

ADAVALE RESOURCES LIMITED

ACN 008 719 015

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of shareholders of Adavale Resources Limited (the **Company**) will be held at Company's offices at Level 5, 151 Castlereagh Street, Sydney, NSW on Tuesday 25 November 2014 at 10.00 am (AEDT) (**Meeting**).

The Explanatory Notes to this Notice provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Notes and the Proxy Form forms part of this notice.

BUSINESS OF THE MEETING

Item 1: Financial Statements and Reports

To receive and consider the Financial Report, the Directors' Report and the Auditor's Report for the year ended 30 June 2014.

Item 2: Remuneration Report

To consider and, if thought fit, to pass the following as a non-binding resolution:

"To adopt the Remuneration Report for the year ended 30 June 2014."

Notes:

- (i) In accordance with section 250R of the Corporations Act 2001, the vote on this resolution will be advisory only and will not bind the directors or the Company.
- (ii) A voting exclusion statement applies to this resolution (see Explanatory Notes for details).

Item 3: Election of Directors

Item 3.1 Re-election of Mr Peter Murphy

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

"That Mr Peter Murphy, being a director who is retiring in accordance with clause 13.2 of the Company's constitution, and being eligible, offers himself for re-election, be re-elected as a director of the Company."

Item 3.2 Re-election of Mr Saharto Sahardjo

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

"That Mr Saharto Sahardjo, being a director who is retiring in accordance with clause 13.2 of the Company's constitution, and being eligible, offers himself for re-election, be re-elected as a director of the Company."

Item 4: Additional 10% Placement Capacity

To consider and, if thought fit, pass the following resolution as a special resolution of the Company:

“That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Notes.”

Note: A voting exclusion statement applies to this resolution (see Explanatory Notes for details).

Item 5: Consolidation of Securities

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

“That pursuant to section 254H of the Corporations Act, the issued capital of the Company be consolidated on the basis that every 20 shares be consolidated into 1 share, and otherwise on the terms and conditions set out in the Explanatory Notes accompanying this Notice of General Meeting”.

Item 6: Non-executive Directors’ Remuneration

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

“That, for the purposes of Listing Rule 10.17 and for all other purposes, effective from the close of the Meeting the total amount that may be paid in aggregate and in any one year by the Company to the Non-executive Directors as remuneration for services be increased by \$150,000, from \$150,000 to \$300,000.”

Note: A voting exclusion statement applies to this resolution (see Explanatory Notes for details).

Item 7: Issue of Loan Conversion Shares

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

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue up to 139,333,333 shares to Mr Haryono Eddyarto upon conversion of the convertible loan on the terms and conditions set out in the Explanatory Notes.”

Note: A voting exclusion statement applies to this resolution (see Explanatory Notes for details).

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 (AEDT) on Friday 21 November 2014 (**Entitlement Time**), subject to any applicable voting exclusion.

This means that if you are not the registered holder of a share in the Company at the Entitlement Time, you will not be entitled to attend and vote at the Meeting.

ANNUAL REPORT

Copies of the Company's full Annual Report may be accessed at our website www.adavaleresources.com.au.

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 of Annual General Meeting.

Voting by Proxy

A shareholder who is entitled to attend and vote at this Meeting is entitled to appoint not more than 2 proxies to attend and vote in place of the shareholder.

If the shareholder appoints 2 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 exceed 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.

Subject to the specific proxy provisions applying to Item 2 (see the Explanatory Notes below):

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

Proxy Voting by the Chairman

For Item 2 (Remuneration Report), where the Chairman is appointed as a shareholder's proxy and that shareholder has not specified the way in which the Chairman is to vote on Item 2, the shareholder is directing the Chairman to vote in accordance with the Chairman's voting intentions for this item of business.

The Chairman intends to vote all undirected proxies in favour of the resolutions put in the Notice of Meeting.

