



ASX RELEASE

2014 Annual Report

Please find attached the Adavale Resources Limited 2014 Annual Report.

It is anticipated that the hard copy version of the Annual Report, along with the Notice of Meeting, will be distributed to shareholders mid October 2014.

Leanne Ralph
Company Secretary
Adavale Resources Limited

ADAVALE RESOURCES LIMITED

ACN 008 719 015

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
30 June 2014**

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CORPORATE DIRECTORY

Directors

Haryono Eddyarto (Chairman)
Saharto Sahardjo (appointed 20 December 2012)
Albert Cheok (appointed 20 December 2012)
Peter Murphy (appointed 27 September 2013)
Mark Stevenson (resigned 25 September 2013)
John Risinger (resigned 6 September 2013)

Secretary

Leanne Ralph (appointed 20 December 2012)

Registered Office

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151 Castlereagh Street
SYDNEY NSW 2000
Telephone +(612) 82630515
Facsimile +(612) 82630500

Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Auditor

Grant Thornton Audit Pty Ltd
Level 1 10 Kings Park Rd
West Perth WA 6005

Stock Exchange

Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

ASX Code

ADD (fully paid ordinary shares)

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

REVIEW OF OPERATIONS

Adavale Resources Limited continued with its focus on exploration and development of coal projects in Indonesia and retaining its interest in the Lake Surprise Uranium Project in South Australia.

PROJECTS REVIEW - INDONESIA

ADAVALE HARNER RESOURCES (AHR) 40% ARL and 60% Mr Haryono Eddyarto

Over the last year AHR continued to identify and review several coal projects across Kalimantan region which is focused on logistics and coal quality aspects and also initialize the exploration programs to confirm and qualify the projects.

The projects offers an opportunity for a low cost operation centered by optimizing the existing pits and extending the mining area along the strike of the coal seams and using the existing operations as a base to expand to the next prospect area within the concession boundary.

During the year AHR identified and assessed some projects within PPU regency (Penajam) and Paser Regency, East Kalimantan and also Banjar Regency, South Kalimantan which already have minimum critical mining operation facilities established as mining operation had previously taken place within the IUP production areas or on concessions immediately adjacent. Initial reconnaissance and regional geology maps indicate that the coal bearing formation within the area hosts good quality thermal coal.

AHR have conducted some initial site visits and desktop studies as part of preliminary technical and legal due diligence on these ready to developed concessions.

Set out below are the current operational interests of ARL either in its own right or through AHR, in which Adavale has a 40% interest as shown above. TAPAN project is owned 100% by ARL, and all other projects described are owned through AHR, entitling ARL to a 40% interest.



ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
REVIEW OF OPERATIONS (CONT)

TAPAN – SUMATRA - PT PRIMA PERKASA ABADI

PPA is the holder of the Tapan concession and is owned 90% by Adavale Resources Limited and 10% by Adavale Indonesia Pty Ltd.

The Tapan project lies 120 km south of the capital of Padang. PPA had previously completed a JORC exploration program on the Tapan Project. ADA Strategic, a Jakarta based consulting group, carried out the program and prepared a thorough report consistent with JORC code requirements.

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 a total area of 198.88 Ha is still in progress of obtaining the clear and clean status.

The company has previously been approached by a number of parties interested in either mining Tapan or undertaking mining on a Joint Operation basis with PPA based on either a profit share or royalty payment, the concession on a Joint Operation basis or outright purchase. At this stage no agreement has been finalised, however the Company is now hopeful an agreement can be finalised before December 2013 to either commence mining or sell the concession outright.

PT PPA the IUP holder of Tapan which was purchased in December 2011 for USD230,000 and John Ernest Risinger a then Director of ARL (since resigned) and previously sole Director of PPA have been cited as respondents in a civil claim lodged via the District Court in South Jakarta. The claim was lodged by two previous shareholders of PPA who challenged the passing of ownership in the 2011 transaction and completion. A similar action by the same two shareholders via the Pengadilan Tata Usaha Negara (PTUN) (Administration Court) which ruled in favour of PPA, and confirmed that ARL completed the transaction in accordance with Indonesia Law. The Directors view is that the claim has no merit and is supported by a legal opinion the Company has received.

The District Court ruling that was due on 23rd July 2014 has been rescheduled and yet to be heard.

Penajam (PPU) Coal Projects, East Kalimantan**PPU 1**

The concession sits on 3281 hectares located in Penajam area, Penajam Paser Utara (PPU) residence, East Kalimantan, it's about 20 km to the west of Balikpapan city. Mining has been taken place previously at more than 2 small pits inside less than 100 Ha prospect areas with the current production capacity less than 20 thousand tons/month. AHR have been started and continuing the preliminary outcrop survey in other potential prospect areas and review more than 50 previous drillholes data and report, which is initially identified at least 5 coal seams with 0.3 - 2.5 m thickness and commonly striking to the northeast-southwest direction. The reconnaissance and regional geology maps show the coal bearing formation within the concession consist of 3 coal bearing formation, Pulaubalang on western block (25% of the concession area), Balikpapan on central block (45% of the concession area) and Kampungbaru on eastern block (30% of the concession area), which have low-medium quality thermal coal.

Planning has now continued to conduct the semi detail geological mapping and evaluation exploration drilling with some stratigraphy holes to identify coal seams distribution with local lithological units and geological structure within the prospect area in order to assess a potential resource of low to medium calories of coal within the concession. Legal and technical due diligence continues. Subject to completion of due diligence and reaching satisfactory terms, the company intends to enter into a formal agreement to acquire the project.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
REVIEW OF OPERATIONS (CONT)

PPU2 and PPU3

The project lies in the Penajam district with total area of the IUPOP of PPU2 concession is 1262 Ha and PPU3 is 132 Ha, located adjacently to the south-west block of the PPU2. The concessions consists of 2 coal bearing formations. Balikpapan which hosts good quality thermal coal, controls a majority of the prospect area and Pulaubalang formation is present in a small portion of the western part of the concession. The mine location is close to the open sea and 12km from a jetty, and 1.2 miles from the jetty to a vessel anchorage at Balikpapan Bay.

Following an initial due diligence process the PPU 2 and PPU 3 projects were discontinued as the projects did not meet the Company's legal and technical requirements. The Company will retain these in its portfolio to enable further reassessment in the future.

BANJAR COAL PROJECT, SOUTH KALIMANTAN

The project consists of an IUP exploration permit of 1055Ha. The coal bearing formation is Warukin and Dahor which host low quality thermal coal within the range of 3600-4200 GAR. Exploration drilling has previously taken place and focused only at the north-east block of the concession, which identified about 5-7 major coal seams with 0.5 - 10 m average thickness based on 29 drillholes and 2 outcrops within less than 100 Ha initial prospect area.

Following an initial due diligence process the Banjar coal project was discontinued as the projects did not meet the Company's legal and technical requirements. The Company will retain these in its portfolio to enable further reassessment in the future.

PASAR PROJECT

The concession is located in Paser regency, East Kalimantan, approximately 75km SW of Balikpapan and covers 1,974 Ha IUPOP area. Mining has been taken place previously at small open pit inside less than 100 Ha prospect areas with the production capacity less than 20,000 tons/month of sub-bituminous thermal coal with typical CV 5,600-6,000 (ADB). Paser 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.

AHR has signed a Non-Disclosure Agreement and submitted a Letter of Intent to the current owners and started the activity plan to conduct initial technical data review and audit as well as comprehensive desktop study to start the initial due diligence process. 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 Company expects to decide within 3 months whether to proceed with the joint operation, subject to completion of due diligence and reaching satisfactory terms.

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-medium rank thermal coal with GCV 4,700-5,400 (ADB). The previous mining activity is in the early stages of mining of near-surface coal seams with thicknesses varying from 1.5-8 m and average thickness 4 m.

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. 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.

AHR started 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.

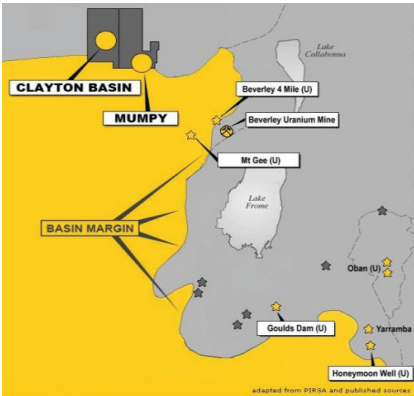
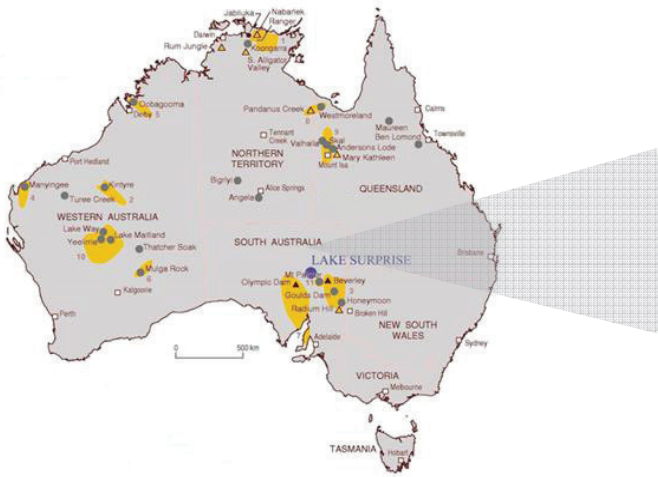
OTHER STUDIES

During the year AHR identified and assessed some projects within PPU regency (Penajam) and Paser Regency, East Kalimantan and also Banjar Regency, South Kalimantan which already have minimum critical mining operation facilities established as mining operation had previously taken place within the IUP production areas or on concessions immediately adjacent. Initial reconnaissance and regional geology maps indicate that the coal bearing formation within the area hosts good quality thermal coal.

AHR have conducted some initial site visits and desktop studies as part of preliminary technical and legal due diligence on these ready to developed concessions.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

REVIEW OF OPERATIONS (CONT)



AUSTRALIA

LAKE SURPRISE - SOUTH AUSTRALIA - 100% ARL

Adavale Resources Limited had completed the first five year term of its sedimentary uranium project at Lake Surprise in South Australia. The project comprised EL 3622 and EL 3620 over an area of 1,836km2. Two prospect areas – Clayton Basin and Mumpie - have been the focus of exploration to date.

