

ADAVALE RESOURCES LIMITED

ACN 008 719 015

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of shareholders of Adavale Resources Limited (the **Company**) will be held on Thursday 30 November 2017 at the offices of the Company's share registry Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2000 at 3.00pm (AEDT) (**Meeting**).

The Explanatory Notes to this Notice provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Notes and the Proxy Form forms part of this notice.

BUSINESS OF THE MEETING

Item 1: Adavale Resources Limited Financial Statements and Reports

To receive and consider the Financial Report, the Directors' Report and the Auditor's Report for the year ended 30 June 2017.

Item 2: Remuneration Report

To consider and, if thought fit, to pass the following as a non-binding resolution:

"To adopt the Remuneration Report for the year ended 30 June 2017."

Notes:

- (i) In accordance with section 250R of the Corporations Act 2001, the vote on this resolution will be advisory only and will not bind the directors or the Company.
- (ii) A voting exclusion statement applies to this resolution (see Explanatory Notes for details).

Item 3: Election of Directors

Item 3.1 Re-election of Mr Haryono Eddyarto

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

"That Mr Haryono Eddyarto, being a Director who is retiring in accordance with clause 13.2 of the Company's constitution, and being eligible, offers himself for re-election, be re-elected as a Director of the Company."

Item 3.2 Election of Mr Khamtane Signavong

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

"That Mr Khamtane Signavong, being a Director who was appointed by the Directors on 28 April 2017 and whose appointment as a Director expires at the conclusion of the Annual General Meeting of the Company and, being eligible, offers himself for election, be elected as a director of the Company."

Item 4: Ratification and approval of the issue of Shares

To consider and, if thought fit, to pass the following as an ordinary resolution of the Company:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the shareholders ratify and approve the issue of 10,549,781 fully paid ordinary Shares on the terms and conditions set out in the Explanatory Notes."

Note: A voting exclusion statement applies to this resolution (see Explanatory Notes)

Item 5: Approval for the Issue of Shares under Additional Addchance Loan Facility

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval be and is hereby given for the issue of fully paid ordinary shares to Addchance Holdings Limited on the terms and conditions set out in the Explanatory Notes."

Note: A voting exclusion statement applies to this resolution (see Explanatory Notes)

Item 6: Additional 10% Placement Capacity

To consider and, if thought fit, pass the following resolution as a special resolution of the Company:

"That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Notes."

Note: A voting exclusion statement applies to this resolution (see Explanatory Notes for details).

Item 7: Appointment of Auditor

To consider and, if thought fit, to pass the following as a special resolution:

"That HLB Mann Judd:

- (a) Having been nominated by a member of the Company, in accordance with section 328B(1) of the Corporations Act 2001; and*
- (b) Having given its consent to act as Auditor, in accordance with section 328A(1) of the Corporations Act, to the Directors,*

be appointed as the Auditor of the Company."

Item 8: Approval for the sale of Tapan Project

To consider and, if thought fit, pass the following Resolution as an ordinary resolution:

"That for the purpose of ASX Listing Rule 10.1 and for all other purposes, the Company approve the sale of the Tapan Project held through the Company's subsidiary PT Prima Perkasa Abadi to Haryono Eddyarto and an entity controlled by him on the terms set out in the Explanatory Notes."

Note: A voting exclusion statement applies to this resolution (see Explanatory Notes for details).

ENTITLEMENT TO VOTE

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders of the Company as at 7.00pm (AEDT) on Tuesday 28 November 2017 (**Entitlement Time**), subject to any applicable voting exclusion.

This means that if you are not the registered holder of a share in the Company at the Entitlement Time, you will not be entitled to vote at the Meeting.

ANNUAL REPORT

Copies of the Company's full Annual Report are available from the Company Secretary.

VOTING OPTIONS AND PROXIES

If you do not plan to attend the meeting in person, you are encouraged to complete and return the Proxy Form which accompanies this Notice of Annual General Meeting.

Voting by Proxy

A Shareholder who is entitled to attend and vote at this Meeting is entitled to appoint not more than 2 proxies to attend and vote in place of the Shareholder.

If the Shareholder appoints 2 proxies, the Shareholder may specify the proportion or number of votes each proxy is entitled to exercise. If no proportion or number of votes is specified, each proxy may exercise half of the Shareholder's votes. If the specified proportion or number of votes exceed that which the Shareholder is entitled to, each proxy may exercise half of the Shareholder's votes. Any fractions of votes brought about by the apportionment of votes to a proxy will be disregarded.

A proxy need not be a Shareholder of the Company. A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

Subject to the specific proxy provisions applying to Item 2 (see the Explanatory Notes below):

- If a Shareholder has not directed their proxy how to vote, the proxy may vote as the proxy determines, and
- If a Shareholder appoints the Chairman of the Meeting as proxy and does not direct the Chairman how to vote on an item of business, the Chairman will vote in accordance with his voting intention as stated in this Notice of Meeting, namely in favour of each of the proposed resolutions set out in the Notice of Meeting.

Proxy Voting by the Chairman

For Item 2 (Remuneration Report), where the Chairman is appointed as a Shareholder's proxy and that shareholder has not specified the way in which the Chairman is to vote on Item 2, the Shareholder is directing the Chairman to vote in accordance with the Chairman's voting intentions for this item of business.

The Chairman intends to vote all undirected proxies in favour of the resolutions put in the Notice of Meeting.

Proxy Forms

To be effective, the Proxy Form must be completed, signed and lodged (together with the relevant original power of attorney or a certified copy if the proxy is signed by an attorney) with the Company at its share registry, as an original or by facsimile, **no later than 3.00pm (AEDT) on Tuesday 28 November 2017 (Proxy Deadline)**.

Proxy forms may be submitted in one of the following ways:

- (i) **By mail** to Computershare Investor Services Pty Limited (**Computershare**) using the reply paid envelope or GPO Box 242, Melbourne VIC 3001. Please allow sufficient time so that it reaches Computershare by the Proxy Deadline;
- (ii) **By fax** to Computershare on 1800 783 447 (inside Australia) or +61 3 9473 2555 (outside Australia);
- (iii) **Online** via the Company's Share Registry website at www.investorvote.com.au. Please refer to the Proxy Form for more information; or
- (iv) **By hand delivery** to Computershare at Level 4, 60 Carrington Street, Sydney NSW 2000.

Proxy Forms and Powers of Attorney must be received by the Proxy Deadline.

CORPORATE REPRESENTATIVES

Where a shareholding is registered in the name of a corporation, the corporate shareholder may appoint a person to act as its representative to attend the meeting by providing that person with:

- (i) a letter or certificate authorising him or her as the corporation's representative, executed in accordance with the corporation's constitution; or
- (ii) a copy of the resolution appointing the representative, certified by a secretary or director of the corporation.

BY ORDER OF THE BOARD

Leanne Ralph
Company Secretary
31 October 2017

Explanatory Notes

ITEM 1: Financial Statements

As required by section 317 of the Corporations Act the Financial Report, Directors' Report and Auditor's Report of the Company for the most recent financial year must be laid before the Meeting.

There is no requirement for a formal resolution on this Item.

The Chairman of the Meeting will allow a reasonable opportunity at the Meeting for Shareholders to ask questions about or make comments on the management of the Company. Shareholders will also be given a reasonable opportunity at the Meeting to ask the Company's auditor, Grant Thornton Audit Pty Ltd (**GT**), questions about the Audit Report, the conduct of its audit of the Company's Financial Report for the financial year ended 30 June 2017, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in its preparation of the financial statements and the independence of GT in relation to the conduct of the audit.

Shareholders may submit written questions to GT to be answered at the Meeting, provided the question is relevant to the content of GT's Audit Report or the conduct of the audit of the Company's Financial Report for the financial year ended 30 June 2017.

Written questions must be received no later than 5.00pm on Thursday 23 November 2017. Any written questions to GT can be sent to Computershare Investor Services Pty Limited GPO Box 2975, Melbourne VIC 3001 (or by Fax: 1800 783 447).

ITEM 2: Adoption of Remuneration Report

In accordance with section 300A of the Corporations Act the Company has included in its Annual Report a Remuneration Report for the consideration of Shareholders.

As provided by section 250R(3) of the Corporations Act, the resolution on this item of business is advisory only and does not bind the Board or the Company.

Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of this resolution.

Voting Exclusion Statement

As required by the Corporations Act the Company will disregard any votes cast on Item 2 by any member of the Company's key management personnel (**Key Management Personnel** or **KMP**) or a Closely Related Party of any such member unless the person:

- (i) votes as a proxy appointed by writing that specifies how the person is to vote on the resolutions; or
- (ii) is the Chairman of the Meeting and votes as a proxy appointed by writing that authorises the Chairman to vote on the resolutions even though that resolution is connected with the remuneration of a member of the Company's KMP.

What this means for Shareholders: If you intend to appoint a member of the KMP (such as one of the Directors) as your proxy, please ensure that you direct them how to vote on the proposed resolution in Item 2. If you intend to appoint the Chairman of the Meeting as your proxy, you can direct him how to vote by marking the boxes for Item 2 (for example, if you wish to vote for, against or abstain from voting), or you can choose not to mark any of the boxes for Item 2 and give the Chairman your express authority to vote your undirected proxy (in which case the Chairman will vote in favour of this item of business).

ITEM 3: Election of Directors

In accordance with clause 13.2 of the Constitution and ASX Listing Rule 14.5 an election of Directors must be held at each annual general meeting. The constitution states that one-third of all directors must retire and offer themselves for re-election, excluding the Managing Director and Directors appointed during the year by the Board. If no directors are scheduled to be elected by virtue of the ASX Listing Rules or the Constitution, then one-third of directors must still retire and be re-elected by the Shareholders of the Company. Normally, this would be the Director (other than the Managing Director) who has held office the longest since being appointed or last being elected.

Mr Haryono Eddyarto is submitting himself for re-election by rotation at this meeting, having last been appointed by Shareholders on 30 November 2015.

In accordance with Clause 13.4 of the Company's constitution and ASX Listing Rule 14.4 any director appointed to fill a casual vacancy or as an additional director holds office until the next annual general meeting of shareholders and is then eligible for election.

Mr Khamtane Signavong was appointed to fill a casual vacancy as a Director of the Company on 28 April 2017. Mr Signavong retires at the Meeting in accordance with the Constitution and being eligible, has offered himself for election by Shareholders.

Details of Mr Haryono Eddyarto and Mr Khamtane Signavong are outlined below.

Item 3.1 Mr Haryono Eddyarto

Mr Haryono Eddyarto is an Indonesian Resident and has over 35 years' experience in International Trade. He has extensive business activities ranging from Commodity Trading, Mining, Chemical, Television and Property. Mr Eddyarto is a strong promoter of the Asian region having represented Indonesian Chamber of Commerce and Industry in the G-15, G77 and the Ocean Rim- ARG Business Forum.

Mr Eddyarto currently serves on the board of Pt House of Indonesia, Pt Inter Minerals Resources, Pt Nikelindo, Space Bee Broadcasting Services AG, Switzerland and Pt Teras Nirwana Bali.

Mr Eddyarto is the Non-Executive Chairman of the Board.

Having had regard to the ASX Corporate Governance Principles and Recommendations 3rd Edition (**ASX Principles**), the Board considers Mr Eddyarto to be a non-independent Director.

Directors' Recommendation

The Board unanimously (other than Mr Eddyarto) supports the re-election of Mr Eddyarto and recommends that Shareholders vote in favour of this resolution.

Item 3.2 Mr Khamtane Signavong

Mr Signavong is a successful entrepreneur, a solid leader, a published author, and a trusted executive with many deeply forged Australian and International relationships.

Mr Signavong has taken several businesses from inception to overseas expansion in sectors including hospitality, property and supply chain, he is an asset to any organisation.

Mr Signavong has a wealth of experience in, and is a great asset to, cross border businesses with multiple languages and a solid understanding of many Asian cultures both personally and professionally, including Laos, Thailand, Hong Kong China and his home Australia.

Having had regard to the ASX Principles, the Board considers Mr Signavong to be an independent Director.

Directors' Recommendation

The Board unanimously (other than Mr Signavong) supports the election of Mr Signavong and recommends that Shareholders vote in favour of this resolution.

ITEM 4: Ratify the Issue of Shares

4.1 Background

Item 4 seeks the ratification of the issue by the Company of 10,549,781 Shares (**Drawdown Shares**) as follows:

- 10,549,781 Shares at an issue price of \$0.0112 per Share on 4 August 2017, as a result of a drawdown under the Standby Subscription Agreement with Addchance Holdings Limited as announced to the market on 7 August 2017. 2,562,363 of these Shares were issued under ASX Listing Rule 7.1A and 7,987,418 Shares were issued under ASX Listing Rule 7.1.

4.2 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

4.3 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A provides that eligible company's can obtain shareholder approval to increase its placement capacity to an additional 10% of the number of securities on issue. Any shares issued under ASX Listing Rule 7.1A are not included in the calculation for ASX Listing Rule 7.1 unless the issue has been ratified under ASX Listing Rule 7.4 or 12 months has past. Obtaining shareholder approval at this Meeting will result in 2,562,363 Shares described above being used in calculating available capacity under ASX Listing Rule 7.1.

4.4 ASX Listing Rule 7.4

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a Company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of ASX Listing Rule 7.1.

Ratification by the Shareholders of the Company is now sought pursuant to ASX Listing Rule 7.4 in order to reinstate the Company's capacity to issue up to 15% of its issued capital, if required in the next 12 months without Shareholder approval.

