



ASX RELEASE

2017 Annual Report

Please find attached the Adavale Resources Limited 2017 Annual Report.

It is anticipated that the hard copy version of the Annual Report, along with the Notice of Meeting, will be distributed to shareholders mid October 2017.

Leanne Ralph
Company Secretary
Adavale Resources Limited

ADAVALE RESOURCES LIMITED

ACN 008 719 015

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 June 2017

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CORPORATE DIRECTORY

Directors

Haryono Eddyarto (Chairman)
Huili Guo (appointed 28 April 2017)
Yuk Chor Choi (appointed 28 April 2017 - resigned 7 August 2017)
Allan Ritchie (appointed 28 April 2017)
Kham Tame Signavong (appointed 28 April 2017)
Saharto Sahardjo (resigned 28 April 2017)
Albert Cheok (resigned 28 April 2017)
Peter Murphy (resigned 28 April 2017)

Secretary

Leanne Ralph (appointed 20 December 2012)

Registered Office

Level 12
225 George Street,
SYDNEY NSW 2000
Telephone +(612) 92909600
Facsimile +(612) 92790664

Share Registry

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

Auditor

Grant Thornton Audit Pty Ltd
Level 1 10 Kings Park Rd
West Perth WA 6005

Stock Exchange

Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

ASX Code

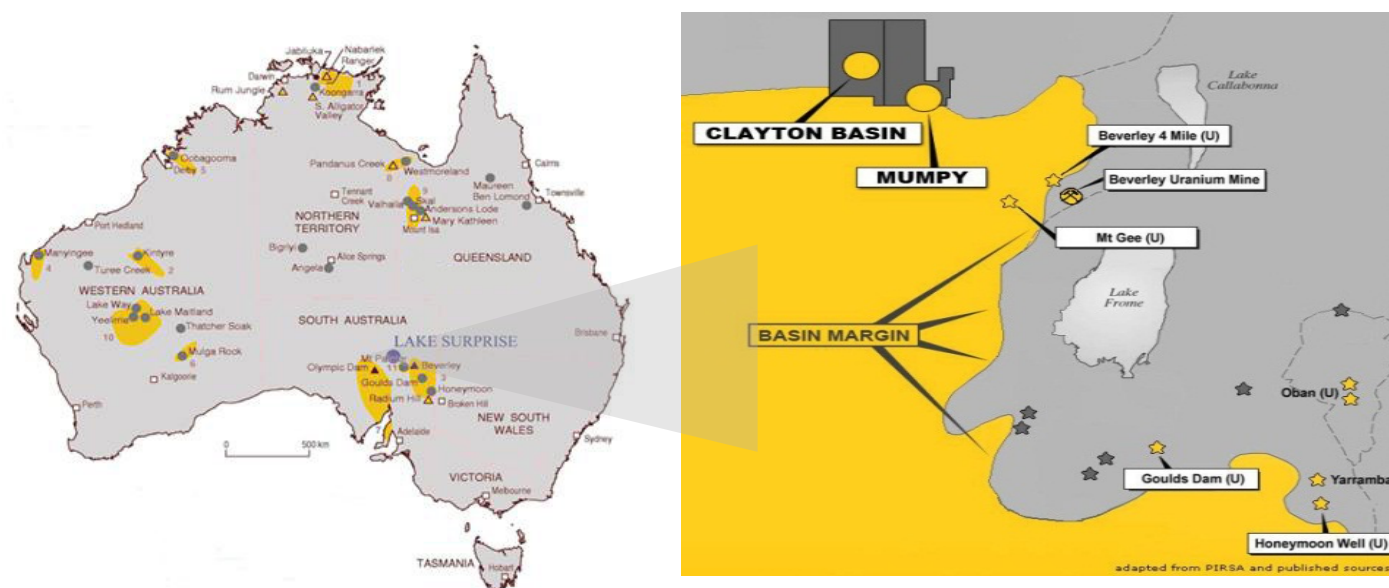
ADD (fully paid ordinary shares)

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

REVIEW OF OPERATIONS

During the period to the latter part of the June 2017 financial year, Adavale Resources Limited (ADD) continued with its focus on exploration and development of coal and other mineral projects in Indonesia and retaining its interest in the Lake Surprise Uranium Project in South Australia. Following a recent review of the two primary assets of ADD group, being the Lake Surprise uranium area and the TAPAN coal interest in Indonesia, the Directors of ADD have concluded that the Indonesian Coal asset interests are no longer an appropriate asset for ADD going forward. The Directors consider there to be limited upside potential and a likely downside risk, compounded by the continued risk associated with the ongoing litigation. It was considered ADD was not well suited to this form and level of risk and other parties were much better at managing this exposure, more particularly an Indonesian managed party. To this end there has been ongoing discussions and negotiations for the Company to divest this asset for a positive aggregate return to the Company.

Descriptions of each of the projects are set out below.



AUSTRALIA

LAKE SURPRISE - SOUTH AUSTRALIA - 100% ARL

Adavale Minerals hold three exploration licences within part of the highly prospective sedimentary uranium province within the northern part of the Lake Frome Embayment. These tenements lie within a flat, semi-arid landscape located just to the north of the Flinders Range in South Australia. These include EL 5892 comprising 125km², EL 5893 comprising 295km² and EL 5644 of 137km² (formerly EL's 4949 and 4950).

The Lake Surprise Project area contains the Jubilee and Mookwarinna Prospect areas and these lie within a shallow, structural downwarp known as the Clayton Basin. If further exploration identifies economic resources, both prospects could be mined by shallow open cut methods and uranium extraction using a simple heap-leach process.

The Jubilee Prospect contains fourteen potentially economic ore blocks that lie within a north-trending, sinuous, quartzose palaeochannel system. These blocks have eU₃O₈ concentrations of greater than 100ppm reaching a maximum of 611ppm and have thicknesses greater than 0.5m. The deposits comprise a mixture of unconformity, sheet-like or roll-front style deposits that in places crop out and extend to depths to about 25m below the ground surface and lie within a sinuous palaeochannel that is more than 2km in length. This channel has tributary branches and segments that are undrilled and in places are open in several directions. The palaeochannel system contains fine to coarse grained quartzose sandstone and minor siltstone. Most of the uranium, including occurrences of visible carnotite, is held within hardened silicified sandstone and silcrete layers. Adavale has made a preliminary assessment as to the quantity of uranium present from a study estimating equivalent uranium present through analyses of gamma ray logs of drill-holes. This assessment cannot be accurately completed due to relatively few geochemical analyses that were undertaken and because some uranium may not have responded as radioactive anomalies in the gamma ray logs, due to the probable disequilibrium state of recently groundwater-precipitated uranium. The Board recognises the potential economic significance of this area and has received a report recommending an infill drilling plan to further explore and upgrade knowledge of the uranium resources of this prospect.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

REVIEW OF OPERATIONS - CONTINUED

The Mookwarinna Prospect lies in the south-central part of EL 5893 and has widely spaced drill-holes on an approximate 1km grid spacing. A broad anomalous zone of uranium enrichment is recorded in five drill-holes within a zone about 6km in strike length which appears to wrap around the southern margin of a local, structural downwarp within the Clayton Basin sequence. An area of about 300 X 400m was subjected to a ground spectrometer survey and infill drilling of six gamma-ray logged holes and contains anomalous uranium above the 100ppm cut-off grade in layers up to 3.25m in thickness. The deposits are shallow and in places lie just below surficial sand cover to depths of about 20m. It is likely that the uraniferous granites in the Flinders Range is the likely source and the proximity to this terrain may indicate that the uranium deposits could be more extensive than those located further north in the Jubilee Prospect. A programme of closer-spaced drilling, gamma-ray logging, XRF and geochemical analyses of core and cuttings, has been designed for this area.

Tenure on EL5892 and EL5893 has been extended until August 2018. Management continue to have discussions with potential joint venture parties to explore and develop the sedimentary uranium deposits. The Company is also planning to extend exploration into EL 5644 and into as yet other undrilled sectors of the Clayton Basin, within the tenements that appear to contain similar geological environments to the two identified prospects.

Competent Person Statement: The information in this report relates to Exploration Results, Mineral Resources or Ore Resources is based on information that was examined and reviewed by Dr Brian R. Senior, who is a Fellow of the Australasian Institute of Mining and Metallurgy and independent Geological Consultant to ARL. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2014 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Senior consents to the inclusion in the report of the matters based on the information supplied in the form and context in which it appears.

PROJECTS REVIEW - INDONESIA

ADAVALE HARNER RESOURCES (AHR) 40% ARL and 60% Mr Haryono Eddyarto

In the absence of any projects other than TAPAN, the operations of the AHR JV have effectively ceased for some time. Since year end actions have been taken to wind up the JV. There are no assets or liabilities or financial activity relevant to Adavale.

TAPAN - SUMATRA - PT PRIMA PERKASA ABADI

PPA is the holder of the Tapan concession and is owned 90% by Adavale Resources Limited and 10% by Adavale Indonesia Pty Ltd.

The Tapan project lies 120 km south of the capital of Padang. PPA had previously completed a JORC exploration program on the Tapan Project. ADA Strategic, a Jakarta based consulting group, carried out the program and prepared a thorough report consistent with JORC code requirements.

Exploration Tenement (IUP Eksplorasi) no. C516/126/KPTS/BPT-PS/2010 with the total area of 2053.92 has been granted clear and clean status by the government, while Production Tenement (IUP Produksi) no. C540/432/KPTS/BPT-PS/2010 with a total area of 198.88 Ha has obtained the recommendation to get the clear and clean status. The application to upgrade the license from exploration tenement (IUP) to production tenement(IUP-OP) is in progress.

PPA is still in process of updating the Exploration Tenement of 2053.92 Ha to an approximately 400 Ha Operating Production Tenement. This process takes considerable time due to the reports which have to be completed such as Exploration Report, Feasibility Study, Environment Impact Analysis (AMDAL) etc and the need to prepare the budget for this.

Regarding the legal dispute, the Company has appealed and the plaintiff has also issued its counter memoranda but up to now, the High Court of Jakarta has not issued the verdict.

LEGAL UPDATE

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.

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices currently in place for Adavale Resources Limited (**Company or Adavale**) and also addresses the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**). The Board believes the Company has applied the principles and recommendations of the ASX Corporate Governance Council in a manner that is appropriate for a Company in its current stage of operation.

The corporate governance policies and practices described below are those that have been in place for the year, or as at the date of this report where indicated.

The Company does not have a website that is properly maintained or up to date. As a result charters and policies referred to in this statement are not disclosed on this website as required under the ASX Recommendations.

Principle 1: Lay solid foundations for management and oversight

(a) Role of the Board

The board is accountable to shareholders for the management of the Company's business and affairs and as such is responsible for the overall strategy, governance and performance of the Company. The Board is responsible for the following:

- ☐ Providing accountability to shareholders/stakeholders
- ☐ Appointing and working with the Managing Director /Executive Directors
- ☐ Approval of Company Strategy
- ☐ Development of Key Company policy
- ☐ Monitoring management and operations

(b) Board committees

The ultimate responsibility for the oversight of the operations of the Company rests with the Board. However, the Board may discharge any of its responsibilities through committees of the Board in accordance with the Constitution and the Corporations Act.

