



ANNUAL REPORT

2023

ASX: **ADD**



ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

TABLE OF CONTENTS

FOR THE YEAR ENDED 30 JUNE 2023

| | |
|---|-----------|
| CORPORATE DIRECTORY | 4 |
| CHAIRMAN'S LETTER | 5 |
| REVIEW OF OPERATIONS | 6 |
| DIRECTORS' REPORT | 15 |
| AUDITOR INDEPENDENCE DECLARATION | 24 |
| CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .. | 25 |
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 26 |
| CONSOLIDATED STATEMENT OF CASH FLOWS | 27 |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 28 |
| NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | 29 |
| DIRECTORS' DECLARATION | 50 |
| INDEPENDENT AUDIT REPORT | 51 |
| ADDITIONAL SHAREHOLDER INFORMATION | 55 |

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CORPORATE DIRECTORY

Directors & Management

Grant Pierce (Chairman)

David Riekie (Executive Director)

John Hicks (Non-executive Director)

Allan Ritchie (Chief Executive Officer)

Leonard Math (Chief Financial Officer & Company Secretary)

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Share Registry

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Auditor

HLB Mann Judd (WA Partnership)

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Stock Exchange

Australian Securities Exchange

20 Bridge Street

SYDNEY NSW 2000

ASX Code

ADD, ADDOA

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

It is a great pleasure for me to present Adavale's activities and milestones achieved during the 2023 financial year.

The year saw the emerging success of our exploration program being undertaken at our flagship Kabanga Jirani and Luhuma Nickel Projects in Tanzania.

Completion of the initial gravity survey programs in July 2022 led to the identification of 32 individual targets across the Kabanga Jirani and Luhuma Nickel Projects. The plethora of quality targets is testament to the Company's selection of its tenements. Adavale also expanded its footprint with the granting of a several new prospecting licences, one of which was "Luhuma Central".

It was a breakthrough year for Adavale as it commenced truly targeted drilling for economically significant nickel sulphide mineralisation.

The initial drill program was an exciting time as the results confirmed the intersection of nickel sulphide bearing rocks. During the financial year the Company received the results of the first three holes and all holes intersected thick sections of nickel sulphides.

Subsequent to the end of the financial year the results of a further two holes continued the 100% strike rate of intersecting nickel sulphides. In total over 380m of nickel sulphides were intersected from all five holes of what is an ongoing diamond drilling campaign. The Company believes that with this string of positive drill intersections we are now starting to build some real momentum towards a discovery.

The Board looks forward to updating our shareholders as we continue to receive results from our exploration work.

In relation to our Lake Surprise Uranium Project in South Australia, the Company received a major boost with a new tenement covering 714 sq km being granted and sitting southwest of the Lake Surprise area.

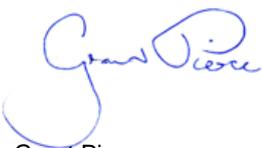
A low-cost reconnaissance drilling program was completed in March 2023 with results confirming uranium mineralisation.

I am also pleased to continue our association with VAKA Health Foundation (VAKA). VAKA uses scalable mobile technology to deliver education and technical training as it aims to upskill 450,000 frontline nurses and midwives across East and Southern Africa, which will lead to better health outcomes for up to 220 million people. We are honoured to be a part of this wonderful initiative.

Adavale's community focus also continued as a Platinum Sponsor of Bridge2Aid Australia's Infant Oral Mutilation Prevention Training Program in the Kagera Region, Tanzania. Bridge2Aid Australia provided training that helps stop a practice called Infant Oral Mutilation in rural Tanzania including the Kagera region, where Adavale is actively exploring.

On behalf of the Board, I wish to thank you for your continuous support and we look forward to continuing to unlock the value of our projects for shareholders. I hope you share my genuine excitement for the year ahead.

Yours faithfully,



Grant Pierce
Chairman

NATURE OF OPERATIONS

The principal activity of the Group during the year was mineral exploration in Tanzania and Australia. The following sets out the major changes to the Company from both a corporate and operational perspective during the reporting period and up to the date of the Directors' report.

Nickel Exploration – Tanzania

Kabanga Jirani Nickel Project

The Kabanga Jirani Nickel Project (“Kabanga Jirani” or “the Project”) is located along the Kabanga-Musongati mafic-ultramafic alignment and is prospective for high-grade Ni-Cu-Co-Cr-PGE sulphide deposits similar to Lifezone Metal’s Kabanga Nickel sulphide deposit. The project lies adjacent and along strike from the deposit, the world’s largest high-grade Ni-sulphide resource of 58Mt @ 2.62% Ni in pre-development.

The project’s licences are located within the provincial scale East African Nickel 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 (See Figure 1).

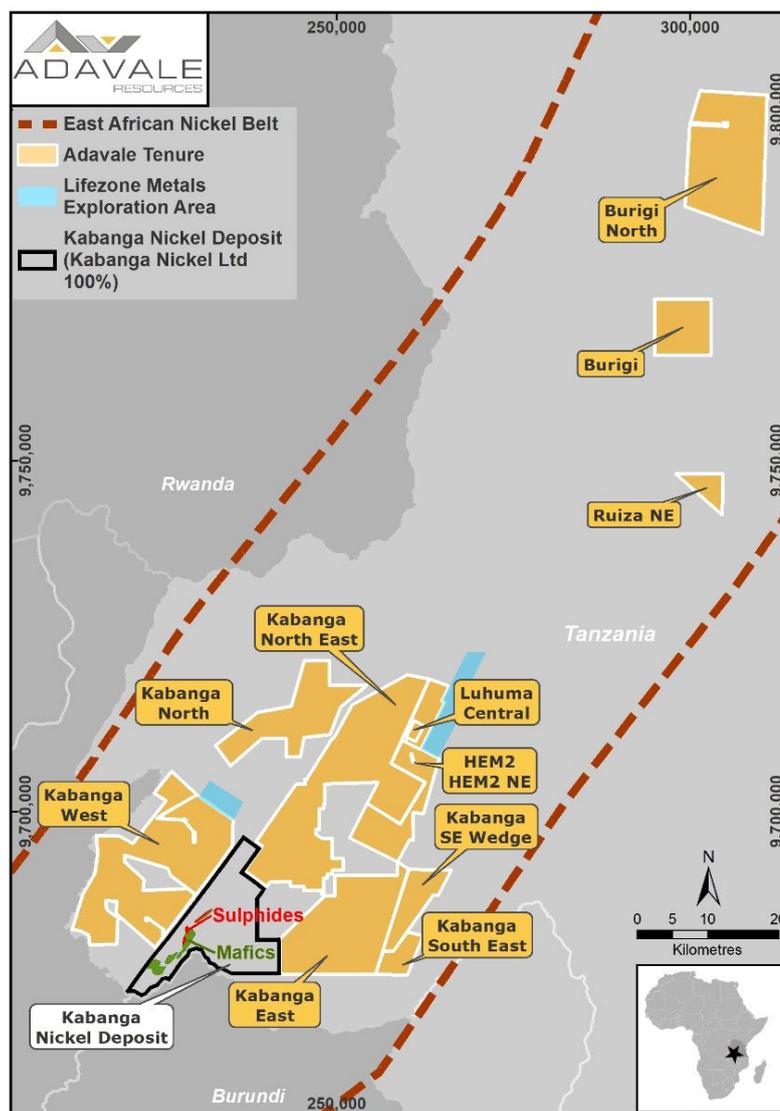


Figure 1: Adavale’s nickel licences in Tanzania.

In July 2022, the Company identified 32 nickel sulphide targets with the completion of its ground-based survey across its Kabanga Jirani Nickel Project and Luhuma Nickel Project in Tanzania. The survey included 24,000 gravity readings over approximately 1,000 square kilometres covering the Company’s southern licence portfolio. Following on from the survey, Adavale then conducted a Helicopter-borne Electromagnetic Survey (HEM) across 9 high-priority areas covering 18 anomalies in order to identify drill targets. The HEM survey covered 2,100-line kilometres across a ten-day period.

In September, Adavale mobilised a drill rig for a “Priority Target Testing” program. The program used reverse circulation (RC) to test multiple target areas from the earlier surveys. The results of this program confirmed the intersection of nickel sulphide bearing rocks.

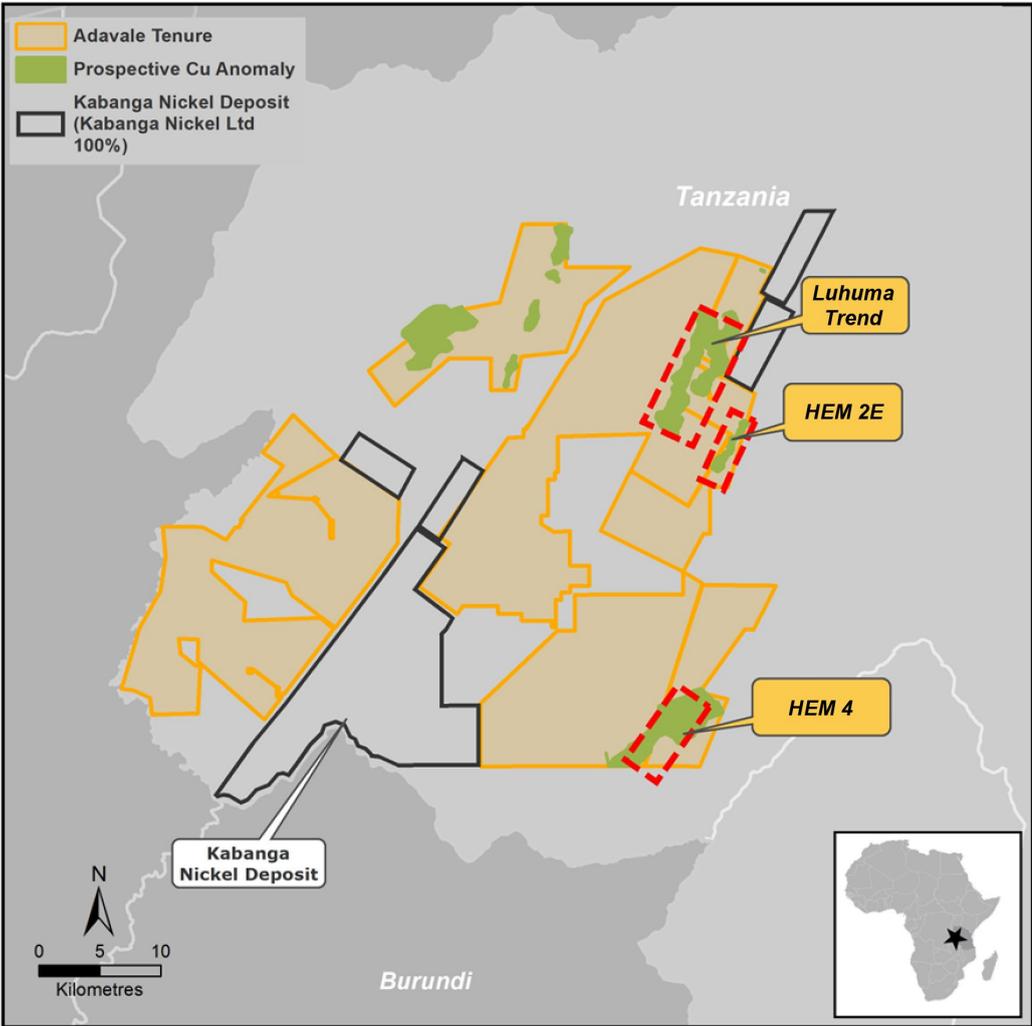


Figure 2: Map of Adavale’s tenure proximal to the Kabanga Nickel Deposit

As part of its drilling program, Adavale also completed down hole electromagnetic (DHEM) surveys on all completed diamond drill holes to explain the source of the individual conductors and identify potential new drill target areas.

The start of 2023 saw the Company expand its ground with the addition of the prospecting licence known as “The Southeast Wedge”, which covers an additional 44.83 square kilometres. At the same time, Adavale exercised its option to acquire 65 per cent of the Luhuma Nickel Project.

Also in January, the Company launched a series of geochemical soil surveys to assist with the differentiation of thickened dolerite units and mafic-ultramafic intrusions. A total of approximately 10,000 samples were collected during the campaign.

The program confirmed a coherent copper anomaly with a strike length of 15km which the Company considers to be important given the association of copper and cobalt with nickel mineralisation at the Kabanga deposit.

In May, the Company once again mobilised both diamond drilling and reverse circulation drill rigs as it ignited exploration at an area known as the “Luhuma Trend”. The zone sits along a narrow strike zone in Adavale’s Kabanga Northeast licence and the Company commenced 5,000m of RC and diamond drilling.