4.5 Specific Disclosure of Information

ASX Listing Rule 7.5 requires that the following information be provided to Shareholders in relation to the Drawdown Shares.

- (a) The total number of Drawdown Shares issued by the Company was 10,549,781;
- (b) The Drawdown Shares were issued at an issue price of \$0.0112 per Share;
- (c) The Drawdown Shares rank equally in all respects with the Company's existing Shares on issue;
- (d) The Drawdown Shares were issued to Addchance Holdings Limited (or their nominee).
- (e) The funds raised from the issue of the Drawdown Shares was used for working capital requirements.
- (f) A voting exclusion statement is included below.

4.6 Voting Exclusion Statement

The Company will disregard any votes cast on the resolution in Item 4 by a person who participated in the issue of the Drawdown Shares and any associate of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of this resolution.

ITEM 5: Approval for the Issue of Shares under Additional Addchance Loan Facility

5.1 General

On 24 July 2017, the Company entered into a Standby Subscription Agreement with Addchance Holdings Limited (Hong Kong HKEX: 3344) (**Addchance**) with a facility limit of \$1,000,000 and on the 5 October 2017 entered into an additional funding agreement (Additional Addchance Loan Facility) for up to \$190,000.

Under the terms of the Additional Addchance Loan Facility, the Company will repay the drawdown by the issue of Shares at a price equal to 80% of the VWAP of the Company's Shares for the 5 trading days immediately preceding the date of issue;

The Company is seeking approval of Shareholders to issue sufficient Shares to repay the entire amount of the Additional Addchance Loan Facility by way of share issue. The amount of shares to be issued is not yet known as the share issue price cannot be determined.

5.2 Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

The effect of Resolution 5 will be to allow the Directors to issue the Shares to Addchance under the Additional Addchance Loan Facility, without those Shares being counted toward the Company's 15% annual placement capacity under Listing Rule 7.1.

5.3 Technical Information required by Listing Rule 7.3

Listing Rule 7.3 requires that the following information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 7.1:

- (a) the issue price of each Share will be 80% of the VWAP of the Company's Shares for the 5 trading days immediately preceding the date of issue (**Issue Price**).
- (b) the number of Shares to be issued by the Company will be calculated based on the following formula:

$$\$190,000 / \text{Issue Price}$$

For example:

- i. if the Issue Price is \$0.010, the maximum number of Shares to be issued will be 19,000,000 Shares
- ii. if the Issue Price is \$0.012, the maximum number of Shares to be issued will be 15,833,333 Shares
- iii. if the Issue Price is \$0.014, the maximum number of Shares to be issued will be 13,571,428 Shares
- iv. Issue Price is \$0.016, the maximum number of Shares to be issued will be 11,875,000 Shares
- v. Issue Price is \$0.018, the maximum number of Shares to be issued will be 10,555,555 Shares

- (b) the issue of Shares under the Additional Addchance Loan Facility is expected to be on the 1 December 2017 in any event, no later than 3 months after the date of the Meeting;
- (b) the issue of the Shares is expected to occur on one date and not progressively;
- (c) the Shares will be issued on the same terms as, and will rank equally with, all fully paid ordinary shares in the Company on issue;
- (d) the Shares will be issued to Addchance, who is not a related party of the Company; and
- (e) no funds will be raised from the issue of the Shares. The funds raised from the Additional Addchance Loan Facility are being utilised by the Company to provide funding for general working capital.

5.4 Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 5 by Addchance Holdings Limited and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares in the Company, if Resolution 5 is passed, and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of this resolution.

ITEM 6: Additional 10% Placement Capacity

6.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital (**10% Placement Capacity**). If Shareholders approve the resolution in Item 6, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in 5.2 below).

The Company is an Eligible Entity. The effect of the resolution in Item 6 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the meeting, without Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

The resolution in Item 6 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of this resolution for it to be passed.

6.2 10% Placement Capacity

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek Shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the A&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the A&P/ASX 300 Index and has a current market capitalisation at the 9 October 2017 of \$956,988.

The Equity Securities must be in the same class as an existing class of quoted Equity Securities. The Company currently has two classes of Equity Securities on issue, being quoted ordinary shares and unlisted options.

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A is outlined in Listing Rule 7.2A.2. This rule provides that Eligible Entities which have obtained Shareholder approval at an annual general meeting, may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated according to the following formula:

$(A \times D) - E$

Where:

- A is the number of Shares on issue 12 months before the date of issue or agreement:
- (a) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
 - (b) plus the number of partly paid shares that became fully paid in the previous 12 months;
 - (c) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval; and
 - (d) less the number of Shares cancelled in the previous 12 months.
- D is 10%
- E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of ordinary shares under ASX Listing Rule 7.1 or 7.4.

6.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this resolution.

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 (five) ASX trading days of the date in paragraph 5.3(a)(i), the date on which the Equity Securities are issued.

(b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid).

(10% Placement Capacity Period).

(c) Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If the resolution in Item 6 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A2, on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue	Dilution			
	Issue Price (per Share)	\$0.0075 (50% decrease in current market price)	\$0.015 (Current market price)	\$0.030 (100% increase in current market price)
53,249,456 (Variable A)	Shares issued – 10% voting dilution	5,324,945	5,324,945	5,324,945
	Funds raised	\$39,937	\$79,874	\$159,748
79,874,185 (50% increase in Variable A) *	Shares issued – 10% voting dilution	7,987,418	7,987,418	7,987,418
	Funds raised	\$59,905	\$119,811	\$239,622
106,498,913 (100% increase in Variable A)*	Shares issued – 10% voting dilution	10,649,891	10,649,891	10,649,891
	Funds raised	\$79,874	\$159,748	\$319,496

* The number of shares on issue (Variable A in the formula) could increase as a result of the issue of shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issue under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above has been prepared on the following assumptions:

1. Variable A is 53,249,456 which equates to the Shares currently on issue at 9 October 2017 (63,799,237), less shares issued under ASX Listing Rule 7.1 and not approved by Shareholders of 7,987,418 and those shares issued under ASX Listing Rule 7.1A.2 of 2,562,363.
2. The market price set out above is the closing price of the Shares on the ASX on 9 October 2017.
3. The Company issues the maximum possible number of shares under the 10% Placement Capacity.
4. The Company has issued the following Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 - 10,549,781 Shares on 4 August 2017; 18,000,000 Shares on 7 July 2017; 7,000,000 Shares on 7 July 2017; and 4,000,000 Options on 28 April 2017.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.

9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) Purpose of issue under 10% Placement Capacity

The Company may seek to issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for working capital purposes, existing projects or potential acquisitions; or
- (ii) as non-cash consideration for new projects, services, equipment or product. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3. The minimum issue price limitation as set out in Listing Rule 7.1A .3 applies to issues for non-cash consideration.

The Company will comply with the disclosure obligations under Listing Rules 7.1A4 and 3.10.5A upon issue of any Equity Securities.

(e) Allocation under the 10% Placement Capacity

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both).

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) The purpose of the issue;
- (ii) Alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) The effect of the issue of the Equity Securities on the control of the Company;
- (iv) The circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) Prevailing market conditions; and
- (vi) Advice from corporate, financial and broking advisers (if applicable).

(f) Previous Approval under ASX Listing Rule 7.1A

The Company previously obtained approval from Shareholders under ASX Listing Rule 7.1A at its Annual General Meeting held on 30 November 2016.

(g) Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it will give to ASX:

- (i) A list of the allottees of the Equity Securities and the number of Equity Securities allotted to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) The information required by Listing Rule 3.10.5A for release to the market.

(h) Information Required under ASX Listing Rule 7.3A.6

The Company has issued a total of 39,549,781 equity securities in the 12 months preceding the date of this Meeting, which represents 140% of the equity securities on issue 12 months prior to this meeting.

The Company issued 4,000,000 unlisted options for nil consideration on the 28 April 2017. The Options are capable of exercise 1 year from the date of issue for an exercise price of \$0.015. Upon exercise each option will entitle the holder to subscribe for 1 share. Each of the options will expire on the date, which is 2 years from the date of their issue.

The allottees of the Options were:

- 1,000,000 Options to Mr Haryono Eddyarto (or his nominee);
- 1,000,000 Options to Mr Albert Cheok (or his nominee);
- 1,000,000 Options to Mr Peter Murphy (or his nominee); and
- 1,000,000 Options to Mr Saharto Sahardjo (or his nominee),

The options were issued to Directors as reasonable remuneration for services rendered and were approved by shareholders on the 26 April 2017.

The Company has issued a total of 35,549,781 fully paid ordinary shares in the 12 months preceding the date of this Meeting, which represents 126% of the share capital on issue 12 months prior to this meeting. The shares were issued as follows:

- 16 January 2017: 7,000,000 shares at \$0.01 per Share. This represented a discount of 9% to the closing Share price on 16 January 2017. A total of \$70,000 was raised and these proceeds were used to fund the working capital requirements of the company. The shares were issued to Jun Moon Limited. The Shares are subject to a 12 month voluntary escrow agreement.
- 7 July 2017: 18,000,000 shares at \$0.01 per Share. This represented a discount of 57% to the closing Share price on 7 July 2017. A total of \$180,000 was raised and these proceeds were used to fund the working capital requirements of the company. The shares were issued to Jun Moon Limited. The Shares are subject to a 12 month voluntary escrow agreement.
- 4 August 2017: 10,549,781 shares at \$0.0112 per Share. This represented a discount of 20% to the closing Share price on 4 August 2017. A total of \$118,157 was raised and these proceeds were used to fund the working capital requirements of the company. The shares were issued to Addchance Holdings Limited.

All shares issued rank equally with those already on issue.

6.4 Voting Exclusion Statement

The Company will disregard any votes cast on Item 6 by any person who may participate in the issue of Equity Securities under this item and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associates of those persons. However the Company will not disregard a vote if it is cast by a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on the resolution in Item 6.

ITEM 7 – Appointment of Auditor

The Board is of the opinion that the annual audit of the Company can be conducted in a more cost-effective way while still maintaining the quality of the audit.

To this end, the directors are recommending that HLB Mann Judd be appointed as auditors of the Company.

ITEM 8: Approval for sale of Tapan Project

8.1 General

ASX Listing Rule 10.1 requires that the Company obtain shareholder approval in relation to a sale of a substantial asset such as the Tapan Project to a director and associates, with shareholders to be provided with a report on the sale from an independent expert regarding whether the sale is fair and reasonable to shareholders whose votes are not to be disregarded.

The Company proposes to sell the Tapan Project by way of share sale of its wholly owned subsidiary PT Prima Perkasa Abadi ("PPA") to a Company director Haryono Eddyarto and an entity known as PT Harner which is owned by him.

The Company engaged Leadenhall Corporate Advisory Pty Ltd as independent expert who has advised that the proposed sale is fair and reasonable to shareholders whose votes are not to be disregarded.

8.2 Proposed Sale Terms

The proposed sale of the Tapan Project interest was announced to ASX on 12 October 2017.

Under the terms of the proposed sale, and the Company is entitled to receive the following:

- US\$18,915.19, being cash in the bank accounts of PPA
- Extinguishment of a loan of A\$495,954 owing by the Company to PT Harner
- Extinguishment of loan interest of A\$198,869 owing from the Company to Mr Eddyarto

In return, the Company will transfer ownership of its shares in PPA, which carries with it the Tapan Project and in addition the loan balance which PPA owes to the Company of US\$89,698 will be extinguished.

The financial net effect of the proposed sale is that (using an Australia:US exchange rate of 78 cents) the sale of the Tapan Project is effectively occurring at a price of approximately A\$600,000.

The proposed sale is conditional on shareholder approval. It is also conditional on the following as well as some procedural aspects:

- Announcement in a daily Indonesian language newspaper
- Indonesian Ministry of Energy and Mineral Resources approval
- BKPM (Indonesian Investment Coordinating Board) approval
- Indonesian Ministry of Law and Human Rights application

The current expectation is that the conditions ought be satisfied in December 2017/January 2018 assuming that shareholder approval is obtained.

The proposed sale is subject to various provisions and warranties typical for a transaction of this nature including the following:

- The purchasers will assume all liabilities relating to the present legal case relating to PPA and warrant that there is no claim by the purchasers relating to this or any other matter existing up to and including the date of the agreement in relation to the sale
- The Company warrants that PPA and its assets are fully and legally owned by the Company and will make no further claim against the purchasers and/or PPA in this regard

8.3 Background to the Sale

The Tapan Project is located in West Sumatra, Indonesia, adjacent to the village of Tapan and approximately 200 km south of the West Sumatra capital, Padang. PPA holds a production permit covering an area of 199 hectares ("Ha") and an exploration permit covering an area of 2,054 Ha. The Tapan Project hosts a medium to high grade JORC-compliant thermal coal resource with an estimated 9.05 million tonnes ("Mt") present within the project area. Of this resource, 2.15 Mt is measured, 1.5 Mt is indicated and 5.4 Mt is inferred. Two initial open pit areas have been defined and the Western and Central pits have been designed to exploit the coal. PPA is currently in the process of updating the exploration permit to an approximate 400 Ha production permit.

The Tapan Project is the subject of an ongoing legal battle which was started in 2013. Title to the project is being disputed by former shareholders of PPA. The most recent verdict, dated 22 December 2015, issued by the High Court of Jakarta was in favour of PPA. However, this decision has been appealed in the Supreme Court of Indonesia. There is therefore some uncertainty as to whether PPA will be able to retain the project and/or the costs required to do so.

