

ADAVALE RESOURCES LIMITED

ACN 008 719 015

HALF YEAR REPORT

31 DECEMBER 2017

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 2017.

CORPORATE DIRECTORY	3
DIRECTORS' REPORT	4
AUDITOR'S INDEPENDENCE DECLARATION	6
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	7
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	8
CONSOLIDATED STATEMENT OF CASH FLOWS	9
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
NOTES TO THE FINANCIAL STATEMENTS.....	11
DIRECTORS' DECLARATION	21
INDEPENDENT REVIEW REPORT	22

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Directors

Haryono Eddyarto (Chairman)
Huili Guo
Allan Ritchie
Khamtane Signavong

Company Secretaries

Leanne Ralph
Julian Rockett

Registered Office

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SYDNEY NSW 2000

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Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Auditor

HLB Mann Judd (WA) Partnership
Level 4, 130 Stirling St
PERTH WA 6000

Stock Exchange

Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

ASX Code

ADD (fully paid ordinary shares)

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The Directors of Adavale Resources Limited submit herewith the financial report for the half year ended 31 December 2017. 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)
Huili Guo
Allan Ritchie
Khamtane Signavong
Yuk Chor Choi (resigned 7 August 2017)

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 during the period were mining exploration and development in Australia and Indonesia.

On 24 July 2017 the Company announced a Standby Subscription Agreement with Addchance Holdings Ltd for a \$1,000,000 facility to provide working capital to the Company. During the period the Company issued 23,347,399 shares raising \$268,159 utilising this facility. Since 31 December 2017 to the date of this report a further \$40,000 had been drawn against this facility and 3,846,153 shares issued thus taking the total shares issued to date against the facility to 27,193,552 and raising \$308,159. The shares are issued at 80% of 15-day VWAP prior to each drawdown. The balance of the facility amounts to \$691,841.

Additionally, on 7 July 2017, 18,000,000 shares were issued to Jun Moon Limited, thus extinguishing the amount of \$180,000 previously advanced to the Company for this purpose and included in the financial statements as at 30 June 2017 as a current liability.

As was reported on 12 October 2017 the Company entered into an agreement with its Chairman Mr Haryono Eddyarto (subject to shareholder approval) to sell the TAPAN project to Mr Eddyarto and as consideration Mr Eddyarto would extinguish all debt between the Company and Mr Eddyarto and associated companies amounting to approximately \$669,370. Full details of the transaction were included in the Notice of Annual General Meeting held on 30 November 2017, at which shareholder approval was granted for the transaction to proceed. The parties to the agreement have proceeded to implement the terms of agreement and are working through the administrative requirements in Indonesia. The Directors consider the transaction substantially complete and anticipate finalising all matters in the near future, and hence for the purposes of these financial statements, have accounted for the transaction as having taken place during the period to 31 December 2017.

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 operating result after income tax for the half year ended 31 December 2017 was a profit of \$366,347 (December 2016: net loss \$210,567 (restated)).

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 2017	Restated Half Year Ended 31 Dec 2016
	\$	\$
Revenue from continuing operations	-	-
Expenses from continuing operations	(303,023)	(210,567)
Loss from continuing operations	(303,023)	(210,567)
Gain from sale of discontinued operation	669,370	-
Gain/(loss) for the period	366,347	(210,567)

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

Post balance date events.

Except for 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.



A Ritchie
Director
16 March 2018

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the half year financial report of Adavale Resources Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



**Perth, Western Australia
16 March 2018**

**B G McVeigh
Partner**

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ADAVALE RESOURCES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half year ended 31 December 2017

	Note	Consolidated 31 Dec 2017 \$	Restated Consolidated 31 Dec 2016 \$
Continuing operations			
Other revenue		-	-
Total Revenue		<u>-</u>	<u>-</u>
Insurance		(10,910)	(10,946)
Legal expenses		(40,000)	-
Share registry fees		(35,911)	(29,120)
Management and administration		(103,859)	(70,368)
Finance cost – financial Instrument		(59,008)	(3,510)
Interest expense – convertible loan	12	(40,326)	(34,342)
Interest expense - funding		(1,030)	(1,017)
Exploration and evaluation expenditure		(11,431)	(17,385)
Other expenses from ordinary activities		(548)	(595)
Total expenses		<u>(303,023)</u>	<u>(167,283)</u>
(Loss) before income tax		<u>(303,023)</u>	<u>(167,283)</u>
Income tax expense		-	-
Loss for the period from continuing operations		<u>(303,023)</u>	<u>(167,283)</u>
Profit/(loss) on sale of discontinued operation	11	669,370	(43,284)
Profit/(loss) for the period		<u>366,347</u>	<u>(210,567)</u>
Other Comprehensive Income:			
Movement in foreign exchange reserve		43,149	(20,735)
Total comprehensive Profit/(loss) for the period		<u>409,496</u>	<u>(231,302)</u>
Earnings Per Share:			
Basic (cents per share)			
Earnings from continuing operations	9	(0.49)	(0.59)
Earnings from discontinued operations		1.08	(0.23)
Diluted (cents per share)			
Earnings from continuing operations	9	(0.49)	(0.59)
Earnings from discontinuing operations		1.08	(0.23)

ADAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

	Note	Consolidated 31 Dec 2017 \$	Restated Consolidated 30 June 2017 \$
CURRENT ASSETS			
Cash assets		78,818	46,595
Other		34,087	19,875
Asset classified as held for sale		-	-
TOTAL CURRENT ASSETS		112,905	66,470
NON-CURRENT ASSETS			
TOTAL NON-CURRENT ASSETS		-	-
TOTAL ASSETS		112,905	66,470
CURRENT LIABILITIES			
Payables		157,370	847,598
Borrowings	5	-	180,000
TOTAL CURRENT LIABILITIES		157,370	1,027,598
NON-CURRENT LIABILITIES			
Borrowings	12	775,831	716,823
TOTAL NON-CURRENT LIABILITIES		775,831	716,823
TOTAL LIABILITIES		933,201	1,744,421
NET LIABILITIES		(820,296)	(1,677,951)
EQUITY			
Share capital	9	1,948,159	1,500,000
Reserves		327,409	284,260
Accumulated losses		(3,095,864)	(3,462,211)
TOTAL DEFICIENCY		(820,296)	(1,677,951)

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 2017

	Note	Consolidated 31 Dec 2017 \$	Consolidated 31 Dec 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(199,898)	(64,536)
Payments for exploration and evaluation expenditure		(11,431)	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(211,329)	(64,536)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration costs paid		-	(9,955)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		-	(9,955)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash lost on disposal of subsidiary		(24,706)	-
Proceeds from borrowings		-	73,660
Net proceeds from issue of equity securities		268,158	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		243,452	73,660
NET INCREASE/(DECREASE) IN CASH ASSETS HELD		32,123	(831)
Cash assets at the beginning of the half year		46,595	27,774
CASH ASSETS AT THE END OF THE HALF YEAR		78,718	26,943

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 2017

	Share Capital \$	Accumulated Losses \$	Restated Foreign Currency Revaluation Reserve \$	Equity Component Instrument \$	Options Reserve \$	Total \$
Balance at 1 July 2016	37,507,431	(39,218,674)	(61,881)	196,656	-	(1,576,468)
Loss for the period	-	(210,567)	-	-	-	(210,567)
Other comprehensive income / (loss) for the period	-	-	(20,735)	-	-	(20,735)
Balance at 31 December 2016	37,507,431	(39,429,241)	(82,616)	196,656	-	(1,807,770)

	Share Capital \$	Accumulated Losses \$	Foreign Currency Revaluation Reserve \$	Equity Component Instrument \$	Options Reserve \$	Total \$
Balance at 1 July 2017	1,500,000	(3,462,211)	(43,149)	299,409	28,000	(1,677,951)
Profit for the period	-	366,347	-	-	-	366,347
Other comprehensive income / (loss) for the period	-	-	43,149	-	-	43,149
Net issue of shares	448,159	-	-	-	-	448,159
Balance at 31 December 2017	1,948,159	(3,095,864)	-	299,409	28,000	(820,296)

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2017

1. NATURE OF OPERATIONS

Adavale Resources Limited (“the Company”) and its controlled entities (“the Group”) principal activities of the consolidated entity during the period include mining exploration and development in Australia and Indonesia.

CAPITAL RAISING FACILITY

On 24 July 2017 the Company announced a Standby Subscription Agreement with Addchance Holdings Ltd for a \$1,000,000 facility to provide working capital to the Company. During the period the Company issued 23,347,399 shares raising \$268,159 utilising this facility. Since 31 December 2017 to the date of this report a further \$40,000 had been drawn against this facility and 3,846,153 shares issued thus taking the total shares issued to date against the facility to 27,193,552 and raising \$308,159. The shares are issued at 80% of 15-day VWAP prior to each drawdown. The balance of the facility amounts to \$691,841.

Additionally, on 7 July 2017, 18,000,000 shares were issued to Jun Moon Limited, thus capitalising the amount of \$180,000 previously advanced to the Company for this purpose and included in the financial statements as at 30 June 2017 as a current liability.

