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FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2021

ABN 96 008 719 015

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Nickel Exploration Tanzania 100%

Overview

During the half year ended 31 December 2021, the Company completed a total of 18 holes (Diamond Drilling (DD) and Reverse Circulation (RC)) totalling 4,448m over its southern prospecting Licences, known as Kabanga West, North, Northeast and East.

The program consists of an initial circa 3,000m of DD across 4 of the 7 licenses and this initial drill program has been an invaluable exercise for the Company. All holes of the initial 8-hole program completed to date intersected broad intervals of metapelite that contained numerous thin sulphide rich veins in places.

It has enabled the testing of targets and more importantly evaluating the target selection criteria that has been refined to included ground based gravity surveys, together with RC drilling that have and will be used to identify the next generation of drill targets for the Company,

The RC programs drill hole at Target 7 successfully intersected a previously unknown mafic-ultramafic body containing fine grained, pyrrhotite dominant, disseminated sulphides over much of its length.

During the half year period the Company executed a binding farm-in agreement for 2 Prospecting Licences (**Luhuma Nickel Project**) with significant nickel sulphide exploration potential contiguous to Adavale's Kabanga Northeast licence and total 99km² and brings Adavale's total exploration area to 1,243km². (see Figure 1)

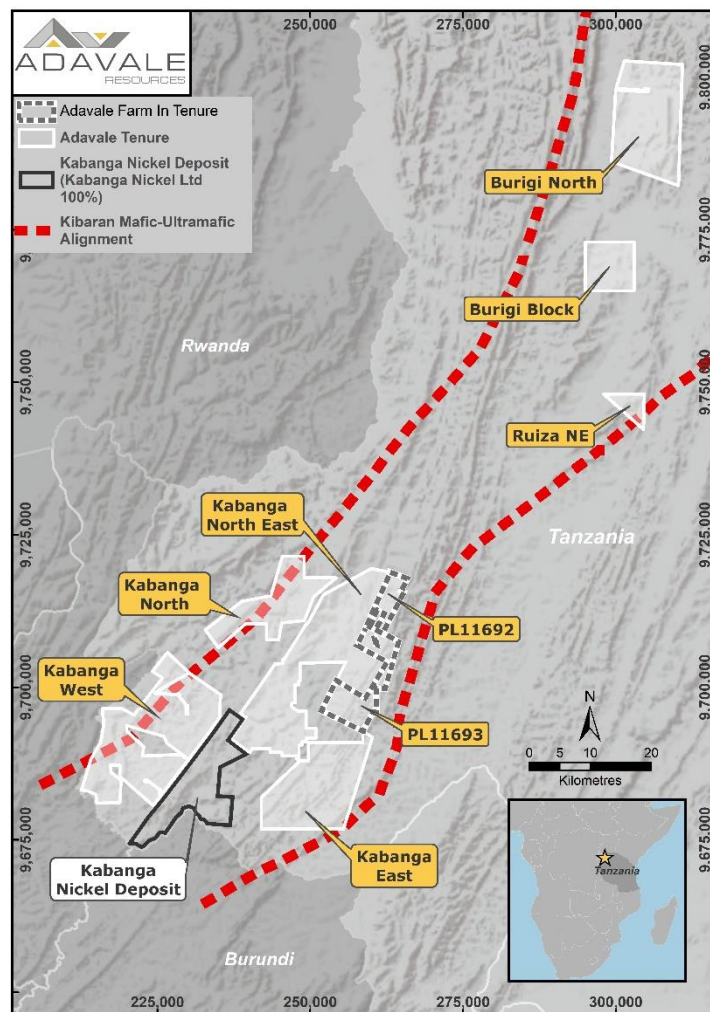


Figure 1. Adavale's Prospecting Licence and Luhuma Farm In tenure, Tanzania

Kabanga Jirani Nickel Project (Tanzania – 100%)

The Kabanga Jirani Nickel Project that comprises 7 licenses have the potential to contain high-grade Ni-Cu-Co-Cr-PGE sulphide deposits like the Kabanga Nickel sulphide deposit. They are located within the Karagwe-Ankole Belt which is known to host layered Mesoproterozoic (1.6-1Ga) mafic ultramafic intrusions which have intruded into sulphide rich sediments facilitating the process of sulphide saturation which is partly what enables nickel sulphide deposits to form.

The project lies adjacent and along strike from Kabanga Nickel Project, the world's largest to be developed high-grade Ni-sulphide resource of 58Mt @ 2.62% Ni. A summary of the drilling and priority targets is shown below in Figure 2.