8.4 Rationale for the Sale

The directors have reviewed the Company's assets and concluded that the Indonesian Coal assets are not appropriate for Adavale. The Board foresee a difficult path for management to create upside potential and further the possible litigation downside risk still remains on this asset.

The Company is not well suited to this risk and other parties, such as local Indonesian Energy businesses, are much better at managing this exposure.

As at 30 June 2017, current liabilities of the Company were A\$1,027,598 and current assets were A\$166,470. The proposed transaction will assist in reducing this imbalance and improve the financial position of the Company.

The Company has recorded the carrying value out of the Tapan Project in its accounts as at 30 June 2017 at A\$100,000. This compares to a preferred valuation of A\$477,000 determined by Al Maynard & Associates Pty Ltd accompanying the independent expert report. Accordingly the proposed sale is at a price which exceeds each of these values.

The proposed sale will enable the Company to focus on its other main asset being the Lake Surprise Project in South Australia.

8.5 Regulatory Aspects

Given that the proposed sale is conditional on the Company obtaining shareholder approval as required by the ASX Listing Rules, if the Resolution is not passed then the proposed sale cannot proceed.

As set out below in the text to the Resolution, the Company will disregard any votes cast on the Resolution by Mr Eddyarto and his Associates. Mr Eddyarto has disclosed to ASX that he has an interest in 4,238,778 shares in the Company which represents a 6.6% interest.

The Directors (excluding Mr Eddyarto who makes no recommendation due to his conflict of interest) recommend that you vote in favour of this resolution

8.6 Voting Exclusion Statement

The Company will disregard any votes cast on the subject resolution by Mr Haryono Eddyarto and/or his Associates. However, the Company need not disregard a vote if it is cast, in accordance with the directions on the proxy form, by a person who is proxy for a person who is entitled to vote or, if it is cast in accordance with the direction on the proxy form to vote as the proxy decides, by the person chairing the meeting as proxy for a person who is entitled to vote.

GLOSSARY

AEDT means Australian Eastern Daylight Savings Time as observed in Sydney, Australia.

\$ means Australian Dollars

Annual General Meeting or Meeting means the meeting convened by the Notice

ASX means ASX Limited ACN 008 624 691

ASX Listing Rules means the Listing Rules of the ASX, as amended or replaced from time to time except to the extent of any express written waiver by ASX.

ASX Principles mean the ASX Corporate Governance Principles and Recommendations (3rd edition).

Board means the current Board of directors of the Company.

Closely Related Party has the meaning as defined in section 9 of the Corporations Act.

Company means Adavale Resources Limited (ACN 008 719 015)

Constitution means the Company's Constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current Directors of the Company.

Eligible Entity means an entity that at the date of the relevant General Meeting:

- (a) is not included in the A&P/ASX 300 Index; and
- (b) has a market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Notes means the Explanatory Notes accompanying the Notice.

Items means the resolutions set out in the Notice, or any one of them, as the context requires.

Key Management Personnel or KMP has the meaning as defined in section 9 of the Corporations Act.

Notice or Notice of Meeting or Notice of Annual General Meeting means this notice of annual general meeting and the explanatory notes accompanying the Notice and the Proxy Form.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Directors' Report section of the Company's Annual Financial report for the year ended 30 June 2017.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

JUN MOON LIMITED
1715, 17/F Concordia Plaza,
No.1 Science Museum Road,
Tsim Sha Tsui, Kowloon, Hong Kong

25 October 2017

The Company Secretary
Adavale Resources Limited
Level 12
225 George Street
Sydney NSW 2000

Dear Leanne,

I, Huili Guo, representing the following member of Adavale Resources Limited:

- Jun Moon Limited

hereby nominate HLB Mann Judd for appointment as auditors of the Company at its next Annual General Meeting. The office of auditor will then be vacant by virtue of the requested resignation of Grant Thornton.

Please distribute copies of this notice of nomination as required by section 328(3) of the *Corporations Act 2001* (Cth).

Yours faithfully,



Mr Huili Guo
Director
Jun Moon Limited

ADAVALE RESOURCES LIMITED

PROPOSED SALE OF PT PRIMA PERKASA ABADI

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE
30 OCTOBER 2017



30 October 2017

The Directors
Adavale Resources Limited
Level 9, 115 Pitt Street
Sydney NSW 2000

Dear Directors,

Independent Expert's Report for Adavale Resources Limited

1. Introduction

Adavale Resources Limited ("**Adavale**") is a public company listed on the Australian Securities Exchange ("**ASX**") with interests in uranium tenements in South Australia and thermal coal tenements in West Sumatra Indonesia, adjacent to the village of Tapan ("**Tapan Project**"). The Tapan Project is 100% owned by Adavale via PT Prima Perkasa Abadi ("**PPA**"). Adavale also holds a 40% interest in an Indonesian joint venture company, PT Adavale Harner Resources ("**PT AHR**"), which was established to explore projects in Kalimantan, Indonesia.

Mr Haryono Eddyarto, the executive chairman of Adavale owns an approximate 6% interest in the shares of Adavale as well as 60% of PT AHR.

On 5 October 2017, Adavale and Mr Eddyarto entered into a memorandum of understanding ("**MOU**") whereby Adavale would sell the Tapan Project, by way of the sale of its wholly-owned subsidiary PPA, to Mr Eddyarto and his associated entities, in exchange for total consideration of approximately \$0.6 million ("**Consideration**") comprising cash and the extinguishing of net liabilities currently owing to PT AHR and Mr Eddyarto by Adavale ("**Proposed Transaction**").

Further information regarding the Proposed Transaction is set out in Section 1 of this report.

2. Purpose of the report

Since Mr Eddyarto is a related party and the value of the consideration is in excess of 5% of the audited net assets of Adavale, an independent expert's report ("**IER**") is required by the directors of Adavale to assesses whether the Proposed Transaction is fair and reasonable to non-associated Adavale shareholders ("**Shareholders**") in accordance with the requirements of Listing Rule 10.10.2 issued by the ASX ("**Listing Rule 10**").

Further information regarding the purpose of this report is provided in Section 2 of this report.

3. Basis of evaluation

In order to assess whether the Proposed Transaction is fair and reasonable to Shareholders in accordance with Listing Rule 10 we have:

- ◆ Assessed it as fair if the value of the Consideration is equal to or greater than the value of PPA
- ◆ Assessed it as reasonable if it is fair, or if despite not being fair, the advantages to Shareholders outweigh the disadvantages

Further details of the basis of evaluation are provided in Section 2 of this report.

4. Analysis of fairness

In order to assess whether the Proposed Transaction is fair, we have compared our assessed fair market value of PPA with the Consideration as set out below.

Table 1: Assessment of fairness

A\$'000	Low	High	Mid
Fair market value of PPA	277	643	460
Consideration	579	579	579
Net financial benefit (loss) to Adavale	303	(64)	119

Source: Leadenhall analysis

Since the Consideration is within the fair market value range of PPA, the Proposed Transaction is fair to Shareholders.

The only assets of PPA upon completion will be the Tapan Project and related working capital. In determining the fair market value of PPA, we commissioned an independent valuation of the Lake Surprise and Tapan Projects by technical expert Al Maynard & Associates Pty Ltd ("**Maynard**"). Maynard has previously prepared a valuation report in respect of all of the projects of Adavale and has updated this analysis as set out in Appendix 4. We have confirmed that Maynard is independent of Adavale and competent in the technical assessment of exploration projects.

Further details of our valuation approach and assumptions are set out in Section 5.2 of our detailed report.

The Consideration comprises cash and the extinguishment of certain obligations between Adavale and Mr Eddyarto and his related parties. In determining the fair market value of the Consideration we have utilised the audited net book value of these amounts as there is nothing that we are aware of which would indicate the fair market value would be different from the carrying value. The total value of the Consideration is \$579,110 as set out below.

Table 2: Summary of Consideration

A\$'000	Amount
Extinguishment of loan payable to PT AHR	496.0
Extinguishment of accrued interest payable to Mr Eddyarto	198.9
Extinguishment of receivable from PPA	(115.7)
Total	579.1

Source: Leadenhall analysis

5. Analysis of reasonableness

In accordance with regulatory guidelines, we have defined the Proposed Transaction as being reasonable if it is fair, or if despite not being fair, the overall advantages of the proposal outweigh its disadvantages to Shareholders. As the Proposed Transaction is fair it is therefore reasonable. However, we have also considered the advantages and disadvantages to Shareholders of the Proposed Transaction.

Advantages

The main advantages of the Proposed Transaction to Shareholders are:

- ◆ **Improves financial position** – the company currently has net current liabilities of approximately \$0.9 million. If the Proposed Transaction proceeds, approximately \$0.6 million in net liabilities will be extinguished which improve the current financial position and may facilitate access to additional funding in order to undertake additional exploration of the Australian uranium assets in the future.

- ◆ **In line with stated strategy** - Following a recent review of the business, the board of Adavale concluded that the future focus of the business and its future fund raising will be on Australian uranium assets due to the limited perceived upside potential and a likely downside risks associated with the Indonesian coal interest. In the case of the Tapan project this is compounded by the continued risk associated with the ongoing litigation for the project. The Proposed Transaction therefore facilitates an exit from the Tapan Project at a premium to the carrying value of the project.

Disadvantages

The main disadvantages of the Proposed Transaction to Shareholders are:

- ◆ **Loss of exposure to Tapan Project** – Shareholders will no longer have exposure to the Tapan Project and any future upside to the project and/or Indonesian coal prices to the extent the future value of the projects exceeds the Consideration.
- ◆ **Full process not undertaken** – No formal sales process was undertaken for the Tapan Project due to the costs associated with such a process and because the board believed that there were few potential buyers of the projects in light of the legal risks and location of the project. The board's view is supported by the fact that Adavale announced its intended exit from the project July 2017 and no one has approached Adavale in respect of Tapan or any other assets. Furthermore, as part of the completion conditions, the transaction must be announced in Indonesian language newspaper which may also draw out any potential counter offers for the project.

6. Opinion

In our opinion, the Proposed Transaction is fair and reasonable to Shareholders.

We have evaluated the Proposed Transaction for the Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of this Proposed Transaction on their specific financial circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope, analysis and findings in more detail.

Yours faithfully



Dave Pearson
Director



Richard Norris
Director

Note: All amounts stated in this report are in Australian dollars unless otherwise stated.

Tables in this report may not add due to rounding.

LEADENHALL CORPORATE ADVISORY PTY LTD

ABN 11 114 534 619

Australian Financial Services Licence No: 293586

FINANCIAL SERVICES GUIDE

Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**" or "**we**" or "**us**" or "**our**" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In providing this report, we are required to issue this Financial Services Guide ("**FSG**") to retail clients. This FSG is designed to help you to make a decision as to how you might use this general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

Financial Services We are Licensed to Provide

We hold Australian Financial Services Licence 293586 which authorises us to provide financial product advice in relation to securities (such as shares and debentures), managed investment schemes and derivatives.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product. Our report will include a description of the circumstances of our engagement and the party who has engaged us. You will not have engaged us directly but will be provided with a copy of the report because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial service licensee authorised to provide the financial product advice contained in that report.

General Financial Product Advice

The advice produced in our report is general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that We May Receive

We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Leadenhall is entitled to receive a fixed fee of \$12,500 (excl. GST) for preparing this report. This fee is not contingent upon the outcome of the Proposed Transaction.

Except for the fees referred to above, neither Leadenhall, nor any of its directors, consultants, employees or related entities, receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of this report.

Remuneration or Other Benefits Received by our Employees, Directors and Consultants

All our employees receive a salary. Our employees are eligible for bonuses which are not based on the outcomes of any specific engagement or directly linked to the provision of this report. Our directors and consultants receive remuneration based on time spent on matters.

Referrals

We do not pay commissions or provide any other benefits to any person for referring clients to us in connection with the reports that we are licensed to provide.

Complaints Resolution

As the holder of an Australian Financial Services Licence, we are required to have a system in place for handling complaints from persons to whom we have provided reports. All complaints must be in writing, to the following address:

Leadenhall Corporate Advisory Pty Ltd
GPO Box 1572
Adelaide SA 5001

Email: office@leadenhall.com.au

We will try to resolve your complaint quickly and fairly and will endeavour to settle the matter within 14 days from the time the matter is brought to our attention.

If you do not get a satisfactory outcome, you have the option of contacting the Financial Ombudsman Service ("**FOS**"). The FOS will then be able to advise you as to whether or not they can assist in this matter. The FOS can be contacted at the following address:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Telephone: 1300 780 808
Email: info@fos.org.au

Compensation Arrangements

Leadenhall holds professional indemnity insurance in relation to the services we provide. The insurance cover satisfies the compensation requirements of the Corporations Act 2001.

30 October 2017

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1 TERMS OF THE PROPOSED TRANSACTION

1.1 Introduction

On 5 October 2017, Adavale and Mr Eddyarto entered into a MOU whereby Adavale would sell the Tapan Project, by way of the sale of its wholly-owned subsidiary PPA, to entity controlled by Mr Eddyarto in exchange for the net consideration of \$0.6 million as set out below.

