Activities Report

Quarter Ended

30 June 2011

28 July 2011
Company Announcements Office
ASX Limited

RE: QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2011

HIGHLIGHTS

- **JOINT VENTURE AGREEMENT SIGNED**
- **CHIEF EXECUTIVE OFFICER APPOINTED**
- **AGREEMENTS SIGNED ON POTENTIAL PRODUCING ASSETS**
- **AGREEMENT TERMS FINALISED ON TAPAN**

CORPORATE

During the quarter, Adavale Resources Limited (ADD) continued to establish itself in the coal industry in Indonesia by recognizing the importance of establishing sound business relationships with prominent Indonesian partners. ADD entered into a joint venture to explore and mine for coal in Indonesia with Mr Haryono Eddyarto, a well-known businessman with over 34 years experience in the mining and coal industries.

ADD and Mr Haryono have established an Indonesian company – Adavale Harner Resources (AHR) which is owned 60% by ADD and 40% by Mr Haryono. The agreed funding of AHR is up to $4,000,000 and will be contributed proportionate to the JV interest. The effective start date of the JV is 1 August 2011.

The JV agreement covers both existing and new projects for an initial term of two years. The Tapan project is excluded and will remain in Adavale's wholly owned subsidiary Adavale Nusantara Resources (ANR).

AHR has appointed Mr Marshall Cooper as the Chief Executive Officer to run the Indonesian coal operations. Mr Cooper is an Australian citizen who has lived in the region for the past 22 years. Since 1997 he has been employed by the Lippo Group and for the last 4 years has held the position of Chief Executive Advisor to the Chairman of Lippo Group Mining. During that time his role included acquisition of projects, establishment of exploration programs, mergers and acquisitions, development and funding plans and positioning the mining business unit as the future leader of the Lippo Group.

INDONESIA – ACTIVE PROJECT AREAS

Figure 1: Active Project Areas

During the quarter ANR continued to research and identify coal projects across Sumatra and Kalimantan.

ANR has offices in Jakarta, Balikpapan and Samarinda with full time technical and legal staff, together with an established network of contacts and professionals. The company has generated an extensive list of projects over the past 14 months and continues to maintain a core group of projects as part of its exploration portfolio.

The ongoing process of project review is essential to formulating a structured and valid portfolio in Indonesia where complex forestry and legal issues and cross holdings are common place.

The process is staged to initially determine the legal status of companies and concessions as presented by the vendors, followed by a geological review and a field survey to understand the accuracy of presented data.

Once satisfied the project meets initial criteria the Company will proceed to a more detailed geological review and drilling along with formal documentation.

PROJECTS - KALIMANTAN

As previously reported – ANR has focused to date on areas in East and South Kalimantan, all in strategic locations with good logistics that are the subject to ongoing review.

