



Exalt Resources Ltd ABN 145 327 617
Level 5, 56 Pitt Street, Sydney, NSW 2000, Australia
www.exaltresources.com.au

P +61 2 8651 7820
F +61 2 9241 6199

Exalt Resources Ltd

ACN 145 327 617

Notice of general meeting

Notice is given that a general meeting of Shareholders of Exalt Resources Ltd (“**Exalt**” or the “**Company**”) will be held on 10 am, 24th August 2012 (Sydney time) at Gadens Lawyers, Level 16, 77 Castlereagh Street, Sydney, NSW 2000 (**General Meeting**). The Explanatory Memorandum accompanying this Notice provides additional information on matters to be considered at the General Meeting. The Explanatory Memorandum and Proxy Form form part of this Notice.

The Directors have determined that, pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the persons eligible to vote at the General Meeting are those who are registered Shareholders as at 7pm on 22nd August 2012. Terms used in this Notice are defined in the Glossary which forms part of the Explanatory Memorandum.

Critical dates for shareholders

Event	Date
Dispatch of Notice to Shareholders	25 th July 2012
Lodgement of Prospectus with ASIC	10 th August 2012
Cut off for lodging Proxy Form for General Meeting	10am 22 nd August 2012
Snapshot date for eligibility to vote at General Meeting	7pm 22 nd August 2012
Suspension of Company's Securities	23 rd August 2012
General Meeting to approve the Proposed Transaction and other matters, and a trading halt to be requested from commencement of trade	24 th August 2012
If Shareholders approve the Proposed Transaction, then the Company's securities will be suspended from trading on the ASX until the Company re-complies with Chapters 1 and 2 of the Listing Rules which the Company is targeting to be 31 st August 2012	31 st August 2012
Issue of Shares under the Capital Raising & settlement of the Proposed Transaction	31 st August 2012
Trading in securities reinstated by the ASX (subject to satisfaction of Chapters 1 and 2 of the Listing Rules). Normal T+3 trading on a post-consolidation basis commences	5 th September 2012

Notes

1. Trading in securities will only be reinstated by the ASX after the Company has completed the Proposed Transaction and the Company has complied with Chapters 1 and 2 of the Listing Rules. The Company will endeavor to minimise the period of suspension as much as possible.
2. The above timetable is indicative only and may be varied at the Board's discretion. Any changes will be released to the ASX.

Agenda

Resolution 1

Approval Of Change In Nature And Scale Of Activities

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to and conditional upon the passing of Resolutions 2, 3, 4 and 9, for the purposes of Listing Rule 11.1.2, and for all other purposes, approval is given for the Company to make a significant change in the nature and scale of its activities by acquiring all the issued capital of Odni on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 1 by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons.

However, the Company need not disregard a vote if:

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

Recommendation:

The Board recommends that Shareholders vote in favour of Resolution 1.

Resolution 2

Approval Of Issue Of Consideration Securities

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to and conditional upon the passing of Resolutions 1, 3, 4 and 9, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the allotment and issue of:

- a) 25,000,000 Shares;
- b) 10,000,000 Class W Options;
- c) 20,000,000 Class X Options;
- d) 22,000,000 Class A Performance Shares;

- e) 22,000,000 Class B Performance Shares; and
- f) 22,000,000 Class C Performance Shares;

to the Sellers on the terms and conditions set out in the Explanatory Memorandum.

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 2 by any person who may participate in the proposed allotment and issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons.

However, the Company need not disregard a vote if:

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

Recommendation:

The Board recommends that Shareholders vote in favour of Resolution 2.

Resolution 3

Variation Of Class Rights

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, subject to and conditional upon the passing of Resolutions 1, 2, 4 and 9 and for the purposes of sections 246B(1) and 246C(5) of the Corporations Act, the Constitution and for all other purposes, approval is given for the Company to vary the rights attached to each Share already on issue by the issue of the Performance Shares (and subsequent conversion into Shares in accordance with their terms) pursuant to Resolutions 2 and 9 as described in the Explanatory Memorandum.”

Recommendation:

The Board recommends that Shareholders vote in favour of Resolution 3.

Resolution 4

Approval of Capital Raising

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to and conditional upon the passing of Resolutions 1, 2, 3, and 9, for the purposes of Listing Rule 7.1 and for all other purposes, approval be given for the Directors to

allot and issue up to 100,000,000 Shares at an issue price of not less than \$0.20 each, on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 4 by any person who may participate in the proposed issue of securities and any person who might obtain a benefit (expect a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed) and any person associated with those persons.

However, the Company need not disregard a vote if:

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

Recommendation:

The Board recommends that Shareholders vote in favour of Resolution 4.

Resolution 5

Participation in Capital Raising by Director – Mr Shane Hartwig

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to and conditional upon the passing of Resolutions 1, 2, 3, 4 and 9, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for Mr Shane Hartwig (or his nominees) to participate in the Capital Raising and, upon subscription, for the Company to issue and allot up to 250,000 Shares pursuant to the Capital Raising to Mr Shane Hartwig (or his nominees) on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 5 by Mr Shane Hartwig and any of his associates.

However, the Company need not disregard a vote if:

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

Recommendation:

The Board (with the exception of Mr Shane Hartwig) recommends that Shareholders vote in favour of Resolution 5.

Resolution 6

Participation in Capital Raising by Director – Mr Emmanuel Correia

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to and conditional upon the passing of Resolutions 1, 2, 3, 4 and 9, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for Mr Emmanuel Correia (or his nominees) to participate in the Capital Raising and, upon subscription, for the Company to issue and allot up to 250,000 Shares pursuant to the Capital Raising to Mr Emmanuel Correia (or his nominees) on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 6 by Mr Emmanuel Correia and any of his associates.

However, the Company need not disregard a vote if:

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

Recommendation:

The Board (with the exception of Mr Emmanuel Correia) recommends that Shareholders vote in favour of Resolution 6.

Resolution 7

Participation in Capital Raising by Director – Mr Jim Malone

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to and conditional upon the passing of Resolutions 1, 2, 3, 4 and 9, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for Mr Jim Malone (or his nominees) to participate in the Capital Raising and, upon subscription, for the Company to issue and allot up to 250,000 Shares pursuant to the Capital Raising to Mr Jim Malone (or his nominees) on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 7 by Mr Jim Malone and any of his associates.

However, the Company need not disregard a vote if:

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

Recommendation:

The Board (with the exception of Mr Jim Malone) recommends that Shareholders vote in favour of Resolution 7.

Resolution 8

Participation in Capital Raising by Managing Director – Mr Barry Tudor

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to and conditional upon the passing of Resolutions 1, 2, 3, 4 and 9, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for Mr Barry Tudor (or his nominees) to participate in the Capital Raising and, upon subscription, for the Company to issue and allot up to 1,000,000 Shares pursuant to the Capital Raising to Mr Barry Tudor (or his nominees) on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 8 by Mr Barry Tudor and any of his associates.

However, the Company need not disregard a vote if:

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

Recommendation:

The Board (with the exception of Mr Barry Tudor) recommends that Shareholders vote in favour of Resolution 8.

Resolution 9

Proposed Issue Of Equity Based Remuneration

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to and conditional upon the passing of Resolutions 1, 2, 3 and 4, for the purposes of Listing Rule 10.11, section 208 of the Corporations Act, and for all other purposes, approval is given for the allotment and issue of:

1. 600,000 Class Y Options;
2. 2,400,000 Class Z Options;
3. 6,000,000 Class A Performance Shares;
4. 6,000,000 Class B Performance Shares; and
5. 6,000,000 Class C Performance Shares,

to Mr Barry Tudor, on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 9 by Mr Barry Tudor and any of his associates.

However, the Company need not disregard a vote if:

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

In addition, in accordance with the Corporations Act, the Company will disregard any votes cast by or on behalf of any Key Management Personnel (including any Director) or a closely related party of any Key Management Personnel as proxy for a person who is permitted to vote in relation to the proposed Resolution 9, unless:

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

Recommendation:

The Board (with the exception of Mr Barry Tudor) recommends that Shareholders vote in favour of Resolution 9. Refer to 3.6 for further details regarding the reasons for the Board’s recommendation.

Resolution 10

Ratify Prior Share Issue

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That for the purposes of Listing Rule 7.4, and for all other purposes, Shareholders approve and ratify the issue and allotment, on 31 May 2012, of 3,750,000 Shares at an issue price of \$0.18 per Share to non-related sophisticated and professional investors on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 10 by any person who participated in the issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons.

However, the Company need not disregard a vote if:

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

Recommendation:

The Board recommends that Shareholders vote in favour of Resolution 10.

Dated: 19th July 2012

By order of the Board.

Shane Hartwig

Company Secretary

Notes

Explanatory Memorandum

The Notice should be read in conjunction with the accompanying Explanatory Memorandum.

Eligibility to vote

In accordance with the Corporations Act and the Constitution, a person's entitlement to vote at the General Meeting will be determined by reference to the number of Shares registered in the name of that person (reflected in the register of members) as at 7pm (Sydney time) on 22 August 2012.

How to vote

Each Shareholder is entitled to attend and vote at the General Meeting in person or by proxy.

Proxy votes

Each Shareholder is entitled to appoint not more than two proxies to attend and vote in their place.

Where more than one proxy is appointed, the appointment may specify the proportion or number of votes that the proxy may exercise, otherwise each proxy may exercise half of the votes.

A proxy need not be a Shareholder.

A Proxy Form must be signed (in the form attached to this Notice) by the Shareholder or the Shareholder's attorney.

Proxy Forms must reach the Company at least forty eight (48) hours before the General Meeting.

The address for lodgement of Proxy Forms is:

Delivery Address	Postal Address	Fax Number
Exalt Resources Ltd c/- Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford Vic 3067	Exalt Resources Ltd c/- Computershare Investor Services Pty Limited GPO Box 242 Melbourne VIC 3001	+ 61 3 9473 2555

Key Management Personnel as proxy

If a Shareholder appoints a member of the key management personnel (**KMP**) or a closely related party of any KMP as proxy, such KMP or closely related party is not able to vote a proxy on Resolution 9 unless the Shareholder directs them how to vote by marking the box on the Proxy Form (Step 2) for Resolution 9.

Chairman as proxy

A Shareholder may appoint the Chairman of the General Meeting as their proxy. The Shareholder can direct the Chairman how to vote by either marking the boxes on the Proxy Form for each Resolution (Step 2), or by marking the Chairman voting direction box on the Proxy Form (Step 1) in which case this will be considered to be an express direction to the Chairman of the General Meeting to vote in favour of the proposed Resolution. If the voting direction boxes are not completed in either Step 1 or Step 2, then the Chairman will not cast any votes on your behalf, on Resolution 6 and 9, and those votes will not be counted in calculating the required majority on a poll.

Undirected Proxies

Subject to the above, the Chairman of the General Meeting intends to vote all undirected proxies in favour of the Resolutions. However, the Company encourages all Shareholders who submit Proxy Forms to direct their proxy how to vote on each Resolution by marking the boxes on the Proxy Form (Step 2) for each item of business.

Directed Proxies

Under recent amendments to the Corporations Act, there are new rules relating to how a proxy must vote directed proxies. If a Proxy Form specifies the way a proxy is to vote on a Resolution, then:

- a) a proxy need not vote on a show of hands, but if the proxy does vote, the proxy must vote as directed;
- b) if a proxy is appointed by two or more Shareholders who specify different ways to vote on a resolution, the proxy must not vote on a show of hands;
- c) if the proxy is the Chairman, the proxy must vote as directed on a poll;
- d) if the proxy is not the Chairman, the proxy need not vote on a poll, but if the proxy does vote, the proxy must vote as directed; and
- e) if the proxy is not the Chairman and does not attend the General Meeting or does not vote on a Resolution, but the Proxy Form specifies how to vote and a poll is demanded, then the Chairman is taken to have been appointed as the proxy and must vote as directed.

Power of Attorney

A Shareholder's attorney may sign the Shareholder's Proxy Form on behalf of the Shareholder. By signing the Proxy Form, the Shareholder's attorney confirms that the authority under which he or she executed the Proxy Form has not been revoked.

If the Shareholder's attorney signs the Proxy Form, then the attorney must, when it sends the Proxy Form to the Company, also send the authority (or a certified copy of the authority) under which the Proxy Form was signed. Each of the Proxy Form and authority must be received at least forty eight (48) hours before the General Meeting.

Bodies Corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at the General Meeting. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise on behalf of the appointing body all of the powers that the appointing body could exercise at the General Meeting or in voting on a Resolution.

Enquiries

Shareholders are invited to contact the Company Secretary, Shane Hartwig on (02) 8651 7804 if they have any queries in respect of the matters set out in these documents.

Explanatory Memorandum

Exalt Resources Ltd

1. Introduction

This Explanatory Memorandum has been prepared to assist Shareholders in considering the Resolutions set out in the Notice. This Explanatory Memorandum forms part of, and should be read in conjunction with, the Notice.

Terms used in this Explanatory Memorandum are defined in the Glossary.

2. General

2.1 Background

Exalt is a public company listed on the official list of the ASX (ASX code: ERD). The Company was incorporated in July 2010 and commenced its business as an Australian based resource and energy exploration Company. The Company's initial projects were two gold and base metal exploration projects in NSW – the Mineral Hill South Project and the Nyngan Project (**NSW Projects**).

As outlined in the Company's prospectus dated 25th March 2011, a key part of the Company's charter is to actively pursue the acquisition of and/or participation in additional resource and energy assets.

Consistent with this charter, the Company announced on 5 April 2012 that it had negotiated and signed a term sheet for the acquisition of 100% of the issued capital of ODNI Holdings (Pte.) Ltd. (**Odni**), a coal investment company incorporated in Singapore (**Proposed Transaction**). Odni has secured rights to acquire an interest in a number of prospective coal mining projects in the Kalimantan, Sumatran and West Papuan regions of Indonesia (**the Indonesian Projects**). In addition to the Indonesian Projects, Exalt (via Odni) will continue to assess and review a number of pipeline greenfield, brownfield and producing projects in Indonesia, with the aim of building a substantial diverse portfolio of Indonesian coal assets.

The Company has agreed to issue, for the acquisition of Odni, the following consideration:

- i. 25,000,000 Shares in Exalt on completion of the Proposed Transaction. It is agreed that these Shares are to be placed in voluntary escrow for a 12 month period (or as otherwise determined by the ASX);
- ii. 10,000,000 options to acquire Shares in Exalt with an exercise price of \$0.20 and an expiry period of two years from the date of issue;
- iii. 20,000,000 options to acquire Shares in Exalt with an exercise price of \$0.50 and an expiry period of three years from the date of issue; and
- iv. 66,000,000 Performance Shares, which upon satisfaction of certain exploration and production milestones being achieved, will convert into fully paid Shares in Exalt.

Readers should refer to section 2.4 for a summary of the terms of the Share Purchase Agreement to be entered into between Exalt and Odni.

A summary of the Indonesian Projects is set out in section 2.2 of this Explanatory Memorandum. A table outlining the location and other key details of the Indonesian Projects is set out in Annexure E. The Company has commissioned an independent geologist to prepare a technical report on the Indonesian Projects (Independent Technical Report) – a copy of this report can be found in Annexure F.

2.2 Overview of the Projects

2.2.1 Proposed Indonesian Projects (the subject of the Proposed Transaction)

i. Project Sugico

a) Location and Access

The Sugico South Sumatra Project comprises 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 in Indonesia (**Project Sugico**). The concessions each cover approximately 20,000 hectares, comprising over 250,000 hectares in total area. The concessions represent a very extensive combined exploration region. Please refer to Figures 2 and 3 of the Independent Technical Report.

b) Project Summary

The Independent Technical Report provides a review of Project Sugico. Listed below is a summary of Project Sugico:

- The 11 exploration (IUP's) concessions are collectively referred to as Project Sugico;
- The total area of all concessions combined is approximately 250,000 hectares; the equivalent of an area 50 kilometres long and 50 kilometres wide;
- Because of the very large size of these concessions, any discovery of coal has the potential to be a large coal resource, though there isn't enough information to identify an exploration target;
- The main coal bearing formation of potential economic significance is the Muara Enim Formation. Approximately 44% of the total Project area overlies the Muara Enim Formation;
- MMC, the authors of the Independent Technical Report, consider that the Project Sugico concessions represent good coal prospectivity;
- With no evidence of any previous exploration activity, Project Sugico is vastly unexplored, and therefore represents a very large area of Muara Enim Formation with good potential to discover coal; and
- 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.

c) Proposed Exploration

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

d) Summary of Commercial Terms

- Odni intends to enter into a conditional share purchase agreement (**Sugico Agreement**) with PT Jaya Manggala Sakti, PT Tansri Madjid Energi, PT Sugico Pendragon Energi, PT Methane Resources Indonesia, PT Lion Global Energi, PT Sumber Daya Energi, PT Persada Berau Jaya Sakti, PT Muara Enim Power Energi, PT Indonesia Multi Energi, PT Sumber Daya Persada and PT Lion Multi Resources (together, **Sugico Sellers**) to acquire a 50% interest in the traditional coal mining rights and benefits in IUPs relating to Project Sugico (**Sugico Interest**).
- It is intended that the completion of the Sugico Agreement will be subject to a number of conditions precedent, including each party having completed, to its satisfaction, due diligence on each other party; and that Odni would be entitled to terminate the Sugico Agreement if the conditions precedent above are not satisfied by the responsible party or waived by Odni on or before 15 August 2012. Exalt intends to procure that Odni extends this date if the conditions precedent are not satisfied in time.
- As consideration for the Sugico Interest, Odni intends to pay:
 - the Sugico Sellers US\$100,000 (to be applied to an initial mapping exercise) within five business days of Odni or the Company providing the Sugico Sellers with unequivocal proof that it will be in a position to fund an agreed exploration program of at least US\$3 million. Note, this proof needs to be provided by 15 August 2012;
 - the Sugico Sellers US\$5 million by 15 August 2012;
 - the Sugico Sellers US\$5 million by 15 October 2012;
 - the Sugico Sellers, following the completion of the exploration program by the parties:
 - US\$10 million, if a Measured Resource as defined under the JORC code, of less than 200 million tonnes of coal is established; or
 - US\$20 million, if a Measured Resource as defined under the JORC code, of 200 million tonnes or more of coal is established; and

- o a royalty of US\$2.00 per tonne of coal produced and sold, or a reduced royalty rate to be agreed by the parties if the royalty of US\$2.00 per tonne results in the Project Sugico becoming commercially unviable.
- The terms of the Sugico Agreement, including the various conditions precedent to the completion of the acquisition, are described in more detail at Annexure G.

ii. **Project BIG**

a) **Location and Access**

Project PT Bakti Initi Guna (**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.

b) **Project Summary**

The Independent Technical Report provides a review of Project BIG. Listed below is a summary of Project BIG:

- The main coal bearing formation of potential economic significance is the Sembakung Formation. 100% of the concession area overlies the Sembakung Formation;
- Initial geological investigation (outcrop mapping) has identified 10 coal horizons within the Sembakung Formation. The coal seams are categorized as multiple, thin seams with moderate to steep dips;
- As the mapping has discovered 32 coal outcrops and identified 10 seams, MMC, considers that Project BIG has good coal prospectivity but makes no comment in relation to coal quality; and
- MMC estimates an exploration target of 20 to 30 million tonnes. All estimated coal quantities are based on Exploration Results and represent exploration targets. They are not classified as either Coal Resources or Coal Reserves. Potential coal quantities are conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of Mineral Resources. Based on the limited information contained in the Dataroom MMC can make no comment regarding potential coal quality in the BIG concession.

c) **Proposed Exploration**

A two phase preliminary mapping exercise has been carried out in the first three months of 2012 over the northern and eastern parts of the concession area which included topographical mapping and coal outcrop mapping, sampling and analysis. Further mapping activity is planned to cover more of the western and southern parts of the concession area and to conduct more detailed research and analysis.

d) **Summary of Commercial Terms**

- Odni has entered into a conditional share purchase agreement with Messrs Togi Silalahi, Junardi Satya Himawan and Sudaryanto (together, **BIG Sellers**) to

purchase from the BIG Sellers 100% of the shares (**BIG Shares**) in PT Bakti Inti Guna (**BIG Company**) (**BIG Agreement**). The BIG Company holds exploration IUP No: 467/K-IV/540/2010 (**BIG IUP**).

- As consideration for the BIG Shares, Odni will pay the BIG Sellers an amount equivalent to US\$1.00 per metric tonne of reserve (established under the JORC Code and unconditionally verified by a competent person) coal with a heating value of at least 5500 Kcal/kg and sulphur content not exceeding 1.3% (**BIG Coal**).
- A non-refundable deposit of US\$100,000 was paid on the signing of the BIG Agreement and another non-refundable deposit of US\$200,000 is payable by 31 August 2012. The amount of these deposits will be deducted from the purchase price payable to the BIG Sellers on completion of the BIG Agreement.
- The completion of the BIG Agreement and the payment of the purchase price are conditional on a number of conditions precedent, including the establishment of at least an eight million metric tonne of coal Reserve under the JORC Code by a competent person.
- The terms of the BIG Agreement, including the various conditions precedent to the completion of the acquisition, are described in more detail at Annexure G.

iii. **Project MMBP**

a) **Location and Access**

The concession 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 (**Project MMBP**). The Project MMBP concession area covers 5,312 hectares and lies on tropical rainforest and rough terrain with steep slope elevation.

b) **Project Summary**

The Independent Technical Report provides a review of Project MMBP. Listed below is a summary of Project MMBP:

- The main coal bearing formation of potential economic significance is the Sembakung Formation. Approximately 27% of the total concession area overlies the Sembakung Formation; and
- MMC considers that Project MMBP has reasonable coal prospectivity however, there is not enough information to estimate an exploration target.

c) **Proposed Exploration**

Exploration activity has been very limited to date. Further exploration work is required to be undertaken before any prospective coal quantities can be identified.

d) **Summary of Commercial Terms**

- Odni has entered into an option agreement (**MMBP Agreement**) with Messrs Togi Silalahi, Junardi Satya Himawan and Sudaryanto (together, **MMBP Sellers**) pursuant to which the MMBP Sellers grants Odni an exclusive option to conduct

exclusive exploration activities on the IUPs held by the MMBP Company (as defined below) and negotiate on an exclusive basis and use best efforts to enter into a share purchase agreement to purchase 100% of the shares (**MMBP Shares**) from the MMBP Sellers of PT Mitra Maju Bangun Persada (**MMBP Company**). The MMBP Company holds exploration IUP No: 437/K-IV/540/2010 (**MMBP IUP**). An option fee of US\$75,000 was paid on the signing of the MMBP Agreement.

- Odni may negotiate and enter into a share purchase agreement in relation to the MMBP Shares from the date of the MMBP Agreement to 30 August 2012. Odni is confident of being able to achieve this 30th August 2012 deadline, particularly as the material commercial terms to be included in the proposed Sale and Purchase Agreement have been agreed. Further, Odni is confident that if for some reason, the Sale and Purchase Agreement has not been entered into by this date, the MMBP Sellers, acting reasonably, would grant an extension to this date.
- During this period, Odni may (at its sole cost and expense) conduct financial, legal and technical due diligence in relation to the MMBP Company and its assets and financial records, including site visits and exploration drilling for the purpose of proving a reserve under the JORC Code.
- The terms of the MMBP Agreement are described in more detail at Annexure G.

iv. **Project KARIN**

a) **Location and Access**

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.

b) **Project Summary**

The Independent Technical Report provides a review of Project KARIN. Listed below is a summary of Project KARIN:

- The main coal bearing formations of potential economic significance are the Tanjung, Warukin and Montalat Formations. Approximately 50% of the total concession area overlies the coal bearing Warukin Formations;
- There is no exploration data within Karin concession area, however 50% of Karindangan area overlies the coal bearing Warukin Formation and MMC considers Karindangan has reasonable prospectivity.

c) **Summary of Commercial Terms**

- Odni has entered into a conditional share sale and purchase agreement with Messrs Abdi Mahyudi, Iskandar Zulkarnaena and Akhmad Zacky Hafizie (together, **Karin Sellers**) to purchase from the Karin Sellers 100% of the shares (**Karin Shares**) of PT Karindangan (**Karin Company**) which has been subsequently varied by the parties under an amendment deed to the conditional share sale and purchase agreement (**Karin Agreement**). The Karin Company holds the exploration IUP No.188.45/439/2010 (**Karin IUP**).

- As consideration for the purchase of the Karin Shares, Odni will pay the Karin Sellers an amount equivalent to US\$1.00 per metric tonne of Reserve established under the JORC Code which has been unconditionally verified by a third party appointed by Odni, of coal of a quality and type selected by that third party and which, in Odni's opinion, is commercially viable (**Karin Coal**).
- A non-refundable deposit of US\$50,000 was paid on the signing of the Karin Agreement and another non-refundable deposit of US\$250,000 is payable by 31 August 2012. The amount of these deposits will be deducted from the purchase price payable to the Karin Sellers on completion of the Karin Agreement.
- The completion of the Karin Agreement by Odni and the payment of the purchase price requires fulfillment of a number of conditions precedent, including the establishment of at least an eight million metric tonne of Karin Coal reserve under the JORC Code by a competent person.
- The terms of the Karin Agreement, including the various conditions precedent to the completion of the acquisition, are described in more detail at Annexure G.

2.2.2 Pipeline Projects

In the Company's ASX announcement dated 5th April 2012, the Company outlined that it intended to purchase 100% of the issued capital of Odni, an Indonesian coal investment company. Outlined in this announcement were six Projects that Odni had certain rights to acquire pursuant to the terms of certain option agreements.

Four of these Projects have been outlined above and as at the date of this Notice, Odni intends to proceed with these Projects on the terms outlined within this Notice and Explanatory Memorandum.

Two of these Projects, Project Damanka and West Papua Project continue to be considered Projects of interest for Odni and continue to be reviewed from a commercial, legal and technical due diligence perspective. As at the date of this Notice however, Odni has not completed this due diligence exercise and therefore has not entered into definitive agreements for the acquisition of these Projects.

Accordingly the Company classifies these Projects as its pipeline projects and will continue to keep the market fully informed as it resolves whether or not to proceed with the acquisition of these pipeline projects.

i. Project Damanka

a) Location and Access

PT Damanka is located in the Sangatta and Bengalon Districts, Kutai Timur Regency, approximately 120 kilometres north of Samarinda, the provincial capital of the province of East Kalimantan, Indonesia.

b) Project Summary

The Independent Technical Report provides a review of Project Damanka. Listed below is a summary of Project Damanka:

- The main coal bearing formation of potential economic significance at Damanka is the Balikpapan Formation. Less than 20% of the total concession area overlies the Balikpapan Formation;
- Approximately 170,000 tonnes has reportedly been mined;
- There are opportunities to find additional coal within the Balikpapan Formation in the Southern parts of the concession, and also potentially in the north and MMC considers Damanka to have good coal prospectivity;
- MMC note that Damanka coal is relatively low energy and high sulphur and it may be difficult to find ongoing markets for this coal;
- Shipping certificates indicate a net coal value of approximately US\$65/t FOB. This would appear generally consistent with current world coal pricing, allowing for energy adjustment and possible discounts for high sulphur; and
- Public domain information reveals the Mining and Energy Office of East Kutai temporarily halted mining activity following Damanka's failure to fulfill the administrative and technical requirements of good mining practices. We understand this was specifically related to hauling coal on public roads without appropriate permits.

ii. **West Papua Project**

West Papua consists of two concessions which are located in different areas; one in West Papua province and one in Papua Province, separated by approximately 500 km. PT Delapan Inti Power (DIP) is in the Teluk Bintuni, Manokwari Regency, approximately 90 km South of Manokwari, the provincial capital of the province of West Papua, Indonesia. PT Sumber Daya Energy (SDE) is in the Puncak Jaya Regency approximately 300 km South West of Jayapura, the provincial capital of the province of Papua, Indonesia.

At this stage the Company is completing its technical due diligence before deciding whether to proceed with these Projects.

2.2.3 Australian Projects

Exalt owns 100% of the Mineral Hill South Project covering 116 square kilometres of land located three kilometres to the south of the Mineral Hill Mine in NSW and 100% of the Nyngan Project which covers 160 square kilometres of land in central west NSW targeting porphyry copper and epithermal gold mineralisation.

i. **Regional activity near the Mineral Hill South Project**

Yellow Shaft Prospect

Drilling at Yellow Shaft Prospect has identified a strong arsenic anomaly oriented north-west to south-east, similar to the orientation of the arsenic-gold anomaly which was the precursor to discovery of the Pearse Deposit 8.5km to the north-west.

Reconnaissance around a topographic high associated with a coincident chargeability high and resistivity high also discovered anomalous lead with up to 1,054ppm in soils using a hand held XRF analyser approximately 600 to the south-east of YLW003 and

YLW004. The lead anomalism is spatially associated with a shallow resistivity anomaly highlighted by the 3D IP survey completed in mid-2011.

Exploration activity during the March 2012 quarter was limited to rehabilitation of the sites where drilling was undertaken during 2011. The Company is currently assessing undertaking a soil sampling program whereby approximately:

- 760 close spaced (25m x 25m) 'conventional' soil samples of the area between the lead soil anomaly and the arsenic anomaly would be obtained; and
- 170 wide spaced (100m x 100m) 'conventional' soil samples to extend the close spaced grid just over the Bolwarra property. If any further anomalism is discovered in the 100 metre spaced sampling a contingency of 500 soil samples on a 25 metre grid would be proposed for follow-up and/or extension of the wide spaced grid to the properties to the west or north.