Table 3: Summary of consideration

A\$'000	Amount
Extinguishment of loan payable to AHR	496.0
Extinguishment of accrued interest payable to HE	198.9
Extinguishment of receivable from PPA	(115.7)
Total	579.1

Source: Leadenhall analysis

Note: \$US amounts converted at spot A\$/US\$ exchange rate of 0.78

1.2 Conditions

The Proposed Transaction is conditional on:

- ◆ Adavale shareholder approval
- ◆ Announcement of the Proposed Transaction in a daily Indonesian language newspaper
- ◆ Indonesian Ministry of Energy and Mineral Resources approval
- ◆ BKPM (Indonesian Investment Coordinating Board) approval
- ◆ Indonesian Ministry of Law and Human Rights approval

The Proposed Transaction is subject to various provisions and warranties typical for a transaction of this nature including the following:

- ◆ The purchasers will assume all liabilities relating to the present legal case relating to PPA and warrant that there is no claim by the purchasers relating to this or any other matter existing up to and including the date of the agreement in relation to the sale.
- ◆ Adavale warrants that PPA and its assets are fully and legally owned by the company and that it will make no further claim against the purchasers and/or PPA in this regard

2 SCOPE

2.1 Purpose of the report

ASX Listing Rule 10.1 requires a listed entity to obtain shareholders' approval before it disposes a substantial asset to a related party. The Notice of Meeting sent to shareholders advising them of such a transaction must include a report from an independent expert stating whether the transaction is fair and reasonable to non-associated shareholders. An asset is considered to be substantial if its value, or the consideration being paid for it, is 5% or more of the equity in the listed entity, as set out in its latest accounts lodged with the ASX.

Since Mr Eddyarto is a related party and the value of the consideration is in excess of 5% of the audited net assets of Adavale, an independent expert's report is required pursuant to Listing Rule 10. As a result, the independent directors of Adavale have requested Leadenhall to prepare an independent expert's report in accordance with Listing Rule 10 advising whether, in our opinion, the Proposed Transaction is fair and reasonable to Shareholders. This report is to accompany the notice of meeting ("**NOM**") to be sent to Shareholders in order to assist in their decision whether to vote for, or against, the Proposed Transaction.

2.2 Basis of evaluation

The ASX Listing Rules do not define the term 'fair and reasonable' and provide no guidance on what should be considered when assessing whether a proposed transaction is fair and reasonable. However, guidance on what an independent expert should consider and how 'fair and reasonable' should be defined is contained in Regulatory Guide 111: Content of Expert Reports ("**RG 111**") issued by ASIC which states that there should be separate assessments of whether a transaction is 'fair' and whether it is 'reasonable'. Accordingly, we have considered the concepts of "fairness" and "reasonableness" separately as described below.

Fairness

According to RG 111.57 'a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity'. This comparison should be made 'assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.'

We have therefore assessed the Proposed Transaction as fair if the value of the Consideration is equal to or greater than the value of PPA (including the Tapan Project).

We have assessed the value of PPA using the concept of fair market value, which is defined by the International Glossary of Business Valuation Terms as:

The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

We consider this to be consistent with the definition of value contained in RG 111.57 and common market practice.

Special value is defined as the amount a specific purchaser is willing to pay in excess of fair market value. A specific purchaser may be willing to pay a premium over fair market value as a result of potential economies of scale, reduction in competition or other synergies they may enjoy arising from the acquisition of the asset. However, to the extent a pool of hypothetical purchasers could all achieve the same level of synergies the value of those synergies may be included in fair market value. Our assessed value of PPA does not include any special value in accordance with RG 111.

Reasonableness

In accordance with RG 111, we have defined the Proposed Transaction as being reasonable if it is fair, or if despite not being fair, Leadenhall believes that there are sufficient reasons for Shareholders to vote in favour of the proposal. We have therefore considered whether the advantages to Shareholders of the Proposed Transaction outweigh the disadvantages. To assess the reasonableness of the Proposed Transaction we have considered the following significant factors recommended by RG 111.62:

- ◆ The impact of the transaction on the financial situation and solvency of Adavale
- ◆ Opportunity costs
- ◆ The alternative options available to Adavale and the likelihood of those options occurring
- ◆ The bargaining position of Adavale
- ◆ Whether there is selective treatment of any security holder, particularly the related party
- ◆ Any special value of the transaction to Adavale

We have also considered the other significant advantages and disadvantages to Shareholders of the Proposed Transaction.

2.3 Individual circumstances

We have evaluated the Proposed Transaction for Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of this Proposed Transaction on their specific financial circumstances.

3 PROFILE OF PPA

3.1 Introduction

Adavale is a mining exploration company with interests in uranium tenements in Lake Surprise, South Australia and, through PPA, two thermal coal tenements in Tapan, Indonesia. These tenements are currently being evaluated with a view to identify and develop commercially viable mining projects.

Adavale also holds a 40% interest in an Indonesian joint venture company, PT AHR, which was established to explore projects in Kalimantan, Indonesia.

Following a recent review of the business, the board of Adavale concluded that the future focus of the business and its future fund raising will be on Australian uranium assets due to the limited perceived upside potential and a likely downside risks associated with the Indonesian coal interests. As a result, the board has undertaken a process to sell its interest in PPA and there is not expected to be any ongoing operating activity at PT AHR.

3.2 History

A brief history of PPA and Adavale is set out in the table below:

Year	Event
2009	Expansion of the company's mining and exploration activities beyond its Australian assets, through the acquisition of rights to two Indonesian thermal coal projects, "Tapan" and "Jambi" in South Sumatra, Indonesia.
2011	Further expansion within Indonesia through its wholly-owned Indonesian subsidiary ANR with the signing of joint venture agreements on concessions located in east and south Kalimantan. These operations were run through its 60% owned (at the time) joint venture entity, PT AHR. Acquired PPA, the owners of the Tapan coal concession in West Sumatra.
2012 - 2013	Reduced stake in PT AHR from 60% to 40% with the other shareholder (Mr Haryono Eddyarto) increasing his stake to 60%. Restructure of major shareholding and governance of the company with Mr Eddyarto becoming the largest shareholder and Executive Chairman of the company. Mr Eddyarto also entered into an agreement to provide a convertible loan facility to the company, replacing the existing facility provided by a previous major shareholder.
2017	◆ JML subscribes for 25 million Adavale shares at \$0.01 per share in addition to the acquisition of 12 million Adavale shares from other shareholders ◆ Enters into new subscription agreement with Addchance Holdings Ltd ◆ Announce strategic review of Indonesian coal assets including Tapan project ◆ Announcement of the Proposed Transaction

Source: Adavale

3.3 The Tapan Project

The Tapan project is located in West Sumatra, Indonesia, adjacent to the village of Tapan and approximately 200km south of the West Sumatra capital, Padang. Adavale (through its wholly-owned subsidiary, PPA) holds a production permit covering an area of 199 hectares ("Ha") and an exploration permit covering an area of 2,054 Ha. The project hosts a medium to high grade JORC-compliant thermal coal resource with an estimated 9.05 million tonnes ("Mt") present within the project area. Of this resource, 2.15 Mt is measured,

1.5 Mt is indicated and 5.4 Mt is inferred. Two initial open pit areas have been defined and the Western and Central pits have been designed to exploit the coal. No recent exploration activities have been undertaken.

The Tapan project is also the subject of an ongoing legal battle which was started in 2013. Title to the project is being disputed by former shareholders of PPA. The most recent verdict, dated 22 December 2015, issued by the High Court of Jakarta was in favour of Adavale. However, this decision has been appealed in the Supreme Court in Indonesia. There is therefore some uncertainty as to whether PPA will be able to retain the project and/or the costs that may be incurred to continue the legal proceedings.

Following a recent review of the business, the Directors of Adavale have concluded that the Indonesian Coal asset interests are no longer an appropriate asset for Adavale in light of the limited upside potential and a likely downside risk, compounded by the continued risk associated with the ongoing litigation for the project. It was considered Adavale was not well suited to this form and level of risk and other parties were much better at managing this exposure, more particularly an Indonesian managed party.

3.4 Directors

The current Board of Directors of Adavale and PPA comprises:

Table 4: Directors of Adavale

Directors	Title
Mr Haryono Eddyarto	Non-Executive Chairman
Mr Huili Guo	Non-executive Director
Mr Allan Ritchie	Non-executive Director
Mr K T Signavong	Non-executive Director

Source: Adavale

From 1 May 2017, Non-executive directors' Mr Allan Ritchie and Mr K Signavong have signed consultancy agreements for services related to the ongoing administration of the company.

3.5 Financial performance

3.5.1 PPA

We have been provided with the historical financial statements for PPA on a standalone basis by Adavale management. PPA's financial performance for the years ended 30 June 2015, 2016 and 2017 are presented in the table below.

Table 5: PPA financial performance

\$'000	FY15	FY16	FY17
Revenue			
Revenue	-	-	-
Total revenue	-	-	-
Expenses			
Management, administration and legal fees	(156)	(126)	(86)
Impairment of exploration and evaluation expenditure	(74)	-	(317)
Exchange rate losses	(1)	(1)	0
Total expenses	(230)	(127)	(403)
Finance costs	(0)	(0)	(0)
Loss before tax	(231)	(127)	(403)
Income tax expense	-	-	-
Net loss after income tax	(231)	(127)	(403)

Source: Adavale

In relation to the above, we note that PPA has been loss-making over the period with no revenue generated as the Tapan project remained in the exploration phase although no recent exploration has been undertaken at the project over the period. The financial performance has been restated to include the impairment of Tapan-related exploration expenditure in FY15 and FY17 which had been recorded in the books of Adavale.

3.5.2 Adavale

In order for Shareholders to understand the impact of the Proposed Transaction on Adavale, we have also presented the consolidated financial statements of Adavale which includes PPA.

The audited statements of financial performance for the three years ended 30 June 2015, 2016 and 2017 are set out in the table below.

Table 6: Adavale's financial performance

\$'000	FY15	FY16	FY17
Revenue			
Other revenue	-	2	-
Total revenue	-	2	-
Expenses			
Audit fees	(43)	(47)	(59)
Insurance	(21)	(25)	(22)
Share registry fees	(52)	(40)	(36)
Management, administration and legal fees	(206)	(177)	(176)
Share based payment	-	-	(28)
Tenement expenditure incurred	(69)	(50)	(19)
Impairment of exploration and evaluation expenditure	(74)	-	(317)
Exchange rate losses	(0)	(1)	-
Other expenses	(3)	(5)	(4)
Share of loss from equity accounted investment	-	-	-
Total expenses	(467)	(345)	(661)
EBITDA	(467)	(344)	(661)
Depreciation	(1)	-	-
EBIT	(468)	(344)	(661)
Finance costs	(167)	(72)	(87)
Loss before tax	(634)	(416)	(748)
Income tax expense	-	-	-
Net loss after income tax	(634)	(416)	(748)
Loss from discontinued operations	-	-	(86)
Total loss net of tax	(634)	(416)	(834)

Source: Adavale

In relation to the historical financial performance of Adavale set out above, we note the following:

- ◆ As Adavale is a mining exploration company, losses and negative operating cash flows are expected until a commercially viable asset is successfully identified and developed
- ◆ The majority of operating expenses consist of directors' salaries for the management and administration of the company, exploration costs, review and compliance costs associated with the tenements and legal fees relating to the dispute over Adavale's title to the Tapan projects. The company also impaired the carrying value of its exploration and evaluation assets in FY14 and FY15 to levels deemed recoverable by the directors. As at 30 June 2017, the directors reassessed the carrying value of Tapan to be \$100,000, which resulted in an impairment charge of \$316,500.
- ◆ No further share of losses from the investment in the joint venture, PT AHR, have been recognised after FY15 as the equity investment in PT AHR had been fully written down in FY15

3.6 Financial position

3.6.1 PPA

PPA's financial position as at 30 June 2015, 2016 and 2017 are presented in the table below.

Table 7: PPA financial position

\$'000	FY15	FY16	FY17
Assets			
Cash	25	25	25
Exploration and evaluation assets	417	417	100
Total assets	441	442	125
Liabilities			
Trade and other payables	(9)	(18)	(17)
Loan from PT Harner	(437)	(569)	(496)
Loan from Adavale	-	-	(140)
Total liabilities	(446)	(587)	(653)
Net assets (liabilities)	(4)	(145)	(529)

Source: Adavale

PPA's financial position has mainly been comprised of cash, related party loans payable to PT Harner and Adavale (for costs incurred in relation to the Tapan project) and other payables. The above financial position, on a standalone basis, has been restated by Adavale management to include the \$100,000 (\$416,500 in FY15 and FY16) carrying value of the Tapan project which is recorded in the books of Adavale.

The \$140,000 loan from Adavale as at 30 June 2017 arose from the \$1.0 million convertible loan provided by JML. \$860,000 was used to repay an existing loan from Mr Eddyarto and \$140,000 was transferred to PPA to reduce the balance of a loan from PT Harner to PPA.

As part of the Proposed Transaction, the cash balance in PPA will be retained by Adavale and the amounts payable to PT Harner and Adavale will be extinguished.

3.6.2 Adavale

The audited statements of financial position as at 30 June 2015, 2016 and 2017 are set out below.

