ADAVALE RESOURCES LIMITED

("Company")

ACN 008 719 015

NOTICE OF MEETING

Notice is hereby given that the General Meeting of Shareholders of the Company will be held at the offices of the Company's share registry, Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney, NSW 2000 (**Meeting**), at 3.00pm AEST on Wednesday 26 April 2017 (Sydney Time).

The Explanatory Notes to this Notice have been prepared to provide Shareholders with additional information on the Resolutions to be proposed and considered at the Meeting.

The Independent Expert has concluded that the advantages of the Transaction related to the subject of Resolution 1 outlined in this Notice outweigh the disadvantages for the non-associated shareholders and is not fair but reasonable in the circumstances. All Shareholders should refer to the Independent Expert's report enclosed with this Notice.

The Explanatory Notes, Independent Expert's report and Proxy Form form part of this Notice.

This Notice should be read in its entirety and if Shareholders are in doubt as to how to vote, they should seek advice from their professional advisors prior to voting.

Should you wish to discuss the matters in this Notice please do not hesitate to contact the Company Secretary on (+61 3) 8263 0515.

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BUSINESS OF THE MEETING

ITEM 1: APPROVAL FOR JUN MOON LIMITED (JML) AND THE COMPANY TO ACQUIRE A RELEVANT INTEREST

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

"That for the purpose of item 7 of Section 611 of the Corporations Act and for all other purposes, the Company be authorised, with effect from the passing of this Resolution, to proceed with the Transaction and for:

(a) *JML obtaining a maximum of 60,200,000 Shares representing a Relevant Interest in the Company from a point that is below 20% to a maximum of 78.74% as a result of the Transaction; and*

(b) *the Company obtaining a maximum of 64,438,778 Shares representing a Relevant Interest in its Shares from a point that is below 20% to a maximum of 84.29% as a result of the Transaction,*

on the terms set out in the Explanatory Notes which accompany and form part of this Notice."

Notes:

For the purpose of the Shareholder approvals required under Item 7 of Section 611 of the Corporations Act, the Independent Expert has prepared an Independent Expert's report on the Transaction which is enclosed with this Notice in Annexure A. The Independent Expert has concluded that, in its opinion, the Transaction is not fair but reasonable to all non-associated Shareholders of the Company.

Note: Voting restrictions apply to this Resolution and in accordance with RG 74.48, the Company will disregard any votes cast on Resolution 1 by JML and their Associates, and each of the Share Vendors and their Associates.

ITEM 2: ELECTION OF HUILI GUO AS DIRECTOR OF THE COMPANY

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

"That subject to and conditional upon the passing of Resolution 1 and Completion, and with effect from the date of Completion, Huili Guo be appointed as Director of the Company."

ITEM 3: ELECTION OF YUK CHOR CHOI AS DIRECTOR OF THE COMPANY

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

"That subject to and conditional upon the passing of Resolution 1 and Completion, and with effect from the date of Completion, Yuk Chor Choi be appointed as Director of the Company."

ITEM 4: ELECTION OF ALLAN RITCHIE AS DIRECTOR OF THE COMPANY

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

"That subject to and conditional upon the passing of Resolution 1 and Completion, and with effect from the date of Completion, Allan Ritchie be appointed as Director of the Company."

ITEM 5: GRANT OF OPTIONS TO HARYONO EDDYARTO

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

"That for the purpose of ASX Listing Rule 10.11 and for all other purposes, and subject to and conditional upon the passing of Resolution 1 and Completion, the Company approve the issue of up to 1,000,000 Options to Haryono Eddyarto (or his nominee); the exercise price being $0.015 and expiring on the date that is 2 years after the date of issue, on the terms set out in the Explanatory Notes."

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

ITEM 6: GRANT OF OPTIONS TO ALBERT CHEOK

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

"That for the purpose of ASX Listing Rule 10.11 and for all other purposes, and subject to and conditional upon the passing of Resolution 1 and Completion, the Company approve the issue of up to 1,000,000 Options to Albert Cheok (or his nominee); the exercise price being $0.015 and expiring on the date that is 2 years after the date of issue, on the terms set out in the Explanatory Notes."

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

ITEM 7: GRANT OF OPTIONS TO PETER MURPHY

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

"That for the purpose of ASX Listing Rule 10.11 and for all other purposes, and subject to and conditional upon the passing of Resolution 1 and Completion, the Company approve the issue of up to 1,000,000 Options to Peter Murphy (or his nominee); the exercise price being $0.015 and expiring on the date that is 2 years after the date of issue, on the terms set out in the Explanatory Notes."

Note: The Company will disregard any votes cast on the subject resolution by Mr Peter Murphy and/or his Associates. However, the Company need not disregard a vote if it is cast, in accordance with the directors on the proxy form, by a person as proxy for a person who is entitled to vote or, it

is cast in accordance with the direction on the proxy form to vote as the proxy decides, by the person chairing the meeting as proxy for a person who is entitled to vote.

ITEM 8: GRANT OF OPTIONS TO SAHARTO SAHARDJO

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

"That for the purpose of ASX Listing Rule 10.11 and for all other purposes, and subject to and conditional upon the passing of Resolution 1 and Completion, the Company approve the issue of up to 1,000,000 Options to Saharto Sahardjo (or his nominee); the exercise price being $0.015 and expiring on the date that is 2 years after the date of issue, on the terms set out in the Explanatory Notes."

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

ITEM 9: APPROVAL OF PRIOR ISSUES OF SECURITIES TO REFRESH PLACEMENT CAPACITY

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

"That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Company approve and ratify the previous issue of 7,000,000 Shares on or around 31 January 2017 on the basis set out in the Explanatory Notes."

ENTITLEMENT TO VOTE

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001 (Cth)* that the persons eligible to vote at the Meeting are those who are registered Shareholders of the Company as at 7.00pm AEST on 24 April 2017 (**Entitlement Time**), subject to any applicable voting exclusion. This means that if you are not the registered holder of a Share at the Entitlement Time, you will not be entitled to vote at the Meeting.

VOTING OPTIONS AND PROXIES

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

Voting by Proxy

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

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

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

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

PROXY VOTING BY THE CHAIR

The Chair intends to vote all undirected proxies in favour of the Resolutions put in the Notice.

PROXY FORMS

To be effective, the Proxy Form must be completed, signed and lodged (together with the relevant original power of attorney or a certified copy if the proxy is signed by an attorney) with the Company at its share registry, as an original or by facsimile, **no later than** 3.00pm AEST on 24 April 2017 (**Proxy Deadline**).

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

(i) **By mail** to Computershare Investor Services Pty Limited (**Computershare**) using the reply paid envelope or GPO Box 242, Melbourne Vic 3001. Please allow sufficient time so that it reaches Computershare by the Proxy Deadline;

(ii) **By fax** to Computershare on 1800 783 447 (inside Australia) or +61 3 9473 2555 (outside Australia);

(iii) **Online** via the Company's Share Registry website at www.investorvote.com.au; or

(iv) **By hand delivery** to Computershare at Level 4, 60 Carrington Street, Sydney NSW 2000.

Proxy Forms and powers of attorney must be received by the Proxy Deadline.

CORPORATE REPRESENTATIVES

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

(i) A letter or certificate authorising him or her as the corporation's representative, executed in accordance with the corporation's constitution; or

(ii) A copy of the resolution appointing the representative, certified by a secretary or director of the corporation.

BY ORDER OF THE BOARD

Leanne Ralph

Company Secretary

21 March 2017

EXPLANATORY NOTES

BACKGROUND

On 1 December 2016, the Company announced it had signed a memorandum of understanding (**MOU**) with JML, a new strategic investor, to ensure the Company's sustainability and future growth.

Under the terms of the MOU and further to subsequent discussions between the Company and JML, it was proposed that (subject to approval by Shareholders):

(a) the Company will enter into the Convertible Loan Agreement under which JML will lend $1,000,000 to the Company to facilitate the repayment of the Existing Loan from Mr Haryono Eddyarto. Under the Convertible Loan Agreement, JML may subscribe for up to 23,200,000 Shares in satisfaction of all monies owing under the Convertible Loan Agreement;

(b) the Company and JML will appoint three mutually agreed upon Directors to the Board;

(c) each of Albert Cheok, Peter Murphy and Saharto Sahardjo will resign from the Board while Haryono Eddyarto will remain as Director and be appointed chairman of the Board;

(d) the Company will grant to each Allottee up to 1 million Options to acquire Shares on a 1:1 basis at an exercise price of $0.015 (**Allotment**);

(e) the Company will enter into the HE Escrow Agreement under which the 4,238,778 Shares currently held by Haryono Eddyarto will become subject to trading restrictions on the terms set out in the HE Escrow Agreement;

(f) JML will acquire 12 million Shares currently on issue from four existing Shareholders (**Shareholder Vendors**) in exchange for a cash sum of $200,000.39 (**Share Purchase**) and the Share Purchase Shares will become subject to trading restrictions on the terms set out in the Second JML Escrow Agreement; and

(g) JML will subscribe for 18 million Shares at $0.01 per share within 1 month of the Meeting (**Placement**) and the Placement Shares will become subject to trading restrictions on the terms set out in the Second JML Escrow Agreement,

(together, the **Transaction**).

The Company presently has 35,249,456 Shares on issue.

JML currently holds 7,000,000 Shares which it acquired on or around 31 January 2017 at $0.01 per Share (**Subscription**). The Shares acquired by JML under the Subscription are subject to trading restrictions on the terms set out in the First JML Escrow Agreement.

As a result of the Subscription, JML currently holds 19.86% of the Shares in the Company.

By reason on the First JML Escrow Agreement, the Company currently holds a 19.86% relevant interest in its Shares.

Completion of the Transaction is subject to approval by Shareholders.

1. ITEM 1: APPROVAL FOR JML AND THE COMPANY TO ACQUIRE A RELEVANT INTEREST AS A RESULT OF THE TRANSACTION

1.1 General

Subsection 606(1)(c)(i) of the Corporations Act provides that a person must not acquire a "Relevant Interest" in issued voting shares of a listed entity where, as a result of that acquisition, that person's or someone else's voting power in the entity increases from 20% or below to more than 20%.

Section 610 of the Corporations Act provides that a person's voting power in an entity is the total number (expressed as a percentage) of votes attached to all voting shares in the entity in which the person or the person's Associate has a "Relevant Interest", divided by the total number of votes attached to all voting shares in that entity.

Section 608 of the Corporations Act provides that a person has a "Relevant Interest" in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise or control the exercise of, a right to vote attached to the securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

The Transaction will result in JML's voting power in the Company increasing from 19.86% to a maximum of 78.74%. Further details of the increase in JML's voting power in the Company as a result of the Transaction are set out in section 1.3(h) below.

Separately, the Company currently has a Relevant Interest in its Shares pursuant to section 608 of the Corporations Act by virtue of its ability (as facilitated by the First JML Escrow Agreement) to control the disposal of the Shares currently held by JML.

Entry into the HE Escrow Agreement and the Second JML Escrow Agreement will result in the Company obtaining a Relevant Interest in the 4,238,778 Shares held by Haryono Eddyarto and all Shares to be issued to JML under the Transaction. Accordingly, the Transaction will result in the Company's Relevant Interest in its Shares increasing from 19.86% to a maximum of 84.29%. Further details of the increase in the Company's Relevant Interest in its Shares are set out in section 1.3(i) below.

1.2 Exception to section 606

Section 611 of the Corporations Act sets out a number of exceptions to the prohibition in section 606. Relevantly, item 7 of section 606 of the Corporations Act provides that an acquisition approved previously by an ordinary resolution passed at a general meeting of the company in which the acquisition is made, is exempt from the prohibition in section 606 of the Corporations Act, provided that:

(a) no votes are cast in favour of the resolution by the person proposing to undertake the acquisition and their Associates, or persons from whom the acquisition is to be made and their Associates; and

(b) the members of the company were given all information known to the person proposing to make the acquisition or their Associates, or known to the company, that was material to the decision on how to vote on the resolution.

Under the Transaction, JML will:

(a) undertake the Share Purchase, under which it will purchase 12,000,000 Shares;

(b) undertake the Placement, under which it will subscribe for 18,000,000 Shares; and

(c) be able to direct the Company to repay all monies (being amounts in the nature of principal and interest) owing to JML under the Convertible Loan Agreement by way of the issue of Shares at $0.05 per Share (**Conversion**), which will entitle JML to subscribe for a maximum of 23,200,000 Shares (accounting for two years of accrued interest at 8% on the principal amount extended under the Convertible Loan Agreement).

Under the Transaction:

(a) JML's Relevant Interest in the Company will increase from a point that is below 20% to a point that is more than 20% and therefore, in contravention of section 606 of the Corporations Act; and

(b) the Company's Relevant Interest in the Shares will increase from a point that is below 20% to a point that is more than 20% and therefore, in contravention of section 606 of the Corporations Act by virtue of the operation of the HE Escrow Agreement and the Second JML Agreement.

Accordingly, the Transaction would not be capable of proceeding without Shareholder approval under item 7 of section 611 of the Corporations Act.

1.3 Information to be provided under item 7 of section 611

The following information is provided for Shareholders in accordance with item 7(b) of section 611 of the Corporations Act:

(a) JML is a company which is a resident of the British Virgin Islands (Incorporation No. 1579451) and controlled by Huili Guo. The sole director of JML is Huili Guo.

JML has track record of making commercial investments in various companies including those with energy & resources assets.

JML has invested in multiple jurisdictions across the Asia Pacific region and invested in both private and public companies.

JML is focused on improving companies that it invests in and will be looking to create value for the Company's assets and its Shareholders.

(b) The information below sets out JML's intentions in relation to the Company if the Transaction is completed, as indicated by JML to the Company. The statements set out below are statements of current intentions only and may vary as new information becomes available or if circumstances change, and are made on the assumption that the Transaction is approved. If the Transaction proceeds:

(i) JML's investment in the Company will ensure the Company's sustainability and future growth and will be used to fund the Company's working capital requirements in the short to medium term;

(ii) it will represent an opportunity to enhance the Company's position in the energy & resources sector and will enable the Company to deliver on its key strategic objectives of growth either organically or through acquisition;

(iii) JML recognises the value inherent in the Company and proposes to adopt a growth strategy for its investment in order to realise the Company's potential over the medium to long term and make capital injections where required to support this level of growth;

(iv) JML does not intend to change the business, transfer assets between the Company and JML (or its Associates), or otherwise redeploy the fixed assets of the Company and intends to continue employing the present employees of the Company; and

(v) JML does not intend to significantly change the financial or dividend distribution policies of the Company;

(c) the Transaction, with the exception of the Placement, is to occur within 7 business days after the date of this Meeting. The Placement will occur within 1 month after the date of this Meeting and the Share Purchase and extinguishment of the Existing Loan by means of the Convertible Loan Agreement will occur within 1 business day after the date of this Meeting.

(d) the material terms of the Transaction are as follows:

(i) **Share Purchase**: On Completion, JML will purchase a total of 12,000,000 Shares from the Shareholder Vendors under the Share Purchase, being:

A. 1,803,161 Shares from Java Tech Ltd for $30,052.74;

B. 3,709,951 Shares from MFCM Nominee Services Pty Ltd as for $61,832.64;

C. 3,571,428 Shares from Nobel International Limited for $59,523.92; and

D. 2,915,460 Shares from Stock Assist Group Pty Ltd for $48,591.09,

on the terms set out in the Share Purchase Agreements entered into with each Shareholder Vendor.

Each Share Purchase Agreement has the following key operative terms:

- Clause 2.1 provides that each Shareholder Vendor will sell, and JML will purchase in each case the number of Shares set out in sections 1.3(d)(i)(A) to (D).
- Clause 4.1 provides that Completion of the Share Purchase Agreement is conditional upon JML obtaining approval from Shareholders of the Company as to the terms of the Share Purchase Agreement and other conditions precedent under the MOU between the Company and each Shareholder Vendor.
- Clause 1.1 notes that the transaction contemplated in each Share Purchase Agreement will complete within 7 business days of obtaining Shareholder approval of the conditions precedent under the MOU between the Company and the Purchaser.

For completeness, the Shares subject of the Share Purchase were originally issued to each Shareholder Vendor as nominees of Gurney Nominees Pty Ltd pursuant to the terms of the Standby Subscription Agreement. On or around 5 January 2017, the Company gave notice to Gurney Capital Nominees that it did not propose to draw further from the facility under the Standby Subscription Agreement. Shortly after the date of this Meeting, the Company with the consent of Gurney Capital Nominees Pty Ltd will terminate the Standby Subscription Agreement.

(ii) **Placement**: Within 1 month after Completion, JML will subscribe for a total of 18,000,000 Shares at $0.01 per Share on the terms set out in the Subscription Agreement. The Subscription Agreement has the following key terms:

A. Clause 2.1(a) and Item 3 of Schedule 1 provides that JML must subscribe for the Placement Shares for $180,000.

B. Clause 2.1(b) provides that the Company will issue the Placement Shares to JML within 1 month of the date of this Meeting.

C. Clause 2.2 provides that JML will be bound by the constitution of the Company on issue to JML of the Placement Shares.

(iii) **Convertible Loan Agreement**: On 5 January 2017 the Company entered into the Convertible Loan Agreement with JML. The Convertible Loan Agreement has the following key terms:

A. Clause 2.1 provides that the Convertible Loan Agreement is subject to Shareholder approval of the conditions precedent under the MOU between the Company and JML.

B. Clause 2.2 provides that the Company must use the funds advanced to repay in full and extinguish the Existing Loan.

C. Clause 4.3 permits JML to direct the Company to satisfy the repayment of all outstanding monies (being the amount of the initial advance and any accrued interest) by the issue of Shares to JML at a price of $0.05 per Share.

D. Clause 4.2 provides the conversion of the advance into Shares is subject to and conditional upon receiving Shareholder approval.

E. Clause 5.1 provides that in the event Shareholder approval is not obtained in accordance with clause 4.2 or a direction from JML of the kind mentioned in clause 4.3, is not received, the Company must repay the advance by 5 January 2019.

F. Clauses 1.1 and 6.1 provides that the rate of interest payable on the advance is 8% per annum, calculated on a daily basis on a 365 day year.

It is intended that shortly after the advance of $1,000,000 by JML under the Convertible Loan Agreement, the Company will apply these funds to extinguish the Existing Loan.

(iv) **First JML Escrow Agreement:** On 5 January 2017, the Company entered into the First JML Escrow Agreement in relation to the Subscription Shares. The First JML Escrow Agreement has the following key terms:

A. Clause 1.1 provides that the Escrow Period is the 12 month period following the issue of the Subscription Shares.

B. Clause 2.1 provides that subject to certain exceptions in clause 2.2, during the escrow period, JML may not: (a) dispose of; (b) create a security interest over; or (c) transfer effective ownership of the Subscription Shares.