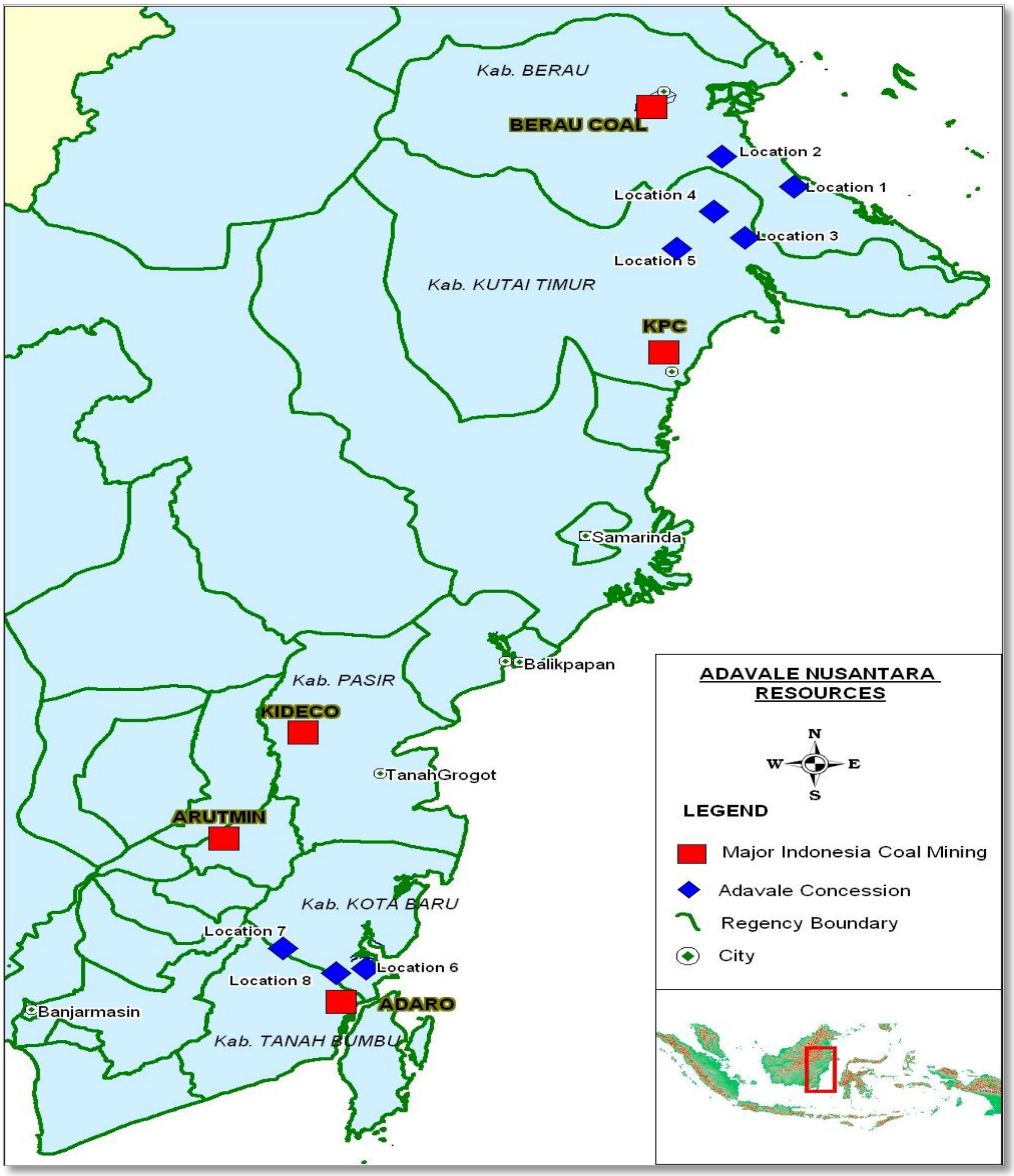

Figure 2: New project locations

SOUTH KALIMANTAN

During the quarter AHR entered into a preliminary agreement to assume mining contracts on three concessions in the Batulicin area of South Kalimantan. PT. Trimitra Sembada, PT. Cahaya Alam Sejahtera and CV. Rahma.

Batulicin is located 152 km north of the capital Banjarmasin. The three projects are located within 27km of Batulicin and are surrounded by major coal mines with Trimitra being adjacent to the world class Arutmin mine.

