



# **ADAVALE RESOURCES LIMITED**

(ASX:ADD) ACN 008 719 015

## **HALF YEAR REPORT**

**31 DECEMBER 2020**

This financial report covers the consolidated entity consisting of Adavale Resources Limited and its controlled entities.

This Interim Financial Report should be read in conjunction with the Company's annual report for the period ended 30 June 2020.

**ADAVALE RESOURCES LIMITED**  
**FINANCIAL REPORT**

for the half year ended 31 December 2020  
ACN 008 719 015

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**Directors**

Grant Pierce OAM (Chairman) (Appointed 26 August 2020)  
Rod Chittendon (Appointed 26 August 2020)  
Steven Georgiadis (Appointed 26 August 2020)  
Louis Clinton (Appointed 29 November 2019) (Resigned 26 August 2020)  
Gary Stewart (Appointed 11 December 2019) (Resigned 26 August 2020)  
Alan Armstrong (Appointed 17 June 2020) (Resigned 7 July 2020)  
Steve Lowe (Appointed 24 July 2020) (Resigned 26 August 2020)  
George Karantzias (Appointed 7 July 2020) (Resigned 24 July 2020)

**Company Secretary**

Julian Rockett (Resigned 7 March 2020) (Reappointed 27 August 2020)  
Stuart Cameron (Appointed 1 April 2020) (Resigned 27 August 2020)

**Registered Office**

Level 7, 6-8 Underwood Street  
SYDNEY NSW 2000

Telephone +61 2 80036733

**Share Registry**

Computershare Investor Services Pty Limited  
Level 3, 60 Carrington Street  
Sydney NSW 2000

**Auditor**

HLB Mann Judd (WA) Partnership  
Level 4, 130 Stirling Street  
PERTH WA 6000

**Stock Exchange**

Australian Stock Exchange Limited  
20 Bridge Street  
SYDNEY NSW 2000

**ASX Code**

ADD (fully paid ordinary shares)

The Directors of Adavale Resources Limited submit herewith the financial report for the half year ended 31 December 2020. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

## **Directors**

The names of the Directors of the company during or since the end of the half year and up to the date of this report are:

Grant Pierce OAM (Chairman) (Appointed 26 August 2020)  
Rod Chittendon (Appointed 26 August 2020)  
Steven Georgiadis (Appointed 26 August 2020)  
Louis Clinton (Appointed 29 November 2019) (Resigned 26 August 2020)  
Gary Stewart (Appointed 11 December 2019) (Resigned 26 August 2020)  
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## **EXPLORATION**

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 writing.

### **Board Structure and Objectives**

On 27 August 2020 a new Board and Company Secretary were appointed comprising Grant Pierce OAM (Chairman), Rod Chittendon (Non-Executive Director), Steven Georgiadis (Non-Executive Director) and Julian Rockett (Company Secretary). Allan Ritchie was subsequently appointed as Chief Executive Officer on 8 September 2020.

The new Board recapitalised the Company to ensure on ground exploration of the Kabanga North and Kabanga North East tenements could commence under strict technical guidance and in a cost effective manner.

As noted below the new Board and management undertook a number of initiatives during the period including removing all historical debt, fund raising via a Share Purchase Plan and a placement to institutional and sophisticated investors. Additionally, Adavale acquired strategically significant UNDP and BHP data which underpinned the acquisition of four additional tenements with another currently under application in the Kagera Region of Tanzania. The Company commenced its initial exploration program in November 2020.

Further details of these initiatives are provided below.

### **Kabanga Jirani Nickel Project - High Grade Nickel Sulphide Exploration in Tanzania**

The Company first initiated its entry into the nickel sulphide exploration program in Tanzania when it applied for the first two nickel tenements in January 2020, adjoining the world famous Kabanga Nickel Sulphide Deposit. These tenements were granted in March 2020 for a period of 5 years.

