ASX ANNOUNCEMENT/MEDIA RELEAS

28 July 2023

Quarterly Activities Report
June 2023

NICKEL EXPLORATION

- **Drilling recommenced during the quarter, with massive nickel sulphides intersected at Luhuma Central**
- **Luhuma Central is a new Prospecting Licence, PL12350/2023 awarded to Adavale during the quarter. Drilling commenced within two weeks of being awarded, intersecting massive nickel sulphides**
- **Second drill rig contracted, with second rig drilling high-priority targets of HEM 2**
- **A follow up wet season soil geochemical program and Audio-MagnetoTellurics (AMT) program refined drill targets ahead of the resumption of drilling**
- **Geochemical soil survey identified a coherent 15km copper-in-soil anomaly that coincides with magnetics and gravity anomalies**

CORPORATE

- **Post quarter, the Company successfully received binding commitments from sophisticated and professional investors to raise $2.47m at a price of $0.019 per share with 1 for 1 free attaching listed options**
- **The Company also launched a 1 for 5 Entitlement Offer at the same terms as the Placement to raise circa $2.1m**

Adavale Resources Limited (ASX: ADD) (**ADD** or **the Company**) is pleased to report on its activities for the quarter ended 30 June 2023.

Adavale's Executive Director, Mr David Riekie commented:

"Following the collection and analysis of geochemical and geophysical data during the wet season, we hit the ground running this quarter with the resumption of drilling.

The granting of the Luhuma Central PL was an important milestone for the Company, with drilling commencing almost immediately and successfully intersected massive and semi-massive nickel sulphides in all three diamond holes.

ASX: ADD

DIRECTORS & OFFICERS

GRANT PIERCE
CHAIRMAN

DAVID RIEKIE
EXECUTIVE DIRECTOR

JOHN HICKS
DIRECTOR

ALLAN RITCHIE
CHIEF EXECUTIVE OFFICER

LEONARD MATH
CFO & COMPANY SECRETARY

ISSUED CAPITAL

Shares: ~558 million
Unlisted options: 112 million
Performance rights: 17 million

ABOUT ADAVALE
Adavale Resources is an ASX-listed exploration company targeting projects in the 'battery materials' space. The company is currently focused on both its 100% owned Kabanga Jirani Nickel Project and 2 Farm-in 'Luhuma' licences adjacent and along strike from the world's largest undeveloped high grade NiS resource of 58Mt @ 2.62% Ni. Adavale is also progressing exploration on its 100% owned uranium tenements in South Australia

ADAVALE RESOURCES

adavaleresources.com

CONTACT

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Following the successful capital raising conducted post quarter, we continue to have a comprehensive exploration program planned for the remainder of the year and confident that we are on the cusp of a new discovery at Kabanga Jirani, an area that has been demonstrated to be fertile for nickel mineralisation."

NICKEL EXPLORATION

Kabanga Jirani Nickel Project and Luhuma Nickel Project (Tanzania)

Luhuma Central

The Company was granted Prospecting Licence, PL12350/2023 on 19 May 2023, naming it Luhuma Central[1].

Adavale applied for Luhuma Central, viewing it as a geologically important addition to its exploration tenure, due to its historical results and being within the broader 15km Luhuma trend discovered by Adavale1[2]. Historical results included an intercept of 1.14% Ni over 8.4m in massive sulphides[3].

Luhuma Central is fully enclosed within Prospecting Licence PL11692/2021 of which Adavale has to date earned a majority interest of 65% with rights to earn up to 100%[4].

Luhuma Central Drilling

Immediately upon the granting of Luhuma Central, diamond drilling program commenced to follow up the historical massive nickel sulphide intersection from 1994. Drillhole DDLUHC001 intersected 4.15m of massive nickel sulphide associated with a mafic-ultramafic intrusion was intercepted between 223.35m and 227.50m.

