



INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2022

ABN 96 008 719 015

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Review of Operations

Adavale is a mineral exploration company focused on nickel in Tanzania and uranium in South Australia. During the reporting period, the company progressed each of these projects.

Nickel Exploration

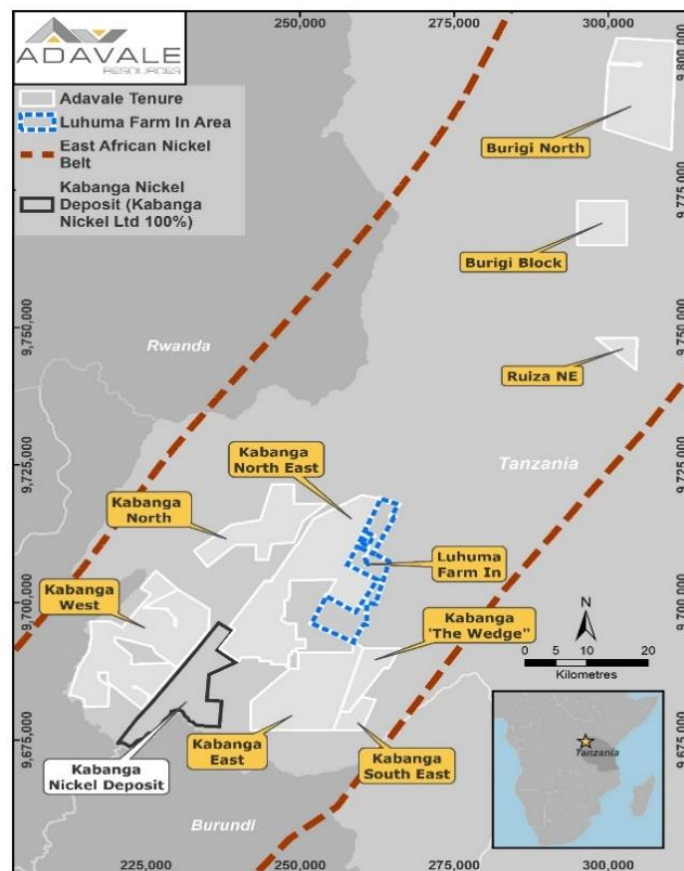
Adavale is the dominant landholder in the East African Nickel Belt, with its 1,311km² tenement portfolio surrounding the very large, undeveloped Kabanga nickel sulphide deposit.

Adavale is undertaking a methodical, structured exploration approach at Kabanga Jirani, utilising geophysics and geochemistry to prioritise and guide targets for drilling. Given that these types of nickel sulphide deposits are often found at depth as 'blind' targets, it is important that the Company utilise cost-efficient methods to vector exploration and increase the probability of success.

During the reporting period, the Company undertook gravity and heli-borne electromagnetic (HEM) surveys over selected parts of the Kabanga Jirani Project^{1,2}.

The Company collected 24,000 gravity readings over an area of 1,000km², which generated 32 new and untested nickel sulphide targets for further assessment³. The number and order of magnitude of the gravity targets generated confirmed the prospectivity and large-scale nickel potential.

A follow up HEM survey was completed over nine of the targets, with a number of drill-targets generated out of the program⁴.