C. Clause 2.2 notes that notwithstanding the restrictions in clause 2.1, JML may deal with the Subscription Shares in the context of a takeover offer that has achieved a minimum acceptance of 50%.

(v) **HE Escrow Agreement**: On 5 January 2017, the Company entered into the HE Escrow Agreement which has the following key terms:

A. Clause 1.1 and the Schedule note that the Shares subject to the escrow restrictions in this document are the 4,238,778 Shares held by Haryono Eddyarto.

B. Clause 1.1 provides that the escrow period commences on the day after Shareholder approval of the terms of the HE Escrow Agreement is obtained (ie, the day after the date of this Meeting) and continues for a period of 12 months.

C. Clause 2.1 provides that subject to certain exceptions in clause 2.2, during the escrow period, Haryono Eddyarto may not (a) dispose of; (b) create a security interest over; or (c) transfer effective ownership of the 4,238,778 Shares in question.

D. Clause 2.2 notes that notwithstanding the restrictions in clause 2.1, Haryono Eddyarto may deal with the 4,238,778 Shares in question in the context of a takeover offer that has achieved a minimum acceptance of 50%.

(vi) **Second JML Escrow Agreement**: On 5 January 2017, the Company entered into the Second JML Escrow Agreement in relation to the Shares to be acquired or subscribed for by JML under: (i) the Share Purchase; (ii) the Placement; and (iii) a Conversion under the Convertible Loan Agreement. The Second JML Escrow Agreement has the following key terms:

A. Clause 1.1 and the Schedule to the Second JML Escrow Agreement provide that the "Restricted Securities" in question are:

- the 12,000,000 Shares acquired by JML under the Share Purchase;
- the 18,000,000 Shares issued to JML under the Placement; and
- the 23,200,000 Shares that may be issued to JML under the Convertible Loan Agreement;

B. Clause 1.1 also provides that:

- (**in the case of the Shares under the Share Purchase**) the escrow period commences on the date the Share Purchase Shares are acquired by JML and continues for a period of 12 months.
- (**in the case of the Shares under the Placement**) the escrow period commences on the date the Placement Shares are issued to JML and continues for a period of 12 months.
- (**in the case of the Shares under the Convertible Loan Agreement**) the escrow period commences on the date that Shares are issued to JML under a Conversion and continues for a period of 12 months.

C. Clause 2.1 provides that subject to certain exceptions in clause 2.2, during the escrow period, JML may not (a) dispose of; (b) create a security interest over; or (c) transfer effective ownership of the Restricted Securities.

D. Clause 2.2 notes that notwithstanding the restrictions in clause 2.1, JML may deal with the Restricted Securities in the context of a takeover offer that has achieved a minimum acceptance of 50%.

(e) The Transaction contemplates the Allotment and changes to the composition of the Board. The relevant agreements or steps relating to the Allotment and the change in the composition of the Board are conditional on (or directly or indirectly depend on) members' approval of the Transaction and are summarised as follows:

(i) **Allotment**: On Completion, the Company will grant a total of 4,000,000 Options to the Allottees, who are all current Directors.

Under the Option terms, each Allottee will receive 1,000,000 Options for nil consideration which will be capable of exercise 1 year from the date of issue for an exercise price of $0.015. Upon exercise, each Option will entitle the holder to subscribe for 1 Share. Each Option will expire on the date which is 2 years from the date of their issue.

(ii) **Composition of Board**: On Completion:

A. JML will nominate three mutually agreed directors to join the Board. These are expected to be Mr Huili Guo, Mr Yuk Chor Choi and Mr Allan Ritchie; and

B. each Allottee (with the exception of Haryono Eddyarto), as current Directors, will resign from the Board. Haryono Eddyarto will remain on the Board and be appointed the initial chairman of the Board in accordance with the MOU.

These appointments and resignations are conditional on Completion occurring and the Company obtaining all necessary approvals including those sought in this Meeting;

(f) the interests that any Director has in the Transaction or in any relevant agreement is set out at sections 1.3(d) and 1.3(e) above;

(g) details about the persons who are intended to become Directors if Shareholders approve the Transaction are set out in sections 2, 3 and 4 below;

(h) following Completion, JML's voting power in the Company will increase as follows:

Holder	Shares currently held	Shares held after Share Purchase	Shares held after Placement	Shares held after Conversion	Voting power			
					Current	Post-Share Purchase	Post Placement	Post Conversion
JML and Associates	7,000,000	19,000,000	37,000,000	60,200,000	19.86%	53.90%	69.48%	78.74%
Other Shareholders	28,249,456	16,249,456	16,249,456	16,249,456	80.14%	46.10%	30.52%	21.26%
Total	35,249,456	35,249,456	53,249,456	76,449,456	100%	100%	100%	100%

(i) following Completion, the Company's voting power will increase as follows:

Holder	Shares currently held	Shares held after Share Purchase	Shares held after Placement	Shares held after Conversion	Voting power			
					Current	Post-Share Purchase and HE Escrow Agreement effective date	Post Placement	Post Conversion
Company	0	0	0	0	19.86%	65.93%	77.44%	84.29%
Other Shareholders	35,249,456	35,249,456	53,249,456	76,449,456	80.14%	34.07%	22.56%	15.71%
Total	35,249,456	35,249,456	53,249,456	76,449,456	100%	100%	100%	100%

Note that section 610 of the Corporations Act prescribes that the Company's "voting power" is to be calculated on the basis of the number of votes attached to those Shares in which the Company has a Relevant Interest, even though the Company has no control over voting rights attached to the Shares that are the subject of the First JML Escrow Agreement, the HE Escrow Agreement or the Second JML Escrow Agreement.

1.4 Related Party transactions: Chapter 2E of the Corporations Act and ASX Listing Rule 10.11

Chapter 2E of the Corporations Act regulates related party transactions.

Section 208 of the Corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

(a) obtain the approval of its members in accordance with sections 217 to 227 of the Corporations Act before it gives a financial benefit to a related party; and

(b) give the benefit, for which Shareholder approval is obtained, within 15 months of that approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

JML is a related party of the Company by virtue of section 228(6) of the Corporations Act. However, Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Shares to JML. On the basis that, among other things, at the date of the Meeting, JML is not a related party of the Company (and therefore a true third party at arm's length) and will only be related by virtue of the Transaction, the Directors consider that the Transaction is on an arm's length basis (section 210 of the Corporations Act).

Further in accordance with ASX Listing Rule 10.12 (exception 6), Shareholder approval is not required under ASX Listing Rule 10.11.

1.5 ASX Listing Rule 7.1

In accordance with ASX Listing Rule 7.2 (exception 16), Shareholder approval under ASX Listing Rule 7.1 is not required where Shareholder approval under item 7 of section 611 of the Corporations Act has been obtained.

1.6 Consequences of Resolution 1 not being approved

The Transaction is conditional upon the Company obtaining Shareholder approval under Resolution 1.

Accordingly, if Resolution 1 is not passed by Shareholders at the Meeting:

(a) the Transaction cannot proceed;

(b) it is highly likely that the Transaction agreements will be terminated;

(c) the Company, which is in need of funding, will be unable to secure investment by JML on the terms set out in the Transaction; and

(d) all costs incurred by the Company in connection with the Transaction will be lost.

1.7 Voting Restriction

Pursuant to RG 74.48, the Company will disregard any votes cast on Resolution 1 by:

(a) JML and their Associates; and

(b) Each of the Share Vendors and their Associates.

1.8 Directors' Recommendation

The Directors unanimously recommend that you vote in favour of the Resolution.

2. ITEM 2: ELECTION OF HUILI GUO

Resolution 2 seeks the approval of Shareholders for the appointment of Huili Guo as a director of the Company.

Under the MOU, the Company must procure that the Board will take all actions necessary to ensure that at the Meeting and with effect from Completion, Huili Guo is appointed as a director of the Company.

The MOU requires that Shareholders approve the appointment of three mutually agreed directors.

The election of Huili Guo to the Board is subject to and conditional upon the passing of Resolution 1 and Completion. It is intended that following the appointment of Huili Guo to the Board (and subject to the passing of Resolution 1 and Completion), Huili Guo will act in the capacity of a non-executive director.

Details of Huili Guo's qualifications and experience are as follows:

Mr Huili Guo, aged 40, joined the People Liberation Army (**PLA**) in the PRC from 1993 to 1996. Since his resignation from the PLA, he has worked extensively in the Petrochemical industry in China, mainly in sales and marketing for 14 years.

He started JML in 2010 as its majority shareholder and Chairman of the Board. JML's main business is procuring off-take of Petroleum products, both within China and overseas.

Under Mr Guo's guidance and strategy JML has made a number of successful investments, more noticeably, as a majority shareholder in a Molybdenum mine in Guizhou, China, as well as in various financial investments and asset management concerns in Hong Kong, and China.

2.1 Directors' Recommendation

The Directors unanimously recommend that you vote in favour of the Resolution.

3. ITEM 3: ELECTION OF YUK CHOR CHOI

Resolution 3 seeks the approval of Shareholders for the appointment of Yuk Chor Choi as a director of the Company.

Under the MOU, the Company must procure that the Board will take all actions necessary to ensure that at the Meeting and with effect from Completion, Yuk Chor Choi is appointed as a director of the Company.

The appointment of Yuk Chor Choi to the Board is subject to and conditional upon the passing of Resolution 1 and Completion. It is intended that following the appointment of Yuk Chor Choi to the Board (and subject to the passing of Resolution 1 and Completion), Yuk Chor Choi will act in the capacity of a non-executive director.

Details of Yuk Chor Choi's qualifications and experience are as follows:

Mr Yuk Chor Choi, aged 52, started his career in auditing and accounting for various Hong Kong enterprises with businesses and manufacturing facilities in China for about 11 years.

He then worked as a factory manager for a premium products manufacturer and exporter based in Shenzhen, China.

He joined Jun Moon Limited as its CEO in 2013 responsible for managing the various investments made by JML. He has also made investments in Hong Kong and China, including property, and funds management company in Hong Kong.

3.1 Directors' Recommendation

The Directors unanimously recommend that you vote in favour of the Resolution.

4. ITEM 4: ELECTION OF ALLAN RITCHIE

Resolution 4 seeks the approval of Shareholders for the appointment of Allan Ritchie as a director of the Company.

Under the MOU, the Company must procure that the Board will take all actions necessary to ensure that at the Meeting and with effect from Completion, Allan Ritchie is appointed as a director of the Company.

The appointment of Allan Ritchie to the Board is subject to and conditional upon the passing of Resolution 1 and Completion. It is intended that following the appointment of Allan Ritchie to the Board (and subject to the passing of Resolution 1 and Completion), Allan Ritchie will act in the capacity of a non-executive director.

Details of Allan Ritchie's qualifications and experience are as follows:

Allan has served as a Board Director on several private and public listed companies and is a principal of his own firm where he focuses on asset acquisitions and off-take arrangements of Energy, Resources, and Infrastructure.

Allan is an Investment Banking professional with a career spanning 30 years of Origination & Structuring. He held senior positions in Westpac, ANZ Bank, HSBC and BNP Paribas, in London, NY and Asia Pacific.

He engages with the Chief Executives of major corporations and State Owned Enterprises spanning the largest Global Resources, Energy & Infrastructure groups. He was voted No. 1 in the Business Review (BRW) poll of Financial Markets bankers each year in that role in Australia.

Allan graduated from the University of Technology, Sydney with Bachelor of Business and a Post Graduate Diploma in Applied Finance FINSIA.

4.1 Directors' Recommendation

The Directors unanimously recommend that you vote in favour of the Resolution.

5. ITEMS 5, 6, 7 AND 8: APPROVAL OF GRANT OF OPTIONS TO DIRECTORS

5.1 Background

Subject to approval of Resolution 1 and Completion, Resolutions 5, 6, 7 and 8 seek Shareholder approval for the issue of Options to each of the Allottees, being Haryono Eddyarto, Albert Cheok, Peter Murphy and Saharto Sahardjo, as set out below.

5.2 Option Terms

For the purposes of ASX Listing Rule 10.13 and for all other purposes, the following information is provided to Shareholders:

(a) **Maximum number of Options to be issued:** the maximum number of Options proposed to be issued to each of the Allottees is as set out below:

(i) 1,000,000 Options to Mr Haryono Eddyarto (or his nominee) (Resolution 5);

(ii) 1,000,000 Options to Mr Albert Cheok (or his nominee) (Resolution 6);

(iii) 1,000,000 Options to Mr Peter Murphy (or his nominee) (Resolution 7); and

(iv) 1,000,000 Options to Mr Saharto Sahardjo (or his nominee) (Resolution 8),

with a total of 4,000,000 Options being issued;

(b) **Issue date:** the Company will issue the Options as soon as practicable but in any event within one month following this Meeting;

(c) Each of the Allottees as Directors are related parties of the Company and each Option is:

(i) (**issue price**): granted for nil consideration and accordingly, there will be no funds raised by the Company from the issue of the Options;

(ii) (**exercise date**): exercisable 1 year after the date of issue and once exercisable, an Option gives an Allottee the right to subscribe for Shares on a 1:1 basis. The Shares to be issued will be fully paid Shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and rank equally in all respects with the existing Shares.;

(iii) (**exercise price**): exercisable at $0.015 per Option; and

(iv) (**expiry date**): expires 2 years after the date of issue.

5.3 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a "Financial Benefit" to a Related Party of the public company unless providing the benefit falls within a prescribed exception to the general prohibition.

The Directors who do not have a material personal interest in Resolutions 5, 6, 7 or 8 consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in relation to the Options to each Allottee because the Options have been issued on arm's length terms (section 210 of the Corporations Act) and that they constitute reasonable remuneration (section 211 of the Corporations Act). In coming to this considered view, the non-excluded Directors have had regard to the factors set out in RG 76 and section 211 of the Corporations Act including amongst other things, the fact the Allottees had received no (or minimal) directors fees for the duration of their respective appointments and that upon their departure from the Board (with the exception of Haryono Eddyarto) the leaving Directors ought to be given reasonable remuneration for

past services rendered and that Haryono Eddyarto ought to be incentivised for a continued role with the Company.

5.4 Voting Exclusion Statement

The Company will disregard any votes cast on:

(a) Resolution 5 by Haryono Eddyarto and any of his Associates;

(b) Resolution 6 by Mr Albert Cheok and any of his Associates;

(c) Resolution 7 by Mr Peter Murphy and any of his Associates; and

(d) Resolution 8 by Mr Saharto Sahardjo and any of his Associates.

However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

5.5 Director Recommendation

The Directors who are not excluded from voting on the various Resolutions (as set out in section 5.4 above) recommend that the Shareholders vote in favour of Resolutions 5, 6, 7 and 8.

6. ITEM 9: PLACEMENT CAPACITY

6.1 Background

Resolution 9 seeks the approval of Shareholders for the purposes of ASX Listing Rule 7.4, in respect of the issues of shares that have been made by the Company as set out in the following table:

Details of subscriber and subscription	Date of issue	# of Shares issued	Issue price per Share	Terms of Shares issued	Use of funds
Placement to JML	31 January 2017	7,000,000	1 cent	Fully-paid ordinary shares ranking equally with all other existing fully paid ordinary shares	To fund the Company's working capital requirements in the short term.

In general terms, ASX Listing Rule 7.1 imposes a cap on the number of Shares that can be issued by the Company, without approval of Shareholders or ASX waiver, in any twelve month period (**Placement Capacity**).

The issue of the shares set out in the table (being the Subscription Shares) was made within the Placement Capacity and, hence, did not require Shareholder approval.

Under ASX Listing Rule 7.4 an issue of Shares made without Shareholder approval under ASX Listing Rule 7.1 is treated as having been made with approval for the purposes of ASX Listing Rule 7.1, if Shareholder approval is subsequently obtained.

If Resolution 1 is passed, the Subscription Shares will not count toward the Placement Capacity.

The Directors consider that it is appropriate and prudent for approval to be sought at the Meeting, in respect of the issue of the Subscription Shares, as this approval will enhance the Company's flexibility to finance strategic transactions through raising equity capital, should the Directors consider that it is in the best interests of the Company to do so.

If this approval is not given at the Meeting, the Company may need to incur the costs and delay of convening an extraordinary general meeting of the Company, if the Directors propose to issue Shares which do not fall under a relevant exception in ASX Listing Rule 7.2.

6.2 Directors' Recommendation

The Directors recommend that Shareholders vote in favour of the refresh of the Company's Placement Capacity.

GLOSSARY

$ means Australian Dollars.

AEST means Australian Eastern Standard Time as observed in Sydney, Australia.

Allottees means Haryono Eddyarto, Albert Cheok, Peter Murphy and Saharto Sahardjo and **Allottee** means any one of them.

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited.

ASX Listing Rules means the listing rules of the ASX.

Board means the board of Directors.

Company means Adavale Resources Limited (ACN 008 719 015).

Completion means the completion of the Transaction.

Convertible Loan Agreement means the document of the same name entered into on 5 January 2017 between the Company and JML.

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

Directors means the directors of the Company.

Existing Loan means the convertible loan facility entered into on 27 July 2012 between the Company and Haryono Eddyarto.

Explanatory Notes means the explanatory notes that accompany the Notice.

First JML Escrow Agreement means the escrow agreement entered into on 5 January 2017 between the Company and JML.

General Meeting or **Meeting** means the meeting convened by the Notice.

HE Escrow Agreement means the escrow agreement entered into on 5 January 2017 between the Company and Haryono Eddyarto.

Independent Expert means Leadenhall Corporate Advisory of 65 York St, Sydney NSW 2000.

MOU means the memorandum of understanding between the Company and JML entered into on or around 29 November 2016 between the Company and JML.

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

Options means the options that are proposed to issued to the Allottees on the terms set out in section 5.2 above.

Placement has the meaning given in the above section entitled 'Background'

Placement Agreement means the subscription agreement entered into on or around the date of this Meeting between the Company and JML.

Proxy Form means the proxy form accompanying the Notice provided at Annexure B.

Resolutions means the resolutions set out in the Notice and **Resolution** means any one of them.

Second JML Escrow Agreement means the escrow agreement entered into on or around the date of this Meeting between the Company and JML.

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

Shareholder means a holder of a Share.

Share Purchase has the meaning given in the above section entitled 'Background'.

Share Purchase Agreements means the documents for the purchase of Shares from the Shareholder Vendors, separately entered into on 5 January 2017 between the Company and each Shareholder Vendor.