Given the size of the Company's operations the reliance on the experience of the members of the Board, the Board only has constituted an Audit Committee. The functions of other such committees (risk, remuneration and nomination) will be performed by the full Board.

The number of Board and Audit Committee meetings held during the year and the number of meetings attended by each of the directors is set out in the table below:

	BOARD		AUDIT COMMITTEE	
	A	B	A	B
Mr Haryono Eddyarto (Chair and Executive Director	5	5	-	-
Huili Guo (appointed 28 April 2017)	1	1		
Yuk Chor Choi (appointed 28 April 2017 - resigned 7 August 2017)	1	1		
Allan Ritchie (appointed 28 April 2017)	1	1		
Kham Tame Signavong (appointed 28 April 2017)	1	1		
Mr Saharto Sahardjo (resigned 28 April 2017)	5	5	2	2
Mr Albert Cheok (resigned 28 April 2017)	5	3	2	2
Mr Peter Murphy (resigned 28 April 2017)	5	5	2	2

A: Meetings eligible to attend **B:** Meetings attended **C:** In addition there were 12 circular resolutions.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT (CONT)

(c) Senior Executives

The Board Charter addresses the responsibilities of the Board and management. It goes further detailing the Board's relationship with Management. The Board Charter allows the Board to delegate the responsibility for the day-to-day management of the Company to a Managing Director (**MD**). As the Company is currently assessing the future direction of the Company no new executives have been appointed during the year.

(d) Performance of Senior Executives

As there are no senior executives in the business, there is no requirement to assess performance.

(e) The Company Secretary

The Company Secretary acts as secretary of the Board, attending all meetings of the Board. The Company Secretary is accountable to the Board through the chairperson on all corporate governance matters.

Principle 2: Structure the board to add value

(a) Board size and composition

The Constitution of the Company provides that there will be a minimum of three directors and not more than nine directors.

At the date of this report, the Board comprises four non-executive directors.

The current members of the Board are:

Mr Haryono Eddyarto (Chair and Executive Director), (appointed 28 September 2011)

Mr Huili Go Non-executive Director (appointed 28 April 2017);

Mr A Ritchie (Non-executive Director) (appointed 28 April 2017);

Mr K Signavong (Non-executive Director) (appointed 28 April 2017).

The Board considers that the existing Board composition and structure is appropriate for the Company's current operations and stage of development.

Directors' details are listed in the Annual Report in the Directors Report, including details of their other listed entity directorships and experience.

(b) Board skills and diversity

The Board considered the merits of developing a Board Skills Matrix but has not undertaken this process for the year ended 30 June 2017 due to its stage of operations and the strategic review process being undertaken to determine the future of the Company. The qualifications and expertise of each Board Member are outlined in the Directors Report contained within the Annual Report.

(c) Director Appointments

Given the stage of the Company's operations and the strategic review process being undertaken to determine the future of the Company and the heavy reliance on the experience of the members of the Board, no additional director appointment have been made during the year ended 30 June 2016. At the appropriate time, the Board will make decisions on the size and composition of the board, including assessment of necessary and desirable competencies of board members.

The full Board will determine who is invited to fill a casual vacancy after extensive one-on-one and collective interviews with candidates and thorough due diligence and reference checking.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT (CONT)

(d) Terms of appointment

Non-executive directors are appointed pursuant to formal letters of appointment which, among other things, set out the key terms and conditions of the appointment, the Board's expectations in relation to the performance of the director, procedures for dealing with a director's potential conflict of interest and the disclosure obligations of the director, together with the details of the director's remuneration.

The Company has not established a formal director induction program as there is no current intention to appoint any additional directors. All current directors were informally given induction to their positions. The Board will consider the implementation of an induction program as part of its strategic review process being undertaken to determine the future of the Company.

(e) Directors' independence

The Board considers that it is able to exercise its judgement in an independent and unfettered manner and provide independent and effective oversight of management.

All members of the board, whether independent directors or not, exercise independent judgement in making decisions in the best interests of the Company as a whole.

In determining the independent status of each director, the Board has adopted the approach contained in ASX Principle 2, and specifically assesses the independence of all directors against the criteria outlined in Box 2.3 of the ASX Recommendations.

The Company does not use prescribed or pre-determined materiality thresholds for the purposes of assessing director independence but instead assesses independence on a case by case basis, having regard to the extent to which any relevant relationship or connection may materially interfere with the director's ability to exercise unfettered and independent judgement in the discharge of their responsibilities and duties.

Given the recent executive position held and the fact that Mr Haryono Eddyarto is a substantial shareholder, he is considered to be non-independent based on the criteria in Principle 2 of the ASX Recommendations. Mr Huili Guo is considered to be nonindependent given his indirect interest in substantial shareholder Jun Moon Limited. Mr Yuk Chor Choi, Mr A Ritchie and Mr K Signavong are considered independent Directors. Former directors Mr Saharto Sahardjo, Mr Albert Cheok and Mr Peter Murphy were considered by the Board to be independent.

The Board believes that this is an appropriate structure given the stage of the Company's operations, as it will be important to draw heavily on the industry experience of the members of the Board while it undertakes its strategic review to determine the Company's future.

(f) Directors' interests

Directors are required to keep the Board advised of any interest that may be in conflict with those of the Company, and restrictions are applied to directors' rights to participate in discussion and to vote, as circumstances dictate when a conflict has been identified. In particular, where a potential conflict of interest may exist, directors concerned may be required to leave the Board meeting while the matter is considered in their absence.

(g) Chairman

The Board Charter provides that where practical, the Chairman of the Board should be an independent Director.

Currently, the Chairman of the Board is not independent. The Company will consider appointing an independent Director as Chairman as part of its strategic review of the Company's future direction.

(h) Board meetings

The Board typically schedules meetings on a quarterly basis, with additional meetings convened as required. Agenda's for each meeting are prepared by the Company Secretary together with the input from the Chairman, and are distributed prior to the meeting together with supporting papers.

Standing items include the Operations report and the financial report, as well as reports addressing matters of strategy, governance and compliance.

(i) Independent advice

The Board has a policy of enabling directors to seek independent professional advice for Company related matters at the Company's expense, subject to the prior notification of the Chairman and where the estimated costs are considered to be reasonable.

(j) Board and director performance

Whilst the board is committed to enhancing its effectiveness through performance management and review, the board considers it inappropriate timing to undertake a board review process. This is due to the current state of the business effectively under review.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT (CONT)

Principle 3: Act Ethically and Responsibly**(a) Code of conduct**

The Board acknowledges the need for high standards of corporate governance practice and ethical conduct by all directors and employees of the Company. Whilst the Company has not adopted a Code of Conduct, various measures have been established to ensure that a high standard of ethical business behaviour is observed by all staff members, including policies and procedures for:

- Continuous Disclosure Obligations; and
- Trading in Adavale Securities.

In addition to their obligations under the Corporations Act in relation to inside information, all directors, employees and consultants have a duty of confidentiality to the Company in relation to confidential information they possess.

Once the future direction of the Company

(b) Employee and director trading in Adavale securities

In accordance with ASX Listing Rule 12.9, the Company has in place a Security Trading Policy that governs the ability of directors, employees and contractors to trade in the Company's securities. Subject to necessary prior written consents being obtained, the Company's directors, executives and employees may trade in the Company's securities at any time outside closed periods. Closed periods cover the following:

- The day after the announcement of Adavale's half yearly results to the ASX;
- The day after the announcement of Adavale's annual preliminary financial results to the ASX; or
- for any other time period determined by the Board.

Directors and employees may, in exceptional circumstances as defined in the policy, trade in a closed period but only with the prior written consent of the Disclosure Officer. Notwithstanding the closed periods and approval requirements, a person is prohibited from trading at any time if they possess material, price-sensitive information about the Company that is not generally available to the public.

The policy also prohibits short term trading of the Company's securities.

(c) Diversity

A formal diversity policy has not been adopted by the Board as there are employees of the company and no current intention to appoint any new directors.

This position may change, including the establishment of measurable gender diversity objectives in the foreseeable future whilst the Board undertakes a strategic review of the Company's future direction.

The current gender diversity is as follows:

- The proportion of female directors: 0%
- The proportion of female employees on the executive committee: 0%
- The proportion of female employees in the whole organisation: 0%

Principle 4: Safeguard integrity in corporate reporting

The Audit Committee is responsible for assisting the board in discharging its responsibilities to safeguard the integrity of the Company's financial reporting and the system of internal control. A key component of the committee's role is to provide appropriate advice and recommendations to the board to assist the board to fulfil its responsibilities in regard to financial reporting, the internal control environment, and audit management where appropriate across the Company.

The Audit Committee Charter takes into account the roles and responsibilities of the Audit Committee as well as contemporary governance practices. The Audit Committee Charter includes details on the appointment and oversight of the external auditor. The Company will ensure the external auditor is available to shareholders at the annual general meeting to answer any questions they may have about the Company's external audit.

The Audit Committee's current membership, the independence of the members and details of Audit Committee meetings and attendance by each Committee member are set out earlier in this Corporate Governance Statement and the Directors Report.

CORPORATE GOVERNANCE STATEMENT (CONT)

The qualifications and experience of the members of the Audit Committee are outlined in the Directors Report.

In accordance with the Company's legal obligations and Recommendation 4.2 of the ASX Recommendations, the Chief Executive and the Chief Financial Officer equivalent make the following certifications to the Board in relation to the Financial Statements for the financial period:

- The financial statements and associated notes comply in all material respects with the Accounting Standards as required by Section 296 of the Corporations Act 2001, Corporations Regulations, International Reporting Standards and other mandatory professional reporting requirements;
- The financial statements and associated notes give a true and fair view, in all material respects, of the financial position as at [balance date] and performance of the Company for the period ended as required by Section 297 of the Corporations Act 2001;
- The financial records of the company have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
- The integrity of the financial statements are founded on a sound system of risk management and internal compliance and control which, in all material respects, implements the policies adopted by the board of directors;
- The risk management and internal compliance and control systems of the Company relating to financial reporting objectives are operating effectively, in all material respects; and
- Subsequent to the end of the financial period, no changes or other matters have arisen that would have a material effect on the operation of risk management and internal compliance and control systems of the Company.

Principle 5: Make timely and balance disclosure

The Company is committed to complying with its continuous disclosure obligations under the ASX Listing Rules and Corporations Act and to ensuring that its shareholders are kept well-informed of all major developments affecting the Company's state of affairs, in order to promote transparency and investor confidence. The Company has a Continuous Disclosure Policy and it incorporates the continuous disclosure framework as set out in the ASX Listing Rules Chapter 3. The Policy creates a framework for compliance with relevant disclosure obligations and establishes the accountability of the Board for achieving compliance. More specifically, the Policy:

- Explains the Company's obligations under ASX Listing Rule 3.1 and the Corporations Act 2001;
- Establishes internal processes for reporting of information considered to be potentially price-sensitive and for consideration of information reported by the Board;
- Establishes processes for the disclosure of price sensitive information, taking into account the clarification provided by ASX Guidance Note 8;
- Establishes internal processes for briefing of analysts, investor and media Company's, responding to market speculation, leaks and rumours and calling trading halts where appropriate to avoid trading occurring in an uninformed market;
- Outlines authorisation procedures for ASX announcements; and
- Delegates to the Company Secretary the authority to release information or make disclosures to the ASX and responsibility for decisions regarding price sensitive information, coordinating disclosures, establishing and monitoring procedures under this Policy and making recommendations to the Board on any necessary updates to the Policy.

