



## **ACTIVITY REPORT FOR THE QUARTER 1 APRIL 2014 TO 30 JUNE 2014**

### **LAKE SURPRISE - AUSTRALIA**

The company has engaged independent geologist, Mr Dr. Brian Senior, to determine the focus area within the tenement that could be potentially offered to strategic third party partner to be further explored. The study will be finalized in late August 2014.

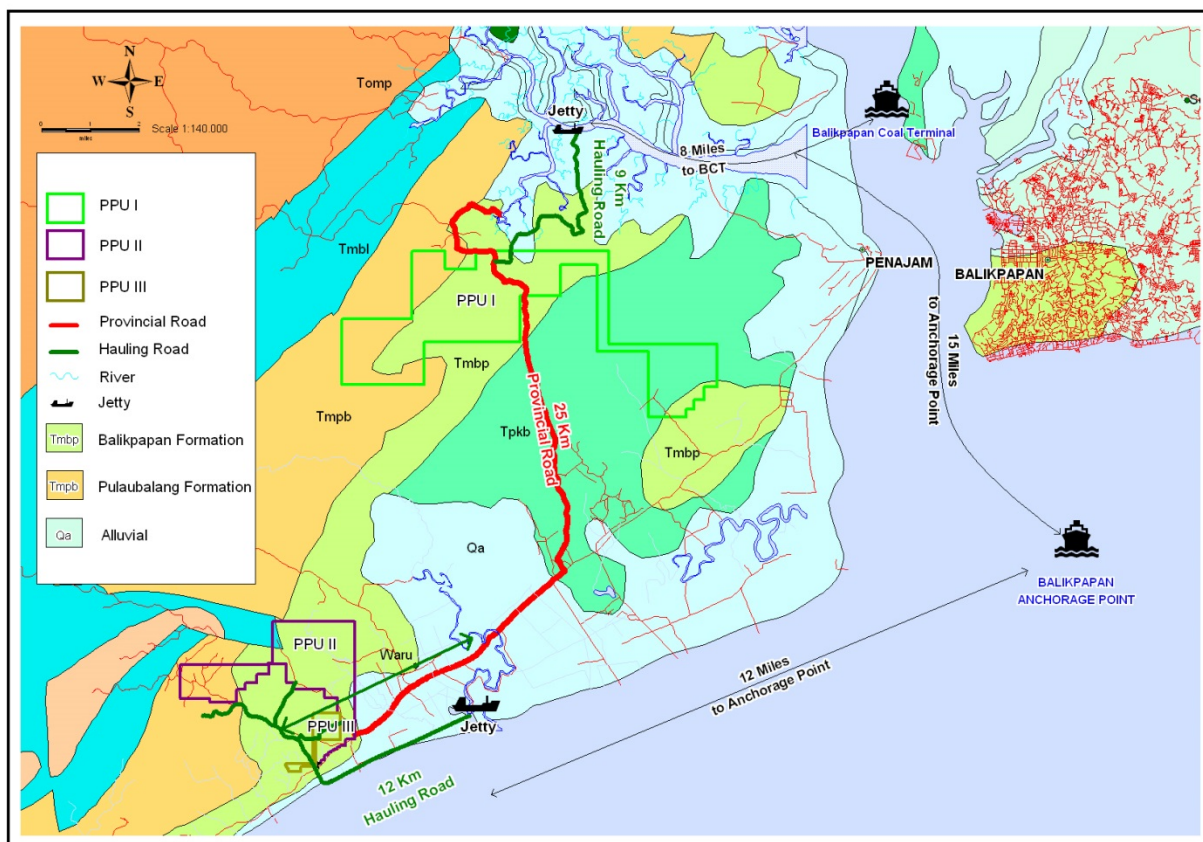
### **AHR**

#### **PPU 1 COAL PROJECT**

At this period, AHR have been conducting initial assessment including desktop study and preliminary field survey that covering geological assessment, potential deposit and current logistic conditions of the PPU 1 project which previously have experienced less than 20 thousand tons/month of coal production in 2 small pits inside less than 100 Ha prospect with minimum critical mining operation facilities established. As part of initial legal due diligence, AHR is also continuing to check and confirm the clean and clear status of the tenement to the government.