Figure 1 Core photo of the visual mineral intercept zones in DDLUHC001 at Luhuma Central of 4.15 metres of nickel bearing massive sulphides between 223.35m and 227.50m downhole

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[1] ASX Announcement 22 May 2023 – Geologically significant nickel sulphide licence granted
[2] ASX Announcement 4 April 2023 – Nickel sulphide drill targets & 15km soil anomaly defined
[3] Evans, D. M., Hunt, J. P. P. M. and Simmonds, J. R., 2016. An overview of nickel mineralisation in Africa with emphasis on the Mesoproterozoic East African Nickel belt (EANB). Episodes, 39/2, 319- 333. DOI: 10.18814/epiiugs/2016/v39i2/95780; see also ASX:ADD release 16 December 2021 "Adavale Discovers Significant Mafic-Ultramafic Intrusion".
[4] ASX Announcement 15 December 2021 - Highly Prospective Nickel Sulphide Tenure Expanded

DDLUHC001 returned an intersection[5] of 4.13m @ 0.99% Ni (from 223.35m) within a broader interval of 12.15m @ 0.46% Ni from 221.35m, as well as 2m @ 0.57% Ni from 249m.

A second drillhole, DDLUHC002, was drilled to the east of DDLUHC001, 60m up-dip, targeting the same anomalous AMT position[6]. A zone of blebby and heavily disseminated nickel sulphides with occasional semi-massive veinlets was intersected over 4.90m (Figure 2), with subsequent assays5 returning 4m @ 0.52% Ni from 200.55m.

Figure 2 Semi Massive sulphide unit of 4.9m showing semi massive sulphides, sulphide veins and blebs in a gabbronorite host

If the mineralised intersections are connected between the drillholes (Figure 3) as they are interpreted to be, then these sulphide bearing intervals would approximate their true thickness (although the drillholes are not completely orthogonal to the dip). These sulphides are coincident with a strong discrete AMT anomaly that can be traced to the north and south on AMT lines L1, L2 and L3 (see Figure 4).

