



ADAVALE RESOURCES LIMITED
("COMPANY")
ACN 008 719 015

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of shareholders of Adavale Resources Limited (the **Company**) will be held on 30 November 2018 at the offices of the Company's share registry Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2000 at 11:00 am (AEDT) (**Meeting**).

The Explanatory Notes to this Notice provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Notes and the Proxy Form forms part of this notice.

Shareholders should carefully note the inclusion of an Independent Expert Report attached as Appendix A. This should be read in conjunction with this Notice and Explanatory Notes.

The Independent Expert Report concluded that the Item 4 resolution was "not fair, but reasonable" to non-associated shareholders.

BUSINESS OF THE MEETING

ITEM 1: ADAVALE RESOURCES LIMITED FINANCIAL STATEMENTS AND REPORTS

To receive and consider the Financial Report, the Directors' Report and the Auditor's Report for the year ended 30 June 2018.

ITEM 2: REMUNERATION REPORT

To consider and, if thought fit, to pass the following as a non-binding resolution:

"To adopt the Remuneration Report for the year ended 30 June 2018."

Notes:

- (i) In accordance with section 250R of the Corporations Act 2001, the vote on this resolution will be advisory only and will not bind the directors or the Company.
- (ii) A voting exclusion statement applies to this resolution (see Explanatory Notes for details).

ITEM 3: ELECTION OF DIRECTORS

ITEM 3.1 RE-ELECTION OF MR HUILI GUO

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

"That Mr Huili Guo, being a Director who is retiring in accordance with clause 13.2 of the Company's constitution, and being eligible, offers himself for re-election, be re-elected as a Director of the Company."

ITEM 3.2 RE-ELECTION OF MR ALLAN RITCHIE

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

"That Mr Allan Ritchie, being a Director who is retiring in accordance with clause 13.2 of the Company's constitution, and being eligible, offers himself for re-election, be re-elected as a Director of the Company."

ITEM 4: APPROVAL FOR GT CAPITAL HOLDINGS TO ACQUIRE A RELEVANT INTEREST ARISING THEIR SECURITY FACILITY

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

“That for the purpose of item 7 of Section 611 of the Corporations Act and for all other purposes, the Company be authorised, with effect from the passing of this Resolution, to approve continued use of the Drawdown Facility such that GT Holdings Limited may be issued a Relevant Interest in the Company from a point below 20%, to a maximum of 80%, and otherwise on the terms set out in the Explanatory Notes which accompany and form part of this Notice.”

Notes 4.1

For the purpose of the Shareholder approvals required under Item 7 of Section 611 of the Corporations Act, the Independent Expert has prepared an Independent Expert's report on the Resolution which is enclosed with this Notice in Annexure A. The Independent Expert has concluded that, in its opinion, the Resolution is not fair but reasonable to all non-associated Shareholders of the Company.

Note 4.2: Voting restrictions apply to this Resolution and in accordance with RG 74.48, the Company will disregard any votes cast in favour of the Item 4 Resolution by GT Holdings Limited and any of their Associates.

ITEM 5: ADDITIONAL 10% PLACEMENT CAPACITY

To consider and, if thought fit, pass the following resolution as a special resolution of the Company:

“That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Notes.”

Note: A voting exclusion statement applies to this resolution (see Explanatory Notes for details).

ENTITLEMENT TO VOTE

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders of the Company as at 7.00pm (AEDT) on 28 November 2018 (**Entitlement Time**), subject to any applicable voting exclusion.

This means that if you are not the registered holder of a share in the Company at the Entitlement Time, you will not be entitled to vote at the Meeting.

ANNUAL REPORT

Copies of the Company's full Annual Report are available from the Company Secretary, and on the Company's website at www.addavaleresources.com.au.

VOTING OPTIONS AND PROXIES

If you do not plan to attend the meeting in person, you are encouraged to complete and return the Proxy Form which accompanies this Notice of Annual General Meeting.

Voting by Proxy

A Shareholder who is entitled to attend and vote at this Meeting is entitled to appoint not more than 2 proxies to attend and vote in place of the Shareholder.

If the Shareholder appoints 2 proxies, the Shareholder may specify the proportion or number of votes each proxy is entitled to exercise. If no proportion or number of votes is specified, each proxy may exercise half of the Shareholder's votes. If the specified proportion or number of votes exceed that which the Shareholder is entitled to, each proxy may exercise half of the Shareholder's votes. Any fractions of votes brought about by the apportionment of votes to a proxy will be disregarded.

A proxy need not be a Shareholder of the Company. A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

Subject to the specific proxy provisions applying to Item 2 (see the Explanatory Notes below):

- If a Shareholder has not directed their proxy how to vote, the proxy may vote as the proxy determines, and
- If a Shareholder appoints the Chairman of the Meeting as proxy and does not direct the Chairman how to vote on an item of business, the Chairman will vote in accordance with his voting intention as stated in this Notice of Meeting, namely in favour of each of the proposed resolutions set out in the Notice of Meeting.

Proxy Voting by the Chairman

For Item 2 (Remuneration Report), where the Chairman is appointed as a Shareholder's proxy and that shareholder has not specified the way in which the Chairman is to vote on Item 2, the Shareholder is directing the Chairman to vote in accordance with the Chairman's voting intentions for this item of business.

The Chairman intends to vote all undirected proxies in favour of the resolutions put in the Notice of Meeting.

Proxy Forms

To be effective, the Proxy Form must be completed, signed and lodged (together with the relevant original power of attorney or a certified copy if the proxy is signed by an attorney) with the Company at its share registry, as an original or by facsimile, **no later than 3.00pm (AEDT) on Tuesday 28 November 2017 (Proxy Deadline)**.

Proxy forms may be submitted in one of the following ways:

- (i) **By mail** to Computershare Investor Services Pty Limited (**Computershare**) using the reply paid envelope or GPO Box 242, Melbourne VIC 3001. Please allow sufficient time so that it reaches Computershare by the Proxy Deadline;
- (ii) **By fax** to Computershare on 1800 783 447 (inside Australia) or +61 3 9473 2555 (outside Australia);
- (iii) **Online** via the Company's Share Registry website at www.investorvote.com.au. Please refer to the Proxy Form for more information; or
- (iv) **By hand delivery** to Computershare at Level 4, 60 Carrington Street, Sydney NSW 2000.

Proxy Forms and Powers of Attorney must be received by the Proxy Deadline.

CORPORATE REPRESENTATIVES

Where a shareholding is registered in the name of a corporation, the corporate shareholder may appoint a person to act as its representative to attend the meeting by providing that person with:

- (i) a letter or certificate authorising him or her as the corporation's representative, executed in accordance with the corporation's constitution; or
- (ii) a copy of the resolution appointing the representative, certified by a secretary or director of the corporation.

BY ORDER OF THE BOARD

Julian Rockett
Company Secretary
29 October 2018

Explanatory Notes

ITEM 1: Financial Statements

As required by section 317 of the Corporations Act the Financial Report, Directors' Report and Auditor's Report of the Company for the most recent financial year must be laid before the Meeting.

There is no requirement for a formal resolution on this Item.

The Chairman of the Meeting will allow a reasonable opportunity at the Meeting for Shareholders to ask questions about or make comments on the management of the Company. Shareholders will be given a reasonable opportunity at the Meeting to ask the Company's auditor, HLB Man Judd (**Mann Judd**), questions about the Audit Report, the conduct of its audit of the Company's Financial Report for the financial year ended 30 June 2018, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in its preparation of the financial statements and the independence of Mann Judd in relation to the conduct of the audit.

ITEM 2: Adoption of Remuneration Report

In accordance with section 300A of the Corporations Act the Company has included in its Annual Report a Remuneration Report for the consideration of Shareholders.

As provided by section 250R(3) of the Corporations Act, the resolution on this item of business is advisory only and does not bind the Board or the Company.

Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of this resolution.

Voting Exclusion Statement

As required by the Corporations Act the Company will disregard any votes cast on Item 2 by any member of the Company's key management personnel (**Key Management Personnel** or **KMP**) or a Closely Related Party of any such member unless the person:

- (i) votes as a proxy appointed by writing that specifies how the person is to vote on the resolutions; or
- (ii) is the Chairman of the Meeting and votes as a proxy appointed by writing that authorises the Chairman to vote on the resolutions even though that resolution is connected with the remuneration of a member of the Company's KMP.

What this means for Shareholders: If you intend to appoint a member of the KMP (such as one of the Directors) as your proxy, please ensure that you direct them how to vote on the proposed resolution in Item 2. If you intend to appoint the Chairman of the Meeting as your proxy, you can direct him how to vote by marking the boxes for Item 2 (for example, if you wish to vote for, against or abstain from voting), or you can choose not to mark any of the boxes for Item 2 and give the Chairman your express authority to vote your undirected proxy (in which case the Chairman will vote in favour of this item of business).

ITEM 3: Election of Directors

In accordance with clause 13.2 of the Constitution and ASX Listing Rule 14.5 an election of Directors must be held at each annual general meeting. The constitution states that one-third of all directors must retire and offer themselves for re-election, excluding the Managing Director and Directors appointed during the year by the Board. If no directors are scheduled to be elected by virtue of the ASX Listing Rules or the Constitution, then one-third of directors must still retire and be re-elected by the Shareholders of the Company. Normally, this would be the Director (other than the Managing Director) who has held office the longest since being appointed or last being elected.

Item 3.1 Mr Huili Guo

Mr Huili Guo, aged 41 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. Mr Guo started Jun Moon Ltd in 2010 as its majority shareholder and Chairman of the Board. GT Holdings Limited's main business is procuring off-take Petroleum Products, both within China and overseas.

Under Mr Guo's guidance and strategy Jun Moon Ltd 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.

Mr Guo was appointed as Non-Executive Director of the Board on 28 April 2017.

Having had regard to the ASX Corporate Governance Principles and Recommendations 3rd Edition (**ASX Principles**), the Board considers Mr Guo to be a non-independent Director.

Directors' Recommendation

The Board unanimously (other than Mr Guo) supports the re-election of Mr Guo and recommends that Shareholders vote in favour of this resolution.

Item 3.2 Mr Allan Ritchie

Mr Ritchie 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. Allan is an Investment Banking professional with a career spanning 30 years of Origination and Structuring. He held senior positions in Westpac, ANZ Bank, HSBC and BNP Paribas, in London, NY and Asia Pacific.

Mr Ritchie 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.

Mr Ritchie graduated from the University of Technology, Sydney with a Bachelor of Business and a Post Graduate Diploma in Applied Finance FINSIA.

Mr Ritchie is currently a Director of ASX listed company Indago Energy Limited.

Mr Ritchie was appointed as Non-Executive Director of the Board on 28 April 2017.

Having had regard to the ASX Corporate Governance Principles and Recommendations 3rd Edition (**ASX Principles**), the Board considers Mr Ritchie to be a non-independent Director.

Directors' Recommendation

The Board unanimously (other than Mr Ritchie) supports the election of Mr Ritchie and recommends that Shareholders vote in favour of this resolution.