Table 8: Adavale's financial position

\$'000	FY15	FY16	FY17
Current assets			
Cash	32	28	47
Available for sale investments	-	-	100
Other assets	24	21	20
Total current assets	56	49	166
Non-current assets			
Exploration and evaluation assets	808	808	391
Total non-current assets	808	808	391
Total assets	864	857	557
Current liabilities			
Trade and other payables	(606)	(804)	(848)
Borrowings	-	-	(180)
Total current liabilities	(606)	(804)	(1,028)
Non-current liabilities			
Borrowings	(720)	(821)	(717)
Total non-current liabilities	(720)	(821)	(717)
Total liabilities	(1,326)	(1,625)	(1,744)
Net assets (liabilities)	(462)	(769)	(1,187)

Source: Adavale

In relation to the historical financial position of Adavale set out above, we note the following:

- ◆ The company has negative net assets, a working capital deficiency and insufficient cash to continue to fund operating losses in the near-term without additional financial support from other investors
- ◆ Exploration and evaluation assets are the predominant asset on Adavale's balance sheet. As at 30 June 2017, the directors revised the carrying value of Tapan to \$100,000. The Lake Surprise tenements were retained at a value of \$391,000. In light of the strategic review of the Tapan project previously announced, the investment was reclassified to current as available for sale. We note that the audit opinion was qualified in respect of the carrying values of both projects as the auditor was unable to obtain sufficient evidence to support the values assessed by the directors.
- ◆ The main components of trade and other payables are a liability to PT Harner, a related entity of Mr Eddyarto for expenses paid on behalf of Adavale and interest accrued on the convertible loan provided by Mr Eddyarto

3.7 Capital structure

PPA is 100% owned by Adavale. There are no options or other instruments on issue for PPA.

Adavale shares are thinly traded with recent prices over the past six months generally ranging between 1 cent and 1.5 cents per share which implies a market capitalisation of approximately \$0.5 million to \$0.8 million. Due to the lack of liquidity in Adavale's shares and the relatively small size of PPA and the Tapan Project relative to the overall business, the Adavale share price does not provide any meaningful look through value to the value of PPA or the Tapan Project.

4 VALUATION METHODOLOGY

4.1 Available valuation methodologies

To estimate the fair market value of PPA we have considered common market practice and the valuation methodologies recommended in RG111. There are a number of methods that can be used to value a business including:

- ◆ The discounted cash flow method
- ◆ The capitalisation of earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

Each of these methods is appropriate in certain circumstances and often more than one approach is applied, at least as a secondary cross-check to a primary method. The choice of methods depends on factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and the availability of the required information. A detailed description of these methods and when they are appropriate is provided in Appendix 2.

4.2 Selection of valuation methodology

In selecting an appropriate valuation methodology to value PPA we have considered the following factors:

- ◆ PPA is loss-making and does not have any ongoing earnings, thus the capitalisation of earnings approach is not relevant.
- ◆ The Tapan Project is too early stage and the outlook is too speculative for a discounted cash flow approach to provide a meaningful conclusion.
- ◆ PPA is not listed and share market trading in Adavale shares does not provide any reliable indication of the value of PPA.
- ◆ PPA's only assets are cash and its interest in the Tapan Project. The Tapan Project has been independently valued by a technical mining expert for the purpose of the Proposed Transaction. These assets can therefore be valued reliably individually and aggregated using an asset approach.

Accordingly, we are of the opinion that the most appropriate methodology to value PPA is an asset based method.

5 VALUATION OF PPA

5.1 Background

We have assessed the fair market value of PPA using the net assets on a going concern basis

5.2 Net asset approach

We set out below our assessment of the current fair market value of Adavale, based on the net asset approach.

Table 9: Net asset based valuation of PPA

A\$'000	Low	High	Midpoint
Cash	-	-	-
Tapan Project	294	660	477
Other assets and liabilities	(17)	(17)	(17)
Net assets	277	643	460

Source: Leadenhall analysis

The fair market value of each of the net assets owned by PPA are discussed below.

5.2.1 Tapan Project

Leadenhall commissioned an independent valuation of the Tapan Project by technical expert Al Maynard & Associates Pty ("Maynard") Limited. We have confirmed that Maynard is independent of Adavale and competent in the technical assessment of exploration projects.

In determining the value of the Tapan Project, Maynard has utilised a geoscience factor model which ranks and weights the geological aspects of the project. This approach is based on five main characteristics of mineral properties: on-property factors; off-property factors; anomalies; geology and markets. These are subdivided into a number of subcategories for each factor which are used to determine the value of the property. The subcategories are prioritized and assigned relative value factors of 1.3 to 10. The value of a property is based on the assessed weightings and rankings and is ultimately influenced by the expertise of geologist and financial markets (including commodity markets, financial markets).

In determining the value of the Tapan Project, Maynard has relied on estimates of resources identified by previous exploration of the project areas. Exploration indicates that the Tapan project contains a coal resource of 9.05 Mt of which 2.15Mt is measured, 1.5Mt is indicated and 5.4Mt is inferred. These mineral resources were then multiplied by current commodity prices with a discount applied to the value to reflect the prospectivity of the resource, the economic feasibility of the project, likelihood and quantum of value to be extracted from the resource, and profitability of similar projects and the experience of the valuer. For the Tapan resource, the current Central Appalachian price of thermal coal was utilised as a starting point for determining an appropriate price per tonne to be applied to the valuation after including a discount to reflect the above-mentioned factors.

For the purpose of our analysis we have relied upon the Maynard analysis as summarised below:

Table 10: Summary of independent valuation of Projects

	Low	High	Preferred
Assessed value	294	660	477
Total reserves and resources (tonnes)	9,050	9,050	9,050
Implied valuer per / tonne	\$ 0.03	\$ 0.07	\$ 0.05

Source: Al Maynard and Associates

Further details of the Maynard valuation are set out in Appendix 4.

5.2.2 Other assets or liabilities

As part of the Proposed Transaction, the cash balance in PPA will be retained by Adavale and the amounts payable to PT Harner and Adavale will be extinguished. We have therefore excluded these balances from our consideration of the financial benefit to Mr Eddyarto. We have included the book value of other liabilities as set out in Section 3.5.1.

We note that the ongoing legal issues in respect of the project is likely to result in further legal and other costs being incurred in order to re-commence exploration activities for the project. Maynard has not included any future costs in the valuation of the Tapan Project nor have we allowed for any additional liabilities in estimating the fair market value of the net assets of PPA. If we were to do so this would reduce the value of PPA.

5.3 Cross-check

Adavale shares are thinly traded with recent prices over the past six months generally ranging between 1 cent and 1.5 cents per share which implies a market capitalisation of approximately \$0.5 million to \$0.8 million. Whilst we do not consider that the Adavale share price provides any meaningful look through value to the value of PPA or the Tapan Project, the overall market capitalisation implies only moderate value for the company as a whole which does not imply any significant value is being attributed to PPA by the market.

5.4 Conclusion

Based on the above analysis, we have concluded that the value of PPA is \$0.3 million to \$0.6 million.

6 EVALUATION

6.1 Fairness

In order to assess whether the Proposed Transaction is fair, we have compared our assessed fair market value of PPA with the Consideration as set out below.

Table 11: Assessment of fairness

A\$'000	Low	High	Mid
Fair market value of PPA	277	643	460
Consideration	579	579	579
Net financial benefit (loss) to Adavale	303	(64)	119

Source: Leadenhall analysis

Since the Consideration is within the fair market value range of PPA, the Proposed Transaction is fair to Shareholders.

6.2 Reasonableness

In accordance with regulatory guidelines, we have defined the Proposed Transaction as being reasonable if it is fair, or if despite not being fair, the overall advantages of the proposal outweigh its disadvantages to Adavale shareholders. As the Proposed Transaction is fair it is therefore reasonable. However, we have also considered the advantages and disadvantages to shareholders of the Proposed Transaction.

6.2.1 Advantages

The main advantages of the Proposed Transaction to Shareholders are:

- ◆ **Improves financial position** – the company currently has net current liabilities of approximately \$0.9 million. If the Proposed Transaction proceeds, approximately \$0.6 million in net liabilities will be extinguished which improve the current financial position and may facilitate access to additional funding in order to undertake additional exploration of the Australian uranium assets in the future.
- ◆ **In line with stated strategy** - Following a recent review of the business, the board of Adavale concluded that the future focus of the business and its future fund raising will be on Australian uranium assets due to the limited perceived upside potential and a likely downside risks associated with the Indonesian coal interest. In the case of the Tapan project this is compounded by the continued risk associated with the ongoing litigation for the project. The Proposed Transaction therefore facilitates an exit from the Tapan Project at an implied premium to the carrying value of the project.

6.2.2 Disadvantages

The main disadvantages of the Proposed Transaction to Shareholders are:

- ◆ **Loss of exposure to Tapan Project** – Shareholders will no longer have exposure to the Tapan Project and any future upside to the project and/or Indonesian coal prices to the extent the future value of the projects exceeds the Consideration
- ◆ **Full process not undertaken** – No formal sales process was undertaken for the Tapan Project due to the costs associated with such a process and because the board believed that there were few potential buyers of the projects in light of the legal risks and location of the project. The board's view is supported by the fact that Adavale announced its intended exit from the project July 2017 and no one has approached Adavale in respect of Tapan or any other assets. Furthermore, as part of the completion conditions, the transaction must be announced in Indonesian language newspaper which may also draw out any potential counter offers for the project

6.3 Opinion

In our opinion, the Proposed Transaction is fair and reasonable to Shareholders.

We have evaluated the Proposed Transaction for the Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of this Proposed Transaction on their specific financial circumstances.

APPENDIX 1: GLOSSARY

Term	Meaning
Adavale	Adavale Resources Limited
AIFRS	Australian equivalent to international financial reporting
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
AUD	Australian Dollar
CAGR	Compound Annual Growth Rate
Corporations Act	The Corporations Act 2001
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Fair market value	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms' length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY	Financial year
Ha	Hectares
Leadenhall	Leadenhall Corporate Advisory Pty Ltd
Maynard	Al Maynard & Associates Pty Ltd
MOU	Memorandum of understanding
Mt	Million tonnes
NPAT	Net profit after tax
P / E	Price to Earnings
PT AHR	PT Adavale Harner Resources
PPA	PT Prima Perkasa Abadi
Proposed Transaction	The potential acquisition by JML of up to 78.7% of the issued equity in Adavale
RG111	Regulatory Guide 111: Content of Expert Reports
RG74	Regulatory Guide 74: Acquisitions Approved by Members
Shareholders	Current non-associated shareholders of Adavale
USD	US Dollar
VWAP	Volume weighted average price
WACC	Weighted Average Cost of Capital

APPENDIX 2: VALUATION METHODOLOGIES

In preparing this report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- ◆ The discounted cash flow method
- ◆ The capitalisation of earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

The selection of an appropriate valuation method to estimate fair market value should be guided by the actual practices adopted by potential acquirers of the company involved.

Discounted Cash Flow Method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- ◆ A forecast of expected future cash flows
- ◆ An appropriate discount rate

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- ◆ Early stage companies or projects
- ◆ Limited life assets such as a mine or toll concession
- ◆ Companies where significant growth is expected in future cash flows
- ◆ Projects with volatile earnings

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if:

- ◆ Reliable forecasts of cash flow are not available and cannot be determined
- ◆ There is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business

Capitalisation of Earnings Method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- ◆ A level of future maintainable earnings
- ◆ An appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBITA - in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business.

EBIT - whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company.

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources. Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. It is also possible to build a multiple from first principles.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- ◆ There are no suitable listed company or transaction benchmarks for comparison
- ◆ The asset has a limited life
- ◆ Future earnings or cash flows are expected to be volatile
- ◆ There are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets

Asset Based Methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- ◆ Orderly realisation
- ◆ Liquidation value
- ◆ Net assets on a going concern basis
- ◆ Replacement cost
- ◆ Reproduction cost

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

The asset / cost approach is generally used when the value of the business' assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- ◆ An enterprise is loss making and is not expected to become profitable in the foreseeable future
- ◆ Assets are employed profitably but earn less than the cost of capital
- ◆ A significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments)
- ◆ It is relatively easy to enter the industry (for example, small machine shops and retail establishments)

Asset based methods are not appropriate if:

- ◆ The ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets
- ◆ A business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets

Analysis of Share Trading

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

APPENDIX 3: QUALIFICATIONS, DECLARATIONS AND CONSENTS

Responsibility and purpose

This report has been prepared for Adavale's shareholders for the purpose of assessing the fairness and reasonableness of the Proposed Transaction. Leadenhall expressly disclaims any liability to any shareholder, or anyone else, whether for our negligence or otherwise, if the report is used for any other purpose or by any other person.

Reliance on information

In preparing this report we relied on the information provided to us by Adavale being complete and accurate and we have assumed it has been prepared in accordance with applicable Accounting Standards and relevant national and state legislation. We have not performed an audit, review or financial due diligence on the information provided. Drafts of our report were issued to Adavale directors and management for confirmation of factual accuracy.

Prospective information

To the extent that this report refers to prospective financial information, we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Leadenhall's consideration of this information consisted of enquiries of Adavale personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with Australian Auditing Standards, or any other standards. Nothing has come to our attention as a result of these enquiries to suggest that the financial projections when taken as a whole, are unreasonable for the purpose of this report.

We note that the forecasts and projections supplied to us are, by definition, based upon assumptions about events and circumstances that have not yet transpired. Actual results in the future may be different from the prospective financial information of Adavale referred to in this report and the variation may be material, since anticipated events frequently do not occur as expected. Accordingly we give no assurance that any forecast results will be achieved. Any future variation between the actual results and the prospective financial information utilised in this report may affect the conclusions included in this report.

Market conditions

Leadenhall's opinion is based on prevailing market, economic and other conditions as at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon the conclusion reached in this report.

As a valuation is based upon expectations of future results it involves significant judgement. Although we consider the assumptions used and the conclusions reached in this report are reasonable, other parties may have alternative expectations of the future, which may result in different valuation conclusions. The conclusions reached by other parties may be outside Leadenhall's preferred range

Indemnities

In recognition that Leadenhall may rely on information provided by Adavale and their officers, employees, agents or advisors, Adavale has agreed that it will not make any claim against Leadenhall to recover any loss or damage which it may suffer as a result of that reliance and that it will indemnify Leadenhall against any liability that arises out of Leadenhall's reliance on the information provided by Adavale and their officers, employees, agents or advisors or the failure by Adavale and their officers, employees, agents or advisors to provide Leadenhall with any material information relating to this report.