Planning has now continued to conduct an additional geological mapping to other potential prospect areas together with confirmation drilling for the previous mining area, and also some stratigraphy drilling to and interpret the lateral extent of identified coal seams distribution, in order to assess a potential resource of GCV 5500-6500 (ADB) coal within the concession. Subject to completion of technical and legal due diligence particularly Clean and Clear status and reaching satisfactory terms, the company intends to enter into a formal agreement to acquire the project.

## MAP – PENAJAM AREA

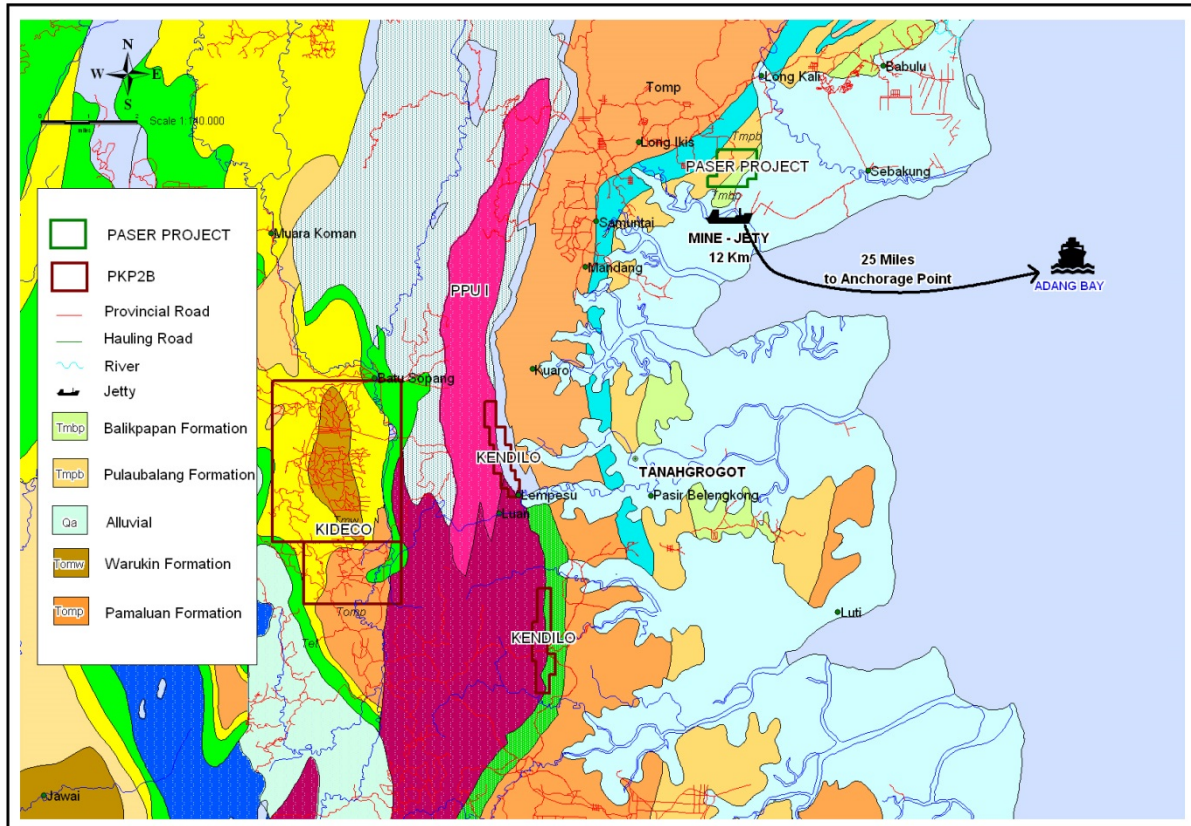


## PASER PROJECT

Discussions have been commenced and continued with Paser Project on a potential joint operation with AHR to mine several blocks of project concession. The coal quality is GAR 5600-6000. Due diligence is currently being undertaken on the proposal which includes use of all infrastructure assets owned by Paser Project.