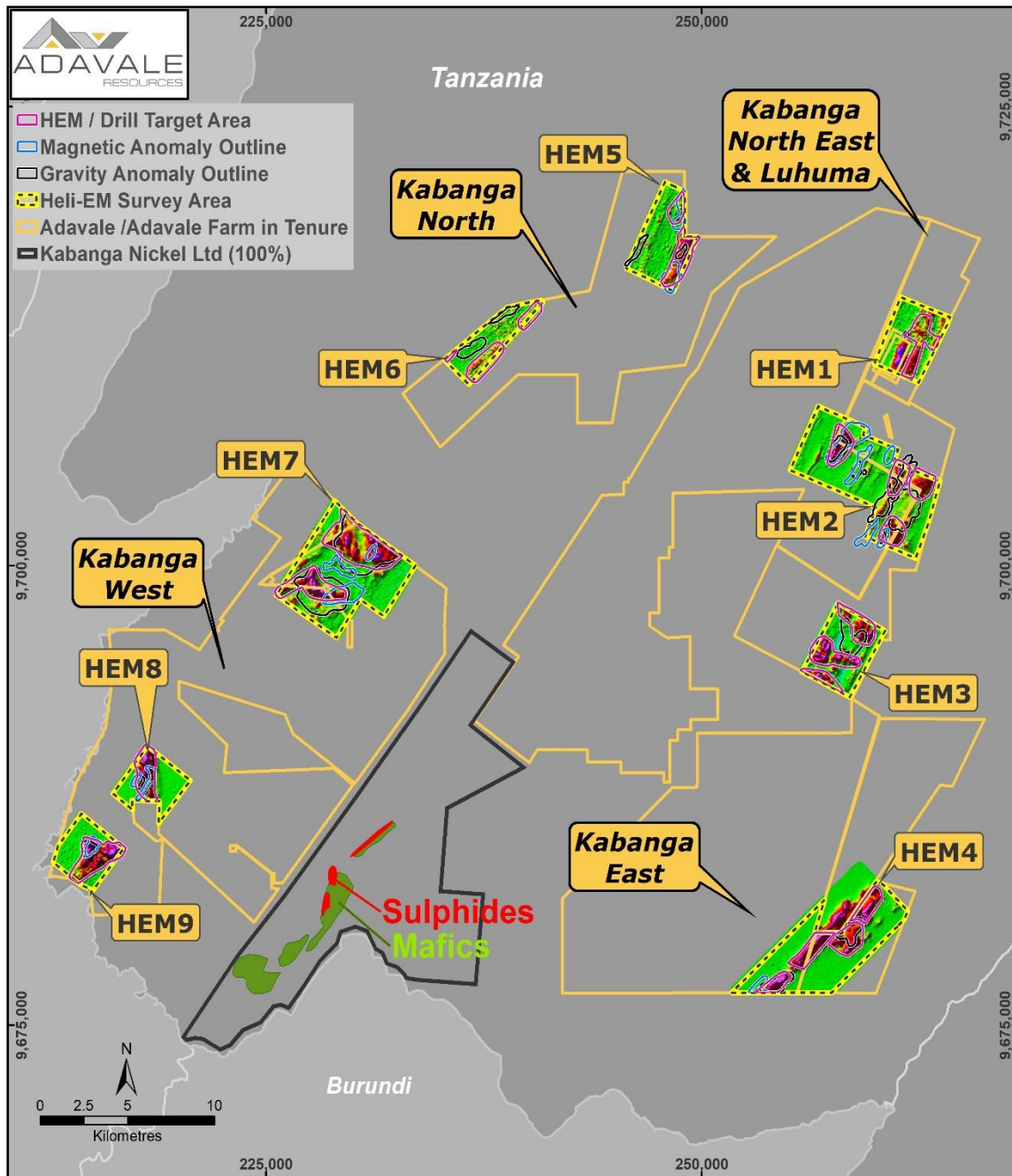


¹ ASX Announcement 13 July 2022 – Heli EM Survey Areas Finalised

² ASX Announcement 15 August 2022 – Commencement of EM Survey at Kabanga Jirani and Luhuma

³ ASX Announcement 7 July 2022 – 32 Nickel Targets Identified in the East African Nickel Belt

⁴ ASX Announcement 13 September 2022 – Multiple Nickel targets generated from successful EM survey

