

ADAVALE RESOURCES LIMITED

ACN 008 719 015

HALF YEAR REPORT

31 DECEMBER 2016

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This financial report covers the consolidated entity consisting of Adavale Resources Limited and its controlled entities.

This Interim Financial Report should be read in conjunction with the company's annual report for the period ended 30 June 2016.

ADAVALE RESOURCES LIMITED

FINANCIAL REPORT

for the half year ended 31 December 2016

ACN 008 719 015

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ADAVALE RESOURCES LIMITED
CORPORATE DIRECTORY

Directors

Haryono Eddyarto (Chairman)
Saharto Sahardjo
Albert Cheok
Peter Murphy

Company Secretary

Leanne Ralph

Registered Office

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SYDNEY NSW 2000

Telephone (02) 82630515
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Share Registry

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000

Auditor

Grant Thornton Audit Pty Ltd
Level 1, 10 Kings Park Road
PERTH WA 6005

Stock Exchange

Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

ASX Code

ADD (fully paid ordinary shares)

ADAVALE RESOURCES LIMITED
DIRECTORS' REPORT

The Directors of Adavale Resources Limited submit herewith the financial report for the half year ended 31 December 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of the Directors of the company during or since the end of the half year and up to the date of this report are:

Haryono Eddyarto (Chairman)
Saharto Sahardjo
Albert Cheok
Peter Murphy

The Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activity

The principal activities of the Group continue to be mining explorations and development in Australia and Indonesia.

Adavale Resources Ltd has established itself in the coal industry in Indonesia and will continue to research and identify quality coal projects across Indonesia. The Group continues to hold its uranium tenements at Lake Surprise in South Australia and is actively seeking joint venture partners to further explore the area.

Dividends

No dividends were paid or declared for payment during the financial period.

Review of Operations

The net loss from ordinary activities after income tax for the half year ended 31 December 2016 was \$210,567 (December 2015: net loss \$235,417).

The loss from ordinary activities before income tax expense includes the following revenues and expenses disclosure is relevant in explaining the financial performance of the entity:

	Half Year Ended 31 Dec 2016	Half Year Ended 31 Dec 2015
	\$	\$
Revenue from continuing operations	-	1,818
Expenses from continuing operations	(210,567)	(237,235)
Loss from continuing operations	(210,567)	(235,417)
Loss from ordinary activities	(210,567)	(235,417)

The result for the half-year is in line with Management and Board expectations.

ADAVALE RESOURCES LIMITED
DIRECTORS' REPORT

CAPITAL RAISING FACILITY

On 15 January 2015 the Company announced a capital raising facility (Facility) with a non-related entity Gurney Capital Pty Ltd (GC). In addition the Company has entered into a Standby Subscription Agreement with GC. The purpose of these agreements is to provide further working capital to the Group. The general terms of the agreements are as follows:

- Facility limit: \$1,000,000;
- Period of facility: 5 years;
- The Company may draw down in one or more amounts within the facility limit, each draw down will result in an issue of fully paid ordinary shares to GC; and
- The issue price of shares will be 80% of the 5 day VWAP.

Since the signing of this agreement to 31 December 2016 \$181,157 has been drawn down and 12,399,617 shares issued. The utilization of the facility beyond the available capacity of ASX Listing Rules 7.1 and 7.1A will require shareholder approval. Shareholder approval is required for Adavale to further access funds under this Rule as all available capacity has been utilised. In addition, shareholder approval will be required should GC exceed the 19.99% shareholding in the Company.

STRATEGIC INVESTOR OPPORTUNITY

On 30 November 2016 the Company entered into a Memorandum of Understanding (MOU) with Jun Moon Limited (JML), a new strategic investor with the objective to ensure the Company's sustainability and future growth.

Subject to shareholder approval it is proposed that JML will:

- Acquire the existing convertible note facility from Mr Haryono Eddyarto (HE);
- Acquire 12 million shares from existing Adavale shareholders;
- Be issued up to a maximum of new 25 million Adavale shares;
- Appoint three new directors to the Board;
- Grant to each existing Director 1 million options to acquire shares in the Company at an exercise price of 1.5 cents.