ITEM 4: APPROVAL FOR GT HOLDINGS TO ACQUIRE A RELEVANT INTEREST AS A RESULT OF A SECURITY INTEREST

1.0 Background

In July 2017, the Company entered into a Standby Subscription Agreement with (then named) Addchance Holdings Limited (now GT Holdings Limited), with a facility limit of \$1,000,000. The terms of the facility have been widely reported in the Company's financials, but essentially provide for a market-based mechanism that permits the Company to draw funds in return for the issue of equity, based on the 20% discount of the 5 trading day volume average price preceding the drawdown notice.

To the end of June 2018 \$308,157 had been drawn against this facility and 27,193,552 shares issued as a consequence. In addition, there has been a \$155,000 loan advance provided pending shareholder approval for GT Holdings Limited to acquire a Relevant Interest as the result of converting the loan into equity. All shares under the facility are issued at 80% of 15-day VWAP prior to each drawdown. The balance of the facility amounts to date amounts to \$536,843.

At the 2017 Annual General Meeting, shareholders approved under Item 5, an approval for the issue of shares under what was then named the "Additional Addchance Loan Facility". The resolution permitted, any shares issued under the facility to be excluded from the limits imposed by Listing Rule 7.1.

The purpose of this resolution is to provide the Company with the ability under the Corporations Act, to drawdown further funds and issue further equity, notwithstanding, that doing so, would provide GT Holdings Limited with a greater than 20% position in the Company.

1.1 General

An acquisition of securities that enables a shareholder to increase its relevant interests in a listed company from below 20% to above 20% is prohibited under Section 606 of the Corporations Act 2001 ("s606"), except in certain circumstances.

One of the exceptions to s606 is where the acquisition is approved at a general meeting of the target company in accordance with Item 7 of Section 611 of the Corporations Act 2001 ("s611"). Approval for the Proposed Resolution is therefore being sought at a general meeting of the Company's shareholders in accordance with item 7 of s611.

If the Proposed Resolution proceeds, GT Holdings will increase its stake in the Company from 18.9% to up to a maximum of up to 80% of the shares of the Company. The Proposed Resolution will therefore require the Company shareholder approval in accordance with s611.

Section 608 of the Corporations Act provides that a person has a "Relevant Interest" in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise or control the exercise of, a right to vote attached to the securities; or have power to dispose of or control the exercise of a power to dispose of, the securities.

The Resolution will result in GT Holding's voting power in the Company increasing from 18.9% to below 80%. This is the purpose of Item 4 as enclosed in the Notice of General Meeting and Explanatory Memorandum.

As required by ASIC policy, the Company has engaged an independent expert, Leadenhall to provide a report on whether the disadvantages of the proposed resolution outweigh the disadvantages. The Independent Expert's Report is attached as Appendix A of the enclosed Notice of General Meeting and Explanatory Memorandum.

In its report, the independent expert concludes that the disadvantages of this resolution do not outweigh the advantages, as outlined in 1.6 below. These matters are explained in more detail in the enclosed Notice of General Meeting and Explanatory Memorandum.

1.2 Exception to section 606

Section 611 of the Corporations Act sets out a number of exceptions to the prohibition in section 606. Relevantly, item 7 of section 606 of the Corporations Act provides that an acquisition approved

previously by an ordinary resolution passed at a general meeting of the company in which the acquisition is made, is exempt from the prohibition in section 606 of the Corporations Act, provided that:

- (a) no votes are cast in favour of the resolution by the person proposing to undertake the acquisition and their Associates, or persons from whom the acquisition is to be made and their Associates; and
- (b) the members of the company were given all information known to the person proposing to make the acquisition or their Associates, or known to the company, that was material to the decision on how to vote on the resolution.

1.3 Information to be provided under item 7 of Section 611

Item 7 of s611 requires shareholders to be provided with all of the information known to the company and to the potential acquirer that is material to the shareholders' decision. Regulatory Guide 74: Acquisitions Approved by Members ("RG74") issued by the Australian Securities and Investment Commission ("ASIC") provides additional guidance on the information to be provided to shareholders. RG74 states that the directors of the target company should provide shareholders with an independent expert's report or a detailed directors' report on the Proposed Resolution.

The directors of the Company have therefore requested Leadenhall to prepare an independent expert's report assessing whether the Proposed Resolution is fair and reasonable to the Company's shareholders for the purposes of s611. This report is to be included in the notice of meeting. It has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Proposed Resolution.

Item 7 of s611 requires shareholders to be provided with all of the information known to the company and to the potential acquirer that is material to the shareholders' decision. Regulatory Guide 74: Acquisitions Approved by Members ("RG74") issued by the Australian Securities and Investment Commission ("ASIC") provides additional guidance on the information to be provided to shareholders. RG74 states that the directors of the target company should provide shareholders with an independent expert's report or a detailed directors' report on the Proposed Resolution.

The following information is provided for Shareholders in accordance with item 7(b) of section 611 of the Corporations Act:

- (a) GT Holdings Limited is a company which is a resident of the Cayman Islands.
- (b) GT Holdings Limited has no nominated directors represented as at the date of this meeting.
- (c) GT Holdings Limited has track record of making commercial investments in various companies including those with energy & resources assets.
- (d) GT Holdings Limited has invested in multiple jurisdictions across the Asia Pacific region and invested in both private and public companies.

1.4 Intentions

The information below sets out GT Holdings Limited's intentions in relation to the Company if the Resolution is passed, as indicated by GT Holdings Limited to the Company.

The statements set out below are statements of current intentions only and may vary as new information becomes available or if circumstances change, and are made on the assumption that the Resolution is approved. If the Resolution proceeds:

- (a) GT Holdings Limited's investment in the Company will ensure the Company's sustainability and future growth and will be used to fund the Company's working capital requirements in the short to medium term;
- (b) it will represent an opportunity to enhance the Company's position in the energy & resources sector and will enable the Company to deliver on its key strategic objectives of growth either organically or through acquisition;
- (c) GT Holdings Limited recognises the value inherent in the Company and proposes to adopt a growth strategy for its investment in order to realise the Company's potential over the medium to long term and make capital injections where required to support this level of growth;
- (d) GT Holdings Limited does not intend to change the business, transfer assets between the Company and GT Holdings Limited (or its Associates), or otherwise redeploy the fixed assets of the Company and intends to continue employing the present employees of the Company; and
- (e) GT Holdings Limited does not intend to significantly change the financial or dividend distribution policies of the Company;
- (f) The material terms of the convertible note have been previously described in detail at the last AGM, where approval for the facility was gained for the purposes of Listing Rule 7.1, but are repeated below:
 - (i) the issue price of each Share will be 80% of the VWAP of the Company's Shares for the 5 trading days immediately preceding the date of issue (Issue Price).
 - (ii) the number of Shares to be issued by the Company will be calculated based on the following example formula:

$$\$190,000 / (\text{Issue Price} \times \text{VWAP Discount})$$
- (g) For example:
 - (i) if the Issue Price is \$0.010, the maximum number of Shares to be issued will be 19,000,000 Shares
 - (ii) if the Issue Price is \$0.012, the maximum number of Shares to be issued will be 15,833,333 Shares
 - (iii) if the Issue Price is \$0.014, the maximum number of Shares to be issued will be 13,571,428 Shares
 - (iv) Issue Price is \$0.016, the maximum number of Shares to be issued will be 11,875,000 Shares
 - (v) Issue Price is \$0.018, the maximum number of Shares to be issued will be 10,555,555 Shares

1.5 Related Party transactions: Chapter 2E of the Corporations Act and ASX Listing Rule 10.11

Chapter 2E of the Corporations Act regulates related party transactions.

Section 208 of the Corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of its members in accordance with sections 217 to 227 of the Corporations Act before it gives a financial benefit to a related party; and
- (b) give the benefit, for which Shareholder approval is obtained, within 15 months of that approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

GT Holdings is a related party of the Company by virtue of section 228(6) of the Corporations Act. However, Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Shares to GT Holdings as the resolution approves a transaction under the “arms-length exception” prescribed under the Act at section 210.

Section 210, provides that *[m]ember approval is not required to give a financial benefit on terms that:*

- (a) *would be reasonable in the circumstances if the public company or entity of the public company was dealing at arm’s length; and*
- (b) *are less favourable to the related parties than the terms referred to in (a).*

The Company notes that this facility in fact was approved previously by shareholders, prior to GT Holdings Ltd (then Addchance Holdings Limited) was a related party, and that the Company’s balance sheet, including assets have reduced since then, despite that the terms of this facility having not materially changed.

The Board of Directors is therefore confident that this related party transaction does comfortably meet the so-called “arms-length exception”.

Listing Rule 10.11

An exception is provided, whereby such approval is not required under an agreement to issue securities. Listing Rule 10.12 (Exception 9) qualifies that the entity must have complied with the Listing Rules when it entered into the agreement to issue securities.

The Company has complied with the Listing Rules with respect to this facility at all times, including making timely material announcements (Listing Rule 3.1), and obtaining shareholder approval for the purposes of Listing Rule 7.1

Therefore, in accordance with ASX Listing Rule 10.12 (exception 9), Shareholder approval is not required under ASX Listing Rule 10.11, for the purposes of Listing Rule 10.1.

1.6 Consequences of Item 4 not being approved

Further drawdowns on the existing facility are conditional upon the Company obtaining Shareholder approval under Item 4.

B. Advantages

The main advantages of the proposed resolution to Shareholders are:

- (a) Limited alternatives available – If the proposed resolution is not approved, the \$155,000 temporary loan provided by GT Holdings would need to be repaid. Furthermore, the Company currently has \$13,000 in cash and will require additional funding in the near term to fund its operations including required exploration expenditure and operating costs. The Company’s access to debt or equity capital markets would likely be constrained by the size of the business and lack of any assets which could be used as collateral. Therefore, In the absence of the proposed resolution or other funding from other investors (which has not been available to date), there is a material uncertainty as to whether the company will be able to continue as a going concern.
- (b) Will provide access to on-demand funding of up to \$0.5 million – If the proposed resolution proceeds, there will be \$0.5 million additional funding available pursuant to the Subscription Agreement that may be utilised to assist the Company in sourcing additional projects. Whilst the shares issued pursuant to the agreement

will be issued at a discount to the prevailing share price at the time however, this is common for capital raising transactions and higher discounts to the share price are typically observed for illiquid micro-cap stocks like the Company.

- (c) May facilitate future capital raisings – The continued support of an institutional investor such as GT Holdings with the ability to participate in this and other future capital raisings may be an advantage when raising additional funds when required.
- (d) Terms of Subscription Agreement previously approved by shareholders – Shareholders approved previous issuances of shares pursuant to the Subscription Agreement at the annual general meeting in November 2017, with over 98% of shareholders eligible to vote approving the issue of shares to Addchance/GT Holdings Ltd.

B. Disadvantages

The main disadvantages of the proposed resolution to Shareholders are:

- (a) Dilutionary to existing shareholders – The proposed resolution is dilutionary to existing shareholders of the Company as GT Holdings would be issued shares at a discount to the current market price and our assessed fair value of an the Company share. However, as the terms of the Subscription Agreement have already been announced to the market (and approved by Shareholders), the dilutionary impact may already be priced into the current share price of the Company.
- (b) Loss of control – If the proposed resolution is approved, based on the current share price of the Company, GT Holdings would increase their interest in the Company from 18.9% to approximately 30% (if the temporary loan provided by GT Holdings is converted to equity) and up to approximately 56% if all of the remaining facility is drawn. This would provide GT Holdings with control of the Company without paying a control premium.