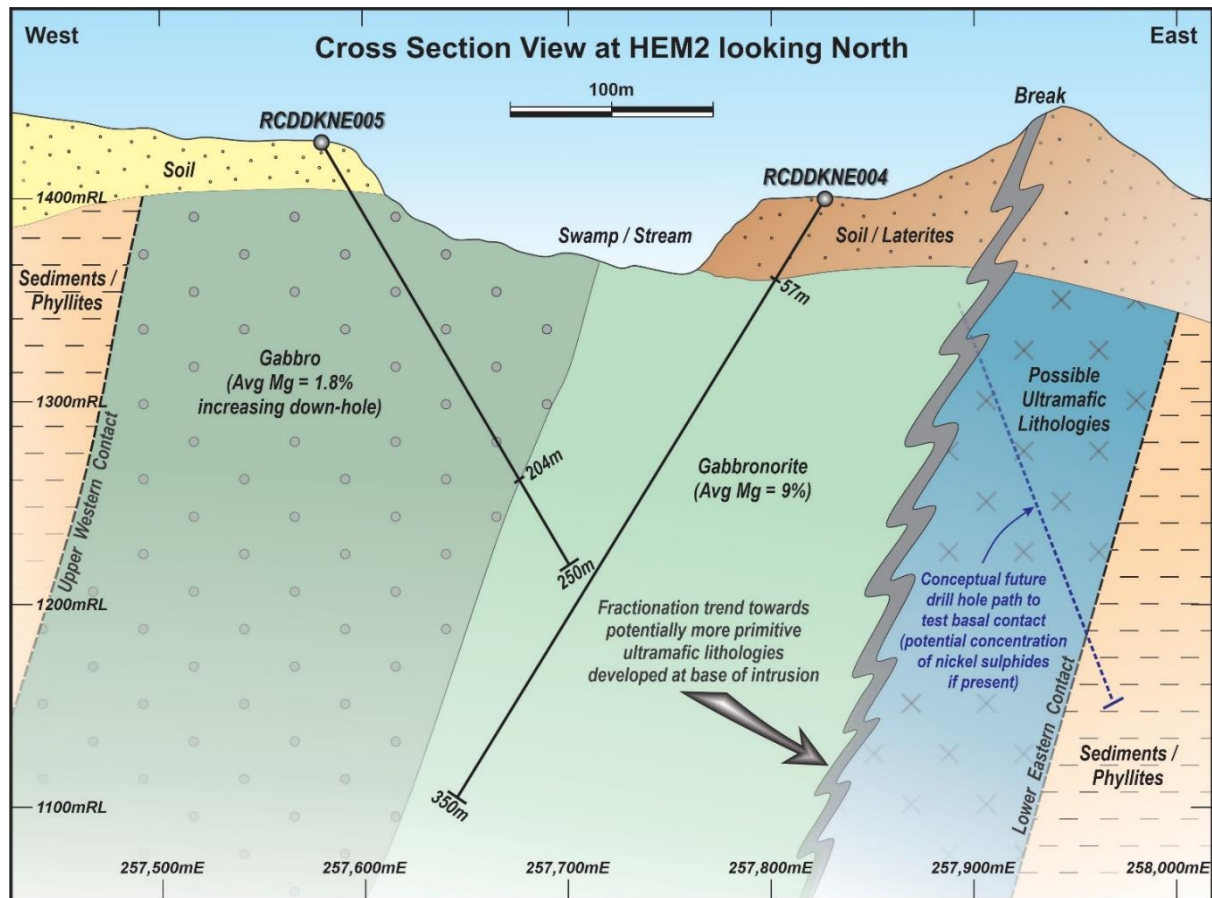


Towards the end of the reporting period, an initial drilling campaign commenced at Kabanga Jirani, with four holes completed during the reporting period^{5,6}. Assays were pending at the end of the reporting period, however the Company reported that geology intersected at HEM 2 indicated that a source could be close by to the east⁷.

⁵ ASX Announcement 27 September 2022 – Drill rig mobilising to Kabanga Jirani and Luhuma Nickel Projects

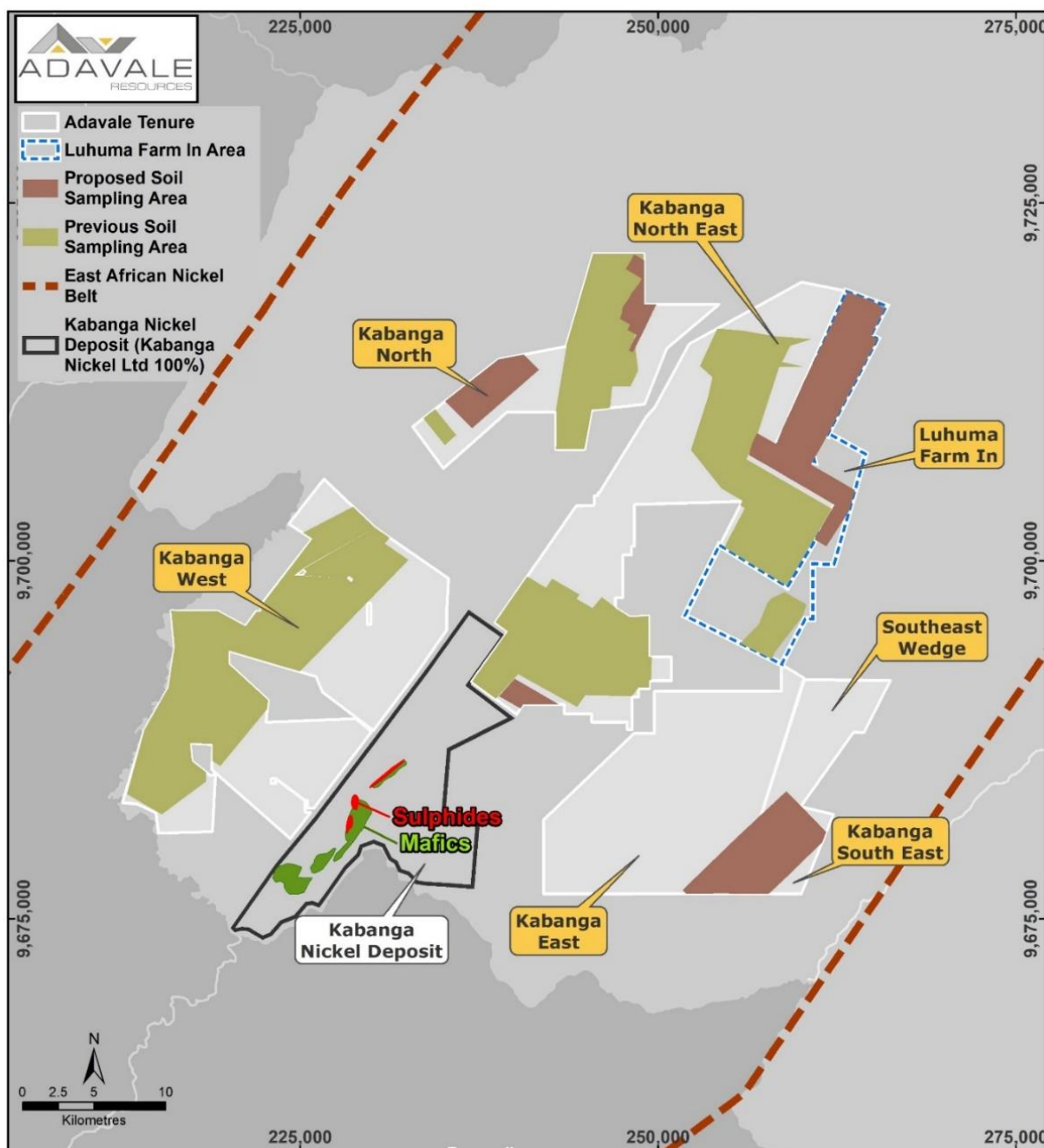
⁶ ASX Announcement 28 October 2022 – Diamond drilling underway at Kabanga Jirani Nickel Project

⁷ ASX Announcement 7 December 2022 – Exploration Update – Kabanga Jirani Nickel Project



A geochemical soil survey and downhole EM program commenced post the end of the half year⁸, with the results to be used to refine the drilling program ahead of drilling resuming post the end of the wet season.

