



ASX RELEASE

2015 Annual Report

Please find attached the Adavale Resources Limited 2015 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 2015.

Leanne Ralph
Company Secretary
Adavale Resources Limited

ADAVALE RESOURCES LIMITED

ACN 008 719 015

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 June 2015

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)

Secretary

Leanne Ralph (appointed 20 December 2012)

Registered Office

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151 Castlereagh Street
SYDNEY NSW 2000
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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

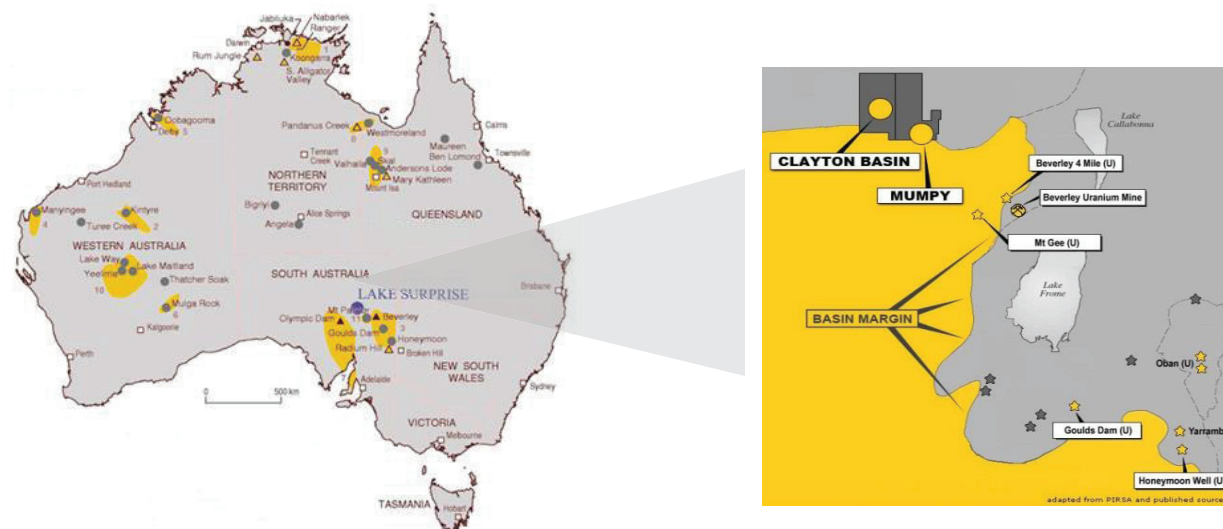
ASX Code

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 and other mineral projects in Indonesia and retaining its interest in the Lake Surprise Uranium Project in South Australia.



AUSTRALIA

LAKE SURPRISE - SOUTH AUSTRALIA - 100% ARL

Adavale Minerals hold three exploration licences within part of the highly prospective sedimentary uranium province within the northern part of the Lake Frome Embayment. These tenements lie within a flat, semi-arid landscape located just to the north of the Flinders Range in South Australia. These include EL 4949 comprising 394km², EL 4950 comprising 437km² and the recently granted EL 5644 of 137km².

The Lake Surprise Project area contains the Jubilee and Mookwarinna Prospect areas and these lie within a shallow, structural downwarp known as the Clayton Basin. If further exploration identifies economic resources, both prospects could be mined by shallow open cut methods and uranium extraction using a simple heap-leach process.

The Jubilee Prospect contains fourteen potentially economic ore blocks that lie within a north-trending, sinuous, quartzose palaeochannel system. These blocks have eU₃O₈ concentrations of greater than 100ppm reaching a maximum of 611ppm and have thicknesses greater than 0.5m. The deposits comprise a mixture of unconformity, sheet-like or roll-front style deposits that in places crop out and extend to depths to about 25m below the ground surface and lie within a sinuous palaeochannel that is more than 2km in length. This channel has tributary branches and segments that are undrilled and in places are open in several directions. The palaeochannel system contains fine to coarse grained quartzose sandstone and minor siltstone. Most of the uranium, including occurrences of visible carnotite, is held within hardened silicified sandstone and silcrete layers. Adavale has made a preliminary assessment as to the quantity of uranium present from a study estimating equivalent uranium present through analyses of gamma ray logs of drill-holes. This assessment cannot be accurately completed due to relatively few geochemical analyses that were undertaken and because some uranium may not have responded as radioactive anomalies in the gamma ray logs, due to the probable disequilibrium state of recently groundwater-precipitated uranium. The Board recognises the potential economic significance of this area and has received a report recommending an infill drilling plan to further explore and upgrade knowledge of the uranium resources of this prospect.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

REVIEW OF OPERATIONS - continued

The Mookwarinna Prospect lies in the south-central part of EL 4950 and has widely spaced drill-holes on an approximate 1km grid spacing. A broad anomalous zone of uranium enrichment is recorded in five drill-holes within a zone about 6km in strike length which appears to wrap around the southern margin of a local, structural downwarp within the Clayton Basin sequence. An area of about 300 X 400m was subjected to a ground spectrometer survey and infill drilling of six gamma-ray logged holes and contains anomalous uranium above the 100ppm cut-off grade in layers up to 3.25m in thickness. The deposits are shallow and in places lie just below surficial sand cover to depths of about 20m. It is likely that the uraniferous granites in the Flinders Range is the likely source and the proximity to this terrain may indicate that the uranium deposits could be more extensive than those located further north in the Jubilee Prospect. A programme of closer-spaced drilling, gamma-ray logging, XRF and geochemical analyses of core and cuttings, has been designed for this area.

Having received recent confirmation of the renewal applications for EL 4949 and 4950 for a further year, along with the recently granted EL 5644, management have now commenced discussions with potential joint venture parties to explore and develop the sedimentary uranium deposits. ARL is also planning to extend exploration into EL 5644 and into as yet other undrilled sectors of the Clayton Basin, within the tenements that appear to contain similar geological environments to the two identified prospects.

Competent Person Statement: The information in this report relates to Exploration Results, Mineral Resources or Ore Resources is based on information that was examined and reviewed by Dr Brian R. Senior, who is a Fellow of the Australasian Institute of Mining and Metallurgy and independent Geological Consultant to ARL. 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 2014 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Senior consents to the inclusion in the report of the matters based on the information supplied in the form and context in which it appears.

PROJECTS REVIEW - INDONESIA

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

The global macroeconomics has not been good for business especially mineral exploration.

The stagnation of European Economy, devaluation of Chinese Currency and the drop of most mineral commodities prices have made almost all initiatives are unattractive and could not provide good return on the investment required.

Resources at AHR has been allocated to maintain PPA asset, applying required new licenses and explore further opportunities beyond coal, at this stage the management has reviewed several opportunities in other mineral such as tin where it can still provide attractive return on investment. Feasibility studies are still on going.

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 has obtained the recommendation to get the clear and clean status. The application to upgrade the license from exploration tenement (IUP) to production tenement(IUP-OP) is in progress.

Regarding the legal dispute, the company has appealed and the plaintiff has also issued its counter memoranda but up to now, the High Court of Jakarta has not issued the verdict.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices currently in place for Adavale Resources Limited (**Company or Adavale**) and also addresses the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**). The Board believes the Company has applied the principles and recommendations of the ASX Corporate Governance Council in a manner that is appropriate for a Company in its current stage of operation.

The corporate governance policies and practices described below are those that have been in place for the year, or as at the date of this report where indicated. The Company does not have a website that is properly maintained or up to date. As a result charters and policies referred to in this statement are not disclosed on this website as required under the ASX Recommendations.

