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Other revenue is recognised as it accrues.

(b) Income tax

The income tax expense (revenue) for the period comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(d) Exploration and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(e) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of the Company is measured in Australian dollars. The financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions during the period are translated into functional currency using the rates of exchange prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income.

(f) Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expenses. Receivables and payables are stated with the amount of GST included.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(h) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

(i) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(j) Earnings per share

Basic loss per share is determined by dividing the operating loss after income tax attributable to members of the company by the weighted average number of ordinary shares outstanding during the financial period.

Diluted loss per share adjusts the figures used in the determination of basic loss per share by taking into account any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial period.

When the Company has an operating loss after income tax and the conversion of ordinary share capital in respect of potential ordinary shares does not lead to a diluted earnings per share that shows an inferior view of the earnings performance of the Company, than is shown by basic loss per share, the diluted loss per share is reported the same as basic loss per share.

(k) Equity-settled compensation

The Company may operate equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(l) Segment reporting

The Company identifies its reportable operating segments based on the internal reports that are reviewed by the Board of Directors. Corporate office activities are not allocated to a separate operating segment and form part of the balance of unallocated revenue, expenses, assets and liabilities.

(m) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

(n) Comparative period

The comparative period covers the period from 21 July 2010 (being the date of incorporation) to 30 June 2011.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

(o) New Accounting Standards for Application in Future Periods

New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of the new and amended pronouncements. The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

– AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

  The key changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
  - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
  - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

  The Company has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

– AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

  This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

  Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

  The amendments are not expected to significantly impact the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Company has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

  AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

  AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Company.

  To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Company.

- AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 17, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

  AASB 13 requires:

  - inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
  - enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

  These Standards are not expected to significantly impact the Company.

- AASB 2011–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

  The main change arising from this Standard is the requirement for entities to company items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

  This Standard affects presentation only and is therefore not expected to significantly impact the Company.

- AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB101, AASB124, AASB134, AASB1049 & AASB 2011–8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Company does not have any defined benefit plans and so is not impacted by the amendment.

  AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

(i) for an offer that may be withdrawn – when the employee accepts;

(ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and

(iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Company has not yet been able to reasonably estimate the impact of these changes to AASB 119.

	2012	2011
Note 2 – Revenue	**$**	**$**
Non – operating activities		
- interest income	119,708	24,282
	119,708	24,282

Note 3 – Loss before income tax includes the following specific expenses		
Expenses		
Audit fees (see Note 5)	31,586	15,000
Consulting fees	417,578	15,400
Share registry costs	14,302	11,964
Insurance	12,546	11,715
Licence and other fees	-	67
Exploration expenses	132,081	-
Other expenses	52,238	5,358
	660,331	59,504

Note 4 - Income tax expense

(a) The components of income tax expense comprise:

Deferred tax	298,024	(14,067)
Deferred tax assets not recognised	(298,024)	14,067
	-	-

(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax benefit on the loss from ordinary activities	298,024	21,069
Add:		
Tax effect of:		
Share options expensed during period	-	7,002
Less:		
Tax effect of:		
Deferred tax assets not recognised	298,024	14,067
Income tax expense	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

	2012 $	2011 $
Tax losses		
Unused tax losses for which no tax loss has been recognised as a deferred tax asset adjusted for non-temporary differences at 30%	446,864	67,374

The taxation benefits will only be obtained if:

(i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
(ii) the Company continues to comply with the conditions for deductibility imposed by law; and
(iii) no changes in tax legislation adversely affect the Company in realising the benefits from the deductions for the loss.

Note 5 – Auditor's remuneration

	2012 $	2011 $
Remuneration of the auditor for:		
- auditing or reviewing the financial reports	31,586	15,000
- corporate services	3,000	15,000
	34,586	30,000

Note 6 – Cash and cash equivalents

	2012 $	2011 $
Cash at bank and on hand	2,555,950	3,238,786

Note 7 - Trade and other receivables

Current		
Other receivables	58,026	27,990

(a) Effective interest rates and credit risk

There is no interest rate risk for the balance of trade and other receivables.

All amounts past due are considered impaired and provided against. All other receivables are within credit terms and not considered impaired.