Following the appointment of the new Board and management at the end of August 2020, the Company obtained the historical and comprehensive UNDP and BHP exploration data package. The package comprises a significant body of exploration work undertaken in Tanzania's Kagera Nickel Belt region between the mid-1970's and 2008 including:

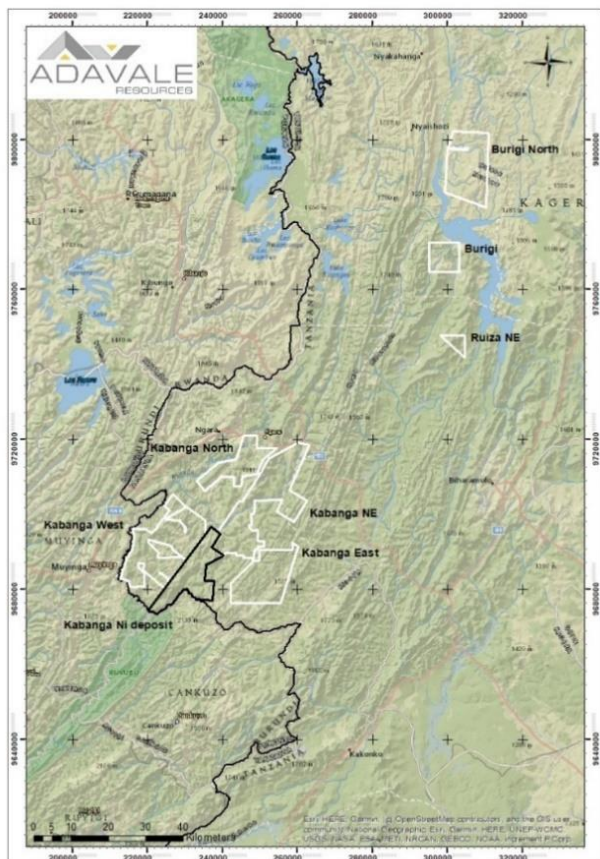
- Airborne EM and aeromagnetic survey
- baseline geology mapping
- Geochemical assays over much of the region

The wealth of relevant data contained in the package guided Adavale's technical team to recommend the application for additional prospecting licences. The Company subsequently applied for the Kabanga East, Kabanga West, Burigi and Burigi North Licences.

Adavale has at the time of writing, been granted 6 licences, with a further licence under application namely Ruiza North East, that all surround or are proximal to the world class Kabanga Nickel Project (58Mt @ 2.62% Ni). The licences have collectively been named the Kabanga Jirani Nickel Project, Jirani is the Swahili word meaning 'neighbour'.

The initial exploration program in the Kagera Region, North West Tanzania commenced in mid-November and by 30 December 2020 all samples had been delivered to SGS's laboratory for analysis.

Numerous geochemical anomalies were identified in the field using portable XRF equipment which gives sufficiently accurate metal analysis for the purpose of this program. The XRF readings are indicating the presence of mineralisation over a significant percentage of the areas being explored and the readings continue in the pits to depth. In total 41 pits were dug to depths of up to 1m to 5m and a total of 607 soil and rock chip samples were delivered to SGS's laboratory.



**MAP 1: Location of Company's 100% owned licences with only Ruiza NE under application, all in proximity to the world class Kabanga Nickel Project.**

The MSA Group from South Africa were appointed technical consultants for the company. The MSA team has an in-depth understanding of the geology and mineralisation controls of deposits within the East African Nickel belt and a track record of discovery success.

Dave Dodd, Head of Geology and principal consultant at the MSA Group in South Africa, has been appointed as the

Company's competent person for ASX JORC reporting requirements. His in-depth understanding of nickel-sulphide deposits is arguably unparalleled and he is considered a leader in his field.

### **Australia – Lake Surprise Tenements**

The Company retains the three prospective uranium tenements in South Australia

## **CORPORATE**

### **Conversion of Convertible Note**

In September 2020 a binding agreement was executed with the then recent acquirers of the \$1M face value convertible note to convert 100% of their interest, at a significant premium to the then current share price. The \$1M face-value convertible note together with accrued interest at 8% per annum from 28 April 2017 was agreed to be converted per the terms of the Convertible Note Agreement at a price of 5 cents per ordinary fully paid share, which would remove all long-term debt from the Company's balance sheet.

### **Share Placements**

On 6 October 2020 the Company announced a Share Purchase Plan (SPP) whereby each eligible shareholder under the SPP was provided with the opportunity to acquire up to \$30,000 worth of shares at an issue price of \$0.03 (subject to scale-back at Adavale's absolute discretion), without paying any brokerage fees, commissions or other transaction costs. As a result, the Company raised \$1,290,000 from the SPP culminating in the issue of only 43,000,000 new shares.