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 10.00am (AEDT) on Sunday 23 November 2014 (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 2975, 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 255 (outside Australia);
- (iii) **Online** via the Company's Share Registry website at www.investorvote.com.au. Please refer to the Proxy Form for more information; 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
22 October 2014

Explanatory Notes

ITEM 1: Financial Statements

As required by section 317 of the *Corporations Act 2001* (Cth) (**Corporations Act**) the financial report, directors' report and auditor's report of the Company for the most recent financial year must be laid before the meeting.

There is no requirement for a formal resolution on this item.

The Chairman of the meeting will allow a reasonable opportunity at the meeting for shareholders to ask questions about or make comments on the management of the Company. Shareholders will also be given a reasonable opportunity at the meeting to ask the Company's auditor, Grant Thornton Audit Pty Ltd (**GT**), questions about its audit report, the conduct of its audit of the Company's financial report for the year ended 30 June 2013, the preparation and content of its audit report, the accounting policies adopted by the Company in its preparation of the financial statements and the independence of GT in relation to the conduct of the audit.

Shareholders may submit written questions to GT to be answered at the meeting, provided the question is relevant to the content of GT's audit report or the conduct of the audit of the company's financial report for the year ended 30 June 2014.

Written questions must be received no later than 5.00pm on Tuesday 18 November 2014. Any written questions to GT can be sent to Computershare Investor Services Pty Limited GPO Box 2975, Melbourne VIC 3001 (or by Fax: 1800 783 447).

ITEM 2: Adoption of Remuneration Report

2.1 Reasons for Resolution

In accordance with section 300A of the Corporations Act and the ASX Corporate Governance Principles and Recommendations, the Company has included in its Annual Report a remuneration report for the consideration of members.

The members' resolution on this item of business is advisory only and does not bind the board or the Company.

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward.

In summary, the remuneration report in the Annual Report:

- explains the principles used for determining the nature and amount of remuneration of directors and senior managers of the Company;
- sets out remuneration details for each director and senior executive of the Company (including the value of any options granted to those persons);
- outlines service contracts of key management personnel; and
- provides details of options granted to directors and key management personnel.

2.2 Voting Exclusion Statement

As required by the Corporations Act the Company will disregard any votes cast on Item 2 by any member of the Company's Key Management Personnel (**KMP**) or a Closely Related Party of any such member unless the person:

- (i) votes as a proxy appointed by writing that specifies how the person is to vote on the resolutions; or
- (ii) is the Chairman of the Meeting and votes as a proxy appointed by writing that authorises the Chairman to vote on the resolutions even though that resolution is connected with the remuneration of a member of the Company's KMP.

What this means for shareholders: If you intend to appoint a member of the KMP (such as one of the directors) as your proxy, please ensure that you direct them how to vote on the proposed resolution in Item 2. If you intend to appoint the Chairman of the Meeting as your proxy, you can direct him/her how to vote by marking the boxes for Item 2 (for example, if you wish to vote for, against or abstain from voting), or you can choose not to mark any of the boxes for Item 2 and give

the Chairman your express authority to vote your undirected proxy (in which case the Chairman will vote in favour of this item of business).

ITEM 3: Election of Directors

Clause 13.2 of the Constitution also states that an election of directors must be held at each Annual General Meeting. The constitution states that one-third of all directors must retire and offer themselves for re-election, excluding the Managing Director and directors appointed during the year by the Board. If no directors are scheduled to be elected by virtue of the ASX Listing Rules or the constitution, then one-third of directors must still retire and be re-elected by the members of the Company. Normally, this would be the director (other than the Managing Director) who has held office the longest since being appointed or last being elected.

ASX Listing Rule 14.4 states that no director is entitled to hold office without re-election past the third AGM following the director's appointment or three years, whichever is longer.

Mr Peter Murphy and Mr Saharto Sahardjo are submitting themselves for re-election by rotation at this meeting. They were appointed to the board on 25 November 2013.

Details of Mr Peter Murphy and Mr Saharto Sahardjo are outlined below.

Item 3.1 Peter Murphy

Mr Peter Murphy currently serves as a Non-Executive Director of the Company.