⁸ ASX Announcement 30 January 2023 – Quarterly Activities Report – December 2022



Uranium Exploration

Adavale holds a portfolio of tenements at Lake Surprise in South Australia that is prospective for palaeochannel enriched uranium, similar to other deposits and mines in the region.



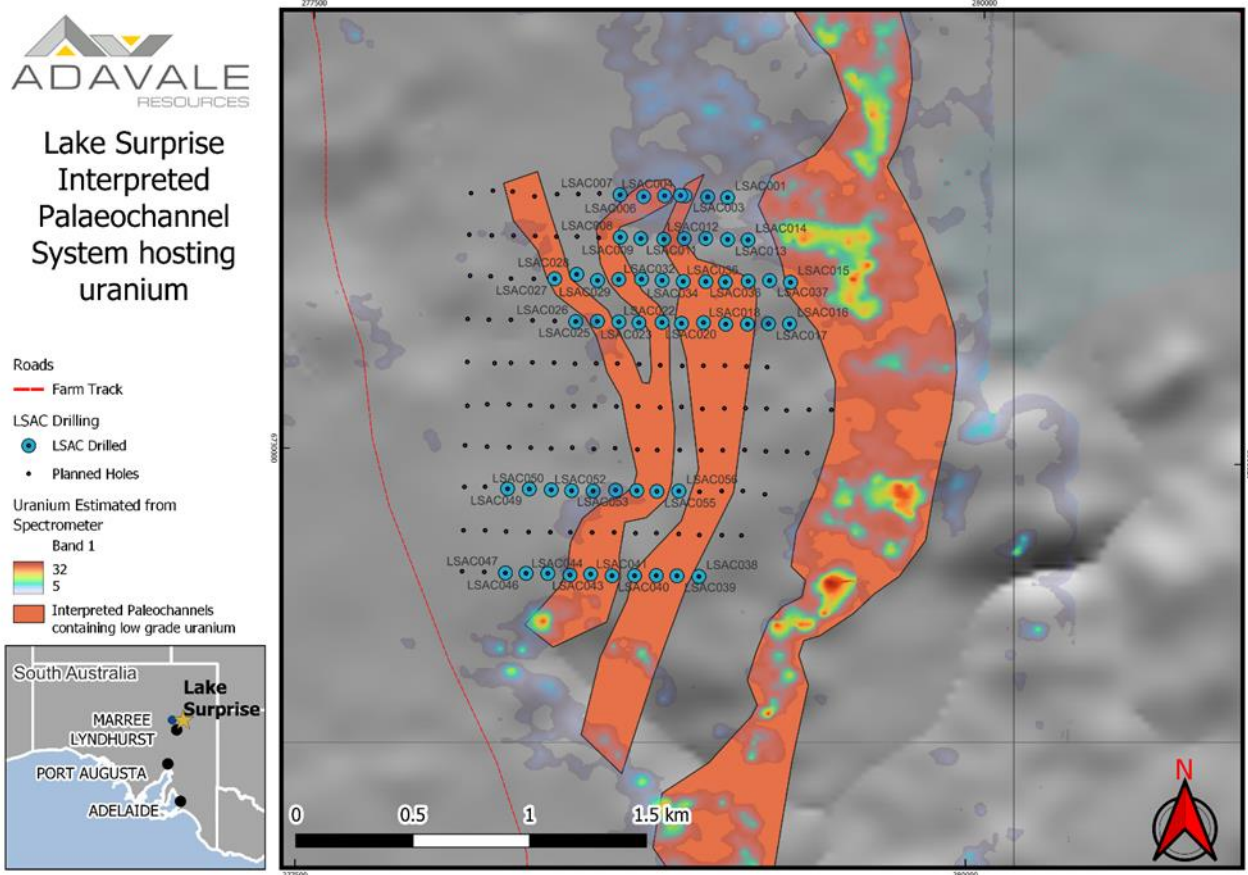
During the reporting period, the Company was focused on progressing the environmental approvals for the commencement of drilling at Lake Surprise.

Following approval by the Department of Energy and Mining in South Australia⁹, the Company completed a slim-hole RC hammer drilling program; 56 holes for 742 metres drilled. Twenty Four (24) samples were selected for chemical analysis based on pXRF and gamma log readings where assay results produced a peak result of 87 ppm Uranium. The best results were in the southern line with 8 of 10 holes containing anomalous uranium over several metres.