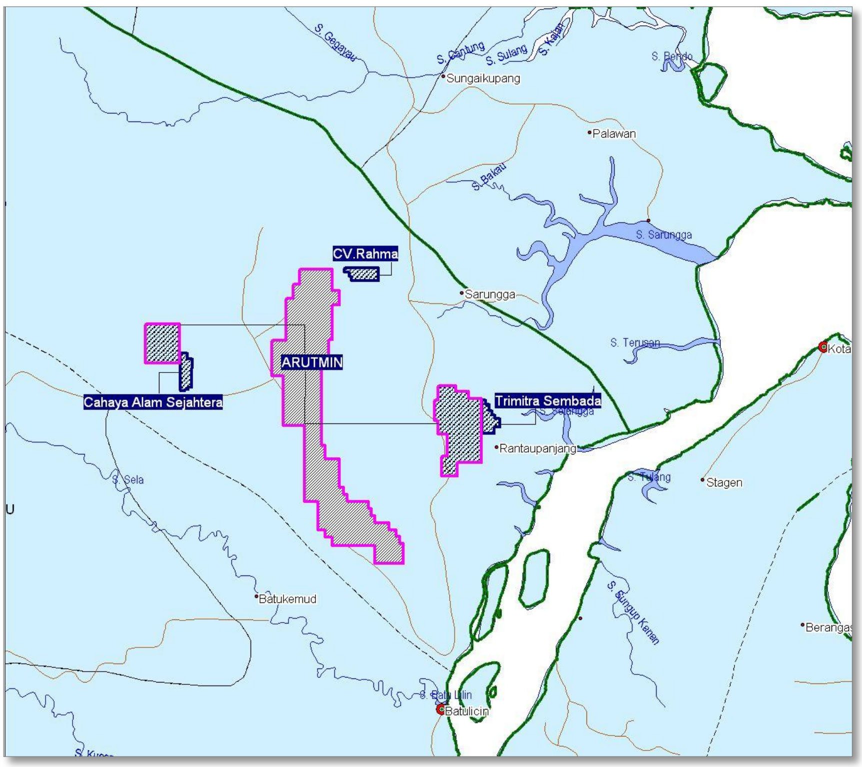

Figure 3: Batulicin concessions

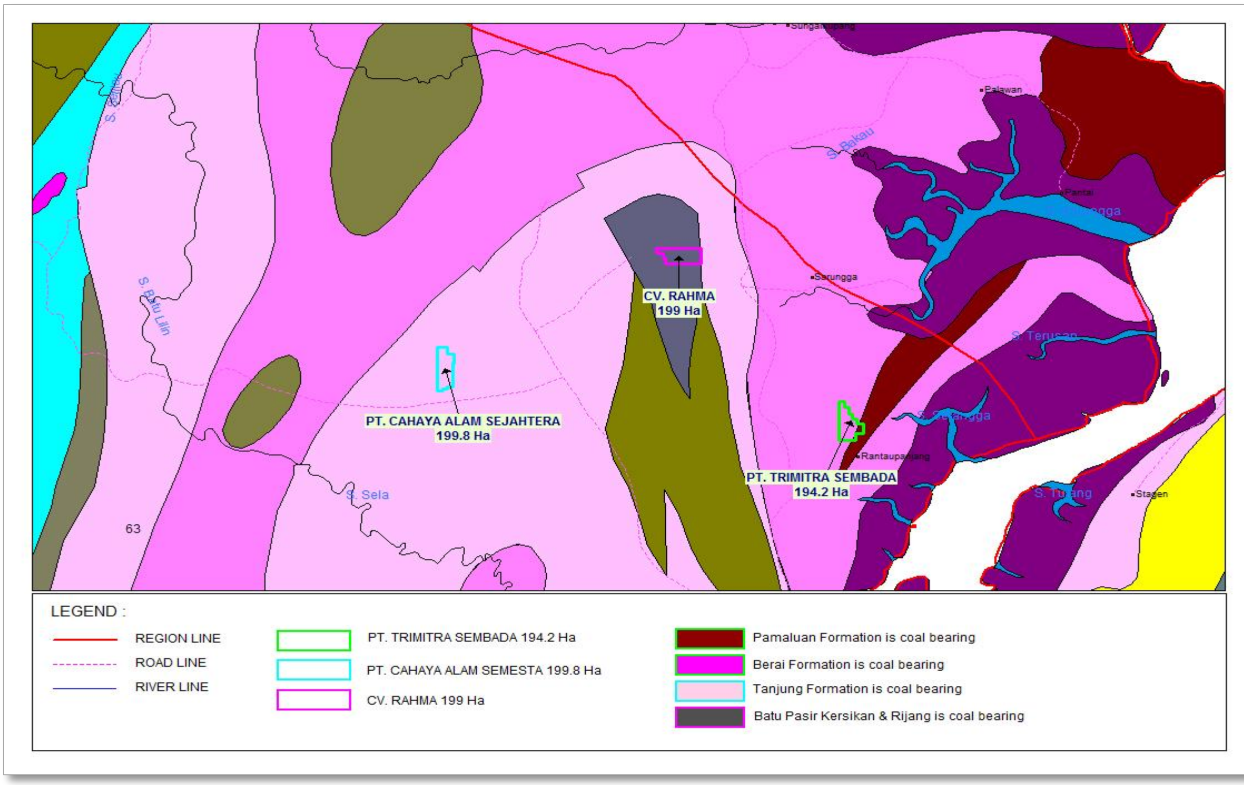

Figure 4 : Batulicin concessions – local geology

Figure 5 : Typical seam in area adjacent to Trimitra

Logistics are good, distance to jetty is 8km, and jetty to mother vessel is only 4hrs.

Under the agreement, AHR will provide all the working capital to develop and mine the concessions for a 70% net revenue interest.

AHR geologists and lawyers are in the process of finalising due diligence and carrying out scoping studies prior to formal agreement.

EAST KALIMANTAN

Projects that are ready to move to the drilling stage include PT. Gunung Mas Wisesa (GMW) and PT Agroindo Bumi Perkasa/PT. Anugrah Rizki Gunung. ANR geologists and legal staff are finalizing due diligence on forestry, legal and technical matters prior to commitment to drilling programs and formal documentation.