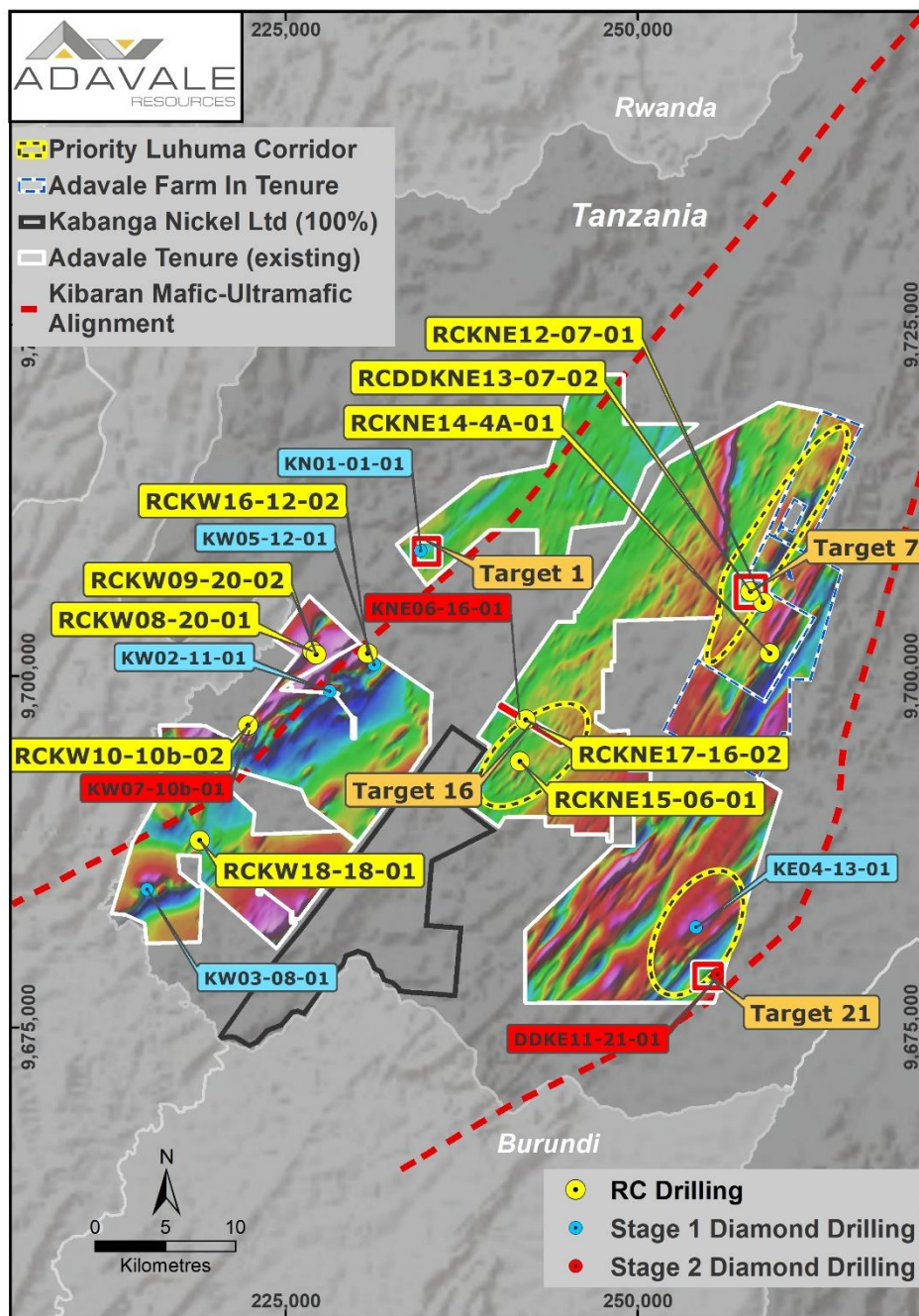


Figure 2. DD and RC drill hole collar locations and key target areas in proximity to Luhuma corridor

Drill hole RCDDKNE13-07-02 at Target 7 on Adavale's Kabanga Northeast Licence was collared to test a recently identified, partially defined strong gravity anomaly. From a depth of 83m to the end of hole depth at 330.9m, the drill hole intersected a previously unknown mafic-ultramafic body containing fine grained, pyrrhotite dominant, disseminated sulphides over much of its length. Two zones containing more elevated concentrations (~10%) of disseminated and blebby sulphides were intersected between 148 to 161m and 172 to 182m (Figures 3 & 4) and fine disseminated sulphides ranging to ~5% from 240m to 330m.

Visual mineralogical logging suggests the mafic body intersected by the drill hole is a medium-grained, olivine gabbro to gabbro-norite, rock types commonly associated with Nickel sulphide (NiS) deposits in layered mafic-ultramafic complexes. The core is locally serpentinised and strongly magnetic providing further evidence of the primitive (olivine bearing) nature of the parental magma.

Portable XRF readings performed on the drill core returned MgO values ranging on average between 10% to 24%. Nickel readings typically ranged between 500ppm to 0.9% over most of the core and an individual high reading of 1.7% Ni was recorded on a coarse blebby sulphide.

The primary aim of drill hole RCDDKNE13-07-02 was to determine if the source of the strong gravity anomaly at Target 7 was due to a mafic-ultramafic body which has been confirmed to be the case (Figure 4).



Figure 3 - Disseminated sulphides within the 148 to 161m interval on the broken face of the core and coarser sulphides between 130.2 and 132m shown on the left



Figure 4 - Disseminated Sulphides over the 148 to 161m interval. The top image has disseminated sulphides throughout. The bottom image is zoomed in to a portion of the core to make them more visible.



Image 1 – RC drill rig setting up at Target 20



Image 2 – RC drilling operations underway at Target 20



Image 3 – RC logging and sampling at Target 20

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Gravity Surveys

During the half year, the Company initiated gravity surveys to provide an additional vector in the selection and prioritisation of targets for testing.

The gravity survey results have identified 14 targets for possible drill testing which are being refined and prioritised for future drilling programs.

Luhuma Nickel Project (Tanzania - Farm-In to acquire up to 100%)

In December 2021, the Company executed a binding farm-in agreement for 2 licences being PL11692/2021 and PL11693/2021 (**Luhuma Nickel Project**) with significant nickel sulphide exploration potential (*see Figure 2*). The licences are contiguous to Adavale's Kabanga NE licence and total 99km² and brings Adavale's total exploration area to 1,243km².

Geological Prospectivity

The tenements encompass the under-explored Luhuma layered mafic-ultramafic intrusion (**LMUI**) located within the Karagwe-Ankole Belt and adjacent to the Company's existing Kabanga NE prospecting licence.

Little if any modern exploration has been conducted at Luhuma since the late 1990's when BHP Minerals abruptly terminated their activities in Tanzania due to the conflict in neighbouring Burundi.

Work completed to date suggests the LMUI is potentially a significant layered intrusion up to 4km long based on gravity and airborne EM (see Figure 5).

