



carnavale  
resources ltd

ABN 49 119 450 243

**AND CONTROLLED ENTITIES**

**HALF YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED  
31 DECEMBER 2017**

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

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### DIRECTORS' REPORT

Your directors submit the financial report of the group for the half-year ended 31 December 2017. The directors report as follows:

#### Directors

The directors of the Company during or since the end of the half-year are listed below. All directors were in office for this entire period unless otherwise stated.

Ron Gajewski	Chairman
Andrew Beckwith	Managing Director
Rhett Brans	Non-Executive Director

#### Results

The consolidated loss for the half-year after tax was \$207,111 (2016: \$240,587).

#### Review of Operations

Carnavale is an Australian based mineral exploration company which currently owns the Lake Roe Project, comprising one exploration license (E28/2303) located 120km ENE of Kalgoorlie, Western Australia.

#### Lake Roe Project, WA, Australia – Au (Carnavale 100%)

During the period, Carnavale continued its review of its Lake Roe Project to determine the best approach to obtain value for the Project. Activities during the period were restricted to assessment of previous exploration results with no field work undertaken. As a consequence of the review and subsequent to the end of the period, Carnavale elected to withdraw from E28/2304.

The Company is assessing all options including additional drilling, new geophysical surveys or potential joint venture or sale opportunities for the Lake Roe Project (E28/2303).

#### New Opportunities

During the period, the Company continued assessment of new opportunities including Cobalt (Co), Lithium (Li), Copper (Cu) and Gold (Au) projects both within Australia and overseas. The projects evaluated range from early greenfields exploration to more advanced resource projects with near-term resource potential or existing resources with additional exploration upside.

Although many opportunities have been assessed to varying levels of due diligence, unfortunately none of the properties to date have been progressed beyond the initial assessment and due diligence phase during this period. The Company remains highly selective on project quality and continues to be actively pursuing projects that may provide significant shareholder benefit. The primary focus remains on metals associated with the rapidly increasing demand within the electric battery sector together with the gold and copper resource sector.

The Company has sufficient funding to continue its exploration activities and proceed with new project opportunities.

**DIRECTORS' REPORT**

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**Auditor's Independence Declaration**

Section 307C of the Corporations Act 2001 requires the Company's auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on the next page and forms part of this directors' report for the half-year ended 31 December 2017.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



A Beckwith  
Managing Director  
Perth  
Dated this 6<sup>th</sup> day of March 2018

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the consolidated financial report of Carnavale Resources Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

**Perth, Western Australia  
6 March 2018**



**L Di Giallonardo  
Partner**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533

Email: [mailbox@hlbwa.com.au](mailto:mailbox@hlbwa.com.au) | Website: [www.hlb.com.au](http://www.hlb.com.au)

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**CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME**

For the half-year ended 31 December 2017

	<b>Note</b>	<b>Consolidated 6 Months Ended 31 December 2017 \$</b>	<b>Consolidated 6 Months Ended 31 December 2016 \$</b>
<b>REVENUE</b>			
Interest income		9,082	8,399
		<u>9,082</u>	<u>8,399</u>
<b>EXPENSES</b>			
Administrative expenses		(154,434)	(198,814)
Exploration expenditure impaired		(42,423)	(45,874)
Due diligence / project generation expenses		<u>(19,336)</u>	<u>(4,298)</u>
<b>Loss before income tax</b>	<b>2</b>	<u>(207,111)</u>	<u>(240,587)</u>
Income tax expense		<u>-</u>	<u>-</u>
<b>Net loss for the period</b>		<u>(207,111)</u>	<u>(240,587)</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign subsidiaries		(132)	94
<b>Other comprehensive income for the period</b>		<u>(132)</u>	<u>94</u>
<b>Total comprehensive loss for the period</b>		<u><u>(207,243)</u></u>	<u><u>(240,493)</u></u>
Basic and diluted loss per share (cents per share)		(0.04)	(0.05)

The accompanying notes form part of these financial statements.

**CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2017

	Notes	Consolidated 31 December 2017 \$	Consolidated 30 June 2017 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,217,807	1,416,372
Receivables		16,052	9,871
Other assets		3,647	8,021
<b>Total Current Assets</b>		1,237,506	1,434,264
<b>Non-Current Assets</b>			
Exploration and evaluation expenditure	3	182,005	215,538
<b>Total Non-Current Assets</b>		182,005	215,538
<b>Total Assets</b>		1,419,511	1,649,802
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		19,105	42,153
<b>Total Current Liabilities</b>		19,105	42,153
<b>Total Liabilities</b>		19,105	42,153
<b>Net Assets</b>		1,400,406	1,607,649
<b>Equity</b>			
Issued capital	4	27,400,254	27,400,254
Option reserve	5	1,462,960	1,462,960
Foreign currency translation reserve	6	18,910	19,042
Accumulated losses		(27,481,718)	(27,274,607)
<b>Total Equity</b>		1,400,406	1,607,649

The accompanying notes form part of these financial statements.

**CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the half-year ended 31 December 2017

<b>Consolidated</b>	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Option Reserve</b>	<b>Foreign Currency Translation Reserve</b>	<b>Total Equity</b>
<b>Balance at 1 July 2016</b>	26,709,760	(26,824,771)	1,462,960	19,997	1,367,946
Loss attributable to members of the parent entity	-	(240,587)	-	-	(240,587)
Exchange gain on translation of foreign operations	-	-	-	94	94
<b>Total comprehensive loss for the period</b>	-	(240,587)	-	94	(240,493)
Shares issued during the year (net)	16,862	-	-	-	16,862
<b>Balance at 31 December 2016</b>	26,726,622	(27,065,358)	1,462,960	20,091	1,144,315

<b>Consolidated</b>	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Option Reserve</b>	<b>Foreign Currency Translation Reserve</b>	<b>Total Equity</b>
<b>Balance at 1 July 2017</b>	27,400,254	(27,274,607)	1,462,960	19,042	1,607,649
Loss attributable to members of the parent entity	-	(207,111)	-	-	(207,111)
Exchange loss on translation of foreign operations	-	-	-	(132)	(132)
<b>Total comprehensive loss for the period</b>	-	(207,111)	-	(132)	(207,243)
Shares issued during the year (net)	-	-	-	-	-
<b>Balance at 31 December 2017</b>	27,400,254	(27,481,718)	1,462,960	18,910	1,400,406

The accompanying notes form part of these financial statements.



# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2017

	<b>Consolidated 6 Months Ended 31 December 2017 \$</b>	<b>Consolidated 6 Months Ended 31 December 2016 \$</b>
<b>Cash flows from operating activities</b>		
Cash payments in the course of operations	(171,001)	(243,603)
Cash payments for due diligence and project generation expenses	(27,976)	-
Interest received	9,258	8,522
<b>Net cash used in operating activities</b>	<b>(189,719)</b>	<b>(235,081)</b>
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation expenditure	(8,846)	(236,302)
<b>Net cash used in investing activities</b>	<b>(8,846)</b>	<b>(236,302)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares and options	-	1,862
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>1,862</b>
<b>Net decrease in cash held</b>	<b>(198,565)</b>	<b>(469,521)</b>
Cash at the beginning of the reporting period	1,416,372	1,399,985
<b>Cash at the end of the reporting period</b>	<b>1,217,807</b>	<b>930,464</b>

The accompanying notes form part of these financial statements.

# **CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the half-year ended 31 December 2017

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### **1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Statement of compliance**

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by Carnavale Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

#### **Basis of preparation**

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

#### **Significant accounting judgements and key estimates**

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2017.

#### **Accounting policies and methods of computation**

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

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### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - continued

#### Standards and Interpretations applicable to 31 December 2017

In the half-year ended 31 December 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2017.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to Group accounting policies.

#### Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations on issue not yet adopted that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 January 2018.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Company and therefore no material change is necessary to Group accounting policies.

### 2. LOSS BEFORE INCOME TAX EXPENSE

	<b>Consolidated 31 December 2017 \$</b>	<b>Consolidated 31 December 2016 \$</b>
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Revenue		
Interest received	9,082	8,399
Total	<u>9,082</u>	<u>8,399</u>
Expenses		
Impairment of capitalised exploration expenditure	(42,423)	(45,874)

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

### 3. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 31 December 2017 (6 months) \$	Consolidated 30 June 2017 (12 months) \$
Costs carried forward in respect of areas of interest in the following phases:		
<b>Exploration and evaluation phase – at cost</b>		
Balance at 1 July	215,538	30,627
Expenditure incurred	8,890	230,785
Exploration expenditure impaired	(42,423)	(45,874)
Balance at end of period	182,005	215,538

The impairment of exploration expenditure in both periods relates to carried forward expenditure in respect of relinquished tenements.

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas.