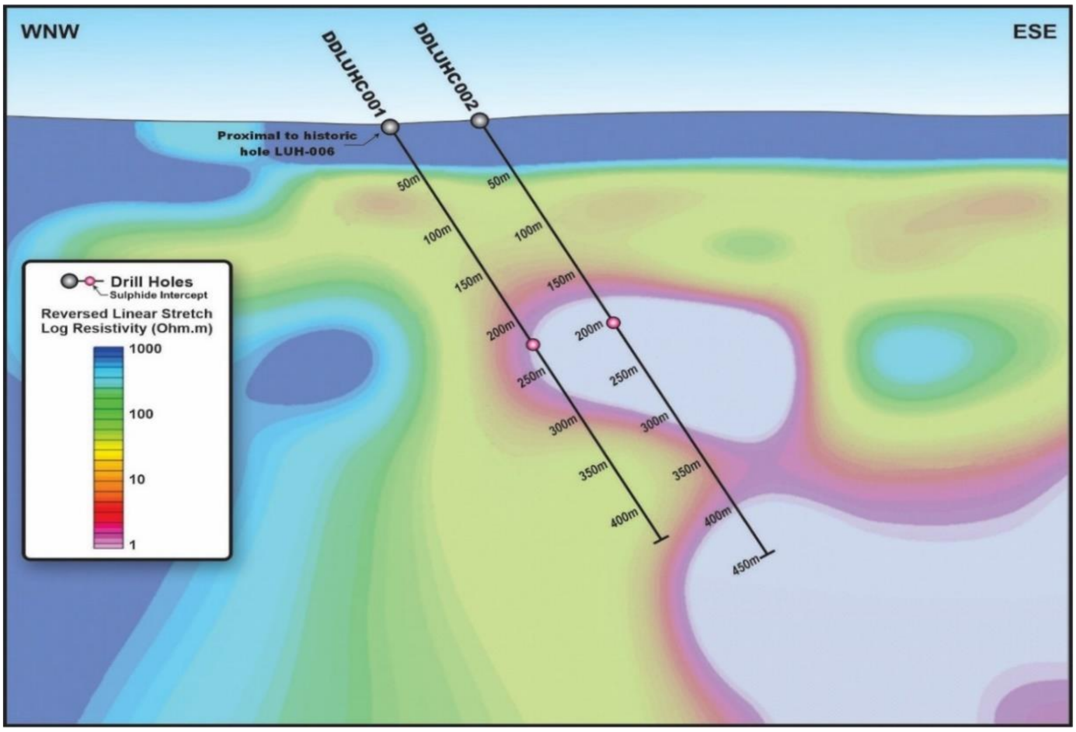

Figure 3 Location of DDLUHC001 and DDLUHC002 targeting sulphides and interpreted AMT Line 1

5 ASX Announcement 11 July 2023 – Assays confirm massive sulphide nickel sulphides at Luhuma Central prospect

6 ASX Announcement 19 June 2023 – Adavale continues to Intersect Zone of Strong Nickel Sulphide Mineralisation at Kabanga Jirani Nickel Project

Subsequent to quarter end, DDLUHC003 intersected 7.55m of massive nickel sulphide associated with a mafic-ultramafic intrusion was intercepted between 261.7m and 269.25m. DDLUHC003 in located ~60m to the north of the two assayed holes as shown on the plan view of Luhuma Central[7]. All three diamond holes will be surveyed with DHEM over a two week period from the end of July. Planning has commenced for additional step-out drilling to further test the AMT anomaly to the north and south are shown as the planned holes (see Figure 4).