The project owns and operates coal handling and barge loading infrastructure approximately 12km from the mine site and 40km or 87km for barging to Adang Bay Transshipment. Previous loading capacity is rated at around 200tph. The Company expects to decide within 3 months whether to proceed with the joint operation, subject to completion of due diligence and reaching satisfactory terms.

## MAP PASER AREA



## ANGGANA PROJECT

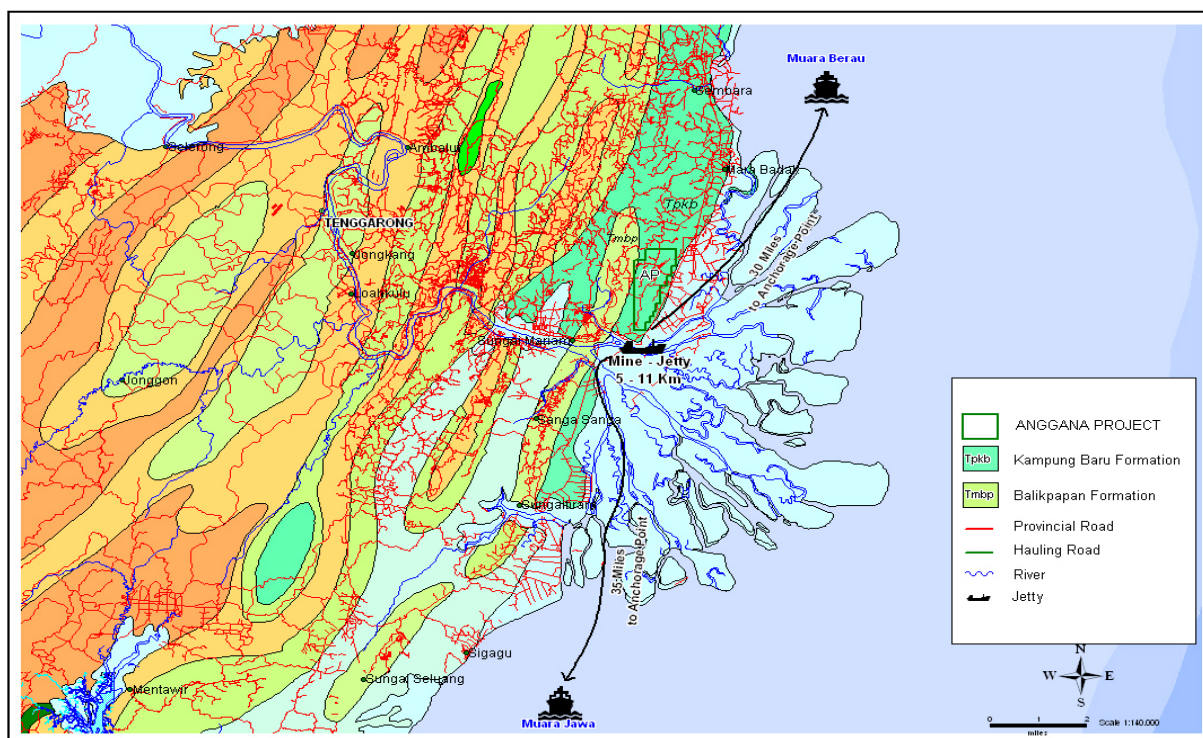
The concession of Anggana Project is located and lies in a prolific mining area in Kutai Kartanegara regency, East Kalimantan, approximately 25km East of Samarinda and covers 3,890 Ha IUPOP area. Based on initial information, mining has been taken place previously at small open pits with the production capacity less than 30,000 tons/month of low rank thermal coal with typical analysis (air dried basis): 4,700-5,400 Kcal/kg, 0.3-0.7% total sulphur, 8-10% total moisture, 4-8% ash. The previous mining activity is in the early stages of mining of nearsurface coal seams with thicknesses varying from 1.5-8 m and average thickness 4 m. The coal bearing formation consists of 2 formations, Balikpapan and Kampungbaru which hosts low-medium quality thermal coal, which approximately takes place in 90% of the concession area.

The project offers an opportunity for a low cost operation centered on opening the near-surface pits and using the operations as a base to expand to the multiple seams target within

the area. Legal and technical due diligence continues. Anggana project is closed to Mahakam River with 5-11 km hauling road from the mine site to jetty with conveyor loading facility and takes about 24 hours for barging to Muara Jawa Anchorage. Previous loading capacity is rated at around 200tph.

