

28 July 2021



## June 2021 Quarterly Activities Report

### Expedited Exploration Strategy Delivers Low-Cost Path to Exciting Drilling Results and Additional Targets.

#### June 2021 Quarter Highlights

- Drilling commenced ahead of schedule; 2nd hole now underway
- 1st hole reveals elevated pXRF readings up to 0.86% Ni and 4.84% Cu detected within a package of sulphide veins extending over 195m at Target 1 (Kabanga N)
- Discovery of outcropping ultramafic intrusion with disseminated sulphides at Kabanga NE (Target 16)
- 7 additional high priority targets identified, taking total to 22.
- 17,836 In-fill soil samples taken during the quarter
- 1,299 samples from Kabanga N and Kabanga NE submitted to ALS lab
- Geophysical surveys including 85.65km TDEM, 75.23km NSAMT and 423.96km ground magnetics have been completed. 3D modelling of data near completion
- Quarter end Cash at Bank \$1.423 million
- Ruiza North East licence granted
- Adavale holds 100% of Kabanga Jirani Nickel project in Tanzania now with 7 licences, and 3 licences at its 100% held Lake Surprise Uranium project in South Australia
- Board bolstered in July with World Class Nickel Talent John Hicks and David Riekie

**Adavale's Chairman Grant Pierce commented** "The June quarter has been another success in terms of meeting commitments, punctuated most notably by the commencement of our maiden drill program at Kabanga North. The number and quality of targets identified across our licences by quarter end is over and above expectations. It's testament to the prospectivity of the Karagwe-Ankole Belt and the invaluable data that underpinned our strategic acquisition of licences .

Historically, world class intrusive nickel sulphide deposits like the Kabanga Nickel Project do not occur in isolation and it's fair to say Adavale is best placed for a repeat discovery in the region. Our first hole revealed widely spaced mineralised veins across 195m which is extraordinary, so we are excited to see what those assays return. Further drilling is most certainly warranted and will definitely be scheduled once we've assayed the core and interpreted the results. In the meantime, we're drilling into Target 11."

#### ASX: ADD

#### DIRECTORS

**GRANT PIERCE**  
CHAIRMAN

**ALLAN RITCHIE**  
CEO

**DAVID RIEKIE**  
DIRECTOR

**JOHN HICKS**  
DIRECTOR

**ROD CHITTENDEN**  
DIRECTOR

**GEOFF BRAYSHAW**  
CFO

**JULIAN ROCKETT**  
LEGAL & COMPANY SECRETARY

#### ISSUED CAPITAL

Shares: 286.8 million  
Unlisted options: 17.5 million

#### ABOUT ADAVALE

Adavale Resources is an ASX-listed exploration company targeting projects in the 'battery materials' space. The Company is currently focussed on its 100% owned Kabanga Jirani Nickel Project adjacent and along strike from the world's largest undeveloped nickel sulphide resource.

#### MORE INFORMATION

[adavaleresources.com](http://adavaleresources.com)

#### CONTACT

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## Exploration Update

All 7 Kabanga Jirani Project licences offer potential to contain high-grade Ni-Cu-Co-Cr-PGE sulphide deposits similar to the Kabanga Ni-sulphide deposit. They are located within the Karagwe-Ankole Belt which is known to host layered Mesoproterozoic (1.6-1Ga) mafic-ultramafic intrusions which have intruded into sulphide rich sediments facilitating the process of sulphide saturation which is partly what enables nickel sulphide deposits to form. During the quarter Adavale has focussed its efforts on the 4 southern licences.

As seen in figure 1 Adavale's 4 southern licences are adjacent to, and along strike from, the Kabanga Nickel deposit. Adavale has therefore adopted an exploration program that would enable the identification of an ore body like the Kabanga Nickel deposit. This has entailed identifying anomalous Ni and Cu in soil samples (indicating underlying mineralisation) as well as conductive features indicative of massive sulphides and magnetic shells that define intrusions (which host magmatic sulphide deposits). The surveys and data modelling outlined below explains how this strategy has been implemented.

During previous quarters Adavale acquired and reviewed/modelled the following:

1. UNDP geochemical and geology mapping sets conducted during the 1970's
2. BHP surveys conducted during the 1990's including geochemical and geological mapping, Airborne EM and Magnetics at 400m spacing
3. VTEM data at 200m spacing conducted in 2000's,

Adavale commenced a broad spaced geochemical sampling survey (1km lines with 500m stations) in November and December 2020 enabling identification of high priority targets that were followed up with more detailed infill soil sampling with 400m lines and 50m stations.