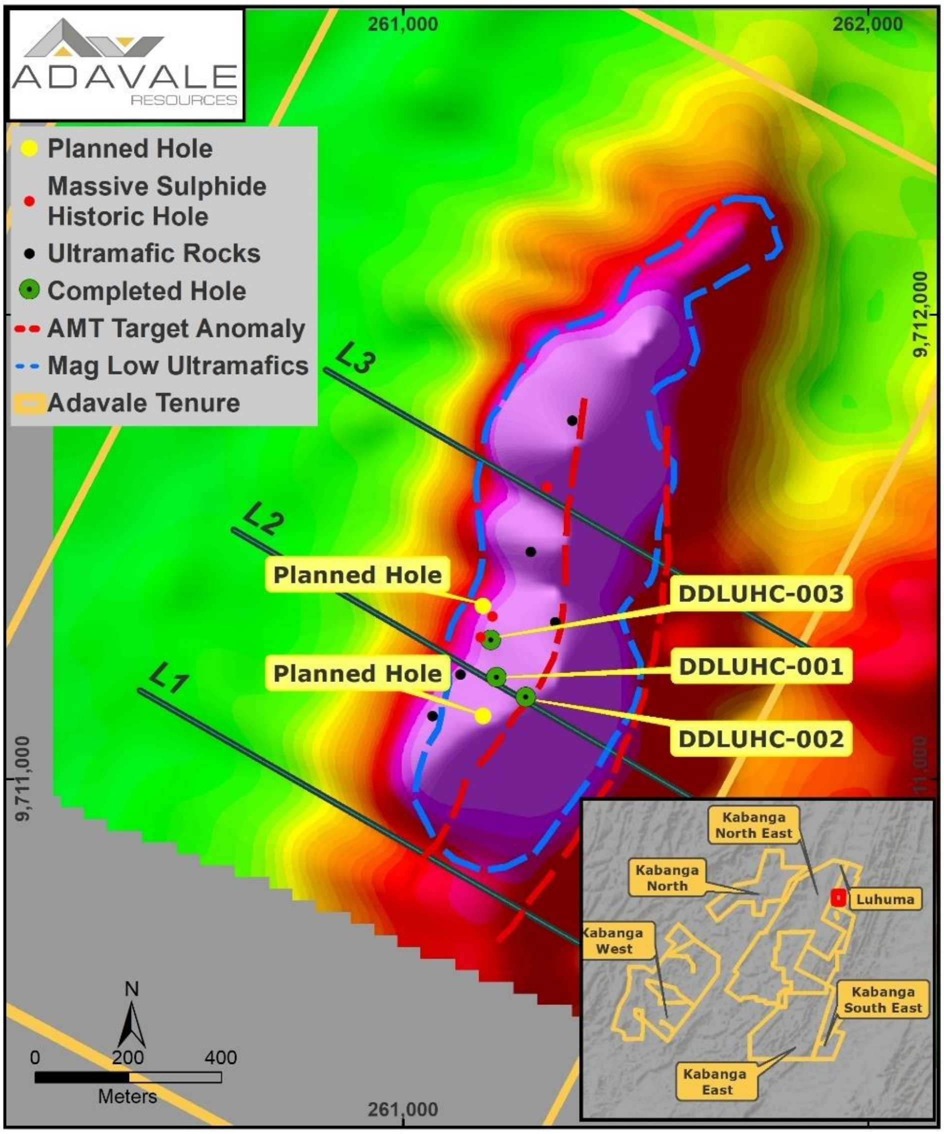

Figure 4 Plan view of current and proposed drill hole locations (yellow dots) at Luhuma Central plus historical holes (red dot massive sulphides intercepted, black dots indicate Ultramafic rocks intercepted) together with location of the AMT lines L1 to L3 that have been surveyed by Adavale. Blue outline shows the magnetic low interpreted to be the host ultramafics and the red corridor is the AMT anomaly projected to surface and interpreted as the mineralised trend.

Geological Targeting and Prospects

Prior to the granting of Luhuma Central, the Company undertook a major soil geochemistry program during the wet season[2].

The program, combined with previous surveys, highlighted several new and distinct nickel sulphide targets, including a 15km soil anomaly. Several of the soil anomalies have coincident gravity, electromagnetics (EM) and/or historic ultramafic or Ni sulphide intercepts.

[7] ASX announcement 25 July 2023 – ADD Replicates Maiden Massive Nickel Sulphide Intersection

A total of approximately 10,000 samples were collected during the recent geochemical soil survey. The samples were collected on a 400m x 25m line spacing across specific areas within the Company's southern tenement package. In addition, some gaps from earlier surveys were infilled during the program.

Importantly, a coherent copper (Cu) in soil anomaly of over 15km strike has been defined (Figure 5), located coincident or adjacent to elevated nickel (Ni) and cobalt (Co) soil anomalies as well as certain mafic indices. This is considered significant given that the neighbouring Kabanga deposit owned by Lifezone and BHP contains a mineral resource of 58Mt at 2.62% Ni plus 0.35% Cu and 0.19% Co[8].