Subsequent to the above, the Company has executed documents which, subject to the referred shareholder approval, will come into effect after the proposed meeting to obtain shareholder approval;

- Extinguish the existing convertible note facility from HE and a new convertible note facility with JML established;
- Acquisition of 12 million shares by JML from existing Adavale shareholders;
- Issue of 7 million shares to JML; and
- Escrow agreements signed.

Further details on the transaction will be provided in the Notice of Meeting expected to be issued in the very near future.

On 1 February 2017 the Company announced the placement of 7 million shares issued at 1.0 cents per share pursuant to a subscription agreement between the Company and JML. Additionally in March 2017 JML has made an advance of \$60,000 on the proposed capital raising.

Post balance date events.

Except for the the matter referred to above, no matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Signed in accordance with a resolution of Directors.

On behalf of the Directors.



HARYONO EDDYARTO
Chairman

22 March 2017

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**Auditor's Independence Declaration
To The Directors of Adavale Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Adavale Resources Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P W Warr
Partner - Audit & Assurance

Perth, 22 March 2017

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ADAVALE RESOURCES LIMITED**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

for the half year ended 31 December 2016

	Note	Consolidated 31 Dec 2016 \$	Consolidated 31 Dec 2015 \$
Continuing operations			
Other revenue		-	1,818
Total Revenue			1,818
Insurance		(10,946)	(12,678)
Legal expenses		-	(3,447)
Share registry fees		(29,120)	(32,418)
Management & administration		(103,697)	(118,280)
Finance cost – Financial Instrument		(3,510)	(2,733)
Interest expense – convertible loan	12	(34,342)	(30,246)
Interest expense - funding		(1,017)	-
Impairment of exploration assets		(27,340)	(35,514)
Other expenses from ordinary activities		(595)	(1,919)
Total expenses		(210,567)	(237,235)
Loss before income tax		(210,567)	(235,417)
Income tax expense relating to continuing operations		-	-
Net Loss from continuing operations after income tax expense		(210,567)	(235,417)
Other Comprehensive Income:			
Movement in foreign exchange reserve		(20,735)	(24,833)
Total comprehensive Loss for the period		(231,302)	(260,250)
Earnings Per Share:			
Basic (cents per share)	9	(0.82)	(1.11)
Diluted (cents per share)	9	(0.82)	(1.11)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

ADAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Note	Consolidated 31 Dec 2016 \$	Consolidated 30 June 2016 \$
CURRENT ASSETS			
Cash assets		26,943	27,774
Other		11,681	21,253
TOTAL CURRENT ASSETS		38,624	49,027
NON-CURRENT ASSETS			
Exploration and evaluation assets	4	807,500	807,500
TOTAL NON-CURRENT ASSETS		807,500	807,500
TOTAL ASSETS		846,124	856,527
CURRENT LIABILITIES			
PAYABLES		947,733	804,006
BORROWINGS	5	38,660	-
TOTAL CURRENT LIABILITIES		986,393	804,006
NON-CURRENT LIABILITIES			
Borrowings	12	860,000	821,490
TOTAL NON-CURRENT LIABILITIES		860,000	821,490
TOTAL LIABILITIES		1,846,393	1,625,496
DEFICIENCY		(1,000,269)	(768,969)
EQUITY			
Share capital	9	37,507,432	37,507,432
Reserves		114,041	134,776
Accumulated losses		(38,621,742)	(38,411,175)
TOTAL EQUITY		(1,000,269)	(768,967)

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes

ADAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
for the half year ended 31 December 2016

	Note	Consolidated 31 Dec 2016 \$	Consolidated 31 Dec 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(64,536)	(108,152)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(64,536)	(108,152)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration costs paid		(9,955)	(19,600)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(9,955)	(19,600)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		73,660	80,000
Net proceeds from issue of equity securities		-	42,400
NET CASH FLOWS FROM FINANCING ACTIVITIES		73,660	122,400
NET (DECREASE) IN CASH ASSETS HELD		(831)	(5,352)
Cash assets at the beginning of the half year		27,774	32,024
CASH ASSETS AT THE END OF THE HALF YEAR		26,943	26,672