Principle 6: Respect the rights of security holders

The Board aims to ensure that its shareholders are kept well-informed of all major developments and business events that are likely to materially affect the Company's operations and financial standing, and the market price of its securities. Information is communicated to security holders through:

- Annual, half year financial reports and quarterly cashflow reports and market updates, lodged with the ASX and made available to all security holders;
- Announcement of market-sensitive and other information, including annual and half year results announcements and analyst presentations released to the ASX; and
- The chairman and CEO's addresses to, and the results of, the Annual General Meeting.

The Company does not currently have a website. The development of a website for the Company will be considered as part of the strategic review being undertaken by the Company to consider its future direction.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT (CONT)

The Company has a Continuous Disclosure Policy that includes a formal procedure for dealing with potentially price-sensitive information. The policy sets out how the Company meets its disclosure obligations under ASX Listing Rule 3.1. The Company's policy is to lodge with the ASX and place on its website all market-sensitive information, including annual and half year result announcements and analyst presentations, as soon as practically possible.

Shareholders have the right, and are encouraged, to attend the Company's annual general meeting, held in November each year, and are provided with explanatory notes on the resolutions proposed through the notice of meeting. A copy of the notice of meeting will also be posted on the Company website and lodged with the ASX.

Shareholders are encouraged to vote on all resolutions and unless specifically stated otherwise in the notice of meeting, all security holders are eligible to vote on all resolutions. Shareholders who cannot attend the annual general meeting may lodge a proxy in accordance with the Corporations Act. Proxy forms may be lodged with the share registry by mail, hand delivery, facsimile or electronically.

Transcripts of the chairman reports to shareholders are released to the ASX upon the commencement of the Annual General Meeting. These transcripts, together with the results of the meeting are also posted on the Company's website and the ASX.

All shareholders are provided the option to receive communications from the share registry electronically (and are encouraged to do so, with election documentation included in regular mail outs to security holders).

Principle 7: Recognise and manage risk

The Board is responsible for ensuring that sound risk management framework and policies are in place. The Board will devote time at its meetings to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the Company's risk management framework and associated internal compliance and control procedures.

The Company's risk management framework is integrated with its day-to-day business processes and functional responsibilities.

The Board considers risk matters on an ongoing basis but did not undertake a formal review of its risk management framework during the year ended 30 June 2017 due to the fact that the Board is undertaking a strategic review of the future direction of the business. It is intended that this framework review will be undertaken as part of the strategic review of the future direction of the business.

(a) Internal Audit

The Company does not have an internal audit function as it is not considered appropriate for the Company's current stage of development and operations.

(b) Economic, environmental and social sustainability risks

In accordance with Recommendation 7.4, the Board has considered whether the Company has any material exposure to economic, environmental and social sustainability risks and determined that there is no material exposure to these risks.

Principle 8: Remunerate fairly and responsibly

Given the stage of the Company's operations and the heavy reliance on the experience of the members of the Board, the Board does not initially propose to establish a remuneration committee and the function of such a committee will be performed by the full Board, acting in the best interests of the Company.

The Board will devote time at its meetings to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

For details of the Company's remuneration structure, please refer to the Remuneration Report

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**DIRECTORS' REPORT**

The Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2017.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

Name and Qualifications	Interests in Shares and Options at 30 June 2017	Experience and Special Responsibilities
Haryono Eddyarto Chairman Non-executive director Appointed 28 September 2011	4,238,777 fully paid ordinary shares 1,000,000 options	<p>Mr Eddyarto is an Indonesian Resident and has over 35 years experience in International trade. He has extensive business activities ranging from Commodity Trading, Mining, Chemical, Television and Property. Mr Eddyarto is a strong promoter of the Asian region having represented Indonesian Chamber of Commerce and Industry in the G-15, G-77 and the Indian Ocean Rim ARG-Business Forum.</p> <p>Current directorships include: Pt House of Indonesia, Pt Inter Mineral Resources, Pt Nikelindo, SpaceBee Broadcasting Services AG, Switzerland and Pt Teras Nirwana Bali.</p> <p>Listed company directorships held in last 3 years - Nil</p>
Huili Gui Non-executive Director Appointed 28 April 2017	37,000,000 shares	<p>Mr Huili Guo, aged 40, joined the People Liberation Army (PLA) in the PRC from 1993 to 1996. Since his resignation from the PLA, he has worked extensively in the Petrochemical industry in China, mainly in sales and marketing for 14 years. He started JML in 2010 as its majority shareholder and Chairman of the Board. JML's main business is procuring off-take of Petroleum products, both within China and overseas. Under Mr Guo's guidance and strategy JML has made a number of successful investments, more noticeably, as a majority shareholder in a Molybdenum mine in Guizhou, China, as well as in various financial investments and asset management concerns in Hong Kong, and China.</p>
Yuk Chor Choi Non-executive Director Appointed 28 April 2017 - resigned 7 August 2017	Nil shares	<p>Mr Yuk Chor Choi, aged 52, started his career in auditing and accounting for various Hong Kong enterprises with businesses and manufacturing facilities in China for about 11 years. He then worked as a factory manager for a premium products manufacturer and exporter based in Shenzhen, China. He joined Jun Moon Limited as its CEO in 2013 responsible for managing the various investments made by JML. He has also made investments in Hong Kong and China, including property, and funds management company in Hong Kong.</p>

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**DIRECTORS' REPORT (CONT)**

Allan Ritchie Non-executive Director Appointed 28 April 2017	34,035 shares	<p>Allan has served as a Board Director on several private and public listed companies and is a principal of his own firm where he focuses on asset acquisitions and off-take arrangements of Energy, Resources, and Infrastructure.</p> <p>Allan is an Investment Banking professional with a career spanning 30 years of Origination & Structuring. He held senior positions in Westpac, ANZ Bank, HSBC and BNP Paribas, in London, NY and Asia Pacific.</p> <p>He engages with the Chief Executives of major corporations and State Owned Enterprises spanning the largest Global Resources, Energy & Infrastructure groups. He was voted No. 1 in the Business Review (BRW) poll of Financial Markets bankers each year in that role in Australia.</p> <p>Allan graduated from the University of Technology, Sydney with Bachelor of Business and a Post Graduate Diploma in Applied Finance FINSIA.</p> <p>Allan is currently a director of Indago Energy Limited, having been appointed 3 April 2017.</p>
Khamtame Signavong Non-executive Director Appointed 28 April 2017	Nil shares	<p>Kham is a successful entrepreneur, a solid leader, a published author, and trusted executive with many deeply forged Australian and International sectors including Hospitality, property and supply chain, he is an asset to any organisation.</p> <p>Kham has a wealth of experience in, and is a great asset to, cross border businesses with multiple languages and a solid understanding of many Asian cultures both personally and professionally, including Laos, Thailand, Hong Kong China and his home Australia</p>
Saharto Sahardjo Non-Executive Director Resigned 28 April 2017	Nil shares 1,000,000 options Held on date of resignation	<p>Mr Saharto is an Indonesian Professional Business Law Advisor with over 25 years' experience in the management of companies.</p> <p>He has a Law Degree Major in Private International Law and is a Notarial Specialist. He also has a Master of Business Administration. Mr Saharto worked for PT Tanbang Timah, Tin Mining in Indonesia as Legal Staff (1982-5), and PT Latinusa (1985-98) as Manager, and thereafter as Company Secretary and Commercial Director. He is the Commissioner and Chairman of the Audit Committee of PT Polytama Propindo, the second largest polypropylene producer in Indonesia.</p> <p>Listed company directorships held in last 3 years - Nil</p>

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**DIRECTORS' REPORT (CONT)**

Albert Cheok
Non-Executive Director
Resigned 28 April 2017

300,000 fully paid
ordinary shares.
1,000,000 options
held on date of
resignation

Mr Cheok is a Fellow of the Australian Institute of Certified Public Accountants and is a banker with over 30 years experience in banking in the Asia Pacific region. Mr Cheok is currently the Chairman of Bowsprit Capital Corporation Limited, the Manager of First Real Estate Investment Trust, a healthcare REIT, and the Chairman of LMIRT Management Ltd, the Manager of Lippo Malls Indonesia Retail Trust, a retail mall REIT. Both of the REIT's are listed in Singapore. Mr Cheok is the Deputy Chairman of Metal Reclaimatiopn, a leading lead refinery in Malaysia.

Mr Cheok is a Senior Adviser to a number of businesses and Industrial groups in SE Asia. He is the Vice Governor on the Board of Governors of the Malaysian Institute of Corporate Governance; a private/public sector initiative established to good corporate governance practices in Malaysia.

Listed company directorships held in last 3 years - Nil

Peter Murphy
Non-Executive Director
Resigned 28 April 2017

Nil shares
1,000,000 options
held on date of resignation

Mr Murphy has a B.com from Melbourne University and has spent his business career in the international commodity trading,

marketing and business development area. Over a 30 year career Mr Murphy has worked in various countries including 10 years in Asia and travels to the Indian subcontinent on a regular basis. He worked with Philipp Brothers for 15 years and subsequently spent time with Marc Rich AG and Glencore. He was also retained by the Thyssen coal group as their representative in Asia and at various times has also represented the Belgian based Union Miniere and Newco AG of Switzerland and the Kolkata based Visa Group. For the past two years he has been actively involved in consulting to the Indonesian coal Industry.

Listed company directorships held in last 3 years - Nil

DIRECTORS' REPORT (CONT)

Company Secretary

Leanne Ralph

Ms Leanne Ralph was appointed to the position of Company Secretary in December 2012. Leanne has over 23 years experience in Chief Financial Officer and Company Secretarial roles for various publicly listed and unlisted entities.

Leanne is a member of Chartered Secretaries Australia and the Australian Institute of Company Directors.

Leanne is the principal of Boardworx Australia Pty Ltd, which supplies bespoke outsourced Company Secretary services to a number of listed and unlisted companies.

Principal Activities

During the period to the latter part of the June 2017 financial year, Adavale Resources Limited (ADD) continued with its focus on exploration and development of coal and other mineral projects in Indonesia and retaining its interest in the Lake Surprise Uranium Project in South Australia. Following a recent review of the two primary assets of ADD group, being the Lake Surprise uranium area and the TAPAN coal interest in Indonesia, the Directors of ADD have concluded that the Indonesian Coal asset interests are no longer an appropriate asset for ADD going forward. The Directors consider there to be limited upside potential and a likely downside risk, compounded by the continued risk associated with the ongoing litigation. It was considered ADD was not well suited to this form and level of risk and other parties were much better at managing this exposure, more particularly an Indonesian managed party. To this end there has been ongoing discussions and negotiations for the Company to divest this asset for a positive aggregate return to the Company.

The Company has continued evaluation on its uranium project at Lake Surprise in South Australia as well as evaluating other uranium and coal exploration opportunities.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**DIRECTORS' REPORT (CONT)**

Review and Results of Operations

During the period the Company continued to maintain its ownership and interest in its two project interests, being the Lake Surprise Uranium area in South Australia and the TAPAN coal area in Indonesia. Following a recent review and as detailed in the Review of Operations above, the Directors have concluded to enter discussions and negotiate to divest the Company's interest in the TAPAN project. The Company will continue to review other opportunities in the energy sector.