Principle 1: Lay solid foundations for management and oversight**(a) Role of the Board**

The board is accountable to shareholders for the management of the Company's business and affairs and as such is responsible for the overall strategy, governance and performance of the Company. The Board is responsible for the following:

- ☐ Providing accountability to shareholders/stakeholders
- ☐ Appointing and working with the Managing Director /Executive Directors
- ☐ Approval of Company Strategy
- ☐ Development of Key Company policy
- ☐ Monitoring management and operations

(b) Board committees

The ultimate responsibility for the oversight of the operations of the Company rests with the Board. However, the Board may discharge any of its responsibilities through committees of the Board in accordance with the Constitution and the Corporations Act.

Given the size of the Company's operations the reliance on the experience of the members of the Board, the Board only has constituted an Audit Committee. The functions of other such committees (risk, remuneration and nomination) will be performed by the full Board.

The number of Board and Audit Committee meetings held during the year and the number of meetings attended by each of the directors is set out in the table below:

	BOARD		AUDIT COMMITTEE	
	A	B	A	B
Mr Haryono Eddyarto (Chair and Executive Director)	4	4	-	-
Mr Saharto Sahardjo (Non Executive Director)	4	4	2	2
Mr Albert Cheok (Non Executive Director)	4	4	2	2
Mr Peter Murphy (Non Executive Director)	4	4	-	-

A: Meetings eligible to attend **B:** Meetings attended **C:** In addition there were 11 circular resolutions.

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

(c) Senior Executives

The Board Charter addresses the responsibilities of the Board and management. It goes further detailing the Board's relationship with Management. The Board Charter allows the Board to delegate the responsibility for the day-to-day management of the Company to a Managing Director (**MD**).

As the Company is currently assessing the future direction of the Company no new executives have been appointed during the year. The Chairman currently performs the role of chief executive.

(d) Performance of Senior Executives

As there are no senior executives in the business, there is no requirement to assess performance.

(e) The Company Secretary

The Company Secretary acts as secretary of the Board, attending all meetings of the Board. The Company Secretary is accountable to the Board through the chairperson on all corporate governance matters.

Principle 2: Structure the board to add value**(a) Board size and composition**

The Constitution of the Company provides that there will be a minimum of three directors and not more than nine directors.

At the date of this report, the Board comprises one executive director, and three non-executive directors.

The current members of the Board are:

- Mr Haryono Eddyarto (Chair and Executive Director), (appointed 28 September 2011)
- Mr Saharto Sahardjo (Non-Executive Director), (appointed 20 December 2012)
- Mr Albert Cheok (Non-Executive Director), (appointed 20 December 2012)
- Mr Peter Murphy (Non-Executive Director (appointed 27 September 2013)

The Board considers that the existing Board composition and structure is appropriate for the Company's current operations and stage of development.

Directors' details are listed in the Annual Report in the Directors Report, including details of their other listed entity directorships and experience.

(b) Board skills and diversity

The Board considered the merits of developing a Board Skills Matrix but has not undertaken this process for the year ended 30 June 2015 due to its stage of operations and the strategic review process being undertaken to determine the future of the Company. The qualifications and expertise of each Board Member are outlined in the Directors Report contained within the Annual Report.

(c) Director Appointments

Given the stage of the Company's operations and the strategic review process being undertaken to determine the future of the Company and the heavy reliance on the experience of the members of the Board, no additional director appointment have been made during the year ended 30 June 2015. At the appropriate time, the Board will make decisions on the size and composition of the board, including assessment of necessary and desirable competencies of board members.

The full Board will determine who is invited to fill a casual vacancy after extensive one-on-one and collective interviews with candidates and thorough due diligence and reference checking.

CORPORATE GOVERNANCE STATEMENT (CONT)

(d) Terms of appointment

Non-executive directors are appointed pursuant to formal letters of appointment which, among other things, set out the key terms and conditions of the appointment, the Board's expectations in relation to the performance of the director, procedures for dealing with a director's potential conflict of interest and the disclosure obligations of the director, together with the details of the director's remuneration.

The Company has not established a formal director induction program as there is no current intention to appoint any additional directors. All current directors were informally given induction to their positions. The Board will consider the implementation of an induction program as part of its strategic review process being undertaken to determine the future of the Company.

(e) Directors' independence

The Board considers that it is able to exercise its judgement in an independent and unfettered manner and provide independent and effective oversight of management.

All members of the board, whether independent directors or not, exercise independent judgement in making decisions in the best interests of the Company as a whole.

In determining the independent status of each director, the Board has adopted the approach contained in ASX Principle 2, and specifically assesses the independence of all directors against the criteria outlined in Box 2.3 of the ASX Recommendations.

The Company does not use prescribed or pre-determined materiality thresholds for the purposes of assessing director independence but instead assesses independence on a case by case basis, having regard to the extent to which any relevant relationship or connection may materially interfere with the director's ability to exercise unfettered and independent judgement in the discharge of their responsibilities and duties.

Mr Saharto Sahardjo, Mr Albert Cheok and Mr Peter Murphy are considered by the Board to be independent. Given the executive position held and the fact that Mr Haryono Eddyarto is a substantial shareholder, he is considered to be non-independent based on the criteria in Principle 2 of the ASX Recommendations.

The Board believes that this is an appropriate structure given the stage of the Company's operations, as it will be important to draw heavily on the industry experience of the members of the Board while it undertakes its strategic review to determine the Company's future.

(f) Directors' interests

Directors are required to keep the Board advised of any interest that may be in conflict with those of the Company, and restrictions are applied to directors' rights to participate in discussion and to vote, as circumstances dictate when a conflict has been identified. In particular, where a potential conflict of interest may exist, directors concerned may be required to leave the Board meeting while the matter is considered in their absence.

(g) Chairman

The Board Charter provides that where practical, the Chairman of the Board should be an independent Director.

Currently, the Chairman of the Board is not independent. The Company will consider appointing an independent Director as Chairman as part of its strategic review of the Company's future direction.

(h) Board meetings

The Board typically schedules meetings on a quarterly basis, with additional meetings convened as required. Agenda's for each meeting are prepared by the Company Secretary together with the input from the Chairman, and are distributed prior to the meeting together with supporting papers.

Standing items include the Operations report and the financial report, as well as reports addressing matters of strategy, governance and compliance.

(i) Independent advice

The Board has a policy of enabling directors to seek independent professional advice for Company related matters at the Company's expense, subject to the prior notification of the Chairman and where the estimated costs are considered to be reasonable.

(j) Board and director performance

Whilst the board is committed to enhancing its effectiveness through performance management and review, the board considers it inappropriate timing to undertake a board review process. This is due to the current state of the business effectively under review.

CORPORATE GOVERNANCE STATEMENT (CONT)

Principle 3: Act Ethically and Responsibly

(a) Code of conduct

The Board acknowledges the need for high standards of corporate governance practice and ethical conduct by all directors and employees of the Company. Whilst the Company has not adopted a Code of Conduct, various measures have been established to ensure that a high standard of ethical business behaviour is observed by all staff members, including policies and procedures for:

- Continuous Disclosure Obligations; and
- Trading in Adavale Securities.

In addition to their obligations under the Corporations Act in relation to inside information, all directors, employees and consultants have a duty of confidentiality to the Company in relation to confidential information they possess.

Once the future direction of the Company

(b) Employee and director trading in Adavale securities

In accordance with ASX Listing Rule 12.9, the Company has in place a Security Trading Policy that governs the ability of directors, employees and contractors to trade in the Company's securities. Subject to necessary prior written consents being obtained, the Company's directors, executives and employees may trade in the Company's securities at any time outside closed periods. Closed periods cover the following:

- The day after the announcement of Adavale's half yearly results to the ASX;
- The day after the announcement of Adavale's annual preliminary financial results to the ASX; or
- for any other time period determined by the Board.

Directors and employees may, in exceptional circumstances as defined in the policy, trade in a closed period but only with the prior written consent of the Disclosure Officer. Notwithstanding the closed periods and approval requirements, a person is prohibited from trading at any time if they possess material, price-sensitive information about the Company that is not generally available to the public.

The policy also prohibits short term trading of the Company's securities.