1.7 Voting Restriction

Pursuant to RG 74.48, the Company will disregard any votes cast in favour of Item 4 by GT Holdings and their Associates.

1.8 Directors' Recommendation

The Directors unanimously recommend that you vote in favour of the Resolution.

ITEM 5: Additional 10% Placement Capacity

5.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital (**10% Placement Capacity**). If Shareholders approve the resolution in Item 5, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in 5.2 below).

The Company is an Eligible Entity. The effect of the resolution in Item 5 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the meeting, without Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

The resolution in Item 5 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of this resolution for it to be passed.

5.2 10% Placement Capacity

ASX Listing Rule 7.1A enables an Eligible Entity to seek Shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity. An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the A&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the A&P/ASX 300 Index and has a current market capitalisation at the 9 October 2018 of \$956,988.

The Equity Securities must be in the same class as an existing class of quoted Equity Securities. The Company currently has two classes of Equity Securities on issue, being quoted ordinary shares and unlisted options.

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A is outlined in Listing Rule 7.2A.2. This rule provides that Eligible Entities which have obtained Shareholder approval at an annual general meeting, my issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated according to the following formula:

$$(A \times D) - E$$

Where:

A is the number of Shares on issue 12 months before the date of issue or agreement:

(a) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;

(b) plus the number of partly paid shares that became fully paid in the previous 12 months;

(c) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval; and

(d) less the number of Shares cancelled in the previous 12 months.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of ordinary shares under ASX Listing Rule 7.1 or 7.4.

5.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this resolution.

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 (five) ASX trading days of the date in paragraph 5.3(a)(i), the date on which the Equity Securities are issued.

(b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid).

(10% Placement Capacity Period).

(c) Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If the resolution in Item 5 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A2, on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue	Dilution			
	Issue Price (per Share)	\$0.005 (50% decrease in current market price)	\$0.01 (Current market price)	\$0.02 (100% increase in current market price)
80,443,008 (Variable A)	Shares issued – 10% voting dilution	8,044,309	8,044,309	8,044,309
	Funds raised	\$40,222	\$80,443	\$160,886
120,664,512 (50% increase in Variable A) *	Shares issued – 10% voting dilution	12,066,451	12,066,451	12,066,451

	Funds raised	\$60,332	\$120,665	\$241,329
160,886,016 (100% increase in Variable A)*	Shares issued – 10% voting dilution	16,088,602	16,088,602	16,088,602
	Funds raised	\$80,443	\$160,886	\$321,772

* The number of shares on issue (Variable A in the formula) could increase as a result of the issue of shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issue under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above has been prepared on the following assumptions:

1. Variable A is 80,443,008 which equates to the Shares currently on issue at 7 September 2018.
2. The market price set out above is the closing price of the Shares on the ASX on 7 September 2018.
3. The Company issues the maximum possible number of shares under the 10% Placement Capacity.
4. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares.
5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
6. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
7. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
8. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) Purpose of issue under 10% Placement Capacity

The Company may seek to issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for working capital purposes, existing projects or potential acquisitions; or
- (ii) as non-cash consideration for new projects, services, equipment or product. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3. The minimum issue price limitation as set out in Listing Rule 7.1A .3 applies to issues for non-cash consideration.

The Company will comply with the disclosure obligations under Listing Rules 7.1A4 and 3.10.5A upon issue of any Equity Securities.

(e) Allocation under the 10% Placement Capacity

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both).

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) The purpose of the issue;
- (ii) Alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;

- (iii) The effect of the issue of the Equity Securities on the control of the Company;
- (iv) The circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) Prevailing market conditions; and
- (vi) Advice from corporate, financial and broking advisers (if applicable).

(f) Previous Approval under ASX Listing Rule 7.1A

The Company previously obtained approval from Shareholders under ASX Listing Rule 7.1A at its Annual General Meeting held on 30 November 2017.

(g) Compliance with ASX Listing Rule 7.3A.6

The table below sets out the specific details for each issue of equity securities that has taken place in the 12-month period before the date of the AGM.

LR 7.3A.6(b)	
Name of persons who received securities or basis on which those persons were determined.	GT Holdings Ltd (formerly named Addchance Holdings Ltd)
Issue price and discount to market price (if any)	<ul style="list-style-type: none"> • All – Paid in cash only. <ol style="list-style-type: none"> 1. \$0.0104 per share – 80% discount to 5 day VWAP 2. \$0.0120 per share – 80% discount to 5 day VWAP 3. \$0.0112 per share - 80% discount to 5 day VWAP
Date of issue, class and type of equity securities and number issued.	<ul style="list-style-type: none"> • <u>All</u> - fully paid ordinary shares <ol style="list-style-type: none"> 1. 8 February 2018 - 3,846,153 2. 21 December 2017 – 8,333,333 3. 21 December 2017 – 4,464,285
Summary of terms	Fully paid ordinary shares, that rank parri passu with other ordinary shares on issues.

(h) Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it will give to ASX:

- (i) A list of the allottees of the Equity Securities and the number of Equity Securities allotted to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) The information required by Listing Rule 3.10.5A for release to the market.

5.4 Voting Exclusion Statement

The Company will disregard any votes cast on Item 5 by any person who may participate in the issue of Equity Securities under this Item, and a person who is expected to participate in, or obtain a material benefit, (except a benefit solely in the capacity of a holder of ordinary securities), if the resolution is passed, and any associates of those persons. However the Company will not disregard a vote if it is cast by a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5.5 Additional information

As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on the resolution in Item 5.

GLOSSARY

AEDT means Australian Eastern Daylight Savings Time as observed in Sydney, Australia.

\$ means Australian Dollars

Annual General Meeting or **Meeting** means the meeting convened by the Notice

ASX means ASX Limited ACN 008 624 691

ASX Listing Rules means the Listing Rules of the ASX, as amended or replaced from time to time except to the extent of any express written waiver by ASX.

ASX Principles mean the ASX Corporate Governance Principles and Recommendations (3rd edition).

Board means the current Board of directors of the Company.

Closely Related Party has the meaning as defined in section 9 of the Corporations Act.

Company means Adavale Resources Limited (ACN 008 719 015)

Constitution means the Company's Constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current Directors of the Company.

Eligible Entity means an entity that at the date of the relevant General Meeting:

- (a) is not included in the A&P/ASX 300 Index; and
- (b) has a market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Notes means the Explanatory Notes accompanying the Notice.

Items means the resolutions set out in the Notice, or any one of them, as the context requires.

Key Management Personnel or KMP has the meaning as defined in section 9 of the Corporations Act.

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting and the explanatory notes accompanying the Notice and the Proxy Form.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Directors' Report section of the Company's Annual Financial report for the year ended 30 June 2018.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

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

Shareholder means a holder of a Share.

Adavale Resources Limited

ABN 96 008 719 015

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

ADD

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

XX



Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 9999999

SRN/HIN: I9999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 11.00 am (AEDT) on Wednesday, 28 November 2018

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Adavale Resources Limited hereby appoint

☐ the Chairman of the Meeting

OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Adavale Resources Limited to be held at the offices of the Company's share registry Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2000 on Friday 30 November 2018 at 11.00am (AEDT) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Item 2 (except where I/we have indicated a different voting intention below) even though Item 2 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Item 2 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
2	Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.1	Re-election of Mr Huili Guo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.2	Re-election of Mr Allan Ritchie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Approval for GT Capital Holdings to Acquire a relevant interest arising their security facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Additional 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /

Annexure A of 2018 AGM Notice of Meeting



ADAVALE RESOURCES LIMITED

PROPOSED ISSUE OF SHARES TO GT HOLDINGS LIMITED

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE
19 OCTOBER 2018



19 October 2018

The Directors
Adavale Resources Limited
Level 12, 225 George Street
Sydney NSW 2000

Dear Directors,

Independent Expert's Report for Adavale Resources Limited

1. Introduction

Adavale Resources Limited ("**Adavale**") is a public company listed on the Australian Securities Exchange ("**ASX**") with interests in uranium tenements in South Australia.

In July 2017, Adavale entered into a Standby Subscription Agreement ("**Subscription Agreement**") with Addchance Holdings Limited, now GT Holdings Limited ("**GT Holdings**"). The Subscription Agreement has a facility limit of \$1,000,000 and permits Adavale to draw funds as needed in return for the issue of Adavale shares at a 20% discount to the 5 trading day volume weighted average price ("**VWAP**") of Adavale preceding the drawdown notice.

As at 30 June 2018 \$308,157 had been drawn under the Subscription Agreement and 27.1 million shares had been issued to GT Holdings (12 million of which have subsequently been sold to a third party). In addition, GT Holdings have advanced Adavale a temporary loan of \$155,000 with the intention that this loan will be converted to equity subject to Adavale shareholder approval. Due to the limited available cash resources of Adavale further drawdowns are expected to be required to fund existing exploration and working capital requirements. Conversion of the loan and any additional drawdowns of the Subscription Agreement ("**Proposed Transaction**") are subject to Adavale shareholder approval.

Further information regarding the Proposed Transaction is set out in Section 1 of this report.

2. Purpose of the report

If the Proposed Transaction proceeds, GT Holdings will increase their stake in Adavale to above 20% but less than 90% of Adavale. The Proposed Transaction will therefore require Adavale shareholder approval in accordance with Section 611 of the Corporations Act ("**s611**").

Adavale has requested Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**") to prepare an Independent Expert's Report ("**IER**"), advising whether, in our opinion, the Proposed Transaction is fair and reasonable to Adavale shareholders excluding GT Holdings ("**Shareholders**").

Further information regarding the purpose of this report is provided in Section 2 of this report.

3. Basis of evaluation

In order to assess whether the Proposed Transaction is fair and reasonable to Shareholders in accordance with s611 we have:

- ◆ Assessed it as fair if the value of an Adavale share on a control basis before the Proposed Transaction is less than or equal to the value of an Adavale share if the Proposed Transaction proceeds
- ◆ Assessed it as reasonable if it is fair, or despite not being fair, the advantages to Shareholders outweigh the disadvantages.

Further details of the basis of evaluation are provided in Section 2 of this report.