In previous years two year extensions were granted and licence numbers EL 4949 and EL 4950 were issued which expired on 28 August 2013. The company renewed the extensions for a further two years to August 2015. It is the company’s opinion that the area holds significant potential and only a very small percentage of that potential has been explored to date. The extension approval included a reduction of 25% of the area, which does not impact on the potential mineralised areas.

Since year end the Company has engaged Dr. Brian Senior to review the area to determine the focus area area within the tenements that could potentially be offered to a strategic third party partner to be further exp[lored. This review has commenced and the Board is considering what further action is required given the initial review completed.

Competent Person Statement: The information in this report that relates to Exploration Results, Mineral Resources or Ore Resources is based on information compiled by Eka Antasari Nugraho, who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy. Eka Antasari Nugraha is a full time employee of Adavale Harner Resources. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of The “Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Eka Antasari Nugraha consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**CORPORATE GOVERNANCE STATEMENT**

The Board of Adavale Resources Limited (Company or Adavale) recognises the importance of good governance in achieving corporate objectives, in discharging its responsibilities to all stakeholders and in addressing the broader role of the Company as a good corporate citizen.

The Company's governance framework is designed to ensure that the Company is effectively managed, that statutory obligations are met and that the culture of personal and corporate integrity is maintained.

This Corporate Governance Statement outlines the Company's governance framework, policies and procedures that were in place for the full financial year ended 30 June 2014 (unless otherwise stated) in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations).

All references to the Company's website to: www.adavaleresources.com.au

ROLE OF THE BOARD

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

BOARD PROCESSES

The Board currently holds at least four scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

COMPOSITION OF THE BOARD

The names of the directors of the Company in office at the date of this Statement are set out in the Directors' Report of this Financial Report.

The composition of the Board is determined using the following principles:

1. The Board should comprise at least three directors;
2. The Chairman of the Board should be an independent non-executive director;
3. The Board should comprise a majority of non-executive directors, with at least 50 percent being independent non-executive directors;
4. The Board should comprise directors with a broad range of expertise both nationally and internationally;
5. Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors (other than executive directors) are subject to re-election at least every three years. The tenure for the executive director is linked to his holding of the executive office.

The current Board does not currently meet the criteria in points 2 and 3. Following the resignation of the Managing Director Mr J Risinger in September 2013, the Board has appointed Mr Peter Murphy, a director who has substantial coal marketing and technical experience and strengthens the skill-set the Company's Board. The Chair of the Board is not considered independent due to him being a significant shareholder in the Company. The Board considers this to be appropriate for the Company's current operational structure and the nature of its activities.

NOMINATION COMMITTEE

The Board does not currently have a nomination committee. The Board considers that its relatively small size and the expertise of its directors allow the full Board to perform a nomination committee function. Accordingly, the Board does not consider it necessary or appropriate in the context to establish a separate committee for this purpose.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT (CONT)

EVALUATION OF BOARD PERFORMANCE

The Board has considered the merits of undertaking a review of its performance and the performance of individual directors and has determined that the current size and composition of the board allows for:

- (a) Decisions to be made appropriately and expediently;
- (b) A range of different perspectives to be put forward regarding issues before the board;
- (c) A range of different skills to be brought to board deliberations; and
- (d) Board decisions to be made in the best interests of Adavale as a whole rather than of individual shareholders or interest groups.

As a result of this determination, the Board has chosen not to undertake this review process for the year ended 30 June 2014. It is the view of the Board that the existing composition of the Board is optimal for current stage of the business and that the operations do not require additional skillsets at this point in time to drive the business and shareholder returns.

CONFLICT OF INTEREST

In accordance with the Corporations Act, 2001 and the Company's Constitution, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

DIRECTOR DEALINGS IN COMPANY SHARES

The Constitution permits directors and employees to acquire shares in the Company. Company policy prohibits directors and senior management from dealing in Company shares or exercising options:

- The date after 1 January that the Designated Officer or Employee receives a written preliminary Half Year Report and the time of release of the Appendix 4D Half Year Report to ASX;
- The date after 1 July that the Designated Officer or Employee receives a written preliminary Full Year Report and the time of release of the Appendix 4D Full Year Report to the ASX; and
- Whilst in possession of price sensitive information.

Designated Officials, including Directors, must obtain the approval of the Disclosure Officer once they sell or buy shares in the Company during a closure period. In accordance with the provisions of the Corporations Act, 2001 and the Listing Rules of the ASX, Directors advise the Exchange of any transactions conducted by them in shares in the Company.

REMUNERATION OF EXECUTIVES

Due to the small size of the Board of the Company, a Remuneration Committee has not been established, but the Board establishes and monitors remuneration packages and policies applicable to key management personnel, based on the performance in the job and comparative remuneration packages in the market and financial position of the Company.

The remuneration levels for the Chairman and non-executive directors were established in November 2009, and have not changed since that time.

Remuneration levels are competitively set to attract and retain qualified and experienced directors, executives and staff. Where necessary, independent advice is sought on the appropriateness of remuneration packages, given trends in comparative companies and industry surveys and having regard for the overall performance of the Company.

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the consolidated entity's expense. A copy of advice received by the Director is made available to all other members of the Board.

AUDIT COMMITTEE

The roll of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for:

1. The integrity of the Company's financial statements;
2. The Company's compliance with legal and regulatory requirements;
3. The independent auditor's qualifications and independence; and
4. The performance of the Company's internal audit function (if applicable).

The Committee operates under a formal charter adopted by the Board.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT (CONT)

COMPOSITION

The Board shall appoint the members to the Committee and review the composition of the Committee at least annually. The Committee should consist of at least two members of the Board of Directors and these should be non-executive directors with a majority being independent. At least one member of the Committee should have financial expertise with other members having an understanding of the industry in which the Company operates.

RESPONSIBILITIES

The Committee carries out the following responsibilities:

- Review of the Group Financial Reports and commentary prepared by Management.
- Review any reports on the financial reports prepared by the Group's external auditor.
- Assess the appropriateness of the accounting policies adopted in preparing the Group's financial reports.
- Assess whether the financial reports are adequate for security holder needs.
- Review the compliance with disclosure requirements.
- Assess the adequacy of representations and analysis prepared by Management as they relate to the financial reports.
- Recommend approval of the financial reports by the Board.
- Review significant accounting and reporting issues and understand their impact on the financial statements.
- Review with Management and the external auditors the result of the audit.

INTERNAL CONTROL

The Committee carries out the following responsibilities:

- Consider the effectiveness of the Company's internal control system.
- Review disclosures made by CEO and CFO about significant deficiencies in the design or operation of internal controls or any fraud that involves Management or other employees who have a significant role in the Company's internal controls.
- Review the scope of internal and external auditor's review of internal control over financial reporting, and obtain reports of significant findings and recommendations, together with Management's responses.

EXTERNAL AUDIT

The Committee carries out the following responsibilities:

- Establish and maintain procedures for the appointment and rotation of the Group's external audit firm and lead audit partner as required.
- Review the external auditor's proposed audit scope and approach, and the reasonableness of audit fees.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Ensure receipt of an Audit Report outlining findings for the yearend audit and half year review, presenting these conclusions to the Board
- Set clear hiring policies for employees or former employees of the independent auditors.
- Meet separately with the external auditors where appropriate.

BUSINESS RISK MANAGEMENT

Practices are established to seek to ensure that:

- Significant capital expenditure and revenue commitments require prior Board approval;
- Occupational health and safety standards and management systems are reviewed to achieve compliance with regulations, and
- Significant business transactions require prior Board approval.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT (CONT)

The Audit Committee has the oversight of compliance risk and is responsible for the following:

- Review the effectiveness of the system for monitoring compliance with applicable laws and regulations.
- Review management's procedures for the receipt, retention, and treatment of complaints received by the Company.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating internal compliance policies to company personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and company legal counsel regarding compliance matters where appropriate.
- Review the company's major policies with respect to risk assessment and risk management
- Institute and oversee special investigations as needed.

ETHICAL STANDARDS

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

ROLE OF SHAREHOLDERS

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated as follows:

- The full annual financial report;
- The half-yearly report;
- The Annual General Meeting. The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

DIVERSITY

The Board is committed to having an appropriate blend of diversity on the Board and in the Group's senior executive positions. It recognises the benefits arising from board diversity and has established a policy regarding diversity.

The policy outlines requirements for the Board to develop measurable objectives for achieving diversity and annually assess both objectives and the progress in achieving those objectives. Accordingly the Board has developed objects regarding gender diversity and aims to achieve these objectives over the next few years as director and senior executive positions become available.

Female representation within the Group is as follows;

	2014		2013	
	No.	%	No.	%
Board representation	0	0%	0	0%
Key management personnel representation	0	0%	0	0%
Group representation	1	20%	1	16%

CORPORATE GOVERNANCE STATEMENT (CONT)

Checklist of Corporate Governance Principles and Recommendations

Principles and Recommendations Compliance		Compliance
Principle 1 – Lay solid foundations for management and oversight		
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	✓
1.2	Disclose the process for evaluating the performance of senior executives.	✓
1.3	Provide the information indicated in Guide to reporting on Principle 1.	✓
Principle 2 – Structure the Board to add value		
2.1	A majority of the board should be independent directors.	×
2.2	The chair should be an independent director.	×
2.3	The roles of the chair and chief executive officer should not be exercised by the same individual.	×
2.4	The board should establish a nomination committee.	×
2.5	Disclose the process for evaluating the performance of the board, its committees, and individual directors.	×
2.6	Provide the information indicated in Guide to reporting on Principle 2.	×
Principle 3 – Promote ethical and responsible decision-making		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to:	
	- the practices necessary to maintain confidence in company's integrity	✓
	- the practice necessary to take into account their legal obligations and the reasonable expectations of shareholders; and	✓
	- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✓
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity for the board to assess annually both the objectives and the progress in achieving them	×
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress	×
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	✓
3.5	Provide the information indicated in Guide to reporting on Principle 3.	✓

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT (CONT)

Principle 4 – Safeguard integrity in financial reporting

- | | | |
|-----|--|---|
| 4.1 | The board should establish an audit committee. | ✓ |
| 4.2 | Structure the audit committee so that it: | |
| | - consists only of non-executive directors | ✓ |
| | - consists of a majority of independent directors | ✓ |
| | - is chaired by an independent chair, who is not the chair of the board; and | ✓ |
| | - has at least three members | ✓ |
| 4.3 | The audit committee should have a formal charter. | ✓ |
| 4.4 | Provide the information indicated in Guide to reporting on Principle 4. | ✓ |

Principle 5 – Make timely and balanced disclosure

- | | | |
|-----|--|---|
| 5.1 | Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of these policies. | ✓ |
| 5.2 | Provide the information indicated in Guide to reporting on Principle 5. | ✓ |

Principle 6 – Respect the rights of shareholders

- | | | |
|-----|---|---|
| 6.1 | Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meeting and disclose the policy or a summary of the policy or a summary of the policy | ✓ |
| 6.2 | Provide the information indicated in Guide to reporting on Principle 6. | ✓ |

Principle 7 – Recognise and manage risk

- | | | |
|-----|---|---|
| 7.1 | Establish policies for the oversight and management of material business risks and disclose a summary of those policies | ✓ |
| 7.2 | The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material risks. | ✓ |
| 7.3 | The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operation effectively in all material respects in relation to financial reporting risks. | ✓ |
| 7.4 | Provide the information indicated in Guide to reporting on Principle 7. | ✓ |

Principle 8 – Remunerate fairly and responsibly

- | | | |
|-----|---|---|
| 8.1 | The board should establish a remuneration committee. | x |
| 8.2 | The remuneration committee should be structured so that it: | |
| | - consists of a majority of independent directors | x |
| | - is chaired by an independent chair | x |
| | - has at least three members | x |
| 8.3 | Provide the information indicated in Guide to reporting on Principle 8. | x |

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT

The directors present their report on the Company and its controlled entities for the financial year ended 30 June 2014.