(c) Diversity

A formal diversity policy has not been adopted by the Board as there are employees of the company and no current intention to appoint any new directors.

This position may change, including the establishment of measurable gender diversity objectives in the foreseeable future whilst the Board undertakes a strategic review of the Company's future direction.

The current gender diversity is as follows:

- The proportion of female directors: 0%
- The proportion of female employees on the executive committee: 0%
- The proportion of female employees in the whole organisation: 0%

Principle 4: Safeguard integrity in corporate reporting

The Audit Committee is responsible for assisting the board in discharging its responsibilities to safeguard the integrity of the Company's financial reporting and the system of internal control. A key component of the committee's role is to provide appropriate advice and recommendations to the board to assist the board to fulfil its responsibilities in regard to financial reporting, the internal control environment, and audit management where appropriate across the Company.

The Audit Committee Charter takes into account the roles and responsibilities of the Audit Committee as well as contemporary governance practices. The Audit Committee Charter includes details on the appointment and oversight of the external auditor. The Company will ensure the external auditor is available to shareholders at the annual general meeting to answer any questions they may have about the Company's external audit.

The Audit Committee's current membership, the independence of the members and details of Audit Committee meetings and attendance by each Committee member are set out earlier in this Corporate Governance Statement and the Directors Report.

CORPORATE GOVERNANCE STATEMENT (CONT)

The qualifications and experience of the members of the Audit Committee are outlined in the Directors Report.

In accordance with the Company's legal obligations and Recommendation 4.2 of the ASX Recommendations, the Chief Executive and the Chief Financial Officer equivalent make the following certifications to the Board in relation to the Financial Statements for the financial period:

- The financial statements and associated notes comply in all material respects with the Accounting Standards as required by Section 296 of the Corporations Act 2001, Corporations Regulations, International Reporting Standards and other mandatory professional reporting requirements;
- The financial statements and associated notes give a true and fair view, in all material respects, of the financial position as at [balance date] and performance of the Company for the period ended as required by Section 297 of the Corporations Act 2001;
- The financial records of the company have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
- The integrity of the financial statements are founded on a sound system of risk management and internal compliance and control which, in all material respects, implements the policies adopted by the board of directors;
- The risk management and internal compliance and control systems of the Company relating to financial reporting objectives are operating effectively, in all material respects; and
- Subsequent to the end of the financial period, no changes or other matters have arisen that would have a material effect on the operation of risk management and internal compliance and control systems of the Company

Principle 5: Make timely and balance disclosure

The Company is committed to complying with its continuous disclosure obligations under the ASX Listing Rules and Corporations Act and to ensuring that its shareholders are kept well-informed of all major developments affecting the Company's state of affairs, in order to promote transparency and investor confidence. The Company has a Continuous Disclosure Policy and it incorporates the continuous disclosure framework as set out in the ASX Listing Rules Chapter 3. The Policy creates a framework for compliance with relevant disclosure obligations and establishes the accountability of the Board for achieving compliance. More specifically, the Policy:

- Explains the Company's obligations under ASX Listing Rule 3.1 and the Corporations Act 2001;
- Establishes internal processes for reporting of information considered to be potentially price-sensitive and for consideration of information reported by the Board;
- Establishes processes for the disclosure of price sensitive information, taking into account the clarification provided by ASX Guidance Note 8;
- Establishes internal processes for briefing of analysts, investor and media Company's, responding to market speculation, leaks and rumours and calling trading halts where appropriate to avoid trading occurring in an uninformed market;
- Outlines authorisation procedures for ASX announcements; and
- Delegates to the Company Secretary the authority to release information or make disclosures to the ASX and responsibility for decisions regarding price sensitive information, coordinating disclosures, establishing and monitoring procedures under this Policy and making recommendations to the Board on any necessary updates to the Policy.

Principle 6: Respect the rights of security holders

The Board aims to ensure that its shareholders are kept well-informed of all major developments and business events that are likely to materially affect the Company's operations and financial standing, and the market price of its securities. Information is communicated to security holders through:

- Annual, half year financial reports and quarterly cashflow reports and market updates, lodged with the ASX and made available to all security holders;
- Announcement of market-sensitive and other information, including annual and half year results announcements and analyst presentations released to the ASX; and
- The chairman and CEO's addresses to, and the results of, the Annual General Meeting.

The Company does not currently have a website. The development of a website for the Company will be considered as part of the strategic review being undertaken by the Company to consider its future direction.

CORPORATE GOVERNANCE STATEMENT (CONT)

The Company has a Continuous Disclosure Policy that includes a formal procedure for dealing with potentially price-sensitive information. The policy sets out how the Company meets its disclosure obligations under ASX Listing Rule 3.1. The Company's policy is to lodge with the ASX and place on its website all market-sensitive information, including annual and half year result announcements and analyst presentations, as soon as practically possible.

Shareholders have the right, and are encouraged, to attend the Company's annual general meeting, held in November each year, and are provided with explanatory notes on the resolutions proposed through the notice of meeting. A copy of the notice of meeting will also be posted on the Company website and lodged with the ASX.

Shareholders are encouraged to vote on all resolutions and unless specifically stated otherwise in the notice of meeting, all security holders are eligible to vote on all resolutions. Shareholders who cannot attend the annual general meeting may lodge a proxy in accordance with the Corporations Act. Proxy forms may be lodged with the share registry by mail, hand delivery, facsimile or electronically.

Transcripts of the chairman reports to shareholders are released to the ASX upon the commencement of the Annual General Meeting. These transcripts, together with the results of the meeting are also posted on the Company's website and the ASX.

All shareholders are provided the option to receive communications from the share registry electronically (and are encouraged to do so, with election documentation included in regular mail outs to security holders).

Principle 7: Recognise and manage risk

The Board is responsible for ensuring that sound risk management framework and policies are in place. The Board will devote time at its meetings to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the Company's risk management framework and associated internal compliance and control procedures.

The Company's risk management framework is integrated with its day-to-day business processes and functional responsibilities.

The Board considers risk matters on an ongoing basis but did not undertake a formal review of its risk management framework during the year ended 30 June 2015 due to the fact that the Board is undertaking a strategic review of the future direction of the business. It is intended that this framework review will be undertaken as part of the strategic review of the future direction of the business.

(a) Internal Audit

The Company does not have an internal audit function as it is not considered appropriate for the Company's current stage of development and operations.

(b) Economic, environmental and social sustainability risks

In accordance with Recommendation 7.4, the Board has considered whether the Company has any material exposure to economic, environmental and social sustainability risks and determined that there is no material exposure to these risks.

Principle 8: Remunerate fairly and responsibly

Given the stage of the Company's operations and the heavy reliance on the experience of the members of the Board, the Board does not initially propose to establish a remuneration committee and the function of such a committee will be performed by the full Board, acting in the best interests of the Company.

The Board will devote time at its meetings to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

For details of the Company's remuneration structure, please refer to the Remuneration Report

DIRECTORS' REPORT

The directors present their report on the Company and its controlled entities for the financial year ended 30 June 2015.

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 2015	Experience and Special Responsibilities
Haryono Eddyarto Executive Chairman Appointed 28 September 2011	4,238,777 fully paid ordinary shares 2,000,000 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 Polytama 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

300,000 fully paid
ordinary shares.
Held from date of
appointment

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.

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.

Listed company directorships held in last 3 years - Nil

Peter Murphy
Non-Executive Director
Appointed 27 September 2013

Nil shares

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.

Listed company directorships held in last 3 years - Nil

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			15	15
A Cheok	2	2	15	15
S Sahardjo	2	2	15	15
P Murphy			15	15

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.

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

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 Review of Operations, the Company has continued to place emphasis on the TAPAN project, and has recently renewed the South Australian Lake Surprise Tenements.