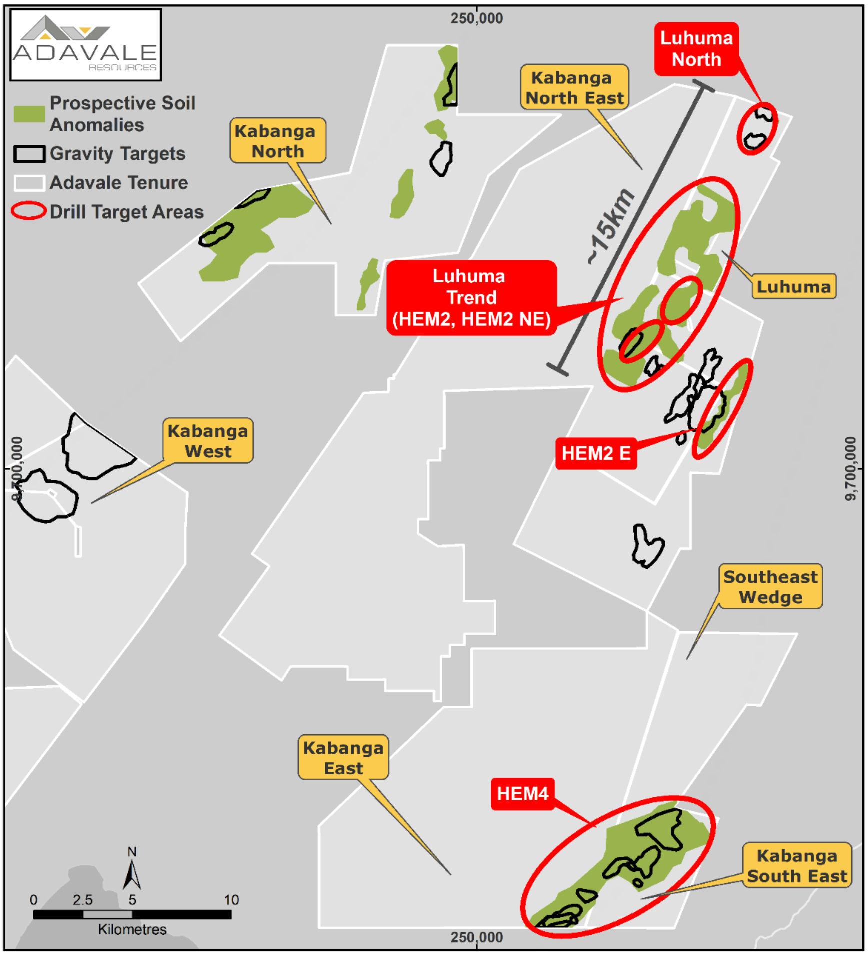

Figure 5 Location of targets generated from the recent geochemical soil survey conducted during 2023 and previous HEM, gravity and exploration

Downhole EM Surveys

Downhole Electromagnetic (**DHEM**) surveys are an important tool in assessing the nickel sulphide potential of the project, providing a vector for follow up exploration. All holes in the current program are being cased with DHEM planned for all, commencing this quarter. This will aid in future drill planning.

[8] https://lifezonemetals.com/what-we-do/kabanga-nickel/

SEPTEMBER QUARTER EXPLORATION PLANS

The Company currently has two drill rigs on site at Kabanga Jirani Nickel Project. One rig is currently focused on Luhuma Central, whilst the other is drilling high priority targets at HEM 2.

DHEM has commenced to provide further assistance in drill planning. It is expected that drilling, utilising both rigs, will continue for the remainder of the year with regular reporting of visual and assay results.

URANIUM EXPLORATION

Lake Surprise Uranium Project

No work was undertaken during the quarter.

CORPORATE

Subsequent to quarter end, the Company successfully received binding commitments to raise $2.47 million (before costs) to new and existing sophisticated and professional investors (“**Placement**”). The Placement will comprise the issue of 130 million new fully paid Ordinary shares at an issue price of $0.019 per share (“**New Shares**”) and a 1:1 attaching listed option (ADDOA) exercisable at $0.03 per share expiring 31 December 2025 (“**Attaching Options**”). The Placement is expected to be completed by 1 August 2023.

The Company also launched a 1 for 5 Entitlement Offer on the same terms as the Placement Offer to raise up to ~$2.1 million (“**Entitlement Offer**”). The directors and management of the Company intend to subscribe for their rights in the Entitlement Offer totalling approximately $118,000. The Entitlement Offer is underwritten to $0.8 million.

GBA Capital Limited acted as Lead Manager for the Placement and Underwriter to the Entitlement Offer.

Funds will be used to progress and accelerate the nickel exploration at the Company’s Kabanga Jirani Nickel Project in Tanzania, including Downhole EM (DHEM), RC & diamond drilling, general working capital and costs associated with the Placement and Entitlement Offer.

Summary of Cashflow for the Quarter

Adavale held cash reserves and funding availability at end of quarter of approximately $1.07 million.

During the quarter, approximately $152,000 was paid to directors and officers. Included in the $152,000 payment, $113,000 (as shown at 6.1) was paid to directors in accordance with their standard employment agreement.

The Company spent approximately $816,000 on exploration and evaluation activities including RC and diamond drilling, consumables, geological consultants, geophysical consultants and assaying. There were no substantive mining production and development activities during the quarter.

This announcement has been authorised for release by the Board of Adavale Resources Limited.