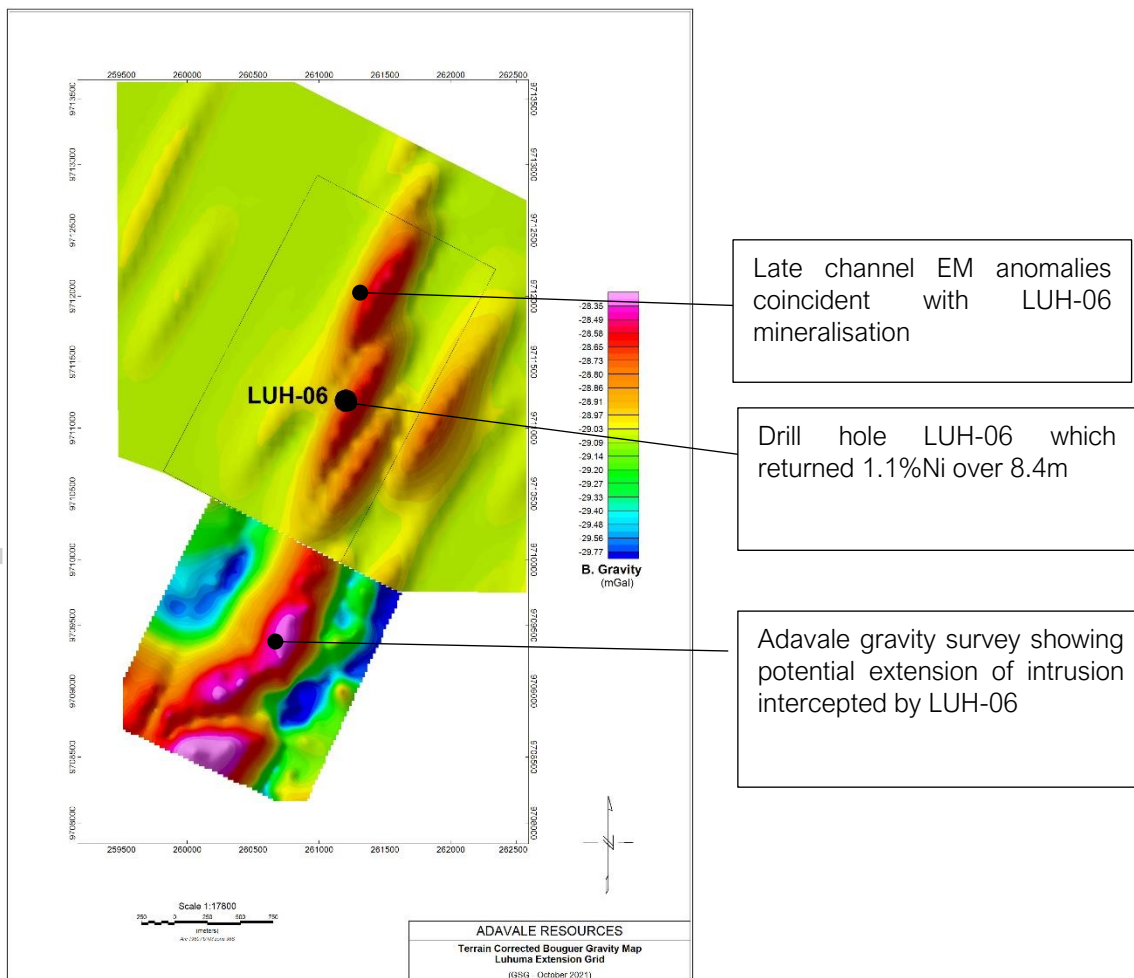


Figure 5 - Late channel EM (BHP data) merged with Adavale gravity show the potential extension of the Luhuma intrusion from LUH-06 to the south

Historical exploration at Luhuma was largely limited to a reconnaissance stream sediment sampling program by the United Nations Development Program (UNDP) between 1974 and 1979 and regional airborne GEOTEM, stream sediment, soils and rock chip sampling surveys completed by BHP Minerals (BHP) during the 1990's.

BHP did drill several holes at Luhuma including LUH06 which returned a massive sulphide intersection of 8.4m grading 1.1% Ni. Hole LUH06 is within a 3.74 km² area known as PL 6173/2009 and currently held by the Tanzanian Government which is surrounded by the PL 11692/2021 licence that Adavale can farm into under the new Agreement.

The LUH06 intersection at Luhuma provides strong evidence that the LMUI is a mineralized system requiring further, more modern exploration including gravity surveys which are now available to unlock its potential. Adavale is not aware of any data to suggest the intersection in LUH06 was ever followed-up in any significant way and looks forward to the challenge of exploring this exciting opportunity. The terms of the commercial arrangement were detailed in ASX release dated 15 December 2021 "Highly Prospective Nickel Sulphide Tenure Expanded".

Competent Persons Statement

The information in this release that relates to "exploration results" for the Kabanga Jirani Nickel and Luhuma Nickel Project is based on information compiled or reviewed by Mr David Dodd of MSA, South Africa. Mr Dodd is a consultant for Adavale Resources Limited and is a member of the SACNASP. Mr Dodd has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration as well as to the activity that is being undertaken to qualify as a Competent Person under the ASX Listing Rules. Mr Dodd consents to this release in the form and context in which it appears.

Uranium 100% South Australia

Overview

During the half year, the Company commissioned a Helium survey for target selection and completed a gamma survey and rock chip and general reconnaissance program to lay the foundation for future exploration activities.

Lake Surprise Uranium Project (South Australia – 100%)

The Lake Surprise Uranium Project consists of three 100% owned exploration license in South Australia, situated 550kms north of Adelaide, 75 kms east of Marree. The Licences sit within part of the highly prospective sedimentary uranium province within the northern part of the Lake Frome Embayment.

These tenements lie within a flat, semi-arid landscape located just to the north of the Flinders Range in South Australia. These include EL 5892 comprising 92km², EL 5893 comprising 167km² and EL 6598 of 137km².



Figure 6 - Location of Adavale's Lake Surprise Uranium Project in South Australia

The Lake Surprise Project area contains the Jubilee and Mookwarinna Prospect areas, and these lie within a shallow, structural feature known as the Clayton Basin. If further exploration identifies economic resources, both prospects could be mined by shallow open cut methods and uranium extraction using a simple heap-leach process.

Helium Study and Gamma Survey

The recent helium study from satellite imagery shows several anomalies coincident with gamma anomalies and better defined the uranium targets for exploration. The correlation between helium and uranium occurrences are supported by known neighbouring Uranium deposits.