This above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

ADAVALE RESOURCES LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the half year ended 31 December 2016

	Share Capital \$	Accumulated Losses \$	F/X Revaluation Reserve \$	Equity Component Instrument \$	Options Reserve \$	Total \$
Balance at 1 July 2015	37,397,631	(38,002,706)	(48,310)	183,549	7,695	(462,141)
Comprehensive income / (loss) for the period	-	(235,417)	(24,833)	-	-	(260,250)
Equity component of financial instrument	-	-	-	13,106	-	13,106
Transfer on expiry of options	-	1,886	-	-	(1,886)	-
Net issue of shares	42,400	-	-	-	-	42,400
Balance at 31 December 2015	37,440,031	(38,236,237)	(73,143)	196,655	5,809	(666,885)
Balance at 1 July 2016	37,507,432	(38,411,175)	(61,879)	196,655	-	(768,967)
Comprehensive income / (loss) for the period	-	(210,567)	(20,735)	-	-	(231,302)
Balance at 31 December 2016	37,507,432	(38,621,742)	(82,614)	196,655	-	(1,000,269)

This Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2016

1. NATURE OF OPERATIONS

Adavale Resources Limited ("the Company") and its controlled entities ("the Group") principal activities of the consolidated entity are mining explorations and development in Australia and Indonesia.

Adavale Resources Limited has established itself in the coal industry in Indonesia and will continue to research and identify quality coal projects across Indonesia, including through the Group's 40% joint venture interest in Adavale Harner Resources. The Group is also continuing exploration on its uranium project at Lake Surprise in South Australia as well as evaluating other uranium and coal exploration opportunities.

The Company has continued to identify and review coal projects in Indonesia, and continues to pursue farm-out and joint venture opportunities for the Australian Lake Surprise area in South Australia. The Group has continued to place emphasis on the TAPAN project, and has recently renewed the South Australian Lake Surprise Tenements. The Group has further curtailed the administrative costs associated with the Group head office.

On 30 November 2016 the Company entered into a Memorandum of Understanding (MOU) with Jun Moon Limited (JML), a new strategic investor with the objective to ensure the Company's sustainability and future growth.

Subject to shareholder approval it is proposed that JML will:

- Acquire the existing convertible note facility from Mr Haryono Eddyarto (HE);
- Acquire 12 million shares from existing Adavale shareholders;
- Be issued up to a maximum of new 25 million Adavale shares;
- Appoint three new directors to the Board;
- Grant to each existing Director 1 million options to acquire shares in the Company at an exercise price of 1.5 cents.

Subsequent to the above, the Company has executed documents which, subject to the referred shareholder approval, will come into effect after the proposed meeting to obtain shareholder approval;

- Extinguish the existing convertible note facility from HE and a new convertible note facility with JML established;
- Acquisition of 12 million shares by JML from existing Adavale shareholders;
- Issue of 7 million shares to JML; and
- Escrow agreements signed.

Further details on the transaction will be provided in the Notice of Meeting expected to be issued in the very near future.

On 1 February 2017 the Company announced the placement of 7 million shares issued at 1.0 cents per share pursuant to a subscription agreement between the Company and JML raising \$70,000. Additionally in March 2017 JML has made an advance of \$60,000 on the proposed capital raising.

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2016

2. GENERAL INFORMATION AND BASIS OF PREPARATION

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Adavale Resources Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001. The half-year report does not include full disclosures of the type normally included in an annual financial report.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as referred to below, the interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2016.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australia Accounting Standards Board (AASB) that are relevant to its operations and effective for the current half year reporting period.

The adoption of all of the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has had no effect on the amounts reporting for the current or prior periods.

These half-year financial statements were approved by the Board of Directors on 15 March 2017.

Critical Accounting Estimates and Judgements

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the company's last annual financial statements for the year ended 30 June 2016.

