

24 October 2023



Quarterly Activities Report September 2023

NICKEL EXPLORATION

- All five diamond drillholes at Luhuma Central intercepted nickel sulphides
- Key assay results received
 - DDLUHC001 4.13M @1.03% Ni, 0.14% Cu &0.17% Co
 - DDLUHC003 7.55m @ 0.96% Ni, 0.12% Cu & 0.18% Co
 - DDLUHC004 1.12m @ 1.34% Ni, 0.15% Cu & 0.14% Co
 - DDLUHC004 7.50m @ 0.42% Ni, 0.11% Cu & 0.06% Co
- Fifth hole intersected significant medium to coarse-grained sulphides 5 to 7% over 327.7m downhole

URANIUM EXPLORATION

- Application submitted for new 591km² Mundowdna South Uranium Exploration Licence

CORPORATE

- The Company secured a total of \$2.47m via a Placement to sophisticated and professional investors and a further \$800,000 through an Entitlement Offer

Adavale Resources Limited (ASX: ADD) (ADD or the Company) is pleased to report on its activities for the quarter ended 30 September 2023.

Adavale's Executive Director, Mr David Riekie commented:

"This quarter has generated a milestone event for the Company with all five of our holes returning zones of nickel sulphides.

These encouraging results also add to our understanding of Luhuma Central and its potential as we gain better knowledge around the grade distribution that we are seeing, particularly to the south west.

The results of our exploration have given us the momentum to push forward with drilling to the end of the year which will be a mix of RC and DD at Luhuma and HEM 4. We look to build on these outcomes.

ASX: ADD

DIRECTORS & OFFICERS

GRANT PIERCE
CHAIRMAN

DAVID RIEKIE
EXECUTIVE DIRECTOR

JOHN HICKS
DIRECTOR

ALLAN RITCHIE
CHIEF EXECUTIVE OFFICER

LEONARD MATH
CFO & COMPANY SECRETARY

ABOUT ADAVALE

Adavale Resources is an ASX-listed exploration company targeting projects in the 'battery materials' space. The company is currently focused on both its 100% owned Kabanga Jirani Nickel Project and 2 Farm-in 'Luhuma' licences adjacent and along strike from the world's largest undeveloped high grade NiS resource of 58Mt @ 2.62% Ni. Adavale is also progressing exploration on its 100% owned uranium tenements in South Australia



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In addition, with a strengthening uranium price and positive market sentiment, we are seeing increased interest and opportunity with our significant and strategic South Australian uranium portfolio.”

NICKEL EXPLORATION

Kabanga Jirani Nickel Project and Luhuma Nickel Project (Tanzania)

Luhuma Central (100% owned)

Luhuma Central (PL12350/2023) is fully enclosed within Prospecting Licence PL11692/2021 of which Adavale has to date earned a majority interest of 65% with rights to earn up to 100%¹.

The Company views Luhuma Central as a geologically important addition to its existing exploration tenure, due to its historical results and being within the broader 15km Luhuma geological trend discovered by Adavale². Historical results included an intercept of 1.14% Ni over 8.4m in massive sulphides³ and as such it was the focus of the period’s exploration.

Luhuma Central Drilling

During the quarter, the Company received assays from the first four holes drilled at Luhuma Central and is currently awaiting results from its fifth hole to confirm the over 320m of sulphides that were intersected in the latest drilling.

Results from its maiden hole DDLUHC001 recorded 4.13m @ 1.03% Ni from 223.3 as well as 1m at 0.63% Ni from 249m.

The drillholes DDLUHC001 and DDLUHC002 intersected 4.13m of massive sulphides and 4.90m of blebby and heavily disseminated sulphides respectively. If mineralised intersections are connected between the drillholes as they are interpreted to be, then these sulphide bearing intervals would approximate their true thickness (although the drillholes are not completely orthogonal to the dip).⁴