The soil sampling exercise is likely to occur in the 3rd quarter of 2012.

Brooklyn

The Brooklyn Ironstone intersected in the last round of drilling highlighted significant widths of greater than 50% Fe with relatively low contaminants. The ironstone outcrops over a roughly circular area of 150 metres in diameter and based on the one RC hole is at least 100 metres deep.

ii. Nyngan Project

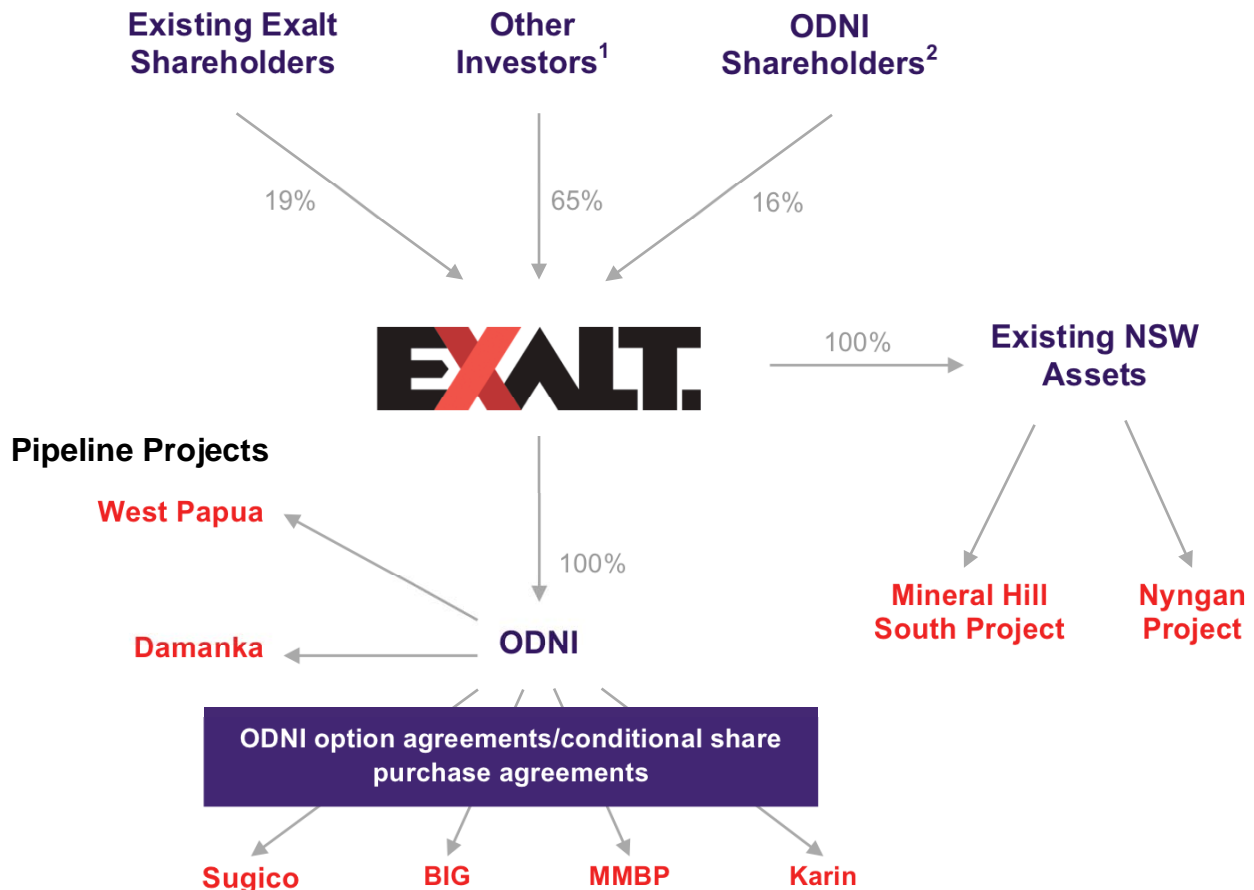
Aircore drilling during 2011 on the Nyngan Project confirmed the presence of a large intrusive system beneath the transported cover; all holes intersected granite which suggests that the erosion depth of the intrusive system is extensive and the likelihood of a high level intrusion or epithermal deposit remaining intact appears less likely given the new information.

The 'Rim Fracture' targets in the north of the lease still remain prospective as exploration targets however the cover over the eastern most Rim Fracture Target is greater than 100 metres and within that 100 metres are significant widths of free flowing sand starting within 15 metres of the surface. Given this information, it is likely that drilling conditions to get to basement would be difficult.

Exploration activity during the March quarter was limited to rehabilitation of the sites where drilling was undertaken during 2011 and the Company is assessing its options in relation to the Project including potentially attracting a farm-in partner.

2.3 Ownership Structure

Following completion of the Proposed Transaction and the Capital Raising, the corporate structure of the Company will be as follows:



¹ Those new Investors who subscribe to the proposed Capital Raising.

² The Sellers

2.4 Proposed Transaction

The Company proposes to enter into a share purchase agreement with the Sellers in respect of the issued share capital of Odni (**Odni Shares**) (**Share Purchase Agreement**). The Share Purchase Agreement sets out the terms upon which the Company is to acquire the issued share capital of Odni. The material terms of the Share Purchase Agreement are as follows:

- a) (**Conditions Precedent**): settlement of the Share Purchase Agreement is subject to and conditional upon, among other things:
 - (A) the Company completing legal, financial, technical and general due diligence on Odni, the Indonesian Companies, the IUPs and the Indonesian Projects;
 - (B) the Sellers completing legal, financial, technical and general due diligence on the Company;

- (C) the Company allotting and issuing Shares pursuant to the Capital Raising (the subject of Resolution 4) to raise a minimum gross proceeds of \$10 million*;
 - (D) approval of the Share Purchase Agreement by the board of Odni and the Board of the Company;
 - (E) Shareholder approval for the Proposed Transaction (the subject of Resolutions 1, 2, 3 and 4)*; and
 - (F) all regulatory and other approvals required by the Company or Odni having been received including the conditional approval of the ASX to Exalt's admission to the "Official List" of the ASX and to Official Quotation on terms and conditions acceptable to Exalt*;
- b) **(Conditions):** The Conditions must be satisfied (or waived) on or before the date of the General Meeting, except for those conditions marked with a "*", which must be satisfied (or waived) on or before 31 October 2012, in each case subject to any later date to be agreed by the parties.
 - c) **(Purchase of Odni shares):** Each Seller agrees to sell their Odni Shares to the Company and Exalt agrees to purchase the Odni Shares from each Seller.
 - d) **(Consideration):** In consideration of the acquisition of a 100% interest in Odni, the Company will allot and issue the Consideration Securities (the subject of Resolution 2) to the Sellers. Please refer to section 3.2 of the Explanatory Memorandum for further information regarding the terms of the Consideration Securities.
 - e) **(Escrow):** the Shares issued as part of the Consideration Securities acquired by each Seller will be held in escrow for a minimum period of 12 months, or such longer period as may be required by the ASX.
 - f) **(Reimbursement):** As part reimbursement of the expenditure incurred by Ruck to date in the development of the Indonesian Projects, upon the provision of reasonable evidence of such expenditure, the Company will pay Ruck at Completion either:
 - a. \$1.5 million if the Company has raised at least \$20 million in the Capital Raising;
 - b. a pro-rated amount between \$750,000 and \$1.5 million if the Company has raised \$10 million or more, but less than \$20 million in the Capital Raising; or
 - c. an amount agreed by Exalt, Ruck and Odni acting in good faith and reasonably, if Exalt raises less than \$10 million in the Capital Raising.
 - g) **(Completion):** Completion is to occur on the business day following the date on which all of the Conditions have been satisfied or waived, or a later date agreed to between the parties (Completion).
 - h) **(Change to Board):** with effect from Completion, the Sellers are entitled to nominate two persons as Directors. As at the date of this Notice, no nominees have been put forward to the Company.
 - i) **(Warranties):** the Sellers have provided standard warranties and representations in favour of the Company in relation to, amongst other things, their good standing and their ability to transfer their Odni Shares to the Company, the good standing and ownership of Odni, Odni's assets, the agreements to which Odni is a party in respect of the Indonesian Projects, insurance and litigation.

The Share Purchase Agreement otherwise contains standard clauses typical for an agreement of this nature.

2.5 Corpac Services Agreement

Exalt proposes to enter into agreements for the supply of services with Corpac Partners Pty Ltd (Corpac) and its related entities (**Services Agreements**).

The effective date of the Services Agreements are the completion of the Share Purchase Agreement between Odni and Exalt in respect of the purchase, by Exalt, of 100% of the issued share capital in Odni.

Services to be provided by Corpac under these agreements include:

Ex Mining Services Pty Ltd – Business and Project Development Services

1. Identification and development of an asset pipeline in Indonesia;
2. Assisting in the management of various project share purchase agreements and other agreements including monitoring and liaising with counterparties;
3. Advice in relation to commercial aspects of exploration and development programs;
4. Advice in relation to various commercial structures and arrangements required for development of coal projects in Indonesia;
 - (i) Assistance in obtaining necessary local permits and permissions required for coal project development in Indonesia including;
 - (ii) Definition and agreement of exploration programs with project vendors;
 - (iii) Advice in relation to selection of and negotiation of agreements with exploration contractors, specialist geological experts, mine developers, mining production contractors; and
 - (iv) General consulting and advisory services in relation to the development of the Company's projects in Indonesia;
5. Contribute to the development of the Company's vision and strategy;
6. Represent the Company's interests on various industry bodies;

Corpac Partners Pty Ltd – Corporate Advisory Services

1. Advice on the development of a financing strategy that deals with the key phases of the project and to ensure that initial indications and expectations are achieved in relation to these throughout the life of the projects;
2. Advice on the creation of an efficient financing structure, which minimizes the cost of funds to the Company;
3. Liaison with existing and potential new investors in the Company both in Australia and Indonesia including demonstrating that the Company principals and advisers have the requisite experience and technical capabilities in delivering similar projects;
4. Advice in relation to mergers, acquisitions and disposals;

5. Preparation of a project risk allocation matrix to ensure appropriate allocation of regulatory and commercial risks in an ever-changing environment, especially from an coal supply agreement perspective;
6. Provision of overall corporate and strategic advice; and
7. Ensure that reputable and acceptable consultants are appointed and appropriately scoped to provide due diligence (such as legal, technical, accounting, taxation, insurance and market).

The Company has agreed to pay Corpac and Ex Mining Services Pty Ltd a sum in aggregate of \$100,000 per calendar month for the provision of these services.

The terms of the Services Agreements will not be binding until completion of the Share Purchase Agreement.

The Services Agreements may not be terminated within the first 12 months except for insolvency or a material breach which is not cured within 30 days. Following the first 12 months, the Services Agreements can be terminated with six months' notice.

2.6 Independent Technical Report

The Company has engaged an independent consultant to carry out a technical review and report on the Indonesian Projects (Independent Technical Report) which is set out in Annexure F. For further details on the Indonesian Projects, please refer to the Independent Technical Report.

The Directors recommend that all Shareholders carefully read the Independent Technical Report.

2.7 Re-compliance with Chapters 1 and 2 of the Listing Rules

For the reasons outlined in section 3.1 below, provided the Shareholders approve Resolution 1, 2, 3, 4, and 9, the Company will seek to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules to obtain the re-quotations of the Shares on the ASX.

The Company will not issue the securities the subject of resolutions 2, 4, 5, 6, 7 and 8 or the Performance Shares the subject of resolution 9 until the Company has conditional confirmation from the ASX that subject to compliance with those conditions, the Company will re-comply with Chapters 1 and 2 of the Listing Rules.

Further, the Company will not issue securities to anyone that the ASX considers are receiving securities as part of the Proposed Transaction until the Company has conditional confirmation from the ASX that subject to compliance with those conditions, the Company will re-comply with Chapters 1 and 2 of the Listing Rules.

2.8 Impact of the Proposed Transaction and Capital Raising on Capital Structure

The effect of the Proposed Transaction and the Capital Raising (on an undiluted basis) on the capital structure of the Company showing both minimum and maximum capital raisings (assuming an issue price of \$0.20 per Share) can be summarised as follows:

Shareholding

Shares	Minimum Subscription (\$10 Million)	%	Maximum Subscription (\$20 Million)	%
Existing Shares	28,875,003	28	28,875,003	19
Shares issued as part of Consideration Securities	25,000,000	24	25,000,000	16
Shares issued under the Capital Raising	50,000,000	48	100,000,000	65
Total Shares following completion of the Proposed Transaction and Capital Raising	103,875,003	100%	153,875,003	100%

Options and Performance Shares

Options	Number of Options	Performance Shares	Number of Performance Shares
Existing Options	16,008,568	Existing Performance Shares	Nil
Options offered to Sellers under Proposed Transaction	30,000,000 ¹	Performance Shares offered under Proposed Transaction	66,000,000
Options offered to Barry Tudor under Proposed Transaction	3,000,000 ²	Performance Shares offered to Barry Tudor under Proposed Transaction	18,000,000
Total Options following completion of the Proposed Transaction	49,008,568	Total Performance Shares following completion of the Proposed Transaction	84,000,000

2.9 Pro Forma Balance Sheet

A pro forma balance sheet of the Company following completion of the Proposed Transaction and Capital Raising is set out in Annexure D of this Explanatory Memorandum.

2.10 Impact of the Proposed Transaction on the Company

Completion of the Share Purchase Agreement will result in the Company acquiring a 100% interest in Odni. The Proposed Transaction will result in various advantages and disadvantages to the Company which Shareholders should consider prior to exercising their vote. Please refer to section 2.11 and 2.12 of this Explanatory Memorandum for details.

¹ 10,000,000 options exercisable at \$0.20 on or before two years of the issue date and 20,000,000 options exercisable at \$0.50 on or before three years of the issue date.

² 2,400,000 options exercisable at \$0.50 on or before four years of the issue date and 600,000 options exercisable at \$0.20 on or before four years of the issue date.

2.11 Advantages of the Proposed Transaction

The Board is of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolutions 1, 2, 3, 4 and 9:

- a) the Proposed Transaction represents a significant investment opportunity for the Company to diversify its interests to include coal exploration and development in Indonesia, a country which has extensive coal resources;
- b) the Proposed Transaction will enable the Company to tap into the established nature of the Indonesian Companies, allowing the Company to avoid the start-up costs and bureaucratic delay involved in a foreigner acquiring a new company in Indonesia;
- c) the Company may be able to raise further funds at higher prices by way of share equity as a result of the Proposed Transaction; and
- d) the Proposed Transaction represents a significant opportunity for the Company to increase the scale of its activities which should increase the number and size of potential investors in the Company.

2.12 Disadvantages of the Proposed Transaction

The Board is of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolutions 1, 2, 3, 4 and 9:

- a) the Company will be changing the nature and scale of its activities to include coal exploration activities in Indonesia, which may not be consistent with the objectives of all Shareholders;
- b) the Proposed Transaction in accordance with the terms of the Share Purchase Agreement will result in the issue of Shares, Options and Performance Shares to the Sellers which will dilute the holdings of Shareholders;
- c) exploration activities on the Indonesian Projects may not identify economically viable coal resources;
- d) significant future outlays of funds will be required in the form of exploration commitments; and
- e) there are a number of risk factors associated with the change in nature and scale of the Company's activities associated with the Indonesian Projects. Some of these risks are summarised in section 2.14 below.

2.13 Conditionality of Resolutions

Resolutions 1, 2, 3, 4 and 9 are each conditional upon all other of Resolutions 1, 2, 3, 4 and 9 being passed. Resolutions 1, 2, 3, 4 and 9 will not have effect unless and until all of Resolutions 1, 2, 3, 4 and 9 are passed. Resolutions 5, 6, 7 and 8 are each conditional upon all of Resolutions 1, 2, 3, 4 and 9 being passed.

2.14 Risk Factors

Shareholders should be aware that if Resolutions 1, 2, 3, 4 and 9 are approved, the Company will be changing the nature and scale of its activities to include coal exploration and,

potentially, production activities. Shareholders should be aware that these activities are subject to various risk factors which do not necessarily apply to the Company at present. Some of the key risks associated with the Indonesian Projects and the Proposed Transaction are as follows:

Specific Risks relating to the Change in Nature and Scale of Activities

There are a range of specific risks associated with the Company's business operations and its involvement in the exploration and acquisition of mineral related assets both in Australia and Indonesia. Potential investors in the Company should note the following risks specific to the Company prior to investing.

a) Completion of the Proposed Transaction

The Proposed Transaction is subject to a number of conditions precedent that are required to be achieved for completion to occur. Key conditions precedent include Exalt finalising its due diligence, undertaking the Capital Raising, obtaining Shareholder approval and the approval of various Australian and Indonesian regulatory bodies (including conditional approval to Exalts' admission to the "Official List" of the ASX and to Official Quotation, on terms and conditions acceptable to Exalt). There is a risk that one or more of these conditions precedent may not be met. If this occurs then the Proposed Transaction may not proceed.

b) Funding

As a result of the Capital Raising, Exalt expects to raise a minimum of \$10 million and a maximum of \$20 million. Should only the minimum be raised, it is unlikely that there will be sufficient funds to continue with the purchase of Project Sugico. However, Exalt will proceed with the remaining Projects.

If the maximum amount is raised under the Capital Raising, Exalt expects that there will be sufficient funding to support the initial exploration of the Indonesian Projects considered as part of the Proposed Transaction.

In the event the Company is not successful in raising the minimum subscription of \$10 million and the Company and the Sellers do not agree resolve to waive the condition precedent of this minimum capital raising, pursuant to the terms of the Exalt/Odni Share Purchase Agreement, then it is unlikely that the Proposed Transaction would proceed and Exalt would seek re-instatement of its securities on the ASX, continue to explore its NSW Projects and continue to look for other acquisition opportunities, consistent with its original charter.

The Company may need to raise debt and/or equity capital from time to time in relation to the funding of its Projects and business activities. The availability of such capital is influenced by numerous factors including, but not limited to, economic, legal and political conditions and investors' and financiers' investment and credit policies. The inability to raise capital on favourable terms, or not at all, may have a negative impact on the Company's Project and business development strategies. No assurance can be given that future funding will be made available on acceptable terms (if at all).

c) Indonesian Agreements

The agreements entered into by Odni in relation to the Indonesian Projects contain a number of conditions precedent that need to be completed before Odni can earn its interest in the various Indonesian Projects. These conditions precedent include the requirement to define Resource (as defined by the JORC Code), obtaining several approvals from various Indonesian regulatory bodies relating to the ownership and operations of the various IUP's, and obtaining shareholder approval from each of the relevant Indonesian Companies. Should these conditions precedent not be satisfied (or waived) by the relevant party, then the acquisition of some, or all, of the Indonesian Projects may not be completed and therefore Exalt may not be successful in its objective of becoming an Indonesian coal exploration development company.

For example, the MMBP Agreement expires 30th August 2012, before which Odni may negotiate and enter into share purchase agreement in relation to the MMBP Shares. Odni is confident of being able to achieve this 30th August 2012 deadline, particularly as the material commercial terms to be included in the proposed Sale and Purchase Agreement have been agreed. Further, Odni is confident that if for some reason, the Sale and Purchase Agreement has not been entered into by this date, the MMBP Sellers, acting reasonably, would grant an extension to this date.

d) Projects will not be Wholly-Owned

Pursuant to the terms of the agreements between Odni and the Indonesian vendors of the Indonesian Projects, Odni has the rights to acquire between 50% and 100% of the various Indonesian Projects. In the event that these acquisitions are completed there is a risk the exploration/development activity could be disrupted in situations where there is disagreement on development programs or other issues between Odni, and its partners. Should such disagreements occur, this may have a deleterious impact on Exalt's operations and performance generally.

e) Project Sugico's Dual Access Rights

Certain IUP's contained within Project Sugico are currently the subject of Coal Bed Methane Production Sharing Contracts (**CBM PSC**) and/or rights to Underground Coal Gasification (**UCG Rights**) development with third parties. These CBM PSC and UCG Rights currently have precedence over traditional coal development rights within these IUP's. If this access is denied then there is a risk that Exalt will not be in a position to fully explore and/or develop Project Sugico which may have a negative impact on the value of Exalt and therefore may have a negative impact on the trading price of its Shares. Odni and the Sugico Sellers will negotiate with directly the third parties holding the CBM PSC and UCG Rights in relation to working together and to manage the process to ensure that the survey, exploration feasibility study, construction, mining, mining services, processing and refining and transport and sale activities are carried out on the overlapping areas on a commercially acceptable basis to all parties. Exalt is confident that should access issues arise in relation to Project Sugico that the areas are large enough that an agreed exploitation program can be developed between Exalt and those parties holding the CBM PSC and/or rights to UCG.

f) Country and Regulatory Risk

Currently the Indonesian Government is formulating a new policy with regards to Indonesian mineral and coal resources. Proposed key features of this renewed policy will include:

- i. Priority fulfillment of coal for domestic supply;
- ii. Certainty and transparency of mining law regulation;
- iii. Improved supervision of good mining practice;
- iv. Increased investment and State reserves in mining; and
- v. Encouraging development of value added products and maintaining environmental sustainability.

Any actions or policy changes by the Indonesian government in relation to access to lands and infrastructure, compliance with environmental regulations, taxation, royalties and subsidies may adversely affect the Company's operations and financial performance.

As an example, Indonesia has recently changed its Mining Regulations and in particular the aspects relating to the position of foreign investors in relation to Indonesian mining assets. These regulations stipulate, amongst other things, that from 21 February 2012 companies holding IUPs must gradually increase their Indonesian participation to a 51% shareholding by the tenth year following the company entering the production operation phase, in accordance with the following scale:

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

If Odni completes an acquisition of an Indonesian Company and that company enters into a production phase in respect of its coal assets, then from the 6th year following commencement of production, Odni's interest in that Indonesian company will be diluted.

The Company's operations in Indonesia will be governed by a series of Indonesian laws, regulations and decrees. These laws, regulations and decrees may be amended from time to time, which may have a material adverse impact on the financial position, financial performance, cashflows, growth prospects and share price for the Company. Breaches of, or non-compliance with, these laws, regulations or decrees can result in penalties and other liabilities, which may also have a material adverse impact on the financial position, financial performance, cashflows, growth prospects and share price of the Company.

While the Company is reasonably familiar with the Indonesian regulatory regime and will undertake all reasonable due diligence in assessing and managing the risks associated with investing and operating in Indonesia (and other countries in which it

may invest), the legal and political conditions of Indonesia and any changes thereto are outside the control of the Company. Further, the laws, regulations and decrees in Indonesia may not be applied consistently.

g) Exploration & Operational Risks

The business of coal exploration, project development and production involves inherent risks. Success depends on the successful exploration, appraisal, design and construction of efficient recovery and processing facilities, competent operational and managerial performance, and efficient distribution and marketing services. Exploration is a speculative endeavor and production operations can be hampered by engineering difficulties, cost overruns, inconsistent recovery rates and other unforeseen events.

It is noted that currently none of the Indonesian Projects have a coal Resource (as defined by the JORC Code). There is no guarantee that Exalt's proposed exploration program will yield a coal Resource from any of the Indonesian Projects.

The outcome of the Company's exploration, project development and production programs will affect the future performance of the Company and the price of its Shares.

If and when the Company commences production, the production may be curtailed or shut down for considerable periods of time owing to a range of factors such as disruptions to transport infrastructure, operational hazards, and lack of market demand, government regulation, production allocations or force majeure events. These curtailments may continue for a considerable period of time, resulting in a materially adverse effect on the operations and/or financial condition of the Company and the trading price of the Shares.

h) Title Risks

Mining and exploration licences are subject to periodic renewal. In particular, there is no guarantee that applications for future exploration licences or production licences will be approved. Renewal and transfer conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the exploration licences comprising the Projects. The imposition of new conditions or the inability to meet conditions may adversely affect the operations, financial position and/or performance of the Company.

As set out in Annexure E, the expiry dates of the IUP's range from December 2014 to May 2018. There is no guarantee that the IUP's will be renewed at the end of these expiry dates.

i) Coal Risks

In the event that the Company is successful in developing its mining operations, the marketability of its coal production will depend on the quality and tonnage demand from international and domestic markets. If the Company fails to secure contracts to sell its coal or the Company does not satisfy conditions in any offtake agreements, this may adversely affect the financial conditions and performance of the Company. The prices the Company receives for its coal are subject to market forces that are

beyond the control of the Company. While the Company monitors the stability and trends of market prices closely and, where possible, has and will negotiate agreements to reflect the movements in market prices and maintain underlying profit margins, should the market prices for coal fall to uneconomical levels, the financial performance of the Company may be materially adversely affected.

Customers may default on their contractual obligations with the Company. Potential contractual defaults may include non-payment for coal or failure to take delivery of contracted volumes. Should such a default occur, the Company may experience difficulties accessing other customers.

To manage the exposure of the Company to price risks, the Company may enter into coal price and or foreign currency hedging arrangements with respect to its production. While intended to reduce the effects of volatile coal prices, these arrangements may limit potential gains if coal prices were to rise substantially over the price established by the hedge. In addition, such transactions may expose the Company to the risk of financial loss.

j) Reliance on Contractors

The Company will be relying upon the expertise and equipment of various contractors who will be engaged to conduct the different aspects of exploration and mining activity. In the event of a failure of, or by, one of these contractors, or the failure of any equipment used by these contractors, the Company's business, activities and operating results may be adversely affected.

k) Environmental Risks

The proposed exploration and mining activities of the Company in Indonesia are subject to Indonesian laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all applicable environmental laws.

The Company may also become liable for environmental damage caused by previous owners of any tenements/ concessions the Company acquires. As a result, substantial liabilities to third parties or government entities may be incurred, the payment of which could reduce or eliminate funds available for acquisitions, exploration and development.

l) Failure to meet Payment Obligations may result in Dilution or Forfeiture

Under the tenement/ concession conditions and certain other contractual agreements to which the Company is or may in the future become a party, the Company is or may become subject to payment and other obligations. In particular, the tenement owners are required to expend the funds necessary to meet the minimum work commitments attaching to the tenements. Failure to meet these work commitments will render the tenements liable to be cancelled. Further, if any contractual obligations are not complied with when due, in addition to any other remedies which may be available to

the other parties, this could result in dilution or forfeiture of interests held by the Company. The Company may not have, or be able to obtain, financing for all such obligations as they arise.

m) Access to Land may be Stopped

Immediate access to the tenements/ concessions in which the Company has an interest cannot in all cases be guaranteed. The Company may be required to seek the consent of landholders or other persons or groups with an interest in the real property encompassed by the licences. Compensation may be required to be paid by the Company to landholders to allow the Company to carry out exploration and/or production activities. Although the Company has not budgeted for compensation payments, there is no guarantee that additional amounts will not be required. Judicial decisions and legislation could also unforeseeably restrict land access.

n) Insurance

The Company may, where economically practicable and available, endeavor to mitigate some project and business risks by procuring relevant insurance cover. However, such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover.

While the Company will undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers there will remain the risk that an insurer defaults in a legitimate claim by the Company under an insurance policy.

o) Limited Operating History

The Company was established in 2010 and Odni in 2012 and accordingly have limited operating histories. The prospects of the Company and Odni must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly in the mineral exploration and production sectors, which have a high level of inherent uncertainty.

p) Change of Activities and Re-quotation of Shares on the ASX.

As the Company has no prior involvement in the coal industry, the Proposed Transaction would constitute a change in the nature and scale of the Company's activities to include coal exploration and mining, by undertaking the Proposed Transaction.

In accordance with the requirements of the ASX in relation to this proposed change in activity, the Company must re-comply with Chapters 1 and 2 of the Listing Rules as if it were seeking admission to the Official List. Accordingly, the Company is required to issue a Prospectus to, among other things, assist the Company to re-comply with these admission requirements.

Trading in the Company's Shares will be suspended from Official Quotation from the time of the General Meeting and will not be reinstated until the Company has re-complied with Chapters 1 and 2 of the Listing Rules.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. If the Conditions Precedent are not satisfied or waived (if applicable), the Company will not proceed with the Proposed Transaction. Please refer to section 2.4 for a summary of the Share Purchase Agreement.

Shares will not be able to be traded on the ASX until such time as the ASX's requirements for re-quotation can be met, if at all.

General Risks

- Factors such as inflation, interest rates, levels of tax, taxation law and accounting practices, government legislation or intervention, natural disasters, social upheaval, and war may have an impact on prices, operating costs and market conditions generally. Accordingly, Exalt's future revenue (if any) and operations can be affected by these factors which are beyond the control of the Company.
- The market price of listed Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. Neither the Company nor the Directors warrants the future performance of the Company or any return on an investment in Exalt.

2.15 Plans for the Company if Resolution 1, 2, 3, 4 and 9 are not Passed

In the event Resolutions 1, 2, 3, 4 and 9 are not passed then the Proposed Transaction would not proceed, and the Company would continue to undertake explorations activities in its NSW Projects. Further, the Shares will be re-instated to quotation on the ASX, subject to the Company continuing to comply with the Listing Rules.