As discussed above under Review of Operations, the Company has recently renewed the South Australian Lake Surprise Tenements. The Company continues to pursue farm-out and joint venture opportunities for the Australian Lake Surprise area in South Australia and has recently renewed the South Australian Lake Surprise Tenements.

The Company has continued to curtail the administrative costs associated with the Company head office. There was also a major change in the ownership and management structure following the EGM held in April 2017 which is further set out below.

The consolidated loss of the Company was \$834,125 which compared with a net loss for the prior year of \$416,163.

The loss from Company activities before income tax expense includes the following revenue and expense disclosures which are relevant in explaining the financial performance of the entity:

	2017	2016
	\$	\$
Revenue from continuing operations	-	-
Expenses from continuing operations	(834,125)	(416,163)
Loss from continuing operations	(834,125)	(416,163)
Share of profit/(loss) from equity accounted investment	-	-
(Loss) from continuing activities	(834,125)	(416,163)

The major costs incurred in the year were focused on statutory compliance as well as the administration effort associated with our tenements, both in Australia and Indonesia. One off costs associated with the EGM held in April 2017 contributed to the increased administrative costs in the current year. Also included are costs incurred relating to the legal action taken to defend the Company's titles to the TAPAN project. An impairment charge of \$316,500 was made during the year against the TAPAN project.

OWNERSHIP RESTRUCTURE Consequent upon a Memorandum of Understanding signed in November 2016, and following the EGM held on 26 April 2017, significant changes were made to the ownership structure and funding of the Company.

Following the shareholders meeting on 26 April 2017, Jun Moon Limited advanced \$1,000,000 to the Company which was subsequently paid on the Harryono Eddyarto in accordance with the agreement referred to above to extinguish the existing Convertible Loan Agreement with HE. The funds were utilized first to pay off the existing \$860,000 advanced against the Convertible Loan, and the remaining funds utilized to pay down other amounts owing to HE and related Companies.

The new Convertible Loan Facility with JML for \$1,000,000 is fully drawn and contains the following conditions;

- Repayable within 24 months of execution date (26 April 2017) or any other date as agreed,
- Interest shall accrue at a rate of 8% per annum,
- At the lender's discretion, all or a proportion of the advance, and any or all accrued interest thereon shall be applied to the subscription of shares by the lender at a price of \$0.05 per share.

Following the EGM and as approved by shareholders, JML acquired off-market a total of 12,000,000 shares. Since 30 June JML has converted temporary funding of \$180,000 into 18,000,000 shares which takes the total shareholding of JML to 37,000,000 (having acquired 7,000,000 shares prior to the EGM) or 58% of issued capital.

GURNEY CAPITAL FACILITY

In previous years the Company operated with a capital raising facility with Gurney Capital Pty Ltd. Following the EGM held on 26 April 2017 this facility was cancelled. It has since been replaced in July 2017 with a similar facility with Addchance Holdings Pty Ltd (see separate disclosure below).

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**DIRECTORS' REPORT (CONT)**

NEW CAPITAL RAISING FACILITY

In July 2017 the Company entered into a capital raising facility (Facility) with a non-related entity Addchance Holdings Ltd (Addchance) a Hong Kong based company. The purpose of this agreement is to provide further working capital to the Company. 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 or its nominee(s); and
- The issue price of shares will be 80% of the 5 day VWAP.

Since the signing of this agreement, draw-downs amounting to \$118,157.55 have been made on the facility. 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. At the date of this report there was no available capacity until shareholder approval is obtained.

Should any project require major funding beyond the funds immediately available to the Company, the Company would consider either introducing joint venture parties to the project, or carry out a capital raising to enable a full ownership retention of the project. Such decisions would be made on a case by case basis.

Dividends

No dividends were paid during the financial year and the directors recommend that no dividend be paid in respect of the year ended 30 June 2017.

Significant Changes in the State of Affairs

Except as referred to above there have not been any significant changes in the state of affairs of the Company.

Future Developments

The Group expects to continue its exploration and evaluation activities in Australia into the foreseeable future and will examine options for maximising the value of its mineral interests.

Events Subsequent to Reporting Date**CAPITAL RAISING FACILITY**

In July 2017 the Company entered into a capital raising facility (Facility) with a non-related entity Addchance Holdings Ltd (Addchance) a Hong Kong based company. The purpose of this agreement is to provide further working capital to the Company. 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 or its nominee(s); and
- The issue price of shares will be 80% of the 5 day VWAP.

Since the signing of this agreement, draw-downs amounting to \$118,157.55 have been made on the facility. 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. At the date of this report there was no available capacity until shareholder approval is obtained.

Additionally, JML has converted a temporary loan funding of \$180,000 into 18,000,000 shares thus taking the shareholding of JML to 37,000,000 shares, being 58% of the Company's share capital.

Other than as set out above, no matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Remuneration Report (audited)

The directors of Adavale Resources Limited present the Remuneration Report for non-executive directors, executive directors and key management personnel, prepared in accordance with the Corporations Act 2001 and Corporations Regulations 2001.

The remuneration report is set out under the following main headings:

- a. Principles used to determine the nature and amount of remuneration
- b. Details of remuneration
- c. Share based remuneration
- d. Service agreements

(a) Remuneration Policies

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Company and other executives. Key management personnel comprise of directors of the company and senior executives of the Group.

The compensation structure takes into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to control the relevant segment performance
- the group's performance including:
 - the group's earning
 - the growth of the share price and delivering constant return to shareholders

Compensation packages include a mix of fixed and variable compensation and short and long term performance based incentives. Short and long term performance - based incentives are designed to reward key management personal for meeting or exceeding their financial and personal objectives.

Remuneration levels are competitively set to attract and retain qualified and experienced directors, executives and staff, and having regard for the overall performance of the Company. Where necessary the Board obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies and industry surveys. No such advice was requested or received in the current year.

Currently the company does not have a Remuneration committee, but the Board establishes and monitors remuneration packages and policies. When appointed, the Board establishes and monitors the remuneration of the Managing Director. Currently no Chief Executive Officer has been appointed.

DIRECTORS' REPORT (CONT)

(b) Company Directors' remuneration

The remuneration paid during the year to each director of the Company are as follows. There are no long term employee benefits or termination benefits. See below relating to service agreements.

2017

DIRECTORS

		SHORT TERM EMPLOYEE BENEFIT	POST EMPLOYEE BENEFIT	SHARE BASED PAYMENT	Total
		Salary & Fees	Super- annuation	Options	
		\$	\$	\$	\$
Haryono Eddyarto (Chairman - non-executive director)	i	0	-	7,000	7,000
Huili Guo (non-exec. appointed 28 April 2017)		-	-	-	-
Yuk Chor Choi (non-exec. appointed 28 April 2017)		-	-	-	-
A Ritchie (non-exec. appointed 28 April 2017)		8,334	-	-	8,334
K T Signavong (non-exec. appointed 28 April 2017)		3,333	-	-	3,333
Albert Cheok (resigned 28 April 2017)		-	-	7,000	7,000
Saharto Sahardjo (resigned 28 April 2017)	ii	0	-	7,000	7,000
Peter Murphy (resigned 28 April 2017)		-	-	7,000	7,000
		11,667	-	28,000	39,667

OTHER KEY MANAGEMENT PERSONNEL

Leanne Ralph (Company Secretary)	iii	58,217	-	-	58,217
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2016

DIRECTORS

		SHORT TERM EMPLOYEE BENEFIT	POST EMPLOYEE BENEFIT	SHARE BASED PAYMENT	Total
		Salary & Fees	Super- annuation	Options	
		\$	\$	\$	\$
Haryono Eddyarto (exec chairman)	i	65,913	-	-	65,913
Albert Cheok		-	-	-	-
Saharto Sahardjo	ii	49,435	-	-	49,435
Peter Murphy		-	-	-	-
		115,348	-	-	115,348

Other Key Management Personnel

2016

Leanne Ralph (Company Secretary)	iii	35,400	-	-	35,400
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ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**DIRECTORS' REPORT (CONT)**

- i Fees payable to Mr Eddyarto were paid from Adavale Harner Resources, a Joint Venture in which Adavale Resources Limited owns a 40% share.
- ii The salary paid to Mr Sahardjo was paid by Adavale Harner Resources.
- iii Fees paid for services of L Ralph as company secretary, paid to Boardworx.

The relative proportions of remuneration that are linked to performance and those that are fixed as follows:

Name	Fixed Remuneration	At risk - STI	At risk - options
Non-Executive Directors			
Haryono Eddyarto	100%	-	100%
Huili Guo	100%	-	-
Yuk Chor Choi	100%	-	-
A Ritchie	100%	-	-
K T Signavong	100%	-	-
Albert Cheok	100%	-	100%
Saharto Sahardjo	100%	-	100%
Peter Murphy	100%	-	100%

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (CONT)

(c) Share Based Remuneration

All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the agreements.

As agreed by shareholders at the EGM held on 26 April 2017, 1,000,000 options were issued to each of the incumbent directors, Messrs Eddyarto, Cheok, Suhardjo and Murphy. The options to the 3 retiring directors were issued in the form of remuneration for past services, and to Mr Eddyarto to be incentivised for a continued role in the Company. The options were granted on 28 April 2017. Given the circumstances of the issue and approval it was not considered appropriate that any further conditions attach to these options.

All options above have been issued with an exercise price of \$0.015 and expire on the date two years from issue, being 26 April 2019. The options can be exercised any time after 28 April 2018 and before the expiry date.

The fair value of these options has been assessed at \$0.007 per option, being a total of \$28,000 and has been expensed this financial year.

(d) Service Agreements

The management of the company have effectively severed all links with any entity which has or had service agreements with any director or related party as previously reported.

As from 1st May 2017, recently appointed directors' Mr A Ritchie and Mr K Signavong have signed consultancy agreements for services related to the ongoing administration of the Company. The initial period of the service agreements is 12 months. In the case of Mr A Ritchie the amount paid is \$ 4,167 per month plus GST, and in the case of Mr K Signavong \$1,667 per month plus GST.

DIRECTORS' REPORT (CONT)

(e) Other Information

Options held by Key Management Personnel

The number of options to acquire shares in the Company held during the 2017 reporting period by any of the Key Management Personnel of the Group, including their related parties are set out below. The only current director holding options is Mr Haryono Eddyarto.

PERSONNEL	Balance at start of year	Expired	Granted as remuneration (ii)	Vested and exercisable at the end of the reporting period	Vested and unexercisable at the end of the reporting period
Haryono Eddyarto (i)	1,000,000	(1,000,000)	1,000,000	-	0
Albert Cheok	0	0	1,000,000		
Suharto Suharjo	0	0	1,000,000		
Peter Murphy	0	0	1,000,000		

(i)(ii) the performance options expired on July 2016. Along with other existing retiring directors, Messrs Eddyarto, Cheok, Suharjo and Murphy received 1,000,000 options each at date of resignation, April 2017.

Shares held by Key Management Personnel

The number of ordinary shares in the Company held during the 2017 reporting period by any of the Key Management Personnel of the Group, including their related parties are set out below.