The Company continues to pursue farm-out and joint venture opportunities for the Australian Lake Surprise area in South Australia and has recently renewed the South Australian Lake Surprise Tenements. The Company has recently applied for tenement acreage adjacent to the existing 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 \$634,098 which compared with a net loss for the prior year of \$1,041,847.

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:

	2015	2014
	\$	\$
Revenue from continuing operations	-	-
Expenses from continuing operations	(634,098)	(791,847)
Loss from continuing operations	(634,098)	(791,847)
Share of profit/(loss) from equity accounted investment	-	(250,000)
Profit/(loss) from continuing activities	(634,098)	(1,041,847)

The major costs incurred in the year were focused on the administration effort through the Adavale Harner Joint Venture as well as the review and compliance costs associated with the tenements held. Also included are 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 \$73,500 was made.

As at year end the Company had cash resources of \$32,024 and a funding facility of \$280,000 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 \$280,000 to progress both the TAPAN and Lake Surprise projects, and research other coal projects referred to above. Further details of this loan facility are set out in Note 13.

CAPITAL RAISING FACILITY

During the year, the Company has entered into a capital raising facility (Facility) with a non-related entity Gurney Capital Pty Ltd (GC). In addition the Company has entered into a Standby Subscription Agreement with GC. The purpose of these agreements is to provide further working capital to the Company. The general terms of the agreements are as follows:

- Facility limit: \$1,000,000;
- Period of facility: 5 years;
- The Company may draw down in one or more amounts within the facility limit, each draw down will result in an issue of fully paid ordinary shares to GC; and
- The issue price of shares will be 80% of the 5 day VWAP.

Since the signing of this agreement, draw-downs amounting to \$71,357 have been made on the facility. The utilization of the facility beyond the available capacity of ASX Listing Rules 7.1 and 7.1A will require shareholder approval. In addition, shareholder approval will be required should GC exceed the 19.99% shareholding in the Company. At 30 June 2015 the available capacity was approximately \$50,500.

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 2015.

Capital Consolidation

At the Annual General Meeting of Shareholders on 25 November 2014 the Shareholders of the Company resolved to approve the consolidation of the Company shareholding on the basis of one new share for each 20 shares held. This share consolidation took place on 27 November 2014. This consolidation reflects on both ordinary shares and options, and is reflected throughout this report.

Significant Changes in the State of Affairs

Except in relation to the Capital Raising Facility referred to above, there have been no significant changes to the state of affairs of the Company during the year or since year end to the date of this report.

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.

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 Remuneration committee, but the Board establishes and monitors remuneration packages and policies. When appointed, the Board establishes and monitors the remuneration of the Managing Director. Currently no Chief Executive Officer has been appointed.

DIRECTORS' REPORT (CONT)

(b) Company Directors' remuneration

The remuneration paid during the year to each director of the Company are as follows. There are no long term employee benefits or termination benefits.

2015

DIRECTORS

		SHORT TERM EMPLOYEE BENEFIT	POST EMPLOYEE BENEFIT	SHARE BASED PAYMENT	Total
		Salary & Fees \$	Super- annuation \$	Options \$	\$
Haryono Eddyarto	i	62,313	-	-	62,313
Albert Cheok		-	-	-	-
Saharto Sahardjo	ii	46,660	-	-	46,660
Peter Murphy		-	-	-	-
		108,973	-	0	108,973

OTHER KEY MANAGEMENT PERSONNEL

Leanne Ralph	iii	35,400	-	-	35,400
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2014

DIRECTORS

		SHORT TERM EMPLOYEE BENEFIT	POST EMPLOYEE BENEFIT	SHARE BASED PAYMENT	Total
		Salary & Fees \$	Super- annuation \$	Options \$	\$
Haryono Eddyarto	i	32,162	-	7,743	39,905
Albert Cheok		-	-	-	0
Saharto Sahardjo	ii	30,824	-	-	30,824
Peter Murphy		0	-	-	0
		62,986	0	7,743	70,729

Other Key Management Personnel

2014

Leanne Ralph	iii	35,400	-	-	35,400
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ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONT)

- i Fees payable to Mr Eddyarto were paid from Adavale Harner Resources, a Joint Venture in which Adavale Resources Limited owns a 40% share.
- ii The salary paid to Mr Sahardjo was paid by Adavale Harner Resources.
- iii Fees paid for services of L Ralph 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 2014 financial year Mr Hayono Eddyarto (Chairman) was issued 60,000,000 Milestone Options, (since converted on consolidation to 3,000,000 options) as approved by shareholders at the Company meeting on the 25 November 2013. The options were issued conditional on certain milestones outlined below. The fair value of these options was valued at \$7,743 and was expensed in the prior year.

	Exercise Price	Expiry Date	No. of Options
Milestone Option 1:	\$1.00	31 July 2014	1,000,000
Milestone Option 2:	\$1.20	31 July 2015	1,000,000
Milestone Option 3:	\$1.40	31 July 2016	1,000,000

Milestone 1: 1 million options were exercisable where the Company entered into a binding contract to purchase or operate a coal project or concession with a minimum reserve of 2 million tonnes. This tranche had an exercise price of A\$1.00 per option and an expiry date of 31 July 2014. The options expired on 31 July 2014;

Milestone 2: 1 million options are exercisable should the Company sell and ship its first load of coal. This tranche had an exercise price of A\$1.20 per option and an expiry date of 31 July 2015. These options expired on 31 July 2015 subsequent to year end; and

Milestone 3: 1 million options are exercisable when the Company ships its first 500,000 tonnes of coal. This tranche has an exercise price of A\$1.40 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	
	As at June 2014	UP TO 30 JUNE 2015			
Haryono Eddyarto	\$nil	US\$52,000	unspecified	unspecified	i
Leini Eddyarto	US\$48,000	US\$144,000	unspecified	unspecified	ii
Saharto Sahardjo	US\$12,000	US\$36,000	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)

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 2015 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	Expired	Other changes (ii)	Vested and exercisable at the end of the reporting period	Vested and unexercisable at the end of the reporting period
Haryono Eddyarto (i)	92,004,435	(52,004,435)	(38,000,000)	-	-

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

(ii) 52,004,435 options expired on 31 July 2014. The balance of 40,000,000 options were consolidated on a 20:1 basis following the AGM converting to 2,000,000 options.

Shares held by Key Management Personnel

The number of ordinary shares in the Company held during the 2015 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 (i)	Held at the end of the reporting period
Haryono Eddyarto	84,775,541	-	(80,536,764)	4,238,777
Albert Cheok	6,000,000	-	(5,700,000)	300,000

(i) Following shareholder approval at the AGM the company implemented a 20:1 share consolidation.

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 D (U05)	31 July 2016	500,000	\$1.00
25 November 2013	Milestone options	31 July 2016	1,000,000	\$1.40

Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or 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 2015.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on the following page.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company, or intervene in any proceedings for which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Directors:



Haryono Eddyarto

Chairman

30 September 2015

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10 Kings Park Road
West Perth WA 6005

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West Perth WA 6872

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E info.wa@au.gt.com
W www.grantthornton.com.au

**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 2015, 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



P W Warr
Partner - Audit & Assurance

Perth, 30 September 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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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 2015**

		Consolidated	
	Notes	2015	2014
		\$	\$
Revenue			
Other Revenue	4	-	-
Total revenue		-	-
Audit Fees	5	(43,158)	(45,330)
Depreciation		(885)	(1,629)
Interest expense, convertible loan		(166,585)	(99,383)
Legal expenses		(10,349)	(7,396)
Insurance		(20,618)	(19,868)
Share registry fees		(51,756)	(34,071)
Management and administration		(195,294)	(173,986)
Share based payment		-	(7,743)
Tenement expenditure incurred		(69,178)	(85,535)
Impairment of exploration and evaluation expenditure	11	(73,500)	(299,000)
Exchange rate losses		(129)	(1,619)
Other expenses		(2,646)	(16,287)
Share of loss from equity accounted investment	25	-	(250,000)
Profit / (Loss) before income tax expense		(634,098)	(1,041,847)
Income tax expense	6	-	-
(Net Loss) for the year from continuing activities		(634,098)	(1,041,847)
Other comprehensive income/loss			
Items which may subsequently be transferred to profit or loss			
Foreign currency translation movements		(56,930)	8,617
Total comprehensive income/(loss)		(691,028)	(1,033,230)
Earnings per Share attributable to the ordinary shareholder of the Company			
Basic (loss)/earnings per share – cents	7	(3.69)	(0.33)
Diluted (loss)/earnings per share – cents	7	(3.69)	(0.33)