4. Analysis of fairness

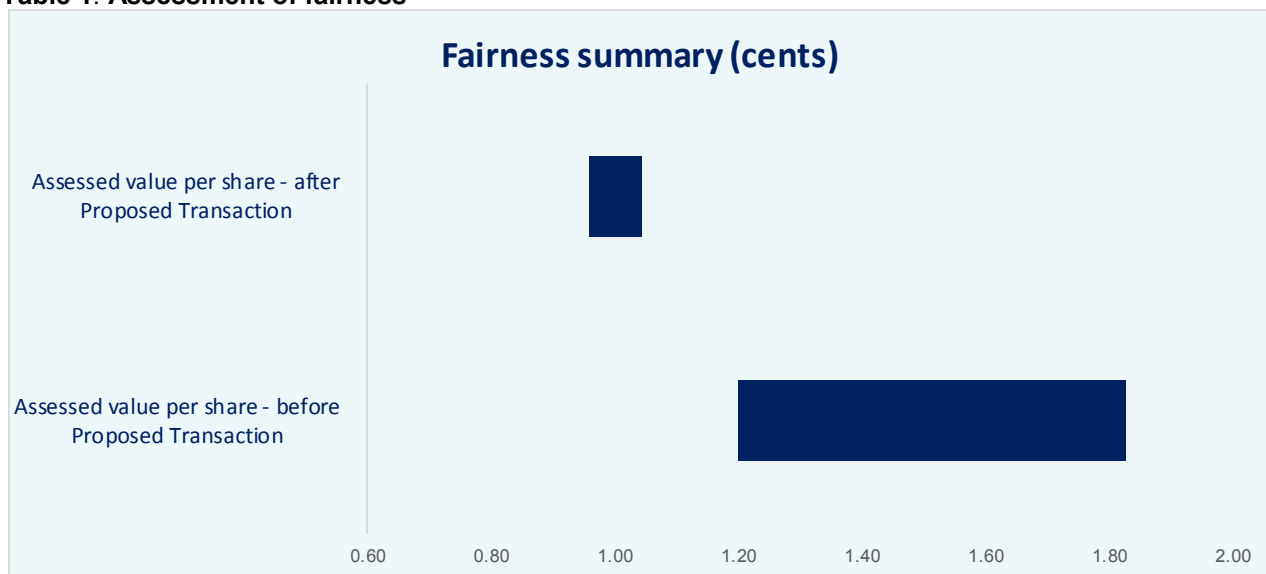
For the purpose of our opinion we have assessed the fair market value of an Adavale share before the Proposed Transaction using recent share trading in Adavale shares. We have assessed the value of an Adavale share in the event the Proposed Transaction proceeds based on impact of the potential issue of shares to GT Holdings pursuant to the Subscription Agreement.

In assessing the value of Adavale pursuant to the Proposed Transaction we have:

- ◆ Estimated the additional equity contributed by GT Holdings based on the assumed conversion of the \$155,000 temporary loan to equity (for the low scenario) and assuming that the loan is converted and the \$0.5 million additional undrawn capacity of the facility is utilised (for the high scenario)
- ◆ Estimated the number of shares to be issued based on a 20% discount to the current 5 day VWAP of Adavale of \$0.01¹.

In order to assess whether the Proposed Transaction is fair, we have compared our assessed fair market value of Adavale before the Proposed Transaction (on a control basis) and subsequent to the Proposed Transaction as set out below.

Table 1: Assessment of fairness



Source: Leadenhall analysis

As set out above, the value of an Adavale share subsequent to the Proposed Transaction is below the value of an Adavale share before the Proposed Transaction. The Proposed Transaction is therefore not fair.

Further details of the basis of the evaluation are provided in Section 5 and 6 of this report.

¹ As at 15 October 2018

5. Analysis of reasonableness

In accordance with regulatory guidelines, we have defined the Proposed Transaction as being reasonable if it is fair, or if despite not being fair, the overall advantages of the proposal outweigh its disadvantages to Shareholders.

We have therefore considered the advantages and disadvantages to Shareholders of the Proposed Transaction.

Advantages

The main advantages of the Proposed Transaction to Shareholders are:

- ◆ **Limited alternatives available** – If the Proposed Transaction is not approved, the \$155,000 temporary loan provided by GT Holdings would need to be repaid. Furthermore, Adavale currently has \$13,000 in cash and will require additional funding in the near term to fund its operations including required exploration expenditure and operating costs. Adavale's access to debt or equity capital markets would likely be constrained by the size of the business and lack of any assets which could be used as collateral. Therefore, In the absence of the Proposed Transaction or other funding from other investors (which has not been available to date), there is a material uncertainty as to whether the company will be able to continue as a going concern.
- ◆ **Will provide access to on-demand funding of up to \$0.5 million** – If the Proposed Transaction proceeds, there will be \$0.5 million additional funding available pursuant to the Subscription Agreement that may be utilised to assist Adavale in sourcing additional projects. Whilst the shares issued pursuant to the agreement will be issued at a discount to the prevailing share price at the time we note that this is common for capital raising transactions and higher discounts to the share price are typically observed for illiquid micro-cap stocks like Adavale.
- ◆ **May facilitate future capital raisings** – The continued support of an institutional investor such as GT Holdings with the ability to participate in this and other future capital raisings may be an advantage when raising additional funds when required.
- ◆ **Terms of Subscription Agreement previously approved by shareholders** – Shareholders have approved previous issuances of shares pursuant to the Subscription Agreement at the annual general meeting in November 2017, with over 98% of shareholders eligible to vote approving the issue of shares to Addchance / GT Holdings.

Disadvantages

The main disadvantages of the Proposed Transaction to Shareholders are:

- ◆ **Dilutionary to existing shareholders** – The Proposed Transaction is dilutionary to existing shareholders of Adavale as GT Holdings would be issued shares at a discount to the current market price and our assessed fair value of an Adavale share. However, as the terms of the Subscription Agreement have already been announced to the market (and approved by Shareholders), the dilutionary impact may already be priced into the current share price of Adavale.
- ◆ **Loss of control** – If the Proposed Transaction is approved, based on the current share price of Adavale, GT Holdings would increase their interest in Adavale from 18.9% to approximately 30% (if the temporary loan provided by GT Holdings is converted to equity) and up to approximately 56% if all of the remaining facility is drawn. This would provide GT Holdings with control of Adavale without paying a control premium.

Conclusion on reasonableness

In the absence of the Proposed Transaction, there is material uncertainty as to how the business will access the funding required to repay the loan to GT Holdings and continue operating.

The main advantage of the Proposed Transaction is therefore that it facilitates immediate conversion of the temporary loan to equity and allows ongoing access to \$0.5 million in funds allowing the company to remain solvent and to continue its exploration and development activities. In the absence of the Proposed Transaction there does not appear to be any other alternatives available to Adavale as we understand no alternative offers or transactions have been received by Adavale since the announcement of the Proposed Transaction

As a result of these considerations we believe that, on balance, the advantages of the Proposed Transaction are sufficient to render the transaction reasonable.

6. Opinion

In our opinion, the Proposed Transaction is not fair but reasonable to Shareholders.

We have evaluated the Proposed Transaction for the Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of this Proposed Transaction on their specific financial circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope, analysis and findings in more detail.

Yours faithfully



Dave Pearson
Director



Richard Norris
Director

Note: All amounts stated in this report are in Australian dollars unless otherwise stated.

Tables in this report may not add due to rounding.

LEADENHALL CORPORATE ADVISORY PTY LTD

ABN 11 114 534 619

Australian Financial Services Licence No: 293586

FINANCIAL SERVICES GUIDE

Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**" or "**we**" or "**us**" or "**our**" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In providing this report, we are required to issue this Financial Services Guide ("**FSG**") to retail clients. This FSG is designed to help you to make a decision as to how you might use this general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

Financial Services We are Licensed to Provide

We hold Australian Financial Services Licence 293586 which authorises us to provide financial product advice in relation to securities (such as shares and debentures), managed investment schemes and derivatives.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product. Our report will include a description of the circumstances of our engagement and the party who has engaged us. You will not have engaged us directly but will be provided with a copy of the report because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial service licensee authorised to provide the financial product advice contained in that report.

General Financial Product Advice

The advice produced in our report is general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that We May Receive

We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Leadenhall is entitled to receive a fixed fee of \$12,500 (excl. GST) for preparing this report. This fee is not contingent upon the outcome of the Proposed Transaction.

Except for the fees referred to above, neither Leadenhall, nor any of its directors, consultants, employees or related entities, receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of this report.

Remuneration or Other Benefits Received by our Employees, Directors and Consultants

All our employees receive a salary. Our employees are eligible for bonuses which are not based on the outcomes of any specific engagement or directly linked to the provision of this report. Our directors and consultants receive remuneration based on time spent on matters.

Associations and Relationships

Leadenhall is an associate of the international Valuation Research Group.

Other than the benefits received for the report disclosed above, we have no other associations or relationships with the financial product issuer or otherwise which would influence or impact our ability to provide the services.

Referrals

We do not pay commissions or provide any other benefits to any person for referring clients to us in connection with the reports that we are licensed to provide.

Complaints Resolution

As the holder of an Australian Financial Services Licence, we are required to have a system in place for handling complaints from persons to whom we have provided reports. All complaints must be in writing, to the following address:

Leadenhall Corporate Advisory Pty Ltd
GPO Box 1572
Adelaide SA 5001

Email: office@leadenhall.com.au

We will try to resolve your complaint quickly and fairly and will endeavour to settle the matter within 14 days from the time the matter is brought to our attention.

If you do not get a satisfactory outcome, you have the option of contacting the Australian Financial Complaints Authority ("**AFCA**") or the Financial Ombudsman Service ("**FOS**"). Either organisation will then be able to advise you as to whether or not they can assist in this matter. AFCA and FOS can be contacted at the following addresses:

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001

Website: www.afca.org.au
Email: info@afca.org.au
Telephone: 1800 931 678 (free call)

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Telephone: 1300 780 808
Email: info@fos.org.au

Leadenhall's AFCA membership number is 12224

Compensation Arrangements

Leadenhall holds professional indemnity insurance in relation to the services we provide. The insurance cover satisfies the compensation requirements of the Corporations Act 2001.

19 October 2018

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1 TERMS OF THE PROPOSED TRANSACTION

In July 2017, Adavale entered into the Subscription Agreement which has a five-year term, a facility limit of \$1,000,000 and permits Adavale to draw funds as needed in return for the issue of Adavale shares, issued at a 20% discount to the 15 trading VWAP of Adavale preceding the drawdown notice.

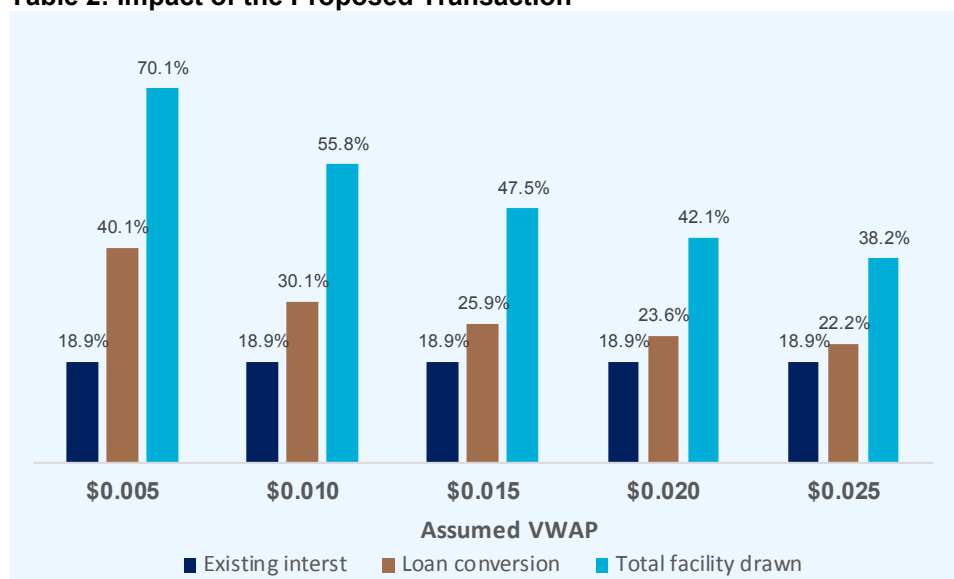
As at 30 June 2018 \$308,157 had been drawn under the Subscription Agreement and 27.1 million shares have been issued to GT Holdings (12 million of which have subsequently been sold to a third party). GT Holdings currently has an 18.9% voting interest in Adavale. In addition, GT Holdings have advanced Adavale a temporary loan of \$155,000 with the intention that this loan will be converted to equity subject to Adavale shareholder approval. Additional capacity of \$536,843 currently exists on the Subscription Agreement.