Directors

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

Name and Qualifications	Interests in Shares and Options at 30 June 2014	Experience and Special Responsibilities
Haryono Eddyarto Executive Chairman Appointed 28 September 2011	84,775,541 fully paid ordinary shares 32,004,435 ordinary options 60,000,000 milestone options	Mr Eddyarto is an Indonesian Resident and has over 35 years experience in International trade. He has extensive business activities ranging from Commodity Trading, Mining, Chemical, Television and Property. Mr Eddyarto is a strong promoter of the Asian region having represented Indonesian Chamber of Commerce and Industry in the G-15, G-77 and the Indian Ocean Rim ARG-Business Forum. Current directorships include: Pt House of Indonesia, Pt Inter Mineral Resources, Pt Nikelindo, SpaceBee Broadcasting Servides AG, Switzerland and Pt Teras Nirwana Bali. Listed company directorships held in last 3 years - Nil
Saharto Sahardjo Non-Executive Director Appointed 20 December 2012	Nil shares	Mr Saharto is an Indonesian Professional Business Law Advisor with over 25 years' experience in the management of companies. He has a Law Degree Major in Private International Law and is a Notarial Specialist. He also has a Master of Business Administration. Mr Saharto worked for PT Tanbang Timah, Tin Mining in Indonesia as Legal Staff (1982-5), and PT Latinusa (1985-98) as Manager, and thereafter as Company Secretary and Commercial Director. He is the Commissioner and Chairman of the Audit Committee of PT Polyrama Propindo, the second largest polypropylene producer in Indonesia. Listed company directorships held in last 3 years - Nil

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**DIRECTORS' REPORT (CONT)**

Albert Cheok Non-Executive Director Appointed 20 December 2012	6,000,000 fully paid ordinary shares. Held from date of appointment	<p>Mr Cheok is a Fellow of the Australian Institute of Certified Public Accountants and is a banker with over 30 years experience in banking in the Asia Pacific region. Mr Cheok is currently the Chairman of Bowsprit Capital Corporation Limited, the Manager of First Real Estate Investment Trust, a healthcare REIT, and the Chairman of LMIRT Management Ltd, the Manager of Lippo Malls Indonesia Retail Trust, a retail mall REIT. Both of the REIT's are listed in Singapore. Mr Cheok is the Deputy Chairman of Metal Reclaimatiopn, a leading lead refinery in Malaysia.</p> <p>Mr Cheok is a Senior Adviser to a number of businesses and Industrial groups in SE Asia. He is the Vice Governor on the Board of Governors of the Malaysian Institute of Corporate Governance; a private/public sector initiative established to good corporate governance practices in Malaysia.</p> <p>Listed company directorships held in last 3 years - Nil</p>
Peter Murphy Non-Executive Director Appointed 27 September 2013	Nil shares	<p>Mr Murphy has a B.com from Melbourne University and has spent his business career in the international commodity trading, marketing and business development area. Over a 30 year career Mr Murphy has worked in various countries including 10 years in Asia and travels to the Indian subcontinent on a regular basis. He worked with Philipp Brothers for 15 years and subsequently spent time with Marc Rich AG and Glencore. He was also retained by the Thyssen coal group as their representative in Asia and at various times has also represented the Belgian based Union Miniere and Newco AG of Switzerland and the Kolkata based Visa Group. For the past two years he has been actively involved in consulting to the Indonesian coal Industry.</p> <p>Listed company directorships held in last 3 years - Nil</p>
John Risinger Executive Director Appointed 15 May 2007 Resigned 6 September 2013	9,626,293 fully paid ordinary shares Held at date of resignation. 20,000,000 options Held at date of resignation.	<p>Mr Risinger has over 35 years experience in the drilling industry and in managing drilling and operations in mineral exploration. He has had many years experience at board level in a number of listed and unlisted public companies.</p>
Mark Stevenson Non-Executive Director Appointed 15 May 2007 Resigned 25th September 2013	21,254,314 fully paid ordinary shares Held at date of resignation	<p>Mr Stevenson is President and CEO of Holloman Holdings Corporation and has had over 30 years experience in management, engineering and operations in the upstream Oil and Gas Industry. He holds a B.S. in Constructional Engineering from Texas Tech University, Lubbock Texas.</p> <p>Former directorship, RMG Limited.</p>

DIRECTORS' REPORT (CONT)

Company Secretary

Leanne Ralph

Ms Leanne Ralph was appointed to the position of Company Secretary in December 2012. Leanne has over 22 years experience in Chief Financial Officer and Company Secretarial roles for various publicly listed and unlisted entities.

Leanne is a member of Chartered Secretaries Australia and the Australian Institute of Company Directors.

Leanne is the principal of Boardworx Australia Pty Ltd, which supplies bespoke outsourced Company Secretary services to a number of listed and unlisted companies.

Directors' Meetings

The number of directors' meetings (including meetings of committees of directors and approvals by circular resolution) and number of meetings attended by each of the directors of the Company during the financial year were:

Director	Audit Committee		Board Meetings	
	Eligible	Attended	Eligible	Attended
H Eddyarto			4	4
A Cheok	2	2	4	4
S Sahardjo	2	2	4	4
P Murphy			2	2
J Risinger			1	0
M Stevenson			1	1

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONT)

Principal Activities

The principal activities of the consolidated entity are mining explorations and development in Australia and Indonesia.

Adavale Resources Limited has established itself in the coal industry in Indonesia and will continue to research and identify quality coal projects across Indonesia, including through the Company's 40% joint venture interest in Adavale Harner Resources .

The company is also continuing exploration on its uranium project at Lake Surprise in South Australia as well as evaluating other uranium and coal exploration opportunities.

Review and Results of Operations

The Company has continued to identify and review coal projects in Indonesia, and continues to pursue farm-out and joint venture opportunities for the Australian Lake Surprise area in South Australia.

As discussed above under Project Review, the Company has continued to place emphasis on the TAPAN project, and has recently renewed the South Australian Lake Surprise Tenements.

The Company has further curtailed the administrative costs associated with the company head office, with the Adavale Harner Resources (AHR) Joint Venture bearing the majority of Indonesian expenditure in the last twelve months.

The consolidated loss of the company was \$1,041,847 which compared with a net loss for the prior year of \$4,384,636.

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:

	2014	2013
	\$	\$
Revenue from continuing operations	-	50,970
Expenses from continuing operations	791,847	(4,235,038)
Loss from continuing operations	791,847	(4,184,068)
Share of profit/(loss) from equity accounted investment	250,000	(200,568)
Profit/(loss) from continuing activities	1,041,847	(4,384,636)

The major costs incurred in the year were focused on the administration effort through the Adavale Harner Joint Venture. Also included were significant costs incurred relating to the legal action taken to defend the company's titles to the TAPAN project. Following an impairment review of the TAPAN and Lake Surprise projects, an impairment charge of \$299,999 was made.

As at year end the Company had cash resources of \$49,736 and a funding facility of \$400,000 from Mr Haryono Eddyarto.

The Company has, through access to funds in the form of a convertible loan facility provided by the Company Chairman, funds of a further \$400,000 to progress both the TAPAN and Lake Surprise projects, and research other coal projects referred to above. Should any project require major funding beyond the funds immediately available to the Company, the Company would consider either introducing joint venture parties to the project, or carry out a capital raising to enable a full ownership retention of the project. Such decisions would be made on a case by case basis.

DIRECTORS' REPORT (CONT)

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 2014.

Significant Changes in the State of Affairs

During the year the Company incurred advance funding to the Adavale Harner Joint Venture to an amount of \$250,000 to cover administrative and technical support during the previous periods. These costs were initially advanced by Mr Haryono Eddyarto to maintain operations, with calls made against Adavale Resources Ltd in accordance with the Company's 40% holding in the joint venture.

In July 2012 the Company entered into a funding agreement with Mr Haryono Eddyarto, the Company Chairman, whereby a funding facility of \$1,000,000 was agreed to. The facility has been extended to 1 October 2015.
The Company has drawn down \$600,000 (2013 - \$175,000) against this facility.

The Company previously agreed that following shareholder approval, the Company would allot and issue 60,000,000 milestone options to Mr Eddyarto in consideration for him becoming Chairman and on satisfaction by the Company of certain milestones. The 60,000,000 options were issued by the Board after shareholder approval on 25 November 2013.
Further details about these options can be seen at Note 23.

Future Developments

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

Events Subsequent to Reporting Date

No matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (CONT)

Remuneration Report (audited)

The directors of Adavale Resources Limited present the Remuneration Report for non-executive directors, executive directors and key management personnel, 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 remuneration
- b. Details of remuneration
- c. Share based remuneration
- d. Service agreements

(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 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 shareholders

Compensation packages 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 management personal for meeting or exceeding their financial and personal objectives.

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 was requested or received in the current year.

Currently the company does not have a Reumuneration committee, but the Board establishes and monitors rumuneration packages and policies. When appointed, the Board establishes and monitors the remuneration of the Managing Director. Currently no Chief Executive Officer has been appointed.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONT)

(b) Ket management personnel remuneration

The remuneration paid during the year to each key management personnel is as follows. There are no long term employee benefits or termination benefits.