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 2015**

		Consolidated	
	Notes	2015	2014
		\$	\$
CURRENT ASSETS			
Cash assets	8	32,024	49,736
Other assets	9	24,378	18,624
TOTAL CURRENT ASSETS		56,402	68,360
NON-CURRENT ASSETS			
Investment accounted for using the equity method	25	-	-
Property, plant and equipment	10	-	885
Exploration and evaluation assets	11	807,500	881,000
TOTAL NON-CURRENT ASSETS		807,500	881,885
TOTAL ASSETS		863,902	950,245
CURRENT LIABILITIES			
Payables	12	606,043	305,735
TOTAL CURRENT LIABILITIES		606,043	305,735
NON-CURRENT LIABILITIES			
Borrowings	13	720,000	503,902
TOTAL LIABILITIES		1,326,043	809,637
NET ASSETS		(462,141)	140,608
EQUITY			
Contributed equity	14	37,397,631	37,326,274
Reserves	15	142,934	226,424
Accumulated losses		(38,002,706)	(37,412,090)
TOTAL EQUITY		(462,141)	140,608

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 2015

		Consolidated	
	Notes	2015	2014
		\$	\$
Cash flows from operating activities			
Cash payments in the course of operations		(172,688)	(260,715)
Interest received		-	-
Net cash (used in) operating activities	21(b)	(172,688)	(260,715)
Cash flows from investing activities			
Exploration & evaluation expenditure		(36,381)	(15,054)
Payment for joint venture		-	(250,000)
Net cash (used in) investing activities		(36,381)	(265,054)
Cash flows from financing activities			
Issue of shares		71,357	-
Loan funds received		120,000	425,000
Net cash provided by financing activities		191,357	425,000
Net (decrease) in cash held		(17,712)	(100,769)
Cash at beginning of financial year		49,736	150,505
Cash at end of financial year	21(a)	32,024	49,736

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 2015**

	Share Capital	Accumulated Losses	Equity Component Instrument	Option Reserve	FX Translation Reserve	Total
	\$	\$	\$	\$	\$	\$
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	-	-	-	-	-	-
Share based payment	-	-	-	7,743	-	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)	-	-	8,617	(1,033,230)
Balance at 30 June 2014	37,326,274	(37,412,090)	166,627	51,177	8,620	140,608
Balance at 1 July 2014	37,326,274	(37,412,090)	166,627	51,177	8,620	140,608
Loan issue	-	-	16,922	-	-	16,922
Option expired	-	43,482	-	(43,482)	-	-
Issue of shares/options	71,357	-	-	-	-	71,357
Transactions with owners	71,357	43,482	16,922	(43,482)	-	88,279
Loss for the year	-	(634,098)	-	-	-	(634,098)
Other comprehensive income	-	-	-	-	(56,930)	(56,930)
Total Comprehensive Loss	-	(634,098)	-	-	(56,930)	(691,028)
Balance at 30 June 2015	37,397,631	(38,002,706)	183,549	7,695	(48,310)	(462,141)

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 2015**

NATURE OF OPERATIONS

Adavale Resources Limited (“the Company”) and its controlled entities (“the Group”) 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.

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. The Company has continued to place emphasis on the TAPAN project, and has recently renewed the South Australian Lake Surprise Tenements. The Company has recently applied for tenement acreage adjacent to the existing 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.

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 2015 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 ('IFRS') as issued by the International Accounting Standards Board IASB).

The financial statements were authorised for issue on 30 September 2015 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 2015**

(c) Going Concern Basis of Accounting

This financial report has been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. During the year, the Group has reported a loss after tax for the year of \$634,098 (2014: \$1,041,847) and cash outflows from operations of \$172,688 (2014: \$260,715) of cash outflows from investing activities of \$36,381 (2014: \$265,054).

The Group 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 in the next financial period. Funding of these ongoing activities is required from either the existing Convertible Loan Agreement with the Chairman, the existing Capital Raising Facility from Gurney Capital Pty Ltd ("Gurney") or from future capital raisings. The Directors consider the use of the going concern assumption appropriate as:

- 1) Currently the Group has a Loan Agreement of \$1million with Haryono Eddyarto, the Chairman of the Company. At 30 June 2015, this had been drawn to \$720,000, leaving \$280,000 to be drawn down in the next financial year. During the year, the Chairman has extended this facility so that it expires in October 2016.
- 2) The Company has entered into a capital raising facility ('Facility') with a non-related entity named Gurney. The Company has also entered into a Standby Subscription Agreement ('the Agreement') with Gurney. The purpose of this Facility and Agreement is to provide further working capital to the Company.

The general terms of the Facility and the Agreement are as follows:

- Facility limit: \$1,000,000; and
- Period of facility: 5 years.

Since the signing of this Facility and the Agreement, draw-downs to 30 June 2015 amounting to \$71,357 have been made on the facility and 3,960,460 shares have been issued to Gurney Capital in accordance with the Agreement. The utilisation of the Facility beyond the available capacity of ASX Listing Rules 7.1 and 7.1A will require shareholder approval at an AGM. In addition, shareholder approval will be required should GC exceed the 19.99% shareholding in the Company. At 30 June 2015, the available capacity was approximately \$50,500.

- 3) The Directors have the continued support of its creditors. As disclosed in Note 12, the Company's related party creditors have deferred settlement of the outstanding amounts owing at balance date for a period of 12 months from the date of this report or until the Company has sufficient cash resources available to settle the outstanding debt.

The Directors recognise that the above represents a material uncertainty as to the Group's ability to continue as a going concern, however, they are confident that the Group will be able to continue its operations into the foreseeable future.

Should the Group be unable to obtain the funding as described above, there is a material uncertainty as to whether the Group will be able to continue as a going concern, and therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Group be unable to 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 2015 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.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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.

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 2015**

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 2015**

(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 2015**

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 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 2015

(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:

	2015	2014
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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

(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 Assets

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.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

(p) 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.

(q) 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.

(r) 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 \$807,500 (2014: \$881,000).

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 2015**

(s) 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.

(t) 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

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. Information on these new standards which are relevant to the Group is presented below.

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. AASB 2012-3 is applicable to annual reporting periods beginning on or after 1 January 2014 and has been adopted in this financial report. The adoption of these amendments has not had a material impact on the Group as the amendments merely clarify the existing requirements in AASB 132.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

AASB 2013-3 Amendments to AASB 136 – 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 and is applicable to annual reporting periods beginning on or after 1 January 2014. The adoption of these amendments in this financial report has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the IASB of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010-2012 Cycle:

- clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity)

- amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2011-2013 Cycle clarify that an entity should assess whether an acquired property is an investment property under AASB 140 Investment Property and perform a separate assessment under AASB 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination.

Part A of AASB 2014-1 is applicable to annual reporting periods beginning on or after 1 July 2014. The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements

Note 1 (b) Impact of standards issued but not yet applied by the Group

New and revised accounting standards and amendments that are currently issued for future reporting periods that are relevant to the Group include:

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. The effective date is for annual reporting periods beginning on or after 1 January 2018.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

AASB 14 Regulatory Deferral Accounts

AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP. Accordingly, an entity that applies AASB 14 may continue to apply its previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of its regulatory deferral account balances. This exemption is not available to entities who already apply Australian Accounting Standards. The effective date is for annual reporting periods beginning on or after 1 January 2016.