Subsequent to the helium study a gamma survey was completed was over 400km line-kilometres at Lake Surprise Uranium Project during the half year. The survey targeted the strongest gamma signals at the surface to better define the extent of the anomalies and provide targets for rock chip sampling.

The gamma anomaly appears to be hosted in the silicified sediments of a paleochannel system that discharged from the northern Flinders Ranges. This area is known to have fertile granites that are the source of uranium for systems. See Figure 7.

Original regional anomalies have now expanded to encompass a significantly larger (1.8km x 8km) and stronger radiometric anomaly, which is also coincident with a recently identified helium anomaly survey.

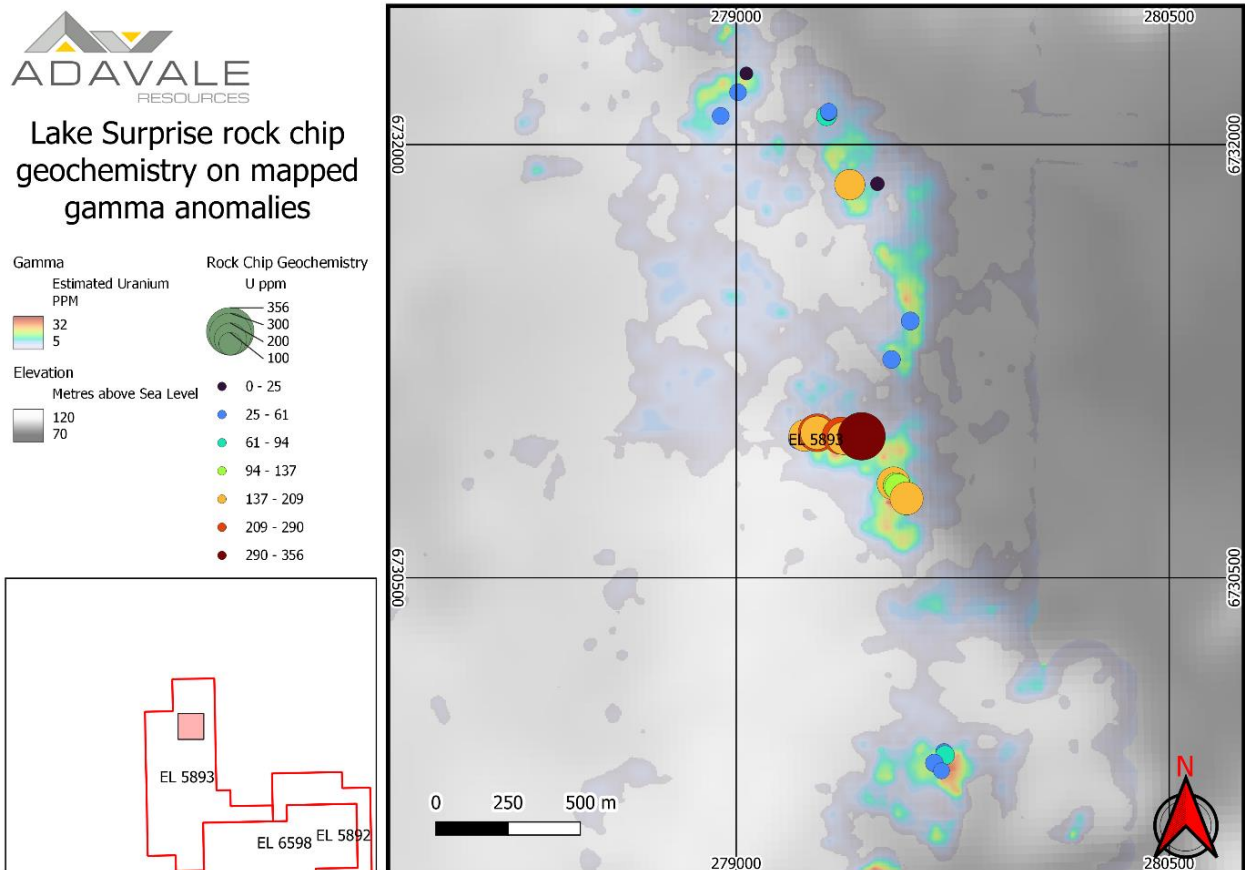


Figure 7 - Image of the processed data from the gamma survey highlighting zones of anomalously high gamma radiation at the surface together with the location of rock chip samples relative to elevated gamma results

Rock Chip Sampling and results

Zones of high gamma radiation defined in the survey were targeted on foot after the data was processed using SAGA GIS. Elevated gamma regions in the processed image turned up as red zones and were identified as the priority targets for the sampling process.

Geochemical Results

The results of the geochemistry from the rock rick samples show uranium levels greater than 100 ppm in 11 out of 28 samples from zones of elevated gamma.

Key Highlights:

- Highest uranium content of 356ppm
- 11 of 28 samples with uranium content above 100ppm – of which 7 are above 200ppm
- Elevated gamma correlating with the uranium in samples

To provide context to the results achieved, the average background levels of uranium in geological units in the Lake Surprise tenements is below 4ppm. This value is estimated from the gamma spectrometer data and is in line with the global average for shales and mudstones (between 0.9 and 3.7ppm), and which make up most of the stratigraphic units (rock types) within the tenement package. The rock chip data collected shows that the uranium content of the silcrete is between 20 and 95 times the background levels and is coincidental with the zones of high gamma. The details were release to market on 7 January 2022 ASX release "Lake Surprise Uranium Geochemistry Results".

The data obtained and results generated so far is highly encouraging and provides a robust dataset to begin thoroughly and systematically exploring the tenement package at Lake Surprise.

Competent Person Statement

The information in this release that relates to "exploration results" for the Lake Surprise Uranium Project is based on information compiled or reviewed by Mr Patrick Harvey MAppSci, Australia. Mr Harvey is a consultant for Adavale Resources Limited and is a member of the AIG. Mr Harvey has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration as well as to the activity that is being undertaking to qualify as a Competent Person under the ASX Listing Rules. Mr Harvey consents to this release in the form and context in which it appears.

