



Company Announcements Platform
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

INDONESIAN COAL ACQUISITION

Highlights

- **Adavale acquires rights to two thermal coal projects, Tapan & Jambi - both located in Sumatra, Indonesia (the Projects);**
- **Existing Inferred Coal Resource of 15 million tonnes and works program to seek to prove up a Measured Coal Resource at Tapan to commence first week of November 2009.**
- **First production at Tapan targeted for the second quarter of 2010.**
- **Development of Jambi to follow Tapan.**
- **Preliminary drilling and trenching has identified an Inferred Coal Resource in excess of 20 million tonnes at Jambi.**

Adavale Resources Limited (ASX:**ADD**) ("Adavale") is pleased to advise that it has entered into an agreement to acquire the rights to two thermal coal Projects in Sumatra, Indonesia held by United Energy and Resources Pty Ltd. ("United").

Pursuant to the agreement, Adavale will fund an initial exploration program to seek to upgrade the existing 15 million tonne Inferred Coal Resource at the Tapan project, to a Measured Coal Resource of 5 million tonnes (Mt). The expected costs of this initial program will be an upfront payment of US\$110,000 and subject to a review of due diligence up to a further US\$ 650,000 (total initial program US\$760,000). On completion of proving up a 5Mt resource, and Adavale being satisfied with the development to that date, Adavale will provide up to a further US\$3.4m to develop and gain all necessary approvals to take the project through to mining.

Under the terms of the agreement, United will receive the following consideration for the Projects:

1. 5 million ordinary shares in Adavale, upon the transfer of 100% of United's rights and interests in the Projects to Adavale and completion of the initial 5Mt JORC program;
2. Up to an additional 10 million ordinary shares in Adavale **or** AU\$500,000 at Adavale's discretion and an additional 10 million options in Adavale, with an exercise price of \$0.15 per share and an expiration date of 1 July 2016. The issue of these shares and options are subject to satisfaction of the following conditions:
 - a. the commencement of mining at Tapan;
 - b. the completion of the Tapan Port; and

c. the completed sale of coal mined for the first months production from Tapan mine. These shares and options are subject to a 1 year escrow following grant.

3. A further 10 million performance options over the next 3 years upon the projects delivering the below NPAT results on the following dates;

a. June 2010	USD\$10,000	2,000,000	performance options
b. June 2011	USD\$3,000,000	4,000,000	performance options
c. June 2012	USD\$4,500,000	<u>4,000,000</u>	performance options
	TOTAL	10,000,000	performance options

The performance options will have an exercise price of \$0.15 per share and an expiration date of July 2016. The performance options relate to the particular period, ie each period needs to be achieved to gain the performance options.

The works program to seek to prove up a Measured Coal Resource will commence during the first week of November. The program will focus on proving up a Measured Coal Resource and will include mine planning in order to ensure an efficient and economically viable mining operation for the Tapan Project can be developed.

The Projects

The Tapan Project

The Tapan Coal Concession is located in west Sumatra about 200km by road south of Padang. Adavale has secured an agreement with PT United Mining and Engineering Services (Indonesia) over an Exploration Licence encompassing an area of approximately 5,000ha and an Exploitation Licence within this tenement covering 198.7ha. Under Indonesian mining laws, an Exploration Licence allows geological and related exploration work, and an Exploitation Licence allows mining.

Seven coal seams have been identified within the Concession Area which provides an Inferred Coal Resource estimated at 15Mt. The coal is a hard, high quality bituminous coal and has a measured gross calorific value between 5,800-7,100 kcal/kg. Geological mapping and drilling will be undertaken to seek to establish a Measured Coal Resource of at least 5Mt. If this is achieved, then the project will proceed to incorporate all economic factors involved in mine design, extraction, and haulage and port facilities for export, on the basis of the presence of a JORC compliant proved coal reserve of 5Mt or greater.

Field work is programmed to commence in November 2009. It will take about three months to evaluate all parameters critical of ensuring an efficient and economically viable mining operation.

The Jambi Project

The Jambi Project is located in the Jambi Province of east-central Sumatra. Adavale has acquired 'United's' rights to a MOU over four coal concessions within the Jambi Province. Adavale's initial target is within an Exploration Licence of 10,000ha located close to the provincial capital of Jambi. Preliminary drilling and trenching has identified an Inferred Coal Resource in excess of 20Mt.

The Jambi Project comprises near surface, thermal coal seams in the range 5300 to 5400 kcal/kg. The seams are flat-lying to very gently dipping and have advantageous open cut mining and stripping ratios. Two seams have been identified with a cumulative seam thickness of between 3.9 and 7.0m. There are excellent

port and coal loading facilities in Jambi and the Batanghari River provides navigable access for large barges for transshipment of coal to ocean going vessels. This coal is suitable for thermal power stations within Jambi Province and export markets in India and China.

Geological mapping and a drilling program are planned to establish a Measured Coal Resource for the Jambi Project area. These plans will be instigated once the Padang Project has been completed and an income stream established.

Infrastructure

Adavale will control and operate two port facilities capable of processing Tapan and Jambi site coal. The facilities will be suitable for the preparation of coal to meet market requirements and loading product into sea going barges. These ports will be designed to handle coal from numerous sources in addition to Adavale, creating profit divisions in their own right. In addition, Adavale has reached agreement with the necessary villages and local government over haulage road access from the mine to the port.

Adavale's Chairman Richard Poole said "Adavale is delighted to announce it has decided to proceed to the next step in the development of its Indonesian Coal venture. Whilst recognizing the substantial opportunities for successful mining development in Indonesia, Adavale is aware of the potential risks and have been working hard to reduce these as much as possible. We are developing the projects in stages and are very excited by the prospects of bringing them into production. The expansion of Adavale's operation into Indonesia represents an exciting new phase for Adavale."

Whilst remaining active with exploration on its existing projects, Adavale continues to focus on acquiring or investing in projects with the potential for near term cash flow and is optimistic that this current opportunity will meet these requirements with a targeted start date for mining to commence in the second quarter of 2010 in the event the project develops to plan.

Competent Persons Statement

The information in this report relates to coal exploration and resource information reviewed by Dr Brian Senior, who is a Fellow of the Australasian Institute of Mining and Metallurgy and independent geological consultant to the company. Dr Senior has over 35 years of exploration and mining experience in a variety of mineral deposit styles, including coal, uranium, base metals and gold mineralisation and he consents to inclusion of the information in this report in the form and context in which it appears. He is a Chartered Professional (Geology) and qualifies as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration and Coal Resource, Mineral Resources and Ore Reserves"