ADAVALE RESOURCES LIMITED

ACN 008 719 015

HALF YEAR REPORT
31 DECEMBER 2012

This financial report covers the consolidated entity consisting of Adavale Resources Limited and it's controlled entities.
This Interim Financial Report should be read in conjunction with the company's annual report for the period ended 30 June 2012.

Directors

Haryono Eddyarto (Chairman) (appointed 28 September 2011)
John Risinger (Managing Director)
Mark Stevenson
Saharto Sahardjo (appointed 20 December 2012)
Albert Cheok (appointed 20 December 2012)
Richard Poole (resigned 20 December 2012)
Roger Steinepreis (resigned 20 December 2012)
Philip Suriano (resigned 20 December 2012)

Secretary

Leanne Ralph (appointed 20 December 2012)
Sylvie Dimarco (resigned 20 December 2012)

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 17, 383 Kent Street
Sydney NSW 2000

Stock Exchange

Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

ASX Code

ADD (fully paid ordinary shares)

The directors of Adavale Resources Limited submit herewith the financial report for the half year ended 31 December 2012. 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) (appointed 28 September 2011)
John Risinger (Managing Director)
Mark Stevenson
Saharto Sahardjo (appointed 20 December 2012)
Albert Cheok (appointed 20 December 2012)
Richard Poole (resigned 20 December 2012)
Roger Steinepreis (resigned 20 December 2012)
Philip Suriano (resigned 20 December 2012)

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 consolidated entity continue to be mining explorations and development in Australia and Indonesia.

For the purpose of the EGM in December 2012 the Company commissioned an experts report incorporating an Independent valuation of the two primary areas of interest, TAPAN in Indonesia and Lake Surprise in South Australia. The company has considered it appropriate to adopt the lower value of these two areas included in the report, and has therefore written down the respective carrying values of these two areas in the balance sheet. This resulted in a write down of $3,628,988. The remaining costs for the period relate to the costs associated with the main exploration operations including the company's 40% share of the costs of Adavale Harner Resources joint venture entity.

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 Company 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 2012 was $4,085,414
(December 2011: net loss $923,128).

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 2012 $	Half Year Ended 31 Dec 2011 $
Revenue from continuing operations	6,293	51,033
Expenses from continuing operations	(4,091,707)	(974,161)
Loss from continuing operations	(4,085,414)	(923,128)
Profit/(loss) from ordinary activities	(4,085,414)	(923,128)

As referred to above the Company has, in line with an Independent valuation, written down (impaired) the Company's two main areas of interest by an amount of $3,628,988. Except for this write down, the result for the half-year is in line with management and board expectations.

No matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Audit and non-audit services

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Signed in accordance with a resolution of directors.

On behalf of the Directors

H Eddyarto
Chairman
Sydney,
14 March 2013

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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 2012, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Grant Layland
Director - Audit & Assurance

Sydney, 14 March 2013

Statement of PROFIT OR LOSS AND OTHER Comprehensive Income
for the half year ended 31 December 2012

	Consolidated 31 Dec 2012 $	Consolidated 31 Dec 2011 $
Continuing operations		
Interest received	6,293	51,033
Total Revenue	6,293	51,033
Employee expenses	(4,560)	(344,634)
Insurance	(10,780)	(11,969)
Premises expense	(1,000)	(28,734)
Depreciation and amortisation expense	(1,301)	(1,105)
Contractor and consultants expense	(119,274)	(188,277)
Legal expenses	(75,335)	33,811
Share registry fees	(47,285)	(47,100)
Management & administration	(20,653)	(7,500)
Directors fees	(10,000)	(60,000)
Travel costs	(73,086)	(45,579)
Exchange difference	(1,638)	(10,248)
Impairment of exploration assets	(3,628,988)	-
Other expenses from ordinary activities	(2,019)	(129,643)
Total expenses	(3,995,919)	(840,978)
Loss before income tax	(3,989,626)	(789,945)
Income tax expense relating to continuing operations	-	-
Net Loss from continuing operations after income tax expense	(3,989,626)	(789,945)
Share of loss from equity accounted investment	(95,788)	(133,183)
Net Loss for the year	(4,085,414)	(923,128)
Other Comprehensive Income/(Loss)		
Movement in foreign exchange reserve	(12,834)	-
Total comprehensive Loss for the period	(4,098,248)	(923,128)
Earnings Per Share:		
Basic (cents per share)	(0.0129)	(0.0029)
Diluted (cents per share)	(0.0129)	(0.0029)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2012

