



ACTIVITY REPORT FOR THE QUARTER 1 JANUARY 2014 TO 31 MARCH 2014

Activities for Adavale Resources Ltd. (ASX Code: ADD) during the quarter continued to conduct a semi detailed geological for the previous mining area, and also some stratigraphy drilling to identify coal seams distribution and the geological structure in the Penajam Coal prospect area, in order to asses a potential resource of low to medium calorie coal within the concession.

Subject to completion of technical and legal due deligence and reaching satisfactory terms, the company through its affiliate intends to enter into a formal agreement to acquire the project.

EXPLORATION

LAKE SURPRISE – AUSTRALIA

Adavale Resources is still actively seeking a strategic partner to assist in exploring the Lake Surprise Tenements.

PENAJAM COAL PROJECTS

At this period, AHR have been continuing to assess and confirm the potential deposit of coal projects within PPU district which have experienced some minimum amount of previous coal production with minimum critical mining operation facilities established. Some initial legal due diligence also have been done and continued to comply and confirm the clean and clear status of the tenements.

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

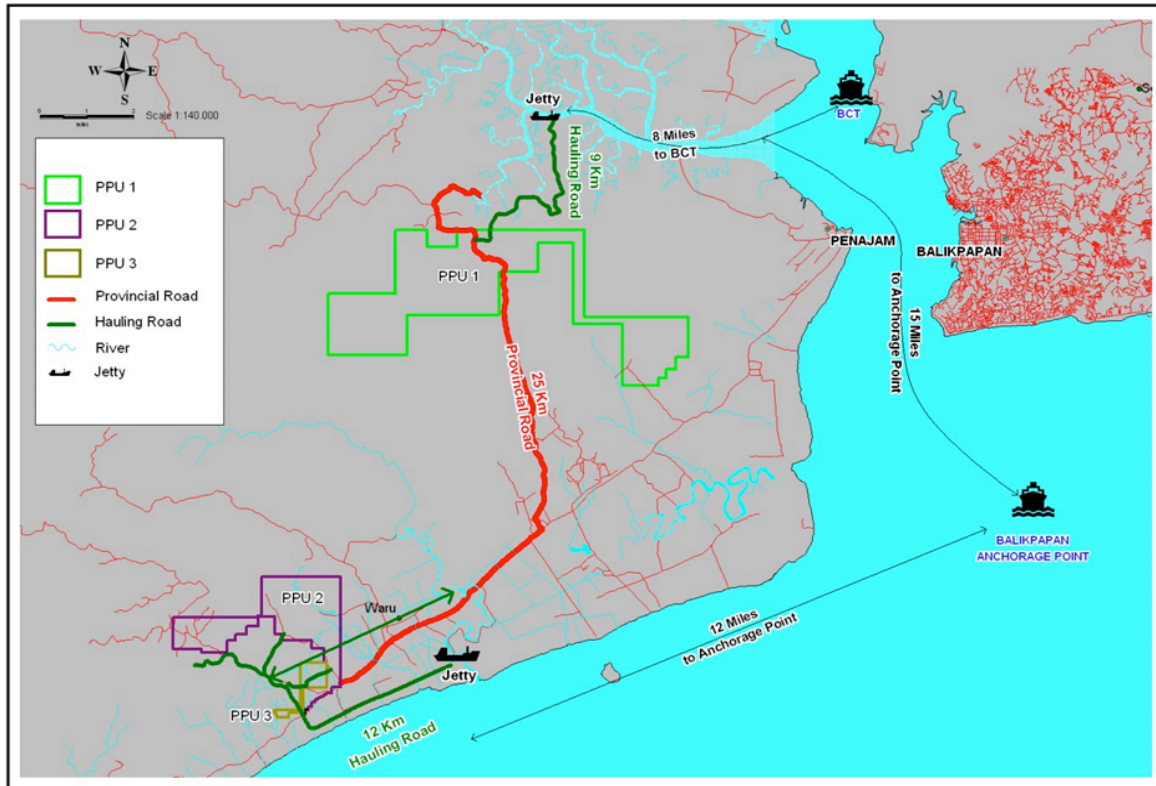
PPU 1

The concession has IUPOP status with 3281 hectares total area and located in Penajam Paser Utara (PPU) residence, East Kalimantan, it's about 20 km to the west of Balikpapan city. Mining has been taken place previously at more than 2 small pits inside less than 100 Ha prospect areas with the current production capacity less than 20 thousand tons/month.