Standby Subscription Agreement means the standby subscription agreement between the Company and Gurney Capital Nominees dated 8 January 2015.

Subscription has the meaning given in the above section entitled 'Background'.

Subscription Agreement means the subscription agreement entered into on 5 January 2017 between the Company and JML.

Transaction has the meaning given in the above section entitled 'Background'.

Now you know
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ADAVALE RESOURCES

PROPOSED TRANSACTION WITH JUN MOON LIMITED

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE
21 MARCH 2017



Now you know
LEADENHALL

21 March 2017

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

Dear Directors,

Independent Expert's Report for Adavale Resources Limited

1. Introduction

Adavale Resources Limited ("Adavale") is a public company listed on the Australian Securities Exchange ("ASX") with interests in uranium tenements in South Australia and thermal coal tenements in Indonesia.

Jun Moon Limited ("JML") is an investment company domiciled in the British Virgin Islands with investments in public and private companies in multiple jurisdictions across the Asia Pacific Region.

On 1 December 2016, Adavale announced that it had entered into a memorandum of understanding ("MOU") for JML to acquire up to 78.7% of the issued equity in Adavale (the "Proposed Transaction"). In January 2017 JML subscribed for 7 million Adavale shares at $0.01 per share, and as part of the Proposed Transaction JML will:

- Acquire 12 million shares (approximately 34% of existing Adavale shares on issue) from Gurney Capital Pty Ltd ("Gurney") for $200,000 or 1.7 cents per share ("Share Purchase"). The Share Purchase would increase JML's economic interest in Adavale from 19.9% to 53.9%
- Subscribe for 18 million new fully-paid ordinary Adavale shares at a price of $0.01 per share in order for Adavale to raise additional working capital to fund the ongoing operations of the company ("Share Placement") The Share Purchase would increase JML's economic interest in Adavale to 69.5%
- Provide a new $1 million convertible loan facility to Adavale with the proceeds from the draw-down of the loan used to discharge the existing $1 million convertible loan facility from the Executive Chairman of Adavale, Mr Eddyarto ("Convertible Loan Acquisition"). If converted, the convertible loans would increase JML's economic interest in Adavale to 78.7%

The shares acquired by JML will be escrowed for a period of 12 months. Adavale and JML will also grant each existing director 1 million options at a strike price of 1.5 cents, to be exercised after one year with the options expiring 2 years from grant date.

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

2. Purpose of the report

If the Proposed Transaction is approved, JML's interest in Adavale would increase from 19.9% to up to 78.7%[1]. An acquisition of securities that enables a shareholder to increase its relevant interests in a listed company from below 20% to above 20% is prohibited, except in certain circumstances. One of the exceptions is if the acquisition is approved at a general meeting of the subject company. The approval of the Proposed Transaction is therefore being sought at a general meeting of Adavale's shareholders.

[1] Assumes conversion of convertible loans, acquisition of 12 million shares from Gurney and 18 million shares issued to JML as part of capital raising

When shareholders are requested to approve an acquisition of securities allowing a shareholder to increase its relevant interests in a listed company from below 20% to above 20% they must be provided with an independent expert's report or a detailed directors' report on the Proposed Transaction. The directors of Adavale have therefore engaged Leadenhall Corporate Advisory Pty Ltd ("Leadenhall") to prepare an independent expert's report assessing whether the Proposed Transaction is fair and reasonable to Adavale's non-associated shareholders ("Shareholders"). This report is to be included in the notice of meeting that will be sent to Adavale's shareholders regarding the Proposed Transaction.

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

3. Basis of evaluation

Regulatory Guide 111 ("RG 111") contemplates different approaches for evaluating the issue of shares and the acquisition of shares that would otherwise contravene Item 7 of Section 611 of the Corporations Act 2001 ("Section 611"). The Proposed Transaction includes the issuance of shares to JML as well as JML acquiring shares from existing shareholders, all of which are interdependent.

As JML will hold a majority of the shares outstanding in Adavale should the Proposed Transaction be approved, we have evaluated the Proposed Transaction as a takeover offer for Adavale. RG111 requires a separate assessment of whether a takeover offer is 'fair' and whether it is 'reasonable'. We have therefore considered the concepts of 'fairness' and 'reasonableness' separately.

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

4. Analysis of fairness

RG111.11 defines a takeover offer as being fair if the value of the consideration is equal to, or greater than, the value of the securities subject to the offer. Accordingly, we have assessed whether the Proposed Transaction is fair by comparing the value of an Adavale share to the consideration proposed. For the purpose of our analysis we have defined the consideration as the price at which JML is subscribing for Adavale share (i.e. $0.01 per share) as we consider this to be the most conservative approach to evaluating fairness. We have also considered the value of Adavale before and after the Proposed Transaction as part of our evaluation of the reasonableness of the Proposed Transaction.

We have assessed the current fair market value of Adavale, based on the net asset approach, as follows:

Table 1: Valuation of Adavale

A$'000	Low	High	Midpoint
Cash	27	27	27
Exploration Projects	2,599	3,799	3,199
Investments and related liabilities	(633)	(633)	(633)
Convertible loan	(1,057)	(1,057)	(1,057)
Other assets and liabilities	(101)	(101)	(101)
Net assets	**835**	**2,035**	**1,435**
Number of shares	35,249	35,249	35,249
Value per share (cents)	**2.4**	**5.8**	**4.1**

Source: Leadenhall analysis

In determining the fair market value of an Adavale share on a control basis we commissioned an independent valuation of the Lake Surprise and Tapan Projects by technical expert Al Maynard & Associates Pty Ltd ("Maynard"). Maynard prepared a valuation report in respect of the Projects in May 2016 and subsequently updated the valuation calculations in January 2017 as set out in Annexure C of the NOM. We have confirmed that Maynard is independent of Adavale and competent in the technical assessment of exploration projects.

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

In order to assess whether the Proposed Transaction is fair, we have compared our assessed fair market value of an Adavale share before the Proposed Transaction on a control basis (i.e. including a control premium) with the consideration to be paid. For the purpose of our assessment we have defined the consideration to be the share subscription price of $0.01 per Adavale share.

Table 2: **Assessment of fairness**

	Low	High
Fair market value of an Adavale Share	$ 0.024	$ 0.058
Consideration	$ 0.010	$ 0.010

Source: Leadenhall analysis

Since the value of an Adavale share is above the proposed consideration, the Proposed Transaction is not fair to Adavale's shareholders.

5. Analysis of reasonableness

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

Advantages

The main advantages of the Proposed Transaction are:

- **Limited alternatives available –** Adavale will require additional funding in the near term to fund its operations. Adavale currently has $27,000 of cash which provides only approximately one month of cash cost requirements. It is uncertain whether Mr Eddyarto will continue to fund the business. No additional capital is available pursuant to the Gurney facility without shareholder approval. Furthermore any access to debt or equity capital markets would be constrained by the size of the business and lack of any assets which could be used as collateral. In the absence of the Proposed Transaction or continued funding from Mr Eddyarto (and associated entities), Gurney or other investors, there is a material uncertainty as to whether the company will be able to continue as a going concern.
- **Will provide additional funding –** If the Proposed Transaction proceeds, Adavale intends issue 18 million shares to JML to raise up to $180,000 at an issue price of $0.01 per share. The continued support of a cornerstone investor such as JML with the ability to participate in this and other future capital raisings may be an advantage when raising additional funds when required.

Disadvantages

The main disadvantages of the Proposed Transaction are:

- **Dilutionary to existing shareholders -** The Proposed Transaction is dilutionary to existing shareholders of Adavale as JML is being issued shares at a discount to the current market price and our assessed fair value of an Adavale share. Furthermore shares are being issued to directors for nil consideration. For example, based on our assessed values, the value of an Adavale share (on a control basis) declines from 4.1 cents at the mid-point to 2.8 cents if the Proposed Transaction proceeds as summarised in Section 6.2.2 of our detailed report
- **Selective treatment of securityholders -** JML are acquiring shares from Gurney at a price of 1.7 cents per share and is being issued new Adavale shares at a price of 1.0 cent per share which results in additional dilution to existing shareholders of Adavale. However, the price paid to Gurney is still below our assessed value of Adavale on a control basis.

- **Loss of control -** After the Proposed Transaction, JML will hold between 69.5%[2] to 78.7% of the ordinary shares outstanding in Adavale. JML may not always act in the best interest of Adavale's other shareholders. Furthermore, as JML could block any takeover offer or other corporate transaction, this would preclude a third-party takeover offer without agreement from JML.
- **Reduced liquidity -** Whilst trading in Adavale shares has generally been limited in recent years, the size of JML's holding in Adavale and that shares held by JML and Mr Eddyarto will be held in escrow for a period of 12 months from completion of the Proposed Transaction is likely to result in a further reduction in trading volumes in Adavale shares in at least the near term

Conclusion on reasonableness

In the absence of the Proposed Transaction, there is material uncertainty as to how the business will access the funding required to continue operating. Whilst Mr Eddyarto and Gurney have provided capital to the company in recent periods, there is no certainty that they will continue to do so nor that any such funding would be on any more favourable terms than proposed by JML pursuant to the Proposed Transaction.

The main advantage of the Proposed Transaction is therefore that it provides a new source of funding, allowing the company to remain solvent and to continue its exploration and development activities. Securing a new cornerstone investor should also be a positive factor in the additional capital raising activities envisaged subsequent to the Proposed Transaction.

In the absence of the Proposed Transaction there does not appear to be any other alternatives available to Adavale as we understand no alternative offers or transactions have been received by Adavale since the announcement of the Proposed Transaction

Whilst not particularly compelling given the price paid and limited additional capital committed by JML, we consider that these advantages outweigh the disadvantages, in particular the loss of control and dilutionary impact of the Proposed Transaction would likely feature in any capital raising alternatives.

As a result of these considerations we believe that, on balance, the advantages of the Proposed Transaction are sufficient to render the transaction reasonable.

6. Opinion

In our opinion, the Proposed Transaction is not fair but reasonable to Adavale's shareholders.

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

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

Yours faithfully

Dave Pearson
Director

Richard Norris
Director

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

Tables in this report may not add due to rounding.

[2] Assumes acquisition of 12 million shares from Gurney and 18 million shares issued to JML as part of capital raising

LEADENHALL CORPORATE ADVISORY PTY LTD

ABN 11 114 534 619

Australian Financial Services Licence No: 293586

FINANCIAL SERVICES GUIDE

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

Financial Services Guide

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

Financial Services We are Licensed to Provide

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

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

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

General Financial Product Advice

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

Benefits that We May Receive

We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Leadenhall is entitled to receive a fixed fee of $25,000 (excl. GST) for preparing this report. This fee is not contingent upon the outcome of the Proposed Transaction.

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

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

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

Referrals

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

Complaints Resolution

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

Leadenhall Corporate Advisory Pty Ltd
GPO Box 1572
Adelaide SA 5001

Email: office@leadenhall.com.au

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

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

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

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

Compensation Arrangements

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

21 March 2017

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1 TERMS OF THE PROPOSED TRANSACTION

1.1 Restructure of shareholding

Adavale currently has a convertible loan agreement with Adavale's chairman, Mr Haryono Eddyarto. The terms of agreement stipulate that the facility may be drawn down by Adavale up to a value of $1 million with interest accruing on the drawn-down portion of the loan at 8% per annum. The loan is unsecured and is convertible to fully-paid ordinary shares of Adavale at 5 cents per share. To date, the loan has been drawn down to $860,000 and there was $181,906 in accrued interest outstanding as at 31 December 2016.

In 2015 Adavale and Gurney entered into a financing arrangement whereby Adavale may draw down up to $1,000,000 over a five-year period in exchange for new fully-paid ordinary shares issued at 80% of the five-day volume weighted average price ("VWAP") of Adavale at the time. Gurney has provided $181,157 in funding to date. However, any further utilisation of this facility is subject to shareholder approval.

On 1 December 2016, Adavale announced that it had entered into a MOU for JML to acquire up to 78.7% of the issued equity in Adavale (the "Proposed Transaction"). In January 2017 JML subscribed for 7 million Adavale shares at $0.01 per share, and as part of the Proposed Transaction JML will:

- Acquire 12 million shares (approximately 34% of existing Adavale shares on issue) from Gurney for $200,000 or 1.7 cents per share. The Share Purchase would increase JML's economic interest in Adavale from 19.9% to 53.9%
- Subscribe for 18 million new fully-paid ordinary Adavale shares at a price of $0.01 per share in order for Adavale to raise additional working capital to fund the ongoing operations of the company. The Share Purchase would increase JML's economic interest in Adavale to 69.5%
- Provide a new $1 million convertible loan facility to Adavale with the proceeds from the draw-down of the loan used to discharge the existing $1 million convertible loan facility from the Executive Chairman of Adavale, Mr Eddyarto. If converted, the convertible loans would increase JML's economic interest in Adavale to 78.7%

In addition:

- The shares acquired by JML will be escrowed for a period of 12 months
- Adavale and JML will also grant each existing director 1 million options (4,000,000 in total) for nil consideration at a strike price of 1.5 cents, exercisable after one year and expiring 2 years from the completion of the Proposed Transaction
- If the Proposed Transaction is completed there will be a restructure of Adavale's board whereby the three existing non-executive directors will resign and three new directors will be nominated by JML's shareholders.

1.2 JML Intentions

JML has a track record of making commercial investments in various companies including those focussed on Energy & Resources assets. JML has invested in multiple jurisdictions across the Asia Pacific Region and invested in both private and public companies.

JML is focussed on improving companies that it invests in and will be looking to increase value for Adavale.

JML does not intend to change the business or composition of its assets and intends to continue employing the present employees of the company. JML does not intend to significantly change the financial or dividend distribution policies of the Company.

JML recognises the value inherent in the Company and proposes to adopt a growth strategy for its investment in order to realise the potential of Adavale over the medium to long term and make capital injections where required to support this level of growth.

2 SCOPE

2.1 Purpose of the report

An issue or sale of securities that enables a shareholder to increase its relevant interests in a listed company from below 20% to above 20% is prohibited under Section 606 of the Corporations Act 2001 ("Section 606"), except in certain circumstances. One of the exceptions to Section 606 is where the acquisition is approved at a general meeting of the target company in accordance with Section 611.

Item 7 requires shareholders to be provided with all of the information known to the company and to the potential acquirer that is material to the shareholders' decision. *Regulatory Guide 74: Acquisitions Approved by Members* ("RG74") issued by the Australian Securities and Investment Commission ("ASIC") provides additional guidance on the information to be provided to shareholders. RG74 states that the directors of the target company should provide members with an independent expert's report or a detailed directors' report on the Proposed Transaction.

If the Proposed Transaction is approved, JML's interest in Adavale would increase from 19.9% to up to 78.7%[3] of the issued shares of Adavale (before the exercise of any options). Approval for the Proposed Transactions is therefore being sought at a general meeting of Adavale's shareholders.

The directors of Adavale have therefore requested Leadenhall to prepare an independent expert's report assessing whether the Proposed Transaction is fair and reasonable to Adavale's Shareholders. This report is to be included in the notice of meeting and has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Proposed Transaction.

2.2 Basis of evaluation

In determining how to evaluate the Proposed Transaction we have considered *Regulatory Guide 111: Content of Expert Reports* ("RG111") issued by the ASIC. The overarching principle is that an expert should focus on the purpose and outcome of the transaction, that is, the substance of the transaction, rather than the legal mechanism used to effect the transaction.

RG 111.25 requires that if the issue of shares by a company is comparable to a takeover bid then the expert should evaluate the transaction as if it was a takeover bid which requires a separate assessment of whether a takeover offer is 'fair' and whether it is 'reasonable'.

RG 111.42 requires that in evaluating a transaction for a sale of securities that would otherwise contravene s606 that the expert considers the impact to securityholders not associated with such a transaction as these securityholders may be forgoing the opportunity of receiving a takeover bid and/or sharing in any premium for control. In this scenario, the expert should identify the advantages and disadvantages of the proposal to security holders not associated with the transaction and provide an opinion on whether or not the advantages of the proposal outweigh the disadvantages.

The Proposed Transaction includes the issuance of shares to JML as well as JML acquiring shares from existing shareholders, all of which are interdependent.

As JML will hold a majority of the shares outstanding in Adavale should the Proposed Transaction be approved, we have evaluated the Proposed Transaction as a takeover offer for Adavale. RG111 requires a separate assessment of whether a takeover offer is 'fair' and whether it is 'reasonable'. We have therefore considered the concepts of 'fairness' and 'reasonableness' separately as discussed below.

Fairness

RG111.11 defines a takeover offer as being fair if the value of the consideration is equal to, or greater than, the value of the securities subject to the offer. Accordingly, we have assessed whether the Proposed Transaction is fair by comparing the value of an Adavale share to the consideration proposed. For the purpose of our analysis we have defined the consideration as the price at which JML is subscribing for Adavale share (i.e. $0.01 per share) as we consider this to be the most conservative approach to evaluating fairness. We have also considered the value of Adavale before and after the Proposed Transaction as part of our evaluation of the reasonableness of the Proposed Transaction.

[3] Assumes conversion of convertible loans, acquisition of 12 million shares from Gurney and 18 million shares issued to JML as part of capital raising

The value of an Adavale share has been determined on a control basis (i.e. including a control premium). This is consistent with the requirement of RG111.11 that the comparison for a takeover must be made assuming a 100% interest in the target company.

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

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

While there is no explicit definition of value in RG111, this definition of fair market value is consistent with basis of value described at RG111.11.

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

Reasonableness

In accordance with RG111, we have defined the Proposed Transaction as being reasonable if it is fair, or if, despite not being fair, Leadenhall believes that there are sufficient reasons for Adavale's shareholders to vote for the proposal. To assess the reasonableness of the Proposed Transaction we have considered the following significant factors recommended by RG111:

- The extent that JML is paying a control premium
- The vendors of JML have no interest in Adavale at present
- The size of existing shareholding blocks in Adavale
- The limited liquidity of the market in Adavale's shares
- Any special value of Adavale to JML
- The likely market price of Adavale shares if the Proposed Transaction is rejected
- The value of Adavale to an alternative bidder and the likelihood of an alternative offer

We have also considered the other significant advantages and disadvantages to Adavale's shareholders of the Proposed Transaction.

2.3 Individual circumstances

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

3 PROFILE OF ADAVALE

3.1 Introduction

Adavale is a mining exploration company with interests in uranium tenements in Lake Surprise, South Australia and two thermal coal tenements in Tapan, Indonesia. These tenements are currently being explored with a view to identify and develop commercially viable mining projects. Adavale also holds a 40% interest in an Indonesian joint venture company, PT Adavale Harner Resources ("AHR"), which was established to explore projects in Kalimantan, Indonesia. The remaining 60% ownership in AHR is held by Adavale's current Executive Chairman, Haryono Eddyarto. At present, exploration in Kalimantan has been discontinued in favour of focusing resources on the Lake Surprise and Tapan projects.