PERSONNEL	Balance at start of year	Granted as remuneration	Other changes (i)	Held at the end of the reporting period
Haryono Eddyarto	4,238,777	-	-	4,238,777
Albert Cheok (as at 26/04/2017)	300,000	-	-	300,000
Huili Guo	0	0		
Allan Ritchie	0	0	34,035	34,035

END OF REMUNERATION REPORT

Indemnification of Officers and Auditors

The Company indemnifies, to the extent permitted by law, all Directors and the Company Secretary of the Company and all former Directors and Company Secretary, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors or Company Secretary of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (CONT)

The Company also indemnifies the current Directors and Company Secretary of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company also indemnifies executive officers of the Company and its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

The Company does not indemnify its auditors.

Options

At the date of this report there are 4,000,000 unissued ordinary shares of Adavale Resources Limited. All options which existed at 30 June 2016 have expired.

Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or a State or Territory.

Non-Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the nature of the services disclosed below did not compromise the external auditor's independence.

Grant Thornton did not provide any non-audit services during the year ended 30 June 2017.

Auditor's Independence Declaration

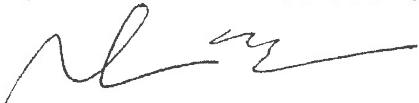
The auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on the following page.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company, or intervene in any proceedings for which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Directors:



Haryono Eddyarto
Chairman

29 September 2017



Grant Thornton

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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 audit of Adavale Resources Limited for the year ended 30 June 2017, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P W Warr
Partner - Audit & Assurance

Perth, 29 September 2017

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ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 June 2017**

		Consolidated	
	Notes	2017	2016
		\$	\$
Revenue			
Other Revenue	4	-	1,818.0
Total revenue		-	1,818.0
 Audit Fees	5	(59,345)	(47,225)
Director fees		(11,667)	-
Interest expense, convertible loan		(84,854)	(71,926)
Insurance		(21,708)	(24,622)
Share registry fees		(36,198)	(40,341)
Management, administration and legal fees		(164,783)	(79,550)
Funding interest		(1,760)	(572)
Tenement expenditure incurred		(19,185)	(22,088)
Impairment of exploration and evaluation expenditure	11	(316,500)	-
Share based payments		(28,000)	-
Other expenses		(4,056)	(5,718)
Share of loss from equity accounted investment	25	-	-
 (Loss) before income tax expense		(748,056)	(290,224)
Income tax expense	6	-	-
(Loss) for the year from continuing activities		(748,056)	(290,224)
 Loss for the year from discontinued operation	10	(86,069)	(125,939)
Loss for the year		(834,125)	(416,163)
 Other comprehensive income/loss			
Items which may subsequently be transferred to profit or loss			
Foreign currency translation movements		18,733	(13,571)
Total comprehensive income/(loss)		(815,392)	(429,734)
 Earnings per Share attributable to the ordinary shareholder of the Company - cents			
Basic (loss)/earnings per share – continuing operations	7	(2.40)	(1.22)
Basic (loss)/earnings per share – discontinued operations	7	(0.27)	(0.53)
Diluted (loss)/earnings per share – continuing operations	7	(2.40)	(1.22)
Diluted (loss)/earnings per share – discontinued operations	7	(0.27)	(0.53)

These consolidated financial statements should be read with the accompanying notes

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2017

	Notes	Consolidated	
		2017	2016
		\$	\$
CURRENT ASSETS			
Cash assets	8	46,595	27,774
Other assets	9	19,875	21,253
		<u>66,470</u>	<u>49,027</u>
Asset classified as held for sale	10	100,000	-
TOTAL CURRENT ASSETS		166,470	49,027
NON-CURRENT ASSETS			
Investment accounted for using the equity method	25	-	-
Exploration and evaluation assets	11	391,000	807,500
TOTAL NON-CURRENT ASSETS		391,000	807,500
TOTAL ASSETS		557,470	856,527
CURRENT LIABILITIES			
Payables	12	847,598	804,006
Borrowings	13	180,000	-
TOTAL CURRENT LIABILITIES		1,027,598	804,006
NON-CURRENT LIABILITIES			
Borrowings	14	716,823	821,490
TOTAL LIABILITIES		1,744,421	1,625,496
NET ASSETS		(1,186,951)	(768,969)
EQUITY			
Contributed equity	15	1,500,000	37,507,432
Reserves		284,260	134,774
Accumulated losses		(2,971,211)	(38,411,175)
TOTAL EQUITY		(1,186,951)	(768,969)

These consolidated financial statements should be read with the accompanying notes

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 June 2017

		Consolidated	
	Notes	2017	2016
		\$	\$
Cash flows from operating activities			
Cash payments in the course of operations		(246,996)	(194,459)
Interest received		-	-
		<hr/>	<hr/>
Net cash (used in) operating activities	23(b)	(246,996)	(194,459)
		<hr/>	<hr/>
Cash flows from investing activities			
Exploration & evaluation expenditure		(19,185)	(24,591)
Payment for joint venture		-	-
		<hr/>	<hr/>
Net cash (used in) investing activities		(19,185)	(24,591)
		<hr/>	<hr/>
Cash flows from financing activities			
Issue of shares		70,000	109,800
Loan funds received (related party)		1,215,000	105,000
Loan funds repaid (related party)		(1,000,000)	-
		<hr/>	<hr/>
Net cash provided by financing activities		285,000	214,800
		<hr/>	<hr/>
Net (decrease) in cash held		18,819	(4,250)
Cash at beginning of financial year		27,774	32,024
		<hr/>	<hr/>
Cash at end of financial year	23(a)	46,593	27,774
		<hr/>	<hr/>

These consolidated financial statements should be read with the accompanying notes

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 June 2017

	Share Capital	Accumulated Losses	Equity Component Instrument	Option Reserve	FX Translation Reserve	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015	37,397,631	(38,002,706)	183,549	7,695	(48,310)	(462,141)
Loan issue	-	-	13,107	-	-	13,107
Issue of shares/options	109,800	-	-	-	-	109,800
Options expired	-	7,695	-	(7,695)	-	-
Transactions with owners	109,800	7,695	13,107	7,695	-	122,907
Loss for the year	-	(416,163)	-	-	-	(416,163)
Other comprehensive income	-	-	-	-	(13,571)	(13,571)
Total Comprehensive Loss	-	(416,163)	-	-	(13,571)	(429,734)
Balance at 30 June 2016	37,507,431	(38,411,174)	196,656	-	(61,881)	(768,968)
Balance at 1 July 2016	37,507,431	(38,411,174)	196,656	0	(61,881)	(768,968)
Loan issue	14		299,409			299,409
Transfer: lost capital	15	(36,077,431)	36,077,431			-
Issue of shares/options	15	70,000	-	28,000	-	98,000
Transactions with owners	-	36,007,431	36,077,431	28,000	-	397,409
Equity loan extinguished	14	-	196,656	(196,656)	-	-
Loss for the year	-	(834,125)	-	-	-	(834,125)
Other comprehensive income	-	-	-	-	18,733	18,733
Total Comprehensive Loss	-	(637,469)	(196,656)	-	18,733	(815,392)
Balance at 30 June 2017	1,500,000	(2,971,212)	299,409	28,000	(43,148)	(1,186,951)

These consolidated financial statements should be read with the accompanying notes

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017**

NATURE OF OPERATIONS

During the period the Company continued to maintain its ownership and interest in its two project interests, being the Lake Surprise Uranium area in South Australia and the TAPAN coal area in Indonesia. Following a recent review and as detailed in the Review of Operations above, the Directors have concluded to enter discussions and negotiate to divest the Company's interest in the TAPAN project. The Company will continue to review other opportunities in the energy sector.

As discussed above under Review of Operations, the Company has recently renewed the South Australian Lake Surprise Tenements. The Company continues to pursue farm-out and joint venture opportunities for the Australian Lake Surprise area in South Australia and has recently renewed the South Australian Lake Surprise Tenements.

The Company has continued to curtail the administrative costs associated with the company head office.

1. REPORTING ENTITY

Adavale Resources Limited (the "Company") is a for profit company incorporated and domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint venture entities. The Group is primarily involved in mining exploration.

The registered office of the Company is:
Adavale Resources Limited
Level 12, 225 George Street
SYDNEY NSW 2000

The principal place of business is Indonesia.

2. BASIS OF PREPARATION**(a) Statement of Compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards including Accounting Standards interpretations, adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures compliance with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board IASB).

The financial statements were authorised for issue on 29 September 2017 by the Directors of the Company.

(b) Use of Estimates and Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

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

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. All significant areas of estimation uncertainty and critical judgements in applying accounting policies have been disclosed in the following notes to the financial statements.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 June 2017**

(c) Going Concern Basis of Accounting

This financial report has been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. During the year, the Group has reported a loss after tax for the year of \$834,124 (2016: \$416,163), cash outflows from operations of \$246,996 (2016: \$194,459) and of cash outflows from investing activities of \$19,185 (2016: \$24,591). Additionally, its liabilities exceeded its assets by \$1,186,951 (2016: \$768,969) as at 30 June 2017.

The Group is 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 financial period. Funding of these ongoing activities is required from either the new Capital Raising Facility from Addchance Holdings Ltd or from future capital raisings. The Directors consider the use of the going concern assumption appropriate as:

1) Currently the Group has a Loan Agreement of \$1million with Jun Moon Limited (a Company related to Mr Huili Guo, a Director of the Company). At 30 June 2017, this had been fully drawn. This facility expires on 26 April 2019. Additionally, the temporary funding of \$180,000 included in the balance sheet as a current liability at 30 June 2017 has been converted to capital by way of an issue of 18,000,000 shares to Jun Moon Limited.

2) Since year end the Company has entered into a capital raising facility (the 'Facility') with a non-related entity named Addchance Holdings Ltd. The purpose of this Facility is to provide further working capital to the Company.

The general terms of the Facility and the Agreement are as follows:

- Facility limit: \$1,000,000; and
- Period of facility: 5 years.

Since year end and following signing of this Facility draw-downs amounting to \$118,158 have been made on the facility and 10,549,781 shares have been issued in accordance with the Agreement. The utilisation of the Facility beyond the available capacity of ASX Listing Rules 7.1 and 7.1A will require shareholder approval at an AGM. In addition, shareholder approval will be required should Addchance Holdings Ltd exceed the 19.99% shareholding in the Company. The Company is currently negotiating with Addchance to advance funds for a planned capital raising upon the increase in available capacity, to be approved at the AGM.

The Directors recognise that the above represents a material uncertainty as to the Group's ability to continue as a going concern, however, they are confident that the Group will be able to continue its operations into the foreseeable future.

Should the Group be unable to obtain the funding as described above, there is a material uncertainty as to whether the Group will be able to continue as a going concern, and therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Material accounting policies adopted in the preparation of this financial report are presented below. The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all entities in the Group unless otherwise stated.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Adavale Resources Limited (the parent entity) as at 30 June 2017 and the results of all controlled entities for the year then ended. Adavale Resources Limited and its controlled entities together are referred to in this financial report as the group or consolidated entity.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 June 2017**

Controlled Entities

A controlled entity is any entity controlled by Adavale Resources Limited. Control exists where Adavale Resources Limited is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to offset those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

Where controlled entities have entered or left the economic entity during the year, their financial statements have been included from the date control was obtained or until the date control ceased.

Transactions Eliminated on Consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated on consolidation.

Investments in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate. Dividends received or receivable from associates reduce the carrying amount of the investment.

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Company's interests in the assets, liabilities, revenue and expenses of the joint operations are included in the respective line items of the financial statements.