The drill chips show changes between holes that indicate there were individual streams as part of a broader channel system and within it a braided channel system. Geophysical methods including magnetics, gravity and resistivity will be useful tools for identifying uranium channels and vectoring for future exploration.¹⁰

⁹ ASX Announcement 23 November 2022 – Approval received for drilling Lake Surprise Uranium Project

¹⁰ ASX Announcement 3 March 2023 - Initial Lake Surprise Drilling Program Yields Results



Competent Person Statement

The information in this release that relates to “exploration results” for the Kabanga Jirani Nickel and Luhuma Nickel 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.

The information in this release that relates to “exploration results” for the Lake Surprise Uranium Project is based on information compiled or reviewed by Mr Patrick Harvey MAppSci, Australia. Mr Harvey is a consultant for Adavale Resources Limited and is a member of the AIG. Mr Harvey 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 Harvey consents to this release in the form and context in which it appears.

Your directors submit their interim report on the consolidated financial statements of Adavale Resources Limited ("Adavale" or the "Company") and the entities it controlled (the "Group") at the end of, or during, the half-year ended 31 December 2022.

DIRECTORS

The following persons were directors of the Company during the whole of the financial period and up to the date of this interim report unless otherwise indicated:

Board of Directors

Grant Pierce – Non-Executive Chairman

David Riekie – Executive Director

John Hicks – Non-Executive Director

Chief Executive Officer

Allan Ritchie

Chief Financial Officer and Company Secretary

Leonard Math

PRINCIPAL ACTIVITIES

The Company is in the business of mineral exploration for Nickel in Tanzania and Uranium in South Australia. The Company's primary aim in the near-term is to explore for, discover and develop nickel and uranium deposits on the mineral exploration projects in Tanzania and South Australia.

The Group has also been actively reviewing additional projects or mineral resources investment opportunities that would create wealth for the Group and its shareholders.

FINANCIAL REVIEW

The Group result for the financial period ended 31 December 2022 was a loss after tax of \$2,291,714 (December 2021: \$2,787,020).

EARNINGS PER SHARE

The basic loss per share for the period ended 31 December 2022 was 0.50 cents (December 2021: 0.90 cents).

LIKELY DEVELOPMENTS

Adavale's focus over the next financial year will be to carry out early stage exploration works on its mineral resource projects (Nickel and Uranium) and to review additional projects that may be presented to the Group.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no other significant changes in the state of affairs of the Group during the financial period.

SUBSEQUENT EVENTS

Subsequent to period end, the Company exercised its option to acquire 65% interest in the Luhuma Nickel (Farm-in) Project. The payments consist of US\$50,000 cash payment and US\$150,000 worth of Adavale shares, calculated based on the volume weighted average price for the five days preceding the issue of shares. A total of 9,380,423 shares were issued on 30 January 2023.

On 15 March 2023, the Company announced it has secured funding of up to \$2 million (before costs) through the issue of unsecured Convertible Notes. The Convertible Notes will be issued to both new and existing groups of sophisticated and professional investors and will be issued in two tranches. Tranche 1 comprising of \$990,000

(99 Convertible Notes at \$10,000 each) will be issued pursuant to the Company's available placement capacity under ASX Listing Rule 7.1. Tranche 1 is expected to be settled by 24 March 2023.

The balance of the funding comprising Tranche 2, \$1,010,000 (101 Convertible Notes at \$10,000 each) will be issued and paid upon receiving shareholder approval to be sought at a general meeting proposed to be held in April 2023 (**EGM**). The Company is also proposing to issue investors with free attaching options, to be issued subject to shareholder approval at the EGM.

The Convertible Notes are unsecured with a face value of \$10,000 each and will be issued in two tranches:

- Tranche 1: 99 Convertible Notes raising \$990,000
- Tranche 2: 101 Convertible Notes raising \$1,010,000

The Notes have a term of 12 months, with interest payable quarterly at 12% per annum. Noteholders will receive 32.49708 free attaching options per \$1 subscribed. For example, an investor who subscribes for \$100,000 of the Notes would receive 3,249,708 attaching options. The Options will have an exercise price of \$0.03 each expiring 31 December 2025 ("Options").

The issue of Tranche 2 Convertible Notes and the free attaching Options will be subject to shareholder approval at the proposed EGM. Subject to meeting ASX Listing Rule requirements and upon receiving shareholder approval, the Company will apply for these Options to be quoted.

The Convertible Notes can only be converted after 30 June 2023 at a 15% discount to the 15 day VWAP prior to the conversion date, with a ceiling price of \$0.03. Each share issued upon conversion will rank equally with the Company's existing shares on issue. At the end of the term, a Noteholder may elect to redeem the Note and seek repayment of monies advanced, rather than converting to Adavale's shares.

GBA Capital acted as Lead Manager to the raising and will be issued 13,340,000 Options exercisable at \$0.03 each expiring 31 December 2025 ("Broker Options"). The Broker Options will be issued subject to receipt of shareholder approval at the EGM.