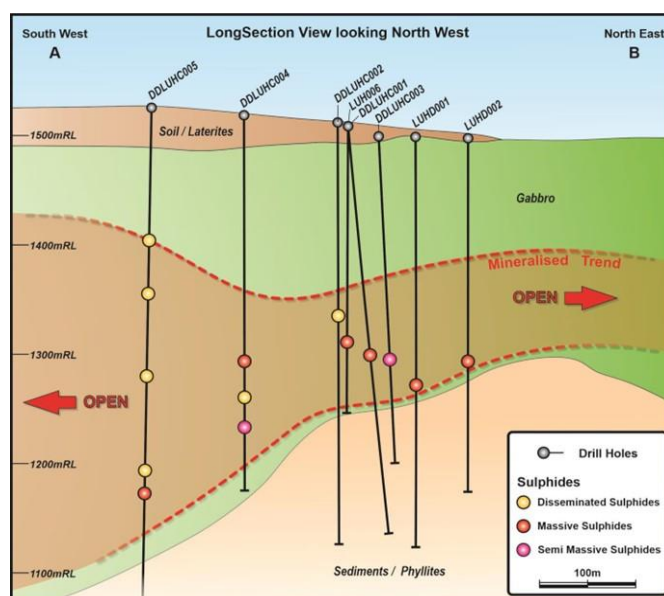


Figure 1: Long section at Luhuma Central indicating a thickening to the south-west

¹ ASX Announcement 15 December 2021 – Highly Prospective Nickel Sulphide Tenure Expanded.

² ASX Announcement 4 April 2023 – Nickel sulphide drill targets & 15km soil anomaly defined.

³ 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/epiugs/2016/v39i2/95780; see also ASX:ADD release 16 December 2021 “Adavale Discovers Significant Mafic-Ultramafic Intrusion”.

⁴ ASX Announcement 11 July 2023 – Assays Confirm Massive Nickel Sulphides at Luhuma Central Prospect.

Sitting approximately 60m to the north of the first two holes DDLUHC003 delivered 7.55m @ 0.96% Ni from 261.7m.¹

The massive nickel sulphide intersected in the third hole between 261.7m to 269.25m was hosted within mafic rocks and dominated by pyrrhotite with between 1% to 5% pentlandite and minor pyrite and chalcopyrite. The massive sulphides occur below a 5.13m zone of interlayered mafic rocks and meta-phyllite sediments intersected between 237.42m to 242.55m, which host a series of thin semi-massive pyrrhotite rich veins.

Headline results from DDLUHC004 included 1.12m @ 1.34% Ni from 256m and 7.5m @ 0.42% Ni from 286m. The fourth hole was located approximately 200m to the south of drillhole DDLUHC003. The sulphide zones intersected in DDLUHC004 between 250m to 323m are dominated by pyrrhotite with between 1% to 5% pentlandite and minor pyrite and chalcopyrite.²

The final hole for the period and the campaign's fifth DDLUHC005 was drilled 90m to the southwest of the previous hole.

The sulphide zone intersected in DDLUHC005 between 408m to 423m is dominated by pyrrhotite with between 1% to 5% pentlandite and minor pyrite and chalcopyrite.

Between 408m and 423m, drillhole DDLUHC005 intersected a zone of semi-massive and heavily disseminated nickel sulphide mineralisation.³

The Company is currently awaiting assays for DDLUHC005.



Figure 2: Massive sulphide unit from 423.4m to 423.6m DDLUHC005

¹ ASX Announcement 25 July 2023 – Adavale Replicates Maiden Massive Nickel Sulphide Intersection in Third Diamond Hole.

² ASX Announcement 17 August 2023 – Multiple Massive and Semi Massive Nickel Sulphide Zones Intersected at Luhuma Central.

³ ASX Announcement 6 September 2023 – Over 340m of Nickel Sulphide Mineralisation intersected in fifth hole at Luhuma Central.

Technical Summary and Interpretation

Drillholes DDLUHC001, 2 and 3 intercepted zones of approximately 4 to 7.5m of massive sulphide holes, whereas DDLUHC004 and 5 intercepted much broader zones of more disseminated sulphide.

The downhole EM (DHEM) at DDLUHC005 has been completed and the data is being modelled. A ground Electromagnetic (EM) survey at Luhuma Central has commenced to refine the strike extent of the airborne EM anomaly. The ground EM results will be used to correlate the downhole EM results and will be used to plan the next phase of diamond drilling at Luhuma Central.

Ground EM will allow modelling of the conductive plates over a larger area and better guide future drilling.

The airborne EM anomaly extends for over 1 km and ground EM will help refine its lateral, vertical and along strike extent.