Mr Murphy has a B.com from Melbourne University and has spent his business career in the international commodity trading, marketing and business development area. Over a 30 year career Mr Murphy has worked in various countries including 10 years in Asia and travels to the Indian subcontinent on a regular basis. He worked with Philipp Brothers for 15 years and subsequently spent time with Marc Rich AG and Glencore. He was also retained by the Thyssen coal group as their representative in Asia and at various times has also represented the Belgian based Union Miniere and Newco AG of Switzerland and the Kolkata based Visa Group. For the past two years he has been actively involved in consulting to the Indonesian coal Industry.

Mr Murphy is currently a Director of Balmoral Resource Trading Pty Ltd and Calibre Asset Management Ltd.

Mr Murphy is a member of the Investments & Capital Markets Committee.

Item 3.2 Saharto Sahardjo

Mr Saharto Sahardjo currently serves as a Non-Executive Director of the Company.

Mr Saharto is an Indonesian Professional Business Law Advisor with over 25 years' experience in the management of companies. He has a Law Degree Major in Private International Law and is a Notarial Specialist. He also has a Master of Business Administration. Mr Saharto worked for PT Tambang Timah, Tin Mining in Indonesia as Legal Staff (1982-1985), and PT Latinusa (1985-1998), the only tin plate industry in Indonesia, as Manager, and thereafter as Company Secretary before becoming the Commercial Director. He has assisted the President Director of PT Krakatau Steel and was a Team Member of Good Corporate Governance of PT Krakatau Steel (Counterpart of Price Water House Cooper's Team) (1998-2001).

He is the Commissioner of PT Adavale Harner Resources, an affiliate of the Company. He was also recently appointed as the Commissioner of PT Prima Perkasa Abadi, a subsidiary of the Company.

Mr Saharto is in charge of compliance and good corporate governance practices of the Company in his position as Chairman of the Audit Committee.

ITEM 4: Additional 10% Placement Capacity

4.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital (**10% Placement Capacity**). If Shareholders approve the

resolution in Item 5, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in 5.2 below).

The Company is an Eligible Entity. The effect of the resolution in Item 4 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the meeting, without Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

The resolution in Item 4 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of this resolution for it to be passed.

4.2 10% Placement Capacity

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek Shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the A&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the A&P/ASX 300 Index and has a current market capitalisation at the 8 October 2014 of \$950,970.

The Equity Securities must be in the same class as an existing class of quoted Equity Securities. The Company currently has two classes of Equity Securities on issue, being quoted ordinary shares and unlisted options.

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A is outlined in Listing Rule 7.2A.2. This rule provides that Eligible Entities which have obtained Shareholder approval at an annual general meeting, to issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated according to the following formula:

$(A \times D) - E$

Where:

- A is the number of Shares on issue 12 months before the date of issue or agreement:
- (a) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
 - (b) plus the number of partly paid shares that became fully paid in the previous 12 months;
 - (c) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval; and
 - (d) less the number of Shares cancelled in the previous 12 months.
- D is 10%
- E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of ordinary shares under ASX Listing Rule 7.1 or 7.4.

4.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this resolution.

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 (five) ASX trading days of the date in paragraph 6.3(a)(i), the date on which the Equity Securities are issued.

(b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid).

(10% Placement Capacity Period).

(c) Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If the resolution in Item 5 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A2, on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue	Dilution			
	Issue Price (per Share)	\$0.0015 (50% decrease in current market price)	\$0.003 (Current market price)	\$0.006 (100% increase in current market price)
316,990,035 (Current Variable A)	Shares issued – 10% voting dilution	31,699,004	31,699,004	31,699,004
	Funds raised	\$47,549	\$95,097	\$190,194
475,485,053 (50% increase in Variable A) *	Shares issued – 10% voting dilution	47,548,505	47,548,505	47,548,505
	Funds raised	\$71,323	\$142,646	\$285,291
633,980,070 (100% increase in	Shares issued – 10% voting dilution	63,398,007	63,398,007	63,398,007

Variable A)*				
	Funds raised	\$95,097	\$190,194	\$380,388

* The number of shares on issue (Variable A in the formula) could increase as a result of the issue of shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issue under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above has been prepared on the following assumptions:

1. Variable A is 316,990,035 which is the shares currently on issue.
2. The market price set out above is the closing price of the Shares on the ASX on 8 October 2014.
3. The Company issues the maximum possible number of shares under the 10% Placement Capacity.
4. The Company has not issued any other Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) Purpose of issue under 10% Placement Capacity

The Company may seek to issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for working capital purposes, existing projects or potential acquisitions; or
- (ii) as non-cash consideration for new projects, services, equipment or product. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3. The minimum issue price limitation as set out in Listing Rule 7.1A .3 applies to issues for non-cash consideration.