PT. Gunung Mas Wisesa

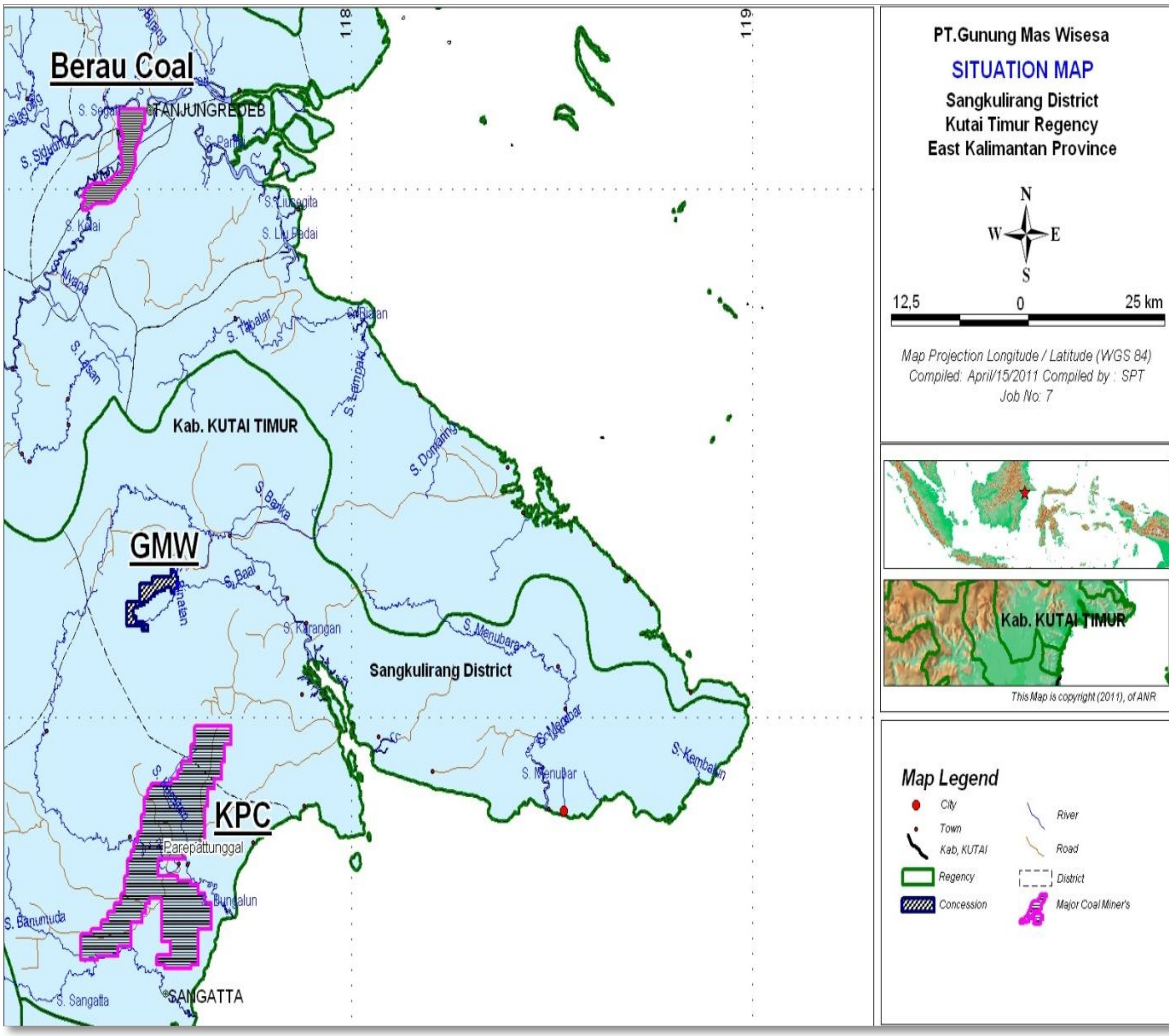

Figure 6: PT.Gunung Mas Wisesa Location Map

The Gunung Mas Wisesa concession covers an area of 5,231ha. The area is 27 kilometers from the Karangan River that can accommodate 300 foot barges year round. Jetty to mother vessel is 119km. Overall logistics are very good.