During the current quarter Adavale completed the following:

1. Completed sampling grids using a 400m line spacing and 50m station spacing were commenced and completed in the current quarter with an additional samples collected across all 4 southern licences to identify coincident Ni and Cu anomalies. 17,836 in-fill soil samples taken during the quarter:
  - Kabanga N: 2,227 samples (complete)
  - Kabanga NE: 7,418 samples (complete)
  - Kabanga W: 5,726 samples (complete)
  - Kabanga E: 2,465 samples (complete)
2. NSAMT, TDEM and Ground Magnetic surveys completed (see Table 1).
3. First drillhole KN01-01-01 completed to a depth of 455.24m
4. Second drill hole at Target 11 has commenced

With geochemical sampling completed, 7 additional targets have been identified this quarter over the original 15 discrete geophysical targets which were identified using the extensive historical BHP magnetic and electromagnetic database acquired by Adavale and validated by extensive geochemical and geophysical fieldwork including NSAMT, TDEM and ground magnetics. The original 15 targets are depicted in Figure 1 below (red squares). Some of the more distinct magnetic lows are shown below as pale blue polygons which are in some instances coincident with the red geophysical targets. An outline of the exploration methodology used by Adavale is included at the end of this report.

## Kabanga Jirani Prospecting Licences

EM and Mag Targets Overlain On Aeromagnetics

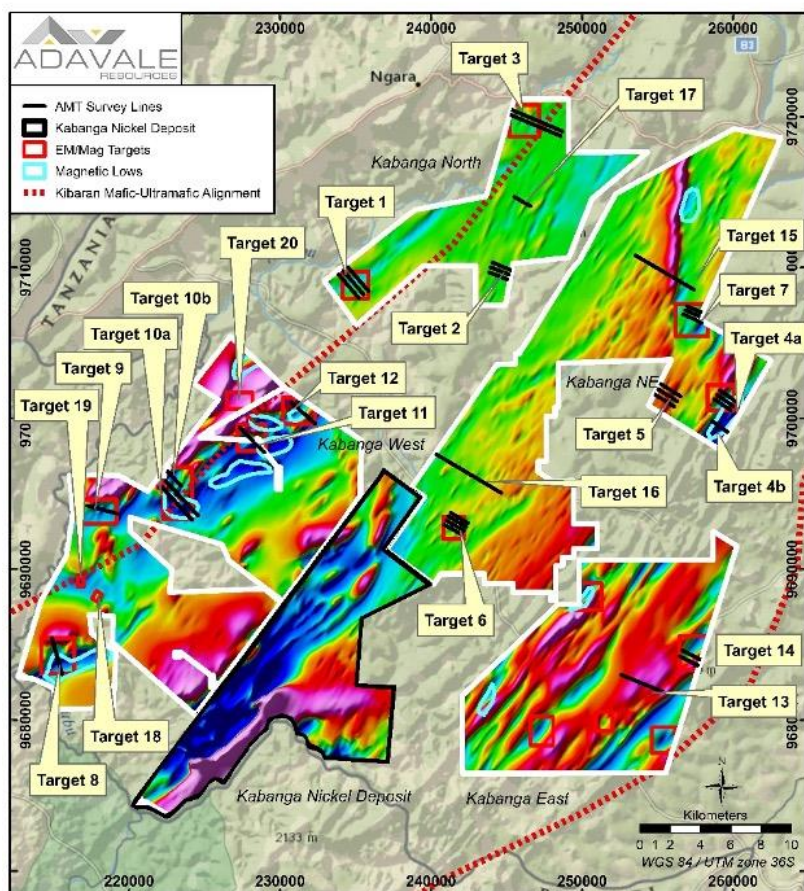


Figure 1: Location of NSAMT Targets relative to airborne magnetics and the 22 identified Geophysical Targets on Adavale's 4 southern licences

### Soil Geochemistry

All planned soil sampling surveys have been completed across the 4 southern licences including the 17,836 in-fill soil samples taken during the quarter .