Note 8 – Non-current assets – Plant and equipment

	Furniture, fittings and office equipment	Total
Year ended 30 June 2012		
Opening net book value	-	-
Additions	2,694	-
Transfer from investments	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

	2012	2011
	$	$
Disposals	-	-
Depreciation charge	(155)	-
Closing net book value	2,539	-
At 30 June 2012		
Cost	2,694	-
Accumulated depreciation	(155)	-
Net book amount	2,539	-

Note 9 - Other non-current assets

	2012	2011
	$	$
Exploration expenditure capitalised (exploration and evaluation phase – incurred expenditure)	424,846	140,962
Other assets	247,023	-
	671,869	140,962

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Other assets represent the payment of option fees relating to the Indonesian exploration projects, the subject of the ODNI transaction. The recoverability of these fees is dependent on the successful completion of the Odni transaction

Note 10 – Trade and other payables

Trade payables	410,549	146,101
Sundry payables and accrued expenses	86,586	122,167
	497,135	268,268

Note 11 - Provisions

	2012	2011
	$	$
Employee benefits - annual leave	10,691	-
Opening balance 1 July		-
Additional provisions	10,691	-
Amounts used	-	-
Balance as at 30 June	**10,691**	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Provisions of Annual Leave

A provision has been recognised for employee benefits relating to annual leave. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

Note 12 – Issued capital

	2012 $	2011 $
28,875,003 (2011: 25,125,003) fully paid ordinary shares	3,820,859	3,186,359

	2012 No of shares	2012 $'s	2011 No of shares	2011 $'s
(a) Fully paid ordinary shares				
Issue of shares during the period:				
- Founder shares on incorporation			3	3
Shares issued during the period				
- 12 October 2010			2,000,000	-
- 9 November 2010			3,000,000	60,000
- 20 January 2011			3,000,000	180,000
- 23 February 2011			1,500,000	180,000
- 20 May 2011			15,625,000	3,125,000
- 31 May 2012	3,750,000	675,000		
Transaction costs		(40,500)		(358,644)
Balance at end of reporting period	28,875,003	3,820,859	25,125,003	3,186,359

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Company in proportion to the number of shares held. Every ordinary shareholder present at a meeting of the Company, in person or by proxy, is entitled to one vote, and upon a poll each ordinary share is entitled to one vote.

Ordinary shares have no par value.

(b) Options over unissued shares

	2012 Number	2011 Number
Options exercisable at $0.20 each on or before 31 December 2015		
Balance at beginning of reporting period	16,008,568	-
Issued during the period	-	16,008,568
Balance at end of reporting period	16,008,568	16,008,568

8,000,000 options were issued on 15 September 2010 to the founding investor/shareholder group. Of this amount 2,566,252 were issued to Directors of the Company in their capacity as founding investor/shareholders.

2,500,000 options were issued in three tranches (1,000,000 on 9 November 2010, 1,000,000 on 20 January 2011 and 500,000 on 23 February 2011) as part of the seed capital raising undertaken by the Company. The Company issued 300,000 incentive options on 23 February 2011 to David Ward consulting geologist. The

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Company issued 15,625,000 fully paid ordinary shares on 20 May 2011 at an issue price of $0.20, plus each applicant received one free option for every three shares subscribed for.

(c) Nature and purpose of reserves

(i) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options granted but not exercised.

(d) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management adjusts the capital structure to the extent possible to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company is not subject to any externally imposed capital requirements, nor does it focus on obtaining debt as a key capital management tool.

Note 13 – Controlled entities

The Company does not have any interests in any subsidiaries.

Note 14 – Interests of key management personnel (KMP)

Names and positions held of Company key management personnel in office at any time during the year were:

E Correia	Executive Chairman
B Tudor (appointed 3 May 2012)	Managing Director
S Hartwig	Non-executive Director
J Malone	Non-executive Director

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Company's key management personnel for the period ended 30 June 2012.