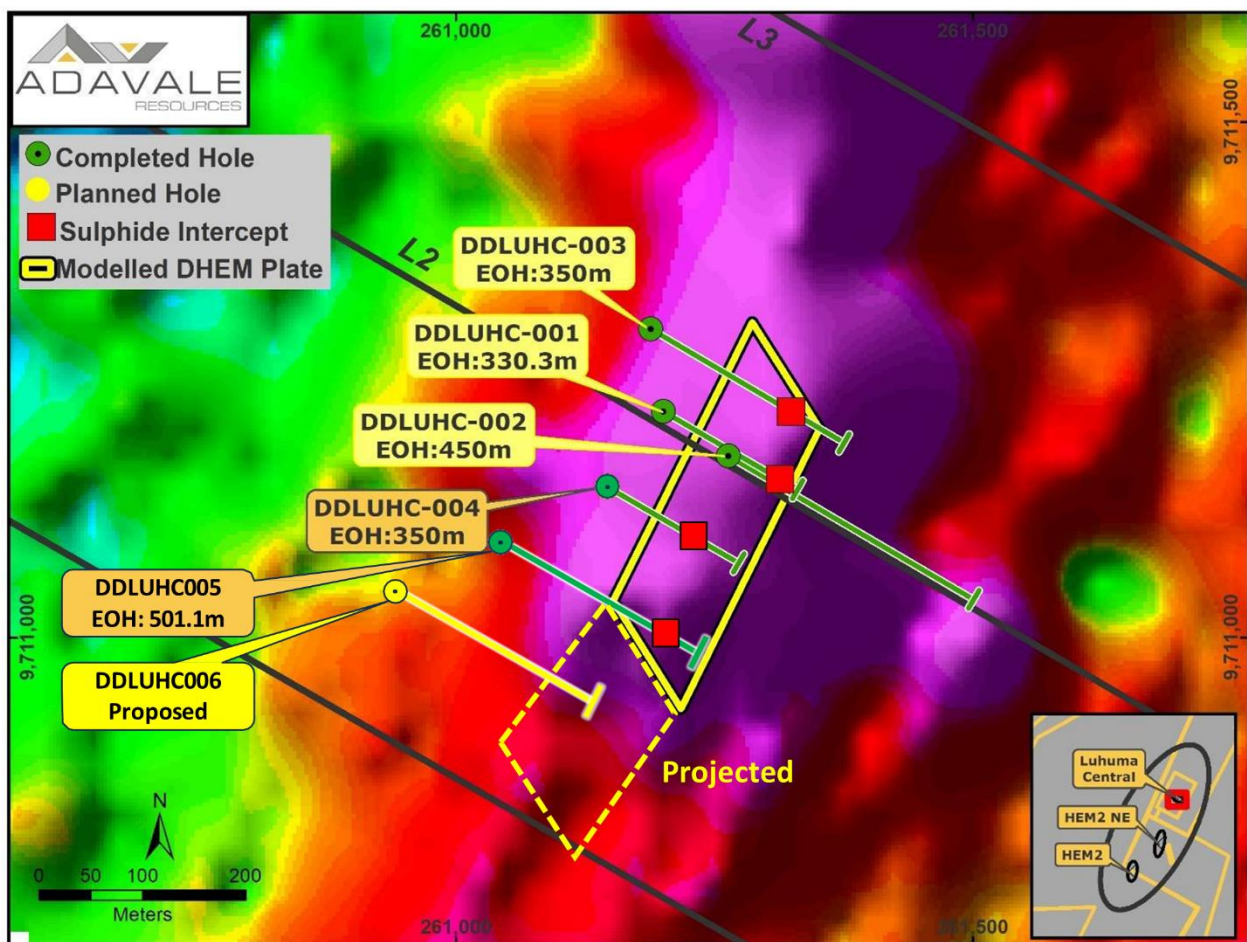


Figure 3: Plan view of current and proposed drill hole location (yellow dot) at Luhuma Central, with estimated projected position of the sulphide plate.

Downhole EM Surveys

Downhole EM (DHEM) surveys are an important tool in assessing the nickel sulphide potential of the project, providing a vector for follow up exploration. All holes in the current program are being cased with DHEM planned for all. This will aid in future drill planning.

URANIUM EXPLORATION

Lake Surprise Uranium Project

The Company has submitted an application for a new 591km² Mundowdna South Uranium Exploration Licence. The new licence (ELA2023/00043) will expand Adavale's landholding to 1,669km² from 1,078km² and is contiguous with Adavale's Mundowdna EL6821 Uranium Licence that was approved in late 2022.