The Company will comply with the disclosure obligations under Listing Rules 7.1A4 and 3.10.5A upon issue of any Equity Securities.

(e) Allocation under the 10% Placement Capacity

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both).

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) The purpose of the issue;
- (ii) Alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) The effect of the issue of the Equity Securities on the control of the Company;

- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

(f) Previous Approval under ASX Listing Rule 7.1A

The Company previously obtained approval from shareholders under ASX Listing Rule 7.1A on 25 November 2013.

(g) Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it will give to ASX:

- (i) a list of the allottees of the Equity Securities and the number of Equity Securities allotted to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

4.4 Voting Exclusion Statement

The Company will disregard any votes cast on Item 4 by any person who may participate in the issue of Equity Securities under this item and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associates of those persons. However the Company will not disregard a vote if it is cast by a person who is entitled to vote, in accordance with the directions on 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 a direction on the Proxy Form to vote as the proxy decides.

As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on the resolution in Item 5.

ITEM 5 – Consolidation Of Securities

5.1 General

The purpose of this resolution is to enable the Company to consolidate its securities into a reduced number. The Board considers that the Company has a disproportionately high number of ordinary fully paid shares (**Shares**) on issue compared to its market capitalisation.

The board believes at present that consolidating the Company's securities capital at a ratio of 1 Share for every 20 on issue will:

- Reduce Share price volatility
- Result in reduced administrative time and transactions costs
- Reduce negative market perceptions associated with a low Share price relative to Company progress
- Enable a broader range of institutional and other investors to enter the Company's registry as many institutional investors and investment funds are reluctant to invest in lower-priced Shares and often have investment restrictions in companies with a low Share price
- Enable investors to better evaluate the Company as the change in value per Share will allow clearer comparison with listed companies of Shares with similar Share value

Accordingly, Shareholder approval is sought for the proposed consolidation by way of ordinary resolution under Section 254H of the Corporations Act. Australian Securities Exchange (ASX) Listing Rule 7.20 also requires entities who propose to reorganise its capital to advise its Shareholders of certain matters. These matters are set out below.

Issued Share Capital – Illustrative Example Only

	NO. OF SHARES
Issued Share capital as at the date of the Explanatory Notes	316,990,035
Issued Share capital after proposed share consolidation	**15,849,502

** These numbers are approximate as they do not take into account any rounding required on account of individual security holders holding fractional securities post consolidation nor any options which may be exercised between the date of the Notice of Meeting and the date of consolidation.

5.2 Consolidation

At the date of the Notice of Meeting there are 316,990,035 fully paid Shares on issue. This represents approximately 962 Shareholders in the Company, of which approximately 776 are considered holders of non-marketable parcels.

These numbers are approximate as they do not take into account any rounding required on account of individual Shareholders holding fractional securities post consolidation nor any options which may be exercised between the date of the Notice of Meeting and the date of consolidation. The proposed consolidation will not affect Shareholders' percentage interests in the Company, except to the extent that Shareholders holding any fractional securities after consolidation will have their holdings rounded up to the nearest Share.

As an example, if you held 20,000 Shares before the consolidation, you would hold 1,000 Shares after the consolidation. To demonstrate the treatment of fractional securities post-consolidation, if you held 45,454 Shares before the consolidation, you would hold 2,273 Shares after the consolidation. Post-consolidation, if all things held equal, the market price of each Share following the consolidation should increase 20 times in current value. The actual effect on the per Share market price following consolidation may be higher or lower than the theoretical post-consolidation price.