(a) KMP share holdings

The number of ordinary shares in Exalt Resources Limited held directly and indirectly by each key management personnel of the Company during the year is as follows:

	Balance at beginning of year or date of appointment	Granted as compensation	Issued on exercise of options	Other changes*	Balance at end of year or date of resignation or cessation
2012					
E Correia	1,206,251	-	-	-	1,206,251
B Tudor *	-	-	-	175,000	175,000
J Malone	120,000	-	-	-	120,000
S Hartwig	1,350,001	-	-	-	1,350,001
Total	2,676,252	-	-	175,000	2,851,252

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

* appointed 3 May 2012

2011					
E Correia	-	-	-	1,206,251	1,206,251
J Malone	-	-	-	120,000	120,000
S Hartwig	-	-	-	1,350,001	1,350,001
G Barnes **	-	-	-	1,500,000	1,500,000
Total	-	-	-	4,176,252	4,176,252

* Founder and placement shares subscribed for.
** Resigned effective 15 February 2011

(b) KMP Option holdings

	Balance at beginning of year or date of appointment	Granted as compensation	Issued on exercise of options	Other changes*	Balance at end of year or date of resignation or cessation
2012					
E Correia	1,702,085	-	-	-	1,702,085
B Tudor *	-	-	-	-	-
J Malone	40,004	-	-	-	40,004
S Hartwig	1,550,001	-	-	-	1,550,001
Total	**3,292,090**	**-**	**-**	**-**	**3,292,090**

*appointed 3 May 2012

2011					
E Correia	-	-	-	1,702,085	1,702,085
J Malone	-	-	-	40,004	40,004
S Hartwig				1,550,001	1,550,001
G Barnes **	-	-	-	2,000,000	2,000,000
Total	**-**	**-**	**-**	**5,292,090**	**5,292,090**

*Founder and placement options subscribed for.
****** Resigned effective 15 February 2011

Note 15 - Employee benefits

Superannuation

The Company makes contributions based on each employee's salary to superannuation plans that provide employees with benefits on retirement in accordance with the requirements of superannuation legislations.

Employee incentive plan

The Board adopted the Exalt Resources Limited Employee Share Option Plan on 2 November 2010 (Plan).

The Plan is designed to:

- provide eligible participants with an ownership interest in Exalt;
- provide additional incentives for eligible participants; and
- attract, motivate and retain eligible participants.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

As at the date of this Report, 300,000 Options have been granted under the Plan.

A summary of the Plan is set out below.

General

The Plan relates to the grant of Options to subscribe for Shares. The Board may from time to time,in its absolute discretion, offer to grant Options to eligible participants under the Plan.

Each Option will be issued for no consideration and will carry the right in favour of the Optionholder to subscribe for one Share.

Eligible Participants

Full or part time employees, Directors and consultants of the Company or an associated body corporate will be entitled to participate in the Plan.

Amount of Options to be issued under the Plan

The formula by which the entitlements of eligible participants shall be determined will be at the absolute discretion of the Board and shall take into account skills, experience, length of service with the Company, remuneration level and any other criteria the Board considers appropriate in the circumstances.

The Board will not issue Options under the plan if the total number of Shares the subject of the Options, when aggregated with:

- the number of Options to be granted;
- the number of Shares which would be issued if all current Options granted under any employee incentive scheme, including the plan, were exercised; and
- the number of Shares which have been issued as a result of the exercise of Options granted under any employee incentive scheme, including the plan, where the Options were granted during the preceding five years, would exceed 5% of the total number of issued Shares at the time of the issue.

Option Terms

Options issued under the Plan will be subject to the terms determined by the Board in its sole discretion, which may include exercise conditions to be satisfied prior to the vesting of the Options.

Each Option issued under the Plan will be exercisable for one Share each at an exercise price to be determined by the Board at the time of issue and will not be quoted on the ASX.

The Shares issued on the exercise of an Option will rank equally with the other Shares on issue, and Exalt will apply to the ASX for Quotation of those Shares.

Lapse of Options

Unless the Board in their absolute discretion determine otherwise, Options shall lapse on the date which is the earlier of:

(iv) two (2) years after the date of the grant of that Option, or such other date as the Board determines in its discretion with respect to that Option at the time of the grant of that Option;
(v) the Optionholder ceases to be an employee or Director of, or to render services to the Company for any reason whatsoever (including without limitation resignation or termination for cause) and the exercise conditions imposed at the time of the grant of the Option have not been met;
(vi) or the Exercise Conditions are unable to be met.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Participation in Future Issues

There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in the new issues of capital offered to Shareholders during the currency of the Options. However, Exalt will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue. If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares (other than an issue in lieu or satisfaction of dividends or by way of dividend reinvestment) the exercise price of the Options shall be adjusted in accordance with the formula in the Listing Rules.