When AASB 14 becomes effective for the first time for the year ending 30 June 2017, it will not have any impact on the entity.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118: Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations. In summary, AASB 15:

- establishes a new revenue recognition model;
- changes the basis for deciding whether revenue is to be recognised over time at a point in time;
- provides a new and more detailed guidance on specific topics (eg multiple element arrangements, variable pricing, rights of return and warranties); and
- expands and improves disclosures about revenue.

When this Standard is first adopted for the year ending 30 June 2018, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations

This amendment impacts on the use of AASB 11 when acquiring an interest in a joint operation. The effective date is for 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.

4. REVENUE

	Consolidated	
	2015	2014
	\$	\$
Revenue from outside the operating activities		
Interest	-	-
Other Revenue	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

5. AUDITORS' REMUNERATION

	Consolidated	
	2015	2014
	\$	\$
Audit and review of financial statements		
- auditors of Adavale Resources Limited - Grant Thornton	43,158	45,330
Remuneration for audit and review of financial statements	<hr/> 43,158	<hr/> 45,330
Other services	-	-
Total other service remuneration	<hr/> -	<hr/> -
Total auditor's remuneration	<hr/> 43,158	<hr/> 45,330

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

6. TAXATION

	Consolidated	
	2015	2014
	\$	\$
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% (2014: 30%)	(190,229)	(312,554)
Tax effect of deferred tax assets not brought to account	190,229	312,554
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 \$9,821,704 (2014: \$9,457,305) available to offset again future taxable income.

7. EARNINGS PER SHARE

	Consolidated	
	2015	2014
	\$	\$
Continuing Operations		
Earnings per share		
- Basic – cents	(3.69)	(0.33)
- Diluted – cents	(3.69)	(0.33)
Earnings/(loss) used in the calculation of basic and diluted EPS	(634,098)	(1,041,847)
Weighted average number of ordinary shares used in the calculation of basic and diluted EPS		
- in the calculation of basic EPS	17,153,074	316,990,035
- in the calculation of diluted EPS	17,153,074	316,990,035
Number of options not considered dilutive	3,000,000	175,697,863

As the company reported a loss for the year ended 30 June 2015, 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 2015**

8. CASH ASSETS

	Consolidated	
	2015	2014
	\$	\$
Cash at bank	32,024	49,736

9. RECEIVABLES

	Consolidated	
	2015	2014
	\$	\$
Current		
Other receivables	24,378	18,624
	24,378	18,624

10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2015	2014
	\$	\$
Office equipment		
At cost	13,917	13,917
Accumulated depreciation	(13,917)	(13,032)
	-	885
Total property, plant and equipment – Net book value	-	885

Movement in Carrying Values

	Office Equipment	Total
	\$	\$
Carrying value as at 1 July 2014	885	885
Depreciation	(885)	(885)
Carrying value as at 30 June 2015	-	-

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

11. EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	2015	2014
	\$	\$
Exploration Licences	1,050,160	1,050,160
Exploration expenditure capitalised		
- Exploration and evaluation phase	3,962,303	3,893,125
Less: Provision for impairment	(4,204,963)	(4,062,285)
	807,500	881,000

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 \$36,382 (2014:\$15,054) have been included in cash flows from investing activities in the cash flow statement.

Exploration expenditure amounting to \$69,178 was incurred in the year and written down.

At year end, the Directors reviewed the carrying value of each of the TAPAN and Lake Surprise areas, and in recognition of factors such as coal price, an additional impairment charge of \$73,500 was made against the carrying value of these areas.

12. PAYABLES

	Consolidated	
	2015	2014
	\$	\$
Trade creditors	37,119	5,194
Trade creditors - Owing to related parties	437,153	220,338
Accrued interest - Convertible Loan to the Chairman	85,235	31,671
Other creditors and accruals	46,536	48,532
	606,043	305,735

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

The amount owing to the related parties above, and the accrued interest owing to the Chairman will not be called upon for payment until the Company has available funds. Refer to Going Concern at Note 2(c).

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 2015

13. BORROWINGS

	Consolidated	
	2015	2014
	\$	\$
Borrowings	720,000	600,000
Less: Equity component of instrument	(183,550)	(166,627)
Add: unwinding of interest	183,550	70,529
Loan from related party	720,000	503,902

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 \$120,000 has been drawn down on this loan to assist with funding of Group operations. A balance of \$280,000 remains undrawn at 30 June 2015.

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;
- (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.

Mr Eddyarto has agreed to extend the terms of the loan for a further period to 1 October 2016.

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 \$720,000 has been split between debt and equity using that rate as a basis for the split.

14. CONTRIBUTED EQUITY

		Consolidated		Consolidated	
		2015	2015	2014	2014
		No	\$	No	\$
Issued and Paid-up Share Capital					
(a) Ordinary shares, fully paid		19,810,299	37,397,631	316,990,035	37,326,274
		19,810,299	37,397,631	316,990,035	37,326,274
Number		No	\$	No	\$
Ordinary Shares					
Balance as at 1 July		316,990,035	37,326,274	316,990,035	37,326,274
Share consolidation	(i)	(301,140,196)	-	-	-
Shares issued	(ii)	3,960,460	71,357	-	-
Closing balance at 30 June		19,810,299	37,397,631	316,990,035	37,326,274

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

- (i) At the Annual General Meeting of Shareholders on 25 November 2014 the Shareholders of the Company resolved to approve the consolidation of the Company shareholding on the basis of one new share for each 20 shares held. This share consolidation took place on 27 November 2014.
- (ii) Following the share consolidation, the calculation of earnings per share has used the consolidated number of shares as being the share capital for the 12 month period.

During the year, the Company has entered into a capital raising facility (Facility) with a non-related entity Gurney Capital Pty Ltd (GC). In addition, the Company has entered into a Standby Subscription Agreement with GC. The purpose of these agreements is to provide further working capital to the Company. The general terms of the agreements are as follows:

- Facility limit: \$1,000,000;
- Period of facility: 5 years;
- The Company may draw down in one or more amounts within the facility limit, each draw down will result in an issue of fully paid ordinary shares to GC; and
- The issue price of shares will be 80% of the 5 day VWAP.

Since the signing of this agreement, to 30 June 2015, draw-downs amounting to \$71,357 have been made on the facility and 3,960,460 shares issued to Gurney Capital in accordance with the Agreement. The utilization of the facility beyond the available capacity of ASX Listing Rules 7.1 and 7.1A will require shareholder approval. In addition, shareholder approval will be required should GC exceed the 19.99% shareholding in the Company. At 30 June 2015 the available capacity was approx\$50,500.

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.

OPTIONS RESERVE

There has been no further issue of options since 30 June 2014. During the period the following options expired:

- 20,000,000 milestone options on 31 July 2014
- 10,000,000 class A options expired on 31 July 2014
- 10,000,000 class B options expired on 31 July 2014
- 10,000,000 class E options expired on 31 July 2014
- 65,697,863 ordinary options expired on 31 July 2014

Additionally, following the resolution by shareholders to consolidate the Company shares on the basis of one new share for each twenty existing shares held, the number of options issued were also consolidated on the same basis.