2014

DIRECTORS

		SHORT TERM EMPLOYEE BENEFIT	POST EMPLOYEE BENEFIT	SHARE BASED PAYMENT	Total
		Salary & Fees	Super- annuation	Options	
		\$	\$	\$	\$
Haryono Eddyarto	v	32,162	-	7,743	39,905
Albert Cheok		-	-	-	-
Saharto Sahardjo	vi	30,824	-	-	30,824
Peter Murphy		-	-	-	-
John Risinger	iv	-	-	-	-
Mark Stevenson		-	-	-	-
		62,986	-	7,743	70,729

OTHER KEY MANAGEMENT PERSONNEL

Leanne Ralph	vii	35,590	-	-	35,590
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2013

DIRECTORS

		SHORT TERM EMPLOYEE BENEFIT	POST EMPLOYEE BENEFIT	SHARE BASED PAYMENT	Total
		Salary & Fees	Super- annuation	Options	
		\$	\$	\$	\$
Haryono Eddyarto	v	-	-	-	0
Albert Cheok		-	-	-	-
Saharto Sahardjo	vi	19,526	-	-	19,526
John Risinger	iv	232,038	-	-	232,038
Mark Stevenson		2,000	-	-	2,000
Roger Steinepreis	ii	4,000	-	-	4,000
Philip Suriano	iii	24,000	-	-	24,000
Richard Poole	i	4,000	-	-	4,000
		285,564	0	0	285,564

Other Key Management Personnel

2013

Leanne Ralph		18,842	-	-	18,842
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ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**DIRECTORS' REPORT (CONT)**

- i Fees payable to Mr Poole were paid to Arthur Phillip Pty Limited, a company controlled by him.
- ii Fees payable to Mr Steinepreis were paid to Steinepreis Paganin, a firm of which he is a partner.
- iii Fees payable to Mr Suriano were paid to Entertainment Marketing Enterprise Pty Ltd, a company controlled by him.
- iv Director's fees of \$6,000 payable to Mr Risinger were paid directly or paid to Larca Pty Limited, a company controlled by him.
Mr Risinger's salary of \$151,038 was paid from Adavale Harner Resources, the Joint Venture of Adavale Resources Limited.
In addition an amount of \$75,000 was paid by Adavale Resources Limited to Mr Risinger in relation to salary and holiday pay entitlements to 30 June 2013.
- v Fees payable to Mr Eddyarto were paid from Adavale Harner Resources, a Joint Venture in which Adavale Resources Limited owns a 40% share.
- vi The salary paid to Mr Sahardjo is for the period since appointment as a director, and was paid by Adavale Harner Resources.
- vii Fees paid to L Ralph for the period since appointment as company secretary, paid to Boardworx.

The relative proportions of remuneration that are linked to performance and those that are fixed as follows:

Name	Fixed Remuneration	At risk - STI	At risk - options
Non-Executive Directors			
Haryono Eddyarto	100%	-	100%
Albert Cheok	100%	-	-
Saharto Sahardjo	100%	-	-
Peter Murphy	100%	-	-

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (CONT)

(c) Share Based Remuneration

All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the agreements.

During the financial year Mr Hayono Eddyarto (Chairman) was issued 60,000,000 Milestone Options, as approved by shareholders at the Company meeting on the 25 November 2013. The options are issued conditional on certain milestones outlined below. The fair value of these options issued were \$7,743 and it has been expensed this year.

	Exercise Price	Expiry Date	No. of Options
Milestone Option 1:	\$0.05	31 July 2014	20,000,000
Milestone Option 2:	\$0.06	31 July 2015	20,000,000
Milestone Option 3:	\$0.07	31 July 2016	20,000,000

Milestone 1: 20 million options are exercisable when the Company enters into a binding contract to purchase or operate a coal project or concession with a minimum reserve of 2 million tonnes. This tranche will have an exercise price of A\$0.05 per option and an expiry date of 31 July 2014;

Milestone 2: 20 million options are exercisable when the Company sells and ships its first load of coal. This tranche will have an exercise price of A\$0.06 per option and an expiry date of 31 July 2015; and

Milestone 3: 20 million options are exercisable when the Company ships its first 500,000 tonnes of coal. This tranche will have an exercise price of A\$0.07 per option and an expiry date of 31 July 2016.

(d) Service Agreements

Remuneration and other terms of employment for the Executive Director and other key management personnel are formalised in a service agreement. The major provisions of the agreements relating to remuneration are set out below:

Since August 2012, payments to Non-Executive (other than Saharto Saharjo) has been waived to conserve shareholder funds.

Name	Base Agreement		Term of Agreement	Notice Period	
	UP TO 31 DECEMBER 2013	UP TO 30 JUNE 2014			
Haryono Eddyarto	US \$60,000 (net)	Nil	unspecified	unspecified	i
Leini Eddyarto	US \$144,000 (net)	US \$48,000 (net)	unspecified	unspecified	ii
Saharto Sahardjo	US \$36,000 (net)	US \$12,000 (net)	unspecified	unspecified	iii

i) Haryono Eddyarto's salary is paid from Adavale Harner Resources (Joint Venture of Adavale Resources Limited).

ii) Leini Eddyarto's salary (net of tax) is paid by Adavale Harner Resources (Joint Venture of Adavale Resources Ltd).

iii) Saharto Sahardjo's salary is paid by Adavale Harner Resources (Joint Venture of Adavale Resources Ltd)

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (CONT)

(e) Other Information

Options held by Key Management Personnel

The number of options to acquire shares in the Company held during the 2014 reporting period by any of the Key Management Personnel of the Group, including their related parties are set out below. The only current director holding options is Mr Haryono Eddyarto.

PERSONNEL	Balance at start of year	Granted as remuneration	Other changes	Vested and exercisable at the end of the reporting period	Vested and unexercisable at the end of the reporting period
Haryono Eddyarto (ii)	32,004,435	60,000,000	-	32,004,435	-
John Risinger (i)	20,000,000	-	(20,000,000)	-	-

(i) J Risinger resigned in September 2013

(ii) details of the milestone options issued to Mr Eddyarto are set out in Note 23.

Shares held by Key Management Personnel

The number of ordinary shares in the Company held during the 2014 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	Granted as remuneration	Other changes	Held at the end of the reporting period
Haryono Eddyarto	84,775,541	-	-	84,775,541
Albert Cheok	6,000,000	-	-	6,000,000
John Risinger (i)	9,626,293	-	(9,626,293)	-
Mark Stevenson (i)	21,254,314	-	(21,254,314)	-

Messrs Risinger and Stevenson resigned in September 2013.

END OF REMUNERATION REPORT

Indemnification of Officers and Auditors

The Company indemnifies, to the extent permitted by law, all directors and the company secretary of the Company and all former directors and company secretary, 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.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**DIRECTORS' REPORT (CONT)**

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

At the date of this report the unissued ordinary shares of Adavale Resources Limited under option are as follows:-

Date of Grant	Type	Date of Expiry	Number	Exercise
				Price
8 December 2010	Class C (U04)	31 July 2015	10,000,000	\$0.045
8 December 2010	Class D (U05)	31 July 2016	10,000,000	\$0.05
25 November 2013	Milestone options	31 July 2015	20,000,000	\$0.06
25 November 2013	Milestone options	31 July 2016	20,000,000	\$0.07

Environmental Issues

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

Non-Audit Services

The Board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the nature of the services disclosed below did not compromise the external auditor's independence.

Grant Thornton did not provide any non-audit services during the year ended 30 June 2014.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on Page 27.


DIRECTORS' REPORT (CONT)

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 to 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.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'Haryono Eddyarto', written over a light blue horizontal line.

Haryono Eddyarto

Chairman

30 September 2014



Grant Thornton

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**Auditor's Independence Declaration
To the Directors of Adavale Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Adavale Resources Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Partner - Audit & Assurance

Perth, 30 September 2014

Grant Thornton Audit Pty Ltd ACN 130 913 594
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ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

		Consolidated	
	Notes	2014	2013
		\$	\$
Revenue			
Other Revenue	4	0	50,970
Total revenue		0	50,970
Employee benefit expenses		0	(36,066)
Audit Fees	5	(45,330)	(59,739)
Depreciation		(1,629)	(5,678)
Interest expense, convertible loan		(99,383)	0
Contractor and consultants expenses		0	(110,652)
Legal expenses		(7,396)	(99,975)
Insurance		(19,868)	(21,326)
Share registry fees		(34,071)	(53,080)
Management and administration		(173,986)	(41,654)
Share based payment		(7,743)	0
Directors' fees		0	(10,000)
Travel		0	(76,752)
Impairment of exploration and evaluation expenditure	11	(384,535)	(3,677,750)
Exchange rate losses		(1,619)	(824)
Other expenses		(16,287)	(41,542)
Share of loss from equity accounted investment	25	(250,000)	(200,568)
Profit / (Loss) before income tax expense		(1,041,847)	(4,384,636)
Income tax expense	6	-	-
(Net Loss) for the year from continuing activities		(1,041,847)	(4,384,636)
Other comprehensive income/loss			
Items which may subsequently be transferred to profit or loss			
Foreign currency translation movements		8,617	(12,434)
Total comprehensive income/(loss)		(1,033,230)	(4,397,070)
Earnings per Share from continuing operations:			
Basic (loss)/earnings per share – cents	7	(0.33)	(1.38)
Diluted (loss)/earnings per share – cents	7	(0.33)	(1.38)
Earnings per Share attributable to the ordinary shareholder of the Company			
Basic (loss)/earnings per share – cents	7	(0.33)	(1.38)
Diluted (loss)/earnings per share – cents	7	(0.33)	(1.38)

These 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 2014

	Notes	Consolidated	
		2014	2013
		\$	\$
CURRENT ASSETS			
Cash assets	8	49,736	150,505
Receivables	9	17,793	62,326
Other		831	4,385
TOTAL CURRENT ASSETS		68,360	217,216
NON-CURRENT ASSETS			
Investment accounted for using the equity method	25	-	-
Property, plant and equipment	10	885	2,471
Exploration and evaluation assets	11	881,000	1,180,000
TOTAL NON-CURRENT ASSETS		881,885	1,182,471
TOTAL ASSETS		950,245	1,399,687
CURRENT LIABILITIES			
Payables	12	305,735	225,219
TOTAL CURRENT LIABILITIES		305,735	225,219
NON-CURRENT LIABILITIES			
Borrowings	13	503,902	175,000
TOTAL LIABILITIES		809,637	400,219
NET ASSETS		140,608	999,468
EQUITY			
Contributed equity	14	37,326,274	37,326,274
Reserves	15	226,424	43,437
Accumulated losses		(37,412,090)	(36,370,243)
TOTAL EQUITY		140,608	999,468