3.2 History

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

Year	Event
1969	Incorporated as a proprietary limited company under the name Burrill Investments Pty Ltd.
1970	Listed on the ASX as Burrill Investments Limited and changed its name to Mining Corporation of Australia Limited.
1971 – 2006	Underwent a number of name and structural changes as well as changes to business activities.
2007 - 2008	Acquired 100% of the share capital in Adavale Minerals Pty Ltd, a uranium exploration company. The company was also renamed Adavale Resources Limited and changed the focus of its activities to uranium mining and exploration, with initial exploration focusing on its exploration assets located at Lake Surprise in South Australia and Springvale in Queensland.
2009	Expansion of the company's mining and exploration activities beyond its Australian assets, through the acquisition of rights to two Indonesian thermal coal projects, "Tapan" and "Jambi" in South Sumatra, Indonesia.
2011	Further expansion within Indonesia through its wholly-owned Indonesian subsidiary, Adavale Nusantara Resources ("ANR"), with the signing of joint venture agreements on concessions located in east and south Kalimantan. These operations were run through its 60% owned (at the time) joint venture entity, AHR. Acquired PT Prima Perkasa Abadi ("PPA"), the owners of the Tapan coal concession in West Sumatra.
2012 - 2013	Reduced stake in AHR from 60% to 40% with the other shareholder in AHR (Mr Haryono Eddyarto) increasing his stake to 60%. Restructure of major shareholding and governance of the company with Mr Eddyarto becoming the largest shareholder and Executive Chairman of the company. Mr Eddyarto also entered into an agreement to provide a convertible loan facility to the company, replacing the existing facility provided by a previous major shareholder.
2015	Introduction of Gurney into the funding structure of the company with Gurney providing a capital raising facility available to be drawn down by Adavale in exchange for fully paid ordinary shares.
January 2017	JML subscribes for 7 million Adavale shares at $0.01 per share

Source: Adavale

3.3 Exploration Projects

Adavale has two exploration projects at present which can broadly be classified by region.

Lake Surprise

The Lake Surprise project comprises adjoining exploration licences EL4949, EL4950 and EL5644 with a combined area measuring 557 km^2. The project is located in the Lake Arthur area, 550km north of Adelaide and is approximately 65km east of Maree while EL4949 is about 75km east of Maree and both are contained within the Murnpeowie and Clayton pastoral leases.

The tenements comprising the Lake Surprise project cover an area that is considered prospective for surficial and sandstone style uranium mineralisation. Strong radiometric anomalies occur in the project area where uranium minerals have been found.

Adavale has recently renewed three exploration licences which make up the Lake Surprise project with each licence being extended for an additional two to three years. The company is looking for a farm-in partner, or alternatively a sale opportunity, in order to commence 'pilot studies' and to progress towards potential economic development.

Tapan

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

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

3.4 Directors

The current Board of Directors of Adavale comprises:

Table 3: Directors of Adavale

Directors	Title
Mr Haryono Eddyarto	Executive Chairman
Mr Saharto Sahardjo	Non-executive Director
Mr Albert Cheok	Non-executive Director
Mr Peter Murphy	Non-executive Director

Source: Adavale

If the Proposed Transaction proceeds, the above three non-executive directors will retire and JML will nominate three mutually agreed directors to join the Board. These are expected to be Mr Huili Guo, Mr Yuk Chor Choi and Mr Allan Ritchie.

3.5 Financial performance

The audited statements of financial performance for the three years ended 30 June 2014, 2015 and 2016 are set out in the table below.

Table 4: Adavale's financial performance

$'000	FY14	FY15	FY16
Revenue			
Other revenue	-	-	2
Total revenue	-	-	2
Expenses			
Audit fees	(45)	(43)	(47)
Insurance	(20)	(21)	(25)
Share registry fees	(34)	(52)	(40)
Management, administration and legal fees	(181)	(206)	(177)
Share based payment	(8)	-	-
Tenement expenditure incurred	(86)	(69)	(50)
Impairment of exploration and evaluation expenditure	(299)	(74)	-
Exchange rate losses	(2)	(0)	(1)
Other expenses	(16)	(3)	(5)
Share of loss from equity accounted investment	(250)	-	-
Total expenses	**(941)**	**(467)**	**(345)**
EBITDA	**(941)**	**(467)**	**(344)**
Depreciation	(2)	(1)	-
EBIT	**(942)**	**(468)**	**(344)**
Finance costs	(99)	(167)	(72)
Loss before tax	**(1,042)**	**(634)**	**(416)**
Income tax expense	-	-	-
Net loss after income tax	**(1,042)**	**(634)**	**(416)**
Other comprehensive income	9	(57)	(14)
Total comprehensive loss net of tax	**(1,033)**	**(691)**	**(430)**

Source: Adavale

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

- As Adavale is a mining exploration company, losses and negative operating cash flows are expected until a commercially viable asset is successfully identified and developed
- The majority of operating expenses consist of directors' salaries for the management and administration of the company, exploration costs, review and compliance costs associated with the tenements and legal fees relating to the dispute over Adavale's title to the Tapan projects. The company also impaired the carrying value of its exploration and evaluation assets in FY14 and FY15 to levels deemed recoverable by the directors
- No further share of losses from the investment in the joint venture, AHR, have been recognised after FY15 as the equity investment in AHR had been fully written down in FY15
- Finance costs relate to interest charges on the convertible loan facility provided by Mr Haryono Eddyarto

3.6 Financial position

The audited statements of financial position as at 30 June 2015 and 2016 and the unaudited balances at 31 December 2016 are set out in the table below.

Table 5: Adavale's financial position

$'000	FY15	FY16	31-Dec-16
Current assets			
Cash	32	28	27
Other assets	24	21	12
Total current assets	**56**	**49**	**39**
Non-current assets			
Exploration and evaluation assets	808	808	808
Total non-current assets	**808**	**808**	**808**
Total assets	**864**	**857**	**846**
Current liabilities			
Trade and other payables	(606)	(804)	(948)
Borrowings	-	-	(39)
Total current liabilities	**(606)**	**(804)**	**(986)**
Non-current liabilities			
Borrowings	(720)	(821)	(860)
Total non-current liabilities	**(720)**	**(821)**	**(860)**
Total liabilities	**(1,326)**	**(1,625)**	**(1,846)**
Net assets (liabilities)	**(462)**	**(769)**	**(1,000)**

Source: Adavale

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

- The company has negative net assets, a working capital deficiency and insufficient cash to continue to fund operating losses in the near-term without additional financial support from Gurney or other investors
- Exploration and evaluation assets are the predominant asset on Adavale's balance sheet, comprising capitalised licensing and exploration expenditure for the Lake Surprise and Tapan projects. It should be noted that the auditor's opinion in relation to the 2016 exploration and evaluation assets is qualified to the extent that the auditor was unable to obtain sufficient appropriate audit evidence to satisfy itself that the amounts are appropriately stated
- The main components of trade and other payables are a liability to P T Harner, a related entity of Mr Eddyarto for expenses paid on behalf of Adavale and interest accrued on the convertible loan provided by the Executive Chairman
- Borrowings represents the balance of the above mentioned convertible loan with the Executive Chairman

3.7 Capital structure and shareholders

As at 29 September 2016, Adavale had a total of 28,249,456 ordinary shares on issue. The following table sets out details of Adavale's top ten shareholders as at that date:

Table 6: Adavale's top ten shareholders

Rank	Investor	Number of shares	% of issued capital
1	Mr Haryono Eddyarto	4,207,728	14.9%
2	MFCM Nominee Services Pty Ltd[1]	3,709,951	13.1%
3	Nobel International Limited[1]	3,571,428	12.6%
4	Stock Assist Group Pty Ltd[1]	2,915,460	10.3%
5	Arthur Phillip Nominees Pty Ltd	2,906,102	10.3%
6	Java Tech Ltd[1]	1,902,778	6.7%
7	Geoffrey Frank Brayshaw	966,667	3.4%
8	Byron Deveson Superannuation Fund Pty Ltd	381,417	1.4%
9	Lim & Tan Securities Pte Ltd	376,277	1.3%
10	Blueknight Corporation Pty Ltd	337,474	1.2%
	Total	**21,275,282**	**75.3%**

Source: Adavale
Notes:
1. Companies related to Gurney Capital which holds a total of 12,399,617 shares (43.9%) in Adavale through its related companies.

In January 2017 Adavale issued 7 million shares to JML at a price of $0.01 per share in order to fund working capital requirements. After this issuance the total shares on issue for Adavale was 35,249,456.

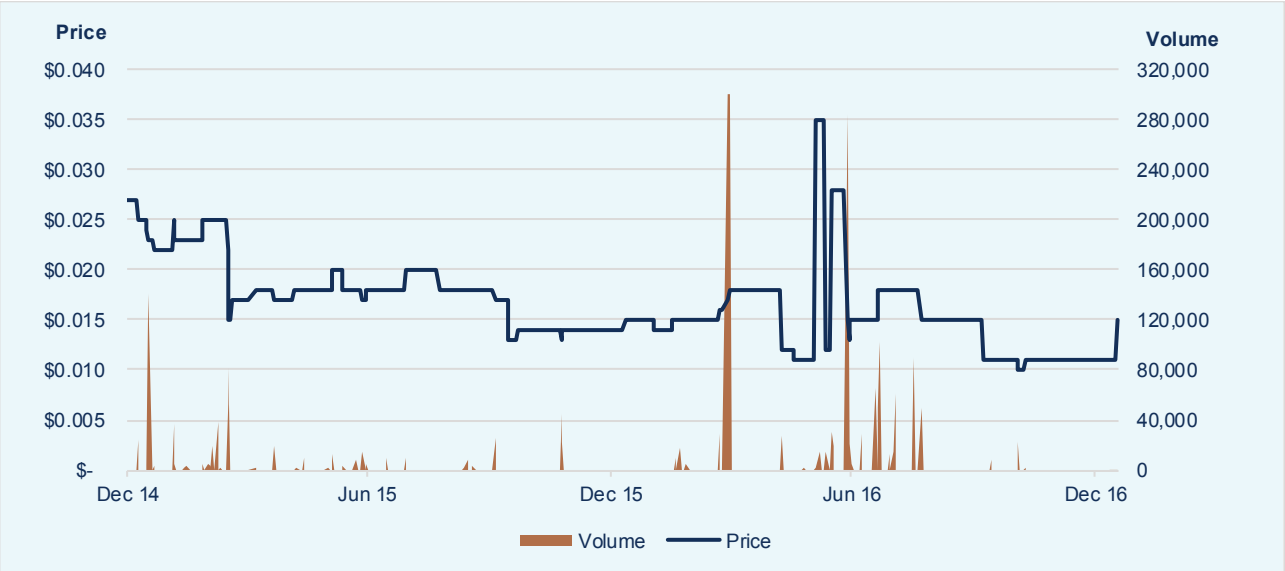
The company also has an existing working capital funding arrangement with Gurney Capital known as a Standby Subscription Agreement. Under the terms of this agreement, Adavale may draw down up to $1,000,000 over a five-year period. In exchange for each draw down, Adavale will issue shares to Gurney Capital at 80% of the 5-day VWAP.

The company also has 1,500,000 options on issue which are exercisable at $1.40 per share.

3.8 Share price performance

The following chart shows the share market trading of Adavale shares for the past two years:

Figure 1: Adavale share price performance



Source: Factset as at 17 January 2017

As shown above, Adavale shares are thinly traded with recent prices over the past year ranging between 1 cent and 3.5 cents per share. With the shares of Adavale being closely-held and infrequently traded, price movements do not appear to correspond closely with events affecting the company or announcements made. There has been no appreciable response by the market to the announcement of the Proposed Transaction on 1 December 2016. Large volumes of shares were traded at the end of March 2016 and June 2016 but based on our analysis do not appear to be linked to any company specific announcements.

4 VALUATION METHODOLOGY

4.1 Available valuation methodologies

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

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

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

4.2 Selection of valuation methodology

In selecting an appropriate valuation methodology to value Adavale before the Proposed Transaction we have considered the following factors:

- Adavale does not have any ongoing earnings, thus the capitalisation of earnings approach and discounted cash flow approach are not relevant
- Share market trading in Adavale shares has been relatively illiquid, with periods where no shares have been traded. This means that an analysis of share market trading is not a reliable measure of the intrinsic value of an Adavale share
- Adavale's main assets are its interests in the Lake Surprise and Tapan projects. These assets can be valued reliably individually and aggregated using an asset approach

Accordingly, we are of the opinion that the most appropriate methodology to value Adavale is an asset based method, and have considered an analysis of recent share market trading in Adavale shares as a cross-check.

5 VALUATION OF ADAVALE

5.1 Background

We have assessed the fair market value of Adavale using the net assets on a going concern basis, with a cross-check by reference to recent trading in Adavale shares.

5.2 Net asset approach

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

Table 7: Net asset based valuation of Adavale

A$'000	Low	High	Midpoint
Cash	27	27	27
Exploration Projects	2,599	3,799	3,199
Investments and related liabilities	(633)	(633)	(633)
Convertible loan	(1,057)	(1,057)	(1,057)
Other assets and liabilities	(101)	(101)	(101)
Net assets	**835**	**2,035**	**1,435**
Number of shares	35,249	35,249	35,249
Value per share (cents)	**2.4**	**5.8**	**4.1**

Source: Leadenhall analysis

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

5.2.1 Cash

As at 28 February 2017 Adavale had cash of approximately $27,000. Further, the directors of Adavale have advised us that they do not anticipate any significant additional expenditure up until completion of the Proposed Transaction.

5.2.2 Exploration projects

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

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

In determining the value of the projects, Maynard has relied on estimates of resources identified by previous exploration of the project areas. Exploration indicates that the Lake Surprise project contains an inferred uranium resource of 730,685 pounds whereas the Tapan project contains a coal resource of 9.05 Mt of which 2.15Mt is measured, 1.5Mt is indicated and 5.4Mt is inferred. These mineral resources were then multiplied by current commodity prices with a discount applied to the value to reflect the prospectivity of the resource, the economic feasibility of the project, likelihood and quantum of value to be extracted from the resource, and profitability of similar projects and the experience of the valuer.

For the Lake Surprise resource, the current uranium (U3O8) price per pound was utilised, with a discount ranging from 80% to 90% applied to the calculated value. For the Tapan resource, the current Central Appalachian price of thermal coal was utilised as a starting point for determining an appropriate price per tonne to be applied to the valuation after including a discount to reflect the above mentioned factors. Given that the majority of the value is derived from the uranium resource, Maynard has also considered prices from recent uranium transactions as a broad cross-check of the valuation.

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

Table 8: Summary of independent valuation of Projects

	Low	High	Preferred
Tapan	400	650	500
Lake Surprise	2,199	4,339	3,299
Total	**2,599**	**4,989**	**3,799**

Source: Al Maynard and Associates

As the valuation range (in percentage terms) is reasonably wide (which is not uncommon for early stage exploration projects) for the purpose of our analysis we have utilised the Low to the Preferred range set out above. We note that our opinion on the Proposed Transaction would not change regardless of where in the range we select.

Further details of the original Maynard valuation in May 2016 and the updated calculations are set out in Annexure C of the NOM.

5.2.3 Investments and related party liabilities

Adavale currently has a 40% interest in AHR with the remaining 60% owned by Mr Eddyarto and associated entities. We have not placed any value on this investment since:

- We have not been provided with any financial information specific to AHR
- Whilst the intention at the time of formation of the JV in 2011 was to expand further within Indonesia in east and south Kalimantan, no exploration activities are currently being pursued in relation to these projects

As at 28 February 2017 Adavale had a payable of $0.6 million to entities associated with Mr Eddyarto which included amounts incurred on behalf of AHR for expenses paid on behalf of Adavale.

5.2.4 Convertible loan

The maturity date of the convertible loan has been extended to October 2017 at which point Mr Eddyarto may require the company to repay any or all of the loan and accrued interest.

As it is unlikely that the company would be able to raise sufficient capital to repay the loan and the conversion price of 5 cents per share is out of the money based on the current share price of Adavale, it is likely that the convertible note would attract a discount to the face value if sold on a stand-alone basis to a third party.

However, for the purpose of our analysis we have assumed that the face value of the Convertible Loan (including accrued interest) is equivalent to its fair market value. We note that our opinion on the Proposed Transaction would not change if we were to apply a discount to the instrument.

5.2.5 Other assets and liabilities

As at 28 February 2017, Adavale had working capital and other net liabilities (excluding expected transaction costs) of $0.1 million which predominantly relate to working capital requirements.

5.2.6 Shares outstanding

Adavale currently has 35.3 million shares outstanding (which includes 7 million share issued to JML). All options on issue are significantly out of the money based on our assessed value of Adavale and have therefore been excluded from our analysis.

5.2.7 Premium for control

A premium for control can be defined as an amount or a percentage by which the pro-rata value of a controlling interest exceeds the pro-rata value of a non-controlling interest in a business enterprise, to reflect the power of control. The requirement for an explicit valuation adjustment for a premium for control depends on the valuation methodology and approach adopted. This valuation is based on the net assets approach, which is premised on the ability to control the assets of an entity and therefore incorporates any relevant premium for control. Thus no further adjustment is required.

5.3 Analysis of share market trading

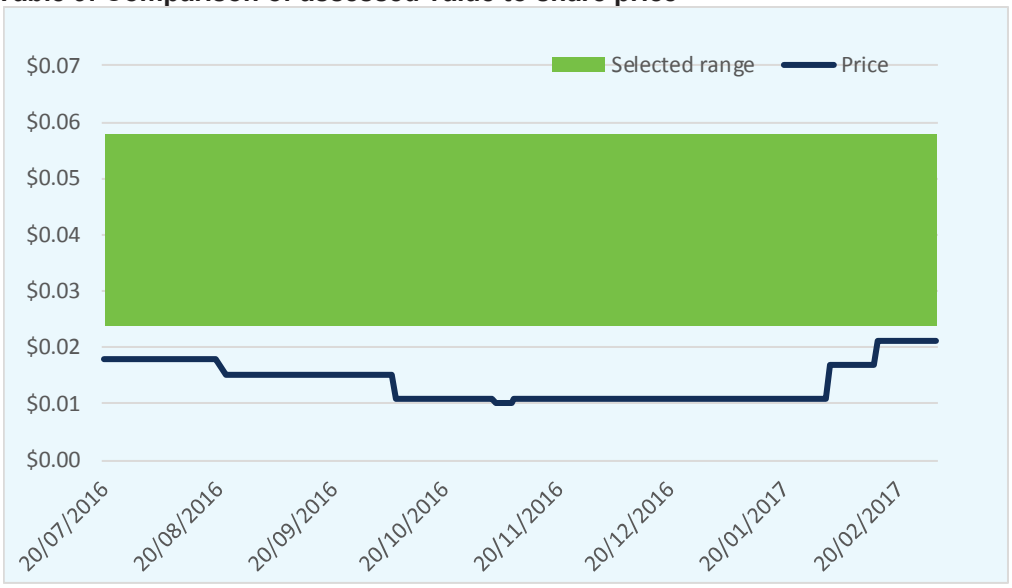
The most recent share trading history can normally be expected to provide evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market.

