



ACN 008 719 015

**FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 June 2022**

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**ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**

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**FOR THE YEAR ENDED 30 JUNE 2022**

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## ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

### CORPORATE DIRECTORY

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#### **Directors & Management**

Grant Pierce (Chairman)

David Riekie (Executive Director)

John Hicks (Non-executive Director)

Allan Ritchie (Chief Executive Officer)

Leonard Math (Chief Financial Officer & Company Secretary)

#### **Registered Office**

Level 2, 49 Oxford Close,

West Leederville WA 6007

Telephone: (61) 02 8003 6733

Email: [investor@adavaleresources.com](mailto:investor@adavaleresources.com)

#### **Share Registry**

Computershare Investor Services Pty Limited

Level 4, 60 Carrington Street

Sydney NSW 2000

#### **Auditor**

HLB Mann Judd (WA Partnership)

Level 4, 130 Stirling Street

Perth WA 6000

#### **Stock Exchange**

Australian Securities Exchange

20 Bridge Street

SYDNEY NSW 2000

#### **ASX Code**

ADD

REVIEW OF OPERATIONS

NATURE OF OPERATIONS

The principal activity of the Group during the period was mineral exploration in Tanzania and Australia. The following sets out the major changes to the Company from both a corporate and operational perspective during the reporting period and up to the date of the Directors report.

Nickel Exploration - Tanzania

**Kabanga Jirani Nickel Project**

The Kabanga Jirani Nickel Project ("Jirani" or the "Project") that comprises 8 licenses offer potential to contain high-grade Ni-Cu-Co-Cr-PGE sulphide deposits similar to the Kabanga Nickel sulphide deposit. The Project lies adjacent and along strike from Kabanga Nickel sulphide deposit, the world's largest to be developed high-grade Ni-sulphide resource of 58Mt @ 2.62% Ni.

The Licences are located within the provincial scale East African Nickel 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 (See Figure 1).

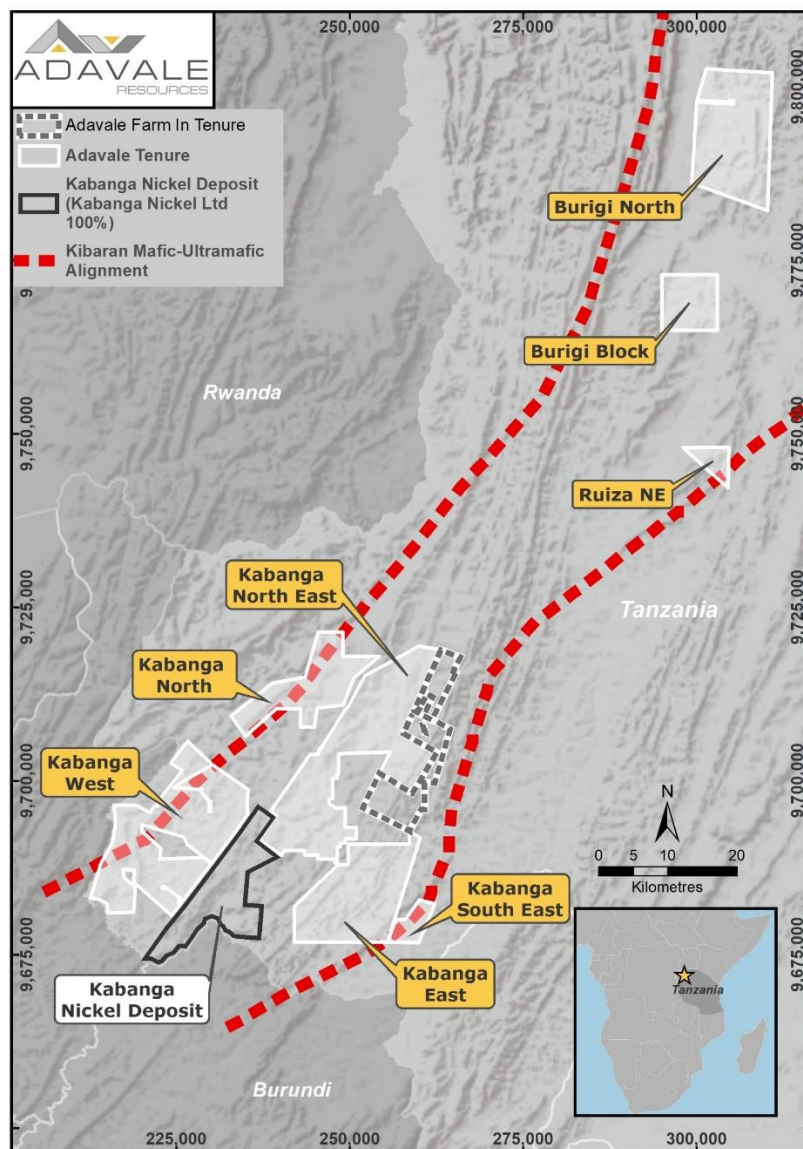


Figure 1: Adavale's nickel licenses in Tanzania.

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In the first half of the financial year, the Company completed a total of 18 holes (DD/RC) totalling 4,448m over the Project. The drilling program consisted of an initial circa 3,000m of diamond drilling and approximately 1,450m of RC drilling across 4 of the 7 licenses. The drill programs have been a useful exercise for the Company, testing targets and evaluating the target selection criteria that has been used to identify the next generation of exploration activities.

*(Refer to Company ASX announcements dated 26 July 2021, 16 September 2021, 1 November 2021 and 16 December 2021 for exploration results).*

Following the maiden drilling campaign completed in 2021 and the initial success on Adavale's Target 7, assisted with gravity targeting, the Company initiated a widespread gravity survey program which commenced in March 2022 encompassing the majority of the southern licence area of the Kabanga Jirani Nickel Project and the farmed-in Luhuma Nickel Project (Luhuma) areas. The gravity survey program involved approximately 24,000 survey stations over an area of ~1,000 km.

The ground-based gravity survey program was completed early July 2022 and identified a total of 32 discrete gravity targets that are interpreted to potentially reflect underlying mafic-ultramafic intrusions which are capable of hosting significant nickel sulphide mineralisation. The combined strike length of the 32 identified gravity targets is approximately 55kms.

*(Refer to Company ASX announcements dated 19 April 2022, 9 June 2022 and 7 July 2022 for gravity survey results).*

The Company has since completed the Helicopter-borne Electromagnetic Survey (HEM) at Jirani and Luhuma Nickel Projects in August 2022. The HEM survey was conducted over 9 high-priority areas, that cover 18 of the 32 gravity anomalies identified from the recently completed ground-based gravity survey.

The HEM surveys were flown by New Resolution Geophysics (NRG) based in Cape Town, South Africa using their high-powered TDEM system which has detected potential EM conductors between 500- 600m below the surface (subject to local ground conditions).

Adavale will rank and prioritise targets for follow-up drill testing which is anticipated to commence in late Q3, 2022.

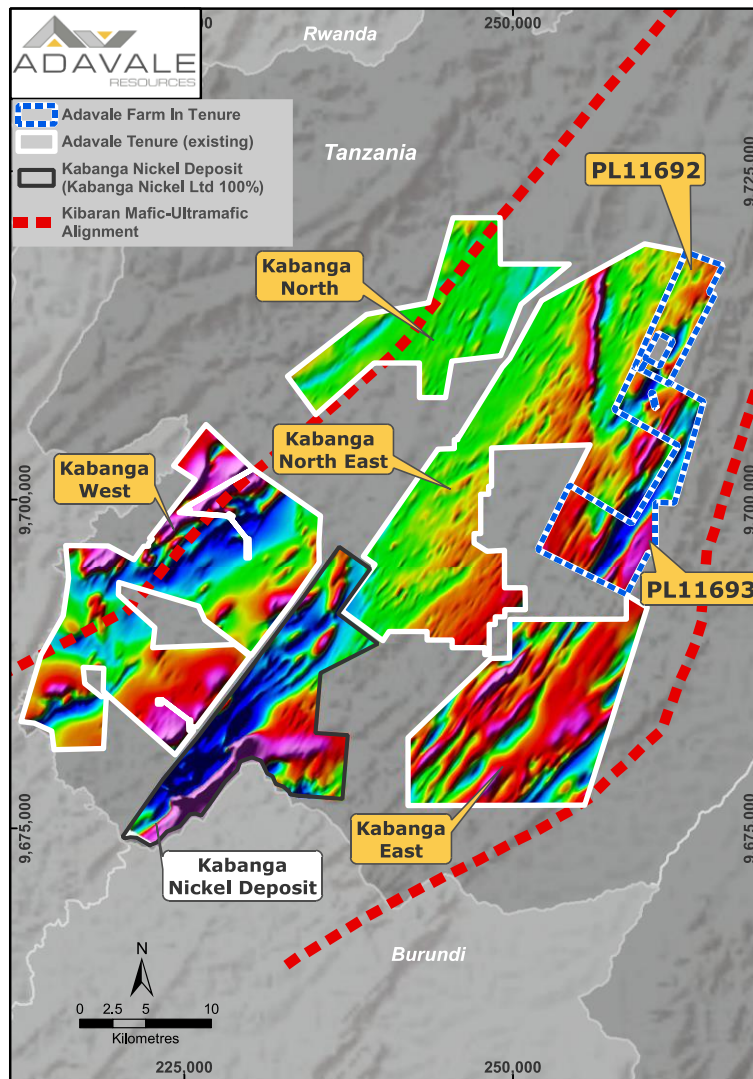
#### **Luhuma Nickel Project (Farm-in – Option to acquire up to 100%)**

During the financial year, the Company executed a binding farm-in agreement for 2 licences 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 99km<sup>2</sup> and brings Adavale's total exploration area to 1,267km<sup>2</sup>.