These 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 2014

		Consolidated	
	Notes	2014	2013
		\$	\$
Cash flows from operating activities			
Cash payments in the course of operations		(260,715)	(591,182)
Interest received		0	6,933
		<hr/>	<hr/>
Net cash (used in) operating activities	21(b)	(260,715)	(584,249)
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of property, plant and equipment		-	0
Development, exploration & evaluation expenses capitalised		(15,054)	(44,261)
Payment for joint venture		(250,000)	0
		<hr/>	<hr/>
Net cash (used in) investing activities		(265,054)	(44,261)
		<hr/>	<hr/>
Cash flows from financing activities			
Issue of shares		-	1
Loan funds received		425,000	175,000
Repayment of loan		0	15,000
		<hr/>	<hr/>
Net cash provided by financing activities		425,000	190,001
		<hr/>	<hr/>
Net (decrease) in cash held		(100,769)	(438,509)
Cash at beginning of financial year		150,505	589,014
		<hr/>	<hr/>
Cash at end of financial year	21(a)	49,736	150,505
		<hr/>	<hr/>

These financial statements should be read with the accompanying notes

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Share Capital	Accumulated Losses	Equity Component Instrument	Option Reserve	FX Translation Reserve	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2012	37,326,273	(31,985,607)	-	43,434	12,437	5,396,537
Issue of shares	1	-	-	-	-	1
Costs of shares	-	-	-	-	-	-
Share based payment	-	-	-	-	-	-
Transactions with owners	1	-	0	-	-	1
Loss for the year	-	(4,384,636)	-	-	-	(4,384,636)
Other comprehensive income	-	-	-	-	(12,434)	(12,434)
Total Comprehensive Loss	-	(4,384,636)	0	-	(12,434)	(4,397,070)
Balance at 30 June 2013	37,326,274	(36,370,243)	0	43,434	3	999,468
Balance at 1 July 2013	37,326,274	(36,370,243)	-	43,434	3	999,468
Loan issue	-	-	166,627	-	-	166,627
Issue of shares/options	-	-	-	7,743	-	-
Transactions with owners	-	-	166,627	7,743	-	174,370
Loss for the year	-	(1,041,847)	-	-	-	(1,041,847)
Other comprehensive income	-	-	-	-	8,617	8,617
Total Comprehensive Loss	-	(1,041,847)	0	-	8,617	(1,033,230)
Balance at 30 June 2014	37,326,274	(37,412,090)	166,627	51,177	8,620	140,608

These financial statements should be read with the accompanying notes

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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 2014 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.

The registered office of the Company is:

Adavale Resources Limited
Level 5, 151 Castlereagh Street
SYDNEY NSW 2000

The principal place of business is:

Indonesia

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 (IFRSs) as issued by the International Accounting Standards Board IASB).

The financial statements were authorised for issue on 29 September 2014 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 judgments 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.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(c) Going Concern Basis of Accounting

The Group is at the exploration and evaluation phase on each of its mining tenements. The Group has incurred a loss of \$1,041,847 (2013: \$4,384,636) and cash outflows from operations of \$260,715 (2013: \$584,249) for the year ended 30 June 2014. As at 30 June 2014, the Group has current liabilities exceeding current assets of \$237,735 (2013: \$8,003).

The Company is committed to payments to maintain rights to perform its evaluation activity. As a result the Group has and expects further cash outflows from operating and investing activities. Funding of ongoing activities is required from future capital raisings. Therefore significant uncertainty exists to the Group's ability to continue as a going concern.

Currently the Group has a Loan Agreement of \$1million with Haryono Eddyarto, the Company Chairman. At 30 June 2014 this had been drawn to \$600,000. The facility expires in October 2015.

The Group may require further successful raising of funding through debt or equity in order to allow for the successful exploration and subsequent exploitation of the Company's tenements.

The Directors have prepared the financial statements on a going concern basis, as the Directors believe that sufficient funding will be generated from future capital raisings and utilising existing undrawn loan funding facilities.

Notwithstanding the significant uncertainties of future events inherent in the above strategy, the Directors consider it is appropriate to prepare the financial statements on a going concern basis and hence no adjustments have been made in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the entity does not continue as a going concern.

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 2014 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.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT).

Investments in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate. Dividends received or receivable from associates reduce the carrying amount of the investment.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Company's interests in the assets, liabilities, revenue and expenses of the joint operations are included in the respective line items of the financial statements.

(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 Revenue

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

Sale of Non-Current Assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(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.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT).

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(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

Current income tax expense is based on the profit 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. Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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.

The Company subsidiary, PT Adavale Nusantara transacts in USD. The monetary items are translated into AUD, using the average exchange rate for reporting purposes. The non-monetary items are translated into AUD, using the historical exchange rate for reporting purposes.

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.

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

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT).

(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 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 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.

Financial Assets at Fair Value Through Profit or Loss

A financial instrument is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirements of AASB 139: Financial Instruments; Recognition and Measurement. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT).

Loans and 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.

Held-to-Maturity Investments

These investments have fixed maturities and it is the company's intention to hold these investments to maturity. Any held-to-maturity investments held by the company are stated at amortised cost using the effective interest rate method.

Available-for-Sale Financial Instruments

Available-for-sale financial instruments include any financial assets not included in the above categories.

Financial Liabilities

Non-derivative financial instruments are recognised at amortised cost, 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 arms length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the comprehensive income statement.

(g) Impairment of Non-Current Assets

At each reporting date the group reviews the carrying values of its non-current tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being higher of the the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement.

(h) Receivables

The collectability of debts is assessed at reporting date and specific provision is made for any doubtful accounts.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT).

(i) Depreciation and amortisation

Useful Lives

All assets, including intangibles, have limited useful lives and are depreciated/amortised using the diminishing value method, with the exception of finance lease assets which are amortised over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Goodwill balances are reviewed annually and any balance representing future benefits for which the realization is considered to be no longer probable are written off.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed.

The depreciation/amortisation rates used for each class of asset during the current and prior year are as follows:

	2014	2013
Office Equipment	3-5 years	3-5 years
Field Equipment	3-5 years	3-5 years

(j) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received.

(k) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date.

(l) Provisions

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

(m) 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.

(n) Earnings per Share

(i) Basic earnings per share:

Basic earnings 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.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT).

- (ii) Diluted earnings per share:
Diluted earnings per share adjusts the figures used in the determination of basic earnings 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.

(o) Exploration and Evaluation Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - (b) exploration and evaluation activities in the area have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence, or otherwise, of economically recoverable reserves and active and significant operations in, or relating to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(p) Intangible assets

The intangible assets of the Company are exploration licences acquired during the year ended 30 June 2007. The licenses are measured at cost less accumulated impairment losses. A review of the exploration licences occur each year .

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT).

(q) Segment Reporting

The company presents operating segments based on information reported internally.

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 comprising mainly of head office assets, expenses and liabilities.

(r) Share Based Payments

The performance securities issued to the Directors is recognised as a share-based expense, with a corresponding increase in equity. 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 are to provide cost effective consideration to directors for their ongoing commitment and contribution to the Company in their respective roles as Directors.

(s) Critical Accounting Estimates and Judgements

Impairment Testing

The directors evaluate estimates and judgements incorporated into the financial report based on historical 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. Critical estimates and judgements relating to the impairment testing of assets of the Group are as follows:

Exploration and Evaluation Expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

The Group assess impairment at the end of each reporting period by evaluating conditions and events specific to the Group. As a result of their testing, they have valued exploration and evaluation assets at \$881,000 (2013: \$1,180,000).

The valuation on TAPAN is based on offers the group has previously received for this asset which also incorporates a royalty payment. The Company considers that the offers support the valuation of TAPAN by the Directors.

The valuation of Lake Surprise was reviewed in 2012 and the Directors consider it a fair value at present based on the proposed expenditure to be committed to exploration over the coming years.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT).

(t) Parent Entity Financial Information

The financial information for the parent entity, Adavale Resources Limited, disclosed in note 27 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 cost. A list of controlled entities is contained in Note 21 of the accounts.

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

(u) New Accounting Standards and Interpretations

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Adoption of new and revised Accounting Standards

During the year new accounting standards and amendments to standards became mandatory for the first time for the financial year beginning 1 July 2013. These included:

- AASB 10 - *Consolidated Financial Statements*
- AASB 11 - *Joint Arrangements*
- AASB 12 - *Disclosure of Interests in Other Entities*
- AASB 13 - *Fair Value Measurement*
- AASB 119 - *Employee Benefits*

The application of these new standards has not affected any of the amounts recognised in the current or prior periods and is not likely to affect future periods.

New Accounting Standards for Application in Future Periods

AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Effective date (annual reporting periods beginning on or after 1 January 2018).

The entity has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2018.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

Effective date (annual reporting periods beginning on or after 1 January 2014).

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

When AASB 2012-3 is first adopted for the year ending 30 June 2015, there will be no impact on the entity as this standard merely clarifies existing requirements in AASB 132.

AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When developing IFRS 13 *Fair Value Measurement*, the IASB decided to amend IAS 36 *Impairment of Assets* to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. AASB 2013-3 makes the equivalent amendments to AASB 136 *Impairment of Assets*.

Effective date (annual reporting periods beginning on or after 1 January 2014).

When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity given that they are largely of the nature of clarification of existing requirements.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments to IFRS 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in IFRS 3 *Business Combinations*, should:

- apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except principles that conflict with the guidance of IFRS 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- provide disclosures for business combinations as required by IFRS 3 and other IFRSs.

Effective date (annual reporting periods beginning on or after 1 January 2016).

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

4. REVENUE

	Consolidated	
	2014	2013
	\$	\$
Revenue from outside the operating activities		
Interest	0	6,933
Other Revenue	0	44,037
	<u>0</u>	<u>50,970</u>

5. AUDITORS' REMUNERATION

	Consolidated	
	2014	2013
	\$	\$
Audit and review of financial statements		
- auditors of Adavale Resources Limited - Grant Thornton	45,330	59,739
Remuneration for audit and review of financial statements	<u>45,330</u>	<u>59,739</u>
Other services	-	-
Total other service remuneration	<u>0</u>	<u>0</u>
Total auditor's remuneration	<u>45,330</u>	<u>59,739</u>

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

6. TAXATION

	Consolidated	
	2014	2013
	\$	\$
The prima facie tax on loss before income tax is reconciled to income tax as follows:		
a. Prima facie tax receivable on loss at 30% (2013: 30%)	(312,554)	(1,315,391)
Tax effect of deferred tax assets not brought to account	312,554	1,315,391
Income tax expense attributable to entity	-	-

The directors have not recognised any tax assets in respect of losses, as they do not believe that the conditions for recognition set out in Note 3(e) have been met. The directors estimate the carry-forward income tax losses carried forward was approximately \$9,457,305 (2013: \$9,211,304) available to offset again future taxable income.