The ground was selected based on previous drilling results and a strategic review identifying uranium potential from key geographical features.⁴

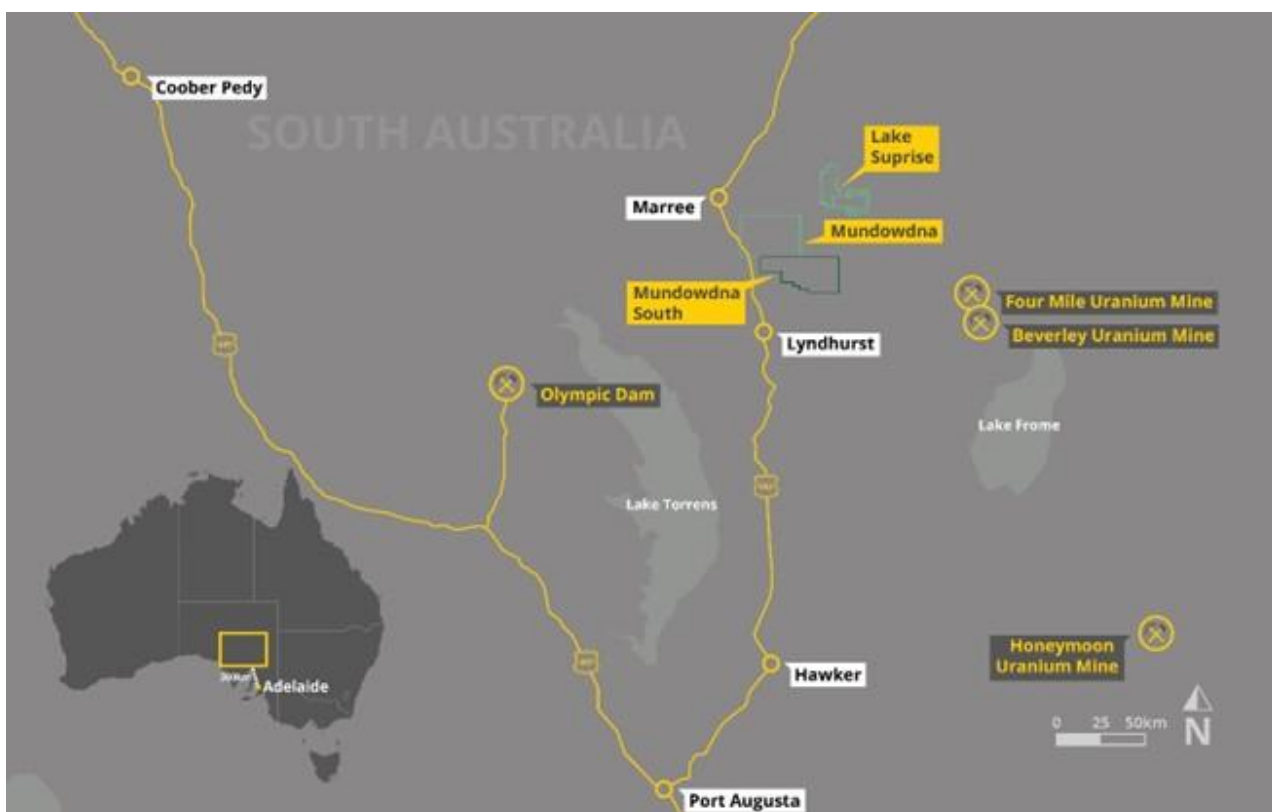


Figure 4: Location plan showing Adavale's uranium tenure in South Australia.


DECEMBER QUARTER PLANS

For the December quarter, the Company is expecting to receive assay results for DDLUHC005 as well as DHEM modelling for the hole. RC drilling will also feature in this exploration program.

The Company is also looking forward to the Ground EM survey results over Luhuma Central.

The diamond drill rig is expected to recommence at Luhuma Central during the December quarter, to test targets generated by the Ground EM subject to weather conditions. The multi-purpose drill rig has been reconfigured from diamond to RC and moved to HEM 4. A program of six RC drillholes is a planned at HEM 4. Results expected to be received later in the quarter.

⁴ ASX Announcement – 25 September 2023 Contiguous Uranium Licence to Expand Footprint in South Australia



It is expected that drilling, utilising both rigs, will continue for the remainder of the year in Tanzania with regular reporting of visual and assay results subject to weather conditions.

Pending the approval of the new uranium licence in South Australia, the Company plans to start preparations for the of larger scale and cost-effective field assessments and access to the priority areas within the system for local heritage clearances.