The tenements encompass the under-explored Luhuma layered mafic-ultramafic intrusion (LMUI) 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 (BHP) terminated their activities in Tanzania due to the conflict in neighbouring Burundi.

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 km<sup>2</sup> area currently held by the Tanzanian Government and which is surrounded by the Luhuma Nickel Project PL 11692/2021

The LUH06 intersection at Luhuma provides strong evidence that the LMUI is a mineralized system that would benefit from modern exploration to unlock its potential.



**Figure 2: Map of Adavale’s existing 4 southern licences and the 2 contiguous Farm-in licences proximal to Kabanga Nickel Deposit**

The Farm- In Agreement is structured as an option, but is in the nature of a farm-in and has 4 stages as per below, payable per licence:

**Stage 1:** Adavale has the immediate and exclusive right to explore and evaluate the licences for 12 months upon payment of US\$12.5k cash - and US\$25k worth of Adavale shares. During the first 12 months Adavale must spend at least the minimum exploration expenditure as required by the Mining Commission which is US\$500 per annum per square kilometre across the 98.89km<sup>2</sup>.

**Stage 2:** If Adavale is satisfied with the exploration results and prospectivity of the licences then on or before the 1st year anniversary Adavale has the right to earn-in 65% ownership of the licences upon paying the vendor US\$25k cash and \$75k worth of Adavale shares. Adavale must continue to spend at least the minimum annual exploration expenditure of US\$500 per square kilometre.

**Stage 3:** If Adavale continues to be satisfied with the exploration results and prospectivity of the licences then on or before the 2nd year anniversary Adavale has the right to earn-in 80% ownership of the licences upon paying the vendor US\$50k cash and US\$112.5k worth of Adavale shares. Adavale must continue to spend at least the minimum annual exploration expenditure of \$500 per square kilometre.

**Stage 4:** If Adavale continues to be satisfied with the exploration results and prospectivity of the licences and has earned in and acquired a total 80% ownership, then Adavale has the right of first refusal to match any independent bona fide arm’s length third party offer to buy out the remaining 20% participating interest in the licences held by the licence holder on or before the 3rd year anniversary from the Effective Date (being the 3<sup>rd</sup> business day after the conditions precedent have been satisfied). If the licence holder wishes to sell the 20% participating interest in

the licence during this period, he must also give notice to Adavale and set out the terms on which he proposes to sell and the parties shall use best endeavours to negotiate agreeable terms.

On estimation of an economic Ore Reserve pursuant to the JORC Code within the Prospecting Licences, Adavale shall use its best endeavors to convert the Prospecting Licences to Mining Licenses. Should an operational mine come into production from such Mining Licenses, the Vendor shall receive a Net Smelter Return of 1.5% from the sale of minerals produced at the mine paid on a monthly basis.

In February 2022, the Company completed the Stage 1 payment including issuing 1,778,458 fully paid ordinary shares in accordance with the agreement.

The company was recently granted a Prospecting License (PL 11886/2022) in south-eastern Tanzania, Nachingwea comprising a 49 km<sup>2</sup> area. No exploration activities have commenced at this stage.

## **Uranium Exploration – South Australia, Australia**

### **Lake Surprise Uranium Project**

The Lake Surprise Uranium Project consists of three exploration licenses 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 60km<sup>2</sup> (reduced from 92km<sup>2</sup>), EL 5893 comprising 167km<sup>2</sup> and EL 6598 of 137km<sup>2</sup>. The Company has recently been advised that it has been granted an additional Exploration Licence EL 6821(714 km<sup>2</sup>).

During the year, the Company completed a 400km gamma survey to better define the extent of the anomalies and provide targets for rock chip sampling.

The results of the gamma survey clearly defined the eastern edge of the gamma anomaly with strong readings up to 10-times the background levels in the uranium channel on the survey spectrometer. The readings are semi-continuous along the strike of the outcropping palaeochannel. The gamma anomaly appears to be hosted in the silicified sediments of a palaeochannel system that discharged from the northern Flinders Ranges. This area is known to have fertile granites that are the source of uranium for systems.

An RS 125 Super Spec handheld gamma spectrometer was used in survey. Results from the handheld spectrometer were significantly above the background radiation levels of 75 CPS and were often 5-40 times the background value. A total of 28 rock chip samples were collected during the field work. The results of the geochemistry show uranium levels greater than 100 ppm in 11 out of 28 samples (7 are above 200ppm) from zones of elevated gamma with the highest uranium content of 356ppm.

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.

*(Refer to ASX announcement dated 17 December 2021 titled, “Majority of Gamma Results Between 5 and 50 Times Background Radiation Levels at Adavale’s Uranium Licences” for full table of the samples collected)*

*(Refer to ASX announcement dated 7 February 2022 titled, “Lake Surprise Uranium Geochemistry Results” for full table of the samples result)*

The key geochemical results received provided the rationale for a high impact, low cost 4,500m Air Core uranium drilling program consisting of up to 150 drill holes (30m average depth).

The Work Area Clearance (WAC) for the air core program was granted in May 2022. The Notice of Access has now been provided to both the Dieri Aboriginal Corporation Board and the Pastoral Lessee regarding the scope and timing of the proposed program. The balance of the environmental management procedures to support drilling campaign are now in process including finalising of the Radiation Management Plan for Exploration of NORM and Completion of Works for Exploration Programs for Environmental Protection and Rehabilitation (PEPR) for approval by the SA Government. The drilling contractor selected is available for the planned duration of works and has the capability to complete the program in a timely and environmentally sensitive manner.

The focus and goal of this program will be the development of a robust dataset that can be used to rapidly convert drilling results into a JORC compliant resource, based on underlying mineralisation and economic quantities in accordance with the JORC 2012 Code. Additional but limited drilling to confirm continuity of results between drill

holes is anticipated however past surface soil and gamma surveys suggest the current target area demonstrates the highest uranium values at surface and shallow mineralisation.

#### **Competent Persons Statement**

The information in this release that relates to “exploration results” for the 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.

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 undertaken 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**

During the financial year, Mr John Hicks and Mr David Riekie joined Adavale as Non-executive Directors on 7 July 2021 and 28 July 2021 respectively. On 1 January 2022, Mr David Riekie transitioned from a non-executive to an Executive Director role for Adavale Resources Limited to support the Company’s operations and expanding exploration activities.

John 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.

David is an experienced director in the capacity of both Executive and Non-executive roles of ASX listed companies. His career has spanned multiple continents. 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.

On 1 September 2021, Mr Gerald Mturi was appointed as General Manager of Adavale’s wholly owned subsidiary, Adavale Resources (TZ) Limited. Gerald 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.

In October 2021, Mr Leonard Math was appointed as Chief Financial Officer and Company Secretary, replacing Mr Geoff Brayshaw (CFO) and Mr Julian Rockett.

Leonard has a Bachelor of Business and is a Chartered Accountant since 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.

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

##### **Capital Raising**

In October 2021, the Company raised \$2.09m (before cost) 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. The Company also launched a Share Purchase Plan (SPP) and successfully raised \$1.34m at 5.5 cents per share in November 2021.

A further capital raise was undertaken in July 2022, comprising a placement to sophisticated investors, small cap funds and family office investors (to raise \$1.8m) and a Rights Issue, (to raise \$1.2m) at 2 cents. Participants of the placement and Rights Issue are to receive a 1 for 3 option exercisable at 3 cents, subject to shareholder approval at a general meeting to be held on 28 September 2022. Funds raised were used to accelerate the exploration programs on the Kabanga Jirani Nickel Project and the Company’s South Australian uranium tenements and for general working capital.



**DIRECTORS' REPORT**

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The Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2022.

**Directors**

The Directors of the Company at any time during or since the end of the financial year are:

**Mr Grant Pierce**  
**Non-Executive Chairman**

*3,966,268 Fully Paid Ordinary Shares*  
*2,000,000 Unlisted Options exercisable at \$0.15*  
*each expiring 13 January 25*  
*188,870 Unlisted Options exercisable at \$0.03 each*  
*expiring 22 September 2023*  
*1,000,000 Performance Rights expiring 30 June 23*  
*2,200,000 Performance Rights expiring 31 Dec 23*

Grant is a qualified mining engineer with 30 years of operating experience in both Australia and Africa. He has managed both open-pit and underground mines across a range of mineral commodities. In addition, he has held numerous senior development roles, taking green and brown field projects to either shovel ready status or into production.

Grant was a member of the development team that built Tanzania's first modern gold mine, Resolute's Golden Pride Project (ASX:RSG) and was Operations Manager of the mine for its first 6 years. Other senior roles include Executive General Manager (Tanzania) for Barrick Gold Corporation (NYSE:GOLD), during which time the Tulawaka Gold Mine was built and subsequently General Manager Operations for Perseus Mining, taking the Edikan Gold Project from the environmental permitting stage to its first gold pour.

Most recently Grant was an Executive Director of EcoGraf Limited (ASX:EGR) and played a pivotal role in the development of the Company, leading to the Company receiving the Epanko Graphite Projects' Environmental Certificate, Mining Licence, delivering the Bankable Feasibility Study and subsequent completion of banking independent due diligence.