7. EARNINGS PER SHARE

	Consolidated	
	2014	2013
	\$	\$
Continuing Operations		
Earnings per share		
- Basic – cents	(0.33)	(1.38)
- Diluted – cents	(0.33)	(1.38)
Earnings/(loss) used in the calculation of basic and diluted EPS	(1,041,847)	(4,384,636)
Weighted average number of ordinary shares used in the calculation of basic and diluted EPS		
- in the calculation of basic EPS	316,990,035	316,990,035
- in the calculation of diluted EPS	316,990,035	316,990,035
Number of options not considered dilutive	175,697,863	115,697,863

As the company reported a loss for the year ended 30 June 2014, options on issue were not included in the calculation of diluted earnings per share.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

8. CASH ASSETS

	Consolidated	
	2014	2013
	\$	\$
Cash at bank	49,736	150,505

9. RECEIVABLES

	Consolidated	
	2014	2013
	\$	\$
Current		
Other receivables	17,793	62,326
	17,793	62,326

10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2014	2013
	\$	\$
Office equipment		
At cost	13,917	13,917
Accumulated depreciation	(13,032)	(11,446)
	885	2,471
Total property, plant and equipment – Net book value	885	2,471

Movement in Carrying Values

	Office Equipment	Total
	\$	\$
Carrying value as at 1 July 2013	2,471	2,471
Additions	0	0
Disposals	0	0
Depreciation	(1,586)	(1,586)
Carrying value as at 30 June 2014	885	885

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

11. EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	2014	2013
	\$	\$
Exploration Licences	1,050,160	1,050,160
Exploration expenditure capitalised		
- Exploration and evaluation phase	3,893,125	3,807,590
Less: Provision for impairment	(4,062,285)	(3,677,750)
	<u>881,000</u>	<u>1,180,000</u>

Exploration Licences are carried at cost of acquisition less impairment losses.

Recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful production and sale of uranium ore and coal and or the sale of the areas of interest.

Exploration related costs amounting to \$15,054 (2013:\$44,261) have been included in cash flows from investing activities in the cash flow statement.

Exploration expenditure amounting to \$85,535 was incurred in the year and subsequently written off as impaired.

At year end the Directors reviewed the carrying value of each of the TAPAN and Springvale areas, and in recognition of factors such as coal price, and in consideration of potentially relinquishing some of the Springvale tenements in the future, an additional impairment charge of \$299,000 was made against the carrying value of these areas.

12. PAYABLES

	Consolidated	
	2014	2013
	\$	\$
Trade creditors	5,194	46,871
Trade creditors to related parties	220,338	142,194
Accrued interest, loan Haryono Eddyarto	31,671	2,827
Other creditors and accruals	48,532	33,327
	<u>305,735</u>	<u>225,219</u>

Further information relating to trade creditors to related parties is set out in note 24.

The terms and conditions of the transactions with directors and related parties are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

13. BORROWINGS

	Consolidated	
	2014	2013
	\$	\$
Borrowings	600,000	175,000
Less: Equity component of instrument	(166,627)	-
Add:unwinding of interest	70,529	-
Loan from related party	503,902	175,000

On 1 August 2012, the Company announced it has entered into a Convertible Loan Agreement with Mr Eddyarto (Chairman) to the value of

\$1million (Loan). The convertible loan was approved by Shareholders at General Meeting on 20 December 2012. During the reporting period a further \$425,000 has been drawn down on this loan to assist with funding of Group operations. A balance of \$400,000 remains undrawn at 30 June 2014.

The terms of the loan with Mr Eddyarto are as follows

- (a) Loan has a Face Value of \$1,000,000;
- (b) The Company may make multiple draw downs under the Loan;
- (c) Interest shall accrue on the Loan at 8%;
- (d) If the Loan has not been repaid or converted, the Company will repay any or all of the Loan 24 months after the execution date. Mr Eddyarto has agreed to extend the terms of the loan for a further period to 1 October 2015.
- (e) Where an event of default occurs, Mr Eddyarto may require the Company to repay any or all of the Loan plus any interest.
- (f) The Loan is convertible into Shares at a conversion price of 5 cents per Share;
- (g) The Loan is an unsecured debt instrument ranking alongside general secured creditors.

The convertible loan is considered a Compound Financial Instrument, that is, an instrument that has both a debt and equity component. A review of the convertible loan for accounting purposes has determined that applicable market interest rate for this convertible loan would be 30% pa. Consequently, the drawn down amount of \$600,000 has been split between debt and equity using that rate as a basis for the split.

14. CONTRIBUTED EQUITY

	Consolidated		Consolidated	
	2014	2014	2013	2013
	No	\$	No	\$
Issued and Paid-up Share Capital				
(a) Ordinary shares, fully paid	316,990,035	37,326,274	316,990,019	37,326,274
	316,990,035	37,326,274	316,990,019	37,326,274
Number	No	\$	No	\$
Ordinary Shares				
Balance as at 1 July	316,990,035	37,326,274	316,990,019	37,326,273
Issues during the year on conversion of options (i)	-	-	16	1
Closing balance at 30 June	316,990,035	37,326,274	316,990,035	37,326,274

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.

- (i) 16 options were exercised by shareholders during 2013, resulting in 16 ordinary shares issued at 4 cents.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

14. CONTRIBUTED EQUITY (continued)

(b) Options

	Consolidated	
	2014	2013
	No	No
Options - exercisable at 0.04, expiring date 31 Jul 2014		
Opening balance	65,697,863	65,697,879
Issued	-	-
Options exercised	0 -	16
Closing balance	<u>65,697,863</u>	<u>65,697,863</u>
Class A Options - exercisable at 0.04, expiring date 31 Jul 2014		
Opening balance	10,000,000	10,000,000
Issued	-	-
Closing balance	<u>10,000,000</u>	<u>10,000,000</u>
Class B Options - exercisable at 0.04, expiring date 31 Jul 2014		
Opening balance	10,000,000	10,000,000
Issued	-	-
Closing balance	<u>10,000,000</u>	<u>10,000,000</u>
Class C Options - exercisable at 0.045, expiring date 31 Jul 2015		
Opening balance	10,000,000	10,000,000
Issued	-	-
Closing balance	<u>10,000,000</u>	<u>10,000,000</u>
Class D Options - exercisable at 0.05, expiring date 31 Jul 2016		
Opening balance	10,000,000	10,000,000
Issued	-	-
Closing balance	<u>10,000,000</u>	<u>10,000,000</u>
Options - exercisable at 0.04, expiring date 31 Jul 2014		
Opening balance	10,000,000	10,000,000
Issued	-	-
Closing balance	<u>10,000,000</u>	<u>10,000,000</u>
Milestone Options - Exercisable at \$0.05, expiry date 31 July 2014		
Opening Balance	-	-
Issue of Options	20,000,000	-
Closing Balance	<u>20,000,000</u>	<u>-</u>
Milestone Options - Exercisable at \$0.06, expiry date 31 July 2015		
Opening Balance	-	-
Issue of Options	20,000,000	-
Closing Balance	<u>20,000,000</u>	<u>-</u>

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Milestone Options - Exercisable at \$0.07, expiry date 31 July 2016

Opening Balance	-	-
Issue of Options	20,000,000	-
Closing Balance	20,000,000	-

See Note 23 for milestone terms of options

(c) Capital Risk Management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. In order to maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders.

The Company's strategy, which is unchanged from the prior year, was to maintain a sufficient level of cash to meet its obligations, as and when any debts are due, and to meet any investment commitments.

There is no externally imposed capital requirements for the Company.

15. RESERVES

The option reserve records items recognised as expenses on valuation of Directors' share options. The Equity Component Reserve recognises the equity component of the Compound Financial Instrument when initiated, details of which are given at Note 13.

16. DIVIDENDS

The Directors do not recommend a dividend for the year ended 30 June 2014. No dividend was paid for the year ended 30 June 2014.

17. 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.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(a) Interest Rate Risk

The consolidated entity is exposed to interest rate fluctuations.

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:

	Note	Weighted Average 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		
			\$	\$	\$	\$	\$	\$
2014								
Financial assets								
Cash assets	8	0%	-	-	-	-	49,736	49,736
Receivables	9		-	-	-	-	17,793	17,793
Other current assets			-	-	-	-	831	831
			-	-	-	-	68,360	68,360
Financial liabilities								
Loans and borrowings	14	8%	-	-	503,902	-	-	503,902
Payables	12		-	-	-	-	305,735	305,735
			-	-	503,902	-	305,735	809,637
2013								
Financial assets								
Cash assets	8	0%	-	-	-	-	150,505	150,505
Receivables	9		-	-	-	-	62,326	62,326
Other current assets			-	-	-	-	4,385	4,385
			-	-	-	-	217,216	217,216
Financial liabilities								
Loans and borrowings	14	8%	-	-	175,000	-	-	175,000
Payables	12		-	-	-	-	169,438	169,438
			-	-	-	-	169,438	169,438

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

17. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

Financial Risk Management (continued)

Interest Rate Sensitivity Analysis

A sensitivity analysis was performed relating to the exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which should result from a change in these risks.

At 30 June 2014, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Economic Entity	Economic Entity
	30 June 2014	30 June 2013
	\$	\$
Change in profit		
- Increase in interest rate by 2%	0	0
- Decrease in interest rate by 2%	0	0
Change in equity		
- Increase in interest rate by 2%	0	0
- Decrease in interest rate by 2%	0	0

(b) Fair Values of Financial Assets and Liabilities

Valuation Approach

Fair values of financial assets and liabilities are determined by the consolidated entity 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 fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets and an assessment of future maintainable earnings and cash flows of the respective corporations.