SALE OF TAPAN PROJECT

As was reported on 12 October 2017 the Company entered into an agreement with its Chairman Mr Haryono Eddyarto (subject to shareholder approval) to sell the TAPAN project to Mr Eddyarto and as consideration Mr Eddyarto would extinguish all debt between the Company and Mr Eddyarto and associated companies amounting to approximately \$669,370. Full details of the transaction were included in the Notice of Annual General Meeting held on 30 November 2017, at which shareholder approval was granted for the transaction to proceed. The parties to the agreement have proceeded to implement the terms of agreement and are working through the administrative requirements in Indonesia. The Directors consider the transaction substantially complete and anticipate finalising all matters in the near future, and hence for the purposes of these financial statements, have accounted for the transaction as having taken place during the period to 31 December 2017.

The Group is continuing to evaluate its uranium project at Lake Surprise in South Australia as well as evaluating farm-out or joint venture opportunities.

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 2017 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 2017.

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

The interim financial statements do not include full disclosures of the type normally included in the full financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report. It is recommended interim financial statements be read in conjunction with the full financial report for the year ended 30 June 2017 and any public announcements made by Adavale Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

In the half year ended 31 December 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2017.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half year ended 31 December 2017. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies. These half-year financial statements were approved by the Board of Directors on 16 March 2018.

Change in Accounting Policy – Exploration, Evaluation and Development Expenditure

The Group has changed the accounting policy on Exploration, Evaluation and Development Expenditure as the Director's formed the view that the change in the Group's accounting policy would provide more relevant and reliable information to management and users of the financial statements. The Group has restated the opening statements of financial position as at 1 July 2016 and 30 June 2017 and the statement of comprehensive income for the half year ended 31 December 2016.

The Group, when acquiring exploration and evaluation expenditure will carry these projects at acquisition value, less any subsequent impairment.

All exploration and evaluation expenditure within the area of interest will be expensed until the Directors conclude that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and the future economic benefits are probable. In making this determination, the Directors consider the extent of exploration, the proximity to existing mine or development properties as well as the degree of confidence in the mineral resource.

Where the Directors conclude that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and the future economic benefits are probable, further expenditure is capitalized as part of property, plant and equipment.

No amortisation is charged during the exploration and evaluation phase. Amortisation is charged upon commencement of commercial production. Exploration and evaluation assets are tested for impairment annually or when there is an indication of impairment, until commercially viable mineral resources are established. Upon establishment of commercially viable mineral resources, exploration and evaluation assets are tested for impairment when there is an indicator of impairment. Subsequently the assets are stated at cost less impairment provision.

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 2017.

Going Concern

The Group is at the exploration and evaluation phase of each of its mining tenements. The Group has incurred a loss from continuing operations for the period of \$303,023 and a cash outflow from operating and investing activities of \$211,329. At period end, the Group's current liabilities exceeded its current assets by \$44,465. 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 material uncertainty exists as to the Group's ability to continue as a going concern.

In addition to the Convertible Loan Facility (fully drawn), on 24 July 2017 announced it had entered into a capital raising facility (Facility) with a non-related entity Addchance Holdings Ltd (as agent for the nominee) (Addchance), a Hong Kong based company. 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 Addchance; and
- The issue price of the shares will be 80% of the 5 day VWAP.

During the period the Company issued 23,347,399 shares raising \$268,159 utilising this facility. Since 31 December 2017 to the date of this report a further \$40,000 had been drawn against this facility and 3,846,153 shares issued thus taking the total shares issued to date against the facility to 27,193,552 and raising \$308,159. The balance of the facility amounts to \$691,841.

The utilization of the facility beyond the available capacity of ASX Listing Rules 7.1 and 7.1A will require shareholder approval. As at 31 December 2017 the Company had shareholder approval for full capacity under the ASX Listing rules amounting to approximately 20 million shares being approximately \$208,000. Shareholder approval is required for Adavale to further access funds under this Rule beyond that already approved.

Given the nature of the funding facilities the Directors have put in place, 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. However, should the Group be unable to obtain sufficient funding as outlined above, there is a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial report. The financial statements do not include any adjustments that might be necessary should it not continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2017

4. CHANGES IN ACCOUNTING POLICY

Change in accounting policy – Exploration and Evaluation Expenditure

In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, the Group has elected to “expense as incurred” expenditure within an area of interest. In previous reporting periods’ exploration and evaluation expenditure was capitalised initially and assessed for impairment on an annual basis. The Directors formed the view that the change in the Group’s accounting policy would provide more relevant and reliable information to management and users of the financial statements. The Group has restated the opening statements of financial position as at 1 July 2016 and 30 June 2017.

