

ADAVALE RESOURCES LIMITED

ACN 008 719 015

HALF YEAR REPORT

31 DECEMBER 2015

This financial report covers the consolidated entity consisting of Adavale Resources Limited and its controlled entities.

This Interim Financial Report should be read in conjunction with the company's annual report for the period ended 30 June 2015.

ADAVALE RESOURCES LIMITED

FINANCIAL REPORT

for the half year ended 31 December 2015

ACN 008 719 015

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Directors

Haryono Eddyarto (Chairman)
Saharto Sahardjo
Albert Cheok
Peter Murphy

Company Secretary

Leanne Ralph

Registered Office

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Share Registry

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000

Auditor

Grant Thornton Audit Pty Ltd
Level 1, 10 Kings Park Road
PERTH WA 6005

Stock Exchange

Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

ASX Code

ADD (fully paid ordinary shares)

ADAVALE RESOURCES LIMITED
DIRECTORS' REPORT

The Directors of Adavale Resources Limited submit herewith the financial report for the half year ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of the Directors of the company during or since the end of the half year and up to the date of this report are:

Haryono Eddyarto (Chairman)
Saharto Sahardjo
Albert Cheok
Peter Murphy

The Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activity

The principal activities of the Group continue to be mining explorations and development in Australia and Indonesia.

Adavale Resources Ltd has established itself in the coal industry in Indonesia and will continue to research and identify quality coal projects across Indonesia. The Group continues to hold its uranium tenements at Lake Surprise in South Australia and is actively seeking joint venture partners to further explore the area.

Dividends

No dividends were paid or declared for payment during the financial period.

Review of Operations

The net loss from ordinary activities after income tax for the half year ended 31 December 2015 was \$235,417 (December 2014: net loss \$293,164).

The loss from ordinary activities before income tax expense includes the following revenues and expenses disclosure is relevant in explaining the financial performance of the entity:

| | Half Year Ended 31 Dec 2015 | Half Year Ended 31 Dec 2014 |
|--------------------------------------|--------------------------------------------|--------------------------------------------|
| | \$ | \$ |
| Revenue from continuing operations | 1,818 | - |
| Expenses from continuing operations | (237,235) | (293,164) |
| Loss from continuing operations | (235,417) | (293,164) |
| Loss from ordinary activities | (235,417) | (293,164) |

The result for the half-year is in line with Management and Board expectations.

CAPITAL RAISING FACILITY

On 15 January 2015 the Company announced 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 Group. 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 31 December 2015 \$113,757 has been drawn down and 6,925,411 shares issued. Since 31 December 2015 a further 3,571,428 ordinary shares have been issued raising a further \$40,000 share capital. 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.

Post balance date events.

Except for the further capital raising of \$40,000 referred to above, no matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Signed in accordance with a resolution of Directors.

On behalf of the Directors.



H Eddyarto *R*
Chairman
Sydney,
15 March 2016

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Adavale Resources Limited for the half-year ended 31 December 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P W Warr
Partner - Audit & Assurance

Perth, 15 March 2016

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

for the half year ended 31 December 2015

| | Note | Consolidated 31 Dec 2015 \$ | Consolidated 31 Dec 2014 \$ |
|---------------------------------------------------------------------|-------------|--------------------------------------------|--------------------------------------------|
| Continuing operations | | | |
| Other revenue | | 1,818 | - |
| Total Revenue | | 1,818 | - |
| Insurance | | (12,678) | (10,030) |
| Depreciation and amortisation expense | | - | (57) |
| Contractor and consultants expense | | - | (18,500) |
| Legal expenses | | (3,447) | (3,000) |
| Share registry fees | | (32,418) | (35,854) |
| Management & administration | | (118,280) | (113,225) |
| Finance cost – Financial Instrument | | (2,733) | (54,431) |
| Interest expense – convertible loan | 11 | (30,246) | (25,426) |
| Exchange difference | | - | (36) |
| Impairment of exploration assets | | (35,514) | (31,486) |
| Other expenses from ordinary activities | | (1,919) | (1,119) |
| Total expenses | | (237,235) | (293,164) |
| Loss before income tax | | (235,417) | (293,164) |
| Income tax expense relating to continuing operations | | - | - |
| Net Loss from continuing operations after income tax expense | | (235,417) | (293,164) |
| Other Comprehensive Income: | | | |
| Movement in foreign exchange reserve | | (24,833) | (38,627) |
| Total comprehensive Loss for the period | | (260,250) | (331,791) |
| Earnings Per Share: | | | |
| Basic (cents per share) | 8 | (1.11) | (1.85) |
| Diluted (cents per share) | 8 | (1.11) | (1.85) |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

ADAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

| | Note | Consolidated 31 Dec 2015 \$ | Consolidated 30 June 2015 \$ |
|--------------------------------------|------|-----------------------------------|------------------------------------|
| CURRENT ASSETS | | | |
| Cash assets | | 26,672 | 32,024 |
| Other | | 10,039 | 24,378 |
| TOTAL CURRENT ASSETS | | 36,711 | 56,402 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | - | - |
| Exploration and evaluation assets | 4 | 807,500 | 807,500 |
| TOTAL NON-CURRENT ASSETS | | 807,500 | 807,500 |
| TOTAL ASSETS | | 844,211 | 863,902 |
| CURRENT LIABILITIES | | | |
| Payables | | 721,469 | 606,043 |
| TOTAL CURRENT LIABILITIES | | 721,469 | 606,043 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 11 | 789,627 | 720,000 |
| TOTAL NON-CURRENT LIABILITIES | | 789,627 | 720,000 |
| TOTAL LIABILITIES | | 1,511,096 | 1,326,043 |
| NET ASSETS / (DEFICIENCY) | | (666,885) | (462,141) |
| EQUITY | | | |
| Share capital | 8 | 37,440,031 | 37,397,632 |
| Reserves | | 129,321 | 142,934 |
| Accumulated losses | | (38,236,237) | (38,002,707) |
| TOTAL EQUITY | | (666,885) | (462,141) |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes

ADAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
for the half year ended 31 December 2015

| | Note | Consolidated 31 Dec 2015 \$ | Consolidated 31 Dec 2014 \$ |
|----------------------------------------------------|------|-----------------------------------|-----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Payments to suppliers and employees | | (108,152) | (90,041) |
| NET CASH FLOWS USED IN OPERATING ACTIVITIES | | (108,152) | (90,041) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Exploration costs paid | | (19,600) | (29,472) |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | | (19,600) | (29,472) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | 80,000 | 100,000 |
| Net proceeds from issue of equity securities | | 42,400 | - |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | 122,400 | 100,000 |
| NET (DECREASE) IN CASH ASSETS HELD | | (5,352) | (19,513) |
| Cash assets at the beginning of the half year | | 32,024 | 49,736 |
| CASH ASSETS AT THE END OF THE HALF YEAR | | 26,672 | 30,223 |

This above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

ADAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2015

| | Share Capital \$ | Accumulated Losses \$ | F/X Revaluation Reserve \$ | Equity Component Instrument \$ | Options Reserve \$ | Total \$ |
|--------------------------------------------------------|------------------------|-----------------------------|-------------------------------------|-----------------------------------------|--------------------------|------------------|
| Balance at 1 July 2014 | 37,326,274 | (37,412,090) | 8,620 | 166,627 | 51,177 | 140,608 |
| Comprehensive income / (loss) for the period | - | (293,164) | (38,627) | - | - | (331,791) |
| Equity component of financial instrument | - | - | - | 16,923 | - | 16,923 |
| Transfer on expiry of options | - | 43,482 | - | - | (43,482) | - |
| Net issue of shares | - | - | - | - | - | - |
| Balance at 31 December 2014 | 37,326,274 | (37,661,772) | (30,007) | 183,550 | 7,695 | (174,260) |
| Balance at 1 July 2015 | 37,397,631 | (38,002,706) | (48,310) | 183,549 | 7,695 | (462,141) |
| Comprehensive income / (loss) for the period | - | (235,417) | (24,833) | - | - | (260,250) |
| Equity component of Financial Instrument (see Note 11) | - | - | - | 13,106 | - | 13,106 |
| Transfer on expiry of options | - | 1,886 | - | - | (1,886) | - |
| Net issue of Shares | 42,400 | - | - | - | - | 42,400 |
| Balance at 31 December 2015 | 37,440,031 | (38,236,237) | (73,143) | 196,655 | 5,809 | (666,885) |

This Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2015

1. 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 Group's 40% joint venture interest in Adavale Harner Resources. The Group 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 Group has continued to place emphasis on the TAPAN project, and has recently renewed the South Australian Lake Surprise Tenements. The Group has been granted tenement acreage adjacent to the existing Lake Surprise tenements. The Group has further curtailed the administrative costs associated with the Group head office, with the Adavale Harner Resources (AHR) Joint Venture bearing the majority of Indonesian expenditure in the last twelve months.

2. GENERAL INFORMATION AND BASIS OF PREPARATION

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Adavale Resources Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001. The half-year report does not include full disclosures of the type normally included in an annual financial report.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as referred to below, the interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2015.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australia Accounting Standards Board (AASB) that are relevant to its operations and effective for the current half year reporting period.

The adoption of all of the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has had no effect on the amounts reporting for the current or prior periods.

These half-year financial statements were approved by the Board of Directors on 15 March 2016.

Critical Accounting Estimates and Judgements

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the company's last annual financial statements for the year ended 30 June 2015.

Going Concern

The Group is at the exploration and evaluation phase of each of its mining tenements. The Group has incurred a loss for the period of \$235,417 and a cash outflow from operating and investing activities of \$127,752. At period end, the Group's current liabilities exceeded its current assets by \$648,758. The Group is also 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 12 months. Funding of ongoing activities is required from future capital raisings, debt funding and / or asset sales. Therefore at balance date significant uncertainty exists as to the Group's ability to continue as a going concern.

The Directors have prepared the financial statements on a going concern basis, as the Directors believe that sufficient funding will be generated from drawing on the \$1,000,000 convertible loan as agreed with the Chairman of the Group. At the end of the period, the Group had drawn down \$800,000 of the convertible loan facility, with a remaining \$200,000 to be drawn down.

In addition to the Convertible Loan Facility, on 15 January 2015, the Company announced it had entered into a capital raising facility (Facility) with a non-related entity Gurney Capital Pty Ltd (GC). The Company also entered into a Standby Subscription Agreement with GC. The purpose of these agreements is to provide further working capital to the Group. 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 80% of the 5 days VWAP..

Since the signing of this agreement to 31 December 2015, the Company had drawn down a total of \$113,757 against the facility and 6,925,411 shares issued as a consequence. Since 31 December 2015 a further 3,571,428 ordinary shares have been issued raising a further \$40,000 share capital. 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.

The Directors also 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.

Given the nature of the funding facilities the Directors have put in place, the Directors consider it is appropriate to prepare the financial statements on a going concern basis and hence no adjustments have been made in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the entity is unable to continue as a going concern.

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2015

4. EXPLORATION AND EVALUATION ASSETS

| | Consolidated 31 Dec 2015 \$ | Consolidated 30 June 2015 \$ |
|-------------------------------------|--------------------------------------------|---------------------------------------------|
| Exploration leases | 1,050,160 | 1,050,160 |
| Exploration expenditure capitalised | 3,981,903 | 3,962,303 |
| Less: Provision for impairment | <u>(4,224,563)</u> | <u>(4,204,963)</u> |
| | <u>807,500</u> | <u>807,500</u> |

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

At 30 June 2015, the Directors reviewed the carrying value of each of the TAPAN and Lake Surprise areas, and in recognition of factors such as coal price, and in consideration of potentially relinquishing some of the Lake Surprise tenements in the future, an additional impairment charge was applied to bring the carrying value down to \$807,500.