In December Adavale issued a further 35,000,000 fully paid ordinary shares raising a further \$1,400,000 at \$0.04 per share (excluding fees) from institutional and sophisticated investors by way of a placement which included the issue on a 1 :4 basis of 8,750,000 options expiring in Dec 2022 with a \$0.06 exercise price.

Also, in December 2020, and in accordance with approvals provided at the Annual General Meeting held on 21 December 2020, the Company issued 10,591,868 shares at various prices to various service providers to the Company as an alternative to making cash payments, thus conserving cash for the continued exploration effort of the Company. Additionally, 8,750,000 options were issued as part consideration to joint lead managers on the same terms as attached options to the above placement.

As a part of the terms for issue of the above options, Adavale, at their discretion, has the ability to cause the exercise at \$0.06 should the 10-day VWAP reach \$0.12. The exercise of these options would bring a further \$1,050,000 in to Adavale, and like all capital raised by the new board of Adavale the lion's share will be applied to exploration.

Ironside Capital, Foster Stockbroking and Taylor Collison acted as Joint Lead Managers to this raise which attracted multiple world class institutions to the register including Ausbil Global Resources.

### **Capital Structure**

The Company's summarised capital structure as of 31 December 2020 is as follows:

Issued fully paid ordinary shares:	285,532,677
Options @ \$0.06 Exp. 31 Dec 2022	15,500,000
Options @ \$0.06 Exp. 11 Dec 2022	2,000,000

### **Tanzanian Presidential Elections**

His Excellency John Pombe Magufuli was re-elected as President of Tanzania for a second 5-year term in October 2020. As cited in numerous press articles the President spoke publicly that his second 5-year term will be focused on attracting foreign investment in mining ([http://www.xinhuanet.com/english/2020-11/13/c\\_139514401.htm](http://www.xinhuanet.com/english/2020-11/13/c_139514401.htm)). He appointed his new Cabinet and Minister Doto Biteko has retained his position of Minister of Minerals providing stability for the sector Professor Shukrani Manyika (previously Executive Secretary of the Mining Commission) was appointed Deputy Minister of Minerals.

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**ADAVALE RESOURCES LIMITED**DIRECTORS' REPORT

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**Schedule of Tenements**

<b>Ministry ID</b>	<b>Area (km<sup>2</sup>)</b>	<b>Project Location</b>
PL 11406/2020	298.02 km <sup>2</sup>	Kabanga Nth East, Tanzania
PL 11405/2020	113.84 km <sup>2</sup>	Kabanga North, Tanzania
PL 16307/2020	64.08 km <sup>2</sup>	Burigi, Tanzania
PL 16469/2020	194 km <sup>2</sup>	Burigi North, Tanzania
PL 16522/2020	181.74 km <sup>2</sup>	Kabanga East, Tanzania
PL 16521/2020	273.27 km <sup>2</sup>	Kabanga West, Tanzania
EL 5892	92 km <sup>2</sup>	Lake Arthur East, Sth Aust.
EL 5893	167 km <sup>2</sup>	Lake Arthur, Sth Aust.
EL 5644	137 km <sup>2</sup>	Canegrass Swamp, Sth Aust.

**Dividends**

No dividends were paid or declared for payment during the financial period.

**Review of Operations**

The operating result after income tax for the half year ended 31 December 2020 was a loss of \$837,188 (December 2019: net loss \$259,414).

The loss from ordinary activities before income tax expense includes the following revenues and expenses relevant in explaining the financial performance of the entity:

	<b>Half Year Ended 31 Dec 2020</b>	<b>Half Year Ended 31 Dec 2019</b>
	\$	\$
Revenue from continuing operations	11,602	-
Expenses from continuing operations	(848,790)	(259,414)
<b>Loss for the period</b>	<b>(837,188)</b>	<b>(259,414)</b>

The result for the half-year is in line with Management and Board expectations.

**Post balance date events.**

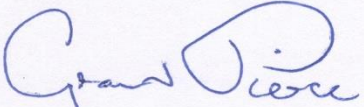
Except as referred to above no matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

**Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Signed in accordance with a resolution of Directors.

On behalf of the Directors.