In the event of a bonus issue of Shares being made pro rata to Shareholders (other than an issue of lieu of dividends), the number of Shares issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised prior to the record date for the bonus issue. No adjustment will be made to the exercise price per Share of the Option.

Reorganisation

The terms upon which Options will be granted will not prevent the Options being reorganised as required by the Listing Rules on the reorganisation of the capital of Exalt.

Management of the Plan

The Board may appoint for the proper administration and management of the Plan, such persons as it considers desirable and may delegate such authorities as may be necessary or desirable for the administration and management of the Plan. The Board may amend the Rules of the Plan subject to the requirements of the Listing Rules. The Board may terminate the Plan, or suspend its operation for any period it considers desirable, at any time that it considers appropriate.

Note 16 - Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the year a sum of $72,000 (2011: $6,000) was paid or accrued to SWEL Consulting Pty Limited for the provision of Company Secretarial services. Shane Hartwig is a Director of SWEL Consulting Pty Limited.

Peloton Capital was paid / payable of approximately $200,000 for the provision of advisory services since the Company's listing on the ASX. These advisory services included providing an executive function for the Company since its listing, coordinating the Company's technical advisers and exploration program, reviewing and assessing various acquisition opportunities, providing commercial input into the negotiation and ongoing management of the Proposed Transaction, assisting in the recruiting of Mr Tudor and other commercial assistance on an as required basis. Peloton Administration Pty Ltd received $46,290 for providing occupancy and registered office services for Exalt from April 2011.

Peloton Capital was paid/ payable a fee of $144,750 being 5% of $2,085,000 raised by Peloton for the Company's Initial Public Offering and 6% of the $675,000 raised in May 2012. Mr Hartwig and Mr Correia are directors of Peloton Capital. Mr Hartwig and Mr Correia each have a beneficial interest in 25% of the issued shares in Peloton Capital. Neither Mr Hartwig nor Mr Correia received any of the placement fees paid to Peloton Capital.

Key management personnel

Details of the compensation of key management personnel are included in Remuneration Report section of the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 17 - Notes to statement of cash flows

	2012 $	2011 $
(a) Reconciliation of cash		
Cash at bank and on hand	2,555,950	3,238,786
(b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(993,412)	(70,229)
Depreciation	155	-
Non-cash expense – share-based payments	-	23,340
Changes in assets and liabilities relating to operations:		
- Increase (Decrease) in creditors and accruals	434,876	62,259
- Decrease (Increase) in receivables	(30,036)	(27,990)
- Increase (decrease) in provisions	10,691	-
Net cash used in operating activities	(577,726)	(12,620)

Note 18 - Segment information

Identification of reportable segments

The Company has identified its reportable segments based on the location of its exploration assets.

The primary business segment and the primary geographic segment within which the company operates are minerals and energy exploration in Australia respectively.

Note 19 - Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limited and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's activities expose it to a limited number of financial risks as described below. The Company's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Company. To date, the Company has not had the need to utilise derivative financial instruments such as foreign exchange contracts or interest rate swaps to manage any risk exposure identified. The Company holds the following financial instruments.

	2012 $	2011 $
Financial assets		
Cash and cash equivalents	2,555,950	3,238,786
Trade and other receivables	58,026	27,990
Total	2,613,976	3,266,776

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

	2012	2011
	$	$
Financial liabilities		
Trade and other payables	443,799	268,268
Total	443,799	268,268

Specific financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are interest rate risk, credit risk and liquidity risk.

Interest rate risk

The Company's main interest exposure arises from cash at bank and bank term deposits as at the reporting date, the Company had the following cash profile.

	2012	2011
	$	$
Cash at bank and in hand	2,555,950	3,238,786
Total	2,555,950	3,238,786

The Company's main interest rate risk arises from cash and cash equivalents. The cash in the investment account earns a floating interest rate between 3.25% and 3.50% (2011: 4.75% and 4.80%)

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting.

Credit risk

Credit risk is managed on a Company basis. Credit risk arises from cash and cash equivalents, deposits and banks as well credit exposure including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Liquidity risk

The Company maintains sufficient liquidity by holding cash in readily accessible accounts. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company has no access to borrowing facilities at the reporting date. The Company's financial assets $2,613,976 (2011: $3,266,776) and financial liabilities $443,798 (2011: $268,268) have a maturity within 12 months of 30 June 2012.