Other than as disclosed above, no matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 31 December 2022 has been received and forms part of the Directors' report and can be found on page 10 of the interim financial report.

Signed in accordance with a resolution of the directors made pursuant to s 298(2) of the Corporations Act 2001.

On behalf of the Directors.


David Riekie
Executive Director

15 March 2023
Perth, Western Australia

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Adavale Resources Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, Western Australia
15 March 2023



L Di Giallonardo
Partner

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Adavale Resources Limited
Condensed Consolidated Statement of Comprehensive Income
For the period ended 31 December 2022

	Note	31 Dec 2022 \$	31 Dec 2021 \$
Other Income			
Gain from foreign exchange		9,417	19,374
Expenditure			
Insurance		(24,744)	(16,564)
Share registry fees		(63,348)	(112,529)
Administration and corporate		(512,601)	(307,830)
Share based payments	3(b)	-	(226,625)
Legal expenses		(55,691)	(6,207)
Interest expense		-	(2,282)
Exploration and evaluation expenditure		(1,629,513)	(2,115,020)
Depreciation	2	(15,234)	(8,827)
Other expenses from ordinary activities		-	(10,510)
Loss before income tax		(2,291,714)	(2,787,020)
Income tax expense		-	-
Loss after income tax from continuing operations		(2,291,714)	(2,787,020)
Other Comprehensive income			
<i>Items that may be reclassified to profit or loss</i>		-	-
Total comprehensive loss for the period		(2,291,714)	(2,787,020)
Basic and diluted loss per share attributable to the ordinary security holders of the Company (cents per share)	5	(0.50)	(0.90)

The accompanying notes form part of these consolidated financial statements

	Note	31 Dec 2022 \$	30 Jun 2022 \$
ASSETS			
Current assets			
Cash and cash equivalents		946,235	391,386
Other assets		102,342	40,802
Total current assets		1,048,577	432,188
Non-current assets			
Property, plant & equipment	2	58,315	73,549
Total non-current assets		58,315	73,549
Total assets		1,106,892	505,737
LIABILITIES			
Current liabilities			
Trade and other payables		214,825	294,765
Total current liabilities		214,825	294,765
Total liabilities		214,825	294,765
Net assets		892,067	210,972
Equity			
Issued capital	3(a)	13,403,725	10,529,447
Reserves	3(b)	570,276	471,745
Accumulated losses		(13,081,934)	(10,790,220)
Total equity		892,067	210,972

The accompanying notes form part of these consolidated financial statements

Adavale Resources Limited
Condensed Consolidated Statement of Changes in Equity
For the period ended 31 December 2022

2021

	Issued Capital	Share- based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
<i>Opening Balance – 1 July 2021</i>	6,872,881	245,120	(6,120,084)	997,917
Loss for the period	-	-	(2,787,020)	(2,787,020)
<i>Total comprehensive loss for the period</i>	-	-	(2,787,020)	(2,787,020)
Net issue of shares	3,401,178	-	-	3,401,178
Share based payments	-	226,625	-	226,625
<i>Balance as at 31 Dec 2021</i>	<u>10,274,059</u>	<u>471,745</u>	<u>(8,907,104)</u>	<u>1,838,700</u>

2022

	Issued Capital	Share- based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
<i>Opening Balance – 1 July 2022</i>	10,529,447	471,745	(10,790,220)	210,972
Loss for the period	-	-	(2,291,714)	(2,291,714)
<i>Total comprehensive loss for the period</i>	-	-	(2,291,714)	(2,291,714)
Net issue of shares	2,972,809	-	-	2,972,809
Share based payments	(98,531)	98,531	-	-
<i>Balance as at 31 Dec 2022</i>	<u>13,403,725</u>	<u>570,276</u>	<u>(13,081,934)</u>	<u>892,067</u>

The accompanying notes form part of these consolidated financial statements

Adavale Resources Limited
Condensed Consolidated Statement of Cash Flows
For the period ended 31 December 2022

	Notes	31 Dec 2022 \$	31 Dec 2021 \$
Cash flows from operating activities			
Payments to suppliers and employees		(633,061)	(489,461)
Payments to exploration and evaluation expenditure		(1,794,316)	(2,277,334)
Net cash outflows from operating activities		(2,427,377)	(2,766,795)
Cash flows from investing activities			
Payments of property, plant and equipment		-	(68,012)
Net cash outflows from investing activities		-	(68,012)
Cash flows from financing activities			
Proceeds from share issues and exercise of options (net of cost)		2,972,809	3,280,206
Net cash inflows from financing activities		2,972,809	3,280,206
Net increase in cash and cash equivalents held		545,432	445,399
Cash and cash equivalents at the beginning of the period		391,386	1,423,263
Foreign exchange differences		9,417	19,372
Cash and cash equivalents at the end of the period		946,235	1,888,034

The accompanying notes form part of these consolidated financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed interim report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2022 and any public announcements made by Adavale Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2022.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period, the Group adopted the following Accounting policies except for the impact of the new Standards and Interpretations effective 1 July 2022 as described below.