Qualifications

The personnel of Leadenhall principally involved in the preparation of this report were Dave Pearson, BCom., CA, CFA, CBV, M.App.Fin, Richard Norris, BA (Hons), FCA, M.App.Fin, F.Fin, Simon Dalgarno, B.Ec, FCA, F.FINSIA and Chern Fung Yee, BCom, CPA.

This report has been prepared in accordance with "APES 225 – Valuation Services" issued by the Accounting Professional & Ethical Standards Board and this report is a valuation engagement in accordance with that standard and the opinion is a Conclusion of Value.

Independence

Leadenhall has acted independently of Adavale. Compensation payable to Leadenhall is not contingent on the conclusion, content or future use of this report.

APPENDIX 4: MAYNARD REPORT

AL MAYNARD & ASSOCIATES Pty Ltd
Consulting Geologists

www.geological.com.au

ABN 75 120 492 435

9/280 Hay Street,
SUBIACO, WA, 6008
Australia

Tel: (+618) 9388 1000
Fax: (+618) 9388 1768

Mob: 04 0304 9449
al@geological.com.au

Australian & International Exploration & Evaluation of Mineral Properties

**INDEPENDENT TECHNICAL VALUATION
OF THE TAPAN COAL PROJECT
LOCATED IN SUMATRA,
REPUBLIC OF INDONESIA**

**HELD BY
ADAVALE RESOURCES LIMITED**

Author: Allen J Maynard BAppSc(Geol), MAIG, MAusIMM
Company; Al Maynard & Associates Pty Ltd
Date: 27th October, 2017

EXECUTIVE SUMMARY

This independent technical valuation (ITV) has been prepared by Al Maynard & Associates Pty Ltd ("AM&A") at the request the Board of Directors of Adavale Resources Limited on the Tapan Coal Project held indirectly by Adavale Resources Limited ("Adavale" or "the Company") through various subsidiary companies. This report has been prepared in accordance with the guidelines of the Valuation of Mineral Assets and Mineral Securities for Independent Expert's Reports (the "Valmin Code") (2015) as adopted by the Australian Institute of Geoscientists ("AIG") and the Australasian Institute of Mining and Metallurgy ("AusIMM").

AM&A have evaluated the project in order to provide a valuation on the exploration asset, as detailed in this report, held by Adavale in Indonesia. Independent firm "Leadenhall" will be providing an Independent Expert's Report (IER) and will rely on this AM&A ITV as part of its IER.

Adavale, through its subsidiary PT Prima Perkasa Abadi has 100% interest in exploration tenements, covering 2053.92 Hectares (ha) which comprise the Tapan Project located on Sumatra Island, Indonesia.

The future potential of the tenements depends, among other factors, on carrying out exploration techniques to identify further mineralisation; commodity price; currency exchange rates; sovereign risk. Hopefully, the results of which may be subsequently progressed through to final feasibility studies to assist viable economic exploitation.

This report concludes that it is the writer's opinion that the current cash value of the Tapan Project is ascribed at A\$477,000 within the range of \$293,000 to \$660,000 as at the 27th October 2017.

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The Directors
Adavale Resources Limited,
151 Castlereagh Street,
Sydney, 2000, NSW Australia

27th October, 2017

Dear Sirs,

VALUATION OF ADAVALE RESOURCES LIMITED ASSETS

1.0 Introduction

This Independent Technical Valuation Report (“ITV”) of the Adavale Resources Limited mineral assets (Tapan Coal Project) has been prepared by Al Maynard & Associates (“AM&A”) at the request of the board of directors of Adavale Resources Limited for inclusion in an IER to be provided by Leadenhall.

This report has been prepared by AM&A to provide an independent appraisal of the “current” cash value of the Indonesian tenements held by Adavale Resources Limited (“Adavale” or “the Company”) as at 27th October 2017. Adavale is an Australian registered Company listed on the Australian Securities Exchange (ASX:ADD). Details of the project holdings are in table 1.

1.1 Scope and Limitations

This Report has been prepared in accordance with the requirements of the Valuation of Mineral Assets and Mineral Securities for Independent Expert’s Reports (the “Valmin Code”- 2015) as adopted by the Australian Institute of Geoscientists (“AIG”) and the Australasian Institute of Mining and Metallurgy (“AusIMM”).

This Report is valid as of 27th October, 2017 which is the date of the latest review of the data and technical information and there have been no material changes to this data or valuation since that date. The valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the mineral assets concerned or by other explorers on prospects in the near environs.

In order to form an opinion as to the value of any mineral asset, it is necessary to make assumptions as to certain future events, which might include economic and political factors and the likelihood of exploration success. The writer has taken all reasonable care in formulating these assumptions to ensure that they are appropriate to the case. These assumptions are based on the writer’s technical training and 40 years’ experience in the exploration and mining industry. Whilst the opinions expressed represent the writers’ professional opinion at the time of this Report, these opinions are not however, forecasts as it is never possible to predict accurately the many variable factors that need to be considered in forming an opinion as to the value of any mineral asset.

The information presented in this Report is based on technical reports provided by Adavale supplemented by our own inquiries as to the reasonableness of the supplied data. At the request of AM&A, copies of relevant technical reports and agreements were readily made available. There is also information available in the public domain and relevant references are listed in Section 6.0 –References. No recent site visit was undertaken since the writer is familiar with the terrane from visits to other similar environs and sufficient technical information is provided to enable an informed opinion to be derived.

Adavale will be invoiced and expected to pay a fee, estimated to be \$2,000 for the preparation of this Report. This fee comprises a normal, commercial daily rate plus expenses. Payment is not contingent on the results of this report. Except for these fees, neither the writer nor any family members nor Associates have any interest, nor the rights to any interest in Adavale nor any interest

in the mineral assets reported upon. Adavale has confirmed in writing that all technical data known it was made available to the writer.

The valuation presented in this Report is restricted to a statement of the fair value of the mineral asset package. The Valmin Code defines fair value as “The estimated amount of money, or the cash equivalent of some other consideration, for which, in the opinion of the Expert reached in accordance with the provisions of the Valmin Code, the mineral asset or security shall change hands on the Valuation date between a willing buyer and a willing seller in an arms’ length transaction, wherein each party had acted knowledgeably, prudently and without compulsion”.

It should be noted that in all cases, the fair valuation of the mineral assets presented is analogous with the concept of “valuation in use” commonly applied to other commercial valuations. This concept holds that the assets have a particular value only in the context of the usual business of the company as a going concern. This value will invariably be significantly higher than the disposal value, where, there is not a willing seller. Disposal values for mineral assets may be a small fraction of going concern values.

In accordance with the Valmin Code, we have prepared the “Range of Values” as shown in section 5.3. Regarding the Project it is considered that sufficient geotechnical data has been provided from the reports covering the previous exploration of the relevant area to enable an understanding of the geology. This provides adequate information to enable an informed opinion as to the current value of the mineral assets.

1.2 Statement of Competence

This Report has been prepared by Allen J. Maynard. Maynard is the Principal of AM&A, a qualified geologist, a Member of the Australasian Institute of Mining & Metallurgy (“AusIMM”) (No 104986) and a Member of the Australian Institute of Geoscientists (“AIG” #2062). He has had over 35 years of continuous experience in mineral exploration and evaluation and more than 30 years’ experience in mineral asset valuation. The writer holds the appropriate qualifications, experience and independence to qualify as an independent “Expert” and “Competent Person” under the definitions of the Valmin Code.

2.0 Valuation of the Mineral Assets – Methods and Guides

With due regard to the guidelines for assessment and valuation of mineral assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17th February, 1995 – the Valmin Code (updated 1999 & 2005 & 2015). AM&A has derived the estimates listed below using the a form of the Empirical method (Kilburn) for the current technical value of the mineral assets as described below.

The ASIC publications “Regulatory Guides 111 & 112” have also been referred to and duly considered in relation to the valuation procedure. The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a “fair value”. This is a value that an informed, willing, but not anxious, arms’ length purchaser will pay for a mineral (or other similar) asset in a transaction devoid of “forced sale” circumstances.

2.1 General Valuation Methods

The Valmin Code identifies various methods of valuing mineral assets, including:-

- Discounted cash flow,
- Joint Venture and farm-in terms for arms’ length transactions,
- Precedents from similar comparable asset sales/valuations,
- Multiples of exploration expenditure,
- Ratings systems related to perceived prospectivity,
- Real estate value and rule of thumb or yardstick approach.

2.2 Discounted Cash Flow/Net Present Value

This method provides an indication of the value of a mineral asset with identified reserves. It utilises an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project.

Net present value ('NPV') is determined from discounted cash flow ('DCF') analysis where reasonable mining and processing parameters can be applied to an identified ore reserve. It is a process that allows perceived capital costs, operating costs, royalties, taxes and project financing requirements to be analysed in conjunction with a discount rate to reflect the perceived technical and financial risks and the depleting value of the mineral asset over time. The NPV method relies on reasonable estimates of capital requirements, mining and processing costs.

2.3 Joint Venture Terms

The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or all of the mineral asset. This pre-supposes some form of subjectivity on the part of the incoming party when grass roots mineral assets are involved.

2.4 Similar or Comparable Transactions

When commercial transactions concerning mineral assets in similar circumstances have recently occurred, the market value precedent may be applied in part or in full to the mineral asset under consideration.

2.5 Multiple of Exploration Expenditure

The multiple of exploration expenditure method ('MEE') is used whereby a subjective factor (also called the prospectivity enhancement multiplier or 'PEM') is based on previous expenditure on a mineral asset with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented positive results a MEE multiplier can be selected that take into account the valuer's judgment of the prospectivity of the mineral asset and the value of the database. PEMs can typically range between 'zero' to 3.0 and occasionally up to 5.0 where very favourable exploration results have been achieved, applied to previous exploration expenditure to derive a dollar value. Typical PEM Factors are shown in Table 1.

PEM Range	Criteria
0.2 – 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified
0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 – 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralisation
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed
3.0 – 4.0	Indicated Resources have been identified that are likely to form the basis of a prefeasibility study
4.0 – 5.0	Indicated and Measured Resources

Table 1: Typical PEM Factors.

2.6 Ratings System of Prospectivity (Kilburn)

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method and is a rating method based on the basic acquisition cost ('BAC') of the mineral asset that applies incremental, fractional or integer ratings to a BAC cost with respect to various prospectivity factors to derive a value. Under the Kilburn method the valuer is required to systematically assess four key technical factors which enhance, downgrade or have no impact on the value of the mineral asset. The factors are then applied serially to the BAC of each mineral asset in order to derive a value for the mineral asset. The factors used are; off-property attributes on-property attributes, anomalies and geology. A fifth factor that may be applied is the current state of the market.

2.7 Empirical Methods (Yardstick – Real Estate)

The market value determinations may be made according to the independent expert's knowledge of the particular mineral asset. This can include a discount applied to values arrived at by considering conceptual target models for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be estimated for an exploration mineral asset based on current market prices for equivalent assets, existing or previous joint venture and sale agreements, the geological potential of the mineral assets, regarding possible potential resources, and the probability of present value being derived from individual recognised areas of mineralisation.

This method is termed a "Yardstick" or a "Real Estate" approach. Both methods are inherently subjective according to technical considerations and the informed opinion of the valuer.

2.8 General Comments

The aims of the various methods are to provide an independent opinion of a "fair value" for the mineral asset under consideration and to provide as much detail as possible of the manner in which the value is reached. It is necessarily subjective according to the degree of risk perceived by the mineral asset valuer in addition to all other commercial considerations. Efforts to construct a transparent valuation using sophisticated financial models are still hindered by the nature of the original assumptions where no known resource exists and are not applicable to mineral assets without an identified resource or reserve.

The values derived for this Report have been concluded after taking into account the general geological environment for the mineral assets under consideration with respect to the exploration potential of each tenement.

2.9 Environmental implications

Information to date is that there are no identified existing material environmental liabilities on the mineral assets. Accordingly, no adjustment was made during this Report for environmental implications.

2.10 Indigenous Title Claims

Neither the Company nor the authors are aware of any indigenous title claims within the project areas. Accordingly, no adjustment was made during this Report for indigenous title implications.

2.11 Commodity prices

Where appropriate, current coal prices are used sourced from the usual market publications or commodity price reviews (e.g. "Kitco.com" or "Alibaba").

2.12 Resource/Reserve Summary

There are historical April, 2015 JORC Code (2012) compliant Measured and Indicated Resources declared for the Adavale Tapan Coal Project.

2.13 Previous Valuations

A previous valuation of both the Indonesian and Australian tenements held by Adavale was prepared by AM&A in 2016.

2.14 Encumbrances/Royalty

No royalty payments are considered in this valuation as no mining is occurring.

3.0 Background Information

3.1 Introduction

This valuation has been provided by way of a detailed study of existing information and field data provided by Adavale regarding operations completed by the company to date. Tenements held by Adavale that are the subject of this valuation are detailed in Tables 2 and 3 below. This portfolio comprises two project areas within the Republic of Indonesia (Figure 1). A JORC Compliant resource of 9.05 million tonnes of coal has been identified within the Tapan Project, located in Western Sumatra.