PT. Agroindo Bumi Perkasa – PT. Anugrah Rizkie Gunung

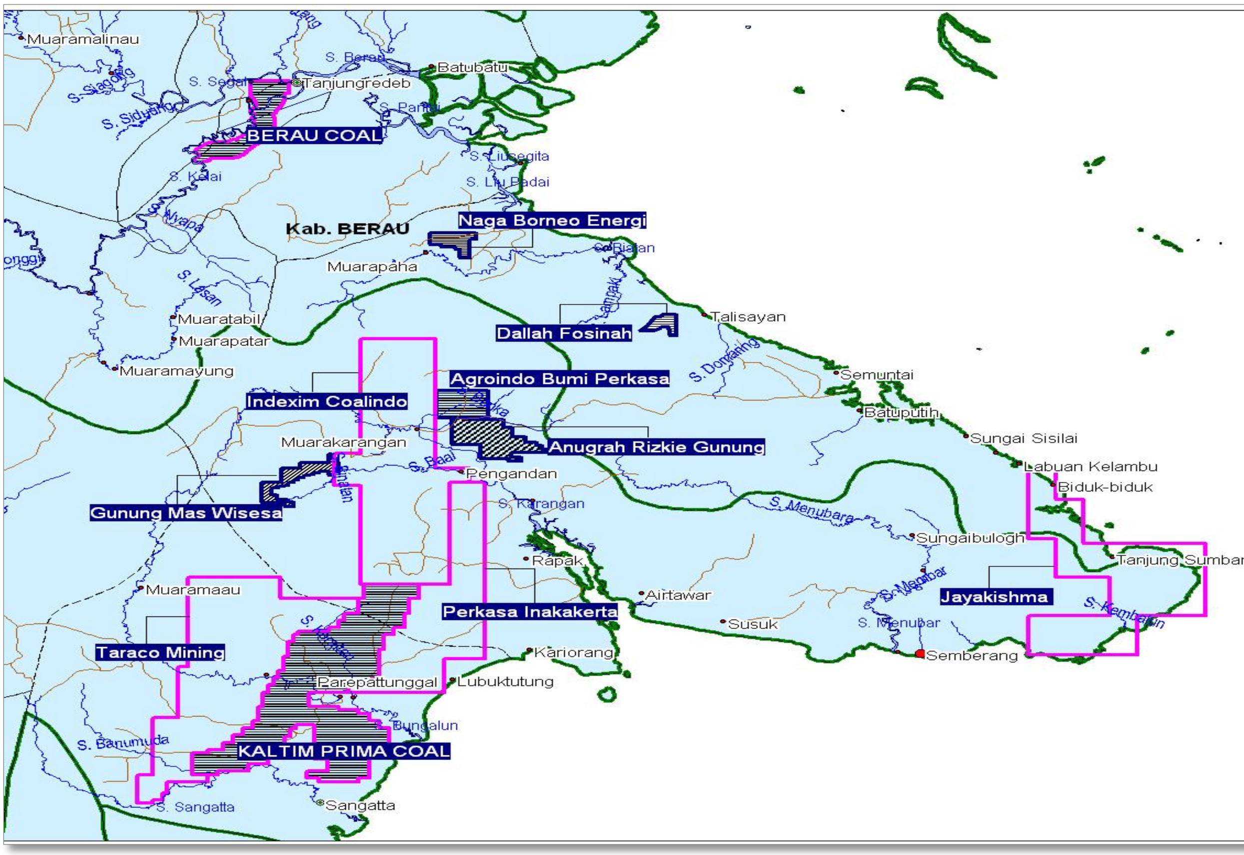

Figure 7: PT. Agroindo Bumi Perkasa – PT. Anugrah Rizkie Gunung location map.

The project area is within a region that hosts a number of world class coal deposits. The concessions are IUP exploration, granted in April 2010, contiguous and total 17,969ha.

Logistics are good, average distance to jetty is 17km and jetty to mother vessel is 4hrs.

EXPLORATION:

Results from the drilling in the previous quarter at the Mitra Energi Agung (MEA) concession were inconclusive and ANR is waiting for the concession owner to carry out further reconnaissance drilling. Exploration during the quarter included numerous field surveys in both East and South Kalimantan.

PT. Mitra Energi Agung.