Standards and Interpretations applicable to 31 December 2022

In the half-year ended 31 December 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting period beginning on or after 1 July 2022.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations on issue not yet adopted that are relevant to the Company and effective for the interim reporting periods beginning on or after 1 January 2023.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Company and therefore no material change is necessary to Group accounting policies.

Going Concern Basis of Accounting

The Group is at the exploration and evaluation phase in relation to each of its mining tenements. The Group has incurred a loss from continuing operations for the period of \$2,291,714. The Group had a cash outflow from operating activities of \$2,427,377, while over the same period raised an amount of \$3,972,809 (net of cash costs) from placement of shares and payment of certain services by way of share issue. At period end, the Group's cash reserves were \$946,235, complemented by an undrawn Share Subscription Agreement facility of \$175,000. Current assets exceeded current liabilities by \$833,752. The Group is committed to payments to maintain rights to perform its continuing exploration and evaluation activity in the Kabanga Jirani Nickel Project and the Luhuma Nickel Project in Tanzania and the Lake Surprise uranium project in South Australia which entails continued cash outflows from operating activities in future.

Funding will come from the utilisation of existing cash facilities, the existing Share Subscription Agreement from LKC Technology Pty Limited and future capital raisings when required. On the basis of the above, the Directors consider it is appropriate to prepare the financial statements on a going concern basis. The directors recognise that this represents a material uncertainty as to the Group's ability to continue as a going concern, however they are confident that the Group will be able to continue its operations into the foreseeable future. Should the Group not be successful in obtaining adequate funding, there is a material uncertainty that may cast significant doubt as to the ability of the Group to continue as a going concern and whether it will be able to realise its assets and extinguish its liabilities in the ordinary course of business.

2. PROPERTY, PLANT & EQUIPMENT

	31 December 2022 \$	30 June 2022 \$
Non-current		
Property, plant and equipment – carrying amount	<u>58,315</u>	<u>73,549</u>
<i>Movement for the period</i>		
Beginning of financial period at cost	103,611	35,598
Additions	-	68,013
End of the financial period at cost	<u>103,611</u>	<u>103,611</u>
Accumulated Depreciation		
<i>Movement for the period</i>		
Beginning of financial period	30,062	2,913
Depreciation	<u>15,234</u>	<u>27,149</u>
End of the financial period	<u>45,296</u>	<u>30,062</u>
Carrying amount at the end of the financial period	<u>58,315</u>	<u>73,549</u>

3. CONTRIBUTED EQUITY

	31 December 2022 \$	30 June 2022 \$
(a) Share capital		
510,145,668 ordinary fully paid shares (June 2022: 357,327,587)	<u>13,502,256</u>	<u>10,529,447</u>
Movements in share capital for the financial period	31 December 2022	
	Number of shares	\$
<i>Balance at beginning of the financial period</i>	357,327,587	10,529,447
<i>Issued during the period:</i>		
Placement at 2 cents per share	90,045,411	1,800,908
Rights issue at 2 cents per share	59,554,598	1,191,092
Shares issued in lieu of fees	1,465,315	40,000
Exercise of options at 3 cents per option	1,752,757	52,582
Lead Manager option subscription	-	50
Lead Manager option share based payment	-	(98,531)
Share issue cost	-	(111,823)
<i>Balance at end of the financial period</i>	<u>510,145,668</u>	<u>13,403,725</u>
(b) Reserves		
	31 December 2022 \$	30 June 2022 \$
Share based payments reserve	<u>570,276</u>	<u>471,745</u>
<i>Movement for the period</i>		
Beginning of financial period	471,745	245,120
Share based payments (options)	98,531	126,000
Share based payments (performance rights)	-	100,625
End of the financial period	<u>570,276</u>	<u>471,745</u>

(c) Ordinary Performance rights on issue for the half-year

There were no performance rights issued during the half-year.

(d) Options issued during the half-year

During the half year, 5,000,000 Options exercisable at \$0.03 each expiring 3 August 2025 to Discovery Capital Limited as part of the Lead Manager consideration. The options were issued at a subscription price of \$0.001 per Option.

Share based payments – options expensed for the period included in share issue costs and applied against capital raised

	Options
Number Issued	5,000,000
Exercise Price	\$0.03
Expiry Date	3 August 205
Grant Date	28 Sept 2022
Volatility	108%
Risk Free Rate (%)	2.35%
Underlying Fair Value on Grant Date	\$0.029
Total Fair Value (\$) – Life of options	\$98,531
Total Fair Value (\$) – expensed to 31 Dec 2022	\$98,531

During the half-year, 49,866,637 options were issued to shareholder who were issued shares as part of the rights issue and placement. These options are exercisable at \$0.03 each and expire on 22 September 2023.

In addition, 50,228,043 loyalty options were issued to all shareholders on 3 November 2022. These options are exercisable at \$0.03 each and expire on 22 September 2023.

(e) Options expired during the half-year

During the half-year, 17,000,000 options expired unexercised.