Consolidated Group	30 Jun 2017 (Restated)	Increase/ (decrease)	30 June 2017	1 Jul 2016 (Restated)	Increase/ (decrease)	1 Jul 2016
	\$	\$	\$	\$	\$	\$
Statement of Financial Position (Extract)						
Exploration and evaluation expenditure	-	(391,000)	391,000	-	(807,500)	807,500
Asset classified as held for resale	-	(100,000)	100,000	-	-	-
Net assets	(1,677,951)	(491,000)	(1,186,951)	(1,576,468)	(807,500)	(768,968)
Accumulated losses	(3,462,212)	(491,000)	(2,971,212)	(39,218,674)	(807,500)	(38,411,174)
Total Equity	(1,677,951)	(491,000)	(1,186,951)	(1,576,468)	(807,500)	(768,968)

Statement of Comprehensive Income (Extract)	31 Dec 2017 (Restated)	Increase/ (decrease)	31 Dec 2017
	\$	\$	\$
Gain on sale of discontinued operation	669,370	100,000	569,370
Profit/(loss) for the period	366,348	100,000	266,348

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2017

5. BORROWINGS – CURRENT

	Consolidated 31 Dec 2017 \$	Consolidated 30 June 2017 \$
Equity funding from related party	-	180,000

The loan from unrelated party is interest free and unsecured. The loan has been extinguished since 30 June 2017, through the issue of 18m shares to Jun Moon Limited (refer to note 9).

6. COMMITMENTS

There is no material change to the commitments disclosed by the Group in its 30 June 2017 annual report.

7. CONTINGENCIES

There are no contingencies identified by the Board as at 31 December 2017. The contingency previously reported and described in Note 27(b) of the Financial Statements as at 30 June 2017 has been extinguished by virtue of the sale of PPA as described in Note 11.

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 2017 is as follows:

Primary Reporting – Business Segments Half year ended 31 December 2017	Mining and exploration \$ Australia	Discontinue d operation - Mining and exploration \$ Indonesia	Unallocated \$	Total \$
Segment Result				
Profit/(loss) from ordinary activities before income tax	(11,431)	669,370	(291,592)	366,347
Income tax expense	-	-	-	-
Net Profit/(loss)	(11,431)	669,370	(291,592)	366,347

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2017

Primary Reporting – Business Segments Half year ended 31 December 2017	Mining and exploration	Discontinue d operation - Mining and exploration	Unallocated	Total
	\$ Australia	\$ Indonesia	\$	\$
Total segment assets				
Receivables	3,074,991	-	34,087	3,109,078
Others	-	-	78,818	78,818
	3,074,991	-	112,905	3,187,896
Total segment liabilities				
Creditors and accruals	3,074,991	-	157,370	3,232,361
Loans	-	-	775,831	775,831
	3,074,991	-	933,201	4,008,192

b) Segment assets:

Reportable segments' assets reconciled to total assets as follow:

	Consolidated 31 Dec 2017 \$
Segment Assets	3,187,896
Intersegment Eliminations	(3,074,991)
Total assets as per Statement of financial position	112,905

c) Segment liabilities:

Reportable segments' liabilities reconciled to total liabilities as follow:

Segment Liabilities	4,008,192
Intersegment Eliminations	(3,074,991)
Total liabilities Statement of financial position	933,201

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

Primary Reporting – Business Segments Half year ended 31 December 2016	Mining and exploration	Mining and exploration	Unallocated	Total
	\$ Australia	\$ Indonesia	\$	\$
Segment Result				
Profit/(loss) from ordinary activities before income tax	(17,385)	(9,955)	(183,227)	(210,567)
Income tax expense	-	-	-	-
Net Profit/(loss)	(17,385)	(9,955)	(183,227)	(210,567)

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2017

Primary Reporting – Business Segments Year ended 30 June 2017	Restated		Unallocated \$	Total \$
	Mining and exploration \$ Australia	Mining and exploration \$ Indonesia		
Total segment assets				
Receivables	3,063,009	-	19,875	3,082,884
Others	-	-	46,595	46,595
	3,063,009	-	66,470	3,129,479
Total segment liabilities				
Creditors and accruals	3,063,009	-	896,823	3,959,832
Loans	-	-	847,598	847,598
	3,063,009	-	1,744,421	4,807,430

e) Segment assets:

Reportable segments' assets reconciled to total assets as follow:

	Restated Consolidated 30 June 2017 \$
Segment Assets	3,129,479
Intersegment Eliminations	(3,063,009)
Total assets as per Statement of financial position	66,470

f) Segment liabilities:

Reportable segments' liabilities reconciled to total liabilities as follow:

	Consolidated 30 June 2017 \$
Segment Liabilities	4,807,430
Intersegment Eliminations	(3,063,009)
Total liabilities Statement of financial position	1,744,421

9. SHARE CAPITAL

	Consolidated 31 Dec 2017		Consolidated 30 June 2017	
	Number	\$	Number	\$
Fully paid ordinary shares				
Ordinary Shares				
Opening Balance	35,249,456	1,500,000	28,249,456	37,507,432
Less: permanent loss of capital	-	-	-	(36,077,432)
Shares issued	41,347,399	448,159	7,000,000	70,000
Closing Balance 31 December 2017	76,596,855	1,948,159	35,249,456	1,500,000

10. OPTION RESERVE

There has been no further issue of options since 30 June 2017.

Options Reconciliation	Consolidated 31 Dec 2017		Consolidated 30 June 2017	
	Number	\$	Number	\$
Opening Balance	4,000,000	28,000	-	-
Options issued	-	-	4,000,000	28,000
Options expired	-	-	-	-
Closing Balance at the end of the period	4,000,000	28,000	4,000,000	28,000

	December 2017 No	June 2017 No
Director Options issued 26 April 2017, exercisable at 5 cents		
Opening Balance	4,000,000	-
Issued April 2017	-	4,000,000
Closing Balance	4,000,000	4,000,000

Refer to the 30 June 2017 annual report for further details on these options.

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2017

11. DISPOSAL OF ASSET GROUP HELD FOR SALE

As referred to in Note 10 to the 30 June 2017 Financial Statements, the Company had decided to divest its ownership of the Indonesian located assets. As was reported on 12 October 2017 the Company entered into an agreement with its Chairman Mr Haryono Eddyarto (subject to shareholder approval) to sell the TAPAN project to Mr Eddyarto and as consideration Mr Eddyarto would extinguish all debt between the Company and Mr Eddyarto and associated companies'. The mechanism by which this agreement was transacted was for Adavale Resources Limited to sell its equity interest in PT Prima Perkasi Abadi (PPA), the owner and title holder of the TAPAN project. This agreement was ratified by shareholders at the Annual General Meeting on 30 November 2017, and The Directors consider the transaction substantially complete and anticipate finalising all matters in the near future, and hence for the purposes of these financial statements, have accounted for the transaction as having taken place during the period to 31 December 2017.

The consideration for the sale was essentially as follows;

- \$24,706 cash (being the cash balance in PPA at date of sale)
- \$198,869 being accrued interest owing to Mr Eddyarto
- \$445,795 being net liabilities included in PPA at date of sale considered extinguished.

At the date of disposal the carrying amounts of the net assets included in the disposal are as follows;

	\$
Cash and cash equivalents	24,706
Trade and other payables	(17,689)
Owing to related party	(499,805)
Accrued interest owing to Mr Eddyarto	(198,869)
Foreign exchange variation at date of sale	46,993
Consideration	(24,706)
Profit on sale of discontinued operation	\$669,370

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2017

12. NON-CURRENT LIABILITIES – BORROWINGS

	Note	Consolidated 31 Dec 2017 \$	Consolidated 30 June 2017 \$
Borrowings	12(a)	1,000,000	1,000,000
Less: Equity component instrument		(299,408)	(299,408)
Add: Unwinding of interest		75,239	16,231
		<u>775,831</u>	<u>716,823</u>

- (a) In 2017, the Company announced it has entered into a Convertible Loan Agreement with Jun Moon Limited.
(b) The full terms of the convertible loan are disclosed in the 30 June 2017 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 \$- (June 2017: \$495,594) owing to PT Harner (PTH), a Company controlled by Mr Haryono Eddyarto, Chairman of the Company. The amount owing to PTH has been extinguished during the period by virtue of the sale of the subsidiary company PT Prima Perkasa (PPA) (see note 11)

During the reporting half-year period ended 31 December 2017 and up to the date of sale of PPA, no further charges were made to a subsidiary company by PTH.

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.

15. FINANCIAL INSTRUMENTS

The Directors consider that the carrying values of the financial assets and financial liabilities recognized in the condensed statement of financial position approximate their fair values.

ADAVALE RESOURCES LIMITED

DIRECTORS DECLARATION

for the half year ended 31 December 2017

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 2017 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.

Alan Ritchie

A Ritchie
Director

16 March 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Adavale Resources Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Adavale Resources Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, 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 Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

We draw attention to Note 3 in the half-year financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The directors of the company 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 internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with 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

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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 Group's financial position as at 31 December 2017 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 the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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 have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
16 March 2018



B G McVeigh
Partner

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