	Note	Consolidated 31 Dec 2012 $	Consolidated 30 June 2012 $
CURRENT ASSETS			
Cash assets		168,861	589,014
Receivables		14,200	22,345
Other		3,034	8,904
TOTAL CURRENT ASSETS		186,095	620,263
NON CURRENT ASSETS			
Property, plant and equipment		6,897	8,149
Receivables		-	15,000
Exploration assets	2	1,180,000	4,765,489
Investments accounted for using the equity method	7	104,780	200,568
TOTAL NON CURRENT ASSETS		1,291,677	4,989,206
TOTAL ASSETS		1,477,772	5,609,469
CURRENT LIABILITIES			
Payables		133,933	169,438
Provisions		45,549	45,494
TOTAL CURRENT LIABILITIES		179,482	212,932
TOTAL LIABILITIES		179,482	212,932
NET ASSETS		1,298,290	5,396,537
EQUITY			
Contributed equity	6	37,326,274	37,326,273
Reserves		43,037	55,871
Accumulated losses		(36,071,021)	(31,985,607)
TOTAL EQUITY		1,298,290	5,396,537

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half year ended 31 December 2012

	Note	Consolidated 31 Dec 2012 $	Consolidated 31 Dec 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	-
Payments to suppliers and employees		(397,899)	(753,543)
Interest received		6,293	51,033
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(391,606)	(702,510)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in associate		-	(615,756)
Exploration costs paid		(43,548)	(485,205)
Payment made for property plant and equipment		-	(3,768)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(43,548)	(1,104,737)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loan		15,000	1,361
Net Proceeds from issue of equity securities		1	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		15,001	1,361
NET (DECREASE) IN CASH ASSETS HELD		(420,153)	(1,805,886)
Cash assets at the beginning of the half year		589,014	2,908,011
CASH ASSETS AT THE END OF THE HALF YEAR		168,861	1,102,125

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

	Note	Share Capital $	Accumulated Losses $	F/X Revaluation Reserve $	Options Reserves $	Total $
Balance at 1 July 2011		37,326,273	(30,150,918)	-	43,433	7,218,788
Total Comprehensive Income/(Loss) for the period		-	(923,128)	-	-	(923,128)
Movement in reserves		-	-	125,536	-	125,536
Net issue of Shares		-	-	-	-	-
Balance at 31 December 2011		37,326,273	(31,074,046)	125,536	43,433	6,421,196
Balance at 1 July 2012		37,326,273	(31,985,607)	12,437	43,434	5,396,537
Total Comprehensive Income/(Loss) for the period		-	(4,085,414)	-	-	(4,085,414)
Movement in reserves		-	-	(12,834)	-	(12834)
Net issue of Shares		1	-	-	-	1
Balance at 31 December 2012		37,326,274	(36,071,021)	(397)	43,434	1,298,290

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

1. 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 financial report be read in conjunction with the annual financial report for the year ended 30 June 2012 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.

The accounting policies adopted are consistent with those applied in the 30 June 2012 annual report, and corresponding interim reporting period.

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

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

There are no new and revised Standards and amendments thereof and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

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 $4,085,414 and a cash outflow of $420,153. It 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. Funding of ongoing activities is required from future capital raisings and/or asset sales. Therefore significant uncertainty exists 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 future capital raisings or drawing on the $1,000,000 convertible loan as agreed with Mr Eddyarto.

Notwithstanding the significant uncertainties of future events inherent in the above strategy, 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 does not continue as a going concern.

2. OTHER NON CURRENT ASSETS

	Consolidated 31 Dec 2012	Consolidated 30 June 2012
Exploration licenses	-	1,050,160
Exploration expenditure capitalised		
- Part acquisition of PPA		
- Development phase	700,000	2,377,998
- Exploration and evaluation phase	480,000	1,337,431
	1,180,000	4,765,589

Exploration licences are carried at cost of acquisition less impairment losses. For the purpose of the EGM in December 2012 the Company commissioned an experts report incorporating an Independent valuation of the two primary areas of interest, TAPAN in Indonesia and Lake Surprise in South Australia. The company has adopted the lower value of these two areas included in the report, and have therefore written down the respective carrying values of these two areas in the balance sheet to $1,180,000. This resulted in a write down of $3,628,988.