3.2 Specific Valuation Methods

There are various methods acceptable for the valuation of a mineral prospect ranging from the most favoured DCF analysis of identified Proved & Probable Reserves to the more subjective rule-of-thumb assessment when no Reserves have yet been calculated but Resources may exist. These are discussed above in Section 2.0.

For the Adavale Projects the Empirical Method has been applied to determine a value range as at 27th October, 2017 and a preferred or most likely value ascribed within that range (Table 2).

Project	Low A\$M	Preferred	High A\$M
Tapan Coal	0.29	0.48	0.66

Table 2: Summary Ranges of Current Values.

3.3 Tenement Holding

Adavale holds an interest in the Tapan coal project areas situated in Sumatra within The Republic of Indonesia.

The Company provided the full tenement details as listed in Table 3 below and has issued further details to ASX in its Annual and Quarterly Reports. Exploration Tenement (IUP Eksplorasi) no. C516/126/KPTS/BPT-PS/2010 with the total area of 2053.9 ha has been granted clear and clean status by the government, while Production Tenement (IUP Produksi) no. C540/432/KPTS/BPT-PS/2010 with a total area of 198.88 ha has obtained the recommendation to get the clear and clean status. The application to upgrade the licence from exploration tenement (IUP) to production tenement(IUP-OP) is in progress.

Licence ID	Project Name	Area (ha)	Holder	Expiry Date
MEPL (IUP Produksi) C540/432/KPTS/BPT-PS/2011 (recommended for grant and Incorporating MEL (IUP Eksplorasi) C516/126/KPTS/BPT-PS/2010) granted	Tapan, West Sumatera, Indonesia	198.8 2,053.92	PT Prima Perkasa Abadi	1 March 2018

Table 3: Tapan Project lease details in Indonesia.

4.0 INDONESIA

4.1 TAPAN PROJECT

Adavale holds 100% equity in the Tapan Project, which is located in the PT Kelola Sumberdaya Nagari and PT Prima Perkasa Abadi areas in West Sumatra, Indonesia (Figure 1). It is adjacent to the village of Tapan, approximately 200 km south of the capital, Padang. The Company holds an IUP Production Permit covering 198 ha within a IUP exploration permit covering 2,053.92 ha (Adavale, 2012). Adavale has conducted an extensive data compilation and field exploration program over these tenements.

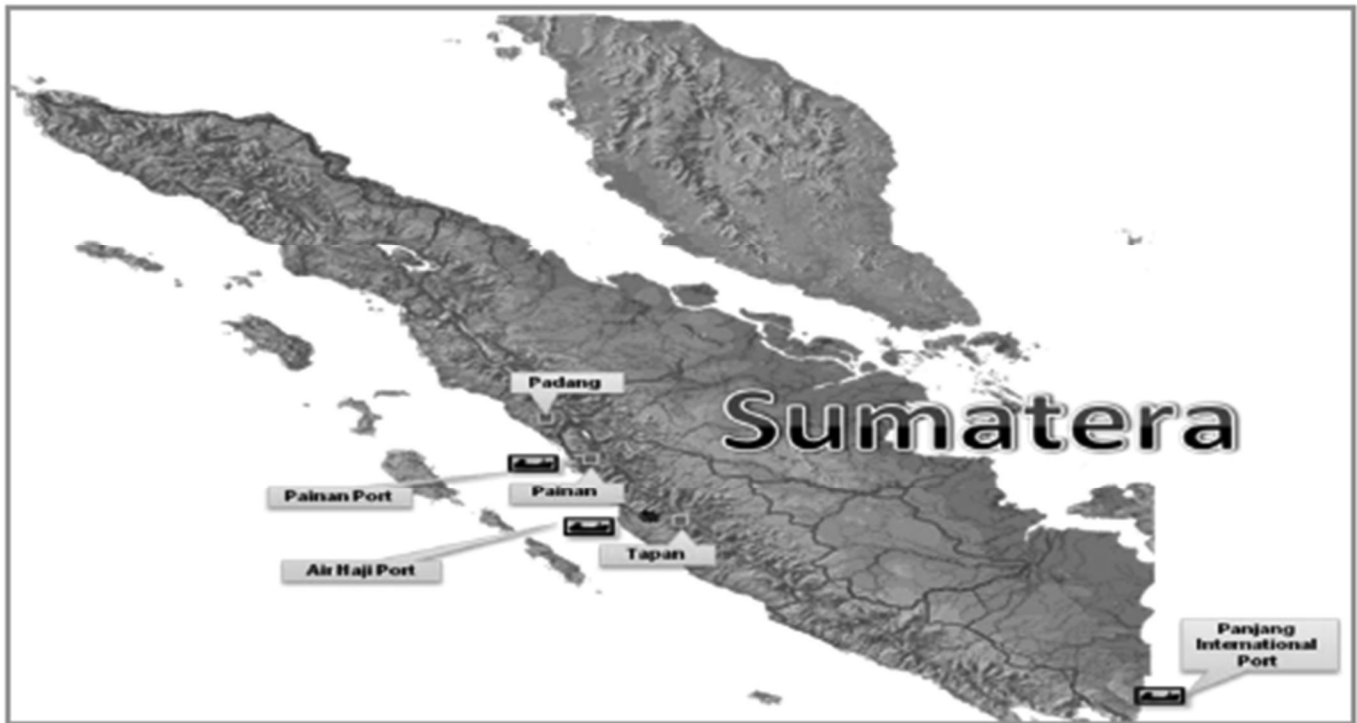


Figure 1: Location map, Tapan Project Sumatra, Republic of Indonesia

4.2 Regional Geology

Sumatra Island is a northwest trending physiographic expression on the western edge of Sundaland, which is a southern extension of the Eurasian Continental Plate. The backbone of the island is formed by the Barisan Range, which runs along the western side dividing the west and the east coasts. The slope towards the Indian Ocean is steep, consequently the west belt is mostly mountainous, with the exception of two lowland embayments in north Sumatra which are about 20 km wide. The eastern belt of the island is covered by broad, hilly tracts of Tertiary sediments and alluvium lowlands.

Sumatra Island is interpreted to be constructed by collision and suturing of discrete microcontinents in late Pre-Tertiary times. At the present-day, the Indian Ocean Plate is being subducted beneath the Eurasian Continental Plate at a rate of between 6 and 7 cm/year. This zone of oblique convergence is marked by the active Sunda Arc-Trench system, which extends for more than 5,000 km, from Burma in the north to where the Australian Plate is in collision with Eastern Indonesia in the south.

The basinal configuration of Sumatra is directly related to the presence of the subduction-induced non-volcanic forearc and the volcano-plutonic backarc, the morpho-structural backbone of the Island.

The Bengkulu Basin is located in the southeast part of the Sumatra Island. It extends from both onshore to the offshore. It generally trends northwest-southeast, parallel to Sumatra Island for about 600 km and 150 to 200 km wide. To the north and northeast lies Barisan Mountain range, while in the south and to the southwest is bounded by islands or slope break of the Sunda Arc Trench System (Figure 2).

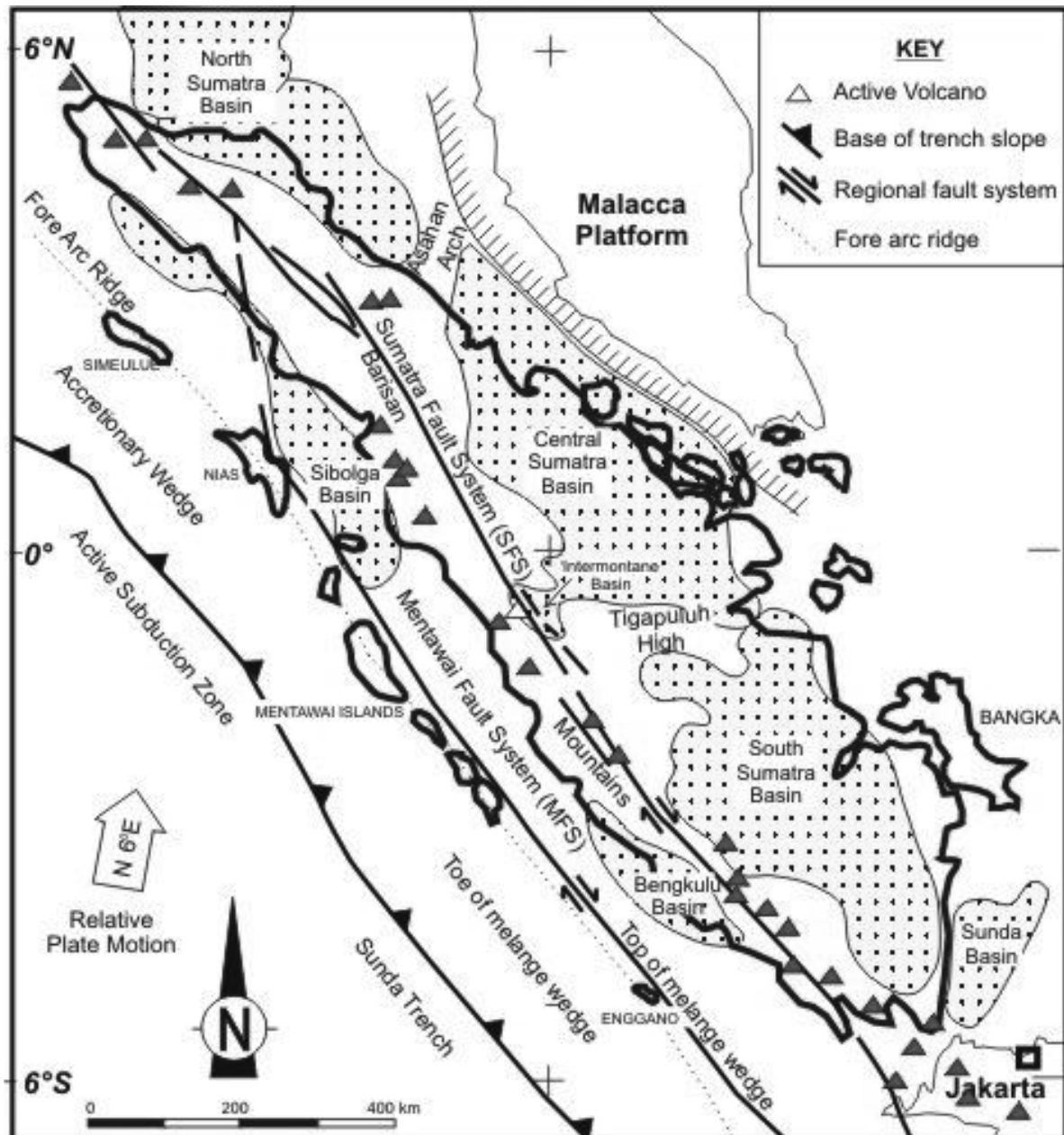


Figure 2: Regional tectonic setting of Sumatra.

The stratigraphy of the onshore Bengkulu Basin composes of a series of Oligo-Miocene up to Pliocene sediments overlaying unconformably the Pre-Tertiary basement complex. Based on few seismic sections and wells drilled in the Bengkulu offshore area known that the sediment thickness is about 4,000 m. The Middle to Late Miocene stratigraphy is represented by the Lemau Formation, which consists of claystones, calcareous siltstones and sandstones, breccias, and thin coal seams and limestones intercalation, containing abundance of small foram and mollusc which was deposited in shallow marine up to transitional zone. This Formation is well exposed in the southern area such as Talang Beringin, Air Keruh, Rantau Panjang, Lubuk Tapi, Batang Rikibesar and Tebing Kekalangan areas. The thickness recorded is +785 m.

4.3 Project Geology.

Dacite and granite igneous rocks provide basement to the coal measures. Extrusion of the dacite postdates deposition of the Lemau Formation and was extruded contemporaneously with intrusion by the granite. The coal is contained within the Middle to Late Miocene Lemau Formation. The basin is traversed by several faults, which have impacted, on the coal deposits. Nine coal seams are recognised within the project area (Table 5). Senior, (2010) considers that eight of these are commercially exploitable by open cut mining.

<i>SEAM</i>	<i>TYPICAL THICKNESS RANGE</i> <i>(m)</i>
I Group (I1 & I2)	0.29-0.49
J Group (J1, J2, & J3)	0.23-0.66
K	0.34-0.55
L Group (L1, & L2)	0.50-0.72
M	0.17-0.59

Table 4: Coal thicknesses within the Tapan Project.

4.4 Previous Exploration

Between December 2009 and March 2010, PT ADA Strategic undertook a detailed exploration programme over an area of about 800 hectares within the Tapan Project Senior, 2010). This work included geological and topographic mapping and drilling. Selective coring of 48 holes was undertaken using Jacroe portable drilling equipment. Lithological and geophysical logging of the core was undertaken and material submitted for coal quality analyses.

During mapping and logging of bore information of these thin coal seams, any zones greater than 0.1m in thickness were excluded from the calculations. Intervals less than 0.2m were not sampled. Coal samples were tested in a laboratory for total moisture, proximate analysis, specific energy, total sulphur and grindability index (Table 6). These analysis show the coal is of medium to high quality. The high total moisture is due to water saturation in cleavages and inherent fractures within some coal seams.

<i>ANALYSIS</i>	<i>RAW COAL QUALITY</i>
Total Moisture (%)	4.0-10.7
Inherent Moisture (%; air dried basis)	3.2-5.5
Volatile matter (%; air dried basis)	35.3-40.3
Ash (%; air dried basis)	5.2-22.1
Fixed carbon (%; air dried basis)	37.3-48.8
Total sulphur (%; air dried basis)	0.56-3.3
Gross Calorific value (Kcal)	5,500-7,060
HGI	34-48

Table 5: Raw coal quality analyses.