Due to the limited available cash resources of Adavale further drawdowns are expected to be required to fund existing exploration and working capital requirements. Conversion of the loan and any additional drawdowns of the Subscription Agreement ("**Proposed Transaction**") are subject to Adavale shareholder approval.

If the Proposed Transaction proceeds GT Holdings will increase their voting interest in Adavale. The extent of this increase will depend on the VWAP of Adavale at the time and the extent of any further drawdowns of the facility.

We have set out below the potential increase in GT Holdings' voting interest in Adavale based on the current spot price as well as higher and lower assumed VWAP for Adavale shares as follows:

Table 2: Impact of the Proposed Transaction



Source: Leadenhall

The Proposed Transaction is conditional on Adavale shareholder approval.

2 SCOPE

2.1 Purpose of the report

An acquisition of securities that enables a shareholder to increase its relevant interests in a listed company from below 20% to above 20% is prohibited under Section 606 of the Corporations Act 2001 ("**s606**"), except in certain circumstances.

One of the exceptions to s606 is where the acquisition is approved at a general meeting of the target company in accordance with Item 7 of Section 611 of the Corporations Act 2001 ("**s611**"). Approval for the Proposed Transaction is therefore being sought at a general meeting of Adavale's shareholders in accordance with item 7 of s611.

If the Proposed Transaction proceeds, GT Holdings will increase its stake in Adavale from 18.9% to up to a maximum of 80% of the shares of Adavale. The Proposed Transaction will therefore require Adavale shareholder approval in accordance with s611.

Item 7 of s611 requires shareholders to be provided with all of the information known to the company and to the potential acquirer that is material to the shareholders' decision. *Regulatory Guide 74: Acquisitions Approved by Members* ("**RG74**") issued by the Australian Securities and Investment Commission ("**ASIC**") provides additional guidance on the information to be provided to shareholders. RG74 states that the directors of the target company should provide shareholders with an independent expert's report or a detailed directors' report on the Proposed Transaction.

The directors of Adavale have therefore requested Leadenhall to prepare an independent expert's report assessing whether the Proposed Transaction is fair and reasonable to Adavale's shareholders for the purposes of s611. This report is to be included in the notice of meeting. It has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Proposed Transaction.

2.2 Basis of evaluation

2.2.1 Introduction

We have assessed the Proposed Transaction as a control transaction. RG111 requires a separate assessment of whether a control transaction under s611 is '*fair*' and whether it is '*reasonable*'. We have therefore considered the concepts of '*fairness*' and '*reasonableness*' separately. The basis of assessment selected and the reasons for that basis are discussed below.

2.2.2 Fairness

We have assessed whether the Proposed Transaction is fair by comparing the value of an Adavale share before and after the Proposed Transaction with the consideration offered to Shareholders.

The value of an Adavale share before the Proposed Transaction has been determined on a control basis (i.e. including a control premium). This is consistent with the requirement of RG111.11 that the comparison for a takeover must be made assuming a 100% interest in the target company.

Our assessment of the value of an Adavale share subsequent to the Proposed Transaction has been assessed on a minority interest basis (i.e. excluding a control premium) as Shareholders would own a minority stake in Adavale should the Proposed Transaction occur.

We have assessed the value of an Adavale share at fair market value, which is defined by the International Glossary of Business Valuation Terms as:

The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

While there is no explicit definition of value in RG111, this definition of fair market value is consistent with basis of value described at RG111.11 and common market practice.

Special value is defined as the amount a specific purchaser is willing to pay in excess of fair market value. A specific purchaser may be willing to pay a premium over fair market value as a result of potential economies of scale, reduction in competition or other synergies they may enjoy arising from the acquisition of the asset. However, to the extent a pool of hypothetical purchasers could all achieve the same level of synergies the value of those synergies may be included in fair market value. Special value is typically not considered in forming an opinion on the fair market value of an asset. Our valuation of Adavale does not include any special value.

2.2.3 Reasonableness

In accordance with RG111, we have defined the Proposed Transaction as being reasonable if it is fair, or if, despite not being fair, Leadenhall believes that there are sufficient reasons for Shareholders to vote for the proposal. We have therefore considered whether the advantages to Shareholders of the Proposed Transaction outweigh the disadvantages. To assess the reasonableness of the Proposed Transaction we have considered the following significant factors recommended by RG111.13:

- ◆ The liquidity of the market in Adavale's shares
- ◆ Any special value of Adavale to GT Holdings
- ◆ The likely market price of Adavale shares if the Proposed Transaction is rejected
- ◆ The value of Adavale to an alternative bidder and the likelihood of an alternative offer

We have also considered other significant advantages and disadvantages to Shareholders of the Proposed Transaction.

2.3 Individual circumstances

We have evaluated the Proposed Transaction for Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of this Proposed Transaction on their specific financial circumstances.

3 PROFILE OF ADAVALE

3.1 Introduction

Adavale is a mining exploration company with interests in uranium tenements in Lake Surprise, South Australia. The Lake Surprise project comprises adjoining exploration licences with a combined area measuring 396 km². The project is located in the Lake Arthur area, 550km north of Adelaide. The tenements comprising the Lake Surprise project cover an area that is considered prospective for surficial and sandstone style uranium mineralisation. Strong radiometric anomalies occur in the project area where uranium minerals have been found. Adavale is actively seeking joint venture partners to further explore the area, and continues to look for additional mining and energy assets to compliment Adavale's growth outlook.

3.2 History

A brief history of Adavale is set out in the table below:

Year	Event
1969	Incorporated as a proprietary limited company under the name Burrill Investments Pty Ltd.
1970	Listed on the ASX as Burrill Investments Limited and changed its name to Mining Corporation of Australia Limited.
2007 - 2008	Acquired 100% of the share capital in Adavale Minerals Pty Ltd, a uranium exploration company. The company was also renamed Adavale Resources Limited and changed the focus of its activities to uranium mining and exploration, with initial exploration focusing on its exploration assets located at Lake Surprise in South Australia and Springvale in Queensland.
2017	Jun Moon Limited ("JML") subscribes for 7 million Adavale shares at \$0.01 per share. Adavale enters into Subscription Agreement with Addchance/GT Holdings Sale of Tapan Project.

Source: Adavale

3.3 Directors

The current Board of Directors of Adavale comprises:

Table 3: Directors of Adavale

Directors	Title
Mr Haryono Eddyarto	Executive Chairman
Mr Huilio Guo	Non-executive Director
Mr Allan Ritchie	Non-executive Director
Mr Khamtane Signavong	Non-executive Director

Source: Adavale

3.4 Financial performance

The audited statements of financial performance for the three years ended 30 June 2016, 2017 and 2018 are set out in the table below.

Table 4: Adavale's financial performance

\$'000	FY16	FY17	FY18
Revenue			
Other revenue	2	-	-
Total revenue	2	-	-
Expenses			
Audit fees	(47)	(59)	(46)
Insurance	(25)	(22)	(22)
Share registry fees	(40)	(36)	(43)
Management, administration and legal fees	(177)	(176)	(203)
Share based payment	-	(28)	-
Tenement expenditure incurred	(50)	(19)	(12)
Impairment of exploration and evaluation expenditure	-	-	-
Exchange rate losses	(1)	-	-
Other expenses	(5)	(4)	(4)
Total expenses	(345)	(345)	(331)
EBITDA	(344)	(345)	(331)
Depreciation	-	-	-
EBIT	(344)	(345)	(331)
Finance costs	(72)	(87)	(215)
Loss before tax	(416)	(432)	(546)
Income tax expense	-	-	-
Net loss after income tax	(416)	(432)	(546)
Profit (Loss) from discontinued operations	-	(86)	668
Total loss net of tax	(416)	(518)	122

Source: Adavale

In relation to the historical financial performance of Adavale set out above, we note the following:

- ◆ As Adavale is a mining exploration company, Adavale has experienced losses and negative operating cash flows and is expected to do so until a commercially viable asset is successfully identified and developed. In FY18 the company has continued to curtail the administrative costs associated with the head office pending any outcome of its pursuit to acquire additional assets.
- ◆ The majority of operating expenses consist of directors' salaries for the management and administration of the company, exploration costs, review and compliance costs associated with the tenements.
- ◆ Finance costs related to related party debt including deemed interest component of convertible notes issued.

3.5 Financial position

The audited statements of financial position as at 30 June 2017 and 2018 are set out below.

Table 5: Adavale's financial position

\$'000	FY17	FY18
Cash	47	13
Other assets	20	27
Total assets	66	40
Current liabilities		
Trade and other payables	(848)	(164)
Borrowings	(180)	(50)
Total current liabilities	(1,028)	(214)
Non-current liabilities		
Borrowings	(717)	(850)
Total non-current liabilities	(717)	(850)
Total liabilities	(1,744)	(1,065)
Net assets (liabilities)	(1,678)	(1,024)

Source: Adavale

In relation to the historical financial position of Adavale set out above, we note the following:

- ◆ The company has negative net assets, a working capital deficiency and insufficient cash to continue to fund operating losses in the near-term without additional financial support through the Subscription Agreement or from other investors.
- ◆ In FY18 Adavale amended its accounting policy such that exploration and evaluation expenses are currently expensed and not capitalised.
- ◆ The main component of trade and other payables is interest accrued on loans with related parties.
- ◆ Borrowings relate to the deemed debt component on the \$1 million convertible note issued to JML in 2017.