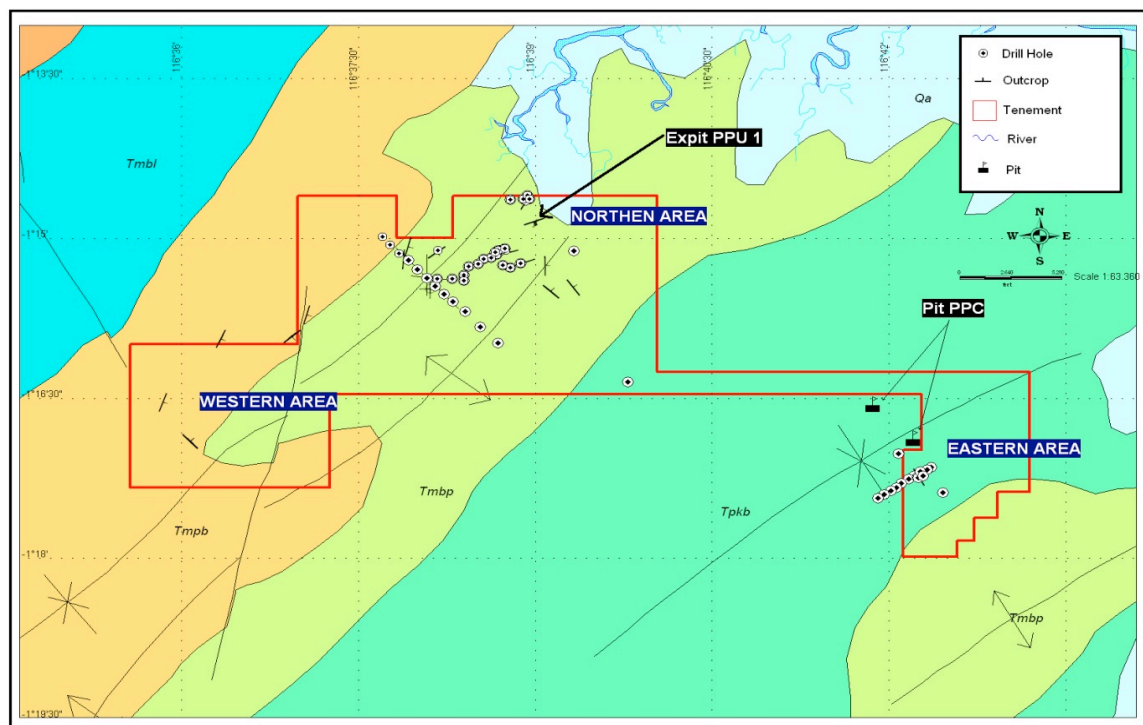
Based on previous data review and desktop study of more than 50 previous drill holes and 20 outcrops data within the concession as well as preliminary geological and field survey and sampling conducted by AHR geologists. AHR has identified 3 major prospect areas which are controlled by 3 predominantly coal bearing formations, Northern area is controlled by Balikpapan formation, Western area is controlled by Pulaubalang and Eastern area is controlled by Kampungbaru formation. And initially AHR also has identified at least 6 major coal seams with 0.5 - 4.5 m thickness and commonly striking to the northeast-southwest direction with average GCV 5500-6500 (ADB).

Planning has now continued to conduct a semi detailed geological mapping and confirmation drilling for the previous mining area, and also some stratigraphy drilling to identify coal seams distribution and the geological structure in the prospect area, in order to assess a potential resource of low to medium calorie coal within the concession. Subject to completion of technical and legal due diligence and reaching satisfactory terms, the company intends to enter into a formal agreement to acquire the project.