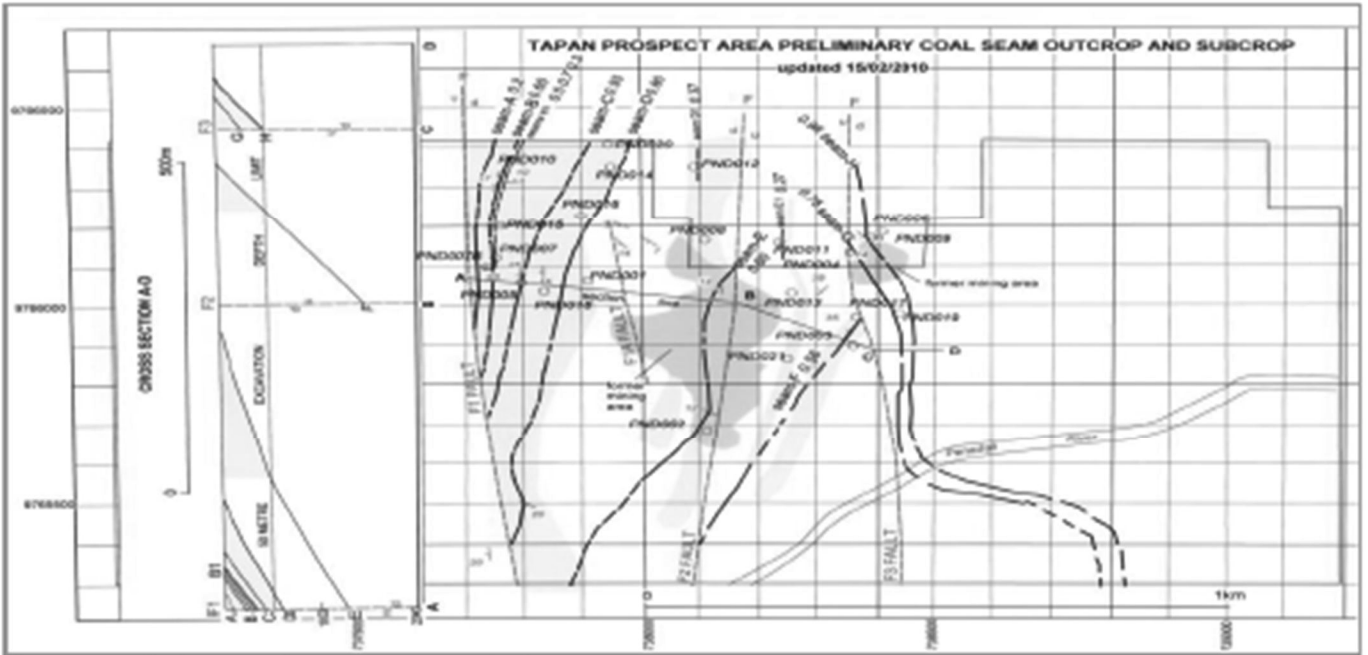


Figure 3: Tapan preliminary coal seam outcrop and subcrop.

4.5 Mineralisation

The Tapan Project hosts a medium to high grade thermal coal resource. Exploration by PT ADA Strategic identified a coal resource within the project area (Figure 3). Their work demonstrated that a JORC compliant coal resource of 9.05 million tonnes (“Mt”) is present within the Project area. Of this resource, 2.15Mt is measured, 1.5Mt indicated and 5.4Mt inferred (Senior, 2010). The Company has defined two initial open pit areas and designed the Western and Central Pits to exploit the coal.

5.0 Valuation of the Project

When valuing any mineral asset/project it is important to consider as many factors as possible that may either assist or impinge upon the current cash value estimates of the mineral asset under consideration. In this Report AM&A considers that the primary features to be taken into account are the Tenement Security; Available Infrastructure; Relevant Expenditure on development, Resource Estimations and the general Geological Setting.

Basically, these “Boxes are Ticked” as described above with regards to tenement security, remote scale infrastructure, previous exploration concepts and a favourable geological environment.

5.1 Selection of Valuation Methods

The following valuation methods, as described above in section 2, are not considered applicable for the respective reasons provided:

- The Discounted Cash Flow method cannot be used for the Project as the lack of mineral reserve estimates precludes a DCF;
- Comparable transactions – with the recent general demise of the exploration industry, through lack of ‘high-risk funds’, this has curtailed much activity thus no similar recent relevant transactions could be located for similar projects.
- Real estate value which is usually based on a value ascribed to varying areas of tenement holdings which may consequently become unrealistic due to the varying areas of projects.
- The MEE method was deemed unreliable due to the lack of work on ten of the licences that have yet to produce JORC Code compliant resource estimates.

Accordingly, the Kilburn method has been adapted as the overriding basis for the estimation of the value. It is noted that Adavale has reached an agreement for the sale of the Tapan Project to a related party for approximately A\$600,000.

5.2 Valuation – Kilburn Method

The data was collected from the GeoActiv report (Senior, 2010) and deemed applicable. The resources have been estimated but the theoretical insitu value is not used here as a valuation method.

Details of the workings of the Kilburn method are summarised in Appendix 1.

Specifications of factors in Appendix 1 are described and highlighted as to why the various factors are selected.

5.3 Valuation Conclusions

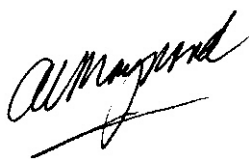
The summary results of the method are presented in Table 2. As stated above the JV method was selected as the most appropriate for valuation estimate purposes based on the JORC Resources (2012) set out in Table 8 and the detailed calculations set out in Appendix 2 based on current industry accepted commodity prices.

LOWER VALUE	UPPER VALUE	PREFERRED VALUE
\$225,800	\$508,050	\$366,925
\$225,800	\$508,050	\$366,925
\$293,247	\$659,805	\$476,526
293	660	477

Table 6: Summary Range of Current Values.

We have reviewed data supplied for the project area. Our analysis of these is presented in table 3. We assign a preferred value of A\$0.477 million to the Tapan Coal Project with a low of A\$0.293 million and a high of A\$0.66 million.

Yours faithfully,



Allen J. Maynard
BAppSc(Geol), MAIG, MAusIMM.

Competent Persons Statement

The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences ("AIG"), a Corporate Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Maynard is the Director and principal geologist of Al Maynard & Associates Pty Ltd and has over 35 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves". (JORC Code). Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

6.0 References

Valuation

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7.0 Glossary of Technical Terms and Abbreviations

Anomaly	Value higher or lower than the expected or norm.
Diamond drill	Rotary drilling using diamond impregnated bits, to produce a solid continuous core sample of the rock.
Dip	The angle at which a rock layer, fault or any other planar structure is inclined from the horizontal.
Fault	A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture.
Intercept	The length of rock or mineralisation traversed by a drillhole.
JORC	Joint Ore Reserves Committee- Australasian Code for Reporting of Identified Resources and Ore Reserves.
Mineralisation	In economic geology, the introduction of valuable elements into a rock body.
Ore	A mixture of minerals, host rock and waste material which is expected to be mineable at a profit.
Outcrop	The surface expression of a rock layer (verb: to crop out).
Primary	Mineralisation which has not been affected by near surface mineralisation oxidising process.
Quartz	A very common mineral composed of silicon dioxide-SiO ₂ .
RAB	Rotary Air Blast (as related to drilling)—A drilling technique in which the sample is returned to the surface outside the rod string by compressed air.
RC	Reverse Circulation (as relating to drilling)—A drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination.
Reconnaissance	A general examination or survey of a region with reference to its main features, usually as a preliminary to a more detailed survey.
Remote Sensing	Geophysical data obtained by satellites processed and presented Imagery as photographic images in real or false colour combinations.
Reserve	In-situ mineral occurrence which has had mining parameters applied to it, from which valuable or useful minerals may be recovered.
Resource	In-situ mineral occurrence from which valuable or useful minerals may be recovered, but from which only a broad knowledge of the geological character of the deposit is based on relatively few samples or measurements.
Shear (zone)	A zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated.
Stratigraphy	The succession of superimposition of rock strata. Composition, sequence and correlation of stratified rock in the earth's crust.
Strike	The direction or bearing of the outcrop of an inclined bed or structure on a level surface.

Abbreviations

g	gram	m ³	cubic metre
kg	kilogram	mm	millimetre
km	kilometre	M	million
km ²	square kilometre	oz	troy ounce
m	metre	t	tonne
m ²	square metre		

Appendix 1: Details of Valuation Estimates.

PROJEC T	Tenements	Equity %	ARE ha	BASIC ACQUISITION COSTS (BAC)						ON PROPERTY		OFF PROPERTY	High	ANOMALIES		GEOLO GY	MARK ET	LOW	High	PREFER RED		
				Ident. \$5,000- \$20,000	Acquisition \$3,000- \$5,000	Holding pa \$2,000- \$10,000	Admin per ha	BAC per ha	Low 1.0- 10	High	Low High			Low High	VALU E						VALU E	
27-Oct- 17																						
RANGE												Low 1.0-6		0.5-5		0.1-3		VALU E	VALU E	VALUE		
TAPAN	1	100	2,054	\$8,000	\$1,690	\$1,600	\$5,000	\$550	4	5	1	1	2	2.5	2.5	3	1	1.2	\$225,800	\$508,050	\$366,925	
Kilburn Factors	ON PROPERTY				OFF PROPERTY				ANOMALIES			GEOLOGY			MARKETS							
Factor	Description				Factor	Description		Factor	Description	Fact or	Description	Fact or	Description	Fact or	Description							
1.0-2.5	Sub-grade intercepts				1.0-1.5	Sub-grade intercepts		0.5- 1.0	Geophysical	0.5- 1.0	Unfavourable	0.1- 1.0	Unfavourable	0.1- 1.0	Unfavourable							
2.0-3.5	Grade intercepts				1.5-2.5	Grade intercepts		1.0- 2.0	Geochemical	1.0- 2.0	Favourable zone	0.9- 2.0	Ave. Demand	0.9- 2.0	Ave. Demand							
3.0-5.0	Inferred Resources				2.0-3.0	Inferred Resources		1.5- 2.5	Coincident	1.5- 2.5	Model fits data	1.5- 2.5	High Demand	1.5- 2.5	High Demand							
4.0-8.0	Measured/Indi cated				2.5-4.0	Measured/Indicated		2.0- 4.0	Strike length	2.0- 4.0	Strike length	2.0- 3.0	Competitive	2.0- 3.0	Competitive							
5.0-8.0	Past Producer				3.0-4.0	Past Producer		3.0-5.0	>3 Zones	2.5- 4.0	Strike length	2.5- 4.0	Strike length	2.5- 4.0	Strike length							
6.0-10.0	Proved/Probabl e				3.0-4.0	Proved/Prob able				3.0- 5.0	>3 Zones											
9.0-10.0	Feasibility Study				3.5-6.0	Feasibility Study																
																	Rounded A\$000		293	660	\$476,526	
																					477	

Adavale Resources Limited

ABN 96 008 719 015

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

ADD

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

XX



Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 9999999

SRN/HIN: I9999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 3.00 pm (AEDT) on Tuesday 28 November 2017

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Adavale Resources Limited hereby appoint

☐ the Chairman of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Adavale Resources Limited to be held at the offices of the Company's share registry Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2000 on Thursday 30 November 2017 at 3.00pm (AEDT) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Item 2 (except where I/we have indicated a different voting intention below) even though Item 2 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Item 2 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
2	Remuneration Report	☐	☐	☐
3.1	Re-election of Mr Haryono Eddyarto	☐	☐	☐
3.2	Election of Mr Khamtane Signavong	☐	☐	☐
4	Ratification and approval of the issue of Shares	☐	☐	☐
5	Approval for the Issue of Shares under Additional Addchance Loan Facility	☐	☐	☐
6	Additional 10% Placement Capacity	☐	☐	☐
7	Appointment of Auditor	☐	☐	☐
8	Approval for the sale of Tapan Project	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date

ADD

999999A

Adavale Resources Limited

ABN 96 008 719 015

Level 9
115 Pitt Street
SYDNEY NSW 2000
Australia

ADDRM

MR RETURN SAMPLE
123 SAMPLE STREET
SAMPLE SUBURB
SAMPLETOWN VIC 3030

Dear Securityholder,

We have been trying to contact you in connection with your securityholding in Adavale Resources Limited. Unfortunately, our correspondence has been returned to us marked "Unknown at the current address". For security reasons we have flagged this against your securityholding which will exclude you from future mailings, other than notices of meeting.

Please note if you have previously elected to receive a hard copy Annual Report (including the financial report, directors' report and auditor's report) the dispatch of that report to you has been suspended but will be resumed on receipt of instructions from you to do so.

We value you as a securityholder and request that you supply your current address so that we can keep you informed about our Company. Where the correspondence has been returned to us in error we request that you advise us of this so that we may correct our records.

You are requested to include the following;

- > Securityholder Reference Number (SRN);
- > ASX trading code;
- > Name of company in which security is held;
- > Old address; and
- > New address.

Please ensure that the notification is signed by all holders and forwarded to our Share Registry at:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Victoria 3001
Australia

Note: If your holding is sponsored within the CHESS environment you need to advise your sponsoring participant (in most cases this would be your broker) of your change of address so that your records with CHESS are also updated.

Yours sincerely,

Adavale Resources Limited