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of uranium ore.

3. COMMITMENTS

Exploration lease commitments	Consolidated 31 Dec 2012	Consolidated 30 June 2012
Minimum expenditure commitments on exploration licences		
Committed but not provided for and payable:		
Within one year	960,000	480,000
One year or later and no later than for five years	-	-
	960,000	480,000

4. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There are no contingent liabilities or contingent assets of the company at 31 December 2012.

5. SEGMENT REPORTING

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

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

a) The segment information provided for 31 December 2012 is as follows:

Primary Reporting – Business Segments Half year ended 31 December 2012	**Mining and exploration $ Australia**	**Mining and exploration $ Indonesia**	**Other $ Australia**	**Total $**
Revenue				
Interest	-	-	6,293	6,293
Other	-	-	-	-
Total Segment Revenue	-	-	6,293	6,293
Segment Result				
Profit/(loss) from ordinary activities before income tax	(1,999,398)	(1,759,114)	(326,902)	(4,085,414)
Income tax expense	-	-	-	-
Net Profit/(loss)	(1,999,398)	(1,759,114)	(326,902)	(4,085,414)
Total segment assets				
Exploration expenditure	480,000	804,780	-	1,284,780
Receivables	-	-	2,970,494	2,970,494
Others	-	22,520	153,237	175,757
	480,000	827,300	3,123,731	4,431,031

Primary Reporting – Business Segments Half year ended 31 December 2012	**Mining and exploration $ Australia**	**Mining and exploration $ Indonesia**	**Other $ Australia**	**Total $**
Total segment liabilities				
Creditors and accruals	-	2,054	177,428	179,482
Others	-	-	2,953,259	2,953,259
	-	2,054	3,130,687	3,132,741

b) The segment information provided for 31 December 2011 is as follows:

Primary Reporting – Business Segments Half year ended 31 December 2011	**Mining and exploration $ Australia**	**Mining and exploration $ Indonesia**	**Other $ Australia**	**Total $**
Revenue				
Interest	-	-	51,033	51,033
Other	-	-	-	-
Total Segment Revenue	-	-	51,033	51,033
Segment Result				
Profit/(loss) from ordinary activities before income tax	(62,722)	(519,070)	(341,336)	(923,128)
Income tax expense	-	-	-	-
Net Profit/(loss)	(62,722)	(519,070)	(341,336)	(923,128)
Total segment assets				
Exploration expenditure	1,449,264	2,190,053	-	3,639,317
Receivables	-	197,839	2,949,734	3,147,573
Others	-	-	5,018,930	5,018,930
	1,449,264	2,387,892	7,968,664	11,805,820

Primary Reporting – Business Segments Half year ended 31 December 2011	Mining and exploration $ Australia	Mining and exploration $ Indonesia	Other $ Australia	Total $
Total segment liabilities				
Loan	2,949,734	11,504	-	2,961,238
Others	-	-	77,876	77,876
	2,949,734	11,504	77,876	3,039,114

c) Segment assets

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

	Consolidated 31 Dec 2012	Consolidated 30 Jun 2012
SEGMENT ASSETS	4,431,031	8,582,680
Intersegment Eliminations	(2,953,259)	(2,973,211)
Total assets as per Statement of financial position	1,477,772	5,609,469

d) Segment liabilities:

Reportable segments' liabilities reconciled to total liabilities as follow:

	Consolidated 31 Dec 2012	Consolidated 30 Jun 2012
SEGMENT LIABILITIES	3,132,741	3,150,759
Intersegment Eliminations	(2,953,259)	(2,937,827)
Total liabilities Statement of financial position	179,482	212,932

6. ISSUE OF SECURITIES

	Consol 31 Dec 2012	 $	Consol 30 June 2012	 $
316,990,035 (2012 : 316,990,019) fully paid ordinary shares	316,990,035	37,326,274	316,990,019	37,326,273
Ordinary Shares	Number	$	Number	$
Opening Balance as at 1 July 2012	316,990,019	37,326,273	316,990,019	37,326,273
Option conversions	16	1	-	-
Closing Balance 31 December 2012	316,990,035	37,326,274	316,990,019	37,326,273