Grant has been publicly recognised within Australia and internationally for his philanthropic work with remote communities in developing nations.

Directorships in the last 3 years - EcoGraf Limited (appointed 21 August 2014 - resigned 12 June 2020).

**Mr David Riekie**  
**Executive Director**

*(Appointed as Non-executive Director on 28 July 2021 and*  
*as Executive Director on 1 January 2022)*

*2,333,334 Fully Paid Ordinary Shares*  
*2,000,000 Unlisted Options exercisable at \$0.15*  
*each expiring 13 January 25*  
*111,111 Unlisted Options exercisable at \$0.03 each*  
*expiring 22 September 2023*  
*1,500,000 Performance Rights expiring 30 June 23*  
*2,200,000 Performance Rights expiring 31 Dec 23*

David is an experienced listed company director, in both executive and non-executive roles. His career spans multiple continents including within Africa Namibia, Tanzania, Eritrea, South Africa, DRC and Mozambique. He holds a Bachelor of Economics and a Graduate Diploma of Accounting from Flinders University and has been a member of Chartered Accountants Australia and New Zealand since 1986. David has most recently served on the Boards of Zenith Energy Limited, Paladin Energy Limited and also served as interim CEO to Poseidon Nickel Limited.

David 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.

Directorships in last 3 years – Zenith Energy Limited, Paladin Energy Limited.

**Mr John Hicks**  
**Non-Executive Director**

*(Appointed on 7 July 2021)*

*1,200,162 Fully Paid Ordinary Shares*  
*2,000,000 Unlisted Options exercisable at \$0.15*  
*each expiring 13 January 25*  
*57,151 Unlisted Options exercisable at \$0.03 each*  
*expiring 22 September 2023*  
*1,000,000 Performance Rights expiring 30 June 23*  
*2,200,000 Performance Rights expiring 31 Dec 23*

John 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.

Directorships in last 3 years – nil.

Mr Rodney Chittenden and Mr Stergios Georgiadis resigned as Non-executive Directors on 26 October 2021 and 28 July 2021 respectively.

### Management

#### Mr Allan Ritchie – Chief Executive Officer

Allan graduated from the University of Technology in Sydney in 1986 with a Bachelor of Business and subsequently attained a post graduate Diploma in Applied Finance from the Financial Services Institute of Australia. Allan's distinguished career spans 30 years in both the energy and resources sectors, in investment banking and leadership roles in both private and publicly listed companies.

Allan has served as Non-Executive Director of ASX listed Hydrocarbon Dynamics Limited (HCD:ASX) and previously as Executive Director and Deputy CEO of HK Listed energy group EPI Holdings Limited (0689.HKEX).

Allan's investment banking background includes structuring commercial transactions in the energy and resources sector. Senior roles include positions within Westpac, ANZ Bank, HSBC and BNP Paribas in Australia, London, New York and Asia Pacific.

Allan's career achievements have been recognised several times in BRW's annual poll of bankers.

#### Mr Leonard Math – Chief Financial Officer & Company Secretary

Leonard was appointed as Chief Financial Officer and Company Secretary on 1 October 2022. He is a Chartered Accountant with more than 15 years of resources industry experience. He previously worked as an auditor at Deloitte and is experienced with public company responsibilities including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting and shareholder relations.

Mr Math was the Chief Financial Officer and Company Secretary of one of the largest lithium hard rock deposit, AVZ Minerals Limited (ASX: AVZ) for more than two and a half years. Mr Math also previously held Company Secretary and directorship roles for a number of ASX listed companies. Mr Math is currently the Executive Director and Company Secretary of ASX listed Okapi Resources Limited.

Mr Geoff Brayshaw resigned as Chief Financial Officer on 1 October 2021 and Mr Julian Rockett resigned as Company Secretary and In-house Counsel on 8 October 2021.

### Meetings of Directors

The number of Board meetings held during the financial year and the number of meetings attended by each director.

Director	Eligible to Attend	Attended
Grant Pierce	8	8
David Riekie	6	6
John Hicks	8	8
Rod Chittenden	2	2

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**ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**  
**DIRECTORS' REPORT (CONT)**

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**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.

**Review and Results of Operations**

The activities of the Company during the period under review are set out above in the Review of Operations.

The consolidated loss of the Company from continuing operations was \$4,670,136 which compared with a net loss for the prior year of \$2,045,665.

The loss from Company activities before income tax expense includes the following revenue and expense disclosures which are relevant in explain the financial performance of the entity:

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Revenue from continuing operations	35,338	11,601
Expenses from continuing operations	(4,705,474)	(2,057,266)
<b>Loss from continuing operations</b>	<b>(4,670,136)</b>	<b>(2,045,665)</b>

**Dividends**

No dividends were paid during the financial year and the directors recommend that no dividend be paid in respect of the year ended 30 June 2022.

**Significant Changes in the State of Affairs**

During the year, Mr John Hicks and Mr David Riekie were appointed as Non-executive Directors on 7 July 2021 and 28 July 2021 respectively. Mr Rodney Chittenden and Mr Stergios Georgiadis resigned as Non-executive Directors on 26 October 2021 and 28 July 2021 respectively.

Mr David Riekie transitioned to Executive Director from 1 January 2022.

Mr Leonard Math was appointed as Chief Financial Officer and Company Secretary on 1 October 2021. Mr Geoff Brayshaw resigned as Chief Financial Officer on 1 October 2021 and Mr Julian Rockett resigned as Company Secretary and In-house Counsel on 8 October 2021.

Except as referred to above there have not been any significant changes in the state of affairs of the Company.

**Future Developments**

The Group expects to continue its exploration and evaluation activities in Africa and Australia into the foreseeable future and will examine options for maximising the value of its mineral interests.

**Events Subsequent to Reporting Date**

On 27 July 2022, the Company announced that it has received binding commitments to raise circa \$1.8 million (before costs) (Placement). The Placement will comprise the issue of 90,045,411 new fully paid ordinary shares (Placement Shares) in the Company at an issue price of 2.0c per share as follows:

- Tranche 1 of the Placement will raise circa \$1.6 million by the issue of 80,045,411 shares and will be issued pursuant to the Company's existing placement capacity under ASX Listing Rules 7.1 and 7.1A (Tranche 1); and

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**ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**  
**DIRECTORS' REPORT (CONT)**

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- Tranche 2 of the Placement will raise \$200,000 through the issue of 10,000,000 shares to ADD Directors and selected cornerstone investors, subject to Shareholder Approval which was sought at a General Meeting on 28 September 2022 (Tranche 2).

The Tranche 1 Placement was completed on the 4 August 2022.

In addition to the Placement, the Company has launched a one (1) for six (6) non-renounceable Entitlement Offer to raise a total of c.\$1.2 million (before costs) through the issue of up to 59.6 million new shares (Entitlement Shares) at 2.0c per New Share (Entitlement Offer).

Placement and Entitlements Issue participants will receive one (1) free Attaching Option for every three (3) New Shares subscribed for under the Placement and Entitlement Offer, exercisable at 3.0c each with a 12-month expiry from the date of grant (Attaching Options). The Attaching Options were approved by shareholders at the General Meeting held on 28 September 2022.

On 28 September 2022, shareholders also approved the issue of 5,000,000 Options to Discovery Capital Pty Ltd at \$0.001 per option as part of the Lead Manager fee. The Options are exercisable at \$0.03 each expiring on 3 August 2025.

The Company also intends, subject to ASX approval of the timetable and the issue of a Prospectus in compliance with the Corporations Act, to undertake a loyalty option issue of one (1) option for every ten (10) shares held to all shareholders registered on a record date proposed to be on or around late October 2022 (following completion of Tranche 2) (Loyalty Options). The Loyalty Options will have the same exercise price and expiry date as the Attaching Options.

Except for the above there have been no matters or circumstances which have arisen since the end of the year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

### **Remuneration Report (audited)**

The Directors of Adavale Resources Limited present the Remuneration Report for non-executive directors and key management personnel, prepared in accordance with the Corporations Act 2001 and Corporations Regulations 2001.

The Remuneration Report is set out under the following main headings:

- a. Principles used to determine the nature and amount of remunerations
- b. Details of remuneration
- c. Share based remunerations
- d. Service Agreements
- e. Other Information

#### **(a) Remuneration Policies**

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Company and other executives. Key management personnel comprise of directors of the company and any senior executives of the Group.

The compensation structure takes into account:

- The capability and experience of the key management personnel
- The key management personnel's ability to control the relevant segment performance
- The group's performance including:
  - The group's earning
  - The growth of the share price and delivering constant return to stakeholders

**ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**  
**DIRECTORS' REPORT (CONT)**

Compensation packages may include a mix of fixed and variable compensation and short- and long-term performance-based incentives. Short and long-term performance – based incentives are designed to reward key personnel for meeting or exceeding their financial and personal objectives.

At the Annual General Meeting of 21 December 2020, the shareholders approved the Adavale Securities Plan (ASP). The stated purpose of the Plan is to provide competitive, incentive-based remuneration supporting the retention, incentive and reward functions of that remuneration. The Plan has also been developed to provide a component of Non-Executive Director's remuneration in the form of deferred securities.

During the financial year, 15,000,000 Performance Rights were issued under the ASP to Directors and key management personnel of Adavale following shareholders' approval in the 2021 Annual General Meeting.