2.16 Future Acquisitions

The Company intends to continue to assess a range of base metal, precious metal and coal exploration and mining projects within Australia and internationally for potential acquisition or joint venture, with a view to increasing the number of projects held by the Company.

2.17 Competent Person

The information in this report that relates to Exploration Results is based on information provided by Mr D Ward, Member of Australasian Institute of Mining and Metallurgy and a Consultant to Exalt. Mr Ward has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code. Mr Ward consents to the inclusion in the Notice and Explanatory Memorandum of the matters based on his information in the form and context in which it appears.

3. Business

3.1 Resolution 1: Approval of Change in Nature and Scale of Activities

Resolution 1 seeks Shareholder approval for a change to the nature and scale of the activities of the Company to include coal exploration and production.

As outlined in section 2.1 of this Explanatory Memorandum, the Company has entered into the Share Purchase Agreement under which the Company has agreed to acquire 100% of the Odni Shares.

The Proposed Transaction is subject to the conditions precedent set out in section 2.4 of this Explanatory Memorandum, including the requirement to obtain Shareholder approval.

A detailed description of the Proposed Transaction is outlined in section 2.4 of this Explanatory Memorandum. A detailed description of the Projects is outlined in section 2.2 above and further details of the Indonesian Projects are also set out in the Independent Technical Report attached at Annexure F.

Listing Rule 11.1.3

In summary, Listing Rule 11.1 provides that a listed company that proposes to make a significant change to the nature or scale of its activities must provide full details to the ASX as soon as practicable and:

- a) provide to the ASX information regarding the change and its effect on future potential earnings, and any information the ASX asks for;
- b) if the ASX requires, obtain the approval of holders of its shares to the change; and
- c) if the ASX requires, meet the requirements in Chapters 1 and 2 of the Listing Rules as if the Company were applying for admission to the official list of the ASX.

The ASX may also suspend quotation of the Shares until the Company has satisfied the requirements of Listing Rule 11.1.

The ASX has informed the Company that completing the Proposed Transaction will require:

- a) the Company to obtain Shareholder approval of the change in the nature and scale of activities resulting from the Proposed Transaction;
- b) the Company to comply with the requirements set out in Chapters 1 and 2 of the Listing Rules; and
- c) the ASX to suspend the Shares from Official Quotation from the day the Shareholders approve the change of nature and scale resulting from the Proposed Transaction until the Company has satisfied the requirements of Chapters 1 and 2 of the Listing Rules.

The Company is preparing the Prospectus in respect of the Capital Raising. The Capital Raising seeks the issue of up to 100,000,000 Shares at an issue price of not less than \$0.20 each. The Company intends to lodge the Prospectus with ASIC by 1st August 2012 as set out in the indicative timetable at the front of the Notice. The Prospectus will satisfy the requirement in the Listing Rule 1.1, Condition 3 under which the Company must issue and lodge with ASIC a prospectus to be admitted to the official list of the ASX.

If Resolution 1 is passed, the Company will have obtained, in compliance with Listing Rule 11.1.2, Shareholder approval to the change in the nature and scale of its activities to the extent described in the Explanatory Memorandum. Further, the Shares will be suspended from Official Quotation on the ASX until the Company has satisfied the requirements of Chapters 1 and 2 of the Listing Rules.

If Resolution 1 is not passed, the Company will not be permitted to change the nature and scale of its activities and the Proposed Transaction will not proceed.

Recommendation:

The Board recommends that Shareholders vote in favour of Resolution 1.

The passing of Resolution 1 is conditional upon, and subject to, Resolutions 2, 3, 4 and 9 being passed by Shareholders.

3.2 Resolution 2: Approval of Issue of Consideration Securities

Resolution 2 seeks Shareholder approval for the Company to issue the following Consideration Securities to the Sellers as consideration for the Proposed Transaction:

- a) 25,000,000 Shares;
- b) 10,000,000 Class W Options;
- c) 20,000,000 Class X Options;
- d) 22,000,000 Class A Performance Shares;
- e) 22,000,000 Class B Performance Shares; and
- f) 22,000,000 Class C Performance Shares;

More information about Odni, its business and assets is set out above in section 2.1 and 2.2 of this Explanatory Memorandum.

The terms of the Performance Shares are not the same as for the Shares. The Company requested the ASX to consider whether the terms are appropriate and equitable for the purposes of Listing Rule 6.1, and to approve the issue of the Performance Shares pursuant to Listing Rule 6.2. The ASX has approved the terms of the Performance Shares for the purposes of Listing Rules 6.1 and 6.2, provided that, amongst other conditions, the Company obtains Shareholder approval for the issue of the Performance Shares.

Given this requirement, the Company seeks Shareholder approval for the issue of the Performance Shares to the Sellers under Resolution 2. The Performance Shares have the terms set out in Annexure C.

The Shares issued as part of the Consideration Securities will be subject to a minimum escrow period of 12 months (unless otherwise required by the ASX).

Approval Under Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, without shareholder approval, subject to certain exceptions, during any 12 month period, issue any equity securities or other securities with rights of conversion to equity (such as an option), if the number of those securities when

aggregated with securities issued by the Company during the previous 12 months, exceeds 15% of the total securities on issue at the commencement of that 12 month period. An issue is not taken into account in the calculation of the 15% threshold where the issue has been approved by shareholders.

Prescribed information required by Listing Rules 7.1

Listing Rule 7.3 requires that the following information be provided to Shareholders when seeking an approval for the purposes of Listing Rule 7.1:

- a) the maximum number of securities to be issued is 25,000,000 Shares, 10,000,000 Class W Options, 20,000,000 Class X Options, 22,000,000 Class A Performance Shares, 22,000,000 Class B Performance Shares and 22,000,000 Class C Performance Shares;
- b) the Shares, Options and Performance Shares to be issued under Resolution 2 will be issued as soon as practical after completion of the Proposed Transaction but not later than three months after the date of the General Meeting or such later date as the Listing Rules and the ASX may permit, Allotment will occur progressively;
- c) the Consideration Securities are to be issued as consideration for the Proposed Transaction and accordingly do not have an issue price;
- d) no funds will be raised from the issue of the Consideration Securities;
- e) the 25,000,000 Shares will be issued on the same terms as the Shares which are currently quoted. Applications will be made for Official Quotation of the new Shares. The terms of the Options and Performance Shares are set out in Annexures A, B and C; and
- f) the Names of the Allottees:

Allottees: Shares, Options and Performance Shares holdings

Allottee	Shares	Class W Options	Class X Options	Class A Performance Shares	Class B Performance Shares	Class C Performance Shares
Sandford Pte. Ltd.	7,625,000	3,050,000	6,100,000	6,710,000	6,710,000	6,710,000
Universal Coal Holdings Ltd	5,750,000	2,300,000	4,600,000	5,060,000	5,060,000	5,060,000
Viceroy Investments Pte. Ltd.	5,750,000	2,300,000	4,600,000	5,060,000	5,060,000	5,060,000
Ruck Pty Ltd	3,625,000	1,450,000	2,900,000	3,190,000	3,190,000	3,190,000
Corpac Partners Pty Limited	2,250,000	900,000	1,800,000	1,980,000	1,980,000	1,980,000

Allottees: % of Equity Held in Company

Allottee	Equity % Undiluted Min (a)	Equity % Undiluted Max (b)	Equity % Diluted Min (c)	Equity % Diluted Max (d)
Sandford Pte. Ltd.	7.34%	4.96%	3.22%	2.66%
Universal Coal Holdings Ltd	5.54%	3.74%	2.43%	2.00%
Viceroy Investments Pte. Ltd.	5.54%	3.74%	2.43%	2.00%
Ruck Pty Ltd	3.49%	2.36%	1.53%	1.26%
Corpac Partners Pty Limited	2.17%	1.46%	.95%	.78%

Notes:

- Allottees percentage of equity held based on a minimum raise of 50 million Shares on an undiluted basis (Total Shares on issue: 103,875,003).
- Allottees percentage of equity held based on a maximum raise of 100 million Shares on an undiluted basis (Total Shares on issue: 153,875,003).
- Allottees percentage of equity held based on a minimum raise of 50 million Shares on a fully diluted basis (Total Shares on issue: 236,883,571). Assumes all Options and Performance Shares outlined in section 2.8 have been converted into Shares.
- Allottees percentage of equity held based on a maximum raise of 100 million Shares on a fully diluted basis (Total Shares on issue: 286,883,571). Assumes all Options and Performance Shares outlined in section 2.8 have been converted into Shares.

Recommendation:

The Board recommends that Shareholders vote in favour of Resolution 2.

The passing of Resolution 2 is conditional upon, and subject to, Resolutions 1, 3, 4 and 9 being passed by Shareholders.

3.3 Resolution 3: Variation of Class Rights

As outlined above, the Company is proposing to issue the Performance Shares to the Sellers. The Performance Shares do not have the same rights as Shares.

Under section 246C(5) of the Corporations Act, the rights of the holders of Shares in the Company will be taken to be varied as a result of the issue of the Performance Shares.

Under section 246B(1) of the Corporations Act, if a company has a constitution that sets out the procedure for varying or cancelling rights attached to shares in a class of shares, those rights may be varied or cancelled only in accordance with the procedure. Under the

Constitution, any variation of the rights of the holders of Shares in the Company may be authorised with the sanction of a special resolution passed at a meeting of the holders of the Shares.

Accordingly, the Company seeks approval from Shareholders for the issue of the Performance Shares on the terms set out in Annexure C to this Explanatory Memorandum.

Resolution 3 is a **special resolution** and requires the approval of 75% of the votes cast by Shareholders.

Recommendation:

The Board recommends that Shareholders vote in favour of Resolution 3.

The passing of Resolution 3 is conditional upon, and subject to, Resolutions 1, 2, 4 and 9 being passed by Shareholders.

3.4 Resolution 4: Approval of Capital Raising

Resolution 4 seeks Shareholder approval for the allotment and issue of up to 100,000,000 Shares at an issue price of not less than \$0.20 each (Capital Raising).

The Company intends to conduct the Capital Raising through the Prospectus as part of its re-compliance with Chapters 1 and 2 of the Listing Rules.

None of the subscribers pursuant to this issue will be related parties of the Company, except as set out in Resolutions 5, 6, 7 and 8. Separate approval pursuant to Listing Rule 10.11 is being sought under Resolutions 5, 6, 7 and 8, for the issue of Shares under the Capital Raising to related parties.

Approval under Listing Rule 7.1

Listing Rule 7.1 provides that the prior approval of the shareholders of a company is required for an issue of equity securities if the securities will, when aggregated with the securities issued by the company during the previous 12 month, exceed 15% of the number of securities on issue at the commencement of that 12 month period. An issue is not taken into account in the calculation of the 15% threshold where the issue has been approved by shareholders.

Information required by Listing Rule 7.1

Listing Rule 7.3 requires that the following information be provided to Shareholders when seeking approval for the purposes of Listing Rule 7.1:

- a) the maximum number of Shares to be issued is 100,000,000.
- b) the Shares will be issued no later than three months after the date of the General Meeting (or such later date to the extent permitted by an ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date;
- c) the issue price will not be less than \$0.20 per Share;
- d) the Shares will be allotted and issued to investors pursuant to a prospectus. None of the investors will be related parties of the Company, other than the Directors

(Resolutions 5, 6, 7 and 8 seek Shareholder approval in respect of the Directors' participation in the Capital Raising);

- e) the Shares will be fully paid Shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- f) funds raised pursuant to the Capital Raising are intended to be applied as outlined in the table below. Please note the application of these funds may vary from the table below, depending on the outcome of ongoing due diligence on the Projects prior to the issue of the Prospectus:

Application	Minimum Subscription	% Use of Funds	Maximum Subscription	% Use of Funds
Payment for Project Sugico	nil	0	\$10,000,000	50
Exploration Expenditure – Project Sugico	nil	0	\$3,000,000	15
Exploration Expenditure – Other Projects	\$6,488,950	65	\$2,133,950	11
Part Re-imbursement to Ruck Pty Ltd	\$750,000 ³	7	\$1,500,000	8
Working Capital	\$1,100,000	11	\$1,100,000	5
Option fees Payable for Odni Projects	\$675,000	7	\$675,000	3
Costs of the Offer	\$986,050	10	\$1,591,050	8
Total	\$10,000,000	100.0%	\$20,000,000	100.0%

Recommendation:

The Board recommends that Shareholders vote in favour of Resolution 4.

The passing of Resolution 4 is conditional upon, and subject to, Resolutions 1, 2, 3 and 9 being passed by Shareholders.

³ Exalt will pay to Ruck Pty Ltd as part reimbursement costs depending on the amount of capital raised and subject to the Listing Rules. The amount set out in the table is likely to vary. Please refer to section 2.4e for further details.

3.5 Resolutions 5, 6, 7 and 8 – Participation In Capital Raising by Directors – Messrs Shane Hartwig, Emmanuel Correia, Jim Malone and Barry Tudor

Mr Shane Hartwig (or his nominees) currently holds 1,350,001 Shares and 1,550,001 Options in the Company and wishes to participate in the Capital Raising.

Mr Emmanuel Correia (or his nominees) currently holds 1,206,251 Shares and 1,702,085 Options in the Company and wishes to participate in the Capital Raising.

Mr Jim Malone (or his nominees) currently holds 120,000 Shares and 40,004 Options in the Company and wishes to participate in the Capital Raising.

Mr Barry Tudor (or his nominees) currently holds 175,000 Shares and wishes to participate in the Capital Raising.

Shareholder approval is sought in relation to Resolutions 5, 6, 7 and 8 for the purposes of Listing Rule 10.11 to permit Messrs Hartwig, Correia, and Malone (or their nominees) to subscribe for and be issued up to 250,000 Shares each and Mr Tudor (or his nominees) to subscribe for and be issued up to 1,000,000 Shares.

Director's % of Equity Held in Company

Director	Shares	Equity % Undiluted Min (a)	Equity % Undiluted Max (b)	Equity % Diluted Min (c)	Equity % Diluted Max (d)
Mr Shane Hartwig	1,350,001	1.30%	0.88%	0.57%	0.47%
Mr Emmanuel Correia	1,206,251	1.16%	0.78%	0.51%	0.42%
Mr Jim Malone	120,000	0.12%	0.08%	0.05%	0.04%
Mr Barry Tudor	175,000	0.17%	0.11%	0.07%	0.06%

Notes:

- Director's percentage of equity held based on a minimum raise of 50 million Shares on an undiluted basis (Total Equity Issued: 103,875,003).
- Director's percentage of equity held based on a maximum raise of 100 million Shares on an undiluted basis (Total Equity Issued: 153,875,003).
- Director's percentage of equity held based on a minimum raise of 50 million Shares on a fully diluted basis (Total Equity Issued: 236,883,571). Assumes all Options and Performance Shares outlined in section 2.8 have been converted into Shares.
- Director's percentage of equity held based on a maximum raise of 100 million Shares on a fully diluted basis (Total Equity Issued: 286,883,571). Assumes all Options and Performance Shares outlined in section 2.8 have been converted into Shares.

Listing Rule 10.11

Listing Rule 10.11 requires a listed company to obtain Shareholder approval by ordinary resolution prior to the issue of shares to a related party. Messrs Hartwig, Correia, Malone and Tudor are considered to be related parties of the Company as they are Directors.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Shares to Messrs Hartwig, Correia, Malone and Tudor as approval is being obtained under Listing Rule 10.11. Therefore, the issue of Shares will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

Information required by Listing Rule 10.13

Listing Rule 10.13 sets out the matters which must be included in the notice of meeting convened to seek shareholder approval under Listing Rule 10.11.

For the purposes of Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolutions 5, 6, 7 and 8:

- a) the Shares will be issued to Messrs Hartwig, Correia, Malone and Tudor, Directors of the Company, or to their nominees;
- b) up to 250,000 Shares will be subscribed for and issued to each of Messrs Hartwig, Correia, and Malone or their respective nominees, pursuant to Resolutions 5, 6, and 7 and up to 1,000,000 Shares will be subscribed for and issued to Mr Barry Tudor, or his respective nominees, pursuant to Resolution 8;
- c) the Shares will be issued at the same time as Shares to be issued under the Prospectus, but, in any event, not later than 1 month after the date of the General Meeting;
- d) the issue price will be not less than \$0.20 per Share, in order to raise at least \$350,000 (which is included in, not in addition to, the \$20 million proposed to be raised under the Capital Raising);
- e) the Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Shares currently on issue; and
- f) funds raised pursuant to the Capital Raising will be used for the purposes set out in section 3.4(f).

Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- a) obtain the approval of shareholders; and
- b) give the benefit within 15 months following such approval, unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

Section 210 of the Corporations Act states that shareholder approval is not needed to give a financial benefit on terms that:

- a) would be reasonable in the circumstances if the public company or entity were dealing at arm's length; or
- b) are less favourable to the related party than the terms referred to in paragraph (a) above.

The Board considers that the issue of Shares to the Directors under the Capital Raising, as contemplated by Resolutions 5, 6, 7 and 8, is on arm's length terms in accordance with section 210 of the Corporations Act as the issue of the Shares to the Directors will be made to non-related parties to the Capital Raising on exactly the same terms. Accordingly, Shareholder approval is not sought for the grant of the Shares to the Directors under Chapter 2E of the Corporations Act.

Recommendation:

The Board (with the exception of Mr Shane Hartwig in relation to Resolution 5, Mr Emmanuel Correia in relation to Resolution 6, Mr Jim Malone in relation to Resolution 7 and Mr Barry Tudor in relation to Resolution 8) recommends that Shareholders vote in favour of Resolutions 5, 6, 7 and 8.

3.6 Resolution 9 – Proposed Issue of Equity Based Remuneration

Background

On 3 May 2012, the Directors appointed Mr Barry Tudor as CEO and Managing Director of the Company to fill a casual vacancy in accordance with the Constitution. Mr Tudor will lead the commercial development of the Company with a view to becoming a significant mid-tier coal producer following the Proposed Transaction and the acquisition of interests in the Indonesian Projects. Mr Tudor has extensive experience in a variety of senior leadership roles in Australian and international coal mining companies and the Directors are of the view that Mr Tudor is a valuable addition to the Board and the Company's management team.

The issue of the 600,000 Class Y Options, 2,400,000 Class Z Options, 6,000,000 Class A Performance Shares, 6,000,000 Class B Performance Shares and 6,000,000 Class C Performance Shares (**Equity Based Remuneration**) is intended to form part of Mr Tudor's remuneration package.

In addition to the Equity Based Remuneration, Mr Tudor's remuneration will also consist of a base salary for the first year of \$625,000 per annum and if the Company is successful in acquiring all of the issued share capital of Odni, a bonus of \$300,000 (both exclusive of superannuation). If the Proposed Transaction is completed as contemplated, Mr Tudor's base salary will be \$925,000 plus superannuation at the commencement of year 2 of his employment with the Company.

Mr Tudor may also be entitled, at the discretion of the Company, to participate in a short-term incentive scheme.

Shareholder approval is sought in relation to Mr Tudor's Equity Based Remuneration, the subject of Resolution 9, for the purposes of Listing Rule 10.11 and section 208 of the Corporations Act. As set out in section 3.2, the ASX have approved the terms of the Performance Shares for the purposes of Listing Rules 6.1 and 6.2 provided that, amongst

other things, the Company obtains the approval of the Shareholders for the issue of the Performance Shares. The Company is seeking Shareholder approval for the issue of Performance Shares to Mr Barry Tudor to meet this requirement of the ASX.

Shareholder approval is not being sought in respect of Mr Tudor's base salary.

Listing Rule 10.11

Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party. Mr Tudor is considered to be a related party of the Company as he is a Director of the Company.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Equity Based Remuneration to Mr Tudor as approval is being obtained under Listing Rule 10.11. Therefore, the issue of the securities will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

Information required by Listing Rule 10.13

Listing Rule 10.13 sets out the matters which must be included in the notice of meeting convened to seek shareholder approval under Listing Rule 10.11.

For the purposes of Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolution 9:

- a) the Equity Based Remuneration will be issued to Mr Barry Tudor, a Director;
- b) the maximum number of securities to be issued to Mr Tudor as Equity Based Remuneration is:
 - i. 600,000 Class Y Options;
 - ii. 2,400,000 Class Z Options;
 - iii. 6,000,000 Class A Performance Shares;
 - iv. 6,000,000 Class B Performance Shares; and
 - v. 6,000,000 Class C Performance Shares;
- c) the securities will be issued upon Completion of the Capital Raising, but, in any event, not later than 1 month after the date of the General Meeting;
- d) the securities will be issued for nil consideration;
- e) the terms of each of securities are set out in Annexure B and Annexure C; and
- f) no funds will be raised by the grant of the Equity Based Remuneration.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- b) Shareholder approval is obtained in respect of the financial benefit.

The giving of a financial benefit includes the issue of securities to a related party. As noted above, Mr Tudor is a related party of the Company by virtue of being a Director.

Consequently, the issue of the Equity Based Remuneration constitutes the giving of a financial benefit to a related party for the purposes of section 208 of the Corporations Act.

Under section 211 of the Corporations Act, shareholder approval is not required to give a financial benefit if:

- a) the benefit is remuneration given to a related party as an officer or employee of the Company; and
- b) to give the remuneration would be reasonable given:
 - i. the circumstances of the Company; and
 - ii. the related party's circumstances (including the responsibilities involved in the office or employment).

While the Board considers that the combination of Mr Tudor's Equity Based Remuneration and base salary constitutes reasonable remuneration given the circumstances of the Company and the duties and responsibilities of Mr Tudor in accordance with section 211 of the Corporations Act, in the interests of good corporate governance, the Company is seeking Shareholder approval in respect of the Equity Based Remuneration under section 208 of the Corporations Act.

Prescribed Information under Chapter 2E of the Corporations Act

Section 219 of the Corporations Act sets out a number of matters which must be included in an explanatory memorandum seeking shareholder approval for the giving of a financial benefit to a related party. For the purposes of section 219 of the Corporations Act, the following information is provided to Shareholders in respect of Resolution 9:

- a) the financial benefit will be issued to Mr Barry Tudor, a Director;
- b) the financial benefit is in the form of Equity Based Remuneration, consisting of:
 - a. 600,000 Class Y Options;
 - b. 2,400,000 Class Z Options;
 - c. 6,000,000 Class A Performance Shares;
 - d. 6,000,000 Class B Performance Shares; and
 - e. 6,000,000 Class C Performance Shares;
- c) all of the Directors (other than Mr Barry Tudor) recommend that the Shareholders approve the issue of the Equity Based Remuneration under Resolution 9 as they consider the grant of the Equity Based Remuneration is a cost effective means of rewarding Mr Barry Tudor and providing an incentive to advance the Company's interests in accordance with the directions given from time to time by the Company;
- d) The Directors do not consider that, from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Performance Shares and Options to Mr Barry Tudor;

- e) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by Resolution 9; and

f) Valuation: Options and Performance Shares

i. Valuation of Options to be issued to Barry Tudor

Options issued to Mr Tudor have been valued at \$221,000 using the Black Scholes Option model (the parameters are set out in Note 7 of Pro-forma assumptions).

ii. Valuation of Performance Shares to be issued to Barry Tudor

As part of Barry Tudor's long term incentive package, the Company has agreed to grant Mr Tudor three tranches of Performance Shares, which will not vest until the performance-based criteria as set out below has been satisfied:

Tranche 1:

6,000,000 Class A Performance Shares with terms approved by the ASX, which will convert into 6,000,000 Shares if a minimum of 500,000 tonnes of coal production and coal sales is achieved within two years of the completion of the Proposed Transaction from the Initial Acquisition Projects (as defined in Annexure C).

Tranche 2:

6,000,000 Class B Performance Shares with terms approved by the ASX, which will convert into 6,000,000 Shares in Exalt if a minimum JORC measured or indicated coal resource of 50 million tonnes (MT) is able to be delineated from the Initial Acquisition Projects within three years of the completion of the Proposed Transaction.

Tranche 3:

6,000,000 Class C Performance Shares with terms approved by the ASX, which will convert into 6,000,000 Shares in Exalt if a minimum JORC inferred coal resource of 400 million MT is able to be delineated within three years of the completion of the Proposed Transaction from the Initial Acquisition Projects (as defined in Annexure C).

Basis of Valuation

Future accounting for the Performance Shares which have been granted to Mr Tudor will be based on:

- the likelihood that the performance criteria attached to each Tranche will be met; and
- the likelihood that Mr Tudor will satisfy the terms of his employment contract.

Based on the appropriate accounting treatment required under AASB 2: Share Based Payment, a value for the Performance Shares will only be recognised in the financial accounts of the Company once it is possible to assess whether the milestones have or have not been met. As at the date of this Notice, and for the

Company's year end of 30 June 2012, the Company will not record a value for these Performance Shares as the milestones will not have been achieved.

However, the Company has assigned probabilities to these Tranches (consistent with Note 6 of the Pro forma assumptions) which has valued these Performance Shares at \$720,000; note that this value will not be used to value the Performance Shares in the future accounts of the Company, and is for information purposes only.

In addition the service component contained in Mr Tudor's employment contract relating to the vesting of the Performance Shares, states that if employment is terminated (subject to certain conditions), then the Performance Shares, in respect of which the milestones permitting conversion have not been achieved, shall be redeemed by the Company.

Total remuneration package

The cash remuneration and the total measurable financial benefits to be received by Barry Tudor are set out below:

Annual Cash Remuneration	Value of Options	Total Measureable Financial Benefit
925,000 (includes \$300,000 bonus payable subject to completion of the Proposed Transaction)	221,613	\$1,146,614

Recommendation:

The Board (with the exception of Mr Barry Tudor) recommends that Shareholders vote in favour of Resolution 9.

The Directors consider that the terms of the Equity Based Remuneration including the number of securities proposed to be issued provide a cost effective performance-based incentive by which the Company can reward Mr Tudor in his role as Managing Director.

Security	Number	Value
Class Y Options	600,000	65,393
Class Z Options	2,400,000	156,220
Class A Performance Shares	6,000,000	refer basis of valuation above
Class B Performance Shares	6,000,000	refer basis of valuation above
Class C Performance Shares	6,000,000	refer basis of valuation above

The passing of Resolution 9 is conditional upon, and subject to, Resolutions 1, 2, 3 and 4 being passed by Shareholders.

3.7 Resolution 10 – Ratify Prior Share Issue

On 9 May 2012, the Company announced the proposed issue of 3,750,000 Shares (**Placement Shares**) to non-related institutional and sophisticated investors at a subscription price of \$0.18 to raise approximately \$675,000 (**Placement**). On 31 May 2012 the Company announced that it had completed the Placement. The Placement Shares rank equally with existing Shares and represent approximately 13% of the Company's issued Share capital as at the date of this Explanatory Memorandum.

Resolution 10 seeks Shareholder ratification pursuant to Listing Rule 7.4 in respect of the Placement.

Listing Rule 7.1 provides that (subject to certain exceptions, none of which are relevant here) the prior approval of shareholders is required for an issue of securities by a company if the securities will, when aggregated with the securities issued by the company during the previous 12 months, exceed 15% of the number of the shares on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that where a company ratifies a prior issue of securities, the issue will be treated as having been made with approval for the purposes of Listing Rule 7.1, thereby replenishing the company's 15% capacity and enabling it to issue further securities up to that limit. The Board believes that it is in the best interests of the Company to maintain the ability to issue up to its full placement capacity so that the Company retains financial flexibility and can take advantage of commercial opportunities that may arise.

Information required by Listing Rule 7.1

Listing Rule 7.5 requires that the following information be provided to Shareholders in respect of Resolution 9 for the purposes of Listing Rule 7.4:

- a) the number of Placement Shares was 3,750,000;
- b) the Placement Shares were issued at an issue price of \$0.18 each;
- c) the Placement Shares rank equally with the existing Shares on issue;
- d) the Placement Shares have been allotted to non-related institutional and sophisticated investors;
- e) the Placement Shares were allotted on 31 May 2012; and
- f) the funds raised by the Placement will be used to contribute to the funding of the transaction costs associated with the Proposed Transaction.

Recommendation:

The Board recommends that Shareholders vote in favour of Resolution 10.

Annexure A

Options Terms: Class W and X Options

Terms and conditions of Class W Options:

- (a) Each Class W Option entitles the holder to one fully paid ordinary share (**Share**) in the capital of Exalt Resources Ltd (**Company**).
- (b) The exercise period for the Class W Options (**Exercise Period**) commences on the Completion Date (as defined in the Share Purchase Agreement between (amongst others) the Company and Odni Holdings (Pte.) Ltd) and expires on:
 - (i) if a Recommended Proposal (as defined in paragraph (j) below) is announced and becomes unconditional, the date three business days after that Recommended Proposal become unconditional; or
 - (ii) otherwise, the date two years after the Completion Date,**(Expiry Date)**.
- (c) If the Class W Options are not exercised by 5.00pm AEST on the Expiry Date, they will expire at that time.
- (d) The exercise price of the Class W Options is \$0.20 each (**Exercise Price**).
- (e) A holder of Class W Options may exercise one or more of their Class W Options at any time during the Exercise Period by:
 - (i) delivering to the registered office of the Company a written notice executed by an authorised person of the Class W Option holder, stating that the Class W Option holder wishes to exercise one or more of their Class W Options and specifying the relevant number of Class W Options to be exercised; and
 - (ii) paying to the Company an amount equal to the Exercise Price multiplied by the total number of Class W Options which the Class W Option holder notifies the Company that it will exercise in accordance with paragraph (i).
- (f) All Shares issued upon the exercise of Class W Options will rank equally in all respects with the Company's then issued Shares.
- (g) Within two business days of the provision by a Class W Option holder of an exercise notice in accordance with sub-paragraph (e)(i) and paying the relevant amount under sub-paragraph (e)(ii), the Company must:
 - (a) issue the relevant number of Shares to the Class W Option holder; and
 - (b) register the Class W Option holder as the holder of those Shares and update the Company's registers to reflect the issue of those Shares to the Class W Option holder.
- (h) The Company will not apply for the official quotation on the ASX of the Class W Options. The Company will apply for official quotation on the ASX of all Shares issued upon exercise of Class W Options, and lodge any required notices with the ASX as soon as reasonably practicable following (and in any event within five business days of) the issue of the Shares.