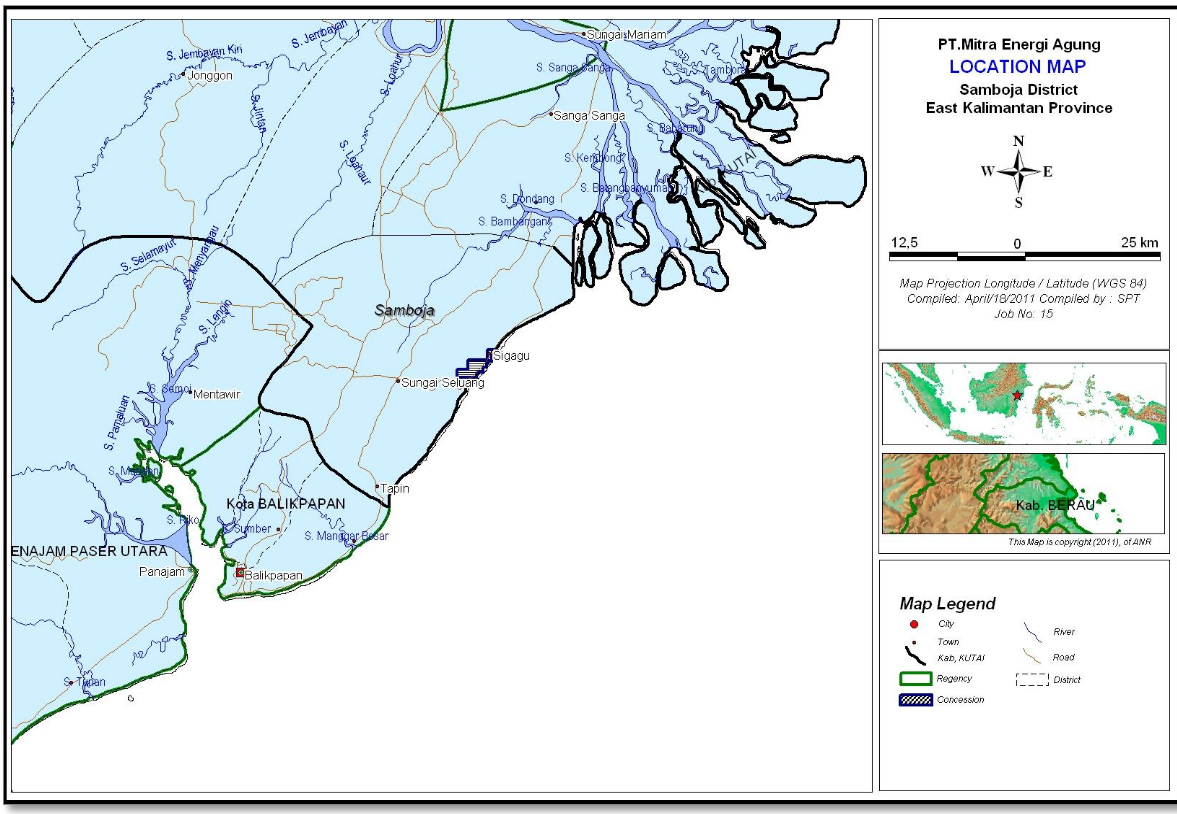

Figure 8: Location Map PT. Mitra Energi Agung.

SUMATRA

TAPAN - West Sumatra

The company has finalized terms with the owner of the Tapan concession to allow the acquisition of the company – PPA - holding the Tapan to proceed.

Adavale has previously completed a JORC exploration program at Tapan and developed mine plans and cash flow forecasts around a 9Mt JORC compliant resource. The resource lies within an 800ha portion of the concession area and is made up of 2.15Mt measured, 1.5Mt indicated and 5.4Mt inferred.

Completion of acquisition of additional concession areas adjacent to the Tapan Project will seek to increase the total area from 5,000ha to approximately 13,000ha.

The original 5000ha has an inferred resource of 15million tonnes, work has now commenced on identifying the potential coal resource across the total 13,000ha.

The original Tapan concession area was approximately 5,000Ha with the potential for an inferred resource of 15Mt. The Company is in the process of expanding the area and is completing agreements to secure a total concession area of approximately 13,000Ha. ADA Strategic has been commissioned to determine the potential resource over the 13,000Ha.

RAW COAL QUALITY ANALYSES	
Total Moisture (%)	4.0 – 10.7
Inherent Moisture (%, adb)	3.2 – 5.5
Volatile Matter (%, adb)	35.3 – 40.3
Ash (%, adb)	5.2 – 22.1
Fixed carbon (%, adb)	37.3 – 48.8
Total sulphur (%, adb)	0.56 – 3.3
Gross Calorific Value (Kcal)	5,500 – 7060
HGI	34 – 48

The Company is in negotiations with parties interested in entering into a joint venture to develop this project.

PROJECTS UNDER REVIEW

Projects previously held by ANR that have been relinquished include Lumpo, Lampung, Dimori and Rizki.

AUSTRALIA

LAKE SURPRISE - SOUTH AUSTRALIA (100% Adavale)

Adavale's sedimentary uranium project at Lake Surprise in South Australia comprises EL 3622 and EL 3620 over an area of 1,836km^2. Two prospect areas – Clayton Basin and Mumpie - have been the focus of exploration to date.