Later that month, the Company was granted a new prospecting licence, which was named “Luhuma Central.” The new zone had historical intercepts of 1.14 per cent Nickel over 8.4m of massive sulphides.¹

After gaining the Luhuma Central licence, the Company immediately commenced a diamond drilling program to follow up on the historical intercepts. From this initial exploration drill hole, DDLUHC001, which intersected 4.15m of massive nickel sulphide associated with a mafic-ultramafic intrusion between 223.35m and 227.5m downhole, the program has intersected nickel sulphide in all subsequent drillholes. A summary of the drill intercepts and assay results received is shown in Table 1.

| Drillhole ID | Nature of Mineralisation | From (m) | To (m) | Thickness (m) | Ni % | Pt + Pd + Au g/t | Cu % | Co % |
|------------------------------|--|----------|--------|---------------|---------|------------------|---------|---------|
| DDLUHC001 | Massive Sulphide | 223.35 | 227.48 | 4.13 | 1.03 | 0.04 | 0.14 | 0.17 |
| DDLUHC001 | Semi-Massive Sulphide | 249.00 | 250.00 | 1 | 0.63 | 0.01 | 0.09 | 0.02 |
| DDLUHC002 | Blebbly Sulphide | 200.55 | 205.55 | 5 | 0.41 | 0.19 | 0.08 | 0.02 |
| DDLUHC003 | Massive Sulphide | 261.7 | 269.25 | 7.55 | 0.96 | pending | 0.12 | 0.18 |
| DDLUHC004 | Semi-Massive | 250.20 | 252.2 | 2 | 0.47 | pending | 0.08 | 0.06 |
| DDLUHC004 | Semi-Massive | 255.2 | 256.42 | 2.34 | 0.40 | pending | 0.43 | 0.05 |
| DDLUHC004 | Massive Sulphide | 256.42 | 257.54 | 1.12 | 1.34 | pending | 0.15 | 0.14 |
| DDLUHC004 | Disseminated Sulphide | 286.70 | 294.20 | 7.5 | 0.42 | pending | 0.11 | 0.06 |
| DDLUHC004 | Alternating semi and massive sulphide | 316.26 | 323.00 | 6.74 | 0.41 | pending | 0.25 | 0.03 |
| DDLUHC005 | 5-7% Medium to Coarse-Grained Disseminated Sulphides | 80.3 | 408.0 | 327.7 | pending | pending | pending | pending |
| DDLUHC005 | Semi-Massive to heavily Disseminated Sulphide | 408.0 | 423.6 | 15.6 | pending | pending | pending | pending |
| Historical Drillholes | | | | | | | | |
| LUHD001 | Massive Sulphide | 255.40 | 260.85 | 5.45 | 0.80 | | 0.15 | 0.14 |
| LUHD002 | Massive Sulphide | 233.83 | 237.76 | 3.93 | 0.57 | | 0.10 | 0.09 |
| LUH006 | Massive Sulphide | 235.30 | 244.30 | 9 | 1.14 | | | |

Table 1: Assay results for drillholes in section (DDLUHC001, DDLUHC002, DDLUHC003 and DDLUHC004 have current assay results from ALS and SGS laboratories, LUHD001, LUHD002 and LUH006 have historically reported assay values).

¹ Evans, D. M., Hunt, J. P. P. M. and Simmonds, J. R., 2016. An overview of nickel mineralisation in Africa with emphasis on the Mesoproterozoic East African Nickel belt (EANB). Episodes, 39/2, 319- 333. DOI: 10.18814/epiiugs/2016/v39i2/95780; see also ASX:ADD release 16 December 2021 “Adavale Discovers Significant Mafic-Ultramafic Intrusion”.

The successful drilling campaign has outlined the potential strike extension at Luhuma Central, (see Figure 3) together with the long section Figure 4. RC drilling is underway on a high priority target area to the south of Luhuma Central known as HEM 4 (see Figure 5).

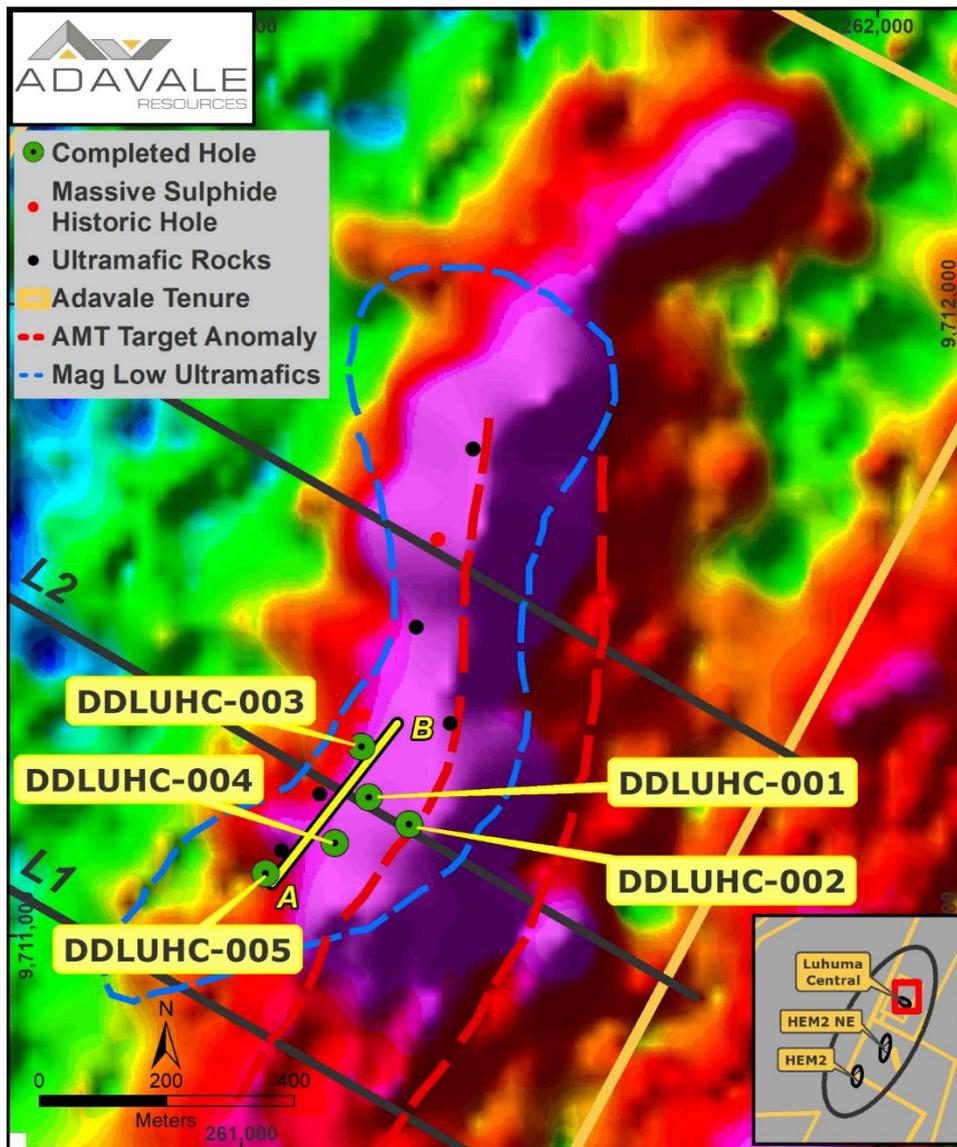


Figure 3: Plan view of current and proposed drill hole locations (yellow dots) at Luhuma Central plus historical holes (red dot massive sulphides intersected, black dots indicate ultramafic rocks intersected) together with location of the AMT lines L1 to L3 that have been surveyed by Adavale. Blue outline reflects the magnetic low interpreted to be the host mafic-ultramafic intrusion and the red corridor is the AMT anomaly projected to surface and interpreted as the mineralised trend. The yellow stippled lines show where the ground EM will be conducted. The background Colour image represents gridded C25 (db/dt) from the NRG Xcite airborne EM survey. Section line A-B shown in plan view and long-section in Figure 2.

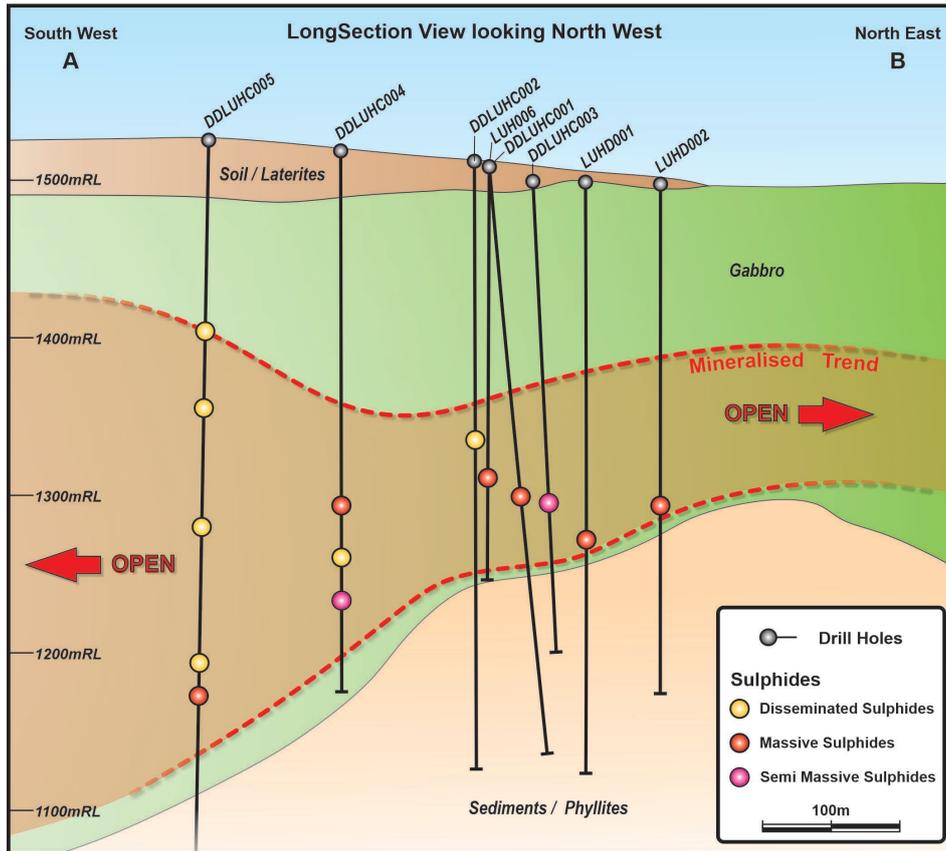


Figure 4: Long section at Luhuma Central indicating a thickening to the south-west.

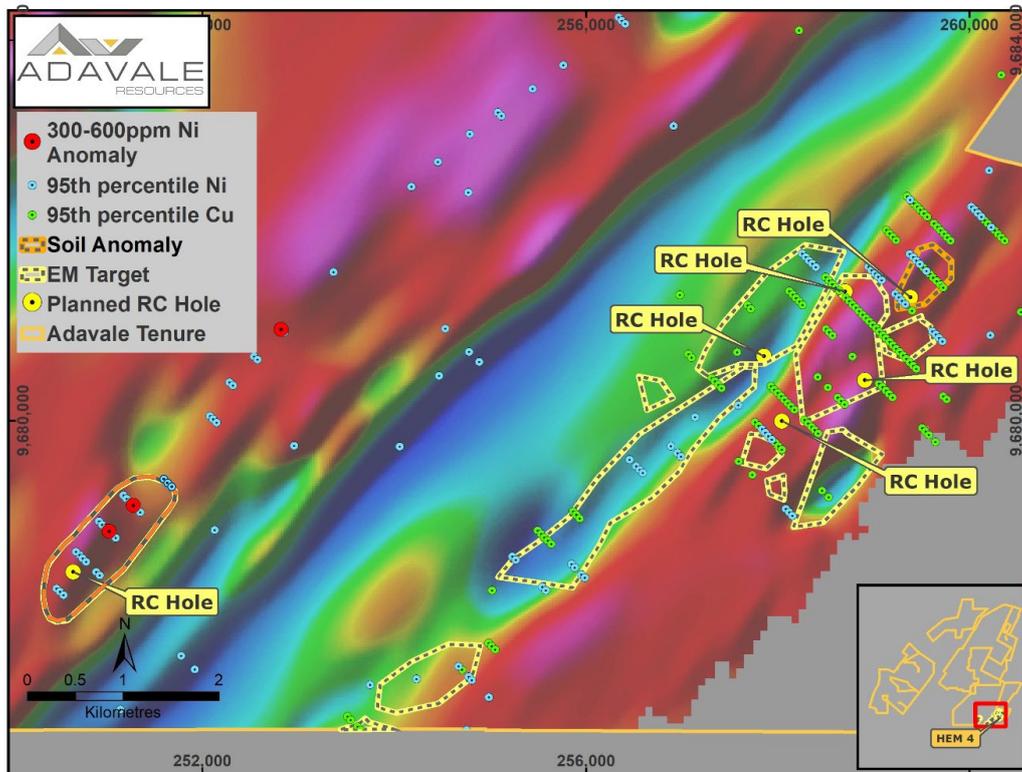


Figure 5: Planned HEM 4 drillholes overlying magnetic image and including EM targets (yellow stippled outlines) and Ni and Cu anomalies.

For the remainder of calendar year 2023, the Company plans to utilise two drill rigs on site at its Kabanga Jirani Nickel Project. One rig is targeting Luhuma Central, whilst the other is drilling other high priority targets including HEM 2E and HEM 4.

The Company resumed DHEM and ground-based EM surveys to provide a boost to drill planning with exploration using both RC and diamond drill rigs to continue for the remainder of the year with regular reporting to come from both visual and assay results.

(Refer to Company ASX announcements dated 7 July 2022, 13 July 2022, 27 September 2022, 28 October 2022, 24 January 2023, 1 May 2023, 22 May 2023, 19 June 2023, 11 July 2023, 17 July 2023, 24 July 2023, 17 August 2023, 9 September 2023 and 21 September 2023 for full detail and JORC Tables on the exploration results)

Uranium Exploration – South Australia, Australia

Lake Surprise Uranium Project

The Lake Surprise Uranium Project consists of four tenements within part of the highly prospective sedimentary uranium province in the northern part of the Lake Frome Embayment. The Company's assets combine for a total area of 1,078 square kilometres and lie within a flat, semi-arid landscape located just to the north of the Flinders Ranges in South Australia.

In September, the Company's landholding received a major boost with a new tenement (Mundowdna, EL 6821) covering 714 sq km being granted and sitting south-west of the Lake Surprise area.

In November, the Company received an approval from the South Australian Government's Department of Energy and Mining for an aircore drilling program. This led to a low-cost reconnaissance drilling program being completed in March and confirming uranium mineralisation with a complex braided stream environment. The program was completed for 56 holes for 742 metres and the results indicated further potential, particularly towards the south of the project.

The program confirmed the need to isolate the braided channel geometry to target higher grade mineralised zones. Geophysics including magnetics and resistivity was then flagged to cover the drilled area in addition to the Canegrass, Jubilee and Mookwarinna prospects to calibrate the drill results achieved.