- (i) There are no participating rights and entitlements inherent in the Class W Options and Class W Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Class W Options without exercising their Class W Options. However, the Company will ensure that Class W Option holders are provided with at least 10 business days' notice prior to the record date for any such new entitlement issue, in order to provide Class W Option holders with an opportunity to convert their Class W Options to Shares to participate in any such entitlement issue on the same basis as Shareholders.
- (j) If a proposal for any person to acquire relevant interests in 90% or more of the Shares in the Company (including by way of takeover (as defined in the Corporations Act 2001 (Cth)) or by way of scheme of arrangement) is publicly announced and the Company's Board recommends that Shareholders accept or vote in favour of (as applicable) that proposal (a **Recommended Proposal**), then the Company must promptly give written notice of the Recommended Proposal to each Class W Option holder.
- (k) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date of the Class W Options, the number of Class W Options or the exercise price of the Class W Options, or both, shall be reconstructed in accordance with the Listing Rules (as amended).
- (l) Adjustment for bonus issues
If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment):
 - (i) the number of Shares which must be issued on the exercise of an Class W Option will be increased by the number of Shares which the Class W Option holder would have received if the Class W Option holder had exercised the Class W Option before the record date for the bonus issue; and
 - (ii) no change will be made to the exercise price of the Class W Options.
- (m) Adjustment for pro rata issue
If the Company makes a pro rata issue of Shares or other securities to existing Shareholders (other than a bonus issue or an issue in lieu of satisfaction of dividends or by way of dividend reinvestment) the exercise price of the Class W Options will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2 (as amended).
- (n) If an adjustment is required pursuant to clause (k), (l) or (m) above, the Company must, within a reasonable period of (and in any case by no later than five business days after) such adjustment, give notice of such adjustments to the Class W Option holders.
- (o) These terms and the rights and obligations of the Class W Option holder are governed by the laws of New South Wales. The Class W Option holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales.

Annexure A Continued

Terms and conditions of Class X Options:

- (a) Each Class X Option entitles the holder to one fully paid ordinary share (**Share**) in the capital of Exalt Resources Ltd (**Company**).
- (b) The exercise period for the Class X Options (**Exercise Period**) commences on the Completion Date (as defined in the Share Purchase Agreement between (amongst others) the Company and Odni Holdings (Pte.) Ltd) and expires on:
 - (i) if a Recommended Proposal (as defined in paragraph (j) below) is announced and becomes unconditional, the date three business days after that Recommended Proposal become unconditional; or
 - (ii) otherwise, the date three years after the Completion Date, (**Expiry Date**).
- (c) If the Class X Options are not exercised by 5.00pm AEST on the Expiry Date, they will expire at that time.
- (d) The exercise price of the Class X Options is \$0.50 each (**Exercise Price**).
- (e) A holder of Class X Options may exercise one or more of their Class X Options at any time during the Exercise Period by:
 - (i) delivering to the registered office of the Company a written notice executed by an authorised person of the Class X Option holder, stating that the Class X Option holder wishes to exercise one or more of their Class X Options and specifying the relevant number of Class X Options to be exercised; and
 - (ii) paying to the Company an amount equal to the Exercise Price multiplied by the total number of Class X Options which the Class X Option holder notifies the Company that it will exercise in accordance with paragraph (i).
- (f) All Shares issued upon the exercise of Class X Options will rank equally in all respects with the Company's then issued Shares.
- (g) Within two business days of the provision by a Class X Option holder of an exercise notice in accordance with sub-paragraph (e)(i) and paying the relevant amount under sub-paragraph (e)(ii), the Company must:
 - (a) issue the relevant number of Shares to the Class X Option holder; and
 - (b) register the Class X Option holder as the holder of those Shares and update the Company's registers to reflect the issue of those Shares to the Class X Option holder.
- (h) The Company will not apply for the official quotation on the ASX of the Class X Options. The Company will apply for official quotation on the ASX of all Shares issued upon exercise of Class X Options, and lodge any required notices with the ASX as soon as reasonably practicable following (and in any event within five business days of) the issue of the Shares.
- (i) There are no participating rights and entitlements inherent in the Class X Options and Class X Option holders will not be entitled to participate in new issues of capital

offered to Shareholders during the currency of the Class X Options without exercising their Class X Options. However, the Company will ensure that Class X Option holders are provided with at least 10 business days' notice prior to the record date for any such new entitlement issue, in order to provide Class X Option holders with an opportunity to convert their Class X Options to Shares to participate in any such entitlement issue on the same basis as Shareholders.

- (j) If a proposal for any person to acquire relevant interests in 90% or more of the Shares in the Company (including by way of takeover (as defined in the *Corporations Act 2001 (Cth)*) or by way of scheme of arrangement) is publicly announced and the Company's Board recommends that Shareholders accept or vote in favour of (as applicable) that proposal (a **Recommended Proposal**), then the Company must promptly give written notice of the Recommended Proposal to each Class X Option holder.
- (k) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date of the Class X Options, the number of Class X Options or the exercise price of the Class X Options, or both, shall be reconstructed in accordance with the Listing Rules (as amended).
- (l) Adjustment for bonus issues
If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment):
 - (i) the number of Shares which must be issued on the exercise of an Class X Option will be increased by the number of Shares which the Class X Option holder would have received if the Class X Option holder had exercised the Class X Option before the record date for the bonus issue; and
 - (ii) no change will be made to the exercise price of the Class X Options.
- (m) Adjustment for pro rata issue
If the Company makes a pro rata issue of Shares or other securities to existing Shareholders (other than a bonus issue or an issue in lieu of satisfaction of dividends or by way of dividend reinvestment) the exercise price of the Class X Options will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2 (as amended).
- (n) If an adjustment is required pursuant to clause (k), (l) or (m) above, the Company must, within a reasonable period of (and in any case by no later than five business days after) such adjustment, give notice of such adjustments to the Class X Option holders.
- (o) These terms and the rights and obligations of the Class X Option holder are governed by the laws of New South Wales. The Class X Option holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales.

Annexure B

Options Terms: Class Y and Class Z Options

The following terms and conditions apply to all Class Y and Z Options unless otherwise indicated:

- (a) Each Option entitles the holder to one Share in the capital of Exalt Resources Ltd (**Company**).
- (b) The Options are to be exercised by completing an Option exercise form and providing payment for the number of Shares in respect of which the Options are exercised, to the registered office of the Company.
- (c) The exercise price of the Options is:
 - i. (in relation to the Class Y Options) \$0.20 each; and
 - ii. (in relation to the Class Z Options) \$0.50 each.
- (d) The Options expire (**Expiry Date**):
 - i. (in relation to the Class Y Options) four years from the date of the Class Y Options are issued; and
 - ii. (in relation to the Class Z Options) four years from the date of the Class Z Options are issued.
- (e) The Options are not transferable.
- (f) All Shares issued upon exercise of Options will rank pari passu in any respects with the Company's then issued Shares.
- (g) The Company will not apply for the Official Quotation by the ASX of the Options. The Company will apply for Official Quotation by the ASX of all Shares issued upon exercise of Options.
- (h) There are no participating rights and entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising their Options. However, the Company will ensure that optionholders will be allowed ten business days' notice to convert their Options to Shares to participate in an entitlement issue on the same basis as Shareholders.
- (i) If any takeover bid (including by way of scheme of arrangement or otherwise) is publicly announced in respect of the Company, then the following provisions apply in relation to the takeover bid:
 - (i) the Company must promptly give written notice of the takeover bid to the optionholder whereupon all Options (which have not lapsed or expired), notwithstanding anything to the contrary, must be exercised at any time prior to the expiry of the later of:
 - A. 60 days after receiving such notice; and
 - B. the date that a takeover bid (which is recommended for acceptance by the Board) becomes unconditional,

("Takeover Exercise Period") or, if applicable, within the further seven day period referred to in (iv) below.

- (ii) The dates referred to in paragraph (h)(i)(A) and (B) above only apply where they occur before the Expiry Date. For the avoidance of doubt, where the Expiry Date occurs before a date referred to in (h)(i)(A) or (B), the Options must be exercised on or before the Expiry Date.
- (iii) If, during the Takeover Exercise Period, the person making the takeover bid ("bidder") offers to grant options in the capital of the bidder ("Replacement Options") to the optionholder (and, for the avoidance of doubt, this does not obligate the Company in any way to procure such an offer from the bidder) in consideration for the cancellation or acquisition of the Options, the optionholder may, in their discretion, accept such Replacement Options instead of exercising their Options.
- (iv) If no offer of Replacement Options is made during the Takeover Exercise Period and accepted, the optionholder has (other than in the case of a scheme of arrangement) a further seven days' grace after the expiry of the Takeover Exercise Period within which to exercise their Options (**Grace Period**), whereupon unexercised Options will lapse. For the avoidance of doubt, where the Expiry Date occurs before the end of the Grace Period, the Options must be exercised on or before the Expiry Date. In the case of a scheme of arrangement, the Options will lapse at the end of the Takeover Exercise Period.
- (v) If the takeover bid lapses or is withdrawn or closes without being recommended for acceptance by the Board, whether the bid is conditional or unconditional, then the provisions of all the paragraphs hereof will revive in respect of any unexercised Options which Options will remain on foot.
- (j) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date of the Options, the number of Options or the exercise price of the Options, or both, shall be reconstructed in accordance with the Listing Rules.
- (k) Adjustment for bonus issues
If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment):
 - (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the optionholder would have received if the optionholder had exercised the Option before the record date for the bonus issue; and
 - (b) no change will be made to the exercise price of the Options.
- (l) Adjustment for pro rata issue
If the Company makes a pro rata issue of Shares or other securities to existing Shareholders (other than a bonus issue or an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the exercise price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E [P - (S + D)]}{N + 1}$$

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the five trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.

Annexure C

Terms And Conditions of Performance Shares

The following terms and conditions apply to all Performance Shares unless otherwise indicated:

- (a) **(Performance Shares)** Each Performance Share is a share in the capital of Exalt Resources Ltd **(Company)**.
- (b) **(General Meetings)** The Performance Shares shall confer on the holder **(Holder)** the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to Shareholders. Holders of Performance Shares have the right to attend general meetings of Shareholders.
- (c) **(No Voting Rights)** The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of Shareholders.
- (d) **(No Dividend Rights)** The Performance Shares do not entitle the Holder to any dividends.
- (e) **(Rights on Winding Up)** Upon winding up of the Company, the Performance Shares may participate in the surplus profits or assets of the Company only to the extent of \$0.000001 per Performance Share.
- (f) **(Transfer of Performance Shares)** The Performance Shares will not be transferable.
- (g) **(Reorganisation of Capital)** In the event that issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the Listing Rules at the time of reorganisation.
- (h) **(Application to the ASX)** The Performance Shares will not be quoted on the ASX. Upon conversion of the Performance Shares into Shares in the Company in accordance with these terms, the Company must within seven (7) days after the conversion, apply for the official quotation of the Shares arising from the conversion on the ASX.
- (i) **(Participation in Entitlements and Bonus Issues)** Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of the Shares such as bonus issues and entitlement issues.
- (j) **(Change in Control)** The Performance Shares will not automatically convert into Shares in the event of a change in control of the Company.
- (k) **(No Other Rights)** The Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

Conversion of the Performance Shares

- (l) **(Conversion of Performance Shares)** Each Performance Share will convert into one Share if Odni **(Performance Criteria)**:
 - (i) **(in relation to Class A Performance Shares)** attains a minimum of 500,000 tonnes of coal production and coal sales within two years of the completion of the Proposed Transaction, from the Initial Acquisition Projects (defined below).
 - (ii) **(in relation to Class B Performance Shares)** is able to delineate a minimum JORC measured or indicated coal resource of 50 million tonnes (MT) from the Initial Acquisition Projects within three years of the completion of the Company's acquisition of Odni.
 - (iii) **(in relation to Class C Performance Shares)** is able to delineate a minimum JORC inferred coal resource of 400 million MT from the Initial Acquisition Projects within three years of the completion of the Company's acquisition of Odni.
- (m) **(Performance Shares Expiry Date)** The Performance Shares will expire **(Expiry Date)**:
 - (i) **(in relation to Class A Performance Shares)** two years from the date of the completion of the Company's acquisition of Odni.
 - (ii) **(in relation to Class B Performance Shares)** three years from the date of the completion of the Company's acquisition of Odni.
 - (iii) **(in relation to Class C Performance Shares)** three years from the date of the completion of the Company's acquisition of Odni.
- (n) **(Forfeiture if Milestone not Achieved)** In the event that the Performance Criteria is not achieved prior to the Expiry Date then all Performance Shares held by a Holder will automatically be forfeited.
- (o) **(After Conversion)** The Shares issued on conversion of the Performance Shares will, as and from 5.00pm (AEST) on the date of allotment, rank equally with and confer rights identical with all other Shares then on issue and application will be made by the Company to the ASX for official quotation of the Shares issued upon conversion.
- (p) **(Conversion Procedure)** the Company will issue the Holder with a new holding statement for the Shares as soon as practicable following the conversion of the Performance Shares into the Shares.
- (q) **(Ranking of Shares)** The Shares into which the Performance Shares will convert will rank pari passu in all respects with the Shares on issue at the date of conversion.
- (r) **(Initial Acquisition Projects)** Initial acquisition projects mean one or more of the Project Damanka, Project Sugico, Project Big, Project MMBP, West Papua Project or Project KARIN.
- (s) **(Variation of terms and conditions)** The terms and conditions of the Performance Shares will not be changed without the approval of the ASX and the Shareholders.

Annexure D

Pro Forma Balance Sheet

	(1) Historical	(2) Pro-forma	(3) Pro-forma
	31 Dec 11	Minimum Subscription @ 31 Dec 11	Maximum Subscription @ 31 Dec 11
Assets	\$	\$	\$
Current assets			
Cash and cash equivalents	2,651,251	11,941,746	21,276,246
Trade and other receivables	34,959	34,959	34,959
Total current assets	2,686,210	11,976,705	21,311,205
Non-current assets			
Exploration and Development assets		9,803,288	9,803,288
Total non-current assets	391,386	9,803,288	9,803,288
TOTAL ASSETS	3,077,596	21,779,993	31,114,493
Liabilities			
Current liabilities			
Trade and other payables	70,546	70,546	70,546
Total current liabilities	70,546	70,546	70,546
TOTAL LIABILITIES	70,546	70,546	70,546
NET ASSETS	3,007,050	21,709,447	31,043,947
Equity			
Issued capital	3,186,359	17,776,704	27,111,204
Reserves	23,340	4,435,392	4,435,392
Accumulated losses	(202,649)	(502,649)	(502,649)
TOTAL EQUITY	3,007,050	21,709,447	31,043,947

Notes:

1. Column 1 represents the Historical Balance Sheet of Exalt as at 31 December 2011;
2. Column 2 represents the Pro forma Consolidated Balance sheet of Exalt as at 31 December 2011 assuming a minimum capital raise of \$10 million less costs of the offer of approximately \$985,000;
3. Column 3 represents the Pro forma Consolidated Balance sheet of Exalt as at 31 December 2011 assuming a maximum capital raise of \$20 million less costs of the offer of approximately \$1.6 million; and
4. Other pro-forma adjustments included in columns (2) and (3) to account for material events since 31 December 2011 include:
 - Bonus payable to the Managing Director of \$300,000. The effect is to decrease cash and decrease retained earnings by \$300,000. The bonus is conditional on completion of the proposed transaction;
 - Consideration payable to Odni under the Share Purchase Agreement including the issue of Shares, Options and Performance Shares.
 - The Options have been valued at \$1.772 million and the Performance Shares have been valued at \$2.64 million. The effect is to increase both Exploration and Development Assets and Reserves by a total of \$4.412 million;
 - The effect of the issue of 25,000,000 Shares at \$0.20 is to increase Exploration and Development Assets by \$5 million and to increase Issued Capital by \$5 million.
 - A placement of 3,750,000 Shares at \$0.18, the effect of which is to increase both cash and cash equivalents, and Issued Capital by \$675,000.
5. It is noted that the cash and cash equivalents outlined in Columns 2 and 3 will be applied as per the Application of Funds table in section 3.4(f) of this Explanatory Memorandum.
6. Performance Share Valuation Methodology

The Company has assigned probabilities of occurrence to each performance criteria in order to value the performance shares being granted to Odni.

Tranche	No. of Shares	Share Price	Probability of Occurrence	Value
Tranche 1	22,000,000	\$.20	10 %	440,000
Tranche 2	22,000,000	\$.20	30 %	1,320,000
Tranche 3	22,000,000	\$.20	20%	880,000
				\$2,640,000

The value of Tranche 1 of the Performance Shares has been discounted by 90%. The

value of Tranches 2 and 3 have been discounted by 70% and 80% respectively. The rationale supporting this approach is set out below:

- With respect to Tranche 1, the Company notes that the 90% discount rate applied to the production-related milestone takes into account the fact that currently none of the four Indonesian Projects to be acquired have any production profile associated with them, and only one of the Pipeline projects, being Damanka, is at a stage where production may be possible and that the historical production rates at Project Damanka have been highly inconsistent and not at a volume which would trigger the milestone. In addition, Odni may not proceed to acquire Project Damanka should due diligence prove unsatisfactory and therefore considers this discount rate to be appropriate.
- Whilst in the Directors' opinion, the lead time attached to the milestones (two years: Tranche 1; and three years for Tranches 2 and 3) is sufficiently long to allow for industry-specific delays (i.e. licence renewals, exploration in remote areas, etc.), it is reasonable to expect there may be unforeseen delays which may adversely impact the time frames attached to the milestones hence discounting the total values as set out below is seen as appropriate.

The Company believes the probabilities assigned best reflect the likelihood of the performance based criteria being met based on information currently available for all the proposed Indonesian Projects.

7. Option Valuation Methodology

- The Company has valued the Options using the Black Scholes Model;
- The Black Scholes Model uses the following variables to determine the option price for each class of option:
 - i. a Share price of \$0.20
 - ii. an exercise price of \$.20 per Share (Class W and Class Y Options)
 - iii. an exercise price of \$0.50 per Share (Class X and Class Z Options)
 - iv. volatility of the Company's Share price of 70%
 - v. time to maturity for each class of options; and
 - vi. the risk free interest rate of 3.0 %
- Based on the assumptions outlined above the Options Issued to Odni under the Share Purchase Agreement have been valued at \$1.772 million. The Directors believe the model and assumptions used are appropriate in the circumstances.

Annexure E

Projects

Project Name	Location	Title (EL / IUP)	Expiry of EL / IUP	Area	Ownership Interest
Mineral Hill South	NSW, Australia	EL 7663	10 Dec 2012	116km ²	100 %
Nyngan	NSW, Australia	EL 7667	10 Dec 2012	160km ²	100%
Sugico	Pendopo Area, South Sumatra 11 mostly adjacent concessions	No. 540/03/KEP/DPE/2009, dated 28 December 2009	Dec 2014	250,000 hectares over all concessions	Intends to enter into a conditional Share Purchase Agreement to acquire a 50% economic interest in the Projects.
		No. 540/08/KEP/DPE/2009, dated 28 December 2009	Dec 2014		
		No. 540/06/KEP/DPE/2009, dated 28 December 2009	Dec 2014		
		No. 540/09/KEP/DPE/2009, dated 29 December 2009	Dec 2014		
		No. 540/05/KEP/DPE/2009, dated 28 December 2009	Dec 2014		
		No. 540/07/KEP/DPE/2009, dated 28 December 2009	Dec 2014		
		No. 540/06/KEP/DPE/2009, dated 28 December 2009	Dec 2014		
		No. 540/04/KEP/DPE/2009, dated 28 December 2009	Dec 2014		
		No. 540/025/KEP/DPE/2010, dated 3 February 2010	Feb 2016		

Project Name	Location	Title (EL / IUP)	Expiry of EL / IUP	Area	Ownership Interest
		No. 540/26/KEP/DPE/2010, dated 3 February 2010	Feb 2017		
		No. 540/11/KEP/DPE/2009, dated 29 December 2009	Dec 2014		
MMBP	Tanjung Palas Barat District, Bulungan Regency, East Kalimantan Province	No:437/K-IV/540/2010	2017	5,312 hectares	Option to acquire 100 % of the shares in the Company
BIG	Tanjung Palas Barat District, Bulungan Regency, East Kalimantan Province	No: 467/K-IV/540/2010	2017	4,969 hectares	Share Purchase Agreement to acquire 100 % of the shares in the Company
Karin	Montalat District, North Barito Regency, East Kalimantan Province	No:188.45/439/2010	Feb 2014	2,586 hectares	Share Purchase Agreement to acquire 100 % of the shares in the Company

Annexure F

Technical Report

Ref: ADV-SY-03894

9 July 2012

The Directors
Exalt Resources Limited
Level 5, 56 Pitt Street
Sydney NSW 2000

Dear Sirs,

RE: INDEPENDENT TECHNICAL REVIEW OF INDONESIAN COAL ASSETS

Further to our engagement by you we are pleased to report our Independent Technical Review ("ITR") of four Indonesian Coal Assets known in this report as Sugico, BIG, MMBP, and Karin. MMC understands that the ITR report is likely to be included in a release on the Australian Stock Exchange ("ASX").

This report has been prepared by Minarco-MineConsult ("MMC") at the request of Exalt Resources Limited (ACN 145 327 716) ("Exalt") to undertake a review of four (4) coal assets (the "Relevant Assets"), described below. Locations of the Relevant Assets are given in **Figure 1**.

Relevant Assets

Asset Name	Description	Report Section	Figure Nos
Sugico	11 coal concessions, held by different companies, located in South Sumatra	2	1, 2, 3
BIG	Coal concession and exploration area of PT Bakti Inti Guna, located in East Kalimantan	3	1, 4, 5
MMBP	Coal concession of PT Mitra Maju Bangun Persada, located in East Kalimantan	4	1, 4, 5
Karin	Coal concession of PT Karindangan ("Karindangan"), located in Central Kalimantan	5	1, 6, 7

Titles to the Relevant Assets are currently held by others. It is understood that Exalt is considering a transaction which would give them either ownership or options over the titles.

A technical review of a fifth concession, known as Damanka, has been commenced and is ongoing. MMC includes preliminary findings for Damanka in this ITR, but MMC emphasises that the review is incomplete and these findings are only preliminary. Damanka is not one of the Relevant Assets.

This ITR has been a high level desktop study based on information provided in an electronic dataroom (the "Dataroom"). There were no site visits undertaken as part of this review.

The primary purpose of the ITR was to provide an independent technical opinion as to the accuracy and reasonableness of the information contained in the Dataroom and give opinion on the prospectivity of the coal concessions. Prospectivity is defined as the potential to find coal, with no judgement made regarding economic potential.

The review specifically excludes all aspects pertaining to legal issues, land titles and agreements, approvals, including environmental compliance with approvals, excepting such aspects as may directly influence technical, operational or cost issues. MMC has not undertaken a marketing analysis or coal pricing forecasts. This ITR does not consider financial or commercial matters, including without limitation loan funding aspects, cash flows, profit and loss, balance sheet, non-cash items, commodity prices, exchange rates, economic viability or a valuation of the Relevant Assets. MMC reserves the right to change its view of any of the

conclusions set out in this ITR should any of the fundamental information provided to MMC materially change.

MMC has undertaken this review in accordance with the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code, 2004 Edition*, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia ("JORC").

Reference is made in this report to estimated coal quantities and qualities. All estimated coal quantities are based on Exploration Results and represent exploration targets. They are not classified as either Coal Resources or Coal Reserves. Potential coal quantities are conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of Mineral Resources.

MMC concludes from this ITR that:

- No material flaws or errors on technical aspects of the Relevant Assets were discovered during the review.
- The technical information made available for review was not comprehensive and not suitable for anything more than high level comment regarding coal prospectivity.
- The Relevant Assets have varying degrees of coal prospectivity, defined qualitatively as:
 - good (Sugico, BIG), and
 - reasonable (MMBP, Karin Karindangan).

Sugico

- There are 11 concessions which, in this report, are collectively referred to as Sugico. All of them are IUP's for exploration only; there are no mining permits.
- The total area of all concessions combined is approximately 250,000 ha; the equivalent of an area 50 km long and 50 km wide.
- Because of the very large size of these concessions, any discovery of coal has the potential to be a large coal resource, though there isn't enough information to identify an exploration target.
- The main coal bearing formation of potential economic significance is the Muara Enim Formation. Approximately 44% of the total concession area overlies the Muara Enim Formation.
- There is no evidence of any previous exploration activity. Sugico is vastly unexplored, and therefore represents a very large area of Muara Enim Formation with good potential to discover coal.
- The coals most likely to be found in the Sugico concessions would be lignites. There are no known or identified volcanic intrusions reported in the Sugico concessions area which could improve the quality of the coal. However, as the area is so large and mostly unexplored, intrusions may exist.
- The Sugico concessions represent good coal prospectivity. We cannot estimate an exploration target and we can make no comment on the likelihood of finding economic coal at Sugico.

BIG

- The main coal bearing formation of potential economic significance is the Sembakung Formation. 100% of the concession area overlies the Sembakung Formation.
- Initial geological investigation (outcrop mapping) in the concession area has identified 10 coal horizons within the Sembakung Formation. The coal seams are categorised as multiple, thin seams with moderate to steep dips.
- As mapping has discovered 32 coal outcrops and identified 10 seams, MMC believes BIG has good coal prospectivity.
- We estimate an exploration target of 20 Mt to 30 Mt. All estimated coal quantities are based on Exploration Results and represent exploration targets. They are not classified as either Coal

Resources or Coal Reserves. Potential coal quantities are conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of Mineral Resources.

- Based on the limited information contained in the Dataroom MMC can make no comment regarding potential coal quality in the BIG concession.

MMBP

- The main coal bearing formation of potential economic significance is the Sembakung Formation. Approximately 27% of the total concession area overlies the Sembakung Formation.
- MMC believes MMBP has reasonable coal prospectivity. There is not enough information to estimate an exploration target.

Karin

- The main coal bearing formations of potential economic significance in the region are the Tanjung, Warukin and Montalat Formations. Approximately 50% of the total Karin concession area overlies the coal bearing Warukin Formation.
- There is no exploration data within the Karin concession area. However, 50% of Karindangan area overlies the coal bearing Warukin Formation. MMC considers Karindangan has reasonable prospectivity.
- There is not enough data to estimate exploration targets.

Damanka

A technical review of a fifth concession, known as Damanka, has been commenced and is ongoing. MMC includes preliminary findings for Damanka in this ITR, but MMC emphasises that the review is incomplete and these findings are only preliminary. Damanka is not one of the Relevant Assets.

- The main coal bearing formation of potential economic significance at Damanka is the Balikpapan Formation. Less than 20% of the total concession area overlies the Balikpapan Formation.
- Approximately 170,000 t has reportedly been mined.
- There are opportunities to find additional coal within the Balikpapan Formation in the southern parts of the concession, and also potentially in the north. We believe Damanka has good coal prospectivity.
- Damanka coal is relatively low energy and high sulphur. It may be difficult to find ongoing markets for this coal.
- Shipping certificates indicate a net coal value of approximately US\$65/t FOB. This would appear generally consistent with current world coal pricing, allowing for energy adjustment and possible discounts for high sulphur.
- This ITR did not include an environmental audit. We can make no detailed comment on Damanka's overall environmental performance. This represents a risk if it proves that there are potential financial liabilities for building environmental structures, for penalties/fines incurred, or for remediation requirements.

The first signatory to this letter, Mr. Ron Siwinski, MAusIMM, is a Member of the Australasian Institute of Mining and Metallurgy, and is a mining engineer and an employee of MMC. He has 40 years' experience as an engineer and over 30 years' experience in the mining industry. He specialises in Project Management with significant experience in technical reviews and due diligence assessments. He has sufficient experience which is relevant to the style of mineralisation and types of coal deposits under consideration, and to the activity he is undertaking for this ITR, to qualify him as a Competent Person (as defined in the 2004 Edition of the JORC Code).

The second signatory to this letter, Mr. Fitherson Rattu, MAusIMM, is a Member of the Australasian Institute of Mining and Metallurgy, and is a geologist and was an employee of MMC at the time of undertaking this review. He has more than 18 years' experience as a geologist. He has managed or contributed significantly to numerous mining/geology studies relating to the estimation of coal resources. He has sufficient experience which is relevant to the style of mineralisation and types of coal deposits under consideration, and to the activity he is undertaking for this ITR, to qualify him as a Competent Person (as defined in the 2004 Edition of the JORC Code).