3.6 Capital structure and shareholders

The following table sets out details of Adavale's current significant shareholders:

Table 6: Adavale's top ten shareholders

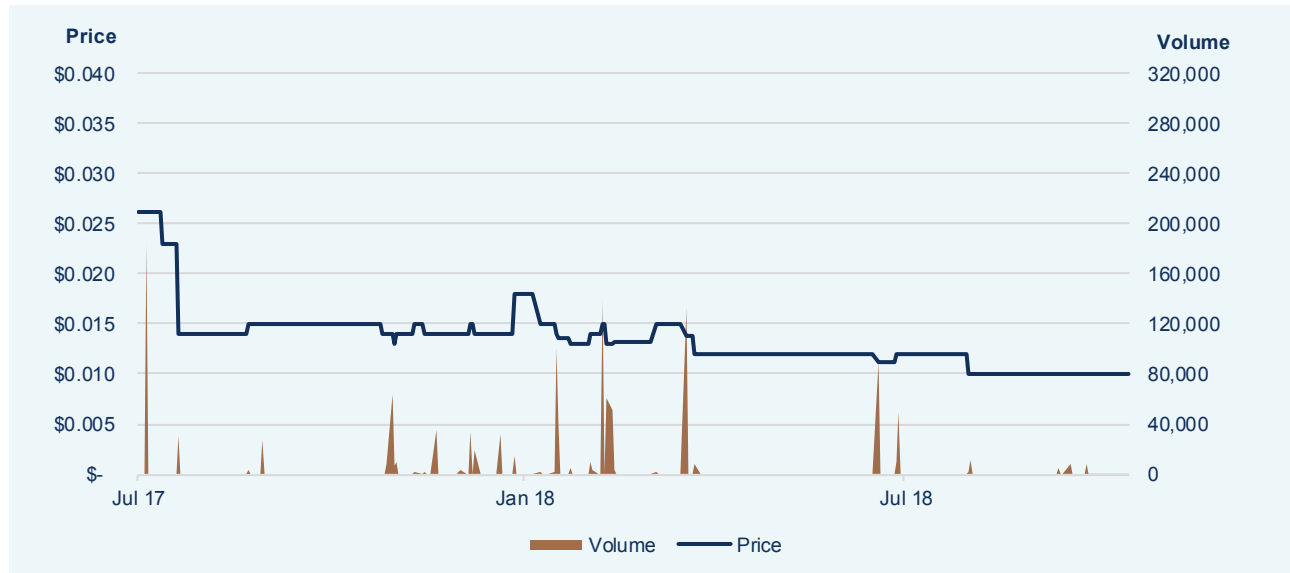
Investor	Number of shares	% of issued
Jun Moon Limited	37,000,000	46.0%
GT Holdings	15,193,552	18.9%
Shine Bright Enterprises Ltd	12,000,000	14.9%
Mr Haryono Eddyarto	4,238,778	5.3%
Other	12,010,678	14.9%
Total	80,443,008	100.0%

The company also has 4,000,000 options on issue which are exercisable at \$0.015 per share.

3.7 Share price performance

The following chart shows the share market trading of Adavale shares for the past two years:

Figure 1: Adavale share price performance



Source: CapitalQ as at 16 October 2018

We make the following observations in respect of the figure above:

- ◆ There has been limited liquidity in Adavale's shares, as reflected by the limited trading volumes over the period.
- ◆ Adavale's share prices fluctuated between \$0.010 per share to \$0.018 per share over the last 12 months. The VWAP over the past twelve months was \$0.013, which is broadly in line with the current share price.

4 VALUATION METHODOLOGY

4.1 Available valuation methodologies

To estimate the fair market value of Adavale we have considered common market practice and the valuation methodologies recommended in RG111. There are a number of methods that can be used to value a business including:

- ◆ The discounted cash flow method
- ◆ The capitalisation of earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

Each of these methods is appropriate in certain circumstances and often more than one approach is applied, at least as a secondary cross-check to a primary method. The choice of methods depends on factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and the availability of the required information. A detailed description of these methods and when they are appropriate is provided in Appendix 2.

4.2 Selection of valuation methodology

In selecting an appropriate valuation methodology to value Adavale we have considered the following factors:

- ◆ Adavale is loss-making and does not have any ongoing earnings, thus the capitalisation of earnings approach is not relevant.
- ◆ Adavale has negative net assets, thus a net assets approach is not appropriate.
- ◆ The exploration tenements held are early stage and have been written off and therefore a discounted cash flow approach is unlikely to provide a meaningful conclusion.
- ◆ Adavale is listed and there has been some trading in its shares by arm's length parties.

Whilst we did also consider whether an intrinsic valuation of Adavale may be more appropriate as a result of the limited volume of trading in Adavale shares, we consider that there has been sufficient volume for the purpose of our conclusion and that selection of any alternate valuation methodologies would not impact our conclusion.

Accordingly, we are of the opinion that the most appropriate methodology to value Adavale is utilising recent share trading.

5 VALUATION OF ADAVALE BEFORE THE PROPOSED TRANSACTION

5.1 Approach

For the purpose of our opinion we have determined the fair value of an Adavale share using recent share trading in Adavale shares.

We have analysed trading in Adavale shares over the last 12 months. We do not consider share trading analysis beyond twelve months to be meaningful as the company divested the Tapan project in 2017 and therefore trading subsequent to that sale is more reflective of the current operations of Adavale. The results of this analysis are summarised below:

Table 7: Share trading summary

	Pricing		Volume		
	Low	High	VWAP	Total	Avg daily
3 Months	\$0.010	\$0.010	\$0.010	34,640	525
6 Months	\$0.010	\$0.012	\$0.011	183,820	1,403
12 Months	\$0.010	\$0.018	\$0.013	973,610	3,730

Source: Leadenhall analysis

As set out above the average VWAP over three, six and 12 month periods ranges from 1.0 to 1.3 cents per share. As the share price of Adavale has generally traded within this range over the last 12 months we have utilised a range of 1.0 cents to 1.3 cents for our assessed value of Adavale on a minority basis.

We note that Shine Bright Enterprises Ltd acquired 12 million Adavale shares from GT Holdings in April 2018 at a price of 1.1 cents per share. We consider this provides broad support for our assessed minority value of an Adavale share.

5.2 Control premium

The value of a controlling interest is not the same as the value of a minority stake, on a per share basis. Controlling interests offer the holder the ability to do many things that the holder of a minority interest cannot. For this reason the value of a controlling interest is usually higher than the pro-rata value of a non-controlling minority interest.

The generally observed range of control premiums is 20% to 40% as set out in Appendix 3. For the purpose of our analysis we have adopted the general control premium range of 20% to 40%. We note that our conclusion on the Proposed Transaction is not sensitive to our assessed control premium.

5.3 Conclusion

Based on the above analysis, our assessed value of an Adavale share on a control basis is set out in the table below:

Table 8: Assessed value summary

cents	Low	High
Assessed value per share (minority)	1.00	1.31
Control premium	20%	40%
Assessed value per share (control)	1.20	1.83

Our assessed value above implied a value of Adavale shares of approximately \$1 million to \$1.5 million. We do not consider this to be unreasonable based on the potential value of the listed shell and the potential upside from existing tenements.

6 VALUATION OF ADAVALE AFTER THE PROPOSED TRANSACTION

6.1 Approach

We have assessed the value of an Adavale share in the event the Proposed Transaction proceeds based on impact of the potential issue of shares to GT Holdings pursuant to the Subscription Agreement.

In assessing the value of Adavale pursuant to the Proposed Transaction (on a minority basis) we have estimated utilised our assessed value of an Adavale share on a minority basis as per Section 5 above and estimated the impact of the potential additional equity issued pursuant to the Subscription Agreement.

6.2 Additional shares issued

As the Proposed Transaction, if approved, would allow Adavale to issue additional shares to GT Holdings pursuant to the Subscription Agreement (provided GT Holdings interest in Adavale does not exceed 80%.

The amount and timing of any further drawdowns are uncertain. For the purpose of our analysis we have therefore estimated the potential additional equity contributed by GT Holdings based on the assumed conversion of the \$155,000 temporary loan (for the low scenario) and assuming that the loan is converted and the \$0.5 million additional undrawn capacity of the facility is utilised (high scenario).

We have estimated the number of shares to be issued based on the above and applied a 20% discount to the current 5 day VWAP of Adavale of \$0.01 per share as follows:

Table 9: Additional shares potentially issued

	Low	High
Current 15 day VWAP (cents)	1.00	1.00
Discount	20%	20%
Implied subscription price (cents)	0.80	0.80
Potential drawdown/conversion	155,000	691,843
Additional shares issued (m)	19.4	86.5

Source: Leadenhall analysis

6.3 Conclusion

Based on the above and our assessed value of an Adavale share on a minority basis as per Section 5, the implied value of an Adavale share subsequent to the Proposed Transaction is summarised in the table below:

Table 10: Value of an Adavale share post transaction

	Low	High
Assessed fair value (minority) (cents)	1.00	1.31
Current number of shares on issue (m)	80.4	80.4
Implied equity value (pre transaction)	804,430	1,049,939
Additional equity issued under Subscription Agreement	155,000	691,843
Implied equity value	959,430	1,741,782
Total number of shares (m)	99.8	166.9
Implied value per share post transaction (cents)	0.96	1.04

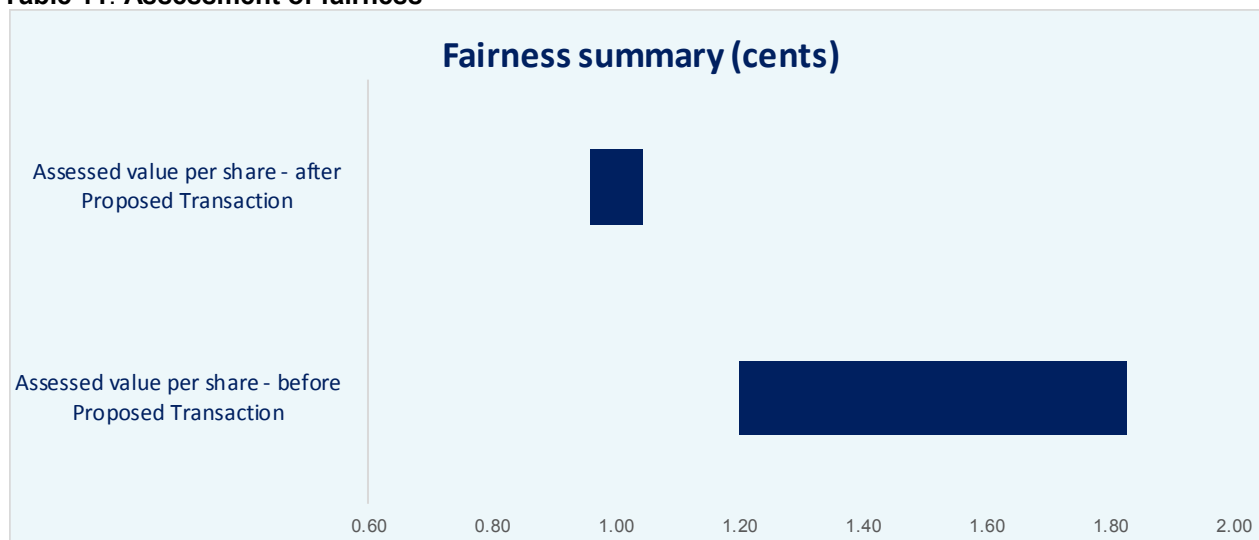
Source: Leadenhall analysis

7 EVALUATION

7.1 Fairness

In order to assess whether the Proposed Transaction is fair, we have compared our assessed fair market value of an Adavale share before and after the Proposed Transaction as set out below.

Table 11: Assessment of fairness



Source: Leadenhall analysis

As set out above, the value of an Adavale share subsequent to the Proposed Transaction is below the value of an Adavale share before the Proposed Transaction. The Proposed Transaction is therefore not fair.

7.2 Reasonableness

In accordance with regulatory guidelines, we have defined the Proposed Transaction as being reasonable if it is fair, or if despite not being fair, the overall advantages of the proposal outweigh its disadvantages to Adavale shareholders.

As the Proposed Transaction is not fair we have also considered the advantages and disadvantages to shareholders of the Proposed Transaction.

