

ASX MEDIA RELEASE

31 JANUARY 2014

ACTIVITY REPORT FOR THE QUARTER 1 OCTOBER 2013 TO 31 DECEMBER 2013

Activities for **Adavale Resources Ltd (ASX Code: ADD)** during the quarter continued to focus on progressing the exploration of the Penajam Coal prospects area.

EXPLORATION

LAKE SURPRISE – AUSTRALIA

Adavale Resources is still actively seeking a strategic partner to assist in exploring the Lake Surprise Tenements.

PENAJAM - INDONESIA

Penajam Coal Projects

AHR have been continuing to assess coal projects within the PPU district which have previously had established mining operations within the IUP production area or on concessions immediately area.

This offers an opportunity for a low cost operation by optimizing the existing pits and extending the mining area along the strike of the coal seams, and using the operations as a base to expand to the next prospect area within the concession boundary. Legal and technical due diligence continues. AHR have conducted an initial site visit and desktop studies and preliminary due diligence.

PPU 1

The concession sits on 3281 hectares located in Penajam area, Penajam Paser Utara (PPU) East Kalimantan. The concession is located 20 km to the west of Balikpapan city. Mining has previously taken place at 2 small pits on less than 100 Ha within the prospect

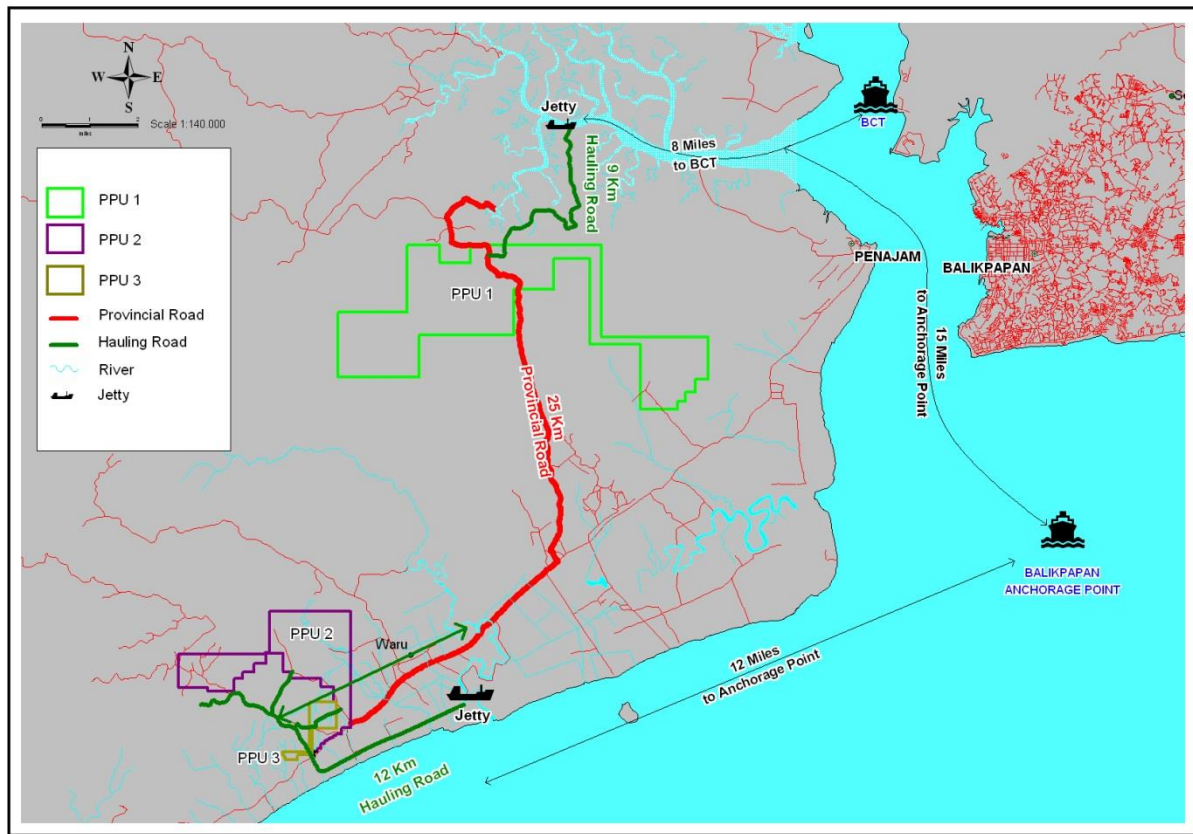
areas, with the current production capacity less than 20 thousand tons per month. AHR have commenced a preliminary outcrop survey in other potential prospect areas within the concession and are reviewing the data on more than 50 previous drill holes, which has initially identified at least 5 coal seams with thicknesses of between 0.3 - 2.5 m, and commonly striking to the northeast-southwest direction. The reconnaissance and regional geology maps show the coal bearing formation within the concession to consist of 3 coal bearing formations, Pulaubalang on the western block (25% of the concession area), Balikpapan on the central block (45% of the concession area) and Kampungbaru on eastern the block (30% of the concession area), which have low-medium quality thermal coal.