With regard to any director's retainer and/or remuneration except as referred to above regarding the issue of incentive rights to the then non-executive directors, there is no relationship between remuneration and performance. Remuneration levels are competitively set to attract and retain qualified and experienced directors, executives and staff, and having regard for the overall performance of the Company. Where necessary the Board obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies and industry surveys. No such advice from a remuneration consultant was requested or received in the current year.

Currently the Company does not have a Remuneration Committee, but the Board establishes and monitors remuneration packages and policies. When appointed, the Board establishes and monitors the remuneration for the Executive Director and/or Chief Executive Officer. During the current financial year, Mr David Riekie was appointed as Executive Director on 1 January 2022.

**Group Performance, Shareholder Wealth and Directors' and Executives' Remuneration**

No relationship exists between the Group performance, earnings, shareholder wealth and Directors' and Executive remuneration for this financial period. No remuneration is currently performance related.

*Overview of Group Performance*

The table below sets out information about the Group's earnings and movements in shareholder wealth for the past five years up to and including the current financial year.

	2022	2021	2020	2019	2018
<b>NET PROFIT/(LOSS) AFTER TAX</b>	(4,670,136)	(2,045,665)	(534,975)	(527,093)	165,600
<b>SHARE PRICE AT YEAR END (ASX)</b>	0.021	0.092	0.012	0.009	0.012
<b>BASIC PROFIT/(LOSS) PER SHARE (CENTS)</b>	(1.41)	(0.86)	(0.37)	(0.55)	0.94
<b>TOTAL DIVIDENDS (CENTS PER SHARE)</b>	-	-	-	-	-

**ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**  
**DIRECTORS' REPORT (CONT)**

**(b) Company Directors' and executives' remuneration**

The remuneration paid or incurred during the year to each director and executive of the Company is as follows. There are no long-term employee benefits or termination benefits. See below relating to service agreements.

2022 Directors	SHORT TERM EMPLOYEE BENEFIT	POST EMPLOYEE BENEFIT	SHARE BASED PAYMENT	Total amount \$	% PERFORMANCE RELATED
	Salary & Fees \$	Super- annuation \$	Incentives (viii) \$		
Mr Grant Pierce (Non-executive Chairman)	52,637	1,363	45,500	99,500	45.73%
Mr David Riekie (Executive director) i.	90,387	-	54,250	144,637	37.50%
Mr John Hicks (Non-executive director) ii.	41,419	-	45,500	86,919	54.35%
Mr Rod Chittenden (Non-executive director) iii.	11,600	-	-	11,600	-
Mr Stergios Georgiadis (Non-executive director) iv.	6,000	-	-	6,000	-
<b>Executives</b>					
Allan Ritchie (Chief Executive Officer)	54,000	-	54,250	108,250	50.11%
Leonard Math (CFO and Company Secretary) v.	45,000	-	27,125	72,125	37.61%
Julian Rockett (Company Secretary) vi.	9,800	-	-	9,800	-
Geoff Brayshaw (Chief Financial Officer) vii.	9,000	-	-	9,000	-
	<b>319,843</b>	<b>1,363</b>	<b>226,625</b>	<b>547,831</b>	

- i. Mr David Riekie was appointed as Non-executive Director on 28 July 2021. He was appointed as Executive Director from 1 January 2022.
- ii. Mr John Hicks was appointed as Non-executive Director on 7 July 2021.
- iii. Mr Rod Chittenden resigned as Non-executive Director on 26 October 2021.
- iv. Mr Stergios Georgiadis resigned as Non-executive Director on 28 July 2021.
- v. Mr Leonard Math was appointed as CFO and Company Secretary on 1 October 2021.
- vi. Mr Julian Rockett resigned as Company Secretary on 8 October 2021.
- vii. Mr Geoff Brayshaw resigned as CFO on 1 October 2021.
- viii. 15,000,000 Performance Rights and 9,000,000 Unlisted Options were issued to Directors and Executives during the financial year. Refer to Note 12 for the valuation of the Performance Rights and Options issued.

**ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**  
**DIRECTORS' REPORT (CONT)**

		SHORT TERM EMPLOYEE BENEFIT	POST EMPLOYEE BENEFIT	SHARE BASED PAYMENT	Total amount	% PERFORMANCE RELATED
		Salary & Fees	Super-annuation	Incentives (vi)		
2021		\$	\$	\$	\$	
<b>Directors</b>						
Mr Grant Pierce (Non-executive Chairman)		30,581	-	14,040	44,621	31%
Mr Rod Chittenden (Non-executive director)		30,581	-	14,040	44,621	31%
Mr Stergios Georgiadis (Non-executive director)		30,581	-	14,040	44,621	31%
Mr Gary Stewart (Non-executive director)	i.	3,000	-	-	3,000	-
Mr Louis Clinton (Non-executive director)	i.	3,000	-	-	3,000	-
Mr Alan Armstrong (Non-executive director)	ii.	3,000	-	-	3,000	-
Mr George Karantzias (Non-executive director)	iii.	-	-	-	-	-
Mr Stephen Lowe (Non-executive director)	i.	-	-	-	-	-
<b>Executives</b>						
Stuart Cameron (Secretary and CFO)	iv.	38,728	-	-	38,728	-
Allan Ritchie (Chief Executive Officer)		30,000	-	-	30,000	-
Julian Rockett (Company Secretary)	v.	38,501	-	-	38,501	-
Geoff Brayshaw (Chief Financial Officer)	v.	30,000	-	-	30,000	-
		<b>\$237,972</b>	-	<b>\$42,120</b>	<b>\$280,092</b>	-

- i. Messrs Stephen Lowe, Louis Clinton and Gary Stewart resigned as Non-executive Directors on 26 August 2020.
- ii. Mr Alan Armstrong resigned as Non-executive Director on 7 July 2020.
- iii. Mr George Karantzias was appointed as Non-executive Director on 7 July 2020 and resigned on 24 July 2020.
- iv. Mr Stuart Cameron resigned on 27 August 2020.
- v. Mr Julian Rockett and Mr Geoff Brayshaw were appointed on 27 August 2020.
- vi. 540,000 Performance Rights were issued to Directors. Refer to Note 12 for the valuation of the Performance Rights issued.

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**ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**  
**DIRECTORS' REPORT (CONT)**

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**(c) Executive Service Agreements**

Mr David Riekie was appointed as Executive Director on 1 January 2022 and received an annual remuneration package of \$150,000 per annum through a Consultancy Agreement. The agreement may be terminated without reason by the Group giving 3 months' notice. The Group may otherwise terminate his employment without notice for cause.

Mr Allan Ritchie entered into a Services Agreement to provide Chief Executive Officer services on 31 January 2022 and received an annual remuneration package of \$72,000 per annum. The agreement may be terminated without reason by the Group giving 3 months' notice. The Group may otherwise terminate his employment without notice for cause.

Mr Leonard Math was appointed as Chief Financial Officer and Company Secretary on 1 October 2021 and received an annual remuneration package of \$60,000 per annum through a Consultancy Agreement. The agreement may be terminated without reason by the Group giving 1 months' notice. The Group may otherwise terminate his employment without notice for cause.

**(d) Non-Executive Directors**

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. In determining competitive remuneration rates, the Board review local and international trends among comparative companies and the industry generally. Typically, the Group will compare non-executive remuneration to companies with similar market capitalisations in the exploration and resource development sector.

**(e) Share based compensation**

During the year, following receiving shareholders' approval on 17 December 2021, the following Performance Rights were granted to Directors and Executives of the Company.

<b>Participants</b>	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>	<b>TOTAL</b>
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	2,250,000	3,250,000	1,400,000	6,900,000
<b>Value per right</b>	<b>\$0.0175</b>	<b>\$0.043</b>	<b>\$0.043</b>	
<b>Total value</b>	<b>\$100,625</b>	<b>-</b>	<b>-</b>	<b>\$100,625</b>

*\*Refer to Note 12 for further details on the share based payments valuation.*

**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 U<sub>3</sub>O<sub>8</sub> at a minimum grade of 300ppm U<sub>3</sub>O<sub>8</sub> on the South Australian Uranium Project on or before 31 December 2023.



**ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**  
**DIRECTORS' REPORT (CONT)**

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

<b>Participants</b>	<b>Options</b>
Grant Pierce	2,000,000
David Riekie	2,000,000
John Hicks	2,000,000
Executives	3,000,000
<b>TOTAL</b>	<b>9,000,000</b>

**Share based payments – options expense for the period**

	<b>Options</b>
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 30 June 2022	\$126,000

**(f) Key Management Personnel Compensation – other transactions**

(i) Options provided as remuneration and shares issued on exercise of such options.

Other than disclosed above, no further options were provided as remuneration during the year and no shares were issued on exercise of such options.

(ii) Loans to key management personnel

No loans were made to any director or other key management personnel of the Group, including related parties during the financial year.

(iii) Other transactions with key management personnel

No other transactions with key management personnel occurred during the financial year.

*Terms and conditions of related party transactions*

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

**(g) Securities held by Key Management Personnel**

The number of ordinary shares in the Company held during the 2022 reporting period by any of the Key Management Personnel of the Group, including their related parties are set out below.