Further information:

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Competent Persons Statement

The information in this release that relates to "exploration results" for the Project is based on information compiled or reviewed by Mr David Dodd of MSA, South Africa. Mr Dodd is a consultant for Adavale Resources Limited and is a member of the SACNASP. Mr Dodd has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration as well as to the activity that is being undertaking to qualify as a Competent Person under the ASX Listing Rules. Mr Dodd consents to this release in the form and context in which it appears.

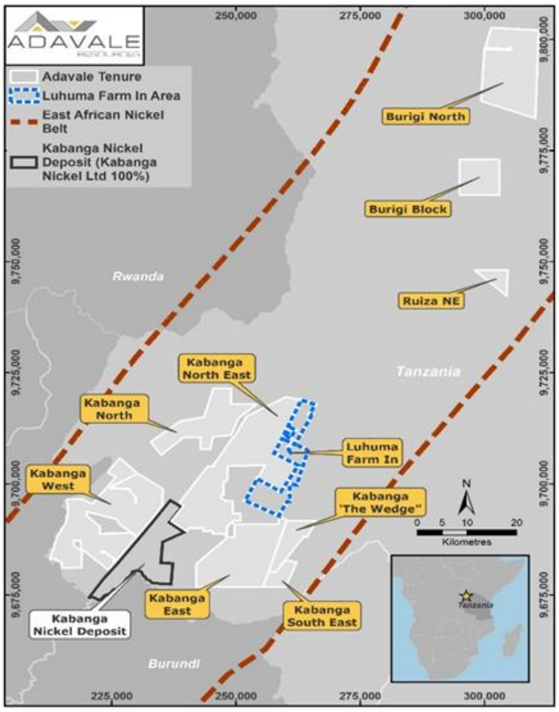
Forward looking statements

This document contains forward looking statements concerning Adavale. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward-looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes. Forward looking statements in this document are based on Adavale's beliefs, opinions and estimates of Adavale as of the dates the forward-looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments. Although management believes that the assumptions made by the Company and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. Forward-looking information involves known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking information. Such factors include, among others, the actual market price of nickel, the actual results of future exploration, changes in project parameters as plans continue to be evaluated, as well as those factors disclosed in the Company's publicly filed documents. Readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws. No representation, warranty or undertaking, express or implied, is given or made by the Company that the occurrence of the events expressed or implied in any forward- looking statements in this document will actually occur.

ABOUT ADAVALE

Adavale Resources Limited (ASX:ADD) is a nickel sulphide exploration company that holds 100% of the Kabanga Jirani Nickel Project, a portfolio of nine highly prospective granted licences covering ~1,216km^2 along the Karagwe-Ankolean belt in Tanzania. The six southernmost licences are proximal to the world-class Kabanga Nickel Deposit (58Mt @ 2.62% Ni). Adavale has farmed-in to two more highly prospective licences contiguous to our six southernmost licences, adding a further 99km^2 to the portfolio 1,315sq km). Adavale's licences were selected based on their strong geochemical and geophysical signatures from the previous exploration undertaken by BHP.

Adavale also holds exploration licences for their sedimentary uranium potential within the northern part of the highly prospective Lake Frome Embayment in South Australia. Drilling is planned for Lake Surprise in early 2023.



Tenement Holdings and Movements

Schedule of Mining Tenements and Beneficial Interests

Held as at the end of the June 2023 Quarter

Project/Location	Country	Tenement	Percentage held/earning
Kabanga Jirani Nickel Project	Tanzania	Kabanga West (PL11590/2021)	100%
		Kabanga North (PL 11405/2020)	100%
		Kabanga North East (PL 11406/2020)	100%
		Kabanga South East (PL 18602/2021)	100%
		Kabanga East (PL 11591/2021)	100%
		Ruiza NE (PL 11539/2021)	100%
		Burigi Block (PL11538/2021)	100%
		Burigi North (PL11537/2021)	100%
		Kabanga South East (PL11886/2022)	100%
		Southeast Wedge (PL12175/2023)	100%
		Luhuma Central (PL12350/2023)	100%
Luhuma Nickel Project	Tanzania	PL11692	65%
		PL11693	65%

The Company entered into a Farm-In Agreement to earn up to 100% of the Luhuma Nickel Project. The Company currently has achieved a 65% interest in the project on 8 February 2023.