CORPORATE

Board and Management Changes

In July 2021, Mr John Hicks and Mr David Riekie joined Adavale Resources Limited as Non-Executive Director.

Mr John Hicks is a geologist and nickel sulphide specialist with over 40 years' experience in the exploration and mining sector, including a 15 year tenure as the General Manager of Exploration for Panoramic Resources Limited (ASX: PAN). Prior to Panoramic, John held various roles with several notable mining companies including Australian Consolidated Minerals Limited, and WMC Limited. John's nickel career highlights include senior exploration and development roles for the Mount Keith, Silver Swan, Lanfranchi and Savannah nickel projects. During his tenure at Panoramic Resources, John was instrumental in discovering the komatiite hosted Deacon orebody at Lanfranchi and the intrusive hosted Savannah North nickel orebodies, in Western Australia.

Mr Riekie is an experienced director who has operated as an Executive and Non-Executive of numerous ASX listed companies. Mr Riekie holds a Bachelor of Economics and a Graduate Diploma of Accounting from Flinders University and has been a member of the Australian Institute of Chartered Accountants since 1986. His career has spanned multiple continents and within Africa, Namibia, Tanzania, Eritrea, South Africa, DRC and Mozambique are notable. He has overseen exploration and resource development, scoping and feasibility studies, production optimisation, stakeholder engagement, acquisition programs and expansion initiatives.

Mr Riekie most recently has served on the Boards of remote power generation and energy solutions specialist Zenith Energy Limited (ASX: ZEN), independent uranium producer Paladin Energy Limited (ASX: PDN)). David also served as interim CEO to Poseidon Nickel Limited (ASX: POS).

On 1 January 2022, Mr David Riekie transitioned from a non-executive to an Executive Director role for Adavale Resources Limited.

During the half year, Mr Leonard Math was appointed as Chief Financial Officer and Company Secretary, replacing the retiring Geoff Brayshaw. Mr Math graduated with a Bachelor of Business (Double Major in Accounting & Information Systems) from Edith Cowan University in 2003 and became a Chartered Accountant in September 2008. He has held multiple Director, CFO and Company Secretary roles in the resource sector, most recently being with Okapi Resources Limited and AVZ Minerals Limited, the latter giving him exposure to working in Africa.

On 1 September 2021, Mr Gerald Mturi was appointed as General Manager to manage Adavale's operations in Tanzania. Gerald, a Tanzanian citizen, is a qualified accountant, having commenced his career in 1996 with global energy company Total. He's held the positions of Senior Mine Accountant and Country Manager for Resolute Mining Limited in Tanzania and more recently has been the Executive Secretary of the Tanzanian Chamber of Mineral and Energy.

Mr Stergios Georgiadis, Mr Rod Chittenden and Mr Julian Rockett resigned from Adavale as Non-Executive Director and Company Secretary respectively during the half year.

Capital Raising

In October 2021, the Company completed a placement of \$2.09m (before costs) via a share placement to sophisticated and professional investors through the issue 38,000,000 new fully paid ordinary shares at 5.5 cents per share ("Placement").

Existing shareholders were given the opportunity to participate in the same terms through a Share Purchase Plan ("SPP") which closed successfully in November, raising \$1.34m.

The total amount raised from the Placement and SPP (\$3.43m) fully funded the current maiden drilling program on the Company's flagship project – the Kabanga Jirani Nickel Project. Funds raised will also be used to accelerate the exploration program at the Kabanga Jirani Nickel Project and the Lake Surprise Uranium Project.

Euroz Hartleys Limited acted as Lead Manager to the Placement.

Your directors submit their interim report on the consolidated financial statements of Adavale Resources Limited ("Adavale" or the "Company") and the entities it controlled (the "Group") at the end of, or during, the half-year ended 31 December 2021.

DIRECTORS

The following persons were directors of the Company during the whole of the financial period and up to the date of this report unless otherwise indicated:

Board of Directors

Grant Pierce – Non-Executive Chairman

David Riekie – Executive Director (Appointed as Non-Executive Director on 28 July 2021, Executive Director on 1 Jan 2022)

John Hicks – Non- Executive Director (Appointed on 7 July 2021)

Rod Chittenden – Non-Executive Director (Resigned on 26 October 2021)

Stergios Georgiadis – Non-Executive Director (Resigned on 28 July 2021)

Chief Executive Officer

Allan Ritchie

Chief Financial Officer and Company Secretary

Leonard Math (Appointed on 1 October 2021)

Geoff Brayshaw (CFO – Resigned on 1 October 2021)

Julian Rocket (Company Secretary and In-house Counsel – Resigned on 8 October 2021)

PRINCIPAL ACTIVITIES

The Company is in the business of mineral exploration for Nickel in Tanzania and Uranium in South Australia. The Company's primary aim in the near-term is to explore for, discover and develop nickel and uranium deposits on the mineral exploration projects in Tanzania and South Australia.

The Group has also been actively reviewing additional projects or mineral resources investment opportunities that would create wealth for the Group and its shareholders.

FINANCIAL REVIEW

The Group result for the financial period ended 31 December 2021 was a loss after tax of \$2,787,020 (December 2020: \$837,188).

EARNINGS PER SHARE

The basic loss per share for the period ended 31 December 2021 was 0.90 cents (December 2020: 0.44 cents).

LIKELY DEVELOPMENTS

Adavale's focus over the next financial year will be carry out early stage exploration works on its mineral resource projects (Nickel and Uranium) and to review additional projects that may be presented to the Group.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Mr John Hicks and Mr David Riekie were appointed as Non-Executive Directors on 7 July 2021 and 28 July 2021 respectively.

Mr Stergios Georgiadis and Mr Rod Chittenden resigned as Non-Executive Director on 28 July 2021 and 26 October 2021 respectively.

There were no other significant changes in the state of affairs of the Group during the financial period.

SUBSEQUENT EVENTS

On 1 January 2022, Mr David Riekie was appointed as Executive Director.