Soil sample values were determined by taking the average of three pXRF readings per sieved sample. Certified Reference Material (CRM) standards and blanks were routinely inserted and analysed. QAQC analysis of the standards shows the Cu and Ni values fall within acceptable ranges, although the pXRF does under-report Cu. On the basis of this QAQC analysis the soil geochemistry dataset is considered to be of acceptable quality for identifying geochemical anomalies. A total of 10 percent of geochemical samples will be submitted to an accredited laboratory (ALS Laboratory) in South Africa in order to reconcile the pXRF values against certified laboratory results, with 1,299 samples from Kabanga N and Kabanga NE submitted to ALS lab currently.

### NSAMT/TDEM and Ground Magnetic Surveys

NSAMT surveys were completed quickly and effectively during the quarter (see AMT Survey lines in Figure 1) ahead of follow up TDEM and ground Magnetics to provide a better 3D

understanding of the targets by using naturally occurring electrical currents to map conductive geological features to depths of 500m or more.

A good example is Target 1 at Kabanga North (Figure 2 shows a 3D perspective of the modelled AMT underlying a Ni anomaly), which is associated with a strong vertical NSAMT conductor that is coincident with a Ni soil anomaly as well as a magnetic low (see Figure 3).

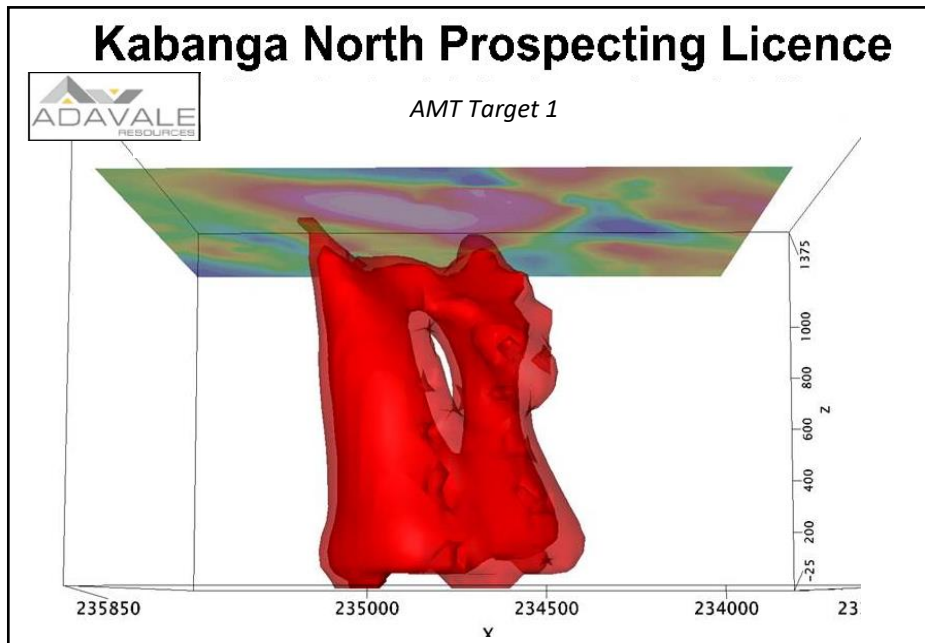


Figure 2: 3D Depiction of AMT at Target 1 – the darker red shows the 10 ohm.m shell and the paler pink the 100 ohm.m shell. The surface shows gridded Ni values

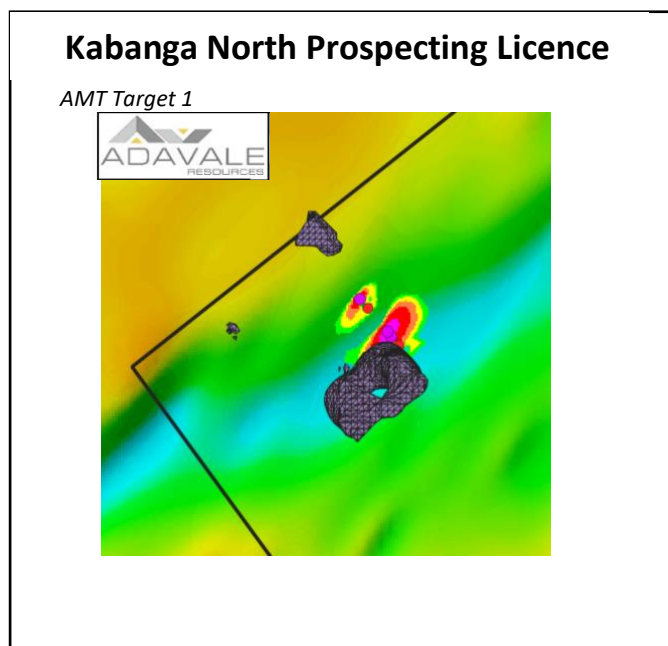


Figure 3 Plan view of Target 1 AMT anomaly (shown as dark hatching) overlying magnetic low (light blue) and Ni anomaly (multicoloured gridded image)