### 4. ISSUED CAPITAL

	Consolidated 31 December 2017 \$	Consolidated 30 June 2017 \$
<b>(a) Issued and paid-up share capital</b>		
571,999,560 (30 June 2017: 571,999,560) ordinary shares, fully paid	27,400,254	27,400,254

*There were no movements in Ordinary Shares during the period.*

#### (b) Share options

Exercise Period	Exercise Price	Opening Balance 1 July 2017 Number	Options Issued Number	Options Exercised/ Expired Number	Closing Balance 31 December 2017 Number
On or before 30 December 2019	\$0.02	60,000,000	-	-	60,000,000
<b>Total</b>		60,000,000	-	-	60,000,000

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

### 5. OPTION RESERVE

	<b>Consolidated 31 December 2017 \$</b>	<b>Consolidated 30 June 2017 \$</b>
Option Reserve	<u>1,462,960</u>	<u>1,462,960</u>

The option reserve represents amounts received in consideration for the issue of options to subscribe for ordinary shares in the Company and the value of options issued to third parties for services rendered.

### 6. FOREIGN CURRENCY TRANSLATION RESERVE

	<b>Consolidated 31 December 2017 \$</b>	<b>Consolidated 30 June 2017 \$</b>
Foreign currency translation reserve	<u>18,910</u>	<u>19,042</u>

The foreign currency translation reserve is used to record exchange differences from the translation of the financial statements of foreign operations.

### 7. COMMITMENTS AND CONTINGENT LIABILITIES

There has been no change in the commitments and contingent liabilities since the last annual reporting date.

### 8. EVENTS OCCURRING SUBSEQUENT TO BALANCE DATE

In February 2018, the Company, having completed a review of the project potential for defining a gold resource at E28/2304, elected to relinquish the tenement. Expenditure carried forward in respect of this tenement has been fully impaired at balance date.

Other than identified above, no other matters or circumstances have arisen since 31 December 2017 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial periods.

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

### 9. SEGMENT REPORTING

The directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded that, during the period, Carnavale operated in the mineral exploration industry and conducted investing activities in Australia.

	Investing	Mineral Exploration	Eliminations	Consolidated
	\$	\$	\$	\$
<b>31 December 2017</b>				
<b>Business segments</b>				
<b>Revenue</b>				
Other external revenue	9,082	-	-	9,082
Total segment revenue	9,082	-	-	9,082
<b>Results</b>				
Operating loss before income tax	(140,978)	(66,133)	-	(207,111)
Income tax expense				-
Net loss				(207,111)
<b>31 December 2017</b>				
<b>Assets</b>				
Segment assets	1,237,506	182,005	-	1,419,511
<b>Liabilities</b>				
Segment liabilities	19,061	44	-	19,105
	Investing	Mineral Exploration	Eliminations	Consolidated
	\$	\$	\$	\$
<b>31 December 2016</b>				
<b>Business segments</b>				
<b>Revenue</b>				
Other external revenue	8,399	-	-	8,399
Total segment revenue	8,399	-	-	8,399
<b>Results</b>				
Operating loss before income tax	(179,921)	(60,666)	-	(240,587)
Income tax expense				-
Net loss				(240,587)
<b>31 December 2016</b>				
<b>Assets</b>				
Segment assets	962,806	215,096	-	1,177,902
<b>Liabilities</b>				
Segment liabilities	33,543	44	-	33,587

### 10. FINANCIAL INSTRUMENTS

The method and valuation techniques used for the purpose of measuring values are unchanged compared to the previous reporting period.

The carrying amount of the current receivables and current payables are considered to be a reasonable approximation of their fair value.

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' DECLARATION

31 December 2017

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In the opinion of the directors:

- (a) the financial statements and notes of the group, as set out on pages 5 to 13, are in accordance with the Corporations Act 2001 including:
  - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year then ended; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.



A Beckwith  
Managing Director

Dated at Perth this 6<sup>th</sup> day of March 2018

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Carnavale Resources Limited

**Report on the Condensed Half-Year Financial Report***Conclusion*

We have reviewed the accompanying half-year financial report of Carnavale Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Carnavale Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533

Email: [mailbox@hlbwa.com.au](mailto:mailbox@hlbwa.com.au) | Website: [www.hlb.com.au](http://www.hlb.com.au)

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*HLB Mann Judd*

**HLB Mann Judd**  
**Chartered Accountants**

**Perth, Western Australia**  
**6 March 2018**



**L Di Giallonardo**  
**Partner**