Planning has now commenced to conduct a semi detailed geological mapping and evaluation drilling, including some stratigraphy holes to identify coal seams distribution within and the geological structure in the prospect area, in order to assess a potential resource of low to medium calorie coal within the concession. Subject to completion of due diligence and reaching satisfactory terms, the company intends to enter into a formal agreement to acquire the project.

PPU 2 and PPU 3

Following an initial due diligence process the PPU 2 and PPU 3 projects were discontinued as the projects did not meet the Company's legal and technical requirements. The Company will retain these in its portfolio to enable further reassessment in the future.

MAP – PENAJAM AREA



BANJAR - INDONESIA

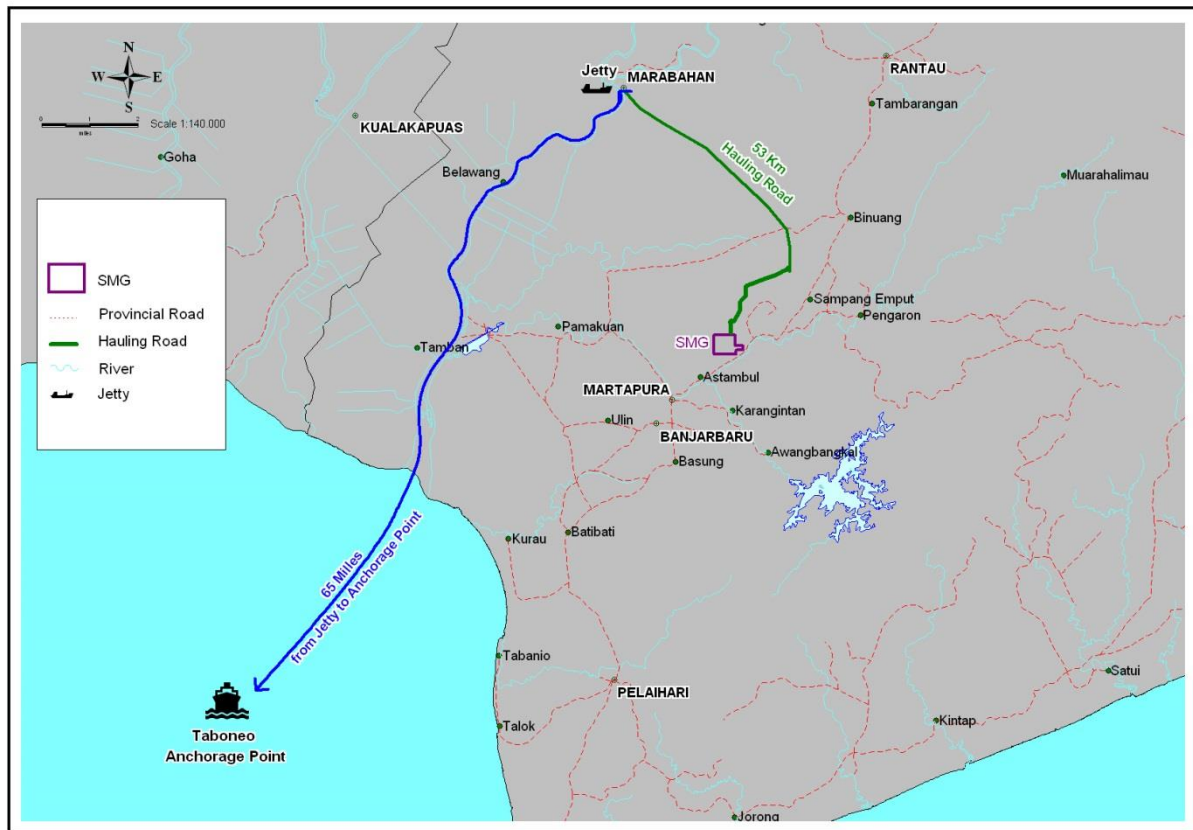
SMG – Banjar, South Kalimantan

The project consists of an IUP exploration permit of 1055Ha. The coal bearing formation is Warukin and Dahor, which host low quality thermal coal within the range of 3600-4200 GAR. Exploration drilling has previously taken place and only focused on the north-east block of the concession, which identified 5-7 major coal seams with an average thickness of 0.5 - 10 m, based on 29 drill holes and 2 outcrops within a 100 Ha prospect area.