AHR is in the process of negotiating an agreement following which legal and technical due diligence will continue and then starting the activity plan to conduct initial technical data review and audit as well as comprehensive desktop study to start the initial due diligence process.

## MAP ANGGANA AREA



## PPA

## TAPAN

Exploration Tenement (IUP Eksplorasi) no. C516/126/KPTS/BPT-PS/2010 with the total area of 2053.92 has been granted Clear and Clean Status by the government while Production Tenement (IUP Produksi) No. C540/432/KPTS/BPT-PS/2010 with the total area of 198.88 Ha is still in progress of obtaining the Clear and Clean Status.

The district court ruling that was due on 23<sup>rd</sup> July 2014 has been rescheduled to mid August 2014.

# Appendix 5B

## ***Mining exploration entity quarterly report***

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Adavale Resources Limited

ABN

96 008 719 015

Quarter ended ("current quarter")

30 June 2014

### **Consolidated statement of cash flows**

<b>Cash flows related to operating activities</b>		Current quarter \$'000	Year to date (12 months) \$'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	-	(30)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(58)	(243)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – advance, Adavale Harner JV	(50)	(50)
	<b>Net Operating Cash Flows</b>	(108)	(323)
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	<b>Net investing cash flows</b>	-	-
1.13	Total operating and investing cash flows (carried forward)	(108)	(323)

1.13	Total operating and investing cash flows (brought forward)	(108)	(323)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	100	225
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (cost of raising funds and sale unmarketable parcel of shares)	-	-
	<b>Net financing cash flows</b>	100	225
	<b>Net increase (decrease) in cash held</b>	(8)	(98)
1.20	Cash at beginning of quarter/year to date	59	149
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	51	51

### Payments to directors of the entity and associates of the directors

### Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	50
1.24	Aggregate amount of loans to the parties included in item 1.10	-

### 1.25 Explanation necessary for an understanding of the transactions

Advance to Adavale Harner JV, a 40% JV with Chairman Haryono Eddyato owning 60%

### Non-cash financing and investing activities

#### 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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#### 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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## Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	\$1,000,000	\$600,000
3.2 Credit standby arrangements	-	-

On 1 August 2012 the Company announced that it had entered into a Convertible Loan Agreement with Mr Haryono Eddyarto (Company Chairman) (HE) to the value of up to \$1,000,000. The loan facility was for a period of 24 months but now extended to 27 July 2015, carries interest at 8% (or 15% on any default amount), and is convertible into shares at a conversion price of 5 cents per share. Drawings of \$600,000 had been made to 30 June 2014

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	15
4.2 Development	0
4.3 Production	-
4.4 Administration	70
<b>Total</b>	<b>85</b>

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	51	59
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>51</b>	<b>59</b>



## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements			
	1/ EL 4949 (South Australia)	Wholly owned	100%	100%
	2/ EL 4950 South Australia)	Wholly owned	100%	100%
	3/ MEPL (IUPOP) 540/452/Kpts/BPT-PS/2011 (Incorporating MEL (IUP) 540/22/Kpts/BPT-PS/2013 ) West Sumatera, Indonesia	Wholly Owned	100%	100%
6.2	Interests in mining tenements acquired or increased	N/A		



## Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b> (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>*Ordinary securities</b>	316,990,035	316,990,035		Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	<b>*Convertible debt securities</b> (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> (description and conversion factor)	65,697,863 10,000,000 10,000,000 10,000,000 10,000,000 10,000,000 <hr/> 115,697,863		Exercise price  0.04 0.04 0.04 0.04 0.045 0.05	Expiry date  31 Jul 2014 31 Jul 2014 31 Jul 2014 31 Jul 2014 31 Jul 2015 31 Jul 2016
7.8	Issued during quarter - Milestone options	20,000,000 20,000,000 20,000,000		0.05 0.06 0.07	31 Jul 2014 31 Jul 2015 31 Jul 2016
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter	Nil			
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (totals only)				

## Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here:



(Director)

Date:

31/7/14

Print name:

HARRYONO EDDYARTO

### Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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