Yours sincerely,



Ron Siwinski, MAusIMM

Executive Consultant

for and on behalf of

minarco
mineconsult>



Fitherson Rattu, MAusIMM

Senior Geology Consultant

for and on behalf of

minarco
mineconsult>

IMPORTANT INFORMATION ABOUT THIS DOCUMENT

1. Our Client

This report has been produced by or on behalf of Minarco-MineConsult, a trading division of Runge Limited ("MMC"), solely for Exalt Resources Limited (the "Client").

2. Client Use

The Client's use and disclosure of this report is subject to the terms and conditions under which MMC prepared the report.

3. Notice to Third Parties

MMC prepared this report for the Client only. If you are not the Client:

- MMC has prepared this report having regard to the particular needs and interests of the Client, and in accordance with the Client's instructions. It did not draft this report having regard to any other person's particular needs or interests. Your needs and interests may be distinctly different to the Client's needs and interests, and the report may not be sufficient, fit or appropriate for your purposes.
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- MMC expressly disclaims any liability to you and any duty of care to you.
- MMC does not authorise you to rely on this report. If you choose to use or rely on all or part of this report, then any loss or damage you may suffer in so doing is at your sole and exclusive risk.

4. Inputs, subsequent changes and no duty to update

- MMC has created this report using data and information provided by or on behalf of the Client [and Client's agents and contractors]. Unless specifically stated otherwise, MMC has not independently verified that data and information. MMC accepts no liability for the accuracy or completeness of that data and information, even if that data and information has been incorporated into or relied upon in creating this report (or parts of it).
- The conclusions and opinions contained in this report apply as at the date of the report. Events (including changes to any of the data and information that MMC used in preparing the report) may have occurred since that date which may impact on those conclusions and opinions and make them unreliable. MMC is under no duty to update the report upon the occurrence of any such event, though it reserves the right to do so.

5. Mining Unknown Factors

The ability of any person to achieve forward-looking production and economic targets is dependent on numerous factors that are beyond MMC's control and that MMC cannot anticipate. These factors include, but are not limited to, site-specific mining and geological conditions, management and personnel capabilities, availability of funding to properly operate and capitalise the operation, variations in cost elements and market conditions, developing and operating the mine in an efficient manner, unforeseen changes in legislation and new industry developments. Any of these factors may substantially alter the performance of any mining operation.

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1. INTRODUCTION

1.1 Background

The Indonesian coal industry continues to prosper and grow. Regional and domestic coal demands provide a strong outlook for coal producers and the industry generally. More than 95% of the world seaborne thermal coal exports come from 6 countries. Indonesia is the world's leading exporter of thermal coals, with a market share of greater than 20%. Coal is sold primarily to China, India, Japan, South Korea and Taiwan; all experiencing strong growth with strong demand likely to continue well into the future.

Indonesian coal production in 2011 was around 350 million tons, with exports of around 265 million tons or 75% of total production. It is predicted that domestic coal markets will continue to grow as well as export markets. It is also expected that much of the increased domestic demand will be met by mining low rank lignite, leaving the higher value sub-bituminous coals for export. Significant low rank lignite coal deposits are found in South Sumatra particularly, and also in all the major producing areas of Kalimantan.

1.2 Purpose of Report

This report has been prepared by Minarco-MineConsult ("MMC") at the request of Exalt Resources Limited (ACN 145 327 716) ("Exalt") to undertake a review of four (4) coal assets (the "Relevant Assets"), described below. Locations of the Relevant Assets are given in **Figure 1**.

Table 1.1 – Relevant Assets

Asset Name	Description	Report Section	Figure Nos
Sugico	11 coal concessions, held by different companies, located in South Sumatra	2	1, 2, 3
BIG	Coal concession and exploration area of PT Bakti Inti Guna, located in East Kalimantan	3	1, 4, 5
MMBP	Coal concession of PT Mitra Maju Bangun Persada, located in East Kalimantan	4	1, 4, 5
Karin	Coal concession of PT Karindangan ("Karindangan"), located in Central Kalimantan	5	1, 6, 7

Titles to the Relevant Assets are currently held by others. It is understood that Exalt is considering a transaction which would give them either ownership or options over the titles.

A technical review of a fifth concession, known as Damanka, has been commenced and is ongoing. MMC includes preliminary findings for Damanka in this ITR, but MMC emphasises that the review is incomplete and these findings are only preliminary. Damanka is not one of the Relevant Assets.

MMC understands that the ITR report is likely to be included in a release to the Australian Stock Exchange ("ASX").

This ITR has been a high level desktop study based on information provided in an electronic dataroom (the "Dataroom"). There were no site visits undertaken as part of this review.

The primary purpose of the ITR was to provide an independent technical opinion as to the accuracy and reasonableness of the information contained in the Dataroom and give opinion on the prospectivity of the coal concessions. Prospectivity is defined as the potential to find coal, with no judgement made regarding economic potential.

MMC has undertaken this review in accordance with the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code, 2004 Edition*, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia ("JORC").



Figure No.1 ASSETS LOCATION PLAN

Project : **INDONESIAN COAL ASSETS**

Client : **EXALT RESOURCES LIMITED**

Job No. ADV-SY-03894

Date : June 2012

Reference is made in this report to estimated coal quantities. All estimated coal quantities are based on Exploration Results and represent exploration targets. They are not classified as either Coal Resources or Coal Reserves. Potential coal quantities are conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of Mineral Resources.

This ITR must be read in its entirety and must be read in recognition of:

- MMC's reliance upon information provided by Exalt and others, which has not been audited.
- The methodology and limitations and assumptions referred to throughout the report.
- The limited scope and high level nature of the ITR.
- Any other relevant issues not within the scope of the ITR.

1.3 Scope of Work

MMC addressed the following scope of work when undertaking the ITR:

- *Preparation and submission of a Request for Information;*
- *A desktop review of information received. Our comments will be confined to the information received;*
- *Consultation with Exalt on key observations, significant issues and matters that may have a material impact on the potential value of the Assets; and*
- *Preparation of a short ITR report, describing the work undertaken and the review findings.*

1.4 Capability and Independence

This ITR was undertaken for and on behalf of MMC by Ron Siwinski and Fitherson Rattu, the signatories to this report. Support from other MMC personnel was provided to complete the work.

MMC operates as an independent technical consultant providing resource evaluation, mining engineering and mine valuation services to the resources and financial services industry. Information received for this review included reports prepared by PT Runge Indonesia ("PTRI"). PT Runge Indonesia is an independent geology and mining consultant company that did their work under contract for services.

PTRI is a wholly owned subsidiary of Runge Limited of Australia; which is also the parent company for Minarco-MineConsult. MMC has considered the matter of a potential conflict of interest in reviewing a report compiled by a related company and has concluded that we are not conflicted as we have only used the earlier PTRI report as a source of information.

To our knowledge, none of MMC's staff or specialists who contributed to this report has any interest or entitlement, direct or indirect, in Exalt, the Relevant Assets, or the outcome of this ITR.

Drafts of this ITR report were provided to Exalt for review as to any material errors of fact, omissions or incorrect or unreasonable assumptions.

1.5 Site Inspection

There were no site visits undertaken as part of this review.

1.6 Limitations and Exclusions

This ITR specifically excludes all aspects of legal issues, land titles and agreements, approvals, including environmental compliance with approvals, excepting such aspects as may directly influence technical, operational or cost issues. MMC has not undertaken an evaluation of marketing or coal pricing forecasts. This ITR does not consider financial or commercial matters, including without limitation loan funding aspects, cash flows, profit and loss, balance sheet, non-cash items, commodity prices, exchange rates, economic

viability or a valuation of the Relevant Assets. MMC reserves the right to change its view of any of the conclusions set out in this ITR should any of the fundamental information provided to MMC materially change.

This ITR is not a JORC Statement of either Exploration Results, Resources or Reserves.

Reference is made in this report to estimated coal quantities. All estimated coal quantities are based on Exploration Results and represent exploration targets. They are not classified as either Coal Resources or Coal Reserves. Potential coal quantities are conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of Mineral Resources.

1.7 Information Sources

The contents of this ITR report are based primarily on the Dataroom established for this purpose. Dataroom information received is recorded in **Table 1.2**.

Table 1.2 – Dataroom Information Received

Document Identifier	Document Description
SUGICO	
04.03 Sugico_ConcessionArea_Ranking Summary_2011	Table of Concession Ranking Summary, extracted from SRK report titled "CORPAC Concession Ranking", September 2011 (note: Though not in the Dataroom, MMC has been provided with the complete report direct from Exalt Resources)
04.04 Sugico_Sumatra Concession Area Map	Map of 11 concession areas, collectively referred to as Sugico for this ITR.
04.05 Sumatra_IUP_C039-IUP-ER-OKI-JMS-23600Ha	Exploration license permit issued by local government
04.06 Sumatra_IUP_C095-IUP-ER-OKI-TME-19870Ha	Exploration license permit issued by local government
04.07 Sumatra_IUP_C098-IUP-ER-OKI-SPE-24290Ha	Exploration license permit issued by local government
04.08 Sumatra_IUP_C204-IUP-ER-OKI-MRI-19230Ha	Exploration license permit issued by local government
04.09 Sumatra_IUP_C205-IUP-ER-OKI-LGE-14900Ha	Exploration license permit issued by local government
04.10 Sumatra_IUP_C330-IUP-ER-OKI-SDE-23590Ha	Exploration license permit issued by local government
04.11 Sumatra_IUP_C338-IUP-ER-OKI-PBJS-23600Ha	Exploration license permit issued by local government
04.12 Sumatra_IUP_C353-IUP-ER-OKI-MEPE-24190Ha	Exploration license permit issued by local government
04.13 Sumatra_IUP_C622-IUP-ER-OKI-IME-24130Ha	Exploration license permit issued by local government
04.14 Sumatra_IUP_C627-IUP-ER-OKI-SDP-23860Ha	Exploration license permit issued by local government
04.15 Sumatra_IUP_C630-IUP-ER-OKI-LMR-22740Ha	Exploration license permit issued by local government
BIG	
02.02 Project BIG – Historical Owners Report Executive Summary	Executive Summary asset description from the owners of the PT Bakti Inti Guna concession
02.04 BIG_Mapping Report No. 1_Northern_English Translation	Report on general survey on coal deposit of Bulungan Regency, East Kalimantan Province
02.05 BIG_Mapping Report No. 2_English Translation	Mapping Report of PT Bakti Inti Guna of the Bulungan-Kaltim coal asset
02.07 BIG_Coal Anlalysis_1 Sample PT.BAKTI INTI GUNA	Report Of Analysis, PT Bakti Inti Guna, Coal
02.08 BIG_Coal Sample Analysis_no.2	Report of Laboratory Analysis, PT Bakti Inti Guna, Coal Analysis
02.08 BIG_Coal Sample Analysis_no.3	Report of Laboratory Analysis, PT Bakti Inti Guna, Coal Analysis
02.10 IUP PT Bakti Inti Guna	Exploration license permit issued by local government
MMBP	
03.03 IUP PT Mitra Maju Bangun Persada	Exploration license permit issued by local government
KARIN	
06.02 Project Karin – Runge Tech Review Report DRAFT	GMX/Corpac Pty Ltd North Barito Coal Project Technical Review by PT Runge Indonesia
06.05 IUP PT Karindangan	Exploration license permit issued by local government

MMC has relied on the accuracy of the Dataroom information supplied to it for the purposes of this ITR. In MMC's opinion, to the extent that information requested was in fact made available, the information provided was reasonable and nothing discovered during the review suggested that there was any material error or misrepresentation in respect of that information.

The technical information made available in the Dataroom for review was not comprehensive and not suitable for anything more than high level comment about coal prospectivity.

The other main source of information was the Systematic Geological Map Indonesia, by the Geological Research & Development Centre, Indonesia. All of the Regional Geology drawings and descriptions in this report have been sourced from the Systematic Geological Map Indonesia.

MMC accepts no liability for the accuracy or completeness of data and information provided to it by, or obtained by it from, Exalt or any third parties, even if that data and information has been incorporated into or relied upon in creating this report. The report has been produced by MMC using information that has been provided to MMC as at the date stated on the cover letter. MMC is under no obligation to update the information contained in the report at any time after the date shown on the cover letter, though MMC reserves the right to change its view of any of the conclusions set out in this ITR should any of the fundamental information provided to MMC materially change.

1.8 Report Structure

This ITR report is presented in the following form:

- Cover letter addressed to The Directors of Exalt Resources,
- Section 1; Introduction,
- Section 2; Sugico,
- Section 3; BIG,
- Section 4; MMBP,
- Section 5; Karin, and
- Section 6, Damanka.

Conclusions for each asset are presented in the separate sections for each asset, and also in the Cover Letter to the Directors of Exalt Resources.

1.9 Information About This Document

MMC makes no warranty, express or implied in respect of this ITR, particularly with regard to any commercial investment decision made on the basis of this ITR. This ITR has been prepared without taking into account the objectives, financial situation or needs of any individual, entity or organisation.

This document speaks only as of the date of the report and MMC has no duty to update it.

2. SUGICO

2.1 Location and Concessions

The Sugico Concessions are located in the Ogan Komering Ilir Regency, approximately 100 km south of Palembang, the provincial capital of the province of South Sumatra, Indonesia. Sugico is made up of 11 Mining License Permits (IUP's). The IUP areas are shown in **Figure 2**.

Details of the IUP's granted for Sugico are given in **Table 2.1**.

Table 2.1 Sugico Concessions

Company Name	Map Code	Area (ha)	Date Signed	Term
PT Tensri Madjid Energy	C095_TME	19,870	28-Dec-09	5 Years
PT Muara Enim Power Energy	C353_MEPE	24,190	28-Dec-09	5 Years
PT Sumber Daya Energy	C330_SDE	23,590	28-Dec-09	5 Years
PT Lion Multi Resources	C630_LMR	23,590	29-Dec-09	5 Years
PT Persada Berau Jaya Sakti	C338_PBJS	23,600	28-Dec-09	5 Years
PT Jaya Manggala Sakti	C039_JMS	23,600	28-Dec-09	5 Years
PT Sumber Daya Persada	C627_SDP	23,860	29-Dec-09	5 Years
PT Sugico Pendragon Energy	C098_SPE	24,290	28-Dec-09	5 Years
PT Indonesia Multi Energy	C622_IME	24,130	29-Dec-09	5 Years
PT Methane Resources Indonesia	C204_MRI	19,230	3-Feb-10	7 Years
PT Lion Global Energy	C025_LGE	14,900	3-Feb-10	6 Years

MMC notes that all IUP's are for exploration only; there are no mining permits.

The total area of all concessions combined is approximately 250,000 ha; the equivalent of an area 50 km long and 50 km wide. This is a very large combined concession area.

2.2 History

The Dataroom did not contain any history for Sugico. We are therefore not aware of any exploration either in the area generally or specifically for the Sugico concessions.

2.3 Regional Geology

Sumatra Island is the northwest oriented physiographic expression of Sunda land, a southern extension of the Eurasian Continental Plate. The island has an area of about 435,000 km², measuring 1650 km from Banda Aceh in the north to Tanjungkarang in the south. Sumatra Island is interpreted to be constructed by collision and suturing of discrete micro-continent in late Pre-Tertiary times. At the present time, the Indian Ocean Plate is being subducted beneath the Eurasian Continental Plate in a N20°E direction at a rate of between 6 cm/yr and 7 cm/yr. This zone of oblique convergence is marked by the active Sunda Arc-Trench system which extends for more than 5000 km, from Burma in the north to where the Australian Plate is in collision with Eastern Indonesia in the south. The basin configuration of Sumatra is directly related to the presence of the subduction-induced non-volcanic fore-arc and the volcano-plutonic back-arc, the morpho-structural backbone of the Island.

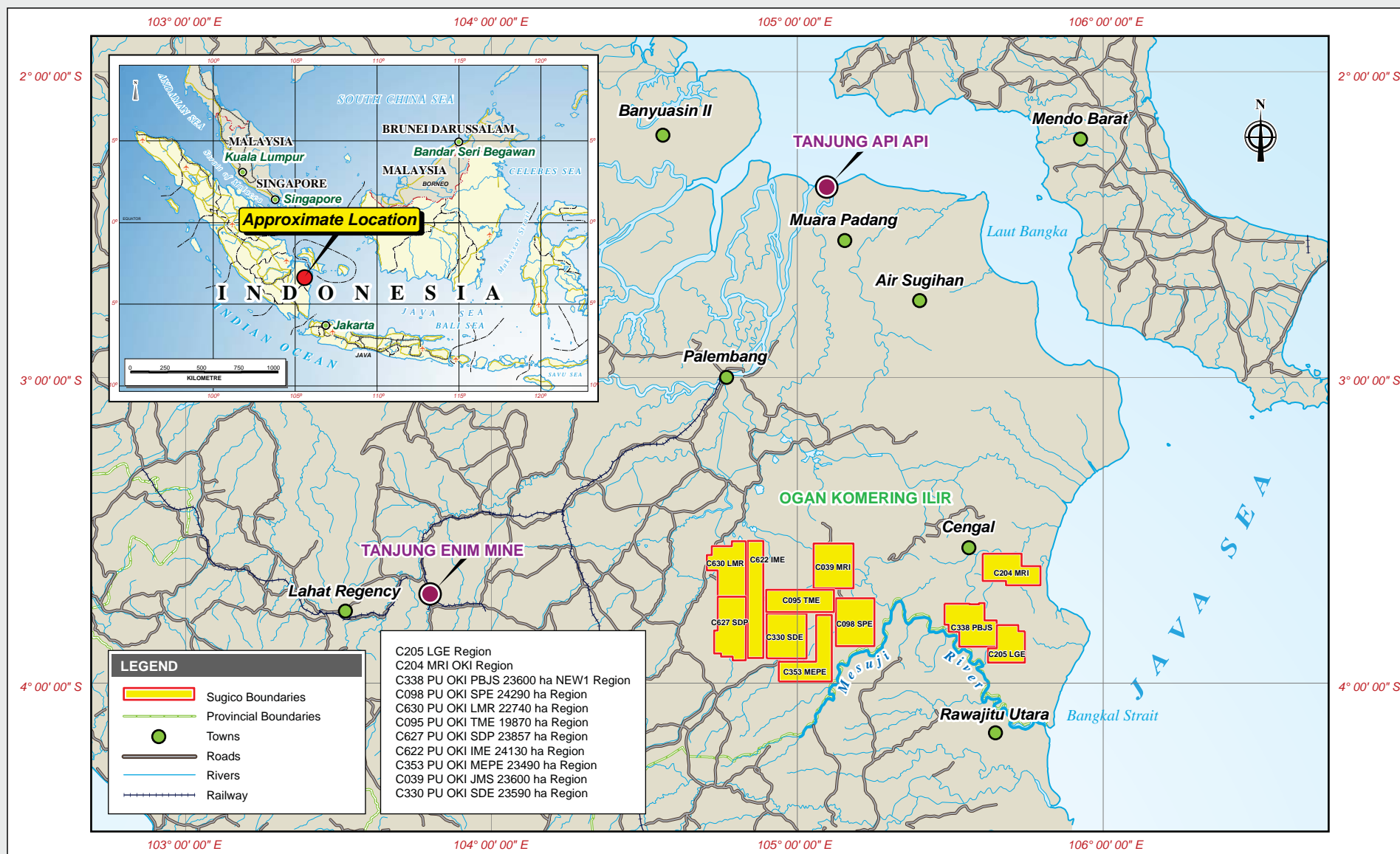


Figure No.2 REGIONAL LOCATION - SUGICO CONCESSIONS

Project : **INDONESIAN COAL ASSETS**

Client : **EXALT RESOURCES LIMITED**

Job No. ADV-SY-03894

Date : June 2012

In general the region can be divided into 5 sub-regions:

- **Sunda outer-arc ridge**, located along the active margin of the Sunda fore-arc basin and separated from the trench slope.
- **Sunda fore-arc basin**, lying between the accreting non-volcanic outer-arc ridge with submerged segments, and the volcanic back arc of Sumatra.
- **Sumatra back-arc basins**, including the North, Central and South Sumatra Basin(s). The system developed as distinct depressions at the foot of the Barisan range. The Muara Enim Formation is considered the most economic coal bearing formation within the South Sumatra Basin.
- **Barisan mountain range**, occupies the axial part of the island and is composed mainly of Permo-Carboniferous to Mesozoic rocks.
- **Sumatra intra-arc basin**, separated by subsequent uplift and erosion from this former depositional area, thus with similar lithologies to the fore-arc and back-arc basins.

2.4 Local Geology

The Sugico Concessions are located in the Ogan Komering Ilir (“OKI”) Regency, South Sumatra, which is an administrative district that occupies the south of the South Sumatra Basin. The Sugico coalfield contains coal bearing sediments of the Muara Enim Formation and non-coal bearing sediments of the Kasai Formation. A geology map showing the formations is given in **Figure 3**.

The Muara Enim Formation is defined by the upper and lower occurrence of laterally continuous coal beds. Thickness in the area around Muara Enim and Lahat is around 500 m – 700 m, about 15% of which is potentially coal. Where the formation is thin, coal beds become very thin or are absent; suggesting subsidence rates played an important role in coal deposition and preservation. In most of the basin, the coals are low grade lignites. Only around young volcanic granite intrusions, like those present at the Tanjung Enim Mine 130 km to the west of Sugico (see **Figure 2**), were the lignites altered to become higher grade coal.

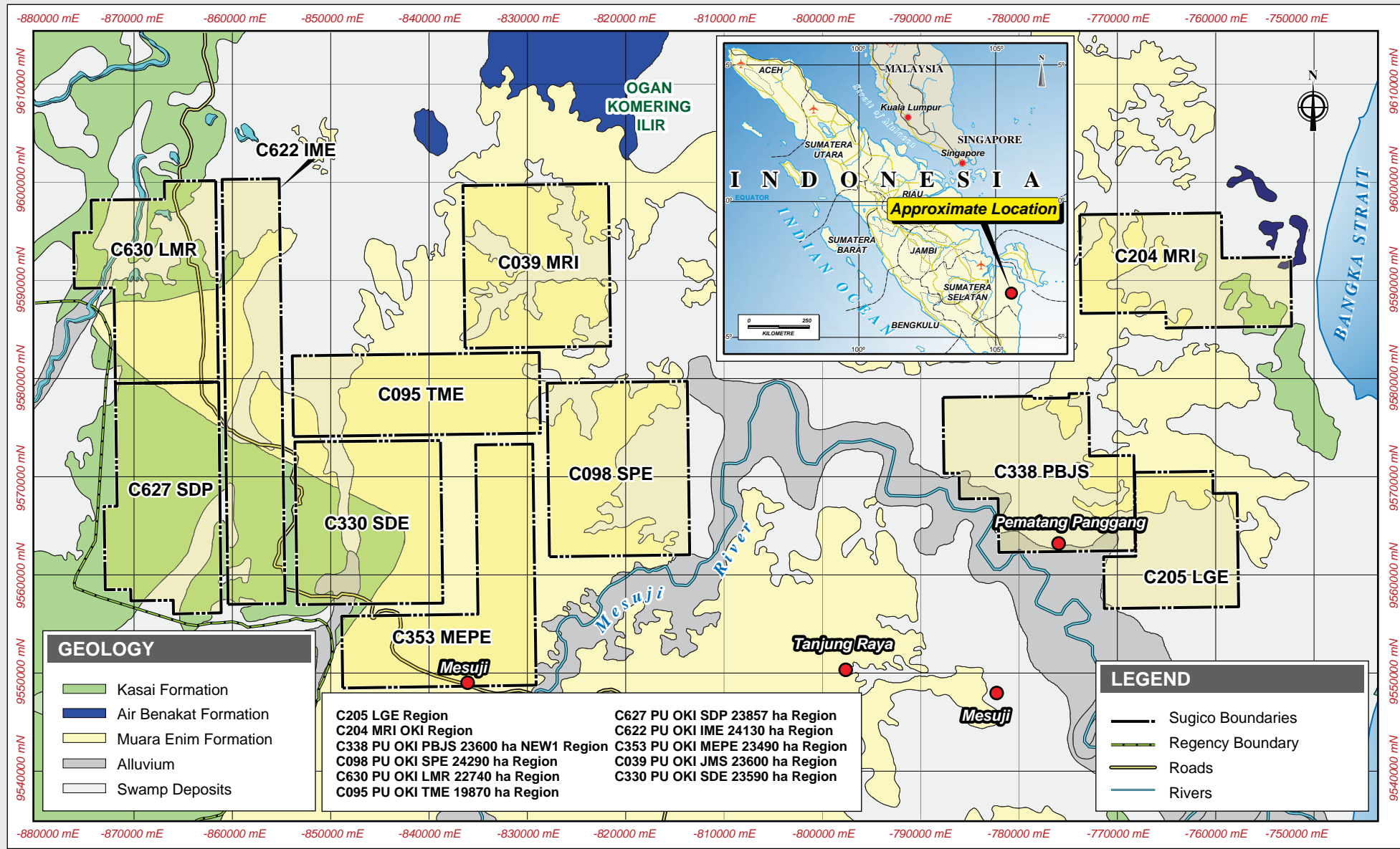
In this formation, coal seams occur in four groups: M1, M2, M3 and M4. The M2 and M4 groups are the most potentially economic coals with up to 3 coal seams in the M2 group (Mangus, Suban and Petai Seams) and 2 seams in the M4 group (Enim and Jelawatan Seams). The age of the formation has never been determined accurately, but we believe it is within the Late Miocene - Early Pliocene.

The Kasai Formation sediments are present in much of the South Sumatra basin. The lower 250 m – 350 m is characterised by common fine-grained, rhyolitic tephra (acid air-transported volcanics). Coals are absent. Conglomeratic sandstones and plant material are rare. The upper part of the formation (300 m – 500 m thick) still has common quartz-rich pumice tuffs, but also contains common cross-bedded coarse sandstone and pumice-rich conglomerate beds. Fossils are rare, only some fresh-water molluscs and plant fragments have been observed. The most likely age of the Kasai Formation is Late Pliocene to Pleistocene.

The percentage area of these formations in the Sugico concessions is shown in **Table 2.2**. The main coal bearing formation of potential economic significance is the Muara Enim Formation. Approximately 44% of the total concession area overlies the Muara Enim Formation.

MMC has not been provided with a geology report, or outcrop plan, or a document with exploration results for the Sugico concessions. MMC is therefore unable to review the concessions either individually or collectively.

There is good potential to find coal within the Muara Enim Formation. Sugico is vastly unexplored, and therefore represents a very large area of Muara Enim Formation with good potential to find coal. Further exploration work is required to adequately define the coal measures before prospective coal quantities can be estimated. Scout drilling, with a coal quality sampling programme, and further detailed outcrop mapping needs to be completed before any further assessment can be made regarding potential coal.



The nearest operating coal mine to the Sugico concessions is the Tanjung Enim Mine of PT Bukit Asam ("PT BA") 130 km west of Sugico. It has a very large resource and a very large mineable reserve, with capacity to produce around 20 Mtpa of coal. The coal at the Tanjung Enim Mine is also contained in the Muara Enim Formation and produces lignite, sub-bituminous coal and some coking coal. The high quality coals were created by granite intrusions which altered the lignite into higher quality coal. The known presence of volcanic intrusions at Tanjung Enim suggests there could be other intrusions in the region which are not yet known.

Table 2.2 - Sugico Geological Formation Percentages

Company Name	Map Code	Area (ha)	Muara Enim Formation (%)	Kasai Formation (%)
PT Tensri Madjid Energy	C095_TME	19,870	80%	0%
PT Muara Enim Power Energy	C353_MEPE	24,190	95%	5%
PT Sumber Daya Energy	C330_SDE	23,590	50%	30%
PT Lion Multi Resources	C630_LMR	23,590	40%	30%
PT Persada Berau Jaya Sakti	C338_PBJS	23,600	20%	0%
PT Jaya Manggala Sakti	C039_JMS	23,600	60%	0%
PT Sumber Daya Persada	C627_SDP	23,860	10%	80%
PT Sugico Pendragon Energy	C098_SPE	24,290	50%	0%
PT Indonesia Multi Energy	C622_IME	24,130	20%	40%
PT Methane Resources Indonesia	C204_MRI	19,230	30%	20%
PT Lion Global Energy	C025_LGE	14,900	20%	0%
Total Area		244,850	44%	20%

The coals most likely in the Sugico concessions would be lignites, according to MMC experience within the region. Lignites typically have 40% to 50% moisture content and low energy between 2,500 kcal/kg and 3,000 kcal/kg. There are no known or identified volcanic intrusions reported in the Sugico concessions area. However, as the area is so large and mostly unexplored, intrusions may exist.

Sumatra has very large known quantities of lignite; not including what may or may not be found at Sugico. The only current viable use for lignite is power generation. Due to the high cost of transporting coal combined with the low value of lignite, it is likely that future power stations would have to be located at or near the lignite mine. Sumatra could support a very large power generation industry. Very few of Sumatra's lignite deposits are considered economically viable without construction of power stations.

To help plan a future exploration programme, MMC believes **Table 2.2** can be used as a guide where to focus exploration. For example, there is a much higher likelihood of finding coal in PT Muara Enim Power Energy IUP than there would be in the PT Sumber Daya Persada IUP as it contains a greater area of the Muara Enim Formation.