PERSONNEL	Balance at start of year or date of appointment	Received as part of director / executive entitlement	Purchased/(sold) during the year	Held at date of resignation	Balance at 30 June 2022
Grant Pierce	2,054,819	840,187	504,652	-	3,399,658
David Riekie	800,000	292,722	907,278	-	2,000,000
John Hicks	-	850,139	178,571	-	1,028,710
Rod Chittenden	887,728	38,796	-	926,524	-
Stergios Georgiadis	476,783	-	-	476,783	-
Allan Ritchie	10,474,058	899,948	576,413	-	11,950,419
Leonard Math	-	803,485	363,636	-	1,167,121
Julian Rockett	64,588	-	-	64,588	-
Geoff Brayshaw	2,417,057	-	-	2,417,057	-
<b>TOTAL</b>	<b>17,175,033</b>	<b>3,725,277</b>	<b>2,533,550</b>	<b>3,884,952</b>	<b>19,545,908</b>

The number of Performance Rights in the Company held during the 2022 reporting period by any of the Key Management Personnel of the Group, including their related parties are set out below.

PERSONNEL	Balance at start of year or date of appointment	Received as part of director / executive entitlement	Purchased/(sold) during the year	Held at date of resignation	Balance at 30 June 2022
Grant Pierce	560,000	3,200,000	(560,000)*	-	3,200,000
David Riekie	-	3,700,000	-	-	3,700,000
John Hicks	-	3,200,000	-	-	3,200,000
Rod Chittenden	560,000	-	(560,000)*	-	-
Stergios Georgiadis	-	-	-	-	-
Allan Ritchie	-	3,700,000	-	-	3,700,000
Leonard Math	-	2,200,000	-	-	2,200,000
Julian Rockett	-	-	-	-	-
Geoff Brayshaw	-	-	-	-	-
<b>TOTAL</b>	<b>1,120,000</b>	<b>16,000,000</b>	<b>(1,120,000)</b>	<b>-</b>	<b>16,000,000</b>

\*Lapsed during the financial year

The number of Options in the Company held during the 2022 reporting period by any of the Key Management Personnel of the Group, including their related parties are set out below.

<b>PERSONNEL</b>	<b>Balance at start of year or date of appointment</b>	<b>Received as part of director / executive entitlement</b>	<b>Purchased/(sold) during the year</b>	<b>Held at date of resignation</b>	<b>Balance at 30 June 2022</b>
Grant Pierce	-	2,000,000	-	-	2,000,000
David Riekie	-	2,000,000	-	-	2,000,000
John Hicks	-	2,000,000	-	-	2,000,000
Rod Chittenden	-	-	-	-	-
Stergios Georgiadis	-	-	-	-	-
Allan Ritchie	-	2,000,000	-	-	2,000,000
Leonard Math	-	1,000,000	-	-	1,000,000
Julian Rockett	-	-	-	-	-
Geoff Brayshaw	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>9,000,000</b>	<b>-</b>	<b>-</b>	<b>9,000,000</b>

## END OF REMUNERATION REPORT

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**ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**  
**DIRECTORS' REPORT (CONT)**

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**Indemnification of Officers and Auditors**

The Company indemnifies, to the extent permitted by law, all current and former Directors and the Company Secretaries of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors or Company Secretary of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company also indemnifies the current Directors and Company Secretary of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company also indemnifies executive officers of the Company and its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

The Company does not indemnify its auditors.

**Options**

During the year, 9,000,000 Options exercisable at \$0.15 each expiring 13 January 2025 were issued. 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.

During or since the end of the financial year, the Company has not issued any ordinary shares as a result of the exercise of options.

**Environmental Issues**

The Company's operations are not impacted by any significant environmental regulation under a law of the Commonwealth or a State or Territory.

**Non-Audit Services**

HLB Mann Judd did not provide any non-audit services during either the year ended 30 June 2022 or 30 June 2021.

**Proceedings on Behalf of the Company**

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings for which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Directors:



David Riekie  
Executive Director  
**30 September 2022**

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Adavale Resources Limited for the year ended 30 June 2022, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.



Perth, Western Australia  
30 September 2022

**B G McVeigh**  
Partner

**hlb.com.au**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

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ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 June 2022**

	Note	30 June 2022 \$	30 June 2021 \$
<b>Revenue</b>			
Other revenue		-	11,601
Gain from foreign exchange		35,338	-
<b>Expenditure</b>			
Insurance		(40,927)	(41,224)
Share registry fees		(118,237)	(104,146)
Administration and corporate		(675,375)	(414,892)
Share based payments	12	(226,625)	(42,120)
Legal expenses		(8,947)	(54,000)
Finance costs – financial instrument		-	(33,314)
Interest expense		(2,282)	(1,304)
Exploration and evaluation expenditure		(3,588,038)	(1,350,655)
Depreciation	9	(27,149)	-
Other expenses from ordinary activities		(17,894)	(15,611)
Loss before income tax		(4,670,136)	(2,045,665)
Income tax expense		-	-
<b>Loss after income tax from continuing operations</b>		<b>(4,670,136)</b>	<b>(2,045,665)</b>
<b>Other Comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>		-	-
<b>Total comprehensive loss for the year</b>		<b>(4,670,136)</b>	<b>(2,045,665)</b>
Basic and diluted loss per share attributable to the ordinary security holders of the Company (cents per share)	6	(1.41)	(0.86)

These consolidated financial statements should be read with the accompanying notes.

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 30 June 2022**

	Notes	30 June 2022 \$	30 June 2021 \$
<b>ASSETS</b>			
Cash and cash equivalents	7	391,386	1,423,263
Other assets	8	40,802	16,799
<b>TOTAL CURRENT ASSETS</b>		<b>432,188</b>	<b>1,440,062</b>
Property, plant and equipment	9	73,549	32,685
<b>TOTAL NON-CURRENT ASSETS</b>		<b>73,549</b>	<b>32,685</b>
<b>TOTAL ASSETS</b>		<b>505,737</b>	<b>1,472,747</b>
<b>LIABILITIES</b>			
Trade and other creditors	10	294,765	474,830
<b>TOTAL CURRENT LIABILITIES</b>		<b>294,765</b>	<b>474,830</b>
<b>TOTAL LIABILITIES</b>		<b>294,765</b>	<b>474,830</b>
<b>NET ASSETS</b>		<b>210,972</b>	<b>997,917</b>
<b>EQUITY</b>			
Issued capital	11	10,529,447	6,872,881
Reserves	12	471,745	245,120
Accumulated losses		(10,790,220)	(6,120,084)
<b>TOTAL EQUITY</b>		<b>210,972</b>	<b>997,917</b>

These consolidated financial statements should be read with the accompanying notes.

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ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 June 2022**

	Notes	30 June 2022 \$	30 June 2021 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(682,047)	(427,674)
Payments for exploration and evaluation expenditure		(3,576,323)	(875,566)
<b>Net cash flows (used in) operating activities</b>	19	<b>(4,258,370)</b>	<b>(1,303,240)</b>
<b>Cash flow from Investing activities</b>			
Purchase of property, plant and equipment		(89,050)	(15,560)
<b>Net cash (used in) Investing activities</b>		<b>(89,050)</b>	<b>(15,560)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issue (net of cost)		3,280,206	2,656,415
<b>Net cash provided by financing activities</b>		<b>3,280,206</b>	<b>2,656,415</b>
<b>Net (decrease) / increase in cash and cash equivalents held</b>		<b>(1,067,214)</b>	<b>1,337,615</b>
Cash and cash equivalents at the beginning of the year		1,423,263	85,648
Foreign exchange differences		35,337	-
<b>Cash and cash equivalents at the end of the year</b>	7	<b>391,386</b>	<b>1,423,263</b>

These consolidated financial statements should be read with the accompanying notes.

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ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 June 2022**

2022	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	-	-	(4,670,136)	(4,670,136)
<i>Total comprehensive loss for the period</i>	-	-	(4,670,136)	(4,670,136)
Net issue of shares	3,656,566	-	-	3,656,566
Share based payments	-	226,625	-	226,625
<i>Balance as at 30 June 2022</i>	<b>10,529,447</b>	<b>471,745</b>	<b>(10,790,220)</b>	<b>210,972</b>

2021	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	-	-	-	(2,045,665)	(2,045,665)
<i>Total comprehensive loss for the period</i>	-	-	-	(2,045,665)	(2,045,665)
Net issue of shares	4,064,185	-	-	-	4,064,185
Share based payments	-	-	245,120	-	245,120
Transfer of reserve	-	(299,409)	-	299,409	-
<i>Balance as at 30 June 2021</i>	<b>6,872,881</b>	<b>-</b>	<b>245,120</b>	<b>(6,120,084)</b>	<b>997,917</b>

These consolidated financial statements should be read with the accompanying notes.

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**ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2022**

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**1. REPORTING ENTITY**

Adavale Resources Limited (the "Company") is a for profit company incorporated and domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint venture entities. The Group is primarily involved in mining exploration.

**2. BASIS OF PREPARATION**

**(a) Statement of Compliance**

The financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards including Accounting Standards interpretations, adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures compliance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB")

The financial statements were authorised for issue on 30 September 2022 by the Directors of the Company.

**(b) Use of Estimates and Judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. All significant areas of estimation uncertainty and critical judgements in applying accounting policies have been disclosed in the following notes to the financial statements.

*Share based payments*

Significant management estimates have been made by management in valuation of equity instruments issued during the financial year, in particular the issue of options and performance rights. Details of the valuation methodology used for each of these instruments is set out in Note 12 to the financial statements.

**(c) 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 \$4,670,136. The Group had a cash outflow from operating activities of \$4,258,370, 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 \$391,386, plus an undrawn Share Subscription Agreement facility of \$175,000. Current assets exceeded current liabilities by \$137,423. 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 June 2022**

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**3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

Material accounting policies adopted in the preparation of this financial report are presented below. The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all entities in the Group unless otherwise stated.