On 14 January 2022, the Company issued 1,112,644 fully paid ordinary shares in lieu of cash remuneration to directors and executives for previous months owed. The Company also issued 9,000,000 Unlisted Options exercisable at \$0.15 each expiring 13 January 2025 and 17,000,000 Performance Rights to directors and executives as approved by shareholders at the 2021 Annual General Meeting.

On 20 January 2022, 1,620,000 Performance Rights have expired.

In February 2022, the Company completed the Stage 1 "Luhuma Nickel Project" Farm-In consideration comprising US\$25,000 cash payment and the issue of 1,778,458 fully paid ordinary shares to the value of US\$50,000. Adavale now has immediate and exclusive rights to explore and evaluate the Luhuma licenses for a minimum period of 12 months.

Other than disclosed above, no matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in the subsequent financial year.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 31 December 2021 has been received and forms part of the Directors' report and can be found on page 14 of the financial report.

Signed in accordance with a resolution of the directors made pursuant to s 298(2) of the Corporations Act 2001.

On behalf of the Directors.



David Riekie
Executive Director

11 March 2022
Perth, Western Australia

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Adavale Resources Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia
11 March 2022

B G McVeigh
Partner

hlb.com.au

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Adavale Resources Limited
Consolidated Statement of Comprehensive Income
For the period ended 31 December 2021

	Note	31 Dec 2021 \$	31 Dec 2020 \$
Revenue			
Other revenue		-	11,602
Gain from foreign exchange		19,374	-
Expenditure			
Insurance		(16,564)	(14,053)
Share registry fees		(112,529)	(83,554)
Administration and corporate		(307,830)	(164,720)
Share based payments	3(b)	(226,625)	(42,120)
Legal expenses		(6,207)	(36,000)
Interest expense – convertible loan		-	(33,314)
Interest expense		(2,282)	(486)
Exploration and evaluation expenditure		(2,115,020)	(457,006)
Depreciation	2	(8,827)	-
Other expenses from ordinary activities		(10,510)	(17,537)
Loss before income tax		(2,787,020)	(837,188)
Income tax expense		-	-
Loss after income tax from continuing operations		(2,787,020)	(837,188)
Other Comprehensive income			
<i>Items that may be reclassified to profit or loss</i>		-	-
Total comprehensive loss for the year		(2,787,020)	(837,188)
Basic and diluted loss per share attributable to the ordinary security holders of the Company (cents per share)	5	(0.90)	(0.44)

The accompanying notes form part of these consolidated financial statements

	Note	31 Dec 2021 \$	30 June 2021 \$
ASSETS			
Current assets			
Cash and cash equivalents		1,888,034	1,423,263
Other assets		79,185	16,799
Total current assets		<u>1,967,219</u>	<u>1,440,062</u>
Non-current assets			
Property, plant & equipment	2	91,871	32,685
Total non-current assets		<u>91,871</u>	<u>32,685</u>
Total assets		<u>2,059,090</u>	<u>1,472,747</u>
LIABILITIES			
Current liabilities			
Trade and other payables		220,390	474,830
Total current liabilities		<u>220,390</u>	<u>474,830</u>
Total liabilities		<u>220,390</u>	<u>474,830</u>
Net assets		<u>1,838,700</u>	<u>997,917</u>
Equity			
Issued capital	3(a)	10,274,059	6,872,881
Reserves	3(b)	471,745	245,120
Accumulated losses		(8,907,104)	(6,120,084)
Total equity		<u>1,838,700</u>	<u>997,917</u>

The accompanying notes form part of these consolidated financial statements

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2021	Issued Capital	Share- based Payments Reserve	Accumulated Losses	Total	
	\$	\$	\$	\$	
<i>Opening Balance – 1 July 2021</i>	6,872,881	245,120	(6,120,084)	997,917	
Loss for the period	-	-	(2,787,020)	(2,787,020)	
<i>Total comprehensive loss for the period</i>	-	-	(2,787,020)	(2,787,020)	
Net issue of shares	3,401,178	-	-	3,401,178	
Share based payments	-	226,625	-	226,625	
<i>Balance as at 31 Dec 2021</i>	<u>10,274,059</u>	<u>471,745</u>	<u>(8,907,104)</u>	<u>1,838,700</u>	
2020	Issued Capital	Equity Component Instrument	Share- based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
<i>Opening Balance – 1 July 2020</i>	2,808,696	299,409	-	(4,373,828)	(1,265,723)
Loss for the period	-	-	-	(837,188)	(837,188)
<i>Total comprehensive loss for the period</i>	-	-	-	(837,188)	(837,188)
Net issue of shares	4,001,334	-	-	-	4,001,334
Share based payments	-	-	245,120	-	245,120
<i>Balance as at 31 Dec 2020</i>	<u>6,810,030</u>	<u>299,409</u>	<u>245,120</u>	<u>(5,211,016)</u>	<u>2,143,543</u>

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	Notes	31 Dec 2021 \$	31 Dec 2020 \$
Cash flows from operating activities			
Payments to suppliers and employees		(489,461)	(227,006)
Payments to exploration and evaluation expenditure		(2,277,334)	(176,350)
Net cash outflows from operating activities		<u>(2,766,795)</u>	<u>(453,356)</u>
Cash flows from investing activities			
Payments of property, plant and equipment		(68,012)	-
Net cash outflows from investing activities		<u>(68,012)</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from share issue (net of cost)		3,280,206	2,660,867
Net cash inflows from financing activities		<u>3,280,206</u>	<u>2,660,867</u>
Net (decrease) increase in cash and cash equivalents held		445,399	2,207,511
Cash and cash equivalents at the beginning of the period		1,423,263	85,648
Foreign exchange differences		19,372	-
Cash and cash equivalents at the end of the period		<u>1,888,034</u>	<u>2,293,159</u>

The accompanying notes form part of these consolidated financial statements

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed interim report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by Adavale Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2021.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period, the Group adopted the following Accounting policies:

Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Adavale Resources Limited ("company" or "parent entity") as at 31 December 2021 and the results of all subsidiaries for the period. Adavale Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are entities the parent controls when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

(i) *Subsidiaries (continued)*

The acquisition method of accounting is used to account for business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Standards and Interpretations applicable to 31 December 2021

In the half-year ended 31 December 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting period beginning on or after 1 July 2021.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations on issue not yet adopted that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 January 2022.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Company and therefore no material change is necessary to Group accounting policies.