In MMC's opinion the concessions with greater than 50% coverage of the Muara Enim Formation have good likelihood of containing coal. Because of the very large size of these concessions, any discovery of coal has the potential to be a large coal resource. If the Sugico coal is all lignite it is unlikely to be high value coal. Therefore, the focus of future exploration must be to identify intrusions with the potential to improve the coal quality.

2.5 Mining

Mining generally used in the South Sumatra Province is haul back open cut coal mining using a truck/shovel mining method. After the initial box cut waste is hauled to ex-pit dumps located on the surface, waste is hauled back into the mined out area, when pit void space is available. All dump areas, both in-pit and ex-pit, will need to be rehabilitated. An open cut operation would likely use hydraulic excavators and off road haul trucks of suitable size to mine both the coal and waste. Wastes would consist of both overburden overlying the coals, and interburden between different coal seams.

2.6 Infrastructure & Environment

The Mesuji River (see **Figure 2**) passes close to the Sugico concessions and so could be between 0 km and 50 km from a possible Sugico coal mine, depending where coal is found within the very large area of the concessions and where a coal mine might be developed. Portions of the river are navigable and are currently used for commerce, primarily agricultural products, although there is no coal barging. Barging is a common form of coal transport in Indonesia and therefore the Mesuji River represents a potential route for transporting Sugico coal for export.

The South Sumatra government is building the Tanjung Api Api Coal Terminal (see **Figure 2**) with a capacity of 50 million tonnes per annum. Construction of the terminal is planned to finish in 2013. This coal terminal could be available for Sugico export coal if transport to the terminal is constructed; either rail, road, or river transport.

A constraint during mining may be potential overlapping between mining and farming, especially oil palm and rubber plantations. This can in some cases be a significant issue and could incur considerable cost for purchasing land and/or compensating farmers.

Environmental matters will need to be addressed, but the Dataroom documentation identifies no environmental issues.

2.7 Sugico Conclusions

The following summarises MMC conclusions from a technical review of the Sugico concessions:

- There are 11 concessions which, in this report, are collectively referred to as Sugico. All of them are IUP's for exploration only; there are no mining permits.
- The total area of all concessions combined is approximately 250,000 ha; the equivalent of an area 50 km long and 50 km wide.
- Because of the very large size of these concessions, any discovery of coal has the potential to be a large coal resource, though there isn't enough information to identify an exploration target.
- The main coal bearing formation of potential economic significance is the Muara Enim Formation. Approximately 44% of the total concession area overlies the Muara Enim Formation.
- There is no evidence of any previous exploration activity. Sugico is vastly unexplored, and therefore represents a very large area of Muara Enim Formation with good potential to discover coal.
- The coals most likely to be found in the Sugico concessions would be lignites. There are no known or identified volcanic intrusions reported in the Sugico concessions area which could improve the quality of the coal. However, as the area is so large and mostly unexplored, intrusions may exist.
- The Sugico concessions represent good coal prospectivity. We cannot estimate an exploration target and we can make no comment on the likelihood of finding economic coal at Sugico.

3. BIG

3.1 Location and Concession

PT Bakti Inti Guna ("BIG") holds a mining license permit (IUP) exploration number 467/K-IV/540/2010. The concession is located in the Antutan, Central Tanjung Palas Sub-districts, Bulungan Regency, approximately 340 km north of Samarinda, the provincial capital of the province of East Kalimantan, Indonesia. The concession lies in tropical rain forest with rough terrain and steep slopes with elevations ranging from 190 m to 380 m above sea level. The concession is shown in **Figure 4**.

The concession location is remote and access is considered difficult. Independent review of project permitting was not undertaken as part of this ITR.

3.2 History

An exploration permit was granted by local government to BIG in 2010 covering 4,969 ha for a period of 7 years.

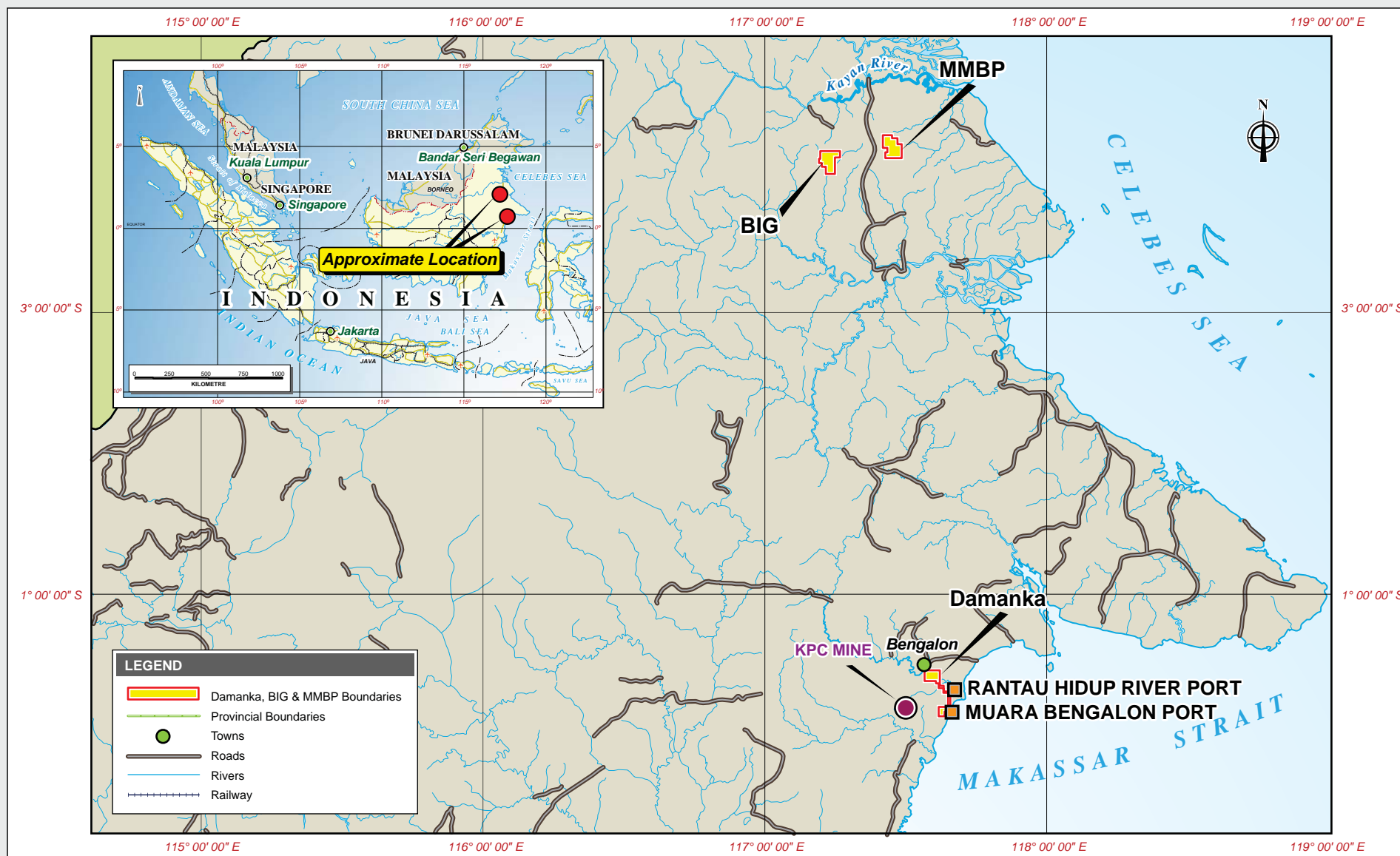
General geological mapping was carried out by BIG in 2011 and 2012 to understand the extent of the deposit within the concession area, the number of coal seams, and the types of rock present. Two mapping reports were given in the Dataroom as shown in **Table 1.2**.

3.3 Regional Geology

Kalimantan can be divided into several roughly east-west trending tectonic provinces. BIG lies within the northeastern portion of the island of Kalimantan and is dominated by the Cretaceous and Eocene to Miocene Crocker-Rajang-Embaluh accretionary complex. This consists primarily of turbidites which were being shed northeastward off the Schwaner and younger volcanic arcs into a paralic to deep marine trench basin. These sediments were deformed and weakly metamorphosed during Cretaceous and Tertiary subduction and finally were intruded by late stage and post subduction intrusions of the Oligo-Miocene Sintang Group.

The Melawi-Ketungau basins and the Kutei basin formed along the southern margin of this complex during the Late Eocene and are separated from it by the Lupar-Lubok Antu and Boyan melange-ophiolitic zones. The Tarakan and Sandakan basins are Tertiary basins developed in the northeast part of Kalimantan. Similar to the Kutai basin, these basins are sourced by deltaic systems from the Kalimantan mainland. The Barito basin formed at the same time but appears to have formed as a back-arc or continental Rift. The eastern margin of the Barito Basin is formed by the Meratus ophiolite. This was emplaced during the Middle Cretaceous, presumably during northwestward directed subduction. The Meratus ophiolite separates the Barito basin from Asem-asem basin in the southeastern portion of Kalimantan. Asem-asem basin is a Tertiary basin which converted eastward gradually to Paternoster carbonate platform.

The Tarakan Basin encompasses the basinal areas in northeast Kalimantan. The basin is subdivided into four sub-basins: the Tidung Sub-basin, the Berau Sub-basin, the Tarakan Sub-basin, and the Muara Sub-basin. The Tarakan Basin is separated from the Kutei Basin by the Mangkalihat High or Arch. To the west the basin is terminated by the Sekatak-Berau High of the Central Ranges, the basin hinges on the Semporna High to the north, and opens eastwards and southeastwards into the Straits of Makassar. Deposition in the Tarakan Basin commenced in the Middle Eocene, simultaneously with the rifting of the Makassar Straits which separates Sulawesi from Kalimantan (Lentini and Darman, 1996). The basin subsided and opened to the east. The sea transgressed westwards and shallow marine shales of the Sembakung Formation were deposited, overlying the older Dannu basement rocks. Tectonic inversion is almost absent in this basin. The tectonic history of the Tarakan Basin commenced with extensional tectonics in the Middle Eocene, initiating the basin by block faulting, similar to events in the neighbouring basins. In the Middle Miocene, the Sulu Sea, located to the north of the basin, was subducted below the accreted continental crust of North Kalimantan, and this resulted in the extrusion of Neogene volcanics in the Semporna Peninsula and was responsible for the formation of NW-SE trending, SE plunging folds in the Tarakan Basin.



3.4 Local Geology

The BIG area is located in the Antutan, Central Tanjung Palas Sub-district, Bulungan Regency, East Kalimantan, which is an administrative district that occupies the western part of the Tarakan Basin. The BIG concession contains coal bearing sediments of the Sembakung Formation. A geology map showing the formations is given in **Figure 5**.

The Sembakung Formation comprises sandstone, claystone, siltstone, shale, limestone and bituminous /sub-bituminous coal. Fossil evidence indicates a range from Late Paleocene to Eocene age for the formation in a deltaic to deep marine environment. The formation has a thickness of approximately 1000 m.

3.4.1 Exploration, Geological Data and Modelling Process

Surface geological mapping commenced in December 2011 with a total of 32 outcrops discovered within the concession area. There were 10 seams of coal identified with seam dips ranging from 12° to 35°. All 10 of the coal seams collectively comprise the Sembakung Formation. These coal seams are categorised as multiple, thin seams with moderate to steep dips.

Outcrop seam data was given in the mapping reports and is summarised in **Table 3.1**. Recorded individual ply thicknesses vary between 0.8 m and 1.7 m. All of the seam intersections given were determined from outcrop data only. There is no exploration drilling reported at BIG.

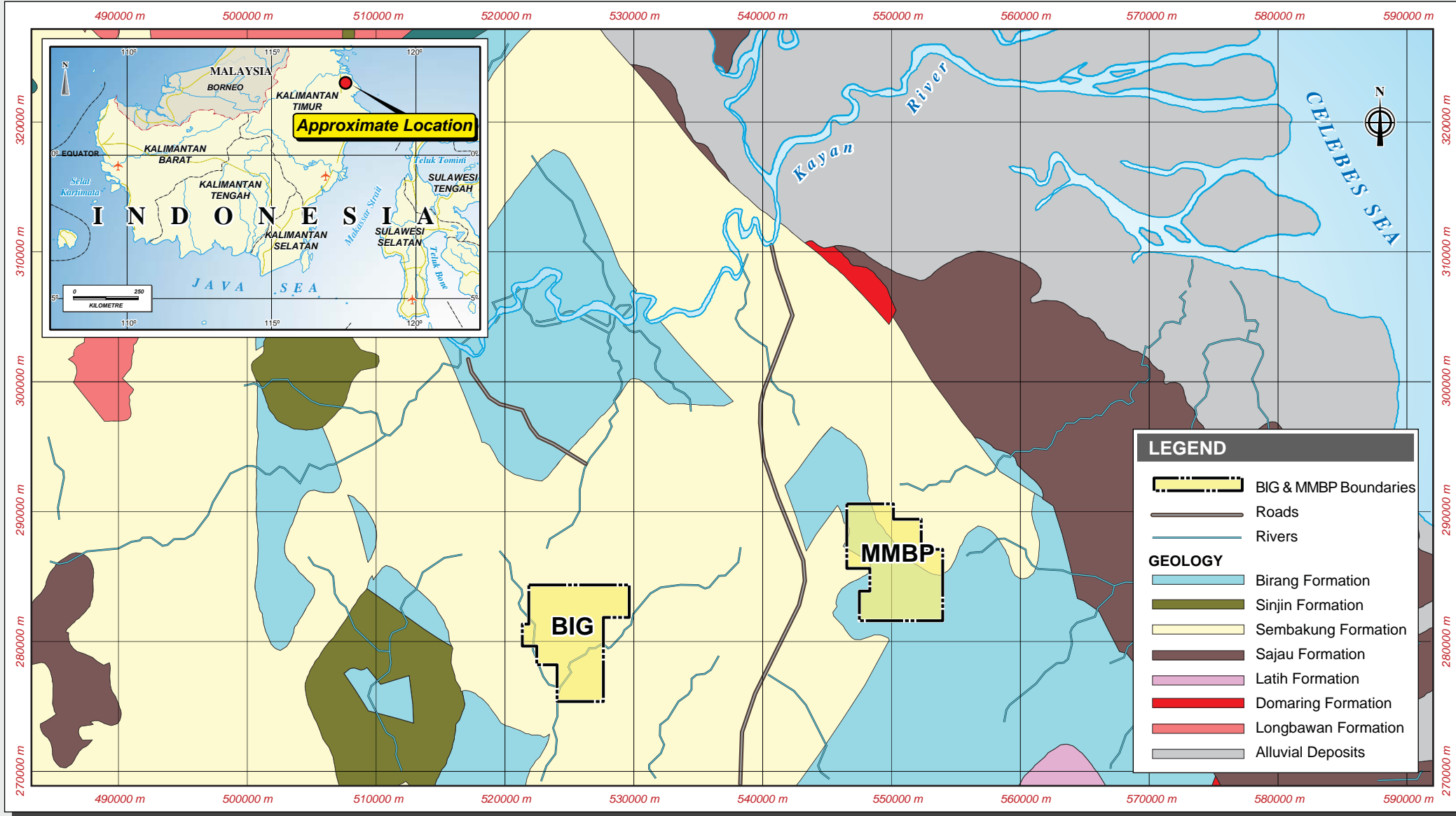
Table 3.1 Outcrop Seam Data

Seam Name	Average Thickness (m)	Average Dip Angle (degrees)	Average Strike Length (m)
A	1.05	25°	5700
B	0.8	12°	5600
C	1.1	12°	5600
D	1.1	15°	5600
E	1.5	35°	5600
F	0.8	35°	3600
G	0.88	22°	4000
H	1.7	35°	2700
I	1.3	35°	2800
J	1.7	35°	2700

Some samples from outcrops were sent to laboratory for coal quality analysis. Results were included in the Dataroom and are given in **Table 3.2**. The results show that residual moisture ranges from ~3% (ar) to ~13% (ar), with ash from ~10% (adb) to ~18% (adb), sulphur from ~0.8% (adb) to ~3.6% (adb) and energy from ~5600 kcal/kg (ar) to ~6700 kcal/kg (ar). The moisture and energy results are typical of a sub-bituminous coal.

Table 3.2 Coal Quality

Sample Code	TM (% ar)	IM (% adb)	Ash (% adb)	VM (% adb)	FC (% adb)	TS (% adb)	CV (kcal/kg adb)	CV (kcal/kg ar)
OC- Kijang 03	2.7	1.4	18.3	16.1	64.2	3.65	6769	6680
OC 16	13.90	6.51	10.20	23.06	60.23	0.82	6086	5605
OC 13	13.99	6.56	10.18	23.13	60.13	0.82	6097	5612



MMC has the following comments regarding coal quality:

- Three (3) analyses from three (3) samples are not adequate to properly define potential coal quality.
- The reported coal quality covered only 2 of the 10 identified seams.
- There is one reported very high sulphur value of 3.65% (adb).
- There is one high ash value of 18.3% (adb).

We have not undertaken an independent field investigation to the concession. MMC is therefore unable to confirm the veracity of the reported seam intersections and coal quality data. Based on the limited information contained in the Dataroom MMC can make no comment regarding potential coal quality in the BIG concession.

We note the BIG Historical Owners Report Executive Summary included in the Dataroom contains the following comment regarding Development Risk Assessment:

- *“The area has complex geological modeling and rough terrain will address disadvantage in resources estimation in particular stripping ratio and mineable reserve,”*

MMC was not able to communicate directly with BIG and therefore was unable to get clarification of this statement (the English language version given above was a translation from the original Indonesian). From our own research we find no evidence that the geology at BIG is complex and see no reason why geology modeling should be complex.

3.4.2 Coal Quantities

The second mapping report given in the Dataroom includes an estimate of coal quantities. The estimates are exploration targets only, and not coal resources. The estimating methodology, including MMC comments, was generally as follows:

- used the results of outcrop mapping, given in **Table 3.1**, as the basis for estimating,
 - MMC accepts the outcrop mapping as having been done professionally and therefore the results should be reasonable for estimating,
- assumed the outcrop geometry, particularly seam thickness and seam dip, are consistent down to a depth of 150 m,
 - MMC identifies these assumptions as risks; it is unlikely that all outcrops mapped are continuous down to 150 m,
- estimated the length of each seam in the dip direction, by trigonometry using the individual seam dips given in **Table 3.1**,
 - MMC identifies these calculations as risks and potential inaccuracies, it is unlikely that all seams will be continuous over the entire dip length,
- multiplied seam strike length by seam dip length by seam thickness by an assumed default relative density (“RD”) to estimate coal quantities for each seam,
 - MMC accepts the methodology as reasonable for identifying exploration targets,
 - MMC was unable to duplicate the calculations and reproduce the coal quantity estimated by BIG; MMC calculations result in significantly less coal.

MMC cannot support the estimated coal quantity given in the BIG reports. We believe a reasonable exploration target, estimated by MMC using the same methodology and allowing for risks and calculation discrepancies, is 20 Mt to 30 Mt. All estimated coal quantities are based on Exploration Results and represent exploration targets. They are not classified as either Coal Resources or Coal Reserves. Potential coal quantities are conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of Mineral Resources.

Based on the limited information contained in the Dataroom MMC can make no comment regarding potential coal quality in the BIG concession.

3.5 Mining

Mining generally used in the East Kalimantan Province is haul back open cut coal mining using the truck/shovel mining method. During an initial box cut waste is normally hauled to ex-pit dumps located on the surface. Later, when space is available, waste is hauled back into the mined out area all waste dump areas, both in-pit and ex-pit, need to be rehabilitated.

In the BIG Area, an open cut operation would likely use hydraulic excavators and off road haul trucks of suitable size to mine both the coal and waste. The concession area has rough terrain, and multiple, thin seams with moderate to steep dips. Wastes would consist of both overburden overlying the coals, and interburden between the potentially numerous coal seams.

3.6 Infrastructure & Environment

The BIG Historical Owners Report Executive Summary included in the Dataroom contains the following comments regarding Development Risk Assessment:

- A BIG project would need to upgrade at least 40 km of haul road from the mine site to a Kayan River jetty, including approximately 21 middle size bridges.
- Coal stockpiles and barge loading facilities would need to be constructed at the Kayan River.
- Large (300 foot) barges would be required to haul coal 60 km along a river and offshore to ocean going coal ships.

The Kayan River passes in proximity to the BIG concession; as near as 35 km from a potential BIG coal mine. Portions of the river are navigable and are currently used for public transportation and commerce, primarily agricultural products, although no coal barging. Barging is a common form of coal transport in Indonesia. The Kayan River represents a potential route for transporting BIG coal, which would need further investigation.

From the information available, there appears to be little or no existing infrastructure near the concession to support a mining project.

3.7 BIG Conclusions

The following summarises MMC conclusions from a technical review of the BIG concession:

- The main coal bearing formation of potential economic significance is the Sembakung Formation. 100% of the concession area overlies the Sembakung Formation.
- Initial geological investigation (outcrop mapping) in the concession area has identified 10 coal horizons within the Sembakung Formation. The coal seams are categorised as multiple, thin seams with moderate to steep dips.
- As mapping has discovered 32 coal outcrops and identified 10 seams, MMC believes BIG has good coal prospectivity.
- We estimate an exploration target of 20 Mt to 30 Mt. All estimated coal quantities are based on Exploration Results and represent exploration targets. They are not classified as either Coal Resources or Coal Reserves. Potential coal quantities are conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of Mineral Resources.
- Based on the limited information contained in the Dataroom MMC can make no comment regarding potential coal quality in the BIG concession.

4. MMBP

4.1 Location and Concession

PT Mitra Maju Bangun Persada ("MMBP") holds a mining license permit (IUP) exploration number 437/K-IV/540/2010. The concession is located in the Antutan, Central Tanjung Palas Sub-districts, Bulungan Regency, approximately 340 km north of Samarinda, the provincial capital of the province of East Kalimantan, Indonesia. The concession lies in tropical rain forest with rough terrain and steep slopes with elevations ranging from 140 m to 280 m above sea level. The concession is shown in **Figure 4**. MMBP is located 25 km east of BIG concession, described in **Section 3** of this report.

An independent review of project permitting has not been carried out as part of this ITR.

4.2 History

An exploration permit was granted by local government to MMBP in 2010 covering 5,312 ha for a duration of 7 years.

The Dataroom did not contain any history for MMBP. MMC is not aware of any exploration either in the area generally or specifically in the MMBP concession, other than the exploration reported in **Section 3** of this ITR for the BIG concession.

4.3 Regional Geology

Kalimantan can be divided into several roughly east-west trending tectonic provinces. MMBP lies within the northeastern portion of the island of Kalimantan and is dominated by the Cretaceous and Eocene to Miocene Crocker-Rajang-Embaluh accretionary complex. This consists primarily of turbidites which were being shed northeastward off the Schwaner and younger volcanic arcs into a paralic to deep marine trench basin. These sediments were deformed and weakly metamorphosed during Cretaceous and Tertiary subduction and finally were intruded by late stage and post subduction intrusions of the Oligo-Miocene Sintang Group.

The Melawi-Ketungau basins and the Kutei basin formed along the southern margin of this complex during the Late Eocene and are separated from it by the Lupar-Lubok Antu and Boyan melange-ophiolitic zones. Tarakan and Sandakan basins are Tertiary basins developed in the northeast part of Kalimantan. Similar to Kutai basin, these basins are sourced by deltaic system from the Kalimantan mainland. The Barito basin formed at the same time but appears to have formed as a back-arc or continental Rift. The eastern margin of the Barito Basin is formed by the Meratus ophiolite. This was emplaced during the Middle Cretaceous, presumably during northwestward directed subduction. The Meratus ophiolite separates the Barito basin from Asem-asem basin in the southeastern portion of Kalimantan. Asem-asem basin is a Tertiary basin which converted eastward gradually to Paternoster carbonate platform.

The Tarakan Basin encompasses the basinal areas in north east Kalimantan. Tarakan Basin usually subdivided into four sub-basins: the Tidung Sub-basin, the Berau Sub-basin, the Tarakan Sub-basin, and the Muara Sub-basin. The Tarakan Basin is separated from the Kutei Basin by the Mangkalihat High or Arch. To the west the basin is terminated by the Sekatak-Berau High of the Central Ranges, the basin hinges on the Semporna High to the north, and opens eastwards and southeastwards into the Straits of Makassar.

Deposition in the Tarakan Basin commenced in the Middle Eocene, simultaneously with the rifting of the Makassar Straits which separates Sulawesi from Kalimantan. The basin subsided and opened to the east. The sea transgressed westwards and shallow marine shales of the Sembakung Formation were deposited, overlying the older Danna basement rocks. Tectonic inversion is almost absent in this basin.

4.4 Local Geology

The MMBP area is located in the Antutan, Central Tanjung Palas Sub-district, Bulungan Regency, East Kalimantan, which is an administrative district that occupies the western part of the Tarakan Basin. The MMBP coalfield contains potential coal bearing sediments of the Sembakung Formation and non-coal bearing sediments of the Birang Formation. A geology map showing the formations is given in **Figure 5**.

The Sembakung Formation comprises sandstone, claystone, siltstone, shale, limestone and bituminous /sub-bituminous coal. Fossil evidence indicates a range from Late Paleocene to Eocene age for the formation in a deltaic to deep marine environment. The formation has a thickness of approximately 1000 m.

The Birang Formation comprises limestone, tuff and sandy stone. There is no economic coal identified in the Birang Formation.

Considering only the Sembakung Formation, there are 1,450 ha of potential coal bearing area within the total MMBP area of 5,312 ha; representing 27% of the total area.

The MMBP concession area is located 25 km east of the BIG concession (reported in **Section 3**) and both concessions overlie the Sembakung Formation. There is potential to find coal within the Sembakung Formation. Further exploration work is required to adequately define the coal measures before prospective coal quantities can be estimated. Scout drilling, with a coal quality sampling programme, and further detailed outcrop mapping needs to be completed before any further assessment can be made regarding potential coal.

The Dataroom contained no information on potential coal quality at MMBP. However, some indication of potential coal quality for Sembakung Formation coal is given in **Section 3.4** relating to the BIG concession.

4.5 Mining

Mining generally used in the East Kalimantan Province is haul back open cut coal mining using the truck/shovel mining method. During an initial box cut waste is normally hauled to ex-pit dumps located on the surface. Later, when space is available, waste is hauled back into the mined out area. All waste dump areas, both in-pit and ex-pit, will need to be rehabilitated.

In the MMBP area, an open cut operation would likely use hydraulic excavators and off road haul trucks of suitable size to mine both the coal and waste. The concession area has relatively rough terrain. If it is similar to BIG it will contain multiple, thin seams with moderate to steep dips. Wastes would consist of both overburden overlying the coals, and interburden between the potentially numerous coal seams.

4.6 Infrastructure & Environment

There is no information in the Dataroom relating to infrastructure or environment at MMBP. Being in the same region as the BIG concession, we assume that MMBP also has no existing infrastructure and would require major development of all infrastructure in order to develop a coal project. This would likely include:

- A haul road from site to a river jetty.
- Coal stockpiles and barge loading facilities adjacent to the river.
- Large (300 foot) barges would be required to haul coal along a river and offshore to ocean going coal ships.

The Kayan River passes in proximity to both the BIG and MMBP concessions; as near as 35 km from a possible MMBP coal mine. Portions of the river are navigable and are currently used for public transportation and commerce, primarily agricultural products, although no coal barging. Barging is a common form of coal transport in Indonesia. The Kayan River represents a potential route for transporting MMBP coal, which would need further investigation.

4.7 MMBP Conclusions

The following summarises MMC conclusions from a technical review of the MMBP concession:

- The main coal bearing formation of potential economic significance is the Sembakung Formation. Approximately 27% of the total concession area overlies the Sembakung Formation.
- MMC believes MMBP has reasonable coal prospectivity. There is not enough information to estimate an exploration target.

5. KARIN

5.1 Location and Concessions

The Karin Concession is located in the Barito Utara Regency, approximately 150 km northeast of Palangkaraya, the provincial capital of the province of Central Kalimantan, Indonesia. Karin is made up of only 1 concession, shown in **Figure 6**.

Details of the concession are given in **Table 5.1**. The Dataroom contained the IUP for PT Karindangan.

Table 5.1 Karin Concession

Company Name	Area (ha)	Date Signed	Term
PT Karindangan (Karindangan)	2,586	25 Feb 2010	4 Years

The concession area is generally flat lying at low elevations: Karindangan from 20 m to 90 m above sea level.

An independent review of permitting has not been carried out as part of this ITR.

5.2 History

The main source of information contained in the Dataroom is a presentation titled, “*GMX/Corpac Pty Ltd North Barito Coal Project Technical Review*”, by PT Runge Indonesia (“PTRI”), dated 18 October 2011.

PTRI is a wholly owned subsidiary of Runge Limited of Australia; which is also the parent company for Minarco-MineConsult. MMC has considered the matter of a potential conflict of interest in reviewing a report compiled by a related company and has concluded that we are not conflicted as we have only used the earlier PTRI report as a source of information.