7.2.1 Advantages

The main advantages of the Proposed Transaction to Shareholders are:

The main advantages of the Proposed Transaction to Shareholders are:

- ◆ **Limited alternatives available** – If the Proposed Transaction is not approved, the \$155,000 temporary loan provided by GT Holdings would need to be repaid. Furthermore, Adavale currently has \$13,000 in cash and will require additional funding in the near term to fund its operations including required exploration expenditure and operating costs. Adavale's access to debt or equity capital markets would likely be constrained by the size of the business and lack of any assets which could be used as collateral. Therefore, In the absence of the Proposed Transaction or other funding from other investors (which has not been available to date), there is a material uncertainty as to whether the company will be able to continue as a going concern.
- ◆ **Will provide access to on-demand funding of up to \$0.5 million** – If the Proposed Transaction proceeds, there will be \$0.5 million additional funding available pursuant to the Subscription Agreement that may be utilised to assist Adavale in sourcing additional projects. Whilst the shares issued pursuant to the agreement will be issued at a discount to the prevailing share price at the time we note that this is common for capital raising transactions and higher discounts to the share price are typically observed for illiquid micro-cap stocks like Adavale.

- ◆ **May facilitate future capital raisings** – The continued support of an institutional investor such as GT Holdings with the ability to participate in this and other future capital raisings may be an advantage when raising additional funds when required.
- ◆ **Terms of Subscription Agreement previously approved by shareholders** – Shareholders have approved previous issuances of shares pursuant to the Subscription Agreement at the annual general meeting in November 2017, with over 98% of shareholders eligible to vote approving the issue of shares to Addchance / GT Holdings.

7.2.2 Disadvantages

The main disadvantages of the Proposed Transaction to Shareholders are:

- ◆ **Dilutionary to existing shareholders** – The Proposed Transaction is dilutionary to existing shareholders of Adavale as GT Holdings would be issued shares at a discount to the current market price and our assessed fair value of an Adavale share. However, as the terms of the Subscription Agreement have already been announced to the market (and approved by Shareholders), the dilutionary impact may already be priced into the current share price of Adavale.
- ◆ **Loss of control** – If the Proposed Transaction is approved, based on the current share price of Adavale, GT Holdings would increase their interest in Adavale from 18.9% to approximately 30% (if the temporary loan provided by GT Holdings is converted to equity) and up to approximately 56% if all of the remaining facility is drawn. This would provide GT Holdings with control of Adavale without paying a control premium.

7.2.3 Conclusion on reasonableness

In the absence of the Proposed Transaction, there is material uncertainty as to how the business will access the funding required to repay the loan to GT Holdings and continue operating.

The main advantage of the Proposed Transaction is therefore that it facilitates immediate conversion of the temporary loan to equity and allows ongoing access to \$0.5 million in funds allowing the company to remain solvent and to continue its exploration and development activities. In the absence of the Proposed Transaction there does not appear to be any other alternatives available to Adavale as we understand no alternative offers or transactions have been received by Adavale since the announcement of the Proposed Transaction.

As a result of these considerations we believe that, on balance, the advantages of the Proposed Transaction are sufficient to render the transaction reasonable.

7.3 Opinion

In our opinion, the Proposed Transaction is not fair but reasonable to Shareholders.

We have evaluated the Proposed Transaction for the Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of this Proposed Transaction on their specific financial circumstances.

APPENDIX 1: GLOSSARY

Term	Meaning
Adavale	Adavale Resources Limited
AIFRS	Australian equivalent to international financial reporting
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
AUD	Australian Dollar
CAGR	Compound Annual Growth Rate
Corporations Act	The Corporations Act 2001
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Fair market value	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms' length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts
FSG	Financial Services Guide
FY	Financial year
Leadenhall	Leadenhall Corporate Advisory Pty Ltd
NPAT	Net profit after tax
P / E	Price to Earnings
RG111	Regulatory Guide 111: Content of Expert Reports
RG74	Regulatory Guide 74: Acquisitions Approved by Members
Shareholders	Current non-associated shareholders of Adavale
VWAP	Volume weighted average price
WACC	Weighted Average Cost of Capital

APPENDIX 2: VALUATION METHODOLOGIES

In preparing this report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- ◆ The discounted cash flow method
- ◆ The capitalisation of earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

The selection of an appropriate valuation method to estimate fair market value should be guided by the actual practices adopted by potential acquirers of the company involved.

Discounted Cash Flow Method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- ◆ A forecast of expected future cash flows
- ◆ An appropriate discount rate

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- ◆ Early stage companies or projects
- ◆ Limited life assets such as a mine or toll concession
- ◆ Companies where significant growth is expected in future cash flows
- ◆ Projects with volatile earnings

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if:

- ◆ Reliable forecasts of cash flow are not available and cannot be determined
- ◆ There is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business

Capitalisation of Earnings Method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- ◆ A level of future maintainable earnings
- ◆ An appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBITA - in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business.

EBIT - whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company.

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources. Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. It is also possible to build a multiple from first principles.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- ◆ There are no suitable listed company or transaction benchmarks for comparison
- ◆ The asset has a limited life
- ◆ Future earnings or cash flows are expected to be volatile
- ◆ There are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets

Asset Based Methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- ◆ Orderly realisation
- ◆ Liquidation value
- ◆ Net assets on a going concern basis
- ◆ Replacement cost
- ◆ Reproduction cost

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

The asset / cost approach is generally used when the value of the business' assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- ◆ An enterprise is loss making and is not expected to become profitable in the foreseeable future
- ◆ Assets are employed profitably but earn less than the cost of capital
- ◆ A significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments)
- ◆ It is relatively easy to enter the industry (for example, small machine shops and retail establishments)

Asset based methods are not appropriate if:

- ◆ The ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets
- ◆ A business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets

Analysis of Share Trading

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

APPENDIX 3 CONTROL PREMIUM

Background

The difference between the control value and the liquid minority value of a security is the control premium. The inverse of a control premium is a minority discount (also known as a discount for lack of control). A control premium is said to exist because the holder of a controlling stake has several rights that a minority holder does not enjoy (subject to shareholders agreements and other legal constraints), including the ability to:

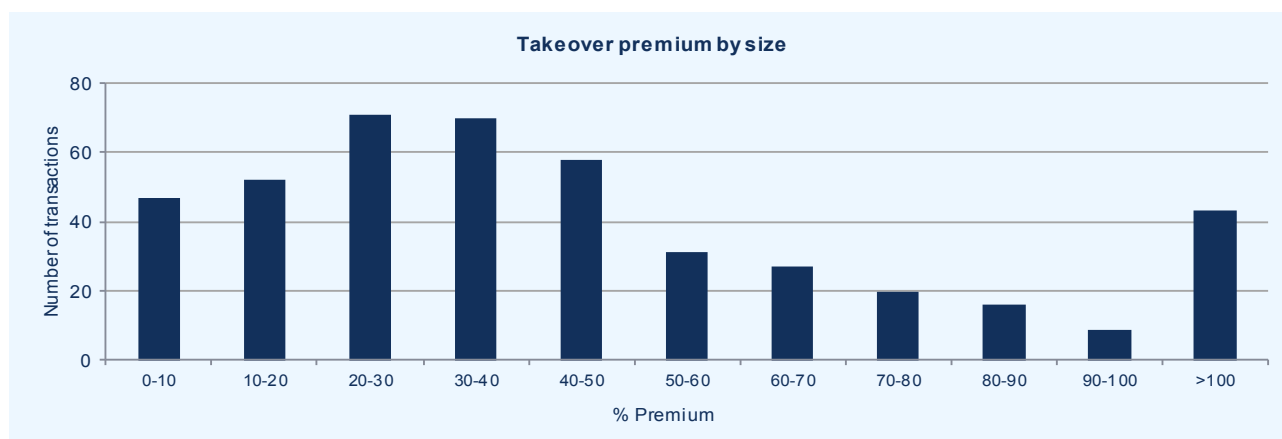
- ◆ Appoint or change operational management
- ◆ Appoint or change members of the board
- ◆ Determine management compensation
- ◆ Determine owner's remuneration, including remuneration to related party employees
- ◆ Determine the size and timing of dividends
- ◆ Control the dissemination of information about the company
- ◆ Set strategic focus of the organisation, including acquisitions, divestments and any restructuring
- ◆ Set the financial structure of the company (debt / equity mix)
- ◆ Block any or all of the above actions

The most common approach to quantifying a control premium is to analyse the size of premiums implied from prices paid in corporate takeovers which may include synergistic benefits as well as control. Another method is the comparison between prices of voting and non-voting shares in the same company. We note that the size of the control premium should generally be an outcome of a valuation and not an input into one, as there is significant judgement involved.

Takeover Premiums

Dispersion of premiums

The following chart shows the spread of premiums paid in takeovers between 2007 and 2017. We note that these takeover premiums may not be purely control premiums, for example the very high premiums are likely to include synergy benefits, while the very low premiums may be influenced by share prices rising in anticipation of a bid.

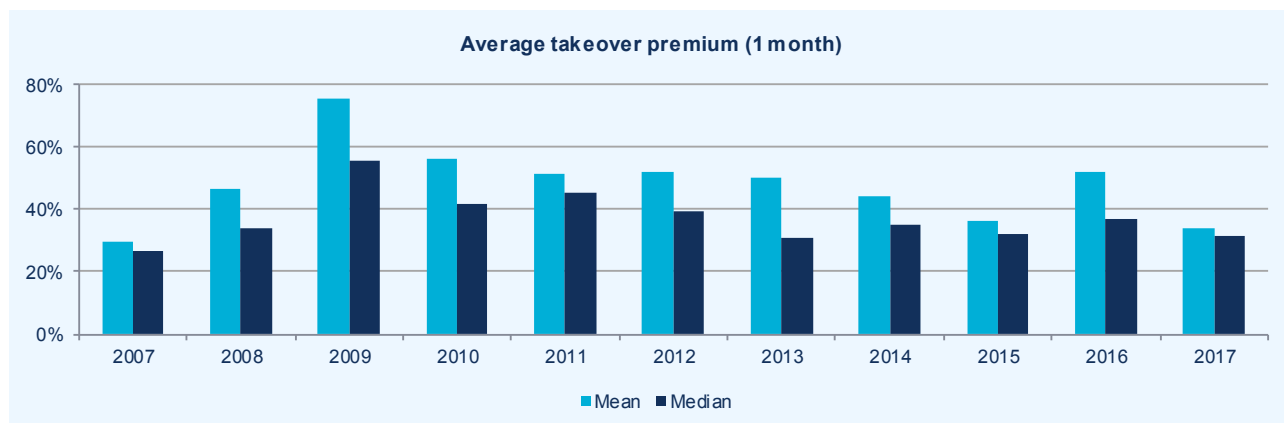


Sources: Capital IQ, Leadenhall analysis

This chart highlights the dispersion of premiums paid in takeovers. The chart shows a long tail of high premium transactions, although the most common recorded premiums are in the range of 20% to 40%, with approximately 65% of all premiums falling in the range of 0% to 50%.

Premiums over time

The following chart shows the average premium paid in completed takeovers compared to the price one month before the initial announcement.