Mr. Grant Pierce  
Chairman and Non-Executive Director  
9th March 2021



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**ADAVALE RESOURCES LIMITED**  
**AUDITORS INDEPENDENCE DECLARATION**

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As lead auditor for the review of the consolidated financial report of Adavale Resources Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

**Perth, Western Australia**  
**9 March 2021**

A handwritten signature in black ink, appearing to read 'B G McVeigh'.

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

**[hlb.com.au](http://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.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

for the half year ended 31 December 2020

	Note	Consolidated 31 Dec 2020 \$	Consolidated 31 Dec 2019 \$
<b>Continuing operations</b>			
Other revenue		11,602	-
<b>Total Revenue</b>		<u>11,602</u>	<u>-</u>
Insurance		(14,053)	(15,800)
Share registry fees		(83,554)	(23,230)
Management and administration		(164,720)	(168,690)
Share based payment – performance rights	12	(42,120)	-
Legal expenses		(36,000)	-
Interest expense – convertible loan		(33,314)	(40,326)
Interest expense – funding		(486)	(1,292)
Exploration and evaluation expenditure		(457,006)	(8,613)
Other expenses from ordinary activities		(17,537)	(1,463)
<b>Total expenses</b>		<u>(848,790)</u>	<u>(259,414)</u>
<b>Loss before income tax</b>		<u>(837,188)</u>	<u>(259,414)</u>
Income tax expense		-	-
<b>Loss for the period from continuing operations</b>		<u>(837,188)</u>	<u>(259,414)</u>
<b>Other Comprehensive Income:</b>		-	-
<b>Total comprehensive Loss for the period</b>		<u><u>(837,188)</u></u>	<u><u>(259,414)</u></u>
<b>Earnings Per Share:</b>			
<b>Basic (cents per share)</b>			
Earnings from continuing operations		(0.44)	(0.20)
			-
<b>Diluted (cents per share)</b>			
Earnings from continuing operations		(0.44)	(0.20)
			-

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

**ADAVALE RESOURCES LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2020

	Note	Consolidated 31 Dec 2020 \$	Consolidated 30 June 2020 \$
<b>CURRENT ASSETS</b>			
Cash assets		2,293,159	85,648
Other current assets		55,398	26,403
<b>TOTAL CURRENT ASSETS</b>		<b>2,348,557</b>	<b>112,051</b>
<b>TOTAL ASSETS</b>		<b>2,348,557</b>	<b>112,051</b>
<b>CURRENT LIABILITIES</b>			
Payables	4	205,014	377,774
<b>TOTAL CURRENT LIABILITIES</b>		<b>205,014</b>	<b>377,774</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	9	-	1,000,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>1,000,000</b>
<b>TOTAL LIABILITIES</b>		<b>205,014</b>	<b>1,377,774</b>
<b>NET ASSETS/ (LIABILITIES)</b>		<b>2,143,543</b>	<b>(1,265,723)</b>
<b>EQUITY</b>			
Share capital	8	6,810,030	2,808,696
Reserves		544,529	299,409
Accumulated losses		(5,211,016)	(4,373,828)
<b>TOTAL EQUITY (DEFICIENCY)</b>		<b>2,143,543</b>	<b>(1,265,723)</b>

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

**ADAVALE RESOURCES LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the half year ended 31 December 2020

	Note	Consolidated 31 Dec 2020 \$	Consolidated 31 Dec 2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(277,006)	(138,086)
Payments for exploration and evaluation expenditure		(176,350)	(8,613)
<b>NET CASH FLOWS (USED IN) OPERATING ACTIVITIES</b>		<b>(453,356)</b>	<b>(146,699)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from issue of equity securities		2,660,867	172,868
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>2,660,867</b>	<b>172,868</b>
<b>NET INCREASE IN CASH ASSETS HELD</b>		2,207,511	26,169
Cash assets at the beginning of the half year		85,648	23,855
<b>CASH ASSETS AT THE END OF THE HALF YEAR</b>		<b>2,293,159</b>	<b>50,024</b>

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

**ADAVALE RESOURCES LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the half year ended 31 December 2020

	Share Capital \$	Accumulated Losses \$	Equity Component Instrument \$	Options Reserve \$	Total \$
<b>Balance at 1 July 2019</b>	2,318,159	(3,838,852)	299,409	-	(1,221,284)
Loss for the period	-	(259,414)	-	-	(259,414)
<b>Total Comprehensive income for the period</b>	-	(259,414)	-	-	(259,414)
Net issue of shares	267,627	-	-	-	267,627
<b>Balance at 31 December 2019</b>	<b>2,585,786</b>	<b>(4,098,266)</b>	<b>299,409</b>	<b>-</b>	<b>(1,213,071)</b>