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

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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17. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

(c) Unrecognised Financial Instruments

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

(d) Foreign Currency Risk

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

	2014		2013	
	AUD	USD	AUD	USD
Receivables	619	583	619	583
Payables	228,772	215,634	9,620	9,065

The following significant exchange rates applied during the year:

	Average Rate		Average Rate	
	2014	2013	2013	2012
AUD				
USD	0.9183	1.0266	1.0266	1.0321

Sensitivity analysis

A strengthening of the AUD against the USD at 30 June 2014 would have an immaterial effect on either the profit or loss or statement of financial position.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

17. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

(e) Credit Risk Exposures

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 Economic Entity cash reserves of \$49,736 (2013: \$150,505) as at 30 June 2014 will meet liquidity requirements in the short term. Funding for long-term liquidity needs is secured by a loan facility of \$1 million, currently drawn to \$600,000 which matures on 1 October 2015.

(g) Capital Management Risk

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.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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18. COMMITMENTS

	Consolidated	
	2014	2013
	\$	\$
Exploration lease commitments		
Minimum expenditure commitments on exploration licences		
Committed but not provided for and payable:		
Within one year	780,000	0
One year or later and no later than for five years	-	780,000
	<u>780,000</u>	<u>780,000</u>

19. 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 Indonesia.

The segment reporting is detailed below:

(b) Primary Reporting – Business Segments
Year ended 30 June 2014

	Mineral exploration \$ Australia	Mineral exploration \$ Indonesia	Other \$	Total \$
Revenue				
Sales	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total Segment Revenue	-	-	-	-
Segment Result				
Depreciation	-	(1,629)	-	(1,629)
Profit/(loss) before income tax	(15,054)	(70,490)	(711,675)	(797,219)
Income tax expense	-	-	-	0
Net Profit/(loss)	(15,054)	(72,119)	(711,675)	(798,848)
Total segment assets				
- Exploration expenditure	391,000	490,000	-	881,000
- Receivables	3,061,640	-	-	3,061,640
- Others	-	24,389	44,853	69,242
	<u>3,452,640</u>	<u>514,389</u>	<u>44,853</u>	<u>4,011,882</u>
Total segment liabilities				
- Loans	-	-	503,902	503,902
- Others	2,984,243	-	305,735	3,289,978
	<u>2,984,243</u>	<u>0</u>	<u>809,637</u>	<u>3,793,880</u>

[1] Please note that the loss for Australia and Indonesia is limited to the impairment losses incurred in the current year.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

19. SEGMENT INFORMATION (CONT)

(a) Primary Reporting – Business Segments

Year ended 30 June 2013

	Mineral exploration \$ Australia	Mineral exploration \$ Indonesia	Other \$	Total \$
Revenue				
Sales				-
Interest	-	-	6,933	6,933
Other	-	-	44,037	44,037
Total Segment Revenue	-	-	50,970	50,970
Segment Result				
Depreciation	-	(5,678)	-	(5,678)
Profit/(loss) before income tax	(1,938,784)	(1,939,534)	(506,318)	(4,384,636)
Income tax expense	-	-	-	-
Net Profit/(loss)	(1,938,784)	(1,939,534)	(506,318)	(4,384,636)
Total segment assets				
- Exploration expenditure	480,000	700,000	-	1,180,000
- Receivables	3,034,971	-	-	3,034,971
- Others	-	24,622	128,354	152,976
	3,514,971	724,622	128,354	4,367,947
Total segment liabilities				
- Loans	-	-	175,000	175,000
- Others	2,968,260	-	225,219	3,193,479
	2,968,260	0	400,219	3,368,479

All segment assets are located in Australia and Indonesia.

c) Segment assets:

Reportable segments' assets reconciled to total assets as follow:

	Consolidated 30 June 2014	Consolidated 30 June 2013
Segment Assets	4,011,882	4,367,947
Intersegment Eliminations	(3,061,640)	(2,968,260)
Total assets as per statement of financial position	950,242	1,399,687

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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19. SEGMENT INFORMATION (CONT)

d) Segment liabilities:

Reportable segments' liabilities reconciled to total liabilities as follow:

	Consolidated 30 June 2014	Consolidated 30 June 2013
Segment Liabilities	3,793,880	3,338,046
Intersegment Eliminations	<u>(2,984,243)</u>	<u>(2,937,827)</u>
Total liabilities as per statement of financial position	<u>809,637</u>	<u>400,219</u>

20. CONTROLLED ENTITIES

Particulars in relation to controlled entities

	Ordinary Shares Consolidated Entity Interest	
	2014 %	2013 %
Company:		
Adavale Resources Limited		
Controlled entities:		
Adavale Minerals Pty Ltd	100	100
Adavale Queensland Pty Ltd	100	100
Adavale Indonesia Pty Ltd	100	100
The above entities were incorporated in Australia.		
PT Adavale Nusantara	100	100
PT Prima Perkasa Abadi	100	100

Incorporated in Indonesia

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

21. NOTES TO THE STATEMENT OF CASH FLOWS

	Notes	Consolidated	
		2014	2013
		\$	\$
(a) Reconciliation of Cash			
For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:			
Cash at bank	8	49,736	150,505
(b) Reconciliation of the operating loss after tax to the net cash flow from operations			
Profit/(loss) after income tax		(1,041,847)	(4,384,636)
Add/(less) non cash items:			
- Depreciation of non-current assets		1,586	5,678
- Equity Method-Joint Venture		250,000	200,568
- Impairment of exploration and evaluation costs		384,535	3,677,750
Share based payment		7,743	-
Interest capitalised		70,529	
- Other		5,701	(12,434)
		(321,753)	(513,074)
Changes in assets and liabilities:			
- (Increase)/decrease in receivables		48,087	(35,462)
- Increase/(decrease) in trade creditors and accruals		12,951	7,781
- Increase/(decrease) in provisions		0	(43,494)
Net cash (used in) operating activities		(260,715)	(584,249)

23. SHARE BASED PAYMENTS

Since the end of the financial year ended 30 June 2013, the Company Directors have issued the 60,000,000 Milestone Options to Mr Haryono Eddyarto (Chairman) as approved by shareholders at the Company meeting of 25 November 2013. The options are issued conditional upon the Company attaining certain milestones outlined below:

	30-Jun-14
	Number of options
Milestone Options - Exercisable at \$0.05, expiry date 31 July 2014	
Opening Balance	-
Issue of Options	20,000,000
Closing Balance	20,000,000
Milestone Options - Exercisable at \$0.06, expiry date 31 July 2015	
Opening Balance	-
Issue of Options	20,000,000
Closing Balance	20,000,000
Milestone Options - Exercisable at \$0.07, expiry date 31 July 2016	
Opening Balance	-
Issue of Options	20,000,000
Closing Balance	20,000,000

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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23. SHARE BASED PAYMENTS (CONTINUED)

Milestone 1: 20 million options are exercisable when the Company enters into a binding contract to purchase or operate a coal project or concession with a minimum reserve of 2 million tonnes. This tranche will have an exercise price of A\$0.05 per option and an expiry date of 31 July 2014;

Milestone 2: 20 million options are exercisable when the Company sells and ships its first load of coal. This tranche will have an exercise price of A\$0.06 per option and an expiry date of 31 July 2015; and

Milestone 3: 20 million options are exercisable when the Company ships its first 500,000 tonnes of coal. This tranche will have an exercise price of A\$0.07 per option and an expiry date of 31 July 2016.

Each of the above options issued during the reporting period have been valued using a binomial option pricing model, and an expense of \$7,743 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income. For the purpose of valuing the options, the expiry date has been used as the exercise date, a risk free rate of 3.04% and a volatility of 125%.

Options granted to key management personnel in prior periods as share-based payments are as follows:

Directors	Date of Grant	Type	Date of Expiry	Number	Exercise
					Price
John Risinger	8 December 2010	Class A	31 July 2014	5,000,000	\$0.04
	8 December 2010	Class B	31 July 2014	5,000,000	\$0.04
	8 December 2010	Class C	31 July 2015	5,000,000	\$0.045
	8 December 2010	Class D	31 July 2016	5,000,000	\$0.05
Philip Suriano	8 December 2010	Class A	31 July 2014	5,000,000	\$0.04
	8 December 2010	Class B	31 July 2014	5,000,000	\$0.04
	8 December 2010	Class C	31 July 2015	5,000,000	\$0.045
	8 December 2010	Class D	31 July 2016	5,000,000	\$0.05

The options with an expiry date of 31 July 2014 have expired since year end.

The grant date fair value of these share based payments were measured using the Black-Scholes formula. Expected volatility is estimated using the Black-Scholes option pricing model applying the following inputs:

At the weighted average exercise price:	\$0.045
Weighted average life of the options:	3.75 years
Expected share price volatility:	15%
Risk-free interest rate:	4.96%

The terms and conditions of these options when issued were as follows:

- (a) Class A - give the optionholder the right to subscribe to one share;
- (b) Class B - shall only vest and be exercisable upon the Company selling and shipping its first load of coal;
- (c) Class C - shall only vest and be exercisable upon the Company selling and shipping 500,000th tonne of coal; and
- (d) Class D - shall only vest and be exercisable upon the Company selling and shipping its 1,000,000th tonne of coal.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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24. RELATED PARTIES

Key Management Personnel

The directors of Adavale Resources Limited are considered the key management personnel of the consolidated economic entity. The directors' remuneration and equity holdings have been disclosed in the directors report attached to the financial statements.

(a) The key management personnel compensation comprised:

	Consolidated	
	2014	2013
	\$	\$
Short-term employee benefits	98,576	304,406
Long-term employee benefits	-	-
Share based payments	7,743	-
Total	106,319	304,406

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.

Directors' transactions with the Company or its controlled entities

	Consolidated	
	2014	2013
	\$	\$
Fees and reimbursement of expenses payable to PT Harner, a company controlled/owned by Mt Haryono Eddyarto, Chairman of Adavale Resources Ltd. The fees relate to finance and legal administration in Indonesia.	164,338	56,000
Fees paid to Arthur Phillip Pty Limited, a company controlled by Mr Richard Poole for provision of company secretarial, administration, management and advisory services during the year	0	14,500
Expenses, being reimbursement of travel costs paid to Arthur Phillip Pty Ltd	0	4,874
Fees paid to Steinepreis Paganin, a firm of which Mr Roger Steinepreis is a partner, for the provision of legal services during the year	0	73,165
Consulting fees paid to Entertainment Marketing Enterprise Pty Ltd, a company controlled by Mr Phillip Suriano for the reimbursement of travel costs during the year	0	20,000
Expenses paid to Larca Pty Ltd, a company controlled by Mr John Risinger for the reimbursement of travel costs during the year	0	61,628

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
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24. RELATED PARTIES (CONTINUED)

Salary and reimbursement of mobile phone paid to Ms Leiny Haryono (spouse of Mr Haryono Eddyarto), being the Chief Financial Officer of Adavale Harner Resources (Joint Venture) during the year. *	141,028	172,531
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* Ms Leiny Haryono salary and reimbursement of mobile phone charges were paid from Adavale Harner Resources (Joint Venture).