TDEM has been conducted on conductors identified from NSAMT and the association of these with intrusions has been verified through ground magnetic surveys. The desired coincidence of NSAMT, and TDEM conductors with ground magnetics (indicative of underlying intrusions – necessary to host magmatic deposits) is shown in Figure 4 which is the drill hole that is currently being drilled.

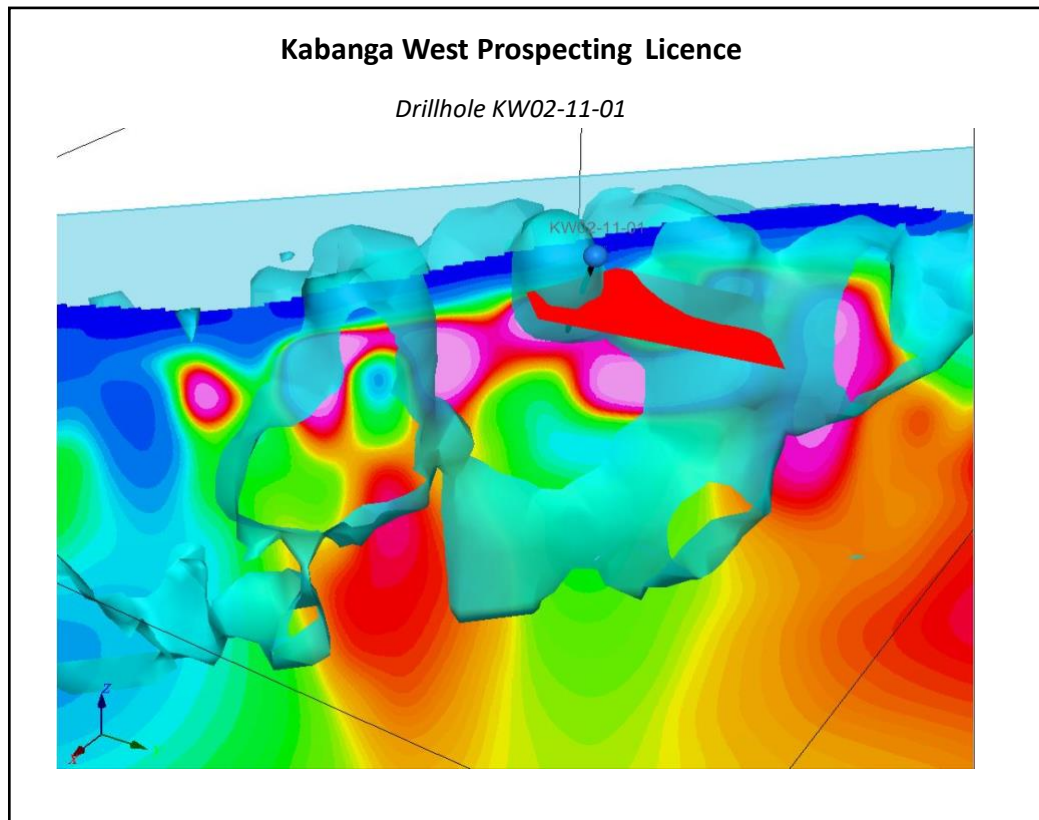


Figure 4: Cross-Section showing Drillhole intercepting magnetic shell (transparent pale blue), NSAMT conductor (colourful gridded image) and TDEM plates (red)

### Maiden Diamond Drill Program Commencement

The Company has fast-tracked drilling on the Kabanga Jirani Project as promised and we are pleased to report that the first hole of our maiden ~8 hole, 3,000m diamond drill program was completed recently having drilled to an end of hole depth of 454.24m (refer to Company ASX announcement dated 26 July 2021). This achievement is a credit to the hard work and commitment of our exploration team in Tanzania.