	Share Capital \$	Accumulated Losses \$	Equity Component Instrument \$	Options Reserve \$	Total \$
<b>Balance at 1 July 2020</b>	2,808,696	(4,373,828)	299,409	-	(1,265,723)
Loss for the period	-	(837,188)	-	-	(837,188)
<b>Total Comprehensive loss for the period</b>	-	(837,188)	-	-	(837,188)
Net issue of shares	4,001,334	-	-	-	4,001,334
Equity based payments (Note 12-13)	-	-	-	245,120	245,120
<b>Balance at 31 December 2020</b>	<b>6,810,030</b>	<b>(5,211,016)</b>	<b>299,409</b>	<b>245,120</b>	<b>2,143,543</b>

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

## **1. NATURE OF OPERATIONS**

Adavale Resources Limited (“the Company”) and its controlled entities (“the Group”) principal activities of the consolidated entity during the period include energy and mineral exploration in Australia and Tanzania.

Further detailed information on the changes in corporate ownership and strategy can be found in the Directors’ Report above.

## **2. GENERAL INFORMATION AND BASIS OF PREPARATION**

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting as well as International Financial Reporting Standards.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by Adavale Resources Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001. The half-year report does not include full disclosures of the type normally included in an annual financial report.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

Except as referred to below, the interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s last annual financial statements for the year ended 30 June 2020.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements. The Group is a for-profit entity.

The interim financial statements do not include full disclosures of the type normally included in the full financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report. It is recommended interim financial statements be read in conjunction with the full financial report for the year ended 30 June 2020 and any public announcements made by Adavale Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

In the half year ended 31 December 2020, 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 2020.

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 31 December 2020. 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. These half-year financial statements were approved by the Board of Directors on 9 March 2021.

For the purposes of preparing the half-yearly financial statements the half year has been treated as a discrete reporting period.

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**ADAVALE RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the half year ended 31 December 2020

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*Critical Accounting Estimates and Judgements*

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Company's last annual financial statements for the year ended 30 June 2020.

*Going Concern*

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 \$837,188. The Group had a cash outflow from operating activities of \$453,356, while over the same period raised an amount of \$2,660,867 cash from placement of shares, and additionally converted the company debt and accrued interest on the convertible note at 30 November 2020, and payment of certain services by way of share issue. At period end, the Group's cash reserves were \$2,293,159, and current assets exceeded current liabilities by \$2,143,543.

On the basis of the above the Directors consider it is appropriate to prepare the financial statements on a going concern basis.

**4. PAYABLES**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Trade creditors	82,169	30,759
Accrued interest – non-related party	-	254,011
Other creditors and accruals	122,845	93,004
	<b>205,014</b>	<b>377,774</b>

The accrued interest owing to non-related parties as at 30 June 2020 has since been converted to ordinary shares in accordance with the terms of the Convertible Note.

**ADAVALE RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the half year ended 31 December 2020

**5. COMMITMENTS**

There is no material change to the commitments disclosed by the Group in its 30 June 2020 annual report.

**6. CONTINGENCIES**

There are no contingencies identified by the Board as at 31 December 2020.

**7. SEGMENT REPORTING**

AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Group is managed primarily on the basis of its Tanzanian and Australian corporate activities. Operating segments are therefore determined on the same basis.

<b>Consolidated - 31 December 2020</b>	<b>Tanzania</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>For the half-year ended 31 December 2020</b>			
<b>Revenue</b>			
Other revenue	-	11,602	11,602
<b>Loss after income tax expense</b>	(457,006)	(380,182)	(837,188)
<b>As at 31 December 2020</b>			
Total Segment assets	31,344	2,317,213	2,348,557
Total Segment liabilities	(17,363)	(187,651)	(205,014)
<b>Consolidated - 31 December 2019</b>	<b>Tanzania</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>For the half-year ended 31 December 2019</b>			
<b>Revenue</b>			
Other revenue	-	-	-
<b>Loss after income tax expense</b>	(8,613)	(250,801)	(259,414)
<b>As at 31 December 2019</b>			
Total Segment assets	-	64,301	64,301
Total Segment liabilities	-	(1,277,373)	(1,277,373)



