ADD
MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

3 August 2023

Dear Shareholder

ADAVALE RESOURCES LIMITED – PRO-RATA NON-RENOUNCEABLE RIGHTS ISSUE

As announced on 19 July 2023, Adavale Resources Limited (ACN 008 719 015) (**Company**) is undertaking a non-renounceable rights issue of one (1) fully paid ordinary share in the capital of the Company (**Share**) for every five (5) Shares held at an issue price of $0.019 per Share, together with one (1) free attaching option for every one (1) Share subscribed for and issued (**Option**), to raise up to $2,121,230 (**Entitlement Offer**).

The Company lodged a prospectus (**Prospectus**) with ASIC and ASX on 25 July 2023, for the following offers:

1. a pro-rata non-renounceable entitlement issue of one (1) fully paid ordinary Share for every five (5) Shares held by those Shareholders registered at the Record Date at an issue price of $0.019 per Share to raise approximately $2,121,230 (before costs) together with 1 free attaching Option for every 1 Share applied for and issued, exercisable at $0.03 per Option on or before 31 December 2025 (based on the number of Shares on issue as at the date of this Prospectus) (**Entitlement Offer**);
2. 130,000,000 Options to participants in the placement (as announced by the Company on 19 July 2023 and updated by the Company in an announcement on 21 July 2023) (**Placement Offer**); and
3. 18,000,000 Options to the lead manager of the placement and underwriter of the Entitlement Offer (**GBA Capital Offer**), (together, the **Offers**).

The Placement Offer and GBA Capital Offer are conditional upon Shareholder approval for the issue of Options under the Placement Offer and GBA Capital Offer for the purposes of ASX Listing Rule 7.1, to be sought at a general meeting (scheduled to be held on or around mid-September). No Options will be issued under the Placement Offer or GBA Capital Offer until that condition is met.

The Entitlement Offer is being made by the Company pursuant to an offer document prepared in accordance with section 713 of the Corporations Act 2001 (Cth) (**Prospectus**), which is available to be downloaded at **www.adavaleresources.com** and on ASX's website.

The Entitlement Offer is partially underwritten up to $800,000 (**Underwritten Amount**) by GBA Capital Pty Ltd (ACN 643 039 123) (**Underwriter**). The Company must pay the Underwriter an underwriting fee of 6% of the Underwritten Amount. The Company has also agreed to issue the Underwriter (or its nominee(s)) 8,000,000 Options.

The Company intends to apply the funds raised from the Entitlement Offer (less expenses) to the progression and development of the Kabanga Jirani Nickel Project in Tanzania (**Nickel Project**). In particular, the Company proposes to use the funds for the Downhole Electromagnetic (DHEM), RC and diamond drilling at the Nickel Project. The Company will also allocate funds to general working capital for administration expenses of the Company, including director fees and salaries, and other corporate expenses. For further specifics of the use of funds please refer to section 3.2 of the Prospectus.

The principal effect of the Offers (assuming all Entitlements are accepted in relation to the Entitlement Offer) and no Shares are issued including on exercise or conversion of other Securities on issue prior to the Record Date (as defined in the Prospectus), will be to:

(a) increase the cash reserves by $2,021,130 (after deducting the estimated expenses of the Offers) immediately after completion of the Offers;

(b) increase the number of Shares on issue from 558,218,340 Shares as at the date of this Prospectus to 799,862,008 Shares; and

(c) increase the number of Options from 190,659,174 Options as at the date of this Prospectus to 302,302,842 Options (not including the Options under the Placement Offer and GBA Capital Offer to be issued following receipt of Shareholder approval at the General Meeting).

Eligible shareholders

A Shareholder who has a registered address in Australia and New Zealand (**Eligible Shareholder**) will be eligible to participate in the Entitlement Offer.

As an Eligible Shareholder, you will be able to subscribe for one (1) fully paid ordinary Share for every five (5) Shares held on the Record Date, at an issue price of $0.019 per share together with 1 free attaching Option for every 1 Share applied for and issued, exercisable at $0.03 per Option on or before 31 December 2025 (**Entitlement**).

Shares issued under the Entitlement Offer will rank equally with all fully paid ordinary shares in the capital of the Company already on issue.

You should read the entirety of the Prospectus carefully before deciding whether to participate in the Entitlement Offer. An investment in the Company and participation in the Entitlement Offer, is speculative and subject to a range of risks, which are more fully detailed in section 5 of the Prospectus. If any of these risks or other material risks eventuate, it will likely have a material adverse impact on the Company's future financial performance and position.

This letter is to notify you that the Entitlement Offer is now open and you can access your personalised Entitlement and Acceptance Form at the following link: **www.computersharecas.com.au/ADDoffer**.

The closing date for the Entitlement Offer is 5.00pm (WST) on 31 August 2023.

Prospectus

This letter is not an offer document but is a notice of some key terms and conditions of the Entitlement Offer.

Full details of the Entitlement Offer are set out in the Prospectus, which has been made available to Eligible Shareholders on the Company's website. If you have opted to receive communications by post, a copy of this letter will be mailed to your address on the Company's shares register. If you have opted to receive communications electronically, you will receive an email containing a link to access an electronic copy of the Prospectus and your personalised Entitlement and Acceptance Form.

Eligible Shareholders can also access a copy of the Prospectus, Investor Presentation, and personalised Entitlement and Acceptance Form at the following link: **www.computersharecas.com.au/ADDoffer**.

Actions which may be taken by Eligible Shareholders

If you are an Eligible Shareholder, you may take any one of the following actions:

- take up all of your Entitlement;
- take-up all of your Entitlement and apply for additional New Shares under the Additional Share Facility;
- take up part of your Entitlement and allow the balance to lapse; or
- do nothing, in which case your entitlement will lapse and you will receive no value for those lapsed Entitlements.

Your entitlements under the Entitlement Offer may have value and it is important you determine whether to take up (in whole or in part) or do nothing in respect of your entitlement. There are a number of matters that you should consider in relation to taking up your entitlement. You should ensure that you understand the tax consequences of any action that you take, and you should consider seeking advice from your professional adviser.

The Entitlement Offer is non-renounceable and therefore the entitlements that you would have been entitled to, or the underlying shares that you may have subscribed for, will not be offered for sale and no amount will be payable to you. This is not an offer of new Shares to you, nor an invitation for you to apply for new Shares or new Options.

Taking up an entitlement

If you wish to take up all, or part of, your entitlements under the Entitlement Offer, please pay your application monies by following the instructions set out on the personalised Entitlement and Acceptance Form. Application Monies must be received before 5:00pm (AWST) on Thursday, 31 August 2023. Nominees must not take up Entitlements under the Entitlement Offer on behalf of, or send any documents related to the Entitlement Offer to, any person in the United States.

If you have any queries concerning the Offers, please contact your financial adviser or Leonard Math, Company Secretary, on +61 (02) 8003 6733. Alternatively, contact your stockbroker, solicitor, accountant or other professional adviser. The Company thanks you for your continuing support and encourages to your participation in the Entitlement Offer.

Yours sincerely,

Leonard Math
CFO & Company Secretary