Sulphides intersected by the first drill hole reported elevated pXRF values of up to 0.86% Ni and 4.84% Cu which may indicate the drill hole is close to a mineralised body. The drill hole and zone of sulphide veins is shown in Figure 5.

The Company is currently drilling the second hole of the program and finalising 3D models for all identified targets within the Project area using all available data, from their recently completed NSAMT, ground magnetics and TDEM surveys.

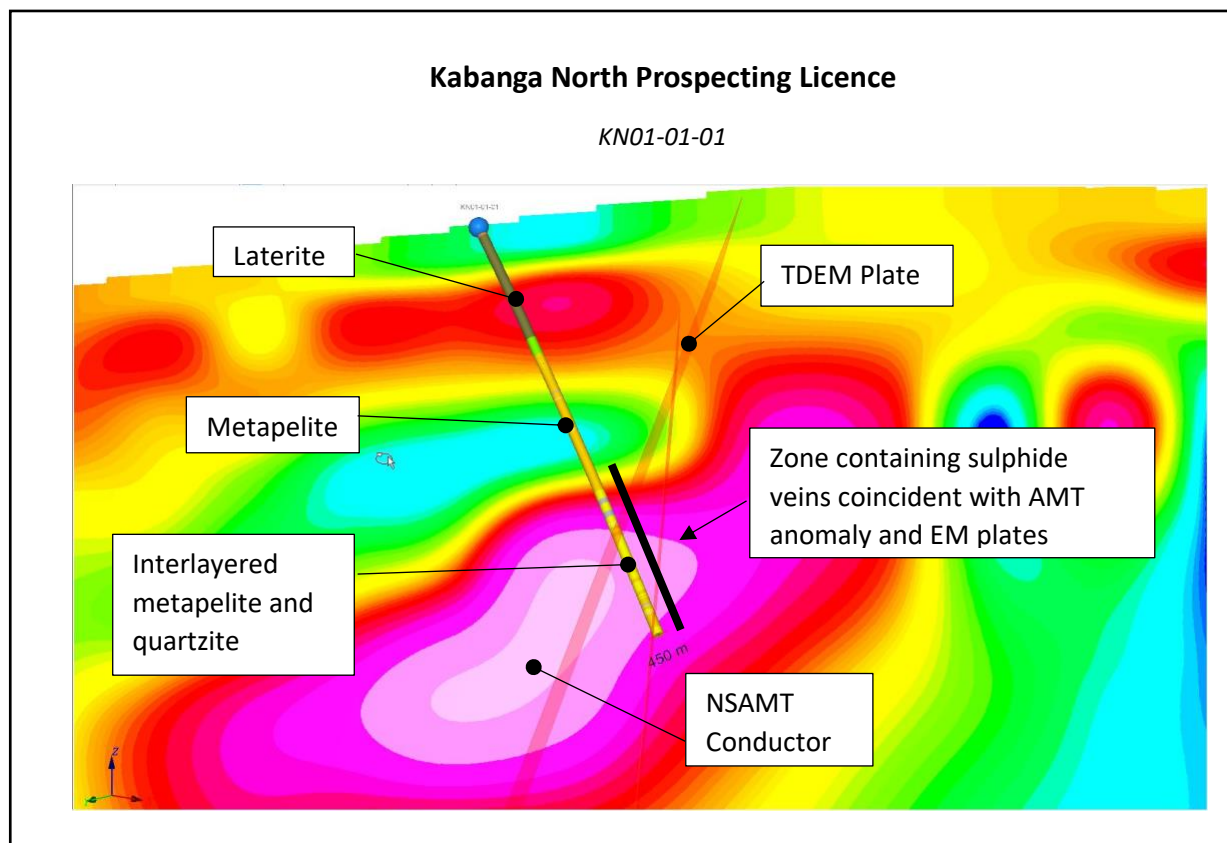


Figure 5: Cross-section showing zone of sulphides relative to geophysical conductors

## Ruiza North East Licence Granted

The newly granted Ruiza NE licence (Figure 6) comprises a standout nickel sulphide exploration target in the Tanzanian Karagwe-Ankole Belt that, like the Kabanga Nickel Deposit 100km to the south-west, is clearly defined by historical stream sediment data.

Analysis of legacy data reveals that the Ruiza intrusion is the nickel sulphide exploration target within the Karagwe-Ankole Belt that most resembles the Kabanga Nickel Deposit in terms of its geological setting, magnetic signature, conductivity response and surface geochemical footprint.