(b) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Interest Revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(c) Sale of Non-Current Assets

The gross proceeds of non-current asset sales are recognised as at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal and is recognised as other income or expense.

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction.

Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical cost continued to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at their fair value are reported at the exchange rate at the date when fair values were determined.

The Company subsidiary, PT Prima Perkasa Abadi transacts in USD. The monetary items are translated into AUD, using the average exchange rate for reporting purposes. The non-monetary items are translated into AUD, using the historical exchange rate for reporting purposes.

Exchange differences arising on the translation of monetary items are recognised in the profit and loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

Foreign Operations

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

The transactions are translated to Australian Dollars which is the Company's functional and presentation currency.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017**

(f) Taxation

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

Current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

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

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

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

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

(g) Financial Instruments**Recognition**

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

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017**

Loans and Receivables

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

Financial Liabilities

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

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the value of all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the comprehensive income statement.

(h) Impairment of Non-Current Assets

At each reporting date the group reviews the carrying values of its non-current tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement.

(i) Receivables

The collectability of debts is assessed at reporting date and specific provision is made for any doubtful accounts.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017

(j) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received.

(k) Provisions

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

(l) Cash

For the purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(m) Earnings per Share

(i) Basic earnings per share:

Basic earnings per share is determined by dividing net profit or loss after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017**

(m) Earnings per Share (continued)

(ii) Diluted earnings per share:

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(n) Exploration and Evaluation Assets

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - (b) exploration and evaluation activities in the area have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence, or otherwise, of economically recoverable reserves and active and significant operations in, or relating to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017

(o) Segment Reporting

The company presents operating segments based on information reported internally.

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transaction with any of the Company's other components.

Unallocated items comprising mainly of head office assets, expenses and liabilities.

(p) Share Based Payments

The performance securities issued to the Directors is recognised as a share-based expense, with a corresponding increase in equity. It is measured by fair value of the equity at the grant date. Fair value is measured by the use of a Black Scholes model.

The purpose of performance securities are to provide cost effective consideration to directors for their ongoing commitment and contribution to the Company in their respective roles as Directors.

(q) Critical Accounting Estimates and Judgements

Impairment Testing

The Directors evaluate estimates and judgements incorporated into the financial report based on historical and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Critical estimates and judgements relating to the impairment testing of assets of the Group are as follows:

Exploration and Evaluation Expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

As referred to in Note 11, the directors reassessed the carrying value of TAPAN at 30 June 2017 as being \$100,000 hence raised a provision for impairment of \$316,500. The Lake Surprise area has been retained at \$391,000.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017**

(r) Parent Entity Financial Information

The financial information for the parent entity, Adavale Resources Limited, disclosed in Note 24 has been prepared on the same basis as the basis of the consolidated financial statements of the Group.

In the Company's financial statements, investments in controlled entities are carried at cost. A list of controlled entities is contained in Note 21 of the accounts.

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

(s) New Accounting Standards and Interpretations**Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Adoption of new and revised Accounting Standards**Changes in accounting policies.**

There have been no new standards and amendments issued and adopted which have a material impact on the group's financial statements.

Impact of standards issued but not yet applied by the Group

A number of new standards, amendments to standards and interpretations have been issued by the AASB which are applicable to future reporting periods. The Group has not early adopted any of these standards or interpretations. The new or revised accounting standards and interpretations that are currently issued for future reporting periods that are relevant to the Group are considered to be:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017**

AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The effective date is for annual reporting periods beginning on or after 1 January 2018.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118: Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations. In summary, AASB 15:

- establishes a new revenue recognition model;
- changes the basis for deciding whether revenue is to be recognised over time at a point in time;
- provides a new and more detailed guidance on specific topics (eg multiple element arrangements, variable pricing, rights of return and warranties); and
- expands and improves disclosures about revenue.

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2018.

AASB 16 Leases

The new AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017

4. REVENUE

	Consolidated	
	2017	2016
	\$	\$
Revenue from outside the operating activities		
Interest	-	-
Other Revenue	-	1,818
	-	1,818

5. AUDITORS' REMUNERATION

	Consolidated	
	2017	2016
	\$	\$
Audit and review of financial statements		
- auditors of Adavale Resources Limited - Grant Thornton	59,345	47,225
Remuneration for audit and review of financial statements	59,345	47,225
Other services	-	-
Total other service remuneration	-	-
Total auditor's remuneration	59,345	47,225

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2017

6. TAXATION

	Consolidated	
	2017	2016
	\$	\$
The prima facie tax on loss before income tax is reconciled to income tax as follows:		
a. Prima facie tax receivable on loss at 30% (2016: 30%)	(250,238)	(124,849)
Tax effect of deferred tax assets not brought to account	250,238	124,849
Income tax expense attributable to entity	-	-

The Directors have not recognised any tax assets in respect of losses, as they do not believe that the conditions for recognition set out in Note 3(e) have been met. The Directors estimate the carry-forward income tax losses to be approximately \$10,311,460 (2016: \$9,997,415) available to offset again future taxable income. Since 30 June 2017 the equity interest held by Jun Moon Limited has increased from zero at 1 January 2017 to 57.99% at the date of this report. This translates to a greater than 50% change in ownership since the majority of losses were incurred. To retain the future benefit of losses to date the Company will require compliance with the same business test.

7. EARNINGS PER SHARE

	Consolidated	
	2017	2016
	\$	\$
Continuing Operations		
Earnings per share		
- Basic – continuing operations - cents	(2.40)	(1.22)
- Basic – discontinuing operations - cents	(0.27)	(0.53)
- Diluted – continuing operations - cents	(2.40)	(1.22)
- Diluted – discontinuing operations - cents	(0.27)	(0.53)
Loss used in the calculation of basic and diluted EPS from continuing operations	(748,056)	(290,224)
Weighted average number of ordinary shares used in the calculation of basic and diluted EPS		
- in the calculation of basic EPS	31,166,122	23,690,744
- in the calculation of diluted EPS	31,166,122	23,690,744
Number of options not considered dilutive	4,000,000	1,500,000

As the Company reported a loss for the year ended 30 June 2017, options on issue were not included in the calculation of diluted earnings per share.

8. CASH ASSETS

	Consolidated	
	2017	2016
	\$	\$
Cash at bank	46,595	27,774

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017

9. RECEIVABLES

	Consolidated	
	2017	2016
	\$	\$
Current		
Other receivables	19,875	21,253
	19,875	21,253

10. ASSETS AND DISPOSAL GROUPS CLASSIFIED AS FOR SALE AND DISCONTINUED OPERATIONS

As at year end management has decided to divest its ownership of the Indonesian located asset TAPAN and discussions and negotiations have proceeded to put this decision into effect.

As a result of the above, assets allocable to the disposal were classified as a disposal group. Expenses (there was no revenue) directly related to this asset have been eliminated from the profit or loss from the Group's continuing operations and are shown as a single line item on the face of the statement of profit or loss and other comprehensive income. Expenses relating to the asset classified as for sale are summarised as follows.

	2017	2016
	\$	\$
Management and administration fees	65,707	97,789
Tenement outgoings	20,362	28,150
Loss for year	\$86,069	\$125,939

The carrying amount of the asset in this disposal group (being exploration and evaluation asset referred to as TAPAN) as at 30 June 2017 is \$100,000.

11. EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	2017	2016
	\$	\$
Exploration Licences	1,050,160	1,050,160
Exploration expenditure capitalised		
- Exploration and evaluation phase	4,018,442	3,978,895
Less: Provision for impairment	(4,577,602)	(4,221,555)
Less: classified as held for resale - refer Note 10	(100,000)	-
	391,000	807,500

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

Recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful production and sale of uranium ore and coal and or the sale of the areas of interest.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017**

11. EXPLORATION AND EVALUATION ASSETS - continued

Exploration related costs amounting to \$19,185 (2016:\$24,591) have been included in cash flows from investing activities in the cash flow statement.

At year end, the Directors reviewed the carrying value of each of the TAPAN and Lake Surprise areas. With regard to the continued legal matter relating to TAPAN, the approaching need to renew the tenement, and the consideration by management going forward of the difficulties associated with ownership of coal interests in Indonesia and the continued move to alternate energy sources, the Directors considered there to be a considerable diminished value of TAPAN to the Company and hence valued the asset down by \$316,500 to a carrying value of \$100,000. Lake Surprise tenements have been retained at \$391,000.

12. PAYABLES

	Consolidated	
	2017	2016
	\$	\$
Trade creditors	47,925	22,853
Trade creditors - Owing to related parties	495,954	568,659
Accrued interest - Convertible Loan to the Chairman	198,869	147,564
Accrued interest - related party	13,808	-
Other creditors and accruals	91,042	64,930
	847,598	804,006

Further information relating to trade creditors to related parties is set out in Note 24.

The amount owing to related party, and the accrued interest owing to the Chairman will not be called upon for payment until the Company has available funds. Refer Going Concern note in Note 2(c).

The terms and conditions of the transactions with directors and related parties are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017**

13. BORROWINGS CURRENT

	Consolidated	
	2017	2016
	\$	\$
Equity funding from related party		
	180,000	-

Prior to 30 June 2017 the Company received funds of \$180,000 from a related party, Jun Moon Limited designated to be converted to capital. The funds were converted to capital in July 2017 being converted to 18,000,000 ordinary shares.

14. BORROWINGS NON-CURRENT

	Consolidated	
	2017	2016
	\$	\$
Borrowings	1,000,000	825,000
Less: Equity component of instrument	(299,408)	(196,657)
Add: unwinding of interest	16,231	193,147
Loan from related party	716,823	821,490

On 1 August 2012, the Company announced it has entered into a Convertible Loan Agreement with Mr Eddyarto (Chairman) to the value of \$1million. During the reporting period a further \$35,000 was drawn down on this loan to assist with funding of Group operations. The balance Of \$860,000 was repaid following the EGM of 26 April 2017. The funding agreement with Mr Harryono was replaced by a new funding agreement of \$1,000,000 introduced by Jun Moon Limited (see below).

The terms of the loan with Jun Moon Limited are as follows:

- (a) Loan has a Face Value of \$1,000,000;
- (b) The Company made a single draw down under the Loan for the full amount of the facility;
- (c) Interest shall accrue on the Loan at 8%;
- (d) If the Loan has not been repaid or converted, the Company will repay any or all of the Loan 24 months after the execution date;
- (e) Where an event of default occurs, Jun Moon Limited may require the Company to repay any or all of the Loan plus any interest.
- (f) The Loan is convertible into Shares at a conversion price of 5 cents per Share;
- (g) The Loan is an unsecured debt instrument ranking alongside general secured creditors.