As part of an internal desktop using satellite imagery, regolith landform and topographic data, post the end of the reporting period, the Company applied for a new 591km² Mundowdna South Uranium Exploration Licence (ELA 2023/00043), contiguous with the large EL 6821 (see Figure 6). This new Licence area importantly includes an alluvial sedimentary outwash from the central part of the Flinders Ranges, considered to be the parental source of the numerous localised uranium occurrences (see Figure 7).

The contiguous licence footprint now provides the Company the opportunity to explore the alluvial outwash fan in a systematic manner and encompasses the majority of system from the interpreted source to its termination at Mundowdna.

The Company will commence preparations for the exploration programs of larger scale and cost-effective field assessments and access to the priority areas within the system for local heritage clearances, pending the approval of the new licence.

(Refer to ASX announcement dated 25 September 2023 and 3 March 2023)

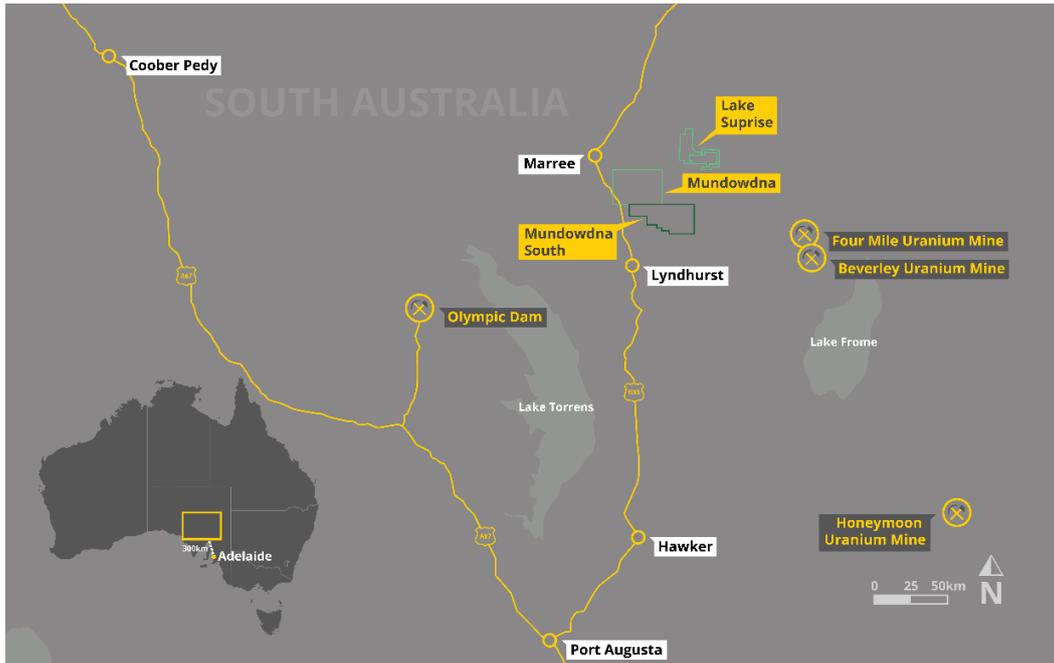


Figure 6: Location plan showing Adavale's uranium tenure in South Australia.

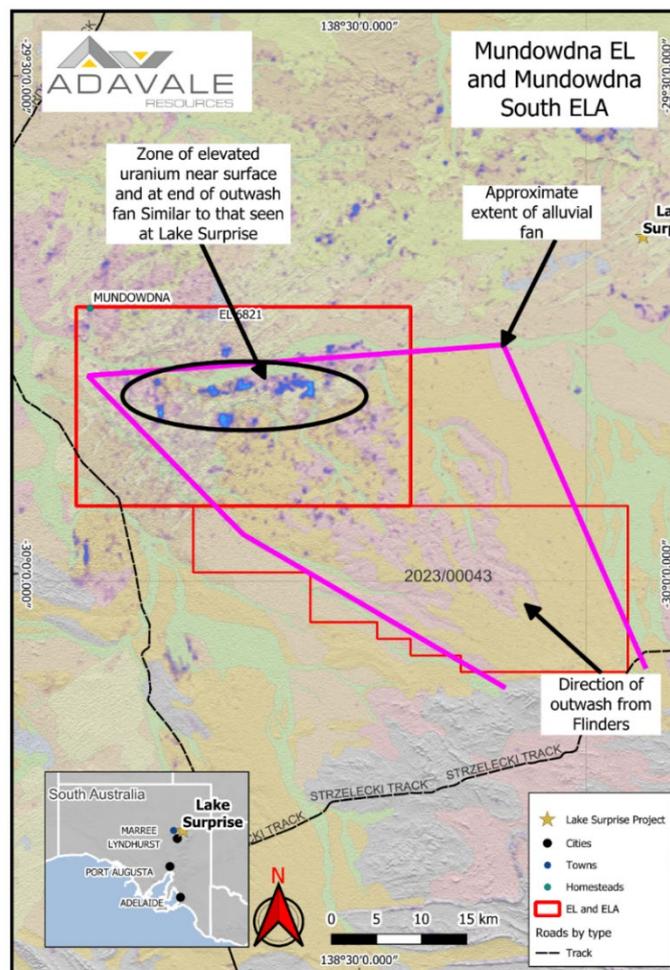


Figure 7: The alluvial fan can be seen in the regolith data. Indications on the image show the approximate extent of the fan in magenta and the direction of outwash is indicated in the SE of the map.

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.

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.

Corporate

Capital Raising

In August 2022, the company raised \$1.8m (before costs) through a strongly supported placement to new sophisticated investors through the issue of 80,045,411 new fully paid Ordinary shares at 2.0c per share.

In addition to the placement, Adavale launched a one for six non-renounceable Entitlement Offer to raise a total of around \$1.2m (before costs) through the issue of up to 59.5 million new shares (Entitlement Shares) at 2.0c per share. The offer closed oversubscribed with strong support from existing shareholders including directors and management.

The Company also issued a Prospectus to undertake a loyalty option issue of one (1) option for every ten (10) shares held to all shareholders registered on the record date of 31 October 2022. The Loyalty Options had the same exercise price and expiry date as the Attaching Options.

During the March 2023 quarter, the Company raised A\$2 million via Convertible Notes to progress nickel exploration and drilling at its Kabanga Jirani project.

The Convertible Notes were issued to both new and existing groups of sophisticated and professional investors and were issued in two tranches. Tranche 1 comprised \$990,000 (99 Convertible Notes at \$10,000 each) and Tranche 2, \$1,010,000 (101 Convertible Notes at \$10,000 each) and these were issued after receiving shareholder approval at a General Meeting held on 3 May 2023.

Subsequent to balance date, Adavale received binding commitments to raise \$2.47 million (before costs) to new and existing sophisticated and professional investors. The placement comprised the issue of 130 million new fully paid Ordinary shares at an issue price of \$0.019 per share and a 1:1 attaching listed option (ADDOA) exercisable at \$0.03 per share expiring 31 December 2025. The placement was completed on 1 August 2023.

The Company also launched a 1 for 5 Entitlement Offer on the same terms as the Placement Offer to raise up to \$2.1 million. The directors and management subscribed for rights entitlements in the Offer.

Funds raised will be used to progress and accelerate the nickel exploration at the Company’s Kabanga Jirani nickel project in Tanzania, including Downhole EM (DHEM), RC & diamond drilling, general working capital and costs associated with the Placement and Entitlement Offer.

RISK MANAGEMENT

Risk management is a key part of improving our business and our aim is to ensure that all business operations are performed within Board approved risk tolerance levels. To achieve this aim, Risk Management standards will be created, maintained and continually improved. This will involve risk identification and risk evaluation linked to practical and cost-effective risk control measures commensurate with our business. Risk Management is a continuous process demanding awareness and proactive action from all Company employees and contractors to reduce the possibility and impact of accidents and losses, whether caused by the Company (and its subsidiaries, collectively “The Group”) or externally.

FACTORS AND BUSINESS RISKS AFFECTING FUTURE BUSINESS PERFORMANCE

The following factors and business risks could have a material impact on the Company's success in delivering its strategy:

Funding

The Group is likely to need to raise capital to explore and develop its projects. There is no guarantee that the Group will be able to secure any additional funding or will be able to secure funding on terms that are favourable or acceptable to the Group.

Health and Safety

The Group is exposed to potential safety hazards within its operations in Australia and Tanzania.

Political Risks (Tanzania)

The Group's flagship projects - Kabanga Jirani Nickel Project and Luhuma Nickel Project, both are in Tanzania and will be subject to the various political, economic and other risks and uncertainties associated with operating in that country. These risks and uncertainties include, but are not limited to, economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents. The Group may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Any future material adverse changes in government policies or legislation in Tanzania that affect foreign ownership, mineral exploration, development or mining activities, may affect the viability and profitability of the Company.

Aboriginal title and consultation issues

Native title claims as well as related consultation issues may impact the ability to pursue exploration, development and mining at its Lake Surprise Uranium Project. Managing relations with traditional owners is a matter of paramount importance to the Group. However, there may be no assurance that title claims as well as related consultation issues will not arise on or with respect to the Group's exploration Licences.

Public Perception

Unique political, technological and environmental factors affect the nuclear industry, exposing it to the risk of public opinion, which could have a negative effect on the demand for nuclear power and increase the regulation of the nuclear power industry. An accident at a nuclear reactor anywhere in the world could affect acceptance of nuclear energy and the prospects for nuclear generation. Debate on the relative dangers and benefits of uranium as an energy source will continue into the foreseeable future.

Commodity Prices, Services and Exchange Rates

Commodity prices (specifically nickel and uranium) and the cost of services fluctuate according to changes in demand and supply. Changes in commodity prices can significantly impact exploration activities and investment decisions. As the Group operates in USD in Tanzania, significant unfavourable movements between AUD and USD impacts the exploration and operational costs in Tanzania.

Key Person and Workforce

The Group's success is to a large extent dependent upon the retention of key personnel and the competencies of its directors, senior management, and personnel. The inability to attract and retain a suitably skilled and diverse leaders and workforce is a risk to Group performance in the conduct of its business especially in Tanzania and within the Uranium industry.

Tenure and Access risk

While the Group does not anticipate there to be any issues with the grant or renewals of its tenements, there can be no assurance that the application (or future applications) will be granted. Mining and exploration tenements are subject to periodic renewal and reviews. The renewal of the term of granted tenure may be subject to the discretion of the relevant authorities and may include increased expenditure or obligations on the Group or compulsory relinquishment of areas of the tenements.

DIRECTORS' REPORT

The Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2023.

Directors

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

Mr Grant Pierce
Non-Executive Chairman

5,904,306 Fully Paid Ordinary Shares
952,573 Listed Options exercisable at \$0.03 each
expiring 31 December 2025
2,000,000 Unlisted Options exercisable at \$0.15
each expiring 13 January 2025
2,200,000 Performance Rights expiring 31
December 2023

Grant is a qualified mining engineer with 30 years of operating experience in both Australia and Africa. He has managed both open-pit and underground mines across a range of mineral commodities. In addition, he has held numerous senior development roles, taking green and brown field projects to either shovel ready status or into production.

Grant was a member of the development team that built Tanzania's first modern gold mine, Resolute's Golden Pride Project (ASX:RSG) and was Operations Manager of the mine for its first 6 years. Other senior roles include Executive General Manager (Tanzania) for Barrick Gold Corporation (NYSE:GOLD), during which time the Tulawaka Gold Mine was built and subsequently General Manager Operations for Perseus Mining, taking the Edikan Gold Project from the environmental permitting stage to its first gold pour.

Most recently Grant was an Executive Director of EcoGraf Limited (ASX:EGR) and played a pivotal role in the development of the Company, leading to the Company receiving the Epanko Graphite Projects' Environmental Certificate, Mining Licence, delivering the Bankable Feasibility Study and subsequent completion of banking independent due diligence.

Grant has been publicly recognised within Australia and internationally for his philanthropic work with remote communities in developing nations.

Directorships in the last 3 years - nil.

Mr David Riekie
Executive Director

7,482,283 Fully Paid Ordinary Shares
1,808,160 Listed Options exercisable at \$0.03 each
expiring 31 December 2025
2,000,000 Unlisted Options exercisable at \$0.15
each expiring 13 January 2025
2,200,000 Performance Rights expiring 31
December 2023

David is an experienced listed company director, in both executive and non-executive roles. His career spans multiple continents including within Africa Namibia, Tanzania, Eritrea, South Africa, DRC and Mozambique. He holds a Bachelor of Economics and a Graduate Diploma of Accounting from Flinders University and has been a member of Chartered Accountants Australia and New Zealand since 1986. David has most recently served on the Boards of Zenith Energy Limited, Paladin Energy Limited and also served as interim CEO to Poseidon Nickel Limited.

David holds a Bachelor of Economics and a Graduate Diploma of Accounting from Flinders University and has been a member of the Australian Institute of Chartered Accountants since 1986.

Directorships in last 3 years:
Zenith Energy Limited (April 2019 – August 2020)

Mr John Hicks
Non-Executive Director

(Appointed on 7 July 2021)

5,425,760 Fully Paid Ordinary Shares
789,473 Listed Options exercisable at \$0.03 each
expiring 31 December 2025
2,000,000 Unlisted Options exercisable at \$0.15
each expiring 13 January 2025
2,200,000 Performance Rights expiring 31
December 2023

John is a geologist and nickel sulphide specialist with over 40 years' experience in the exploration and mining sector, including a 15 year tenure as the General Manager of Exploration for Panoramic Resources Limited (ASX: PAN) Prior to Panoramic, John held various roles with several notable mining companies including Australian Consolidated Minerals Limited, and WMC Limited.

John's nickel career highlights include senior exploration and development roles for the Mount Keith, Silver Swan, Lanfranchi and Savannah nickel projects. During his tenure at Panoramic Resources, John was instrumental in discovering the komatiite hosted Deacon orebody at Lanfranchi and the intrusive hosted Savannah North nickel orebodies, in Western Australia.

Directorships in last 3 years – nil.