Prior to the announcement of the Proposed Transaction, there was limited trading in Adavale shares. Of the little trading that did occur the majority was at a price around 1.1 cents per share as set out in Section 3.8 above.

As mentioned in Section 4.2, due to the limited liquidity in Adavale's shares in the lead up to the announcement of the Proposed Transaction, we do not consider the share price to be a meaningful measure of the intrinsic value of an Adavale share on a stand-alone basis.

However, as a broad cross-check, we have compared our assessed value of an Adavale share (on a control basis) to recent trading in Adavale shares (after allowing for a notional control premium of 40%) as set out below:

Table 9: Comparison of assessed value to share price



Source: Leadenhall analysis

As set out above, our assessed value on a control basis is higher than recent trading in Adavale shares (allowing for a 40% control premium). We do not consider this to be unreasonable as it is common for control premiums to exceed the high end of these general studies for early stage exploration companies and/or companies that are illiquid.

Having regard to the above we consider that this provides broad support for our assessed value if an Adavale share.

5.4 Conclusion

Based on the above analysis, we have concluded that the value of an Adavale share on a control basis is between 2.4 cents per share to 5.8 cents per share based on our conclusions using the net assets approach.

6 EVALUATION

6.1 Fairness

In order to assess whether the Proposed Transaction is fair, we have compared our assessed fair market value of an Adavale share before the Proposed Transaction on a control basis (i.e. including a control premium) with the consideration to be paid. For the purpose of our assessment we have defined the consideration to be the share subscription price of $0.01 per Adavale share.

Table 10: **Assessment of fairness**

	Low	High
Fair market value of an Adavale Share	$ 0.024	$ 0.058
Consideration	$ 0.010	$ 0.010

Source: Leadenhall analysis

Since the value of an Adavale share is above the proposed consideration, the Proposed Transaction is not fair to Adavale's shareholders.

6.2 Reasonableness

We have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, there are sufficient reasons for Adavale's shareholders to vote for the proposal. We have therefore considered the following advantages and disadvantages of the Proposed Transaction to shareholders.

6.2.1 Advantages

The main advantages of the Proposed Transaction are:

Limited alternatives available

Adavale will require additional funding in the near term to fund its operations. Adavale currently has $27,000 of cash which provides only approximately one month of cash cost requirements. It is uncertain whether Mr Eddyarto will continue to fund the business. No additional capital is available pursuant to the Gurney facility without shareholder approval. In any event, given the limited liquidity in the shares and the terms of the Gurney facility it is likely that any additional capital raised would be at a discount to the price to be paid by JML.

Furthermore, any access to debt or equity capital markets would be constrained by the size of the business and lack of any assets which could be used as collateral. As a result, there are limited alternatives available for Adavale to raise the required capital in the timeframe required.

In the absence of the Proposed Transaction or continued funding from Mr Eddyarto (and associated entities), Gurney or other investors, there is a material uncertainty as to whether the company will be able to continue as a going concern.

May provide support for additional funding

If the Proposed Transaction proceeds, Adavale intends issue 18 million shares to JML to raise up to $180,000 at an issue price of $0.01 per share which will fund the operations in the near term.

Furthermore, in order to satisfy the terms of its leases for Lake Surprise, Adavale must undertake a minimum level of exploration activity which requires at least $0.7 million in exploration expenditure over the next three years which will likely require additional funding requirements for Adavale in the near term

The continued support of a cornerstone investor such as JML with the ability to participate in this and other future capital raisings may be an advantage when raising the additional funds required.

6.2.2 Disadvantages

The main disadvantages of the Proposed Transaction are:

Dilutionary to existing shareholders

The Proposed Transaction is dilutionary to existing shareholders of Adavale as JML is being issued shares at a discount to the current market price and our assessed fair value of an Adavale share. Furthermore, shares are being issued to directors for nil consideration.

For example, our assessed value of a an Adavale share (on a control basis) declines from 4.1 cents at the mid-point to 2.8 cents if the Proposed Transaction proceeds as summarised below:

Table 11: Value of an Adavale share subsequent to the Proposed Transaction

A$'000	Before (Mid)	After	Change
Cash[1]	27	207	180
Exploration Projects	3,199	3,199	-
Investments and related liabilities	(633)	(633)	-
Convertible notes	(1,057)	(1,057)	-
Working capital and other	(101)	(101)	-
Net assets	**1,435**	**1,615**	**180**
Dilutionary impact of options issued[2]	-	(108)	(108)
Value attributable to shareholders	**1,435**	**1,507**	**72**
Number of shares on issue[1]	35,249	53,249	18,000
Value per share (cents)	**4.1**	**2.8**	**(1.2)**

Source: Leadenhall analysis
Notes:
1. *Impact of JML subscribing for 18,000,000 shares at $0.01 per share if the Proposed Transaction is approved*
2. *Option dilution calculated based on the value of the options using a Black Scholes option pricing model with an exercise price of 1.5 cents, an expiry date of 31 December 2017, volatility of 70% and a risk-free rate of 1.8%*

Selective treatment of securityholders

JML are acquiring shares from Gurney at a price of 1.7 cents per share and is being issued new Adavale shares at a price of 1.0 cent per share which results in additional dilution to existing shareholders of Adavale. However, the price paid to Gurney is still below our assessed value of Adavale on a control basis.

Loss of control

After the Proposed Transaction, JML will hold between up to 78.7% of the ordinary shares outstanding in Adavale. JML may not always act in the best interest of Adavale's other shareholders.

Furthermore, as JML could block any takeover offer or other corporate transaction, this would preclude a third party takeover offer without agreement from JML.

Reduced liquidity

Whilst trading in Adavale shares has generally been limited in recent years, the size of JML's holding in Adavale and that shares held by JML and Mr Eddyarto will be held in escrow for a period of 12 months from completion of the Proposed Transaction is likely to result in a further reduction in trading volumes in Adavale shares in at least the near term.

6.2.3 Conclusion on reasonableness

In the absence of the Proposed Transaction, there is material uncertainty as to how the business will access the funding required to continue operating. Whilst Mr Eddyarto and Gurney have provided capital to the company in recent periods, there is no certainty that they will continue to do so nor that any such funding would be on any more favourable terms than proposed by JML pursuant to the Proposed Transaction.

The main advantage of the Proposed Transaction is therefore that it provides a new source of funding, allowing the company to remain solvent and to continue its exploration and development activities. Securing a new cornerstone investor should also be a positive factor in the additional capital raising activities envisaged subsequent to the Proposed Transaction.

In the absence of the Proposed Transaction there does not appear to be any other alternatives available to Adavale as we understand no alternative offers or transactions have been received by Adavale since the announcement of the Proposed Transaction

Whilst not particularly compelling given the price paid and limited additional capital committed by JML, we consider that these advantages outweigh the disadvantages, in particular the loss of control and dilutionary impact of the Proposed Transaction would likely feature in any capital raising alternatives.

As a result of these considerations we believe that, on balance, the advantages of the Proposed Transaction are sufficient to render the transaction reasonable.

6.3 Opinion

The Proposed Transaction is not fair but reasonable to shareholders.

An individual shareholder's decision in relation to the Proposed Transaction may be influenced by their own particular circumstances. If in doubt, the shareholder should consult an independent financial adviser.

APPENDIX 1: GLOSSARY

Term	Meaning
Adavale	Adavale Resources Limited
AHR	PT Adavale Harner Resources
AIFRS	Australian equivalent to international financial reporting
ANR	Adavale Nusantara Resources
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
AUD	Australian Dollar
CAGR	Compound Annual Growth Rate
Convertible Loan Acquisition	Proposed acquisition of the existing convertible loan facility from the Executive Chairman of Adavale
Corporations Act	The Corporations Act 2001
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Fair market value	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms' length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY	Financial year
Gurney	Gurney Capital Pty Ltd
Ha	Hectares
JML	Jun Moon Limited
Leadenhall	Leadenhall Corporate Advisory Pty Ltd
Maynard	Al Maynard & Associates Pty Ltd
MOU	Memorandum of understanding
Mt	Million tonnes
NPAT	Net profit after tax
P / E	Price to Earnings
PBT	Profit before tax
PPA	PT Prima Perkasa Abadi
Proposed Transaction	The potential acquisition by JML of up to 78.7% of the issued equity in Adavale
RG111	Regulatory Guide 111: Content of Expert Reports
RG74	Regulatory Guide 74: Acquisitions Approved by Members
Section 606	Section 606 of the Corporations Act 2001
Section 611	Item 7 of Section 611 of the Corporations Act 2001
Share Purchase	Proposed acquisition of 12 million Adavale shares by JML from Gurney
Share Placement	Proposed subscription for 18 million new fully-paid ordinary Adavale shares by JML
Shareholders	Current non-associated shareholders of Adavale
USD	US Dollar
VWAP	Volume weighted average price
WACC	Weighted Average Cost of Capital

APPENDIX 2: VALUATION METHODOLOGIES

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

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

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

Discounted Cash Flow Method

Description

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

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

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

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

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

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

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

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

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

Capitalisation of Earnings Method

Description

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

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

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

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

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

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

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

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

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

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

Use of the Capitalisation of Earnings Method

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

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

Asset Based Methods

Description

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

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

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

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

Use of Asset Based Methods

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

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

Asset based methods are not appropriate if:

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

Analysis of Share Trading

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

Industry Specific Rules of Thumb

Industry specific rules of thumb are used in certain industries. These methods typically involve a multiple of an operating figure such as eyeballs for internet businesses, numbers of beds for hotels etc. These methods are typically fairly crude and are therefore usually only appropriate as a cross-check to a valuation determined using an alternative method.

APPENDIX 3: QUALIFICATIONS, DECLARATIONS AND CONSENTS

Responsibility and purpose

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

Reliance on information

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

Prospective information

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

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

Market conditions

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

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

Indemnities

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

Qualifications

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

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

Independence

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

Adavale Resources Limited

ABN 96 008 719 015

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XX

Vote and view the notice of meeting online

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- Follow the instructions on the secure website to vote.

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Control Number:

SRN/HIN:

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

For your vote to be effective it must be received by 3.00pm (Sydney time) on Monday 24 April 2017

How to Vote on Items of Business

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

Appointment of Proxy

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

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

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

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

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

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

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

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

Attending the Meeting

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

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

GO ONLINE TO VOTE,
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SAMPLE

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

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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

☐ **the Chairman of the Meeting** **OR** _____

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Adavale Resources Limited to be held at Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2000 on Wednesday 26 April 2017 at 3.00 pm (Sydney Time) and at any adjournment or postponement of that Meeting.

STEP 2 Items of Business

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

		For	Against	Abstain
1	Approval for Jun Moon Limited (JML) and the Company to acquire a relevant interest	☐	☐	☐
2	Election of Huili Guo as Director of the Company	☐	☐	☐
3	Election of Yuk Chor Choi as Director of the Company	☐	☐	☐
4	Election of Allan Ritchie as Director of the Company	☐	☐	☐
5	Grant of Options to Haryono Eddyarto	☐	☐	☐
6	Grant of Options to Albert Cheok	☐	☐	☐
7	Grant of Options to Peter Murphy	☐	☐	☐
8	Grant of Options to Saharto Sahardjo	☐	☐	☐
9	Approval of prior issues of Securities to refresh Placement Capacity	☐	☐	☐

SAMPLE

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

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

Individual or Securityholder 1	**Securityholder 2**	**Securityholder 3**
Sole Director and Sole Company Secretary	**Director**	**Director/Company Secretary**

Contact Name _____ **Contact Daytime Telephone** _____ **Date** / /

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Australian & International Exploration & Evaluation of Mineral Properties

INDEPENDENT TECHNICAL VALUATION OF VARIOUS MINERAL PROPERTIES

HELD BY
ADAVALE RESOURCES LIMITED

Author: Garry R Hemming BAppSc(AppGeol), MAusIMM.
Peer Review: Allen J Maynard BAppSc(Geol), MAIG, MAusIMM
Company; Al Maynard & Associates Pty Ltd

Date: 20th May, 2016

EXECUTIVE SUMMARY

This independent technical valuation has been prepared by Al Maynard & Associates Pty Ltd ("AM&A") at the request the Board of Directors of Adavale Resources Limited on various mineral projects held indirectly by Adavale Resources Limited ("Adavale" or "the Company") through various subsidiary companies. This report has been prepared in accordance with the guidelines of the Valuation of Mineral Assets and Mineral Securities for Independent Expert's Reports (the "Valmin Code") (2005) as adopted by the Australian Institute of Geoscientists ("AIG") and the Australasian Institute of Mining and Metallurgy ("AusIMM").

AM&A have evaluated the projects in order to provide a valuation on the exploration assets, as detailed in this report, held by Adavale in Indonesia and Australia. AM&A are advised that this valuation is for internal purposes only.

Adavale, through its subsidiary PT Prima Perkasa Abadi has 100% interest in exploration tenements, covering 2053.92 Hectares (Ha) which comprise the Tapan Project located on Sumatra Island, Indonesia. A 100% interest is also held by subsidiary company Adavale Minerals Pty Ltd in exploration tenements, which comprise the Lake Surprise Project covering 972 square kilometres in South Australia for uranium. Collectively these assets comprise the Tenements.

The future potential of the tenements depends on carrying out exploration techniques to identify mineralisation. Hopefully, the results of which may be subsequently progressed through to final feasibility studies to assist viable economic exploitation. Should exploration prove not to discover economic mineral accumulations, the value of these projects will be substantially reduced. If, however, economic mineralisation is discovered within the tenements, their value will increase.

This report concludes that it is the writer's opinion that the current cash value of the tenement portfolio is considered to be a collective value of AUS$4.5 million from within the range of AUS$3.0 million to AUS$5.9 million as at the 20th May 2016.

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

20th May, 2016

Dear Sirs,

VALUATION OF ADAVALE RESOURCES LIMITED ASSETS

1.0 Introduction

This Independent Technical Valuation Report ("ITV") of the Adavale Resources Limited (Adavale) mineral assets has been prepared by Al Maynard & Associates ("AM&A") at the request of the board of directors of Adavale Resources Limited for internal purposes.

This report has been prepared by AM&A to provide an independent appraisal of the "current" cash value of the Indonesian and Australian mineral tenements held by Adavale Resources Limited ("Adavale" or "the Company") as at 20th May 2016. Adavale is an Australian registered Company listed on the Australian Securities Exchange (ASX:ADD). Details of these mineral properties are detailed in table 1.

1.1 Scope and Limitations

This Report has been prepared in accordance with the requirements of the Valuation of Mineral Assets and Mineral Securities for Independent Expert's Reports (the "Valmin Code"-2005) as adopted by the Australian Institute of Geoscientists ("AIG") and the Australasian Institute of Mining and Metallurgy ("AusIMM").

This Report is valid as of 20th May, 2016 which is the date of the latest review of the data and technical information and there have been no material changes to this data or valuation since that date. The valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the mineral assets concerned or by other explorers on prospects in the near environs. The valuation could also possibly be affected by the consideration of other exploration data from adjacent licences with production history affecting the mineral assets which have not been made available to the writer.

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

The information presented in this Report is based on technical reports provided by Adavale supplemented by our own inquiries as to the reasonableness of the supplied data. At the request of AM&A, copies of relevant technical reports and agreements were readily made available. There is also information available in the public domain and relevant references are listed in Section6.0 –References. No recent site visit was undertaken since the writers are familiar with the terrane from visits to other similar coastal environs and sufficient technical information is provided to enable an informed opinion to be derived.

Adavale will be invoiced and expected to pay a fee, estimated to be $2,000 for the preparation of this Report. This fee comprises a normal, commercial daily rate plus expenses. Payment is not contingent on the results of this report. Except for these fees, neither the writer nor any family members nor Associates have any interest, nor the rights to any interest in Adavale nor any interest in the mineral assets reported upon. Adavale has confirmed in writing that all technical data known it was made available to the writer.

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

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

In accordance with the Valmin Code, we have prepared the "Range of Values" as shown in Table 7, section 5.3. Regarding the Project it is considered that sufficient geotechnical data has been provided from the reports covering the previous exploration of the relevant area to enable an understanding of the geology. This provides adequate information to enable an informed opinion as to the current value of the mineral assets. A recent site visit was not undertaken since the authors are familiar with the terrane type from visits to this and other similar geological environs over previous years for other clients.

1.2 Statement of Competence

This Report has been prepared by Allen J. Maynard and Garry R. Hemming. Maynard is the Principal of AM&A, a qualified geologist, a Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") (No 104986) and a Member of the Australian Institute of Geoscientists ("AIG" #2062). He has had over 35 years of continuous experience in mineral exploration and evaluation and more than 30 years' experience in mineral asset valuation. Garry R. Hemming, BAppSc(AppGeol), MAusIMM, is a geologist with over 40 years in the industry and 30 years in mineral asset valuation. The writers hold the appropriate qualifications, experience and independence to qualify as an independent "Expert" and "Competent Person" under the definitions of the Valmin Code.

2.0 Valuation of the Mineral Assets – Methods and Guides

With due regard to the guidelines for assessment and valuation of mineral assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17thFebruary, 1995 – the Valmin Code (updated 1999& 2005).AM&A has derived the estimates listed below using the Empirical method for the current technical value of the mineral assets as described below since no JORC Code compliant resources have been declared for any of the tenements.

The ASIC publications "Regulatory Guides111 & 112" have also been referred to and duly considered in relation to the valuation procedure. The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a "fair value". This is a value that an informed, willing, but not anxious, arms' length purchaser will pay for a mineral (or other similar) asset in a transaction devoid of "forced sale" circumstances.

2.1 General Valuation Methods

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

- Discounted cash flow,

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

2.2 Discounted Cash Flow/Net Present Value

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

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

2.3 Joint Venture Terms

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

2.4 Similar or Comparable Transactions

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

2.5 Multiple of Exploration Expenditure

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

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

Table 1: Typical PEM Factors.