The Directors are of the view the carrying value of the Exploration and Evaluation Assets at 31 December 2015 remains recoverable in line with AASB 6. Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and development of these assets.

5. COMMITMENTS

There is no material change to the commitments disclosed by the Group in its 30 June 2015 annual report.

6. CONTINGENCIES

In June 2013, the Group'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 Group received the copy of the official verdict dated 7 October 2014 and advised the decision was not in the Group's favour. The Group's legal representation advised that the Judge's decision has no merit and an appeal was lodged with the High Court. The Group subsidiary PT Prima Perkasa Abadi (PPA) received Notification dated 25 January 2016 from the District Court South Jakarta regarding the verdict of the High Court, Jakarta dated 22 December 2015. The decision of the High Court is in the Group's favour wherein the Judge Council at the High Court decided to accept the appeal of PPA and former Director Mr J Risinger, and annulled the verdict of the District Court of South Jakarta. Subsequent to this verdict the Plaintiffs have submitted an Appeal Brief to the Supreme Court.

7. SEGMENT REPORTING

The Group has identified its operating segments based on internal reports that are reviewed by the Board and management.

The Group operated in one business segment during the half year, being mining and in two geographical area, being Australia and Indonesia.

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2015

7. SEGMENT REPORTING (CONTINUED)

Reportable segment's assets reconciled to total assets as follows:

a) The segment information provided for 31 December 2015 is as follows:

| Primary Reporting – Business Segments Half year ended 31 December 2015 | Mining and exploration \$ Australia | Mining and exploration \$ Indonesia | Unallocated \$ | Total \$ |
|-----------------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|---------------------------|---------------------|
| Segment Result | | | | |
| Profit/(loss) from ordinary activities before income tax | (19,600) | (15,914) | (199,903) | (235,417) |
| Income tax expense | - | - | - | - |
| Net Profit/(loss) | (19,600) | (15,914) | (199,903) | (235,417) |
| Total segment assets | | | | |
| Exploration expenditure | 391,000 | 416,500 | - | 807,500 |
| Receivables | 3,038,033 | - | 10,039 | 3,048,072 |
| Others | - | 25,924 | 748 | 26,672 |
| | 3,429,033 | 442,424 | 10,787 | 3,882,244 |
| Total segment liabilities | | | | |
| Creditors and accruals | 3,038,033 | 552,443 | 169,026 | 3,759,502 |
| Loans | - | - | 789,627 | 789,627 |
| | 3,038,033 | 552,443 | 958,653 | 4,549,129 |

b) Segment assets:

Reportable segments' assets reconciled to total assets as follow:

| | |
|------------------------------------------------------------|--------------------------------------------|
| | Consolidated 31 Dec 2015 \$ |
| SEGMENT ASSETS | 3,882,244 |
| Intersegment Eliminations | (3,038,033) |
| Total assets as per Statement of financial position | 844,211 |

c) Segment liabilities:

Reportable segments' liabilities reconciled to total liabilities as follow:

| | |
|----------------------------------------------------------|--------------------------------------------|
| | Consolidated 31 Dec 2015 \$ |
| SEGMENT LIABILITIES | 4,549,129 |
| Intersegment Eliminations | (3,038,033) |
| Total liabilities Statement of financial position | 1,511,096 |

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2015

7. SEGMENT REPORTING (CONTINUED)

d) The segment information provided for 31 December 2014 is as follows:

| Primary Reporting – Business Segments Half year ended 31 December 2014 | Mining and exploration \$ Australia | Mining and exploration \$ Indonesia | Unallocated \$ | Total \$ |
|-----------------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|---------------------------|---------------------|
| Segment Result | | | | |
| Profit/(loss) from ordinary activities before income tax | (15,472) | (16,014) | (261,678) | (293,164) |
| Income tax expense | - | - | - | - |
| Net Profit/(loss) | (15,472) | (16,014) | (261,678) | (293,164) |
| 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 | | | | |
| Creditors and accruals | 3,018,229 | - | 606,043 | 3,624,272 |
| Loans | - | - | 720,000 | 720,000 |
| | 3,018,229 | - | 1,326,043 | 4,344,272 |

e) Segment assets:

Reportable segments' assets reconciled to total assets as follow:

| | |
|------------------------------------------------------------|---------------------------------------------|
| | Consolidated 30 June 2015 \$ |
| SEGMENT ASSETS | 3,882,131 |
| Intersegment Eliminations | (3,018,229) |
| Total assets as per Statement of financial position | 863,902 |

f) Segment liabilities:

Reportable segments' liabilities reconciled to total liabilities as follow:

| | |
|----------------------------------------------------------|---------------------------------------------|
| | Consolidated 30 June 2015 \$ |
| SEGMENT LIABILITIES | 4,344,272 |
| Intersegment Eliminations | (3,018,229) |
| Total liabilities Statement of financial position | 1,326,043 |

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2015

8. SHARE CAPITAL

| | Consolidated 31 Dec 2015 | | Consolidated 30 June 2015 | |
|-----------------------------------------|-------------------------------------|-------------------|--------------------------------------|-------------------|
| | Number | \$ | Number | \$ |
| Fully paid ordinary shares | 22,775,250 | 37,440,031 | 19,810,299 | 37,397,631 |
| Ordinary Shares | | | | |
| Opening Balance | 19,810,299 | 37,397,631 | 15,849,839 | 37,326,273 |
| Share issues | 2,964,951 | 42,400 | 3,960,460 | 71,358 |
| Closing Balance 31 December 2015 | 22,775,250 | 37,440,031 | 19,810,299 | 37,397,631 |

9 OPTION RESERVE

There has been no further issue of options since 30 June 2015. During the period the following options expired:

- 1,000,000 milestone options expired on 31 July 2015
- 500,000 Class c options expired 31 July 2015

| | Consolidated 31 Dec 2015 | | Consolidated 30 June 2015 | |
|-------------------------------------------------|-------------------------------------|--------------|--------------------------------------|--------------|
| Options Reconciliation | Number | \$ | Number | \$ |
| Opening Balance | 3,000,000 | 7,695 | 3,000,000 | 7,695 |
| Options issued | - | - | - | - |
| Options expired | 1,500,000 | (1,886) | - | - |
| Closing Balance at the end of the period | 1,500,000 | 5,809 | 3,000,000 | 7,695 |

The remaining options on issue at 31 December 2015 are as follows:

| | December 2015 No | June 2015 No |
|---------------------------------------------------------------------------|-----------------------------|-------------------------|
| Milestone Options – Exercisable at \$1.20, expiry date 31 Jul 2015 | | |
| Opening Balance | 1,000,000 | 1,000,000 |
| Less expired 31 July 2015 | (1,00,000) | - |
| Closing Balance | - | 1,000,000 |
| Milestone Options – Exercisable at \$0.07, expiry date 31 Jul 2016 | | |
| Opening Balance | 1,000,000 | 1,000,000 |
| Closing Balance | 1,000,000 | 1,000,000 |

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2015

9 OPTION RESERVE (CONTINUED)

| | December 2015 No | June 2015 No |
|-----------------------------------------------------------------------------|-----------------------------|-------------------------|
| Class C Options – Exercisable at \$0.90, expiry date 31 Jul 2015 | | |
| Opening Balance | 500,000 | 500,000 |
| Less expired 31 July 2015 | (500,000) | - |
| Closing Balance | - | 500,000 |
| Class D Options – Exercisable at \$1.00, expiry date 31 Jul 2016 | | |
| Opening Balance | 500,000 | 500,000 |
| Closing Balance | 500,000 | 500,000 |

Refer to the 30 June 2015 annual report for further details on these options.

10. CAPITAL RAISING FACILITY

On 15 January 2015, the Company announced it had entered into a capital raising facility (Facility) with a non-related entity Gurney Capital Pty Ltd (GC). The Company also entered into a Standby Subscription Agreement with GC. The purpose of these agreements is to provide further working capital to the Group. 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 80% of the 5 days VWAP..