**(a) Principles of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Adavale Resources Limited (the parent entity) as at 30 June 2022 and the results of all controlled entities for the year then ended. Adavale Resources Limited and its controlled entities together are referred to in this financial report as the Group or consolidated entity.

**Controlled Entities**

A controlled entity is any entity controlled by Adavale Resources Limited. Control exists where Adavale Resources Limited is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to offset those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

Where controlled entities have entered or left the economic entity during the year, their financial statements have been included from the date control was obtained or until the date control ceased.

**Transactions Eliminated on Consolidation**

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated on consolidation.

**(b) Revenue Recognition**

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

*Interest Revenue*

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

**(c) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

**(d) Foreign Currency Transactions and Balances**

**Functional and Presentation Currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 June 2022**

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**Transaction and Balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction.

Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continued to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at their fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit and loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

**Foreign Operations**

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Transactions are translated to Australian Dollars which is the Company's functional and presentation currency.

**(e) Taxation**

The income tax expense/(revenue) for the year comprises current income tax expense/(income) and deferred tax expense/(income). Current income tax expense is based on the loss for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 June 2022**

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Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where:

- (a) a legally enforceable right of set-off exists; and
- (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**(f) Financial Instruments**

**Recognition**

Financial instruments are initially measured at cost on trade date basis, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

*Loans & Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at cost using the effective interest rate method.

*Financial Liabilities*

Non-derivative financial instruments are recognised at amortised costs, comprising original debt less principal payments and amortisation.

*Fair Value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the value of all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

*Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 June 2022**

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For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

**(g) Receivables**

The collectability of debts is assessed at reporting date and expected provision is made for any doubtful accounts.

**(h) Payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

**(i) Cash**

For the purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

**(j) Earnings per Share**

**Basic earnings per share:**

Basic earnings per share is determined by dividing net profit or loss after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year.

**Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(k) Exploration and Evaluation Assets**

The current accounting policy is to expense all exploration expenditure as incurred.

**(l) Segment Reporting**

The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Adavale Resources Limited.

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transaction with any of the Company's other components.

Unallocated items comprise mainly of head office assets, expenses and liabilities.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 June 2022**

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**(m) Share Based Payments**

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant directors become fully entitled to the award (the vesting period).

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

It is measured by fair value of the equity at the grant date. Fair value is measured by the use of a Black Scholes model.

The purpose of performance securities is to provide cost effective consideration to directors for their ongoing commitment and contribution to the Company in their respective roles as Directors.

**(n) Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end. Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:

IT equipment – 3 years      Mining equipment – 4 years

**(o) Issued Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributed to the issue of new shares for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

**(p) Parent Entity Financial Information**

The financial information for the parent entity, Adavale Resources Limited, disclosed in Note 23 has been prepared on the same basis as the basis of the consolidated financial statements of the Group.

In the Company's financial statements, investments in controlled entities are carried at the lower of cost and recoverable amount. A list of controlled entities is contained in Note 17 of the accounts.

**(q) New Accounting Standards and Interpretations**

***Standards, amendments, and interpretations to existing standards that are not yet effective and have not been adopted early by the Group.***

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Group.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 June 2022**

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For the year ended 30 June 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2021.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half year ended 30 June 2022. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 June 2022**

**4. AUDITOR'S REMUNERATION**

	Consolidated	
	2022 \$	2021 \$
<b>Audit and review of financial statements</b>		
Auditors of Adavale Resources Limited – HLB Mann Judd	30,568	41,425
<b>Remuneration for audit and review of financial statements</b>	<b>30,568</b>	<b>41,425</b>
<b>Other services</b>	-	-
<b>Total other service remuneration</b>	-	-
<b>Total auditor's remuneration</b>	<b>30,568</b>	<b>41,425</b>

**5. TAXATION**

**a) Income tax expense**

Current Tax	-	-
Deferred Tax	-	-
	-	-

**b) Numerical reconciliation of income tax expense to prima facie tax payable**

Loss from continuing operations before income tax expense	(4,670,136)	(1,351,498)
Prima facie tax benefit at Australian tax rate of 25% (2021: 26%) <i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>	(1,167,534)	(351,389)
Tax effect on amounts which are not tax deductible	120,078	33,461
Tax effect on other deductible items and non-assessable income	(41,227)	(27,393)
Movement in temporary differences	2,970	(10,270)
Tax effect of deferred tax assets not brought to account	1,085,713	355,591
	-	-
<b>Deferred tax assets (liabilities) not brought to account</b>		
Unused tax losses	13,998,947	9,656,096
Future 'blackhole' deductions	410,570	342,502
Other timing differences	39,382	27,500
	14,448,899	10,026,098
Tax at 25% (2021: 26%)	3,612,225	2,606,785

The Directors have not recognised a deferred tax asset in respect of losses as they go not believe that the conditions of recognition set out in Note 3(e) have been met. The Directors estimate the carried forward revenue tax losses to be \$13,998,947 (2021: \$9,656,096) which are available to be offset against future taxable income.

In the 2017 and 2020 financial year, the Company has not satisfied the continuity of ownership test. Therefore, in order to be able to obtain the benefit of tax losses carried forward, the Company will need to satisfy the Same of Similar Business Test.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 June 2022**

**6. EARNINGS PER SHARE**

<b>Continuing Operations</b>	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Earnings per share		
- Basic – continuing operations (cents)	(1.41)	(0.86)
- Diluted – continuing operations (cents)	(1.41)	(0.86)
Loss used in the calculation of basic and diluted EPS from continuing operations	(4,670,136)	(2,045,665)
Weighted average number of ordinary shares used in the calculation of basic and diluted EPS		
- in the calculation of basic EPS	331,957,092	238,378,583
- in the calculation of diluted EPS	331,957,092	238,378,583

As the Company reported a loss for the year ended 30 June 2022, options on issue were not included in the calculation of diluted earnings per share.

**7. CASH AND CASH EQUIVALENTS**

Cash at Bank and on-hand	391,386	1,423,263
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**8. OTHER ASSETS**

Prepayments	22,378	11,775
Other	18,424	5,024
	<b>40,802</b>	<b>16,799</b>

**9. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment – carrying amount	<b>73,549</b>	32,685
<i>Movement for the year</i>		
Beginning of financial year at cost	35,598	35,598
Additions	68,013	-
Disposal	-	-
End of the financial year at cost	<b>103,611</b>	35,598
<b>Accumulated Depreciation</b>		
<i>Movement for the year</i>		
Beginning of financial year	2,913	-
Depreciation	27,149	2,913
End of the financial year	<b>30,062</b>	2,913
Carrying amount at the end of the financial year	<b>73,549</b>	32,685

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 June 2022**

**10. TRADE AND OTHER CREDITORS**

	Consolidated	
	2022	2021
	\$	\$
Trade creditors	52,600	424,633
Other creditors and accruals	242,165	50,197
	<b>294,765</b>	<b>474,830</b>

Further information relating to trade creditors to related parties is set out in Note 21.

The terms and conditions of the transactions with directors and related parties are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

**11. ISSUED CAPITAL**

**(a) Share capital**

357,327,587 ordinary fully paid shares  
(June 2021: 286,813,995)

<b>10,529,447</b>	6,872,881
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**Movements in share capital for the financial year**

*Balance at beginning of the financial year*

286,813,995	6,872,881
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*Issued during the period:*

Placement at 5.5 cents per share

38,000,000	2,090,000
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Share Purchase Plan at 5.5 cents per share

24,372,656	1,340,500
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Shares issued in lieu of fees

6,362,478	308,779
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Shares issued in settlement of Stage 1 payment – Luhuma Nickel Joint Venture Project

1,778,458	67,581
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Share issue cost

-	(150,294)
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*Balance at end of the financial year*

<b>357,327,587</b>	<b>10,529,447</b>
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Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share when a poll is called or else one vote each on a show of hands.

In the event of a winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

**Capital Risk Management**

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. In order to maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders.

The Company's strategy, which is unchanged from the prior year, was to maintain a sufficient level of cash to meet its obligations, as and when any debts are due, and to meet any investment commitments.

There is no externally imposed capital requirements for the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2022

12. RESERVES

	Consolidated	
	2022	2021
	\$	\$
Share based payments reserve	<b>471,745</b>	245,120
<i>Movement for the year</i>		
Beginning of financial year	245,120	-
Share based payments (options)	126,000	42,120
Share based payments (performance rights)	100,625	203,000
End of the financial year	<b>471,745</b>	245,120

**Share based payment reserve**

*Ordinary Performance Rights on issue for the financial year*

During the year, 17,000,000 Performance Rights were granted (15,000,000 to Directors and KMP). The following Performance Rights were granted to Directors, executives and consultant 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 consultant	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 U<sub>3</sub>O<sub>8</sub> at a minimum grade of 300ppm U<sub>3</sub>O<sub>8</sub> on the South Australian Uranium Project on or before 31 December 2023.

**Share based payments – performance rights expense for the year**

	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	\$0.043	\$0.043
Total Fair Value (\$) – Life of rights	\$100,625	-	-
Total Fair Value (\$) – expensed to 30 June 22	\$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%

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2022**

*Options issued during the financial year*

During the 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
<b>TOTAL</b>	<b>9,000,000</b>

**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 30 June 2022	\$126,000

In previous financial year ended 30 June 2021, 1,620,000 Incentive Rights were issued to Directors of the Company.