The convertible loan is considered a Compound Financial Instrument, that is, an instrument that has both a debt and equity component. A review of the convertible loan for accounting purposes has determined that applicable market interest rate for this convertible loan would be 30% pa. Consequently, the drawn down amount of \$1,000,000 has been split between debt and equity using that rate as a basis for the split.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017

15. CONTRIBUTED EQUITY

	Consolidated		Consolidated	
	2017	2017	2016	2016
	No	\$	No	\$
Issued and Paid-up Share Capital				
(a) Ordinary shares, fully paid	28,249,456	1,500,000	28,249,456	37,507,431
	28,249,456	1,500,000	28,249,456	37,507,431
Number	No	\$	No	\$
Ordinary Shares				
Balance as at 1 July	28,249,456	37,507,431	19,810,299	37,397,631
Less: permanent loss of capital i	-	(36,077,431)	-	-
Shares issued	7,000,000	70,000	8,439,157	109,800
Closing balance at 30 June	35,249,456	1,500,000	28,249,456	37,507,431

(i) The board considered that as at 30 June 2017 accumulated losses to the amount of \$36,077,431 were deemed to be of a permanent nature. The board therefore, in accordance with Section 258F of the Corporations Act 2001 reduced its share capital by this amount with the consequent reduction in accumulated losses of the same amount. There is no impact on shareholders nor option holders from the capital reduction as no shares have been cancelled and there is no change in the net asset position.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share when a poll is called or else one vote each on a show of hands.

In the event of a winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017

OPTIONS RESERVE

During the period all options existing at 1 July 2016 expired.

As at the EGM of shareholders held on 26 April 2017, 1,000,000 options expiring 26 April 2019 were issued to each of the existing directors.

Using the black-scholes formula, these 4,000,000 options were issued at an aggregate value of \$28,000.

	Consolidated 30 June 2017		Consolidated 30 June 2016	
Options reconciliation	Number	\$	Number	\$
Opening balance	1,500,000	-	3,000,000	7,695
Options issued	4,000,000	28,000	-	-
Options expired	(1,500,000)	-	(1,500,000)	(7,695)
Options consolidated	-	-	-	-
Closing balance at the end of the period	4,000,000	\$28,000	-	-

(b) Options

	Consolidated	
	2017 No	2016 No
Director options issued 26 April 2017, exercisable at 5 cents		
Opening balance	-	-
Issued on 26 April 2017	4,000,000	-
Closing balance	4,000,000	-

Class D Options - exercisable at \$1.00, expiring date 31 Jul 2016

Opening balance	500,000	500,000
Less expired	(500,000)	-
Closing balance	-	500,000

Milestone Options - Exercisable at \$1.40, expiry date 31 July 2016

Opening Balance	1,000,000	1,000,000
Issue of Options	-	-
Less expired	(1,000,000)	0
Closing Balance	-	1,000,000

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017

15. CONTRIBUTED EQUITY (continued)

(c) Capital Risk Management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. In order to maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders.

The Company's strategy, which is unchanged from the prior year, was to maintain a sufficient level of cash to meet its obligations, as and when any debts are due, and to meet any investment commitments.

There is no externally imposed capital requirements for the Company.

16. RESERVES

The option reserve records items recognised as expenses on valuation of Directors' share options. The Equity Component Reserve recognises the equity component of the Compound Financial Instrument when initiated, details of which are given at Note 14.

17. DIVIDENDS

The Directors do not recommend a dividend for the year ended 30 June 2017. No dividend was paid for the year ended 30 June 2017.

18. FINANCIAL INSTRUMENTS

Financial Risk Management

The Company's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by the Board of Directors under policies approved by the Board. The Board identifies and evaluates financial risks and provides principles for overall risk management.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017

18. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest Rate Risk

The consolidated entity is exposed to interest rate fluctuations.

Interest Rate Risk Exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Weighted Average Interest rate	Floating Interest rate	Fixed interest maturing in:			Non- Interest Bearing	Total
				1 year or less	1 to 5 years	more than 5 years		
			\$	\$	\$	\$	\$	\$
2017								
Financial assets								
Cash assets	8	0%	-	-	-	-	46,595	46,595
Receivables	9		-	-	-	-	19,875	19,875
			-	-	-	-	66,470	66,470
Financial liabilities								
Loans and borrowings	12	8%	-	-	716,823	-	-	716,823
Borrowings	13	0%	-	-	-	-	180,000	180,000
Payables	11		-	-	-	-	847,598	847,598
			-	-	716,823	-	1,027,598	1,744,421
2016								
Financial assets								
Cash assets	8	0%	-	-	-	-	27,774	27,774
Receivables	9		-	-	-	-	21,253	21,253
			-	-	-	-	49,027	49,027
Financial liabilities								
Loans and borrowings	12	8%	-	-	821,490	-	-	821,490
Payables	11		-	-	-	-	804,006	804,006
			-	-	821,490	-	804,006	1,625,496

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017

18. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management (continued)

Interest Rate Sensitivity Analysis

A sensitivity analysis was performed relating to the exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which should result from a change in these risks.

At 30 June 2017, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Economic Entity	Economic Entity
	30 June 2017	30 June 2016
	\$	\$
Change in profit		
- Increase in interest rate by 2%	(20,000)	(16,500)
- Decrease in interest rate by 2%	20,000	16,500
Change in equity		
- Increase in interest rate by 2%	(20,000)	(16,500)
- Decrease in interest rate by 2%	20,000	16,500

(b) Fair Values of Financial Assets and Liabilities

Valuation Approach

Fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amounts of bank term deposits, trade debtors, other debtors, accounts payable, bank loans and lease liabilities approximate net fair value.

The fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets and an assessment of future maintainable earnings and cash flows of the respective corporations.

The balances of financial assets and liabilities approximate their fair value.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017

18. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

(c) Unrecognised Financial Instruments

The Company and controlled entities do not have any unrecognised financial instruments.

(d) Foreign Currency Risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	2017		2016	
	AUD	USD	AUD	USD
Receivables	-	-	713	583
Payables	495,954	381,488	586,654	436,731

The following significant exchange rates applied during the year:

	Average Rate		Average Rate	
	2017	2016	2016	2015
AUD				
USD	0.7692	0.7282	0.7282	0.8358

Sensitivity analysis

A strengthening of the AUD against the USD at 30 June 2017 would have an immaterial effect on either the profit or loss or statement of financial position.

(e) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Company measures credit risk on a fair value basis. The credit risk on financial assets, excluding investments, of the consolidated entity, which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The Company has no significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017

18. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through credit facilities or other fund raising initiatives, to meet commitments as and when they fall due.

Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flow. The Economic Entity cash reserves of \$46,595 (2016: \$27,774) as at 30 June 2017 will meet liquidity requirements in the short term. Funding for long-term liquidity needs is secured by a share issue facility of \$1 million entered into in July 2017. The Company has negotiated arrangements for a large proportion of existing trade and other payables to be paid on extended credit terms beyond 12 months.

As at 30 June 2017 the Group's non-derivative financial liabilities have contractual maturities as summarised below:

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
30-Jun-17				
Trade and other payables	138,967		708,631	-
Borrowings - current (i)	180,000	-	-	-
Borrowings non-current	-	-	1,000,000	-
TOTAL	318,967	-	1,708,631	-

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting period as follows;

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
30-Jun-16				
Trade and other payables	87,783		716,223	-
Borrowings - current	-	-	-	-
Borrowings non-current	-	-	825,000	-
TOTAL	87,783	-	1,541,223	-

Note (i) - these borrowings were converted to share capital in early July 2017.

(g) Capital Management Risk

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

The Company monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing less cash and cash equivalents. Total capital is calculated as equity shown in the statement of financial position plus net debt. As the Company is in a transitionary stage the gearing ratio has been monitored as a secondary matter to total borrowings and maturity.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017

19. COMMITMENTS

	Consolidated	
	2017	2016
	\$	\$
Exploration lease commitments		
Minimum expenditure commitments on exploration licences		
Committed but not provided for and payable:		
Within one year	-	-
One year or later and no later than for five years	930,000	930,000
	930,000	930,000

Note : The three areas referred to as Lake Surprise have been renewed for a 2 year period expiring on or about August 2018.

20. SEGMENT INFORMATION

The Company has identified its operating segments based on internal reports that are reviewed by the Board and management. The Company operated in one operating segment during the year, being mineral exploration and in two geographical areas, being Australia and Indonesia. Expenditure, assets and liabilities not directly related to either is referred to as other.

The segment reporting is detailed below:

(b) Primary Reporting – Business Segments
Year ended 30 June 2017

	Mineral exploration \$ Australia	Mineral exploration \$ Indonesia	Corporate \$	Total \$
Revenue				
Sales	-	-	-	-
Interest	-	-	-	-
Total Segment Revenue	-	-	-	-
Segment Result				
Depreciation	-	-	-	-
Profit/(loss) before income tax	(19,185)	(20,362)	(794,578)	(834,125)
Income tax expense	-	-	-	-
Net Profit/(loss)	(19,185)	(20,362)	(794,578)	(834,125)
Total segment assets				
- Exploration expenditure	391,000	100,000	-	491,000
- Receivables	3,063,009		19,875	3,082,884
- Others			46,595	46,595
	3,454,009	100,000	66,470	3,620,479
Total segment liabilities				
- Loans	-	-	896,823	896,823
- Others	-	-	847,598	847,598
	-	-	1,744,421	1,744,421

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017**

20. SEGMENT INFORMATION (CONT)

(a) Primary Reporting – Business Segments

Year ended 30 June 2016

	Mineral exploration \$ Australia	Mineral exploration \$ Indonesia	Corporate \$	Total \$
Revenue				
Sales	1,818	-	-	1,818
Interest	-	-	-	-
Total Segment Revenue	1,818	-	-	1,818
Segment Result				
Depreciation	-	-	-	-
Profit/(loss) before income tax	(24,591)	(25,647)	(365,925)	(416,163)
Income tax expense	-	-	-	-
Net Profit/(loss)	(24,591)	(25,647)	(365,925)	(416,163)
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				
- Loans	-	-	821,490	821,490
- Others	3,042,905	-	804,005	3,846,910
	3,042,905	-	1,625,495	4,668,400

All segment assets are located in Australia and Indonesia.

c) Segment assets:

Reportable segments' assets reconciled to total assets as follow:

	Consolidated 30 June 2017	Consolidated 30 June 2016
Segment Assets	3,620,479	3,899,432
Consolidation	(3,063,009)	(3,042,905)
Total assets as per statement of financial position	557,470	856,527

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017

20. SEGMENT INFORMATION (CONT)

d) Segment liabilities:

Reportable segments' liabilities reconciled to total liabilities as follow:

	Consolidated 30 June 2017	Consolidated 30 June 2016
Segment Liabilities	4,807,430	4,668,400
Consolidation	(3,063,009)	(3,042,905)
Total liabilities as per statement of financial position	<u>1,744,421</u>	<u>1,625,495</u>

21. CONTROLLED ENTITIES

Particulars in relation to controlled entities

	Ordinary Shares	
	Consolidated Entity Interest	
	2017	2016
	%	%

Company:

Adavale Resources Limited

Controlled entities:

Adavale Minerals Pty Ltd	100	100
Adavale Queensland Pty Ltd	100	100
Adavale Indonesia Pty Ltd	100	100

The above entities were incorporated in Australia.

PT Prima Perkasa Abadi	100	100
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Incorporated in Indonesia

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017**

22 CONTINGENCIES

In June 2013, the Company'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 Company received the copy of the official verdict and advised the decision was not in the Company's favour. The Company's legal representation has advised that the Judge's decision has no merit and an appeal has been lodged with the High Court. Based on this advice, management consider the outcome of this case to have no merit, and the probability that any settlement will be required at the Group's expense is considered remote.

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.