Once the consolidation has occurred, the issued capital of the Company will consist of approximately 15,849,502 Shares.

5.3 Holding Statement And Taxation Implications

From the date of consolidation, all existing holding statements for Shares and options will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post-consolidation basis. After the consolidation becomes effective, new holding statements will be issued by the Company's Share registry provider (Computershare Investor Services Pty Limited) to shareholders. Shareholders are responsible for verifying their shareholdings after the consolidation. The HIN/SRN number of each shareholding will remain the same after consolidation.

Shareholders and holders of options are urged to seek their own tax advice on the effect of the consolidation and neither the Company nor the Directors, the Company's Share registry provider or other advisers accept any responsibility for the individual taxation implications arising from the consolidation.

5.4 Timetable

The proposed consolidation, if approved by Shareholders, will be implemented in accordance with the indicative timetable below.

EVENT	DATE
Date of determining eligibility to vote at General Meeting	Friday, 21 November 2014
GM to approve the resolution in relation to the consolidation	Tuesday, 25 November 2014
Announcement of approval of consolidation (if approved)	Tuesday 25 November 2014
Last day for ASX trading of Shares on a pre-consolidation basis	Wednesday, 26 November 2014
Consolidation Date	Thursday, 27 November 2014
Trading in consolidate Shares, on a deferred settlement basis, starts	Thursday, 27 November 2014
Last day for the Company to register Share transfers on a pre-consolidated basis	Monday, 1 December 2014
First day for the Company to register Share transfers on a consolidated basis and first day for the Company to issue holding statement for Shares on a consolidated basis	Tuesday, 2 December 2014
Company announces to ASX that despatch of the new holding statements has occurred	Tuesday, 2 December 2014
Deferred settlement trading ends	Tuesday, 2 December 2014

ITEM 6 – Non-executive Directors' Remuneration

In anticipation of the appointment of additional non-executive Directors, it is proposed to increase the maximum aggregate remuneration that may be paid to non-executive directors by \$150,000, from \$150,000 per annum to \$300,000 per annum.

Shareholder approval of this proposal is sought under clause 13.8 of the Company's Constitution and under ASX Listing Rule 10.17.

The Board's remuneration policy for non-executive directors aims to ensure that the Company can attract and retain suitably skilled, experienced and committed individuals to serve on the Board.

The proposed increase in the maximum aggregate amount payable to non-executive Directors will enable non-executive Directors' fees to be paid to incoming Directors and ensure fees are in line with future market rates. It is the Board's policy that the remuneration of non-executive Directors should accord with market rates and the level of responsibilities involved with each Board position. Also relevant to the Company's remuneration policy for non-executive Directors is the Company's commitment to the independence of its non-executive Directors.

For the purposes of ASX Listing Rule 10.17, no securities have been issued to non-executive Directors under rule 10.11 or 10.14 at any time over the last three years.

Voting Exclusion Statement

The Company will disregard any votes cast on the proposed Item 5 by any Director of the Company and any associate of any such persons. However, the Company need not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy does.

Directors' Recommendation

As the non-executive Directors have a personal interest in Item 6, all Directors abstain from making a recommendation on this resolution.

Chairmans' Voting Intention

The Chairman of the Meeting intends to vote all available proxies in favour of all resolutions.

Item 7 - Issue of Loan Conversion Shares

7.1 General and Terms of the Loan

At the General Meeting of the Company held on 20 December 2012, shareholders approved the issue of up to 23,200,000 shares pursuant to a Convertible Loan Agreement between the Company and Mr Eddyarto for an amount of \$1,000,000 (**Loan**). The Loan may be converted into Shares in accordance with the terms of the Loan summarised as follows:

- (a) the Loan has a face value of up to \$1,000,000;
- (b) the Loan has a term of 24 months;
- (c) the Company may make multiple draw downs under the Loan;
- (d) interest shall accrue on the Loan at the rate of 8%, or at a rate of 15% on any default amount (**Interest**);
- (e) if the Loan has not been repaid or converted, the Company will repay any or all of the Loan (including Interest) on the date which is 24 months after the date of execution of the Loan agreement;
- (f) where an event of default occurs, Mr Eddyarto may require the Company to repay any or all of the Loan plus any Interest;
- (g) the Loan and Interest is convertible into Shares at a conversion price of 5 cents per Share, being a maximum of 23,200,000 Shares (Loan Conversion Shares);
- (h) at the Lender's discretion, the Interest or a portion of the Interest, may be converted into Shares or paid in cash;
- (i) the conversion of the Loan (and if elected by the Lender, any Interest) into Shares as outlined in section (g) to and conditional upon the Company obtaining Shareholder approval for the issue of the Shares; and
- (j) the Loan is an unsecured debt instrument ranking alongside general secured creditors.

It is proposed to change the term of this Loan agreement, specifically the conversion price noted in (g) above.

The following breakdown of the total amount of the loan and the conversion price is as follows:

- \$100,000 (the draw down on the Loan during September and October 2014) at \$0.003 which is the prevailing market price of ADD securities during that time. This equates to 33,333,333 Shares;
- \$600,000 (the amount of the Loan drawn down to June 2014) at \$0.01. This equates to 60,000,000 Shares; and
- \$300,000 (the remaining outstanding facility amount able to be drawn down as at the date of this Notice) at \$0.01. This equates to 30,000,000 Shares.

It is also proposed that the conversion of the Interest into Shares is at \$0.01, equating to a maximum of 16,000,000 Shares.

The maximum number of Shares that can be issued as a result of the change in conversion price is 139,333,333.

Mr Eddyarto is a related party of the Company by virtue of being a Director of the Company (**Related Party**). Item 8 seeks Shareholder approval pursuant to and in accordance with section 208 of the Corporations Act and Listing Rule 10.11 to issue shares to Mr Eddyarto upon conversion of the Loan (**Loan Conversion Shares**), greater than the number previously approved at the General Meeting on 20 December 2012.

7.2 Chapter 2E

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 the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

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

The grant of the Shares to Mr Eddyarto upon conversion of the Loan (and any Interest) constitutes giving a financial benefit.

In addition, ASX Listing Rules 10.11 also requires Shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of the Loan Conversion Shares to Mr Eddyarto.

7.3 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Shares upon conversion of the Loan:

- (a) the related party is Mr Eddyarto and he is a related party by virtue of being a Director of the Company;
- (b) the maximum number of Loan Conversion Shares (being the nature of the financial benefit being provided) to be granted to Mr Eddyarto is a maximum of 139,333,333 Loan Conversion Shares, assuming a full draw down of up to \$1,000,000 plus Interest at 8% per annum over 2 years (assuming no default) of \$160,000;
- (c) the Loan Conversion Shares will be issued in the event Mr Eddyarto elects to convert the then draw down amount of the Loan (or any relevant Interest) into Shares at a price of \$0.003 for \$100,000 of the Loan and \$0.01 for \$900,000 of the Loan during the term of the facility and in accordance with its terms;
- (d) Mr Eddyarto currently holds 84,775,541 Shares in the Company, representing 26.74% of the issued share capital. Mr Eddyarto also holds 40,000,000 Options to acquire fully paid ordinary Shares in the Company. Should these options be exercised, then Mr Eddyarto would have 34.95% of the Company. If the Shares outlined in this item are issued to Mr Eddyarto the maximum percentage of the issued shares in the Company would increase to 53.2% of the issued share capital of the Company. At a General Meeting held on 20 December 2012, Shareholders approved Mr Eddyarto increasing his voting power to a maximum of 64.21% (for the purposes of section 611 of the Corporations Act). The issue of Shares under this item is within this maximum voting power.

- (e) it is expected that Mr Haryono will issue the Company with a Loan Conversion Notice and therefore the Loan Conversion Shares will be issued within one month from the date of the Meeting. If this is not the case then fresh shareholder approval will be sought if the Loan Conversion Shares are to be issued, and the date of issue is more than one month after the date of the Meeting;
- (f) the terms and conditions of the Loan are set out in section 4.3;
- (g) the Interest of Mr Eddyarto in securities of the Company as at the date of this notice is:
- 84,775,541 fully paid ordinary shares; and
 - 40,000,000 options.