Fair value

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective net fair values unless otherwise noted, determined in accordance with the accounting policies disclosed in the Statement of Accounting Policies.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Sensitivity analysis

The following table illustrates sensitivity to the Company's exposure to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. This sensitivity assumes that the movement in a particular variable is independent of other variables.

	Profit	Equity
	$	$
Year ended 30 June 2012	+/- 892	+/- 892
+/-1% in interest rates		
Year ended 30 June 2011		
+/-1% in interest rates	+/- 1,538	+/- 1,538

Note 20 - Earnings per share

	2012	2011
	$	$
Operating loss after income tax used in the calculation of basic and diluted loss per share	993,412	70,229
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share	25,433,222	7,369,552

Note 21 - Events occurring after the reporting period

Other than the following, the Directors are not aware of any significant events since the end of the reporting period.

On 24 July 2012 the Company announced it has signed a Sale and Purchase Agreement to acquire 100% of the issued capital of Odni Holdings (Pte.) Ltd ("Odni") a Singapore incorporated coal investment Company.

On 24 August 2012 at a general meeting of shareholders, approval was given for a change in the nature and scale of activities, issue of consideration securities, variation of class rights and approval to raise capital up to $20m. In addition approval was also given for Directors to participate in the capital raising and for the issue of equity based remuneration for the Managing Director. (Refer ASX announcement of 25 July 2012 and 24 August 2012 for further details).

On 7 September 2012 the company issued a prospectus to raise up to $20m as approved by shareholders at the general meeting held 24 August 2012. (refer ASX announcement of 7 September 2012 for further details of the prospectus).

Except for the above acquisition, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note 22 – Capital expenditure commitments

Minimum expenditure commitments for mining tenements:

	2012 $	2011 $
Within one year	89,500	87,500
Later than one year but not later than five years	89,500	43,750
Later than five years	-	-
	179,000	131,250

Note 23 – Lease commitments

The Company does not have any lease commitment for its premises.

Note 24 - Company Details

REGISTERED OFFICE
Level 5,
56 Pitt Street,
Sydney NSW 2000

PRINCIPAL PLACE OF BUSINESS
Level 5,
56 Pitt Street,
Sydney NSW 2000

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 21 to 42, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards which as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

   (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the Company;

2. the Chief Executive Officer and Chief Financial Officer have each declared that:

   (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view; and

3. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Dated this 28 September 2012

Barry Tudor
Managing Director

EXALT RESOURCES LIMITED
ABN 17 145 327 617
INDEPENDENT AUDIT REPORT TO
THE MEMBERS OF EXALT RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Exalt Resources Limited which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

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Auditor's Opinion

In our opinion:

a. the financial report of Exalt Resources Limited is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 8 to 13 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the remuneration report of Exalt Resources Limited for the year ended 30 June 2012 complies with section 300A of the Corporations Act 2001.

Hall Chadwick

Hall Chadwick
Level 29, St Martins Tower
31 Market Street, SYDNEY NSW 2000

Graham Webb
Partner
Date: 28 September 2012

ADDITIONAL INFORMATION

Additional Australian Securities Exchange information as at 4 September 2012

Number of holders of equity securities

Fully Paid Ordinary Shares

28,875,002 fully paid ordinary shares are held by 312 individual shareholders (5,998,339 subject to ASX escrow).

All issued ordinary shares carry one vote per share.

Options

16,008,568 Options ($0.20 Ex Price, 31st December 2015 Expiry) held by 355 individual shareholders (8,032,781 subject to ASX escrow).

Distribution of holders of equity securities.