Going Concern

The Group is at the exploration and evaluation phase of each of its mining tenements. The Group has incurred a loss for the period of \$210,567 and a cash outflow from operating and investing activities of \$74,491. At period end, the Group's current liabilities exceeded its current assets by \$947,769. The Group is also committed to payments to maintain rights to perform its evaluation activity. As a result, the Group has and expects further cash outflows from operating and investing activities in the next 12 months. Funding of ongoing activities is required from future capital raisings, debt funding and / or asset sales. Therefore at balance date significant uncertainty exists as to the Group's ability to continue as a going concern.

As referred to in Note 1 under the heading "Nature of Operations", the Company has signed a MOU with JML which among other commitments is intended to raise working capital of \$250,000 by the issue of 25 million shares to assist with funding of ongoing operations. \$70,000 has already been subscribed under this agreement for the issue of 7 million shares. This agreement, if agreed by shareholders, will also fund the payout of the convertible loan from HE. Additionally in March 2017 JML has made an advance of \$60,000 on the proposed capital raising.

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2016

The Directors believe that in the instance of obtaining the required shareholder approval for this transaction, including the \$250,000 working capital referred to above, and additional capital raised by the Company as required, the Company will raise sufficient capital to continue as a going concern.

In the instance that the transaction is not approved by shareholders the Directors believe that sufficient funding will be generated from drawing on the \$1,000,000 convertible loan as agreed with the Chairman of the Group. At the end of the period, the Group had drawn down \$860,000 of the convertible loan facility, with a remaining \$140,000 to be drawn down. In addition the Chairman has agreed to support the Company going forward in the instance the Shareholder approval is not forthcoming by providing an additional loan facility up to an amount of \$210,000.

In addition to the Convertible Loan Facility, on 15 January 2015, the Company announced it had entered into a capital raising facility (Facility) with a non-related entity Gurney Capital Pty Ltd (GC). The Company also entered into a Standby Subscription Agreement with GC. The purpose of these agreements is to provide further working capital to the Group. The general terms of the agreements are as follows;

- Facility limit: \$1,000,000;
- Period of facility; 5 years;
- The Company may draw down in one or more amounts within the facility limit, each draw down will result in an issue of fully paid ordinary shares to GC; and
- The issue price of the shares will be 80% of the 5 day VWAP.

Since the signing of this agreement to 31 December 2016, the Company had drawn down a total of \$181,157 against the facility and 12,399,617 shares issued as a consequence. The utilization of the facility beyond the available capacity of ASX Listing Rules 7.1 and 7.1A will require shareholder approval. . Shareholder approval is required for Adavale to further access funds under this Rule as all available capacity has been utilised. In addition, shareholder approval will be required should GC exceed the 19.99% shareholding in the Company. This agreement remains in place unless and until shareholder approval is obtained for the transaction with JML.

The Directors also have the continued support of its creditors. As disclosed in note 12, the Company's related party creditors have deferred settlement of the outstanding amounts owing at balance date for a period of 12 months from the date of this report or until the Company has sufficient cash resources available to settle the outstanding debt, and certain unrelated creditors have made arrangements to defer settlement of outstanding amounts as required..

Given the nature of the funding facilities the Directors have put in place, or alternatively should the transaction with JML be approved by shareholders at the proposed meeting of shareholders in the near future, the Directors consider it is appropriate to prepare the financial statements on a going concern basis and hence no adjustments have been made in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the entity is unable to continue as a going concern.

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2016

4. EXPLORATION AND EVALUATION ASSETS

	Consolidated 31 Dec 2016	Consolidated 30 June 2016
	\$	\$
Exploration leases	1,050,160	1,050,160
Exploration expenditure capitalised	4,006,235	3,978,895
Less: Provision for impairment	<u>(4,248,895)</u>	<u>(4,221,555)</u>
	<u>807,500</u>	<u>807,500</u>

Exploration assets are carried at cost of acquisition less impairment losses.