6. ISSUE OF SECURITIES (CONTINUED)

	Consol 31 Dec 2012	Consol 30 Jun 2012
Options – Exercisable at $0.04, expiry date 31 Jul 2014		
Opening Balance	65,697,879	65,697,879
Issue of options	-	-
Closing Balance	65,697,879	65,697,879
Class A Options – Exercisable at $0.04, expiry date 31 Jul 2014		
Opening Balance	10,000,000	10,000,000
Issue of options	-	-
Closing Balance	10,000,000	10,000,000
Class B Options – Exercisable at $0.04c, expiry date 31 Jul 2014		
Opening Balance	10,000,000	10,000,000
Issue of options	-	-
Closing Balance	10,000,000	10,000,000
Class C Options – Exercisable at $0.045, expiry date 31 Jul 2015		
Opening Balance	10,000,000	10,000,000
Issue of options	-	-
Closing Balance	10,000,000	10,000,000
Class D Options – Exercisable at $0.05c, expiry date 31 Jul 2016		
Opening Balance	10,000,000	10,000,000
Issue of options	-	-
Closing Balance	10,000,000	10,000,000
Class E Options – Exercisable at $0.04c, expiry date 31 Jul 2014		
Opening Balance	10,000,000	10,000,000
Issue of options	-	-
Closing Balance	10,000,000	10,000,000

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 Dec 2012	30 Jun 2012
Interest in joint venture entities	104,780	200,568
Total Assets	104,780	200,568

Interests in Joint Venture entities

The Group owns a 40% interest (60% as at 30 June 2012) in PT Adavale Harner Resources and is the only jointly controlled entity with the Group.

The interest in the joint venture is accounted for using the equity method of accounting. The Group's share of the joint venture entity's results and financial position is as follows:

	31 Dec 2012	30 Jun 2012
Non current assets	26,460	436,758
Current assets	49,437	35,421
Total assets	75,897	472,179
Non current liabilities	-	-
Current liabilities	(12,255)	(16,773)
Total Liabilities	(12,255)	(16,773)
Income	-	-
Expenses	(95,788)	(415,197)
Loss before income tax	(95,788)	(415,197)

The Group has not incurred any contingent liabilities or other commitments relating to its joint venture.

8. SUBSEQUENT EVENTS

Since the end of the financial period ended 31 December 2012, the Company Directors have issued the 60,000,000 Milestone Options to Mr Haryono Eddyarto as approved at the Company meeting of 20 December 2012. The options are issued conditional upon the Company attaining certain milestones outlined below;

Milestone 1: 20 million options are exercisable when the Company enters into a binding contract to purchase or operate a coal project or concession with a minimum reserve of 2 (two) million tonnes. This tranche will have an exercise price of A$0.05 per option and an expiry date of 31 July 2014;

Milestone 2: 20 million options are exercisable when the Company sells and ships its first load of coal. This tranche will have an exercise price of A$0.06 per option and an expiry date of 31 July 2015; and

Milestone 3: 20 million options are exercisable when the Company ships its first 500,000 tonnes of coal. This tranche will have an exercise price of A$0.07 per option and an expiry date of 31 July 2016.

Under the terms of the Convertible Loan Agreement with Mr Eddyarto, a draw of $100,000 was made and received on 4 March 2013.

DIRECTORS' DECLARATION

for the half year ended 31 December 2012

The directors 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 2012 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 Eddyanto
Chairman

Sydney, 14 March 2013

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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 2012, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, summary of accounting policies, 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 the Company 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 internal control 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 Adavale Resources Limited consolidated entity's financial position as at 31 December 2012 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.

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.

Conclusion

Based on our review, which is not an audit 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 2012 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.

Material uncertainty regarding going concern

Without qualifying our conclusion, we draw attention to Note 1 to the financial statements which indicate the consolidated entity incurred a net loss of $4,085,414 and cash outflows of $420,153 during the period ended 31 December 2012. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

G S Layland
Director - Audit & Assurance

Sydney, 14 March 2013