Project/Location	Country	Tenement	Percentage held/earning
Nachingwea Prospect	Tanzania	PL11887/2022	100%
Lake Surprise Uranium Project	Australia	EL 5892	100%
		EL 5893	100%
		EL 6598	100%
		EL 6821	100%

Acquired during the June 2023 Quarter

Project/Location	Country	Tenement	Granted/ Acquired Date
Kabanga Jirani Nickel Project	Tanzania	PL12350/2023	May 2023

Disposed of during the June 2023 Quarter

Project/Location	Country	Tenement	Withdrawal Date
Nil			

Appendix 5B

Mining exploration entity quarterly cash flow report

Name of entity	
ADAVALE RESOURCES LIMITED	
ABN	**Quarter ended ("current quarter")**
96 008 719 015	30 June 2023

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(816)	(3,226)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(152)	(502)
	(e) administration and corporate costs	(134)	(610)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(5)	(5)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (GST (Paid)/Received)	37	(10)
1.9	**Net cash from / (used in) operating activities**	**(1,070)**	**(4,353)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	(2)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

	Consolidated statement of cash flows	Current quarter $A'000	Year to date (12 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**(2)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,032
3.2	Proceeds from issue of convertible debt securities	940	2,000
3.3	Proceeds from exercise of options	-	53
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(61)	(232)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**879**	**4,853**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,086	391
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,070)	(4,353)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(2)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	879	4,853

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.5	Effect of movement in exchange rates on cash held	(2)	4
4.6	**Cash and cash equivalents at end of period**	**893**	**893**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	893	1,086
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**893**	**1,086**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	113
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Part of Directors and CEO fees are being satisfied through the issue of Adavale fully paid ordinary shares.

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	250	75
7.3	Other (Convertible Notes)	2,000	2,000
7.4	**Total financing facilities**	2,250	2,075

7.5	**Unused financing facilities available at quarter end**	175

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Standby Subscription Agreement

The facility arrangement with LKC Technology Pty Ltd (LKC) is a 5-year agreement for $250,000 as announced on 29 April 2020, with $175k undrawn.

LKC subscribes for shares upon the Company issuing a drawdown notice. Fully paid ordinary shares are issued at 80% of the 5-day VWAP that precedes the drawdown notice.

Convertible Notes

Convertible Notes are unsecured with a term of 12 months with a face value of $10,000 each. Interest rate of 12% per annum, accrued daily and paid quarterly. Each convertible note can be converted into shares at a conversion price of 15% discount to the historical 15-day VWAP before the date of conversion, subject to the ceiling price of $0.03 each.

If not converted by maturity date, the Convertible Notes will be redeemed in full at face value per note. Noteholders can convert their notes into shares at any time after 30 June 2023. Post quarter end, 83 Convertible Notes have been converted.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,070)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,070)
8.4	Cash and cash equivalents at quarter end (item 4.6)	893
8.5	Unused finance facilities available at quarter end (item 7.5)	175
8.6	Total available funding (item 8.4 + item 8.5)	1,068
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	0.99

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

The Company currently has sufficient level of net operating cash flows.

In addition, in July 2023, the Company successfully received binding commitments to raise $2.47m. This placement is expected to be completed by 1 August 2023. The Company has also launched a 1 for 5 Entitlement Offer to raise approximately $2.1m in which the offer is underwritten to $800,000.

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

In July 2023, the Company successfully received binding commitments to raise $2.47m. This placement is expected to be completed by 1 August 2023. The Company has also launched a 1 for 5 Entitlement Offer to raise approximately $2.1m in which the offer is underwritten to $800,000.

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes as discussed above 8.8.2.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

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

Date: 28 July 2023

Authorised by: **The Board of Directors of Adavale Resources Limited**
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial

records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.