

20 October 2010

Dear Shareholder

NON-RENOUNCEABLE ENTITLEMENT ISSUE

Adavale Resources Limited (**Company**) has announced to ASX Limited (**ASX**) a pro rata non-renounceable entitlement issue of two (2) shares for every three (3) shares held by shareholders at an issue price of 2 cents per share to raise approximately \$2,447,920 together with one (1) free option for every two (2) shares subscribed exercisable at 4 cents on or before 31 July 2014 (**Entitlement Issue**) (**Offer**).

The Offer will result in the issue of 122,395,986 new shares and 61,197,993 new options. The Entitlement Issue is partially underwritten by Arthur Phillip Pty Ltd (**Underwriter**) to an aggregate amount of \$2,000,000. The Underwriter has also agreed to place, on a best endeavours basis, any additional shortfall. The Underwriter has also engaged sub-underwriters to sub-underwrite a portion of the underwritten amount.

The prospectus relating to the Offer has been lodged with the Australian Securities and Investments Commission, New Zealand Registrar of Companies and ASX and is available on the ASX website at asx.com.au for inspection. The timetable and important dates of the Offer* are set out below:

Lodgement of Prospectus with ASIC	Monday 18 October 2010
Notice sent to Shareholders	Wednesday 20 October 2010
Ex Date	Thursday 21 October 2010
Record Date for determining Shareholder entitlements	Wednesday 27 October 2010
Prospectus despatched to Shareholders	Wednesday 3 November 2010
Closing Date of Offer	Wednesday 17 November 2010
Securities quoted on a deferred settlement basis	Thursday 18 November 2010
Notify ASX of under-subscriptions	Monday 22 November 2010
Despatch date/Shares entered into Shareholders' security holdings	Thursday 25 November 2010

** These dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act, the ASX Listing Rules and other applicable laws, to vary the dates of the Offer, including extending the Closing Date or accepting late applications, either generally or in particular cases, without notifying you. You are encouraged to submit your application as soon as possible. Any extension of the Closing Date will have a consequential effect on the date of the issue of the securities. The Offer does not require the approval of shareholders.*

The purpose of the Offer is to raise approximately \$2,447,920 and the funds raised will be used for ongoing development of the Tapan Project (& Tapan Coal Belt); Identification, Due Diligence and Acquisition costs of new projects; working capital and the expenses of the Offer.

The capital structure of the Company on completion of the Offer will be as follows:

Shares

	Number
Shares on issue at date of Prospectus ¹	183,593,979
Shares offered pursuant to the Offer	122,395,986
Total Shares on issue after completion of the Offer	305,989,965

Notes:

1. The Company has also agreed to issue (but has not issued as at the date of the Prospectus):
 - a. 2,000,000 Shares to the shareholders of Adavale Coal Pty Ltd (formerly United Energy and Resources Pty Ltd and an unrelated party);
 - b. 2,000,000 Shares to the vendors under the Tapan Agreement (please refer to Section **Error! Reference source not found.** of the Prospectus); and
 - c. 2,000,000 Shares to each of Directors, John Risinger and Philip Suriano, subject to Shareholder approval at the Company's upcoming annual general meeting.

Options

	Number
Unlisted Options exercisable at \$0.21 on or before 30 November 2011 ¹	1,428,571
Unlisted Options exercisable at \$0.21 on or before 1 December 2011 ¹	1,547,619
Unlisted Options exercisable at \$0.04 on or before 31 July 2014 offered pursuant to the Offer	61,197,993
Total Options on issue after completion of the Offer²	64,174,183

Notes:

1. These Options may be exercised by the Option holders prior to the Record Date in order to participate in the Entitlement Issue.
2. The Company has agreed to issue 20,000,000 Options (which are exercisable subject to certain performance milestones being satisfied) to each of Directors, John Risinger and Philip Suriano. The issue of such Options is subject to Shareholder approval which is being sought at the Company's upcoming annual general meeting.



In calculating entitlements under the Entitlement Issue, fractions will be rounded down to the nearest whole number.

The Offer is made to shareholders with registered addresses in Australia and New Zealand only. Overseas shareholders (other than those registered in New Zealand who qualify to participate under the mutual recognition scheme between Australia and New Zealand) who wish to participate in the Offer may do so by changing their registered address to one within Australia or New Zealand before the record date being 27 October 2010. Overseas shareholders should contact the Company Secretary with any queries.

Full detail of the Offer will be contained in the Prospectus that will be mailed to all shareholders who are registered on the Record Date. Shareholders eligible to participate should read the Prospectus carefully.

Yours faithfully

Philip Suriano
Director
Adavale Resources Limited