4. SEGMENT INFORMATION

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

The segment reporting is detailed below:

	Mineral Exploration Australia \$	Mineral Exploration Africa \$	Corporate \$	Total \$
For the half year ended 31 Dec 2022				
Revenue				
Other	-	3,841	5,576	9,417
Total Segment Revenue	-	3,841	5,576	9,417
Segment Result				
(Loss) before income tax	(91,967)	(1,542,837)	(656,910)	(2,291,714)
Income tax expense	-	-	-	-
Net (Loss)	(91,967)	(1,542,837)	(656,910)	(2,390,245)
Total Segment Assets	-	133,587	973,305	1,106,892
Total Segment Liabilities	(18,874)	(94,791)	(101,160)	(214,825)

	Mineral Exploration Australia \$	Mineral Exploration Africa \$	Corporate \$	Total \$
For the half year ended 31 Dec 2021				
Revenue				
Other	-	16,518	2,856	19,374
Total Segment Revenue	-	16,518	2,856	19,374
Segment Result				
(Loss) before income tax	(41,358)	(2,082,488)	(663,174)	(2,787,020)
Income tax expense	-	-	-	-
Net (Loss)	(41,358)	(2,082,488)	(663,174)	(2,787,020)
Total Segment Assets	-	122,575	1,936,515	2,059,090
Total Segment Liabilities	-	-	(220,390)	(220,390)

5. LOSS PER SHARE

	December 2022 \$	December 2021 \$
<i>(a) Reconciliation of earnings used in calculating loss per share</i>		
(Loss) attributable to the owners of the company used in calculating basic and diluted loss per share	(2,291,714)	(2,787,020)
<i>(b) Weighted average number of shares used as the denominator</i>		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	458,118,469	310,158,038
Basic and diluted (loss) per share attributable to the ordinary security holders of the Company (cents per share)	(0.50)	(0.90)

6. CONTINGENT LIABILITIES

The Group does not have any contingent liabilities as at the reporting date.

7. COMMITMENTS

There is no material change to the commitments disclosed by the Group in its 30 June 2022 annual report.

8. FINANCIAL INSTRUMENTS

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

9. SUBSEQUENT EVENTS

Subsequent to period end, the Company exercised its option to acquire 65% interest in the Luhuma Nickel (Farm-in) Project. The payments consist of US\$50,000 cash payment and US\$150,000 worth of Adavale shares, calculated based on the volume weighted average price for the five days preceding the issue of shares. A total of 9,380,423 shares were issued on 30 January 2023.

On 15 March 2023, the Company announced it has secured funding of up to \$2 million (before costs) through the issue of unsecured Convertible Notes. The Convertible Notes will be issued to both new and existing groups of sophisticated and professional investors and will be issued in two tranches. Tranche 1 comprising of \$990,000 (99 Convertible Notes at \$10,000 each) will be issued pursuant to the Company's available placement capacity under ASX Listing Rule 7.1. Tranche 1 is expected to be settled by 24 March 2023.

The balance of the funding comprising Tranche 2, \$1,010,000 (101 Convertible Notes at \$10,000 each) will be issued and paid upon receiving shareholder approval to be sought at a general meeting proposed to be held in April 2023 (**EGM**). The Company is also proposing to issue investors with free attaching options, to be issued subject to shareholder approval at the EGM.

The Convertible Notes are unsecured with a face value of \$10,000 each and will be issued in two tranches:

- Tranche 1: 99 Convertible Notes raising \$990,000
- Tranche 2: 101 Convertible Notes raising \$1,010,000

The Notes have a term of 12 months, with interest payable quarterly at 12% per annum. Noteholders will receive 32.49708 free attaching options per \$1 subscribed. For example, an investor who subscribes for \$100,000 of the Notes would receive 3,249,708 attaching options. The Options will have an exercise price of \$0.03 each expiring 31 December 2025 ("Options").

The issue of Tranche 2 Convertible Notes and the free attaching Options will be subject to shareholder approval at the proposed EGM. Subject to meeting ASX Listing Rule requirements and upon receiving shareholder approval, the Company will apply for these Options to be quoted.

The Convertible Notes can only be converted after 30 June 2023 at a 15% discount to the 15 day VWAP prior to the conversion date, with a ceiling price of \$0.03. Each share issued upon conversion will rank equally with the Company's existing shares on issue. At the end of the term, a Noteholder may elect to redeem the Note and seek repayment of monies advanced, rather than converting to Adavale's shares.

GBA Capital acted as Lead Manager to the raising and will be issued 13,340,000 Options exercisable at \$0.03 each expiring 31 December 2025 ("Broker Options"). The Broker Options will be issued subject to receipt of shareholder approval at the EGM.

Other than disclosed above, no matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

In the directors' opinion:

1. the financial statements and notes set out on pages 11 to 21 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Adavale Resources Limited will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board.


David Riekie
Executive Director

15 March 2023
Perth, Western Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Adavale Resources Limited

Report on the Condensed Interim Financial Report*Conclusion*

We have reviewed the accompanying interim financial report of Adavale Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Adavale Resources Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the interim financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the interim financial report

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

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Auditor's responsibility for the review of the interim financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
15 March 2023



L Di Giallonardo
Partner