CORPORATE

During the quarter, the Company completed a capital raising of \$2.47m via a Placement to sophisticated and professional investors. The total 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 exercisable at \$0.03 per share expiring 31 December 2025.⁵

The Company also raised a further \$800,000 through an Entitlement Offer at the same terms as the Placement in which was partially underwritten by GBA Capital Limited.⁶

Summary of Cashflow for the Quarter

Adavale held cash reserves and funding availability at the end of quarter of approximately \$2.182 million.

During the quarter, approximately \$193,000 was paid to directors and officers. Included in the \$193,000 payment, \$130,000 (as shown at 6.1) was paid to directors in accordance with their standard employment agreement.

The Company spent approximately \$1.3 million on exploration and evaluation activities including Diamond and RC drilling, consumables, geological consultants, geophysical consultants and assaying. There were no substantive mining production and development activities during the quarter.

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

Further information:

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Competent Persons Statement

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

Forward looking statements

This document contains forward looking statements concerning Adavale. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward-looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company’s actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of the Company. Such factors include, among other things, risks

⁵ ASX Announcement 21 July 2023 – Massive Nickel Sulphide Drilling Program Benefits from Increased Placement

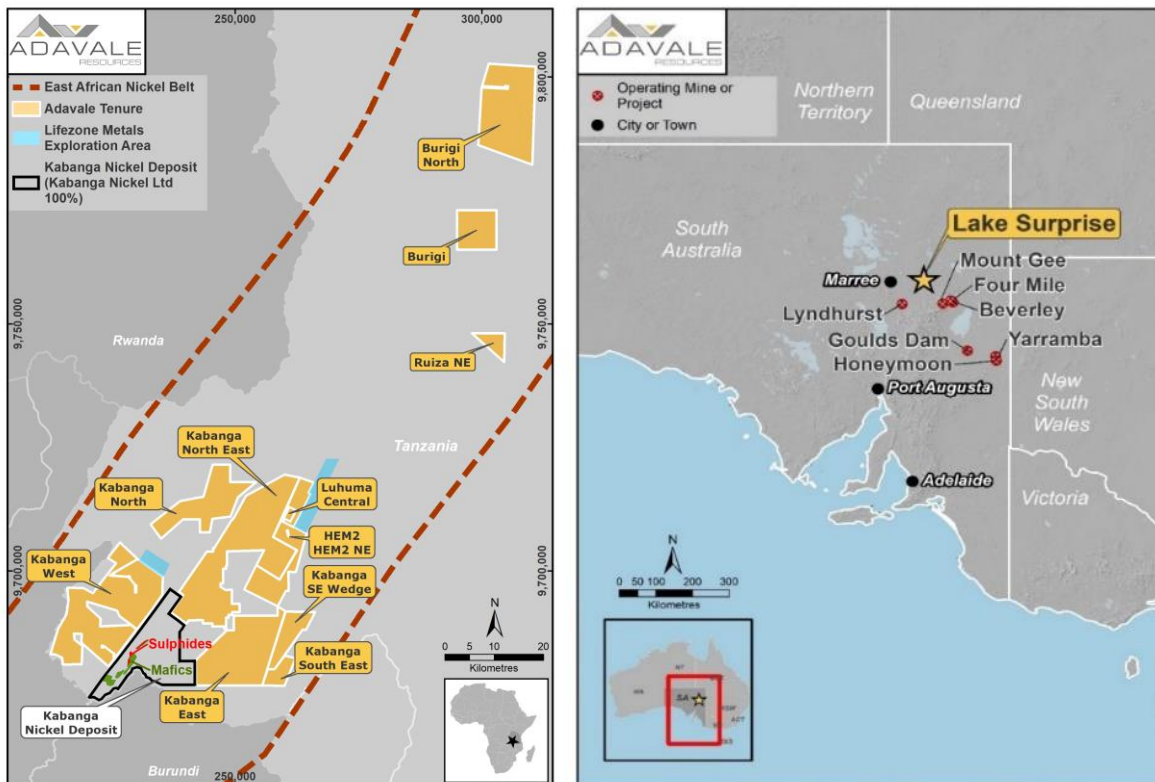
⁶ ASX Announcement 4 September 2023 – Results of Non-Renounceable Entitlement Offer

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

ABOUT ADAVALE

Adavale Resources Limited (ASX:ADD) is a nickel sulphide exploration company that holds 100% of the Kabanga Jirani Nickel Project, a portfolio of 12 highly prospective granted licences covering ~1,216km² along the Karagwe-Ankolean belt in Tanzania. The six southernmost licences are proximal to the world-class Kabanga Nickel Deposit (58Mt @ 2.62% Ni). Adavale has farmed-in to two more highly prospective licences contiguous to our seven southernmost licences, adding a further 99km² to the portfolio 1,315sq km). Adavale's licences were selected based on their strong geochemical and geophysical signatures from the previous exploration undertaken by BHP.