Like the Kabanga Nickel Deposit, Ruiza North East is characterised by a high-tenor Ni-Cu-Co-Cr stream sediment and rock chip anomaly proximal to;

- a large-scale negative polarity magnetic 'low',
- airborne electromagnetic survey conductivity anomalies and,

- mapped mafic-ultramafic intrusive rocks of the Kabanga-Musongati Alignment.

The highest nickel grade stream sediment sample collected from the Karagwe-Ankole Belt outside of the Kabanga intrusive complex (BHP sample # 223614) is located downstream of a discrete 2008 VTEM airborne EM conductivity anomaly and according to a 1995 BHP map (<sup>1</sup>Marcet & Kabete 1995), a nearby outcrop of mafic-ultramafic intrusive rock is located within the Ruiza North East tenement. It returned **218ppm Ni, 63ppm Cu, 31ppm Co** and **1525ppm Cr** which is comparable with the highest-grade sample from Kabanga and the Karagwe-Ankole Belt as a whole, which returned **315ppm Ni, 97ppm Cu, 102ppm Co** and **993ppm Cr** (BHP sample # 131105).

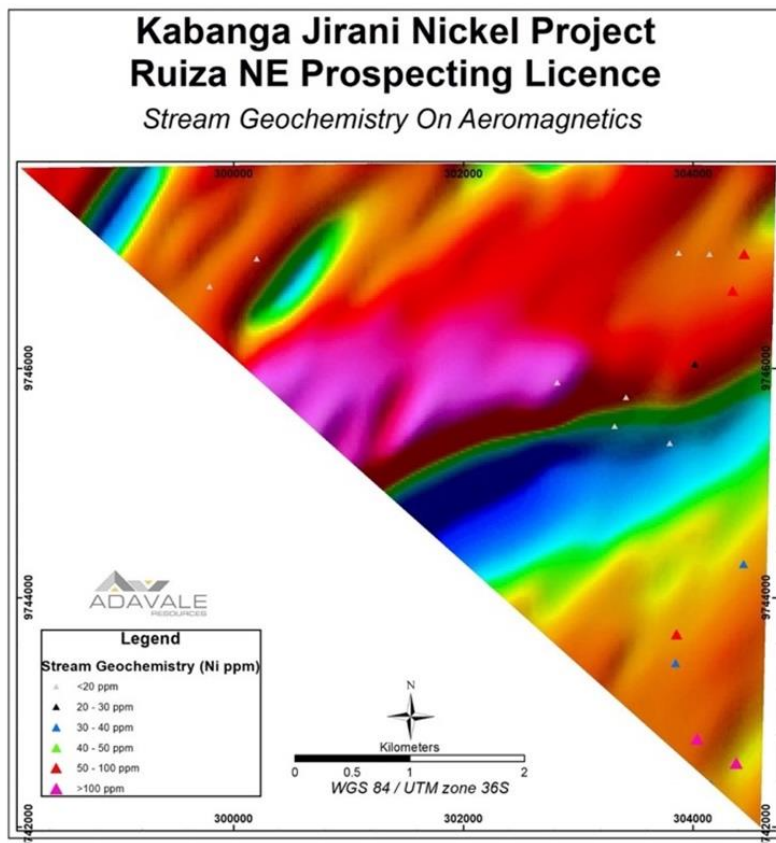


Figure 6 – Ruiza NE Prospecting Licence (after<sup>1</sup>Marcet, P. & Kabete, J., 1995. Kagera Project Ruiza Prospect Map. BHP Minerals International Exploration Inc)

**List of licences - Nickel in Tanzania and Uranium in South Australia**

<b>Ministry ID</b>	<b>Area (km<sup>2</sup>)</b>	<b>Project Location</b>
PL 11406/2020	298.02 km <sup>2</sup>	Kabanga Nth East, Tanzania
PL 11405/2020	113.84 km <sup>2</sup>	Kabanga North, Tanzania
PL 11538/2021	64.08 km <sup>2</sup>	Burigi, Tanzania
PL 11537/2021	194 km <sup>2</sup>	Burigi North, Tanzania
PL 11591/2021	181.74 km <sup>2</sup>	Kabanga East, Tanzania
PL 11590/2021	273.27 km <sup>2</sup>	Kabanga West, Tanzania
PL 11592/2021	19.4 km <sup>2</sup>	Ruiza North East, Tanzania
EL 5892	92 km <sup>2</sup>	Lake Arthur East, Sth Aust.
EL 5893	167 km <sup>2</sup>	Lake Arthur, Sth Aust.
EL 6598	137 km <sup>2</sup>	Canegrass Swamp, Sth Aust.