ADD is in the process of compiling all exploration and data gathered to date and to complete a detailed report on the project. The Company will then consider whether to look for joint venture partners to continue the exploration program.

John Risinger

Managing Director
(08) 9467 2049

Competent Persons Statements

Stephen Macmillan (MAusIMM number 101022 since 1978) BAppGeol (hons), MSc Geology is a competent under the ASX requirements for estimating Resources and Reserves under the JORC Code. He has previously reported JORC Resources and Reserves for Howick and Foybrook open cuts plus Pikes Gully and Foybrook No1 Collieries and completed the same for PT Kaltim Prima Coal, Bukit Baiduri Enterprises, PT Gunung Bayan Resources and worked as a competent person for PT GMT Indonesia.

He has also reported to as competent person to NY stock exchange for BP Coal Group and to LME for the same.

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	Quarter ended ("current quarter")
96 008 719 015	30 June 2011

Consolidated statement of cash flows

Cash flows related to operating activities			Current quarter $A'000	Year to date (12 months) $A'000
1.1	Receipts from product sales and related debtors		-	-
1.2	Payments for	(a) exploration and evaluation	(85)	(1,123)
		(b) development	-	-
		(c) production	-	-
		(d) administration	(377)	(1,250)
1.3	Dividends received		-	-
1.4	Interest and other items of a similar nature received		53	103
1.5	Interest and other costs of finance paid		-	-
1.6	Income taxes paid		-	-
1.7	Other (compulsory acquisition of shares)		-	15
	Net Operating Cash Flows		(409)	(2,255)
	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)		(409)	(2,255)

1.13	Total operating and investing cash flows (brought forward)	(409)	(2,255)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	2,628
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (cost of raising funds and sale unmarketable parcel of shares)	60	(21)
	Net financing cash flows	60	2,607
	Net increase (decrease) in cash held	(349)	352
1.20	Cash at beginning of quarter/year to date	3,258	2,557
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	2,909	2,909

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	139
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

- Payments totaling $49,710 were made directly to Mr J Risinger and to Larca Pty Ltd, an associated entity of Mr Risinger. The disbursements were in relation to consulting fees, director fees and salary owing.
- Payments totaling $39,600 were paid to Entertainment Marketing Enterprise Pty Ltd, an associated entity of Mr P Suriano. The disbursements were in relation to director fees and consulting fees in relation to the development of Adavale Indonesian project.
- Payments totaling $23,925 were made to Arthur Phillip Pty Ltd, an associated entity of Mr R Poole. The disbursements were in relation to preparing accounts, ASX reporting requirements and company secretarial services.
- Payments totalling $6,600 were paid to Mr R Poole, for director fees owing.
- Payments totaling $6,000 were made to Mr M Stevenson in relation to director fees owing.
- Payments totaling $13,481 were made to Steinepreis Paganin, an associated entity of Mr R Steinepreis. The disbursements were in relation to director fees and legal services.

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

N/A

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

N/A

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	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	400
4.2	Development	-
4.3	Production	-

4.4	Administration	200
	Total	600

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	2,909	3,258
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	2,909	3,258

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 relinquished, reduced or lapsed		N/A		
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** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	316,990,019	316,990,019		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	 1,428,571 1,547,619 65,697,879 10,000,000 10,000,000 10,000,000 10,000,000 10,000,000 118,674,069		*Exercise price* 0.21 0.21 0.04 0.04 0.04 0.04 0.045 0.05	*Expiry date* 30 Nov 2011 1 Dec 2011 31 Jul 2014 31 Jul 2014 31 Jul 2014 31 Jul 2014 31 Jul 2015 31 Jul 2016
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				

7.12	**Unsecured notes** *(totals only)*		

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: Date: 28.07.2011

(Director)

Print name: Richard Poole

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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