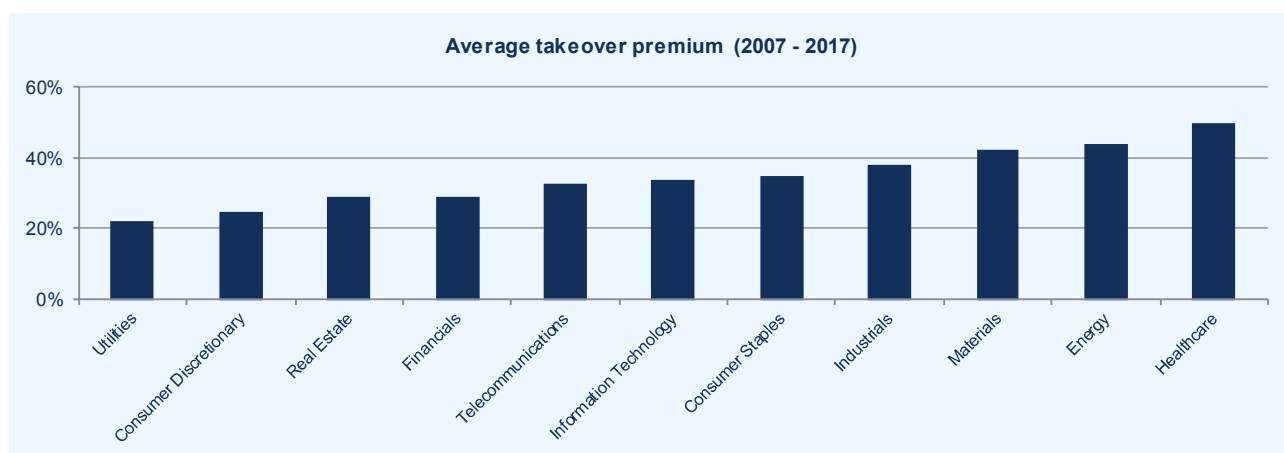
Sources: Capital IQ, Leadenhall analysis

Note: The average premiums presented above exclude transactions with implied control premiums below zero and transactions which we consider to be outliers.

The chart indicates that while premiums vary over time, there is no clearly discernible pattern. The mean is higher than the median due to a small number of high premiums.

Premiums by industry

The following chart shows the average takeover premium by industry, compared to the share price one month before the takeover was announced. Most industries show an average premium of 20% to 40%.



Sources: Capital IQ, Leadenhall analysis

Note: The average premiums presented above exclude specific transactions with implied control premiums below zero or over 100% which we consider to be outliers.

Key factors that generally lead to higher premiums being observed include:

- ◆ Competitive tension arising from more than one party presenting a takeover offer.
- ◆ Favourable trading conditions in certain industries (e.g. recent mining and tech booms).
- ◆ Significant synergistic, special or strategic value.
- ◆ Scrip offers where the price of the acquiring entity's shares increases between announcement and completion.

Industry Practice

In Australia, industry practice is to apply a control premium in the range of 20% to 40%, as shown in the following list quoting ranges noted in various independent experts' reports.

- ◆ Deloitte - 20% to 40%
- ◆ Ernst & Young - 20% to 40%
- ◆ Grant Samuel - 20% to 35%
- ◆ KPMG - 25% to 35%
- ◆ Lonergan Edwards - 30% to 35%
- ◆ PwC - 20% to 40%

The range of control premiums shown above is consistent with most academic and professional literature on the topic.

Alternative View

Whilst common practice is to accept the existence of a control premium in the order of 20% to 40%, certain industry practitioners (particularly in the US) disagree with the validity of this conclusion. Those with an alternate view point to the fact that very few listed companies are acquired each year as evidence that 100% of a company is not necessarily worth more than the proportionate value of a small interest. Those practitioners agree that the reason we see some takeovers at a premium is that if a company is not well run, there is a control premium related to the difference in value between a hypothetical well run company and the company being run as it is.

Impact of Methodologies Used

The requirement for an explicit valuation adjustment for a control premium depends on the valuation methodology and approach adopted and the level of value to be examined. It may be necessary to apply a control premium to the value of a liquid minority value to determine the control value. Alternatively, in order to estimate the value of a minority interest, it may be necessary to apply a minority discount to a proportional interest in the control value of the company.

Discounted cash flow

The discounted cash flow methodology generally assumes control of the cash flows generated by the assets being valued. Accordingly, such valuations reflect a premium for control. Where a minority value is sought a minority discount must therefore be applied. The most common exception to this is where a discounted dividend model has been used to directly determine the value of an illiquid minority holding.

Capitalisation of earnings

Depending on the type of multiple selected, the capitalisation of earnings methodology can reflect a control value (transaction multiples) or a liquid minority value (listed company trading multiples).

Asset based methodologies

Asset based methodologies implicitly assume control of the assets being valued. Accordingly, such valuations reflect a control value.

Intermediate Levels of Ownership

There are a number of intermediate levels of ownership between a portfolio interest and 100% ownership. Different levels of ownership will confer different degrees of control and rights as shown below.

- ◆ 90% - can compulsory purchase remaining shares if certain conditions are satisfied
- ◆ 75% - power to pass special resolutions
- ◆ > 50% - gives control depending on the structure of other interests (but not absolute control)
- ◆ > 25% - ability to block a special resolution
- ◆ > 20% - power to elect directors, generally gives significant influence, depending on other shareholding blocks
- ◆ < 20% - generally has only limited influence

Conceptually, the value of each of these interests lies somewhere between the portfolio value (liquid minority value) and the value of a 100% interest (control value). Each of these levels confers different degrees of control and therefore different levels of control premium or minority discount.

50%

For all practical purposes, a 50% voting interest would generally confer a similar level of control to holdings of greater than 50%, at least where the balance of the shares are listed and widely held. Where there are other significant holders, such as in a 50/50 joint venture, 50% interests involve different considerations depending upon the particular circumstances.

Strategic parcels do not always attract a control premium. In fact, if there is no bidder, the owner may be forced to sell the shares through the share market, usually at a discount to the prevailing market price. This reflects the fact that the sale of a parcel of shares significantly larger than the average number of shares traded on an average day in a particular stock generally causes a stock overhang, therefore there is more stock available for sale than there are buyers for the stock and in order to clear the level of stock available, the share price is usually reduced by what is referred to as a blockage discount.

20% to 50%

Holdings of less than 50% but more than 20% can confer a significant degree of influence on the owner. If the balance of shareholders is widely spread, a holding of less than 50% can still convey effective control of the business. However, it may not provide direct ownership of assets or access to cash flow. This level of holding has a strategic value because it may allow the holder significant influence over the company's management, possibly additional access to information and a board seat.

<20%

Holdings of less than 20% are rarely considered strategic and would normally be valued in the same way as a portfolio interest given the stake would not be able to pass any ordinary or special resolution on their own if they were against the interests of the other shareholders. Depending on the circumstances, a blockage discount may also apply.

As explained above, the amount of control premium or minority discount that would apply in specific circumstances is highly subjective. In relation to the appropriate level of control premium, Aswath Damodaran, a noted corporate finance and valuation professor, notes "*the value of controlling a firm has to lie in being able to run it differently (and better)*". A controlling shareholder will be able to implement their desired changes. However, it is not certain that a non-controlling shareholder would be able to implement changes they desired. Thus, following the logic of Damodaran and the fact that the strategic value of the holding typically diminishes as the level of holding decreases, the appropriate control premium for a non-controlling shareholder should be lower than that control premium for a controlling stake.

Key Factors in Determining a Reasonable Control Premium

Key factors to consider in determining a reasonable control premium include:

- ◆ **Size of holding** – Generally, larger stakes attract a higher control premium
- ◆ **Other holdings** – The dispersion of other shareholders is highly relevant to the ability for a major shareholder to exert control. The wider dispersed other holdings are, the higher the control premium
- ◆ **Industry premiums** – Evidence of premiums recently paid in a given industry can indicate the level of premium that may be appropriate
- ◆ **Size of business** – medium sized businesses in a consolidating industry are likely to be acquired at a larger premium than other businesses
- ◆ **Dividends** – a high dividend pay-out generally leads to a low premium for control
- ◆ **Gearing** – a company that is not optimally geared may attract a higher premium than otherwise, as the incoming shareholder has the opportunity to adjust the financing structure
- ◆ **Board composition** – the ability to appoint directors would increase the control premium attaching to a given parcel of shares. The existence of independent directors would tend to decrease the level of premium as this may serve to reduce any oppression of minority interests and therefore support the level of the illiquid minority value
- ◆ **Shareholders' agreement** - the existence and contents of a shareholders agreement, with any protection such as tag along and drag along rights offered to minority shareholders lowers the appropriate control premium

APPENDIX 4: QUALIFICATIONS, DECLARATIONS AND CONSENTS

Responsibility and purpose

This report has been prepared for Adavale's shareholders for the purpose of assessing the fairness and reasonableness of the Proposed Transaction. Leadenhall expressly disclaims any liability to any shareholder, or anyone else, whether for our negligence or otherwise, if the report is used for any other purpose or by any other person.

Reliance on information

In preparing this report we relied on the information provided to us by Adavale being complete and accurate and we have assumed it has been prepared in accordance with applicable Accounting Standards and relevant national and state legislation. We have not performed an audit, review or financial due diligence on the information provided. Drafts of our report were issued to Adavale directors and management for confirmation of factual accuracy.

Market conditions

Leadenhall's opinion is based on prevailing market, economic and other conditions as at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon the conclusion reached in this report.

As a valuation is based upon expectations of future results it involves significant judgement. Although we consider the assumptions used and the conclusions reached in this report are reasonable, other parties may have alternative expectations of the future, which may result in different valuation conclusions. The conclusions reached by other parties may be outside Leadenhall's preferred range

Indemnities

In recognition that Leadenhall may rely on information provided by Adavale and their officers, employees, agents or advisors, Adavale has agreed that it will not make any claim against Leadenhall to recover any loss or damage which it may suffer as a result of that reliance and that it will indemnify Leadenhall against any liability that arises out of Leadenhall's reliance on the information provided by Adavale and their officers, employees, agents or advisors or the failure by Adavale and their officers, employees, agents or advisors to provide Leadenhall with any material information relating to this report.

Qualifications

The personnel of Leadenhall principally involved in the preparation of this report were Dave Pearson, BCom., CA, CFA, CBV, M.App.Fin and Richard Norris, BA (Hons), FCA, M.App.Fin, F.Fin.

This report has been prepared in accordance with "APES 225 – Valuation Services" issued by the Accounting Professional & Ethical Standards Board and this report is a valuation engagement in accordance with that standard and the opinion is a Conclusion of Value.

Independence

In the previous two years Leadenhall has prepared two independent expert's reports for Adavale in respect of the sale of the Tapan Project and issuance of the convertible note to JML. The fees for this work were not material in the context of Leadenhall group revenue over the last two financial years. This work did not involve Leadenhall participating in setting the terms of, or any negotiations leading to, the Proposed Transaction. Our only role has been the preparation of this report.

Leadenhall has acted independently of Adavale. Compensation payable to Leadenhall is not contingent on the conclusion, content or future use of this report.