2.6 Ratings System of Prospectivity(Kilburn)

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

2.7 Empirical Methods(Yardstick – Real Estate)

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

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

2.8 General Comments

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

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

2.9 Environmental implications

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

2.10 Indigenous Title Claims

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

2.11 Commodities-Metal prices

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

2.12 Resource/Reserve Summary

There are historical April, 2015 JORC Code (2012) compliant Inferred Resources declared for the Adavale South Australian uranium project.

2.13 Previous Valuations

A previous valuation of the tenements was prepared by AM&A in 2012 and subsequent exploration results since then have enabled a higher value range estimate.

2.14 Encumbrances/Royalty

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

3.0 Background Information

3.1 Introduction

This valuation has been provided by way of a detailed study of existing information and field data provided by Adavale regarding operations completed by the company to date. Tenements held by Adavale that are the subject of this valuation are detailed in Tables 2 and 3 below. This portfolio comprises three project areas. Two of these are within the Republic of Indonesia (Figure 1) while the third is in South Australia (Figure 4). A JORC Compliant resource of 9.05 million tonnes of coal has been identified within the Tapan Project, located in Western Sumatra. A JORC compliant Inferred Resource of 280,545 kg of U3O8 has been reported for the South Australian projects and detailed below in Section 5.4.

3.2 Specific Valuation Methods

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

For the Adavale Projects the Empirical Method has been applied to determine a value range as at 20th May, 2016 and a preferred or most likely value ascribed within that range (Table 2).

LAKE SURPRISE	Low A$M	Preferred	High A$M
Potential	$2.5	**$3.8**	$5.0
Tapan Coal	0.5	0.7	0.9
Totals	**3**	**4.5**	**5.9**

Table 2: Summary Range of Current Values.

3.3 Tenement Holding

Adavale holds an interest in the Tapan coal project areas situated in Sumatra within The Republic of Indonesia. The Lake Surprise project is located in South Australia.

The Company provided the full tenement details as listed in Tables 3 and 4 below and has issued further details to ASX in its Annual and Quarterly Reports. Exploration Tenement (IUP Ekslplorasi) no. 516/126/KPTS/BPT-PS/2010 with the total area of 2053.92 has been granted clear and clean status by the government, while Production Tenement (IUP Produksi) no. 540/432/KPTS/BPT-PS/2013 with a total area of 198.88 Ha has obtained the recommendation to get the clear and clean status. The application to upgrade the licence from exploration tenement (IUP) to production tenement(IUP-OP) is in progress.

Licence ID	Project Name	Area (Ha)	Holder	Expiry Date
MEPL (IUP Produksi) No: 540 /432/Kpts/BPT-PS/2013 (Recommended for grant)	Tapan,West Sumatera, Indonesia	198.8	PT.Prima Perkasa Abadi	1 March 2018
MEL (IUP Eksplorasi) No:516/126/Kpts/BPT-PS/2010(Granted)	Tapan, West Sumatera Indonesia	2053,92	PT.Prima Perkasa Abadi	20 August 2015

Table 3: Tapan Project lease details in Indonesia.

Licence ID	Project Name	Area (km^2)	Holder	Expiry Date	Expenditure Requirements
4949	Lake Surprise	394	Adavale Minerals Pty Ltd	28-Aug-16*	$140,000
4950	Lake Surprise/Mumpie	439	Adavale Minerals Pty Ltd	28-Aug-16*	$150,000
EL5644	Lake Surprise	139	Adavale Minerals Pty Ltd	14 July 2016	$45,000

Table 4: Tenements details for the Lake Surprise Project, South Australia.

NOTE _ applications have been made to the Government of South Australia Department of State Development by way of Subsequent Application Licence to renew each of EL4949 and EL4950 retaining their existing area size, and extending the expiry date to 28 August 2019. The respective expenditure requirements over the 3 year extension are $240,400 and $350,000. Application has also been made to extend the expiry date of EL5644 for 3 years to 14 July 2019, with an expenditure commitment of $150,000 over the extended 3 years.

4.0 INDONESIA

4.1 TAPAN PROJECT

Adavale holds 100% equity in the Tapan Project, which is located in the PT Prima Perkasa Abadi areas in West Sumatra, Indonesia (Figure 1). It is adjacent to the village of Tapan, approximately

200km south of the capital, Padang. The Company holds an IUP Production Permit covering 198.8ha within a IUP exploration permit covering 2,053.92ha (Adavale, 2012). Adavale has conducted an extensive data compilation and field exploration program over these tenements.



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

4.2 Regional Geology

Sumatra Island is a northwest trending physiographic expression on the western edge of Sundaland, which is a southern extension of the Eurasian Continental Plate. The backbone of the island is formed by the Barisan Range, which runs along the western side dividing the west and the east coasts. The slope towards the Indian Ocean is steep, consequently the west belt is mostly mountainous, with the exception of two lowland embayments in north Sumatra which are about 20 km wide. The eastern belt of the island is covered by broad, hilly tracts of Tertiary sediments and alluvium lowlands. Sumatra Island is interpreted to be constructed by collision and suturing of discrete microcontinents in late Pre-Tertiary times. At the present-day, the Indian Ocean Plate is being subducted beneath the Eurasian Continental Plate at a rate of between 6 and 7 cm/year. This zone of oblique convergence is marked by the active Sunda Arc-Trench system, which extends for more than 5000 km, from Burma in the north to where the Australian Plate is in collision with Eastern Indonesia in the south. The basinal configuration of Sumatra is directly related to the presence of the subduction-induced non-volcanic forearc and the volcano-plutonic backarc, the morpho-structural backbone of the Island.

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

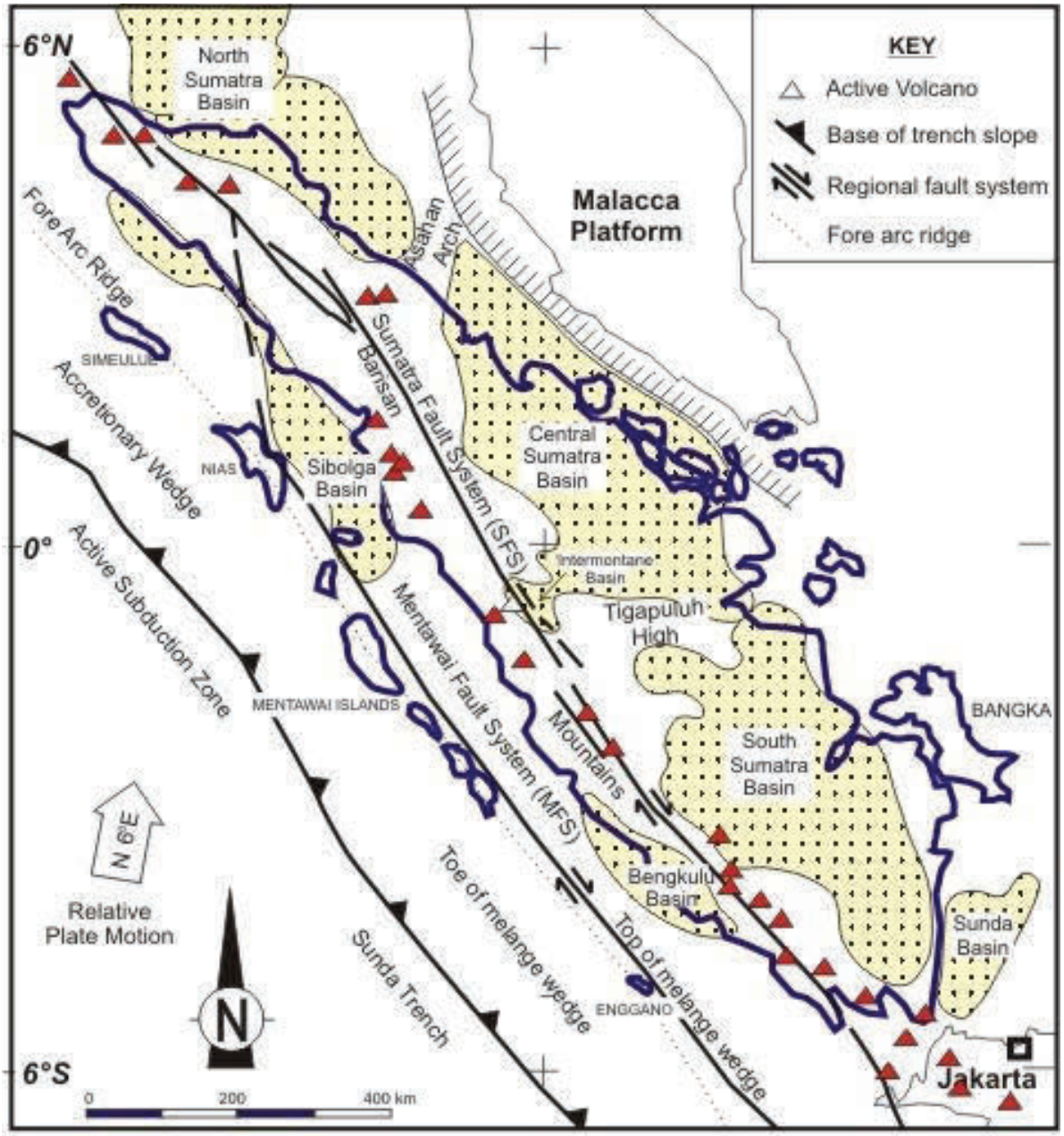

Figure 2: Regional tectonic setting of Sumatra.

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

4.3 Project Geology.

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

SEAM	TYPICAL THICKNESS RANGE (m)
I Group (11 & 12	0.29-0.49
J Group (J1, J2, & J3	0.23-0.66
K	0.34-0.55
L Group (L1, & L2)	0.50-0.72
M	0.17-0.59

Table 5: Coal thicknesses within the Tapan Project

4.4 Previous Exploration

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

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

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

Table 6: Raw coal quality analyses.

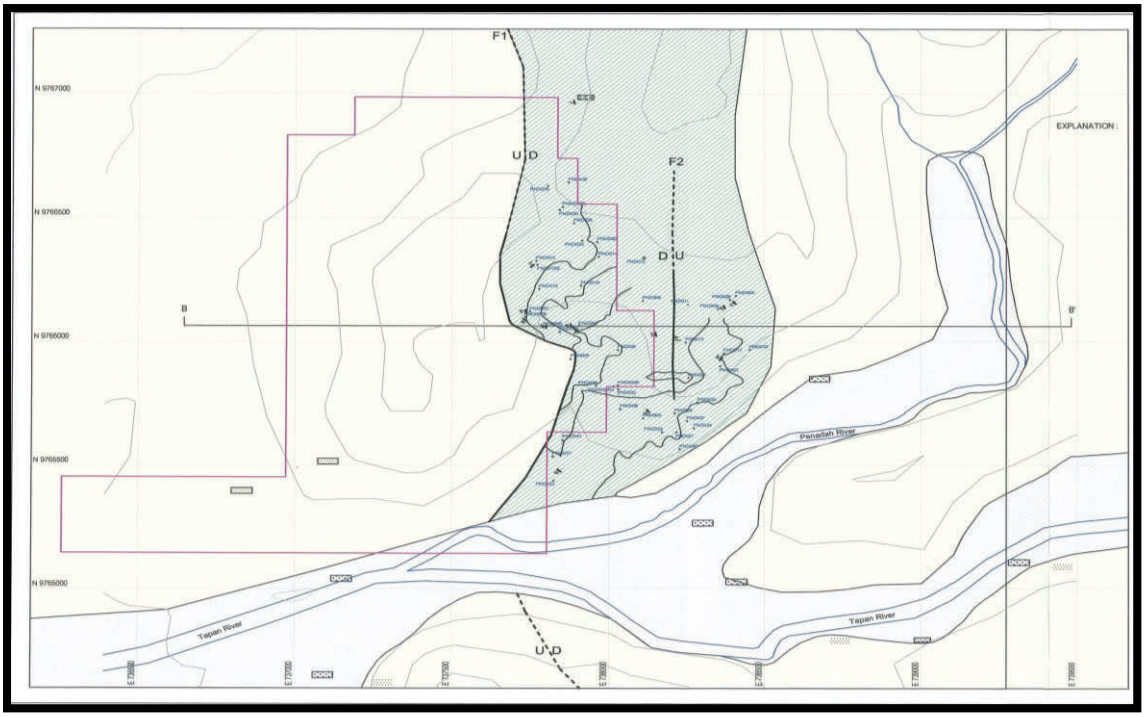

Figure 3: Tapan preliminary coal seam outcrop and subcrop.

4.5 Mineralisation

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

5.0 Australia

Adavale holds title to one uranium project in South Australia.

5.1 LAKE SURPRISE PROJECT

The Company holds 100% interest in the South Australian Lake Surprise Project comprising adjoining exploration licences EL 4949 and EL4950. Combined, these two tenements have an aerial extent of 833 km^2. An additional adjoining Exploration Licence EL 5644 has an area of 139 km^2. The Project is situated in the Lake Arthur area, 550 km north of Adelaide. Exploration Licence EL 4950 is located approximately 65 km east of Marree while EL 4949 is about 75 km east of Marree and are contained within the Murnpeowie and Clayton Pastoral leases.

The tenements comprising the Lake Surprise Project cover an area that is considered prospective for surficial and sandstone style uranium mineralization. Strong radiometric anomalies occur in the Project area where uranium minerals have been found. The position of the Project to uranium mineralisation is shown in figure 4.

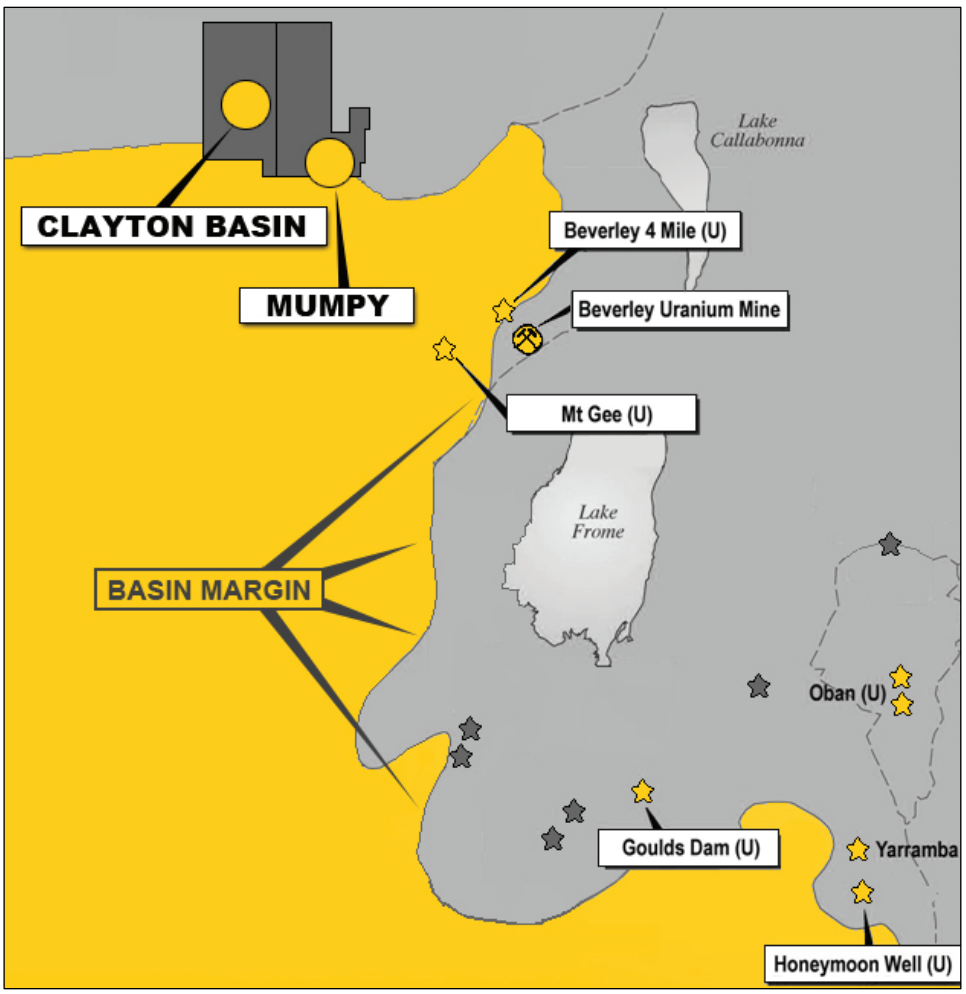

Figure 4: Lake Surprise Project location.

5.2 Regional Geology

The project is situated on the northern flank of the Flinders Ranges. It is contained within the South Australian sector of the Eromanga Basin. Deep weathering during the Late Mesozoic to Early Tertiary affected much of the outcropping basement. Much of this erosion has been in response to the Late Tertiary tectonic uplift, rejuvenating a stable, peneplained land surface. The Lake Blanche Lineament, which trends northwest to southeast appears to have truncated EL 4949. Block faulting in this region is also responsible for the formation of the Gason Dome in the Moomba area.

Uranium occurrences in the region are likely to be found in palaeochannels in Tertiary sandstones that formerly drained from source areas in the Flinders Range. Whilst this is the likely scenario for the Honeymoon and Beverly uranium deposits, which lie in proximity to the Flinders Range, the current exploration leases that are the subject of this report lie considerably further away from this source area.

A possible alternative source and mode of enrichment is proposed (B.R. Senior, 2007). The model suggested was termed the 'Artesian discharge model'. The margin of the Eromanga Basin in the Marree area overlies Proterozoic rocks of the Adelaide System that are the probable source rocks for uranium. Hot water flowing from east to west in Cadna-Owie Formation aquifers, unconfomably overlie these ancient rocks and are uniquely positioned to transport uranium towards the basin margin. At the close of deposition of the Eromanga Basin sequence in the late Lower Cretaceous, the artesian system was in place and active discharge zones were established around the depositional margin of the Cadna-Owie Formation. Other springs would occur within the outer margin of the basin where structures such as faults and joints, allowed pressure water to access the ground surface through confining sedimentary rocks of the Marree Formation.

During the early to mid Tertiary, rivers and streams deposited quartzose sand and sandy conglomerate (Lake Eyre Basin sequence) across the study area. Many of the former springs were buried, although leakage into these sediments may have continued and at this time uranium may have been deposited in porous and permeable zones. Uranium enrichment may have occurred in palaeochannels or in sheet-like beds.