Management

Mr Allan Ritchie – Chief Executive Officer

Allan graduated from the University of Technology in Sydney in 1986 with a Bachelor of Business and subsequently attained a post graduate Diploma in Applied Finance from the Financial Services Institute of Australia. Allan's distinguished career spans 30 years in both the energy and resources sectors, in investment banking and leadership roles in both private and publicly listed companies.

Allan has served as Non-Executive Director of ASX listed Hydrocarbon Dynamics Limited (HCD:ASX) and previously as Executive Director and Deputy CEO of HK Listed energy group EPI Holdings Limited (0689.HKEX).

Allan's investment banking background includes structuring commercial transactions in the energy and resources sector. Senior roles include positions within Westpac, ANZ Bank, HSBC and BNP Paribas in Australia, London, New York and Asia Pacific.

Allan's career achievements have been recognised several times in BRW's annual poll of bankers.

Mr Leonard Math – Chief Financial Officer & Company Secretary

Leonard was appointed as Chief Financial Officer and Company Secretary on 1 October 2022. He is a Chartered Accountant with more than 15 years of resources industry experience. He previously worked as an auditor at Deloitte and is experienced with public company responsibilities including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting and shareholder relations.

Mr Math also previously held CFO, Company Secretary and directorship roles for a number of ASX listed companies.

Meetings of Directors

The number of Board meetings held during the financial year and the number of meetings attended by each director.

| Director | Eligible to Attend | Attended |
|--------------|--------------------|----------|
| Grant Pierce | 9 | 9 |
| David Riekie | 9 | 9 |
| John Hicks | 9 | 9 |

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.

Review and Results of Operations

The activities of the Company during the period under review are set out above in the Review of Operations.

The consolidated loss of the Company was \$4,947,890 which compared with a net loss for the prior year of \$4,670,136.

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

| | 2023 | 2022 |
|-------------|--------------------|--------------------|
| | \$ | \$ |
| Income | 4,564 | 35,338 |
| Expenses | (4,952,454) | (4,705,474) |
| Loss | (4,947,890) | (4,670,136) |

Dividends

No dividends were paid during the financial year and the directors recommend that no dividend be paid in respect of the year ended 30 June 2023.

Significant Changes in the State of Affairs

Except as referred to above there have not been any significant changes in the state of affairs of the Group during the financial year.

Future Developments

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

Events Subsequent to Reporting Date

On 1 July 2023, 5,750,000 Performance Rights have lapsed.

Subsequent to year end, a total of 83 Convertible Notes with a value of \$830,000 were converted. A total of 38,675,340 shares were issued from the conversion.

On 1 August 2023, the Company completed a placement of 130,000,000 shares at \$0.019 per share to sophisticated and professional investors, raising \$2,470,000. The placement includes a 1 for 1 free attaching listed options (ADDOA) exercisable at \$0.03 per share expiring 31 December 2025. The free attaching options of 130,000,000 were issued on 15 September 2023 following receiving shareholders' approval at a General Meeting held on 14 September 2023.

Post the placement, the Company conducted a 1 for 5 Entitlement Offer on the same terms of the placement to raise up to circa \$2m. The Entitlement Offer was underwritten to \$800,000. In September 2023, the Company completed the Entitlement Offer, raising a total of \$800,000, issuing 42,105,263 shares and 42,105,263 listed options (ADDOA).

GBA Capital acted as Lead Manager to the placement and Underwriter to the Entitlement Offer. GBA Capital was issued 18,000,000 listed options (ADDOA) on 19 September 2023 for the Lead Manager and Underwriter fees.

A total of 45,708 Unlisted Options expiring 22 September 2023 were exercised at \$0.03 per option on 4 September 2023.

On 22 September 2023, 98,279,306 Unlisted Options exercisable at \$0.03 have expired.

Except for the above there have been no matters or circumstances which have arisen since the end of the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Remuneration Report (audited)

The Directors of Adavale Resources Limited present the Remuneration Report prepared in accordance with the Corporations Act 2001 and Corporations Regulations 2001.

The Remuneration Report is set out under the following main headings:

- a. Principles used to determine the nature and amount of remunerations
- b. Details of remuneration
- c. Share based remunerations
- d. Service Agreements
- e. Other Information

(a) Remuneration Policies

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

The compensation structure takes into account:

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

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

At the Annual General Meeting held on 29 November 2022, the shareholders approved the Adavale Incentive Performance Rights Plan. The stated purpose of the Plan is to provide competitive, incentive-based remuneration supporting the retention, incentive and reward functions of that remuneration.

With regard to any directors' retainer and/or remuneration except as referred to above regarding the issue of incentive rights to the then non-executive directors, there is no relationship between remuneration and performance. Remuneration levels are competitively set to attract and retain qualified and experienced directors, executives and staff, and having regard for the overall performance of the Company. Where necessary the Board obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies and industry surveys. No such advice from a remuneration consultant was requested or received in the current year.

Currently the Company does not have a Remuneration Committee, but the Board establishes and monitors remuneration packages and policies. When appointed, the Board establishes and monitors the remuneration for the Executive Director and/or Chief Executive Officer.

Group Performance, Shareholder Wealth and Directors' and Executives' Remuneration

No relationship exists between the Group performance, earnings, shareholder wealth and Directors' and Executive remuneration for this financial period. No remuneration is currently performance related.

Overview of Group Performance

The table below sets out information about the Group's earnings and movements in shareholder wealth for the past five years up to and including the current financial year.

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|-----------------------------------|-------------|-------------|-------------|-----------|-----------|
| NET (LOSS) AFTER TAX | (4,947,890) | (4,670,136) | (2,045,665) | (534,975) | (527,093) |
| SHARE PRICE AT YEAR END (ASX) | 0.026 | 0.021 | 0.092 | 0.012 | 0.009 |
| BASIC (LOSS) PER SHARE (CENTS) | (0.95) | (1.41) | (0.86) | (0.37) | (0.55) |
| TOTAL DIVIDENDS (CENTS PER SHARE) | - | - | - | - | - |

(b) Key Management Personnel remuneration

The remuneration paid or incurred during the year to each director and other key management personnel of the Company is as follows. There are no long-term employee benefits or termination benefits. See below relating to service agreements.

| 2023 Directors | SHORT TERM EMPLOYEE BENEFIT | POST EMPLOYEE BENEFIT | SHARE BASED PAYMENT | Total amount \$ | % PERFORMANCE RELATED |
|--|--|--------------------------------------|------------------------------------|---------------------------|--------------------------------------|
| | Salary & Fees \$ | Super- annuation \$ | Incentives \$ | | |
| Mr Grant Pierce (Non-executive Chairman) | 107,128 | 6,839 | - | 113,967 | - |
| Mr David Riekie (Executive director) | 150,000 | - | - | 150,000 | - |
| Mr John Hicks (Non-executive director) | 52,000 | - | - | 52,000 | - |
| Executives | | | | | |
| Allan Ritchie (Chief Executive Officer) | 132,000 | - | - | 132,000 | - |
| Leonard Math (CFO and Company Secretary) | 60,000 | - | - | 60,000 | - |
| | 501,128 | 6,839 | - | 507,967 | - |

| 2022 Directors | SHORT TERM EMPLOYEE BENEFIT | POST EMPLOYEE BENEFIT | SHARE BASED PAYMENT | Total amount \$ | % PERFORMANCE RELATED |
|--|-----------------------------------|-----------------------------|----------------------------|--------------------|-----------------------------|
| | Salary & Fees \$ | Super- annuation \$ | Incentives (viii) \$ | | |
| Mr Grant Pierce (Non-executive Chairman) | 52,637 | 1,363 | 45,500 | 99,500 | 45.73% |
| Mr David Riekie (Executive director) i. | 90,387 | - | 54,250 | 144,637 | 37.50% |
| Mr John Hicks (Non-executive director) ii. | 41,419 | - | 45,500 | 86,919 | 54.35% |
| Mr Rod Chittenden (Non-executive director) iii. | 11,600 | - | - | 11,600 | - |
| Mr Stergios Georgiadis (Non-executive director) iv. | 6,000 | - | - | 6,000 | - |
| Executives | | | | | |
| Allan Ritchie (Chief Executive Officer) | 54,000 | - | 54,250 | 108,250 | 50.11% |
| Leonard Math (CFO and Company Secretary) v. | 45,000 | - | 27,125 | 72,125 | 37.61% |
| Julian Rockett (Company Secretary) vi. | 9,800 | - | - | 9,800 | - |
| Geoff Brayshaw (Chief Financial Officer) vii. | 9,000 | - | - | 9,000 | - |
| | 319,843 | 1,363 | 226,625 | 547,831 | |

- i. Mr David Riekie was appointed as Non-executive Director on 28 July 2021. He was appointed as Executive Director from 1 January 2022.
- ii. Mr John Hicks was appointed as Non-executive Director on 7 July 2021.
- iii. Mr Rod Chittenden resigned as Non-executive Director on 26 October 2021.
- iv. Mr Stergios Georgiadis resigned as Non-executive Director on 28 July 2021.
- v. Mr Leonard Math was appointed as CFO and Company Secretary on 1 October 2021.
- vi. Mr Julian Rockett resigned as Company Secretary on 8 October 2021.
- vii. Mr Geoff Brayshaw resigned as CFO on 1 October 2021.
- viii. 15,000,000 Performance Rights and 9,000,000 Unlisted Options were issued to Directors and Executives during the financial year. Refer to Note 13 for the valuation of the Performance Rights and Options issued.

(c) Executive Service Agreements

Mr David Riekie was appointed as Executive Director on 1 January 2022 and received an annual remuneration package of \$150,000 per annum through a Consultancy Agreement. The agreement may be terminated without reason by the Group giving 3 months' notice. The Group may otherwise terminate his employment without notice for cause.

Mr Allan Ritchie entered into a Services Agreement to provide Chief Executive Officer services on 31 January 2022 and received an annual remuneration package of \$72,000 per annum. The agreement may be terminated without reason by the Group giving 3 months' notice. The Group may otherwise terminate his employment without notice for cause.

Mr Leonard Math was appointed as Chief Financial Officer and Company Secretary on 1 October 2021 and received an annual remuneration package of \$60,000 per annum through a Consultancy Agreement. The agreement may be terminated without reason by the Group giving 1 month's notice. The Group may otherwise terminate his employment without notice for cause.

(d) Non-Executive Directors

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. In determining competitive remuneration rates, the Board review local and international trends among comparative companies and the industry generally. Typically, the Group will compare non-executive remuneration to companies with similar market capitalisations in the exploration and resource development sector.

(e) Share based compensation

There was no share-based compensation paid during the financial year.

(f) Key Management Personnel Compensation – other transactions

(i) Options provided as remuneration and shares issued on exercise of such options.

Other than disclosed above, no further options were provided as remuneration during the year and no shares were issued on exercise of such options.

(ii) Loans to key management personnel

No loans were made to any director or other key management personnel of the Group, including related parties during the financial year.

(iii) Other transactions with key management personnel

No other transactions with key management personnel occurred during the financial year.

Terms and conditions of related party transactions

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

(g) Securities held by Key Management Personnel

The number of ordinary shares in the Company held during the 2023 reporting period by any of the Key Management Personnel of the Group, including their related parties are set out below.

| PERSONNEL | Balance at start of year | Received as part of director / executive entitlement(i) | Purchased/(sold) during the year | Held at date of resignation | Balance at 30 June 2023 |
|---------------|--------------------------|---|----------------------------------|-----------------------------|-------------------------|
| Grant Pierce | 3,399,658 | 439,595 | 1,112,480 | - | 4,951,733 |
| David Riekie | 2,000,000 | - | 4,040,790 | - | 6,040,790 |
| John Hicks | 1,028,710 | 586,125 | 3,021,452 | - | 4,636,287 |
| | | | | | |
| Allan Ritchie | 11,950,419 | 439,595 | 1,799,999 | - | 14,190,013 |
| Leonard Math | 1,167,121 | - | 194,521 | - | 1,361,642 |
| TOTAL | 19,545,908 | 1,465,315 | 10,169,242 | - | 31,180,465 |

(i) During the year, the Group issued 1,465,315 shares to Key Management Personnel to settle liabilities for unpaid fees of \$40,000.

The number of Performance Rights in the Company held during the 2023 reporting period by any of the Key Management Personnel of the Group, including their related parties are set out below.

| PERSONNEL | Balance at start of year | Received as part of director / executive entitlement | Purchased/(sold) during the year | Held at date of resignation | Balance at 30 June 2023 |
|---------------|--------------------------|--|----------------------------------|-----------------------------|-------------------------|
| Grant Pierce | 3,200,000 | - | - | - | 3,200,000 |
| David Riekie | 3,700,000 | - | - | - | 3,700,000 |
| John Hicks | 3,200,000 | - | - | - | 3,200,000 |
| | | | | | |
| Allan Ritchie | 3,700,000 | - | - | - | 3,700,000 |
| Leonard Math | 2,200,000 | - | - | - | 2,200,000 |
| TOTAL | 16,000,000 | - | - | - | 16,000,000 |

The number of Options in the Company held during the 2023 reporting period by any of the Key Management Personnel of the Group, including their related parties are set out below.

| PERSONNEL | Balance at start of year | Received as part of director / executive entitlement | Purchased/(sold) during the year | Held at date of resignation | Balance at 30 June 2023 |
|---------------|--------------------------|--|----------------------------------|-----------------------------|-------------------------|
| Grant Pierce | 2,000,000 | - | 459,474 | - | 2,459,474 |
| David Riekie | 2,000,000 | - | 1,142,780 | - | 3,142,780 |
| John Hicks | 2,000,000 | - | 1,004,113 | - | 3,004,113 |
| | | | | | |
| Allan Ritchie | 2,000,000 | - | 1,949,167 | - | 3,949,167 |
| Leonard Math | 1,000,000 | - | 201,005 | - | 1,201,005 |
| TOTAL | 9,000,000 | - | 4,756,539 | - | 13,756,539 |

END OF REMUNERATION REPORT

Indemnification of Officers and Auditors

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

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

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

The Company does not indemnify its auditors.

Options

During the financial year, 1,769,666 of options expiring 22 September 2023 were exercised at \$0.03 each.