Remuneration and emoluments from the Company paid to Mr Eddyarto for the previous financial year and the proposed remuneration and emoluments for the current financial year are nil.

- (h) if the Loan and Interest (assuming no default) is converted, a maximum total of 139,333,333 Loan Conversion Shares would be allotted and issued. This will increase the number of Shares on issue from 316,990,035 to 456,323,368 (assuming that no other conversions occurs) with the effect that the shareholding of existing shareholders would be diluted by an aggregate of 30.53%.
- (i) the market price for Shares during the term of the Loan would normally determine whether or not the Loan and Interest is converted to Shares. If, at any time the Loan and Interest is converted to Shares and the Shares are trading on ASX at a price that is higher than the conversion price, there may be a perceived cost to the Company.
- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	\$0.007	18 – 21 February 2014
Lowest	\$0.002	21 – 26 November 2013; and 28 May 2014 – 31 July 2014
Last	\$0.003	8 October 2014

- (k) the purpose of the Loan is to provide funding for working capital until the Company can generate cash or be able to raise funds for its project;
- (l) Mr Haryono Eddyarto declines to make a recommendation to Shareholders in relation to Item 8 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Loan Conversion Shares in the Company upon conversion of the Loan should the resolution be passed;
- (m) With the exception of Mr Haryono Eddyarto, no other Director has a personal interest in the outcome of Item 8;
- (n) Each Director, with the exception of Mr Haryono Eddyarto recommends that Shareholders vote in favour of Item 8;

Voting Exclusion Statement

The Company will disregard any votes cast on Item 7 by Mr Haryono and any of his associates. However the Company will not disregard a vote if it is cast by a person who is entitled to vote, in accordance with the directions on 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 a direction on the Proxy Form to vote as the proxy decides.

GLOSSARY

\$ means Australian Dollars

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

ADST means Australian Daylight Standard Time as observed in Sydney, Australia.

ASX means ASX Limited

ASX Listing Rules means the Listing Rules of the ASX.

Board means the current board of directors of the Company.

Closely Related Party has the meaning as defined in section 9 of the Corporations Act.

Company means Adavale Resources Limited (ACN 000 969 362)

Constitution means the Company's Constitution.

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

Directors means the current directors of the Company.

Eligible Entity means an entity that at the date of the relevant General Meeting:

- (a) is not included in the A&P/ASX 300 Index; and
- (b) has a market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Notes means the Explanatory Notes accompanying the Notice.

Key Management Personnel has the meaning as defined in section 9 of the Corporations Act.

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting and the explanatory notes accompanying the Notice and the Proxy Form.

Option means an option to acquire a Share.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's Report section of the Company's Annual Financial report for the year ended 30 June 2014.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

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

Shareholder means a holder of a Share.

AEDT means Australian Eastern Daylight Savings Time as observed in Sydney, Australia.

Adavale Resources Limited

ABN 96 008 719 015

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form



Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

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 10:00 am (AEDT) Sunday 23 November 2014

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,
or turn over to complete the form →**

☐

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 Annual General Meeting of Adavale Resources Limited to be held at Level 5, 151 Castlereagh Street, Sydney, NSW on Tuesday 25 November 2014 at 10.00 am (AEDT) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 2, 6 and 7 (except where I/we have indicated a different voting intention below) even though Items 2, 6 and 7 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 2, 6 and 7 by marking the appropriate box in step 2 below.

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
2	Remuneration Report	☐	☐	☐
3.1	Re-election of Mr Peter Murphy as a Director	☐	☐	☐
3.2	Re-election of Mr Saharto Sahardjo as a Director	☐	☐	☐
4	Additional 10% Placement Capacity	☐	☐	☐
5	Consolidation of Securities	☐	☐	☐
6	Non-executive Directors' Remuneration	☐	☐	☐
7	Issue of Loan Conversion Shares	☐	☐	☐

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

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /

ADD