During the late Oligocene and early Miocene silicification occurred at various intervals forming silcrete profiles and discrete silicified beds. The silicification process may have enhanced uranium enrichment and protected these deposits from erosion. During the late Tertiary until the present day, the landscape has been dissected leaving flat topped silcrete capped landforms. Uranium occurrences occur within the basal portions of silcrete profiles, usually in the lower, less silicified quartzose sandstones or within siliceous zones where the uranium minerals occur in conjunction with liesegang ring structures.

The Artesian Discharge Model assists in explaining the distance from the Flinders Range uranium source, the non-linearity of observed uranium outcrops and the probable spring tuffa and calcareous veining seen in some uranium bearing outcrops within the study area. The model also provides for more extensive areas of uranium enrichment than the palaeochannel model indicates.

At present the base of uranium enrichment has not been found and it is likely that uranium enrichment may extend below the ground surface within Tertiary sediments and may be bounded by underlying, less permeable, deeply weathered Marree Formation sedimentary rocks (Figure 5).

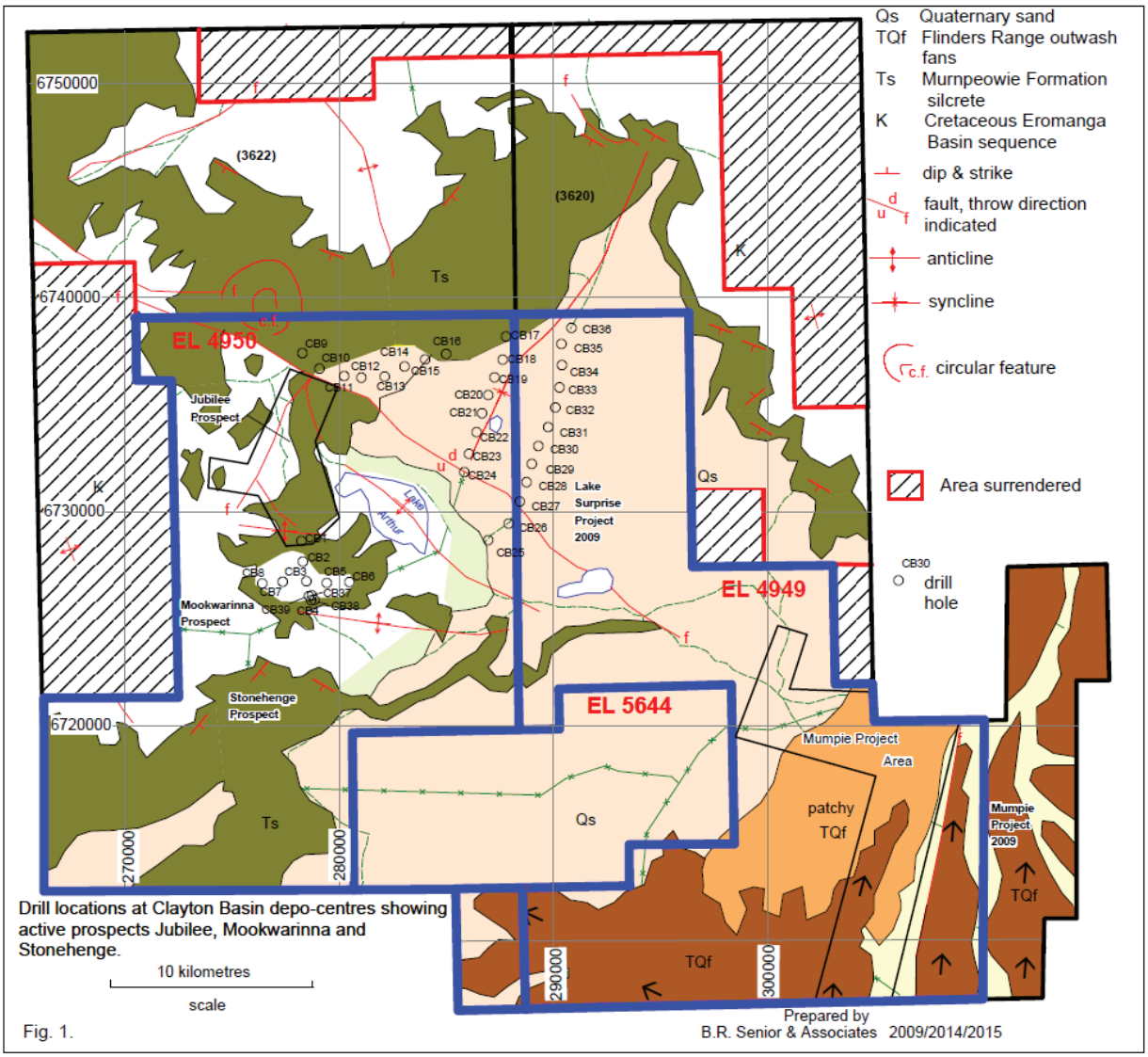

Figure 5: Drill locations at Clayton Basin depo-centres showing active prospects; Jubilee, Mookwarrina and Stonehenge.

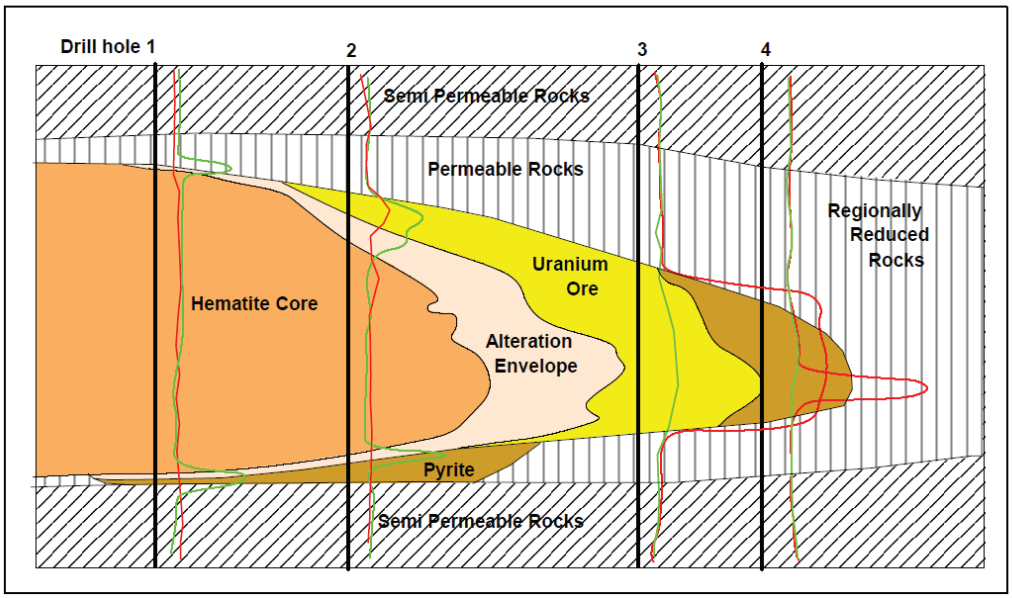

Figure 6: Characteristics of a roll-front uranium deposit. Gamma log-green, PFN log –red curve.

5.3 Project Geology

Immediately to the west of the tenements weathering has exposed Jurassic to Cretaceous sediments of the Marree Subgroup. These sediments comprise grey claystones with intermittent sandstone together with the younger more sandstone unit of the Blanchewater Formation (Figure 6).

In the higher altitudes within EL 4949 and 4950, Tertiary sandstones of the Murnpowie Formation often with a duricrust but occasionally this silicification has developed over older rocks. Quaternary gravels and sand ridges form a thin veneer over the Tertiary section Figure 7).

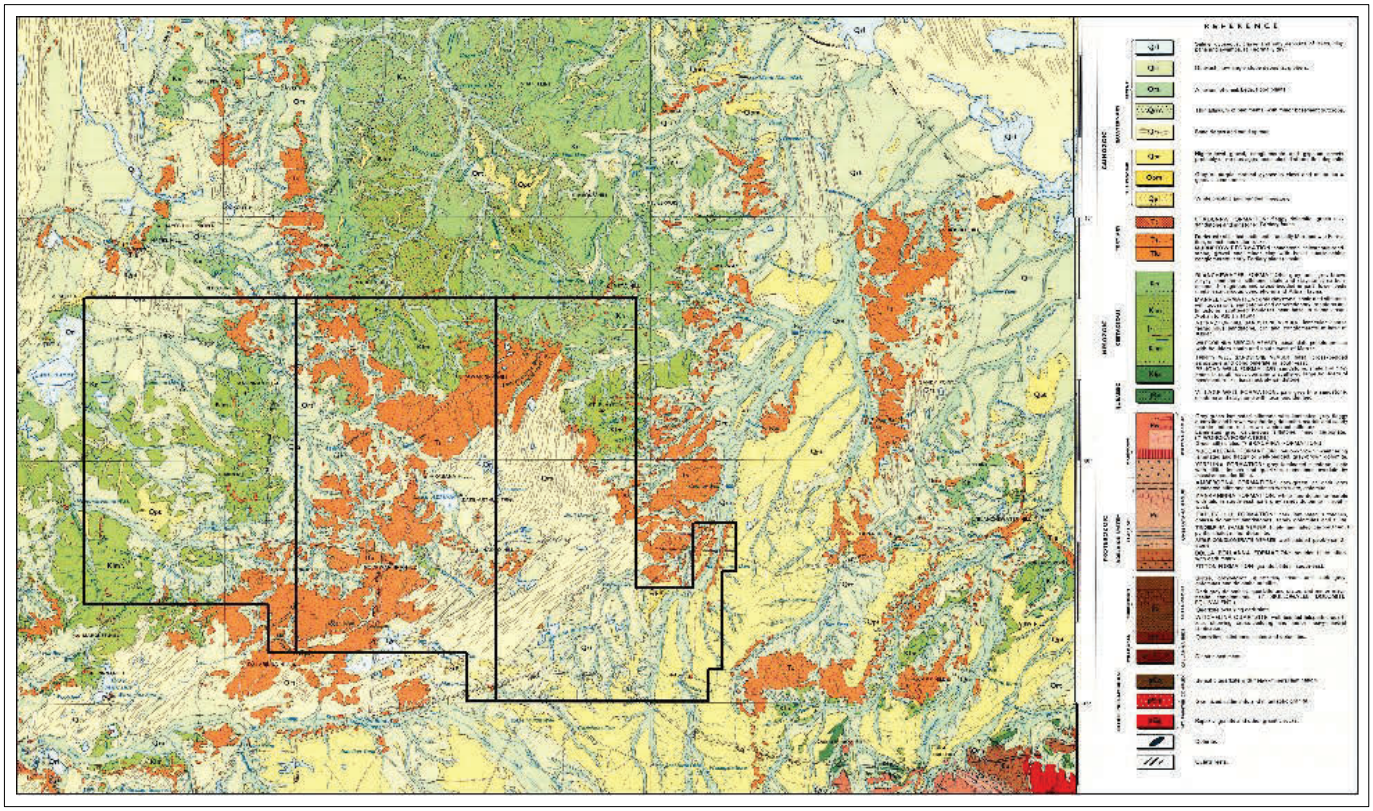

Figure 7: Surprise Project surface geology from the Maree 1:250,000 map sheet: EL 4949 is centre with EL4950 on the right.

5.4 Previous Exploration

In recent years the two tenements have been geologically mapped utilising aerial photographs and ASTER imagery, aerial and ground radiometric data has been acquired. Numerous surface and sub-surface samples were analysed for uranium, thorium and potassium and for possible elements associated with uranium mineralisation.

About 390 air core mud rotary drill holes have been drilled into EL 4950 while a further 70 holes have been drilled into EL 4949 Samples from these holes have been lithologically logged and the holes logged using gamma ray.

A review was undertaken of the potential for economic sedimentary uranium in the project areas (formerly EL 3622 (Lake Surprise) and EL 3620 (Mumpie)) by B.Senior in 2014, located to the east of Marree in northeast South Australia. This involved the study of 470 lithological and gamma ray logs of drill holes and estimating the eU_3O_8 content and thicknesses of anomalous intervals.
Two areas were identified as having potential for shallow uranium occurrences in silicified quartzose sedimentary rocks (silcrete) at depths up to 20 m below the ground surface. The Jubilee Prospect comprises fourteen, in part, semi-continuous areas, containing a combined Inferred JORC Code Resource.

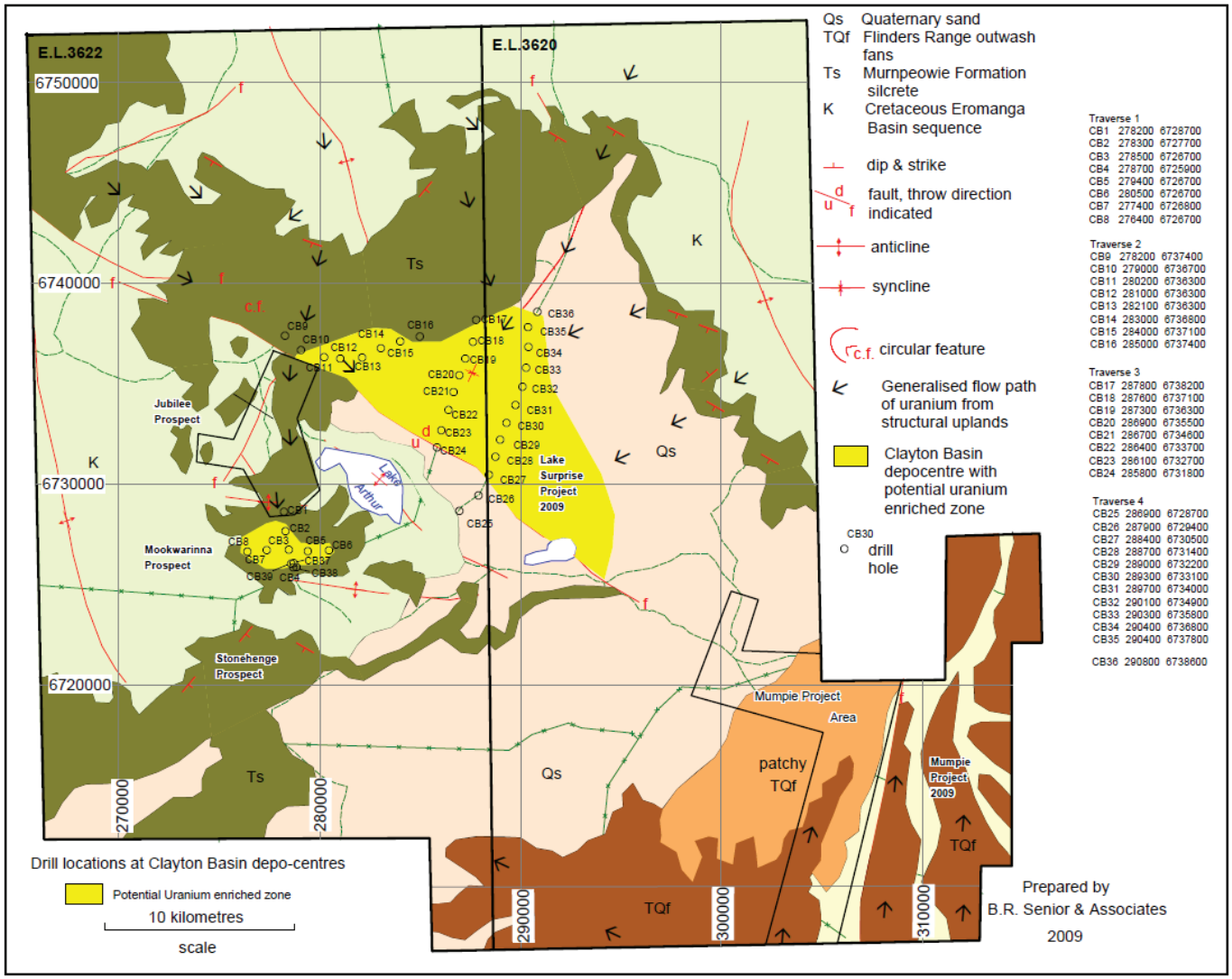

Figure 8: Drill locations at Clayton depo-centres.

Uranium Resource containing 11,835 kg of U_3O_8 (Table 7 and Figure 9).The Mookwarinna Prospect comprises a large area of anomalous uranium with a small resource area identified by closely spaced drilling (160,000m^2) which contains approximately 592,403pounds of U_3O_8.

The JORC Code compliant Inferred Resource results are indicative only and should only be used to identify potential areas for future exploration. Problems lie in the fact that previous exploration was poorly coordinated and parameters used, and figures reported by Adavale to the ASX were the maximum for given intervals and not the average of the whole.

The geology of the area is complex and it is not known if the silicified host rocks are sufficiently continuous in the subsurface to comprise individual ‘ore bodies’. There are also problems with the gamma ray probes used, lack of regular calibration and that some uranium may have been underestimated by up to 30% due to disequilibrium caused by likely recent movement and deposition of uranium in the silicified palaeochannels.

Adavale Resources						
JUBILEE PROSPECT	area m^2	volume m^3	Average thickness	Average grade eU_3O_8ppm	Total Kg	Total lbs
Resource Block 1	7,500	7,650	1.02	525	10643	23,462
2	6,400	7,860	1.2	383	2941	8,649
3	8,100	4,050	0.5	207	2222	4,899
4	2,800	1,820	0.65	141	680	1,499
5	8,680	5,208	0.6	172	2374	5,234
6	14,000	14,280	1.02	115	4352	9,594
7	3,200	2,880	0.9	137	1045	2,304
8	6,000	4,500	0.75	158	1884	4,154
9	4,000	3,400	0.85	108	973	2,145
10	3,400	10,710	3.15	276	7833	17,269
11	2,400	7,560	3.15	111	2224	4,903
12	3,600	12,240	3.4	204	6617	14,588
13	9,600	21,600	2.25	139	7956	17,540
14	14,400	29,520	2.05	135	10561	23,283
					11835	139,553
MOOKWARINNA PROSPECT						
Resource Block 1	160,000	312,000	1.95	325	268710	592,403

Table 7. JORC Code Inferred eU_3O_8 Resources at the Jubilee & Mookwarrina Prospects.