As at the date of this report, the current outstanding options on issue are:

| | |
|--|-------------|
| Listed Options exercisable at \$0.03 each expiring 31 December 2025 | 268,439,424 |
| Unlisted Options exercisable at \$0.03 each expiring 3 August 2025 | 5,000,000 |
| Unlisted Options exercisable at \$0.15 each expiring 13 January 2025 | 9,000,000 |

Environmental Issues

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

Non-Audit Services

HLB Mann Judd did not provide any non-audit services during the years ended 30 June 2023 or 30 June 2022.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings for which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

Refer to page 24 for the Auditor's Independence Declaration.

Signed in accordance with a resolution of the Directors:



David Riekie
Executive Director
29 September 2023

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Adavale Resources Limited for the year ended 30 June 2023, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
29 September 2023



L Di Giallonardo
Partner

hlb.com.au

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

| | Note | 30 June 2023 \$ | 30 June 2022 \$ |
|---|------|--------------------|--------------------|
| Revenue | | | |
| Gain from foreign exchange | | 4,564 | 35,338 |
| Expenditure | | | |
| Insurance | | (50,914) | (40,927) |
| Share registry fees | | (83,365) | (118,237) |
| Administration, corporate, consultant fees and salaries | | (912,272) | (675,375) |
| Share based payments | 13 | - | (226,625) |
| Legal expenses | | (79,119) | (8,947) |
| Effective interest of convertible notes | 11 | (321,063) | - |
| Net loss on fair value of embedded derivatives | 11 | (226,109) | - |
| Interest expense | | (46,833) | (2,282) |
| Exploration and evaluation expenditure | | (3,205,068) | (3,588,038) |
| Depreciation | 9 | (27,711) | (27,149) |
| Other expenses from ordinary activities | | - | (17,894) |
| Loss before income tax | | (4,947,890) | (4,670,136) |
| Income tax expense | | - | - |
| Loss after income tax | | (4,947,890) | (4,670,136) |
| Other Comprehensive income | | | |
| <i>Items that may be reclassified to profit or loss</i> | | - | - |
| Total comprehensive loss for the year | | (4,947,890) | (4,670,136) |
| Basic and diluted loss per share attributable to the ordinary security holders of the Company (cents per share) | 6 | (1.01) | (1.41) |

These consolidated financial statements should be read with the accompanying notes.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2023**

| | Notes | 30 June 2023 \$ | 30 June 2022 \$ |
|----------------------------------|-------|-----------------------|-----------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 7 | 893,473 | 391,386 |
| Other assets | 8 | 125,115 | 40,802 |
| TOTAL CURRENT ASSETS | | 1,018,588 | 432,188 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 48,318 | 73,549 |
| TOTAL NON-CURRENT ASSETS | | 48,318 | 73,549 |
| TOTAL ASSETS | | 1,066,906 | 505,737 |
| CURRENT LIABILITIES | | | |
| Trade and other creditors | 10 | 191,441 | 294,765 |
| Convertible notes | 11 | 1,936,735 | - |
| TOTAL CURRENT LIABILITIES | | 2,128,176 | 294,765 |
| TOTAL LIABILITIES | | 2,128,176 | 294,765 |
| NET (LIABILITIES)/ASSETS | | (1,061,270) | 210,972 |
| EQUITY | | | |
| Issued capital | 12 | 13,615,292 | 10,529,447 |
| Reserves | 13 | 1,061,548 | 471,745 |
| Accumulated losses | | (15,738,110) | (10,790,220) |
| TOTAL EQUITY | | (1,061,270) | 210,972 |

These consolidated financial statements should be read with the accompanying notes.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

| | Notes | 30 June 2023 \$ | 30 June 2022 \$ |
|--|-----------|-----------------------|-----------------------|
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (1,051,927) | (682,047) |
| Payments for exploration and evaluation expenditure | | (3,296,180) | (3,576,323) |
| Net cash (used in) operating activities | 20 | (4,348,107) | (4,258,370) |
| Cash flow from Investing activities | | | |
| Purchase of property, plant and equipment | | (2,480) | (89,050) |
| Net cash (used in) investing activities | | (2,480) | (89,050) |
| Cash flows from financing activities | | | |
| Proceeds from share issues (net of cost) and exercise of options | | 2,853,317 | 3,280,206 |
| Proceeds from issue of convertible notes | | 2,000,000 | - |
| Interest payment | | (5,208) | - |
| Net cash provided by financing activities | | 4,848,109 | 3,280,206 |
| Net increase / (decrease) in cash and cash equivalents held | | 497,522 | (1,067,214) |
| Cash and cash equivalents at the beginning of the year | | 391,386 | 1,423,263 |
| Foreign exchange differences | | 4,565 | 35,337 |
| Cash and cash equivalents at the end of the year | 7 | 893,473 | 391,386 |

These consolidated financial statements should be read with the accompanying notes.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

| 2023 | 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 year | - | - | (4,947,890) | (4,947,890) |
| <i>Total comprehensive loss for the year</i> | - | - | (4,947,890) | (4,947,890) |
| Net issue of shares | 3,085,845 | - | - | 3,085,845 |
| Share based payments | - | 589,803 | - | 589,803 |
| <i>Balance as at 30 June 2023</i> | 13,615,292 | 1,061,548 | (15,738,110) | (1,061,270) |

| 2022 | 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 year | - | - | (4,670,136) | (4,670,136) |
| <i>Total comprehensive loss for the year</i> | - | - | (4,670,136) | (4,670,136) |
| Net issue of shares | 3,656,566 | - | - | 3,656,566 |
| Share based payments | - | 226,625 | - | 226,625 |
| <i>Balance as at 30 June 2022</i> | 10,529,447 | 471,745 | (10,790,220) | 210,972 |

These consolidated financial statements should be read with the accompanying notes.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

1. REPORTING ENTITY

Adavale Resources Limited (“the Company”) is a for profit company incorporated and domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interest in associates and joint venture entities. The Group is primarily involved in mining exploration in Tanzania and Australia.

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

The financial statements were authorised for issue on 29 September 2023 by the Directors of the Company.

(b) Use of Estimates and Judgements

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

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

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

Share based payments

Significant management estimates have been made by management in valuation of equity instruments issued during the financial year, in particular the issue of options and performance rights. Details of the valuation methodology used for each of these instruments is set out in Note 15 to the financial statements.

(c) Going Concern Basis of Accounting

The Group is at the exploration and evaluation phase of each of its mining tenements. The Group has incurred a loss from continuing operations for the year of \$4,947,890. The Group had a cash outflow from operating activities of \$4,348,107, while over the same period raised an amount of \$4,848,109 cash (net of cash costs) from placement of shares, issue of convertible notes and payment of certain services by way of share issue. At year end, the Group’s cash reserves were \$893,473, plus an undrawn Share Subscription Agreement facility of \$175,000. Current liabilities exceeded current assets by \$1,061,270. 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 the next financial year.

Subsequent to year end, a total of 83 Convertible Notes with a value of \$830,000 were converted. A total of 38,675,340 shares were issued from the conversion. On 1 August 2023, the Company completed a placement of 130,000,000 shares at \$0.019 per share to sophisticated and professional investors, raising \$2,470,000. Post the placement, the Company conducted a 1 for 5 Entitlement Offer on the same terms of the placement to raise up to circa \$2m. The Entitlement Offer is underwritten for \$800,000. In September 2023, the Company completed the Entitlement Offer, raising a total of \$800,000, issuing 42,105,263 shares and 42,105,263 listed options (ADDOA).

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 depending on future capital raisings represents a degree of 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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Material accounting policies adopted in the preparation of this financial report are presented below. The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all entities in the Group unless otherwise stated.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Adavale Resources Limited (the parent entity) as at 30 June 2023 and the results of all controlled entities for the year then ended. Adavale Resources Limited and its controlled entities together are referred to in this financial report as the Group or consolidated entity.

Controlled Entities

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

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

Transactions Eliminated on Consolidation

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

(b) Revenue Recognition

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

Interest Income

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

(c) Goods and Services Tax

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

(d) Foreign Currency Transactions and Balances

Functional and Presentation Currency

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

Transaction and Balances

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

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

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

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

Foreign Operations

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

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

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

(e) Taxation

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

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

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

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

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

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where:

- (a) a legally enforceable right of set-off exists; and

(b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(f) Financial Instruments

Recognition

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

Loans & Receivables

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

Financial Liabilities

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

Fair Value

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

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

(g) Receivables

The collectability of debts is assessed at reporting date and expected provision is made for any expected credit losses.

(h) Payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(i) Cash

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

(j) Earnings per Share

Basic earnings/loss per share:

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

Diluted earnings/loss per share

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

(k) Exploration and Evaluation Assets

The current accounting policy is to expense all exploration expenditure as incurred.

(l) Segment Reporting

The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Adavale Resources Limited.

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

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

(m) Share Based Payments

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant directors become fully entitled to the award (the vesting period).

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

It is measured by fair value of the equity at the grant date. Fair value is measured by the use of a Black Scholes model.

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

(n) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end. Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:

IT equipment – 3 years

Mining equipment – 4 years

(o) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributed to the issue of new shares for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

(p) Convertible Notes

Convertible notes are accounted for as follows:

- Contracts that exhibit the characteristics of equity (ie - they pass the 'fixed for fixed test') are accounted for as equity.
- Contracts that exhibit characteristics of a liability are recognised as a liability in the statement of financial position, net of transaction costs.
- Compound contracts – the embedded derivative is separated from the host contract. The derivative is initially recognised at fair value on the date a derivative contract is entered into and is subsequently remeasured to its fair value at each reporting date. The host contract is accounted for at amortised cost with the effective interest being the difference between the face value of the contract less the embedded derivative. If the contract contains one or more embedded derivatives, the Group may designate the entire contract at fair value through profit or loss.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

(q) Parent Entity Financial Information

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

In the Company's financial statements, investments in controlled entities are carried at the lower of cost and recoverable amount. A list of controlled entities is contained in Note 18 of the financial report.

(r) New and Revised Standards and Interpretations

For the year ended 30 June 2023, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2022.

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

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2023. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2023**

4. AUDITOR'S REMUNERATION

| | Consolidated | |
|--|---------------|---------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Audit and review of financial statements | | |
| Auditors of Adavale Resources Limited – HLB Mann Judd | 39,058 | 30,568 |
| Remuneration for audit and review of financial statements | 39,058 | 30,568 |
| Other services | - | - |
| Total other service remuneration | - | - |
| Total auditor's remuneration | 39,058 | 30,568 |

5. TAXATION

a) Income tax expense

| | | |
|--------------|---|---|
| Current Tax | - | - |
| Deferred Tax | - | - |
| | - | - |

b) Numerical reconciliation of income tax expense to prima facie tax payable

| | | |
|--|-------------|-------------|
| Loss before income tax expense | (4,947,890) | (4,670,136) |
| Prima facie tax benefit at Australian tax rate of 25% (2022: 25%) | (1,236,972) | (1,167,534) |
| <i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i> | | |
| Tax effect on amounts which are not tax deductible | 884,373 | 120,078 |
| Tax effect on other deductible items and non-assessable income | (46,600) | (41,227) |
| Movement in temporary differences | 31,487 | 2,970 |
| Tax effect of deferred tax assets not brought to account | 367,712 | 1,085,713 |
| | - | - |
| Deferred tax assets (liabilities) not brought to account | | |
| Unused tax losses | 15,469,798 | 13,998,947 |
| Future 'blackhole' deductions | 514,116 | 410,570 |
| Other timing differences | 122,082 | 39,382 |
| | 16,105,996 | 14,448,899 |
| Tax at 25% (2022: 25%) | 4,026,499 | 3,612,225 |

The Directors have not recognised a deferred tax asset in respect of losses as they do not believe that the conditions of recognition set out in Note 3(e) have been met. The Directors estimate the carried forward revenue tax losses to be \$15,469,798 (2022: \$13,998,947) which are available to be offset against future taxable income.

In the 2017 and 2020 financial year, the Company has not satisfied the continuity of ownership test. Therefore, in order to be able to obtain the benefit of tax losses carried forward, the Company will need to satisfy the Business Continuity Test.

6. EARNINGS PER SHARE

| Continuing Operations | Consolidated | |
|--|--------------------|--------------------|
| | 2023 \$ | 2022 \$ |
| Loss per share | | |
| - Basic (cents) | (1.01) | (1.41) |
| - Diluted (cents) | (1.01) | (1.41) |
| Loss used in the calculation of basic and diluted EPS from continuing operations | <u>(4,947,890)</u> | <u>(4,670,136)</u> |

Weighted average number of ordinary shares used in the calculation of basic and diluted EPS

| | | |
|-------------------------------------|-------------|-------------|
| - in the calculation of basic EPS | 487,800,687 | 331,957,092 |
| - in the calculation of diluted EPS | 487,800,687 | 331,957,092 |

As the Company reported a loss for the year ended 30 June 2023, options on issue were not included in the calculation of diluted loss per share.