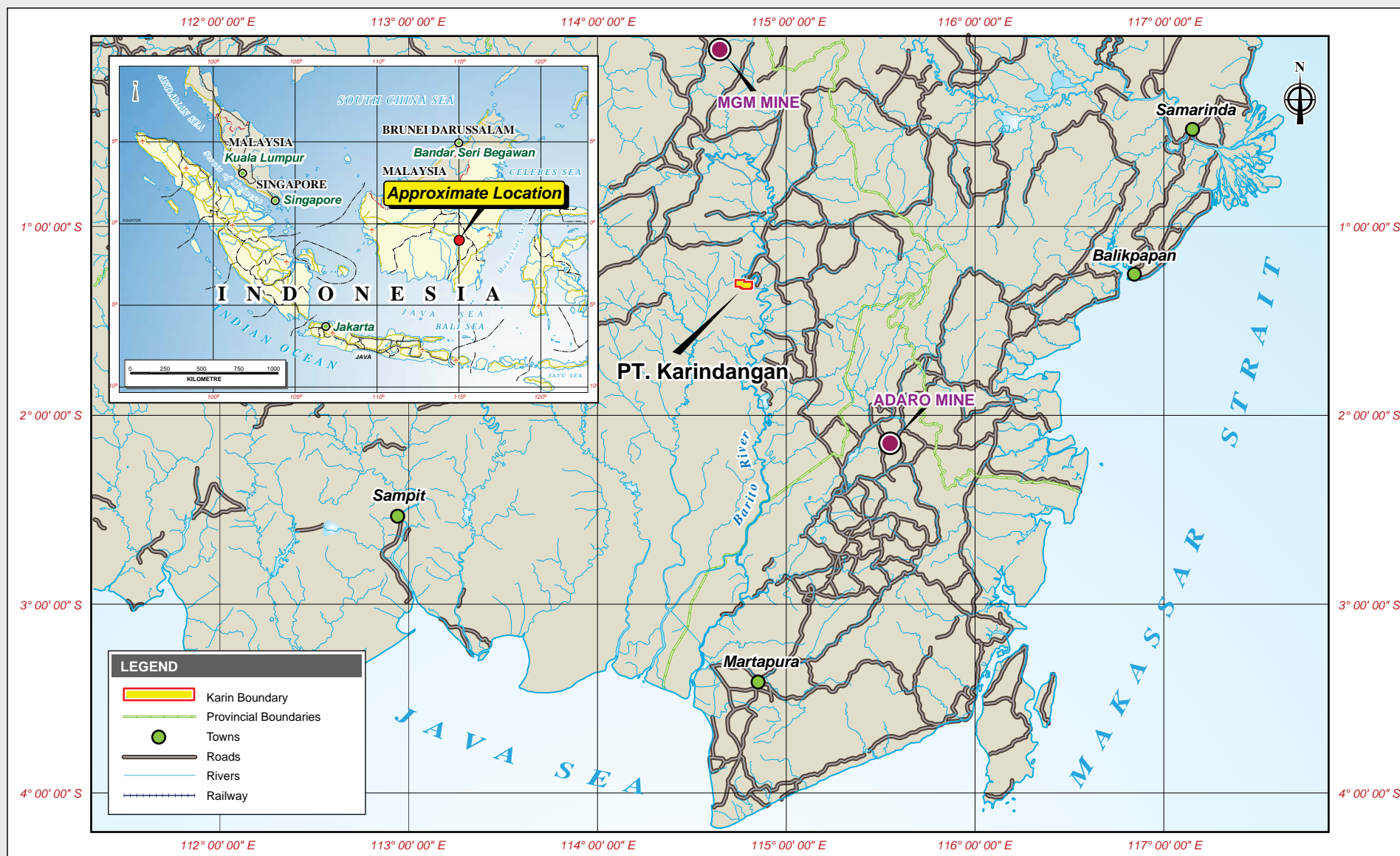
The work undertaken by PTRI was:

- held discussions with client,
- collected and reviewed available data,
- provided professional technical opinion where applicable, and
- provided a summary presentation style report.

The PTRI report covered 3 separate concessions in the same region, one of which was Karindangan. While information for the other concessions is useful from a regional perspective, the only directly relevant information is that related to Karindangan.

5.3 Regional Geology

Kalimantan can be divided into several roughly east-west trending tectonic provinces. Karin lies within the southern portion of the island of Kalimantan and is dominated by the Cretaceous and Eocene to Miocene Crocker-Rajang-Embaluh accretionary complex. This consists primarily of turbidites which were being shed northeastward off the Schwaner and younger volcanic arcs into a paralic to deep marine trench basin. These sediments were deformed and weakly metamorphosed during Cretaceous and Tertiary subduction and finally were intruded by late stage and post subduction intrusions of the Oligo-Miocene Sintang Group.



The Melawi-Ketungau basins and the Kutei basin formed along the southern margin of this complex during the Late Eocene and are separated from it by the Lupar-Lubok Antu and Boyan melange-ophiolitic zones. Tarakan and Sandakan basins are Tertiary basins developed in the northeast part of Kalimantan. Similar to Kutai basin, these basins are sourced by deltaic system from the Kalimantan mainland. The Barito basin formed at the same time but appears to have formed as a back-arc or continental Rift. The eastern margin of the Barito Basin is formed by the Meratus ophiolite. This was emplaced during the Middle Cretaceous, presumably during northwestward directed subduction. The Meratus ophiolite separates the Barito basin from Asem-asem basin in the southeastern portion of Kalimantan. Asem-asem basin is a Tertiary basin which converted eastward gradually to Paternoster carbonate platform.

The Barito Basin is situated along the southeastern margin of the Schwaner Shield in South Kalimantan. The basin is defined by the Meratus Mountains to the east and separated from the Kutei Basin to the north by a flexure related to the Adang Fault. The basin has a narrow opening to the south towards the Java Sea. The Barito Basin is an asymmetric basin, forming a fore-deep in the eastern part and a platform approaching the Schwaner Shield towards the west. The Barito Basin commenced its development in the Late Cretaceous, following a micro-continental collision between the Paternoster and SW Borneo micro-continents. Early Tertiary extensional deformation occurred as a tectonic consequence of that oblique convergence. This produced a series of NW–SE trending rifts. These rifts became accommodation space for alluvial fan and lacustrine sediments of the Lower Tanjung Formation, derived from horst areas. The Late Oligocene is characterised by the deposition of platform carbonates of the Beraí Formation. In the late Miocene the Meratus Mountains re-emerged, followed by the isostatic subsidence of the basin which was situated in a foreland position in relation to the rising mountains. Sediments shed from this uplift were deposited in the subsiding basin, resulting in the deposition of thousands of meters of the Warukin Formation.

5.4 Local Geology

The Karin Concession is located the Barito Utara Regency, Central Kalimantan, which is an administrative district that occupies the Barito Basin. The Karin coalfield contains coal bearing sediments of the Tanjung Formation, Warukin Formation and Montalat Formation and non-coal bearing Alluvium sediments. Geology is illustrated in **Figure 7**. Karindangan overlies the Warukin Formation and alluvial deposits.

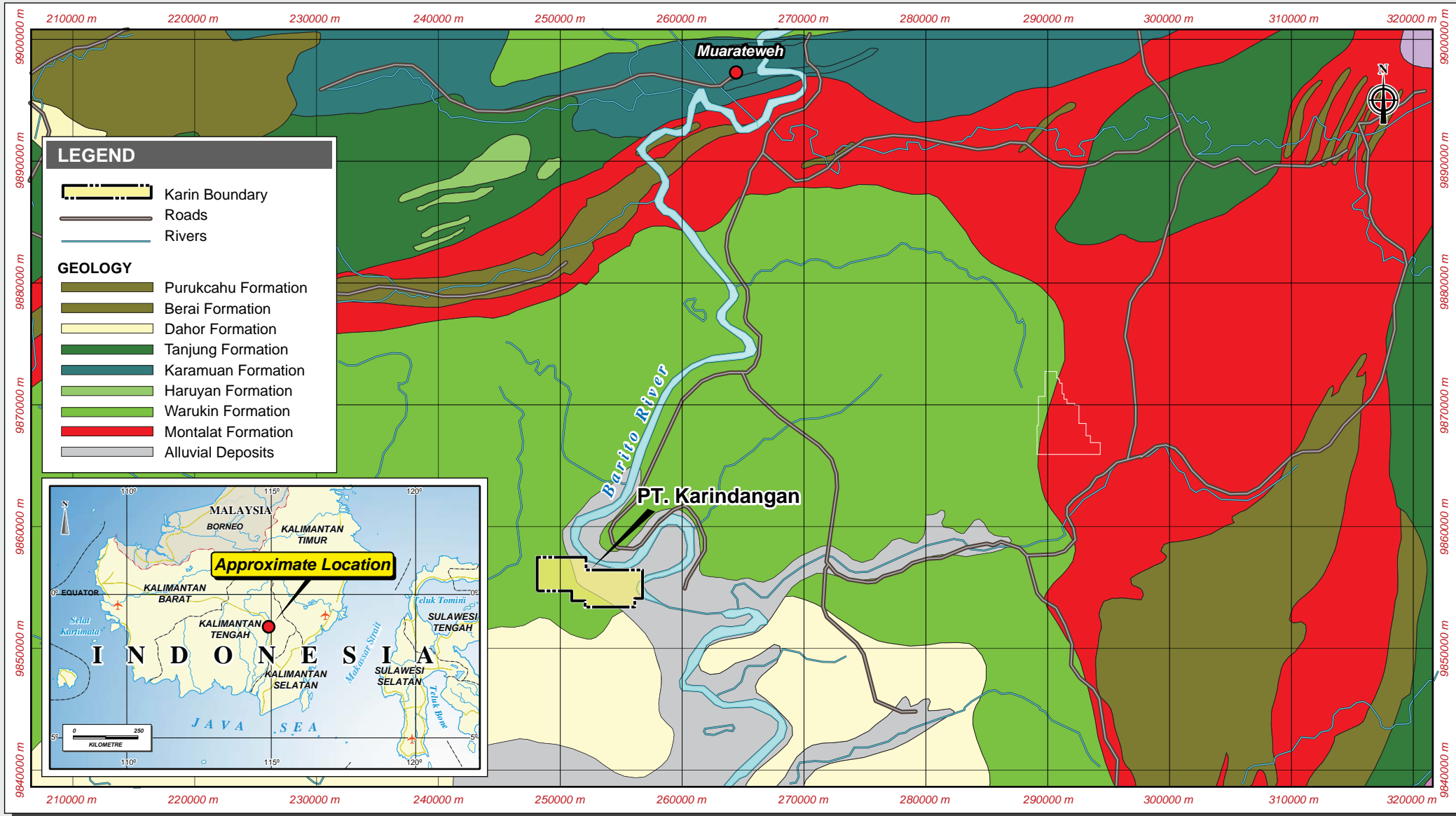
The Tanjung Formation comprises Sandstone (quartz), claystone, siltstone, Interbedded quartz sandstone, claystone and siltstone and interbedded limestone and conglomerate. Thin coal seams, some pyritic, are well bedded. Fossil evidence indicates late Eocene age for the formation in a littoral environment. The formation has a thickness of approximately 1000 m. The Tanjung Formation is conformably overlain by Tuyu and Ujoh Bilang Formations and correlate with Kuaro Formation and Kiham-Haloq Sandstone.

The Warukin Formation comprises quartz sandstone laminations, claystone, shale and limestone. The formation contains a number of thick seams with low energy coal. The Warukin Formation is estimated to be 250 m to 750 m thick, depending on the location and contains fossils of *Miogypsina* sp., *Cyclolypeus* sp., and *lepidocyclina* cf. *sumatrensis*, which are estimated to be of Middle Miocene to Late Miocene age. The formation style and fossil content indicates deposition in a littoral to paralic environment.

The Montalat Formation comprises sandstone (quartz) intercalated by carbonaceous claystone and shaly siltstone. Thin coal seams, some pyritic, are well bedded. Fossil evidence indicates Oligocene age for the formation in a shallow and open marine neritic environment. The formation has a thickness of approximately 1400 m. The Montalat Formation is conformably underlain by the Tanjung Formation and interfingers with the Beraí Formation.

The nearest coal project to the Karin concession is the SMM Project of PT Suprabari Mapanindo Mineral (“SMM”) located approximately 30 km north of Karindangan. Production of semi-hard coking coal and high energy steaming coal is expected from 2012. The coal at the SMM Project is contained in the Tanjung and Montalat Formations; notably not the Warukin Formation. The high quality coals were created by basalt intrusions of Kasale Volcanic which altered the sub-bituminous coal into higher quality coal.

The MGM Project of PT Marunda Grahamineral is located approximately 100 km to the north of SMM (see **Figure 6**). Public domain information suggests MGM is an operating mine supplying good quality coking coal.



Another nearby currently operating coal mine is the Adaro Mine of PT Adaro Energy Tbk (“Adaro”) located 150 km southeast of Karin. It has a large resource and a large mineable reserve, with capacity to produce around 42 Mtpa of coal. The coal at Adaro is from the Warukin Formation and is ranked low ash and low sulphur sub-bituminous coal.

The percentage area of these formations in the Karin concession is shown in **Table 5.2**. Approximately 50% of the total concession area overlies coal bearing formation, with the remainder overlying alluvial deposits.

Table 5.2 – Karin Geological Formation Percentages

Company Name	Area (ha)	Tanjung Formation (%)	Warukin Formation (%)	Montalat Formation (%)
PT Karindangan	2,586	0%	50%	0%

The Dataroom did not include a geology report, or outcrop plan, or a document with exploration results for the Karindangan Area.

MMC has not been provided with any estimates of coal exploration targets for the Karin concession. It is uncertain if further exploration will result in the determination of Mineral Resources.

50% of the Karindangan concession overlies the coal bearing Warukin Formation which is known to contain thick, sub-bituminous coal seams. The remaining 50% overlies alluvium. The potential to find coal in the Karindangan area is considered reasonable since 50% of the total concession overlies the Warukin Formation.

5.5 Mining

Mining generally used in the Central Kalimantan Province is haul back open cut coal mining using a truck/shovel mining method. After the initial box cut waste is hauled to ex-pit dumps located on the surface, waste is hauled back into the mined out area, when pit void space is available. All dump areas, both in-pit and ex-pit, will need to be rehabilitated.

5.6 Infrastructure & Environment

MMC believes there will likely be some environmental issues to be addressed, as with any new Indonesian mining development, but the Dataroom documentation identifies no specific issues.

The Barito River passes adjacent to the Karin concession. The straight line distance from the Karin site to a potential offshore anchorage is approximately 250 km, or approximately 500 km along the winding path of the river. Portions of the river are navigable and are currently used for public transportation and commerce, primarily agricultural products, and importantly, coal barging. Barging along the Barito River is illustrated in **Exhibit 1**.

In the Karin concession area the Barito River is approximately 20 m above sea level. With a distance to the coast of 500 km this means the gradient of the river is 1:25000.

Exhibit 1 – Coal Barging on the Barito River

The river experiences significant variations in water levels, and is not open to barges year round. Barging is a common form of coal transport in Indonesia, so the Barito River represents a potential route for transporting Karim coal which would need further investigation.

5.7 Karim Conclusions

The following summarises MMC conclusions from a technical review of the Karim concessions:

- The main coal bearing formations of potential economic significance in the region are the Tanjung, Warukin and Montalat Formations. Approximately 50% of the total concession area overlies the coal bearing Warukin Formation.
- There is no exploration data within the Karindangan area. However, 50% of Karindangan area overlies the coal bearing Warukin Formation. MMC considers Karindangan has reasonable prospectivity.
- There is not enough data to estimate exploration targets.

6. DAMANKA

A technical review of a fifth concession, known as Damanka, has been commenced and is ongoing. MMC includes preliminary findings for Damanka in this ITR, but MMC emphasises that the review is incomplete and these findings are only preliminary. Damanka is not one of the Relevant Assets.

6.1 Location and Concession

PT Damanka Prima holds a Coal Contract of Work, ("CCOW") Generation III, No. 540.1/K.493/HK/V/2010. The concession ("Damanka") is located in the Sangatta and Bengal Districts, Kutai Timur Regency, approximately 120 km north of Samarinda, the provincial capital of the province of East Kalimantan, Indonesia. The concession location is shown in **Figure 1**.

An independent review of project permitting has not been carried out as part of this ITR. A site visit has not been undertaken.

6.2 History

An exploration permit was granted by local government to Damanka in 2003. In 2010, Coal Contract of Work, ("CCOW") Generation III was awarded to PT Damanka Prima covering 4,923 ha and lasting for a period of 8 years.

Small scale mining operations reportedly took place in 2010 with total coal production of less than 100,000 tonnes. This was followed in 2011 once again by mining of less than 100,000 tonnes.

Public domain information reveals the Mining & Energy Office of East Kutai Regency temporarily halted mining activity following Damanka's failure to fulfil the administrative and technical requirements of good mining practices. Information suggests this was specifically related to hauling coal on public roads without appropriate permits. We have no firm evidence that mining has commenced again, though there are unconfirmed reports that the temporary halt has been removed.

6.3 Regional Geology

Kalimantan can be divided into several roughly east-west trending tectonic provinces. Damanka lies within the northern portion of the island of Kalimantan and is dominated by the Cretaceous and Eocene to Miocene Crocker-Rajang-Embaluh accretionary complex. This consists primarily of turbidites which were being shed northeastward off the Schwaner and younger volcanic arcs into a paralic to deep marine trench basin. These sediments were deformed and weakly metamorphosed during Cretaceous and Tertiary subduction and finally were intruded by late stage and post subduction intrusions of the Oligo-Miocene Sintang Group.

The Kutei Basin, at the southern margin of the northern portion of the island of Kalimantan, is the largest (165,000 km²) and the deepest (12,000 m – 14,000 m) Tertiary sedimentary basin in Indonesia. It developed primarily along an arm of the Makassar rift system while the Melawi-Ketungau basins and the Upper Kutei basins occupy more of a fore-arc to intra-arc position with Tertiary volcanism. The basin is bounded to the north by the Mangkalia High; to the south the basin hinges on the Adang-Flexure (Adang-Paternoster Fault); to the west it is terminated by the Kuching High, part of the Kalimantan Central Ranges; and to the east it opens into the Strait of Makassar.

One of the stratigraphic phases in Kutei Basin development was contemporaneous with basin uplift and inversion, which started in Early Miocene time. During that time, a vast series of alluvial and deltaic deposits were deposited in the basin. They comprise deltaic sediments of the Pamaluan, Pulubalang, Balikpapan and Kampung Baru Formations, prograding eastwards, which range in age from the Early Miocene to Pleistocene times. All of these Formations contain coal sediments, as demonstrated by other mining operations in the region. Deltaic deposition continues to the present day, and extends eastwards into the offshore Kutei Basin.

6.4 Local Geology

The Damanka area is located in the Sangatta and Bengalon District, Kutai Timur Regency, East Kalimantan, which is an administrative district that occupies the north margin of the Kutei Basin. The Damanka coalfield contains coal bearing sediments of the Balikpapan and Kampung Baru Formations. A geology map showing the formations is given in **Figure 8**.

The Balikpapan Formation comprises quartz sandstone and claystone with intercalations of siltstone, shale, limestone and bituminous/sub-bituminous coal. Fossil evidence indicates a range from Middle to Late Miocene age for the formation in a deltaic to littoral and shallow marine environment. The formation has a thickness of approximately 1,800 m with fold dips commonly between 35°- 50° and unconformably underlies the Kampung Baru Formation.

The Kampung Baru Formation is quoted to be of Late Miocene to Plio-Pleistocene age, deltaic to shallow-marine depositional environment with a thickness estimated at more than 500 m. It consists mainly of conglomerate, claystone, siltstone and minor coal. The conglomerate contains fragments of quartz, chalcedony, red shale, and clay. The clay is dark grey to blackish and contains plant remains, coal fragments, and corals. The silt is dark grey, slaty, and laminated. The thickness of the lignite coal is generally 1 m – 2 m.

Initial assessment reveals that less than 20% of the Damanka concession overlies the Balikpapan Formation. There is no economic coal identified in the Kampung Baru Formation.

It has been demonstrated that the concession contains 6 identified coal seams; 3 major coal units are considered to be of potential economic significance.

6.4.1 Exploration, Geological Data and Modelling Process

Drilling exploration has been limited to an area of approximately 50 ha at the southern part of the lease. The drilling programme commenced in September 2007 with a range of total borehole depths from 14 m to 70 m. There were 6 seams of coal identified in the southern portion of the lease with seam dips ranging from 30° to 35°. Recorded individual ply thickness varies between 0.5 m and 3 m, however there are no geophysical logs. All of the seam intersections are determined from borehole cuttings and borehole core data. A total of 27 boreholes were drilled for a total of 1092.4 m, with 382 m of “full and touch coring” cored sample taken. These samples were sent to a laboratory for coal quality analysis.

MMC has the following preliminary opinions regarding coal quality, gained from a review of available Dataroom information:

- Reported coal energies vary from 5,800 kcal/kg to 6,000 kcal/kg on an air-dried basis. Adjusted to an as-received basis the energies range from 4,850 kcal/kg to 5,400 kcal/kg.
- MMC believes that the ash content of the Balikpapan Formation in the region is between 3% and 5% (adb).
- There is evidence of high sulphur. This could be a material concern and could require careful mining and blending to get a lower sulphur product coal suitable for markets.

The concern with Damanka coal will be the combination of relatively low energy and high sulphur. It may be difficult to continually find markets for this coal.

6.4.2 Coal Quantities

Mincom geological software was used by the project owners to build a geological model and estimate coal tonnage. The geological model was not provided in the Dataroom. The coal quantity estimates have not been reported in accordance with the JORC Code. MMC considers they cannot be considered as exploration targets and therefore cannot be reported in this ITR.

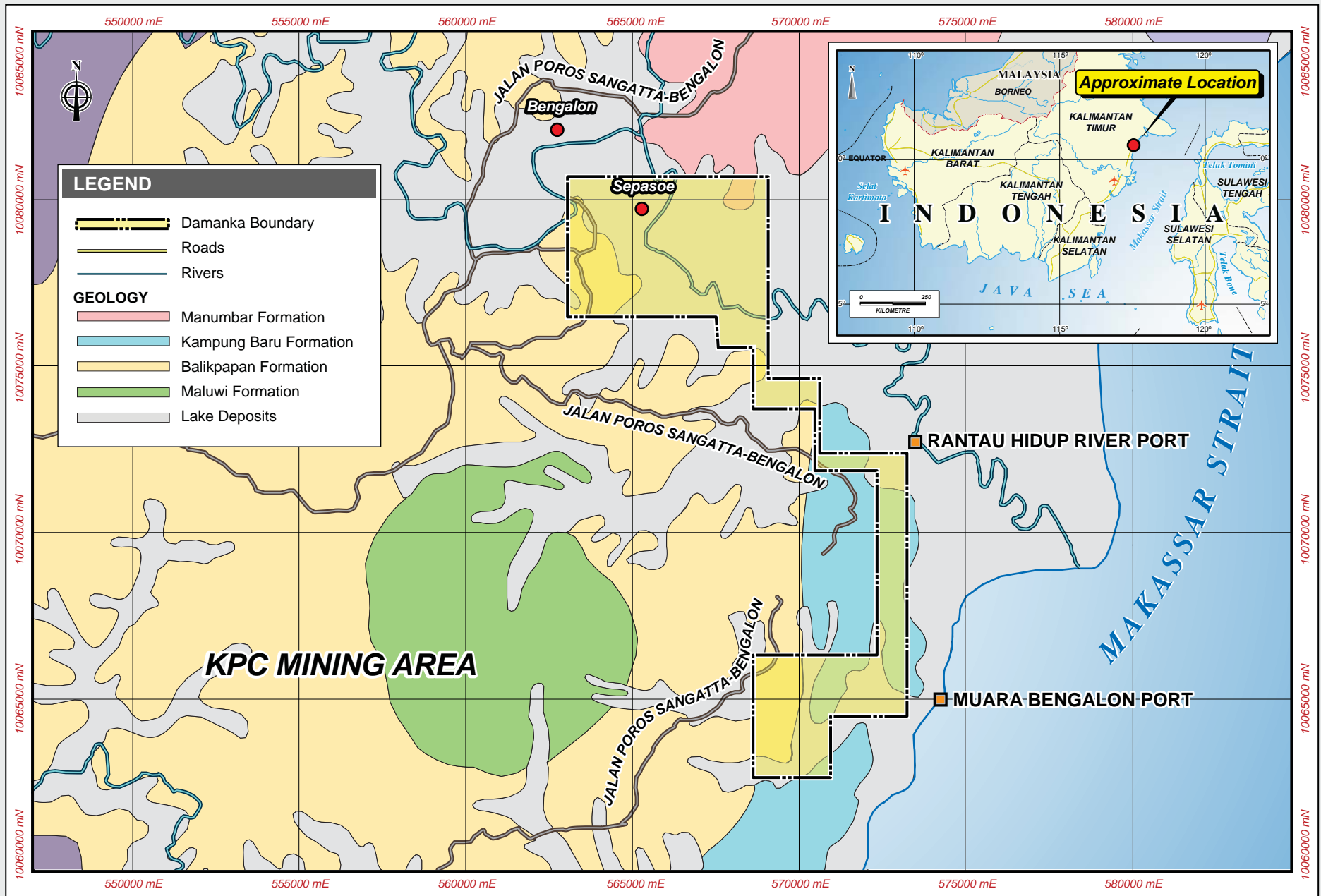


Figure No.8 REGIONAL GEOLOGY - DAMANKA CONCESSION

Project : **INDONESIAN COAL ASSETS**

Client : **EXALT RESOURCES LIMITED**

Job No. ADV-SY-03894

Date : June 2012

6.5 Mining

During 2010 and 2011 Damanka is reported to have mined approximately 170,000 tonnes of coal, with coal sales of approximately 138,000 tonnes. It is assumed that the difference between mined coal and sales must be in stockpile. There is no evidence of a coal wash plant at Damanka.

MMC found no descriptive text to explain the historical coal production. From the schedules we infer the following:

- mining commenced in June 2010,
- we see no evidence of any mining after September 2011, and
- mining has been very sporadic, with monthly output varying between zero and 45,029 t (June 2010).

MMC has no explanation for the sporadic nature of mining. This is subject to further independent technical review.

There are 4 mining pits identified in the documentation, all located in the south of the concession within a relatively small area. The pits generally dip from west to east at a low wall angle of 20° to 30° following the bedding of the coal seams. Highwalls along the eastern side of the pits are at 40° to 45° slope.

Damanka has estimated coal quantities in these pits and forecast coal production over a period of 5 years. The ongoing technical review of the concession will hopefully reveal the methods of estimation used so that MMC can report the estimates.

Calculated strip ratios in the order of 10:1 bcm/t are not inconsistent with other coal mines in the region, including KPC to the southwest, but are considered high for sub-bituminous coal economic viability.

Shipping coal quality information was made available in the Dataroom. In particular, Certificates of Sampling and Analysis were given for 2 shipments; in May 2011 destined for China and in June 2011 bound for India.

The shipping certificates show that shipped coal quality is generally consistent with geological quality estimates, with 2 exceptions:

- Ash of shipped coal is higher than geological estimates. This could be expected as the seams are relatively thin resulting in a significant amount of dilution in the mined ROM coal. Dilution, by definition, is considerably higher in ash than the pure coal.
- Total sulphur is generally consistent with sulphur estimates, though at the high end of the range of laboratory results.

Shipping certificates indicate a net coal value of approximately US\$65/t FOB. This would appear generally consistent with current world coal pricing, allowing for energy adjustment and possible discounts for high sulphur.

6.6 Infrastructure & Environment

The Dataroom included very little comprehensive and relevant documentation relating to on-site infrastructure, off-site infrastructure, or environmental management.

The limited information available relating to infrastructure suggests the following:

- A site office and workshop are located at the mine, including an accommodation camp for employees, a canteen and a mosque.
- There are 3 power sets to generate 540 kW.
- Currently, coal transport from the mine site to port is by trucking a distance of 12 km northeast to the Rantau Hidup river port facility; 10 km of which is public road. From there, coal is loaded onto barges for transport offshore to a coal ship loading point.

- A coal stockpile area and a port facility area approximately 7 km from the mine are both owned by Damanka.
- A new port facility, Muara Bengalon, is under construction and was approximately 80% complete at 3rd quarter 2011.
- Damanka has utilised the Rantau Hidup river port facility temporarily to ship coal mined in 2010 and 2011.

The limited information available relating to environmental management suggests the following:

- The Dataroom includes an Environmental Management Plan for 2010. The Plan appears comprehensive, well prepared, and addresses all of the most probable environmental issues, including:
 - water quality and management,
 - air quality,
 - noise,
 - land management/erosion,
 - rehabilitation, and
 - social environment.
- Other Dataroom information suggests that Environmental management is primarily separation of topsoil and other materials, so that topsoil can be used to rehabilitate disturbed lands.
- There are two active sediment ponds to control water quality. At the end of September 2011, water quality had not yet met government regulation.
- There is no evidence of any rehabilitation that has been done by Damanka. The rehabilitation process was planned to start in December 2011. Rehabilitation of these areas represents a potential Damanka liability.
- It is understood from public domain information that hauling along public roads is problematic, though the Dataroom contained no specific information on this subject.
- Public domain information reveals the Mining & Energy Office of East Kutai Regency temporarily halted mining activity following Damanka's failure to fulfil the administrative and technical requirements of good mining practices. We understand this was specifically related to hauling coal on public roads without appropriate permits.
- Exalt has advised of unconfirmed press reports in the Indonesian media indicating that ...*"Regency administration of East Kutai stated PT Damanka Prima Coal, subsidiary of PT ATPK Resources Tbk (ATPK), may resume its operation with the settlement on the 'good mining practices' and administrative issues"*.