MAP – PENAJAM AREA



SMG

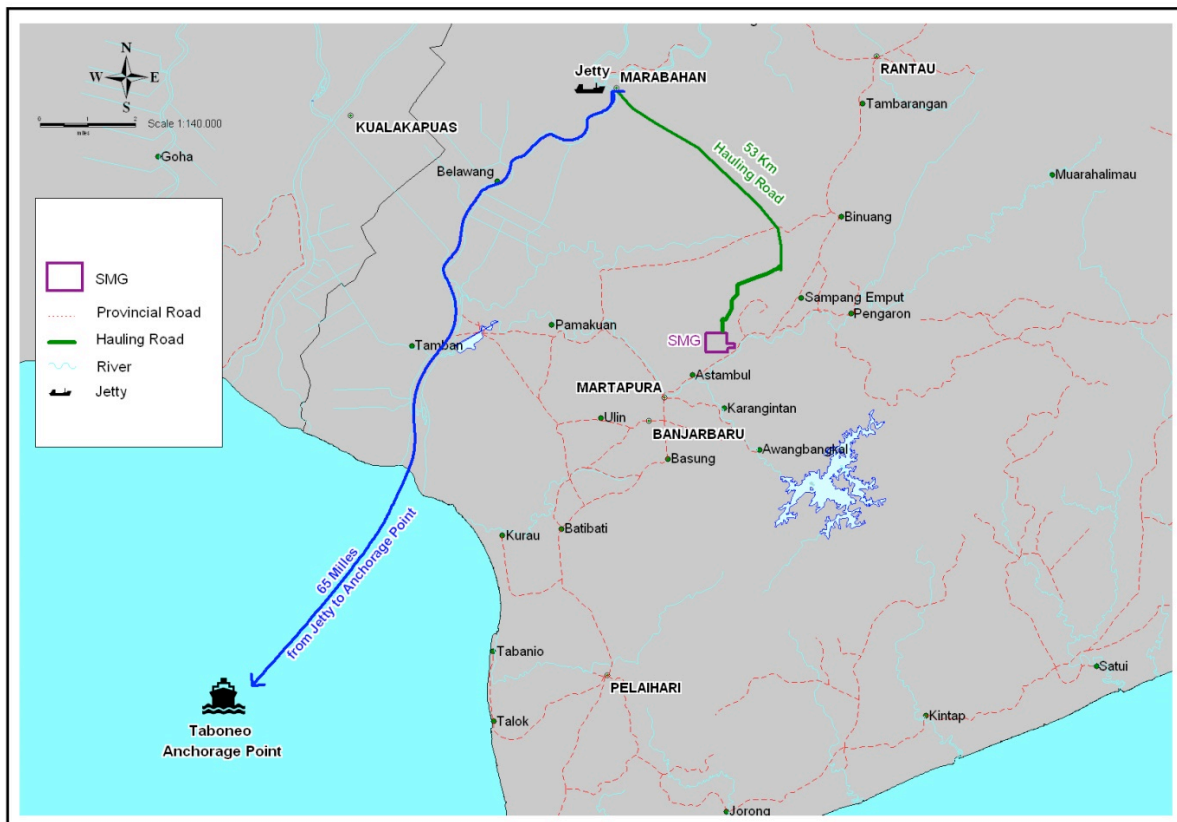


MAP – PPU 1 PROSPECT AREA

– BANJAR, SOUTH KALIMANTAN

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

MAP BANJAR AREA



PASER PROJECT

The concession of PASER PROJECT is located in Paser regency, East Kalimantan, approximately 75km SW of Balikpapan and covers 1,974 Ha IUPOP area. Based on initial information Mining has been taken place previously at small open pit inside less than 100 Ha prospect areas with the production capacity less than 20,000 tons/month of sub-bituminous thermal coal with typical analysis (air dried basis): 5,600-6,000 Kcal/kg, 0.3-0.7% total sulphur, 8-10% total

moisture, 4-8% ash. The previous mining activity is in the early stages of mining two nearsurface coal seams with thicknesses varying from 0.8-4m. The seams dip is varyat 70-15to the south east. The coal bearing formation consists of 2 formations, Balikpapan which hosts low-medium quality thermal coal, approximately 20-30% coverthe prospect area and Pulaubalang formation which hosts medium quality thermal coal takes place in 40-50% of the concession area.

PASER PROJECT owns and operates coal handling and barge loading infrastructure approximately 12km from the mine site and 40km or 87km for barging to Adang Bay Transshipment.Previous loading capacity is rated at around 200tph.

AHR has signed a Non-Disclosure Agreement and submitted a Letter of Intent to the current owners and now is starting the activity plan to conduct initial technical data review and audit as well as comprehensive desktop study to start the initial due diligence process.After some preliminary technical desktop study and site visit, initial legal and technical due diligence have been conducted, the company intends to hold in entering into a formal agreement for joint operation, subject to completion of due diligence and reaching satisfactory terms.

MAP PASER AREA



TAPAN – WEST SUMATERA – INDONESIA

The Civil Court case in South Jakarta District Court initiated by two previous shareholders of Tapan is still proceeding.

The process of applying for a Clean and Clear (C&C) Certificate is still on going.

There had been several discussions with a potential strategic partner to develop the mine. They are waiting confirmation from the government regarding the permit to use public road to reach the loading port before finalizing transaction structure, terms and conditions.

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

Adavale Resources Limited

ABN

96 008 719 015

Quarter ended ("current quarter")

31 March 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	-	(30)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(28)	(185)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (compulsory acquisition of shares)	-	-
	Net Operating Cash Flows	(28)	(215)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	(28)	(215)

1.13	Total operating and investing cash flows (brought forward)	(28)	(215)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	125
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (cost of raising funds and sale unmarketable parcel of shares)	-	-
Net financing cash flows		-	125
Net increase (decrease) in cash held		(28)	(90)
1.20	Cash at beginning of quarter/year to date	87	149
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	59	59

Payments to directors of the entity and associates of the directors

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

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

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

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

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

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	\$1,000,000	\$500,000
3.2	Credit standby arrangements	-	-

On 1 August 2012 the Company announced that it had entered into a Convertible Loan Agreement with Mr Haryono Eddyarto (Company Chairman) (HE) to the value of up to \$1,000,000. The loan facility was for a period of 24 months but now extended to 27 July 2015, carries interest at 8% (or

15% on any default amount), and is convertible into shares at a conversion price of 5 cents per share. Drawings of \$500,000 had been made to 31 December 2013.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	0
4.2	Development	0
4.3	Production	-
4.4	Administration	80
Total		80

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	59	87
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		59	87

Changes in interests in mining tenements

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

Issued and quoted securities at end of current quarter

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

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

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

† Sign here:

(Director)

Date:

30/4/14

Print name: *HARYONO EDDYARTO*

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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