Going Concern Basis of Accounting

The Group is at the exploration and evaluation phase of each of its mining tenements. The Group has incurred a loss from continuing operations for the period of \$2,787,020. The Group had a cash outflow from operating activities of \$2,766,795, while over the same period raised an amount of \$3,280,206 cash (net of cash costs) from placement of shares and payment of certain services by way of share issue. At year end, the Group's cash reserves were \$2,063,034, complemented by an undrawn Share Subscription Agreement facility of \$175,000. Current assets exceeded current liabilities by \$1,838,700. The Group is committed to payments to maintain rights to perform its continuing exploration and evaluation activity in the Kabanga Jirani Nickel Project and the Luhuma Nickel Project in Tanzania and the Lake Surprise uranium project in South Australia which entails continued cash outflows from operating activities in the next financial year.

Funding will come from the utilisation of existing cash facilities, the existing Share Subscription Agreement from LKC Technology Pty Limited and future capital raisings when required. On the basis of the above, the Directors consider it is appropriate to prepare the financial statements on a going concern basis. The directors recognise that this represents a material uncertainty as to the Group's ability to continue as a going concern, however they are confident that the Group will be able to continue its operations into the foreseeable future. Should the Group not be successful in obtaining adequate funding, there is a material uncertainty that may cast significant doubt as to the ability of the Group to continue as a going concern and whether it will be able to realise its assets and extinguish its liabilities in the ordinary course of business.

2. PROPERTY, PLANT AND EQUIPMENT

	31 December 2021 \$	30 June 2021 \$
Non-current		
Property, plant and equipment – carrying amount	91,871	32,685
<i>Movement for the period</i>		
Beginning of financial period at cost	35,598	35,598
Additions	68,013	-
Disposal	-	-
End of the financial period at cost	103,611	35,598
Accumulated Depreciation		
<i>Movement for the period</i>		
Beginning of financial period	2,913	-
Depreciation	8,827	2,913
End of the financial period	11,740	2,913
Carrying amount at the end of the financial period	91,871	32,685

3. CONTRIBUTED EQUITY

	31 December 2021 \$	30 June 2021 \$
(a) Share capital		
351,019,159 ordinary fully paid shares (June 2021: 286,813,995)	10,274,059	6,872,881
	31 December 2021	
	Number of shares	\$
Movements in share capital for the financial period		
<i>Balance at beginning of the financial period</i>	286,813,995	6,872,881
<i>Issued during the period:</i>		
Placement at 5.5 cents per share	38,000,000	2,090,000
Share Purchase Plan at 5.5 cents per share	24,372,656	1,340,500
Shares issued in lieu of fees	1,832,508	120,972
Share issue cost	-	(150,294)
<i>Balance at end of the financial period</i>	351,019,159	10,274,059
(b) Reserves		
	31 December 2021 \$	30 June 2021 \$
Share based payments reserve	471,745	245,120
<i>Movement for the period</i>		
Beginning of financial period	245,120	-
Share based payments (options)	126,000	42,120
Share based payments (performance rights)	100,625	203,000
End of the financial period	471,745	245,120

Equity Component Reserve

The Equity Component Reserve recognised the equity component of the Compound Financial Instrument when initiated. During previous financial year ended 30 June 2021, the related Convertible Note was repaid by way of issue of fully paid ordinary shares, and consequently the related reserve of \$299,409 has been transferred against accumulated losses.

(c) Ordinary Performance rights on issue for the half-year

During the half year, 17,000,000 Performance Rights were granted. The following Performance Rights were granted to Directors and Executives of the Company following shareholders approval at the 2021 Annual General Meeting held on 17 December 2021.

Participants	Class A	Class B	Class C	TOTAL
Grant Pierce	1,000,000	2,000,000	200,000	3,200,000
David Riekie	1,500,000	2,000,000	200,000	3,700,000
John Hicks	1,000,000	2,000,000	200,000	3,200,000
Executives and key consultants	2,250,000	3,250,000	1,400,000	6,900,000

Class A Performance Rights will vest upon the Company achieving and maintaining a share price of \$0.15 or more for a continuous period of 5 trading days on or before 30 June 2023.

Class B Performance Rights will vest upon the Company announcing a Maiden JORC (2012) Inferred Resource of at least 1Mt of Ni at a minimum grade of 1.5% Ni on the Kabanga Jirani Nickel Project on or before 31 December 2023.

Class C Performance Rights will vest upon the Company announcing a Maiden JORC (2012) Inferred Resource of at least 5Mlbs of U₃O₈ at a minimum grade of 300ppm U₃O₈ on the South Australian Uranium Project on or before 31 December 2023.

Share based payments – performance rights expense for the period

	Class A	Class B	Class C
Number Issued	5,750,000	9,250,000	2,000,000
Expiry Date	30 June 2023	31 Dec 2023	31 Dec 2023
Grant Date	17 Dec 2021	17 Dec 2021	17 Dec 2021
Volatility	93%	-	-
Risk Free Rate (%)	0.4549%	-	-
Underlying Fair Value on Grant Date	\$0.0175	\$0.43	\$0.43
Total Fair Value (\$) – Life of rights	\$100,625	-	-
Total Fair Value (\$) – expensed to 31 Dec 2021	\$100,625	-	-
Method of valuation	Hoadley Barrier1 Model and Parisian Model	Share price at grant date with probability estimate of 30%	Share price at grant date with probability estimate of 30%

(d) Options issued during the half-year

During the half year, 9,000,000 Options exercisable at \$0.15 each expiring 13 January 2025 were granted. The Options were granted to Directors and Executives of the Company following shareholders approval at the 2021 Annual General Meeting held on 17 December 2021.