We note specifically that this ITR did not include an environmental audit. We can make no detailed comment on Damanka's overall environmental performance. We recognise that this represents a risk if it proves that there are potential financial liabilities for building environmental structures, for penalties/fines incurred, or for remediation requirements.

6.7 Damanka Conclusions

The following summarises MMC conclusions from a technical review of the Damanka concession:

- The Damanka review is incomplete and these findings are only preliminary.
- The main coal bearing formation of potential economic significance at Damanka is the Balikpapan Formation. Less than 20% of the total concession area overlies the Balikpapan Formation.
- Approximately 170,000 t has reportedly been mined.
- There are opportunities to find additional coal within the Balikpapan Formation in the southern parts of the concession, and also potentially in the north. We believe Damanka has good coal prospectivity.
- Damanka coal is relatively low energy and high sulphur. It may be difficult to find ongoing markets for this coal.
- Shipping certificates indicate a net coal value of approximately US\$65/t FOB. This would appear generally consistent with current world coal pricing, allowing for energy adjustment and possible discounts for high sulphur.
- Public domain information reveals the Mining & Energy Office of East Kutai Regency temporarily halted mining activity following Damanka's failure to fulfil the administrative and technical requirements of good mining practices. We understand this was specifically related to hauling coal on public roads without appropriate permits.
- Exalt has advised of unconfirmed press reports in the Indonesian media indicating that ...*"Regency administration of East Kutai stated PT Damanka Prima Coal, subsidiary of PT ATPK Resources Tbk (ATPK), may resume its operation with the settlement on the 'good mining practices' and administrative issues"*.
- This ITR did not include an environmental audit. We can make no detailed comment on Damanka's overall environmental performance. This represents a risk if it proves that there are potential financial liabilities for building environmental structures, for penalties/fines incurred, or for remediation requirements.

Annexure G

Summary of agreements in relation to the Projects

1. Project BIG - Share Purchase Agreement

Odni has entered into the BIG Agreement. The BIG Company holds exploration IUP No: 467/K-IV/540/2010 (**BIG IUP**).

(a) Consideration for BIG Shares

As consideration for the BIG Shares, Odni will pay the BIG Sellers an amount equivalent to US\$1.00 per metric tonne of BIG Verified Reserve (defined below).

In 2011, the BIG Sellers entered into an option agreement with Ruck (a shareholder of Odni) pursuant to which Ruck or Ruck's nominee was granted an option to enter into a share purchase agreement to purchase the BIG Shares. Ruck has paid the BIG Sellers an option fee of US\$100,000 under this option agreement. This option agreement has since expired. A non-refundable deposit of US\$100,000 was paid to the BIG Sellers on the signing of the BIG Agreement and Odni will pay another non-refundable deposit of US\$200,000 by 31 August 2012. The amount of these deposits, together the option fee paid by Ruck, will be deducted from the purchase price payable to the BIG Sellers on completion of the BIG Share purchase.

Odni can choose to have some or all of the BIG Shares transferred to a nominee on completion. If Odni nominated Exalt or another public company, Odni can elect to pay the purchase price in a mix of cash and Shares.

The purchase price shall only be paid upon satisfaction of the conditions precedent (set out below).

(b) Conditions precedent to completion

The completion of the BIG Agreement and the payment of the purchase price are conditional on following:

- (i) Odni completing, to its satisfaction, due diligence on the BIG Company;
- (ii) establishment of at least an eight million metric tonne of coal reserve under the JORC code by a competent person (**BIG Verified Reserve**);
- (iii) Odni paying the deposits;
- (iv) the shareholders of the BIG Company approving the transfer of the BIG Shares to Odni including waiving any pre-emptive rights and rights of first refusal;
- (v) the BIG Sellers having received and provided to Odni spousal consents for each of the BIG Sellers to execute the BIG Agreement and the transactions contemplated by the BIG Agreement;

- (vi) the parties having obtained all necessary local, state or federal government body approvals and all other consents and approvals required for completion of the purchase of the BIG Shares;
- (vii) the BIG Sellers having procured the BIG Company to make the necessary written announcements with respect to the change of control of the BIG Company including in an Indonesian newspaper with national circulation and to employees of the BIG Company;
- (viii) the BIG IUP being validly converted into a production operation IUP (at Odni's cost) in accordance with all applicable Indonesian laws;
- (ix) amending the BIG Company's articles of association in a form approved by Odni to permit foreign ownership, an increase in capital and a change in the business scope to mining coal;
- (x) the BIG Company having obtained (at Odni's cost) any consent required from any government body for the transfer of the BIG Shares, including to change the status of the BIG Company to a foreign investment company;
- (xi) the BIG Company having complied with all obligations under the BIG IUP and under all relevant laws;
- (xii) the BIG IUP being listed on the mining register held by the Minister of Energy and Mineral Resources in Indonesia as a "*clean and clear*" tenement and, if required, by the Minister of Energy and Mineral Resources, the BIG IUP being converted into a production operation IUP issued by the Minister of Energy and Mineral Resources;
- (xiii) the BIG Company having submitted and applied to the Minister of Energy and Mineral Resources in Indonesia for a "*clean and clear certificate*";
- (xiv) each of the parties having executed a deed of transfer of the BIG Shares in accordance with all applicable laws and the BIG Company's articles of association;
- (xv) the BIG Sellers having obtained, and provided to Odni, a letter issued by the Ministry of Forestry in Indonesia confirming that forestry permits for less than 10% of the relevant forest area in the region have been applied for as at a date which is no more than 30 days before completion;
- (xvi) the BIG Company having entered into formal co-operation agreements, on terms satisfactory to Odni, with all companies which have areas of overlap with the BIG Company's areas of the BIG Verified Reserve;
- (xvii) the issuance (at Odni's cost) of a borrow-use permit from the Ministry of Forestry for all exploration activities in the BIG IUP area, as well as any relevant environmental permits, in favour of the BIG Company within six months of the date of the BIG Agreement and the issuance of a borrow-use permit permitting full production in the areas of the BIG Verified Reserve in favour of the BIG Company;
- (xviii) the BIG Company having appointed a drilling contractor selected by Odni, and the drilling contractor having conducted a drilling program to an extent and in a manner directed by Odni (at its discretion and cost);

- (xix) the BIG Company's shareholders rectifying its non-compliance with convening annual general meetings in accordance with applicable Indonesian law;
- (xx) the BIG Sellers having delivered to Odni's lawyers the BIG Company's complete company register of shareholders and share certificates within 30 days of signing the BIG Agreement; and
- (xxi) each of the representations and warranties of the BIG Sellers being true, accurate and not misleading as at completion.

Odni has the discretion to waive any of the above conditions precedent.

Completion of the BIG Agreement will take place two business days after the conditions precedent outlined above are either satisfied or waived, but in any event will not be later than 270 days after the date of the BIG Agreement, i.e. by 14th March 2013. The parties can agree to extend this date. Exalt believes that, if required, this date can be extended as it is the BIG Seller's obligation to fulfil the conditions precedent and is in the BIG Sellers' interest to extend the date, otherwise the BIG Sellers will be in breach of the BIG Agreement.

If the conditions precedent are not satisfied or waived by 14th March 2013, Odni may terminate the BIG Agreement. Either party may terminate the BIG Agreement if the satisfaction of any of the conditions precedent becomes impossible or impracticable to satisfy or if there has been a material breach of the BIG Agreement.

(c) Exploration

Odni will fund the all costs in connection with the drilling contractor for the drilling work activities based on a drilling work program.

(d) Other

The BIG Sellers have provided Odni with limited warranties in relation to the BIG Shares and BIG Company. The BIG Sellers have provided undertakings in relation to the management of the BIG Company and the BIG Shares, including not issuing any further securities, create any encumbrances over the BIG Shares or encourage or accept any other offers to purchase the BIG Shares. Each party indemnifies the other against a liability arising from a breach of by that party of the BIG Agreement.

The BIG Agreement is governed by the law of Indonesia.

2. Project MMBP – Option Agreement

Odni has entered into the MMBP Agreement pursuant to which the MMBP Sellers grants Odni an exclusive option to purchase 100% of the MMBP Shares from the MMBP Sellers. The MMBP Company holds exploration IUP No: 437/K-IV/540/2010. An option fee of US\$75,000 was paid on the signing of the MMBP Agreement.

Odni may negotiate and enter into share purchase agreement in relation to the MMBP Shares during the MMBP Option Period. Odni is confident of being able to achieve

this 30th August 2012 deadline, particularly as the material commercial terms to be included in the proposed Sale and Purchase Agreement have been agreed. Further, Odni is confident that if for some reason, the Sale and Purchase Agreement has not been entered into by this date, the MMBP Sellers, acting reasonably, would grant an extension to this date.

The parties will cease all negotiations concerning the MMBP Shares on expiry of the MMBP Option Period if they have not signed a share purchase agreement in relation to the MMBP Shares. Further, Odni may, at its absolute discretion, withdraw from the transaction without any cost, loss, liability or obligation to pay any further amounts under the MMBP Agreement.

(a) Due diligence

During the MMBP Option Period, Odni may (at its sole cost and expense) conduct financial, legal and technical due diligence in relation to the MMBP Company and its assets and financial records, including site visits and exploration drilling for the purpose of proving a reserve under the JORC Code. The MMBP Sellers will (at its cost) provide Odni and its employees and professional advisors access to MMBP Company's records, areas covered by the IUP and relevant documentation.

The parties will hold regular meetings to discuss the progress of the due diligence.

(b) Terms of share purchase agreement

Unless otherwise agreed between the relevant parties, the proposed share purchase agreement will incorporate the following terms:

- (i) (*Conditions Precedent*) The completion of the purchase of the MMBP Shares by Odni and the payment of the purchase price is conditional on all industry standard conditions precedent for the acquisition of shares in a mining company in Indonesia, including the carrying out and obtaining or satisfaction, at the MMBP Sellers' expense, of:
 - (A) legal, financial and technical due diligence to Odni's satisfaction;
 - (B) establishment of a reserve, under the JORC Code, of at least eight million metric tonnes of coal with a heating value of at least 5500 kcal/kg and a sulphur content no exceeding 1.3% (MMBP Coal) unconditionally verified by a third party appointed by Odni (at its discretion);
 - (C) all requisite authorisations from any government agency;
 - (D) the exploration IUP being validly converted to a production operation IUP;
 - (E) compliance with Indonesian Company Law; and
 - (F) all requisite corporate authorisations in relation to MMBP Sellers.

These conditions precedent must be satisfied 180 days after the parties sign the proposed share purchase agreement. Odni has the discretion to waive any of the above conditions precedent.

- (ii) (*Consideration*) As consideration for the MMBP Shares, Odni will pay the MMBP Sellers an amount equivalent to US\$1.00 per metric tonne of reserve,

established under the JORC Code and unconditionally verified by a third person, of MMBP Coal.

On 5 October 2011, the MMBP Sellers entered into an option agreement with Ruck pursuant to which Ruck or Ruck's nominee was granted an option to enter into a share purchase agreement to purchase the MMBP Shares. Ruck has paid the MMBP Sellers a US\$100,000 option fee under this option agreement. This option agreement has since expired. An option fee of US\$75,000 was paid on the signing of the MMBP Agreement. These amounts will be deducted from the purchase price payable to the MMBP Sellers on completion of the MMBP Share purchase.

Odni can choose to have some or all of the MMBP Shares transferred to a nominee on completion. If Odni nominated Exalt or another public company, Odni can elect to pay the purchase in a mix of cash and shares in that nominated public company.

(c) Other

The MMBP Sellers have provided undertakings in relation to the management of the MMBP Company and the MMBP Shares, during the MMBP Option Period, including not to issue any further securities, create any encumbrances over the MMBP Shares or encourage or accept any other offers to purchase the MMBP Shares.

The MMBP Agreement is governed by the law of Indonesia.

3. Project KARIN – Conditional Share Sale and Purchase Agreement

Odni has entered into the Karin Agreement to purchase 100% of the Karin Shares. The Karin Company holds the exploration IUP No.188.45/439/2010.

(a) Consideration for Karin Shares

As consideration for the purchase of the Karin Shares, Odni will pay the Karin Sellers an amount equivalent to US\$1.00 per metric tonne of Reserve established under the JORC Code which has been unconditionally verified by a third party appointed by Odni, of Karin Coal. The first US\$50,000 of this purchase price was paid within 5 business days of signing the Karin Agreement. Odni will pay the next US\$250,000 of the purchase by 30 August 2012. The remaining purchase price will be paid at completion.

Ruck and the Karin Sellers entered into an option agreement dated 26 November 2011 pursuant to which the Karin Sellers granted Ruck or Ruck's nominee an option to enter into a conditional share purchase agreement. Ruck has nominated Odni to enter into the Karin Agreement. Ruck has paid the Karin Sellers, pursuant to the option agreement, certain option fees to maintain the option to purchase the Karin Shares. The option fees paid by Ruck will also be deducted from the purchase price payable at completion for the purchase of the Karin Shares.

The purchase price is payable at completion, which will occur on the day all the conditions precedents (set out below) are satisfied or waived.

(b) Conditions precedent to completion

The completion of the purchase of the Karin Shares by Odni and the payment of the purchase price is conditional on following:

- (i) all representations and warranties set out in the Karin Agreement being true, complete and correct at the date of the Karin Agreement and date of completion;
- (ii) the Karin Sellers having obtained all licenses, approvals, permits and consents necessary for the purchase of the Karin Shares from appropriate governmental or regulatory (or any other appropriate third party);
- (iii) the Karin Sellers having obtained a spousal consent signed by each spouse of the Karin Seller;
- (iv) the Karin Company having obtained a recommendation letter from the appropriate regent stipulating that the regent is willing to grant a recommendation for the submission of amendment of principal license of foreign capital investment application to the Capital Investment Coordinating Board (**Recommendation Letter**);
- (v) subject to obtaining the Recommendation Letter, the Karin Company submitting an application regarding the amendment of the principal licence of foreign investment application to the Capital Investment Coordinating Board in a form satisfactory to Odni (acting reasonably);
- (vi) establishment of at least an eight million metric tonne Reserve under the JORC Code of Karin Coal;
- (vii) the Karin IUP being converted to an operation production IUP;
- (viii) the Karin Sellers complying with all provisions of the Indonesian Company Law; and
- (ix) Odni completing, to its satisfaction, technical, financial and legal due diligence on the Karin Company.

Odni may add more conditions precedent at its sole discretion as a result of its due diligence investigations of the Karin Company. Odni has the discretion to waive any of the above conditions precedent.

If the conditions precedent are not satisfied or waived by 180 days after the date of the Karin Agreement, Odni may terminate the Karin Agreement. The parties can agree to extend this date. Exalt believes that, if required, this date can be extended as it is the Karin Seller's obligation to fulfil the conditions precedent and is in the Karin Sellers' interest to extend the date, otherwise the Karin Sellers will be in breach of the Karin Agreement.

(c) Other

The Karin Sellers have provided Odni with limited warranties in relation to the Karin Shares and Karin Company. The Karin Sellers have provided undertakings in relation to the management of the Karin Company and the Karin Shares, including not to create any encumbrances over the Karin Shares or enter into written agreements to sell the Karin Shares to any other party. The Karin Agreement may be terminated with the mutual agreement of the parties.

The Karin Agreement is governed by the law of Indonesia.

4. Project Sugico – Share Purchase Agreement

Odni intends to enter into the Sugico Agreement with the Sugico Sellers. The Sugico Sellers, between themselves, are the legal and registered owners of the exploration IUPs C095 TME, C353 MEPE, C330 SDE, C630 MLR, C338 PBJs, C039 JMS, C627 SDP, C098 SPE, C205 LGE, C204 MRI, C622 IME (**Sugico IUPs**).

Under the Sugico Agreement, the Sugico Sellers will sell and Odni will purchase the Sugico Interest.

Further, if permitted by Indonesian law, some or all of the Sugico Sellers will incorporate new Indonesian companies and transfer their respective Sugico IUPs to those companies, and Odni will be transferred 50% of the shares (**Sugico Shares**) in those companies. This will occur either at completion of the purchase of the Sugico Interest or, if the companies are incorporated after completion, after completion.

(a) Consideration payable for the Sugico Interest

As consideration for the Sugico Interest, Odni will:

- (i) pay the Sugico Sellers US\$100,000 (to be applied to an initial mapping exercise) within five business days of Odni or the Company providing the Sugico Sellers with unequivocal proof that it will be in a position to fund an agreed exploration program of at least US\$3 million. Note, this proof needs to be provided by 15 August 2012;
- (ii) pay the Sugico Sellers US\$5 million by 15 August 2012;
- (iii) pay the Sugico Sellers US\$5 million by 15 September 2012;
- (iv) pay the Sugico Sellers following completion of the exploration program by the parties:
 - (A) US\$10 million, if a Measured Resource as defined under the JORC code, of less than 200 million tonnes of coal is established; or
 - (B) US\$20 million, if a Measured Resource as defined under the JORC code, of 200 million tonnes or more of coal is established;
- (v) a royalty of US\$2.00 per tonne of coal produced and sold, or reduced royalty rate to be agreed by the parties if the royalty of US\$2.00 per tonne results in Project Sugico becoming commercially unviable.

The Sugico Sellers have the right to terminate the Sugico Agreement if Odni does not comply with the payment obligations described above.

(b) Conditions precedent to completion

The completion of the purchase of the Sugico Interest and Sugico Shares (if permitted under Indonesian law) by Odni is contingent upon the fulfilment of certain conditions precedents, including:

- (i) each party having completed, to its satisfaction, due diligence on each other party;
- (ii) each party receiving all necessary board or shareholder approval;
- (iii) each party receiving all necessary regulatory and local, state or federal governmental approvals, joint venture approval, waiver of pre-emptive rights and rights of first refusal, for the completion of the transactions contemplated by the Sugico Agreement;
- (iv) each corporate Sugico Seller having announced the Sugico Agreement in an Indonesian newspaper with national circulation in compliance with the laws of Indonesia; and
- (v) each corporate Sugico Seller having obtained the consent of the relevant government body for the transfer of the Sugico Shares in compliance with Indonesian law.

Odni may terminate the Sugico Agreement if the conditions precedent above are not satisfied by the Sugico Sellers or waived by Odni on or before 15 August 2012. Exalt intends to procure that Odni extends this date if the conditions precedent are not satisfied in time.

Either party may terminate the Sugico Agreement if the satisfaction of any of the conditions precedent becomes impossible or impracticable to satisfy or if there has been a material breach of the Sugico Agreement prior to completion.

(c) Odni's exploration obligations

Until the completion of the purchase of the Sugico Interest, Odni:

- (i) is responsible for funding the mapping of the three most prospective Sugico IUPs and this will commence immediately upon signing the Sugico Agreement;
- (ii) will be responsible for funding the exploration program agreed by the parties, up to a maximum of US\$20 million, and with a minimum expenditure of US\$3 million;
- (iii) will be responsible for financing any excess exploration costs exceeding US\$20 million, though such cost will be recoverable from the first revenues of the Sugico IUPs; and
- (iv) will manage the agreed exploration program and will appoint PT Sugico Pendragon Energi as its drilling contractor under a separate contract.

Odni or the Company will need to provide the Sugico Sellers with unequivocal proof by 15 August 2012 that it will be in a position to fund an agreed exploration

program of at least US\$3 million. Once this condition has been satisfied, the Sellers will commence mapping the Sugico IUPs' area.

There are certain IUPs for coal bed methane held by another entity. The parties agree that these IUPs will take precedence over the Sugico IUPs, and if there are overlapping rights, these IUPs will take precedence over the Sugico IUPs. The parties will negotiate directly with the entity holding the coal bed methane IUP in relation to working together and to manage the process to ensure that the survey, exploration feasibility study, construction, mining, mining services, processing and refining and transport and sale activities are carried out on the overlapping areas on a commercially acceptable basis to all parties.

(d) Others

The Sugico Sellers have provided Odni with limited warranties in relation to the Sugico Shares and Sugico IUPs. The Sugico Sellers have provided undertakings in relation to the management of the Sugico IUPs and the Sugico Shares, including not to create any encumbrances over the Sugico IUPs or encourage or accept any other offers to purchase the Sugico Shares or Sugico IUPs. Each party indemnifies the other against a liability arising from a breach of by that party of the Sugico Agreement.

The Sugico Agreement is governed by the law of Indonesia.

Glossary

ASIC means Australian Securities and Investments Commission.

the ASX means ASX Limited (ACN 008 624 691).

\$ means Australian Dollars.

BIG Agreement means the share purchase agreement between Odni and the BIG Sellers in relation to the BIG Shares.

BIG Coal means a reserve established under the JORC Code and unconditionally verified by a competent person, of coal with a heating value of at least 5500 Kcal/kg and sulphur content not exceeding 1.3%.

BIG Company means PT Bakti Inti Guna, a company incorporated in Indonesia.

BIG IUP means exploration IUP No: 467/K-IV/540/2010 held by the BIG Company.

BIG Sellers means Messrs Togi Silalahi, Junardi Satya Himawan and Sudaryanto.

BIG Shares means the issued share capital of the BIG Company.

BIG Verified Reserve means the establishment of at least an eight million metric tonne of coal reserve under the JORC code by a competent person

Board means the board of Directors.

Capital Raising means the offer through the Prospectus of a maximum of 100,000,000 Shares at not less than \$0.20 per Share to raise a maximum of \$20 million.

Class A Performance Shares means the performance shares with the terms and conditions set out Annexure C.

Class B Performance Shares means the performance shares with the terms and conditions set out Annexure C.

Class C Performance Shares means the performance shares with the terms and conditions set out in Annexure C.

Class W Options means the options to acquire Shares the terms of which are in Annexure A.

Class X Options means the options to acquire Shares the terms of which are in Annexure A.

Class Y Options means the options to acquire Shares the terms of which are in Annexure B.

Class Z Options means the options to acquire Shares the terms of which are in Annexure B.

Capital Raising means the capital raising the subject of Resolution 4.

Company or **Exalt** means Exalt Resources Ltd (ACN 145 327 617).

Consideration Securities means the securities the subject of Resolution 2.

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors mean the current directors of the Company.

Equity Based Remuneration means the 600,000 Class Y Options, 2,400,000 Class Z Options, 6,000,000 Class A Performance Shares, 6,000,000 Class B Performance Shares and 6,000,000 Class C Performance Shares which form part of Mr Barry Tudor's remuneration package.

Explanatory Memorandum means the explanatory memorandum accompanying the Notice.

General Meeting means the meeting convened by the Notice.

Independent Technical Report means the Independent Technical Report dated 26 June 2012 prepared by Minarco Mineconsult contained in Annexure F.

Indonesian Companies mean each of PT Damanka Prima, PT Tensri Madjid Energy, PT Muara Enim Power Energi, PT Sumber Daya Energi, PT Lion Multi Resources, PT Persada Berau Jaya Sakti, PT Jaya Manggala Sakti, PT Sumber Daya Persada, PTSugico Pendragon Energi, PT Lion Global Energi, PT Methane Resources Indonesia, PT Indonesia Multi Energi, PT Mitra Maju Bangan Persada, PT Bakti Inti Guna, PT Delapan Inti Power, PT Sumber Daya Energi and PT Karindangan and **Indonesian Company** means any one of them.

Indonesian Projects means each of Project BIG, Project Damanka, Project Karin, Project MMBP, West Papua Project and Project Sugico.

IUPs means each of the Indonesian exploration/mining permits held in respect of the Indonesian Projects and **IUP** is a reference to one of them.

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia effective 17 December 2004.

Karin Agreement means the conditional share sale and purchase agreement between Odni and the Karin Sellers in relation to the Karin Shares, as amended by an amendment deed to the conditional share sale and purchase agreement.

Karin Coal means reserve established under the JORC Code which has been unconditionally verified by a third party appointed by Odni, of coal of a quality and type selected by that third party and which, in Odni's opinion, is commercially viable.

Karin Company means PT Karindangan, a company incorporated in Indonesia.

Karin IUP means the exploration IUP No.188.45/439/2010 held by the Karin Company.

Karin Sellers means Messrs Abdi Mahyudi, Iskandar Zulkarnaena and Akhmad Zacky Hafizie.

Karin Shares means the issued share capital of the Karin Company.

Listing Rule means a Listing Rule of the ASX.

Mineral Hill South Project means the area covering 116 square kilometres of land located three kilometres to the south of the Mineral Hill Mine in NSW.

MMBP Agreement means the option agreement between Odni and the MMBP Sellers in relation to the option to purchase the MMBP Shares.

MMBP Coal means a reserve, under the JORC Code, of at least eight million metric tonnes of coal with a heating value of at least 5500 kcal/kg and a sulphur content no exceeding 1.3%.

MMBP Company means PT Mitra Maju Bangun Persada, a company incorporated in Indonesia.

MMBP IUP means IUP No: 437/K-IV/540/2010 held by the MMBP Company.

MMBP Sellers means Messrs Togi Silalahi, Junardi Satya Himawan and Sudaryanto.

MMBP Shares means the issued share capital of the MMBP Company.

MMC means Minarco Mineconsult, the authors of the Independent Technical Report.

Notice means the Notice of Meeting accompanying this Explanatory Memorandum.

NSW Projects means the Mineral Hill South Project and Nyngan Project.

Nyngan Project means the area covering 160 square kilometres of land in central west NSW targeting porphyry copper and epithermal gold mineralisation.

Odni means ODNI Holdings (Pte.) Ltd. Reg No 201204057R.

Odni Shares means the issued share capital of Odni.

Official Quotation means that the Shares are official listed on the ASX for trading and have a quotable market price.

Options mean the Class W Options, Class X Options, Class Y Options and Class Z Options.

Performance Shares means the Class A Performance Shares, Class B Performance Shares and Class C Performance Shares.

Placement means the issue of 3,750,000 Shares to non-related institutional and sophisticated investors at a subscription price of \$0.18 to raise approximately \$675,000 which the Company completed on 31 May 2012.

Placement Shares means the Shares issued pursuant to the Placement.

Projects means each of the NSW Projects and the Indonesian Projects and **Project** means any one of them.

Project BIG means the concessions area covering a total area of 4,969 hectares in the Antutan region of the Bulungan Regency in East Kalimantan province, Indonesia.

Project Damanka means the concession located in the Sangatta and Bengalon Districts, Kutai Timur Regency, approximately 120 kilometres north of Samarinda, the capital of the East Kalimantan Province, Indonesia.

Project Karin means the concessions located in the Barito Utara Regency, approximately 150 kilometres west of Palangkaraya, the provincial capital of the Central Kalimantan Province of Indonesia.

Project MMBP means the concession area located in the Antutan, Central Tanjung Palas sub districts, Bulungan Regency, approximately 350 kilometres north of Samarinda, the capital of the East Kalimantan Province in Indonesia.

Project Sugico means the Sugico South Sumatra Project comprising 11 mostly adjacent IUP areas located approximately 200 kilometres south of Palembang, the provincial capital of the South Sumatra Province on the island of Sumatra in Indonesia.

Proposed Transaction means the proposed acquisition by the Company of 100% of the issued capital of Odni.

Prospectus means the prospectus to be issued by the Company for the purposes of the Capital Raising and to satisfy Listing Rule 1.1, Condition 3.

Proxy Form means the proxy form for the General Meeting accompanying the Notice.

Resolution(s) means a resolution referred to in the Notice.

Ruck means Ruck Pty Ltd (ACN 125 984 652).

Sellers mean the current shareholders of Odni listed as the Allottees in section 3.2 of the Explanatory Memorandum.

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

Shareholder means the holder of a Share.

Share Purchase Agreement means the Share Purchase Agreement between the Company, Odni, Sandford Pte. Ltd., Universal Coal Holdings Ltd, Viceroy Investments Pte. Ltd., Ruck Pty Ltd and Corpac Partners Pty Limited, the key terms of which are set out in Section 2.4 of the Explanatory Memorandum.

Sugico Agreement means the share purchase agreement between Odni and the Sugico Sellers by which Odni will acquire the Sugico Interest.

Sugico IUPs means the exploration IUPs No. 540/03/KEP/DPE/2009, No. 540/08/KEP/DPE/2009, No. 540/06/KEP/DPE/2009, No. 540/09/KEP/DPE/2009, No. 540/05/KEP/DPE/2009, No. 540/07/KEP/DPE/2009, No. 540/06/KEP/DPE/2009, No. 540/04/KEP/DPE/2009, No. 540/025/KEP/DPE/2010, No. 540/26/KEP/DPE/2010 and No. 540/11/KEP/DPE/2009 of which the Sugico Sellers are the legal and registered owners.

Sugico Interest means a 50% interest in the traditional coal mining rights and benefits in IUPs relating to Project Sugico.

Sugico Sellers means each of PT Jaya Manggala Sakti, PT Tensri Madjid Energi, PT Sugico Pendragon Energy, PT Methane Resources Indonesia, PT Lion Global Energi, PT Sumber Daya Energi, PT Persada Berau Jaya Sakti, PT Muara Enim Power Energi, PT Indonesia Multi Energi and PT Sumber Daya Persada, PT Lion Multi Resources.

West Papua Project means two concessions; one in West Papua province and one in Papua Province, separated by approximately 500 km