Adavale also holds exploration licences for their sedimentary uranium potential within the northern part of the highly prospective Lake Frome Embayment in South Australia.



Tenement Holdings and Movements

Schedule of Mining Tenements and Beneficial Interests

Held as at the end of the September 2023 Quarter

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%
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Lake Surprise Uranium Project	Australia	EL 5892	100%
		EL 5893	100%
		EL 6598	100%
		EL 6821	100%

Acquired during the September 2023 Quarter

Project/Location	Country	Tenement	Granted/ Acquired Date
Nil			

Disposed of during the September 2023 Quarter

Project/Location	Country	Tenement	Withdrawal Date
Nil			

Appendix 5B

Mining exploration entity quarterly cash flow report

Name of entity

ADAVALE RESOURCES LIMITED

ABN

96 008 719 015

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(1,300)	1,300
(b) development	-	-
(c) production	-	-
(d) staff costs	(193)	(193)
(e) administration and corporate costs	(278)	(278)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(40)	(40)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST (Paid)/Received)	(28)	(28)
1.9 Net cash from / (used in) operating activities	(1,839)	(1,839)

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

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

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

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,270	3,270
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	1	1
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(153)	(153)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	3,118	3,118

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	893	893
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,839)	(1,839)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,118	3,118

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	10	10
4.6	Cash and cash equivalents at end of period	2,182	2,182

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,182	893
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,182	893

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	130
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

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

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	250	75
7.3	Other (Convertible Notes)	1,170	1,170
7.4	Total financing facilities	2,250	2,075
7.5	Unused financing facilities available at quarter end		175
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p>Standby Subscription Agreement</p> <p>The facility arrangement with LKC Technology Pty Ltd (LKC) is a 5-year agreement for \$250,000 as announced on 29 April 2020, with \$175k undrawn.</p> <p>LKC subscribes for shares upon the Company issuing a drawdown notice. Fully paid ordinary shares are issued at 80% of the 5-day VWAP that precedes the drawdown notice.</p> <p>Convertible Notes</p> <p>Convertible Notes are unsecured with a term of 12 months with a face value of \$10,000 each. Interest rate of 12% per annum, accrued daily and paid quarterly. Each convertible note can be converted into shares at a conversion price of 15% discount to the historical 15-day VWAP before the date of conversion, subject to the ceiling price of \$0.03 each.</p> <p>If not converted by maturity date, the Convertible Notes will be redeemed in full at face value per note. Noteholders can convert their notes into shares at any time after 30 June 2023. Post quarter end, 83 Convertible Notes have been converted.</p> <p>During the quarter, 83 Convertible Notes have been converted. As at 30 September 2023, total remaining Convertible Notes were 117.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,839)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,839)
8.4	Cash and cash equivalents at quarter end (item 4.6)	2,182
8.5	Unused finance facilities available at quarter end (item 7.5)	175
8.6	Total available funding (item 8.4 + item 8.5)	2,357
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.28
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	

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

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

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

The Company currently has sufficient level of net operating cash flows.

The expected level of operating cash flows will be substantially lower in this quarter compared to the previous quarter due to the completion of a significant number of DD holes which were more expensive to drill per metre than RC drilling. In the next quarter, the Company's exploration plans will include the greater use of RC drill rigs at the Kabanga Jirani Nickel Project. Accordingly there will be both a reduced cost per metre and with the anticipated onset of the seasonal wet weather, a reduced level of metres drilled.

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

In this quarter, the Company raised \$3.27m via placement and Entitlement Offer. The Company believes it will continue to be successful to raise further funds as and when required.

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

Yes as discussed above 8.8.2.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

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

Date: 24 October 2023

Authorised by: **The Board of Directors of Adavale Resources Limited**
(Name of body or officer authorising release – see note 4)

Notes

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