The key terms of the Incentive Rights issued are as follows;

1. the vesting of the incentive rights is determined upon the company share price achieving a 10 cent per share VWAP for 5 consecutive days within 12 months of issue (the incentive hurdle),
2. upon achieving the incentive hurdle the Incentive Rights will be converted to shares on a 1:1 basis.

The fair value of the 1,620,000 Incentive Rights issued has been assessed using the Hoadley Trading & Investment Tools barrier1 valuation model, at an aggregate of \$42,120. The following principal assumptions were used in the valuation:

Valuation Assumptions	Incentive Rights
Valuation Date	21 December 2020
Spot Price	\$0.046
Exercise price	Nil
Barrier Price	\$0.10
Vesting Date	21 December 2021
Expiry Date	21 December 2021
Expected Future Volatility	100%
Risk Free Rate	0.09%
Dividend Yield	Nil

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2022**

In the previous financial year ended 30 June 2021, 8,750,000 options were issued. The key terms of the options issued were as follows;

- i) the exercise price of the options is \$0.06 per option;
- ii) expiry date 31 December 2021;
- iii) the options include a Company put option at \$0.06 if and when the Company's share price achieves a 5-day VWAP of \$0.12 prior to 31 December 2022.

The fair value of the 8,750,000 options issued has been assessed using the Hoadley Trading & Investment Tools barrier1 valuation model, at an aggregate of \$203,000. The following principal assumptions were used in the valuation.

Valuation Assumptions	Options
Valuation Date	31 December 2020
Spot Price	\$0.05
Exercise Price	\$0.06
Barrier Price	\$0.12
Expiry Date	31 December 2022
Expected Future Volatility	100%
Risk Free Rate	0.08%
Dividend Yield	Nil

**Option Premium and Share Based Payments Reserve**

The option premium and share based payments reserve represents amounts received in consideration for the issue of options to subscribe for ordinary shares in the Company and the value of options and performance rights issue to parties.

**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.

**13. DIVIDENDS**

The Directors do not recommend a dividend for the year ended 30 June 2022. No dividend was paid for the year ended 30 June 2022.

**14. FINANCIAL INSTRUMENTS**

**Financial Risk Management**

The Company's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by the Board of Directors under policies approved by the Board. The Board identifies and evaluates financial risks and provides principles for overall risk management.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 June 2022**

**(a) Interest Rate Risk**

The consolidated entity is not exposed to interest rate fluctuations as presently there are no interest bearing loans.

*Interest Rate Risk Exposures*

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Weighted Average Fixed Interest Rate	Floating Interest Rate	Fixed interest maturing in:			Non- Interest Bearing	Total
			1 year or less	1 to 5 years	more than 5 years		
		\$	\$	\$	\$	\$	\$
<b>2022</b>							
<b>Financial Assets</b>							
Cash and cash equivalents	0%	391,386	-	-	-	-	391,386
Receivables		-	-	-	-	40,802	40,802
		<b>391,386</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,802</b>	<b>432,188</b>
<b>Financial Liabilities</b>							
Trade and other payables		-	-	-	-	294,765	294,765
		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>294,765</b>	<b>294,765</b>
<b>2021</b>							
<b>Financial Assets</b>							
Cash and cash equivalents	0%	1,423,263	-	-	-	-	1,423,263
Receivables		-	-	-	-	16,799	16,799
		<b>1,423,263</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,799</b>	<b>1,440,062</b>
<b>Financial Liabilities</b>							
Trade and other payables		-	-	-	-	474,830	474,830
		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>474,830</b>	<b>474,830</b>

*Interest Rate Sensitivity Analysis*

As there are no present floating interest rate, interest-bearing loans, and previous loan interest rates were fixed there is no sensitivity to changes in interest rate.

**(b) Fair Values of Financial Assets and Liabilities**

**Valuation Approach**

Fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 June 2022**

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amounts of bank term deposits, trade debtors, other debtors, accounts payable, bank loans and lease liabilities approximate net fair value.

The fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets and an assessment of future maintainable earnings and cash flows of the respective corporations.

The balances of financial assets and liabilities approximate their fair value.

**(c) Unrecognised Financial Instruments**

The Company and controlled entities do not have any unrecognised financial instruments.

**(d) Foreign Currency Risk**

Foreign exchange risk arises from future commitments and recognised assets and liabilities that are denominated in a currency that is not the functional currency of the Group. The Australian dollar is the reporting currency for the Group and the functional currency for the parent company; however during the financial year, the Group currently held foreign currency in US dollars and Tanzanian schillings. The Group also makes certain payments in US\$ and Tanzanian schillings in Tanzania. Based on the above the impact of any change in foreign exchange rates is not material.

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2022		30 June 2021	
	Assets \$	Liabilities \$	Assets \$	Liabilities \$
United States dollar	115,857	206,985	170,501	-
Tanzanian schillings	29,285	-	-	-

**(e) Credit Risk Exposure**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Company measures credit risk on a fair value basis. The credit risk on financial assets, excluding investments, of the consolidated entity, which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The Company has no significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

**(f) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through credit facilities or other fund-raising initiatives, to meet commitments as and when they fall due.

Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flow. The Economic Entity cash reserves of \$391,386 (2021: \$1,423,263) as at 30 June 2022 and subsequent successful capital raising post 30 June 2022 will meet liquidity requirements. Liquidity is also complemented by the 5 year Standby Subscription Agreement entered in to in April 2020 for an amount of \$250,000, with an undrawn capacity of \$175,000 at June 2022.

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 June 2022**

As at 30 June 2022 the Group's non-derivative financial liabilities have contractual maturities as summarised below:

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
<b>30 June 2022</b>				
Trade and other payables	294,765	-	-	-
<b>TOTAL</b>	<b>294,765</b>	<b>-</b>	<b>-</b>	<b>-</b>

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting period as follows:

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
<b>30 June 2021</b>				
Trade and other payables	474,830	-	-	-
<b>TOTAL</b>	<b>474,830</b>	<b>-</b>	<b>-</b>	<b>-</b>

**(g) Capital Risk Management**

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

The Company monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing less cash and cash equivalents. Total capital is calculated as equity shown in the statement of financial position plus net debt. As the Company is in a transitional stage the gearing ratio has been monitored as a secondary matter to total borrowings and maturity.

**15. COMMITMENTS**

	Consolidated	
	2022 \$	2021 \$
<b>Exploration lease commitments</b>		
<b>Minimum expenditure commitments on exploration licences</b>		
Committed but not provided for and payable:		
Within one year	<b>1,404,284</b>	1,026,648
One year or later and no later than for five years	<b>160,000</b>	2,067,828
	<b>1,564,284</b>	<b>3,094,476</b>

Minimum expenditure commitments include rental and exploration commitments to date of expiry of current Licence term. This includes both Licences at Lake Surprise Uranium Project and Kabanga and Luhuma Nickel Projects in Tanzania.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2022**

**16. 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:

(a) Primary Reporting Segments	–	Business	Mineral Exploration \$ Australia	Mineral Exploration \$ Africa	Corporate \$	Total \$
<b>Year ended 30 June 2022</b>						
<b>Revenue</b>						
Other income			-	30,773	4,565	35,338
<b>Total Segment Revenue</b>			<b>-</b>	<b>30,773</b>	<b>4,565</b>	<b>35,338</b>
<b>Segment Result</b>						
(Loss) before income tax			(81,970)	(3,476,576)	(1,111,590)	(4,670,136)
<b>Net (Loss)</b>			<b>(81,970)</b>	<b>(3,476,576)</b>	<b>(1,111,590)</b>	<b>(4,670,136)</b>
<b>Total Segment Assets</b>			-	166,599	339,138	505,737
<b>Total Segment Liabilities</b>			-	-	(294,765)	(294,765)
<b>Year ended 30 June 2021</b>						
<b>Revenue</b>						
Other income			-	-	11,601	11,601
<b>Total Segment Revenue</b>			<b>-</b>	<b>-</b>	<b>11,601</b>	<b>11,601</b>
<b>Segment Result</b>						
(Loss) before income tax			(19,784)	(1,341,814)	(684,067)	(2,045,665)
<b>Net (Loss)</b>			<b>(19,784)</b>	<b>(1,341,814)</b>	<b>(684,067)</b>	<b>(2,045,665)</b>
<b>Total Segment Assets</b>			-	-	1,472,747	1,472,747
<b>Total Segment Liabilities</b>			-	325,089	149,741	474,830

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ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2022**

**17. CONTROLLED ENTITIES**

**Particulars in relation to controlled entities**

	Ordinary Shares Consolidated Entity Interest	
	2022 %	2021 %
<b>Company:</b> Adavale Resources Limited		
<b>Controlled Entities:</b>		
Adavale Minerals Pty Ltd	100	100
Adavale Resources Tanzania Limited	100	100
Adavale Africa Pty Ltd	100	100

Adavale Minerals Pty Ltd and Adavale Africa Pty Ltd are incorporated in Australia and are wholly owned subsidiaries of Adavale Resources Ltd. Adavale Resources Tanzania Limited is incorporated in Tanzania and is a wholly owned subsidiary of Adavale Africa Pty Ltd.