**ADAVALE RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the half year ended 31 December 2020

**8. SHARE CAPITAL**

	Consolidated 31 Dec 2020		Consolidated 30 June 2020	
	Number	\$	Number	\$
Fully paid ordinary shares	285,532,677	6,810,030	171,194,340	2,808,696
<b>Ordinary Shares</b>				
Opening Balance	171,194,340	2,808,696	119,431,105	2,318,159
Shares issued (net of costs)	114,338,337	4,001,334	51,763,235	490,537
<b>Closing Balance 31 December 2020</b>	<b>285,532,677</b>	<b>6,810,030</b>	<b>171,194,340</b>	<b>2,808,696</b>

During the half year the following share issues were made;

- In October 2020 42,999,965 shares were issued at 3 cents per share raising \$1,290,000.
- In December 2020 35,000,000 shares were issued at 4 cents per share raising \$1,400,000.
- In November 2020 following agreement with the various owners of the Convertible Note, it was agreed to convert the \$1,000,000 plus accrued interest into 25,746,504 fully paid shares at the agreed conversion price of 5 cents per share;
- Also, and as approved at the Annual General Meeting in December 2020, the Company has issued 10,591,868 ordinary fully paid shares at various share prices to a number of service providers to the Company.

**9. NON-CURRENT LIABILITIES – BORROWINGS**

	Note	Consolidated 31 Dec 2020 \$	Consolidated 30 June 2020 \$
Borrowings	11(a)	-	1,000,000
Less: Equity component instrument		-	(299,409)
Add: Unwinding of interest		-	299,409
		-	<b>1,000,000</b>

The Convertible Note existing as at 30 June 2020 together with accrued interest to 30 November 2020 was converted in accordance with the terms of the CN into fully paid ordinary shares at 5 cents per share.

**10. SUBSEQUENT EVENTS**

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

**11. FINANCIAL INSTRUMENTS**

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

**ADAVALE RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the half year ended 31 December 2020

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

In the half year ended 31 December 2020, and as approved by Shareholders at the Company's Annual General Meeting on 21 December 2020, the Company adopted the Adavale Securities Plan. Consequent upon this approval the Board has granted each Director at 21 December 2020 540,000 Incentive Rights. The Performance Rights have been issued as a remuneration bonus should the Company achieve a significant milestone in the Company's share price as described below.

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

**13. ISSUE OF OPTIONS AS REMUNERATION**

As part consideration for the management of recent share placements, 8,750,000 options were issued. The key terms of the options issued are as follows;

1. the exercise price of the options is \$0.06 per option;
2. The expiry date is 31 December 2021;
3. 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	Share 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

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**ADAVALE RESOURCES LIMITED**

**DIRECTORS DECLARATION**

for the half year ended 31 December 2020

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The Directors of the Company declare that:

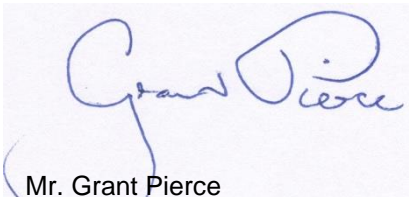
- (a) the attached financial statements and notes thereto comply with AASB 134 Interim Reporting;
- (b) the attached financial statements and notes thereto give a true and fair view of the consolidated financial position as at 31 December 2020 and of its performance for the half year ended on that date;

In the Directors' opinion:

- (a) the attached financial statements and the notes thereto are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors.



Mr. Grant Pierce  
Chairman and Non-Executive Director  
9<sup>th</sup> March 2021



## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Adavale Resources Limited

### Report on the Condensed Half-Year Financial Report

#### *Conclusion*

We have reviewed the accompanying half-year financial report of Adavale Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### *Basis for conclusion*

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

#### *Responsibility of the directors for the financial report*

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

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*Auditor's responsibility for the review of the financial report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

*Independence*

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

*HLB Mann Judd*

**HLB Mann Judd  
Chartered Accountants**

**Perth, Western Australia  
9 March 2021**

A handwritten signature in black ink, appearing to read 'B G McVeigh'.

**B G McVeigh  
Partner**