At 30 June 2016, the Directors reviewed the carrying value of each of the TAPAN and Lake Surprise areas, and in recognition of factors such as coal price, and in consideration of potentially relinquishing some of the Lake Surprise tenements in the future, an additional impairment charge was applied to bring the carrying value down to \$807,500.

The Directors are of the view the carrying value of the Exploration and Evaluation Assets at 31 December 2016 remains recoverable in line with AASB 6. Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and development of these assets.

5. CURRENT LIABILITIES - BORROWINGS

	Consolidated 31 Dec 2016	Consolidated 30 June 2016
	\$	\$
Loan from unrelated party	<u>38,660</u>	<u>-</u>
	<u>38,660</u>	<u>-</u>

The loan from unrelated party is interest free and unsecured. The loan has been repaid since period end.

6. COMMITMENTS

There is no material change to the commitments disclosed by the Group in its 30 June 2016 annual report.

7. CONTINGENCIES

In June 2013, the Group's subsidiary PT Prima Perkasa Abadi (PPA) was cited as a respondent in a civil claim lodged in the District Court of South Jakarta. The claim was lodged by two previous shareholders of PPA who challenged the passing of ownership in 2011 of the shares in PPA to the Group.

In November 2014 the Group received the copy of the official verdict dated 7 October 2014 and advised the decision was not in the Group's favour. The Group's legal representation advised that the Judge's decision has no merit and an appeal was lodged with the High Court. The Group subsidiary PT Prima Perkasa Abadi (PPA) received Notification dated 25 January 2016 from the District Court South Jakarta regarding the verdict of the High Court, Jakarta dated 22 December 2015. The decision of the High Court is in the Group's favour wherein the Judge Council at the High Court decided to accept the appeal of PPA and former Director Mr J Risinger, and annulled the verdict of the District Court of South Jakarta. Subsequent to this verdict the Plaintiffs have submitted an Appeal Brief to the Supreme Court.

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2016

7. CONTINGENCIES (CONTINUED)

The Supreme Court is still in the process of examining this case and examining the Memorandum of Appeal from the Plaintiffs and the Contra of Memorandum of Appeal from the Lawyers of PT Prima Perkasa Abadi (PPA) and Mr. John Risinger, and all related documents. The Company is still waiting the official notification from the Clerk of South Jakarta District Court regarding the verdict from the Supreme Court for this case.

8. SEGMENT REPORTING

The Group has identified its operating segments based on internal reports that are reviewed by the Board and management.

The Group operated in one business segment during the half year, being mining and in two geographical area, being Australia and Indonesia.

Reportable segment's assets reconciled to total assets as follows:

a) The segment information provided for 31 December 2016 is as follows:

Primary Reporting – Business Segments Half year ended 31 December 2016	Mining and exploration \$ Australia	Mining and exploration \$ Indonesia	Unallocated \$	Total \$
Segment Result				
Loss from ordinary activities before income tax	(17,385)	(9,955)	(183,227)	(210,567)
Income tax expense	-	-	-	-
Net loss)	(17,385)	(9,955)	(183,227)	(210,567)
Total segment assets				
Exploration expenditure	391,000	416,500	-	807,500
Receivables	3,061,490	-	-	3,061,490
Others	-	26,219	12,405	38,624
	3,452,490	442,719	12,405	3,907,614
Total segment liabilities				
Creditors and accruals	3,061,490	-	947,733	4,009,223
Loans	-	-	898,660	898,660
	3,061,490	-	1,846,393	4,907,883

b) Segment assets:

Reportable segments' assets reconciled to total assets as follow:

	Consolidated 31 Dec 2016 \$
SEGMENT ASSETS	3,907,614
Intersegment Eliminations	(3,061,490)
Total assets as per Statement of financial position	846,124

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2016

8. SEGMENT REPORTING (CONTINUED)

c) Segment liabilities:

Reportable segments' liabilities reconciled to total liabilities as follow:

	Consolidated 31 Dec 2016
	\$
SEGMENT LIABILITIES	4,907,883
Intersegment Eliminations	(3,061,490)
Total liabilities Statement of financial position	1,846,393

d) The segment information provided for 31 December 2015 is as follows:

Primary Reporting – Business Segments	Mining and	Mining and	Unallocated	Total
Half year ended 31 December 2015	exploration	exploration		
	\$	\$	\$	\$
	Australia	Indonesia		
Segment Result				
Profit/(loss) from ordinary activities before income tax	(19,600)	(15,914)	(199,903)	(235,417)
Income tax expense	-	-	-	-
Net Profit/(loss)	(19,600)	(15,914)	(199,903)	(235,417)
Total segment assets				
Exploration expenditure	391,000	416,500	-	807,500
Receivables	3,042,905	-	21,253	3,064,158
Others	-	25,318	2,456	27,774
	3,433,905	441,818	23,709	3,899,432
Total segment liabilities				
Creditors and accruals	3,042,905	-	804,005	3,846,910
Loans	-	-	821,490	821,490
	3,042,905	-	1,625,495	4,668,400

e) Segment assets:

Reportable segments' assets reconciled to total assets as follow:

	Consolidated 30 June 2016
	\$
SEGMENT ASSETS	3,899,432
Intersegment Eliminations	(3,042,905)
Total assets as per Statement of financial position	856,527

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2016

8. SEGMENT REPORTING (CONTINUED)

f) Segment liabilities:

Reportable segments' liabilities reconciled to total liabilities as follow:

	Consolidated 30 June 2016 \$
SEGMENT LIABILITIES	4,668,399
Intersegment Eliminations	(3,042,905)
Total liabilities Statement of financial position	1,625,494

9. SHARE CAPITAL

	Consolidated 31 Dec 2016		Consolidated 30 June 2016	
	Number	\$	Number	\$
Fully paid ordinary shares				
Ordinary Shares				
Opening Balance	28,249,456	37,507,432	19,810,299	37,397,631
Shares issued	-	-	8,439,157	109,801
Closing Balance 31 December 2016	28,249,456	37,507,432	28,249,456	37,507,432

10. OPTION RESERVE

There has been no further issue of options since 30 June 2016. During the period the following options expired:

- 1,000,000 milestone options expired on 31 July 2016
- 500,000 Class c options expired 31 July 2016

Options Reconciliation	Consolidated 31 Dec 2016		Consolidated 30 June 2016	
	Number	\$	Number	\$
Opening Balance	1,500,000	-	3,000,000	7,695
Options issued	-	-	-	-
Options expired	(1,500,000)	-	(1,500,000)	(7,695)
Closing Balance at the end of the period	-	-	1,500,000	-

The are no remaining options.

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2016

10. OPTION RESERVE (CONTINUED)

	December 2016 No	June 2016 No
Milestone Options – Exercisable at \$1.40, expiry date 31 Jul 2015		
Opening Balance	-	1,000,000
Less expired 31 July 2015	-	(1,000,000)
Closing Balance	-	-
Milestone Options – Exercisable at \$1.40, expiry date 31 Jul 2016		
Opening Balance	1,000,000	1,000,000
Less expired 31 July 2016	(1,000,000)	-
Closing Balance	-	1,000,000
Class C Options – Exercisable at \$0.90, expiry date 31 Jul 2015		
Opening Balance	-	500,000
Less expired 31 July 2015	-	(500,000)
Closing Balance	-	-
Class D Options – Exercisable at \$1.00, expiry date 31 Jul 2016		
Opening Balance	500,000	500,000
Less expired 31 July 2016	(500,000)	-
Closing Balance	-	500,000

Refer to the 30 June 2016 annual report for further details on these options.

11. CAPITAL RAISING FACILITY

On 15 January 2015, the Company announced it had entered into a capital raising facility (Facility) with a non-related entity Gurney Capital Pty Ltd (GC). The Company also entered into a Standby Subscription Agreement with GC. The purpose of these agreements is to provide further working capital to the Group. The general terms of the agreements are as follows;

- Facility limit: \$1,000,000;
- Period of facility; 5 years;
- The Company may draw down in one or more amounts within the facility limit, each draw down will result in an issue of fully paid ordinary shares to GC; and
- The issue price of shares will 80% of the 5 days VWAP..