Participants	Options
Grant Pierce	2,000,000
David Riekie	2,000,000
John Hicks	2,000,000
Executives	3,000,000
TOTAL	9,000,000

Share based payments – options expense for the period

	Options
Number Issued	9,000,000
Exercise Price	\$0.15
Expiry Date	13 January 2025
Grant Date	17 December 2021
Volatility	93%
Risk Free Rate (%)	0.4549%
Underlying Fair Value on Grant Date	\$0.014
Total Fair Value (\$) – Life of options	\$126,000
Total Fair Value (\$) – expensed to 31 Dec 2021	\$126,000

4. SEGMENT INFORMATION

The Company has identified its operating segments based on internal reports that are reviewed by the Board and management. The Company operated in one operating segment during the year, being mineral exploration and in two geographical areas, being Australia and Africa. Expenditure, assets and liabilities not directly related to either is referred to as other.

The segment reporting is detailed below:

	Mineral Exploration Australia \$	Mineral Exploration Africa \$	Corporate \$	Total \$
For the half year ended 31 Dec 2021				
Revenue				
Other	-	16,518	2,856	19,374
Total Segment Revenue	-	16,518	2,856	19,374
Segment Result				
Profit/(loss) before income tax	(41,358)	(2,082,488)	(663,174)	(2,787,020)
Income tax expense	-	-	-	-
Net Profit/(Loss)	(41,358)	(2,082,488)	(663,174)	(2,787,020)
Total Segment Assets	-	122,575	1,936,515	2,059,090
Total Segment Liabilities	-	-	(220,390)	(220,390)

	Mineral Exploration Australia \$	Mineral Exploration Africa \$	Corporate \$	Total \$
For the half year ended 31 Dec 2020				
Revenue				
Other	-	-	11,602	11,602
Total Segment Revenue	-	-	11,602	11,602
Segment Result				
Profit/(loss) before income tax	-	(457,006)	(380,182)	(837,188)
Income tax expense	-	-	-	-
Net Profit/(Loss)	-	(457,006)	(380,182)	(837,188)
Total Segment Assets	-	31,344	2,317,213	2,348,557
Total Segment Liabilities	-	(17,363)	(187,651)	(205,014)

5. LOSS PER SHARE

	December 2021 \$	December 2020 \$
<i>(a) Reconciliation of earnings used in calculating loss per share</i>		
(Loss) attributable to the owners of the company used in calculating basic and diluted loss per share	(2,787,020)	(837,188)
<i>(b) Weighted average number of shares used as the denominator</i>		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	310,158,038	190,270,000
Basic and diluted (loss) per share attributable to the ordinary security holders of the Company (cents per share)	(0.90)	(0.44)

6. CONTINGENT LIABILITIES

The Group does not have any contingent liabilities as at the reporting date.

7. COMMITMENTS

There is no material change to the commitments disclosed by the Group in its 30 June 2021 annual report.

8. FINANCIAL INSTRUMENTS

The Directors consider that the carrying values of the financial assets and financial liabilities recognised in the condensed statement of financial position approximate their fair values.

9. RELATED PARTY TRANSACTIONS – PERFORMANCE RIGHTS AND OPTIONS

During the half year and as approved by shareholders as the Company's Annual General Meeting held on 17 December 2021, the Directors and key management personnel were issued the following Performance Rights and Options as an incentive to attract and ensure continuity of service of the related parties as well as remuneration. The Performance Rights have been issued under the Company's Securities Plan with the following vesting conditions.

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Participants	Class A	Class B	Class C	TOTAL
Grant Pierce	1,000,000	2,000,000	200,000	3,200,000
David Riekie	1,500,000	2,000,000	200,000	3,700,000
John Hicks	1,000,000	2,000,000	200,000	3,200,000
Executives and key consultants	2,250,000	3,250,000	1,400,000	6,900,000

Class A Performance Rights will vest upon the Company achieving and maintaining a share price of \$0.15 or more for a continuous period of 5 trading days on or before 30 June 2023.

Class B Performance Rights will vest upon the Company announcing a Maiden JORC (2012) Inferred Resource of at least 1Mt of Ni at a minimum grade of 1.5% Ni on the Kabanga Jirani Nickel Project on or before 31 December 2023.

Class C Performance Rights will vest upon the Company announcing a Maiden JORC (2012) Inferred Resource of at least 5Mlbs of U₃O₈ at a minimum grade of 300ppm U₃O₈ on the South Australian Uranium Project on or before 31 December 2023.

The fair value of the Performance Rights is disclosed under note 3(c).

In addition to the options, the Directors and key management personnel were issued 9,000,000 options with an exercise price of \$0.15 per option expiring 13 January 2025. The fair value of the 9,000,000 options issued is disclosed under note 3(c).

Participants	Options
Grant Pierce	2,000,000
David Riekie	2,000,000
John Hicks	2,000,000
Executives	3,000,000
TOTAL	9,000,000

10. SUBSEQUENT EVENTS

On 1 January 2022, Mr David Riekie was appointed as Executive Director.

On 14 January 2022, the Company issued 1,112,644 fully paid ordinary shares in lieu of cash remuneration to directors and executives for previous months owed. The Company also issued 9,000,000 Unlisted Options exercisable at \$0.15 each expiring 13 January 2025 and 17,000,000 Performance Rights to directors and executives as approved by shareholders at the 2021 Annual General Meeting.

On 20 January 2022, 1,620,000 Performance Rights have expired.

In February 2022, the Company completed the Stage 1 "Luhuma Nickel Project" Farm-In consideration comprising US\$25,000 cash payment and the issue of 1,778,458 fully paid ordinary shares to the value of US\$50,000. Adavale now has immediate and exclusive rights to explore and evaluate the Luhuma licenses for a minimum period of 12 months.

Other than disclosed above, no matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in the subsequent financial year.

In the directors' opinion:

1. the financial statements and notes set out on pages 15 to 25 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Adavale Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Board.



David Riekie
Executive Director

11 March 2022
Perth, Western Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Adavale Resources Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Adavale Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Adavale Resources Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the Group are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
11 March 2022



B G McVeigh
Partner

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