Category (size of Holdings)	Ordinary Shares holders	Option holders
1 - 1,000	4	1
1,001 - 5,000	2	135
5,001 - 10,000	67	104
10,001 - 100,000	187	101
100,001 and over	52	14
	312	355
Holding less than a marketable parcel	4	288

Substantial shareholders

The names of the substantial shareholders listed in the Forge Resources Limited register as at 4 September 2012 were:

Holders	Fully paid ordinary shares Number	Percentage
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,157,629	7.47
CANGU PTY LIMITED <CANGU FAMILY A/C>	1,565,000	5.42
	3,722,629	12.89

Twenty largest holders of quoted ordinary shares	Fully Paid Ordinary Shares Number	%
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,157,629	7.47
CANGU PTY LTD <CANGU FAMILY A/C>	1,565,000	5.42
MR STEVEN WOODHAM + MRS ELIZABETH WOODHAM <ALPHA FAMILY A/C>	1,350,000	4.68
GEBA PTY LTD <GEBA FAMILY A/C>	1,349,999	4.68
GEBA PTY LTD <GEBA FAMILY A/C>	1,233,334	4.27
MS NICOLE GALLIN + MR KYLE HAYNES <GH SUPER FUND A/C>	800,000	2.77
MS NYREE CORREIA	664,583	2.30

ADDITIONAL INFORMATION

LITTLE BREAKAWAY PTY LTD	650,000	2.25
MRS LOUISE JANE HARTWIG	547,501	1.90
MR MERVYN IAN LEO BASSETT + MRS SHIRLEY ETHEL BASSETT <Y-Z SUPERANNUATION FUND A/C>	500,000	1.73
DELMAC PTY LIMITED <GHIRARDELLO SUPER FUND A/C>	500,000	1.73
MR PAUL ANTHONY GILLETT	500,000	1.73
MR EMMANUEL CORREIA	475,001	1.65
NUMBER 7 INVESTMENTS PTY LTD	450,000	1.56
JEFF TOWLER BUILDING PTY LTD	425,000	1.47
BJS ROBB PTY LTD	400,000	1.39
MR SHANE HARTWIG	375,001	1.30
MRS LOUISE JANE HARTWIG	327,499	1.13
PYLARA PTY LTD	300,000	1.04
MR PETER JAMES DYKES	277,778	0.96
Total	**14,848,325**	**51.42**
Remainder	14,026,677	48.58
Grand Total	**28,875,002**	**100.00**

Twenty largest holders of quoted options	**Fully Paid Ordinary Shares**	
	Number	**%**
MR JONATHON CHARLES KOOP	750,000	9.40
MADEIRA NOMINEES PTY LTD	622,500	7.80
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	562,520	7.05
GEBA PTY LTD <GEBA FAMILY A/C>	450,000	5.64
JALONEX INVESTMENTS PTY LTD	383,334	4.81
CANGU PTY LTD <CANGU FAMILY A/C>	205,000	2.57
DR ALASTAIR ROWLAND BROWN <HIPIKI STAFF FUND A/C>	198,336	2.49
31 MAY PTY LTD	155,847	1.95
BJS ROBB PTY LTD	133,334	1.67
MS NICOLE GALLIN + MR KYLE HAYNES <GH SUPER FUND A/C>	133,334	1.67
ARCHFIELD HOLDINGS PTY LTD	121,670	1.53
DR ALASTAIR ROWLAND BROWN <HIPIKI STAFF FUND A/C>	111,112	1.39
MRS LOUISE JANE HARTWIG	109,166	1.37
BIMEDENT PTY LTD <DISCRETIONARY A/C>	100,001	1.25
MOUNT STREET INVESTMENTS PTY LTD <THE MJ BLAKE S/F A/C>	100,000	1.25
MR GRAHAM ROBERT FOREMAN	75,000	0.94
MR DANIEL CORREIA	63,334	0.79
MS ROSEMARY KOOP	62,500	0.78
ZIMBALLI NOMINEES PTY LTD <ZIMBALI FAMILY A/C>	60,000	0.75
MR VICTOR LAWRENCE JOYCE + MRS SUSAN JOAN ABRA <VICTOR L JOYCE S/F A/C>	50,002	0.63
Total	**4,446,990**	**55.76**
Remainder	3,528,797	44.24
Grand Total	**7,975,787**	**100.00**

ADDITIONAL INFORMATION

DIRECTORS

Mr Emmanuel Correia	Executive Chairman
Mr Barry Tudor	Managing Director
Mr Jim Malone	Non-Executive Director
Mr Shane Hartwig	Non-Executive Director

COMPANY SECRETARY
Mr Shane Hartwig

REGISTERED OFFICE
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Sydney NSW 2000

PRINCIPAL PLACE OF BUSINESS
Level 5,
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AUDITORS
Hall Chadwick
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SHARE REGISTRY
Computershare Investor Services Pty Limited
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