23. NOTES TO THE STATEMENT OF CASH FLOWS

	Notes	Consolidated	
		2017	2016
		\$	\$
(a) Reconciliation of Cash			
For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:			
Cash at bank	8	46,595	27,774
(b) Reconciliation of the operating loss after tax to the net cash flow from operations			
Profit/(loss) after income tax		(834,125)	(416,163)
Add/(less) non cash items:			
- Depreciation of non-current assets		-	-
- Impairment TAPAN		316,500	-
- Impairment of exploration and evaluation costs		19,185	24,591
Share based payment		28,000	-
Interest capitalised		19,741	9,597
- Other		-	-
		(450,699)	(381,975)
Changes in assets and liabilities:			
- (Increase)/decrease in receivables		1,378	3,125
- Increase/(decrease) in trade creditors and accruals		183,592	197,962
- Increase/(decrease) in FX reserve		18,733	(13,571)
Net cash (used in) operating activities		(246,996)	(194,459)

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017

24. RELATED PARTIES

Key Management Personnel

The directors of Adavale Resources Limited are considered the key management personnel of the consolidated economic entity. The directors' remuneration and equity holdings have been disclosed in the directors report attached to the financial statements.

(a) The key management personnel compensation comprised:

	Consolidated	
	2017	2016
	\$	\$
Short-term employee benefits	0	115,348
Long-term employee benefits	-	-
Share based payments	28,000	-
Total	28,000	115,348

Apart from the details disclosed in this note and elsewhere in the financial report, no director or other related party has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Directors' transactions with the Company or its controlled entities

	Consolidated	
	2017	2016
	\$	\$
Fees and reimbursement of expenses payable to PT Harner, a company controlled/owned by Mt Haryono Eddyarto, Chairman of Adavale Resources Ltd. The fees relate to finance and legal administration in Indonesia.	86,068	128,393
Salary and reimbursement of mobile phone paid to Ms Leiny Haryono (spouse of Mr Haryono Eddyarto), being the Chief Financial Officer of Adavale Harner Resources (Joint Venture) during the year. *	-	197,739

* Ms Leiny Haryono salary and reimbursement of mobile phone charges were paid from Adavale Harner Resources (Joint Venture). The terms and conditions of the transactions with directors and their director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director-related entities on an arm's length basis.

Directors' balances with the Company or its controlled entities

	Consolidated	
	2017	2016
	\$	\$
PT Harner (see above)	495,594	568,659
	495,594	568,659

Other related party transactions

On 1 August 2012, the Company announced it has entered into a Convertible Loan Agreement with Mr Eddyarto (Chairman) to the value of \$1million. During the reporting period a further \$35,000 was drawn down on this loan to assist with funding of Group operations. The balance Of \$860,000 was repaid following the EGM of 26 April 2017. The funding agreement with Mr Harryono was replaced by a new funding agreement of \$1,000,000 introduced by Jun Moon Limited, a company controlled by Huili Guo.

25. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests in Joint Ventures

As from 1 July 2014 the Group has owned a 40% interest in PT Adavale Harner and is the only jointly controlled entity within the Group. The interest in the joint venture is accounted for using the equity method of accounting.

The joint venture has effectively been dormant for some time and carries no assets or liabilities relevant to Adavale Resources Limited. Since year end there has been actions taken to wind up the joint venture.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017**

26. EVENTS SUBSEQUENT TO REPORTING DATE**CAPITAL RAISING FACILITY**

In July 2017 the Company entered into a capital raising facility (Facility) with a non-related entity Addchance Holdings Ltd (Addchance) a Hong Kong based company. The purpose of this agreement is to provide further working capital to the Company. 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 or its nominee(s); and
- The issue price of shares will be 80% of the 5 day VWAP.

Since the signing of this agreement, draw-downs amounting to \$118,157.55 have been made on the facility. 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. At the date of this report there was no available capacity until shareholder approval is obtained.

Additionally, JML has converted a temporary loan funding of \$180,000 into 18,000,000 shares thus taking the shareholding of JML to 37,000,000 shares, being 58% of the Company's share capital.

Except as referred to above, no matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

27. PARENT ENTITY FINANCIAL INFORMATION**(a) Summary financial information**

The individual financial statements for the parent entity show the following aggregate amounts:

	2017	2016
	\$	\$
Statement of financial position		
Current Assets	181,860	23,428
Total Assets	692,965	831,030
Current Liabilities	514,216	217,352
Non Current Liability	716,823	821,490
Total Liabilities	1,231,039	1,038,842
Shareholders' contributed equity	37,577,432	37,507,432
Share based payment reserves	28,000	-
Compound Financial Instrument reserve	496,065	196,657
Accumulated Losses	(38,639,571)	(37,911,900)
	(538,074)	(207,811)
Statement of profit or loss and other Comprehensive Income		
Total profit/(loss)	(727,670)	(288,354)
Total comprehensive income/(loss)	(727,670)	(288,354)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017**

(b) Contingencies

In June 2013, the Company'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 Company received the copy of the official verdict and advised the decision was not in the Company's favour. The official verdict from the court stated that the Company was jointly and severally liable with three other defendants to pay a penalty of approximately AUD\$2m. The Company's legal representation has advised that the Judge's decision has no merit and an appeal has been lodged with the High Court. Based on this advice, management consider the outcome of this case to have no merit, and the probability that any settlement will be required at the Group's expense is considered remote.

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.

(c) Commitments

The parent entity did not have any contractual commitment as at 30 June 2017.

ADAVALE RESOURCES LIMITED

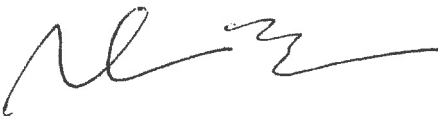
DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 26 to 60 are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001, and
 - (b) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the company;
2. the Chief Executive Officer has declared that:
 - (a) The financial records of the Company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
 - (b) The financial statements and notes for the financial year comply with the Australian Accounting Standards, and;
 - (c) The financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. Note 2 confirms that the consolidated financial statements also comply with International Financial Statements

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

On behalf of the Directors



Chairman

29 September 2017

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Independent Auditor's Report to the Members of Adavale Resources Limited

Report on the audit of the financial report

Qualified Opinion

We have audited the financial report of Adavale Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Qualified Opinion

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

Included in Note 11 to the financial statements, the consolidated entity has a reported resource project relating to its Exploration and Evaluation Assets of \$391,000. 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 asset exceeds their recoverable amount, it would be necessary for the asset to be written down to its recoverable amounts.

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Included in Note 10 to the financial statements, the consolidated entity has reported a resource project that is held for sale of \$100,000. Australian Accounting Standard AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* requires an asset to be carried at the lower of its carrying value or fair value less costs to dispose. We have been unable to obtain sufficient appropriate audit evidence to support the Directors' assessment of the fair value of the asset held for sale. In the event that the carrying value of the asset exceeds its fair value amount, it would be necessary for the asset to be written down to its fair value amounts.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2(c) in the financial statements, which indicates that the Group incurred a net loss of \$834,125 during the year ended 30 June 2017, and cash outflows from operating and financing activities of \$266,181. As stated in Note 2(c), these events or conditions, along with other matters as set forth in Note 2(c), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matters described in the Basis for Qualified Opinion and Material Uncertainty Related to Going Concern sections, we have determined that there are no other key audit matters to communicate in our report.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the Financial Report

The Directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 23 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Adavale Resources Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P W Warr
Partner – Audit & Assurance

Perth 29 September 2017

ADAVALE RESOURCES LIMITED
ADDITIONAL INFORMATION

Additional information included in accordance with the Listing Rule 4.10 and are not shown elsewhere in this Annual Report are as follows.

1. SHAREHOLDER INFORMATION

(a) Distribution of holders at 27 September 2017

	Number of holders	Fully paid ordinary shares
Distribution is:		
1 - 1,000	410	98,958
1,001 - 5,000	294	728,510
5,001 - 10,000	70	512,243
10,001 - 100,000	95	2,822,821
100,001 and Over	24	59,636,705
	893	63,799,237

(b) Less than marketable parcels of ordinary shares

There are 840 shareholders with unmarketable parcels totalling 2,514,736 shares.

(c) Voting rights

In accordance with the Constitution each member present at the meeting whether in person , or by proxy, or by power of attorney , or in a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid ordinary share, on a poll. Performance rights and Options have no voting rights.

(d) Substantial shareholders (as at 27 September 2017)

The Company's register of substantial shareholders as at the above date are as follows:

Shareholder	Number of shares	%
JUN MOON LIMITED	37,000,000	57.99%
PERFECT ATTEMPT LIMITED	10,549,781	16.54%
HARYONO EDDYARTO	4,238,778	6.64%

(e) Shareholders

The twenty largest shareholders hold 92.86% of the total issued ordinary shares in the Company as at 27 September 2017 are as follows.

RANK	NAME	SHARES	ISSUED
1	JUN MOON LIMITED	37,000,000	57.99
2	PERFECT ATTEMPT LIMITED	10,549,781	16.54
3	MR HARYONO EDDYARTO	4,238,728	6.64
4	ARTHUR PHILLIP NOMINEES PTY LTD	2,906,102	4.56
5	GEOFFREY FRANK BRAYSHAW	966,667	1.52
6	BYRON DEVESON SUPERANNUATION FUND PTY LTD <THE BYRON DEVESON S/F A/C>	381,417	0.60
7	LIM & TAN SECURITIES PTE LTD (LIM & TAN CLIENT ACCOUNT)	376,277	0.59
8	BLUEKNIGHT CORPORATION PTY LTD	337,474	0.53
9	MR DENNIS VOSSOS AND MRS ANGELA KOSTARAS-VOSSOS	328,423	0.51
10	MR ALBERT SAYCHUAN CHEOK + MR ERIC VICTOR CHEOK	300,000	0.47
11	GURNEY CAPITAL NOMINEES PTY LTD	300,000	0.47
12	SING CAPITAL PTY LTD	268,076	0.42
13	LARCA PTY LTD <THE RISINGER FAMILY A/C>	201,967	0.32
14	BIRKDALE NOMINEES PTY LTD <RISINGER SUPER FUND A/C>	183,334	0.29
15	CITICORP NOMINEES PTY LIMITED	177,386	0.28
16	RANCHLAND HOLDINGS PTY LTD	169,692	0.27
17	MR VINCENZO BRIZZI & MRS LUCIA BRIZZI (BRIZZI FAMILY S/F A/C)	168,436	0.26
18	MR KOUROS ABBASZADEH	132,412	0.21
19	MS HELEN MARIA DENISE AVIS	126,374	0.20
20	MRS DAYLE GHERBAZ	121,252	0.19
		59,233,798	92.86

(f) Restricted Securities

The following shares are the subject of voluntary escrow agreements;

- 7,000,000 shares held by Jun Moon Limited, under escrow until 31 January 2018.
- 18,000,000 shares held by Jun Moon Limited under escrow until 7 July 2018
- 4,238,778 shares held by Haryono Eddyarto, under escrow until 31 January 2018.

(g) Unquoted Equity Securities (as at 27 September 2017)

The Company has nil unquoted fully paid ordinary shares on issue as at 27 September 2017

The Company has 4,000,000 unquoted option securities on issue as at 27 September 2017

(h) On-Market Buy-Backs

There is no current on-market buy-back in relation to the Company's securities.

2. QUOTATION

Listed securities in Adavale Resources Limited are quoted on the Australian Stock Exchange.