Since the signing of this agreement and up to 31 December 2015, the Company has drawn down a total of \$113,757 against the facility and 6,925,411 shares issued as a consequence. Since 31 December 2015 a further 3,571,428 ordinary shares have been issued raising a further \$40,000 share capital. 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.

11. BORROWINGS

| | Note | Consolidated 31 Dec 2015 \$ | Consolidated 30 June 2015 \$ |
|-----------------------------------|-------------|--------------------------------------------|---------------------------------------------|
| Borrowings | 11(a) | 800,000 | 720,000 |
| Less: Equity component instrument | | (196,656) | (183,550) |
| Add: Unwinding of interest | | 186,283 | 183,550 |
| | | 789,627 | 720,000 |

- (a) In 2012, the Company announced it has entered into a Convertible Loan Agreement with Mr Eddyarto (Chairman). The Convertible Loan was approved by Shareholders at the General Meeting on 20 December 2012. During the reporting period, a further \$80,000 has been drawn down on this loan to assist in funding the Group's operations.
- (b) The full terms of the convertible loan are disclosed in the 30 June 2015 annual report.

ADAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2015

11. BORROWINGS (CONTINUED)

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

12. RELATED PARTY TRANSACTIONS

Included in Payables is an amount of \$534,067 (June 2015: \$438,517) owing to PT Harner (PTH), a Company controlled by Mr Haryono Eddyarto, Chairman of the Company. The amount owing to PTH will not be called upon for repayment until the Company has available funds.

During the reporting half-year period ended 31 December 2015 charges were made to a subsidiary company by PTH amounting to \$82,338, including reimbursement of tenement costs amounting of \$15,914, and finance and legal assistance amounting to \$66,424.

13. SUBSEQUENT EVENTS

Except for the further capital raising of \$40,000 referred to in Note 10 above, no matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

ADAVALE RESOURCES LIMITED

DIRECTORS DECLARATION

for the half year ended 31 December 2015

The Directors of the Company declare that:

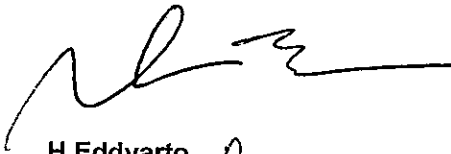
- (a) the attached financial statements and notes thereto comply with AASB 134 Interim Reporting;
- (b) the attached financial statements and notes thereto give a true and fair view of the consolidated financial position as at 31 December 2015 and of its performance for the half year ended on that date;

In the Directors' opinion:

- (a) the attached financial statements and the notes thereto are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors.



H Eddyarto
Chairman



Sydney, 15 March 2016

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

We have reviewed the accompanying half-year financial report of Adavale Resources Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policy, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Adavale Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Basis for qualified conclusion***A limitation in scope of our review work exists for the reasons described below:***

Included in Note 4 to the financial statements, the consolidated entity has reported resource projects relating to its exploration interests in Indonesia of \$416,500 (Indonesian Asset), of a total capitalised amount of \$807,500. Australian Accounting Standard AASB 136 Impairment of Assets requires an asset to be carried at no more than its recoverable amount. We have been unable to obtain sufficient appropriate audit evidence to support the Directors' assessment of the recoverable amount of the Indonesian Asset amounting to \$416,500. In the event that the carrying value of the Indonesian Asset exceeds its recoverable amount, it would be necessary for the receivable to be written down to its recoverable amount.

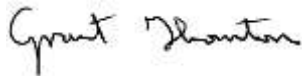
Qualified Review Conclusion

Based on our review, which is not an audit, with the exception of the matter described in the preceding paragraph, we have not become aware of any matter that makes us believe that the half-year financial report of Adavale Resources Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 3 in the financial report which indicates that the Company incurred a net loss of \$235,417 during the year ended 31 December 2015, as of that date, the Company's current liabilities exceeded its current assets by \$684,758 and, cash outflows from operating and investing activities equates to \$127,752. These conditions, along with other matters as set forth in Note 3, 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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P W Warr
Partner - Audit & Assurance

Perth, 15 March 2016