7. CASH AND CASH EQUIVALENTS

| | | |
|--------------------------|----------------|----------------|
| Cash at bank and on hand | <u>893,473</u> | <u>391,386</u> |
|--------------------------|----------------|----------------|

8. OTHER CURRENT ASSETS

| | | |
|-------------|-----------------------|----------------------|
| Prepayments | 21,948 | 22,378 |
| Other | <u>103,167</u> | <u>18,424</u> |
| | <u>125,115</u> | <u>40,802</u> |

9. PROPERTY, PLANT AND EQUIPMENT

| | | |
|---|---------------|---------------|
| Property, plant and equipment – carrying amount | <u>48,318</u> | <u>73,549</u> |
|---|---------------|---------------|

Movement for the year

| | | |
|-------------------------------------|----------------|----------------|
| Beginning of financial year at cost | 103,611 | 35,598 |
| Additions | 2,480 | 68,013 |
| Disposal | - | - |
| End of the financial year at cost | <u>106,091</u> | <u>103,611</u> |

Accumulated Depreciation

Movement for the year

| | | |
|-----------------------------|---------------|---------------|
| Beginning of financial year | 30,062 | 2,913 |
| Depreciation | 27,711 | 27,149 |
| End of the financial year | <u>57,773</u> | <u>30,062</u> |

| | | |
|--|---------------|---------------|
| Carrying amount at the end of the financial year | <u>48,318</u> | <u>73,549</u> |
|--|---------------|---------------|

10. TRADE AND OTHER CREDITORS

| | | |
|------------------------------|-----------------------|-----------------------|
| Trade creditors | 63,084 | 52,600 |
| Other creditors and accruals | <u>128,357</u> | <u>242,165</u> |
| | <u>191,441</u> | <u>294,765</u> |

11. CONVERTIBLE NOTES

| | Consolidated | |
|--|---------------------|-------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Convertible Notes | | |
| Financial Liabilities at amortised cost | 1,229,120 | - |
| Embedded Derivatives at FVTPL | 707,615 | - |
| | 1,936,735 | - |
| Financial Liabilities at amortised cost | | |
| Opening balance | - | - |
| Convertible note proceeds | 2,000,000 | - |
| Transaction costs | 483,907 | - |
| Derivative liability recognised at inception | (481,506) | - |
| Effective interest of host liability | 321,063 | - |
| | 1,299,120 | - |
| Embedded Derivative | | |
| Opening balance | - | - |
| Derivative liability recognised at inception | 481,506 | - |
| Fair value movement | 226,109 | - |
| | 707,615 | - |

On 15 March 2023, the Company secured funding of up to \$2 million (before costs) through the issue of unsecured Convertible Notes. The Convertible Notes were issued to both new and existing groups of sophisticated and professional investors and were issued in two tranches.

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

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

Tranche 1 comprising of \$990,000 (99 Convertible Notes at \$10,000 each) were issued pursuant to the Company's available placement capacity under ASX Listing Rule 7.1. Tranche 1 was completed on 24 March 2023.

The balance of the funding comprising Tranche 2, \$1,010,000 (101 Convertible Notes at \$10,000 each) was completed on 19 May 2023 following receiving shareholder approval at a general meeting.

The Notes have a term of 12 months, with interest payable quarterly at 12% per annum. Noteholders received 32.49708 free attaching options per \$1 subscribed. The Options have an exercise price of \$0.03 each expiring 31 December 2025 ("Options").

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 shares.

Subsequent to year end, a total of 83 (\$830,000) Convertible Notes were converted to Adavale shares.

12. ISSUED CAPITAL

(a) Share capital

| | Consolidated | |
|--|--------------------|-------------------|
| | 2023 | 2022 |
| | \$ | \$ |
| 519,543,000 ordinary fully paid shares (June 2022: 357,327,587) | 13,615,292 | 10,529,447 |
| | <hr/> | |
| | 30 June 2023 | |
| | Number of shares | \$ |
| Movements in share capital during the financial year | | |
| <i>Balance at beginning of the financial year</i> | 357,327,587 | 10,529,447 |
| <i>Issued during the year:</i> | | |
| Placement and Rights Issue at 2 cents per share | 149,600,009 | 2,992,000 |
| Shares issued in lieu of fees | 1,465,315 | 40,000 |
| Exercise of Options at 3 cents per option | 1,769,666 | 53,090 |
| Shares issued to acquire 65% interest in Luhuma Nickel Project | 9,380,423 | 211,060 |
| Option application (5,000,000 at \$0.0001) | - | 50 |
| Share issue cost | - | (111,824) |
| Share issue cost – share based payment | - | (98,531) |
| <i>Balance at end of the financial year</i> | 519,543,000 | 13,615,292 |
| | <hr/> | |
| | 30 June 2022 | |
| | Number of shares | \$ |
| Movements in share capital for the financial year | | |
| <i>Balance at beginning of the financial year</i> | 286,813,995 | 6,872,881 |
| <i>Issued during the year:</i> | | |
| Placement at 5.5 cents per share | 38,000,000 | 2,090,000 |
| Share Purchase Plan at 5.5 cents per share | 24,372,656 | 1,340,500 |
| Shares issued in lieu of fees | 6,362,478 | 308,779 |
| Shares issued in settlement of Stage 1 payment Luhuma Nickel Project | 1,778,458 | 67,581 |
| Share issue cost | - | (150,294) |
| <i>Balance at end of the financial year</i> | 357,327,587 | 10,529,447 |

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share when a poll is called or else one vote each on a show of hands. In the event of a winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

There is no externally imposed capital requirements for the Company.

13. RESERVES

| | Consolidated | |
|--|------------------|---------|
| | 2023 | 2022 |
| | \$ | \$ |
| Share based payments reserve | 1,061,548 | 471,745 |
| | <hr/> | |
| <i>Movement for the year</i> | | |
| Beginning of financial year | 471,745 | 245,120 |
| Share based payments (options – cost of share issue) | 98,531 | 126,000 |
| Share based payments (options – borrowings transaction cost) | 491,272 | - |
| Share based payments (performance rights) | - | 100,625 |
| End of the financial year | 1,061,548 | 471,745 |

Share based payment reserve

Ordinary Performance Rights on issue for the financial year

There were no Performance Rights issued during the financial year.

In previous year, 17,000,000 Performance Rights were granted (15,000,000 to Directors and KMP). The following Performance Rights were granted to Directors, executives and consultant of the Company following shareholders' approval at the 2021 Annual General Meeting held on 17 December 2021:

| Participants | Class A | Class B | Class C | TOTAL |
|---------------------------|-----------|-----------|-----------|-----------|
| Grant Pierce | 1,000,000 | 2,000,000 | 200,000 | 3,200,000 |
| David Riekie | 1,500,000 | 2,000,000 | 200,000 | 3,700,000 |
| John Hicks | 1,000,000 | 2,000,000 | 200,000 | 3,200,000 |
| Executives and consultant | 2,250,000 | 3,250,000 | 1,400,000 | 6,900,000 |

Class A Performance Rights would vest upon the Company achieving and maintaining a share price of \$0.15 or more for a continuous period of 5 trading days on or before 30 June 2023.

Class B Performance Rights will vest upon the Company announcing a Maiden JORC (2012) Inferred Resource of at least 1Mt of Ni at a minimum grade of 1.5% Ni on the Kabanga Jirani Nickel Project on or before 31 December 2023.

Class C Performance Rights will vest upon the Company announcing a Maiden JORC (2012) Inferred Resource of at least 5Mlbs of U₃O₈ at a minimum grade of 300ppm U₃O₈ on the South Australian Uranium Project on or before 31 December 2023.

Share based payments – performance rights expense in previous year

| | Class A | Class B | Class C |
|--|--|---------------------------|---------------------------|
| Number Issued | 5,750,000 | 9,250,000 | 2,000,000 |
| Expiry Date | 30 June 2023 | 31 Dec 2023 | 31 Dec 2023 |
| Grant Date | 17 Dec 2021 | 17 Dec 2021 | 17 Dec 2021 |
| Volatility | 93% | N/A | N/A |
| Risk Free Rate (%) | 0.4549% | N/A | N/A |
| Underlying Fair Value on Grant Date | \$0.0175 | \$0.043 | \$0.043 |
| Total Fair Value (\$) – Life of rights | \$100,625 | \$397,750 | \$86,000 |
| Total Fair Value (\$) – expensed to 30 June 2022 | \$100,625 | Note 1 | Note 1 |
| Method of valuation | Hoadley Barrier Model and Parisian Model | Share price at grant date | Share price at grant date |

Note 1: No amount was expensed in relation to these rights as it was not considered probable that the vesting conditions of these rights would be achieved.

Options issued during the financial year

- (i) On 29 September 2022, 5,000,000 Options exercisable at \$0.03 each expiring 3 August 2025 were issued to Discovery Capital Limited as part of the Lead Manager consideration. The options were issued at a subscription price of \$0.001 per Option.
- (ii) On 15 March 2023, the Company has secured funding of up to \$2 million (before costs) through the issue of unsecured Convertible Notes. The Convertible Notes were issued to both new and existing groups of sophisticated and professional investors and were issued in two tranches.

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

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

Tranche 1 comprising of \$990,000 (99 Convertible Notes at \$10,000 each) was completed on 24 March 2023.

The balance of the funding comprising Tranche 2, \$1,010,000 (101 Convertible Notes at \$10,000 each) was completed on 19 May 2023 following receiving shareholder at a general meeting.

The Notes have a term of 12 months, with interest payable quarterly at 12% per annum. Noteholders received 32.49708 free attaching options per \$1 subscribed. The Options have an exercise price of \$0.03 each expiring 31 December 2025 (“Options”).

GBA Capital acted as Lead Manager to the raising and was issued 13,340,000 options exercisable at \$0.03 each expiring 31 December 2025.

- (iii) During the first half of the year, 49,866,637 free attaching 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 expiring on 22 September 2023. During the year, 1,769,666 of these options were exercised at \$0.03 each.

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.

- (iv) On 22 June 2023, 64,994,160 listed options exercisable at \$0.03 each expiring 31 December 2025 were issued to the Convertible Note holders and 13,340,000 listed options exercisable at \$0.03 each expiring 31 December 2025 to GBA Capital who acted as Lead Manager to the raising.

During the year, the following Options have expired unexercised:

- 15,500,000 Unlisted Options exercisable at \$0.06 expiring 31 December 2022
- 2,000,000 Unlisted Options exercisable at \$0.06 expiring 21 December 2022

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

| | Discovery Options | T1 C. Notes & GBA T1 Options | T2 C. Notes & GBA T2 Options |
|--|-------------------|------------------------------|------------------------------|
| Number Issued | 5,000,000 | 38,775,409 | 39,558,751 |
| Exercise Price | \$0.03 | \$0.03 | \$0.03 |
| Expiry Date | 3 Aug 2025 | 31 Dec 2025 | 31 Dec 2025 |
| Grant Date | 28 Sep 2022 | 24 Mar 2023 | 19 May 2023 |
| Volatility | 108% | 95% | 96% |
| Risk Free Rate (%) | 2.35% | 2.85% | 3.37% |
| Underlying Fair Value on Grant Date | \$0.029 | \$0.0041 | \$0.0084 |
| Total Fair Value (\$) – Life of options | \$98,531 | \$158,979 | \$332,293 |
| Total Fair Value (\$) – expensed to 30 June 23 | \$98,531 | \$158,979 | \$332,293 |

Options Movement

| 2023 | Balance at the beginning of the financial year | Issued during the financial year | Exercised during the financial year | Lapsed during the financial year | Balance at the end of the financial year |
|--|--|----------------------------------|-------------------------------------|----------------------------------|--|
| (i) Option exercisable at \$0.06 expiring 21 December 2022 | 2,000,000 | - | - | (2,000,000) | - |
| (ii) Option exercisable at \$0.06 expiring 31 December 2022 | 15,500,000 | - | - | (15,500,000) | - |
| (iii) Option exercisable at \$0.15 expiring 13 January 2025 | 9,000,000 | - | - | - | 9,000,000 |
| (iv) Option exercisable at \$0.03 expiring 22 September 2023 | - | 100,094,680 | (1,769,666) | - | 98,325,014 |
| (v) Option exercisable at \$0.03 expiring 3 August 2025 | - | 5,000,000 | - | - | 5,000,000 |
| (vi) Option exercisable at \$0.03 expiring 31 December 2025 | - | 78,334,160 | - | - | 78,334,160 |
| | 26,500,000 | 183,428,840 | (1,769,666) | (17,500,000) | 190,659,174 |

| 2022 | Balance at the beginning of the financial year | Issued during the financial year | Exercised during the financial year | Lapsed during the financial year | Balance at the end of the financial year |
|---|---|---|--|---|---|
| (i) Option exercisable at \$0.06 expiring 21 December 2022 | 2,000,000 | - | - | - | 2,000,000 |
| (ii) Option exercisable at \$0.06 expiring 31 December 2022 | 15,500,000 | - | - | - | 15,500,000 |
| (iii) Option exercisable at \$0.15 expiring 13 January 2025 | - | 9,000,000 | - | - | 9,000,000 |
| | 17,500,000 | 9,000,000 | - | - | 26,500,000 |

In the previous year, 9,000,000 Options exercisable at \$0.15 each expiring 13 January 2025 were granted to Directors and Executives of the Company following shareholders' approval at the 2021 Annual General Meeting held on 17 December 2021.

| Participants | Options |
|---------------------|------------------|
| Grant Pierce | 2,000,000 |
| David Riekie | 2,000,000 |
| John Hicks | 2,000,000 |
| Executives | 3,000,000 |
| TOTAL | 9,000,000 |

Share based payments – options expensed in previous year

| | Options |
|--|------------------|
| Number Issued | 9,000,000 |
| Exercise Price | \$0.15 |
| Expiry Date | 13 January 2025 |
| Grant Date | 17 December 2021 |
| Volatility | 93% |
| Risk Free Rate (%) | 0.4549% |
| Underlying Fair Value on Grant Date | \$0.014 |
| Total Fair Value (\$) – Life of options | \$126,000 |
| Total Fair Value (\$) – expensed to 30 June 2022 | \$126,000 |

Share Based Payments Reserve

Share based payments reserve represents the value of options and performance rights issued to KMP and other parties.

14. DIVIDENDS

The Directors do not recommend a dividend for the year ended 30 June 2023. No dividend was paid for the year ended 30 June 2023.

15. FINANCIAL INSTRUMENTS

Financial Risk Management

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

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

(a) Interest Rate Risk

The Group is not exposed to interest rate fluctuations as presently there are no interest bearing loans.