**Listing Rule 4.7C.1 and 4.7C.3**

The Company has already detailed material business activities in paragraphs above, including any material activities during the quarter.

The directors were issued Adavale shares in-lieu of \$3000 per month in salary as calculated per the described resolutions approved during the December 2021 Annual General Meeting. Payments were made for the 1 December 21 to 30 April 2021.

*This announcement has been authorised for release by the Board of Adavale Resources Limited.*

**For further information please contact [investor@adavaleresources.com](mailto:investor@adavaleresources.com) or visit [www.adavaleresources.com](http://www.adavaleresources.com)**

**About Adavale**

Adavale Resources Limited (ASX:ADD) is a nickel sulphide exploration company that holds 100% of the Kabanga Jirani Nickel Project a portfolio of 7 highly prospective granted licences, covering over 1,145km<sup>2</sup> surrounding and proximal to the world class Kabanga Nickel Deposit (58Mt @ 2.62% Ni) and located along the Karagwe-Ankolean belt in Tanzania. Adavale's licences were selected based on their strong geochemical and geophysical signatures from previous exploration undertaken by BHP Billiton.

Adavale also holds three exploration licences covering 400km<sup>2</sup> within the highly prospective sedimentary uranium province within the northern part of the Lake Frome Embayment.



## Competent Persons Statement

The information in this release that relates to “exploration results” for the Project is based on information compiled or reviewed by Mr David Dodd of MSA, South Africa. Mr Dodd is a consultant for Adavale Resources Limited and is a member of the SACNASP. Mr Dodd has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration as well as to the activity that is being undertaking to qualify as a Competent Person under the ASX Listing Rules. Mr Dodd consents to this release in the form and context in which it appears.

## Forward looking statements

This document contains forward looking statements concerning Adavale. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward-looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes. Forward looking statements in this document are based on Adavale's beliefs, opinions and estimates of Adavale as of the dates the forward-looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments. Although management believes that the assumptions made by the Company and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. Forward-looking information involves known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking information. Such factors include, among others, the actual market price of nickel, the actual results of future exploration, changes in project parameters as plans continue to be evaluated, as well as those factors disclosed in the Company's publicly filed documents. Readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws. No representation, warranty or undertaking, express or implied, is given or made by the Company that the occurrence of the events expressed or implied in any forward- looking statements in this presentation will actually occur.



## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

ADAVALE RESOURCES LIMITED

ABN

96 008 719 015

Quarter ended ("current quarter")

30 JUNE 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (..12 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(338)	(859)
	(b) development		
	(c) production		
	(d) staff costs		
	(e) administration and corporate costs	(75)	(451)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(413)</b>	<b>(1,310)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(-)	(15)
	(d) exploration & evaluation (if capitalised)		
	(e) investments		
	(f) other non-current assets		

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (..12 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(-)</b>	<b>(15)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		2,765
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2)	(102)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(2)</b>	<b>2,663</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,838	85
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(413)	(1,310)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(-)	(15)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2)	2,663

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (..12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,423	1,423

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,423	1,838
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,423	1,838

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
Nil
Nil

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.



<b>7. Financing facilities</b> <i>Note: the term “facility” includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A’000</b>	<b>Amount drawn at quarter end \$A’000</b>
7.1 Loan facilities		
7.2 Credit standby arrangements	250	75
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>	250	75
7.5 <b>Unused financing facilities available at quarter end</b>		175
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<b>Standby Subscription Agreement</b> The facility arrangement with LKC Technology Pty Ltd ( <b>LKC</b> ) is a 5 year agreement for \$250,000 as announced on 29 April 2020, with \$175k undrawn. LKC subscribes for shares upon the Company issuing a drawdown notice. Fully paid ordinary shares are issued at 80% of the 5-day VWAP that precedes the drawdown notice.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	413
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	413
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,423
8.5 Unused finance facilities available at quarter end (Item 7.5)	175
8.6 Total available funding (Item 8.4 + Item 8.5)	1,598
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	3.87

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date 29 JULY 2021

Authorised by the Board of Directors

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.