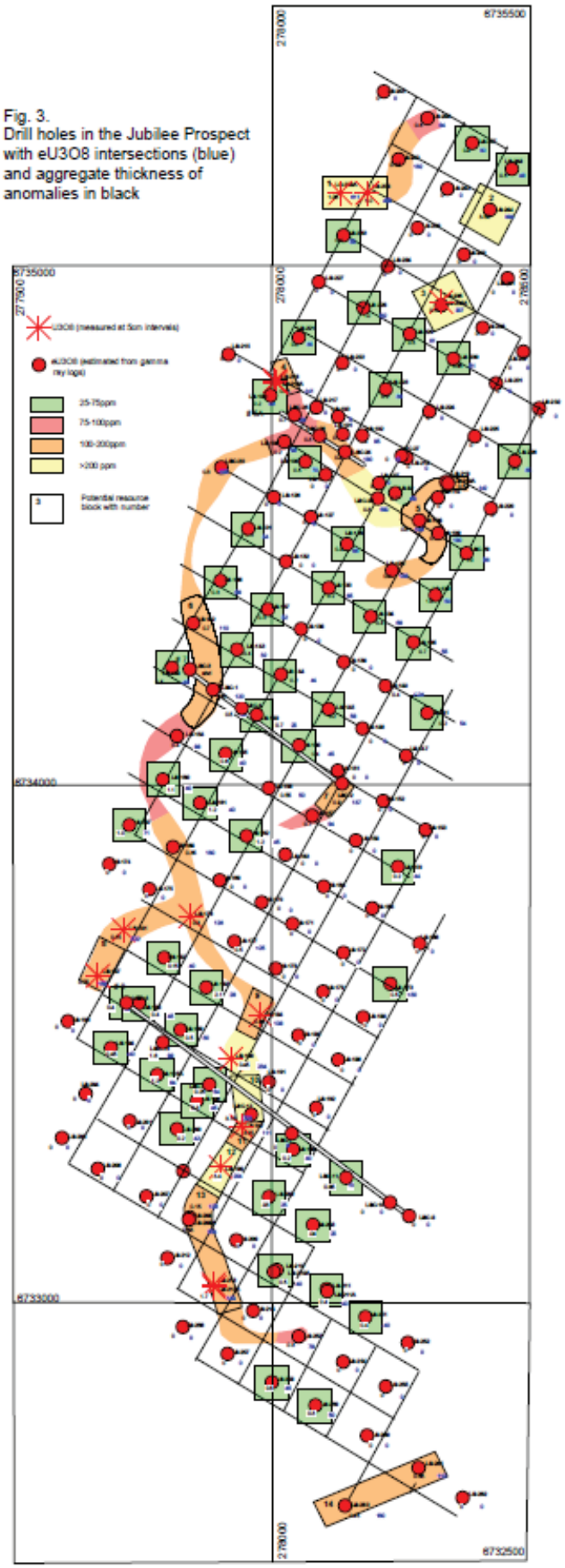

Figure 9: Drill holes in the Jubilee Prospect with eU3O8 intersections (blue) and aggregate thickness of anomalies in black.

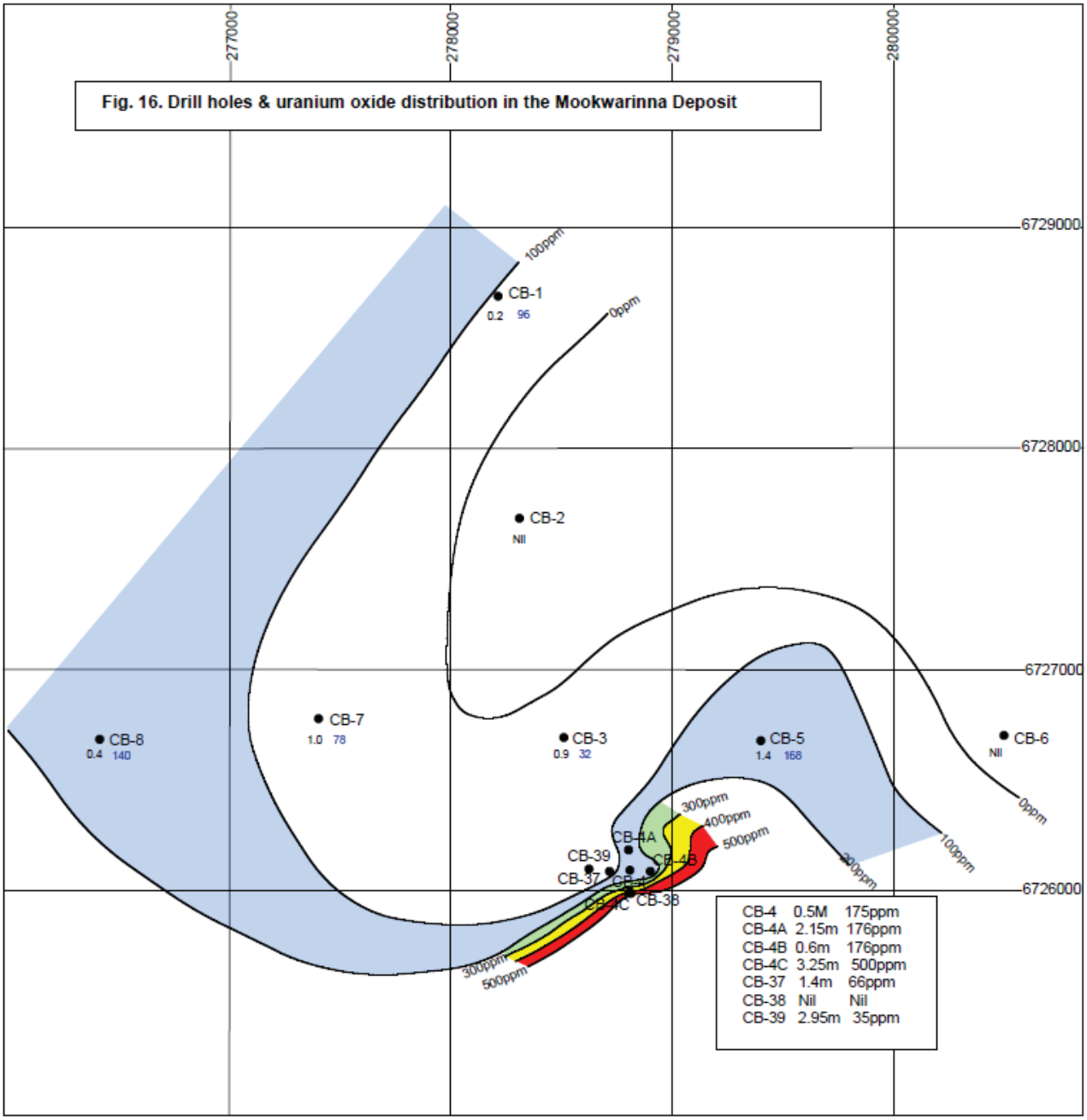

Figure 10: Drilling results at Mookwarrina and Inferred JORC resource.

5.5 Mineralisation

Uranium mineralisation in the form of carnotite has been observed in several surface outcrops of silicified quartzose (silcrete) (Figure 10). It has also been found in a hard, grey, dolomite. In the area of the tenements, uranium occurs within silicified sandstone and silcrete. Data gathered to date indicates these rocks contain disseminated uranium that has been trapped in fine-grained sedimentary rocks and soft sediments.

A PICO spectrometer mounted in an aircraft led to the identification of ten anomalies identified A1 to A10. These anomalies have not been further investigated by either detailed ground spectrometer surveys or drilling. Three phases of reconnaissance rotary drilling with gamma ray logging have been undertaken in EL 4949. Gamma ray logs indicate a range of values between 50 and 100cps over intervals up to 10m in thickness.

Significantly, these values occur in brown to red-brown and maroon, highly weathered, clayey breccias, indicative of oxidising environments. The clayey and impermeable nature of the host rocks

and very low uranium grades encountered indicate that the fanglomerate beds in the palaeochannels have a low potential for the discovery of an economic resource.

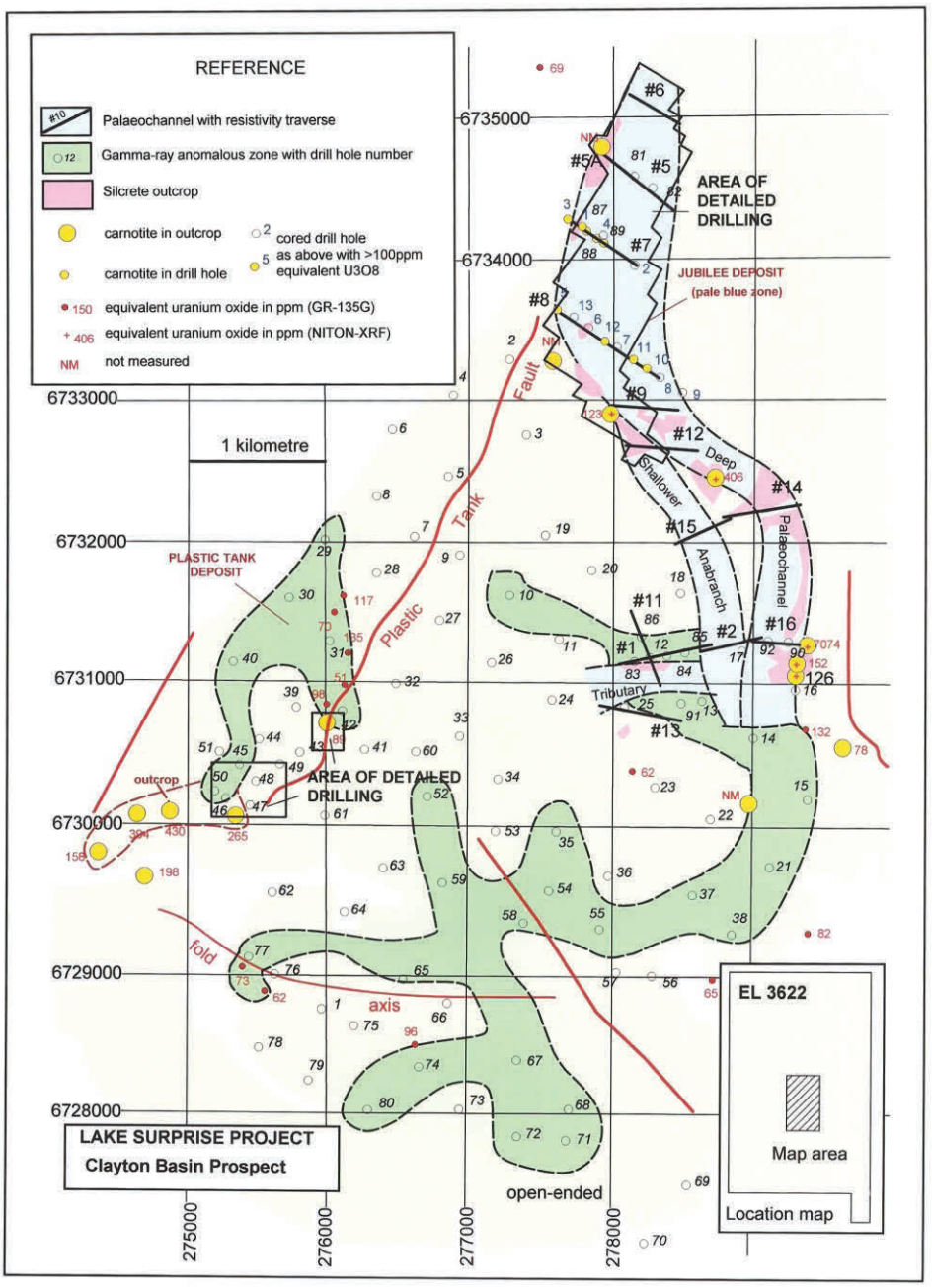

Figure 11: Palaeochannels delineated by resistivity surveying and other exploration data.

Further exploration is also required to determine if deeper palaeochannels originating from the Flinders Range contain mineralisation (Figure 11).

Mapping by Adavale indicates that the southern half of EL 4949 contains the greatest potential for palaeochannel systems that may contain uranium derived from the Flinders Range (Senior & Risinger, 2011). The shallowing Eromanga Basin section in the region of suggests there is potential also for Mesozoic palaeochannels (Stamoulis, 2009).

If commercial quantities of uranium are located, extraction of the ore may require open-cutting, crushing and heap leaching.

6.0 Valuation of the Project

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

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

6.1 Selection of Valuation Methods

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

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

Accordingly the Empirical method for the three Mannar Island ELs has been adapted as the overriding basis for the estimation of the value. The Empirical method was applied to the JORC Code (2012) compliant Inferred Resource estimates for the project.

6.2 Valuation – Empirical Method

The data was collected from the GeoActiv report and deemed applicable. The resources have been estimated by the data collection compilation. The current JORC Code (2012) compliant Inferred tonnage and grade estimates were used for the valuation, with a range of discounts from 80% to 90% applied to the theoretical insitu values for valuation purposes with details of the workings summarised in Appendix 1.

Assumptions in Appendix 1 related to industry standard commercial extraction and recovery factors were utilised in the valuation of the in-situ resources of the Project and considered appropriate for this style of deposit.

We consider that additional disclosures providing commentary in relation to the utilisation of these particular extraction and recovery factors and any potential variance is information that shareholders need to be able to assess the reasonableness of the valuation and any potential uncertainties.

6.3 Valuation Conclusions

A JORC Compliant resource of 9.05 million tonnes of coal has been identified within the Tapan Project, located in Western Sumatra. Adavale have planned two conceptual open cut pits for this project. AM&A, however, have not reviewed the pit plans. From details taken from the Company's last Annual Report, the status of the Kalimantan project appears to be tenuous

Carnotite mineralisation has been identified within the Surprise Project located within South Australia. While extensive drilling and other field work has been undertaken within the project, the

extent and volume of mineralisation is unknown. The project requires more work before a JORC Code compliant resource can be attributed to this area.

The Surprise Project tenements held by Adavale are therefore at the exploration stage. There is no guarantee that further exploration will lead to the discovery of a JORC Code compliant resource or commercially minable mineralisation on any of the tenements comprising the Surprise Project.

The discovery or non-discovery of mineralisation within any tenement will have a positive or negative bearing on that areas value. Likewise failure to discover mineralisation will have a negative impact on that project's value.

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

Jubilee Prospect				10%	**15%**	20%
	Total kg	Total lb	Insitu A$	Low	**Preferred**	High
	11,835	26,037	959,166	95,917	**143,875**	191,833
Mookwarinna						
	268,710	591,162	21,777,569	2,177,757	**3,266,635**	4,355,514
Sum			22,736,735	2,273,673	**3,410,510**	4,547,347
Potential	Allow 10%	of resources		$2,501,041	**$3,751,561**	$5,002,082
			Rounded A$M	2.5	**3.8**	5.0
Tapan Coal				0.5	0.7	0.9
Totals	**A$M**			**3**	**4.5**	**5.9**

Table 8: Summary Range of Current Values.

We have reviewed data supplied for the three project areas. Our analysis of these is presented in table 8. We assign a preferred value of A$4.5 million to the Adavale Portfolio of mineral assets with a low of A$3 million and a high of A$5.9 million.

Yours faithfully,



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

Competent Persons Statement

The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences ("AIG"), a Corporate Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Maynard is the Director and principal geologist of Al Maynard & Associates Pty Ltd and has over 35 years of exploration and mining experience in a variety of mineral deposit styles.

Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves".(JORC Code). Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

6.0 References

Valuation
AusIMM - JORC Code, 2012. *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve,* prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists and Minerals Council of Australia (JORC), 2012 Edition.

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7.0 Glossary of Technical Terms and Abbreviations

Anomaly	Value higher or lower than the expected or norm.
Diamond drill	Rotary drilling using diamond impregnated bits, to produce a solid continuous core sample of the rock.

Dip	The angle at which a rock layer, fault of any other planar structure is inclined from the horizontal.
Fault	A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture.
Intercept	The length of rock or mineralisation traversed by a drillhole.
JORC	Joint Ore Reserves Committee- Australasian Code for Reporting of Identified Resources and Ore Reserves.
Mineralisation	In economic geology, the introduction of valuable elements into a rock body.
Ore	A mixture of minerals, host rock and waste material which is expected to be mineable at a profit.
Outcrop	The surface expression of a rock layer (verb: to crop out).
Primary	Mineralisation which has not been affected by near surface mineralisation oxidising process.
Quartz	A very common mineral composed of silicon dioxide-SiO_2.
RAB	Rotary Air Blast (as related to drilling)—A drilling technique in which the sample is returned to the surface outside the rod string by compressed air.
RC	Reverse Circulation (as relating to drilling)—A drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination.
Reconnaissance	A general examination or survey of a region with reference to its main features, usually as a preliminary to a more detailed survey.
Remote Sensing	Geophysical data obtained by satellites processed and presented Imagery as photographic images in real or false colour combinations.
Reserve	In-situ mineral occurrence which has had mining parameters applied to it, from which valuable or useful minerals may be recovered.
Resource	In-situ mineral occurrence from which valuable or useful minerals may be recovered, but from which only a broad knowledge of the geological character of the deposit is based on relatively few samples or measurements.
Shear (zone)	A zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated.
Stratigraphy	The succession of superimposition of rock strata. Composition, sequence and correlation of stratified rock in the earth's crust.
Strike	The direction or bearing of the outcrop of an inclined bed or structure on a level surface.

Abbreviations

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

Appendix 1: Details of Valuation Estimates.

Adavale Valuation Worksheet 13-May-16

U3O8		
US$/lb	27.50	US$-A$
A$/lb	36.84	0.7465

Jubilee Prospect				10%	**15%**	20%
	Total kg	Total lb	Insitu A$	Low	**Preferred**	High
	11,835	26,037	959,166	95,917	**143,875**	191,833
Mookwarinna						
	268,710	591,162	21,777,569	2,177,757	**3,266,635**	4,355,514
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			Rounded A$M	2.5	**3.8**	5.0
Tapan Coal				0.5	0.7	0.9
Totals				**3**	**4.5**	**5.9**

Weekly Spot Ux U3O8 Price as of May 2, 2016
[Change from previous week]

1 US$ =

U_3O_8 Price (lb) **$27.50** (Unch.)

Source: https://www.uxc.com/p/prices/UxCPrices.aspx

The following shows the 4 key deals that have been announced since Fukushima, on an EV/Resource (US$/lb) basis:

- RIO/Hathor $10.74/lb
- CGNPC/KAH $4.45/lb
- Hanlong/BMN $0.88/lb
- ARMZ/MRU $9.19/lb

the MRU and KAH deals are being struck around US$12/lb, when adjusted for capex

Tapan Coal		Value Ranges	M tonnes	A$M Low	A$M High	A$M Preferred
	A$/t					
Measured	0.14	0.22	2.15	0.308	0.462	0.385
Indicated	0.07	0.14	1.5	0.108	0.215	0.161
Inferred	0.04	0.07	5.4	0.194	0.387	0.290
		Totals	9.05	0.609	1.065	0.837
		Rounded A$M		0.60	1.10	0.80