Interest Rate Risk Exposures

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

| | Weighted Average Fixed Interest Rate | Floating Interest Rate | Fixed interest maturing in: | | | Non- Interest Bearing | Total |
|------------------------------|---|---------------------------------------|------------------------------------|-------------------------|----------------------------------|--------------------------------------|------------------|
| | | | 1 year or less | 1 to 5 years | more than 5 years | | |
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| 2023 | | | | | | | |
| Financial Assets | | | | | | | |
| Cash and cash equivalents | 0% | 893,473 | - | - | - | - | 893,473 |
| Receivables | | - | - | - | - | 125,115 | 125,115 |
| | | 893,473 | - | - | - | 125,115 | 1,018,588 |
| Financial Liabilities | | | | | | | |
| Trade and other payables | | - | - | - | - | 191,441 | 191,441 |
| Borrowings | 12% | - | 1,936,735 | - | - | - | 1,936,735 |
| | | - | 1,936,735 | - | - | 191,441 | 2,128,176 |
| 2022 | | | | | | | |
| Financial Assets | | | | | | | |
| Cash and cash equivalents | 0% | 391,386 | - | - | - | - | 391,386 |
| Receivables | | - | - | - | - | 40,802 | 40,802 |
| | | 391,386 | - | - | - | 40,802 | 432,188 |
| Financial Liabilities | | | | | | | |
| Trade and other payables | | - | - | - | - | 294,765 | 294,765 |
| | | - | - | - | - | 294,765 | 294,765 |

Interest Rate Sensitivity Analysis

As there are no present floating interest rate, interest-bearing loans, and previous loan interest rates were fixed there is no sensitivity to changes in interest rate.

(b) Fair Values of Financial Assets and Liabilities

Valuation Approach

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

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

The valuation of the Convertible Notes are classified as level 3 in the fair value hierarchy.

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

(c) Unrecognised Financial Instruments

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

(d) Foreign Currency Risk

Foreign exchange risk arises from future commitments and recognised assets and liabilities that are denominated in a currency that is not the functional currency of the Group. The Australian dollar is the reporting currency for the Group and the functional currency for the parent company; however during the financial year, the Group currently held foreign currency in US dollars and Tanzanian schillings. The Group also makes certain payments in US\$ and Tanzanian schillings in Tanzania. Based on the above the impact of any change in foreign exchange rates is not material.

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

| | 30 June 2023 | | 30 June 2022 | |
|----------------------|--------------|-------------------|--------------|-------------------|
| | Assets \$ | Liabilities \$ | Assets \$ | Liabilities \$ |
| United States dollar | 334,889 | 5,298 | 115,857 | 206,985 |
| Tanzanian schillings | 25,143 | - | 29,285 | - |

(e) Credit Risk Exposure

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

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

(f) Liquidity Risk

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

Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flow. The Group's cash reserves of \$893,473 as at 30 June 2023 (2022: \$391,386) and subsequent successful capital raisings post 30 June 2023 will meet liquidity requirements. Liquidity is also complemented by the 5 year Standby Subscription Agreement entered into in April 2020 for an amount of \$250,000, with an undrawn capacity of \$175,000 at 30 June 2023.

As at 30 June 2023 the Group's non-derivative financial liabilities have contractual maturities as summarised below:

| | Current | | Non-current | |
|--------------------------|-----------------|------------------|--------------|--------------------|
| | Within 6 months | 6 to 12 months | 1 to 5 years | Later than 5 years |
| 30 June 2023 | | | | |
| Trade and other payables | 191,441 | - | - | - |
| Convertible Notes | - | 1,936,735 | - | - |
| TOTAL | 191,441 | 1,936,735 | - | - |

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

| | Current | | Non-current | |
|--------------------------|-----------------|----------------|--------------|--------------------|
| | Within 6 months | 6 to 12 months | 1 to 5 years | Later than 5 years |
| 30 June 2022 | | | | |
| Trade and other payables | 294,765 | - | - | - |
| TOTAL | 294,765 | - | - | - |

(g) Capital Risk Management

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

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

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

16. COMMITMENTS

| | Consolidated | |
|--|------------------|------------------|
| | 2023 \$ | 2022 \$ |
| Exploration lease commitments | | |
| Minimum expenditure commitments on exploration licences | | |
| Committed but not provided for and payable: | | |
| Within one year | 1,035,841 | 1,404,284 |
| One year or later and no later than for five years | 560,000 | 160,000 |
| | <u>1,595,841</u> | <u>1,564,284</u> |

Minimum expenditure commitments include rental and exploration commitments to date of expiry of current Licence term. This includes both Licences at Lake Surprise Uranium Project and Kabanga and Luhuma Nickel Projects in Tanzania.

17. 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 "Corporate".

The segment reporting is detailed below:

| | Mineral Exploration \$ Australia | Mineral Exploration \$ Africa | Corporate \$ | Total \$ |
|----------------------------------|---|--|--------------------|--------------------|
| Year ended 30 June 2023 | | | | |
| Income | | | | |
| Other income | - | 3,791 | 773 | 4,564 |
| Total Segment Income | - | 3,791 | 773 | 4,564 |
| Segment Result | | | | |
| (Loss) before income tax | (187,404) | (3,017,701) | (1,742,785) | (4,947,890) |
| Net (Loss) | (187,404) | (3,017,701) | (1,742,785) | (4,947,890) |
| Total Segment Assets | - | 379,920 | 686,986 | 1,066,906 |
| Total Segment Liabilities | (1,840) | (51,446) | (2,074,890) | (2,128,176) |
| Year ended 30 June 2022 | | | | |
| Income | | | | |
| Other income | - | 30,773 | 4,565 | 35,338 |
| Total Segment Income | - | 30,773 | 4,565 | 35,338 |
| Segment Result | | | | |
| (Loss) before income tax | (81,970) | (3,476,576) | (1,111,590) | (4,670,136) |
| Net (Loss) | (81,970) | (3,476,576) | (1,111,590) | (4,670,136) |
| Total Segment Assets | - | 166,599 | 339,138 | 505,737 |
| Total Segment Liabilities | - | - | (294,765) | (294,765) |

18. CONTROLLED ENTITIES

Particulars in relation to controlled entities

| | Ordinary Shares Interest | |
|------------------------------------|-----------------------------|-----------|
| | 2023 % | 2022 % |
| Company: | | |
| Adavale Resources Limited | | |
| Controlled Entities: | | |
| Adavale Minerals Pty Ltd | 100 | 100 |
| Adavale Resources Tanzania Limited | 100 | 100 |
| Adavale Africa Pty Ltd | 100 | 100 |
| Adavale Burundi Pty Ltd | 100 | - |
| Adavale Resources Burundi | 100 | - |

Adavale Minerals Pty Ltd and Adavale Africa Pty Ltd are incorporated in Australia and are wholly owned subsidiaries of Adavale Resources Ltd. Adavale Resources Tanzania Limited is incorporated in Tanzania and is a wholly owned subsidiary of Adavale Africa Pty Ltd. Adavale Resources Burundi is incorporated in Burundi and is a wholly owned subsidiary of Adavale Burundi Pty Ltd.

19. CONTINGENCIES

The Company executed a binding farm-in agreement for two licences PL11692/2021 and PL11693/2021 (Luhuma Nickel Project) with significant nickel sulphide exploration potential.

The Farm-In Agreement is structured as an option, but is in the nature of a farm-in and has four stages as per below, payable per licence:

Stage 1: Adavale has the immediate and exclusive right to explore and evaluate the licences for 12 months upon payment of US\$12.5k cash - and US\$25k worth of Adavale shares. During the first 12 months Adavale must spend at least the minimum exploration expenditure as required by the Mining Commission which is US\$500 per annum per square kilometre across the 98.89km².

In February 2022, the Company completed the Stage 1 payment including issuing 1,778,458 fully paid ordinary shares in accordance with the agreement.

Stage 2: If Adavale is satisfied with the exploration results and prospectivity of the licences then on or before the 1st year anniversary Adavale has the right to earn-in 65% ownership of the licences upon paying the vendor US\$25k cash and US\$75k worth of Adavale shares. Adavale must continue to spend at least the minimum annual exploration expenditure of US\$500 per square kilometre.

In February 2023, the Company completed the Stage 2 payment including issuing 9,380,423 fully paid ordinary shares in accordance with the agreement, earning 65% interest in the Luhuma Nickel Project.

Stage 3: If Adavale continues to be satisfied with the exploration results and prospectivity of the licences then on or before the 2nd year anniversary Adavale has the right to earn-in 80% ownership of the licences upon paying the vendor US\$50k cash and US\$112.5k worth of Adavale shares. Adavale must continue to spend at least the minimum annual exploration expenditure of \$500 per square kilometre.

Stage 4: If Adavale continues to be satisfied with the exploration results and prospectivity of the licences and has earned in and acquired a total 80% ownership, then Adavale has the right of first refusal to match any independent bona fide arm's length third party offer to buy out the remaining 20% participating interest in the licences held by the licence holder on or before the 3rd year anniversary from the Effective Date (being the 3rd business day after the conditions precedent have been satisfied). If the licence holder wishes to sell the 20% participating interest in the licence during this period, he must also give notice to Adavale and set out the terms on which he proposes to sell and the parties shall use best endeavours to negotiate agreeable terms.

On estimation of an economic Ore Reserve pursuant to the JORC Code within the Prospecting Licences, Adavale shall use its best endeavors to convert the Prospecting Licences to Mining Licenses. Should an operational mine come into production from such Mining Licenses, the Vendor shall receive a Net Smelter Return of 1.5% from the sale of minerals produced at the mine paid on a monthly basis.

20. NOTES TO THE STATEMENT OF CASH FLOWS

| | Consolidated | |
|--|--------------------|--------------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Cash at bank (Note 7) | 893,473 | 391,386 |
| Reconciliation of the operating loss after tax to the net cash flow from operations | | |
| (Loss) after income tax | (4,947,890) | (4,670,136) |
| Add (less) non-cash items: | | |
| Share based payments (incentive rights) | | 226,625 |
| Depreciation | 27,711 | 27,149 |
| Other non-cash items | (4,564) | 5,276 |
| Interest compounded | 46,833 | - |
| Finance costs | 321,063 | - |
| Net fair value loss – embedded derivatives | 226,109 | - |
| Shares issued in lieu of exploration expenditure | 211,060 | 308,779 |
| | (4,119,678) | (4,102,307) |
| Changes in assets and liabilities: | | |
| (Increase)/decrease in receivables | (84,315) | 24,002 |
| (Decrease) in trade creditors and accruals | (144,114) | (180,065) |
| Net cash (used in) operating activities | (4,348,107) | (4,258,370) |

Changes in liabilities arising from financing activities

| | | |
|---|------------------|---|
| Opening balance | - | - |
| Financial Liabilities at amortised cost | 1,229,120 | - |
| Embedded Derivatives at FVTPL | 707,615 | - |
| Closing balance | 1,936,735 | - |

21. KEY MANAGEMENT PERSONNEL REMUNERATION

The table below sets out Key Management Personnel remuneration during the year.

| | Consolidated | |
|------------------------------|----------------|----------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Short-term employee benefits | 507,967 | 321,206 |
| Share based payments | - | 226,625 |
| | 507,967 | 547,831 |

During the year, the Group issued 1,465,315 shares to Key Management Personnel to settle liabilities for unpaid fees of \$40,000.

Details of payments to directors and key management personnel is set out in the Remuneration Report section of the Directors' Report. The detail related to share based payments is set out in Note 22 below.

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

22. RELATED PARTY TRANSACTION – PERFORMANCE RIGHTS AND OPTIONS

There were no Performance Rights and options issued to Directors and key management personnel during the financial year.

In previous years and as approved by shareholders as the Company's Annual General Meeting held on 17 December 2021, the Directors, key management personnel and a consultant were issued the following Performance Rights and Options as an incentive to attract and ensure continuity of service of the related parties as well as remuneration. The Performance Rights have been issued under the Company's Securities Plan with the following vesting conditions.

| Participants | Class A | Class B | Class C | TOTAL |
|---------------------------|-----------|-----------|-----------|-----------|
| Grant Pierce | 1,000,000 | 2,000,000 | 200,000 | 3,200,000 |
| David Riekie | 1,500,000 | 2,000,000 | 200,000 | 3,700,000 |
| John Hicks | 1,000,000 | 2,000,000 | 200,000 | 3,200,000 |
| Executives and consultant | 2,250,000 | 3,250,000 | 1,400,000 | 6,900,000 |

Class A Performance Rights would vest upon the Company achieving and maintaining a share price of \$0.15 or more for a continuous period of 5 trading days on or before 30 June 2023.

Class B Performance Rights will vest upon the Company announcing a Maiden JORC (2012) Inferred Resource of at least 1Mt of Ni at a minimum grade of 1.5% Ni on the Kabanga Jirani Nickel Project on or before 31 December 2023.

Class C Performance Rights will vest upon the Company announcing a Maiden JORC (2012) Inferred Resource of at least 5Mlbs of U₃O₈ at a minimum grade of 300ppm U₃O₈ on the South Australian Uranium Project on or before 31 December 2023.

The fair value of the Performance Rights is disclosed in note 13.

In addition to the performance rights, in the previous year, the Directors and key management personnel were issued 9,000,000 options with an exercise price of \$0.15 per option expiring 13 January 2025. The fair value of the 9,000,000 options issued is disclosed in note 13.

| Participants | Options |
|--------------|------------------|
| Grant Pierce | 2,000,000 |
| David Riekie | 2,000,000 |
| John Hicks | 2,000,000 |
| Executives | 3,000,000 |
| TOTAL | 9,000,000 |

23. EVENTS SUBSEQUENT TO REPORTING DATE

On 1 July 2023, 5,750,000 Performance Rights have lapsed.

Subsequent to year end, a total of 83 Convertible Notes with a value of \$830,000 were converted. A total of 38,675,340 shares were issued from the conversion.

On 1 August 2023, the Company completed a placement of 130,000,000 shares at \$0.019 per share to sophisticated and professional investors, raising \$2,470,000. The placement includes a 1 for 1 free attaching listed options (ADDOA) exercisable at \$0.03 per share expiring 31 December 2025. The free attaching options of 130,000,000 were issued on 15 September 2023 following receiving shareholders' approval at a General Meeting held on 14 September 2023.

Post the placement, the Company conducted a 1 for 5 Entitlement Offer on the same terms of the placement to raise up to circa \$2m. The Entitlement Offer was underwritten to \$800,000. In September 2023, the Company completed the Entitlement Offer, raising a total of \$800,000, issuing 42,105,263 shares and 42,105,263 listed options (ADDOA).