Options reconciliation	Consolidated 30 June 2015		Consolidated 30 June 2014	
	Number	\$	Number	\$
Opening balance	175,697,879	51,177	115,697,879	43,434
Options issued	-	-	60,000,000	7,743
Options expired	(115,697,879)	(43,482)	-	-
Options consolidated	(57,000,000)	-	-	-
Closing balance at the end of the period	3,000,000	\$7,695	175,697,879	\$51,177

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

14. CONTRIBUTED EQUITY (continued)

	Consolidated	
(b) Options	2015	2014
	No	No
Options - exercisable at 0.04, expiring date 31 Jul 2014		
Opening balance	65,697,863	65,697,863
Less options expired	(65,697,863)	-
Closing balance	-	65,697,863
Class A Options - exercisable at 0.04, expiring date 31 Jul 2014		
Opening balance	10,000,000	10,000,000
Less options expired	(10,000,000)	-
Closing balance	-	10,000,000
Class B Options - exercisable at 0.04, expiring date 31 Jul 2014		
Opening balance	10,000,000	10,000,000
Less options expired	(10,000,000)	-
Closing balance	-	10,000,000
Class C Options - exercisable at \$0.90, expiring date 31 Jul 2015		
Opening balance	10,000,000	10,000,000
Less on consolidation	(9,500,000)	-
Closing balance	500,000	10,000,000
Class D Options - exercisable at \$1.00, expiring date 31 Jul 2016		
Opening balance	10,000,000	10,000,000
Less on consolidation	(9,500,000)	-
Closing balance	500,000	10,000,000
Options - exercisable at \$0.04, expiring date 31 Jul 2014		
Opening balance	10,000,000	10,000,000
Less options expired	(10,000,000)	-
Closing balance	-	10,000,000
Milestone Options - Exercisable at \$0.05, expiry date 31 July 2014		
Opening Balance	20,000,000	-
Issue of options	-	20,000,000
Less options expired	(20,000,000)	-
Closing Balance	-	20,000,000
Milestone Options - Exercisable at \$1.20, expiry date 31 July 2015		
Opening Balance	20,000,000	-
Issue of options	-	20,000,000
Less on consolidation	(19,000,000)	-
Closing Balance	1,000,000	20,000,000
Milestone Options - Exercisable at \$1.40, expiry date 31 July 2016		
Opening Balance	20,000,000	-
Issue of Options	-	20,000,000
Less on consolidation	(19,000,000)	-
Closing Balance	1,000,000	20,000,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

14. CONTRIBUTED EQUITY (continued)

TERMS OF OPTIONS AT DATE OF ISSUE

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.

The options with an expiry date of 31 July 2014 expired on that date. Since year end the options expiring on 31 July 2015 have expired.

(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 2015. No dividend was paid for the year ended 30 June 2015.

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 2015**

(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:	Fixed interest maturing in:	Fixed interest maturing in:	Non- Interest Bearing	Total
				1 year or less	1 to 5 years	more than 5 years		
			\$	\$	\$	\$	\$	\$
2015								
Financial assets								
Cash assets	8	0%	-	-	-	-	32,024	32,024
Receivables	9		-	-	-	-	22,421	22,421
Other current assets			-	-	-	-	1,955	1,955
			-	-	-	-	56,400	56,400
Financial liabilities								
Loans and borrowings	14	8%	-	-	720,000	-	-	720,000
Payables	12		-	-	-	-	606,043	606,043
			-	-	720,000	-	606,043	1,326,043
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
			-	-	-	-	305,735	809,637

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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 2015, 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 2015	30 June 2014
	\$	\$
Change in profit		
- Increase in interest rate by 2%	-	-
- Decrease in interest rate by 2%	-	-
Change in equity		
- Increase in interest rate by 2%	-	-
- Decrease in interest rate by 2%	-	-

(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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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:

	2015		2014	
	AUD	USD	AUD	USD
Receivables	713	583	619	583
Payables	447,089	344,347	228,772	215,634

The following significant exchange rates applied during the year:

	Average Rate		Average Rate	
	2015	2014	2014	2013
AUD				
USD	0.8358	0.9183	0.9183	1.0266

Sensitivity analysis

A strengthening of the AUD against the USD at 30 June 2015 would have an immaterial effect on either the profit or loss or statement of financial position.

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 \$32,024 (2014: \$49,736) as at 30 June 2015 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 \$720,000 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
FOR THE YEAR ENDED 30 JUNE 2015

18. COMMITMENTS

	Consolidated	
	2015	2014
	\$	\$
Exploration lease commitments		
Minimum expenditure commitments on exploration licences		
Committed but not provided for and payable:		
Within one year	290,000	-
One year or later and no later than for five years	-	780,000
	290,000	780,000

Note : Since 30 June 2015 the two areas referred to as Lake Surprise have been renewed for a further 12 months to August 2016, and the exploration commitment to that date reduced to an aggregate of \$290,000.

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 2015

	Mineral exploration \$ Australia	Mineral exploration \$ Indonesia	Other \$	Total \$
Revenue				
Sales	-	-	-	-
Interest	-	-	-	-
Total Segment Revenue	-	-	-	-
Segment Result				
Depreciation	-	(855)	-	(855)
Profit/(loss) before income tax	(37,944)	(127,884)	(467,415)	(633,243)
Income tax expense	-	-	-	-
Net Profit/(loss)	(37,944)	(128,739)	(467,415)	(634,098)
Total segment assets				
- Exploration expenditure	391,000	416,500	-	807,500
- Receivables	3,020,184	-	-	3,020,184
- Others	-	27,216	27,231	54,447
	3,411,184	443,716	27,231	3,882,131
Total segment liabilities				
- Loans	-	-	720,000	720,000
- Others	3,018,229	-	606,043	3,624,272
	3,018,229	-	1,326,043	4,344,272

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

19. SEGMENT INFORMATION (CONT)

(a) 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	-	-	-	-
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
	3,452,640	514,389	44,853	4,011,882
Total segment liabilities				
- Loans	-	-	503,902	503,902
- Others	2,984,243	-	305,735	3,289,978
	2,984,243	-	809,637	3,793,880

All segment assets are located in Australia and Indonesia.

c) Segment assets:

Reportable segments' assets reconciled to total assets as follow:

	Consolidated 30 June 2015	Consolidated 30 June 2014
Segment Assets	3,882,131	4,011,882
Intersegment Eliminations	(3,018,229)	(3,061,640)
Total assets as per statement of financial position	863,902	950,242

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

19. SEGMENT INFORMATION (CONT)

d) Segment liabilities:

Reportable segments' liabilities reconciled to total liabilities as follow:

	Consolidated 30 June 2015	Consolidated 30 June 2014
Segment Liabilities	4,344,272	3,793,880
Intersegment Eliminations	(3,018,229)	(2,984,243)
Total liabilities as per statement of financial position	<u>1,326,043</u>	<u>809,637</u>

20. CONTROLLED ENTITIES

Particulars in relation to controlled entities

	Ordinary Shares	
	Consolidated Entity Interest	
	2015	2014
	%	%

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	-	-
PT Prima Perkasa Abadi	100	100

Incorporated in Indonesia

PT Adavale Nusantara has not operated for some years and has now been closed (struck off).

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

20. CONTROLLED ENTITIES (CONTINUED)**CONTINGENCIES**

In June 2013, the Company's subsidiary PT Prima Perkasa Abadi (PPA) was cited as a respondent in a civil claim lodged in the District Court of South Jakarta. The claim was lodged by two previous shareholders of PPA who challenged the passing of ownership in 2011 of the shares in PPA to the Group.

In November 2014, the Company received the copy of the official verdict and it advised that the decision was not in the Company's favour. The official verdict from the court stated that the Company was jointly and severally liable with three other defendants to pay a penalty of approximately AUD\$2m. In addition, the court ruled that the penalty includes losses based on:

- 1) 450 shares held by the Plaintiff's multiplied by a price in accordance with the Company's Article of Association; and
- 2) Any annual dividends paid since the year of transfer of the shares.

The Director's of the Company has instructed its legal advisors to lodge an appeal with the High Court of Jakarta.