The terms and conditions of the transactions with directors and their director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director-related entities on an arm's length basis.

Directors' balances with the Company or its controlled entities

	Consolidated	
	2014	2013
	\$	\$
Payables (see note 12)		
PT Harner (see above)	220,338	56,000
Steinepreis Paganin	-	11,194
Larca Pty Limited	-	75,000
	220,338	142,194

The amount owing to Larca related to outstanding remuneration payable at the time of resignation of Mr Risinger post 30 June 2013.

In addition Mr Haryono Eddyarto has advanced US\$ 39,698 to Adavale Harner Resources JV as at 30 June 2014 in advance of calls made to all parties. There is no interest or terms of repayment set for this advance.

Other related party transactions

On 31 July 2012, Mr Haryono Eddyarto, a director of Adavale Resources Limited, agreed to assume the Company's USD300,000 financial obligation to Adavale Harner Resources (AHR), subject to BKPM (Indonesia Investment Coordinating Board) approval, which has subsequently been received.

The Company agreed to immediately transfer to Mr Eddyarto 300 shares in Adavale Harner Resources (AHR) on receipt of BKPM's approval and payment by Mr Eddyarto of USD300,000 direct to Adavale Harner Resources to complete the Company's obligation. Following receipt of the funds, the AHR joint venture was 40% Adavale Resources Limited and 60% Mr Eddyarto. Since 30 June 2013 the Company has been called by the Joint Venture, and has advanced a further \$200,000 to the JV.

The Company announced in July 2012 it had entered into a Convertible Loan Agreement with Mr Eddyarto to the value of \$1 million (Loan) subsequently approved by Shareholders. As a consequence of entering into the Convertible Loan Agreement with Mr Eddyarto, the Company and Arthur Phillip Pty Ltd agreed to terminate the Convertible Loan Agreement announced on 15 October 2010. The 10,000,000 options issued to Arthur Phillip Pty Ltd for providing the loan were transferred to Mr Eddyarto. The Company has drawn down \$600,000 against this facility. The loan facility expires in October 2015.

The Company agreed that following shareholder approval, the Company would allot and issue 60,000,000 options to Mr Eddyarto in consideration for him becoming Chairman and on satisfaction by the Company of certain milestones. The 60,000,000 options were subsequently issued by the Board following shareholder approval in November 2013. See Note 23 above.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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25. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2014	2013
	\$	\$
Interest in joint ventures	-	-
Total Assets	-	-

Interests in Joint Ventures

On 31 July 2012, Mr Haryono Eddyarto, a director of Adavale Resources Limited, agreed to assume the Company's USD300,000 financial obligation to Adavale Harner Resources, subject to BKPM (Indonesia Investment Coordinating Board) approval which has subsequently been received. The Company agreed to immediately transfer to Mr Eddyarto 300 shares in Adavale Harner Resources on receipt of BKPM's approval and payment by Mr Eddyarto of USD300,000 direct to Adavale Harner Resources to complete the Company's obligation.

As from 1 July 2012 therefore the Group has owned a 40% interest (previously 60%) in PT Adavale Harner and is the only jointly controlled entity within the Group. The interest in the joint venture is accounted for using the equity method of accounting. The Group's share of the jointventure entity's results and financial position is as follows:

	2014	2013
	\$	\$
Non current assets	7,906	68,361
Current assets	9,771	69,323
Total Assets	17,677	137,684
Non current liabilities		-
Current Liabilities	17,677	(137,684)
Total Liabilities	17,677	0
Income	-	-
Expenses	250,000	(200,568)
Loss before income tax	250,000	(200,568)

Note. Losses for the JV in the year totalled \$616,204, however expenses were taken up only to the extent of the capital input, hence in 2014, \$250,000 (2013 - \$200,568) was accounted for in Adavale, and the investment reduced to zero. Adavale have no obligation in relation to further costs incurred. No call has been made by Adavale Harner Resources beyond the \$200,000 accounted for above. The Group has not incurred any contingent liabilities or other commitments relating to its joint venture.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

26. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

27. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2014	2013
	\$	\$
Statement of financial position		
Current Assets	43,260	190,100
Total Assets	925,289	1,370,100
Current Liabilities	75,775	215,600
Non Current Liability	503,902	175,000
Total Liabilities	579,677	390,600
Shareholders' contributed equity	37,326,274	37,326,274
Share based payment reserves	51,176	43,433
Compound Financial Instrument reserve	166,627	-
Accumulated Losses	(37,198,465)	(36,303,341)
	345,612	1,066,366
	2014	2013
	\$	\$
Statement of profit or loss and other Comprehensive Income		
Total profit/(loss)	(853,576)	(6,941,306)
Total comprehensive income/(loss)	(853,576)	(6,941,306)

(b) Contingent Liabilities of the Parent

Adavale Resources Limited (ARL) has been cited, together with Mr J Risinger (as a former Director of ARL and previously sole Director of PT Prima Perkasa Abadi (PPA) as respondents in a civil claim lodged via the District Court of South Jakarta.

The claim has been lodged by two previous shareholders of PPA, who have challenged the passing of ownership in the 2011 transaction and its completion.

The Directors believe there is no substance to the claim and will defend the claim. A legal opinion has been received to confirm the Directors opinion. The directors are still awaiting the outcome of the case but believe a decision is imminent.

(c) Commitments

The parent entity did not have any contractual commitment as at 30 June 2014.

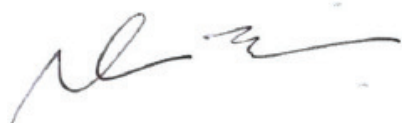
ADAVALE RESOURCES LIMITED
DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 28 to 62 are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001, and
 - (b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the company;
2. the Chief Executive Officer has declared that:
 - (a) The financial records of the Company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
 - (b) The financial statements and notes for the financial year comply with the Australian Accounting Standards, and;
 - (c) The financial statements and notes for the financial year give a true and fair view;
3. 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.
4. Note 2 confirms that the consolidated financial statements also comply with International Financial Statements

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

On behalf of the Directors



Chairman

30 September 2014

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Independent Auditor's Report To the Members of Adavale Resources Limited

Report on the financial report

We have audited the accompanying financial report of Adavale Resources Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

- a the financial report of Adavale Resources Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Emphasis of matter

Without qualification to the audit opinion expressed above, we draw attention to Note 1 (c) to the financial report. This note indicates that the consolidated entity has incurred a loss of \$1,041,847 for the financial year, cash outflows from operations of \$260,715 and as at that date had an excess of current liabilities over current assets of \$237,375 (2013: \$8,003). These conditions, along with other matters as set forth in Note 1(c), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 20 to 24 of the directors' report for the year ended 30 June 2014. 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Adavale Resources Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J W Vibert
Partner - Audit & Assurance

Perth, 30 September 2014

ADAVALE RESOURCES LIMITED
ADDITIONAL INFORMATION

Additional information included in accordance with the Listing Rules of ASX Limited.

1. SHAREHOLDER INFORMATION

(a) Distribution of holders at 26 September 2014

Fully paid ordinary shares		
Number of Holders		
Distribution is:		
1	-	1,000
217		
1,001	-	5,000
66		
5,001	-	10,000
41		
10,001	-	100,000
430		
100,001	and	Over
208		
Holding less than a marketable parcel		
776		

(b) Voting rights

There are no restrictions on voting rights attached to the ordinary shares. On a show of hands every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote every share held.

(c) Substantial shareholders (as at 26 September 2014)

The Company's register of substantial shareholders shows the following:

Shareholder	Number of shares	%
Haryono Eddyarto	84,154,541	26.55%
Richard Poole	58,122,023	18.34%
Mark Stevenson	21,254,314	6.70%

(d) Shareholders

The twenty largest shareholders hold 70.95% of the total issued ordinary shares in the Company as at 26 September 2014.

RANK	NAME	SHARES	ISSUED
1	MR HARYONO EDDYARTO	84,154,541	26.55
2	ARTHUR PHILLIP NOMINEES PTY LTD	58,122,023	18.34
3	HOLLOMAN VALUE HOLDINGS LLC	19,333,333	6.10
4	BYRON DEVESON SUPERANNUATION FUND PTY LTD <THE BYRON DEVESON S/F A/C>	7,628,333	2.41
5	BLUEKNIGHT CORPORATION PTY LTD	6,749,468	2.13
6	MR ALBERT SAYCHUAN CHEOK + MR ERIC VICTOR CHEOK	6,000,000	1.89
7	SING CAPITAL PTY LTD	5,361,501	1.69
8	MR DENNIS VOSSOS + MRS ANGELA KOSTARAS-VOSSOS	4,168,448	1.32
9	LARCA PTY LTD <THE RISINGER FAMILY A/C>	4,039,334	1.27
10	MR DAVID ARTHUR PAGANIN <D A PAGANIN FAMILY NO 2 A/C>	3,888,545	1.23
11	BIRKDALE NOMINEES PTY LTD <RISINGER SUPER FUND A/C>	3,666,666	1.16
12	RANCHLAND HOLDINGS PTY LTD	3,393,830	1.07
13	ZERO NOMINEES PTY LTD	3,355,864	1.06
14	MS HELEN MARIA DENISE AVIS	2,527,480	0.80
15	RDA ASSET MANAGEMENT LIMITED	2,228,407	0.70
16	GANRA PTY LTD <THE FLANNERY FAMILY A/C>	2,222,223	0.70
17	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,188,227	0.69
18	MR ANDREW MUIRHEAD SKIDMORE	2,000,000	0.63
19	MRS GERALDINE ANITA DUNN	1,980,099	0.62
20	MR MARK E STEVENSON	1,865,648	0.59

ADAVALE RESOURCES LIMITED
ADDITIONAL INFORMATION

(e) Restricted Securities

There are no securities subject to escrow restrictions.

(f) Unquoted Equity Securities (as at 26 September 2014)

Options	Number on issue	% held
Expiry 31 July 2015 and exercisable at \$0.06	20,000,000	100%
Expiry 31 July 2016 and exercisable at \$0.07	20,000,000	100%
Expiry 31 July 2015 and exercisable at \$0.045	10,000,000	100%
Expiry 31 July 2016 and exercisable at \$0.05	10,000,000	100%

2. QUOTATION

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