Further geological mapping and drilling is planned to assess the extension of the current identified coal seams to the southern block with several stratigraphy holes to be drilled to confirm coal seam distribution and geological structure..

An initial technical desktop study and data review has been completed and, and AHR is in the process of negotiating an agreement to allow legal and technical due diligence to be commenced..

MAP BANJAR AREA



CORPORATE

TAPAN – WEST SUMATERA – INDONESIA

The civil court case in South Jakarta District Court initiated by two previous shareholders of Tapan is still proceeding. The Directors view is that the claim has no merit and this is supported by a legal opinion the Company has received and evidence tended by the plaintiff's to date. The Directors have decided to continue the process of applying for a Clean and Clear (C&C) Certificate which is required for the preparation of conducting a joint operation with third parties to develop the mine.

Haryono Eddyarto
 Executive Chairman
 Adavale Resources Ltd

All Tenements owned by Adavale Resources Ltd	Percentage ownership
1/ EL 4949 South Australia	100%
2/ EL 4950 South Australia	100%
3/ MEPL (IUPOP) 540/452/Kpts/BPT-PS/2011 (Incorporating MEL (IUP) 540/22/Kpts/BPT-PS/2013) West Sumatera, Indonesia	100%

All Tenements Disposed of or Acquired during the quarter by Adavale Resources Ltd	Percentage ownership Disposed of or Acquired during the Quarter.
Nil	Nil

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Adavale Resources Limited

ABN

96 008 719 015

Quarter ended ("current quarter")

31 December 2013

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(30)	(30)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(69)	(157)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (compulsory acquisition of shares)	-	-
	Net Operating Cash Flows	(99)	(187)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	(99)	(187)

1.13	Total operating and investing cash flows (brought forward)	(99)	(187)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	50	125
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (cost of raising funds and sale unmarketable parcel of shares)	-	-
	Net financing cash flows	50	125
	Net increase (decrease) in cash held	(49)	(62)
1.20	Cash at beginning of quarter/year to date	136	149
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	87	87

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	-
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

In December 2013 the Company agreed to subscribe a further \$200,000 to the Adavale Harner Resources (AHR) with the other shareholder, Haryono Eddyarto (HE) subscribing a further \$300,000. The amounts subscribed are in proportion to their respective holdings, being 40% and 60%. At December 2013 HE had advanced to the AHR by way of loan US\$600,000. The \$300,000 is to be subscribed by HE by way of reduction of the loan funds made by HE to the JV. The \$200,000 subscribed by the Company will be provided by way of a draw against the Convertible Loan Agreement with HE and by way of a reduction in the loan provided by HE to the AHR.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	\$1,000,000	\$500,000
3.2 Credit standby arrangements	-	-

On 1 August 2012 the Company announced that it had entered into a Convertible Loan Agreement with Mr Haryono Eddyarto (Company Chairman) (HE) to the value of up to \$1,000,000. The loan facility was for a period of 24 months but now extended to 27 July 2015, carries interest at 8% (or 15% on any default amount), and is convertible into shares at a conversion price of 5 cents per share. Drawings of \$250,000 had been made to 30 September 2013. A further \$50,000 cash was drawn in the current quarter, plus a further draw of \$200,000 relating to Adavale Harner Resources (AHR) funded directly by HE, thus aggregating \$500,000.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	40
4.2 Development	50
4.3 Production	-
4.4 Administration	80
Total	170

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	87	136
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	87	136

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	
6.1	Interests in mining tenements	1/ EL 4949 (South Australia)	Wholly owned	100%	100%
	2/ EL 4950 South Australia)	Wholly owned	100%	100%	
	3/ MEPL (IUPOP) 540/452/Kpts/BPT-PS/2011 (Incorporating MEL (IUP) 540/22/Kpts/BPT-PS/2013) West Sumatera, Indonesia	Wholly Owned	100%	100%	
6.2	Interests in mining tenements acquired or increased	N/A			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference			
	*securities			
	(description)			
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			
7.3	*Ordinary securities	316,990,035	316,990,035	Fully Paid
7.4	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs			

7.5	*Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
	65,697,863			0.04	31 Jul 2014
	10,000,000			0.04	31 Jul 2014
	10,000,000			0.04	31 Jul 2014
	10,000,000			0.04	31 Jul 2014
	10,000,000			0.045	31 Jul 2015
	10,000,000			0.05	31 Jul 2016
	115,697,863				
7.8	Issued during quarter - Milestone options				
	20,000,000			0.05	31 Jul 2014
	20,000,000			0.06	31 Jul 2015
	20,000,000			0.07	31 Jul 2016
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter	Nil			
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here:

(Director)

Date:

30/1/14

Print name:

HARYONO EDDYARTO

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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