21. NOTES TO THE STATEMENT OF CASH FLOWS

	Notes	Consolidated	
		2015	2014
		\$	\$
(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	32,024	49,736
(b) Reconciliation of the operating loss after tax to the net cash flow from operations			
Profit/(loss) after income tax		(634,098)	(1,041,847)
Add/(less) non cash items:			
- Depreciation of non-current assets		885	1,586
- Equity Method-Joint Venture		-	250,000
- Impairment of exploration and evaluation costs		109,882	384,535
Share based payment		-	7,743
Interest capitalised		113,021	70,529
- Other		(56,934)	5,701
		(467,244)	(321,753)
Changes in assets and liabilities:			
- (Increase)/decrease in receivables		(5,752)	48,087
- Increase/(decrease) in trade creditors and accruals		300,308	12,951
- Increase/(decrease) in provisions		-	-
Net cash (used in) operating activities		(172,688)	(260,715)

23. SHARE BASED PAYMENTS

During the financial year ended 30 June 2014, the Company Directors issued 60,000,000 Milestone Options to Mr Haryono Eddyarto (Chairman) as approved by shareholders at the Company meeting of 25 November 2013. The options were issued conditional upon the Company attaining certain milestones as outlined in Note 14(b) above.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

23. SHARE BASED PAYMENTS (CONTINUED)

The grant date fair value of these share based payments was 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%

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	
	2015	2014
	\$	\$
Short-term employee benefits	108,873	98,576
Long-term employee benefits	-	-
Share based payments	-	7,743
Total	108,873	106,319

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.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

Directors' transactions with the Company or its controlled entities

	Consolidated	
	2015	2014
	\$	\$
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.	156,025	164,338
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. *	187,516	141,028

* 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	
	2015	2014
	\$	\$
Payables (see note 12)	-	-
PT Harner (see above)	437,153	220,338
	437,153	220,338

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 2014 the Company has received no further calls for funds 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.

The Company has drawn down \$720,000 against this facility. The loan facility expires in October 2016. At 30 June 2015, interest is accrued on the loan of \$85,235. The Chairman has confirm in writing that he will defer settlement. Refer to Note 2(c).

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

25. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2015	2014
	\$	\$
Interest in joint ventures	-	-
Total Assets	-	-

Interests in Joint Ventures

As from 1 July 2012 the Group has owned a 40% interest (initially 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 joint venture entity's results and financial position is as follows:

	2015	2014
	\$	\$
Non current assets	5,594	7,906
Current assets	21,316	9,771
Total Assets	26,910	17,677
Non current liabilities	-	-
Current Liabilities	26,910	17,677
Total Liabilities	26,910	17,677
Income	-	-
Expenses	-	250,000
Loss before income tax	-	250,000

Note. Losses for the JV in the year totalled \$644,934, however expenses were taken up only to the extent of the capital input, hence in 2015, \$0 (2014 - \$250,000) 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 in the year ended 30 June 2015.

The Group has not incurred any contingent liabilities or other commitments relating to its joint venture.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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:

	2015	2014
	\$	\$
Statement of financial position		
Current Assets	28,989	43,260
Total Assets	836,590	925,289
Current Liabilities	158,955	75,775
Non Current Liability	720,000	503,902
Total Liabilities	878,955	579,677
Shareholders' contributed equity	37,397,631	37,326,274
Share based payment reserves	7,694	51,176
Compound Financial Instrument reserve	183,550	166,627
Accumulated Losses	(37,631,240)	(37,198,465)
	(42,365)	345,612
Statement of profit or loss and other Comprehensive Income		
Total profit/(loss)	(476,257)	(853,576)
Total comprehensive income/(loss)	(476,257)	(853,576)

(b) Contingencies

In June 2013, the Company's subsidiary PT Prima Perkasa Abadi (PPA) was cited as a respondent in a civil claim lodged in the District Court of South Jakarta. The claim was lodged by two previous shareholders ("the Plaintiffs") of PPA who challenged the passing of ownership in 2011 of the shares in PPA to the Group.

In November 2014, the Company received the copy of the official verdict and it advised that the decision was not in the Company's favour. The official verdict from the court stated that the Company was jointly and severally liable with three other defendants to pay a penalty of approximately AUD\$2m. In addition, the court ruled that the penalty includes losses based on:

- 1) 450 shares held by the Plaintiff's multiplied by a price in accordance with the Company's Article of Association; and
- 2) Any annual dividends paid since the year of transfer of the shares.

The Director's of the Company has instructed its legal advisors to lodge an appeal with the High Court of Jakarta.

(c) Commitments

The parent entity did not have any contractual commitment as at 30 June 2015.

ADAVALE RESOURCES LIMITED
DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 25 to 59 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 2015 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 2015

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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 2015, 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 2015 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Emphasis of matter


Without qualifying our opinion, we draw attention to Note 2(c) in the financial report which indicates that the company incurred a net loss of \$634,098 during the year ended 30 June 2015 and, as of that date, the Group's cash outflows from operating of \$172,688. These conditions, along with other matters as set forth in Note 2(c), indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company 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 18 to 22 of the directors' report for the year ended 30 June 2015. 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 2015, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P W Warr
Partner - Audit & Assurance

Perth, 30 September 2015

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 2015

Fully paid ordinary shares		
Number of Holders		
Distribution is:		
1	-	1,000
418		
1,001	-	5,000
308		
5,001	-	10,000
70		
10,001	-	100,000
115		
100,001	and	Over
19		
930		
Holding less than a marketable parcel		
867		

(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 2015)

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

Shareholder	Number of shares	%
Gurney Capital Pty Ltd	4,951,571	22.98%
Haryono Eddyarto	4,207,728	19.53%
Richard Poole	2,906,102	13.49%

(d) Shareholders

The twenty largest shareholders hold 78.25% of the total issued ordinary shares in the Company as at 26 September 2015.

RANK	NAME	SHARES	ISSUED
1	GURNEY CAPITAL PTY LTD	4,951,571	22.98
2	MR HARYONO EDDYARTO	4,207,728	19.53
3	ARTHUR PHILLIP NOMINEES PTY LTD	2,906,102	13.49
4	HOLLOMAN VALUE HOLDINGS LLC	966,667	4.49
5	MFCM NOMINEES SERVICES PTY LTD	745,000	3.46
6	BYRON DEVESON SUPERANNUATION FUND PTY LTD <THE BYRON DEVESON S/F A/C>	381,417	1.77
7	BLUEKNIGHT CORPORATION PTY LTD	337,474	1.57
8	MR DENNIS VOSSOS AND MRS ANGELA KOSTARAS-VOSSOS	328,423	1.52
9	MR ALBERT SAYCHUAN CHEOK + MR ERIC VICTOR CHEOK	300,000	1.39
10	SING CAPITAL PTY LTD	268,076	1.24
11	LARCA PTY LTD <THE RISINGER FAMILY A/C>	201,967	0.94
12	MR DAVID ARTHUR PAGANIN <D A PAGANIN FAMILY NO 2 A/C>	194,428	0.90
13	BIRKDALE NOMINEES PTY LTD <RISINGER SUPER FUND A/C>	183,334	0.85
14	RANCHLAND HOLDINGS PTY LTD	169,692	0.79
15	ZERO NOMINEES PTY LTD	167,794	0.78
16	MS HELEN MARIA DENISE AVIS	126,374	0.59
17	RDA ASSET MANAGEMENT LIMITED	111,421	0.52
18	GANRA PTY LTD <THE FLANNERY FAMILY A/C>	111,112	0.52
19	MFCM NOMINEE SERVICES PTY LTD (KYLA JONES ACCOUNT)	100,000	0.46
20	MR ANDREW MUIRHEAD SKIDMORE	100,000	0.46
		16,858,580	78.25

ADAVALE RESOURCES LIMITED
ADDITIONAL INFORMATION

(e) Restricted Securities

There are no securities subject to escrow restrictions.

(f) Unquoted Equity Securities (as at 26 September 2015)

Options	Number on issue	% held
Expiry 31 July 2016 and exercisable at \$1.40	1,000,000	100%
Expiry 31 July 2016 and exercisable at \$1.00	500,000	100%

2. QUOTATION

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