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2016

11. CAPITAL RAISING FACILITY (CONTINUED)

Since the signing of this agreement and up to 31 December 2016, the Company has drawn down a total of \$181,157 against the facility and 12,399,617 shares issued as a consequence. The utilization of the facility beyond the available capacity of ASX Listing Rules 7.1 and 7.1A will require shareholder approval. In addition, shareholder approval will be required should GC exceed the 19.99% shareholding in the Company.

12. NON – CURRENT LIABILITIES - BORROWINGS

	Note	Consolidated 31 Dec 2016 \$	Consolidated 30 June 2016 \$
Borrowings	12(a)	860,000	825,000
Less: Equity component instrument		(196,655)	(196,655)
Add: Unwinding of interest		196,655	193,145
		860,000	821,490

- (a) In 2012, the Company announced it has entered into a Convertible Loan Agreement with Mr Eddyarto (Chairman). The Convertible Loan was approved by Shareholders at the General Meeting on 20 December 2012. During the reporting period, a further \$35,000 has been drawn down on this loan to assist in funding the Group's operations.
- (b) The full terms of the convertible loan are disclosed in the 30 June 2016 annual report.
- (c) The convertible loan has been considered a Compound Financial Instrument, that is, an instrument that has both a debt and an equity component. A review of the convertible loan for accounting purposes determined that applicable market interest rate for this convertible loan would be 30% pa. Consequently, the drawn down amount has been split between debt and equity using that rate as a basis for the split.

13. RELATED PARTY TRANSACTIONS

Included in Payables is an amount of \$632,972 (June 2016: \$568,659) owing to PT Harner (PTH), a Company controlled by Mr Haryono Eddyarto, Chairman of the Company. The amount owing to PTH will not be called upon for repayment until the Company has available funds.

During the reporting half-year period ended 31 December 2016 charges were made to a subsidiary company by PTH amounting to \$43,137, including reimbursement of tenement costs amounting of \$9,955, and finance and legal assistance amounting to \$33,182.

14. SUBSEQUENT EVENTS

Except for the matter referred to in Note 1 above, no matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

ADAVALE RESOURCES LIMITED
DIRECTORS DECLARATION
for the half year ended 31 December 2016

The Directors of the Company declare that:

- (a) the attached financial statements and notes thereto comply with AASB 134 Interim Reporting;
- (b) the attached financial statements and notes thereto give a true and fair view of the consolidated financial position as at 31 December 2016 and of its performance for the half year ended on that date;

In the Directors' opinion:

- (a) the attached financial statements and the notes thereto are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

✍ On behalf of the Directors.



HARYONO EDDYARTO
Chairman

22 March 2017

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Independent Auditor's Review Report To the Members of Adavale Resources Limited

We have reviewed the accompanying half-year financial report of Adavale Resources Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policy, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Adavale Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Adavale Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Basis for qualified conclusion

A limitation in scope of our review work exists for the reasons described below:

Included in Note 4 to the financial statements, the consolidated entity has reported resource projects relating to its exploration and evaluation assets of \$807,500. Australian Accounting Standard AASB 136 Impairment of Assets requires an asset to be carried at no more than its recoverable amount. We have been unable to obtain sufficient appropriate audit evidence to support the Directors' assessment of the recoverable amount of the exploration and evaluation assets. In the event that the carrying value of the assets exceeds their recoverable amounts, it would be necessary for the assets to be written down to their recoverable amounts.

Qualified Review Conclusion

Based on our review, which is not an audit, with the exception of the matter described in the preceding paragraph, we have not become aware of any matter that makes us believe that the half-year financial report of Adavale Resources Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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Materiality Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial report which indicates that the Company incurred a net loss of \$210,567 during the half year ended 31 December 2016, as of that date, the Company's current liabilities exceeded its current assets by \$947,769 and, cash outflows from operating and investing activities equates to \$74,491. These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Our opinion is not modified in relation to this matter.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P W Warr
Partner - Audit & Assurance

Perth, 22 March 2017

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