**18. CONTINGENCIES**

the Company executed a binding farm-in agreement for 2 licences PL11692/2021 and PL11693/2021 (Luhuma Nickel Project) with significant nickel sulphide exploration potential

The Farm- In Agreement is structured as an option, but is in the nature of a farm-in and has 4 stages as per below, payable per licence:

**Stage 1:** Adavale has the immediate and exclusive right to explore and evaluate the licences for 12 months upon payment of US\$12.5k cash - and US\$25k worth of Adavale shares. During the first 12 months Adavale must spend at least the minimum exploration expenditure as required by the Mining Commission which is US\$500 per annum per square kilometre across the 98.89km<sup>2</sup>.

**Stage 2:** If Adavale is satisfied with the exploration results and prospectivity of the licences then on or before the 1st year anniversary Adavale has the right to earn-in 65% ownership of the licences upon paying the vendor US\$25k cash and \$75k worth of Adavale shares. Adavale must continue to spend at least the minimum annual exploration expenditure of US\$500 per square kilometre.

**Stage 3:** If Adavale continues to be satisfied with the exploration results and prospectivity of the licences then on or before the 2nd year anniversary Adavale has the right to earn-in 80% ownership of the licences upon paying the vendor US\$50k cash and US\$112.5k worth of Adavale shares. Adavale must continue to spend at least the minimum annual exploration expenditure of \$500 per square kilometre.

**Stage 4:** If Adavale continues to be satisfied with the exploration results and prospectivity of the licences and has earned in and acquired a total 80% ownership, then Adavale has the right of first refusal to match any independent bona fide arm's length third party offer to buy out the remaining 20% participating interest in the licences held by the licence holder on or before the 3rd year anniversary from the Effective Date (being the 3<sup>rd</sup> business day after the conditions precedent have been satisfied). If the licence holder wishes to sell the 20% participating interest in the licence during this period, he must also give notice to Adavale and set out the terms on which he proposes to sell and the parties shall use best endeavours to negotiate agreeable terms.

On estimation of an economic Ore Reserve pursuant to the JORC Code within the Prospecting Licences, Adavale shall use its best endeavors to convert the Prospecting Licences to Mining Licenses. Should an operational mine come into production from such Mining Licenses, the Vendor shall receive a Net Smelter Return of 1.5% from the sale of minerals produced at the mine paid on a monthly basis.

In February 2022, the Company completed the Stage 1 payment including issuing 1,778,458 fully paid ordinary shares in accordance with the agreement.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2022**

**19. NOTES TO THE STATEMENT OF CASH FLOWS**

	Notes	Consolidated	
		2022 \$	2021 \$
<b>(a) Reconciliation of Cash</b>			
For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:			
Cash at bank	7	391,386	1,423,263

**(b) Reconciliation of the operating loss after tax to the net cash flow from operations**

Profit/(loss) after income tax		(4,670,136)	(2,045,665)
Add (less) non-cash items:			
Share based payments (incentive rights)		226,625	42,120
Depreciation		27,149	2,913
Other non-cash items		5,276	-
Interest compounded		-	33,314
Shares issued in lieu of cash to creditors		308,779	328,141
		<b>(4,102,307)</b>	<b>(1,639,177)</b>
Changes in assets and liabilities:			
(Increase)/decrease in receivables		24,002	9,604
Increase/(decrease) in trade creditors and accruals		(180,065)	326,333
<b>Net cash (used in) operating activities</b>		<b>(4,258,370)</b>	<b>(1,303,240)</b>

**(c) Changes in liabilities arising from financing activities**

	Consolidated	
	2022 \$	2021 \$
<b>Balance at beginning of the financial year</b>	-	1,000,000
Converted to share capital	-	(1,000,000)
<b>Balance at end of the financial year</b>	-	-

**20. KEY MANAGEMENT PERSONNEL REMUNERATION**

The directors of Adavale Resources Limited are considered key management personnel of the consolidated economic entity.

The table below sets out personnel costs expensed during the year.

Short-term employee benefits	321,206	237,972
Share based payments	226,625	42,120
	<b>547,831</b>	<b>280,092</b>

Details of payments to directors and key management personnel is set out in the Remuneration Report section of the Directors Report. The detail related to share based payments is set out in Note 21 below.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2022**

Apart from the details disclosed in this note and elsewhere in the financial report, no director or other related party has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

**21. RELATED PARTY TRANSACTION – PERFORMANCE RIGHTS**

During the year and as approved by shareholders as the Company's Annual General Meeting held on 17 December 2021, the Directors, key management personnel and a consultant 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.

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 consultant	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 U<sub>3</sub>O<sub>8</sub> at a minimum grade of 300ppm U<sub>3</sub>O<sub>8</sub> on the South Australian Uranium Project on or before 31 December 2023.

The fair value of the Performance Rights is disclosed under note 12.

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 12.

Participants	Options
Grant Pierce	2,000,000
David Riekie	2,000,000
John Hicks	2,000,000
Executives	3,000,000
<b>TOTAL</b>	<b>9,000,000</b>

**22. EVENTS SUBSEQUENT TO REPORTING DATE**

On 27 July 2022, the Company announced that it has received binding commitments to raise circa \$1.8 million (before costs) (Placement). The Placement will comprise the issue of 90,045,411 new fully paid ordinary shares (Placement Shares) in the Company at an issue price of 2.0c per share as follows:

- Tranche 1 of the Placement will raise circa \$1.6 million by the issue of 80,045,411 shares and will be issued pursuant to the Company's existing placement capacity under ASX Listing Rules 7.1 and 7.1A (Tranche 1); and
- Tranche 2 of the Placement will raise \$200,000 through the issue of 10,000,000 shares to ADD Directors and selected cornerstone investors, subject to Shareholder Approval which was sought at a General Meeting on 28 September 2022 (Tranche 2).

ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2022

The Tranche 1 Placement was completed on the 4 August 2022.

In addition to the Placement, the Company has launched a one (1) for six (6) non-renounceable Entitlement Offer to raise a total of c.\$1.2 million (before costs) through the issue of up to 59.6 million new shares (Entitlement Shares) at 2.0c per New Share (Entitlement Offer).

Placement and Entitlements Issue participants will receive one (1) free Attaching Option for every three (3) New Shares subscribed for under the Placement and Entitlement Offer, exercisable at 3.0c each with a 12-month expiry from the date of grant (Attaching Options). The Attaching Options were approved by shareholders at the General Meeting held on 28 September 2022.

On 28 September 2022, shareholders also approved the issue of 5,000,000 Options to Discovery Capital Pty Ltd at \$0.001 per option as part of the Lead Manager fee. The Options are exercisable at \$0.03 each expiring on 3 August 2025.

The Company also intends, subject to ASX approval of the timetable and the issue of a Prospectus in compliance with the Corporations Act, to undertake a loyalty option issue of one (1) option for every ten (10) shares held to all shareholders registered on a record date proposed to be on or around late October 2022 (following completion of Tranche 2) (Loyalty Options). The Loyalty Options will have the same exercise price and expiry date as the Attaching Options.

Except for the above there have been no matters or circumstances which have arisen since the end of the year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

**23. PARENT ENTITY FINANCIAL INFORMATION**

**(a) Summary financial information**

	2022 \$	2021 \$
<b>Statement of financial position</b>		
Current Assets	338,588	1,327,289
Non-current Assets	43,717	10,629
Total Assets	<u>382,305</u>	<u>1,337,918</u>
Current Liabilities	96,422	392,911
Non-Current Liability	-	-
Total Liabilities	<u>96,422</u>	<u>392,911</u>
Net Assets (Liability)	<u><b>285,883</b></u>	<u><b>945,007</b></u>
Shareholders' contributed equity	10,529,447	6,872,881
Share based payment reserve	471,745	245,120
Accumulated Losses	(10,715,309)	(6,172,994)
	<u><b>285,883</b></u>	<u><b>945,007</b></u>
<b>Statement of profit or loss and other Comprehensive Income</b>		
Total (loss)	(5,413,506)	(2,098,045)
<b>Total comprehensive (loss)</b>	<u><b>(5,413,506)</b></u>	<u><b>(2,098,045)</b></u>

**(c) Commitments**

The parent entity did not have any contractual commitments or contingencies as at 30 June 2022.

**ADAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**

**DIRECTORS' DECLARATION**

**FOR THE YEAR ENDED 30 June 2022**

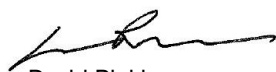
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The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 23 to 47 are in accordance with the Corporations Act 2001 including:
  - (a) complying with Australian Accounting Standards, the Corporations Regulations 2001 professional reporting requirements and other mandatory requirements, and
  - (b) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date;
2. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. Note 2 confirms that the consolidated financial statements also comply with International Financial Statements.
4. This declaration has been made after receiving declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2022.

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

On behalf of the Directors



David Riekie  
Executive Director  
Date: 30 September 2022

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of Adavale Resources Limited

### **Report on the Audit of the Financial Report**

#### *Opinion*

We have audited the financial report of Adavale Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Material Uncertainty Regarding Going Concern*

We draw attention to Note 2c in the financial report, which indicates that a material uncertainty exists that may cast doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in respect to this matter.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the *Material Uncertainty Related to Going Concern* we have determined that there are no key audit matters to communicate in our report

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*Information other than the financial report and auditor's report thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual financial report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

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If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on the Remuneration Report**

##### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Adavale Resources Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

##### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

**HLB Mann Judd**  
**Chartered Accountants**

**Perth, Western Australia**  
**30 September 2022**



**B G McVeigh**  
**Partner**