GBA Capital acted as Lead Manager to the placement and Underwriter to the Entitlement Offer. GBA Capital was issued 18,000,000 listed options (ADDOA) on 19 September 2023 for the Lead Manager and Underwriter fees.

A total of 45,708 Unlisted Options expiring 22 September 2023 were exercised at \$0.03 per option on 4 September 2023.

On 22 September 2023, 98,279,306 Unlisted Options exercisable at \$0.03 have expired.

Except for the above there have been no matters or circumstances which have arisen since the end of the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

24. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

| | 2023 | 2022 |
|---|---------------------------|---------------------------|
| | \$ | \$ |
| Statement of financial position | | |
| Current Assets | 658,005 | 338,588 |
| Non-current Assets | 28,981 | 43,717 |
| Total Assets | <u>686,986</u> | <u>382,305</u> |
| Current Liabilities | 2,122,878 | 96,422 |
| Non-Current Liability | - | - |
| Total Liabilities | <u>2,122,878</u> | <u>96,422</u> |
| Net Assets | <u>(1,435,892)</u> | <u>285,883</u> |
| Equity | 13,615,292 | 10,529,447 |
| Share based payment reserve | 1,061,548 | 471,745 |
| Accumulated Losses | <u>(16,112,732)</u> | <u>(10,715,309)</u> |
| | <u>(1,435,892)</u> | <u>285,883</u> |
| Statement of profit or loss and other Comprehensive Income | | |
| Total (loss) | <u>(5,397,423)</u> | <u>(5,413,506)</u> |
| Total comprehensive (loss) | <u>(5,397,423)</u> | <u>(5,413,506)</u> |

(b) Commitments

The parent entity did not have any contractual commitments or contingencies as at 30 June 2023.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

**DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2023**

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 25 to 49 are in accordance with the Corporations Act 2001 including:
 - (a) complying with Australian Accounting Standards, the Corporations Regulations 2001 professional reporting requirements and other mandatory requirements, and
 - (b) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year ended on that date;
2. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. Note 2 confirms that the consolidated financial statements also comply with International Financial Statements.
4. This declaration has been made after receiving declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2023.

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

On behalf of the Directors



David Riekie
Executive Director
Date: 29 September 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of Adavale Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Adavale Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2(c) in the 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 opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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Liability limited by a scheme approved under Professional Standards Legislation.

| Key Audit Matter | How our audit addressed the key audit matter |
|---|--|
| <p>Convertible notes Refer to note 11 in the financial report</p> | |
| <p>The Group has secured funding of \$2 million (before costs) through the issue of unsecured convertible notes.</p> <p>As the notes contain a conversion feature which fails the 'fixed for fixed' criteria in AASB 132, the conversion feature is treated as a financial liability.</p> <p>The convertible notes were valued by an independent party who has adopted the approach of valuing the convertible notes in their entirety which is permitted under AASB 9.</p> <p>Our audit focussed on the Group's treatment and valuation of the convertible notes, as this is one of the most significant transactions of the Group during the financial year. We planned our work to address the audit risk that the valuation of, and accounting for, the convertible notes may not have been carried out properly.</p> | <p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> - We obtained an understanding of the key processes associated with management's review of the convertible note agreements; - We considered and reviewed the expert's valuation of the convertible notes; - We reviewed the convertible note agreements in place; - We obtained loan confirmations for all material convertible notes; - We reviewed the accounting treatment against the requirements of AASB 9 <i>Financial Instruments</i>; - We verified the amounts received from note holders to bank statements; - We enquired with management, reviewed ASX announcements and minutes of Directors' meetings to ensure that no convertible notes were converted before the end of the financial period; and - We examined the disclosures made in the financial report. |

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Adavale Resources Limited for the year ended 30 June 2023 complies with Section 300A of the *Corporations Act 2001*.

Responsibilities

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
29 September 2023



L Di Giallonardo
Partner

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

**ADDITIONAL SHAREHOLDER INFORMATION
FOR THE YEAR ENDED 30 JUNE 2023**

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

1. SHAREHOLDER INFORMATION

(a) Distribution of holders at 28 September 2023

| | Number of holders | Fully paid ordinary shares |
|------------------|-------------------|----------------------------|
| Distribution is: | | |
| 1 – 1,000 | 399 | 87,134 |
| 1,001 – 5,000 | 224 | 554,155 |
| 5,001 – 10,000 | 154 | 1,194,416 |
| 10,001 – 100,000 | 912 | 41,940,372 |
| 100,001 and Over | 801 | 686,593,235 |
| | 2,490 | 730,369,312 |

(b) Less than marketable parcels of ordinary shares

There are 1,202 shareholders with unmarketable parcels totalling 11,199,626 shares.

(c) Voting rights

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

(d) Substantial shareholders (as at 28 September 2022)

There are no substantial shareholders as at the above date.

| Shareholder | Number of shares | % |
|-------------|------------------|---|
| NIL | | |

(e) Distribution of Listed Option holders (ADDOA) exercisable at \$0.03 expiring 31 December 2025 at 28 September 2023

| | Number of holders | Listed Options |
|------------------|-------------------|--------------------|
| Distribution is: | | |
| 1 – 1,000 | 6 | 2,279 |
| 1,001 – 5,000 | 10 | 30,355 |
| 5,001 – 10,000 | 14 | 103,682 |
| 10,001 – 100,000 | 74 | 2,768,980 |
| 100,001 and Over | 156 | 265,534,128 |
| | 260 | 268,439,424 |

(f) Shareholders

The twenty largest shareholders hold 26% of the total issued ordinary shares in the Company as at 28 September 2023 are as follows:

| RANK | NAME | NUMBER OF SHARES | % OF SHARES ISSUED |
|---|--|-----------------------------|-----------------------------------|
| 1 | MR PETER ANDREW PROKSA | 18,000,000 | 2.46 |
| 2 | CITICORP NOMINEES PTY LIMITED | 16,026,125 | 2.19 |
| 3 | LKC TECHNOLOGY PTY LTD <LKC TECHNOLOGY P/L S/F A/C> | 15,708,967 | 2.15 |
| 4 | MARK LA STARZA SUPERANNUATION FUND PTY LTD <MARK LA STARZA SMSF A/C> | 13,700,000 | 1.88 |
| 5 | RAAR CAPITAL GROUP PTY LTD | 10,513,650 | 1.44 |
| 6 | ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C> | 10,405,568 | 1.42 |
| 7 | PYNMIST PTY LIMITED <THE S MARSHALL FAMILY A/C> | 9,616,573 | 1.32 |
| 8 | MR ALLY MBARAK NAHDI | 9,380,423 | 1.28 |
| 9 | VINDICATION PTY LTD <MARSHALL&ASSOCIATES S/F A/C> | 9,372,446 | 1.28 |
| 10 | SIDNEY SECURITIES PTY LTD <J MARSHALL A/C> | 8,925,000 | 1.22 |
| 11 | MRS AIBAO GONG | 8,591,441 | 1.18 |
| 12 | MR MARK FRANK LA STARZA | 7,925,085 | 1.09 |
| 13 | MR DAVID JOHN PFEIFFER <PFEIFFER FAMILY A/C> | 7,856,771 | 1.08 |
| 14 | MGL CORP PTY LTD | 7,571,913 | 1.04 |
| 15 | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 6,975,703 | 0.96 |
| 16 | KELANCO PTY LTD <THE KELANCO SUPER FUND A/C> | 6,850,000 | 0.94 |
| 17 | TEMPLETON WHOLESALE PTY LTD | 5,867,892 | 0.80 |
| 18 | MR GRANT STANLEY PIERCE | 5,715,436 | 0.78 |
| 19 | TJ CAREY NOMINEES PTY LTD <TERRY CAREY FAMILY A/C> | 5,563,797 | 0.76 |
| 20 | KOVI G INVESTMENTS PTY LTD <KOVI GORDON FAMILY A/C> | 5,357,286 | 0.73 |
| Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total) | | 189,924,076 | 26.00 |
| Total Remaining Holders Balance | | 540,445,236 | 74.00 |

(g) Restricted Securities

There are no shares subject of any mandatory restrictions.

(h) On-Market Buy-Backs

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

(i) **Listed Option holders (ADDOA)**

The twenty largest listed option holders (ADDOA) in the Company as at 28 September 2023 are as follows:

| RANK | NAME | NUMBER OF OPTIONS | % OF OPTIONS ISSUED |
|--|---|------------------------------|------------------------------------|
| 1 | MS CHUNYAN NIU | 31,672,576 | 11.80 |
| 2 | ALBURY CAPITAL PTY LTD | 25,862,763 | 9.63 |
| 3 | GAZUMP RESOURCES PTY LTD | 8,500,000 | 3.17 |
| 4 | M & K KORKIDAS PTY LTD <M & K KORKIDAS PTY LTD A/C> | 8,075,000 | 3.01 |
| 5 | KOVI G INVESTMENTS PTY LTD <KOVI GORDON FAMILY A/C> | 7,369,658 | 2.75 |
| 6 | MGL CORP PTY LTD | 5,480,000 | 2.04 |
| 7 | GOFFACAN PTY LTD | 5,475,088 | 2.04 |
| 8 | METAL TIGER PLC | 5,210,527 | 1.94 |
| 9 | PYNMIST PTY LIMITED <THE S MARSHALL FAMILY A/C> | 5,049,994 | 1.88 |
| 10 | MR SIMON WILLIAM TRITTON <INVESTMENT A/C> | 4,570,251 | 1.70 |
| 11 | RIYA INVESTMENTS PTY LTD | 4,422,744 | 1.65 |
| 12 | ROTHERWOOD ENTERPRISES PTY LTD | 4,281,596 | 1.59 |
| 13 | SIDNEY SECURITIES PTY LTD <J MARSHALL A/C> | 4,250,000 | 1.58 |
| 14 | VINDICATION PTY LTD <MARSHALL&ASSOCIATES S/F A/C> | 4,250,000 | 1.58 |
| 15 | MR EDWIN EDWARD BULSECO + MRS ALLISON BULSECO <KC BULSECO FAMILY A/C> | 3,450,980 | 1.29 |
| 16 | MR ALEXANDER MICHAEL LEWIT | 3,157,895 | 1.18 |
| 17 | MR ANDREW JOHN WHITTAKER | 3,100,000 | 1.15 |
| 18 | PAUL THOMSON FURNITURE PTY LTD <THOMSON S/F A/C> | 2,957,142 | 1.10 |
| 19 | SABA NOMINEES PTY LTD <SABA A/C> | 2,700,469 | 1.01 |
| 20 | ALISSA BELLA PTY LTD <THE C&A TASSONE SF NO 2 A/C> | 2,631,580 | 0.98 |
| Totals: Top 20 holders of ADDOA | | 142,468,263 | 53.07 |
| Total Remaining Holders Balance | | 125,971,161 | 46.93 |

(j) **Unquoted Equity Securities**

The Company has no unquoted fully paid ordinary shares on issue as at 28 September 2023.

The Company has 117 Convertible Notes at a face value of \$10,000 per note as at 28 September 2023.

The Company has the following unquoted securities on issue as at 28 September 2023:

ADDAAE: Option exercisable at \$0.03 expiring 3 August 2025

| | Number of holders | ADDAAE |
|------------------|--------------------------|------------------|
| Distribution is: | | |
| 1 – 1,000 | - | - |
| 1,001 – 5,000 | - | - |
| 5,001 – 10,000 | - | - |
| 10,001 – 100,000 | - | - |
| 100,001 and Over | 1 | 5,000,000 |
| | 1 | 5,000,000 |

ADDAAA: Option exercisable at \$0.15 expiring 13 January 2025

| | Number of holders | ADDAAE |
|------------------|-------------------|------------------|
| Distribution is: | | |
| 1 – 1,000 | - | - |
| 1,001 – 5,000 | - | - |
| 5,001 – 10,000 | - | - |
| 10,001 – 100,000 | - | - |
| 100,001 and Over | 5 | 9,000,000 |
| | 5 | 9,000,000 |

ADDAAB: Performance Rights

| | Number of holders | ADDAAE |
|------------------|-------------------|-------------------|
| Distribution is: | | |
| 1 – 1,000 | - | - |
| 1,001 – 5,000 | - | - |
| 5,001 – 10,000 | - | - |
| 10,001 – 100,000 | - | - |
| 100,001 and Over | 6 | 11,250,000 |
| | 6 | 11,250,000 |

QUOTATION

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

Schedule of Mining Tenements and Beneficial Interests

| Project/Location | Country | Tenement | Percentage held/earning |
|--|-----------|------------------------------------|-------------------------|
| Kabanga Jirani Nickel Project | Tanzania | Kabanga West (PL11590/2021) | 100% |
| | | Kabanga North (PL 11405/2020) | 100% |
| | | Kabanga North East (PL 11406/2020) | 100% |
| | | Kabanga South East (PL 18602/2021) | 100% |
| | | Kabanga East (PL 11591/2021) | 100% |
| | | Ruiza NE (PL 11539/2021) | 100% |
| | | Burigi Block (PL11538/2021) | 100% |
| | | Burigi North (PL11537/2021) | 100% |
| | | Kabanga South East (PL11886/2022) | 100% |
| | | Southeast Wedge (PL12175/2023) | 100% |
| Luhuma Central (PL12350/2023) | 100% | | |
| Luhuma Nickel Project | Tanzania | PL11692 | 65% |
| | | PL11693 | 65% |
| The Company entered into a Farm-In Agreement to earn up to 100% of the Luhuma Nickel Project. The Company currently has achieved a 65% interest in the project on 8 February 2023. | | | |
| Nachingwea Prospect | Tanzania | PL11887/2022 | 100% |
| Lake Surprise Uranium Project | Australia | EL 5892 | 100% |
| | | EL 5893 | 100% |
| | | EL 6598 | 100% |
| | | EL 6821 | 100% |



ASX: **ADD**
ADAVALERESOURCES.COM